

STATEMENT
OF

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DEPUTY UNDER SECRETARY OF DEFENSE
(COUNTERINTELLIGENCE AND SECURITY)

BEFORE
SUBCOMMITTEE ON OVERSIGHT OF GOVERNMENT MANAGEMENT, THE
FEDERAL WORKFORCE, AND THE DISTRICT OF COLUMBIA
SENATE COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL
AFFAIRS

HEARING
ON
EVALUATING PROGRESS AND IDENTIFYING OBSTACLES IN IMPROVING
THE FEDERAL GOVERNMENT'S SECURITY CLEARANCE PROCESS

MAY 17, 2007

Introduction:

Good morning Mr. Chairman and members of the Committee. I am pleased to appear before you today.

I am Bob Andrews, Deputy Under Secretary of Defense for Counterintelligence and Security, under whose oversight the Defense Security Service (DSS) falls. I am joined by Ms. Kathleen M. Watson, Director of the Defense Security Service (DSS).

I appeared here one year ago to report on the budget crisis at DSS. That crisis led to the suspension of processing personnel security clearances for industry. DSS took this action because it did not have sufficient funds to pay the Office of Personnel Management (OPM) for investigations.

I can report that DSS corrected many of the root causes that led to last year's shutdown—namely internal housekeeping concerns like leadership challenges and a lack of standard operating procedures.

Are we satisfied with our progress to date? No, we are not. Much work remains to be done both at DSS and across the Department and interagency. We will need to work together to solve long-term, systemic problems that continue to plague DSS and the clearance system.

Let me start by addressing what we have accomplished since my last appearance before this Committee.

Successes:

Permanent Leadership Team. As I stated last year, the primary concern was a failure of leadership. DSS went through several directors over the past few years—all acting—and nine comptrollers in the last four years.

I am pleased to report that we have made tremendous progress in establishing a permanent leadership team for DSS. Kathleen M. Watson was named the director of DSS on February 19, 2007. She is the first permanent director at the agency in five years. Kathy assembled a core management team in her first few months on the job. This team is new, focused, and committed to the success of DSS.

Prior to her appointment, Kathy served as acting director for six months. I asked Kathy to provide an independent, unbiased look at DSS. That is, to identify what caused the fiscal train wreck of last year and more importantly, to prevent a recurrence.

Through the help of an acting Comptroller, we have gotten to “ground truth” at DSS. We are charting a path to recovery. The path is not an easy one and will require the support and commitment of the Department of Defense to ensure its success.

Let me briefly outline several of the solutions we have implemented.

- **Close Working Relationship with OPM.** The Defense Security Service (DSS) has reinvigorated its working relationship with OPM. Together, DSS and OPM are working to create a new process to better serve our customers.
- **Surcharge Issue Resolved.** As a result of OMB mediation, we have worked out our disagreement with OPM over the rates OPM charges DoD for investigations.

OPM agreed to refund DoD \$7 million in FY 2006, and for FY 2007 OPM eliminated the surcharge. Now DoD pays the same rates as other Federal agencies.

- Information Technology Compatibility. A closer working relationship between the DSS Information Technology Team and OPM counterparts ensured that OPM's e-QIP security form is compatible with the DoD IT system to facilitate the overall clearance process.
- Stronger DoD-wide Coordination. We told you that we will establish a Clearance Oversight Office (COO) to act as the DoD conduit with OPM for requirements and support. In FY08, DSS will receive funding to establish this office. This office will work with the military services and defense agencies to identify, validate, prioritize and monitor all DoD-wide requirements for personnel security investigations.
- Financial Transparency. DSS made significant progress in getting its budgetary house in order:
 - DSS conducted a zero-based review of its infrastructure funding requirements and is working with DoD Comptroller to ensure these requirements are properly funded in the outyears.
 - DSS's resource management process identifies, vets, and prioritizes resources to assure proper distribution of funds.
 - DSS's corporate board makes financial decisions for the agency putting DSS in line with government best practices.

- DSS's financial analysis system links program development to actual budget execution across the agency.
- DSS contracts review process more accurately analyzes deliverables and burn rates to ensure all requirements are validated and accounted for.
- DSS's financial standards measure mission accomplishment.
- DSS is reviewing its program funding requirements and will work any funding issues on this with the DoD Comptroller.
- Compliance with the Intelligence Reform and Terrorism Prevention Act of 2004. DSS's Defense Industrial Security Clearance Office, also known as DISCO, processes requests for industrial personnel security clearances, requests industrial PSIs from OPM, and adjudicates security clearances for industry personnel under the National Industrial Security Program. DoD, including DISCO, is meeting the adjudicative timelines established in the Intelligence Reform and Terrorism Prevention Act of 2004, which requires 80 percent of adjudications to be completed in an average of 30 days.
- Strengthening our Industrial Security Program. DSS initiated an internal review to address new ways of doing business in the National Industrial Security Program. With almost 12,000 cleared contractor facilities across the country, more than 25,000 information systems approved to process classified information, and a field workforce of less than 300, DSS must adopt a risk management approach to execute its industrial security oversight role.

Remaining challenges:

DSS still has many challenges ahead. A major one is automation. DSS maintains IT systems upon which the defense security community depends. As with other information technology systems in the Department, new and changing requirements are taxing DSS's legacy systems. We are continuing to evaluate the best solution to our information system requirements. To that end, our new Defense Information System for Security (DISS) system will undergo the highly structured and disciplined Department's Major Automated Information System (MAIS) process, to ensure there is proper oversight and the best solution is obtained.

DSS infrastructure costs present another funding challenge. When the personnel security industry (PSI) function was transferred from DSS to the OPM in February 2005, there was insufficient planning for funding to support DSS infrastructure. Remaining in DoD, DSS retained the function, on behalf of DoD, to oversee the OPM billing and financial reconciliation process for PSIs for the entire Department. DoD, however, had no process to identify, validate, prioritize, fund, and monitor investigation requirements. The zero-based review of DSS' infrastructure funding requirements will form the basis of deliberations with Under Secretary of Defense (Comptroller) to ensure these requirements are properly funded in the outyears.

DSS has continued to work closely with the Under Secretary of Defense for Intelligence and the Under Secretary of Defense (Comptroller) to identify its funding challenges and to resolve them.

DSS has a challenge to manage expectations within the rest of government and within the defense industrial contractor base, to convey a realistic sense of what DSS—at its current size and budget—can be expected to support.

The Department as a whole is meeting the benchmarks in the Intelligence Reform and Terrorism Prevention Act.

Need for Real Change:

The Department is committed to working with Congress in its efforts to improve the personnel security process. The Office of the Under Secretary of Defense for Intelligence, the Office of the Deputy Under Secretary of Defense for Counterintelligence and Security, and the Defense Security Service Director, are assessing the personnel security program from end-to-end and proposing changes necessary to overhaul and streamline the program. We are committed to working with the interagency, to include the Office of Management and Budget and the Office of the Director of National Intelligence.

It is clear that the present process for personnel security investigations will not support our national needs in the coming years. It is a labor intensive process that is increasingly vulnerable to attack or exploitation by adversaries and expensive to maintain. DSS and the Department can only move forward with a commitment to overhaul the process from top to bottom to achieve desired timeliness and quality. We will propose changes in the near term and over the next several years. Some changes can be accomplished with revised policy, others if funding is received, and still others with

strengthened relationships among agencies.

Conclusion:

The Department's senior leadership is committed to correcting systemic problems in the personnel security process, but we realize the necessary changes will take time.

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

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