

**HEARING OF THE SENATE SELECT COMMITTEE ON INTELLIGENCE
PROGRESS ON INTELLIGENCE REFORM**

WITNESSES:

Ambassador Patrick Kennedy, Deputy Director of National Intelligence for Management;

Mrs. Mary Margaret Graham, Deputy Director of National Intelligence for Collection;

Dr. Thomas Fingar, Deputy Director of National Intelligence for Analysis & Chairman, National Intelligence Council;

Maj. Gen. Dale Meyerrose (Ret.), Associate Director of National Intelligence & Chief Information Officer;

Mr. Mark Ewing, Principal Assistant Deputy Director of National Intelligence for Customer Outcomes (Requirements);

Ms. Susan Reingold, Deputy Program Manager for the Information Sharing Environment.

CHAIRLED BY: SENATOR JOHN D. ROCKEFELLER IV (D-WV)

LOCATION: 216 HART SENATE OFFICE BUILDING, WASHINGTON, D.C.

TIME: 2:30 P.M. EST

DATE: TUESDAY, JANUARY 23, 2007

SENATOR JOHN D. ROCKEFELLER (D-WV): Ladies and gentlemen, thank you very much, and the absence of all but the two most distinguished members of the committee should not deter you. It's simply that we have, in the ways of the Senate, a vote at 2:45, and Kit Bond has graciously agreed to wait there, so when I go down to vote, he will come back and we will be, as they say, seamless. So be tolerant of the institution to which you are speaking.

SENATOR JOHN WARNER (R-VA): (Off mike.)

SEN. ROCKEFELLER: Huh?

SEN. WARNER: Which side of this seat am I on?

SEN. ROCKEFELLER: (Chuckles.) No, you're the distinguished part.

SEN. WARNER: (Off mike.)

SEN. ROCKEFELLER: Just over three - I'll give my statement, okay, and then I'll go and - no, Senator Bond will do it when he comes back.

Just over two years ago, Congress passed and the President signed the Intelligence Reform and Terrorism Prevention Act, which was a big deal for us. A lot of people had a lot of different ideas. It was finally cobbled together in the Government Affairs Committee, and I thought it was -- they did a very, very good job of it - Susan Collins and Joe Lieberman. This was

historic legislation, adopted in response to recommendations of the 9/11 Commission, and influenced in no small measure by the findings of this committee's investigation into flawed intelligence in Iraq's weapons of mass destruction.

The legislation was intended to strengthen the management of the U.S. Intelligence Community by putting in place a Director of National Intelligence separate from the management of the Central Intelligence Agency, who, with enhanced authorities, would bring about a new unity of effort and purpose against threats to our national interest and homeland security.

After two years, it is appropriate that the Senate Intelligence Committee take stock of the implementation of the Intelligence Reform Act. We need to understand what has been accomplished, what remains to be accomplished, and what changes to the law are warranted in light of the experience of the past two years. This is an open hearing, and it's an open hearing because it should be.

The central question before us today is whether the promise of intelligence reform has been fully realized. Intelligence is our first line of defense against threats to our national interest. I can hear those words coming out of John Warner's mouth, and they are. You really can't do much of anything these days without the right intelligence. And as the committee's worldwide threat hearing on January 11th made very plain, the threats we face now as a nation are serious, persistent and complex and growing.

Today, we are focusing on the Office of the Director of National Intelligence itself, and an examination of the consolidated budget and personnel authorities we vested in the director position. On Thursday we will hold a second, low and behold, open hearing devoted to the examination of the implementation and reforms at the Federal Bureau of Investigation and the Department of Homeland Security.

In addition, the administration witnesses today, we will on Thursday receive testimony from outside experts and examine whether we have made progress since 9/11 in strengthening our domestic security programs and then sharing information with state and local law enforcement and security officials.

While Ambassador Negroponte is unable to appear, understandably, at today's hearing, I look forward to hearing from our witnesses - senior officers all - with long careers in public service who have been personally responsible for the developing and carrying out of DNI initiatives in the areas of collection, analysis, information sharing and management.

I believe it is fair to say that the committee recognizes the implementation of the Intelligence Reform Act, and reform in general, is a work in progress. After that short amount of time, how could it be anything else than that, taking place during the wars in Iraq and Afghanistan with a multi-menu of threats from elsewhere, and the continued global efforts against al-Qaeda and other terrorist threats. Yet, even as some reforms may take years to come to fruition, we will be asking our witnesses to address whether the pace of reform reflects the urgency with which we were called to action two years ago.

We also acknowledge that the Congress and the President did not give the DNI monolithic powers, or place them in charge of an intelligence

department, but we will explore whether the DNI has used the powers assigned to the office as vigorously as the law allows, and if not, why not? As I say, we are prepared to look at everything and to act wisely. That was, after all, a bill that came out rather quickly. We're not a font of wisdom in the Congress about all matters that are going to confront us, and therefore we need to be open to your ideas and our ideas of what could make it better.

In addition, while progress has been made to develop strategies and set uniform intelligence standards, there is a concern on the committee that these high-level efforts have not yet made a difference at the agency or field level. We will want to identify what obstacles exist to achieving reform, and how best to fix them.

Finally, the fiscal 2008 budget that is about to come up to Congress will be the first that the Director of National Intelligence has had a chance to build from scratch. We look forward to hearing from our witnesses and how the director's office carried out the budget formulation process, and what ways the end products reflect his priorities. I do not now turn to Chairman Bond for any statement he would care to make, because I'm going to go down and vote. And John Warner, the distinguished former chair, and only most recently ranking member of the Armed Services Committee, and Diane Feinstein who is on all committees involved in all matters, may have things they wish to say. And if they wish to, they are free to do so. I will depart.

SENATOR JOHN WARNER (R-VA): I would like to avail myself of this opportunity to propound some questions. But first off, I want to thank each of you for your extraordinary public service. You labor quietly without, hopefully, as much spotlight as you can possibly avoid, and I think do a very effective job.

I've known Ambassador Negroponte for many years. We've been personal friends and colleagues in the professional world. I think he's done an extraordinarily fine job, and while I'm pleased that he's going to take on this post at the State Department, I do wish he'd had a little longer to sort of lay a firmer foundation which he has started, but I guess as yet has not completed.

I'd like to ask the following questions. I was intrigued over the Sunday talk shows when Speaker Gingrich got up and -

SEN. ROCKEFELLER: Senator, if I could be so rude, would it be possible to save questions until after the statements have been given, and particularly after -

SEN. WARNER: Well, I didn't know we were all making statements. I thought the Chairman and the ranking made them -

SEN. ROCKEFELLER: That's all. That's all, but then because you two are here, I thought it would be fine to have you make statements. But I think questions ought to be reserved until the entire committee can hear them.

SEN. WARNER: Well then, Mr. Chairman, I'll just have to submit these questions for the record.

SEN. ROCKEFELLER: No, no. Oh, you can't stay?

SEN. WARNER: No, I cannot stay, regrettably. So, I'll do whatever the chair wishes, but it seems to me -

SEN. ROCKEFELLER: Well, why don't you read them - why don't you read them into the record so they can be thinking about them?

SEN. WARNER: (Sighs.) Well, that's a - in my 29 years, a new first, but here we go.

Speaker Gingrich said that he felt that perhaps the progress thus far of your organization had achieved but 10 percent. The record will show accurately what he said. He further stated that the intelligence reform must be centered on the performance metrics that should be used to define success. So my question to you is, when the office of DNI began the process of reform two years ago, what metrics or benchmarks did or did you not establish as markers of success or failure to reach your goals?

Has the ODNI identified benchmarks that must be achieved by individual intelligence agencies? If so, what are those benchmarks in the areas of HUMINT and SIGINT and analysis?

How far toward achieving those benchmarks have you come in these years in your judgement? And do the same benchmarks remain relevant, or do you need to adjust for the years ahead?

Now, to the national HUMINT manager. A key figure of the intelligence reform bill was the separation of the head of the intelligence committee from the management of CIA. Congress recognized the wisdom of the 9/11 commission when it said that, quote, "the CIA will be one among several claimers for funds in setting national priorities. The National Intelligence Director should not be both one of the advocates and the judge of them all." End quote.

This principle would seem to apply to the adjudication of HUMINT issues, and conflicts in the Intelligence Community if the CIA remains both the national HUMINT manager and one of several HUMINT collectors. My question, particularly, would be to our distinguished witness, Mrs. Graham. What is the division of labor between your responsibility as Deputy Director of National Intelligence for Collection and the responsibilities of the Director of CIA as the national HUMINT manager. How are you able to insure that HUMINT issues, such as information access, are being adjudicated fairly and in the best interests of the nation, not in the parochial interests of one agency?

How has the establishment of the national clandestine service, with the CIA as national HUMINT manager, improved the collection and sharing of human intelligence?

Now, to the Intelligence Community's support to the President's Iraq plan. The ultimate goal of the 9/11 Commission recommendations, the WMD Commission recommendations, and the Intelligence Reform and Terrorism Prevention Act is to provide the best possible intelligence to policymakers so that the President and members of Congress can make informed, foreign policy and national security decisions. Since the President announced his Iraq plan early this month, that was on the 10th of January, I've taken the opportunity during numerous briefings and hearings - both at the White House

and here in the Congress, and I commend the President for the hard work that he and his various agencies and departments put in to devising the plan which he announced on the 10th of January.

I respectfully have some differences with that plan. Those differences were put into the record last night by way of a resolution, which I feel is not confrontational, but I put it in because the President specifically said on 10 January, if members of Congress had their ideas, they would be considered. It's in the record, exactly what he said.

So the question I have - I believe important strides have been made towards intelligence reform, but it's the Intelligence Community - it's incumbent upon the Intelligence Community to provide its best assessment of the Malaki government chances for success under this program. It is the central, core issue, in many respects, of this program. And I would hope that we could get some public testimony on that today.

Now I further understand, and I repeatedly advised my colleagues at the Armed Services Committee some four, five or six months ago in its authorization bill -- specifically requested that the Intelligence Community perform a current national estimate, an NIE - National Intelligence Estimate - on the situation in Iraq. And here we are with the President's programs laid down. We're about to go into a considerable debate, which I think is important for the nation, and yet this document is continuing to be worked on. And in all probability will come out after the Congress has finished its debate and the Congress may or may not - I'm not here to predict - vote on one or more resolutions without the benefit of having seen that very key document.

My understanding that it's a work in progress and that it possibly will be released, in a classified form, to the administration and to the Congress in response to the committee on which I once chaired request in the area of the last week of this month, or the first week or so in February. But that's important.

And the last question. In its December 2006 report, the Iraq Study Group said that our Intelligence Community does not have a good strategic understanding of the Iraq insurgency or the role of the militias. As our nation debates the best strategy to achieve a stable and secure Iraq, the Iraq Study Group's assertion is of concern to me. We must have solid intelligence, both tactical and strategic, if any plan is to succeed in Iraq. The ISG, that's the Iraq Study Group, recommended that the DNI devote greater analytic resources to these issues. I wanted to give you an opportunity today to comment on the Iraq Study Group's assertion here, and let the Senate have the benefit of that response as it is on the verge of these historic debates.

Those are my questions.

SEN. ROCKEFELLER: And Senator Warner, I will commit to you that I will ask at least one of those, perhaps more, and my first choice would be the Malaki one. But I will ask that on your behalf.

SEN. WARNER: All right. The vote is underway, so you best get on your on to your -

SEN. ROCKEFELLER: I'd best get on the way.

SENATOR DIANNE FEINSTEIN (D-CA): If I might -

SEN. ROCKEFELLER: No questions.

SEN. FEINSTEIN: I would, if I could, Mr. Chairman, like to make just a few brief remarks. There are three of us that also sit on Defense Appropriations - Senator Bond, Senator Mikulski and myself. Presently, Intelligence Committee staff have no access to the intelligence budget as it goes through defense approps. What we get is essentially as one-page black budget. It is really inadequate.

Senator Bond and I have been making a request that we be able to have our staff have access to the budget. I think it's important. I think the Intelligence committee's views on the budget are relevant. That's one point I would like to make.

Secondly, I have been very disappointed in the DNI. And not the individual, but in the exercise of the position. I was one of the very first to propose legislation, when Senator Graham was chairman of this committee, for a DNI. And the way I envisioned it was one person who would be able to bring together periodically all of the chiefs of all of the different departments and divisions, to really develop a sense of team. And as is, became so critical and so evident in the Iraq NIE, the faultiness of the Iraq NIE to really take a look from the top, at the analytical aspects of how this intelligence was done, see that the changes were made and report regularly to this committee.

I have been very disappointed that the DNI has not been really available and present and around. And that's - I'm just going to say it - was certainly not my view of what a DNI should be. I happen to believe it was a mistake to prohibit co-location in the authorization bill, and I will seek to change that. I believe to have a DNI out at Bolling makes no sense. The DNI should be close to the agencies - able to inter-relate with the agencies. And I think because there's not a lot of territorial imperative in all this right now, we have a new head of service in terms of General Hayden, General Alexander, General Clapper - other things that are happening that we have the opportunity now to make some of those changes. But I don't think we can have a DNI that is essentially isolated from the day-to-day operations of the community. Thank you.

SENATOR RON WYDEN (D-OR): As you can all tell, we have a hectic schedule, and you are going to have senators coming back and forth. But there were two points that I wanted to make before I ran off, and I want to pick up on comments made by both Senators Warner and Senator Feinstein.

I think if you look back at NIEs when the administration wants to get them up here, in 2002, there was a National Intelligence Estimate that was put together in something like three weeks. It was done quickly and it was done before there was a key vote. What is so troubling to all of us now is we are not going to get a relevant new National Intelligence Estimate until well after the United States Senate casts critically important votes. That is not acceptable. To have the maximum value of the intelligence that is furnished to us, it has got to be made available in a timely kind of way, and I have just cited my concern with a specific example.

One other point that I hope that the committee will be able to get into with you is yesterday the Congressional Quarterly reported that the chiefs of the CIA's Baghdad stations, quote, "presides over hundreds of operatives who cannot speak the local language or go anywhere. Now I know in an open session, it is not possible to go into a full-fledged response with respect to every aspect of an article like this, but I do think that it is critical that this office lay out for this committee what the various intelligence agencies are doing to hire people who possess the essential language capabilities, technology, and key kinds of skills.

And I have heard all about strategic plans and the like, but it doesn't seem to be happening. And to have the chief of the CIA's Baghdad station say yesterday to authoritative publications that they don't have people there who can speak the local language is exceptionally troubling. I mean, that is a real wakeup call to have someone like the chief of the CIA Baghdad station make that comment, and we need to know how the DNI is addressing it.

Mr. Chairman, we are going back and forth so we're glad you're here.

SENATOR KIT BOND (R-MO): Thank you very much, Senator Wyden. Sometimes even the best-laid organization does not work properly. I had understood that Chairman Rockefeller was going to start it off and we were going to play a tag team. I know you haven't given your opening statements, but for better or for worse, I'm going to give an opening statement, and then call on our witness who is to give an opening statement, and then we may get back into a regular flow because I'm sure that Chairman Rockefeller and others will be back. This is a very important hearing. I'm delighted that it has been called for today.

You know, looking back on the history of this for a minute, Congress passed the National Security Act of 1947 in response to the devastating attacks on Pearl Harbor, and the numerous operational issues in World War II. Within a decade, it was apparent that the reform had not solved the problems, and Congress passed a series of reforms in the 1947 act in 1958.

Then on the military side, problems in inter-service coordination in Vietnam, the failed Iranian rescue mission in 1980, and the problems that surfaced in the 1983 operations in Grenada, led Congress to enact the 1986 reforms known as Goldwater-Nichols. It took nearly 40 years from the original passage of the National Security Act to adjust its organizing legislation to facilitate operations to meet the challenges of the times.

Unfortunately, we did not apply the same rigorous analysis to the difficulties within the Intelligence Committee during that time period, and I believe there was a fundamental reason for this. During the Cold War, the primary responsibility for the IC was to provide the U.S. with strategic warning against the 70 - against the Soviet Union with 20,000 nuclear warheads. The tragic events of 9/11, combined with proliferations of weapons of mass destruction to rogue and perhaps non-state actors has changed this forever. We just don't have the luxury of 40 years to get it right.

And Ambassador Negroponte spoke recently in a meeting of several remaining challenges: more diverse recruitment in the workforce, increased foreign language training and education in foreign language, improved data collection and collaboration between analysts and connect the collectors, and continue the improvement through community integration.

I agree 100 percent, but I would add more. First is improved human intelligence - it doesn't necessarily mean more human intelligence, but it certainly has to be better. The committees, Iraq WMD report, as well as the WMD Commissions report, described the role that poor HUMINT played in the Iraqi intelligence failures - included lack of collection, over alliance on liaison, and other country services, lack of trade craft standards, and lack of information sharing.

We have to improve our HUMINT by bringing in more people who are able to fit in and speak the language of target countries. We need to improve their cover mechanisms. And we need to have better utilization of commercial operations. Frankly, I don't believe the establishment of the National Clandestine Service has solved these problems. The sharing of source information has only marginally improved, it appears to us, and largely only to those analysts who work for the CIA.

Testimony that we have received from National Clandestine Service officer suggest there is no intent to expand access to certain information to analysts outside the CIA. That has to change, friends. The IC's best analytic judgment will only come from analysts who have immediate access to all information they need. But better information sharing alone won't guarantee correct access. Better analytic tradecraft, combined with a willingness to challenge assumptions rigorously must be the norm rather than the exception.

Now, analysts have worked hard in past years to make sure the Iraqi WMD mistakes are not repeated. I commend them for their efforts. We are talking not about failure of the many dedicated people who have worked in the IC; we are talking about proving the system so that it works better. But everybody in the community must continue to question and challenge the community's analytic products and briefings.

And yet at the same time, analysts must be fully supported when they speak truth to power. Our analysts must take into account the ideological war that we are in today, and focus on understanding the beliefs that undergird militants - analyzing how and why individuals turn militant so that recommendations can be made for counting that process.

I believe, as so many people have said, that the battle against an ideological foe is 20 percent kinetic and 80 percent ideological, and I think we're doing the kinetic part pretty well; we need to do it better, but we also need to focus on the 80 percent that is ideological.

I'm also concerned about the community's financial management. In 1990, Congress passed the Chief Financial Officers Act, which set out the goal of all departments and agencies having auditable financial statements. It is 2007, and as best we know, not one, none, zero, of the IC agencies can give us an unqualified financial statement. If I'm wrong, please inform me; I would love to be proven wrong. In other words, they can't tell us where the money goes after we give it to you. I think the taxpayers want us to fix that.

Finally, let me focus on the problem of leaks. While it is not a reform issue, we all know that leaks cost us dearly. Probably the most succinct statement on the leaks that have occurred recently came from the now Director of CIA, General Michael Hayden, when he came before this committee. And I asked him about the leaks, and that was before the leak of the

terrorist financing - terrorist financing tracking system came out. And he said, and I quote, "We are now applying the Darwinian theory to terrorists; we are only catching the dumb ones."

Well, it's imperative we take steps to reduce the incentive for people to provide classified materials to those who have no need to have it. I would like to see people in orange jumpsuits, but at the very least, there needs to be a change in the culture that it is no longer acceptable to take classified information, leak it, and then move to some post in the outside world where one can profit from it.

With that, if nobody has objection, I would like to introduce our witnesses: Mrs. Mary Margaret Graham, Deputy Director of National Intelligence for Collection; Ambassador Patrick Kennedy, Deputy Director of National Intelligence for Management; Dr. Thomas Fingar, Deputy Director of National Intelligence for Analysis; and General Dale Meyerrose, Chief Information Officer for the Intelligence Community; Mr. Mark Ewing, Deputy to the Deputy Director of National Intelligence for Requirements; Mrs. Susan Reingold, Deputy Program Manager of the Information Sharing Environment.

And with that, I would ask - I assume that you have a batting order that you would like to follow, and I would invite you to follow that order, and offer your comments.

MARY MARGARET GRAHAM: Mr. Vice Chairman, there is just one opening statement.

SEN. ROCKEFELLER: Just one? Every director - well, that - okay, thank you.

MS. GRAHAM: Chairman Rockefeller, Vice-chairman Bond, members of the committee, you know the director would have liked to have been here today, but unavoidably could not, so he sent the six of us.

It is our pleasure to speak to you today about the progress the United States Intelligence Community has made during the two years since the Congress enacted and the President signed the Intelligence Reform and Terrorism Prevention Act of 2004, or as we call it, IIRTPA.

Over the last two years, the Intelligence Community has achieved good results through a concerted effort to integrate itself more tightly, share information more freely, coordinate actions more efficiently, define priorities more clearly, and align resource expenditures against those priorities more strategically.

The ODNI has led the IC to improve the security of the United States and to advance important national interests by implementing both IIRTPA and the recommendations of the WMD Commission that were accepted by the President. The work of the ODNI has enhanced the Intelligence Community's ability to support policymakers, diplomats, warfighters, and even law enforcement officers. We will ensure this progress continues, but - candidly - what you'll hear is reform in action, and more time will be needed to fully achieve the goals of IIRTPA.

This reality provides the context for understanding the developments I would like to briefly discuss today. To frame our assessment of intelligence reform, we would like to focus on structural change, on analysis, on

collection, on management, on requirements, on science and technology and the information enterprise.

Let me begin with structural change, a great deal of which has occurred within the IC during the past two years. We have taken IRTPA's call for a strong national counterterrorism center and made it a reality. The NCTC stands today at the center of the intelligence contribution to the war on terror. It draws on and shares information from thirty different intelligence networks, including foreign and domestic threat information. It convenes coordination meetings across the government three times a day on terrorist threats. It guides the counterterrorism analytic workload across the IC.

Finally, when events mandate, it becomes a hub for critical intelligence support to our nation's leader, as they did last summer when the British thwarted the civil aviation plot in London.

IRPTA also focused on the FBI's contribution to national intelligence. The FBI's senior leadership, under Director Muller, has embraced this mandate in the establishment of the National Security Branch to bring together under one umbrella the FBI's counterterrorism, counterintelligence, WMD, and intelligence programs.

The WMD Commission also emphasized - as you have -- the critical contribution HUMINT plays in preserving national security, and called for increased interagency HUMINT coordination, better and more uniform tradecraft standards, and increased joint training. This led to another major structural change in U.S. intelligence, as the CIA was directed by the President to establish the National Clandestine Service. These two changes -- the NCS and the NSB -- were major events, strengthening our human intelligence effort both at home and abroad.

Additional structural innovations include the creation of the National Counterproliferation Center, and the appointment of a MASINT Community Executive, and the establishment of the DNI's Open Source Center, under the executive agency of CIA.

Let me now turn to collection and analysis. Virtually every observer of the Intelligence Community has emphasized the critical interdependence of collection and analysis, as well as the need to continuously improve finished intelligence products through better methodology, more outreach, more alternative analysis, and more transparent sourcing.

If we are going to solve the most difficult intelligence challenges, our analysts and collectors must work hand-in-glove. And they are doing that, precisely in terms of attacking the priority hard targets; for example, Iran and North Korea, just to name two.

As Deputy Director of National Intelligence for Collection, my task is to rebalance, integrate and optimize collection capabilities to meet current and future customer and analytic priorities. Collection is by far the most expensive activity undertaken by the Intelligence Community, but I would suggest to you it is also what gives the IC its comparative advantage in protecting the nation.

To enhance this collection enterprise, we initiated a process to develop a capability-based, integrated collection architecture, which will

guide future investment decisions and address shortfalls in the nation's current intelligence capabilities. We have begun to identify these shortfalls as well as areas of emphasis and de-emphasis, as you will see addressed in the President's budget.

By the same token, under the leadership of my colleague, the Deputy Director of National Intelligence for Analysis, we have taken many steps to bring analysts closer together. Among many other things, we established the Analyst Resources Catalog, otherwise known as the analyst yellow pages. We established a Long-Range Analysis Unit to stimulate focus on over-the-horizon issues. We have launched several initiatives to strengthen the quality and ensure the integrity of IC-wide analytic practices. And we are establishing activities to ensure that the rich diversity of expertise resident both within and outside the community is brought to bear on our analytic product.

Let me add one final word on collectors and analysts working together. We are pleased with a new model we've developed to assess and then task the agencies of the IC lift and shift collection and analytic resources when we are faced with new and emerging crises.

We used this process effectively for the first time last summer during Lebanon's crisis, and we are using it today against both crises in Darfur and Somalia.

Let me now turn to management. The Deputy Director of National Intelligence for Management supervises activities that ensure the ODNI and the IC have the tools and the guidance they need to do the work. This begins with the National Intelligence Strategy.

The principle underlying the first-ever National Intelligence Strategy is the transformation of the community through the integration of its functions. The strategy's five mission objectives and ten enterprise objectives have been translated into strategic implementation plans, which the DNI approved in July of 2006, and now into program and budget decisions.

The ODNI is making frequent use of the new budgetary and acquisition powers granted by the IRTPA to manage and shape the community. Indeed, the Fiscal Year 2008 program build is critical. As you have noted, it marks the first one that the DNI has led at all steps of the process.

The DDNI/M's remit also includes security, training, and human capital, all of which are vital to the success of the IC of the future. We have made strides toward making the community one that not only wins the war for talent while making the most of America's diversity, but grows and retains a corps of motivated, collaborative, and expert professionals.

Working closely with agencies and departments across the Community, our Chief Human Capital Officer has, for example, completed the first strategic plan for human capital for the IC; completed policy that will make joint duty a prerequisite for promotion to senior levels of the IC; and promoted development of modern, performance-based compensation policies for civilian employees of the IC that will be completed over the next two years.

Now let me speak briefly about the Deputy Director of National Intelligence for Requirements, who is responsible for ensuring the IC - and all of us - understand and is working to address the full range of customer needs. Working closely with the National Security Council, we have revamped

the national intelligence priorities process to be effective in conveying to the community the nation's highest priority national intelligence needs. Updated semi-annually by the NSC and approved by the President, the national intelligence priorities better focus the IC's collection and analytical effort than in the past. There is close, continuous, and more formal interaction with senior customers to better understand their needs and ensure those needs drive the community's priorities.

Requirements also completed the first-ever inventory of all U.S. intelligence foreign liaison relationships, and we are using this knowledge to maximize the reach of the community to benefit the nation and the community as a whole.

Finally, Requirements also partners with the private sector to gain a hands-on perspective on the international environment that often is unavailable anywhere else. A number of respective groups are working with use to sponsor private sector firms' participation in unclassified fora to discuss foreign matters of interest.

Science and Technology. In the age that we live in of globalization that closely reflects developments in science and technology, intelligence reform would have dim prospects of success if it did not ensure our competitive advantage in the realm of S&T. As in all of our reforms, S&T change cannot be effected overnight, but that is precisely why our associate director for S&T has chosen speed as the first of his cardinal values; the other two being surprise and synergy.

Speed is exemplified by agile, flexible, proactive, and rapid responses to new threats and opportunities, and at low cost. Surprise includes new sources and methods, disruptive technologies, counter-denial and deception, and revolutionary approaches. We have laid the groundwork for an IC version of DARPA, which we are calling IARPA, to nurture good ideas for sharing and growing S&T expertise within the community.

Synergy means connecting the dots, forming informal networks and finding innovation at the crossroads of technologies. It is an understatement to say that the fastest way to increase the value of intelligence is to share it for collaboration and make it accessible for action.

Each IC agency and department, as you know, operates on legacy systems that were planned, and in many cases, deployed long before the Internet age. Enabling these systems to communicate has proved daunting. Solutions in the information-sharing field involve policy changes to enable sharing information, not only internal to the community, but with non-Federal partners and the private sector.

Two senior officials - the DNI's CIO and the Program Manager for Information Sharing - have accomplished a great deal toward both of these ends. Under their leadership we have implemented a classified information sharing initiative with key U.S. allies. This was stuck for a long time. We got it unstuck through some hard work by both of these people.

We've developed and rolled out an electronic directory service - a virtual phone book for terrorism information for those that have counterterrorism responsibilities across the U.S. government.

We've released the Information Sharing Environment Implementation Plan and Presidential Guidelines on Information Sharing. These two documents provide the vision and the road map for better information sharing within the Intelligence Community with our Federal, state, local, and tribal counterparts, as well as with the private sector. We've insisted that all significant IT deployments in the community be consistent with a common IC enterprise architecture. We've established a joint office with the Department of Defense CIO for managing the development and provision of cross-domain solutions that enable the national security systems to move information between networks operating at different security classifications.

These are just a few examples of the relentless problem-solving approach to information sharing and access that empowers everyone in the IC and everyone with whom the IC shares goals, objectives and information.

In conclusion, Mr. Chairman, and members of the committee, we have done much to make America safer from the very real threats that menace our fellow Americans, our values, and our friends and allies around the world. The Intelligence Community and the ODNI have embraced the reforms of the past two years and are implementing them, resulting in improvements across the enterprise that is the U.S. Intelligence Community.

By its nature, reform and the integration of the IC will be a long process -- that's why I said what you are seeing is reform in action -- but its benefits are already being realized and creating increased support among agencies and their customers to continue efforts accelerating the pace of reform.

With that, we would be pleased to take any questions that you have.

SEN. ROCKFELLER: Thank you very much indeed, and I apologize for the comings and goings, but that should be all for the time being.

The - I want to address this to Ambassador Kennedy and other DDNI management. The - one of the greatest challenges facing Congress in this past year - in drafting the Intelligence Reform and Terrorism Prevention Act - was how to in fact balance successfully the establishment of a unified intelligence effort within the DDNI, within - but that also that included those within the Department of Defense. That was touchy; a lot of arguments ensued - all of this with the continuing requirement that the combat support agencies be able to respond to the needs of their military commanders.

Now I myself think it worked out rather well, but I don't know how you feel. First of all, does the Director of National Intelligence need stronger budget and personnel authorities than those granted to him in the reform act?

MR. KENNEDY: Well, sir, I don't believe that in the budget and personnel arena that we need stronger authorities. You have given - and it's written into the legislation that the Director of National Intelligence determines the National Intelligence budget, and I believe that he has done so for FY07 and that the budget that will be sent up here on the 5th of February will reflect his determination of what the budget should be.

In the personnel arena, I believe his authorities to move personnel, his authorities to establish policies and standards and procedures are sufficient, and the steps we've already taken, such as in the area of joint duty I think reflect that.

SEN. ROCKEFELLER: I thank you. Secondly, how is the DNI's office balanced - how have they balanced the separate requirements of the military and the national consumers of intelligence in terms of building budgets, tasking collection systems and providing analytical supports? That's more of a technical question, but it's an important one.

MR. KENNEDY: I think, first, we have built, over the course of the existence of the DNI, a very, very close and positive working relationship with the Office of the Secretary of Defense. My office on the budget side regularly interrelates with the undersecretary of Defense for Intelligence's office, and we work on NIP issues that are of interest to the war fighter, and we also have significant input into what DOD puts into its military intelligence budget.

We have regular series of meetings, but since the question then morphs into the area of tasking analysis, let me ask my two colleagues, Ms. Graham and Mr. Fingar, to deal with the issues of collection and analysis to add and amplify, if that's permissible.

SEN. ROCKEFELLER: Please.

MS. GRAHAM: Senator, I'd give you two examples from a collections standpoint.

The building of what I referred to as the integrated collection architecture - when that thought came to be laid on the table last year, Dr. Cambone and I spent a lot of time talking about the theory behind identifying the needs of the nation for intelligence capabilities. That resulted in that process being done collectively - NIP programs and MIP programs, capabilities that the nation needed no matter the war fighter or the diplomat. And so that picture of integrating, I would give us a B+ in our first year of effort at that.

Another: When the department - when Dr. Cambone and the former secretary decided to establish Joint Intelligence Operations Centers - JIOCs -- one of the issues for the defense JIOC which resides here in Washington, it is a single floor where you can make collection decisions. So it was intuitive to me and it made complete sense that why wouldn't you want to hook up the national, the military, the foreign and the domestic collection systems on the same floor? And so we have begun to do that by having the back room of my collection strategy piece linked up with the defense JIOC so when we, in a crisis situation - take the North Korean things of last summer - when we need to make decisions, we can make them with the total of the national capability in a single place.

So those are two examples I would give you of how I think we are making good progress. We have more to go in laying the road, but we're making progress.

MR. FINGAR: Just very briefly, and it's along the same lines of integration of effort, that within the analytic sphere, the guiding principle has been to ensure that we have the appropriate expertise to address all of the various missions that are supported by the Intelligence Community: military missions, diplomatic missions, those of the Treasury Department, Homeland Security and so forth.

What we have attempted to do, with a reasonable degree of success, is to forge a community of analysts such that if there was a task, a question, a problem, that I have the capability to treat analysts across the community in all 16 agencies as available for deployment against that task, not by moving them but by tapping their expertise. Two examples I think will illustrate how we have done that.

In responding to a series of requests and requirements from Baghdad, from MNFI, those have come in either through DOD, DIA, where they have come to the National Intelligence Council. The starting point has been to reach out to those with the most expertise on the subject wherever they are and bring them together.

The related aspect of this gets into tradecraft and capability such that if a question is assigned to one of the components of the community, that the other component and the requestor can have confidence that the answer will be of high quality and focused on their needs rather than a dear-boxholder-fits-nobody response which was common in the past.

SEN. ROCKEFELLER: I thank you, Mr. Fingar, and I now go on to Vice Chairman Bond.

SENATOR BOND: Thank you very much, Mr. Chairman, and I was - I'm just going to comment on some discussion that occurred before I arrived. I understand the DNI is co-located with the Defense Intelligence Agency. Secondly, as far as rushing an NIE to meet a timetable on Capitol Hill, we learned the hard way in the '02 Iraq WMD National Intelligence Estimate, which was produced in a few short weeks, that if you want it bad, you may get it bad, and I'm sure you are going to give us the best possible Iraq NIE in a timely fashion. If there's any comment on that, I would welcome comment.

MR. FINGAR: Senator, I would be happy to comment on that. Three points. One is I remind myself regularly that the Office of the Director of National Intelligence might not exist were it not for that Iraq WMD estimate, which crystallized the number of problems. And therefore, under my hat as chairman of the NIC, I have accorded highest priority to ensuring that the quality of coordinated community products is of the highest standard we can attain for estimates and for all other products.

Estimates are special, but what makes them special beyond the longer timeframe of most of them is that they are approved by the heads of agencies. It was as the deputy of INR that I sat on the NFIB that approved that Iraq WMD estimate. So I am particularly conscious -

SEN. BOND: Thank you.

MR. FINGAR: We -

SEN. BOND: I had a couple of other questions before my time runs out, so - but let me clear the air. I did not vote for the Intelligence Reform Bill. I thought it gave the DNI a tremendous amount of responsibility without the authority to get the job done. I commend Ambassador Negroponte and you for playing what I think is a weak hand as best as possible. What we're trying to do here is make sure that you not only have the responsibility but you have the authority to make sure that information is shared, that there are no more stovepipes. Unfortunately, there are several examples that I could cite you, but not in an open hearing.

I will try a different tack and ask if any of you see that the problems with the 2002 NIE and the problems that were frankly endemic within the community still need additional legislative authority or clarification, or is it just executive action needed? And I would start with Ms. Graham and then others who may have specific areas of concern on which we can focus. I'd like to do that. Otherwise we will save some of the examples for closed session.

Ms. Graham?

MS. GRAHAM: Senator, I would - and I'll let my colleagues speak further to this, but what I would say to you is that one of the things the DNI has done as we've gone through this first now 21 months is be mindful of what more could be done to enhance the authorities of the IIRTPA. There is some work on that that has been done, and I think, without speaking for him, his decision was to come to you and to let Admiral McConnell, if confirmed, the next DNI, come to you with the benefit of all that. But I will speak for myself, for collections.

SEN. BOND: Please.

MS. GRAHAM: I don't believe that in the collection realm - because so much of this is, number one, about collaboration, number two about information sharing, and number three about culture, that there are legislative fixes needed to empower what I'm trying to do.

SEN. BOND: Are there - once you get the collection to the analysis stage, I still hear concerns that some agencies are not sharing.

MR. FINGAR: The problem has not been solved completely. We've taken a number of steps - three specifically.

One is the IIRTPA does give the DNI sole authority on dissemination so that that is an authority that we have.

We have already put in place measures that make available to analysts across the community ORCON materials, which previously restricted dissemination to analysts and indeed to whole agencies or access to databanks if there was one ORCON document in that. I'll General Meyerrose speak to the certification of systems which will allow us to move others more freely.

The third way in which we have tackled this are the compartmented materials with a process now that will shift the responsibility and authority for determining access from the producer of the report to need to know determined by Mary Margaret and myself.

I'll stop there.

SEN. BOND: We'll come back. Ambassador Kennedy wants to make a brief comment.

General Meyerrose?

MR. KENNEDY: I would just say, as I responded to the chair a few minutes ago, I think in the area of budget and personnel, in the macro sense, we have the authorities we need. You may well see in the FY08 authorization

bill discussion some fine tuning and tweaking of small matters. But we have - you've given us solid authorities and we may ask for, you know, a comma here or a clause there, but nothing - nothing that I'm finding that is a major shortcoming.

GEN. DALE MEYERROSE: If I could add to Dr. Fingar's points about allowing innovation into our information sharing, that's been something that we've been working on for almost a year. The policy that's in place took three years to write, four years to coordinate, and we've not touched it in five. And so clearly there is room for changing a paradigm which says that we avoid risk to one we manage risk, and we're working that very hard with the Department of Defense and the National Institute of Standards and Technology, and are about to come out with a series of proposals which winds us up for reciprocity, for using common criteria and those kinds of things, which I think will allow us to bring innovation into our systems to overcome issues of information sharing.

But I would add that the major information sharing issues that we have managed to solve over the past year are more of process and policy than they have been of technology. I'll give you one very brief example. Other parts of the government came to us and asked us to set up portals for pandemic planning at top secret, secret and unclassified levels, which we did. An interesting thing occurred. In setting up the top secret portal, it took us a matter of two or three days; in setting up the secret portal it took us a matter of a little less than a week; and setting up the unclassified portal took us a matter of eight weeks.

And the reason was because of the procedural labels and headings that people put on information generated by organizations which prevented the sharing. It had nothing to do with technology, it had nothing to do with external policy or the bringing together of various organizations; it had to do with each organization's internal policies and process. And we did manage to overcome it. We in fact run an information sharing pandemic planning environment that services over 40,000 folks in the federal government at all three levels of classification, and it's an example of most of the information sharing issues we face are cultural and process rather than technology.

SEN. ROCKEFELLER: Thank you very much.

Senator Feinstein.

SEN. FEINSTEIN: Thank you very much, Mr. Chairman.

Does the present DNI have a regular process whereby the heads of the agencies meet?

MR. : Yes.

SEN. FEINSTEIN: And when do those meetings take place, Mr. Kennedy?

MR. KENNEDY: The DNI has regular one-on-one sessions on a rotating basis with all -

SEN. FEINSTEIN: That's not what I - that's not what I'm referring to. What I'm referring to is meet as a group to build a team that crosses -

MR. KENNEDY: Every -

SEN. FEINSTEIN: - the smokestacks.

MR. KENNEDY: Every Monday at 2:00, the heads of the six or seven largest Intelligence Community organizations sit down together, and with the principal Deputy Director of National Intelligence and the rest of the team. Every Monday all 16 agencies get together every eight weeks, meeting at the DNI. And that is complemented by a huge series - breakfast sessions, budget sessions that I held. And then plus all the CFOs of the community are now meeting together. All the chief human capital officers meet together. All the CIOs get together.

In other words, we have tasked, in effect, each one of the titled, if I might use that word, officials in the DNI to reach out and have regular get-togethers, regular sessions to exchange information, knowledge and requirements with their counterparts throughout the entire community.

SEN. FEINSTEIN: And what is the current staff level of the DNI?

MR. KENNEDY: The current staff levels authorized in the last authorization bill was 1,579.

SEN. FEINSTEIN: And that doesn't include - at that time, didn't it include the counterterrorism unit?

MR. KENNEDY: That includes the National Counterterrorism Center, Ma'am.

SEN. FEINSTEIN: And that is, what, 350, 400?

MR. KENNEDY: It's about 400, yes.

SEN. FEINSTEIN: Four-hundred, okay. So net net it's about 1,100.

MR. KENNEDY: Of the 1,579, about two-thirds of those were inherited from prior Director of Central Intelligence Agencies, and force of law transferred 1,000, roughly, of the 1,579 positions to the DNI in the IRTPA also said, we authorize 500 additional positions. And so we've been using the transfers plus the 500 to build the DNI.

SEN. FEINSTEIN: What many of us - and I'm speaking for a long time ago now -- when this was first contemplated, we didn't look at the DNI as a bureaucrat; we really looked at him as a facilitator. And I guess one of the things that has concerned me is the huge staff that exists over there and whether in fact that is necessary. It may even be an impediment. Could you comment?

MR. KENNEDY: Yes, I don't - as a bureaucrat, I don't think it's a bureaucracy for three essential reasons.

The first is that if you're going to have the kind of leadership in the Intelligence Community that I believe that the Congress intended for it, it is essential that you coordinate. So therefore you have to have coordination leaders in the analytical field, which puts a small staff with Dr. Fingar. You have to have a group in the collection arena, under Mary Margaret Graham to coordinate the multi tens of thousands of personnel who do collection.

You have to have a small CIO staff to - in order to burst through the barriers that General Meyerrose was outlining when we were building the influenza pandemic websites. And the same is true - if we want to make sure that we have all of the requirements that the civilian and the military community need from the Intelligence Community, then the requirements -

SEN. FEINSTEIN: Well -

MR. KENNEDY: And then when you add in the mandatory items such as the National Intelligence Council, the National Counterintelligence Executive - as you just said, the National Counterterrorism Center, which consumes almost a third of that total number, I see the DNI is actually a very, very small number, and in an overhead in small single digits in terms of the entire community which it is managing.

SEN. FEINSTEIN: All I can say is - and perhaps the leadership of the committee is different - let me just speak as a rank-in-file member. I don't see the leadership. I don't hear about the leadership. And what I see - and I try to do my homework and I try to read the intelligence - is the growth of a bureaucracy over there. And I have got to tell you - and you don't need to answer this - it concerns me very much.

I would like to ask, if I might, Ms. Reingold, the question - I think it has been the conventional wisdom since 9/11 that information sharing was one of the key impediments to preventing terrorist attacks. The intelligence reform legislation, which we enacted in December '04, created the information sharing environment, and called for an implementation plan in a year. I believe that was received on November 15th of last year. It also called for a progress report beginning in December of '06, which has not been presented. So I would like to ask for that progress report.

Let me ask this question: How in practice is the DNI getting actionable intelligence to law enforcement and Homeland Security officials at the state and local level. I have complaints everywhere I go in California, from local law enforcement, from mayors. I took the opportunity to get the mayor of Los Angeles together with Ambassador Negroponte, but everybody tells me, if you're not in a taskforce, there is still a fractured system.

MS. REINGOLD: Okay, if I could address -

SEN. FEINSTEIN: Please.

MS. REINGOLD: - your first issue about the implementation plan and a progress report, in the implementation plan, we made a recommendation. The implementation plan essentially gave a status, a progress report on where we are with ISC implementation, and then recommended that in June of every year thereafter, which would be this coming June '07, that we provide an annual progress report. We would certainly be happy to update anything since the implementation plan came out and provide that to you. I just wanted to let you know in terms of timing.

SEN. FEINSTEIN: I appreciate that.

MS. REINGOLD: The question about actionable intelligence, there have actually been some very important accomplishments that have occurred most recently. As part - the President actually asked the program manager and the

inter-agency to come up with a framework to improve information sharing between federal, state, local, tribal, and private-sector partners.

And there was an acknowledgement that actionable information, not only from the federal level to our state and local and private sector partners, but also information that resides and the local and community level, to try to make that information also more available, in particular to the Intelligence Community - so very specific activity that we're in the process of pulling together an implementation plan is part of this federal, state, local framework.

One is to create an interagency threat assessment coordination group located at the NCTC that can produce federally coordinated information - very important, and this was all done with our state and local partners in terms of all of the implementation and this whole framework. And we are in the process of setting up that implementation to you, and working with state and local representation from the law enforcement and the Homeland Security communities to put together a process to improve getting that actionable information to the state and local level.

SEN. FEINSTEIN: Are mayors included?

MS. REINGOLD: Mayors are included from the standpoint of the U.S. conference of mayors, all of the associations that represent state and local officials, National Governors Association. We have had representatives from these organizations.

SEN. FEINSTEIN: That is not my question.

MS. REINGOLD: Oh, you mean in terms of -

SEN. FEINSTEIN: The high-risk areas - are mayors told and informed of the risks?

MS. REINGOLD: Yes, part of all of this is that at the state and local level, mayors as well as governors have begun setting up what they call information fusion centers, so in a lot of the urban areas, as well as at the state level. And those fusion centers are there to inform their local leadership at the - again, at the local, as well as the state level. So part of this whole framework is to help ensure that there is the national network of fusion centers that can receive the information that is coming from the federal government.

SEN. FEINSTEIN: Sorry, what is a fusion center?

MS. REINGOLD: A fusion center is an entity that has actually been established not by the federal government by either a major city or the state level to actually do something very similar to what we do at the federal level at the National Counterterrorism Center, at the NCTC. It is for them to - literally to pull together at their level all hazards, all threat information that they collect from the community so that they can paint a picture, whatever they need at their level, to assess what the threat is to their community and to their region.

So we are trying to link what we are doing through the Intelligence Community and through the broader homeland-security and law-enforcement communities at the federal level with this effort at the state in major urban

area level. And the framework that - recommendations we made to the President and that we are moving forward with is to pull together these fusion centers that I am referring to - there have been federal funds that have come from the Department of Homeland Security and Department of Justice to support these centers. And as a matter of fact, you can follow up on Thursday when you have both the FBI and DHS. And I'm sure that they will be talking a little bit about this effort as well.

SEN. FEINSTEIN: But if I ask -

SEN. ROCKEFELLER: If I may interrupt at this point, we are going on over 12 minutes on this question, and I need to call on Senator Burr.

SEN. FEINSTEIN: Thank you.

SEN. BURR: Thank you, Mr. Chairman. I welcome our panel. As I have sat here and listened to the exchange, I have thought, with the process changes that are underway and, Ambassador, with your description of the directive on pandemic flu, and the actions that you had to take, I am somewhat concerned - I say this in the form of a statement versus a question - that we not lose focus on our strategic long-term threats that exist, and our ability to look over the horizon, which is what is unique about U.S. intelligence.

Ms. Graham, I think in your testimony, you have covered very well that collection is better today. After five years, we have gotten better, and I applaud all of the agencies for that. But intel is a difficult thing to measure. And I would ask you, have we really tried to measure the product? Have you compared raw collection and finished analysis to see if in fact we have really improved our capabilities?

MS. GRAHAM: I will be the first to tell you that metrics is a work in progress. How do you measure this? We must measure it, first of all, but how do you. So I want to tell you - and I think Tom can complete this story - the anecdote about analysis informing collection. There are so many things out there, both strategic, long-term, tactical, near-term, that we need our Intelligence Community to do, that we must point them in the right direction.

You will hear said that there are requirements out there, that there is requirements creep, where basically every analyst who has a question puts it into the requirement system, writ large. What that does to the collectors, be they HUMINTers or any of the technical intelligence, SIGINT, imagery, it allows them to perhaps diffuse their attention. So by saying - having the analysts say to us, this is the most important gap, these are the most important questions that will fill this gap, you are able to direct the collection agencies to the most important fruit of collection.

We have had last summer, like it or not, some practice exercising what we had put in place. First we had the Taepodong 2 flight in North Korea. Then right after that, we have the problem in Lebanon, which has not gone away. Then we have a North Korean test of a nuclear weapon. Now we have Sudan and the Darfur, and Somalia. And I could go on and on. And that is on top of Iraq, Afghanistan.

So the ability to focus the collectors, I believe we can demonstrate - not measure the way I would like to - but demonstrate that the collection is

further refined to answer the analytic questions. And with that, I'll turn it over to Tom to answer the rest of the question.

SEN. BURR: Quickly if we can.

MR. FINGAR: Very quickly. The old model was the analyst with the best rolodex and fastest finger could sort of guide collection. What we are doing now is convening the analysts from across the community, sitting them down, and say, you collectively decide what are the most important questions we need to answer, and what is the information that we need, and where are you likely to get it. And we set very small numbers - three, four; not laundry lists of topics to be handed over to the collectors, and leave it to Mary Margaret's people to decide how to do that.

The feedback loop on a lot of this is pretty short. And as we begin to work the new information into the analytic process, the sourcing that we now require makes very clear what information is most useful, what might be very expensive but is not used by the analysts. We have got a much better picture now than we did before.

SEN. BURR: Wonderful. Ambassador Kennedy, the DNI has the ability to reprogram up to \$150 million, and 5 percent of one of the recipients. Has that been used by the DNI, and is \$150 million and the 5-percent threshold overly restrictive?

MR. KENNEDY: The DNI has used that authority, Senator, and I would be glad to give you or your staff representative examples off line.

SEN. BURR: Thank you.

MR. KENNEDY: And to date, we have had no major - no major problems that could not have been addressed within that figure, and I think that figure is sufficient.

SEN. BURR: The reform act also allowed the DNI to withhold money to a recipient if in fact they had not complied with the DNI's priorities. Has any agency failed to comply and were funds withheld?

MR. KENNEDY: No, sir. We have engaged in an extensive education process in what I call the footnote process. When we issue their allotments to them, we specify what the funds are to be used for, and that has the force of the anti-deficiency act passed by the Congress. And so we are achieving very, very good compliance.

SEN. BURR: Mr. Chairman, I know my time is up. It is my understanding at this time no one in the government can share with us definitely how many contractors are employed by the intel community, or for that fact, how many contractors are employed by DNI. I hope at some early date in the future that, one, if that information is incorrect, ambassador, please share it with me. If it's not, I hope at the earliest possible time, we would know what the extent of contractor usage is.

SEN. : Mr. Chairman, may I have five seconds?

SEN. ROCKEFELLER: Provided that you answer tomorrow. (Scattered laughter.)

MR. KENNEDY: We have just completed that exact survey knowing that this is something that the DNI felt very specifically that we needed to have to engage in solid management and prepare our budget submissions. I have lots of raw data, Senator, and as soon as that data is in shape that I can come and make an intelligence - intelligent presentation, first, to your staff, then to you, we will be getting that information up, because I think it is important to know, and important to see if we are using contractors in the right way. Are there things that should be contracted out that are not now? Or things that are contracted out now, where the taxpayer would be better off if they were brought in house.

SEN. : I thank you, and I thank the indulgence of the chair.

SEN. ROCKEFELLER: No, that was an excellent question. That was an excellent question. Senator Feingold?

SENATOR RUSSELL D. FEINGOLD (D-WI): Thank you, Mr. Chairman. Ms. Graham, in the Director's speech on Friday and the ODNI's testimony today, there's a reference to, quote, lift and shift collection resources in response to emerging crises. And one of the examples it cited is Somalia. Are you satisfied with the level of coordination this effort has had with the Department of Defense?

MS. GRAHAM: Yes, sir, Senator, I am. I'd be happy to talk to you about the details of that, but they're not at the level that we're at in this room. But yes, I am.

SEN. FEINGOLD: So we could follow up in a classified setting?

MS. GRAHAM: Absolutely.

SEN. FEINGOLD: Well, let me say that I fully support the ODNI's effort to shift collection resources to Darfur and Somalia. However, a year ago, I asked Director Negroponte's at the committee's open hearing whether sufficient resources were being devoted to Somalia. And the director responded that, quote, while you can never quite do enough, unquote, he believed that the resources devoted to Somalia were about right, quote, in the order of priorities that we've got, unquote.

But that is precisely the problem. Places like Somalia should be intelligence priorities long before they appear on the front page. Now, how can the ODNI help set new priorities and implement them?

MS. GRAHAM: Senator, let me start that, and then I'll let my colleagues - I think the development of the national intelligence priorities framework lays out priorities for the Intelligence Community. But a part of your answer - part of the answer to your question is the need to get the Intelligence Community back to what I grew up calling global reach. We don't have that today. I think you could probably tell me why we don't have that. But, it is because of the period of time we are in, the post-9/11 world, the demands on the Intelligence Community that exist today have grown exponentially since that day. So our challenge is, until we reach that point - with your help - of getting back to a place where we can do global reach, and pay attention to places that we are not - perhaps, high on the list today. Until they become a problem - the way Somalia is today - then we have to be able to, from a mission management point of view between the two of us, we have got to be able to have processes in place that allow us to lift and

shift our resources when we need to. Speaking for myself, I don't see any other answer until we are able to satisfactorily have the global reach that we want.

SEN. FEINGOLD: I'm very pleased to hear your comments about the need for the global reach. Mr. Fingar, if you want -

MR. FINGAR: Well, it's very much the same situation with respect to analysts; that the kinds of questions we are asked, the kinds of problems on which our expertise is sought require deep knowledge. And we need to be both global in coverage and to have real fire extinguisher depth on subjects. And at the same time, need to have sort of pre-positioned and exercised links to expertise outside of the Intelligence Community that can be tapped very quickly.

I'm happy to describe with you and your staff the steps we have taken to do that, but we are coming off a period of downsizing and also shifting resources to higher priorities that has left many gaps.

SEN. FEINGOLD: The next question may seem a little ironic because my whole concern has been that we don't have the global reach. In fact, our policy has become so Iraq-centric, that we haven't had the opportunity to put the resources around the world that we need. But I do want to talk about Iraq in this context. It's highly likely that the U.S. military forces will withdraw from Iraq prior to the establishment of stability and the elimination of terrorism there, so doesn't it make some sense for the Intelligence Community to have strategies in hand to deal with the challenges of Iraq as and after we re-deploy our troops from there?

MS. GRAHAM: Senator, I'll speak for the collections side of the business, but I think there has been development of those strategies. Again, this is something we would be happy to talk to you about in as much detail as you or your staff would like in a classified session.

SEN. FEINGOLD: I think my time is about over. Let me just say that I look forward to that, and I hope that when I learn about those things it will show that today's political policies are not dictating the long-term strategic thinking of the Intelligence Community, particularly in this area. I do hope it gets back to the kind of perspective that you talked about as your understanding of what intelligence is supposed to be about. And I think that we have a great opportunity to at least get that right if we get out ahead of it, so I look forward to learning more about it. Thank you, Mr. Chairman.

SEN. ROCKEFELLER: Ambassador Kennedy, there has been no nomination to fulfill the position of the principal Deputy Director of National Intelligence since General Hayden's departure last May. Why?

MR. KENNEDY: I think the answer to that, sir, is that the director and the White House have been engaged in a very, very intensive search for the right individual for such an important position. And now, obviously, with the change in the Director of National Intelligence, assuming favorable action by the Senate in both cases, that the new director, should he be so confirmed, would wish to have an input in that as well.

SEN. ROCKEFELLER: I hear you. I'm not sure if I understand the answer completely, but I hear you. Senator Warner had to leave, and he asked four

questions, and I promised that I would ask one of them. So this is his question. The ultimate goal of the 9/11 Commission and others is to provide the best possible intelligence to policymakers so that the President and members of Congress can make informed foreign policy and national security decisions. Since the President announced his Iraq plan early this month, I've taken the opportunity during numerous briefings and hearings to ask members of the Intelligence Community about their assessment of the Malaki government's ability to achieve the benchmarks necessary for this plan to succeed.

And his question is: I believe important strides have been made towards intelligence reform, but if the Intelligence Community cannot provide an assessment of the Malaki government's chance for success, one of the most important questions facing policymakers today, how can we be satisfied with the pace of reform?

MR. KENNEDY: I think if I could ask my colleague, Tom Fingar, to address that Mr. Chairman.

MR. FINGAR: It's a fair standard to which to hold us accountable that I think the estimate that we still plan to finish by the end of the month, as promised, we'll provide some in-depth look at Intelligence Community thinking. This is thinking that has evolved and been shared, and shared with the Hill in many products, and been shaped and shared with the review that led to the President's policy decision. The very shorthand is, it would be very difficult for the Malaki government to do this, but not impossible. And the logic that we have applied looks at the importance of security. Security as an impediment to reconciliation, as an impediment to good governments, and an impediment to reconstruction.

We judge that Malaki does not wish to fail in his role. He does not wish to preside over the disintegration of Iraq. He has some, but not all, of the obvious requirements for success. The judgement is that gains in stability could open a window for gains in reconciliation among and between sectarian groups and could open possibilities for a moderate coalition in the legislature that could permit better governments. There's a lot of conditional statements in this analysis. But that it is not impossible, though very difficult.

SEN. ROCKEFELLER: Thank you. Ambassador Kennedy, if I could just come back to you for a moment. I understand that General Hayden left a while ago, but there's something about the whole concept of his - of a intelligence director for DNI, or person for DNI, being left empty - that position being left empty simply because of his departure. And simply because there may be some conversation between the potential new person, who was not named long ago, and whatever other elements are concerned is not impressive to me. What is impressive to me is that the United States and the DNI would go for any period of time without somebody responsible for that - an acting or whatever. So I can't find your answer satisfactory.

MR. KENNEDY: If I might, Mr. Chairman. We have had an acting, for the greatest majority of the period, after General Hayden left -- Lieutenant General Ronald Burgess, U.S. Army, who was the Deputy Director of National Intelligence - one of the four deputies other than the principal deputy. Ron Burgess was the acting principal Deputy Director for National Intelligence. Filled that function completely. Took on all the responsibilities and duties permitted that Mike Hayden undertook - chaired meetings, met with various

groups. So, Ron Burgess filled Mike Hayden's shoes, and if I might humbly say, very ably, during this period of time, sir.

SEN. ROCKEFELLER: That answers my question and I thank you. Vice Chairman Bond?

SEN. BOND: Thank you very much, Mr. Chairman. Just a couple of comments on things that have been said - talking about getting the analysts together and getting the collectors together. We understand from what we learned about the Iraqi survey group that when the analysts and the collectors work together, and in other examples in the field where they work together, they settle these things. And the collector's talking to the analysts tell them what they can do, and the analysts have to be realistic.

Now, there's a great imperative because that's probably the best way they can keep from getting killed if they're in the field. Here, there's not that same imperative, and I wonder why that model is not used more often here, away from the battlefield, to get the analysts to talk to the collectors.

MS. GRAHAM: Senator, when I travel and have been out to the war zones or to other places, what we're trying to do here in Washington you see there. You're exactly correct. I would say, though, that looking back at the 21 months, where we are beginning to see, and we can identify that same kind of collaboration, is in this concept that we call mission management, or the six mission managers.

SEN. BOND: Okay.

MS. GRAHAM: One of the ways that you know and, of course NCTC is the largest and the biggest of those -

(Cross talk.)

MS. GRAHAM: Even on the Iran and North Korea, discreet but very hard problems, you are seeing the analysts and the collectors work together in communities of interest where they are sharing information. So, we're not a hundred percent there yet in the Washington world.

SEN. BOND: Okay. Thank you, Ms. Graham.

I wanted to follow up on the questions - some questions that had been raised previously about, number one, if we pull out what chance does the al-Malaki government have of succeeding. I believe that the community was unanimous in their last open session of saying that a pre-mature pullout would cause chaos, increased killing of Iraqis, safe haven for al-Qaeda and possible major conflicts among countries as well as sects in the region. And what General Hayden told us in public, and followed up by the further briefings that we had, that while it is by no means sure, providing assistance to al-Malaki's government now, with the commitment he's made and with the assistance perhaps other friendly countries in the area, is not guaranteed, but it is the best hope for stability in Iraq. Is that a fair characterization of the position of the community?

MR. FINGAR: Yes it is, Senator.

SEN. BOND: Has the Intelligence Community been pulled off its tasks that in the professional judgement of the intelligence professionals would be better utilization of their collection and analytical assets in order to perform a political task rather than to focus on the threats that the intelligence professionals believe to be the top priority. Has that happened? If so, when?

MR. FINGAR: No, Senator. That the community is arrayed against the threats that were described in the testimony presented by the DNI and the other Intelligence Community leaders to this committee last week.

SEN. BOND: And those are threats that are not dictated by Congress or the executive, but are the threats that are perceived as such by the community?

(Cross talk.)

MR. FINGAR: Yes, sir.

SEN. BOND: So there's no question about that.

Let me ask Ambassador Kennedy - I'm still concerned about the budget. In the imagery way ahead, General Hayden told the committee that the DNI wanted to terminate a major program and continue another. What worked out was that the one that he wanted killed is still being funded, and the one he wanted to continue got terminated.

How is this determining the budget? You're going to have to guess what I'm talking about, but I think you could.

(Cross talk.)

MR. KENNEDY: I'm with you. I'm not sure that I can give you a fulsome answer in this venue, except to say that when the DNI in consultation with other senior leaders in the Intelligence Community looked at what is the essential, fundamental, base, national technical means that were needed, we made decisions on what should be funded in the national intelligence programs based upon those fundamental requirements - those baseline requirements. And, he made the determination that it is essential to meet baseline needs, and we have done that.

SEN. BOND: Okay. Mr. Chairman, we may want to follow up with this in a closed hearing, I think.

SEN. ROCKEFELLER: Okay. Senator Whitehouse.

SENATOR SHELDON WHITEHOUSE (D-RI): Thank you, Mr. Chairman. We are expecting a National Intelligence Estimate on Iraq in the not-too-distant future, I believe. And this is my first go at this, so I want to get a bit of an understanding of the procedure involved.

How did the preparation of the National Intelligence Estimate, which I think is pretty close to completion and delivery, relate to the discussions that have taken place recently with the Intelligence Community and the White House with respect to the determinations that have been made in Iraq. And very specifically, did the office of the President or the vice President provide input to any of you on the desired timing or content of the NIE?

MR. FINGAR: The answer on both the timing and content is no.

SEN. WHITEHOUSE: Good. And what is the process in terms of how the NIE -

(Cross talk.)

SEN. WHITEHOUSE: - preparation process related to the consultations that took place over the past months.

MR. FINGAR: Well, we begin the preparation of the estimate in the fall. Estimates, by their nature, require the input of the most experienced analysts that we have in the community. And even on Iran, where we have a large number of analysts relative to most other subjects, the number of analysts that are really very good is small. And in the course of preparing the estimate, we were asked to prepare a number of assessments that fed into the President's policy review, to prepare a number of briefings, a number of responses to requests from Baghdad, MNFI particularly.

Given the importance of the subject, we felt it imperative to put our best analysts on it. So there was, in one sense, a competition for time of the most skilled analysts. However, the processes were all inter-linked - that the work being done on the estimate informed the input that the community was making in Baghdad and to the reconsideration of policy here. So they were moving in parallel. They don't differ from one another in their judgements, so the specific set of questions we address is the same set of questions that we began addressing, but the production schedule for the estimate has slipped because task one got in the way of task two in this. As I said earlier, we expect to have this completed by the end of the month. But as we speak, the community is in coordination on a draft.

SEN. WHITEHOUSE: Now, looking at that situation, I see a world community that is taking a very meager role in helping us to resolve the conflict in Iraq. I see a regional community that I would also view as taking a very meager role, particularly considering the stakes at hand if Iraq were to spark off a pan-Arabic, Sunni-Shiite conflict that would engage Egypt, Jordan, Saudi Arabia, other nations. They're very, very directly interested in what is going on there. And there also seems to be widespread skepticism about the real will and capacity of the Maliki administration to be able to manage some form of resolution among the different factions in Iraq.

And with respect to all of those three - the hesitance of the world community, the lack of appropriate - given the risks involved - response by nearby Arab nations, and the either hesitancy or truculence of the Iraq factions at finding an accommodation, what is the role of the U.S. presence with respect to those different characteristics of this dispute?

MR. FINGAR: Senator, my starting point is the very high expectations that others around the world and certainly in the region have of the United States. Perhaps -

SEN. WHITEHOUSE: It's a nice way of saying it.

MR. FINGAR: Perhaps unrealistically high expectations. But many of the states around Iraq have relied to a greater or lesser degree for their

security on their relationship with the United States. Political, economic, and military - the U.S. presence in the region is a part of the provision of that security. Iraq is unquestionably a very difficult environment at the moment. That reticence of neighbors to become engaged is one part the unappealing character of the conflict, one part the expectation that they are going to have to make accommodation with whatever emerges in Baghdad and in Iraq, more broadly. They don't believe they have a great deal of ability to influence that situation. They worry that they will become tainted by attempting to intervene on behalf of one of the factions or parties or groups or another. It is a situation that, if we could roll the clock back decades rather than a few years, one could imagine things evolving differently. But we're working with the situation sort of as it is.

SEN. WHITEHOUSE: Thanks, Mr. Chairman

SEN. ROCKEFELLER: Thank you, Senator. Senator Snowe.

SENATOR OLYMPIA J. SNOWE (R-ME): Thank you, Mr. Chairman. And I want to thank the panel as well. Obviously, with the departure of Director Negro Ponte, it's raised a number of questions about the true extent of the authority of the DNI. And it is deeply troubling that obviously we not only have the departure of Director Negro Ponte, but also the deputy. It was a long-standing vacancy at a time in which we're trying to ground this department in gathering intelligence and centralizing and consolidating intelligence authority. I know that Ambassador Kennedy, you recently stated that DOD and the DNI had been able to resolve any differences and that DNI has not had to surrender any authority. But yet, when you look at the statute itself - and obviously that was one of the central questions during the course of this debate in the creation of this department is to what extent the DNI would have concentrated authority overseeing the 16 intelligence agencies' budget.

Now, the language in the statute is he has the authority to determine the budget authority. And yet, as we know, DOD administers 85 percent of the budget and the personnel within those agencies. Do you think that, first, the statute now should be changed? I mean, because the perception in all of the comments, if you read a number of articles, it's clear that the perception is that the director really has very ambiguous authority. And given that it's essential for anybody who is sitting atop a large agency as the DNI is has to have that authority or literally has no control. And so, I think that's one of the issues that we have to grapple with. I mean, you know, certainly, the question about the director's departure could be central to the issue that he lacked that authority. And we have to get to the heart of that question. Now, some might say it's premature to address any statutory changes, but sooner rather than later if we're going to get this right.

MR. KENNEDY: Senator, I believe that in terms of the authority of the Director of National Intelligence to determine the budget, he has that authority and he has exercised it. If I might take a second, we receive what is called the IPBS - the budget request from the 16 agencies. That's the analysis of those programs is run by people who work for me in conjunction with representatives from analysis, collection, requirements, science & technology, the CIO, everyone. We scrub those budgets. Then they come to me; I make a recommendation to myself, in effect, consult with the other deputies, and then take that package and sit down with the director and say, this is what I believe should be allocated to the agencies on the basis of

what they have requested. Cut this; add here; shift that. The director then makes that determination and that goes over to OMB, and then it goes into the President's budget. It is submitted to the Congress, and after you make the authorization and appropriation decisions that you make, the money then comes back to the DNI, and we issue what are called advise (sp) allotments. We say to agency X, you are hereby on the basis of congressional action given \$50. And we put footnotes if there is any doubt on that advise allotment that says, spend \$35 on this, \$10 on this, et cetera, et cetera. And those footnotes carry the force of law - the Anti-Deficiency Act.

So the analysis is done within the ODNI; the director makes the decision; and the way we've set up the process, the agencies follow that decision. They have followed those decisions at the end of '05, '06 - we're now in '07 - because a, they respect the process, but b, you have given us sufficient force of law to ensure that they have to, should they not want to.

SEN. SNOWE: So you think that the common perception about the lack of authority is not real and that in actuality, that it works and in practice, it works?

MR. KENNEDY: There are some minor tweaks that we will be submitting in the '08 discussions, but in the area of the budget, I believe we have an absolutely solid foundation and it doesn't matter whether the agency involved in the 16 is in another cabinet agency or not. The process that you have given to us enables us to be solid and make those determinations and see that they are executed.

SEN. SNOWE: And that was true in the preparation of the '08 budget? I mean, were there any challenges there?

MR. KENNEDY: There were lots of challenges, but not challenges from the - there are obviously, any budget preparation process has an element of triage in it. You wanted perfect security, you'd never get there because the cost curve would go vertical. So we make decisions, but we believe that there will be sufficient funds in the President's budget that you will receive on the 5th of February to meet our national needs, and we believe also that we will present to you an allocation spread across the 16 agencies that is the best decision that the director can come to.

SEN. SNOWE: So you think he has considerable authority then?

MR. KENNEDY: Yes, ma'am, I do.

SEN. SNOWE: Well, you know, it's troubling then, because I think that there seems to be a gap at least in perception in terms of whether or not the DNI does have real authority. And you know, I think that is a real question, because I think ultimately it undermines the department in terms of making sure that it does have that authority to do what it is required to do and what it has been asked to do.

MR. KENNEDY: The only other example, Senator, that I could offer in this regard is that if you had been party to the internal deliberations within the ODNI, you would have seen the DNI's decisions to move funds from one agency to another, and move funds from a program within one agency to another program within that agency. And those decisions of the DNI were sustained and those decisions will be before you on February 5th.

SEN. SNOWE: Well, I guess also it's a question of whether or not it works well in one instance; it may not work well in another instance, because you don't have the grounding in statute in terms of a clear and concise authority.

MR. KENNEDY: I believe we did the same thing in FY07 and we did almost the same thing in FY06, which is the first budget that DNI had any responsibility for. And so, we now have a track record of '06, '07, and now the submission to you, Senator, of '08.

SEN. SNOWE: And how has the balance occurred between the military and strategic requirements in terms of intelligence? Has it shifted from tactical to strategic or more to tactical rather than strategic?

MR. KENNEDY: I believe that - and I can ask my colleagues for assistance on this - that in the National Intelligence Budget - the NIB - as opposed to the Military Intelligence Budget - the MIB - which is under DOD, but which we play an advisory role on that the focus of the NIB is solidly on the national and the strategic, and the focus on the MIB is on the tactical.

SEN. SNOWE: So you're comfortable with the balance?

MS. GRAHAM: Senator, one of the pieces of putting ourselves through having the agencies develop with us, the capabilities - the intelligence capabilities that the nation needs from a collection point of view - when you look at those capabilities and how you array them, things like you want your systems to be survivable perhaps. You want your systems to provide you persistence. You want your systems to provide you with leadership. There are strategic, leadership, persistence, survivable, and there are tactical. So when Ambassador Kennedy described that basis, the way I would describe it is in the NIB, in looking at the capabilities across the NIB, you find the strategic capabilities, which may be the same as the tactical capabilities. But the spending in the MIB on tactical capabilities, for example, urban things that they have to do in Baghdad - that they are doing in Baghdad today to find and fix - those are more in the tactical. But some of those same systems are using some of the same things that you use in your strategic systems.

SEN. SNOWE: Thank you, Mr. Chairman. Thank you.

SEN. ROCKEFELLER: Thank you, Senator Snowe. Ambassador Kennedy, I'm going to pick a bone with you. And I think this is not unimportant, because it gets to the very relationship of the way the congressional branch of government and the executive branch of government talk with each other. We have to be candid and forthright. I asked you about an absence in Michael Hayden's position when he took over the CIA. You indicated that General Burgess was filling in on that and that everything was okay. I receded into a state of temporary satisfaction until my chief of staff launched at my chair and pointed out some very important things, which I think you need to think about in terms of the way you and I talk in the future.

Number one is that he had two jobs. He was acting Director of Intelligence. He was also responsible - he was the Deputy Director for requirements. So he was being asked to do two jobs at once. You did not tell me that. No, I'm not finished.

And then, he ended his one job - two jobs - whatever you want - two weeks ago. So my question stands. You cannot tell me in something as important as what we are responsible for from an oversight position that everything was just fine when in fact it wasn't. You can say he was a super-person and therefore could do the two jobs at once. But I'm not inclined to believe that. So now, I want you to correct the record for me and tell me whether there has been a deputy in General Hayden's position. There certainly has not been for the last two weeks, and there certainly was not - in my judgment - for the previous period of time. And those were very, very important times at which Iran and all kinds of things reared their head.

MR. KENNEDY: Absolutely, Senator. And I apologize for something I didn't add. During the period of time that General Burgess was acting as the principal Deputy Director of National Intelligence, he stepped out of his job as the Deputy Director for requirements, and Mr. Mark Ewing stepped into his job as the acting Director of Requirements. And so, I apologize for failing to add that to the point in my presentation, sir. I apologize for leaving that off.

But, General Burgess was not occupying and doing the two jobs at the same time. He was filling in. He moved out of his office - literally, physically moved out of his office as the Deputy Director for requirements - and moved into the principal deputy's office - a different office adjacent to Director Negroponte's.

SEN. ROCKEFELLER: I will give you an advantage on facts. I will not give you an advantage on the principle of discourse between the executive branch and the congressional branch.

MR. KENNEDY: Again, I apologize for any misstatement I may have made, but I thought I was honestly trying to outline that General Burgess had shifted and had taken over as the acting deputy.

SEN. ROCKEFELLER: But you didn't.

MR. KENNEDY: For the President's designation.

SEN. ROCKEFELLER: But you didn't.

MR. KENNEDY: I apologize.

SEN. ROCKEFELLER: Who is deputy now?

MR. KENNEDY: The job is vacant because the Vacancies Act time has expired, as I indicated.

SEN. ROCKEFELLER: And then you referred obliquely to - not tensions but discussions. And all of that interests me. All I'm saying is that when you and I converse, let it be open; let it be forthright; and let it be accurate. Our business is intelligence. Yours is intelligence. So let's at least us deal with each other fairly.

Vice Chairman Bond has a matter.

SEN. BOND: Just a couple of quick ones. I don't believe I recall getting a response to my question whether the IC has any auditable statement. Is there any auditable statement in any entity in the IC?

MR. KENNEDY: Senator, there is no auditable statement without exception. Two agencies have achieved auditable financial - have presented auditable financial statements. However, exceptions were taken in the area of plants and equipment - i.e. inventories.

SEN. BOND: What were the two that made the hurdle?

MR. KENNEDY: Can I provide that to you offline, sir?

SEN. BOND: Yes, provide that to us. And when are you going to get the rest of them controlled?

MR. KENNEDY: For the last year, we have been working with DOD and with OMB on this. We have a very difficult problem that we're facing in that the majority of the funding for several of these agencies runs through the Department of Defense and the Defense finance and accounting system. The Defense finance and accounting system does not have an auditable financial statement, which is beyond the control of the Intelligence Community, and until we are able to achieve changes in that relationship, we are going to have a problem. So I have commissioned a team composed of the deputy chief financial officer, and he is working with representatives from OMD and from the Department of Defense to find out how we can resolve those problems so that the agencies who are all working independently with us so that they can have their individual finance statements were able to reconcile things such as funds balances at Treasury and others to make this happen.

SEN. BOND: I have had discussions with Admiral McConnell (ph) about establishing strong CFO positions and developing a career track for people within the IC with a strong financial management background, and we look forward to following up with you. The other thing I would add, following on a discussion that Senator Feinstein had with you before we were here, the 9/11 Commission pointed out that there was a lack of coordination or involvement by the Intelligence Authorizing Committee in the Appropriations process. Senators Feinstein, Mikulski, and I serve on the Defense Appropriations Subcommittee. We have presented proposals to ensure that this committee can have some meaningful input to that appropriations committee, which I hope will satisfy - will satisfy the goals of the 9/11 Commission, though maybe not perhaps the precise structure.

So we will look forward to working with you to the fullest extent possible on the budgetary issues because one way or the other, we are going to be deeply - at least some of us are going to be deeply involved in the appropriations process.

MR. KENNEDY: If I might, Mr. Vice Chairman, I can assure you that on February 5th that we deliver to this committee a complete set of the classified congressional budget justification documents -

SEN. BOND: And when you are asked -

MR. KENNEDY: If I have to do it personally.

SEN. BOND: - and when you are asked for further information, I hope you will - we will share that with my committee and the (SACD ?), and similarly, if we ask for something, I would assume you would keep both committees fully

involved as if both of us have an interest in the budgetary decisions which we do.

MR. KENNEDY: I and my staff are at your disposal on any budgetary question at any time.

SEN. BOND: Thank you, sir, and thank you, Mr. Chairman.

SEN. ROCKEFELLER: And I thank you, Mr. Vice Chairman, and I will have one more question.

Should something arise of a moderately important level in the field of intelligence, how would it get handled? There is no acting director.

MR. KENNEDY: I believe, Senator, that it would come to one of the four deputies for collection, analysis, requirements or management, and we would take that - or the CIO. And we would take that matter if we could not resolve it ourselves since we do handle large numbers of issues every day with the agencies, we would immediately take that matter to the Director of National Intelligence, sir.

SEN. ROCKEFELLER: And when would you expect that person to be named?

MR. KENNEDY: Senator, I can't speculate on that. I am assuming that, subject to the will of the Senate, that is something that Admiral McConnell will be taking up immediately. But I can only surmise. I can't give you a clear answer because -

SEN. ROCKEFELLER: I know, in the meantime, Ms. Graham, we are depending upon you?

MS. GRAHAM: Senator, can I - I know this isn't going to scratch the itch, but can I give you a little bit of the inside baseball of how we have been working for the past 21 months?

SEN. ROCKEFELLER: I am very good at inside baseball, and so is Kit Bond.

MS. GRAHAM: All right, when we -

SEN. ROCKEFELLER (?): Ours was a little better than the Braves.

MS. GRAHAM: (Chuckles.) Well, you have got a Yankees fan here, so I'm sorry.

When we stood up in May of '05, and the four of us arrived, you will recall that the ambassador and General Hayden were downtown in the new executive office building. The other four of us were out then at Langley. And one of the things that we had started then that we - with the ambassador's full encouragement, was a meeting on a daily basis. So my other half doesn't work in the government; he works in corporate America.

Think of us, the four of us, on a daily basis, with the acting PDDNI or the PDDNI, and the ambassador acting as a corporate team. And every morning still, we sit down, and we walk through the issues - now, your point about there not being a principal deputy, I certainly don't quarrel with. But the management of the Intelligence Community I don't think has been lacking

because of the structure that the ambassador put in place in those very early days, whether it be speaking, whether it be participating in the job that we are here to do, whether it be participating in deputies committee meetings on any given issue that impacts intelligence. It's not perfect, but I think - and I'll speak for myself - I think it has worked in the management of the community.

Tom.

MR. FINGAR: I would absolutely agree with that, that we are all generally knowledgeable about one another's working, but even more importantly, I think we have grown to have absolute trust in one another's judgment, and if I hand something off to one of my colleagues, I don't worry about it being done properly. It will be done properly.

SEN. ROCKEFELLER: I'll leave it at that. Thank you very much. The hearing is adjourned.

(END OF OPEN SESSION)