1 SAFEGUARDING OUR NATION'S SECRETS:
2 EXAMINING THE SECURITY CLEARANCE PROCESS
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4 THURSDAY, JUNE 20, 2013
5 United States Senate,
6 Subcommittee on the Efficiency and Effectiveness of
7 Federal Programs and the Federal Workforce,
8 Subcommittee on Financial and Contracting Oversight,
9 Committee on Homeland Security and Governmental Affairs,
10 Washington, D.C.
11 The Subcommittees met, pursuant to notice, at 2:30
12 p.m., in Room SD-342, Dirksen Senate Office Building, Hon.
13 Jon Tester, Chairman of the Subcommittee, presiding.
14 Present: Senators Tester, McCaskill, Portman, and
15 Johnson.
16 OPENING STATEMENT OF SENATOR TESTER
17 Senator Tester. I call to order this joint hearing of
18 the Subcommittee on Efficiency and Effectiveness of Federal
19 Programs and the Federal Workforce and the Subcommittee on
20 Financial and Contracting Oversight. I want to say thank
21 you to Senator Johnson for being here. Senator McCaskill
22 will be here shortly as well. I am sure Senator Portman
23 will be, too.
24 This afternoon's hearing is titled, "Safeguarding Our
25 Nation's Secrets: Examining the Security Clearance

1 Process," and I want to thank my colleagues who I mentioned
2 previously as well as their staffs for helping us organize
3 this hearing, and I want to thank our witnesses for being
4 here today and joining us. Thank you for your time.
5 Recent events have forced us all to take a closer look
6 at the programs carried out by this Government in the name
7 of national security. As we move forward, it is critical
8 for us to examine the scope of these programs to determine
9 whether they properly balance our security and our essential
10 liberties. But it is also incumbent upon us to raise
11 critical questions about how our Government is vetting the
12 individuals, whether they are Federal employees or
13 contractors, who have access to our Nation's most sensitive
14 data.
15 Last week, I asked General Keith Alexander, the
16 Director of the National Security Agency, a pretty straight-
17 up question: After the outcry of WikiLeaks, after the
18 Presidential Executive order calling for improved classified
19 network security, and after spending tens if not hundreds of
20 billions of taxpayer dollars to keep outsiders from
21 accessing our Nation's secrets, how in the world does a
22 contractor, who had been on the job for less than 3 months,
23 get his hands on information detailing a highly classified
24 Government program that he subsequently shared with foreign
25 media outlets?

1 The long answer is one that we will ultimately require
2 a great deal of soul searching by the folks in this room and
3 throughout our Government. But the short answer is that, in
4 terms of securing classified information, we just do not
5 have an external problem; we have an internal one.
6 Today there are nearly 5 million individuals--5 million
7 individuals--inside and outside of our Government who have
8 been granted security clearances and access to our Nation's
9 most sensitive data; 1.4 million hold a top secret security
10 clearance. Given the increasing amount of classified
11 information produced and maintained by our Government and
12 the increasing number of folks with access to that
13 information, we have a real problem on our hands if we
14 cannot get this right. And because of the national security
15 implications involved, there is simply no margin for error.
16 None.
17 Today's joint hearing builds upon the previous work of
18 this Subcommittee as well as the work of our colleagues on
19 the Senate Armed Services Committee and the Senate Select
20 Committee on Intelligence. We will examine the efficiency
21 and effectiveness of the security clearance process, and we
22 will discuss the management and oversight of the Federal
23 employees and contractors tasked with carrying out
24 investigations for the granting of clearances.
25 I hope and expect an open and frank discussion with our

1 witnesses today about the particular roles they play in the
2 security clearance process. We need to know what we are
3 doing right, and we need to know what we can do better. A
4 lot of progress has been made in recent years, but we
5 certainly still have a ways to go.
6 I would now like to turn it over to my good friend and
7 Chairman of the Financial and Contracting Oversight
8 Committee, Senator Claire McCaskill, for her opening
9 statement. Welcome, Claire.
10 OPENING STATEMENT OF SENATOR McCASKILL
11 Senator McCaskill. Thank you very much. Thank you,
12 Senator Tester, and I hope this is the first of many joint
13 hearings we have with Senator Portman and Senator Johnson.
14 I think all four of us have demonstrated a desire to get
15 after various problems that are sometimes embedded in our
16 Government without adequate oversight, and I am very happy
17 to work with all three of you on this effort today.
18 Earlier this month, a contractor working for NSA,
19 Edward Snowden, released classified information regarding
20 the NSA program. Mr. Snowden had access to this information
21 because he had received a security clearance. That security
22 clearance was issued following an investigation of Mr.
23 Snowden's background.
24 Over 90 percent of the background investigations for
25 both Government employees and contractors are conducted by

1 the Office of Personnel Management, including all background
2 investigations for members of the military and Defense
3 Department, civilian and contractors.
4 In preparation for today's hearing, we received
5 information regarding how the Government plans, conducts,
6 oversees, and pays for background investigations. This
7 information portrays a Government agency where there is
8 fraud, limited accountability, and no respect for taxpayer
9 dollars. Conducting and managing background investigations
10 costs the Federal Government over $1 billion per year.
11 The Office of Personnel Management's Federal
12 Investigative Services Division uses a Revolving Fund
13 structure in which Federal agencies pay OPM for the
14 different investigations each agency needs, both for its
15 employees and for its contractors. As a former Missouri
16 State auditor, I was shocked to learn that this fund has
17 never been audited. The Inspector General will testify that
18 he has tried several times, but the agency simply does not
19 have or keep the records that would allow him to do an
20 audit.
21 We also learned that at least 18 investigators have
22 been convicted of falsifying investigations since 2007.
23 These convictions called into question hundreds of top-
24 secret-level clearances as well as hundreds of lower-level
25 clearances. There are more than 40 other active and pending

1 investigations into fabricated investigations, and it is
2 possible that there are far more.
3 We also learned that approximately 75 percent of all
4 the Government's investigations are conducted by
5 contractors, and just one contractor, USIS, conducts 65
6 percent of those investigations.
7 Now, USIS also has a contract to provide support to the
8 Office of Personnel Management in managing and overseeing
9 investigations, work which appears to put USIS in the
10 position of being a contractor to do the investigations and
11 then to be the contractor overseeing their own employees
12 doing the investigations.
13 For its work for the Office of Personnel Management,
14 USIS has received more than $200 million last year. We have
15 received information that USIS is currently under criminal
16 investigation by the Office of Personnel Management
17 Inspector General. We have also received information that
18 this investigation is related to USIS' systematic failure to
19 adequately conduct investigations under its contract.
20 We have also learned that USIS conducted a background
21 investigation for Edward Snowden in 2011, part of the time
22 period that is under review.
23 We are limited in what we can say about this
24 investigation because, clearly, it is an ongoing
25 investigation and we could not comment. But it is a

1 reminder that background investigations have real
2 consequences for our national security.
3 Federal agencies like the Defense Department rely on
4 these background investigations to make assessments of
5 whether people should be trusted with our Nation's most
6 sensitive information. This hearing will attempt to answer
7 this important question: Are we handling background
8 investigations in our Government effectively and in a way
9 that is deserving of our trust?
10 I thank the witnesses for being here, and I look
11 forward to their testimony.
12 Senator Tester. Thank you, Senator McCaskill.
13 I will turn it over to Senator Portman, the Ranking
14 Member of the Federal Programs and Federal Workforce
15 Subcommittee, for his opening statement. Welcome.
16 OPENING STATEMENT OF SENATOR PORTMAN
17 Senator Portman. Thank you, Mr. Chairman, and I thank
18 my Chair from the last Congress who is here with us and the
19 Ranking Member, my colleague from Wisconsin.
20 This is timely. It is a really important topic and
21 obviously timely given the Snowden disclosures and the
22 inadequacy of the system that that demonstrated. So we
23 appreciate the witnesses' being here, and, again, this is a
24 time for us to focus once again on this issue.
25 The security clearance process, performed well, is

1 critical because it ensures that our Nation's most valuable
2 information is protected while ensuring that we have the
3 necessary personnel to conduct the duties that we need to
4 have them out there doing to protect our country.
5 Done poorly, it can be incredibly damaging. We run the
6 risk of damaging leaks, hamstringing our agencies' abilities
7 to fulfill their missions, as we have seen in cases over the
8 last couple years, harming our allies and our ability to
9 build alliances around the world.
10 This Committee has had a long history of looking into
11 this issue, oversight of the processes that now manage
12 almost 5 million Government and contractor personnel who are
13 authorized to have some form of security clearance--5
14 million people.
15 Given the many challenges in the past, it is only
16 appropriate that follow up today to see how these agencies
17 are progressing and, again, in light of what just happened
18 to see why it is not working as well as it should be.
19 Six years, the Government Accountability Office had DOD
20 Personnel Security Program on its high-risk list. It is now
21 off the high-risk list. It got off in 2011. But there is a
22 long list of recommendations for the Department of Defense,
23 for OPM, and for other agencies involved in the security
24 clearance process, and we are still working through those.
25 These include incomplete and poorly synchronized fielding of

electronic case management systems and other tools across Government, shortcomings in metrics for reciprocity, a sound requirements process to determine positions that require a clearance, and most troubling, I think, is the pressure to meet timeliness metrics impacting the quality of investigations.

Additionally, our IGs, Inspectors General, have also identified issues of concern from the financial oversight of OPM's $2 billion annual Revolving Fund, numerous cases of fraudulent investigations conducted by Government and contractor investigators, and inadequate steps taken to prevent the risks posed by these negligent investigators from continuing.

We must have an adequate, effective, efficient, timely completion of background investigations. While such attention has been paid in recent years to timeliness, there remain many questions as to effectiveness and efficiency of this process.

I look forward to hearing a progress report, Mr. Chairman, on meeting these recommendations that were provided and the actions that have been taken to avoid further mismanagement. And, again, thank you to the witnesses for being here, and I thank the two Subcommittees and the Chairs for bringing this issue before us.

Senator Tester. Thank you, Senator Portman.

1 Now we will turn it over to Senator Johnson, who is
2 Ranking Member of the Financial and Contracting Oversight
3 Subcommittee. Welcome, Senator Johnson.
4 OPENING STATEMENT OF SENATOR JOHNSON
5 Senator Johnson. Thank you, Mr. Chairman. I would
6 also like to thank the witnesses for appearing. I did not
7 count how many times I heard the word "process," but that is
8 exactly what this is all about. You know, how do you
9 develop a process that actually works? And coming from a
10 manufacturing background in business, there are all kinds of
11 processes that we have standardized. You know, ISO
12 certification works amazingly well. We all adhere to it.
13 It is standardized. And there are things like surveillance
14 audits on an ongoing basis.
15 As I was reviewing the information prior to this
16 hearing, that is what kept jumping into my mind. If we
17 could apply those standardization type of processes across
18 the Government, I think we would be in a far better place.
19 Probably the best piece of preparation material I--
20 there was an article written on February 28th of 2013 by
21 John Hamre, a former Deputy Secretary of Defense. I would
22 like to enter that into the record, but it just really
23 describes how this gentleman was going through a clearance
24 process. He had already filed his electronic version of an
25 SF86. But it was somewhere on a Government computer, could

1 not get access, had to fill it out again, a 4-hour process,
2 and then the review process was basically a Government
3 employee or a contract employee coming and basically going
4 through question by question by question, where he was in a
5 private sector business that in a similar type of process,
6 in the process of just asking five questions, they had a 99-
7 percent reveal rate in terms of whether that person was
8 committing fraud.
9 So, again, in the private sector, we can get to this,
10 we can get to a process that works, and my question is: Why
11 can't we get that in the Government? And hopefully what
12 this hearing is about is coming up with that standardized
13 process that actually works because, I agree with all three
14 of you, this is critical if we are going to be able to
15 maintain our national secrets.
16 Thank you, Mr. Chairman.
17 Senator Tester. Thank you, Senator Johnson. What was
18 the name of that document that you wanted entered into the
19 record? Okay. Without objection, so done.
20 [The article follows:]
21 / SUBCOMMITTEE INSERT

1 Senator Tester. Now for our witnesses. I would like
2 to welcome all of you here today. I would like to point
3 out, though, that we extended an invite to the Office of the
4 Director of National Intelligence. They were unable to
5 provide us with a witness. I know that they are under huge
6 demands right now, and I acknowledge that the notice was
7 short, but hopefully it can happen next time, because I am
8 sure there will be a next time.
9 However, we are fortunate to have assembled a great
10 panel this afternoon. We will start with Patrick McFarland,
11 who is the Inspector General of the United States Office of
12 Personnel Management. He has served in this capacity since
13 1990, making him the longest tenured Federal Inspector
14 General. And as Inspector General of OPM, he heads up the
15 audit and investigative programs that seek to identify
16 fraud, waste, abuse, and mismanagement in programs
17 administered by OPM.
18 Mr. McFarland, I understand you were a police officer
19 in St. Louis at one time. Hopefully your path did not cross
20 Senator McCaskill's.
21 Senator McCaskill. Only if we were combining up to put
22 a criminal in jail.
23 [Laughter.]
24 Senator Tester. Okay.
25 Mr. McFarland. That is correct.

1 Senator Tester. Very good. Mr. McFarland is also
2 accompanied by Michelle Schmitz, OPM's Assistant Inspector
3 General for Investigations. Welcome to you both.
4 Merton Miller is Associate Director of Investigations
5 for OPM's Federal Investigative Services, or FIS, the
6 Federal Government's larger provider of background
7 investigations and services. Mr. Miller is responsible for
8 FIS operations, policy development, and contractor oversight
9 of OPM's investigations program. Before joining OPM, Mr.
10 Miller served a long and distinguished career in the United
11 States Air Force. As a side note, if you are looking to fly
12 a C-130 again, please come to Montana. We are going to be
13 looking for pilots.
14 And then we have Stephen Lewis, who is Deputy Director
15 for Personnel, Industrial, and Physical Security Policy in
16 the Office of the Under Secretary of Defense for
17 Intelligence. Welcome. That office exercises planning
18 policy and strategic oversight over Defense Department
19 intelligence, counterintelligence, and security matters,
20 including the security clearance process. Today Mr. Lewis
21 is accompanied by Stanley Sims, Director of the Defense
22 Security Service at the Defense Department. Welcome to both
23 you, Mr. Lewis, and Mr. Sims to the hearing today. Thank
24 you for your service.
25 And then last, but certainly not least, we have Brenda

1 Farrell, who is the Director of Defense Capabilities and
2 Management at the Government Accountability Office. In that
3 capacity she is responsible for overseeing the military and
4 DOD civilian personnel issues, including governmentwide
5 personnel security clearance issues. She has worked
6 extensively on a number of national security issues since
7 she began her career at the GAO in 1981. Welcome, Brenda.
8 Thank you all for being here today.
9 It is the custom in this Committee to swear in the
10 witnesses who appear before it, so if you do not mind, I
11 would ask you all to stand, including Mr. Sims and Ms.
12 Schmitz, and repeat after me. Raise your right hand. Do
13 you swear that the testimony you will give before this
14 Subcommittee will be the truth, the whole truth, and nothing
15 but the truth, so help you God?
16 Mr. McFarland. I do.
17 Ms. Schmitz. I do.
18 Mr. Miller. I do.
19 Mr. Lewis. I do.
20 Mr. Sims. I do.
21 Ms. Farrell. I do.
22 Senator Tester. Let the record reflect they all
23 answered in the affirmative.
24 Now, each one of you are going to have 5 minutes for
25 your oral statements, and I would just tell you that your

1 entire written testimony will be a part of the record, and
2 you can add more to that complete written testimony up until
3 July 8th.
4 We will start with you, Mr. McFarland, and if you can
5 keep it to 5 minutes, we would sure appreciate it. Patrick?

1 TESTIMONY OF THE HONORABLE PATRICK E. MCFARLAND,
2 INSPECTOR GENERAL, U.S. OFFICE OF PERSONNEL
3 MANAGEMENT; ACCOMPANIED BY MICHELLE B. SCHMITZ,
4 ASSISTANT INSPECTOR GENERAL FOR INVESTIGATIONS,
5 U.S. OFFICE OF PERSONNEL MANAGEMENT
6 Mr. McFarland. Chairmen Tester and McCaskill, Ranking
7 Members Portman and Johnson, and other distinguished members
8 of the Subcommittees, good afternoon. My name is Patrick
9 McFarland, and I am the Inspector General at the U.S. Office
10 of Personnel Management. Thank you for inviting me here
11 today to speak about our oversight work related to OPM's
12 Federal Investigative Services Program Office.
13 In 1978, the U.S. Congress took a bold step in creating
14 the Inspector General Act--bold in that it was an experiment
15 born out of a multitude of governmentwide mistakes, serious
16 problems, and just plain wrongdoing. In the face of much
17 opposition from entrenched Government bureaucracy, it was, I
18 believe, a Congress' pledge to the American citizen that
19 their expectations of good government and their tax money
20 would be protected.
21 The Inspector General concept is transparency at its
22 core functionality. It must be transparency without any
23 shades of gray. Indeed, it is with this understanding that
24 each Inspector General's organization honors the
25 independence required of them free of any political

1 influence, which Congress mandated.

2 Today you have asked me here because of concerns about
3 the lack of transparency in an organization that plays an
4 integral part in protecting our national security and the
5 integrity of the Government's workforce.

6 OPM Federal Investigative Services conducts
7 approximately 90 percent of these background investigations
8 for the Federal Government. These investigations are used
9 by agencies to determine whether to grant a Federal employee
10 or contractor a security clearance.

11 Due to recent events, a key discussion point in recent
12 public debates has become: Who should we trust with access
13 to sensitive information related to national security? The
14 very first step the Government takes in answering this
15 question is to conduct these background investigations.

16 I am here to inform you that there is an alarmingly
17 insufficient level of oversight of the Federal Investigative
18 Services program. The lack of independent verification of
19 the organization that conducts these important background
20 investigations is a clear threat to national security. If a
21 background investigation is not conducted properly, all
22 other steps taken when issuing a security clearance are
23 called into question.

24 Every day I have the privilege of leading an
25 organization of people dedicated to a work ethic that

1 embodies our organizational pledge to know our business and
2 responsibilities better than anyone else and at the close of
3 the day to be able to say that we did what was right for the
4 American taxpayer.
5 This having been said, what is most noteworthy for your
6 Subcommittee's understanding is that our oversight of OPM's
7 Federal Investigative Services program has been thwarted by
8 virtue of an agency funding decision.
9 Under current law, the Federal Investigative Services
10 must price its products and services in a manner that allows
11 it to recover its actual costs of administering the program.
12 OPM uses a Revolving Fund as the financing vehicle for these
13 activities. For several years, OPM has taken the position
14 that oversight is not considered to be an administrative
15 cost, and, thus, our office has been denied access to the
16 Revolving Fund. I do not think that anyone here would argue
17 that oversight, financial audits, performance audits, and
18 investigative activity are not a crucial part of the
19 administration of any Government program.
20 To compensate, we have used the $3 million we have for
21 non-trust fund work to maintain a modicum of oversight
22 viability in the Revolving Fund programs, with special
23 emphasis on the Federal Investigative Services program
24 because of the national security implications.
25 Please be assured even with bare resources that,

1 because of recent developments discussed in my written
2 testimony, we feel compelled to engage our office in a joint
3 initiative between the Audit and Investigation Divisions to
4 thoroughly oversight the policies and procedures of the
5 quality review practices of the Federal Investigative
6 Services program.
7 I am pleased to say that with the support of former
8 Director John Berry, the administration has included a
9 legislative proposal in the President's fiscal year 2014
10 budget that would grant us access to the Revolving Fund.
11 I close by also requesting your Subcommittee's support
12 of the proposal so that our office will have the resources
13 to finally do the job with which we have been entrusted.
14 Thank you.
15 [The prepared statement of Mr. McFarland follows:]

1 Senator Tester. Thank you, Patrick.

2 We will go with you, Merton.

1 TESTIMONY OF MERTON W. MILLER, ASSOCIATE DIRECTOR
2 OF INVESTIGATIONS, FEDERAL INVESTIGATIVE SERVICES,
3 U.S. OFFICE OF PERSONNEL MANAGEMENT
4 Mr. Miller. Thank you, Chairman.
5 Chairman Tester, Chairwoman McCaskill, Ranking Member
6 Portman, and Ranking Member Johnson, thank you very much for
7 the opportunity to testify today regarding OPM's role in the
8 Federal Government's secret clearance process.
9 In response to 2004 legislation authorizing the
10 transfer of DOD's personnel security investigations function
11 to OPM and the enactment of the Intelligence Reform and
12 Terrorism Prevention Act, OPM has continued to enhance the
13 background investigation process by improving timeliness,
14 quality, and efficiency. Our successes are due in large
15 part to our partnership with OMB, ODNI, Department of
16 Defense, and other agencies that require investigations for
17 security clearances. We have no backlogs, are meeting
18 timeliness mandates, and have increased automation.
19 OPM's Federal Investigative Services conducts
20 background investigations to support executive branch
21 hiring, security clearances, credentialing determinations,
22 among others. The processes supporting these investigative
23 activities are highly integrated, automated, consistently
24 measured against timeliness and quality performance
25 standards for Federal hiring and security clearance process

1 reforms.

2 Performance data for these background investigation
3 products are largely reported to ODNI, executive branch
4 agencies, OMB, and Congress. These products and services
5 are then utilized as a basis for making security clearance
6 suitability and fitness and credentialing determinations by
7 agencies.

8 Since absorbing DOD's background investigative program
9 in fiscal year 2005, DOD personnel security clearances have
10 been removed from the Government Accounting Office's high-
11 risk list. And OPM has conducted over 95 percent of the
12 background investigations required by the Federal
13 Government.

14 OPM manages, oversees the Federal employees and
15 contractors responsible for conducting investigations. Now,
16 to pursuant to Executive Order 13467, the ODNI, as a
17 security executive agent, is responsible for directing the
18 oversight of investigations and determinations and for
19 developing uniform and consistent policies and procedures to
20 ensure the effective, efficient, and timely completion of
21 investigations and adjudications relating to the
22 determinations of eligibility for access to classified
23 information or eligibility to hold a sensitive position.
24 And actual clearance decisions themselves are adjudications
25 that are made by the sponsoring agencies. Agency heads

1 apply uniform adjudicative guidelines which were approved by
2 President Clinton and subsequently amended in 2005 by
3 President Bush.
4 Conducting background investigations is one of OPM's
5 core missions. FIS provides background investigations for
6 over 100 Federal agencies with approximately 10,000 separate
7 submitting offices worldwide. Currently we have more than
8 2,500 Federal employees and 6,700 contractors that form a
9 nationwide network of field investigators, support staff, as
10 well as a cadre of Federal agents that we have working
11 abroad.
12 OPM manages to balance nationwide Federal and contract
13 workforce to provide a flexible, responsive, and cost-
14 effective investigative program. Our core Federal
15 investigators present us the opportunity to manage highly
16 sensitive and inherently governmental investigation
17 requirements while our contractor workforce permits us to
18 expand and contract operations as the workload and locations
19 dictate.
20 Information technology has been and will continue to be
21 a crucial ability to support us in balancing our timeliness,
22 quality, and cost goals. It plays a key role in reducing
23 costs, streamlining operations, improving efficiencies,
24 eliminating waste, and providing a better service for the
25 agencies that require these investigations.

1 In addition, we consult with the security community in
2 developing new policies and standards concerning the
3 security clearance investigations program, to ensure
4 governmentwide reciprocity, and address program needs,
5 guaranteeing superior investigative products.
6 Security clearance and suitability process reform has
7 provided program enhancements particularly in the timeliness
8 and quality of investigative products and has laid policy
9 groundwork structure to support dramatic enhancements in the
10 coming years. The enhancements to date have strengthened
11 the Government's ability to recruit top talent and
12 effectively put Federal and contractor employees to work.
13 Lastly, FIS is working with OMB, ODNI, and DOD, and the
14 other Federal agencies to establish and important executive
15 branch-wide training standards, revise investigative and
16 adjudicative standards and processes, and develop
17 reciprocity standards and metrics to gauge improvements and
18 demonstrate savings.
19 I thank you for the opportunity to be here today to
20 discuss this important issue, and I will be happy to respond
21 to any questions.
22 Senator Tester. Thank you for your testimony, Mr.
23 Miller.
24 Mr. Lewis, you may proceed.

1 TESTIMONY OF STEPHEN F. LEWIS, DEPUTY DIRECTOR,
2 SECURITY DIRECTORATE, OFFICE OF THE UNDER
3 SECRETARY OF DEFENSE (INTELLIGENCE), U.S.
4 DEPARTMENT OF DEFENSE; ACCOMPANIED BY STANLEY L.
5 SIMS, DIRECTOR, DEFENSE SECURITY SERVICE, U.S.
6 DEPARTMENT OF DEFENSE
7 Mr. Lewis. Thank you. Good afternoon. Chairman
8 Tester, Chairwoman McCaskill, and members of the Committee,
9 thank you for inviting me to testify today. My name is
10 Steve Lewis. I am the Deputy Director of the Security
11 Policy and Oversight Directorate within the Office of the
12 Under Secretary of Defense for Intelligence. We appreciate
13 the Committee's continued interest in the effectiveness of
14 the personnel security clearance process. Because of your
15 commitment to this critical function of our Government and
16 its ability to protect national security, we have achieved
17 major improvements over the years and look forward to even
18 more gains in the future.
19 I am here today on behalf of Dr. Michael Vickers, the
20 Under Secretary of Defense for Intelligence, and I would
21 also like to introduce Mr. Stan Sims, the Director of
22 Defense Security Service, who is accompanying us today.
23 The Under Secretary of Defense for Intelligence is the
24 Principal Staff Assistant to the Secretary and Deputy
25 Secretary for security matters and is responsible for

1 setting overall DOD policy to implement national policies
2 for access to and the protection of classified national
3 security information. In addition, he is the senior
4 official for DOD's personnel security program and has
5 responsibility for policy and procedures governing civilian,
6 military, and industrial base personnel security programs.
7 Executive Order 13467 designates the Director of
8 National Intelligence as the security executive agent with
9 the responsibility to develop uniform policies and
10 procedures to ensure effectiveness completion of
11 investigations and determinations of eligibility for access
12 to classified information, as well as acceptance of those
13 determinations on a reciprocal basis across the Government.
14 With regard to the oversight roles and responsibilities
15 within DOD, the heads of DOD components are responsible for
16 establishing and overseeing implementation of procedures to
17 ensure protection of classified information and taking
18 prompt and appropriate management action in cases of
19 compromise of classified information. Such actions are
20 required to focus on correcting or eliminating the
21 conditions that caused, contributed to, or brought about the
22 incident. This responsibility encompasses military service
23 members, DOD civilians, and embedded contractor personnel.
24 Under the National Industrial Security Program, the
25 Defense Security Service is responsible for conducting

1 oversight of companies cleared to perform on classified
2 contracts for DOD and 26 other Federal agencies which use
3 DOD industrial security services.
4 The Department has instituted various process
5 improvements that have resulted in greater efficiencies and
6 effectiveness with regard to initiating and adjudicating
7 background investigations, and this has helped to result in
8 the removal of DOD from the high-risk list for its personnel
9 security program.
10 We have deployed multiple initiatives to ensure
11 consistent, high-quality investigative products, highly
12 skilled and professionally certified personnel security
13 adjudicators, and robust documentation of adjudicative
14 rationale in support of these adjudicative decisions, and
15 this helps to ensure appropriate oversight and reciprocity.
16 In October 2012, DOD consolidated its adjudicative
17 functions and resources except for the DOD intelligence
18 agencies in a centralized adjudication facility to realize
19 efficiencies and standardize practices of this critical
20 inherently governmental function.
21 You specifically asked for the costs of obtaining
22 security clearances for the Department, and in fiscal year
23 2012, DOD paid the Office of Personnel Management a total of
24 $753 million for security clearance investigations and
25 approximately $471 million for military service members, $30

1 million for DOD civilians, and $252 million for cleared

2 industry.

3 Thank you for your time.

4 [The prepared statement of Mr. Lewis follows:]

1 Senator Tester. Thank you for your testimony, Mr.

2 Lewis.

3 Ms. Farrell, you may proceed.

1 TESTIMONY OF BRENDA S. FARRELL, DIRECTOR, DEFENSE
2 CAPABILITIES AND MANAGEMENT, U.S. GOVERNMENT
3 ACCOUNTABILITY OFFICE
4 Ms. Farrell. Chairmen Tester, McCaskill, and members
5 of the Subcommittee, thank you for the opportunity to be
6 here today to discuss the governmentwide personnel security
7 clearance process. As you know, we have an extensive body
8 of work on issues related to the security process dating
9 back several decades.
10 Since 2008, we have focused on the governmentwide
11 effort to reform the security clearance process. My
12 statement today is based on GAO reports issued between 2008
13 and 2013 on DOD's personnel security clearance program and
14 personnel security reform efforts.
15 Personnel security clearances allow Government and
16 contractor personnel to gain access to classified
17 information that through unauthorized disclosure can in some
18 cases cause exceptionally grave damage to U.S. national
19 security.
20 As you know, a high number of clearances continue to be
21 process. The Director for National Intelligence reported
22 this year that more than 4.9 million Government and
23 contractor personnel held clearances, making it a formidable
24 challenge for those deciding who should have a clearance.
25 My written statement addresses three areas for improvement

1 to the process.

2 The first area addresses having a sound requirements
3 determination process in place. Agencies need an effective
4 process for determining whether positions require a security
5 clearance and, if so, at what level. Underdesignating
6 positions can lead to security risks while overdesignating
7 can also lead to security risks and result in significant
8 cost implications.

9 Last year, we found guidance did not exist to help
10 agencies determine whether or not a civilian position should
11 require a clearance and, importantly, no requirement exists
12 to review existing positions with clearances. We made
13 recommendations to the Director of National Intelligence,
14 who has responsibility for this area, to develop such
15 guidance.

16 The second part of my statement addresses having
17 performance measures to measure quality. Since the 1990s,
18 we have emphasized the need to build quality and quality
19 metrics into the clearance process. Executive branch
20 efforts to reform the process have focused more so on
21 timeliness than quality. We have seen results to speed up
22 the processing of initial clearances, but we have not seen
23 results to finish developing metrics for qualitative
24 investigations, implement those metrics, or report on those
25 metrics' findings.

1 We have reason for concern about the quality of
2 investigations. For example, in May 2009, GAO reported that
3 documentation was incomplete for most OPM investigative
4 reports we reviewed, about 87 percent of 3,500 investigative
5 reports. We have made recommendations in this area, but
6 those recommendations have not been implemented.
7 The last area of my statement addresses the guidance to
8 enhance efficiencies of the clearance process.
9 Governmentwide personnel security reform efforts have not
10 yet focused on potential cost savings, even though the
11 stated mission of these efforts includes improving cost
12 savings. For example, OPM's investigative process, which
13 represents a portion of the security clearance process and
14 has significant costs, has not been studied for process
15 efficiencies or cost savings. In February 2012, GAO
16 reported that OPM received over $1 billion to conduct more
17 than 2 million background investigations in fiscal year
18 2012.
19 We have raised concerns about transparency of costs and
20 investments in technology while maintaining a less efficient
21 and duplicative paper-based process. We have made
22 recommendations in this area, but actions have still not
23 been realized.
24 This concludes my opening statement. I would be
25 pleased to take questions. Thank you very much.

[The prepared statement of Ms. Farrell follows:]

1 Senator Tester. Yes, thank you for your statement, Ms.
2 Farrell, and thank you all for your opening statements.
3 We will put 7 minutes on the clock, and we will go from
4 here.
5 I am going to start with you, Mr. McFarland. Without
6 making any specific statements that could compromise the
7 ongoing investigation, could you confirm that the Office of
8 Personnel Management's Office of the Inspector General is
9 currently investigating USIS? They are one of the three
10 major contractors conducting background checks on behalf of
11 the U.S. Government?
12 Mr. McFarland. Yes, Senator, we are.
13 Senator Tester. Can you also confirm that USIS carried
14 out the background investigation on Mr. Snowden?
15 Mr. McFarland. I am sorry?
16 Senator Tester. Could you also confirm that USIS
17 carried out the background investigation on Mr. Snowden?
18 Mr. McFarland. Well, I am not sure regarding that
19 question.
20 Senator Tester. Okay. It is my information that there
21 were two. There was an initial investigation and then a--
22 Mr. McFarland. Oh, I am sorry. Yes, the re-
23 investigation, absolutely.
24 Senator Tester. So USIS did do the re-investigation.
25 Mr. McFarland. Yes.

1 Senator Tester. But you are not sure who did the
2 initial investigation?
3 Mr. McFarland. That is correct.
4 Senator Tester. Would it be possible to get that
5 information?
6 Mr. McFarland. Yes, it is.
7 Senator Tester. Okay, good. Are there any concerns
8 that Mr. Snowden's background investigation by USIS may not
9 have been carried out in an appropriate or thorough manner?
10 Mr. McFarland. Yes, we do believe that there may be
11 some problems.
12 Senator Tester. Okay. And when more information gets
13 available on this, I would assume it is going to be made
14 public. Is that correct?
15 Mr. McFarland. Well, it will all depend on the time
16 and situation, but we will do our best to keep you informed.
17 Senator Tester. Okay, that is good. So let me ask you
18 this: They are under investigation, USIS is under
19 investigation. But yet they are given the re-investigation
20 of Mr. Snowden. How does that really happen?
21 Mr. McFarland. Excuse me just a moment.
22 [Pause.]
23 Mr. McFarland. If you would, please?
24 Senator Tester. Absolutely. No, that is why they are
25 here.

1 Mr. McFarland. Thank you very much.

2 Senator Tester. Michelle, carry on.

3 Ms. Schmitz. It is our understanding that the periodic
4 re-investigation was done in 2011, which would have pre-
5 dated the initiation of our investigation.

6 Senator Tester. Okay. When did you initiate your
7 investigation of them?

8 Ms. Schmitz. It was later in 2011.

9 Senator Tester. Okay. All right. Yet this agency, if
10 I am correct--I believe it was in one of your opening
11 statements--they do about 65, 75--65 of the 75 percent that
12 is contracted out. Is that correct? Or do they do 65
13 percent of the total contracted-out investigations? You
14 said 75--and I can look it up, but 75 percent of the
15 investigations are contracted out. Is that not correct?

16 Ms. Schmitz. That question is probably best answered
17 by FIS. I understand the number varies depending on whether
18 you are talking about all investigative products or those
19 which include significant field work.

20 Senator Tester. Okay. Merton?

21 Mr. Miller. Yes, USIS conducts 45 percent of the
22 overall contract workload.

23 Senator Tester. Okay. Very good.

24 I am going to go with you, Mr. Lewis, and then I will
25 kick it over to Senator McCaskill. I touched in my opening

1 statement about how much classified data was being generated
2 and maintained with an increasing number of folks with
3 access to that data. DOD currently accounts for a vast
4 majority of the initial personnel security clearances.
5 Since 9/11, heightened security has obviously driven the
6 increased number of background checks. Make no mistake
7 about it. I am not challenging that at all.
8 What I am asking is, given our redeployment of troops
9 from Iraq and now the drawdown in Afghanistan, do you
10 anticipate that DOD security clearances are going to
11 decrease in the future, or are they going to maintain, or
12 are they going to get more?
13 Mr. Lewis. It is hard to have a crystal ball on that
14 subject. One would think that as the drawdown occurs, there
15 would be less of a requirement for clearances. And we are
16 engaging with the military services and others to look at
17 scrubbing the requirements for clearances and validating
18 need more aggressively than we have in the past. But I
19 cannot predict what is going to happen, you know, with any
20 degree of certainty with that drawdown.
21 Senator Tester. Now, understanding that the clearances
22 are driven by need, by specific needs, is that scrubbing--is
23 that what you are using to monitor or manage the number of
24 overall clearances for the DOD? Or what kind of metrics are
25 you using? Or are there metrics to use? It is just need,

1 get the clearance?

2 Mr. Lewis. We are looking at the number of clearances

3 and engaging with the military services to validate those

4 needs. So we do not have metrics at this point on that

5 issue.

6 Senator Tester. Okay. Senator McCaskill, go ahead.

7 Senator McCaskill. Mr. Miller, have you read Ms.

8 Farrell's testimony today?

9 Mr. Miller. I just heard it for the first time.

10 Senator McCaskill. I am not going to start now, but I

11 would appreciate that you would read it and respond to it

12 with specificity. It is overwhelming to me the amount of

13 recommendations that have been made in this area that have

14 been ignored by your agency, and I see no good reason why

15 these recommendations have been ignored. If you want to

16 address why the recommendations have been ignored now, you

17 are welcome to. I have some other areas I want to ask you

18 about also. But it appears to me that--which is not the

19 first time this has happened. I have spent a lot of time

20 around GAO reports and looking at recommendations and

21 whether or not they are implemented. And, typically,

22 agencies that have the least amount of oversight by Congress

23 have the worst record of thinking that what GAO says

24 matters.

25 Is there some kind of cogent answer you can give to why

1 all these recommendations that have been made have been
2 basically wholesale ignored?
3 Mr. Miller. We take what GAO recommends through their
4 audits very seriously--
5 Senator McCaskill. When is the last time you
6 implemented one of their recommendations?
7 Mr. Miller. We have implemented all this fiscal year a
8 number of recommendations regarding--I will take the last
9 audit--cost transparency. We have done a number of things
10 to support cost transparency to our customers. We submitted
11 our first annual stakeholder report, the first one, a 33-
12 page report that details not only workload and resources but
13 also talks specifically about where our money goes to
14 support the program. We--
15 Senator McCaskill. If you would be so kind, Ms.
16 Farrell, to do a scorecard for us, list the recommendations
17 that GAO has made in this area and give us an actual score
18 as to how many of them have been implemented and when, by
19 your estimation, and then I will have a chance to share that
20 with you, Mr. Miller, and you can argue as to whether it is
21 accurate or not, and we can get at that.
22 [The information follows:]
23 / SUBCOMMITTEE INSERT

1 Senator McCaskill. How many times has the IG asked to
2 try to audit the Revolving Fund that pays for all these
3 background investigations?
4 Mr. Miller. I do not have a number of times they have
5 asked to audit, but my understanding is we are very
6 cooperative of having the IG actually audit the Revolving
7 Fund. The issue was determining whether there was a legal
8 basis to provide Revolving Fund dollars for the audit.
9 Senator McCaskill. According to Mr. McFarland, the
10 documents do not exist to audit the fund.
11 Mr. Miller. Oh, there are lots of documents, financial
12 reports--
13 Senator McCaskill. Okay. So I need some kind of
14 agreement here as to why this fund has never been audited.
15 It is $1 billion a year. It is outrageous that it has never
16 been audited. And so what is your rationale as to why this
17 fund has never been audited?
18 Mr. Miller. My understanding is OPM--we support the
19 current request by the OIG for Revolving Fund dollars to
20 support audits in the future. The issue in the past was
21 there was not a legal basis apparently for Revolving Fund
22 dollars to be given to the IG for audit purposes. We
23 welcome the IG's oversight.
24 Senator McCaskill. Well, these are all public dollars.
25 Mr. Miller. They are public dollars. They are not

1 appropriated dollars. And, honestly, I cannot speak to--
2 Senator McCaskill. Well, they were appropriated at
3 some point.
4 Mr. Miller. Yes, ma'am, they were.
5 Senator McCaskill. Because you cannot get them unless
6 they were appropriated.
7 Mr. Miller. Yes, ma'am.
8 Senator McCaskill. So what you are saying is all
9 somebody has to do in Government is give some of the money
10 that has been appropriated to another agency and, presto,
11 whamo, no audit?
12 Mr. Miller. No, ma'am.
13 Senator McCaskill. Well, that is what you are saying.
14 You are saying that there was some legal question as to
15 whether this money was auditable by an IG just because it
16 had been transferred to your agency by another agency.
17 Mr. Miller. It was absolutely auditable. The issue
18 was whether Revolving Fund dollars could be given to the IG
19 to resource additional personnel to actually conduct the
20 audit. They could have used appropriated dollars at any
21 time to audit the Revolving Fund.
22 Senator McCaskill. Okay. Let me see if I understand.
23 What is your view of this, Mr. McFarland and Ms. Schmitz, as
24 to why the audits have not occurred? He seems to be saying
25 that this was an acknowledgment by you that you did not have

1 the resources to do it. Is that the problem?

2 Mr. McFarland. We absolutely have the resources to do

3 it.

4 Senator McCaskill. So what from your view is the

5 reason why this fund has never been audited?

6 Mr. McFarland. When you say "the fund," you are

7 speaking--

8 Senator McCaskill. The Revolving Fund.

9 Mr. McFarland. The Revolving Fund. One moment,

10 please.

11 [Pause.]

12 Mr. McFarland. This is a bit confusing, I think, but

13 we--our intent, as always, is to get involved as deeply as

14 we can in any subject matter. The problem that we have is

15 that we could not identify--excuse me just a second, please.

16 I want to give you as correct an answer as possible.

17 Ms. Schmitz. My understanding--and this may be subject

18 to later correction because audits is not my area. My

19 understanding is that they were attempted in the late 1990s,

20 and there was insufficient documentation, and since that

21 time the OIG has not had the financial resources to pay to

22 do an audit.

23 Senator McCaskill. Okay. Well, we need to get that

24 figured out, because if we are actually saying to the

25 American people that there are not the resources available

1 to audit a fund that holds $1 billion worth of public money,
2 we have got a real problem. So I am going to need you to
3 come up with the specific answer that you believe is holding
4 you back from auditing this fund, and I would need the same
5 kind of specificity from you, Mr. Miller, as to your
6 willingness and your capability of being audited. I mean,
7 we know the Department of Defense cannot be audited. We are
8 working on that. It has been decades long that we are
9 trying to get them audited. This seems to me to be a
10 discrete fund that auditing it ought not be very expensive,
11 and it ought to be something that is as easy as brushing
12 your teeth for the tens upon thousands of Government
13 auditors we have working right now. So let us get to the
14 bottom of that.
15 I want to talk just for a minute, before my time is up,
16 about the number of convictions for falsifications. You
17 have had 18 people convicted for falsifying investigations.
18 Of those, 11 were Government employees, 7 were contractors.
19 It seems to me the number of convictions--this is since
20 2007. It seems high to me for an office as small as this
21 is. Do you believe you are catching most of the fraud, Mr.
22 McFarland? Or do you believe there is more?
23 Mr. McFarland. No, I believe there may be considerably
24 more. I do not believe that we have caught it all by any
25 stretch.

1 Senator McCaskill. Okay. My time is up. I will wait
2 for my second round. Thank you.
3 Senator Tester. Senator Portman.
4 Senator Portman. Thank you, Mr. Chairman.
5 One thing we have heard today which is disturbing is
6 that we cannot confirm the quality of Mr. Snowden's
7 investigation, and this leads to a broader question about
8 whether the pressure that you all feel to speed up
9 investigations and the backlog that occurs is leading to
10 lower quality. And I am wondering about whether you are
11 measuring those metrics.
12 You have been pressed, as I say, on timeliness, I am
13 sure, but here is some data. In 2009, GAO assessed from a
14 sample that they had that 87 percent of investigative
15 reports that DOD adjudicators used to make clearance
16 decisions were missing background documentation--87 percent.
17 GAO subsequently recommended OPM measure the frequency with
18 which investigative reports meet Federal investigative
19 standards. It seems like a pretty straightforward and
20 commonsense recommendation.
21 GAO also notes that OPM is developing a tool similar to
22 DOD's Rapid Assessment of Incomplete Security Evaluations,
23 and this afternoon in your testimony, Ms. Farrell, you
24 talked more about that, and you basically stated that from
25 GAO's observation, OPM continues to assess quality based on

1 voluntary reporting from customer agencies.

2 So I would just ask, you know, in light of what has

3 just happened and in light of this information from GAO now

4 going back 4 years, Mr. Miller, how do you measure quality?

5 Mr. Miller. Senator, we have a number of ways that we

6 measure quality, but if I could address just up front the 87

7 percent number, you probably saw OPM's response to that

8 audit. And there are challenges associated with capturing

9 every element of a background investigation, and let me just

10 explain very quickly.

11 An employment check, that was one of the areas where

12 there was the highest number of elements that were missing

13 in a background investigation. Employers can choose not to

14 cooperate with the Government when we conduct a background

15 investigation. I am not saying Federal agencies. I am

16 talking all kinds of commercial entities out there where

17 individuals may have previously worked.

18 One of the challenges actually getting cooperation, if

19 an employer either goes away, does not exist any longer, or

20 chooses not to provide information to the Government, that

21 information has to be documented in a Report of

22 Investigation, but you do not get that employment coverage

23 that is required by the investigation.

24 There are issues regarding the 87 percent involved

25 subjects, subject interviews that were not accomplished.

1 Many of those subjects had been deployed into a hostile
2 environment where investigators could not go to conduct
3 those interviews. So there is a documentation in the Report
4 of Investigation saying this subject was not available due
5 to deployment, and that case is closed.
6 And, Senator, you are exactly right. Every time we
7 initiate an investigation, we put what we refer to as a
8 close date, a CD date, because that date must be met to meet
9 the mandated 40-day challenge that we are given for
10 timeliness. So all investigative leads must be accomplished
11 in that period of time, and the case is then closed.
12 Senator Portman. Let us follow up on this a little
13 bit, and, Ms. Farrell, jump in here, but 87 percent is a
14 high figure of incomplete reports. And, again, given that
15 we are trying to protect some of our most valuable
16 classified information and we have seen some of the impact
17 of this recently, do you agree with what Mr. Miller just
18 said, that the major problem is that employers in the
19 private sector do not want to respond to questions and/or
20 that people have been deployed into hostile environments?
21 Is that the reason 87 percent of these are not properly
22 completed?
23 Ms. Farrell. The documentation was not in the files.
24 We recognize that it may be challenging to track down people
25 who may be deployed, and if the documentation is there, then

1 that could explain it. We found the same types of
2 incomplete documentation with DOD's adjudication files, and
3 we recommended to them that they have guidance that if there
4 are difficulties, you document it so that the adjudicator
5 can know or whoever comes by and does a review will know why
6 that was left blank, the person was deployed.
7 DOD implemented our recommendation--
8 Senator Portman. So if the person was deployed, for
9 instance, and that was the only reason that there was an
10 incomplete investigation, that would not be part of the 87
11 percent?
12 Ms. Farrell. If it were documented.
13 Senator Portman. If you simply had that documentation.
14 Ms. Farrell. If they had that documentation. The
15 Federal Investigative Guidelines, like the Federal
16 Adjudicative Guidelines, are--they look at it as a baseline.
17 So we had our staff attend investigative training. We used
18 GAO-certified adjudicators also to help us do these file
19 reviews, so we made sure that the staff that were coming
20 behind and reviewing had the competencies to see what was
21 missing and what should be there. So this is about
22 documentation, not having to look at a file and guess.
23 Senator Portman. And your recommendation was that they
24 develop tools to be able to deal with that. And, Mr.
25 Miller, just quickly, what tools have you developed to be

1 able to close this gap?

2 Mr. Miller. There are a number of initiatives ongoing
3 currently and then our own quality process. We have got
4 quality procedures in our contracts for our contractors as
5 well as our Federal employees where there are several stages
6 and several layers of review that occurs when a background
7 investigation is being worked and when it is finalized.

8 The terms of the contract, there are a number of
9 requirements within a contract for them to conduct a full
10 quality review of the investigation before it is delivered
11 to the Government. Our Federal investigators, as each lead
12 is accomplished, there is a review conducted by our
13 reviewers. We have 400 Federal employees whose sole role is
14 quality assurance of our products that do a full review of
15 each investigation.

16 When that is finalized and the final review and the
17 delivery is to our customers, there is a subsequent review--
18 the most important review, quite frankly--the adjudicative
19 decision made by the agency itself. So they review the
20 investigation and make a determination whether all elements
21 are there required to make a determination. They can make
22 an adjudicative decision--I am not an adjudicator--claiming
23 a deviation, meaning that there are certain elements not
24 there, but based on the consistent and the whole of the
25 investigation, they determine to grant that person either a

1 clearance or the Federal employment.

2 Senator Portman. And are you now providing these
3 metrics to all of your adjudicators? And are you providing
4 this documentation so that when GAO looks at your process
5 the next time, they are going to be able to know why
6 somebody was not provided all the information?

7 Mr. Miller. We have not provided--we have not had any
8 follow-up recently with GAO. We would welcome a follow-up
9 on that, as well as to address the standards, the quality
10 standards. We have an interagency working group chaired by
11 the ODNI, at DOD and OPM that is working on establishing
12 clear and concise standards for evaluating background
13 investigations to meet the quality standard. Today quality
14 is in the eye of the beholder, depending on the agency,
15 depending on the adjudicator, whether it is complete,
16 whether it is not. So there is a lot of gray area that,
17 quite frankly, I advocated in standing up this quality
18 working group to give us defined roles. I can tell you,
19 give us quality standards we understand that are clear, we
20 will absolutely meet those.

21 Senator Portman. I think one would be not to have the
22 vast majority of the reports be incomplete. But thank you
23 for your testimony. We will be back on the second round.
24 Thank you, Ms. Farrell.

25 Senator Tester. Thank you, Senator Portman.

1 Senator Johnson?

2 Senator Johnson. Thank you, Mr. Chairman.

3 Mr. Miller, what does it mean, case closed?

4 Mr. Miller. Case closed means all the elements of the
5 background investigation have been obtained and completed
6 and passed on to the customer.

7 Senator Johnson. Or you have not gotten all of them
8 and you are still closing the case when 40 days is up?

9 Mr. Miller. If they are not obtainable, like an
10 employment check, that will be documented in the Report of
11 Investigation, and it will be closed and--

12 Senator Johnson. So how many of those case-closed,
13 incomplete investigations then are actually adjudicated and
14 clearances granted?

15 Mr. Miller. Well--

16 Senator Johnson. Do you keep any metrics on that?

17 Mr. Miller. Yes, sir. Our numbers on metrics, we look
18 at from a quality perspective, as the engagement with our
19 customer on requests for reopen. In other words, when a
20 customer comes back to us and says, "You are missing
21 elements, there is information we do not have here to make
22 the decision, we are asking you to reopen that
23 investigation," that is--

24 Senator Johnson. What percent do you get back then?

25 Mr. Miller. That is less than 1 percent, sir.

1 Senator Johnson. So then do you know how many
2 clearances are granted based on your case closed with
3 incomplete documentation?
4 Mr. Miller. No, sir. The only way we would know what
5 is granted would be what would be updated in our--
6 Senator Johnson. You have 87 percent of cases that are
7 incomplete documented, considered case closed, and then only
8 1 percent get kicked back requesting more information? I
9 mean, so we could potentially have 86 percent of
10 investigations incomplete and then security clearances
11 granted. That is probably what is happening, right? Yikes.
12 Mr. Miller. If there is--
13 Senator Johnson. Ms. Farrell, something pretty
14 disturbing in your testimony, there is no guidance in terms
15 of what is a requirement for a security clearance being
16 granted?
17 Ms. Farrell. That is correct. That responsibility
18 falls on the Director for National Intelligence. He is
19 responsible for oversight of the security area by providing
20 guidance regarding efficiencies, effectiveness, and
21 timeliness of--
22 Senator Johnson. There is no standard for even
23 requesting a security clearance?
24 Ms. Farrell. The guidance, I must say, it is under
25 draft. We have a recommendation, and I want to now

1 acknowledge--

2 Senator Johnson. We have been granting security

3 clearances for how many decades?

4 Ms. Farrell. Decades.

5 Senator Johnson. And there is literally no standard,

6 no guidance for what is--you know, what circumstances, none?

7 Ms. Farrell. In the absence of--you are correct. In

8 the absence of the guidance, it is left up to the agencies

9 to determine how they are going to classify those jobs, and

10 what you find is inconsistency. We also found that some of

11 the agencies were using an OPM tool that helps determine the

12 sensitivity of a job position. The sensitivity of a

13 position does not tell you the classification, but by

14 knowing the sensitivity, then you can translate that into

15 whether or not a security clearance is needed.

16 Unfortunately, OPM's tool that many of the agencies

17 were using was geared more toward determining sensitivity

18 related to suitability for the job rather than if the job

19 required a security clearance. OPM developed a tool without

20 a lot of collaboration with ODNI, and that is how you got

21 the tool.

22 Senator Johnson. Does anybody want to challenge this

23 in terms of no standards, no guidance, in terms of what is a

24 requirement for even seeking a security clearance? Mr.

25 Miller, help me out here.

1 Mr. Miller. Sir, OPM did create a position designation
2 tool that was focused on suitability and determining what
3 type of level of investigation is required for the position
4 in which the individual--they are asking for.
5 Senator Johnson. Mr. Lewis, in the Department of
6 Defense, is there a guidance, is there a standard?
7 Mr. Lewis. The key focus is on what level of access is
8 required to perform the duties associated with the job, and
9 that is going to depend, you know, upon what those duties
10 are, and for industry it is very carefully and closely
11 scrutinized by Defense Security Service when they go out and
12 do their inspections of contractor facilities. Within DOD,
13 it is going to depend on what level of access is determined
14 to be required to perform the duties.
15 Senator Johnson. Isn't that somewhat of a guidance,
16 Ms. Farrell? I mean, so we have classifications of
17 different secrecy levels, and if your job description says
18 you need X classification, isn't that a guidance?
19 Ms. Farrell. The guidance does not exist, is what I am
20 telling you, for governmentwide determination whether or not
21 a civilian position needs a clearance. You will find that
22 individual agencies thus have developed their own rules or
23 procedures, and what we found from our audit last year was
24 an inconsistency of that application. In fact, even the OPM
25 IG reviewed use of the OPM position tool that Mr. Miller

1 mentioned and found with their review that, for the majority
2 of the cases reviewed applying OPM's tool, they came up with
3 a different determination. Quite alarming.
4 Senator Johnson. Security clearances, we have
5 clearances for individuals, but we also have them for
6 contractors and for facilities, correct? I mean, you also
7 are basically certifying contractors to be able to handle
8 classified material. Is that correct? Mr. Miller, can you
9 just step me through an investigation of a contractor or
10 facility versus an individual? Can you just step me through
11 that process?
12 Mr. Miller. Yes, sir. For an individual, not for a
13 facility--I would ask Stan if he could handle that one. But
14 for an investigator, for an investigation, the contractor,
15 there is a determination that the contractor needs a
16 clearance. It is sponsored by DOD, the Department of
17 Defense. They submit the individual--
18 Senator Johnson. Okay. I am really more interested in
19 facilities right now.
20 Mr. Miller. Okay. I cannot speak to facilities, sir.
21 We are not involved with that.
22 Senator Johnson. Because I want to find out how often-
23 -if the certification is granted, are there surveillance
24 audits on a regular basis? Because I think that is kind of
25 the crux of the problem potentially, with the most recent

1 incident. Mr. Lewis?

2 Mr. Lewis. I would like to defer to Mr. Sims on that

3 as his agency exercises that oversight.

4 Senator Johnson. Okay. Thank you.

5 Mr. Sims. Thank you, Senator. I appreciate the

6 opportunity. I oversee the Defense Security Service for

7 contractors and facilities. As Mr. Lewis stated up front,

8 as part of the National Industrial Security Program, the

9 Defense Security Service actually oversees the granting of

10 facility clearance. The facility clearance is actually a

11 requirement for the Government. If the contractor is

12 operating on a contract that requires a certain level of

13 clearance, for example, secret or top secret, then they

14 submit those requirements to DSS, but it is sponsored by the

15 Government.

16 We then look at the facility, the company, if you will,

17 and we look at the contract and the requirements of the

18 contract. If the contract requires that there is a secret

19 clearance that is required, we then evaluate the facility on

20 a number of different things, and then we grant the facility

21 clearance first.

22 Once the contractor gets a facility clearance, then

23 that mandates the requirement for the level of access that a

24 certainly would have in working on that contract. For

25 example, if there is a level of effort, however many

1 contractors are required to perform on that Government
2 contract, and then that facility clearance is at the secret
3 level, that is only the level that the access of the
4 individual can even apply for.
5 We audit or we do security reviews on a routine basis
6 of all the contract facilities out there. There are about
7 13,500-plus facility clearances out there that we oversee,
8 they are awarded to about 10,000 companies. We do routine
9 security reviews out there, and when our investigative
10 organization or our agents go to those facilities, we look
11 at those contracts. We verify on a routine basis whether--
12 do they have personnel that are operating on the contract
13 that is above the level in which the contract was required?
14 For example, if we find that they have a person that is
15 cleared at top secret, that is trying to work on a secret
16 contract, then we mandate the lowering of or removal from
17 the--
18 Senator Johnson. Okay. I am out of time, and I am
19 going to have to leave. Just a quick question. How many
20 man-hours does the first certification process take? How
21 man-hours are involved in a surveillance audit? I am just
22 trying to get some sort of feeling of how rigorous these
23 certifications are.
24 Mr. Sims. Senator, it depends on the size of the
25 facility. Those 10,000 facilities are all the way from Mom-

1 and-Pops all the way up to Lockheed-Martin?

2 Senator Johnson. Is this a day-long process? Is it a

3 3-month process?

4 Mr. Sims. For some of the smaller companies, it could

5 be a day or two. For the larger companies, facilities like

6 a Lockheed-Martin, a large manufacturing facility, it could

7 take up to 2--we have done at least 2 to 3 weeks on-site

8 with a team of security professionals from my agency.

9 Senator Johnson. Okay. Thank you very much.

10 Thank you, Mr. Chairman.

11 Senator Tester. You bet. Thank you, Senator Johnson.

12 I am going to read the second paragraph on page 3 of

13 Mr. McFarland's testimony, and this will be a question for

14 you, Mr. Miller. The testimony goes like this:

15 "The problem that [Patrick McFarland's] office has

16 encountered is that the Office of Inspector General (OIG)

17 oversight costs are not permitted to be charged against the

18 Revolving Fund."

19 This is a follow-up on Senator McCaskill's question.

20 This $1 billion or $2 billion fund, somebody has made a call

21 that none of that money can be used for things like annual

22 financial audits or any basic oversight. Who made that

23 call?

24 Mr. Miller. I cannot answer that, sir.

25 Senator Tester. Mr. McFarland?

1 Mr. McFarland. Yes, I can speak to that, Senator.
2 This has been probably the most frustrating thing that has
3 happened regarding the Revolving Fund for us, because it has
4 almost literally taken us out of the picture. We have a
5 limited amount of money from salaries and expenses--in our
6 case, it is $3 million right now--to spend on non-trust fund
7 issues, and the Revolving Fund is a non-trust fund issue.
8 So what we have tried to do as best we can is stay
9 tuned in to what is going on, and that is kind of a sad
10 state of affairs for an IG to have to say, stay tuned in.
11 We want to be in depth in all of these things. But we have
12 not been able to simply because it was decided by the
13 General Counsel's office and then supported by the Director
14 of OPM that we do not fit into the category that would allow
15 us to have funds from the Revolving Fund.
16 Now, we take total disagreement with that, of course.
17 We feel just the opposite.
18 What has transpired, if I may, in order to try to
19 remedy the situation, I suggested a couple years ago that
20 the suspension--that maybe the Director of OPM should
21 suspend his decision in agreement with the General Counsel's
22 office that, you know, we are not entitled to those funds in
23 hopes that we could get--in fact, get the job done and then
24 maybe go for a Comptroller General's opinion if we had to.
25 Senator Tester. We have got a confirmation hearing on

1 the new Director of OPM on July 12th, and I have got a
2 notion that is going to be a question that is going to be
3 asked right out of the gate: Are you going to support using
4 some of those monies?
5 Let me ask you one more thing, and I want you to be
6 very brief, if you can.
7 Mr. McFarland. Sure.
8 Senator Tester. When you do an oversight, an audit, or
9 whatever it may be, is typically the cost paid for that by
10 the fund that you are doing the audit on?
11 Mr. McFarland. Everything we do for the health
12 insurance and the retirement and the life insurance, that is
13 done out of those trust funds.
14 Senator Tester. Okay. Is there any other fund out
15 there that you know of that has been declared off limits for
16 reimbursement for your duties?
17 Mr. McFarland. No. We are using our salary and
18 expenses to do what we can in the Revolving Fund. That is
19 why it is so limiting.
20 Senator Tester. I understand that. But when you do
21 any other audits on any other funds, I assume you are
22 getting paid out of those funds that you are auditing.
23 Mr. McFarland. That is correct.
24 Senator Tester. Are there any other funds that you are
25 auditing that you are not able to get your costs reimbursed

1 from those funds?

2 Mr. McFarland. No. In general, no. I think--

3 Senator Tester. So I guess it is July--okay. That is

4 what I needed to know. The hearing is July 16th, not July

5 12th.

6 I have got a question to follow up on Senator

7 Johnson's, if I could to you, Ms. Farrell. Short of the

8 President of the United States, I do not know who is

9 responsible for these security clearances. There are

10 different standards, there are different responsibilities,

11 different metrics, different everything.

12 So this incident comes up with Snowden. We should not

13 be surprised at all. I mean, who is--where does the buck

14 stop on this situation? Is it--I mean, where does the buck

15 stop? I mean, where--there are not metrics. Does the buck

16 stop with Congress? Are we falling back? Should we be

17 dictating what you should be doing? Or who should be doing

18 this?

19 Ms. Farrell. Well, we were encouraged when a

20 governance structure was put in place by Executive order

21 back in 2008. The Executive order established a Performance

22 Accountability Council to drive reform efforts toward

23 effectiveness, efficiency, keep it going. And the Deputy

24 for Management at OMB is the Chair of the Performance

25 Accountability Council.

1 The order also established the Director for National
2 Intelligence as the Security Agent. It also established OPM
3 as the Executive Agent for Suitability.
4 So that question we asked many times after the Council
5 was formed, when we were looking at the reform efforts and
6 who is in charge, and it comes down to the PAC, is what they
7 call it, the Performance Accountability Council, headed up
8 by the Deputy Manager at OMB.
9 Senator Tester. Very quickly, Mr. Miller, should I be
10 concerned about this, concerned that there is no apparent
11 metrics or standards or--
12 Mr. Miller. Sir, there are standards.
13 Senator Tester. Yes, but they vary between each
14 agency, so consequently there is no reciprocity, and the
15 standards could go from soup to nuts.
16 Mr. Miller. Yes, sir. There has been a great deal of
17 effort under the Performance Accountability Council to align
18 standards and get consistency across Federal agencies.
19 Senator Tester. Have we been successful in that to
20 develop a single measurable standard?
21 Mr. Miller. Sir, we are better than we have been.
22 There is still work to do.
23 Senator Tester. Okay. Senator McCaskill?
24 Senator McCaskill. Let me go back to the convictions.
25 When you have convictions of people who falsify

1 investigations, what kind of processes are in place, Mr.
2 McFarland or Ms. Schmitz, as to the investigations that that
3 person was responsible for?
4 Ms. Schmitz. The Federal Investigative Services has an
5 integrity assurance process in place, which is how most of
6 these cases are initially detected. When they suspect that
7 falsification is occurring, they do what they call a
8 recovery effort, which is to identify the scope that they
9 believe the falsifications may have occurred within, and
10 then they have a federally employed background investigator
11 go back and redo every single investigation that was
12 assigned to that person, both to make sure that a quality
13 product replaces the possibly defective product and to
14 identify what is falsified for further criminal
15 investigation and potential prosecution.
16 Senator McCaskill. For the people who are in the
17 parameters of the investigation around these criminal
18 convictions for falsification, I assume that their access to
19 classified material is cut off while that is done? Or are
20 they allowed to keep their clearance while you look into it?
21 Ms. Schmitz. You mean the individuals who hold the
22 security clearance?
23 Senator McCaskill. Correct.
24 Ms. Schmitz. Mert may know more than I do, but to my
25 knowledge, they are not affected while the investigation is

1 in process.

2 Senator McCaskill. Is that true? They are allowed to

3 keep their classification even though you have discovered

4 that during the period of time their security clearance was

5 given that somebody was criminally falsifying?

6 Mr. Miller. Yes, ma'am, that is correct. The recovery

7 process that was just mentioned is the top priority. Our

8 integrity assurance program, as Michelle testified, is how

9 these falsifications are uncovered.

10 Senator McCaskill. And you are doing that by recontact

11 letters? Is that how this happens?

12 Mr. Miller. Yes, ma'am. That is one of the processes,

13 the recontact letters.

14 Senator McCaskill. How many people get recontact

15 letters?

16 Mr. Miller. 3 percent a month of all investigations

17 receive recontact activity, and that is for every agent we

18 have employed. So there is not any agent that does not

19 receive some recontact activity on their investigations.

20 Senator McCaskill. And when you say "agent," you mean

21 Government employee or contractor?

22 Mr. Miller. Yes, ma'am.

23 Senator McCaskill. So everybody who is doing

24 background checks, 3 percent of their work every month, the

25 people who they say they interviewed, you do recontact

1 letters to confirm they have been interviewed.

2 Mr. Miller. Yes, ma'am.

3 Senator McCaskill. What if they falsify who they

4 contacted and they are the ones getting the recontact

5 letter?

6 Mr. Miller. Then we will uncover the fraud.

7 Senator McCaskill. How?

8 Mr. Miller. If the individual that we recontact was

9 the individual, the lead that was falsified, typically the

10 response is they were never spoken to by OPM.

11 Senator McCaskill. No, no. I mean what if the person

12 making the falsification falsifies the person they

13 contacted, makes up that it is them, and puts down a phone

14 number that is a phone number they have access to or an

15 address they have access to, a post office box, and they

16 actually get the letter and say, "Yeah, they contacted me,"

17 when in reality the whole thing was made up? How do you

18 catch that?

19 Mr. Miller. That is an interesting scenario. But we

20 know where our agents reside. We know where our agents--

21 Senator McCaskill. Well, aren't some of these post

22 office boxes?

23 Mr. Miller. Some of the contacts are post office

24 boxes, yes, ma'am.

25 Senator McCaskill. You know, I would just--I know your

1 background, and I know that you are through and through an
2 investigator. It worries me that we have this many criminal
3 falsifications, which means that there are people that are
4 employed, by contractors or by you, that are not doing the
5 work, and you are catching them sometimes. But if you are
6 catching as many as you are, that means there are a lot you
7 are not catching. And I just would think if somebody--if I
8 was going to falsify something, I would not be stupid enough
9 to put down the name and the address of the person who is
10 going to say, "No, they never contacted me." I would put
11 down a name and address where I would be able to control the
12 receipt of that document and handle it so that I would go
13 along undetected.
14 Mr. Miller. One of the challenges for that scenario is
15 that when they fill out their SF86, they identify
16 references, the individual we are investigating, references
17 and specific leads. So we are actually contacting the
18 people that the individual being investigated has referred
19 us to speak to. So that would help keep that problem from
20 occurring.
21 Senator McCaskill. Okay. Have you given any thought
22 to shutting off the classification as you look at the
23 investigation?
24 Mr. Miller. Yes, ma'am. There has been some
25 discussion about that. In fact, we have gone back and

1 reviewed--I saw the handout that Mr. McFarland put out. It
2 talks about the level and extent of investigations that were
3 involved. But what we have determined is through the
4 recovery process there have been no--there were no serious
5 issues out of all the cases involved that resulted in a
6 change in access. And so we expedite the recovery process
7 and coordinate that with the agency and update the
8 background investigation to make sure it is correct.
9 Senator McCaskill. Well, I think you should--since
10 these background checks are potentially falsified, I think
11 we should consider during the pendency of your investigation
12 into the falsification that you would suspend clearance
13 temporarily for any of the people that could be impacted by
14 the falsification just because I think it would be easy for
15 us to have a disaster in that area.
16 I am curious about paying for these by contractors;
17 $250 million, I think Mr. Lewis said, was paid just for
18 security clearance for contractors in one year.
19 Now, you have a price sheet here. Are the contractors
20 being asked to identify this separately in their contracts,
21 the defense contractors, in order that those costs are being
22 delineated in their contracts? Or are they absorbed in
23 their contract price and we just cover the cost? Which is
24 it, Mr. Sims?
25 Mr. Sims. Ma'am, those costs are paid for by public

1 dollars. We do not charge contractors for costs of their
2 security clearance. Part of our budget is the cost for
3 funding cleared contractors in industry, and that is what
4 that $252 million was for fiscal year 2012.
5 Senator McCaskill. All right. Well, then here is the
6 question: If we are doing this for the contractors, which I
7 question--it seems to me that this would be something that
8 they should pay for. If they want to do business with the
9 Government in a classified setting, it seems like this
10 should be their dime and not ours. But assuming that we are
11 paying for it, then why in the world are we paying a premium
12 for those that already have it? It sounds like to me we are
13 paying for it twice. Because I know in defense contracts,
14 they get extra money for having employees that have the
15 clearance. So not only are we paying to give it to them, we
16 are paying them again the second time that they already have
17 it.
18 Mr. Sims. Yes, ma'am, I see your point. I cannot
19 address that last part of the question, but I can address
20 the first part about we have done extensive--at least within
21 the Department, as to what is the most cost-effective way to
22 pay for security clearance within the Department, and the
23 analysis shows that if we were to allow the contractors to
24 build that into the contract for the cost of those
25 clearances, then they would add overhead on the management

1 of that. So the most cost-effective way was to manage it
2 from the Department, we pay those costs, because we pay it
3 either way.
4 Senator McCaskill. That makes some sense. It does not
5 make sense that we pay them for it since we did it in the
6 first place. I mean, that does not make any sense. So I
7 guess the contractors say, "Well, we are not going to make
8 you pay for it again, so therefore you need to pay us more."
9 Gee, that is a good deal if you can get it. And it sounds
10 like to me our contractors are getting it.
11 So I would like you, Mr. Lewis, to get back to the
12 Committee with why you cannot cease and desist paying a
13 premium to contractors who have clearance since they did not
14 pay for it in the first place.
15 Mr. Sims. Ma'am, maybe I am confused. We pay OPM--the
16 $250 million that we pay for contractor clearances on
17 Government contracts, those funds go to OPM through the
18 Revolving Fund.
19 Senator McCaskill. No, I understand. I understand.
20 What I am talking about, Mr. Sims--I understand that. I
21 understand that public dollars are being used to provide
22 clearances for private contractors. So the Government, the
23 taxpayers are providing clearances for contractors. Now, I
24 know that in the area of defense contracting, you get a
25 premium on your contract if the people who are working on

1 your contract have clearance. That is what is irritating
2 me, because they are getting a premium for something that
3 the taxpayers provided them.
4 Mr. Sims. You are correct.
5 Senator McCaskill. It would be one thing if they were
6 getting a premium for something they had paid for, but they
7 are not. They are getting a premium for something we paid
8 for. That seems dumb to me. That is why I would like to
9 figure out why we are doing that.
10 Mr. Lewis. Ma'am, if I could just add in there, that
11 is an issue we would have to address with the acquisition
12 community, and we will be happy to come back to you with
13 more information on that.
14 Senator McCaskill. I would love that, and the next
15 time I see Ash Carter, I will mention it to him, too. It
16 does not make any sense to me that we would do that.
17 I am out of time.
18 Senator Tester. Mr. Lewis, what measures or safeguards
19 are in place to monitor the military personnel, DOD
20 civilian, private contractors, with their security
21 clearances?
22 Mr. Lewis. If you are talking about their day-to-day
23 access to classified information, for contractors DSS does
24 its oversight. From the standpoint of a military
25 servicemember or a DOD civilian, that is the responsibility

1 of the component head to establish a program to monitor and
2 conduct oversight of their own operations.
3 Senator Tester. Do you know what kind of criteria is
4 used in these cases?
5 Mr. Lewis. There is a DOD Information Security Program
6 Manual which establishes criteria for not only how
7 classified material is to be protected, but also issues of
8 security concern that need to be reported to the central
9 adjudication facility if there is a concern about an
10 employee.
11 Senator Tester. When we are talking about clearances
12 that are potentially revoked, can you tell me what the
13 biggest disqualifiers are?
14 Mr. Lewis. Historically it has been for--often it is
15 for financial issues and individuals who have been involved
16 in criminal activity.
17 Senator Tester. Okay. How many clearances have been
18 revoked in the last year or two or three?
19 Mr. Lewis. I would have to come back to you with
20 those.
21 Senator Tester. That would be good if you could.
22 [The information follows:]
23 / SUBCOMMITTEE INSERT

1 Senator Tester. In a previous question, I think Ms.
2 Schmitz said that USIS was under investigation since late
3 2011. Did I hear that correctly?
4 Ms. Schmitz. Yes, sir.
5 Senator Tester. And they are still under investigation
6 now?
7 Ms. Schmitz. Yes, sir.
8 Senator Tester. A year and a half later? How long do
9 these investigations typically take?
10 Ms. Schmitz. A complicated contract fraud case
11 typically takes several years, yes.
12 Senator Tester. And during that time there is no--
13 business goes on as usual with these contractors even if
14 they are under investigation?
15 Ms. Schmitz. It depends on the investigation. In this
16 case, FIS has been aware of what we have been investigating
17 since the beginning, and--
18 Senator Tester. Can you tell me what that
19 investigation is about? Can you legally tell me that?
20 Ms. Schmitz. Since it is ongoing, sir, I really do not
21 want to risk jeopardizing the potential to--
22 Senator Tester. That is fine. I do not want you to.
23 I do not want you to.
24 Senator McCaskill, do you have any further questions?
25 Senator McCaskill. I do. Just a couple.

1 I want to get at USIS in terms of not only do they have
2 the big contract to actually--the biggest contract to do the
3 background checks; they also have this program support
4 contract. And these contracts are, you know, one of my
5 nemeses in my job of overseeing contracts, because all
6 through our Government there had been an easy way to augment
7 personnel by doing these program support contracts, and at
8 one point in time, and probably still at Homeland Security,
9 you could not tell the contractors from the employees. They
10 were doing the same functions. They were sitting at the
11 same desks. They were working on the same things. One was
12 a contractor and one was not, and partly it was because
13 supposedly they were easier to get rid of if you hired the
14 contractors and you do not have to have it in the same
15 budget line as you do--easier to get rid of the contractors,
16 and you do not have to have the same budget line that you do
17 to hire employees.
18 So my question is: Why is USIS getting this $45
19 million a year for program support? And what is that?
20 Mr. Miller. Yes, ma'am. USIS, it is one of our
21 primary support contracts. We provided some background to
22 your staff about the costs associated with it. But our
23 front-end operation has a number of routine activities it
24 has to conduct, and much of it is manual based on the way
25 the records come to us in paper style. We actually have 999

1 personnel that work the front-end operation for us. That is
2 everything from scoping the investigation pre-review,
3 inputting the data, and ensuring that the investigation gets
4 distributed to our investigators in the field.
5 Senator McCaskill. Okay. So we are paying USIS
6 several hundred million dollars a year to do background
7 checks, and we are paying them $45 million a year to do the
8 office work.
9 Mr. Miller. Yes, ma'am. There--
10 Senator McCaskill. What percentage of that 999 are
11 contractors and what percentage of them are Federal
12 employees?
13 Mr. Miller. We have oversight--we have 35 personnel
14 that oversight the contract, the support contract itself,
15 35--
16 Senator McCaskill. So of the 999, 35 of them are
17 employees and 965 are contract people?
18 Mr. Miller. Yes, ma'am.
19 Senator McCaskill. So why? Why are we paying
20 contractors instead of hiring people?
21 Mr. Miller. As we add automation, we are able to
22 downsize the staffing, and so year to year we have seen a
23 decline in the contract staff required for our support
24 services. We also, based on the low-level jobs that they
25 are, it is more financially beneficial for us to have

1 contractors doing that work than bringing on full-time--

2 Senator McCaskill. So you have a cost/benefit analysis

3 that you could give to me?

4 Mr. Miller. Not one I can give you, no, ma'am.

5 Senator McCaskill. You don't? Because there is not

6 one?

7 Mr. Miller. There is not one.

8 Senator McCaskill. Okay. Well, then how do you know

9 they are cheaper?

10 Mr. Miller. Well, we will do a cost/benefit analysis

11 and provide--

12 Senator McCaskill. Well, it sounds like to me you have

13 not done one, but yet you said they were cheaper.

14 Mr. Miller. Yes, ma'am, because we--

15 Senator McCaskill. Well, how do you know that?

16 Mr. Miller. We can contract our workforce very quickly

17 on the contract side, so as the automation gets added, we

18 can go ahead and downsize those requirement within--

19 Senator McCaskill. So you are telling me 999 is

20 downsized?

21 Mr. Miller. Yes, ma'am.

22 Senator McCaskill. So it is lower than it was?

23 Mr. Miller. Yes, ma'am.

24 Senator McCaskill. What was it last year?

25 Mr. Miller. It was--I would have to get that number to

1 you. It is over 1,000, but that is the only--

2 Senator McCaskill. Okay. Well, I am going to dig in

3 here, just to warn you. I want the numbers. I want a

4 cost/benefit analysis. I am tired of this assumption being

5 made that contractors are cheaper, because I have been at

6 this for 6 years, and I guarantee you about half the time I

7 have looked hard, they have not been cheaper. So I just

8 think it is easier. And many times--in fact, there have

9 been studies done that they are more expensive.

10 So I would like to take a hard look at that and make

11 sure that that is the case, and that was the last line of

12 questioning I wanted to make sure I covered today. I do

13 want to--I know all of you want to make this as good as

14 possible, and we do not have these hearings to make everyone

15 feel awkward and uncomfortable. We have these hearings

16 because we know oversight is needed in this area, and I

17 think all of you will acknowledge oversight.

18 I know that my friend from GAO and my friend from the

19 IG's office know that oversight is needed, and I think even

20 you all will acknowledge that this is an area that we have

21 neglected oversight. And, you know, it takes one incident

22 for all of us to realize that here is a whole area of the

23 Government that most Americans have no idea and most Members

24 of Congress have no idea how this actually works. And the

25 more we dig in, the more we realize more work needs to be

1 done.

2 So I appreciate all of your public service, and I know

3 that we have got some specific questions we have asked, and

4 I know the Chairman may have others he wants to ask now.

5 But I would appreciate getting that information back, and I

6 am going to stay on this, Mr. Miller, about the cost/benefit

7 analysis, because you know what? I bet we are going to

8 figure out you can hire those people for less.

9 Thank you, Mr. Chairman.

10 Senator Tester. Thank you, Senator McCaskill. I want

11 to close now. If you have any closing remarks, have at it.

12 I just want to thank all of you for being here. I

13 think Senator McCaskill said it well. We have these

14 hearings to try to get information so we can make things run

15 better, and I appreciate you, given the short notice

16 especially, all being here today because I know you are

17 busy. Oversight is critically important. I think that has

18 been brought up several times today, and making sure that we

19 have the proper metrics, do the proper oversight, making

20 sure we have got folks both that are Government employees

21 and contractors that are accountable are critically

22 important.

23 So, you know, what we are talking about here is the

24 intelligence of the Nation, and we have got a ways to go to

25 make sure that we have the kind of oversight in place and

1 the kind of reciprocity in place, the kind of metrics in
2 place that will ensure that our intelligence stays solid
3 even to folks inside the Department.
4 We look forward to working with you, to constructively
5 move forward in a way that makes sense for this country.
6 Once again I want to thank you for your testimony. The
7 record will remain open until July 8th for any additional
8 comments or any questions by any of the Subcommittee
9 members.
10 With that, this hearing is adjourned. Thank you all.
11 [Whereupon, at 4:01 p.m., the Subcommittee was
12 adjourned.]