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ACCESS DELAYED: FIXING THE SECURITY CLEARANCE PROCESS

HEARING

BEFORE THE

OVERSIGHT OF GOVERNMENT MANAGEMENT, THE FEDERAL WORKFORCE AND THE DISTRICT OF COLUMBIA SUBCOMMITTEE

OF THE

COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS UNITED STATES SENATE

ONE HUNDRED NINTH CONGRESS

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ACCESS DELAYED: FIXING THE SECURITY CLEARANCE PROCESS

TUESDAY, JUNE 28, 2005

U.S. SENATE,
OVERSIGHT OF GOVERNMENT MANAGEMENT, THE FEDERAL WORKFORCE AND THE DISTRICT OF COLUMBIA SUBCOMMITTEE,
OF THE COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS,
Washington, DC.

The Subcommittee met, pursuant to notice, at 10:10 a.m., in room 562, Dirksen Senate Office Building, Hon. George V. Voinovich, Chairman of the Subcommittee, presiding.

Present: Senators Voinovich, Akaka, and Carper.

OPENING STATEMENT OF CHAIRMAN VOINOVICH

Senator VOINOVICH. Good morning. I want to thank you all for coming, and I suspect that the Ranking Member of this Subcommittee will be coming in just a short while. We started a vote at 10 o'clock, so people are tied up with that.

Today, the Subcommittee on Oversight of Government Management, the Federal Workforce and the District of Columbia continues its investigation into the Government Accountability Office's high-risk list of Federal programs that are susceptible to waste and mismanagement. Today's hearing is entitled, "Access Delayed: Fixing the Security Clearance Process." We are going to explore the security clearance backlog and discuss what actions need to be taken to reduce it. We will also examine the transfer of investigative responsibilities from the Department of Defense (DOD) to the Office of Personnel Management (OPM), including the impact that the shift will have on the ability to investigate and adjudicate security clearances in a thorough and expeditious manner.

In order to improve the workflow of any process, we must first understand the root causes of the problem. In the case of the security clearance backlog, there appear to be several barriers to a streamlined process, including (1) the sheer size of the backlog, which in this case we don't know; (2) an influx of new requests since September 11, 2001; (3) an inadequate number of investigator and adjudicator employees; and (4) the overall lack of a strategic plan for managing the process.

In fact, according to GAO, the clearance process is so disjointed that DOD has not calculated the size of the backlog since 2000, meaning that we do not have an exact number of investigations pending. However, in a February 2004 report, GAO estimated that

the DOD clearance backlog is roughly 270,000 investigations and 90,000 adjudications.

Unfortunately, the implications of a broken security clearance process send shockwaves throughout the Federal Government's national security workforce. The bottom line is that the security clearance process is a major national security and human capital challenge that needs to be resolved immediately. The cumbersome and lengthy process can stall the hiring of both Federal employees and contractors for classified positions, such as terrorism and intelligence analysts, which can adversely impact our national security.

During the lengthy security clearance process, prospective government employees are often in a state of limbo because they are unable to start their new job until they receive proper clearances. I can think of nothing more frustrating for a bright, ambitious, and qualified individual who wants to serve our Nation, but is told by agencies, such as the FBI and CIA, they must sit idly for months on end because their security clearance is being slowly processed.

This scenario is all too real for the private sector, as well, as GAO found that obtaining a clearance can take over one year. For example, in fiscal year 2003, GAO reported it was taking DOD an average of 375 days to process clearances for private sector contracting positions. Whether they are computer technology consultants, network engineers, or intelligence analysts, contractors play a vital role in securing our Nation. Therefore, it is imperative that we improve this process, because in today's job market, it is unrealistic to assume that the best and brightest applicants are going to wait over one year to receive a government clearance so they can begin their jobs.

With all these factors, it is no surprise that the security clearance process has been designated as high risk by GAO. However, this is one area where I believe that we can make significant progress in the near future.

A number of simultaneous actions are occurring to streamline the security clearance process. First, as outlined in the 2004 Defense authorization bill, DOD transferred its security clearance investigation workforce to OPM. With this event occurring on February 22, 2005, I am interested in the assessment from our witnesses regarding the transition, including the short- and long-term impact this will have on the entire security clearance investigation and adjudication process. I would also like to know if we have enough employees trained to process the growing security clearance demands of our post-September 11 Federal Government.

Second, last year, I offered an amendment to the intelligence reform legislation in Committee to enhance and consolidate the Federal Government's security clearance process. My amendment, which was included in the final bill, directs the President to select a single Executive Branch department to develop and implement policies and procedures for security clearance investigations and adjudications.

The law also requires the President to select a single Executive Branch agency to conduct security clearance investigations. Additionally, it requires reciprocity of security clearances in order to streamline the process of transferring employees from one agency to another, and that has always been a problem. Too often employ-

ees receive a security clearance from one agency only to find that another agency won't recognize it, so they have to start the entire process over again. I think that we need to understand that once you get a clearance for a certain level, like "top secret," that the clearance should be transferrable from one agency to another without starting the process all over again.

I understand that President Bush issued an Executive Order late yesterday that provides the necessary framework for implementing the Intelligence Reform Act. I cannot help but wonder if it is a coincidence that the Executive Order was issued on the eve of this hearing today.

Under the Executive Order, OPM is the primary Federal agency responsible for investigating security clearance applications—congratulations, OPM—while the Office of Management and Budget is accountable for setting and implementing the government's security clearance policies. Although the Executive Order is not the focus of today's discussion, the timing is important, as I plan to hold another hearing to examine its implementation later this year.

Senator Akaka and I share a passion for improving the performance of the high-risk areas. I look forward to working with the Administration and GAO to make sure that the security clearance process is removed from the list as expeditiously as possible.

And I would like to make clear to everyone here today that I am going to be on this like a junkyard dog. Since this issue is on the high-risk list, I am going to make sure, as a Member of the U.S. Senate and the Chairman of this Subcommittee, that measurable performance improvements are made. We are going to get this off the high-risk list. Does everybody understand me?

This Subcommittee will hold a hearing on the Executive Order in 3 months, but quarterly, I am going to be meeting with Ms. Dillaman, on this issue, and we are going to make improvements. If you are having any problems with personnel, with budget, or anything, I want to know about it, because this is very important. I am interested in human capital and making sure Federal agencies have the right people with the right skills and knowledge at the right place to get the job done. Unfortunately the security clearance process is hurting our government's ability to function properly, particularly at a time when we are at risk.

Intelligence is very important, and it is just ridiculous that you have a backlog of 275,000 cases. It is just something that needs to be taken care of. It has gone on too long, and we are all going to work together and we are going to get it taken care of, OK?

I would like to thank our witnesses for their participation this morning and I look forward to their testimony.

Since Senator Akaka is not here, we will go forward with your testimony, and then when he comes or other Members come, we will get their opening statements. If you will rise and please raise your hand, it is a tradition of this Subcommittee to swear in witnesses.

Do you swear the testimony you are about to give to this Subcommittee is the truth, the whole truth, and nothing but the truth, so help you, God?

Mr. STEWART. I do.

Ms. DILLAMAN. I do.

Ms. ANDERSON. I do.

Senator VOINOVICH. Let the record show that the witnesses answered in the affirmative.

Our witnesses this morning include Derek Stewart, who is the Director of Military and Civilian Personnel Issues at the Government Accountability Office.

Kathy Dillaman is the Deputy Associate Director of the Center for Investigative Services at the Office of Personnel Management. Ms. Dillaman, thank you for making the trip from Boyers, Pennsylvania, to be here today with us.

Heather Anderson is the Director of the Strategic Integration at the Office of the Deputy Under Secretary of Defense, Counterintelligence and Security, and is also the Acting Director of the Defense Security Service.

Again, I thank you for being here today, and Mr. Stewart, if you will begin the testimony.

TESTIMONY OF DEREK B. STEWART,[1] DIRECTOR, DEFENSE CAPABILITIES AND MANAGEMENT, U.S. GOVERNMENT ACCOUNTABILITY OFFICE

Mr. STEWART. Thank you, Mr. Chairman. We are pleased to be here today to discuss this program that we have spent over two decades reporting on various aspects of.

Senator VOINOVICH. Two decades?

Mr. STEWART. Over two decades, sir. DOD has approximately two million active security clearances and is responsible for clearances to contractors in 22 other Federal departments and agencies. So for these and other reasons, it is imperative that there be an effective and efficient security clearance program. We view this as a matter of national security.

Unfortunately, Mr. Chairman, after two decades of looking at this program, we concluded that not only was the program not effective and efficient, but this was a program in trouble. This led us to declare the program high risk in January of this year. Today, I would like to briefly touch on some of the major conditions we found that led to the high-risk designation and then offer our observations on steps being taken to address some of these conditions.

There were four major program conditions that led to the high-risk designation. First, longstanding, persistent delays in completing clearance investigations. Second, no single performance standard for timeliness in completing investigations. Third, an undetermined backlog of overdue investigations. As you noted, Mr. Chairman, DOD has not estimated the size of its backlog since January 2000. And last, no effective method for estimating the program's total workload requirement, and this was especially so for the thousands of clearances needing reinvestigation.

Shortly after we designated the program high risk in January of this year, DOD transferred its investigative function and personnel to OPM. However, the problems I just enumerated did not go away with the transfer to OPM.

[1] The prepared statement of Mr. Stewart appears in the Apprendix on page 28.

For example, DOD's inability to estimate the program's total workload is still a critical problem. However, I am pleased to report that DOD is taking a number of steps to improve the ability to forecast the number of military, civilian, and contractor positions requiring clearances and the level of clearance needed. While these are steps in the right direction, DOD has not set a target completion date for these efforts. Until DOD can accurately project its total workload, it will be difficult to determine with certainty the resources and staff needed to process investigations and adjudications in a timely, high-quality manner and ultimately eliminate the longstanding backlog.

Another problem that did not go away with the transfer is the backlog of overdue investigations. Earlier this year, OPM reported a government-wide backlog of almost 186,000 investigations, which included some DOD investigations. To address the backlog and improve timeliness in completing investigations, OPM reportedly has hired the full-time equivalent of 3,800 investigative staff. We believe that this is a positive step forward, but adding thousands of new staff could result in quality and timeliness concerns until the staff gains experience. This situation bears close scrutiny.

Mr. Chairman, the one point I would like to emphasize in closing is that the transfer of this program's investigative functions to OPM was not a panacea that fixed all the problems. Much remains to be done to bring about lasting solutions to this high-risk area. Your hearing today will go far in focusing the kind of attention that is needed on this critical matter of national security.

This concludes my prepared remarks. I will be happy to respond to questions. Thank you.

Senator VOINOVICH. Thank you. Ms. Dillaman.

TESTIMONY OF KATHY L. DILLAMAN,[1] DEPUTY ASSOCIATE DIRECTOR FOR HUMAN RESOURCE PRODUCTS AND SERVICES, CENTER FOR FEDERAL INVESTIGATIVE SERVICES, U.S. OFFICE OF PERSONNEL MANAGEMENT

Ms. DILLAMAN. Mr. Chairman, I do have a complete statement that I ask be made part of the record.

Senator VOINOVICH. Without objection.

Ms. DILLAMAN. Mr. Chairman, Senator Akaka, it is my privilege to testify today on behalf of the Office of Personnel Management concerning this critical issue and to update you on OPM's efforts to expedite and consolidate elements of the personnel security investigations program.

There are four steps in the clearance process. First, agencies determine what level of clearance or access their employees, applicants, or contractors need. They then confirm if the person has an active clearance or if a background investigation is required. To support this, in 2003, OPM implemented the Clearance Verification System, which provides online access to current clearance and investigations information. This system, linked to the Department of Defense Joint Personnel Adjudication System, contains the clearance records of over 90 percent of all cleared individuals.

[1] The prepared statement of Ms. Dillaman appears in the Apprendix on page 49.

Under the terms of the Intelligence Reform and Terrorism Prevention Act of 2004, OPM is required to establish, operate, and maintain an integrated, secure, consolidated database of security clearances with information on granting, denial, and revocation of clearance actions on military, civilian, or government contractor personnel. OPM's CVS system will serve as the foundation for this and has ample capacity to expand the content of the information maintained and provide access for authorized users. We are now determining what additional information should be recorded in this system and the most effective ways for keeping this information up to date while ensuring the privacy and security of the information maintained.

When a background investigation is required, the subject and the agency provide the data and forms necessary to conduct the investigation. To support this requirement, in 2004, OPM implemented eQIP, a web-based data collection system used to obtain a subject's background information. Today, 27 agencies use this online system, and we are now working with the Department of Defense to implement its use for all military, civilian, and contractor personnel.

The second step of the process is conducting the background investigation itself, and that is ours. This year, we expect to receive over 550,000 requests for initial or reinvestigations to support security clearance determinations. Approximately 80,000 will be investigations for initial top secret clearances. We also expect to conduct almost 900,000 investigations to determine the trustworthiness or suitability of individuals in public trust or nonsensitive positions or for regulatory purposes. Beginning next fiscal year, we are also planning for a new workload with the implementation of the Personal Identity Verification Project under Homeland Security Presidential Directive 12.

OPM is working to ensure that adequate staff is available to deal with our high-volume workloads. Since 1999, the overall demand has risen sharply, reaching unprecedented levels in the aftermath of September 11. OPM and DOD both face the challenge of dramatically increasing staff levels to keep pace with the demand.

In 2001, the decision to consolidate OPM's and DOD's investigations programs was made, and I am pleased to report that the DOD personnel security investigations program workload and staff were successfully transferred to OPM on February 20. At that time, 1,578 personnel and over 146,000 investigations transferred from DOD to OPM.

OPM is also working to increase the size of our contractor base. We estimate that a total of 8,000 employees and contractors combined are needed to handle peak workloads. Last year, we awarded contracts to five new companies, and today, the six companies under contract have over 6,000 staff that supplements our Federal staff. Over the next 6 months, we will see significant performance improvement as the staff becomes fully productive and the number of contractors continues to grow.

Senator VOINOVICH. You said 8,000 people, and then you mentioned 6,000 others.

Ms. DILLAMAN. Eight-thousand total, sir. Today, we have 6,000 contractors, 1,578 transferred DSS staff, and the core Federal staff we had to begin with. We are now over 8,000.

Senator VOINOVICH. So it is 8,000 altogether, including the private contractors?

Ms. DILLAMAN. Yes, sir.

Senator VOINOVICH. Thank you.

Ms. DILLAMAN. We are also focusing on delays in obtaining information from national, State, and local agencies. Many of these were unprepared for the substantial increases in demands for their services, resulting in substantial backlogs. We are working with them closely to identify the problem areas and to streamline or automate the processes whenever possible.

We are also continuing to look at the use of information technology in other areas to improve the overall content or timely processing of investigations or strengthen the protection of the sensitive information maintained in OPM's record systems.

The third step of the clearance process is the agency adjudication of the completed investigation. To minimize handling, OPM is converting completed investigations to image files, which will allow for electronic transfer.

When the adjudication action is complete, the fourth and final step of the process is recording the clearance action in either OPM's or DOD's record system. This provides OPM a mechanism for monitoring agency adjudication timeliness.

Through these efforts, we are beginning to see progress in restoring acceptable processing time. By October 1, 2005, our goal is to average 35 calendar days or less on approximately 10 percent of the initial investigations that are targeted for priority processing. For all others, our goal is to complete 80 percent or more within 120 days. We are confident that we will be able to meet these goals, barring any substantial or unexpected changes in our workloads.

Mr. Chairman, that concludes my remarks and I would be happy to answer any questions you have.

Senator VOINOVICH. Thank you very much. Ms. Anderson.

TESTIMONY OF HEATHER ANDERSON,[1] DIRECTOR, STRATEGIC INTEGRATION, OFFICE OF THE DEPUTY UNDER SECRETARY OF DEFENSE, COUNTERINTELLIGENCE AND SECURITY, AND ACTING DIRECTOR, DEFENSE SECURITY SERVICE, U.S. DEPARTMENT OF DEFENSE

Ms. ANDERSON. Chairman Voinovich and Senator Akaka, Members of the Subcommittee, I am Heather Anderson representing the Department of Defense. I am pleased to testify today and update you on the personnel security clearance process.

DOD requests personnel security investigations to ensure that only trustworthy and reliable individuals are granted access to classified information or placed in sensitive positions. As prescribed by Executive Order 12968, the investigative process includes an initial investigation that provides assurance a person has not demonstrated behavior that could be of security concern, to be followed by a reinvestigation that is conducted at specified time intervals to determine if an individual's clearance should be continued.

[1] The prepared statement of Ms. Anderson appears in the Apprendix on page 55.

There are approximately 3.2 million cleared individuals within the Federal Government, of which almost 2.5 million, or 80 percent, are cleared DOD affiliates—civilians, military, or industry personnel, which would include industry individuals who are processed for clearances by DOD on behalf of 22 other Federal agencies and under the auspices of the National Industrial Security Program.

DOD has been partnering with the Office of Personnel Management for the past 5 years, obtaining their assistance in the conduct of investigations and collaborating on initiatives to improve and modernize the investigations process. As Kathy mentioned, on February 20 of this year, DOD completed the transfer of the PSI function to OPM, an initiative that began approximately 2.5 years ago and which has effectively consolidated management and personnel security investigative resources within a single agency of the Federal Government.

Prior to the transfer of function, Defense Security Service succeeded in closing nearly all of their pending investigative work received on their legacy database.

Our success in completing these investigations was accomplished in part by redesigning the PSI organization to reduce infrastructure costs and realigning resources to improve productivity. By training the entire workforce on OPM's case management system prior to the transfer, DOD investigative personnel were able to begin using the system and obtain the benefit of its operating efficiencies for 7 months before the transfer. Furthermore, the training enabled a seamless transfer of function with minimum production downtime.

For the past several years, DOD has also planned for and has championed a number of initiatives to improve the end-to-end PSI process and eliminate the systemic weaknesses identified in past reports. Quite simply, our strategy is to streamline the process through automation initiatives while simultaneously transforming the PSI process into a risk-managed and proactive program with priority given to the most critical investigations.

Some of these initiatives are: DOD pioneered the two-phased approach to the top secret reinvestigations, which maximizes efficiency by using field investigative resources only when needed. This approach is now the national standard.

A second is the Automated Continuous Evaluation System, known as ACES, which will identify information of potential security concern about cleared personnel on a continuous basis using government and commercial data sources. Our beta testing results and lessons learned are being incorporated into an initial operating capability of ACES to be in place later this year.

A third is that DOD, as mentioned earlier, is in the process of transitioning to eQIP. As an adjunct to that implementation, DOD will establish various locations throughout the United States where requestors can electronically submit fingerprint cards and release forms that are required as part of the eQIP request package.

Fourth, DOD and OPM will soon implement the electronic report for adjudication that will provide for electronic dissemination of investigative results from OPM to the appropriate DOD adjudicative entity.

And fifth, the Joint Personnel Adjudication System allows DOD security managers, including those in industry, to immediately grant access upon verification of eligibility and perform certain other clearance actions. This system has been connected to OPM's Security Suitability Investigations Index since December 2002. This connection enables DOD and other Federal Government offices to share information.

Through these initiatives, we believe that the prolonged processing times and backlogs of prior years will be eliminated. We are confident that OPM can achieve these initial goals, in part from the additional investigative capacity OPM has brought online and through process improvements already underway.

The DOD's central adjudication facilities are also well positioned for the timely adjudication of all incoming investigations expected from OPM. As noted in the GAO report, DOD has taken positive steps to hire and train additional adjudicative staff. Our goal is to complete 90 percent of adjudications within 30 days, not including the time needed for due process.

DOD will continue to work with OPM and the rest of the community to identify additional process improvements and to ensure that processing of clearances meets or exceeds the requirements mandated by the intelligence Reform and Terrorism Prevention Act of 2004.

Thank you for the opportunity to appear before your Subcommittee today. I am happy to answer your questions.

Senator VOINOVICH. Thank you, Ms. Anderson.

Senator Akaka, I understand that you have another hearing at 11 o'clock. I think before we start asking the questions, I would appreciate your opening statement, if you care to make one.

OPENING STATEMENT OF SENATOR AKAKA

Senator AKAKA. Yes. Thank you very much, Mr. Chairman. I am pleased to join you today, Mr. Chairman, and I am hopeful that our hearing will bring into focus the problems facing the issuance of security clearances. I look forward to working with all of you to get security clearances off the high-risk list as soon as possible.

Mr. Chairman, our national security strategy depends more than ever on ensuring that security clearances for military personnel, Federal workers, and government contractors are investigated and adjudicated without unnecessary delays.

And Mr. Chairman, as you mentioned, I regret that I will have to leave to serve as the Ranking Member of an important Veterans' Affairs hearing called last Friday after the Department of Veterans' Affairs acknowledged $1 billion of shortfall for VA health care.

Again, I want to thank our witnesses for being here today and to thank you, Mr. Chairman, for holding this morning's hearing. I ask that my full statement be included in the record.

Senator VOINOVICH. Without objection.

Senator AKAKA. Thank you, Mr. Chairman.

[The prepared statement of Senator Akaka follows:]

PREPARED STATEMENT OF SENATOR AKAKA

Thank you, Chairman Voinovich, I am pleased to join you today for our third hearing in the 109th Congress concerning programs on the GAO's high-risk list.

This morning we will review personnel security clearances which was added to the list 6 months ago. We agree that we cannot allow it to stay on the list long, and I am pleased to work with you, Chairman Voinovich, to get security clearances off the list as soon as possible.

As Ranking Member of this Subcommittee, as well as the Armed Services Readiness Subcommittee, I understand the many challenges facing the Department of Defense (DOD). Between these two subcommittees, we are providing much needed additional oversight of DOD.

In November 2003, Congress authorized the Secretary of Defense to transfer the DOD personnel security investigative function from DOD's Defense Security Service (DSS) to the Office of Personnel Management (OPM).

This decision was prompted by long-standing problems at DSS in conducting and adjudicating clearances, coupled with a dramatic increase of employees needing clearances after September 11.

After some delay, approximately 1,600 DSS employees, including field investigators, support staff, and first-line supervisors were transferred to OPM's Center for Federal Investigative Services (CFIS) in February 2005. OPM field investigators, along with OPM's contract investigative workforce, are now responsible for nearly all personnel security investigations for DOD military, civilian, and industry personnel.

Today, we will examine the impact this transfer has had on DOD's long-standing backlog and whether the transfer to OPM has had the expected result.

This hearing is important because of its impact on national security. We understand that our national security strategy depends on making sure skilled job applicants do not wait months or even years for security clearances. However, it is not only Federal applicants who face this problem; it impacts the defense industry as well. For contractors, it becomes a difficult business decision because well-qualified job applicants are quickly lost to a competitor.

Once hired, the employee becomes just an overhead expense until the clearance is granted. Small businesses, which are vital to the U.S. economy, are especially hard hit by inefficiencies in this program.

There are more immediate national security concerns relating to personnel security clearances. To allow needed employees to carry out their jobs, temporary or interim clearances maybe granted pending the outcome of the investigation and adjudication. Failure to properly manage the interim clearance process, however, can put classified information at risk. Also, security clearances must be periodically updated through reinvestigations. In 2000, GAO found that DOD had over 500,000 overdue reinvestigations. That was one in five of all security clearances at DOD, putting classified information at serious risk.

As we examine the transfer of functions from DSS to OPM, I am also interested in hearing about improvements in the transparency of the clearance process. We have heard complaints from industry representatives that they are still required to work through DSS, even though DSS is no longer in a position to provide assistance.

I look forward to the testimony of our witnesses, and Mr. Chairman, I look forward to continuing our work. Thank you.

Senator AKAKA. I do have a few questions, Mr. Chairman.

Ms. Dillaman, the Federal Government faces a critical shortage of foreign linguists. One of the best ways to improve foreign language proficiency is through immersion programs and spending time abroad. However, spending time abroad frequently results in delays in the clearance process as foreign activities must be verified by investigators.

In the past, DOD's military services have conducted most of the overseas leads for DSS. However, DOD terminated this mission following the transfer of investigative function from DOD to OPM. My question to you is, what is OPM doing to facilitate the security clearance process for linguists and others who have spent time overseas?

Ms. DILLAMAN. Senator, obtaining international coverage has plagued this process for decades. Until the point of transfer, OPM relied on both the State Department and the Department of Defense network of resources to obtain the required overseas coverage. Prior to transfer, DOD was in the process of converting this

to have their investigative resources obtain the required international coverage and are now working with OPM to facilitate sending OPM Federal agents abroad. We expect to begin deployment of our own agents internationally in August of this year.

Senator AKAKA. Thank you. Mr. Stewart, much of the discussion has focused on the number of quantitative personnel security investigations that OPM is able to conduct. What can OPM do to improve the quality of these investigations?

Mr. STEWART. We have a number of concerns about the quality of OPM investigations. One of the major concerns is the number of new investigators that have been added. According to our calculation, when we completed our work and issued our report in February of 2004, DOD and OPM combined had about 4,200 investigators. You have heard today that OPM has 8,000 or more investigators. That is the addition of several thousand new investigators.

We would like, and we think it is critical, that there be uniformity in training, that all of the investigators are trained on the same standards with the same instructions to make sure that the investigations are carried out in a high-quality manner.

The other issue in terms of quality is that before the program was transferred, OPM handled some of DOD's business. For example, in fiscal year 2002, OPM closed about 280,000 DOD cases, but over 28,000 of those cases were closed pending cases. That is, all of the information was not included in the investigation. When it was turned over to the DOD adjudicators. That is not a quality investigation, and 28,000 closed pending cases in 1 year seems to us to be a fairly large number. So that is a quality issue that I think DOD and OPM needs to get a handle on.

Senator AKAKA. Ms. Dillaman, would you care to respond to that?

Ms. DILLAMAN. Yes, sir. First, on the training issue, we have developed a very robust training program for both our Federal and our contractor resources. We have succeeded in developing one standard handbook that is used by all resources, contractor and Federal, and our reports of investigation are all in one common reporting format, making it virtually invisible to the adjudicator who produced the investigation. So I think we are well on our way to meeting the training requirements that Mr. Stewart spelled out.

As far as the closed pending process, it is absolutely true that in conducting the investigation, there are literally dozens of different data points or sources that you are contacting and collecting that make up a complete investigation. OPM closes an investigation pending, and that is a term of art for investigations, when a third-party record source is not available in a timely manner. That means if I can't lay my hands on a 30-year-old defense file quickly, but I have substantially completed the investigation otherwise, I will advance that information to the adjudicating agency and allow them to decide whether or not there is substantial information that would support a clearance action or whether the outstanding piece would pose a risk and should be waited for. It is an advance process only. The investigation is completed and sent in its entirety to the adjudicating office.

Senator AKAKA. Thank you. Mr. Chairman, I want to thank you again for holding this hearing, and focusing attention to this proc-

ess. Of course, all of you know that the Chairman and this Subcommittee is really looking to resolving this seemingly large problem, and I want to commend the Chairman for doing this. We will certainly do all we can to try to help resolve this. I thank you for your responses. Mr. Chairman, thank you very much for allowing me to ask questions.

Senator VOINOVICH. Thank you, Senator Akaka.

Mr. Stewart, in the mid-1990's, OPM created an Employee Stock Ownership Program for its security investigation workforce. This action moved Federal employees to a privately-owned company known as U.S. Investigative Services. For almost 10 years now, OPM did not have Federal employees conducting security clearance investigations. With the transfer of the DOD employees to OPM, the agency has a hybrid of Federal individuals and also the private sector. Do you think this is an appropriate blend of employees?

Mr. STEWART. We haven't really assessed that situation, Mr. Chairman. It does give us pause because the contractor employees, we understand, may not be working in the same fashion as the former DOD employees. The process may be a little bit different. With training, though, we think that everybody can be brought up to the same place. But we haven't really assessed that situation to determine whether there are any tangible problems with that.

Senator VOINOVICH. Well, you have got one group working for the OPM, the former DOD employees, and then you have the private contractors, five or six of them. I really would be interested in knowing what GAO thinks about this mixture of employees.

Ms. Dillaman, how do you decide which group gets assigned certain cases?

Ms. DILLAMAN. Mr. Chairman, I really believe this is an ideal configuration, having a backbone of Federal agents nationwide that are supported by a broad base of contractors. I have four contractors to every Federal agent, approximately. That allows the Federal agents to facilitate access for the contractors to sources, because it is quite true that Federal agents sometimes have easier access to State and local law enforcement systems and other records systems and other sources.

In addition, I believe there is some work that would be better conducted by the Federal resources, such as clearing the contractors themselves.

Today, with the transfer, the Federal resources are still devoted to DOD's highest-priority cases. Beginning in October, however, we are going to reconfigure this and redivide what work the Federal agents do, moving the clearance of contractors to the Federal workforce as well as troubleshooting all the contract management issues for the contractors that are placed throughout the country to the Federal side and giving the more routine work to the contractors to complete.

Senator VOINOVICH. Ms. Anderson, since the DOD sent employees over to OPM, please provide your assessment on the transfer.

Ms. ANDERSON. I know Kathy and I both recall the town halls that we did a number of years ago when we first initiated this whole process, and in speaking with the Federal investigators, they recognized that the Department of Homeland Security, and other Federal agencies had the same PSI requirements as DOD and they

really take it as a national security mission. So I understand through the grapevine that they are welcoming the new challenges.

Senator VOINOVICH. Ms. Dillaman.

Ms. DILLAMAN. I would agree. I just completed 5 weeks of training in the field with all of our new staff, our transferred staff, and I believe they are a highly motivated, energized workforce and that they are quite comfortable with the new role they are going to play.

Senator VOINOVICH. Since September 11, have jobs that did not need a clearance been added to the clearance list?

Ms. DILLAMAN. Yes, sir, they have. The number of clearance investigations has increased substantially since September 11.

Senator VOINOVICH. Has anyone reviewed the increases in security clearances to determine whether they are really necessary? In other words, after September 11, one of the things that is troubling to me is that we have really changed the way we do things. We are almost going to the extreme to accomplish certain tasks. At the same time, we are adding enormous sums of money to cover the costs of the added workload.

Sometimes I think that Osama Bin Laden has to be the happiest person in the world. Because of September 11, he has been responsible for enormous change in the United States of America and, frankly, a very large expenditure of funds being expended because of the fear of terrorist activities.

Have you examined whether certain clearances are really necessary?

Ms. DILLAMAN. Sir, OPM isn't in a position to challenge an agency's request when they ask for an investigation to support a clearance, but we do maintain data, specific data by agency, on those types of trends that can be used to monitor shifts such as what you just described.

Mr. STEWART. Mr. Chairman, we looked at this issue when we were doing our work for the February 2004 report. In addition to the increase in the number of requests for clearances, we also noticed that there was an increase in the level of clearance.

For example, in 1995 for contractor personnel, about 17 percent of all requests were for top secret. In 2003, it was 27 percent. So we have seen not only——

Senator VOINOVICH. Repeat that again.

Mr. STEWART. In 1995, for contractor personnel, 17 percent of the requests for clearances for contractor personnel was for the top secret level clearance. In 2003, a couple of years after September 11, that figure was 27 percent. It requires a lot more resources to investigate somebody for a top secret than for a "secret" or a "confidential." So we have noticed that trend.

Mr. Chairman, this is why it is so important for DOD to get a handle on exactly what its workload requirements are, who needs a clearance and at what level they need the clearance. DOD has undertaken this effort, but our concern is that there is no target completion date for this. We maintain that until DOD knows how many service members, how many civilian employees of their 700,000 Federal civilian employees, and how many contractor personnel actually needs a clearance, what positions need a clearance, at what level the clearance is needed, there is no way that DOD can have an efficient and an effective security clearance process.

Senator VOINOVICH. Is the agency then the one that determines——

Mr. STEWART. Yes, sir.

Senator VOINOVICH [continuing]. Who needs a security clearance——

Mr. STEWART. Yes, sir.

Senator VOINOVICH [continuing]. And at what level of clearance that should be given. Now, Ms. Anderson, you have heard what Mr. Stewart has to say. What is the Department of Defense doing to look at those that need a clearance and the level of clearance? It would be interesting for you to go back and look at the 17 percent number that he is talking about and how it is up to——

Ms. ANDERSON. We have. We actually helped provide those numbers.

Senator VOINOVICH. Well, the question is, are the additional clearances really needed?

Ms. ANDERSON. If I might start with, we really need to make a distinction between the need for an investigation and the need for a security clearance. We do an increasing proportion of our investigations for access to IT systems that require a vetting process. We actually think we should know who the people who are administering our networks are. So there is a distinction between the need for access to classified information and the need for an investigation.

We have a DOD regulation that clearly specifies who needs an investigation for a clearance and who needs an investigation for a trustworthiness determination. So that mixes the numbers a little bit.

Senator VOINOVICH. So the point is that there are some people that you want to investigate, but not necessarily for a level of security clearance, is that right? Just generally, you would like to have an investigation about the background——

Ms. ANDERSON. A trustworthiness investigation for positions of trust.

Senator VOINOVICH. OK. So that is one level——

Ms. ANDERSON. That is one level of the distinction here.

Senator VOINOVICH. How do you coordinate your requirements with Ms. Dillaman's team at OPM?

Ms. ANDERSON. We have a tendency to harmonize the types of investigations into the products Ms. Dillaman's organization serves. So she has a number of categories of investigations of increasing investment and we use that scale and those defined investigation types for what we request. We will request a single-scope background investigation for somebody who needs an initial top secret clearance. We may also request that same type of investigation for a system administrator of a mission-critical network. They don't need access to the classified information necessarily, but they will have the same scope of background investigations.

We have tried to harmonize the system in that way. Then it actually is very useful for us, because if that system administrator actually needs access to classified later down the road, we can use that same investigation. So to the greatest extent possible, we have harmonized the two standards into one.

But getting back to your original question about the change in mix, it is very interesting to note that the Department of Defense did have a significant increase over the last 10 years, but to some degree, we are seeing it stabilize in the last 3 to 5 years. So we don't think that there is an ever-increasing number of investigations that will be required. We are working very hard with the services and agencies to absolutely scrub their requirements and make sure that we are consistent across the Department.

We have also provided fairly decent projections to Ms. Dillaman that allows her to do adequate planning. I think that there was a structural shift post-September 11 that everyone has talked about in terms of how we use people and who needs to be vetted, and I think that we are seeing that structural shift and we are somewhat hopeful that we will see it stabilize.

Senator VOINOVICH. So the Department of Defense is cognizant of the problem. Has there been any recent review of who should get these investigations and at what level?

Ms. ANDERSON. Yes. We work with the services and agencies to actually have them review their programs. The Army did a very extensive and very well done scrub most recently. The services have been continuously fine-tuning it.

Now, with the change in mission requirements, we have a tendency when we call up Reservists and National Guard members that we have to make sure that their investigations are current, as well. And so the world environment being what it is today, I think that the number of clearances that have been requested and the number of investigations that have been requested is consistent with the mission requirements.

Senator VOINOVICH. Now, Ms. Dillaman, I suspect that you conduct security clearances for the Department of Homeland Security? How many Federal agencies do you conduct security clearances for?

Ms. DILLAMAN. For security clearances, sir, over 50, but in total, we deal with over 100 Federal agencies. There are several thousand offices that request investigations from OPM for either national security purposes, public trust, nonsensitive or regulatory purposes.

Senator VOINOVICH. So if OMB, under the Presidential Executive Order, is in charge of policy, they should look at this from a management and budget perspective and examine to ascertain whether those agencies do, indeed, need the clearances for their employees and contractors.

Ms. DILLAMAN. Yes, sir.

Senator VOINOVICH. Let me start with that. That kind of defines the customer base——

Ms. DILLAMAN. Yes, sir, and as I stated before, we have solid data on each and every one of those agencies, including trends for the past 15 years of submissions.

Senator VOINOVICH. OK. Mr. Stewart, could you comment on this testimony? How does it relate to what you are saying, how can the DOD and OPM match their budget and workload requirements in order to get the job done. Can you comment on that?

Mr. STEWART. DOD and OPM need to know the number and level of required clearances in order to efficiently determine the

staffing, the resources, and the budgets. In order for OPM to plan properly, it has to know the workload coming from DOD.

Senator VOINOVICH. And you are saying to me today that from your perspective, we don't know what the workload is coming from DOD?

Mr. STEWART. Exactly, Mr. Chairman. I am saying that the DOD has an initiative underway to determine which military, civilian, and contractor positions need clearances and at what level. But I am also telling you, DOD is not done with that initiative. There is no target completion date set for that, and until that is done, DOD is not going to have an efficient and effective program.

Let me just give you an example. DOD started contracting with OPM to handle some of their cases in 1999. In 2001, DOD overestimated the number of cases by 150,000 investigations. They were off by 150,000 investigations. In 2002, they underestimated the number of investigations by 135,000—not 10,000, not 50,000, not 80,000, 135,000 underestimated. In 2003, DOD underestimated its investigations workload by almost 90,000 investigations.

If you are missing your target by 100,000 investigations, that wreaks havoc on the budgets and numbers of staff you need to carry out the work. There is no way you can plan for that.

Now, there is a second piece to this, Mr. Chairman, that we are also concerned about. It is reinvestigations. These are people who already have clearances and who come up periodically for reinvestigation. For top secret clearances, it is every 5 years. For secret clearances, it is every 10 years. DOD in the past has not had a real good handle on what its reinvestigation workload is. That is, if they are notified that an individual needs a reinvestigation, they have that piece of information. The problem occurs when DOD isn't notified. It is when an organization doesn't submit a request on time that DOD doesn't know whether the individuals need a reinvestigation or not.

DOD estimated in 2000 that there were approximately 500,000 overdue reinvestigations that had not been submitted to DOD for reinvestigation. That is a huge workload. And I am here to tell you today that I don't think the Department has a good handle on that part of their workload, which OPM would investigate.

So if I am OPM, I would be scared to death of this program, to be perfectly honest with you. I don't know how OPM can be comfortable with estimates in workload requirements coming from DOD given what we know about DOD's ability to estimate its workload requirements. They have missed by 100,000 in 2000, 150,000 in 2001, 135,000 in 2002, 100,000 in 2003.

But there is an initiative to try to get a better handle on that. I don't know what is happening on the reinvestigations piece. There is a system, the Joint Personnel Adjudication System, that should give them a better handle on the reinvestigation piece. I think it's close to being fully implemented. This is not a good picture at this point, sir.

Senator VOINOVICH. The lion's share of the requests for these security clearances come from the Department of Defense? What is the percentage?

Ms. DILLAMAN. Eighty percent or better.

Senator VOINOVICH. Eighty percent. So the other 20 percent is from other agencies. So the Department of Defense creates the most work. I would like to have the ranking of the percentages. It seems to me that the OMB folks ought to know that, also, to begin to get into that issue.

What is your response to this, Ms. Anderson? It sounds to me like things aren't going very well at DOD.

Ms. ANDERSON. Sir, you will notice that GAO has not been out to visit us quite recently. The numbers that are quoted are from 2000 through 2003. As I cited in my testimony, we have been working very hard for the last 5 years and we have a number of initiative that are beginning to pay off that we started over 2 years ago.

Specifically, let us start with the issue about backlog. There is a lot of confusion about the term backlog. Ms. Dillaman and I talk about work in process. Backlog seems to have varying definitions. There are 329,000 DOD cases in process today. Even when the investigations are run in 90 days, we will still have over 150,000 cases in process on any day.

Going back to the conversation about how we could miss our estimate by 100,000, and I must say I am not familiar with those particular deltas, but in fiscal year 2001, the Department of Defense submitted 916,598 cases. We might have been off by 10 percent. That would be the better part of 100,000 cases. We might have been off by 15 percent. A lot of the caseload management issues really focused around the difference between the need, the requirement, and the ability to fulfill that requirement.

And speaking to Mr. Stewart's comment about why we don't have a close date for our improvements to validation of the requirements and projections, we will never have a close date. You can never be better enough at this to really make it perfect. We know that what we have today seems to be working for Ms. Dillaman. She has the benefit of all the information that gets submitted to her and we keep her up to date on policy changes and on trends. We talk constantly about where the numbers are.

If we are going to have a significant change in policy that will affect her workload, we let her know and we work out estimates. But there are a number of things you cannot predict.

Senator VOINOVICH. Over or underestimating the workload by 100,000 is a lot of clearances.

Ms. ANDERSON. Well, given it is 100,000 out of 900,000, at least it puts it in context. I am not saying it is perfect. But this year, we have actually been running relatively close to our projections. It is also, with regard to predicting of periodic reinvestigations, it is somewhat problematic to predict it out much more than 12 or 15 months.

Senator VOINOVICH. Do you have a report on this that I can see? We are going to get into dotting the "i"s and crossing the "t"s on this, OK?

Ms. DILLAMAN. Looking forward to it, sir.

Senator VOINOVICH. I am going to look at this like guys who were working for me when I was governor, OK? [Laughter.]

Ms. DILLAMAN. Yes, sir.

Senator VOINOVICH. And we have to get OMB involved in this. I am going to contact Clay Johnson and Josh Bolten, because they

have to pay attention to this issue. If they are going to set the policy, they ought to have a few people that really know this issue backwards and forwards. So I will be sending a letter off to OMB and find out what they are doing. I will also have a follow-up hearing this fall, to make sure they are prepared and are aware of what responsibility they really have in regard to this whole area.

I think you need to have some good metrics, too. It is important that we are all operating under the same data points because the only way we can really make progress is to understand what these numbers mean.

Mr. Stewart, I have one question about the Intelligence Reform and Terrorism Prevention Act of 2004. The law requires 80 percent of the investigations on security clearance applications be completed within 90 days by December 17, 2006. That is the end of next year. It also requires 80 percent of the adjudications to be completed within 30 days. Given all that you know about the backlog and time frames to investigate and adjudicate security clearances, do you think that DOD and OPM can meet these timelines?

Mr. STEWART. Based on what I——

Senator VOINOVICH. Is this realistic? Sometimes Congress sets deadlines and has no understanding in so many instances that they are not realistic. For example, we said March 15 was when the President was supposed to sign the Executive Order on security clearances. Well, what is today, June 28? It was finished June 27, 3 months late. We have to be realistic about what we ask agencies, because if we are not, then they really say Congress doesn't really understand. What do you think?

Mr. STEWART. Well, based on what I understand about OPM's current time standards, it is 120 days for initial investigations and 180 days for investigations. If that is true, then they may not meet the standards of 90 days in the new legislation.

Personally, I think that the 120 days and the 180 days are probably more realistic given the transition of this program and the number of new staff that have been added. OPM can probably speak better to this than can I. But given the thousands of new staff that have been added and the training that is required to get those folks up and ready to process investigations, the 90 days specified in the legislation is probably not realistic.

Currently, OPM's time limits are 120 days for initial investigations, whether it is top secret or secret, and 180 days for reinvestigations, regardless of the level. So that does not meet the 90-day requirement. But I don't believe the 90 days is currently doable.

Senator VOINOVICH. We need to establish rules and baseline measures for tracking progress. I would be interested in GAO's opinion about what a realistic timeline would be.

The other thing I am interested in is what process, Ms. Dillaman and Ms. Anderson, use, to elicit how things can be improved? Do you hire consultants? How do you determine how you can improve the respective clearances in your organizations?

Ms. DILLAMAN. Mr. Chairman, we involve our stakeholders. We regularly convene a panel of the agencies we serve, including the Departments of Defense, Homeland Security, Treasury, etc., to talk about process, different process elements, and that has taken us to where we are today, in how we not only move work internally, but

how we move work from the submitting agency and then back to the adjudicating facility. So there is continuous change and improvement in the investigative process. You wouldn't recognize it from 10 years ago. And I think that is going to be an ongoing effort for us, because you can always improve.

Senator VOINOVICH. Ms. Anderson.

Ms. ANDERSON. Thank you. We work very closely with Kathy and her team, because they really are our strategic supplier with regard to investigations. We have taken a hard look at all the variety of processes and personnel security within the Department and we have been doing this for a little over 2½ years, and so we are starting to put pieces in place to bring it all together. So we have solicited input from all levels of this process, to include our stakeholders, which would include industry and our MOU members who are part of the National Industrial Security Program Policy Advisory Committee (NISPPAC), and we have received a lot of solicited and unsolicited feedback along the way, not only from consultants, but from other interested parties, to include House and Senate members. So we will take input from anyone. We are looking for things that make the process better, more robust, and reduce risk.

Senator VOINOVICH. Do you employ quality management techniques? For example, through Total Quality Management employees are empowered and recommend how they think they can do their job better and be more efficient, and ultimately streamline the process.

Ms. ANDERSON. We have embraced that. One of the real benefits of our Joint Personnel Adjudication System is that it allows flexibility. We have a number of very different organizations within the Department. We have large organizations, like the services, and then you have smaller agencies. You have specialized agencies, intelligence agencies, and defense logistics agencies.

So we have built a set of tools that allow us consistent measures, consistent quality control, but allows flexibility in how these suborganizations organize their processes to best meet their piece of the mission. So we have empowered them and given them the tools that allow them some flexibility within their process so that they can tailor these processes to their specific needs without engendering any dislocation to reciprocity and other pieces of the process that are important to preserve.

Senator VOINOVICH. Do you have any continuous improvement teams?

Ms. ANDERSON. We do not have a standing set of continuous improvement teams. We have pockets of them in different areas, to include our automated continuing evaluation system. We have a whole process improvement team associated with that. Our adjudicators have a collaborative forum and we are trying to get a little more structure in that, as well, to actually make sure that they are leveraging best practices across those organizations.

Senator VOINOVICH. I would really like to know what process you use to involve your employees on developing recommendations on how things can be improved.

Ms. Dillaman, what about you?

Ms. DILLAMAN. Yes, sir. We also have users' groups, not only with our own Federal staff, but we are including the contractor

staff, as well. Each of our contractors sends representatives to the specific users' groups to talk about process and tools. Our automation system, which is the heart of the control of these investigations, has been constantly renovated through those types of users' groups activities.

Senator VOINOVICH. OK. I have a little problem with that, because GAO determined that the private sector contractors were your external customers, but I think they are your internal customers. It takes 375 days for contractor clearances. In other words, private sector employees wait an average of 375 days to receive their clearances. And the question is, have you sat down to ask contractors how they think improvements to the security process could be made?

I am concerned that the cost to private contractors continues to go up the longer the process takes. First of all, if you want to hire somebody that is good but then they can't do their work until they get a clearance and you put them on the payroll, they sit there and can't do their work they are supposed to do because of the fact that they don't have a clearance. So the private company keeps losing money.

I know OPM and DOD held a news conference with contractors, but I want to know how much time have you really spent with them getting their ideas on how they think you can improve the system? This is part of quality management, reaching out and asking their opinions can really make a difference.

I know when I was governor, we had a forum for stakeholders to fill out. Ninety-five percent of the forms came back with problems because the form was just not relevant to the customer. So we spent 6 months with the customer and we reduced the size of the form and the questions. The end result reduced errors to close to 5 percent. It was good for our employees because they were having difficulty working in an efficient manner since there were high error rates. Customers would submit their forms and State employees would notify them that the forms were incomplete, so the customer would have to go through the process again. It just took a lot of time and money.

I will never forget, one of the employees said he used to come to work in the morning, and the closer he got to the office, the more stressed he became. Just by getting involved with the customers and coming up with a new form, it just really relieved all of that tension and made things so much more efficient.

And the question is, how much time do you spend with your private sector customers?

Ms. DILLAMAN. Sir, personally, I spend a good deal of time with our customers, with the Federal agencies that are customers. In fact, I have a team here in Washington that is dedicated to that. In fact, each agency is assigned a customer service representative for OPM.

When it comes to industry, industry feedback is channeled through the Department of Defense. I have partnered with DOD and presented at several conferences and meetings to industry issues about the process, including taking suggestions on how we can improve it. But I would defer to my colleague in DOD in terms of how industry——

Senator VOINOVICH. I want to know how much—when was the last time you sat down with the private industry people that you are hiring to get their feedback on this clearance process and——

Ms. ANDERSON. I, myself, briefed them on this issue and solicited feedback in May—I can probably tell you the exact date—at the AIA and NDIA forum in Arizona. We have a tendency to hit about one industry organization meeting for exactly that purpose a month, if not myself, then someone who directly reports to me. And we do actually incorporate all of industry's comments in our DOD position to OPM. To talk about revising the form, we have provided significant comments which includes the industry input to OPM with regard to the revision of the SF–86 form.

So we have a number of forums that we provide industry, and it is normally through the industry associations, although we are always open and I do very frequently take briefings and requests from individual industry participants. So we do everything we can to make sure that we are incorporating all of the ideas. We are entirely endorsing the need for change.

Senator VOINOVICH. OK. The question is, my staff met with some private sector representatives. The real issue is, if OPM is taking over the investigations, why doesn't OPM meet with the private sector?

Ms. DILLAMAN. And again, sir, the request for investigations on industry come from the Department of Defense. We are more than happy to meet with industry groups with DOD, partnering with DOD, but the industry is channeled through DOD.

Senator VOINOVICH. But the fact of the matter is that in terms of improving the process, now that OPM is conducting the investigation, it seems to me that it would be very worthwhile for you to meet with the private sector stakholders.

Ms. ANDERSON. Sir, the other piece of this that is very important to remember, and the reason that Ms. Dillaman and I team up to meet with industry is invariably when we are talking about this process, we are talking about the clearance process and it includes not only the investigation but the adjudication. So we have worked as kind of a tag team to make sure if there is a question about something, our organization reviews the SF–86, the self-disclosed information that is provided by all of our applicants, and 80 percent of the time for secret clearances, we can provide an interim clearance in a week. That will put those industry people to work at the interim secret level. We do not have that luxury in most cases at some of the higher level of clearances. That is why we make sure that we prioritize with OPM those investigations.

But when we have conversations with any of our constituencies, we have found it beneficial for us to go together because it is invariably a discussion not only about the investigation, but what else can be done to have those people work effectively while it is going on. So we have a piece of this at the front end with regard to taking some risk with interim clearances, and we have a piece of this on the back end, which is the final piece and the decision on eligibility and, ultimately, access.

Senator VOINOVICH. Well, we have got this shifting. It seems to me there is a different perspective from your point of view since you are the one that is going to have to do the investigation.

Senator Carper is here. Thank you very much for coming here. He is very interested in this, because he is also a former governor. Senator Carper.

OPENING STATEMENT OF SENATOR CARPER

Senator CARPER. But you know something else? I used to be an intelligence officer in the Navy.

Senator VOINOVICH. I am looking forward to your questions.

Senator CARPER. I probably won't show much intelligence, but we'll give it our best. [Laughter.]

Mr. Chairman, good morning, and to our witnesses, thanks for coming this morning.

I guess my first question is of you, Mr. Stewart. My understanding is that GAO has placed a security clearance process on its high-risk list, and the process, as I understand it, has been turned over from DOD to OPM and the new Department of Homeland Security. I know you have already talked about this, but let me just start with a basic question. How is it going?

Mr. STEWART. I think it depends on who you ask. If you are asking me——

Senator CARPER. Well, I wanted to ask you first, so——

Mr. STEWART. We have not looked at the transfer itself and how things are working today. Our concerns are more basic. As I mentioned earlier, one of the biggest concerns is for the Department to be able to project its workload requirements. Until the Department can do that, we at GAO don't believe that there will be an efficient and effective security clearance program regardless of who is doing the investigations. So we have some fundamental problems with the way things are working overall. The actual transfer, we haven't looked at that to see how things are working today.

Senator CARPER. Let me ask you, Ms. Dillaman and Ms. Anderson, would you just comment in what Mr. Stewart has just said.

Ms. ANDERSON. It is interesting to note, and I had mentioned it previously, that a lot of these problems have been longstanding and we have made significant improvement in the last 2 years. Our ability to project our requirements is very much improved, and I believe Ms. Dillaman will attest to that, and that we have not left her high and dry as far as her ability to project workload needs.

Additionally, as we look forward, every program has room for improvement, this one more than most. We will continue to improve and refine those projection models to ensure that we have taken into account every active variable and can give Ms. Dillaman the most accurate projection moving forward.

With regard to the transfer, I would say that everyone got paid, work continued to flow, and no one died, so I would say it is a success.

Senator CARPER. Mr. Stewart.

Mr. STEWART. Senator Carper, let me just tell you one of the things that we are concerned about, even though we haven't looked at the transfer. DOD and OPM announced in February 2003 that this transfer was going to take place, over 2 years ago. There is a system, the eQIP system which OPM has, that DOD still can't use to submit all of its requests through this electronic system. So

there is a time lag where DOD has to reformat information in order to get it into the system.

This transfer has been 2 years in the making and this is just an example of where it doesn't seem that everybody is talking to each other and there is a strategic plan—DOD needs an overall plan to make this thing work efficiently and effectively.

Senator Voinovich, have talked about the need for a Chief Management Officer at DOD. This is, I think, a program that should fall under the CMO's jurisdiction. With all due respect to Ms. Anderson and folks at that level, if you don't have somebody at the senior-most levels of the organization looking at this program and making sure that things are happening and come together in a strategic fashion, I don't know that we will ever have a successful program there.

Senator CARPER. Let me follow up on what you said. I was struck by Ms. Anderson's comment. It sort of reminded me, I often say, everything I do, I can do better, and clearly, that is probably true with most of us who are being honest with themselves.

I want to come back to the point that Mr. Stewart made. I think he used the word eQIP, and that is probably an acronym. I don't know what it stands for. But let me just ask, how are DOD and OPM using technology to transfer investigations to OPM and to work through the application process and how successful have those technologies been?

Ms. DILLAMAN. I will take it. Senator Carper, OPM in 2004 developed and implemented an online information submission process. That is eQIP. It would be Electronic Questionnaire for Investigations Processing. This is web-based technology that allows the applicant to complete his or her questionnaire online, store the information in an automated vault, and submit it electronically along with either imaged or hard-copy attachments, like the fingerprint chart in the release form.

There was a conscious decision made between OPM and DOD to customize that, to allow the submissions through JPAS, a system that DOD was in the process of deploying, that in the long haul will minimize the amount of resources that it takes to maintain both systems. That was a very complicated, complex development, but I am thrilled that we are close to implementation. I expect over the next 2 to 3 months, we will have a full rollover so that all submissions from DOD will come in electronically.

Senator CARPER. And how long have we been working on this?

Ms. DILLAMAN. The customized version, over a year, heading toward two.

Senator CARPER. OK. And do you think we are a couple of months out?

Ms. ANDERSON. We have already begun using it, but as with an organization the size of the Department of Defense, you don't cut it over all in one day. So we are in the process of matriculating more users every day. As a matter of fact, earlier this month, we allowed all industry users full access to it. So the entire cleared industry population is now free to use it and we are easing their transition, and this is similar to the services and agencies, is we give them a grace period that they can use the old EPSQ, our old online questionnaire, for a little while longer while they are

transitioning to how the new one works. But our expectation is by the end of this year, everyone in the Department will be on it exclusively.

Senator CARPER. Mr. Stewart, should we be encouraged by this?

Mr. STEWART. Again, it just seems a little curious to us that this transfer was announced over 2 years ago, and this clearance-request submission process is a critical part of the program. It is pretty basic to be able to submit requests, and we still don't have a fully operational system to make that happen. So I am not encouraged, quite frankly.

Senator CARPER. Are you from Missouri? [Laughter.]

Senator CARPER. Show me? Well, in a couple months, I hope you can show us a fully operational system.

Ms. ANDERSON. Sir, if I might add that when we talked about the transfer of the investigations function, the e-Government, e-Clearance initiative—there are a lot of "e"s—and the eQIP software that Ms. Dillaman deployed is separate from that functional transfer. So while it happened in parallel, it was not necessarily a condition for that transfer. It was separate.

Senator CARPER. All right. Thanks for all those "e"s. Governor, always a pleasure.

Senator VOINOVICH. I just would get back to the same question I had, that DOD had the Case Control Management System that was used to manage the security clearance databases, is that right?

Ms. ANDERSON. It was an investigations case management system, yes.

Senator VOINOVICH. And OPM uses the Personnel Investigations Processing System. I want to make sure—the PIPS system.

Ms. DILLAMAN. Yes, sir.

Senator VOINOVICH. OK. Now, are we talking about the fact that you are in the process of transferring the information from the Case Control Management System to the PIPS system?

Ms. ANDERSON. No, sir.

Senator VOINOVICH. You are not?

Ms. DILLAMAN. We made the decision when we started on the discussion about the transfer of function. We did the analysis and determined it made no sense from either economic or engineering standpoint to move cases in process from DSS's legacy system, the CCMS, to OPM's PIPS-based system. So as part of our progression, we adopted the new business process in the beginning of fiscal year 2004 which had all new work matriculating on OPM's PIPS system. We then used the balance of 2004 and, quite frankly, a little bit of 2005 to clean up, that is complete, all the work on the Case Control Management System.

The investigative data for investigations that were begun on Case Control Management System were completed on that system. So there are no more cases on the Case Control Management System. We are in the process of archiving those resulting investigations, so we are moving them all to an electronic format so that they will be available to organizations like OPM as prior investigations, but they remain with the Department and we will use an electronic archive to actually maintain them for the 25-year period.

Senator VOINOVICH. So the relevant material that you need has been transferred to the PIPS system?

Ms. DILLAMAN. Yes. The software with regard to the submission process and whether or not you use the old DOD EPSQ or the new eQIP form, actually has nothing to do with the Case Control Management System.

Senator VOINOVICH. OK. Ms. Dillaman, in February 2004, GAO reported that a lack of investigative staff contributed to the delays in the security clearance investigative process, and since the transfer, OPM indicated they will need 8,000 full-time investigators to manage the investigative workload, and you are talking about almost 8,000, from what your testimony was this morning.

In 2004, GAO noted that OPM's primary contractor was hiring around 100 investigators a month, and at the same time was losing around 70 employees a month. Is your contractor still experiencing this high turnover rate?

Ms. DILLAMAN. No, sir. Our primary contractor's attrition rate now is down to 18 percent.

Senator VOINOVICH. OK. So that they have reduced the turnover rate?

Ms. DILLAMAN. Yes, sir. In fact——

Senator VOINOVICH. Were you concerned about the turnover rate that they had?

Ms. DILLAMAN. Absolutely, sir. There is a large turnover in this business, and that is historically true, that people start and for a number of the street agents, that doesn't turn out to be a long-term. But 15 percent attrition would be about right.

In 2004, our prime contractor sold the business and it had been an ESOP prior to that, and so there were some windfalls from that and that accounted for some of the large attrition, where a number of people left after the sale. But that has stabilized and our contractor is bringing that down every month.

Senator VOINOVICH. The U.S. Investigative Services, which was an ESOP that was created to preserve the jobs initially of the people that worked for the OPM was sold to somebody else?

Ms. DILLAMAN. Yes, sir.

Senator VOINOVICH. Is it still known as the USIS?

Ms. DILLAMAN. Yes, sir.

Senator VOINOVICH. They kept the name, but there is new ownership?

Ms. DILLAMAN. Yes, sir.

Senator VOINOVICH. And as a result of that new ownership, you are saying that they are a more efficient operation than they were prior to the change in ownership?

Ms. DILLAMAN. Absolutely, sir.

Senator VOINOVICH. Mr. Stewart, are you familiar with that change?

Mr. STEWART. I am familiar with the change. We haven't looked at it, but I am familiar with the fact that the ESOP was sold to another party. I think you are asking a very good question. Some investigations contractors depend on a large number of part-time individuals and our understanding is that a lot of these individuals are retired. They are not looking to work full-time. We also understand that they could work for more than one contractor. So they could work for one contractor this month and not the other contractor the next month.

I think it is great that 3,800 full-time equivalent investigative staff have been added, but I think it is a situation that bears watching because of the high turnover rate that was experienced when we were doing our earlier work and the fact that many investigators are part-time.

Senator VOINOVICH. OK. I appreciate your testimony here this morning. What I want to do next is to set a baseline about where we are today. I am going to have my staff work on it and we will contact the Office of Management and Budget to talk to them about it also. But I want to know, where are we today, and I want to decide on some metrics so that when we get together 3 months from now, 6 months from now, we can determine whether or not we are making any progress.

So that is what I want to do. As I said, Ms. Dillaman, you have got a big job. I think in the Department of Defense, this challenge, which has been around a long time is unfortunately typical Department of Defense. One of the things that this Subcommittee is doing is taking on the fact that the Department of Defense has many items on the list that need to be corrected and here is another example of it. You are 80 percent of the action here. This is high-risk and so it is, again, part of the Department of Defense.

I agree with you, Mr. Stewart, that if we are going to really see a transformation of the Defense Department, we do need a Chief Management Officer that is going to stay with these things over a long period of time. Secretary Rumsfeld came in and was really going to improve the Department's management. In fact, one day before September 11, he said that if they could improve the efficiency by 5 percent of the Department, they could save $22 to $24 billion per year. Then our Nation went to war and that doesn't mean you are not working on process improvements. I appreciate the fact that the Department is trying to improve things.

But the fact is that management improvements can get lost. When I was governor, I had a Chief of Staff, but I also had a Chief Management Officer that every day got up early in the morning, went to bed late at night, and when all these firestorms occurred, that didn't bother that individual because every day, they were just working on management. And that is the way we got things done.

This stuff is not going to get done in a short period of time, and that is why I think it is really important that you look at these numbers on a realistic basis. If we tell you to do something and you say, "Those people are nuts, it will never happen," but if you come back—maybe what we should do is why don't you sit down and figure out how long it will take you. What is a reasonable time frame? Maybe we need to change the law to give you more time. But I think we have got to be real about this, and I think if we are, I think we can certainly see some progress made.

I know, Ms. Dillaman, you want to see improvements. Ms. Anderson, you have been working with us a long time and you want to see it. I just want to thank you very much. I didn't bring you here to give you a hard time, but I want to get to some of the real issues here so we can get them taken care of. Thank you very much.

The hearing is adjourned.

[Whereupon, at 11:40 a.m., the Subcommittee was adjourned.]

APPENDIX

PREPARED STATEMENT OF SENATOR LAUTENBERG

Mr. Chairman, thank you for calling this hearing and giving us the opportunity to learn more about the security clearance process. This process is obviously vital to our national security. Before an individual is given access to sensitive information, we must be absolutely certain that they are trustworthy. But it is also in our Nation's interest to see that those with a legitimate need for information have access to the facts that will help them make good decisions.

So our security clearance process must not only be thorough . . . it should also be timely.

Today there is a severe backlog of investigations for security clearances. It is such a problem that back in January, the Government Accountability Office designated the security clearance process as a "high risk" area within the Department of Defense.

I understand that some of this backlog might stem from the transfer of investigative responsibilities from DOD to the Office of Personnel Management. At the current time, DOD has approximately two million active security clearances issued to military personnel, civilian workers and defense contractors. These clearances allow individuals to gain access to classified information that they need to perform their jobs. Last year the GAO estimated that there was a backlog of roughly 270,000 applications for security clearances that needed to be investigated, and 90,000 that needed adjudication.

GAO has pointed out four barriers that slowed DOD's ability to eliminate this backlog, including:

(1) the sheer size of the backlog;
(2) an influx of new requests since September 11, 2001, adding to the existing backlog;
(3) an inadequate number of investigators and adjudicators, and;
(4) a lack of a strategic plan for overcoming problems in gaining access to state, local, and overseas information.

The 9/11 Commission recommended action on this issue, and raised concerns that the backlog could make it difficult to expedite key national security appointments. The Commission recommended that a single Federal agency be responsible for providing and maintaining security clearances. This has not yet happened.

Mr. Chairman, this is more than a matter of convenience.

The fact is, if we can't do a background check in a reasonable amount of time, it raises questions about our ability to do it thoroughly, as well.

I look forward to hearing from our witnesses.

United States Government Accountability Office

GAO

Testimony

Before the Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia, Committee on Homeland Security and Governmental Affairs, U.S. Senate

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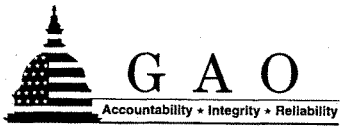
DOD PERSONNEL CLEARANCES

Some Progress Has Been Made but Hurdles Remain to Overcome the Challenges That Led to GAO's High-Risk Designation

Statement of Derek B. Stewart, Director
Defense Capabilities and Management



GAO-05-842T

GAO
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Highlights

Highlights of GAO-05-842T, a testimony before the Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia, Committee on Homeland Security and Governmental Affairs, U.S. Senate

Why GAO Did This Study

Threats to national security—such as the September 11, 2001, terrorist attacks and high-profile espionage cases—underscore the need for timely, high-quality determinations of who is eligible for a personnel security clearance which allows an individual to access classified information.

The Department of Defense (DOD) needs an effective and efficient clearance program because it is responsible for about 2 million active clearances and provides clearances to more than 20 other executive agencies as well as the legislative branch. Despite these imperatives, DOD has for more than a decade experienced delays in completing hundreds of thousands of clearance requests and impediments to accurately estimating and eliminating its clearance backlog. In January 2005, GAO designated DOD's personnel security clearance program as a high-risk area. In February 2005, DOD transferred its personnel security investigative functions and about 1,800 positions to the Office of Personnel Management (OPM), after 2 years of negotiation between the agencies.

This testimony provides an update on the challenges that led to GAO's high-risk designation. It identifies both the positive steps that have been taken to address previously identified challenges and some of the remaining hurdles. GAO will continue to monitor this area.

www.gao.gov/cgi-bin/getrpt?GAO-05-842T.

To view the full product, click on the link above. For more information, contact Derek B. Stewart at (202) 512-5559 or stewartd@gao.gov.

June 28, 2005

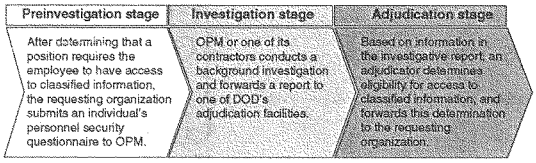
DOD PERSONNEL CLEARANCES

Some Progress Has Been Made but Hurdles Remain to Overcome the Challenges that Led to GAO's High-Risk Designation

What GAO Found

While DOD has taken steps to address the problems that led to designating its clearance program as high risk, continuing challenges are found in each of the three stages of DOD's personnel security clearance process. Figure 1 describes the process.

Figure 1: DOD's Process for Determining Clearance Eligibility



Source: DOD.

Preinvestigation: To address previously identified problems in projecting clearance workload, DOD is identifying the military and civilian positions that require clearances. Identifying clearance requirements for contractor personnel is still in the planning phase. Another problem is the efficient submission of investigation requests. In the 2 years since DOD and OPM announced the transfer of DOD's investigative functions and personnel to OPM, the two agencies did not ensure the seamless submission of DOD requests to OPM. DOD is developing software to remedy this problem.

Investigation: Delays in completing investigations are continuing. For February 2005, OPM—which now supplies an estimated 90 percent of the government's clearance investigations—reported that over 185,000 of its clearance investigations had exceeded timeliness goals. OPM's effort to add investigative staff is a positive step, but adding thousands of staff could result in continued timeliness problems and quality concerns as the staff gain experience. OPM's workload should decrease because of two recent initiatives: (1) eliminating a few of the investigative requirements for some reinvestigations of personnel updating their clearances and (2) requiring the acceptance of clearances and access granted to personnel moving from one agency to another.

Adjudication: In the past, DOD had difficulty monitoring who had been adjudicated for clearances and when the clearances needed to be renewed. While the Joint Personnel Adjudication System has combined databases from DOD's 10 adjudicative facilities to enhance monitoring, wider consolidation of government databases may be required. The Director of OPM will need to integrate all federal agencies into a single governmentwide database in order to meet a requirement established in a recent law. As of September 30, 2003, DOD had a backlog of roughly 90,000 adjudications.

Chairman Voinovich and Members of the Subcommittee:

I am pleased to be here today to discuss the Department of Defense's (DOD) personnel security clearance program. As you know, Mr. Chairman, it is one of the 25 areas GAO has designated as high risk in our recent report, *High-Risk Series: An Update*.[1] GAO's high-risk list focuses on those major programs and operations that need urgent attention and transformation in order to ensure that our national government functions in the most economical, efficient, and effective manner possible. Also, some federal programs and operations are designated high risk because of their greater vulnerabilities to fraud, waste, abuse, and mismanagement.

Threats to our national security—such as the September 11, 2001, terrorist attacks and high-profile espionage cases—underscore the need for timely, high-quality determinations of who is eligible for a personnel security clearance that will allow the individual access to classified information. An increase in the operations and deployments of military personnel since September 11, 2001, and the sensitive technology that military personnel, government civilians, and contractors use are other factors suggesting the need for an effective and efficient clearance program. Because of its size and the many parts of the government affected by DOD's personnel security clearance program, an efficient and effective process is needed. The Office of the Under Secretary of Defense for Intelligence (OUSD(I)) is responsible for the clearances issued to approximately 2 million personnel and for coordinating and implementing DOD-wide policies related to access to classified information. While most of those personnel are servicemembers and DOD's federal employees and contractor personnel, OUSD(I) is also responsible for the clearances of contractors for more than 20 other federal agencies as well as for staff in the legislative branch of the federal government.[2]

Notwithstanding the critical mission of DOD and the size of its program, our prior reviews for more than a decade have documented persistent problems with DOD's personnel security clearance program. (See the

[1] GAO, *High-Risk Series: An Update*, GAO-05-207 (Washington, D.C.: January 2005).

[2] A list of agencies and a discussion of the executive order authorizing DOD to enter into agreements with these agencies can be found in footnote 9 in GAO, *DOD Personnel Clearances: Additional Steps Can Be Taken to Reduce Backlogs and Delays in Determining Security Clearance Eligibility for Industry Personnel*, GAO-04-632 (Washington, D.C.: May 26, 2004).

reports listed at the end of this statement.) Since fiscal year 2000, DOD has declared its personnel security clearance investigations program to be a systemic weakness—a management control problem that affects more than one DOD component and may jeopardize the department's operations—under the Federal Managers' Financial Integrity Act of 1982. In addition, an October 2002 House Committee on Government Reform report recommended to the Secretary of Defense to include DOD's clearance adjudication process (use of background investigative information to determine eligibility for a clearance) as a material weakness.[3] After noting in our May 2004 report[4] that DOD had dealt with the impediments to timely clearances in a piecemeal fashion, we recommended that DOD develop and implement an integrated, comprehensive management plan to eliminate the backlog, reduce the delays in conducting investigations and determining eligibility for security clearances, and overcome the impediments that could allow such problems to recur. Although DOD partially concurred with our recommendation, the department had not implemented such a plan as of May 2005.

The longstanding delays in completing hundreds of thousands of clearance requests and the impediments that hinder DOD's ability to accurately estimate and eliminate its clearance backlog led us to declare the program a high-risk area in January 2005.[5] Specifically, we found delays and impediments in all three stages of DOD's personnel security clearance process shown in Figure 1. Shortly after we placed DOD's clearance program on our high-risk list, a major change in the program occurred. In February 2005, DOD transferred its personnel security investigative functions and about 1,800 investigative positions to the Office of Personnel Management (OPM). Now, DOD obtains nearly all of its clearance investigations from OPM.[6] The Deputy Associate Director of OPM's Center for Investigations Services estimated that OPM is responsible for about 90

[3] Committee on Government Reform, U.S. House of Representatives, *Defense Security Service: The Personnel Security Investigations (PSI) Backlog Poses a Threat to National Security*, H.R. Rep. No. 107-767, at 2 (2002).

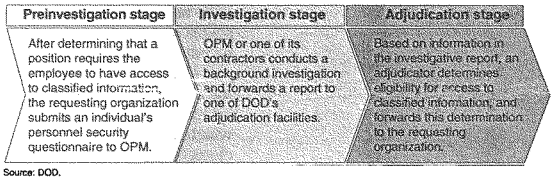
[4] GAO-04-632.

[5] GAO-05-207.

[6] Currently the National Security Agency, Defense Intelligence Agency, and National Reconnaissance Office each have a 1-year waiver that allows them to contract for their own personnel security clearance investigations. OUSD(I) officials said they do not anticipate that the waivers will be granted after the current waivers expire.

percent of the more than 650,000 investigations for security clearances conducted in fiscal year 2004, in addition to nearly 842,000 public trust, regulatory, and non-sensitive background investigations.[7]

Figure 1: DOD's Process for Determining Clearance Eligibility



Source: DOD.

Today, I would like to provide the Subcommittee with an update on the challenges that led to our designation of DOD's personnel security clearance program as a high-risk area. I will discuss both the positive steps that have been taken to address previously identified concerns and some of the remaining hurdles. My comments will be organized around the three stages (preinvestigation, investigation, and adjudication) in DOD's personnel security clearance process.

My comments are based primarily on our completed work and our institutional knowledge from our prior reviews of the clearance process at DOD and other agencies. In addition, we used information from the Intelligence Reform and Terrorism Prevention Act of 2004[8] and perspectives and statistical data that DOD and OPM officials supplied

[7] The Deputy Associate Director of OPM's Center for Investigations Services noted that the following departments/agencies have statutory or delegated authority to conduct background investigations: Central Intelligence Agency; Department of State; Department of the Treasury; Internal Revenue Service; Bureau of Engraving and Printing; Federal Bureau of Investigation; National Security Agency; U.S. Agency for International Development; Department of Homeland Security; Bureau of Customs and Border Protection; U.S. Secret Service; Small Business Administration; Broadcasting Board of Governors; Department of Justice—Bureau of Alcohol, Tobacco, Firearms, and Explosives; U.S. Postal Service; Tennessee Valley Authority; National Reconnaissance Office; and Peace Corps. Even though these agencies have authority to conduct their own investigations, some of them request OPM to conduct all or part of their investigations.

[8] Pub. L. No. 108-458 (Dec. 17, 2004).

during interviews and in written documents gathered as part of our routine monitoring of steps that had been taken to improve DOD's personnel security clearance program. We conducted our work in accordance with generally accepted government auditing standards between February and June 2005.

Summary

DOD has taken steps to address challenges found in each of the three stages of its personnel security clearance process, but this progress cannot be fully evaluated at this time because many of the steps have not been completed. In the preinvestigation stage, previous uncertainty in projecting the number and types of clearances made it difficult for DOD to determine budgets and staffing needs. The military services have begun identifying which military and civilian positions require clearances and the level of the clearance needed; however, the clearance requirements process for contractor personnel is still in the planning phase. Also, DOD has not been able to make full use of OPM's electronic system for submitting requests for clearance investigations. Despite having 2 years between the time when OPM and DOD announced an agreement to transfer DOD's investigative functions and personnel to OPM and when this transfer actually occurred, DOD and OPM did not ensure that software was available for the seamless submission of requests from DOD's system to OPM's. Converting a DOD request for investigation into a format that is acceptable to OPM's system and obtaining missing or corrected data to open the investigation delays completion of the clearance process. Until these two issues are fully addressed, DOD will continue to encounter problems determining budgets and staff and minimizing the delays in completing the clearance process.

For the investigation stage, OPM reported that more than 185,000 of its clearance investigations had exceeded timeliness goals during February 2005. In December 2003, DOD and OPM did not have sufficient numbers of investigative personnel. Combined, they had about 4,200 full-time-equivalent investigative staff, but an OPM official at that time estimated that DOD and OPM would need about 8,000 full-time-equivalent investigative staff to eliminate backlogs and deliver investigations on time. Since then, OPM has added investigative staff, but adding thousands of staff could result in continued timeliness problems and quality concerns as the staff gain experience. However, the governmentwide investigative workload should decrease because of two recent developments: (1) the elimination of formerly required interviews and other data gathering during some reinvestigations for renewal of top secret clearances and (2) the

requirement for government agencies to accept clearances and access granted to personnel by other agencies.

For the third step in the clearance process, the adjudication stage, our reviews documented problems in monitoring overdue reinvestigations and generating accurate estimates of the backlog that were both partially due to DOD maintaining separate databases for each of its 10 adjudication facilities. DOD has largely implemented its Joint Personnel Adjudication System to consolidate the databases and thereby has addressed some of our adjudication-related concerns. While this is a positive step, the Director of OPM must now establish and maintain a single governmentwide database as required by the Intelligence Reform and Terrorism Prevention Act of 2004. As of September 30, 2003, DOD had a backlog of roughly 90,000 completed investigations that had not been adjudicated within prescribed time limits. In addition, even though we made four recommendations for improving DOD's adjudicative process in April 2001 and DOD concurred with those recommendations, none has been fully implemented at this time.

Background

Since 1997, all federal agencies have been subject to a common set of personnel security investigative standards and adjudicative guidelines for determining whether servicemembers, government employees, industry personnel, and others are eligible to receive a security clearance.[9] Clearances allow personnel to access classified information categorized into three levels: top secret, secret, and confidential.[10] The expected damage to national defense and foreign relations that unauthorized disclosure could reasonably be expected to cause is "exceptionally grave damage" for top secret information, "serious damage" for secret information, and "damage" for confidential information. Individuals who need access to classified information for extended periods of time are required to periodically renew their clearance (a reinvestigation). The time

[9] The White House, "Implementation of Executive Order 12968," Memorandum (Washington, D.C.: Mar. 24, 1997). This memorandum approves the adjudication guidelines, temporary eligibility standards, and investigative standards required by Executive Order 12968, *Access to Classified Information* (Aug. 2, 1995).

[10] Classified Designations, 5 C.F.R. § 1312.4 (2005).

frames for reinvestigations are 5 years for top secret clearances, 10 years for secret clearances, and 15 years for confidential clearances.[11]

In addition to requiring different time frames for renewal, the different levels of clearances require that different types of background information be gathered and used in making the adjudicative decision about whether an individual is or is not eligible for a clearance (see table 1). Much of the information for a secret or confidential clearance is gathered through electronic files. The investigation for a top secret clearance requires the information needed for the secret or confidential clearance as well as additional data which are gathered through time-consuming tasks, such as interviews with the subject of the investigation request, references in the workplace, and neighbors. OPM officials estimated that the time required to gather information to complete initial investigations for top secret clearances is twice that needed for reinvestigations for top secret clearances and 10 times as much as that needed for initial investigations or reinvestigations for secret or confidential clearances. DOD estimated that adjudicators' reviews of the longer investigative reports for top secret clearances also take three times as long as the reviews of investigative reports for determining eligibility for secret or confidential clearances. Moreover, if the clearance required for a position is upgraded from secret to top secret, the investigation and adjudication would need to be performed twice as often (every 5 years instead of every 10 years).

[11] *Adjudicative Guidelines for Determining Eligibility for Access to Classified Information*, 32 C.F.R. Part 147, Subpart B, Attach. A and Attach. C (2004).

Table 1: Information Gathered to Determine Eligibility for a Security Clearance

	Type of security clearance and investigation		
	Confidential or secret	Top secret	
Type of information gathered	Initial investigation or reinvestigation	Initial investigation	Reinvestigation
1. Personnel security questionnaire: The subject's self-reported answers on a paper SF-86 form or an electronic form	X	X	X
2. National agency check: Data from the Federal Bureau of Investigation, military records centers, Department of the Treasury, etc.	X	X	X
3. Credit check: Data from credit bureaus where the subject lived/worked/attended school for at least 6 months	X	X	X
4. Local agency checks: Data from law enforcement agencies where the subject lived/worked/attended school during past 5 years	X	X	X
5. Date and place of birth: Corroboration of information supplied on the personnel security questionnaire	X	X	
6. Citizenship: For individuals born outside of the United States, verification of U.S. citizenship directly from the appropriate registration authority		X	
7. Education: Corroboration of most recent or significant claimed attendance, degree, or diploma		X	X
8. Employment: Review of employment records and interviews with workplace references, such as supervisors and coworkers		X	X
9. References: Data from interviews with subject-identified and investigator-developed leads		X	X
10. National agency check for spouse or cohabitant: National agency check without fingerprint		X	X
11. Former spouse: Data from interview(s) conducted with spouse(s) divorced within the last 10 years		X	X
12. Neighborhoods: Interviews with neighbors and verification of residence through records check		X	X
13. Public records: Verification of issues, such as bankruptcy, divorce, and criminal and civil court cases		X	X
14. Subject interview: Collection of relevant data, resolution of significant inconsistencies, or both		X	X

Source: DOD.

Progress and Continuing Challenges Found at Each Stage of DOD's Personnel Security Clearance Process

We found that DOD has taken steps to address challenges found at all three stages of its personnel security clearance process, but many of the steps have not yet resulted in implementations that fully address the challenges. In the preinvestigation stage, DOD has begun decreasing the uncertainty in its projections of how many and what levels of clearances are required by identifying the clearances needed for military and civilian positions and developing software that will result in electronic submissions of clearance investigation requests to OPM. Regarding the second stage of the clearance process, OPM has been hiring investigative staff to address past personnel shortages and the resulting delays from having too few staff for the investigative workload. Adding thousands of staff could, however, result in continued timeliness problems as well as quality concerns until the staff gain experience. Regarding the adjudication stage, DOD's Joint Personnel Adjudication System consolidated the databases for 10 DOD adjudication facilities to enhance monitoring of adjudicative decisions and time frames for renewing clearances, but a new law requires a governmentwide clearance database.

Preinvestigation Steps Being Taken to Help DOD Identify Requirements for Clearances and Address Submission of Requests for Clearance Investigations

At this time, DOD is uncertain about the number and level of clearances that it requires and has experienced problems submitting investigation requests, but the department has begun addressing these problems. DOD's inability to accurately project such clearance requirements makes it difficult to determine budgets and staffing needs. DOD is addressing this problem by identifying the clearance needs for military and civilian positions, but no military service had completed this task as of May 2005. Similarly, in response to our May 2004 recommendation to improve the projection of clearance requirements for industry personnel, DOD indicated that it is developing a plan and computer software to have the government's contracting officers authorize the number of industry personnel investigations required to perform the classified work on a given contract and link the clearance investigations to the contract number.

Despite having 2 years between the time when OPM and DOD announced an agreement for the transfer of DOD's investigative functions and personnel to OPM and when the transfer actually occurred, DOD cannot make full use of OPM's Electronic Questionnaires for Investigations Processing (eQIP), the system used to submit materials required to start a background investigation. To overcome this challenge to the prompt and efficient submission of investigation requests, DOD is developing software that will convert the department's submissions into the eQIP format. Also,

OPM told us that about 11 percent of the February 2005 clearance investigation requests submitted outside of eQIP were returned to the requesting offices when missing or discrepant information could not be obtained telephonically. Converting a DOD request for investigation into a format that is compatible with OPM's eQIP and obtaining missing or corrected data to open an investigation delays the completion of the clearance process. OPM does not monitor how many days elapse between initial submissions and resubmissions of corrected material and, therefore, does not include that time in its calculations of the average time required to complete an investigation. Until DOD implements the software currently being developed and fully determines its clearance requirements, the department will continue to encounter problems determining budgets and staff and minimizing the delays in completing the clearance process.

Delays Exist in Completing Investigations, but Recent Steps May Decrease the Delays

DOD and the rest of the government serviced by OPM are not receiving completed investigations promptly, but recent initiatives may decrease these delays. For February 2005, OPM told us that it had more than 185,000 investigations governmentwide that had taken longer than its goals for closing cases: 120 days for initial investigations and 180 days for reinvestigations. The current goals for completing a case allow more time than did the DOD goals reported in our earlier work and, therefore, comparison of the investigation backlog size that OPM reported in February 2005 to the backlog size cited in our prior reviews would not provide any meaningful information.[12] The Intelligence Reform and Terrorism Prevention Act of 2004 requires that not later than December 17, 2006, and ending December 17, 2009, each authorized adjudicative agency shall make a determination on at least 80 percent of all applicants for personnel security clearances within an average of 120 days—90 days to complete the investigation and 30 days to complete the adjudication—of

[12] For example, DOD's performance goals were to have 75 percent of its in-house investigations completed in the following time frames: 120 days for a periodic reinvestigation for a top secret clearance, 90 days for an initial top secret clearance, and 75 days for either a secret or confidential clearance being issued initially. Therefore, if these DOD goals were applied to the current OPM inventory of investigations, the size of the backlog would be higher.

receiving the security clearance application.[13] Also, not later than February 15, 2006, and annually thereafter through 2011, a report on the progress made during the preceding year toward meeting these goals is to be supplied to appropriate congressional committees.[14] Table 2 shows that, across the government, standard service for both initial investigations and reinvestigations for top secret clearances resulted in more than 1 year elapsing, on average, between submitting the investigation requests and closing the investigations. OPM does, however, permit agencies to request priority (expedited) processing on a limited number of investigations, and those investigations took less time to close. Table 2 also shows a difference in the time required to close initial investigations and reinvestigations for top secret clearances.

Table 2: February 2005 Governmentwide Findings on the Types of Investigations for Different Clearances, Average Number of Days Used to Close an Investigation, and the Number of Investigations Exceeding Goals for Closing

Type of investigation	Type of processing	Average number of days to close	Number exceeding the goals for closi-
Initial investigations and reinvestigations for secret/confidential clearances	Priority	87	5[illegible]
	Standard	160	99,543
Initial investigations for top secret clearances	Priority	115	1,938
	Standard	370	47,444
Reinvestigations for top secret clearances	Standard	498	36,320
Total			**185,800**

Source: OPM.

In February and May 2004, we reported that different risks are associated with delays in completing initial investigations and reinvestigations.[15] Delays in completing initial personnel security clearances can have negative impacts on the costs of performing classified work within or for

[13] Pub. L. No. 108-458, § 3001(g) (Dec. 17, 2004). The act also notes that the time frame for completing clearances will reduce further once 5 years have elapsed from the enactment. At that time, the act notes that to the extent practical, each authorized adjudicative agency shall make a determination on at least 90 percent of all applications for a personnel security clearance within an average of 60 days—40 days to complete the investigation and 20 days to complete the adjudication.

[14] Pub. L. No. 108-458, § 3001(h) (Dec. 17, 2004).

[15] GAO-04-344 and GAO-04-632.

the U.S. government. For example, delays in clearing industry personnel can affect the cost, timeliness, and quality of contractor performance on defense contracts. Conversely, delays in completing reinvestigations may lead to a heightened risk of national security breaches because the longer individuals hold clearances, the more likely they are to be working with critical information systems.

Our prior review noted that delays in completing personnel security clearance investigations for DOD and other agencies have resulted, in part, from a shortage of investigative staff. In February 2004, we noted that the Deputy Associate Director of OPM's Center for Investigations Services estimated that OPM and DOD would need a total of roughly 8,000 full-time-equivalent investigative personnel[16] to eliminate backlogs and deliver investigations in a timely fashion to their customers.[17] To reach its goal of 8,000, OPM must add and retain approximately 3,800 full-time equivalent investigative staff, and retain all of the estimated 4,200 full-time-equivalent staff that OPM and DOD had combined in December 2003. In our February 2004 report, we noted that OPM's primary contractor was adding about 100 and losing about 70 investigators per month. If the high rate of turnover has continued, the ability to grow investigative capacity could be difficult. In addition, OPM could be left with a large number of investigative staff with limited experience.

OPM's Deputy Associate Director noted that the inexperience among investigative staff results in investigations not being completed as quickly as they might have been if the investigators were more experienced. The OPM official also noted that the quality of the investigations is not where she would like to see it. As we noted in our September 2004 testimony before this subcommittee,[18] OPM had continued to use its investigations contractor to conduct personnel security clearance investigations on its own employees even though we raised an internal control concern about

[16] In our February 2004 report, we noted that OPM's estimate includes workers who may be (1) investigators or investigative technicians, (2) federal or contracted staff, and (3) full- or part-time employees.

[17] GAO, *DOD Personnel Clearances: DOD Needs to Overcome Impediments to Eliminating Backlog and Determining Its Size*, GAO-04-344 (Washington, D.C.: Feb. 9, 2004).

[18] GAO, *Intelligence Reform: Human Capital Considerations Critical to 9/11 Commission's Proposed Reforms*, GAO-04-1084T (Washington, D.C.: Sept. 14, 2004).

this practice during our 1996 review.[19] OPM officials indicated that they plan to use the government employees that were transferred from DOD to address this concern.

In addition to adding staff, two other initiatives should decrease delays in completing clearance investigations. A new DOD initiative—the phased periodic reinvestigation (phased PR)—that we discussed in our May 2004 report can make more staff available and thereby decrease the workload associated with some reinvestigations for top secret clearances.[20] The phased approach to periodic reinvestigations involves conducting a reinvestigation in two phases; a more extensive reinvestigation would be conducted only if potential security issues were identified in the initial phase. Specifically, investigative staff would verify residency records and conduct interviews of listed references, references developed during the investigation, and individuals residing in the neighborhood only if potential security issues were identified in other parts of the standard reinvestigation process. The Defense Personnel Security Research Center showed that at least 20 percent of the normal investigative effort could be saved with almost no loss in identifying critical issues needed for adjudication. In December 2004, the President approved the use of the phased PR for personnel needing to renew their top secret clearances.

Another source of investigative, as well as adjudicative, workload reduction may result from the recent reciprocity requirements contained in the Intelligence Reform and Terrorism Prevention Act of 2004.[21] Our May 2004 report noted that the lack of reciprocity (the acceptance of clearance and access granted by another department, agency, or military service) was cited as an obstacle that can cause contractor delays in filling positions and starting work on government contracts. Under the new law, all security clearance background investigations and determinations completed by an authorized investigative agency or authorized adjudicative agency shall be accepted by all agencies.

[19] GAO, *Privatization of OPM's Investigations Service*, GAO/GGD-96-97R (Washington, D.C.: Aug. 22, 1996).

[20] GAO-04-632.

[21] Pub. L. No. 108-458, § 3001(d) (Dec. 17, 2004).

Joint Personnel Adjudication System Consolidates DOD Adjudicative Data, but a New Law Requires Wider Consolidation

DOD's Joint Personnel Adjudication System (JPAS) consolidated 10 DOD adjudication databases to provide OUSD(I) with better monitoring of adjudication-related problems, but a new law requires wider consolidation. Past delays in implementing DOD's JPAS greatly inhibited OUSD(I)'s ability to monitor overdue reinvestigations and generate accurate estimates for that portion of the backlog. In addition to correcting these problems, implementation of much of JPAS has eliminated the need for DOD's 10 adjudication facilities to maintain their own databases of adjudicative information. This consolidation may also assist with a requirement in the Intelligence Reform and Terrorism Prevention Act of 2004.[22] Among other things, the law requires that not later than December 17, 2005, the Director of OPM shall, in cooperation with the heads of the certain other government entities, establish and commence operating and maintaining a single, integrated, secure database into which appropriate data relevant to the granting, denial, and revocation of a security clearance or access pertaining to military, civilian, or government contractor personnel shall be entered from all authorized investigative and adjudicative agencies. OPM officials stated that JPAS and OPM's Clearance Verification System account for over 90 percent of the government's active security clearances and that the remaining clearances are primarily housed in classified record systems (e.g., the Central Intelligence Agency's Scattered Castles) devoted to the intelligence community.

Additionally, DOD may move closer toward the 9/11 Commission's recommendation of having a single government agency responsible for providing and maintaining clearances by co-locating its 10 adjudication facilities on a single military installation. The recent base realignment and closure list includes a recommendation to co-locate all of DOD's adjudication facilities. While co-location—if it occurs—would not be the same as consolidation, it might provide opportunities for greater communication within DOD. However, the proposed co-location at Fort Meade, Maryland, could also result in the loss of trained staff who might choose not to relocate, such as some of the roughly 400 employees in the Defense Industrial Security Clearance Office and the Defense Office of Hearings and Appeals Personal Security Division in Columbus, Ohio.

[22] Pub. L. No. 108-458, § 3001(e) (Dec. 17, 2004).

In our February 2004 report,[23] we noted that DOD had (1) as of September 30, 2003, a backlog of roughly 90,000 completed investigations that had not been adjudicated within prescribed time limits, (2) no DOD-wide standard for determining how quickly adjudications should be completed, and (3) inadequate adjudicator staffing. Also at the time of our report, the DOD Office of Inspector General was examining whether the Navy adjudicative contracts led to contractors' staff performing an inherently governmental function—adjudication. Because of that examination, it was unclear whether the Army and Air Force adjudication facilities would be able to use similar contracting to eliminate their backlogs.

Although DOD concurred with our April 2001[24] recommendations for improving its adjudicative process, it has not fully implemented any of the recommendations as of May 2005. OUSD(I) reported the following progress for those four recommendations. (Our recommendations appear in italics, followed by a summary of DOD's response and/or actions.)

- *Establish detailed documentation requirements to support adjudication decisions.* Use of JPAS will require greater documentation on adverse information and possible factors to mitigate that information, but this feature of JPAS has not been fully implemented.

- *Require that all DOD adjudicators use common explanatory guidance.* DOD has developed this guidance and is awaiting review by the Personnel Security Working Group of Policy Coordinating Committee for Records Access and Information Security Policy, an interagency group.

- *Establish common adjudicator training requirements and develop appropriate continuing education opportunities for all DOD adjudicators.* A work plan has been developed to establish an adjudicator certification process, to be implemented in late 2005 or early 2006. The plan will include continuing education requirements.

- *Establish a common quality assurance program to be implemented by officials in all DOD adjudication facilities and monitor compliance*

[23] GAO-04-344.

[24] GAO, *DOD Personnel: More Consistency Needed in Determining Eligibility for Top Secret Security Clearances*, GAO-01-465 (Washington, D.C.: Apr. 18, 2001).

through annual reporting. OUSD(I) indicates DOD is developing criteria and a form to assess the quality of the investigations that DOD is receiving. Also, in the future, cases are to be randomly selected from JPAS and reviewed by a team of adjudicators from the various adjudication facilities.

Mr. Chairman and Members of the Subcommittee, this concludes my prepared statement. I would be happy to answer any questions you may have at this time. In summary, Mr. Chairman, we will continue to monitor this area as we do for all of the high-risk programs on our list. Much remains to be done to bring lasting solutions to this high-risk area. As we stated in our report, *High-Risk Series: An Update*, perseverance by the administration in implementing GAO's recommended solutions and continued oversight and action by the Congress are both essential.

Appendix I

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Acknowledgments

Individuals making key contributions to this statement include Alissa H. Czyz, Jack E. Edwards, Julia C. Matta, and Mark A. Pross.

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Statement of

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Before the

Subcommittee on Oversight of Government Management,
the Federal Workforce, and the District of Columbia
Committee on Homeland Security and Governmental Affairs
United States Senate

On

Access Delayed: Fixing
the Security Clearance Process

June 28, 2005

Mr. Chairman, Senator Akaka, and Members of the Subcommittee, it is my privilege to testify today on behalf of the Office of Personnel Management (OPM) concerning this critical issue and to provide you an update on OPM's efforts to expedite and consolidate elements of the personnel security investigations program that support issuing security clearances.

There are four steps in the overall process of issuing a security clearance. First, agencies determine what level of security clearance (Top Secret, Secret, or Confidential) or special access level is needed for their applicants, employees or contractors. Agencies must then confirm if the individual currently has an active clearance or if a new background investigation is

required. To support this process, in 2003, OPM implemented the Clearance Verification System (CVS), an e-Clearance initiative that provides agencies online access to current clearance and historic investigative information. The CVS system, linked to the Department of Defense (DOD) Joint Personnel Adjudication System (JPAS), contains the records of over 90 percent of all active security clearances.

Under the terms of the Intelligence Reform and Terrorism Prevention Act of 2004, OPM is required to establish, operate and maintain an integrated, secure, consolidated database of security clearances with information on granting, denial, or revocation of clearance actions pertaining to military, civilian or Government contractor personnel. OPM's CVS system was built on a flexible platform with ample capacity to expand the content of these records and provide access for authorized users. We are meeting with the clearance granting agencies now to determine what additional data elements are needed as well as the most effective methods for recording these actions and keeping the data accurate and up to date while ensuring the privacy and security of clearance data maintained in agency information technology systems.

When a background investigation is required to support an agency's decision to grant or deny a security clearance, both the subject and the agency must provide the necessary data and forms needed to initiate the investigation. In 2004, OPM implemented "eQIP", a web-based data collection system that streamlines the process of obtaining the subject's background information. Today, 27 agencies use this online system and over 17,000 investigations have been requested electronically. Over the next few months, the number

of investigations submitted through eQIP will grow substantially as DOD implements its use for all military, civilian, and contractor personnel. eQIP was designed with ample capacity to process our total projected workloads and is easily expandable if workloads increase.

The second step of the clearance process is completing the required background investigation. As the designated Investigations service provider for over 100 Federal agencies, this Fiscal Year, OPM expects to receive over 550,000 new requests for initial or periodic reinvestigations to support security clearance determinations. Of this total, approximately 80,000 will be investigations for initial TOP SECRET clearances. In addition, OPM will conduct almost 900,000 background investigations of various levels to determine the trustworthiness or suitability of individuals in Public Trust or nonsensitive positions, or in other positions that are regulated by the Government. In Fiscal Year 2006, OPM is also planning for a significant volume of new investigation requests as a result of Homeland Security Presidential Directive 12, the Personal Identity Verification Project.

OPM is working to ensure that adequate resources are available to deal with current and projected high volume workloads. Since 1999, the overall demand for background investigations has risen sharply, reaching unprecedented levels in the aftermath of September 11th. Both OPM and DOD were faced with the challenge of substantially increasing the number of resources available to meet this unpredicted need. In 2001, it was determined that the community would be best served by consolidating the OPM and DOD investigative programs under central management within OPM. I am pleased to report that both the DOD investigative workloads and

the personnel security investigations staff of the Defense Security Service were successfully merged with OPM's Center for Federal Investigative Services on February 20, 2005. At that time, 1,578 staff transferred from DOD to OPM, and over 146,000 pending investigations, along with all new workloads, transferred to OPM for completion.

Parallel with this effort, OPM has been working aggressively to expand our contractor base to increase the total number of resources available to conduct investigations. We estimate that a total of 8,000 employees and contractors combined, working at a full performance level, are needed to handle projected workloads. In 2004, OPM awarded contracts to five additional companies, and today, the six companies under contract have almost 6,000 resources that supplement OPM's 2,000 Federal staff dedicated to the investigations program. We are now working to develop the proficiency of the contractors' newer hires, along with the transferred DSS staff. Over the next six months, we will see significant performance improvement as our staff becomes fully productive and the number of contractor resources continues to grow.

OPM is also focusing attention on delays we have experienced obtaining required third-party record information from national, State, and local agencies' record systems. Many of these agencies were unprepared for the increased demand for their records and, as a result, substantial backlogs occurred. OPM is working closely with these agencies to identify problem areas and provide support to automate or streamline processing when possible.

OPM is also continuing to explore the use of information technology solutions in other areas to improve the overall content or timely processing of investigations, and strengthen the protection of the sensitive information maintained in OPM's records systems.

The third step of the clearance process is the adjudication of the completed investigation by the clearance-granting agency. OPM is currently converting maintenance of completed investigations from microfilm to an imaged file format which will allow for electronic transmission to the appropriate adjudicating office. OPM is also working with the Department of Defense to implement an electronic exchange of completed investigations in a format that will allow for streamlined adjudication by the DOD central adjudication facilities.

When the adjudication action is complete, the final step of processing is recording the action taken and the level of clearance granted in either OPM's or DOD's master file system. This process enables authorized users to confirm the current clearance status of an individual and provides OPM a mechanism to monitor the timeliness of the adjudication process by agency.

Through these efforts, we are beginning to see substantial progress toward restoring acceptable processing timeliness. By October 1, 2005, our approved goal is to average 35 calendar days or less for any initial investigation targeted for "Priority" processing. This goal is achievable as long as current submission levels remain the same as they have been this year, with no more than 10 percent of the total requests received identified for priority processing. For all other initial investigation requests, it is also

our approved goal to process 80 percent of all requests received after October 1, 2005, within 120 calendar days of receipt. We are confident that we will be able to meet these goals, barring any substantial, unexpected changes in our workloads. During FY 2006, we will continue to improve timeliness to meet the requirements specified in the Intelligence Reform and Terrorism Prevention Act.

Mr. Chairman, that concludes my remarks. I would be happy to answer any questions the Subcommittee may have.

Statement of

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and

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Before the

Subcommittee on Oversight of Government Management, the Federal Workforce and the District of Columbia

Senate Committee on Homeland Security and Governmental Affairs

United States Senate

On

Modernizing the Security Clearance Process

June 28, 2005

Chairman Voinovich, Senator Akaka and members of the Subcommittee, I am Heather Anderson, Director of Strategic Integration, Office of the Deputy Under Secretary of Defense, Counterintelligence and Security, and the Acting Director of the Defense Security Service (DSS), Department of Defense (DoD). I am pleased to appear before you today to present testimony concerning modernizing the security clearance process and the transfer of the personnel security investigations function and personnel to the Office of Personnel Management (OPM).

DoD requests personnel security investigations (PSIs) to ensure that only trustworthy and reliable individuals are granted access to classified information or placed in sensitive positions within DoD. The investigative process includes an

initial investigation that provides assurance a person has not demonstrated prior behavior that could be of security concern. A reinvestigation is conducted at specified time intervals to determine if an individual's clearance should be continued. Investigative standards for initial and periodic reinvestigations are prescribed by Executive Order 12968 (August 4, 1995).

There are approximately 3.2 million cleared individuals within the Federal government of which almost 2.5 million are cleared DoD civilians, military or industry personnel. Approximately 80% of the total cleared population is affiliated with DoD. Of that number, approximately 546,000 individuals possess a Top Secret clearance with Sensitive Compartmented Information (TS/SCI) access. The number of cleared industry personnel totals approximately 650,000 and includes individuals who are processed for clearances by DoD under the auspices of the National Industrial Security Program (NISP) on behalf of DoD and 22 other Federal agencies.

DoD has been partnering with the Office of Personnel Management (OPM) for the past 5 years, seeking their assistance in the conduct of DoD PSIs, collaborating on initiatives to improve the PSI process and, more recently, planning for the transfer of the PSI function and personnel to OPM. On February 20, 2005, DoD completed the transfer of the PSI function and Defense Security Service (DSS) PSI personnel to OPM, an initiative that began approximately 2 1/2 years ago and which has consolidated management and personnel security investigative resources within a single agency of the Federal government. This consolidation will provide for the more efficient and effective use of trained, experienced and available manpower resources to conduct investigations, facilitate and expedite the standardization of PSI policies and procedures, leverage other available private sector resources to

promote overall investigative capacity, and further the reciprocity of investigations on a government-wide basis.

In anticipation of this functional transfer, DSS, the DoD component previously responsible for conducting PSIs, succeeded in closing more than 95% of investigative work received via the Case Control Management System (CCMS), the DSS management database in use prior to and during Fiscal Year (FY) 2004. (Beginning Fiscal Year 2004, all incoming DoD requests for investigations were processed by OPM, using their database system known as the Personnel Investigations Processing System (PIPS). Our success in completing these investigations was accomplished, in part, by redesigning the DSS PSI organization to reduce infrastructure costs and realigning resources to achieve improved productivity, by redeploying management resources to conduct investigations, and by deploying special investigative teams to augment PSI offices with insufficient resources and conduct overseas investigative leads previously accomplished by military personnel or other government agencies.

As we planned and worked towards the transfer of the PSI function to OPM, DoD championed several initiatives that would improve the end-to-end PSI process. Our strategy is to transform the PSI process into one that is proactive, risk-managed and focuses resources on critical investigations. Most notably, DoD pioneered a two-phased approach to the Single Scope Background Investigation - Periodic Reinvestigation (SSBI-PR) in advance of the transfer. The SSBI-PR makes best use of scarce investigative resources by expending resources to run neighborhood and reference checks only if the first phase of the investigation (including the subject interview) indicates issues of security concern. Our implementation reinforced our research results that showed no degradation of

information, and we are most pleased that on December 11, 2004, the President approved the Phased PR as the investigative standard for the Federal government.

The Automated Continuous Evaluation System (ACES), an automated assessment tool, is another breakthrough still under research, design and testing within DoD that will identify information of potential security concern about cleared personnel on a continuous basis. It will initially augment, and potentially supplant, the specified periodic reinvestigations (PR) that are now required (5 years for Top Secret, 10 years for Secret, and 15 years for Confidential). With the consent of the cleared individual, specified government and commercial databases that are part of ACES will be searched to identify information that is relevant to the ongoing evaluation of individuals to determine their continued suitability for access to classified information or retention in sensitive positions. The beta testing has concluded and has resulted in the identification of issues of security concern that would have gone undetected, most likely until the individual's next scheduled PR. The lessons learned from the beta test are being incorporated into an initial operating capability of ACES to be in place later this year.

DoD has been an active participant in the e-Government/e-Clearance initiative. DoD has begun the transition from the DoD electronic PSI request form (EPSQ) to *e-QIP*, an on-line, web-based investigative request form, originally developed by the Department of Energy (DOE) and adopted by OPM. Data submitted through e-QIP will be stored and made available for continuous revision and updating by individuals who have already submitted their initial applications and will provide another opportunity for identifying potential security issues. Additionally, DoD will establish various locations throughout the U.S. that will allow requesters to electronically submit fingerprint cards and release forms that are required as part of

the e-QIP request package. Through an interface to the DoD Joint Personnel Adjudication System (JPAS), verification and validation of the request will be accomplished electronically at the beginning of the process.

Electronic adjudication is yet another process improvement that will soon be implemented to expedite the final step in the PSI process - adjudication. The Electronic Report for Adjudication *(e-RFA)* provides for the electronic submission of the Report for Adjudication, from OPM to the adjudicative facility. Based on established business rules, the e-RFA facilitates on-line review and completion of the adjudication without "touch labor."

The Joint Personnel Adjudication System (JPAS) is now in use within DoD and is the official system of record for personnel security information, including clearance eligibility and access and adjudicative decisions. JPAS, which provides an automated view of an individual's clearance eligibility and access, allows DoD security managers, including industry Facility Security Officers, to immediately grant access at the verified clearance level, perform certain clearance actions such as transfers, reinstatements, and conversions of clearances or terminate the access of their employees. JPAS enables the highest standards of reciprocity by providing immediate information on which to base a clearance decision and eliminates "downtime," thus eliminating the costs associated with unnecessary waiting for clearance verification or eligibility. Additionally, as part of the e-government initiative, in December 2002, a bridge was established between JPAS and OPM's Security/Suitability Investigations Index (SII) to exchange information. The bridge enables JPAS users to see into the SII and SII users to see into JPAS, thus setting a standard for seamless information sharing. We expect the bridge will no

longer be needed when the government-wide database on security clearances is implemented by OPM later this year.

During the past year, additional improvements were implemented in preparation for the smooth transition of the PSI function to OPM. One of the most notable accomplishments was the training received by DSS PSI employees that allowed them to transition to the OPM investigative case management system known as PIPS. DoD not only obtained the immediate benefit of PIPS operating efficiencies, but DSS investigators gained improved and immediate access and insight into their assigned cases.

As you are aware, the timeliness of investigations has been the measure most sensitive to any disturbance in the process. It is the one that receives the most attention because it has been disruptive to continuity of operations within the military and defense industry and has resulted in increased costs and personal hardships. DoD and OPM have agreed upon aggressive goals for significantly improving the timeliness of investigations. These improvements will result, in part, from the additional investigative capacity that will be provided by the five new investigative providers under contract with OPM.

DoD has established initial timeliness goals with improvements to be implemented incrementally over the next several years. Our goal is to complete 90% of adjudications within 30 days; however, that does not include the time required for the hearings and appeal process.

OPM indicates that for investigations submitted next fiscal year 90% of each case (investigation) type will be completed within the following timelines:

- 90-120 days for initial investigations and for reinvestigations for Secret and Confidential information (NACLC)
- 90-120 days for initial Top Secret (SSBI)
- 120 days for Top Secret periodic reinvestigation (TSPR)
- No case over a year old

DoD will continue to work with OPM to identify additional process improvements to ensure that these initial timeliness goals are adjusted to meet the requirements for completing investigations as mandated by the Intelligence Reform and Terrorism Prevention Act of 2004.

Thank you for the opportunity to appear before your Subcommittee today. I will be happy to answer any questions you might have.

United States Government Accountability Office
Washington, DC 20548

August 19, 2005

The Honorable George V. Voinovich
Chairman, Subcommittee on Oversight of Government Management,
the Federal Workforce, and the District of Columbia
Committee on Homeland Security and Governmental Affairs
United States Senate

Dear Senator Voinovich:

Subject: *Questions for the Record Related to DOD's Personnel Security Clearance Program*

On June 28, 2005, I testified before your Subcommittee at a hearing on "Access Delayed: Fixing the Security Clearance Process."[1] This letter responds to your request that I provide answers to Senator Frank R. Lautenberg's questions for the record. The questions, along with my responses follow.

1. **Your 2004 report recommended that the Department of Defense (DOD) work closely with the Office of Personnel Management (OPM) to design and implement a plan for getting rid of clearance backlogs and delays. To your knowledge, what progress has DOD made on this?**

GAO is unaware of any progress that DOD has made toward implementing our May 2004 recommendation to "develop and implement an integrated, comprehensive management plan to eliminate the backlog, reduce the delays in conducting investigations and determining eligibility for security clearances, and overcome the impediments that could allow such problems to recur." Information supplied by DOD as part of a required follow-up action on all GAO recommendations lists a few actions, but nothing is mentioned about developing an integrative approach that incorporates objectives and outcome-related goals, sets priorities, identifies resources, establishes performance measures, and provides milestones for permanently eliminating the backlog and reducing delays.

[1] GAO, *DOD Personnel Clearances: Some Progress Has Been Made but Hurdles Remain to Overcome the Challenges That Led to GAO's High-Risk Designation*, GAO-05-842T (Washington, D.C.: June 28, 2005).

On June 17, 2005, the Deputy Director of Management at the Office of Management and Budget (OMB) announced that OMB would work with agencies to set clear and aggressive milestones for reducing risk in each area that GAO had designated high risk. On July 12, 2005, shortly after this Subcommittee's hearings, GAO officials met with OMB's Deputy Director for Management, Clay Johnson, and his staff to discuss DOD's personnel security clearance program, the clearance backlog, and impediments to timely, high-quality clearances. Among other things, Mr. Johnson indicated that (1) OMB staff would work with DOD and OPM to develop preliminary milestones and metrics for correcting problems associated with the program and (2) GAO would be asked to comment on that information in August or September 2005.

2. Based on your analysis, how much money do you think has been wasted due to lengthy security clearance processes, when employees come into work but cannot participate in substantive assignments until cleared?

GAO does not have an up-to-date estimate of the costs resulting from delays in determining eligibility for a personnel security clearance. However, our February 2004 report documents some past estimates as well as cost-related considerations that apply today.[2] For example, we noted that in our 1981 report, we estimated the DOD investigative backlog could cost nearly $1 billion per year in lost productivity.[3] More than a decade later, the Joint Security Commission report noted that the costs directly attributable to investigative delays in fiscal year 1994 could be as high as several billion dollars because workers were unable to perform their jobs while awaiting a clearance.[4]

In addition to the costs associated with delays in employees being able to start classified work, our February 2004 report also documented other types of costs that have been cited by industry personnel.[5] Representatives from one company with $1 billion per year in sales stated that their company offers a $10,000 bonus to employees for each person recruited who already has a security clearance. Such operating costs are then passed on to government customers in the form of higher bids for contracts. In turn, the recruit's former company may need to back-fill a position, as well as possibly settle for a lower level of contract performance while a new employee is found, obtains a clearance, and learns the former employee's job. Also, industry representatives discussed instances where their companies gave hiring

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[2] GAO, *DOD Personnel Clearances: DOD Needs to Overcome Impediments to Eliminating Backlog and Determining Its Size*, GAO-04-344 (Washington, D.C.: Feb. 9, 2004).

[3] GAO, *Faster Processing of DOD Personnel Security Clearances Could Avoid Millions in Losses*, GAO/GGD-81-105 (Washington, D.C.: Sept. 15, 1981).

[4] Joint Security Commission, *Redefining Security: A Report to the Secretary of Defense and the Director of Central Intelligence*, Chapter 4, Personnel Security—The First and Best Defense (Washington, D.C.: Feb. 28, 1994).

[5] GAO-04-344.

preference to personnel who could do the job but were less qualified than others who did not possess a clearance. The chair of the interagency Personnel Security Working Group noted that a company might hire an employee and begin paying that individual, but not assign any work to the individual until a clearance is obtained. The head of the interagency group additionally noted that commands, agencies, and industry might incur lost-opportunity costs if the individual chooses to work somewhere else rather than wait to get the clearance before beginning work.

If you or other members of the Subcommittee have any additional questions about DOD's personnel security clearance program, please contact me at (202) 512-5559 or stewartd@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this correspondence. GAO staff who made major contributions to this correspondence are listed in the enclosure.

Sincerely yours,

Derek B. Stewart
Director, Defense Capabilities and Management

Enclosure

Enclosure

GAO Contact and Staff Acknowledgments

GAO Contact	Derek B. Stewart (202) 512-5559 or stewartd@gao.gov
Acknowledgments	In addition to the contact above, Jack E. Edwards, Assistant Director, and Mark A. Pross made key contributions to this correspondence.

Questions from Chairman George V. Voinovich
Subcommittee on Oversight of Government Management,
the Federal Workforce, and the District of Columbia
QUESTIONS FOR THE OFFICIAL RECORD REGARDING:
Access Delayed: Fixing the Security Clearance Process
June 28, 2005

Questions for Office of Personnel Management, Mrs. Kathy Dillaman:

1. Q. Mrs. Dillaman, the Intelligence Reform and Terrorism Prevention Act of 2004 requires that 80 percent of the investigations on security clearance applications be completed within 90 days by December 17, 2006. It also requires that 80 percent of the adjudications be completed within 30 days. In your testimony you noted that OPM can meet these requirements if the current workload does not increase. However, if the current workload increases, what steps will OPM and DOD take to ensure that the agencies can meet these deadlines?

   A. OPM has expanded its contractor base by moving from a single, exclusive provider to six companies under contract for investigative services. By expanding this base, we are better able to react to sudden, unexpected shifts in demand by having these firms share responsibility for resizing the workforce to match the workload.

   The ability to respond to significant, unanticipated increases in demand will require the implementation of a national workload management plan to prioritize the most critical investigations. OPM will work with the Office of Management and Budget, the National Security Council, the Departments of Defense and Homeland Security and other involved Departments and agencies to ensure that security clearance investigation resources are applied to the most critical needs so as to minimize the risk to the national security.

2. Q. During the hearing, GAO indicated that the Department of Defense overestimated the security clearance workload requirements by 148,571 in FY 2001. Over the next two fiscal years, DOD underestimated the workload requirements by 135,487 and 90,169. What impact does this have on your ability to make essential business decisions including budget and performance planning, and strategic workforce planning?

   A. So far it has not adversely impacted our efforts since the backlog has been so large. However, as we begin to reduce the backlog, predictable workload levels become more critical to OPM's ability to consistently meet processing timeliness standards. Sudden, unanticipated increases in demand result in timeliness delays

while the companies under contract adjust their staffing levels. The time required for new field agents to be hired, cleared, trained, and to reach full performance levels may be up to one year. This can prevent these firms from deploying fully productive investigators on short notice, and rigid timeliness standards do not allow sufficient time to react to increased staffing needs.

Conversely, if workloads fail to meet projected levels, contract companies may find themselves overstaffed. This can lead to a sudden reduction in their workforce to avoid costs, or an inflation of the case prices to remain financially solvent. This makes it more difficult to attract and retain investigators in the future.

OPM will continue to work closely with all agencies to improve their forecasts of future workload levels.

Subcommittee on Oversight of Government Management,
the Federal Workforce, and the District of Columbia
QUESTIONS FOR THE OFFICIAL RECORD REGARDING:
Access Delayed: Fixing the Security Clearance Process
June 28, 2005
Question from Senator Frank R. Lautenberg

Question for Mrs. Kathy Dillaman, OPM:

3. Q. By what date can we expect to see your plan to address the enormous number of backlogs and delays in the security clearance?

   A. OPM has been tasked by the Office of Management and Budget to develop and implement uniform policies and procedures to ensure effective, efficient, and timely completions of security clearance investigations and adjudications. This includes updating security clearance questionnaires and financial disclosure requirements for security clearances, reviewing and coordinating the development of tools and techniques for enhancing the conduct of investigations and the granting of clearances. We should have the plan completed by October 31, 2005. This plan will include a specific target date for eliminating the backlog in investigations and monthly milestones for:

   - Net increases in contractor investigative resources (number of full-time equivalent investigators).
   - Number of cases assigned to the new OPM contractors.
   - Reductions in the investigations backlog.
   - Updating the SF-86, Questionnaire for National Security positions
   - Automating the entire security clearance process.
   - Performance metrics for all stages of the security clearance process.

Subcommittee on Oversight of Government Management
The Federal Workforce and the District of Columbia
QUESTIONS FOR THE OFFICIAL RECORD REGARDING
Access Delayed: Fixing the Security Clearance Process
June 28, 2005
Questions from Chairman George V. Voinovich

Question for Ms. Heather Anderson, DOD:

Ms. Anderson, during the testimony, GAO indicated that the Department of Defense overestimated the security clearance workload requirements by 148,571 in FY 2001. Over the next two fiscal years, DOD underestimated the workload requirements by 135,487 and 90,169. The workload requirements are essential benchmarks for the entire security clearance process because they guide important program indicators, including the personnel and budget needed to complete the investigations. In a hearing follow-up letter submitted to my office on June 29, 2005, you indicated that DOD has significantly improved the program projections and will continue to refine this process.

Therefore, please provide (1) a copy of DOD's plan for improving your workload projections; (2) DOD's 2004 workload projections, including the amount over or underestimated; and (3) your workload projections for FY 2005 and FY 2006 (if available). These figures should include projections for the number of initial investigations and reinvestigations for DOD civilian and military personnel, and contractors.

Response:

DOD is currently working with the Office of Management and Budget (OMB) on a consolidated and comprehensive plan that includes improvements in our ability to identify trends in the personnel security program and forecast requirements for personnel security investigations (PSIs) subject to changes in world events. This plan will be completed and made available to you during the lst Quarter, Fiscal Year (FY) 2006, after it has been fully coordinated and approved within DOD and with OMB, and other agencies and departments participating in the National Industrial Security Program.

DoD has made significant progress during the past several years in terms of projecting our workload projections and will continue to improve and refine our projections models to ensure the most accurate projections possible. Our plan will lay out DOD plans, including timelines, for building and implementing a standardized approach to reporting and recording data in a real-time environment with real-time analytical and modeling capability. Our goal is to accurately project DoD PSI requirements consistently with a maximum deviation of no more than 15%.

With regard DOD workload projections versus actual submissions, the information requested is available in the table below. Fiscal Year 2006 year projections are being finalized and will be provided as soon as possible.

Volume of Submissions by type	FY 2004 Projection	FY 2004 Actual	FY 2004 Variance	FY 2005 Projection
Single Scope Background Investigations	68,931	63,489	-8%	67,909
Single Scope Background Investigation Periodic Reinvestigation: SBIPR	70,090	37,900	-46%	49,803
National Agency Check with Law Checks	307,227	339,761	11%	473,599
National Agency Check	245,006	229,413	-6%	211,621
Other: Public Trust investigations, nonsensitive suitability investigations and other regulatory investigations	4,599	499	-89%	3,190
TOTAL	695,853	671,062	-4%	806,122

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Questions from Senator Frank R. Lautenberg

Question for Ms. Heather Anderson, DOD:

By what date can we expect to see your plan to address the enormous number of backlogs and delays in the security clearance?

Response:

This plan will be available to you during the lst quarter of Fiscal Year 2006. Due to the collaborative nature of our initiatives, the documentation will require review and coordination with affected DOD entities and other federal agencies and departments, including the Office of Personnel Management and the Office of Management and Budget. The plan will provide you with an outline of the initiatives that are currently underway or projected for development that are part of an overarching strategy for preventing future backlogs (periodic reinvestigations not yet submitted), decreasing pending (cases submitted but not yet completed), and eliminating delays in the security clearance process. Each initiative will specify milestones, timelines, expected outcomes and performance metrics.

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