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Event: Pat Hanback

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Location: Central Intelligence Agency (CIA) headquarters, George Bush Center for Intelligence

Participants – non-Commission: Pat Hanback, [REDACTED]

Participants – Commission: Kevin Scheid, Lloyd Salvetti, Chris Healey, Gordon Lederman

(U) BACKGROUND.

(TS/HCS/NF) Ms. Hanback has a background in accounting and business. From 1985, Ms. Hanback worked for the CIA Inspector-General. She then went to PriceWaterhouse in 1989 [REDACTED] From 1990 to 1998, she was chief of the audit review group of the staff of the Senate Select Committee on Intelligence. From 1998 to 2001, she was the Inspector-General of the National Reconnaissance office under Director Keith Hall. Since March 2001, she has been business manager of the Directorate of Operations (DO) – her official title is Assistant Deputy Director of Operations for Resources, Plans and Policy. She is responsible for human resources, fiscal management, technology, and information management. The DO has developed a plan that it calls its “2010 Strategic Plan.” [REDACTED]

(U) THE DIRECTORATE OF OPERATIONS IN THE 1990S.

(S/HCS/NF) She was very disappointed with the state of HUMINT when she arrived in 2001. For FY2002, the DO had a depleted capability, was very lean, and faced draconian cutbacks because its base budget had decreased. FY1999 was the low-point in numbers of case officers for the decade of the 1990s in terms of primary core collectors overseas. The DO's attrition rate was reasonable, with people being lost through retirement and other normal reasons. However, the DO was hard-pressed to meet its priorities. The total DO population decreased in the 1990s. Prior to her arrival, the DO had tried to shrink itself by skimming a percentage off of all of its parts – a salami-slice approach, which included shrinking the DO's infrastructure such as technical tools and communications. The reason the DO did this is because of the “expectation” that the DO would be a

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“global service.” She did not articulate what the source of this expectation was except to indicate that it was CIA’s self-image. The DO’s field capability had decreased dramatically while its headquarters presence had been roughly constant – the reason being that having a global service requires a certain level of headquarters staffing. She does not know whether there was a strategic plan regarding the downsizing. Mr. Scheid suggested that the downsizing was an annual event, that every year the CIA hoped that the cuts would stop.

(TS/HCS/NF) When she arrived at the DO, the DO had a strategic plan. In 1997, Deputy Director of Operations Jack Downing had said that the DO’s number-one priority was HUMINT. That plan called for increasing the DO’s field capacity [redacted]

[redacted] An analysis had revealed [redacted] were needed, and the DO rounded it [redacted] Mr. Scheid noted that DCI Gates had wanted to increase the numbers of operations officers [redacted] the DO took money out of operations and invested it in recruitment and training; however, the DO’s budget had not yet increased in the out-years to accommodate [redacted] new officers. She did not know what percentage [redacted] was supposed to be [redacted]

(U) MANAGEMENT.

(S) The DO lacks a performance management system. The hardest thing to do is to look across CIA divisions and targets (each CIA division has its own metric, and she did not criticize them) – but, she said, that is exactly what needs to be done. She tried to devise such a system. When she did, she found that a lot of people in CIA wanted her information.

(S) Regarding the process for deciding on resources and who the decisionmakers are, when she arrived she was surprised that planning was driven by the overall budget figure – she thought that it should have been the opposite. Yet such a methodology was common in the Intelligence Community (IC) at the time, although it really bothered her. She tried to turn the process around and have it focus on requirements. Of course, the DO’s total bill for fulfilling all of its requirements was much larger than the budget CIA received. So she changed the DO budget process to focus on priorities rather than to follow the salami-slice method of shrinking all of the DO’s parts regardless of what role each part played in fulfilling the DO’s highest priorities.

(S) With respect to the ‘tough calls’ on the budget, she basically makes a recommendation to the DDO, and the Executive Board makes the trade-off. The Comptroller has a vote.

(S) She said that the DO’s priorities were not 1, 2, 3, 4, 5, and 6 but rather 1, 1, 1, 6, and 7. In February 2002, it became clear that the DO’s 2005 strategic plan was irrelevant. The DO needed guidance regarding priorities. During the winter of 2002, the DO went to the DCI and asked for his priorities. He responded as follows [redacted]

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[REDACTED] The standard for deciding how much resources to devote [REDACTED] is that the missions should be satisfied "effectively."

[REDACTED] The DO uses a bottom-up approach with priorities laid on top because otherwise the bottom-up approach produces a budget number larger than what the DO will receive.

(U) COUNTERTERRORISM.

(S) Counterterrorism was the "biggest area of operational investment." To ascertain the level of counterterrorism spending, she said that we need to look not just at the spending of the Counterterrorist Center (CTC) but also at what the regional offices were doing (both their Operational Directives [ODs] and what they were actually doing).

(S) The 1998 'declaration of war' by Director of Central Intelligence (DCI) Tenet was basically infused into the regular budget process (i.e., it does not seem to have had any special effect).

(S) She cannot recall an instance in which there was a question about whether to transfer money to counterterrorism or not and counterterrorism lost out.

(S) CTC had no strategic plan pre-9/11. Currently it has a strategic plan that includes budgeting. The chief of CTC is now the "mission manager" responsible for the counterterrorism mission – he did not have that responsibility prior to 9/11. She said that the best way to focus is to have a single point of responsibility. The mission-manager position in its current conception is a new, post-9/11 form.

(U) BUDGETTING BY SUPPLEMENTALS.

(S) As to why the DO's base budget was not reallocated for counterterrorism, it seems that the DO followed the "Washington monument" strategy.

(S) The post-9/11 supplemental was essentially put-together on 9/12/01. It was very difficult to determine what was going to be needed. [REDACTED]

(S) In FY2003, [REDACTED] of the DO's budget [FILL IN].

(S) The nature of the transnational threat gets to workforce questions. She is focused on recruiting, languages, etc.

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