

**DEPARTMENTS OF COMMERCE, JUSTICE, AND
STATE, THE JUDICIARY, AND RELATED
AGENCIES APPROPRIATIONS FOR FISCAL
YEAR 2004**

THURSDAY, APRIL 10, 2003

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 10:03 a.m., in room S-146, the Capitol,
Hon. Judd Gregg (chairman) presiding.
Present: Senators Gregg, Hollings and Kohl.

DEPARTMENT OF JUSTICE
FEDERAL BUREAU OF INVESTIGATION

STATEMENT OF ROBERT S. MUELLER, III, DIRECTOR

OPENING STATEMENT OF SENATOR JUDD GREGG

Senator GREGG. The hearing will come to order.

We appreciate Director Mueller taking time out of his very busy schedule at the FBI, which is obviously one of the premier agencies in this country for protecting our Nation in this time of heightened concern. The FBI has taken, I think, a dramatic role in the area of leading this effort and has a huge portfolio and, thus, it is nice to have the Director here to talk to us about his budget and about his game plan.

And, Senator Hollings, do you have an opening statement?

Senator HOLLINGS. No. Thank you.

Senator GREGG. So we will turn to you, Director.

Mr. MUELLER. Thank you, Mr. Chairman, Senator Hollings. I beg your indulgence for a short statement.

Senator GREGG. Certainly.

OPENING STATEMENT OF ROBERT S. MUELLER

Mr. MUELLER. Let me just start by saying as I think you have pointed out, and due in no small part to the support we have had from this committee, the FBI is undergoing extraordinary and, I believe, positive changes. I believe we are more prepared today than we ever have been to meet the threats posed by terrorists, foreign intelligence services and criminal enterprises. The changes we have made in the past 18 months, and many others that are ongoing.

ing, will ensure that the FBI stays on top of current and future threats well into the 21st century.

I believe that our fiscal year 2004 budget request will give us the resources we need to continue our positive momentum. As you are well aware, our total request is \$4.6 billion, and we are requesting program changes totaling \$513 million including 2,346 new positions, 503 of which will be for special agents.

I would like to spend a moment walking you through some of our progress to date in certain areas, the assessment of the threats that we still face in this country, and the changes that we are making to align our resources to the threats we confront.

COUNTERTERRORISM

As I know you are aware, our top three priorities currently are counterterrorism, counterintelligence and cyber crime. In turning first to counterterrorism, since the attacks of September 11th, the FBI has made the prevention of terrorist attacks our number one priority. I am pleased to report our efforts have yielded major successes over the last 18 months. As you are aware, we have disrupted suspected terrorist cells in Buffalo, Detroit, and Portland. And the recent apprehension in Pakistan of Khalid Shaikh Mohammed, a key planner and the mastermind of the September 11th attack, is also a significant achievement in the war on terrorism.

We also have been successful in choking off terrorists' ability to fund their acts of terror. We have frozen \$125 million from more than 600 accounts around the world, and conducted 70 financial investigations with 23 convictions to date.

Also in Pakistan, last month the Pakistanis apprehended Mustafa Ahmed al-Hawsawi, a major financial planner for Al-Qaeda.

As Al-Qaeda and other terrorist organizations change tactics, the FBI must be equally agile. We, too, must evolve, and we are evolving. We have dramatically increased our intelligence analysis and dissemination capabilities and are now focusing on long-term strategies to upgrade these capabilities.

Our fiscal year 2004 request includes approximately \$1 billion in direct support for counterterrorism. Understandably, the number of counterterrorism cases has risen dramatically since September 11, 2001, and the recent capture of high-ranking Al-Qaeda operatives and the information we have gleaned from their debriefings suggests that those numbers will continue to climb.

We need to have the resources to handle those increased numbers of counterterrorism cases. Nearly 50 percent of all of our requested program changes in 2004, or \$250 million, supports our counterterrorism mission. In particular, the 430 positions proposed in the budget will strengthen investigative support in the field and improve counterterrorism management and coordination at Headquarters.

Additionally, the requested amounts would support 66 of—the 66 Joint Terrorism Task Forces we have nationwide, which are critical to facilitate information sharing and act as a first line of defense against terrorist attacks.

COUNTERINTELLIGENCE

The second priority for us is counterintelligence. We have—we look at our counterintelligence mission in four sectors. First and most significant is the potential for an agent of a hostile group or Nation to produce or use weapons of mass destruction. Second is the potential for a foreign power to penetrate the intelligence community. Third is the targeting of Government-supported research and development. And finally, the fourth is the potential compromise of certain critical national assets spread across the United States.

Just as we are transforming our counterterrorism program, we are also transforming our counterintelligence. We have reorganized the program and realigned our resources to concentrate on emerging threats. We now have full-time counterintelligence squads in 48 of the 56 field offices dedicated to investigating hostile foreign intelligence services. In the 2004 budget, we are requesting \$63 million and 599 positions of which 94 would be for agents.

Let me turn for a second to briefly discuss the events that occurred yesterday in Los Angeles. As you are aware, I believe, yesterday in Los Angeles a retired FBI supervisor, Special Agent James J. Smith, was arrested along with a former intelligence asset, Katrina Leung. For many years, Smith, who had recruited Leung, served as her primary handler. The allegations against Smith and Leung are contained in criminal complaints which were unsealed yesterday. And because the matter is pending in Federal Court, I really cannot comment on the merits of these cases or on the strength of the evidence against Smith and Leung.

I do want to point out, however, that when I learned of these—of this possibility in January of this year, we immediately took steps to address this issue. I brought in a person by the name of Randy Bellows who had done the report on Wen Ho Lee in the Justice Department, an experienced prosecutor from the Eastern District of Virginia, to go out to Los Angeles and review what had occurred in those cases and to come back and give me recommendations.

Based on his recommendation, I appointed an Inspector in Charge, and it was the individual who was the lead agent in the *Aldrich Ames* case, to conduct a thorough covert investigation of the charges in Los Angeles. We gave him a task force in excess of 30 individuals who were separate and apart from the Los Angeles field office. And he conducted that investigation leading to the charges yesterday.

I have also asked the Inspector General to look at the performance of the Bureau with regard to this and other cases out there. And I am not content to wait for the Inspector General's review. I have asked the Inspection Division to look at the managers who may have had some responsibility and immediately get back to me a report on their responsibility for what happened out there.

I also want to point out that it is—we have, since January of last year, instituted a number of reforms out at the FBI Headquarters to ensure that these types of problems are corrected, not only out there, but throughout the FBI. In June of this last year, we established a rigorous Asset Validation Review Program to strengthen

agent accountability and management oversight, and made significant changes in the senior management within the Counterintelligence Division. And as I have said before, we have promulgated a national counterintelligence strategy with centralized program management.

We cannot minimize the problems in the Los Angeles program, but we have moved firmly to correct those problems. And quite obviously, I believe that to be an isolated event and I remain proud of the work of the many thousands of men and women of the FBI for the service they render every day to the United States. But we, as an organization, must learn from the mistakes of the past so that we do not repeat them in the future.

CYBER CRIME

Leaving counterintelligence, the third priority is cyber crime. We, as just about everybody else in the United States, continue to see an explosive growth in cyber crimes. Last year we established a consolidated new Cyber Division at Headquarters to manage these investigations and to help us coordinate our public and private sector partners.

In our 2004 budget request, we are requesting \$234.4 million to protect the United States against these attacks. We are seeking 194 positions, of which 77 would be for agents.

In addition to the traditional cyber crimes, over the past 6 years, we have seen cases involving child sexual exploitation grow in number from 113 to over 2,300. The requested resources for 2004 will help us to keep pace with this burgeoning caseload.

Lastly in the cyber area, 6 out of 10 of our investigations currently require some level of computer forensic support. History tells us that the number of cases requiring this support will grow. These resources would allow us—the 2004 resources which we request would allow us to expand our ability to conduct computer forensics examinations.

TECHNOLOGY PROGRESS

A last moment on our technology progress. We have made substantial progress in the last 18 months. On March 28, we completed the Trilogy Wide Area Network. It was completed 3 days ahead of schedule. There were some that said that we could not do it, much less do it on time. That wide area network has been deployed to 622 FBI locations. Over the last 18 months, we have also installed 21,000 new desktop computers and nearly 5,000 printers and scanners.

We are now focused on implementing the data warehousing capability that will bring together our information into a database or databases that can be accessed by agents throughout the world, as well as our analysts, as soon as that piece of information is developed.

In today's world, we cannot afford to allow our technology to become obsolete. And it is essential that we preserve these investments by ensuring there is sufficient funding for life cycle operations and maintenance of systems and for technology refreshment, and the 2004 budget request includes a request for \$82 million for this purpose.

Mr. Chairman, in addition to the priorities I outlined today, the FBI is also requesting funding to continue restructuring our security programs, to augment nuclear DNA efforts, and to support our ongoing crackdown on corporate corruption.

PREPARED STATEMENT

I believe that my Bureau is in the process of turning a corner in its history. We have made substantial changes to better equip us to protect America over the last 18 months. We must continue to evolve. We must continue to grow. And with your support, we can give our agents the resources and tools they need to carry out their mission of protecting America.

Thank you for the opportunity to give a brief statement.

Senator GREGG. Thank you, Director. We appreciate that.

[The statement follows:]

PREPARED STATEMENT OF ROBERT S. MUELLER, III

INTRODUCTION

Good morning. Chairman Gregg, Senator Hollings and members of the Subcommittee, I welcome the opportunity to appear before you to discuss the FBI's fiscal year 2004 budget request. The FBI is undergoing extraordinary, positive change, to better meet the threats posed by terrorists, foreign intelligence services, and criminal enterprises. We have changed our organizational structure to address the greatest threats facing our country, to be more dynamic and flexible, and to ensure accountability. And we are dramatically upgrading our information technology. These changes, and many others that are ongoing, will ensure that the FBI stays on top of current and future threats well into the 21st century.

The FBI's fiscal year 2004 budget request will give us the resources we need to keep this positive momentum. Our total request is \$4.6 billion. We are requesting program changes totaling \$513 million, including 2,346 new positions, 503 of which are Special Agents. This morning, I would like to briefly walk you through our progress to date, our assessment of the threat and the changes we are making to align our organization and resources to address the threat.

Before beginning, let me make one caveat to my testimony. We are still analyzing the impact of the 2003 Omnibus Appropriations Act on our 2004 request. It is possible that some changes to the request may be required to reflect the 2003 enacted level. We will be working with the Appropriations Committee on this analysis.

COUNTERTERRORISM PROGRESS

The prevention of another terrorist attack remains the FBI's top priority. We are thoroughly committed to identifying and dismantling terrorist networks, and I am pleased to report that our efforts have yielded major successes over the past 18 months. Over 228 suspected terrorists have been charged with crimes, 113 of whom have been convicted to date. Some are well-known—including John Walker Lindh and Richard Reid. But, let me give you just a few recent examples:

- In March, Khalid Shaikh Mohammed was located by Pakistani officials and is in custody of the United States at an undisclosed location. Mr. Mohammed was a key planner and the mastermind of the September 11th attack. Since the arrest, the FBI worked with other agencies to disrupt his financial network in the UAE and Pakistan and we are continuing to get extremely valuable information from him.
- On March 16, Abdullah al-Kidd, a U.S. native and former University of Idaho football player, was arrested by the FBI at Dulles International Airport en route to Saudi Arabia. The FBI arrested three other men in the Idaho probe in recent weeks. And the FBI is examining links between the Idaho men and purported charities and individuals in six other jurisdictions across the country.
- In February, members of the Palestinian Islamic Jihad, including Professor Sami Al-Arian, were arrested by the FBI and charged under Racketeering Influence and Corrupt Organizations with operating a racketeering enterprise from 1984 until the present that engaged in violent activities.

—Six individuals in Portland, Oregon, were arrested by the FBI and charged with conspiracy to join al Qaeda and Taliban forces fighting against U.S. and allied soldiers in Afghanistan. All six have entered plea negotiations.

—And, in Buffalo, the FBI arrested seven al-Qaeda associates and sympathizers. These individuals, members of a suspected sleeper cell, were indicted in September 2002 for providing material support to terrorism.

In addition, we are successfully disrupting the sources of terrorist financing, including freezing \$125 million from 62 organizations and conducting 70 financial investigations, 23 of which have resulted in convictions.

COUNTERTERRORISM THREAT

Despite these successes, tangible terrorist threats remain. During this period, we are clearly focused on immediate threats to the nation because of the war in Iraq. In order to respond to potential threats, our Strategic Information and Operations Center at FBI Headquarters and our field special command posts are operating on a 24 hour basis. We established an Iraqi Task Force. And, our agents have interviewed over 9,000 individuals and are obtaining important information to help protect the American public.

But, even as we guard against this potential Iraqi threat, we believe that for the foreseeable future, the al-Qaeda network will remain one of the most serious threats facing this country. While the United States has made progress in disrupting al-Qaeda at home and overseas, the organization maintains the ability and the intent to inflict significant casualties in the United States with little warning.

CHANGING TO MEET TERRORIST THREATS

As al-Qaeda and other terrorist organizations change their tactics, the FBI, too, must evolve. And we are evolving.

Our new Analysis Branch in the Counterterrorism Division has produced 30 in-depth analytical assessments, including a comprehensive assessment of the terrorist threat to the homeland. We have also improved analyst training and dramatically beefed up our language translation capabilities.

I am now focusing on long-term strategies to enhance our ability to collect, analyze, and disseminate intelligence. I have put in place a new, formal structure that will enable the FBI to assess gaps and to establish formal policies and strategic plans for intelligence collection. A new Executive Assistant Director for Intelligence (EAD/I) will have direct authority for the FBI's national intelligence program, and will ensure that we have optimum intelligence strategies, structure, and policies in place.

We are establishing, in every field office, Intelligence units staffed with Reports Officers. These specially-trained individuals collect and extract intelligence from FBI investigations and share that information with our law enforcement and intelligence partners.

FISCAL YEAR 2004 COUNTERTERRORISM REQUEST

Our fiscal year 2004 request includes approximately \$1 billion in direct support for counterterrorism. Nearly 50 percent of all requested program changes, or \$250 million, supports counterterrorism. In particular, the 430 positions proposed in the fiscal year 2004 budget will strengthen operational support around the country and improve CT management and coordination at FBI Headquarters. New personnel would provide an increased level of guidance, legal advice, and operational support to investigators on the front line of the war on terrorism. We must also continue to grow our cadre of strategic analysts. The number of FBI counterterrorism cases more than doubled last year, and with the recent capture of high-ranking al-Qaeda operatives, the number of cases will continue to climb.

The requested amounts would support 66 JTTFs—critical multi-agency task forces that facilitate cooperation and information sharing, and act as a “first line” for preventing terrorist attacks. It would expand vital international partnerships by adding new FBI Legal Attaches in Sarajevo, Bosnia; Kuwait City, Kuwait; Tashkent, Uzbekistan; Kabul, Afghanistan; and Belgrade, Serbia, and by enhancing our presence in several existing locations to handle a growing workload.

Approval of this budget request would also improve FBI crisis response capabilities, so we are prepared to respond to the scene of a terrorist attack at home or abroad quickly and effectively, with the equipment we need.

COUNTERINTELLIGENCE PROGRESS

Mr. Chairman, so far this morning I have focused on the terrorist threats facing this country. Our counterintelligence efforts are also vital to national security. I want to emphasize that the FBI is thoroughly engaged in fighting the serious threat from foreign intelligence services and their assets. The FBI had several successful investigations in this area. Last month, Brian Regan agreed to accept a life sentence for attempted espionage and unlawful gathering of defense information. In October 2002, Ana Montes was sentenced to 25 years in prison following her plea of guilty to one count conspiracy to commit espionage on behalf of Cuba.

COUNTERINTELLIGENCE THREATS

Intelligence threats fall into four general categories. The most significant—and our top counterintelligence priority—is the potential for an agent of a hostile group or nation to enhance its capability to produce or use weapons of mass destruction. A second threat is the potential for a foreign power to penetrate the U.S. Intelligence Community. A third threat is the targeting of government supported research and development. The individuals awarded research and development contracts in support of ongoing operations and war-making capabilities constitute the highest risk. The fourth threat is the potential compromise of Critical National Assets (CNAs). The nation's CNAs are those persons, information, assets, activity, R&D technology, infrastructure, economic security or interests whose compromise would do damage to the survival of the United States.

CHANGING TO MEET INTELLIGENCE THREATS

Just as we have worked to transform ourselves within the counterterrorism program, we have made significant changes to the FBI's counterintelligence program. Last May, when I announced the second phase of the FBI reorganization, I indicated that we would be refocusing our counterintelligence program to focus on the four threats I outlined. That effort is progressing with a centralized, nationally directed program. We established a Counterespionage Section responsible for overseeing all of the FBI's counterespionage efforts, including economic espionage, and we clarified our priorities and objectives in a "National Strategy for Counterintelligence."

With your support, we reprogrammed 216 positions from criminal investigations to counterintelligence, and we now have full-time counterintelligence squads in 48 of the 56 field offices.

FISCAL YEAR 2004 COUNTERINTELLIGENCE BUDGET REQUEST

For fiscal year 2004, we ask your support for program changes totaling \$63 million and 599 positions, including 94 agents, to further our counterintelligence strategy. These resources would provide the necessary investigators, analysts, and surveillance capabilities needed to address emerging global threats, bolster both our fixed and mobile surveillance capabilities, and improve our ability to detect espionage activities targeting national assets and universities.

CYBER CRIME PROGRESS

Next, I would like to discuss our third priority—cyber. We have created a consolidated new Cyber Division at Headquarters to manage investigations into Internet-facilitated crimes, to support investigations throughout the Bureau that call for technical expertise, and to help us coordinate with public and private sector partners.

This strategy is proving successful. Our computer intrusion program, for example, has identified over 5,000 compromised computers, and resulted in 320 convictions and \$20.4 million in restitutions. During 2002, Innocent Images National Initiative investigations resulted in 692 arrests, 648 indictments/informations, and 646 convictions. And despite using only 5 percent of all FBI resources, the Cyber Program is facilitating investigative activities across all Bureau programs.

CYBER CRIME THREAT

Unfortunately, we are seeing explosive growth in cyber crime—both traditional crimes such as fraud and copyright infringement that have migrated on-line, and new crimes like computer intrusions and denial of service attacks.

To date, terrorists have posed only low-level cyber threats, but some organizations are increasingly using information technology for communication. Terrorist groups are increasingly computer savvy, and with publicly available hacker tools, many

have the capability to launch nuisance attacks against Internet-connected systems. As terrorists become more computer savvy, their attack options will increase.

CHANGING TO MEET CYBER THREATS

Looking forward, our Cyber Program will focus on identifying and neutralizing: (1) individuals or groups conducting computer intrusions and spreading malicious code; (2) intellectual property thieves; (3) Internet fraudsters; and (4) on-line predators that sexually exploit or endanger children. Our success will depend on maintaining state-of-the-art technical capabilities to handle complex investigations and forming and maintaining public/private alliances.

FISCAL YEAR 2004 BUDGET REQUEST

For fiscal year 2004, the FBI is requesting \$234.4 million to protect the United States against cyber-based attacks and high-technology crimes. This request represents program changes of \$62 million and 194 positions, including 77 agents. These resources will enable the FBI to staff computer intrusion squads in field offices, enhance technical capacities to identify persons illegally accessing networks, and provide funding for the training and equipment we need to more aggressively investigate cyber incidents. The requested resources will enable the FBI to increase its efforts to detect the sexual exploitation of children on the Internet. Over the past six years we have seen these cases grow in number from 113 to over 2,300. We must increase our commitment here. Finally, the resources would allow us to expand our ability to conduct computer forensics examinations. Right now, 6 out of 10 investigations require some level of computer forensics support. History tells us that the number of cases requiring this support will continue to grow and that the number of forensic examinations required per investigation will also continue to grow.

TECHNOLOGY PROGRESS

I would like to touch on our efforts to upgrade FBI technology. Over the past two years the FBI has made significant progress in modernizing our information technology infrastructure to better support our investigative needs. On March 28, we completed the Trilogy Wide Area Network—three days ahead of schedule. High-speed local area networks have been deployed to 622 FBI locations. Over 21,000 new desktop computers and nearly 5,000 printers and scanners have been provided. The Enterprise Operations Center, which will manage our computer networks, becomes operational early this spring.

We are now focused on implementing a corporate data warehousing capability that is key to FBI intelligence, investigative, and information sharing initiatives as well as to our records management system.

Trilogy will change the FBI culture from paper to electronic. It will replace redundant searches of stove-piped systems. Agents will search multiple databases—linking thousands of data points of evidence, leads and suspects—through a single portal. Trilogy is the base for a modern computer architecture. Trilogy computers, servers, and networks will support state-of-the-art applications. Using Trilogy to transport, the Integrated Data Warehouse will link 31 FBI databases for single-portal searches and data mining. The Collaborative Capabilities program will allow electronic data sharing with other agencies.

FISCAL YEAR 2004 BUDGET REQUEST

We are now at the point in our information technology upgrade where it is essential that we preserve these investments by ensuring there is sufficient funding for life-cycle operations and maintenance of systems and for technology refreshment. The fiscal year 2004 request includes increases of \$82 million to fund technology refreshment and operations and maintenance. These resources will ensure that the equipment we have deployed stays in good working order, and that it is replaced in an orderly manner. The FBI can never again allow its equipment to become obsolete.

OTHER PROGRAMS

We are completely restructuring our internal security programs and processes. We have created a dedicated Security Division and are consolidating security functions under a single management structure. As we implement these changes to improve security, we are addressing recommendations in the Webster and Rand reports. The fiscal year 2004 request includes increases of \$37 million and 126 positions, including 32 agents. These resources will fund polygraph examinations, guard services, and other security expenses.

The FBI Laboratory's R&D efforts generated more than 120 projects, providing more than 100 deliverable products to the operational units, 58 technical publications, and 126 scientific presentations, in the last three years. The FBI's Combined DNA Index System software is used by 185 domestic and 23 foreign laboratories. The fiscal year 2004 request includes \$3.28 million and 32 positions funding nuclear DNA and the Federal Convicted Offender Program.

I will conclude with the FBI's Criminal Program. We have opened more than 85 major corporate fraud investigations. At the end of fiscal year 2002, the FBI had five corporate fraud investigations with losses in excess of \$1 billion. Currently, this number has increased to eight. Forty-five FBI field offices are participating in multi-agency corporate fraud working groups. The fiscal year 2004 request includes \$16 million and 164 positions, including 54 agents. The request will fund additional investigators to support this initiative.

CLOSING

The FBI has turned a corner in its history. With the support of Congress, we have been able to make dramatic and substantive changes. Our transformation continues because the threats facing the U.S. homeland continue to evolve. I want to reassure you that we are committed to protecting this country from those who seek to harm us through acts of terror, espionage, cyber attacks, or criminal acts. Every citizen must be able to enjoy the basic freedoms this great nation provides. The men and women of the FBI understand their roles in these challenging and uncertain times. With your support, we can give them the resources and tools they need to carry out our mission.

Thank you.

COUNTERTERRORISM

Senator GREGG. Maybe you could give us your thoughts on where we stand in fighting terrorism.

Mr. MUELLER. Looking at it from our perspective alone, the FBI is responsible for understanding the terrorist threats within the United States. Each month as we reorient our work force, as we increase our information technology (IT) capability, as we grow analytical capability, as we bring on more translators, as we focus on addressing counterterrorism as our number one priority and, as everyone in the organization comes to understand that, I think we have grown in our capability of understanding the threats within our borders.

That does not mean that we could not still face individuals coming into the United States, sleepers who come in individually under our radar screen and, pursuant to some plot originated and directed overseas, contemplate a terrorist attack. But each month I believe that we have moved to better our capabilities and understanding of the terrorist threats within our borders.

And if you couple that with the successes overseas, the arrest of Abu Zabaydah, the arrest of Ramzi Binalshibh, the detention of Khalid Shaikh Mohammed, the detention of Mustafa Ahmed al-Husawi, and our continuing debriefings of these individuals, our view of the capabilities of Al-Qaeda becomes more transparent and it gives us more confidence that we have an understanding of plots in the past, plots that were on the table as future possibilities.

We still face a substantial threat, principally from Al-Qaeda and their desire, willingness, capabilities, and unity of mission to kill Americans. So on the one hand, I think we are doing a much better job both here and overseas. On the other hand, we still face a substantial threat.

Senator GREGG. What percentage of the agents are now involved in counterterrorism?

Mr. MUELLER. I believe it is up to—let me just check for a second if I could.

Senator GREGG. Yes.

Mr. MUELLER. Yes, it is 23 percent. I had to check my figures.

Senator GREGG. And what percentage are involved in the counterintelligence? And is that an overlapping number?

Mr. MUELLER. It is not an overlapping number, although—let me just—let me see if I can give you the figures, the percentage.

I was just informed that we generally do not—I would be happy to provide the number of counterintelligence in closed session. Generally we do not give out the percentages or the numbers in open session.

I will tell you that it is not an overlap. However, the—since September 11th, my directions to the SACs, Special Agents in Charge, around the country is that their first priority is counterterrorism. There should be no counterterrorism lead that goes unaddressed. And consequently, we have overburned, as you would say, in counterterrorism substantially in the wake of September 11th, and that continues to drop until October of this year. And then as we ginned up for the response to the, at that time, probable incursion into Iraq, the numbers that were dedicated to counterterrorism ramped up again.

And so there will be and there has been in the wake of September 11th, and there has been in anticipation and during the war in Iraq, a number of individuals who have been taken from other programs, including counterintelligence, to meet the short-term needs of addressing the September 11th investigation, and then the responsibility for protecting the United States from terrorist attacks which might have been associated with the war in Iraq.

CHICAGO FIELD OFFICE

Senator GREGG. Let us take the field office, arbitrarily choosing Chicago as a large one. How many agents approximately do you think you have there? Do you know?

Mr. MUELLER. I just do not have that off the top of my head.

Senator GREGG. Let us say it is 500. What—

Mr. MUELLER. I would say—

Senator GREGG. What percentage—

Mr. MUELLER [continuing]. Yes, probably 500 or 600 in Chicago. [The information follows:]

NUMBER OF AGENTS IN CHICAGO FIELD OFFICE

As of April 10, 2003, the Chicago Field Office had a Funded Staffing Level of 422 agents.

Senator GREGG. What percentage would be doing counterterrorism, and what percentage would be doing counterintelligence, and what percentage would be doing what they have always done in Chicago, chasing city officials?

Mr. MUELLER. I would be happy to get you those figures, but I can tell you in the wake of September 11th, there would have been a ramp up, a substantial ramp up in which probably 50 to 60 percent of the agents in the months from October 2001 to April, May or June 2002, were addressing counterterrorism.

As you got further away from September 11th, the numbers would drop back and be addressing the other programs, so that I would venture to say in a place like Chicago, 30 percent would be doing counterterrorism at the low point, August, September, before we started ramping up for Iraq. Now it is probably higher. And it certainly has been higher in the last several weeks because we completed, around the country, interviews in excess of 9,000 individual Iraqis who have provided us with tremendous information helpful to the forces overseas. But we have undertaken and completed 9,400 interviews around the country and we had to use agents from different programs.

So if you look at it today, the percentage who would be working on what we say is counterterrorism would be a lot higher. If you looked at it back in August, I would say probably 20 to 30 percent of the Chicago office was working on counterterrorism. A lesser percent would be working on counterintelligence. A lesser percent would be working on cyber. And then a substantial number in the overall criminal programs, probably close to 40 percent, 30 to 40 percent, would be on all of the criminal programs. That would be public corruption, violent crime, gangs, organized crime, all lumped together under the criminal programs.

[The information follows:]

CLARIFICATION: PERCENTAGE INCREASE OF AGENTS IN CHICAGO FIELD OFFICE FOCUSING ON COUNTERTERRORISM PRIOR TO SEPTEMBER 11 TO MAY/JUNE OF 2002, AND DURING WAR WITH IRAQ

“In the wake of September 11, there would have been a ramp up, a substantial ramp up in which probably 50 to 60 percent of the agents in the months from October of 2001 to April, May or June of 2002, were addressing counterterrorism.”

In fiscal year 2001 (October 1, 2000-September 30, 2001) 12.1 percent of all FBI field agents Bureau-wide were working counterterrorism. In the Chicago field office, 14.1 percent of agents were working counterterrorism.

From October 1, 2001 through December 31, 2001, 52.4 percent of all FBI field agents were working counterterrorism. In the Chicago field office, 34.7 percent of agents were working counterterrorism.

From October 1, 2001 through June 30, 2002, 34.5 percent of all FBI field agents were working counterterrorism. In the Chicago field office, 26.7 percent of agents were working counterterrorism.

“As you got further away from September 11th, the numbers would drop back and be addressing the other programs, so that I would venture to say in a place like Chicago 30 percent would be doing counterterrorism I would say at the low point, August, September, before we started ramping up for Iraq. Now it is probably higher.”

From October 1, 2002 through December 31, 2002, 22.3 percent of all FBI field agents were working counterterrorism. In the Chicago field office, 19.2 percent of agents were working counterterrorism.

From October 1, 2002 through March 31, 2003, 24.4 percent of all FBI field agents were working counterterrorism. In the Chicago field office, 19.6 percent of agents were working counterterrorism.

The chart below illustrates these figures.

The number of FBI agents involved in counterintelligence in the Chicago office is classified. The classified response is provided in a separate document.

SUMMARY CHART OF AVERAGE FIELD AGENT ONBOARD FOR TOTAL FBI AND THE CHICAGO FIELD OFFICE

Time Period	Bureau ¹			Chicago ¹		
	Avg. Agents Onboard	Avg. CT Agents Onboard	Percent of Total Agents	Avg. Agents Onboard	Avg. CT Agents Onboard	Percent of Total Agents
Fiscal year 2001: 10/1/00–9/30/01	9,048	1,092	12.1	384	54	14.1
Fiscal year 2002, 1st Qtr: 10/1/01–12/31/01	8,904	4,666	52.4	377	131	34.7
Fiscal year 2002, 3rd Qtr: 10/1/01–6/30/02	8,791	3,029	34.5	371	99	26.7
Fiscal year 2003, 1st Qtr: 10/1/02–12/31/02	8,826	1,964	22.3	381	73	19.2
Fiscal year 2003, 2nd Qtr: 10/1/02–3/31/03	8,884	2,172	24.4	378	74	19.6

¹ These number do not include Supervisory Special Agents.

COUNTERTERRORISM TRAINING

Senator GREGG. What percentage of the curriculum at Quantico is dedicated to counterterrorism?

Mr. MUELLER. I can tell you that it has increased. I do not know the exact percentages. The basic skills, and by that I mean the skills that cut across all of the various substantive programs of the Bureau, probably take up 50 or 60 percent—and this is off the top of my head, and I would have to get you the exact figures. It is probably 50 to 60 percent.

Thank you. For a percentage—I can tell you that since September 11th, we have added 32 hours of counterterrorism and counterintelligence training to the—on the counterterrorism and counterintelligence curriculum for the new agents. We also are putting in a separate training session specifically for counterintelligence.

[The information follows:]

PERCENTAGE OF CURRICULUM AT QUANTICO DEDICATED TO COUNTERTERRORISM (CT)

Currently, New Agents receive 116 hours of Investigative Training. Of these, 55 hours (approximately 47 percent) are dedicated directly to counterterrorism and counterintelligence training. Because these two training initiatives are extremely inter-related, singling out CT-exclusive training is difficult. All other training, such as Legal, Forensics, and Firearms, is an integral part of New Agent Training, but is not program-specific. Additionally, CT analysts are also trained at Quantico in the College of Analytical Studies. The training includes a basic six-week course. Several advanced analyst courses have been developed as well.

FBI CULTURE

Senator GREGG. I guess my question goes to this: How much has the culture changed? I mean, does the agent in the field today think that he is primarily a counterintelligence, counterterrorism agent? Or does he still think he is a super police officer—

Mr. MUELLER. I think the—

Senator GREGG [continuing]. Or she?

Mr. MUELLER. No, I think that there are a couple of ways of looking at it. At the outset I would say when we talk about culture and when you think on it, if you looked at your FBI agent, the FBI agent is patriotic needless to say, dedicated, honorable, wants to do the job that is set by their country, in the same way that the military is. When a person joins the military, they do what the President directs for the military, to be one place one day and the next place the next day.

In the past, we have been focused on cases with the expectation that a case would go to court. I believe since September 11th, almost everyone in the organization understands that you have to look at a piece of information as a piece of information, whether it is a piece of information for purposes of intelligence or a piece of information that can be used all the way into a courtroom. But it is very important for that piece of intelligence, that piece of information available to be looked at in a larger context of the intelligence mission of the Bureau.

I have heard and believe that around the country, agents who want to do counterterrorism find that the skills that they have developed on the criminal side lend themselves to counterterrorism investigations, and that the mix of counterintelligence or counterterrorism experience is ideal. There are those around the country, and there probably always will be, who prefer doing drug investigations or white collar crime investigations. But I believe that the Bureau has shifted remarkably since September 11th to address and understand the importance of the intelligence function.

I also have to give them the tools to do it. I have to give them the analysts. I have to give them the information technology. I have to develop the reports officers, and strip off the sources and methods so that we become a greater part of the intelligence community. I have to develop a cadre not just of reports officers, but intelligence officers who will look at things not just from the case perspective but also from the perspective of a particular strategic target, and adopt that which MI5 does well in certain areas in order to be successful.

And the last point I would make is the—I have looked at MI5. I have looked at other intelligence areas, and I believe that the combination we have of intelligence capability and law enforcement capability under one roof is by far the best way to go, and avoids the stovepiping that we see elsewhere.

Senator GREGG. I have a lot of other thoughts and questions. But I will turn to Senator Hollings.

Senator HOLLINGS. Thank you, Mr. Chairman.

I first observe, Director Mueller, that you are not in any trouble. Otherwise, this table would be filled up, you know.

It is not all of us here, just us chickens.

TERRORISM

With respect to the status of terrorist that the chairman asked about, of course the real question is: Are they creating them faster than you get rid of them? You meet every morning and brief the President I believe.

Mr. MUELLER. Yes, sir.

Senator HOLLINGS. I wonder about the statement made by Mubarak in Cairo to the effect that we are creating 100 bin Ladens. That is what we have really got to worry about. We have got to make sure that we bring, as we are doing now, a quick end to Saddam. Otherwise, when we get that government going, but more particularly get the President's roadmap for peace in the Middle East on-going—I notice that Chirac has announced a different roadmap. Tell the President to stick to his roadmap because—that is the creation of the terrorism.

I mean, you can put on all of these numbers of agents, dedicate so many more agents to terrorism rather than to drugs or to crime or white collar, this or that, but unless and until we get to the source of the creation of them, they are creating them fast. That was the whole—but we have got our fingers crossed right now about the victory in Iraq. We have hit the bowl. The question is whether the follow-through is going to really work. And it is going to be extremely difficult to get all of these religious sects and get a democratic government. It is going to be tough.

But that is the answer to the question of the status of terrorism, because it could be that we are creating them faster than you can get rid of them.

Otherwise, on the culture, that is another difficult job that you have. And you talk about the agent out there, and you—it is a question of how do you get them so that they believe they are beyond the law or they can out-trick the law or they devolve into corruption or that kind, where they swap sides. We have had Miller and Hanssen, for one thing. I would have burned Hanssen. I do not know where you all get this that you can get more—I mean that was one clear-cut case and the files got him. So we had all the more that we could have gotten out of him.

And if you do not really treat it as treason they will continue to say, “Well, the jail is not so bad.” I know we have built one down in South Carolina. I went to see it, and they had better rooms in the jail than they had the Citadel when I went to school. They have TV there. They have exercises, you know, and you can play ball in the afternoon and all of that kind of stuff. So the fellow who is hungry and out there—I have worked on jails—if he does not have a pretty good go at it, he said he can get three squares and a warm place, and they get into crime.

Similarly, if there is no real penalty and they get just wonderful security and three squares, what is the risk? You know what I mean.

Mr. MUELLER. Yes, sir.

COUNTERINTELLIGENCE

Senator HOLLINGS. Otherwise, we and the State Department swap around our ambassadors and chiefs of stations. We find—is there a swap-around system particularly in counterintelligence, where they just do not stay there and get corrupted in that sense? The Methodist ministry does that. I know we do that with Circuit judges in South Carolina.

Somehow we have got to give polygraphs to everyone in counterintelligence. Every 3 years, I think, is the practice. When last did J.J. Smith get a polygraph?

Mr. MUELLER. I am not certain, Senator, on J.J. Smith. I can tell you that on the—on Ms. Leung, the other individual, she was polygraphed back in the 1980s but not more recently than that. I have to—

Senator HOLLINGS. Well, now—

Mr. MUELLER [continuing]. Tell you that we have changed our policy in the wake of—

Senator HOLLINGS. You have changed your policy?

Mr. MUELLER. We have changed our—

Senator HOLLINGS. Thank goodness.

Mr. MUELLER. We have dramatically improved our—

Senator HOLLINGS. I asked Judge Freeh about Hanssen—

Mr. MUELLER [continuing]. Use of polygraphs.

Senator HOLLINGS [continuing]. And he had not had one in 20 years.

Mr. MUELLER. I also took one before my confirmation.

Senator HOLLINGS. Yes, sir.

Mr. MUELLER. So I have been through it along with everybody else, and it was an experience.

[The information follows:]

MOST RECENT POLYGRAPH OF SPECIAL AGENT JAMES J. SMITH, SUBJECT OF
ESPIONAGE CASE IN LOS ANGELES, CALIFORNIA

Operating under previous policies, Agent Smith never received a polygraph examination, as he retired prior to the Hanssen case. Under the current polygraph policies, an agent in a similar position would be subject to periodic 5-year reinvestigations requiring a counterintelligence-specific polygraph, and would also be subject to random testing. In addition, all new employees are subjected to a pre-employment polygraph.

Senator HOLLINGS. I was on the Intelligence Committee, and we knew good and well where the leaks were in the staff, and so you never ask a man to do something that you are not going to do yourself. We learned that in the war. So I went over to the Capitol Police; it was a 2-hour thing. And the first question, I started my answer, I said, "Well, in my humble opinion," and the damn needle just went right straight across.

Senator GREGG. I am not sure a polygraph has been designed that would be able to handle your answers—

Senator HOLLINGS. But in any event—

Senator GREGG [continuing]. Or understand them.

DOMESTIC INTELLIGENCE

Senator HOLLINGS. When 9/11 occurred, it was like—it is like that, "When in danger, when in doubt, run in circles, scream and shout." And one of the screams was, "We need a whole new division of domestic intelligence rather than the FBI. I think you are handling it. You are reorganizing it, but it has sort of been top secret in that sense that—I have explained to colleagues what you have been doing. Somehow you have a PR man. That is all J. Edgar had. Find out his descendant and get him.

And tell what is going on, that can be told, because they do not realize the tremendous effort you have made on domestic intelligence.

TRILOGY

With respect to the Trilogy, as I understand you said you were going to have a cost overrun of \$137.9 million. And we asked you to take it out of the hide of the budget, and that was going to require a reprogramming.

Mr. MUELLER. Yes, sir.

Senator HOLLINGS. Have you got that reprogramming request before us?

Mr. MUELLER. I have the—it is over at the Department of Justice at this point.

[The information follows:]

STATUS OF THE TRILOGY REPROGRAMMING REQUEST

As of April 10, 2003, the Trilogy reprogramming request was at the Department of Justice. The request was forwarded to the Office of Management and Budget (OMB) on April 17, 2003, and approved by OMB on April 25, 2003. On May 21, 2003, the request was transmitted to Congress.

Senator HOLLINGS. I see. What about keeping, now, that Trilogy up to date? If we get all of this stuff and everything else like that, but do we have an ongoing plan to keep it moving and going?

Mr. MUELLER. Yes, absolutely. Yes. Let me back up a second and say that—

Senator HOLLINGS. Yes.

Mr. MUELLER [continuing]. I would take responsibility for the cost overruns.

Senator HOLLINGS. Yes.

Mr. MUELLER. When I came in, it took me a while to understand the information technology or lack thereof in the Bureau, and the current plans to upgrade it. And it takes a while to get it into my head because I am not a computer programmer at all. But as we went along, it seemed to me that our plans and what we had budgeted for and what Congress had given us would be inadequate to the mission that we had, in the sense that it was not upgrading our essential databases, giving and putting it into a new, upgraded database architecture that would be a platform for the future. And as has been described to me by others in the Bureau, what we were doing in the previous budget was putting lipstick on a pig.

Senator HOLLINGS. Yes.

Mr. MUELLER. In other words, the pig is our old databases and we are putting a GUI, Graphical User Interface, on it that would make everybody happier in terms of input and output, but would not enable us to use the analytical tools that we needed. So I had them go back to scratch. And in going back to scratch and developing the database structure that I believe will be the foundation for the future, it ended up costing more. That, coupled with the fact that we had two contractors and we need an integrator, is principally responsible for the overruns.

Now, I believe that those changes that we have made are absolutely indispensable to our ability to continue to refresh our information technology down the road. It makes no sense for us to have and put into place that which will be obsolete in 2 years. And we are increasingly looking at and focusing on what we do in-house as a foundation for the future, whether it be 5 or 10 years down the road, and enhancing our capability to get commercial-off-the-shelf, COTS, products in to augment what we are doing, as those COTS products get developed by the various contractors out in the field.

So we have asked for, I believe, something in the range of—what is it? \$82 million, is it? Yes, \$82 million in the 2004 budget, principally directed at enhancing our information technology.

[The information follows:]

CLARIFICATION: AMOUNT REQUESTED FOR INFORMATION TECHNOLOGY IN FISCAL YEAR 2004

In fiscal year 2004, the requested increase for information technology is \$82 million. The FBI requests \$80 million for Trilogy operations and maintenance (O&M)

and technology refreshment and \$2 million for the Top Secret/Sensitive Compartmented Local Area Network O&M.

Mr. MUELLER. As to the \$137.9 million, you are right. You did say take it out of our base funding, and we are taking it out of our base funding. We have the reprogramming over at the Department of Justice. And I am looking at the information technology dollars with a view to making certain that every one of those dollars is spent wisely.

CRIMINAL JUSTICE INFORMATION SERVICES (CJIS)

While I am on this subject, because it is important to the future of the Bureau—

Senator HOLLINGS. Yes.

Mr. MUELLER [continuing]. I will tell you that we have tremendous capabilities out at CJIS, for instance, Integrated Automated Fingerprint Identification System, or IAFIS, the fingerprint databases, NICS, National Instant Criminal Background Check System—

Senator HOLLINGS. How long does it take with the fingerprint thing? If I am—

Mr. MUELLER. Seconds.

Senator HOLLINGS [continuing]. The highway patrol and I take a fellow and I have his fingerprints—

Mr. MUELLER. Seconds.

Senator HOLLINGS. Seconds?

Mr. MUELLER. Seconds.

Senator HOLLINGS. It used to take 1 month or 2 months.

Mr. MUELLER. Seconds.

Senator HOLLINGS. Yes, good.

Mr. MUELLER. And with the expansion of our database, we have a number of cases now where we have gone back 20 or 30 or 40 years and provided fingerprint matches to State and local law enforcement entities that have enabled them to solve homicides in ways they had not been able to solve them in the past.

There were two officers who were killed out in Los Angeles, something like 30 years ago. And with our enhanced capabilities, fingerprint capability—they still have not forgotten about that case in that police department out there. They sent the fingerprints in from the crime scene, and it was matched with an individual who lived down in—it may have been South Carolina, but one of the Carolinas. I do not know which one, or Georgia. And it turned out he had been living there for a number of years, married, had a family, but he was responsible for killing these two police officers 30 years ago, and they brought him back and he pled guilty last week. That is the kind of work that is done out at CJIS.

Now as we grow as an organization, what we have to do is enhance our information technology capabilities there and better integrate it in to what we do in the Bureau overall.

[The information follows:]

CLARIFICATION: IAFIS CASE IN LOS ANGELES

More than 45 years ago, two California police officers were shot and killed. A latent fingerprint was developed from a vehicle involved in the case, but searches of that print met with negative results. Last year, detectives in the Los Angeles County Sheriff's Office initiated a search of the latent fingerprint against the database

of the Integrated Automated Fingerprint Identification System (IAFIS). The search resulted in the identification and arrest of Mr. Gerald Mason, who was in the database because of a 1956 burglary arrest. The FBI notified the Los Angeles County Sheriff's Office. Mr. Mason was located and arrested at his residence in South Carolina on January 29, 2003.

Mr. MUELLER. I do not mean to get on my hobbyhorse on that, but—

DRUGS/TERRORISM FINANCING

Senator HOLLINGS. Oh, no, it is better to know that you have a grasp of it, and that was really the question. And you really know more about it than I do.

But I am a little concerned—of course, I am—sometimes I get our chairman and so forth and we find out what we are going to do on drugs. I started 30-some years ago right at this table and we were burning the poppy fields in Turkey, and then we went to Marseilles and broke up the factories, went down into Paraguay and up to Colombia and over to the triangle at Chiang Mai, up in Laos, and I met with the Japanese and the Australians and everybody else. I said, "Let us go into Burma now and look." But they said, "Oh, no, they have armies over there. You would get killed." They were shipping in 50,000 pounds of heroine out through Bangkok every week, that kind of thing.

And now, I pick up the morning paper, and the drug war in Colombia has spilled over into Venezuela. However, the—you keep telling us, you folks in law enforcement, that this terrorism is financed by drug money. And I looked and see where you moved 567 agents from drugs to counterterrorism. Can we not ask for just more and get them—have them keep going, not necessarily on the ordinary drugs and everything, but at least the money part? Because that is what finances the terrorism.

Mr. MUELLER. Well, we are—whenever we have—as I said, terrorism is our first priority.

Senator HOLLINGS. Yes.

Mr. MUELLER. If it relates in some way to—

Senator HOLLINGS. And the money part—

Mr. MUELLER [continuing]. Financing by narcotics—

Senator HOLLINGS [continuing]. Is the first priority of the first priority.

Mr. MUELLER. First is—we take that as a priority. We recently did a case in New York where we found that heroin from Afghanistan was being sold in the United States, distributed in the United States, and the monies were going back to Afghanistan to the Taliban and Al-Qaeda. And so we address cases like that, and we have done a number of cases involving the FARC out of Colombia, where it looks like cocaine monies were being used to purchase weapons and the like.

I took 400 initially, 400 positions from the drug programs in a reorganization and reprogramming because I believe that we had to reorient ourselves, first of all, as an agency before I came back to either the administration, the Justice Department or the Congress for additional resources. And in looking at it, it seemed to me that, first of all, I needed to put our house in order, focus on our priorities, be absolutely clear on what our priorities are up and

down the line, and then have not only the FSL, funded staffing level, the manpower directed towards the priorities, but also the financing.

The process I went through in making those decisions was to go to the Special Agents in Charge and say, "What do you need to do in each of your territory's divisions to address either perceived counterterrorism, mission or threat in that division?" And they came back with various numbers of agents that they believed they needed, depending on the division.

Now, quite probably, one or more of them came back and said, "Well, the Director is going to give us new resources," and maybe gave me more numbers than they really actually needed. So we cut them down and looked at it across the country, and came up with approximately 500 that the Special Agents in Charge said, "We need these numbers in our divisions to address counterterrorism."

And I went back to them and said, "In your divisions, what are your priorities? What programs would you take these agents from?" And coming back, it was 400 that came from the drug program. And I looked at that and I said, "Okay. Why are we taking them from the drug programs?" And we looked at areas where we overlapped with the DEA in terms of addressing the cartels, and we looked at areas where we do standalone drug cases that increasingly can be done by State and local law enforcement, standalone methamphetamine case, standalone marijuana cases.

And what I wished us to remain focused on, are the organized crime drug enforcement task force cases, the high intensity drug trafficking areas cases, and those areas where we bring something special to the table and where we do not overlap with other Federal agencies or State and local agencies.

Now, as we go down the path and I hear from State and local law enforcement, many of them are saying, "We miss you in the drug area. We want you back more than you were before," and that is something that I will have to address down the road.

LEGATS

Senator HOLLINGS. Well, as I understand it, Judge Freeh was putting these Legats out into the different countries as drug agents, and now I see you have them in Sarajevo, Bosnia, Kuwait, Uzbekistan, Kabul, Afghanistan, Belgrade, Serbia, that they have really moved from drugs to counterterrorism. You have been putting them down in the West Bank. You have put them somewhere in Beirut. You have put them in Syria. You have put them in Cairo. You have put them down in Riyadh. When you have them in Bosnia and Sarajevo, you are still chasing drugs. Afghanistan, you still—well, I mean, you might find some Al-Qaeda left there. But look at that, because what we have got to do is get both, to tell you the truth—

Mr. MUELLER. The list—

Senator HOLLINGS [continuing]. Of where the real money is coming from.

Mr. MUELLER. The list that you have read off—

Senator HOLLINGS. Yes.

Mr. MUELLER [continuing]. Are those that we are requesting—

Senator HOLLINGS. Yes.

Mr. MUELLER [continuing]. Expansion on in those particular cities. We do have a Legat in Cairo. We have Legats in Riyadh. We are expanding the Legat in Riyadh and minimizing—or I should not say minimizing, but cutting back the territory that was—or for which Riyadh was responsible. So we are adjusting our Legat distribution to reflect the new challenges of addressing counterterrorism. Even in South America, where there may well be enhanced activity from those who are affiliated with either Al-Qaeda, Hezbollah, or Hamas, our Legats down there are now finding that they are handling that type of activity rather than narcotics activity.

And lastly, we do want to put a Legat in Beirut. We have been discussing that with the State Department for some time. The State Department has the embassy there, but because of the threat level, you need to have the personnel working the embassy in secure compound grounds. They simply do not have room now. They are anticipating building a new embassy to be completed in, I think, 2006, and then they will have space for us. And in the meantime, we are going to be exploring having a greater presence in Beirut than we currently do.

Senator HOLLINGS. Yes, you have to get to them and tell them to move somebody out. You cannot wait until 2006.

One final question—Mr. Chairman, you have been very good to me.

REORGANIZATION

How do you coordinate our—just looking at the breakdown now that you have in the reorganization of the Bureau itself, and you have all of this Trilogy and you have all of these different officers and responsibilities. But where is the coordination? And how is that working so that you are informed? We cannot have another Minnesota situation where they kept calling the Headquarters but somehow it did not get through.

Mr. MUELLER. Well, there are actually three ways. The first way is—every time I speak to groups at the FBI, I say, “I want to know the bad news.” Inevitably, the good news has a way of reaching the top. It is the bad news that does not.

Senator HOLLINGS. Yes.

Mr. MUELLER. When I find that I do not get the news of those things that are wrong and substantial, I am not happy and that word has gone out. And so I have tried to change and make people understand that I would be twice as mad about not hearing about a mistake than hearing that a mistake was made. We are going to have to take risks. I want people to be aggressive investigators.

And people will take risks, and I want them to take risks, and I do not want them to feel that they will be disciplined for taking the risk. We all make mistakes; I will make more than most people in the organization. But I want to hear about the issues such as what happened in Los Angeles, such as what happened in Minneapolis.

The second way is by changing the accountability and responsibility for the national programs. And by that I mean counterterrorism, counterintelligence and cyber. Whereas in the past it would be the field office that was responsible for any par-

ticular case, in those national programs it is the Assistant Director in charge of counterterrorism that is responsible for the success or failure of a case. That means that individual has to know what is going on around the country. The Assistant Director does not do the investigation but must know about the investigations. And when it is in counterterrorism, there has to be direction from the center. There has to be accumulation of intelligence, analysis of that intelligence, dissemination of that intelligence, and undertaking operational responsibilities for that intelligence.

So centralizing responsibility and accountability in those programs, I think, is going to make a substantial difference from the way we operated prior to September, prior to September 11th.

And the third way is that I have expanded—thanks to the approval of my initial reorganization, I have now four Executive Assistant Directors who have a much smaller span of control than before. Before September 11th, there were I think 12 Assistant Directors, all reporting to the Deputy Director and then to me. Now I have a Deputy Director and there are four Executive Assistant Directors who report to the Director and the Deputy Director. So the span of control in these various areas is much more narrow than it was prior to September 11th.

Senator HOLLINGS. Thank you, Mr. Chairman.

Senator GREGG. Senator Kohl.

HYDROGEN CYANIDE WEAPONS

Senator KOHL. Thank you, Mr. Chairman, Senator Hollings, Director Mueller.

Within the past month, the FBI has warned law enforcement agencies nationwide that terrorists could build a simple but deadly chemical weapon out of readily available materials. Specifically, the FBI cited hydrogen cyanide or chlorine gas as easy-to-make chemical weapons. What is so disturbing is how easy it is to obtain cyanide. As you know, it is readily available at chemical supply warehouses, from mail-order catalogs, and even via the internet.

As you probably know much better than I do, terrorists may well use cyanide in a future attack. Attorney General Ashcroft told this subcommittee last week that he would work with us to prevent terrorists from acquiring this simple chemistry to launch an attack. We also hope that you can pledge to work with us to address this concern.

How serious of a threat does the widespread availability of toxic industrial chemicals like cyanide pose? And what do you suggest we do? Are you prepared to work with us on some legislative improvement to the problem?

Mr. MUELLER. Well, we sent out a bulletin several weeks ago relating to a relatively simple explosive device, the schematic for which we had picked up in one of our searches overseas. It was to alert State and local law enforcement to be aware of this potential threat out there.

We have over a period of time received threats about the possible, the potential use of cyanide in an attack. We have received threats internationally. Working closely with the CIA, the FBI has focused on addressing and identifying the expertise for use of this compound, amongst other types of poisons. We have also focused on

the individuals in Al-Qaeda who may have that expertise and understanding, and those individuals in Al-Qaeda that may be participating in a network that would undertake such an attack utilizing cyanide.

And when we receive the threats relating to use of the cyanide, we also may see in the same genre threats relating to the use of ricin, sarin, or other such compounds.

With specific regard to cyanide and its ease of use in the United States, whenever we have an indication in a case that there is a potential for the use of cyanide, we utilize every arrow in our quiver, whether it be Foreign Intelligence Surveillance Act (FISA) intercepts or aerial or individual surveillance to make certain that we address that threat immediately.

We also have reached out to the chemical companies, and the groups that represent chemical companies, to develop a liaison so we can do a better job in trying to identify misuses of cyanide compounds within the United States. As you know, it is very easy to get. It is prevalent—well, I should not say it is prevalent. But it is not hard to get. You can get it off of the internet, and we were exploring ways to curtail it, curtail that.

We actually recently had a prosecution up in—I guess it was in Chicago, an individual who was—he had not—he was storing sodium cyanide and potassium cyanide and other toxic chemicals in passageways under the streets of Chicago. And we were onto that, we identified it and successfully prosecuted that individual. So where we find an indication of the use of cyanide, we investigate it, and we prosecute.

We are working with the chemical industries within the United States to do more on that. We are certainly willing to cooperate and work with you in terms of additional legislation to address that threat.

Lastly, we are working with the CIA and other agencies both within the United States and outside of the United States, to address any threats relating to the use of cyanide or any such compounds that comes from overseas.

CIGARETTE SMUGGLING/TERRORISM FINANCING

Senator KOHL. Within the past month, the FBI has warned—I am sorry. Recent ATF investigations reveal that tobacco smugglers are using the profits they make from illegal operations in the United States to fund terrorist organizations like Hezbollah among others.

I raised this issue with the Attorney General last week, and he seemed genuinely interested in helping to tackle this issue. This is a serious problem that is not getting the attention I believe that it deserves. It is a funding source for terrorism. Should the FBI play a role in investigating the terrorism-related aspect of this problem? Do you agree that this is a serious terrorism-related concern? And can you pledge to work with us on finding some remedy for terrorist organizations which use the legal profits from the tobacco industry?

Mr. MUELLER. Yes, I—we have had several recent cases, principally Hezbollah, where cigarette smuggling has been one of the illegal activities engaged in by individuals affiliated with

Hezbollah, to gather monies, of which have been siphoned off to terrorist organizations overseas.

We had a successful prosecution most recently in North Carolina in which a number of Hezbollah-associated individuals were convicted for their actions in cigarette smuggling. We recently had a case up in, I believe it was Detroit, that we indicted where there were a number of illegal activities by a group of individuals again associated with Hezbollah, and the charges there are racketeering charges.

So we have a number of areas where we have seen this as one of the illegal activities engaged in principally by those associated with Hezbollah to gather funds. We are looking at it individually and through our Joint Terrorism Task Forces, by addressing the terrorist groups engaged in all types of illegal activities, including cigarette smuggling, extortion and other traditional racketeering crimes.

We also have a terrorism financing section that was established after September 11th in the Counterterrorism Division, that has been working hard on all means and mechanisms of the financing of terrorists—not just profits that come from cigarette smuggling but also from narcotic trafficking, from extortion, and as well as from non-governmental organizations (NGOs), charitable organizations. So that section was established with experts in finance to focus on the sourcing and the funding of terrorists.

And lastly, I would say we are working hand in glove with the CIA because most of the terrorism financing does not stop at our borders. It is integrated with other pockets of financing overseas, whether it be in the Middle East or in Europe. And so we are working very closely with our counterparts and with the CIA to focus on financing, to have a comprehensive strategy to address terrorism financing around the globe, of which the financing in the United States is but a part of it.

Senator KOHL. Thank you for that answer.

Thank you, Mr. Chairman.

INFORMATION TECHNOLOGY

Senator GREGG. Thank you, Senator.

I think it was Mr. Lowery who was reported to say that there is going to have to be a number of items in technology activity that would not be pursued in order to pay for the Trilogy. That was reported in the Federal Register. I think it was the Federal Register. Oh, Federal Times.

What would be the items that you would not be pursuing in order to pay for Trilogy?

Mr. MUELLER. That is—he was misquoted.

Senator GREGG. Oh. We have all experienced that.

That is a good answer.

That is a good answer.

Mr. MUELLER. It is also the accurate answer.

He was misquoted. As I think we—as I have said before, to fund \$137.7 million, we are taking those funds from a number of areas that I think we have let you know of. None of them are from other information technology projects. They are from—let me see. I know I have it some place here.

We are taking the monies from unobligated balances from the emergency supplemental, as I know you will—we will probably discuss at some point; from prior year unobligated balances, as well as a reallocation of certain funds available in the current year. And they include some funds that we have set aside for information technology.

I am tremendously frustrated, was when I first came and still am, at the fact that our information technology is not where I want it and need it to be tomorrow and today. I have come to learn through trial and error that I have to make certain that when we put pieces in place, that they are well thought out, that those pieces fit into the overall architecture and puzzle of the Bureau so that we do not have these same stovepipes. But there is so much more we could do with information technology, that every dollar I can get in our budget that I can put into advances in information technology, I am looking to put in. Now, that is difficult when I am having to ramp up the agent strength in our various programs, but particularly counterterrorism and counterintelligence, but I am loathe to take monies away from information technology for anything else.

[The information follows:]

CLARIFICATION OF SOURCES OF TRILOGY REPROGRAMMING

The FBI proposes to fund the \$137.9 million needed for Trilogy from prior year unobligated balances, current year funds, available information technology funding, and \$33 million in excess user fees. The FBI submitted a reprogramming request to the Department of Justice and the Office of Management and Budget. The detailed request was transmitted to Congress on May 21, 2003.

Senator GREGG. Well, I agree with what you say. I think there is no question that the Department has had an antiquated technology capability for a long time, the agency, the Bureau. But the problem that we have seen, especially with the Bureau, but with other groups that we oversight in this committee, is that we build these, we make a commitment to move down these technology roads and then we build them out and we find that we have made huge errors, and we spend a lot of money. IAFIS was an example. NCIC was an example. Trilogy as it started was a classic example. The worst, of course, is the INS, which is in a category of its own when it comes to having wasted money on technology. It does not even communicate within the Department.

And so we agree with you, that you need funds for technology. But our concern is if we give you too much money too fast, you end up buying stuff that does not work simply to spend the money and you end up going down roads that lead to dead ends or do not produce product, that do not create the integration that you need. So that is our reservation on some of this.

I think you have done a good job of getting the technology on the Trilogy back together and up and focused, and that is great.

I think, though, the same concept, the same fear, at least as far as my feeling, is with the amount of money that we are putting into the Bureau. It is coming in very fast, and you are shifting gears from a national police force to being a counterterrorism and counterintelligence force. And you are setting up, as you have to, all sorts of different things very quickly.

The question is: Are we going to, by giving you this much money this fast, do you a disservice because you will end up going down the road of creating activity that 2 years, 3 years from now we will find out was just a waste?

Mr. MUELLER. Well—

Senator HOLLINGS. If you will yield on that point.

I thought when you called about Smith, that you were going to call about the supplemental and I had the answer that you had \$123 million unobligated. That is what you are talking about, right?

Mr. MUELLER. That is one of the answers.

Senator HOLLINGS. Yes.

Mr. MUELLER. Well, let me try to address those—

Senator GREGG. Right, the \$320 million is just—

Mr. MUELLER. Well, let me try to address those in some form of order. I think 18 months ago we had very little credibility in many places up here. And I came to see it because we had not put into place in my mind the individuals and the structure to address something that you need outside expertise to advise on. I think in the world, the FBI Special Agents, I think they are the best information gatherers in the world, best investigators.

But when it comes to information technology, when it comes to financial posterity or financial planning, when it comes to running a 27,000-employee business, that background does not easily lend itself to that kind of organizational structure. And the biggest change I think we have made in the last 18 months is bringing in individuals who have expertise in those areas. Whether it be Tina Jonas behind me as chief financial officer (CFO), who is familiar with this particular area, or Wilson Lowery, who came from IBM where he was part of the team that was doing re-engineering, or a chief information officer (CIO) that came from outside, the individuals we brought in I need to advise me and make certain that we are on the right track.

And it is not just one person, as I have explained before. It is somebody who understands the finance; somebody who understands the technology; somebody who understands the project and getting the project done on time. All of these are talents that are specific and unique unto themselves, and you need all of them to reach the finish line. We have a number of those talents. We need some more.

The other thing is, for my own sake, I mean, I come in from having been a prosecutor for a long time. Yes, I ran a criminal division at the Department of Justice, but I had not run a 27,000-person institution where you needed to transform the institution and the technology. It has been a learning experience.

And the one thing I have learned is that if I do not understand it and do not know and keep track of what is happening on the information technology side, it is going to go awry. Even though I am not a CIO, even though I am not a computer programmer, I do believe in order to transform the institution, you have to keep track of it from the very top and force yourself to learn it. And I am responsible ultimately for the success or failure of that program. I was delighted, as was everybody else, when we put in the wide area network and it came in on time.

I will tell you that in October, as I may have mentioned to you before, we had what I call the “graybeards” come in and sit down with us for 2 days and go through our IT plans. And these are persons from Sandia Laboratories and elsewhere, and both Federal Government and outside computer specialists, to look through what we plan to do. And they came up with two points.

One is that they said we would have substantial difficulty putting in the wide area network (WAN), because we were utilizing switches developed by the intelligence community that had never been put into a wide area network that size. And so I had some fear and trepidation that we actually would not get to the finish line on that, but we did.

The second thing I learned is that—I had assumed that, for instance, you could put all of the information in a database, into one database. They came back and said no; for security reasons, no, keep separate databases.

And so it is a combination of learning as we go along, having persons responsible for looking at the financial part of it, and where we are going. Are we spending our dollars correctly? Do we have the right contractors? Do we have the right technology? And will this technology put us where we want to be 5 years down the road?

And these are the issues that I spend a substantial amount of time on now, because they are so integral to the future of the Bureau.

Senator GREGG. Well, we appreciate that. And we also spend a substantial amount of time on that, and do appreciate communication in that area.

Mr. MUELLER. I always am open to suggestions, also. If we are doing it wrong, I want to know it, and I want to know it earlier rather than later. And so I am always open to suggestions as to how we can do it better.

COUNTERTERRORISM

Senator GREGG. As an ancillary issue, you are now setting up, it appears to me, and which you have to, a whole series of counterterrorism intelligence task forces. You have TTIC. You have the foreign terrorism task force. As I understand it, every field office is going to have an intelligence officer who is the coordinating individual, which may have been set up outside without contacting the Congress, which we will need to discuss, but probably not here.

Are we putting up so many of these groups that we are going to be back to where we were before 9/11, where there is just too many people out there doing the same stuff, or relatively related stuff, but they are not communicating with each other? Should we put the foreign task force in with the TTIC or—

Mr. MUELLER. Well, now, let me address a number of those issues. What I have tried to do in the Counterterrorism Division is specialize in certain areas such as finances and communications. The Foreign Terrorist Tracking Task Force, which is database mining for a particular operational mission, all of those are operational in the sense that they gather information in a particular area and then will run operations by that, further investigations in particular areas to identify terrorists, terrorist financing, terrorist communications, etc. And I consider those to be operational, and

what we need to develop within the Counterterrorism Division to support the counterterrorism responsibilities nationwide.

At the same time, I believe we had to enhance the focus on intelligence within our organization. I take full responsibility and I apologize for not having done the reprogramming that should have been done in anticipation of announcing the selection of an individual to be Executive Assistant Director for Intelligence. I had an Executive Assistant Director. It was my naive thought that since I had an open Executive Assistant Director position, I could put the person in there and call that person the Executive Assistant Director for Intelligence, without running it past Congress, for which I apologize.

And with regard to the intelligence units in each of our field offices, we have intelligence units scattered around most of our field offices. And I wanted to make certain that that becomes an established program down the road. That also I should have run past you, and we will. But my expectation is what we will lend to our field offices is the capability of having an entity there that will be charged with gathering that intelligence and pushing it up, and as you look at it, I think you will find it beneficial.

The last issue is: Do we have too many task forces? Do we—are we—

TERRORIST THREAT INTEGRATION CENTER/FOREIGN TERRORIST
TRACKING TASK FORCE

Senator GREGG. Well, specifically, the Foreign Terrorist Task Force, why should that not be folded into this TTIC?

Mr. MUELLER. Because I believe it is operational—it is looking at identifying individuals who may fit a particular match of a terrorist and requires investigation as part of that.

Now, when you look at what the TTIC is going to be—I believe in it. I am very supportive of the Terrorist Threat Integration Center because I believe we need an analytical center that focuses on terrorist threats, an analytical center where you have analysts that are pulling the pieces of information together from the various separate databases with regard to particular threats. But I do not believe that that should be operational.

Senator GREGG. All right. That explains that.

Well, let me just say on my behalf and I think I speak for most of the folks up here: We think you are doing a great job. You are trying hard, and you are certainly focused. And you are changing a ship that has been going one way for many years, and that has got to be done, and it is going fairly well. We are very impressed with the work you do.

We appreciate the fact that your agents out there are trying to defend us and make us safe as a country, and we want to thank them for their service. We know they are working long hours, and they are out there trying to do something to protect us. And we appreciate that. Thank you.

Senator HOLLINGS. I concur.

CONCLUSION OF HEARINGS

Mr. MUELLER. Thank you.

Senator GREGG. Thank you very much.

Senator HOLLINGS. Thank you, Mr. Chairman.

Senator GREGG. Thank you.

[Whereupon, at 11:12 a.m., Thursday, April 10, the hearings were concluded, and the subcommittee was recessed, to reconvene subject to the call of the Chair.]