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PROGRESS OR MORE PROBLEMS: ASSESSING THE FEDERAL GOVERNMENT'S 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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PROGRESS OR MORE PROBLEMS: ASSESSING THE FEDERAL GOVERNMENT'S SECURITY CLEARANCE PROCESS

WEDNESDAY, MAY 17, 2006

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 2:30 p.m., in room SD–342, Dirksen Senate Office Building, Hon. George V. Voinovich, Chairman of the Subcommittee, presiding.

Present: Senators Voinovich and Akaka.

OPENING STATEMENT OF SENATOR VOINOVICH

Senator VOINOVICH. The Committee will please come to order.

Thank you all for coming.

Today the Subcommittee on Oversight of Government Management holds its third hearing this Congress on the Federal Government security clearance progress, entitled "Progress or More Problems: Assessing the Federal Government's Security Clearance Process."

A process that lacks the ability to clear highly skilled employees in a timely and efficient manner has serious consequences for the Federal Government and the security of our Nation. Our current system makes civilian military and contract employees wait too long for their security clearances. The Bush Administration and Congress have taken several steps to fix this process and we must remain devoted to accomplishing the goal.

During the Subcommittee's first security clearance hearing we discussed the transfer of investigative functions from the Department of Defense to the Office of Personnel Management and the impact this shift will have on the government's ability to investigate and adjudicate security clearances in a thorough and expeditious manner.

It has now been over a year since this transfer took place and I am interested in hearing your views on the effect of this transfer.

At our second hearing, held on November 2005, we examined two critical components of reforming the security clearance process. First, we reviewed Executive Order 13381 issued June 28, 2005

and the steps the Office of Management and Budget have taken to implement the order.

Second, we examined the Office of Personnel Management's strategic plan to address the long-standing backlog of security clearance investigations, which was released on November 8, 2005.

Today we will assess OPM's progress in implementing their plan. We will also explore OMB's next steps regarding Executive Order 13381.

Finally, we will address the temporary halt by the Defense Security Service (DSS) in processing government contractor security clearances.

Mr. Johnson, I applaud the commitment and leadership you have shown on this issue. I am hopeful that the Executive Order will be renewed. I look forward to learning about how you intend to further improve the process. Your committed leadership is very important to our progress.

Ms. Dillaman, I look forward to your assessment of how OPM is implementing its plan. Specifically, OPM was mandated by the Intelligence Reform Act to complete 80 percent of their investigations within 90 days by the end of calendar year 2006. We will explore whether OPM will meet this and other goals set by the law.

However, any progress that we have seen recently is overshadowed by the recent temporary halt by the Defense Security Service in processing government contractor security clearances. DSS blames this action on higher-than-expected clearance requests, which has led to a budget shortfall. Based on current predictions for year, DSS estimates they will need an additional $91 million to continue operating until the end of the fiscal year.

Although DSS is projected to have a budget shortfall this year, I understand currently they have funds necessary to process the accounts.

Additionally, the Government Accountability Office has noted, for a number of years, that the DOD clearance program regularly has problems estimating the number of clearances it will need each year. This is clearly evident in this case.

Given these facts, it is hard to understand why the sudden and unexpected halt happened in the first place. I was happy to see that DSS began accepting initial secret applications on Monday of this week but it did not include top secret clearances.

The inability of DSS to accurately estimate its work has serious consequences for the security clearance community. I have been receiving many complaints from contractors about this situation.

First, it has increased the backlog of security clearances. Second, OPM plans its staffing needs based on estimates submitted by DSS and other agencies. As a result, OPM may not have the necessary work force to complete all investigations in a timely manner. Third, and most importantly, a prolonged halt in processing security clearances could be a serious threat to national security.

I was reading this morning in the paper that this is such a problem that some contractors are offering a $25,000 bonus to somebody that has a clearance, or even an automobile to get them to come over and work on their projects. What if a contract was awarded to figure out how we could identify improvised explosive devices. What if the contractors were waiting around for individ-

uals with clearances. They have the technologies but no one with a clearance. I just wonder how many other instances—and I am not saying this is one—but how many instances that could be like this are we encountering as a result of the fact that we are not doing the clearance job that we should be doing?

Mr. Rogalski, I expect you to explain to the Subcommittee why DSS felt it necessary at this time to halt contractor personnel clearances without any warning to the contracting community, OPM, OMB, and Congress. Additionally, I would like to know how DSS plans to resolve the problem for the long-term. This incident is unacceptable and raises serious questions of communication between all of the agencies involved with the security clearance process and basic management competence.

For example, did Clay Johnson know that you stopped accepting applications? Did Kathy Dillaman know that you stopped taking applications?

All of us here today share a common goal of fixing the process. As I have stated in the past hearings, I am committed to working on this issue to ensure that motivated and qualified individuals do not have to wait for long periods of time to receive their security clearances.

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

We have excellent witnesses today, thank you for your participation. I look forward to your testimony and discussion.

Your full statements will be entered into the record in their entirety and I would appreciate it if you would summarize your statements in the allotted 5 minutes.

It is the custom of this Subcommittee to swear in all witnesses. Please stand to be sworn in.

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

Mr. JOHNSON. I do.

Ms. DILLAMAN. I do.

Mr. ROGALSKI. I do.

Mr. STEWART. I do.

Mr. ANDREWS. I do.

Ms. HAITH. I do.

Senator VOINOVICH. Thank you.

Our witnesses this afternoon include Clay Johnson, who is Deputy Director for Management at the Office of Management and Budget. It is always nice to have you testify before our Subcommittee. Welcome back.

Kathy Dillaman is the Associate Director of the Federal Investigative Services Division of the office of Personnel Management. It is nice to see you here, too.

Mr. Rogalski is a Special Agent to the Undersecretary of Defense for Intelligence. Mr. Rogalski, thank you for coming today. We appreciate you being here.

Derek Stewart is the Director of Military and Civilian Personnel Issues at the Government Accountability Office. Welcome.

I understand that, Mr. Andrews, you are going to be taking over the job. Welcome.

We will start with Mr. Johnson.

TESTIMONY OF HON. CLAY JOHNSON, III,[1] DEPUTY DIRECTOR FOR MANAGEMENT, OFFICE OF MANAGEMENT AND BUDGET

Mr. JOHNSON. Mr. Chairman, thank you for having me up here today. In your opening statement, you asked the question: "Are we making progress or do we have more problems?" I am here to say that we are making progress and, in some cases, significant progress. But, we are not where we want to be at this point in time.

We are still committed to the goals laid out in the Intel Bill that called for certain levels of performance by December 2006 and we are working very diligently to achieve those goals.

Overall since fiscal year 2005, we have reduced the time it takes to provide a security clearance to someone by 40 days. This is the month of April performance versus fiscal year 2005. The time it takes to submit a security clearance application material to OPM or the investigative agency has been reduced from 32 days to 21 days. Department of Commerce and DOD have done a particularly good job of adopting the use of electronic transfer, eQIP, and improving their turnaround time and submission materials to OPM.

The time it takes to do an investigation has been reduced by 40 days. I will let Ms. Dillaman talk about that.

The time it takes to adjudicate a security clearance request has increased 10 days. That is not acceptable. The Department of Commerce, Department of Energy, Department of Transportation and Homeland Security are all about 50 percent or 60 or 70 percent of where they need to be. They are processing about 50 percent of their adjudications within 30 days. At the other end of the spectrum, DOD is processing about 5 percent of their adjudications in 30 days. The total net time it takes to adjudicate one of these things has increased, not decreased.

Everyone knows what they need to do. We have goals. Everybody is committed to reform this process. The most distinguishing characteristic about this whole process, in my opinion, and I have been involved in a lot of government-wide efforts to do things, the singular most distinguishing characteristic about this effort is the level of commitment by particularly the six large agencies and by the investigating agency, OPM, to fix this problem. This is going to get fixed.

Personally, I believe our biggest challenges in this are in working with the FBI primarily, but also DOD, in getting records provided to OPM so they can complete an investigation in an acceptable period of time. We are not very good at that now.

I believe also the second big challenge is to improve the process, the timeliness of our adjudications. The reason I say I think these are the two biggest challenges is they require us to hire and train additional people. We know how many we need to hire in both cases. We know how to train them. But, we have not done that yet. So that still needs to take place and it is critical that it take place in a timely enough fashion that we are able to achieve our goals by December 2006.

[1] The prepared statement of Mr. Johnson appears in the Appendix on page 27.

Those are my comments and I look forward to any questions you or anybody else might have at the end of the opening statements. Thank you.

Senator VOINOVICH. Thank you very much, Mr. Johnson. Ms. Dillaman.

TESTIMONY OF KATHY DILLAMAN,[1] ASSOCIATE DIRECTOR, FEDERAL INVESTIGATIVE SERVICES DIVISION, OFFICE OF PERSONNEL MANAGEMENT

Ms. DILLAMAN. Mr. Chairman, it is my privilege to testify today, on behalf of the Office of Personnel Management (OPM), to provide you with an update on the progress that has been made to improve the timeliness of the security clearance process and reduce the backlog of background investigations.

OPM's mission is to ensure that the Federal Government has an effective civilian workforce. To accomplish this mission, OPM provides background investigation services to agencies OPM makes security clearance and suitability decisions on civilian, military, and contractor personnel on behalf of the agencies.

At OPM, the division responsible for conducting background investigations is our Federal Investigative Services Division headquartered in Boyers, Pennsylvania. This division supports over 100 Federal agencies with thousands of security offices worldwide. Its automated processing systems and vast network of field investigators handle a high volume of investigations. In fact, we expect to process over 1.7 million investigations this year.

Since February 2005, OPM has had responsibility for about 90 percent of all personnel background investigations for the Federal Government. Subsequently, the Office of Management and Budget (OMB) formalized this by officially designating OPM as the investigative agency responsible for conducting background investigations.

We have worked closely with OMB and the major clearance granting agencies to meet the timeliness requirements of the Intelligence Reform Act of 2004. During my last appearance before this Subcommittee in November, I outlined how our performance improvement plan addressed four critical areas of the investigation and security clearance process: Workload projections, timeliness and quality of agency submissions for investigations, investigations timeliness, and adjudications timeliness.

Since that time, I am happy to report that we have made great strides in improving overall timeliness in reducing the inventory of cases, and we are continuing to work aggressively to resolve any issues that are hindering the background investigations process.

OPM provides reports each quarter to OMB and clearance granting agencies on the progress that has been made to meet the goals of the performance plan I earlier referenced. As an attachment to my testimony today, I am providing a chart which depicts the overall performance improvement trends for all agencies.

To staff the investigations program responsibly, we need agencies to work toward projecting their annual need within a margin of

[1] The prepared statement of Ms. Dillaman with an attachment appears in the Appendix on page 30.

error of 5 percent. Overall, agencies' projections are within 17 percent of actual submissions this year. The Department of Defense, which represents over 80 percent of national security investigations, has exceeded their annual projections by 59 percent for the first half of the fiscal year. We have asked all agencies to reevaluate their projections for the balance of the year and, based on any adjustments provided, we may need to further increase our Federal and contractor staff to keep pace with demand.

The first step in improving the timeliness of the investigation and clearance process is timely and accurate submission of the subject's background information to OPM. The expanded use of the Electronic Questionnaires for Investigations Processing (eQIP), by submitting agencies has improved submission timeliness and lowered the rate of rejection due to inaccurate or inadequate information.

OPM continues to make significant process in reducing the amount of time it takes to conduct background investigations. I have included a table in my written statement that demonstrates this progress.

The improvement in timeliness can be attributed largely to increased staffing and productivity of our field agents. Currently, we are maintaining a staff level of over 8,600 employees and contractors devoted to the background investigations program.

In addition, we began deploying field agents overseas in August 2005 and currently have more than 40 agents working at more than 30 military institutions worldwide to handle international coverage requirements.

Although we have been able to reduce the number of overdue initial clearance investigations, our inventory of pending investigations is increasing because of the difficultly we have in obtaining information from some national, State, and local record providers. Working with OMB, Federal agencies that provide records have developed aggressive plans to improve their performance.

During the second quarter of this fiscal year, agencies that reported their adjudications to OPM averaged 78 days to complete those actions. OPM is working with those agencies to improve the time it takes to deliver completed investigations and report their adjudication actions.

Mr. Chairman, when the Senate confirmed OPM Director Linda Springer last summer, I know she assured you that our work on security clearance reforms would be one of her highest priorities. I am proud to have been given the opportunity to work closely with our Director to put my own 30 years of Federal experience in this area to work, in order to meet the expectations that Congress and the President have set on this critical issue.

This concludes my remarks. I would be happy to answer any questions.

Senator VOINOVICH. I need to recess the hearing, as I am going to go over and vote. But, I will be back shortly.

Thank you.

[Recess.]

Senator VOINOVICH. The hearing will reconvene.

I understand, Mr. Andrews, that you want to make a short statement before we get to the testimony of Mr. Rogalski.

TESTIMONY OF ROBERT ANDREWS,[1] DEPUTY UNDER SECRETARY OF DEFENSE FOR COUNTERINTELLIGENCE AND SECURITY, U.S. DEPARTMENT OF DEFENSE

Mr. ANDREWS. Yes, sir, I certainly do.

I am the Deputy Under Secretary of Defense for Counterintelligence and Security. The decision to suspend the security investigations was made shortly after I took up my post. It happened on my watch.

This was not the finest hour for Defense Security Service, which reports to me. We failed, Senator, to accurately estimate the demand for security clearances or security investigations. We compounded that problem by failing to understand the systemic problems that further contributed to suspending the investigations.

As I mentioned to you outside, I am responsible for taking steps to resume the investigations. I am also responsible for fixing the underlying problems in the process, so that something like this is unlikely to happen again. I want to assure you, that I will fulfill my responsibilities.

We have lifted the suspensions for secret clearances and we have submitted to Congress a reprogramming action to permit us to lift the suspension on top secret and periodic reinvestigations.

I believe we are on the path toward fixing fundamental flaws in our process. In the coming weeks, I will keep you and the Committee abreast of our progress and, at your convenience, consult with you as we move forward.

To my left is Rob Rogalski, Special Assistant to the Under Secretary of Defense for Intelligence. Rob is the person most knowledgeable about the suspension and I have asked him to lay out what happened and to outline the near-term, and longer-term, solutions we have identified. Thank you, sir.

Senator VOINOVICH. Thank you. I would like to see you in my office in several weeks so that I can find out from you how DSS is doing.

Mr. ANDREWS. I would be glad to be here, sir.

Senator VOINOVICH. Great. Mr. Rogalski.

TESTIMONY OF ROBERT ROGALSKI,[2] SPECIAL ASSISTANT, OFFICE OF THE UNDER SECRETARY OF DEFENSE FOR INTELLIGENCE, ACCOMPANIED BY JANICE HAITH, ACTING DIRECTOR FOR DEFENSE SECURITY SERVICE, U.S. DEPARTMENT OF DEFENSE

Mr. ROGALSKI. Good afternoon, Mr. Chairman.

Prior to the appointment of Mr. Andrews, I was the Acting Deputy Under Secretary of Defense for Counterintelligence Security. I am joined by Janice Haith, Acting Director for Defense Security Service, DSS, and we are prepared to answer your questions today.

The Under Secretary of Defense for Intelligence asked me to lead a DOD team to diagnose what caused DSS to suspend industry investigations due to a $90 million funding shortfall. The work we have done has uncovered a number of systemic problems associated

[1] The prepared statement of Mr. Andrews appears in the Appendix on page 37.
[2] The prepared statement of Mr. Rogalski appears in the Appendix on page 39.

with the industrial security process. We have identified immediate changes which we believe will help address these problems.

By way of background, the Department of Defense budgets and provides payment to OPM to cover the cost of security clearance investigations for DOD contractors and the contractors for 23 other Federal agencies, as part of the National Industrial Security Program.

On April 25, the Acting Director of DSS directed the Defense Industrial Security Clearance Office (DISCO), which processes requests from industries for investigations, to suspend submissions to OPM for two types of investigations: Initial investigations and periodic.

On April 28, DSS notified the industrial security community to stop sending requests for investigations to DISCO. DSS projected that it did not have sufficient funds available to pay OPM for additional investigations. DSS took this action to comply with the Anti-Deficiency Act. DSS could not knowingly request investigations without available funding.

Let me stress that DSS did not direct OPM to stop work on any industrial investigations, initial or periodic, submitted prior to April 25, and DSS has paid for all work submitted to OPM through April 25.

During fiscal year 2006, and prior to April 25, DSS submitted to OPM over 100,000 requests for additional investigations. Based on our current projections, we anticipate submitting another 100,000 industry investigations for fiscal year 2006. Again, none of the more than 100,000 industrial investigations submitted by DSS to OPM prior to April 25, have been affected by DSS's action to suspend the submission of investigations.

A number of factors contributed to the problems faced by DSS. First, DSS did not adequately budget for the cost of industry investigations in fiscal year 2006. In October 2004, the Department signed an agreement with OPM to transfer the personnel security investigation function from DOD to OPM. As part of the agreement, DOD agreed to pay to OPM up to a 25 percent premium of the base cost of investigations to offset potential operating losses incurred by OPM. The DOD budget request, which was delivered to Congress in February 2005, prior to OPM publication of its fiscal year 2006 rates, did not include funds to pay the premium to OPM.

In addition, the DSS budget was further reduced during the Congressional deliberation on the fiscal year 2006 budget and DSS did not appropriately manage the reduction.

Second, when DOD transferred the personnel security function to OPM, DSS had approximately 45,000 pending industry investigation requests which they did not transfer to OPM. DSS directed industries to resubmit many of these investigations and it appears they are being submitted during this fiscal year. DSS failed to track the status of these investigations and did not request funding for them in its fiscal year 2006 budget submission.

Let me address the immediate steps the Department has taken to address the suspension. DOD's Comptroller provided DSS $28 million to restart industry investigations. DSS has expended $5 million of these funds to pay the most recent bill from OPM. Yesterday DSS notified industry to begin submitting requests for ini-

tial investigations for secret clearances to ensure individuals requiring a clearance for employment are placed in the OPM processing queue. Based on our present projections, the remaining $23 million will allow DSS to send to OPM for processing industry initial secret clearance requests through the end of June 2006.

DOD, with OMB approval, submitted a reprogramming request to Congress for $90 million yesterday to enable DSS to submit the remaining protected industry investigations through the end of fiscal year 2006.

As you have heard from Mr. Andrews, the Deputy Under Secretary of Defense for Counterintelligence Security, he has directed the following actions to address the systemic problems: The establishment within DSS of a central oversight office to perform a variety of functions to include developing a process to link security investigation requirements and funding with current and future DOD contracts; monitor, initially on a daily basis, the industry investigation process; and develop trip wires to reduce the probability of any need to impose a future suspension.

The DOD Comptroller will immediately begin work with DSS to develop new processes for DSS to use in preparing its budget submission. DSS will continue to work with OPM so that the two organizations can identify and track investigations submitted to OPM for processing as well as the associated funding.

The Department senior leadership is committed to correcting the systemic problems that have been identified in the personal security process. The Department recognizes that inadequate oversight was a major contributor to this problem.

Mr. Chairman, this concludes my statement. We are available to answer any questions you may have.

Senator VOINOVICH. Thank you very much. Mr. Stewart.

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

Mr. STEWART. Thank you, Mr. Chairman, Senator Akaka. We are pleased to be back again for this third hearing on personnel security clearances.

Executive Order 10865, dated February 1960, authorized DOD to enter into agreements with other Federal departments and agencies for clearances for industry personnel. This was a 1960 Executive Order.

Today, DOD has agreements with 23 departments and agencies, including the Departments of State, Homeland Security, Justice, etc. Industry personnel hold an estimated 700,000 to 800,000 of the roughly 2 million DOD issued clearances.

So given the expanse of DOD's program, we believe this is truly a matter of national security. Today, I want to touch on three issues. I am going to give you an update on our ongoing work, looking at top secret clearances for industry personnel. Second, I will discuss the July expiration of Executive Order 13381. And last, I will discuss DOD's decision to temporarily stop processing industry clearances.

[1] The prepared statement of Mr. Stewart appears in the Appendix on page 47.

Regarding our ongoing work, we continue to assess the timeliness and completeness of DOD's and OPM's processes to grant eligibility for top secret clearances for industry personnel. Although our final report will be issued to you, Mr. Chairman, and other requesters in September, several preliminary observations have begun to emerge from our work. One of the more significant observations relates to performance problems of OPM's investigative workforce, primarily due to inexperience.

OPM has made significant efforts to develop a domestic investigative workforce but it estimates it may take a couple of years before the workforce actually reaches desired performance levels.

The July 1, 2006 expiration of the Executive Order could slow improvements in the clearance processes government-wide. The Executive Order, among other things, delegated to OMB the responsibility for improving the clearance process. We have been encouraged by OMB's high level of commitment, as demonstrated by the development of a government-wide plan to address clearance-related problems.

Because there has been no indication that the Executive Order will be extended, we are concerned about whether the progress made to date will continue without OMB's high-level management attention. If OMB does not continue in its current role, we believe it is critical to continue to have a single entity in charge of the overall process and that this entity be viewed as an impartial and of sufficient clout to maintain the momentum established under OMB's leadership.

Finally, DOD's decision to temporarily stop processing clearances for industry personnel has been attributed to a number of factors. Of these, we believe that DOD's perpetual inability to accurately project its security clearance workload is most problematic. This is not a new problem. Mr. Chairman, the record will show that each of the two times I have testified before this Subcommittee, I have raised this as a serious issue.

Also, we have repeatedly raised the issue in our recent reports and recommended steps be taken to address this matter. DOD has concurred with our recommendations to improve its clearance workload projections but has done little to follow through. Consequently, we are far from confident and even less optimistic that DOD will follow through on its commitment to improve this situation for the long-term.

Mr. Chairman, this concludes my remarks. I will be happy to respond to questions.

Senator VOINOVICH. Thank you very much.

I am glad Senator Akaka is here and I apologize that you were not able to hear the first part of the testimony, but I am sure that you have had a chance to familiarize yourself with it. Senator Akaka.

Senator AKAKA. Thank you. I have a prepared statement I would like to submit for the record at this time.

[The prepared statement of Senator Akaka follows:]

PREPARED STATEMENT OF SENATOR AKAKA

Thank you very much, Mr. Chairman. As always, I am delighted to work with you in our effort to make the Federal Government more efficient—more effective—and more responsive. One area that will benefit from our continued oversight is the gov-

ernment's security clearance process, and I'm sure that government contractors, whose applications for clearances were cut off three weeks ago, will agree.

Today's hearing is on the progress made by the Office of Personnel Management (OMP), the Defense Security Services (DSS), and the Office of Management and Budget (OMB) in attacking the backlog of security clearance applications since we started our oversight. In addition, we will also discuss the unilateral decision by DSS to stop accepting security clearance applications from contractors on April 28, 2006.

I strongly believe this particular action illustrates the government's lack of strategic vision to identify problems today that will create bottlenecks in Federal programs in the future.

Certainly I am pleased that DSS submitted its reprogramming request to Congress to transfer nearly $91 million to fund contractor applications for the remainder of fiscal year 2006, in time for this hearing. However, it's troubling that contractor applications were stopped even though there was money to fund the program, and DSS knew as early as January that additional funds were needed for the remainder of the fiscal year.

I reviewed Mr. Rogalski's statement, and I was heartened by his candid admission that DSS has difficulties in forecasting funding and projecting clearance needs. I was also pleased to learn that DSS is taking immediate steps to address the interruption in accepting contractor applications and is looking at long term solutions.

However, had the Department of Defense (DOD) complied with a provision in the fiscal year 2001 National Defense Authorization Act that required DOD to establish a process for expediting investigations and conducting annual reviews of the process, we might not be facing this problem today. In my capacity as the ranking member of the Armed Services Readiness Subcommittee, I've spent significant time working on DOD's business transformation, and I want to see results. Like Chairman Voinovich, I understand that unless the government's security clearance system works smoothly, our national security may be compromised, program failures can occur because of inadequate staffing, or contractor costs can increase significantly due to schedule delays.

Last month, the DOD Inspector General found that delays in the security clearance process "may impact national security, completion of critical DOD missions, and support of the warfighter." This is unacceptable.

We must strengthen existing relationships and improve communication among DOD, OPM, and industry. Agencies cannot respond to problems in isolation. I want to make sure that the three agencies represented here today—and OMB—understand that the long-standing problems affecting the government's security clearance program must be addressed jointly and openly. Too much depends on it.

Chairman Voinovich, our goal is simple: We want to get the personnel security clearance program off of the GAO high-risk list. We have challenged OMB, designated by the Administration to take the lead in resolving these problems, to work with OPM and DOD. While there has been forward motion, the halt in industry applications is a significant step backwards. However, I am confident that with our continued oversight of this high-risk area we will see results.

Thank you, Mr. Chairman.

Senator VOINOVICH. With your permission, is it all right if we get on with the questions?

Senator AKAKA. Yes.

Senator VOINOVICH. Mr. Stewart states that the communication problems between DOD and OPM may be limiting government-wide efforts to improve the personnel security clearance process. The failure by DSS to inform OMB and OPM ahead of time of its intention to stop processing contractor security clearance is a case in point. Is there a communication problem here?

Ms. HAITH. No, sir. We did not notify either OPM or OMB of the stopped processing. That was a miscommunication of our agency's process and we acknowledge that and have taken corrective action to ensure it does not happen again, on any matter.

Senator VOINOVICH. What is corrective action? What does that mean?

Ms. HAITH. We have instituted some new policies that will prohibit external communications from going out of any magnitude

that impact personnel security facility clearance processing without proper notification to, not only our chain and DOD, but also to appropriate entities, such as OPM or OMB.

We have also taken appropriate disciplinary action with the employee that failed to do the coordination in advance.

Mr. ROGALSKI. Can I follow up on that, Mr. Chairman?

Senator VOINOVICH. Yes.

Mr. ROGALSKI. Let me address the communication from the policy level from the Department of Defense with OPM.

There are several fora that are in place today where DOD and OPM do work together. OPM chairs a background investigator stakeholders group with the Federal agencies. DOD participates in that group.

The Acting Director of Security for the Department of Defense meets with Ms. Dillaman on a periodic basis, as a matter of fact it has been pretty frequent lately, to ensure that we are addressing those issues to work together.

DOD is committed to OPM's success. We also communicate with OPM on their automation initiatives. So in this particular case, though, as Ms. Haith has already addressed, the Department did not adequately inform OMB, OPM, or Members of Congress, and we regret that.

But I do want to add that there is communications channels open. Mr. Johnson, as well, chairs a group that senior leadership from DOD attends with the major security holders in the government to include DOD, CIA, Department of Homeland Security, and so on. So I would assess that the communications is open between the Department, OPM, and OMB. In this particular case, that did not occur.

Senator VOINOVICH. Mr. Johnson, because the Executive Order is coming out of OMB, have you put instituted policies that would require agencies to notify you if they were going to tinker with the process.

Mr. JOHNSON. No, sir.

Senator VOINOVICH. Why not?

Mr. JOHNSON. It just never occurred to me that was ever going to happen. By the way, the communication problem associated with this, as I understand it, is not just DOD to other entities. It was internal DOD as well. When this happened, a lot of people in DOD were not aware of it. So there was a lot of dissatisfaction all around.

Senator VOINOVICH. Mr. Johnson, I think that you ought to get the word out to folks that if you are going to tinker with the system and you have any problems with it, they better pick up the phone and let you know about it. I think I would make it darn clear, on behalf of the Administration, that you want that done.

Mr. JOHNSON. Yes, sir.

Senator VOINOVICH. Are any of you aware of government contractors attempting to recruit government employees that have clearance? In other words, to hire people that have already got a clearance to get them on the payroll?

Mr. STEWART. Mr. Chairman, we did another study, as you may recall, in February 2004. And we met with a number of industry associations and we heard that, in particular, the Northern Vir-

ginia Technology Council, NVTC, represents about 1,500 high-tech organizations. And they were very clear that their members were going across the street and hiring away other folks who had clearances, offering them trips to Las Vegas, a $10,000 signing bonus, and $5,000 for any additional employee that they could bring to the organizations with a clearance. So it is alive and well. It is happening.

Mr. ROGALSKI. Mr. Chairman, might I follow-up on that?

Senator VOINOVICH. Mr. Rogalski.

Mr. ROGALSKI. There are two dynamics here. One is, as with the situation just described, that it has been a long ongoing practice within the industrial community. Clearances do make you marketable.

The issue of people being offered bonuses happened before the DSS suspension. So, that is just the nature of the business of having this commodity called a security clearance, which is very valuable in the industrial security community.

But, let me address the impact of this particular suspension, because we have looked at this carefully. I met with the key security directors in the industry on May 10, who represent probably 80 or 85 percent of the cleared industrial security community for the Department.

I asked them the impact. I asked them what they saw. As we have looked at the numbers, we receive, on average, 4,000 requests per week from industry for investigations. Of these 4,000 requests, approximately 2,400 are for periodic reinvestigations.

In the 2-week period that we have assessed we received 8,000 requests. Of those requests, 2,400 are for periodic reinvestigations, meaning that those people are still at work. Their clearance did not stop, whether it is 5 years for TS. This means that approximately 5,600 people are new hires, whose investigations we were not able to process because of the suspension that DSS implemented on April 28. So, we assess the impact of about 5,600.

Now, that is 5,600 too many. We recognize that. But, I think the perception of the suspension may not be as great as the reality.

Senator VOINOVICH. I want to let you know that I am going to give you 6 months to put together a plan to fix DSS. This has got to stop.

Another issue that we need to address is the issue of how many of these jobs really need clearances and at what level.

And I am still, Mr. Johnson, hearing complaints from individuals who have clearances going through investigation when they move agencies. Gordon England has had to get clearances for every job that he has had. We need to respect reciprocity.

Mr. JOHNSON. Specifically, with regard to Gordon England, I think that clearance would have been per the White House. And they, just last week, agreed that there will be reciprocity.

Senator VOINOVICH. I would like to see the reciprocity program. Dale Klein is currently the Assistant to the Secretary of Defense for Nuclear and Chemical Biological Defense Programs. Big clearance. He has been nominated to be Chairman of the NRC. He had to go through an extensive background check. It took 4 months. They started from the beginning. That is just foolishness.

Senator Akaka.

Senator AKAKA. Thank you very much, Mr. Chairman.

From your questioning and from the responses, I believe that one of the solutions is to strengthen relationships and improve communication—it is a simple way of saying it—between DOD, OPM, and the industry. Agencies cannot continue to respond to problems in isolation.

I want to make sure that the three agencies represented here today understand that the long-standing problems affecting the security clearance program process must be addressed jointly and openly. Too much depends on it. And this, I think, is obvious.

Mr. Rogalski, the 2001 fiscal year National Defense Authorization Act required the Department to establish a process for expediting security clearance investigations. The end result would have been quite similar to what you proposed in your testimony today.

My question to you is, do you know what progress DOD had made on the Congressional mandate prior to the transfer of security clearances to OPM last year?

Mr. ROGALSKI. There is three dynamics from what we understand from the Act. One is to the qualification of requirements for those background investigations. We do survey the industrial community and ask the DOD components, annually, to project their requirements.

In addition, through that process, on the military and government side, there is a process where we identify those critically sensitive positions. There is already a priority in place. Basically it is a categorization of those personnel on the basis of their degree, what they need access to. So there is a certain population within the Department that requires access to top secret. So that is a part of the process today within the Department.

Within the industry, there is not an equivalent process. One of the things that we recognize, and to follow on the Chairman's question, we have established that tiger team. As a matter of fact, I was asked, or directed, about a week-and-a-half ago to get my arms around this, to fix the problem. So we put together a team with representatives from the Department, military departments, Office of General Counsel, Comptroller, acquisition technology and logistics because this must be tied to contracting.

So I think, to answer your question, we have identified, we have that prioritization if you will, on the DOD government and military population.

We do not have a similar process on the industry side. It is clear we have to get greater traction between that DOD program manager. So, for example, if I am the program manager for a DOD acquisition program, I need to determine what is the priority for those clearances.

That is one of the things we are looking at in this tiger team to get greater traction. The words I used with industry on May 10 were when that clearance requirement becomes a twinkle in your eye, we need to understand that requirement, it needs to be validated by the DOD sponsor, and then be put in the queue, and the follow-on with that is the process needs to be tied to budgeting. That is the systemic problem that is just not happening in the Department today. We will fix that.

Senator AKAKA. I am glad to hear that there will be an effort to fix it.

It seems to me that if DOD had taken strong action on the NDAA requirement, perhaps the DSS transfer to OPM might not have been needed. What do you think about that?

Mr. ROGALSKI. Since I was not privy to those discussions concerning the NDAA, and the discussions involved in the transfer, I cannot answer that question. We can take that as a question for record.

I can say, though, that was a business case that the Department made to ensure there would be one Federal provider of industry—of investigations, not just industry, all background investigations, security clearance investigations. And the Department made that, went to an agreement with OPM to really drive two things. One, we thought the cost could come down through that agreement. And two, timeliness would improve.

Senator AKAKA. Mr. Stewart, would you care to comment on that, too?

Mr. STEWART. Yes, sir, I would. Senator Akaka, thank you.

I was around when the NDAA 2001 legislation was written. As Mr. Rogalski said, it does require DOD to quantify the requirements for security clearances. And Mr. Rogalski is correct in that the DOD does an annual survey.

The problem is the response rate is extremely low. Not all the contractors respond. So that leaves DOD still in a position of not knowing exactly how many clearance requests are going to come in.

We also believe that an annual survey is not sufficient. It has to be done more than annually. It is like you start out at the beginning of a fiscal year and you have a budget. We all know that you have to modify that budget. Things do not stay the same for a year. So given the dynamic environment of security clearances, you have to survey more than once a year.

Senator Akaka, we issued a report in 2004, and made a recommendation to DOD, that they needed to quantify the requirements. They needed to get a better handle on what their requirements were. And they concurred with our recommendation. They came back. It is in the report. The response was everything Mr. Rogalski just said. They were going to get a handle on requirements. They were going to link the requirements to the budget. It is all right here and for 2 years now we keep hearing there is going to be this plan and there is going to be this effort to move out and it never quite happens, sir.

Senator AKAKA. I hope some things begin to happen.

Mr. Rogalski, you said the business case was to transfer the function to get a lower cost on investigations and for the sake of timeliness. Has that happened?

Mr. ROGALSKI. I guess, first of all, I have to defer to OPM to answer that question. I think, again, we are still early in the process. The transfer has only been in place for a little over a year. But, our hope is that over time there will be an increased timeliness. You heard OPM testify, there has been some increase in timeliness. We all would like to see a greater increase in timeliness, obviously. And we, from the DOD perspective, obviously would want to see a decrease in cost.

Senator AKAKA. Thank you, Mr. Chairman. My time has expired.

Mr. JOHNSON. Senator, may I add a comment?

Senator VOINOVICH. Go ahead.

Mr. JOHNSON. On the subject of looking back, is it a good thing that the investigative work is being done by OPM? From my oversight role I believe the answer is clearly yes. The investigative work is being done 40 days faster than it was for fiscal year 2005. It is being done 22 percent faster. The process is being reformed. The time to grant security clearances is being improved.

You were not here when I said it in my opening statement, but the time to submit an accurate request to the investigators is down one-third, from 32 days to 21 days. The goal is 14. The investigative time has gone from 189 days to 149 days. The time to adjudicate has increased 10 days, not decreased, increased 10 days. Some agencies have made huge strides. Others have not. So in some cases, there has been significant improvements, in other cases not.

Overall, the time to grant a clearance has gone down 40 days, which is about 15 to 20 percent. So the process is being improved. We are not where we want to be. We still have our eyes set on the goals laid out by the Intel Bill for December 1, 2006, 2007, 2008, and 2009. We are still moving in the direction of accomplishing those goals, laid out for December of this year. And we are making every effort and working very hard and are very committed to achieving those goals.

Senator AKAKA. Thank you.

Senator VOINOVICH. Mr. Johnson, you said that there are some agencies doing a better job at adjudicating clearances. What has OMB done to bring to the attention of those agencies that are not doing it that they ought to shape up and get it right?

Mr. JOHNSON. Ms. Dillaman and OPM publishes information monthly, with big summaries for all of the agencies quarterly, but monthly for the six large agencies, that shows where they are on all the key metrics. This goes to the lead person for this reform effort at each of the six large agencies.

They have given me plans that show where they want to be on all of these key metrics by April 1, July 1, and October 1 of this year.

So, when the information came out for the end of March, some of them were where they said they wanted to be by April 1. Many of them were not where they said they wanted to be.

I then told them OK, the plan we had, where we wanted to be, we are not there in all cases. I asked them to review their plan, come back to me and tell me what they were going to do different, faster, less of, more of.

Senator VOINOVICH. Pardon me but who are you talking to? Do you talk to the top person in the Department? Or are you talking to somebody down the chain?

Mr. JOHNSON. I do not know where they are in the chain. With DOD it was Mr. Rogalski, before Bob Andrews arrived. There is great responsiveness. I have not felt like I was being told that they were working on it and the evidence was that they were not working on it. If I felt that was the case, I would have gone up the food chain until I got some attention being paid.

But, as I mentioned earlier, there was a great deal of commitment to get this done. I do not sense any lack of commitment or lack of attention to getting this done.

And it is so transparent. It is so clear where every agency is on every key dimension. We do not have to guess who is doing the work and who is not. I can tell you exactly on each of the key metrics.

Senator VOINOVICH. Have you ever brought the ones that are doing it together with the ones that are not doing it——

Mr. JOHNSON. We do that——

Senator VOINOVICH [continuing]. To try and get their best thoughts on maybe how they can improve their operation?

Mr. JOHNSON. In terms of best practices, let me tell you the meeting process. We have met, since August 1 when we first formed this group, or August 10, we have met I think six or seven times. We met the last time on April 26, and we are scheduled to meet the end of June.

There is a group that meets, which involves all of the six agencies, that deals with reciprocity issues. You have a group that deals with standardization of applications and so forth. So there is a number of individual working groups.

But specifically on adjudications, for instance, we have not.

I know that in DOD's case, to get adjudicating at the satisfactory rate where they are adjudicating, I think it is 80 percent within 30 days, they have identified a need to hire, I think it was, 31 adjudicators, or 45 adjudicators. And they knew where they could get the money for most of it and they have looked at the training time and how they could compress the training times and so forth. So, there is a very specific plan for getting the number of adjudicators they need on board, trained, and doing the work.

So, it is not "are you committed to doing this" and taking their word for it. It is "what is their plan?" And did they meet their interim goal? And, if they did meet their interim goal, what modifications to their plan are they going to make?

So, we are just now getting the modifications to their plans back for me to look at. I'll then sit down with each of them and then agree that the changes in their strategy appear to me to be appropriate or they appear to be inappropriate.

But there is a lot of give and take. It is now typically on a quarterly basis where we say here is where you said you were going to be. You have done it or you have not. If you have not, what are you going to do different to get back on track? So there is an oversight, an active oversight process underway.

Senator VOINOVICH. One of the things I discussed with Mr. Portman earlier today is that I start looking at agencies right across the board. And in so many instances they do not have the budget to do the jobs that they have been asked to do. I really think it is incumbent upon OMB, to start looking at agencies that are not performing the way they ought to.

It is not a matter of mismanagement. But the fact is they just do not have the budget to do the job that they have been asked to do.

Mr. Rogalski, you are talking about a tiger team internally. I have to tell you something, you have got industry people out there who are livid about the system.

In quality management you look at your internal team. Then you go to your customers and you say, "what can we do to work with you to speed the process up and make it happen?" You are dealing with corporations that are pretty efficient. You ought to take advantage of it. You ought to get them in and say what is it that we are doing? Look at our process. And can you suggest to us how you can make it better?

I did that when I was governor. We went out to the customers and we said, "what are your thoughts? We want you to be happy. Give us your thoughts on how we can improve the situation."

Mr. ROGALSKI. Let me make two comments, one on our relationship with industry. We have an excellent relationship with industry. DSS, through its Industrial Security Program, meets with industry on a frequent basis. There is a member from the USDI staff at the Aerospace Industry Association this week.

So, we have an ongoing dialogue with all the key elements of industry. On May 10, I chaired a meeting with the key defense industry directors of security—and I have known most of these folks for years, some are personal friends—to get their input. That is exactly what I said. We need to work this together. I need to know from your perspective, because here is almost a quote—I do not want DOD to come with a bureaucratic draconian solution to this. We need to work this together with industry so we are coming up with a smart solution and fixes.

Our fix in that Central Oversight office we are establishing at DSS is to be partnered with industry. So one, we take that very seriously and we will continue to work with industry to get their best practices and figure out how we can do it smarter for the Department of Defense.

Second, our projections. It has always been a challenge for the Department of Defense to get adequate projections. And, I cannot address again what was done previously. But I can tell you today, having looked at this, being responsible for this tiger team, there are several dynamics here.

As the Department increases intelligence information and information sharing, and we have gotten this from the military departments, there is a greater need for higher level of security clearances for our war fighters. That has attributed to a spike in the number of security clearance requirements. And, I agree, we projected these numbers annually, but part of our systemic process is to look at it across the board.

If there is a new requirement that drops on the Department, or if we see it coming, we need to be flexible and agile enough to be able to predict that, advise OPM we may need more resources to meet that situation. So the first dynamic of projections is the increased intel going out there to the war fighter.

The second thing we have seen here is greater use of intelligence community networks, also to the war fighter. That has also caused a spike in the number of investigations. We asked the military departments, about 3 or 4 weeks ago, to reassess their projections for

the remainder of this fiscal year. We received those results last week. We are re-looking at those.

We have an effective model in the Department of Defense today. The Air Force uses a model, a pretty good predictive tool, that we want to see if we can adopt it for the entire Department of Defense. But we have not done well in our projections.

Industry, coincidentally enough, has done a pretty good job of forecasting those projections. But for the management of the Department of Defense, it is clear we must do a better job.

Senator VOINOVICH. Senator Akaka.

Senator AKAKA. Thank you, Mr. Chairman.

I would like to ask this question to DOD, Ms. Haith or Mr. Rogalski. Mr. Johnson discussed the monthly reports issued by OPM. Wouldn't those reports have given clues that DOD was outspending its budget for fiscal year 2006 for security clearances for contractors?

Ms. HAITH. Sir, yes, we do receive those monthly reports and we do analyze them. However, the process is not as exact is it appears. We have been in discussions with OPM about how that reports syncs up with what we actually submit. And we are still working to resolve the fact that they do not exactly sync, and we need to resolve that soon.

Mr. Rogalski can answer about the Department, for the Department.

Senator AKAKA. Would you comment?

Mr. ROGALSKI. We went back and looked at, what I will categorize as the funding chronology, and why we got into the situation we are today. It was clear that, as DSS started tracking the numbers and started seeing the potential shortfall that they experienced in April, that DSS, within the Department, did try to get additional funding. For example, we looked at the Global War on Terrorism Supplemental. We were unable to get funds there. So DSS was looking for additional sources of funding prior to the stoppage, prior to the suspension.

They advised industry that we could no longer accept expedited cases, since those cost us more money. For example, the base cost for an investigation into a top secret clearance is $3,750. The expedited cost is $4,350. So, DSS was looking at ways, within their control, to try to bring the cost down, because, very candidly, we were trying to squeeze every dollar we could.

DSS was reaching the Anti-Deficiency Act situation, and we could not get a good handle on the projected dollars. At the end of April, DSS was in a situation that they were faced with only one option to avoid violating the Anti-Deficiency Act: Suspending investigations.

When you look at this in retrospect, it is clear, and that is one thing I mentioned in my testimony, we need those trip wires sooner in the process. Get greater fidelity between the OPM billing process, what DOD has in its pot, if you will, to ensure that we will not be faced with the situation to suspend investigations again.

Senator AKAKA. Mr. Rogalski, if you were looking at the supplemental, why weren't members of the Armed Services Committee aware of this problem?

Mr. ROGALSKI. I would have to take that as a question for the record. I do not know the answer to that. That was with the internal discussions within the Department on us looking for funding. The communication of this, or the lack of communication to Congress, I am not prepared to address.

Senator AKAKA. Mr. Rogalski, is DSS or the Office of Counterintelligence and Security, part of the Department's business transformation efforts? And if so, what is the level of participation?

Mr. ROGALSKI. I will let Ms. Haith answer the question as it relates to DSS.

Ms. HAITH. The business transformation for DSS has been in progress since we transferred the workload to OPM. It has involved taking what was initially the primary program, personnel security investigations, and no longer having that there, we have made the three other programs in the Agency the focal points with equal balance as to how we accomplish the mission.

We are still in the process of transforming the Agency. We are looking at new ways to do business using automation. We are looking at new policies, that we have to work with OSD, that will help us move forward with those missions. But we are still transforming. It is still a work in progress, a definite work in progress.

Senator AKAKA. Ms. Dillaman, you may recall from our June hearing that I asked about the need for OPM agents overseas to investigate the foreign activities of individuals seeking security clearances such as linguists. Your testimony today indicates there are more than 40 field agents working at more than 30 military installations around the world. Can you tell us how many backlogged cases need overseas coverage?

Ms. DILLAMAN. Yes, sir, I can. At the point of transfer a year ago, 15,000 pending overseas leads were transferred with the program. In the process of establishing an international presence, that backlog grew to 29,000 investigations requiring international coverage.

Since our deployment, and we have had a steady deployment internationally, that number has been reduced to 14,000. Our intent is to continue to have a steady presence abroad.

Recently, we have been working with the Department of Defense to supplement our own core staff by using contractor staff, as well. So I am highly optimistic that by the end of the year overseas cases will be current.

Senator AKAKA. Do you have an idea of how many additional agents are needed to eliminate the overseas backlog?

Ms. DILLAMAN. Yes, sir. We believe a continued presence of 40 is needed until the backlog is eliminated, and then a substantially smaller number, 25 plus contractors as needed. But we have ongoing work with the State Department and the Department of Defense to continue to refine the international coverage requirements so that we are not spending one additional resource more than we need for minimum required coverage.

Senator AKAKA. Thank you. Thank you, Mr. Chairman.

Senator VOINOVICH. Mr. Johnson, is the President going to extend the Executive Order?

Mr. JOHNSON. There will be continued oversight. The feeling was this responsibility for this process will eventually be passed to the Director of National Intelligence. The question is "are they ready

to take responsibility?" I bet the answer is no, in which case, I would bet today, that OMB's involvement will continue, along with the issuance of another Executive Order. But that is just my speculation at this point.

But, I think long-term we envision the DNI taking on the oversight responsibility for the security clearance process.

Senator VOINOVICH. As you know, one of the goals that Senator Akaka and I have is we want to get this off the high-risk list.

Mr. JOHNSON. Me, too.

Senator VOINOVICH. I would feel a lot more comfortable if you would stay involved and not give it over. They have their hands full right now.

Mr. JOHNSON. Right. I think they understand that.

Senator VOINOVICH. I would like to get with the President, in fact if I see him this afternoon, which I may, I may tell him that I would love to have you continue to stay there and do it.

Mr. JOHNSON. Perfect. I like being loved.

Senator VOINOVICH. Reciprocity guidelines, do you have them?

Mr. JOHNSON. We have them. The area that we do not have them, where they are the most ticklish, is for SAP programs, Special Access Programs, with DOD. We are making good progress on resolving that and our goal is to have that reciprocity policy involving SAP programs established and agreed to by mid-June. And then our goal would be to implement it and to get industry and our own security organization, particularly DOD, implementing it and honoring it. And I am confident that we will be able to do that.

Senator VOINOVICH. But the fact is that currently some of the non-DOD agencies are not abiding by that? Is that right?

Mr. JOHNSON. I have no doubt. But I also know that they are. There is more granting of reciprocity. One of the things we are trying to do in the oversight world is find better ways of measuring the level of reciprocity. Ms. Dillaman's group at OPM, when they get requests to do investigative work, one of the things we are in the process of establishing is account of how many requests we get for clearance work that has already been done. We do not have those metrics yet.

We are also in the process, we get sort of anecdotal directional information from industry about where they think we should have granted reciprocity, where we did not. We have just made our first collection of that. I think it was for the month of March. But we will be able to track that over time.

So we are not where we need to be. But we understand it is important. We understand that we need to be able to measure it and hold people accountable for honoring this, the new definition of reciprocity.

Senator VOINOVICH. In your written testimony, you discuss the use of the eQIP by agencies to submit investigative requests for investigations. Apparently, when they are doing it, it has really helped a great deal.

Mr. JOHNSON. Yes, sir.

Senator VOINOVICH. Currently, only 42 percent of the agencies are using it, and the goal was by April 1 for 100 percent of them to be using it. What is the problem?

Mr. JOHNSON. We all agreed last fall, all six agencies, that there was no reason why we could not be at 100 percent by April 1. We are halfway there. Some agencies are at 80 percent. DOD went from virtually nothing to 44 percent, which for that many people is a huge accomplishment.

But our goal was 100 percent. So, we have made good progress, in some cases huge progress. But, we are not where we said we wanted to be on that. So I have gone back to every agency and they are now coming back to me, as we speak, with OK, we said we would be there April 1. Here is what we are going to do and here is when I now think we will be there, at 100 percent.

Senator VOINOVICH. Ms. Dillaman, the last time we were together there was talk about the high turnover rate for private contractors doing investigations for OPM. Is this still a problem? What is your response to what Mr. Stewart said in terms of the training that is going to be needed?

What did you say, Mr. Stewart, 2 years before some of them would be trained to get the job done. Where are we on that?

Ms. DILLAMAN. Yes, sir. I think we are in excellent shape. We still have the same six companies under contract. They are continuing to add resources. Their attrition rate has stabilized. In the month of April it was about 1.5 percent.

On the Federal side of things, our attrition rate is lower. I have about a 1 percent attrition rate for the month of April.

And so are keeping pace with attrition by hiring employees to replace the ones who retire.

We have a full-blown academy in place. In fact, Mr. Stewart had two of his representatives attend one of our academy sessions. So between us and our contractors, we are quite capable of bringing in the additional resources we need and training them well.

Senator VOINOVICH. Senator Akaka.

Senator AKAKA. Thank you, Mr. Chairman.

Ms. Dillaman, you testified that all agencies have been asked to reevaluate their projections for the remainder of this fiscal year which may result in an increase to your Federal and contractor staff levels.

Do you know how many additional employees would be needed based on existing staff and application levels?

Ms. DILLAMAN. Sir, as it stands today, we are adequately staffed to deal with today's workloads. The unknown is what I can expect for the balance of the year, whether or not the Department of Defense's receipts will continue to stay high, whether or not they will annualize and stabilize more closely to their projections by the end of the year. And that is what we are going to have to wait for to calculate overall FTE needs.

I will tell you, using a broad base of contractors, six companies, certainly helps the ability to respond to fluctuations in workloads because work is distributed between the Federal staff and six contracting companies. So I believe we have a very flexible platform that can adjust. It is just trying to wrap our arms around what to adjust to?

Senator AKAKA. Ms. Dillaman and Mr. Johnson, some of the problems in completing investigations can result from delays in obtaining information from national, State, and local record pro-

viders. Ms. Dillaman testified that OPM is working with OMB and Federal agencies that provide records to rectify this problem.

Could you both provide us with more details on what you are doing in this regard?

Ms. DILLAMAN. Let me start, sir.

First of all, by far the most problematic right now are two Federal agencies' record systems that need some significant work or have significant backlogs. Today, I have 70,000 investigations pending where all I am waiting for is a final national agency record from either the FBI or the Department of Defense. Both agencies have put together plans on how they will reduce the backlogs in providing these files and get to a state of currency by the end of this year so that we can all meet the terms of the Intelligence Reform Act.

For each group it is a question of system engineering, proper staffing, and setting up a mechanism for retrieval and responsiveness. I am highly optimistic we are going to get there. The FBI has made significant progress. They have recently submitted a plan that looks at the engineering process and what their staffing and cost needs are going to be.

Quite frankly, I do expect, because we do pay a user fee to the FBI for their records, and because they are going to need additional funding, we are going to see a spike in the user fee as a result of this. But if that is what is necessary to get this backlog under control and get these records processed, that is what is going to have to happen.

Senator AKAKA. Mr. Johnson.

Mr. JOHNSON. Just to add to what Ms. Dillaman just said, they have identified how many people they need to be able to get to the desired level by the end of the year and there are three alternative ways of getting that. It is a combination of they hire more people and/or they take some people from OPM and transfer them into the FBI operation for a period of time and/or they hire contractors. So they know how many people. There are three alternative ways of getting it done. They know what the cost is. It is a cost that, if it is OPM people there is a cost that they have to incur in how they get reimbursed for that. So they are in the process of working through there.

We first met with the FBI, I think it was February, to work through these matters. So it is now 3 months. When I think back about it, I should have been more aggressive at bringing this to closure. I should have been more aggressive at having a plan before us to say yes or no over, and begin the implementation of in way less than 90 days. And I was neglectful in doing that.

Senator AKAKA. Mr. Johnson, the cost to our national security and agency missions are indeed high for failing to complete security clearances in a timely manner. My question to you is, has OMB calculated how much money is lost due to the delay in completing security clearances for contractors?

Mr. JOHNSON. To my knowledge, we have not. For one year in my past life, I was a market research director for a large company. I remember one of our disciplines that we tried to abide by was do not ask any question if it will not make any difference in what you

are trying to do. If it will not impact whether you go in this direction or that direction, there is no point in answering the question.

And I would suggest that the cost is obviously large. Our commitment is to reform the process, per the goals established by the Intel Bill, and we are fully committed to doing that and working very hard to do that. I am not sure whether, if we found out that the cost was this or that, that we would be any more committed to doing this and be working any more aggressively than we are now to reform the process.

But, to my knowledge, we do not know what that number is.

Senator AKAKA. Mr. Stewart, has GAO looked into this?

Mr. STEWART. We have not. Senator Akaka, we have not looked at the cost, no.

Senator AKAKA. Mr. Chairman, thank you.

Senator VOINOVICH. I have no more questions. Do you have any more, Senator Akaka?

Senator AKAKA. I will submit my questions.

Senator VOINOVICH. I want to thank all of you for your testimony.

Mr. Andrews, I would like to set up a time where we can get together and talk about what you are doing.

Mr. Johnson, I am real interested in the Executive Order.

Mr. Stewart, I still would like GAO to stay involved with this issue.

Mr. Andrews, in 6 months I want a bang up plan that deals with streamlining this, getting it done, and also to get your best thought on how we are going to do a better job of predicting the workload.

I just want you to know I am going to stay on this thing, and so is Senator Akaka. We are going to get the security clearance process off the list. This is going to be one of the things the Administration is going to brag about, that we finally, after years, took a screwed up system and improved it and made it good and got it off the high risk list where it has been since 1990.

This goal is very important for our country. We are talking about our national security. I think that should be the incentive to really make this work. Thank you.

Senator AKAKA. I want to thank the Chairman for really moving on this and continuing to deal with these questions.

I want to thank you, Mr. Johnson, and also Comptroller General Walker. As we work on high risk elements, we really are trying to get at the problems that are out there. And so, as we hear you, you are trying. We want to really be able to help you in doing this.

I offered that there is a way of doing this, and that is to talk to each other and to work together on this. It is clear that some of the problems exist between agencies. We need to find a solution to the lack of communication.

I just wanted to say that the Chairman and I are really here to try to help you resolve all of these problems. Please let us know how we can help, too. Thank you, Mr. Chairman.

Senator VOINOVICH. Thank you, Senator Akaka.

I want to finish on a more positive note. I want to say thank you very much for the progress that you have made. I know it is not easy and we concentrated today on the problems. But Ms. Dillaman

I want to say thank you, you are moving ahead and I know you are serious about this. So thank you very much.

The meeting is adjourned.

[Whereupon, at 4:15 p.m., the Subcommittee was adjourned.]

APPENDIX

DEPUTY DIRECTOR
FOR MANAGEMENT

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

Statement of

The Honorable Clay Johnson III

before the

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

of the

Committee on Homeland Security and Governmental Affairs

United States Senate

May 17, 2006

The Office of Management and Budget is responsible for overseeing the reform of the Federal security clearances granting process. Earlier I reported that we had established performance goals for component part of the security clearance process:

- At the end of 2005, a single consolidated data base of personnel security clearance information was established and is easily accessible by authorized users to confirm who already has what clearances.
- By December 2006, 80% of background investigations will be completed within 90 days of receipt of the necessary information.
- By December 2006, 80% of adjudications will be completed within 30 days of receipt a completed background investigation.

Additionally, all security clearance granting and investigation agencies had developed aggressive plans to accomplish the goals laid out in the Intelligence Reform and Terrorism Prevention Act, they had clearly defined accountability for implementing those plans, and they are fully committed to reforming the process.

I report to you today that agencies are making good, and in some cases significant, progress, but we are not where we want to be at this point in the reform process. I will let Kathy Dillaman report on the progress OPM is making to improve the investigation process. With regards to the other parts of the process:

Submitting Investigation Requests for Investigation
We are making significant progress getting accurate, completed investigation requests to OPM on a timely basis. In FY 2005, it took 32 days to submit completed forms to OPM. In the most recent three months, completed forms were submitted in an average of 21 days. Agencies, in general, are more attentive to the need to improve submission times, but most importantly, they have increased their use of electronic submission, eQIP, from 19% last year to 42% in April. Our goal was to submit all requests electronically by April 1; so we are not where we wanted to be, but we are making good progress. The Department of Commerce (86% eQIP usage and submissions in 14 days) and the Department of Defense (44 % eQIP usage and submissions in 9 days) should be recognized for their strong improvements in this area.

Adjudicating
Some, but not enough, progress has been made adjudicating clearance requests on a timely basis. In April only 8% of adjudications were completed within 30 days, versus the ultimate goal of 80%. The Department of Commerce (51%), the Department of Energy (50%), the Department of Transportation (47%), and the Department of Homeland Security (43%) have made significant improvements, but these gains are more than offset by the Department of Defense, which adjudicates only about 5% of its cases within 30 days. The Department of Defense needs to hire and train more adjudicators, which they are committed to do.

Agencies are reviewing and revising, if necessary, the activities they had planned to achieve the desired goals, as they/we are still committed to achieving the December, 2006, goals laid out in the Intelligence Reform and Terrorism Prevention Act.

With regards to other aspects of the security clearance reform process:

Reciprocity

Agencies are moving to adopt the clearer set of conditions under which clearance reciprocity should be granted. We have not reached mutual agreement with the Department of Defense on reciprocity involving Special Access Programs, but we expect, and are committed, to reaching agreement very soon. We are also finding better ways to measure our compliance with the reciprocity guidelines, in order to hold agencies most accountable for abiding by the new conditions under which reciprocity should be granted.

Communication with the Contractor Community

We have met with representatives of the Contractor Community twice to outline our plans and commitment to improve the process. We seek frequent input from them regarding the reciprocity issue, to get a better sense of whether the concerns are increasing or decreasing. I believe they fully understand that the security clearance process will be reformed.

Defense Security Service Investigation Processing

The Defense Security Service recently halted temporarily the processing of industry clearance requests. The reason for the cessation is simply the Service did not anticipate the recent surge in requests for security clearances and therefore finds itself without adequate funds to process these request. On Monday, the Department of Defense submitted and OMB approved a reprogramming request to provide $90.7 million to fund the shortfall. Once the four Defense Committees approve the reprogramming, the Defense Security Service will move aggressively to process industry requests for clearances. Additionally, the Defense Security Service has committed to improving its workload projections so this situation does not recur.

The goals we have set to improve the security clearance process are aggressive. Barriers will arise periodically that inhibit our progress. Working with the partner agencies and interested Members of Congress, I am certain we will be successful in dramatically improving the efficiency and effectiveness of the security clearance process.

Statement of

Kathy L. Dillaman
Associate Director for
Federal Investigative Services Division
U.S. Office of Personnel Management

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

Progress or More Problems: Assessing the Federal Government's
Security Clearance Process

May 17, 2006

Mr. Chairman and members of the Subcommittee, it is my privilege to testify today on behalf of the Office of Personnel Management (OPM) to provide you with an update of the progress that has been made to improve the timeliness of the security clearance process and reduce the backlog of background investigations.

Background

OPM's mission is to ensure the Federal Government has an effective civilian workforce. To accomplish this mission, OPM provides background investigation products and services to agencies to make security clearance or suitability decisions on civilian, as well as military and contractor personnel. OPM conducts different levels of investigations for various types of positions in the Federal Government. The investigations range from the minimum level of

investigation for positions that require a Confidential or Secret clearance, to extensive field investigations for those that require a Top Secret clearance.

At OPM, the division responsible for conducting background investigations is our Federal Investigative Services Division (FISD), headquartered in Boyers, Pennsylvania. This division supports over 100 Federal agencies with thousands of security offices worldwide. Its automated processing systems and vast network of field investigators handle a high volume of cases. In fact, we expect to process over 1.7 million investigations this year.

Update on the investigation and security clearance process

Since February 20, 2005, OPM has had responsibility for about 90 percent of all personnel background investigations for the Federal government. Subsequently, the Office of Management and Budget (OMB) formalized this by officially designating OPM as the lead investigative agency responsible for conducting personnel security investigations. We have been working closely with OMB and the major clearance granting agencies to meet the timeliness requirements of the Intelligence Reform and Terrorism Protection Act of 2004. During my last appearance before this Subcommittee in November, I outlined how our performance improvement plan addresses four critical areas of the investigation and security clearance process: workload projections, timeliness and quality of agency submissions of investigations, investigations timeliness, and adjudications timeliness. I also spoke to some of the problems that were causing the most extensive delays.

Since that time, I am happy to report that we have made great strides in improving overall timeliness and reducing the inventory of cases, and we are continuing to work aggressively to resolve any issues that are hindering the background investigations process.

OPM provides reports each quarter to OMB and the clearance granting agencies on the progress that has been made to meet the goals of the performance plan I referenced earlier. The reports provide data in the four focus areas I described. As an attachment to my testimony today, I am providing a chart which depicts the overall performance improvement trends for all agencies.

Workload projections: To staff the investigative program responsibly, we need agencies to work toward projecting their annual need within a margin of 5%. Overall, agencies' projections are within 17% of actual work submitted. The Department of Defense, which represents over 80% of the required security clearance investigations, has exceeded its annual projections by 59% for the first half of the fiscal year. . We have asked all agencies to re-evaluate their projections for the remainder of FY2006. Based on any adjustments provided, we may need to further increase our Federal and contractor staff levels to keep pace with demand.

Timeliness and quality of agency submissions of investigations: The first step in improving the timeliness of the investigation and security clearance process is timely and accurate submission of the subject's background information to OPM. The expanded use of the electronic Questionnaires for Investigations Processing (e-QIP) by submitting agencies has improved submission timeliness and lowered the rate of submissions OPM rejects because they contain incomplete or inconsistent information. In June 2005, we reported that 27 agencies were using

e-QIP and over 17,000 investigations had been requested electronically. Currently, over 50 agencies are using e-QIP and over 221,000 investigations have been requested through this process.

In April 2006, submissions through e-QIP averaged 14 days while hardcopy submissions averaged 28 days. This is an improvement over the 35 to 55 calendar days reported in November 2005, and is in line with the recommended performance goal of all submissions within 14 days. In addition, the rejection rate is currently 9%, and we are confident this number can be reduced to the performance goal of less than 5% with the expanded use of e-QIP.

Investigations Timeliness: OPM continues to make significant progress in reducing the amount of time it takes to complete the investigations for initial security clearances. Timeliness for Single Scope Background Investigations (SBI), which support initial Top Secret clearances, averaged 284 days in June 2005. In April 2006, they averaged 171 days in process. Timeliness for those designated for Priority handling were reduced from 58 days in June to 53 days in April.

Timeliness for National Agency Checks with Law Check and Credit (NACLC) investigations that support a Secret or Confidential Clearance, averaged 163 days in June 2005. In April, they averaged 145 days. Timeliness for Priority requests for this level of investigation also decreased from an average of 95 days in June to 64 days in April.

Table 1

Case Type		June 2005	October 2005	April 2006
SBI's/Priority	Total	1,168	1,170	692
	Average Days	58	38	53
SBI's/All	Total	8,430	8,589	5,751
	Average Days	284	231	171
NACLC's/Priority	Total	827	908	922
	Average Days	95	53	64
NACLC's/All	Total	34,727	33,521	32,491
	Average Days	163	134	145

The improvement in timeliness can be attributed largely to our increased staffing and productivity by our field agents. Currently, we are maintaining a staff level of over 8,600 employees devoted to the background investigations program. We expect our staffing level will reach over 9,000 by the end of this calendar year.

In addition, we began deploying field agents overseas in August 2005, and currently have more than 40 field agents working at more than 30 military installations around the world. The agents are working off the backlog of cases needing overseas coverage. We will continue to work with the Department of State and DoD to expand OPM's international presence overseas.

Although we have been able to reduce the number of overdue initial clearance investigations, our inventory of pending investigations is increasing because of the difficulty we have obtaining information from third-party record providers. The investigations cannot be closed complete until this third-party information is obtained. We continue to experience delays in obtaining information from some national, state, and local record providers. . Working with OMB, Federal agencies that provide records have developed aggressive plans to improve their performance.

Adjudications Timeliness: During the second quarter of this fiscal year, agencies reported their adjudication actions to OPM on approximately 39% of their investigations. Of those reported, agencies averaged 78 days to adjudicate their investigations, with 9% done within 30 days of completion of the investigation. OPM is working with agencies to improve the time it takes to deliver completed investigations and report their adjudicative actions. These efforts include electronically transmitting the completed investigation to the adjudications facility and linking an agency's in-house record system to OPM's data base for electronic updating of their actions.

Mr. Chairman, when the Senate confirmed OPM Director Linda Springer last summer, I know she assured you that our work on security clearance reforms would be one of her highest priorities. I am proud to have been given the opportunity to work closely with our Director to put my own 30 years of Federal experience in this area to work in order to meet the expectations Congress and the President have set on this critical issue.

This concludes my remarks. I would be happy to answer any questions the Subcommittee may have.

Summary of Performance Improvement Trends for All Agencies for May 2006

Agency: ALL

Workload Projections	Agency Projections: Annual Projections	Prorated Quarterly	Prorated Monthly	Quarterly and Monthly Variance* 1st Qtr	Jan-06	Feb-06	Mar-06	2nd Qtr	Apr-06
				Includes all form types					
Total All Case Types	1,522,317	380,579	126,860	13%	14%	4%	36%	18%	12%
SBI's	90,000	22,500	7,500	5%	-7%	-19%	32%	2%	6%
NACLC/ANACI's	445,800	111,450	37,150	25%	22%	6%	54%	27%	26%
BI/LBI/MBI	31,015	7,754	2,585	-87%	-87%	-90%	-82%	-87%	-83%
SBI-PR's & PPR's	68,845	17,211	5,737	24%	16%	0%	83%	33%	34%
All Others	886,657	221,664	73,888	11%	16%	10%	29%	18%	7%

*Variance of (+) or (-) indicates the % above or below agency projections. 50% variance indicates 150% received above projections. Please note previous Versions of this report reflected variance of receipts against projections. Current & future versions will reflect the variance of scheduled cases against projections.

Submissions	Goal	National Security Forms Only: 1st Qtr	Jan-06	Feb-06	Mar-06	2nd Qtr	Apr-06
Percent of investigations submitted using eQIP	*100%*	34%	37%	32%	47%	40%	42%
Submission Timeliness -- Hard Copy	*14 days*	42 days	31 days	27 days	26 days	28 days	29 days
Submission Timeliness -- eQIP	*14 days*	14 days	14 days	13 days	14 days	14 days	11 days
Deficient Submissions	*< 5%*	9%	10%	12%	6%	9%	6%

Adjudications	Goal	National Security Investigations completed over 90 days ago: 1st Qtr	Jan-06	Feb-06	Mar-06	2nd Qtr	Apr-06
Action Notification Required		98,128	33,886	33,575	32,448	99,347	39,377
Actions Reported		38,525	12,255	8,462	4,390	37,768	13,490
Percent of Actions Reported		39%	36%	25%	14%	38%	34%
% Completed within 30 days	*80% w/i 30 days*	10%	10%	7%	7%	9%	8%

STATEMENT OF

MR. ROBERT ANDREWS

DEPUTY UNDER SECRETARY OF DEFENSE
FOR COUNTERINTELLIGENCE AND SECURITY

BEFORE THE

SUBCOMMITTEE ON OVERSIGHT OF GOVERNMENT MANAGEMENT
COMMITTEE ON HOMELAND SECURITY AND GOVERNMENT AFFAIRS
UNITED STATES SENATE

ON

ASSESSING THE FEDERAL GOVERNMENT'S
SECURITY CLEARANCE PROCESS

MAY 17, 2006

NOT FOR PUBLIC RELEASE
PRIOR TO COMMITTEE APPROVAL

Good morning, Mr. Chairman and Members of the Subcommittee. I'm Bob Andrews. I'm the Deputy Under Secretary of Defense for Counterintelligence and Security. The decision to suspend security investigations was made shortly after I took up my post. This was not the finest hour for the Defense Security Service which reports to me. We failed to estimate accurately the demand for security investigations. We failed, moreover, to understand the systemic problems that further contributed to suspension of the investigations.

I am responsible for taking steps to resume the investigations. I am also responsible for fixing the underlying problems in the process so something like this is unlikely to happen again.

We have lifted the investigations suspension. And, we are on the path toward identifying and fixing fundamental flaws in our process. In the coming weeks, I will keep the Committee abreast of our progress, and, at the Committee's convenience, consult with you as we move forward.

Rob Rogalski, Special Assistant to the Under Secretary for Intelligence, is the person most knowledgeable about the suspension. I've asked him to lay out what happened and to outline the near-term and longer-term solutions we've identified.

Thank you.

STATEMENT OF

MR. ROBERT W. ROGALSKI

SPECIAL ASSISTANT TO THE
UNDER SECRETARY OF DEFENSE FOR INTELLIGENCE

BEFORE THE

SUBCOMMITTEE ON OVERSIGHT OF GOVERNMENT MANAGEMENT
COMMITTEE ON HOMELAND SECURITY AND GOVERNMENT AFFAIRS
UNITED STATES SENATE

ON

ASSESSING THE FEDERAL GOVERNMENT'S
SECURITY CLEARANCE PROCESS

MAY 17, 2006

NOT FOR PUBLIC RELEASE
PRIOR TO COMMITTEE APPROVAL

Introduction:

Mr. Chairman and Members of the Subcommittee, I am pleased to appear before you today.

I am Rob Rogalski, Special Assistant to the Under Secretary of Defense for Intelligence. Prior to the appointment of Bob Andrews, I was the Acting Deputy Under Secretary of Defense for Counterintelligence and Security, under whose oversight the Defense Security Service (DSS) falls. I am joined by Ms. Janice Haith, Acting Director, DSS.

The Under Secretary of Defense for Intelligence asked me to lead a DoD team to diagnose what caused DSS to suspend industry investigations due to a funding shortfall.

The work we have done has uncovered a number of systemic problems associated with the industrial security process. We have identified immediate changes which I believe will help address those problems. In addition, I would like to share with this Committee, and others with an interest in Congress, the longer term changes we are proposing to place the industrial personnel security system on a firm foundation.

Background:

By way of background, the Department of Defense budgets and pays for the cost of security clearances for all DoD contractors and the contractors for 23 other Federal agencies. The Office of Personnel

Management (OPM) does the investigations, but DoD pays the cost of the investigations. DoD adjudicates the clearances.

On April 25th the Acting Director, DSS, directed the Defense Industrial Security Clearance Office (DISCO), which processes requests from industry for investigations, to cease submissions to the Office of Personnel Management (OPM) for two types of investigations, initial personnel security investigations and periodic reinvestigations.

- Initial personnel security investigations are conducted for individuals who do not have a personnel security clearance.
- Periodic reinvestigations are conducted for the purpose of updating previously completed background investigations at 5, 10, and 15 years for Top Secret, Secret, and Confidential clearances, respectively.

On April 28th DSS notified the industrial security community to stop sending requests for investigations to DISCO because DSS projected that it did not have sufficient funds available to pay OPM for additional investigations. DSS took this action to comply with the Anti-Deficiency Act. It cannot knowingly request investigations without available funding.

Let me stress that DSS did not direct OPM to stop work on any industrial investigations, initial or periodic, submitted prior to April 25, 2006. DSS has paid for all work submitted to OPM through April 25, 2006.

During FY06 and prior to April 25th, DSS submitted to OPM over 100,000 requests for industry investigations. Based on current projections, we anticipate submitting an additional 100,000 industry investigations for FY06.

Again, none of the more than 100,000 industrial investigations submitted by DSS to OPM prior to April 25th have been affected by DSS's action to suspend the submission of investigations after April 25th.

Let me turn to the effect of the suspension. We recognize there has been an impact on the industrial community, particularly those employees who are waiting for a clearance to begin work. DISCO receives approximately 4,000 requests for investigation per week from industry. Accordingly, there are approximately now 8,000 requests for investigation that have not been submitted by DSS to OPM since April 25th.

Of these 8,000 requests, approximately 2,400 are for periodic reinvestigations, meaning that these 2,400 people are still at work and are not adversely affected by the suspension. The remainder - 5,600 requests - is for new investigations. These are people who do not hold security clearances. The suspension by DSS has delayed the submission of these 5,600 requests to OPM for up to two weeks.

Diagnosis:

A number of factors contributed to the problem faced by DSS on April 25th.

- First, DSS did not adequately budget for the cost of industry investigations in FY06.
    - In October 2004, the Department signed an agreement with OPM to transfer the personnel security investigation function from DoD to OPM. As part of the agreement, DoD agreed to pay to OPM up to a 25% premium of the base cost of investigations to offset potential operating losses incurred by OPM. The DoD budget request, which was delivered to the Congress in February 2005, prior to OPM publication of its FY 2006 rates for DoD investigations, did not include funds to pay the premium to OPM.
    - Compounding this error, DSS underestimated the number of investigations it would have to pay for in FY06.
    - In addition, the DSS budget was reduced during Congressional deliberation on the FY06 budget.
    - DSS did not apprise industry of the reduction in funding, which could have reduced requests, nor did DSS appropriately manage the reduction, to ensure it could pay for industry investigations that DSS anticipated sending to OPM through the end of FY06.
- Second, when DoD transferred the personnel security function to OPM on February 20, 2005, DSS had 45,000 pending industry investigation requests.
    - DSS did not transfer these investigations to OPM because it was unable to complete the packages for transfer in a manner acceptable to OPM.

- DSS directed industry to resubmit many of these investigations. It appears a number of these investigations are being submitted during the period covered by the FY06 budget.
- DSS failed to track the status of these investigations and did not request funding for them in its FY06 budget submission.

The combination of the above factors, when set against DSS's projection of submissions for the remainder of FY06, resulted by April 2006, in a projected funding shortfall of $90M. Therefore, on April 25th, DSS suspended submitting industry investigations to OPM.

Immediate Steps:

Let me now address the immediate steps the Department has taken to address the suspension.

- DoD's Comptroller identified and provided to DSS $28M to enable the restart of industry investigations on a limited basis.
- On Monday, May 15th, DSS notified industry to begin submitting requests for initial investigations for SECRET clearances to ensure individuals requiring a clearance for employment are placed in the OPM processing queue. Based on present projections, the $28M will allow DSS to send to OPM for processing industry initial SECRET clearance requests through the end of June 2006.
- DoD, with OMB approval, submitted a reprogramming request to Congress for $90M on May 16, 2006, to enable DSS to

submit the remaining projected industry investigations through the end of FY06.

- Once the four Defense Congressional Committees approve the reprogramming, DSS will provide updated guidance to industry on submitting requests for investigations, to include initial Top Secret investigations, and periodic reinvestigations.

Long Term Solutions:

In order to prevent a recurrence of this situation, the Deputy Under Secretary of Defense for Counterintelligence and Security is directing the following actions over the longer term to address the systemic problems that have been identified.

- The establishment within DSS of a Central Oversight Office (COO) to perform the following functions:
  - Develop, in conjunction with DoD Components, affected Federal agencies, and industry, a process to link security investigation requirements (e.g., number, type, priority, etc.) and funding with current and future DoD contractual requirements.
  - Establish, in conjunction with DoD Components, affected Federal agencies, and industry, a system for prioritizing industry requests.
  - Validate the requirements for those investigations.
  - Monitor, initially on a daily basis, the industry investigation process and develop "trip wires" to reduce the probability of any need to impose a future suspension.

- Establish a communications network among requesting DoD Components, affected Federal agencies, industry, DSS, and OPM to ensure all are working within established priorities and budget. This network will provide DSS and OPM transparency into each other's related activities and operations.

- The DoD Comptroller will immediately begin work with DSS to develop a new process for DSS to use in preparing its budget submissions.
- The DoD Comptroller will train DSS personnel on accounting processes for managing DSS's fiscal activity.
- DSS will continue to work with OPM so that the two organizations can identify and track investigations submitted to OPM for processing, as well as the associated funding.

Conclusion:

The Department's senior leadership is committed to correcting the systemic problems that have been identified in the personnel security process. The Department recognizes that inadequate oversight was a major contributor to this problem.

We are prepared to meet with the Subcommittee periodically to provide progress reports on both our short-term and long-term efforts to correct the problems identified.

Mr. Chairman, this concludes my prepared remarks. We are available to answer any questions you may have.

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

For Release on Delivery
Expected at 2:30 p.m. EDT
Wednesday, May 17, 2006

DOD PERSONNEL CLEARANCES

New Concerns Slow Processing of Clearances for Industry Personnel

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

GAO-06-748T

May 17, 2006

GAO
Accountability·Integrity·Reliability

Highlights

Highlights of GAO-06-748T 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

DOD PERSONNEL CLEARANCES

New Concerns Slow Processing of Security Clearances for Industry Personnel

Why GAO Did This Study

The Department of Defense (DOD) is responsible for about 2 million active personnel security clearances. About one-third of the clearances are for industry personnel working on contracts for DOD and more than 20 other executive agencies. Delays in determining eligibility for a clearance can heighten the risk that classified information will be disclosed to unauthorized sources and increase contract costs and problems attracting and retaining qualified personnel. Long-standing delays in completing hundreds of thousands of clearance requests and numerous impediments that hinder DOD's ability to accurately estimate and eliminate its clearance backlog led GAO to declare DOD's personnel security clearance program a high-risk area in January 2005.

This testimony presents GAO's (1) preliminary observations from its ongoing review of the timeliness and completeness of clearances, (2) concerns about the upcoming expiration of an executive order that has resulted in high level commitment to improving the governmentwide clearance process, and (3) views on factors underlying DOD's decision to stop accepting clearance requests for industry personnel.

www.gao.gov/cgi-bin/getrpt?GAO-06-748T.

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

What GAO Found

GAO's ongoing review of the timeliness and completeness of security clearance processes for industry personnel has provided three preliminary observations. First, communication problems between DOD and the Office of Personnel Management (OPM) may be limiting governmentwide efforts to improve the personnel security clearance process. Second, OPM faces performance problems due to the inexperience of its domestic investigative workforce, and it is still in the process of developing a foreign presence to investigate leads overseas. Third, some DOD adjudication facilities have stopped accepting closed pending cases—that is, investigations formerly forwarded to DOD adjudicators from OPM—even though some required investigative information was not included.

In addition, the expiration of Executive Order 13381 could slow improvements in the security clearance processes governmentwide, as well as for DOD in particular. The executive order, which among other things delegated responsibility for improving the clearance process to the Office of Management and Budget (OMB), is set to expire on July 1, 2006. GAO has been encouraged by the high level of commitment that OMB has demonstrated in the development of a plan to address clearance-related problems. Because there has been no indication that the executive order will be extended, GAO is concerned about whether the progress that has resulted from OMB's high-level management involvement will continue. Issues such as OPM's need to establish an overseas presence are discussed as potential reasons why OPM may not be in a position to assume an additional high-level commitment if OMB does not continue in its current role.

Finally, inaccurate projections of clearance requests and funding constraints are delaying the processing of security clearance requests for industry personnel. DOD stopped processing new applications for clearance investigations for industry personnel on April 28, 2006. DOD attributed its actions, in part, to an overwhelming volume of requests for industry personnel security investigations. DOD's long-standing inability to accurately project its security clearance workload makes it difficult to determine clearance-related budgets and staffing requirements. The funding constraints that also underlie the stoppage are related to the transfer of DOD's personnel security investigations functions to OPM. DOD has questioned some of the costs being charged by OPM and has asked OMB to mediate the DOD-OPM dispute. Information from the two agencies indicates that OMB has directed the agencies to continue to work together to resolve the matter. According to officials in the DOD and OPM inspector general offices, they are investigating the billing dispute and expect to report on the results of their investigations this summer.

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 and problems related to clearances for industry personnel. Since declaring DOD's program a high-risk area in January 2005, we have testified before this Subcommittee three times on security clearance-related issues. Before providing my observations about the current problems in the security clearance process, I would like to provide some background to (1) give a general context for understanding clearances and describe the importance of industry personnel to our national security, (2) discuss how clearance problems can negatively affect national security, and (3) provide information about several recent events affecting the overall status of DOD's personnel security clearance program.

Background

For over 2 decades, we have reported on problems with DOD's personnel security clearance program as well as the financial costs and risks to national security resulting from these problems (see Related GAO Reports at the end of this statement). For example, at the turn of the century, we documented problems such as incomplete investigations, inconsistency in determining eligibility for clearances, and a backlog of overdue clearance reinvestigations that exceeded 500,000 cases.[1] More recently in 2004, we identified continuing and new impediments hampering DOD's clearance program and made recommendations for increasing the effectiveness and efficiency of the program.[2] Also in September 2004 and June and November 2005, we testified before this Subcommittee on clearance-

[1] GAO, *DOD Personnel: More Consistency Needed in Determining Eligibility for Top Secret Security Clearances*, GAO-01-465 (Washington, D.C.: Apr. 18, 2001); GAO, *DOD Personnel: More Actions Needed to Address Backlog of Security Clearance Reinvestigations*, GAO/NSIAD-00-215 (Washington, D.C.: Aug. 24, 2000); and GAO, *DOD Personnel: Inadequate Personnel Security Investigations Pose National Security Risks*, GAO/NSIAD-00-12 (Washington, D.C.: Oct. 27, 1999).

[2] 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); and 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).

related problems faced governmentwide, DOD-wide, and for industry personnel in particular.[3]

A critical step in the federal government's efforts to protect national security is to determine whether an individual is eligible for a personnel security clearance. Specifically, an individual whose job requires access to classified information must undergo a background investigation and adjudication (determination of eligibility) in order to obtain a clearance. As with federal government workers, the demand for personnel security clearances for industry personnel has increased during recent years. Additional awareness of threats to our national security since September 11, 2001, and efforts to privatize federal jobs during the last decade are but two of the reasons for the greater number of industry personnel needing clearances today. As of September 30, 2003, industry personnel held about one-third of the approximately 2 million DOD-issued clearances. DOD's Office of the Under Secretary of Defense for Intelligence has overall responsibility for DOD clearances, and its responsibilities also extend beyond DOD. Specifically, that office's responsibilities include obtaining background investigations and adjudicating clearance eligibility for

[3] GAO, *DOD Personnel Clearances: Government Plan Addresses Some Longstanding Problems with DOD's Program, But Concerns Remain*, GAO-06-233T (Washington, D.C.: Nov. 9, 2005); 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); and GAO, *Intelligence Reform: Human Capital Considerations Critical to 9/11 Commission's Proposed Reforms*, GAO-04-1084T (Washington, D.C.: Sept. 14, 2004).

industry personnel in more than 20 other federal agencies,[4] as well as the clearances of staff in the federal government's legislative branch.

Problems in the clearance program can negatively affect national security. For example, delays reviewing security clearances for personnel who are already doing classified work can lead to a heightened risk of disclosure of classified information. In contrast, delays in providing initial security clearances for previously non cleared personnel can result in other negative consequences, such as additional costs and delays in completing national security-related contracts, lost-opportunity costs, and problems retaining the best qualified personnel.

Long-standing delays in completing hundreds of thousands of clearance requests for servicemembers, federal employees, and industry personnel as well as numerous 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. The 25 areas on our high-risk list at that time received their designation because they are 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.[5]

[4] We identified 22 other agencies in GAO-04-632. Executive Order No. 10865, *Safeguarding Classified Information Within Industry*, Feb. 20, 1960, which was amended by Executive Order No. 12829, *National Industrial Security Program*, Jan. 6, 1993, authorizes DOD to reach agreement with other federal departments and agencies to extend its regulations concerning authorizations for access to classified information by industry. The agencies that have entered into agreements with DOD for security services under the National Industrial Security Program are the (1) National Aeronautics and Space Administration, (2) Department of Commerce, (3) General Services Administration, (4) Department of State, (5) Small Business Administration, (6) National Science Foundation, (7) Department of Treasury, (8) Department of Transportation, (9) Department of the Interior, (10) Department of Agriculture, (11) Department of Labor, (12) Environmental Protection Agency, (13) Department of Justice, (14) Federal Reserve System, (15) U.S. Government Accountability Office (formerly U.S. General Accounting Office), (16) U.S. Trade Representative, (17) U.S. International Trade Commission, (18) U.S. Agency for International Development, (19) Nuclear Regulatory Commission, (20) Department of Health and Human Services, (21) Department of Homeland Security, and (22) Department of Education. The Department of Energy and the Central Intelligence Agency are signatories of the National Industrial Security Program Operating Manual and thus have reciprocity with DOD under provisions of the manual. Three federal agencies (the Department of Energy, the Central Intelligence Agency, and Nuclear Regulatory Commission) also may grant security clearances to industry personnel who work on national security-related programs.

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

Shortly after we placed DOD's clearance program on our high-risk list, a major change in DOD's program occurred. In February 2005, DOD transferred its personnel security investigations 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] which is currently responsible for 90 percent of the personnel security clearance investigations in the federal government.[7] DOD retained responsibility for adjudication of military personnel, DOD civilians, and industry personnel.

Other recent significant events affecting DOD's clearance program have been the passage of the Intelligence Reform and Terrorism Prevention Act of 2004 and the issuance of the June 2005 Executive Order 13381, "Strengthening Processes Relating to Determining Eligibility for Access to Classified National Security Information." The act included milestones for reducing the time to complete clearances, general specifications for a database on security clearances, and requirements for greater reciprocity of clearances (the acceptance of a clearance and access granted by another department, agency, or military service). Among other things, the executive order resulted in the Office of Management and Budget (OMB) taking a lead role in preparing a strategic plan to improve personnel security clearance processes governmentwide.

Using the context that I have laid out for understanding the interplay between DOD and OPM in DOD's personnel security clearance processes, I will address three issues. First, I will provide a status update and preliminary observations from our ongoing audit on the timeliness and completeness of the processes used to determine whether industry

[6] Currently the National Security Agency, Defense Intelligence Agency, and National Reconnaissance Office each have a waiver that allows them to contract for their own personnel security clearance investigations.

[7] In GAO-05-842T, we listed the departments/agencies having statutory or delegated authority to conduct background investigations, as identified by the then Deputy Associate Director of OPM's Center for Investigations Services. Those departments/agencies are 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.

personnel are eligible to hold a top secret clearance—an audit that this Subcommittee requested. Second, I will discuss potential adverse effects that might result from the July 1, 2006, expiration of Executive Order 13381. Finally, I will discuss DOD's recent action to suspend the processing of clearance requests for industry personnel.

With the exception of the update and preliminary observations on our current audit, my comments today are based primarily on our completed work and our institutional knowledge from our prior reviews of the clearance processes used by DOD and, to a lesser extent, other agencies. In addition, we used information from the Intelligence Reform and Terrorism Prevention Act of 2004, executive orders, and other documents such as a memorandum of agreement between DOD and OPM. We conducted our work in accordance with generally accepted government auditing standards in May 2006.

Summary

Although our audit of DOD's clearance processes for industry personnel is ongoing, we have three preliminary observations. First, communication problems between DOD and OPM may be limiting governmentwide efforts to improve personnel security clearance processes. For example, until recently, OPM had not officially shared its investigator's handbook with DOD adjudicators. Adjudicators raised concerns that without knowing what was required for an investigation by the investigator's handbook, they could not fully understand how investigations were conducted and the investigative reports that form the basis for their adjudicative decisions. OPM indicates that it is revising the investigator's handbook and is obtaining comments from DOD and other customers. Second, OPM faces performance problems due to the inexperience of its domestic investigative workforce, and it is still in the process of developing a foreign presence to investigate leads overseas. OPM reports that it is making progress in establishing an overseas presence, but that it will take time to fully meet the demand for overseas investigative coverage. Third, some DOD adjudication facilities have stopped accepting closed pending cases—that is, investigations formerly forwarded to DOD adjudicators from OPM—even though some required investigative information is not included.

The expiration of Executive Order 13381 could slow improvements in the security clearance processes governmentwide, as well as for DOD in particular. The executive order, which among other things delegated responsibility for improving the clearance process to the Director of OMB, is set to expire on July 1, 2006. We have been encouraged by the high level

of commitment that OMB demonstrated in the development of a plan to address clearance-related problems. Because there has been no indication that the executive order will be extended, we are concerned about whether such progress will continue without OMB's high-level management involvement. If OMB does not continue in its current role, OPM may not be in a position to assume additional high-level commitment for several reasons, including its inability to resolve disputes with other agencies.

Finally, a billing dispute between DOD and OPM may cause further delays in processing security clearances for industry personnel. DOD stopped processing applications for clearance investigations for industry personnel on April 28, 2006, and attributed its actions to an overwhelming volume of requests for industry personnel security investigations and funding constraints. DOD's inability to accurately project its security clearance workload makes it difficult to determine clearance-related budgets and staffing requirements. The funding constraints that contributed to the stoppage are related to the costs resulting from the agreement that transferred DOD's clearance investigations function to OPM. DOD has asked OMB to mediate the dispute; however, information from DOD and OPM indicates that OMB has directed the two agencies to continue to work together to resolve the matter. According to representatives from DOD and OPM inspector general offices, they are currently investigating all of the issues raised in the Under Secretary's and Associate Director's correspondences and have indicated that they intend to issue reports on their reviews during the summer.

Preliminary Observations from GAO's Ongoing Audit Suggests Additional Problems

Mr. Chairman, at your and other congressional members request, we continue to examine the timeliness and completeness of the processes used to determine whether industry personnel are eligible to hold a top secret clearance. Two key elements of the security clearance process are investigation and adjudication. In the investigation portion of the security clearance process, the investigator seeks to obtain information pertaining to the security clearance applicant's loyalty, character, reliability, trustworthiness, honesty, and financial responsibility. For top secret security clearances, the types or sources of information include an interview with the subject of the investigation, national agency checks (e.g., Federal Bureau of Investigations and immigration records), local agency checks (e.g., municipal police and court records), financial checks, birth date and place, citizenship, education, employment, public records for information such as bankruptcy or divorce, and interviews with references. In the adjudication portion of the security clearance process,

government employees in 10 DOD adjudication facilities—2 of which serve industry—use the information gathered at the investigation stage to approve, deny, or revoke eligibility to access classified information. Once adjudicated, the security clearance is then issued up to the appropriate eligibility level, or alternative actions are taken if eligibility is denied or revoked. A major part of our audit is reviewing fully adjudicated industry cases to determine the completeness of both the investigations and the adjudications for top secret clearances. We will complete this audit and issue a report to your Subcommittee and other congressional requesters this fall.

I will briefly mention three of the preliminary observations that we have been able to derive thus far from our audit.

- Communication problems may be limiting governmentwide efforts to improve the personnel security clearance process. The billing dispute that I discuss later in this testimony is one example of a communication breakdown. In addition, until recently, OPM had not officially shared its investigator's handbook with DOD adjudicators. Adjudicators raised concerns that without knowing what was required for an investigation by the investigator's handbook, they could not fully understand how investigations were conducted and the investigative reports that form the basis for their adjudicative decisions. OPM indicates that it is revising the investigator's handbook and is obtaining comments from DOD and other customers.
- OPM acknowledges that despite its significant effort to develop a domestic investigative workforce, performance problems remain because of the workforce's inexperience. OPM reports that they are making progress in hiring and training new investigators, however, they have also noted that it will take a couple of years for the investigative workforce to reach desired performance levels. In addition, OPM is still in the process of developing a foreign presence to investigate leads overseas. OPM also reports that it is making progress in establishing an overseas presence, but that it will take time to fully meet the demand for overseas investigative coverage.
- Some DOD adjudication facilities have stopped accepting closed pending cases—investigations forwarded to adjudicators even though some required information is not included—from OPM. DOD adjudication officials need all of the required investigative information in order to determine clearance eligibility. Without complete investigative information, DOD adjudication facilities must store the hard-copy closed pending case files until the required additional information is provided by OPM. According to DOD officials, this has created a significant administrative burden.

Expiration of Executive Order Could Slow Improvements in Clearance Processes

The July 1, 2006, expiration of Executive Order 13381 could slow improvements in personnel security clearance processes governmentwide as well as for DOD in particular. Among other things, this new executive order delegated responsibility for improving the clearance process to the OMB Director from June 30, 2005, to July 1, 2006. We have been encouraged by the high level of commitment that OMB demonstrated in the development of a plan to improve the personnel security clearance process governmentwide. Also, the OMB Deputy Director met with GAO officials to discuss OMB's general strategy for addressing the problems that led to our high-risk designation for DOD's clearance program. Demonstrating strong management commitment and top leadership support to address a known risk is one of the requirements for removing DOD's clearance program from GAO's high-risk list.

Because there has been no indication that the executive order will be extended, we are concerned about whether such progress will continue without OMB's high-level management involvement. While OPM has provided some leadership in assisting OMB with the development of the governmentwide plan, OPM may not be in a position to assume additional high-level commitment for a variety of reasons if OMB does not continue in its current role. These reasons include: (1) the governmentwide plan lists many management challenges facing OPM and the Associate Director of its investigations unit, such as establishing a presence to conduct overseas investigations and adjusting its investigative workforce to the increasing demand for clearances; (2) adjudication of personnel security clearances and determination of which organizational positions require such clearances is not an OPM responsibility; and (3) agencies' disputes with OPM—such as the current billing dispute with DOD—may need a high-level, impartial third party to mediate a resolution.

Unexpected Volume of Clearance Requests and Funding Constraints Delay Security Clearances for Industry Personnel Further

DOD stopped processing applications for clearances for industry personnel on April 28, 2006. DOD attributed its actions to an overwhelming volume of requests for industry personnel security investigations and funding constraints.

The unexpected volume of security clearance requests resulted in DOD having to halt the processing of industry security clearances. We have testified repeatedly that a major impediment to providing timely clearances is DOD's inaccurately projected number of requests for security clearances DOD-wide and for industry personnel specifically. DOD's inability to accurately project clearance requirements makes it difficult to determine clearance-related budgets and staffing. In fiscal year

2001, DOD received 18 percent fewer requests than it projected (about 150,000); and in fiscal years 2002 and 2003, it received 19 and 13 percent (about 135,000 and 90,000), respectively, more requests than projected. In 2005, DOD was again uncertain about the number and level of clearances that it required, but the department reported plans and efforts to identify clearance requirements for servicemembers, civilian employees, and contractors. For example, in response to our May 2004 recommendation to improve the projection of clearance requests for industry personnel, DOD indicated that it is developing a plan and computer software to have the government's contracting officers (1) authorize the number of industry personnel clearance investigations required to perform the classified work on a given contract and (2) link the clearance investigations to the contract number.

An important consideration in understanding the funding constraints that contributed to the stoppage is a DOD-OPM billing dispute, which has resulted in the Under Secretary of Defense for Intelligence requesting OMB mediation. The dispute stems from the February 2005 transfer of DOD's personnel security investigations function to OPM.

The memorandum of agreement signed by the OPM Director and the DOD Deputy Secretary prior to the transfer lists many types of costs that DOD may incur for up to 3 years after the transfer of the investigations function to OPM. One cost, an adjustment to the rates charged to agencies for clearance investigations, provides that "OPM may charge DOD for investigations at DOD's current rates plus annual price adjustments plus a 25 percent premium to offset potential operating losses. OPM will be able to adjust, at any point of time during the first three year period after the start of transfer, the premium as necessary to cover estimated future costs or operating losses, if any, or offset gains, if any."

The Under Secretary's memorandum says that OPM has collected approximately $50 million in premiums in addition to approximately $144 million for other costs associated with the transfer. The OPM Associate Director subsequently listed costs that OPM has incurred. To help resolve this billing matter, DOD requested mediation from OMB, in accordance with the memorandum of agreement between DOD and OPM. Information from DOD and OPM indicates that OMB subsequently directed the two agencies to continue to work together to resolve the matter on their own. According to representatives from DOD and OPM inspector general offices, they are currently investigating all of the issues raised in the Under Secretary's and Associate Director's correspondences and have indicated that they intend to issue reports on their reviews during the summer.

Concluding Observations

Mr. Chairman, I want to assure you that we will continue taking multiple steps to assess and monitor DOD's personnel security clearance program. As I have discussed, we are currently reviewing the timeliness and completeness of the processes used to determine whether industry personnel are eligible to hold a top secret clearance. We will report that information to your Subcommittee this fall. Also, our standard steps of monitoring programs on our high-risk list require that we evaluate the progress that agencies make toward being removed from GAO's high-risk list.[8] Finally, we continuously monitor our recommendations to agencies to determine whether active steps are being taken to overcome program deficiencies.

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.

Staff Contact and Acknowledgments

For further information regarding this testimony, please contact me at 202-512-5559 or stewartd@gao.gov. Individuals making key contributions to this testimony include Jack E. Edwards, Assistant Director; Jerome Brown; Kurt A. Burgeson; Susan C. Ditto; David Epstein; Sara Hackley; James Klein; and Kenneth E. Patton.

[8] The general steps required to remove DOD's personnel security clearance program from the high-risk list are summarized in GAO-06-233T.

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Subcommittee on Oversight of Government Management,
the Federal Workforce and the District of Columbia
Progress or More Problems: Assessing the Federal Government's Security Clearance Process
May 17, 2006
Questions for the Record: Mrs. Dillaman

QUESTIONS FROM SENATOR VOINOVICH

1. What feedback have you heard from industry contractors since the transfer of investigative functions to OPM?

Since the transfer, I have personally addressed several industry groups in partnership with the Department of Defense. These groups have clearly understood that the backlog that grew over many years could not be eliminated overnight, and recently we are hearing encouraging reports that our progress is becoming more visible.

The implementation of eClearance automation tools by the Department of Defense was very positively received by Industry and this automation enhancement has streamlined processing. Recent feedback presented to OMB has caused OPM and DoD to reconsider some workflow options and the resulting modifications will further improve handling of submissions by Industry.

OPM encourages feedback from all stakeholders and appreciates invitations to brief Industry groups on our progress toward meeting the Intelligence Reform Act goals along with operational initiatives to improve processing whenever there is an opportunity to do so.

2. Until recently, OPM had not officially shared its investigator's handbook with DoD adjudicators. As you know, DoD adjudicators raised concerns that without knowing what was required by the investigator's handbook, they could not fully understand the investigative reports that form the basis for their adjudicative decisions. Why didn't OPM share its investigator's handbook with DoD and other agencies until recently? Also, why hasn't OPM finalized any version of its investigator's handbook instead of using draft versions of the guidance for several years?

OPM provided updated versions of the handbook to DoD on several occasions between 2004 and 2006. In fact, in 2004, in preparation for the transfer of staff from DoD to OPM, OPM and DoD partnered to do an exhaustive comparison of DoD and OPM's handbook to develop common baseline standards. OPM drafted the investigator's handbook and distributed copies of the combined handbook to the DSS staff for use in 2004 with the intent of merging the two programs. An updated version of the handbook was distributed in April 2005. This handbook includes the most up-to-date information on conducting background investigation and is being used by our field staff pending finalization.

OPM continued working with the national security community on the next version of the handbook in an attempt to develop common baseline standards that would apply to all

investigative service providers, promoting full reciprocity of any investigation conducted for security or suitability purposes. DoD was part of the stakeholders' group that worked on this update.

In April 2006, OPM circulated its 2006 draft investigator's handbook to the security community for review and comment. DoD provided its comments to OPM on June 21, 2006.

Regarding the adjudicators' concern that OPM failed to provide them with copies of the investigator's handbook, there are two factors that may have contributed to this opinion. On May 31, 2005, DoD's Office of the Under Secretary of Defense (OUSD) reversed OPM's long standing practice of providing information directly to the DoD components. DoD asked us not to deal with the individual Services and Agencies on specific or general matters. We were instructed to route all presentations and visits to DoD entities through the OUSD. More recently, we told DoD not to disseminate the 2006 draft investigator's handbook that was in development until the modifications were approved. OPM expects to have the handbook finalized by the end of this calendar year. We will provide DoD OUSD with a copy of the handbook for distribution.

QUESTIONS FROM SENATOR AKAKA

1. You may recall from our June 28, 2005 hearing that I asked about the need for OPM agents overseas to investigate the foreign activities of individuals seeking security clearances, such as linguists. Your testimony today indicates there are more than 40 field agents working at more than 30 military installations around the world. Can you tell us how many backlogged cases need overseas coverage, and how many additional agents are needed to eliminate the overseas backlog?

The elimination of the backlog is an ongoing process. Presently, there are approximately 14,000 cases pending with overseas items. We have a core group of approximately 150 experienced investigators who are deploying to overseas locations on a rotational basis. At any given time, there are approximately 50 agents completing investigations overseas. Additional investigators will deploy to overseas locations in July and September to address workloads in all of our 72 work locations. The goal of eliminating all overseas investigations over 180 days will be met by October 1, 2006. The next target of eliminating all work over 60 days old will be met by April 1, 2007, and we will be working cases within 30 days by July 1, 2007. To accomplish these targets will require a projected investment of 2,400 man weeks of investigative effort by the end of calendar year 2006. We will accomplish this through the continued use of temporary duty (TDY) or Federal employee assignments, and will deploy new investigative contract suppliers. Previously, contractors previously supported the military's overseas investigative units and are anxious to augment our efforts.

2. The April 19, 2006 Department of Defense Office of Inspector General report (D-2006-077) notes one function of the Defense Security Service (DSS) Clearance Liaison Office is to coordinate with OPM investigators in conducting overseas interviews. What is your assessment of the effectiveness of this office and has its presence shortened or otherwise affected OPM overseas interviews? In addition, according to the OIG report, OPM is required to provide at least 45-days notice before traveling overseas as a result of an agreement reached by DSS and OPM on July 15, 2005. Can you explain why there is the need for a 45-day notice period?

The Clearance Liaison Office (CLO) provides logistical support for our investigators headed overseas. The original concept for the 45 day requirement was that "country clearance" notification was required by State Department or other interested offices 30 days in advance of travel to certain areas. Notifying the CLO 45 days in advance allowed the 30 day window and 15 days "working" time on the notification. The CLO also provides the Common Access Card (CAC) and DoD orders utilized by our personnel to gain access to the military facilities overseas. The CAC process has been time consuming and involved a great deal of coordination nationwide. Processes are being refined by the CLO to improve on the issuing of the CAC. Another requirement built into the 45 days is obtaining the NATO clearance necessary to work on NATO facilities. The CLO has facilitated those accesses as they are identified. Although the agreement may have been for 45 day notification, the CLO has worked with a much shorter window and met our needs for short fuse deployments. We have come close to canceling a TDY due to logistical problems, but always managed to get the personnel what they needed to accomplish their TDY assignments. With CLO support, we have been successful in placing TDY personnel overseas to aid in clearing the backlog.

The CLO was also responsible for coordinating meetings between DoD and OPM to establish programs where OPM could catch individuals in the continental United States to reduce the amount of overseas travel to perform investigative interviews. The point of contact at the CLO in coordinating these programs has changed three times since January; they have assisted with the coordination of two meetings. Just recently, the CLO notified OPM to schedule the meetings and simply notify them by email when the meetings are scheduled. This process will work better for OPM which will allow for a more aggressive approach in establishing these viable programs.

3. I continue to be concerned with closed pending cases where OPM provides agencies with incomplete investigations, yet charges agencies for a full investigation. Do you believe there is a way to have costs better reflect the actual work completed on a case? In addition, if it is justified to award a clearance based on a partial investigation, what parts of the investigation process can be eliminated to make the process timelier and less expensive?

The Close Pending process is a service that OPM provides to advance interim results while we are waiting on the results of a National Agency or other record check provided by a third party. The close pending process provides OPM customers advance information concerning the content of their investigations which, in many instances, may be sufficient for an interim hiring or access determination. This process also provides advance notice of any issues that may be present in the investigation. **Closed Pending investigations remain active in OPM's inventory and the remaining coverage is always completed and furnished to the agency security office**, thus justifying the full content case price.

4. I have also questioned the use of having the vendor contractor performing investigations of its own staff. How has this problem, which was identified by Government Accountability Office 10 years ago as an internal control weakness, been addressed?

This internal control weakness has been corrected. As of March 1, 2006, all investigative requests on contractor personnel are assigned to the Federal investigative staff. Vendors no longer perform investigations on their own staff.

5. You testified that the OPM investigator's handbook was not shared with adjudicators until very recently. I feel this lack of information on how to collect, code, and record information has had an effect on the quality of applications and adjudications. In addition, OPM had been using draft versions of its investigator's handbook for several years? Why did it take so long to finalize the handbook and make it available to adjudicators?

See response to question two from Senator Voinovich.

6. I understand that DoD cannot differentiate the type of investigation needed on the security clearance application form that is submitted to OPM. Do you believe having this designation be helpful to DoD in determining funding and application projections?

DoD **must** specify the type of investigation needed on each request and does so by posting a specific code that indicates the type of investigation required. OPM cannot initiate the investigation if this information is not present on the form.

Subcommittee on Oversight of Government Management,
the Federal Workforce and the District of Columbia
Progress or More Problems: Assessing the Federal Government's Security Clearance Process
May 17, 2006
Questions for the Record: Mr. Rogalski

QUESTIONS FROM SENATOR VOINOVICH

1. What feedback have you heard from industry contractors since the transfer of investigative functions to OPM?

DoD Response: Industry is concerned about the length of time it takes to complete investigations. While timelines for initial investigations are improving, investigations still are averaging between 150 to 410 days to complete.

We derive this average from closed cases only. OPM does not use open cases in the average. Industry is also concerned that OPM will not retain finger print cards for more than 30 days. If the application does not arrive at OPM within those 30 days, OPM returns the finger print cards and applicants must submit new cards to begin the process over again.

2. Underlying the issue of receiving more clearance requests than expected is the basic issue of determining which organizational positions require a clearance and the level of clearance needed. How does DoD determine how many contractor employees require a clearance to work on a contract? Also, please contrast those procedures to the procedures that are used to determine clearance needs for positions occupied by military service members and government civilian employees. How often are these positions scrubbed to make sure the job requires a clearance and the required clearance level is still appropriate?

DoD Response: The Government Contracting Activity, the government agency with procurement authority, establishes the contract security requirements. The contractor determines the number of personnel security clearances required for contract performance. DoD has no tool to validate the contractor's determination clearance needs. Validation would improve DoD's ability to project accurately the investigations workload. DSS is working with the Air Force and OUSD(AT&L) to establish a way to forecast industrial clearance needs with a higher degree of accuracy.

As for government civilian personnel, the head of each department or agency designates the security clearance level for government civilian positions based on the degree of sensitivity and criticality of duties. For military personnel, the distinction is made by the occupational specialty. These designations determine the clearance requirement. No Department-wide timeframe is established for review of continuing need. However, DoD policy requires that the number of persons cleared for access to classified information is to be kept to a minimum, consistent with the operational requirements. Special attention is given to eliminating unnecessary clearances.

While each department and agency is required to review their own employees' and contractors' need for clearance, no one agency is assigned a collective review for all contractors.

QUESTIONS FROM SENATOR AKAKA

1. I understand that DoD cannot differentiate the type of investigation needed on the security clearance application form that is submitted to OPM. Do you believe having this designation be helpful to DoD in determining funding and application projections?

DoD Response: DoD must improve its guidance on requesting investigations for facility access and investigations for clearance.

2. The April 19, 2006 DoD Inspector General report (D-2006-077) found that "all 26 DoD military and civilian requesting activities we visited experienced difficulties in effectively and efficiently processing personnel security investigations requests for military and civilian personnel." Can you share with us the specific problems that led to that assessment?

DoD Response: The following factors contribute to this problem:

- Inaccurate and incomplete personnel data in the Joint Personnel Adjudication System (JPAS).
- Increased workload for security managers due to the increasing number of personnel needing security clearances.
- OPM rejections of requests that have missing or erroneous data.
- Limited number of knowledgeable staff.

3. In further reference to the April OIG report, out of the 26 activities visited, only two used e-QIP to submit personnel security information requests. Why are so few military and civilian activities utilizing e-QIP, and what is being done to improve those numbers?

DoD Response: e-QIP is being phased in. DoD is using e-QIP for all industry, Army and Air Force accessions, and several Defense Agencies. DoD will use e-QIP to submit all national security investigation requests to OPM by September 30, 2006.

4. The OIG report found that the lack of or insufficient training and/or experience was a common problem among the activities visited. The OIG suggests establishing minimum training requirements for security managers. Given that the OIG found your office has not established minimum training requirements for security managers, I am interested in knowing whether minimum training requirements will be established and what steps are being taken to correct this deficiency?

DoD Response: The Defense Security Service offers training courses for security managers. The Department will emphasize the need for departments and agencies to ensure their personnel have received the necessary training to perform their duties. USD(I) will include training requirements for security personnel in the DoD Personnel Security Regulation (DoD 5200.2-R), currently under revision with an estimated publication in Summer 2007. Guidance will state that

training may be accomplished internally; through the use of external sources such as the DSS Academy; or a combination of the two. Additionally, DoD is developing a Security Professional Education Development (SPED) certification program that will provide a consolidated program for creating a security workforce that possesses the skills needed to address the changing security environment.

DSS is in the process of developing and implementing a JPAS Training System to provide a greater amount of training to the DoD Industrial Security workforce. The system has a web-based component that will allow it to reach greater numbers of students than the current instructor-led classes. This system is currently delayed due to fund shortages.

5. The OIG report also noted that there is a high turnover for security managers, especially when security duties are performed by military personnel. Are there plans to transition these responsibilities to civilian employees?

DoD Response: It is a department or agency decision as to who performs the security manager duties – military personnel or civilian employee. USD(I) has no plans to direct the transition of security manager responsibilities to civilian employees.

6. The OIG report discusses the DSS Clearance Liaison Office which among its functions coordinates with OPM investigators in conducting overseas interviews. According to the OIG report, OPM is required to provide at least 45-days notice before traveling overseas as a result of an agreement reached by DSS and OPM on July 15, 2005. Why is there such a lengthy notice period?

DoD Response: The 45-days notice is needed to make the necessary notifications and arrangements to complete overseas work, to include: access to facilities and bases; work space; scheduling of interviews; country clearance; Common Access Card issuance. To date, DSS has waived this requirement, by expediting the requests over other work requirements to ensure OPM's ability to complete the DoD overseas work.

7. At the hearing, I asked whether the Office of the Under Secretary of Defense for Intelligence and the Defense Security Service (DSS) have been involved with the business transformation activities at the Department. Obviously the availability of cleared workers has a significant impact on DoD programs and activities. For example, programs have experienced delayed schedules or cost increases because of delays in granting security clearances. As such, the security clearance process is a pivotal element of the DoD business modernization program. What role do you believe your office, DSS, or any office dealing with security clearances should have with regard to the business modernization activities of DoD and the Business Modernization Board?

DoD Response: Security clearances are, in all likelihood, an afterthought in the DoD business modernization program. Security clearances are not considered a critical component in a design phase or development effort. Nor are they acknowledged as a necessary cost of doing business. Going forward, security clearance requirements need to be incorporated into all business processes. Contracting and procurement activities must involve security policy components of

their respective organizations during their deliberations to ensure any security requirements are considered and addressed. There is also an ongoing internal effort involving acquisition and policy, which will result in project managers being more aware of security clearance requirements.

8. Although I understand that DoD can never know precisely how many military, civilian, and contractor personnel will need security clearances, the lack of adequate forecasting continues to hamper DoD's ability to estimate its security clearance budget. What is the timetable to establishing milestones for better projections of security clearance needs?

DoD Response: DSS currently conducts an annual survey of industry to project investigative requirements for industry. Plans are underway for the security community and acquisition community to develop a process linking industry investigation requirements and funding with current and future contract requirements. Government contracting activities will be involved in categorizing industry personnel required for contract performance, based on sensitivity and criticality of duties. The Department conducts an annual survey of the DoD Components to determine military and civilian investigative requirements. The Air Force has developed an investigative requirement projection model that may prove useful throughout DoD.

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