

House Armed Services Committee

Ike Skelton, Chairman

<http://armedservices.house.gov>

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Readiness Subcommittee

Congresswoman Nancy Boyda

Opening Statement

Hearing on Readiness at Risk: DOD Security Clearance Process February 13, 2008

“The hearing will come to order. Welcome to today’s Readiness Subcommittee hearing on security clearances. I want to thank our witnesses for making the time to appear before us today. I look forward to your testimony.

“The title for today’s hearing is ‘Readiness at Risk: the Department of Defense Security Clearance Process.’ Those words simply summarize why we are here today. It does not take a rocket scientist to know that every delay in properly processing clearances can hurt our national security.

“The problems in the DOD security clearance process have been on our radar screen for years. And the sudden stoppage of processing clearances for industry in 2006 certainly got our attention. That led to a reprogramming request for \$90 million which Congress quickly approved. We approved another reprogramming last summer to avert another crisis. And we have required the Secretary of Defense to submit a report with the President’s budget submission on the status of industry security clearances.

“But these actions only address the tip of the iceberg.

“Currently, DOD is responsible for about 2 million active personnel security clearances. Approximately 34 percent is held by industry personnel working on DOD contracts.

“In 2005, DOD transferred responsibility for conducting the initial investigations to OPM. This was intended to speed the process. DOD accounts for about 80% of the investigations now handled by OPM.

“However, timeliness of the DOD clearance process continues to be an issue. That is why it landed on the GAO high-risk list in 2005. And it remains there today.

“We are very concerned with the budgetary implications of DOD’s apparent inability to measure the current backlog and accurately predict future requests. We don’t want anymore surprise stoppages.

“We don’t believe DOD can simply rely on reprogramming requests to keep the program limping along through the year. Why can’t DOD get it right when it comes to predicting its budget needs for processing clearances?”

“What technology improvements do we need? What are the costs? Is DOD budgeting for those costs now?”

“If there are technology solutions, let’s not push those further down the road. We should not have to continue to plod along with outdated systems.

“I’m interested to hear more about what OPM is doing to reduce delays.

“And I’m very interested in the ‘tiger team’ that was set up to review and make recommendations for improving the process. Perhaps this will lead to a better system across the board.

“And just last week, the president signed a memo asking for a plan to speed up the clearance process. He wants that plan by the end of April. I hope our DOD and OPM witnesses can tell us more about what they will do to get that plan done.

“Continued delays increase risks to national security and add to the cost of classified work for the government. To me, this is unacceptable.

“Let’s work together to find solutions.

“Now I would like to turn to my good friend from Virginia, Mr. Forbes, the subcommittee ranking member, for any opening remarks he might like to make.”

Readiness Subcommittee Hearing – Witness List

Wednesday, February 13, 2008 – 2:00 pm – 2118 Rayburn – Open

The Readiness Subcommittee will meet to hear testimony on Readiness at Risk: Department of Defense Security Clearance Processes.

Witnesses:

Mr. Greg Torres
Director of Security
Office of the Deputy Under Secretary of Defense for Counterintelligence and Security
Department of Defense

Mr. Jack Edwards
Director
Defense Capabilities and Management Team
General Accountability Office

Ms. Kathy Dillaman
Associate Director, Federal Investigative Services Division
Office of Personnel Management

Mr. Ben Romero
Lockheed Martin Corporation and Chairman of the Intelligence Subcommittee of the Information Technology Association of America on behalf of the Security Clearance Reform Coalition



Readiness Subcommittee Members

Democrats

Chairman Solomon P. Ortiz, Texas

Gene Taylor, Mississippi

Silvestre Reyes, Texas

Loretta Sanchez, California

Robert A. Brady, Pennsylvania

Jim Marshall, Georgia

Madeleine Z. Bordallo, Guam

Mark Udall, Colorado

Dan Boren, Oklahoma

Nancy Boyda, Kansas

Carol Shea-Porter, New Hampshire

Joe Courtney, Connecticut

David Loebsack, Iowa

Gabrielle Giffords, Arizona

Elijah Cummings, Maryland

Republicans

Randy Forbes, Virginia

Walter Jones, North Carolina

Mike Rogers, Alabama

John M. McHugh, New York

Buck McKeon, California

Robin Hayes, North Carolina

Frank LoBiondo, New Jersey

Tom Cole, Oklahoma

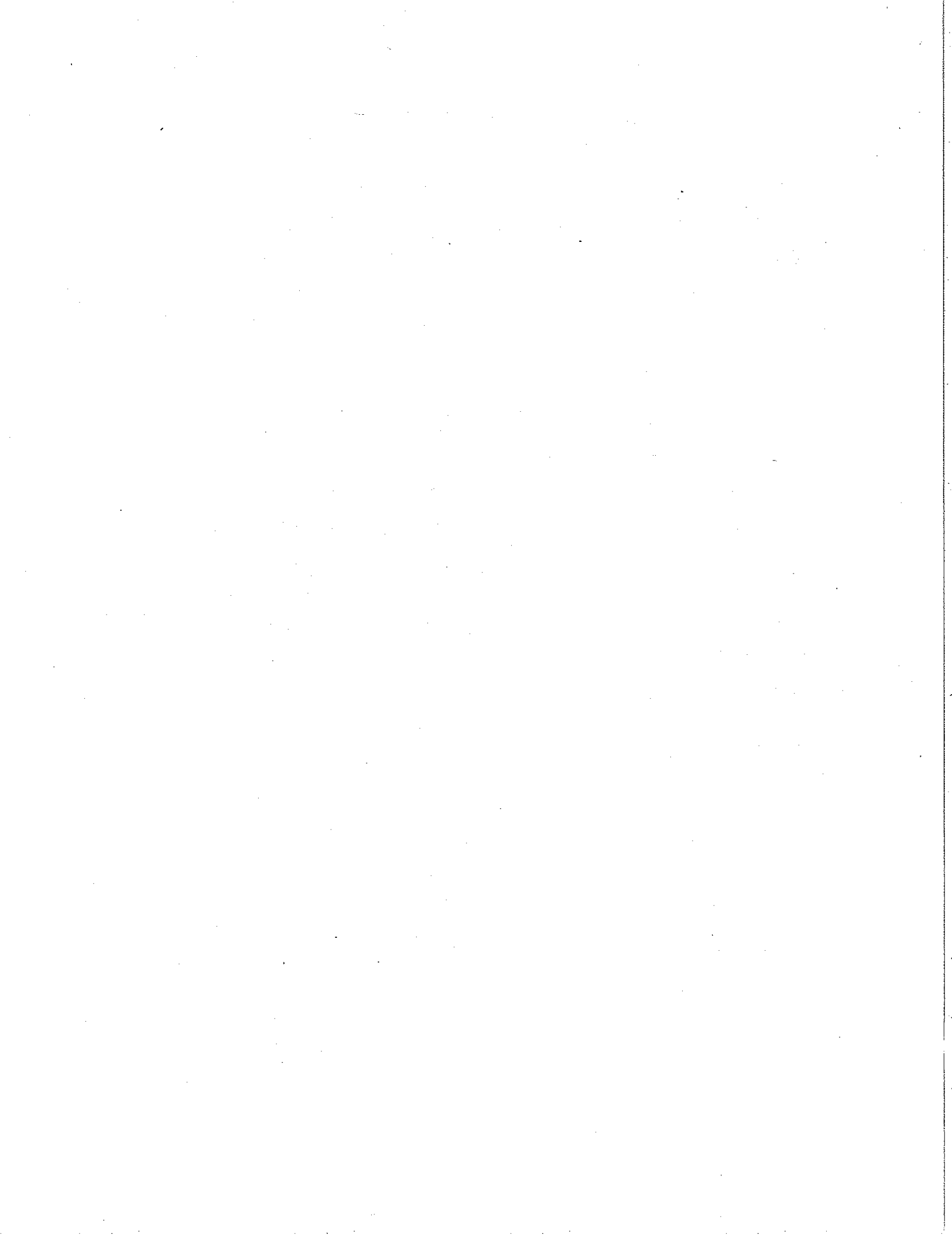
Rob Bishop, Utah

Candice S. Miller, Michigan

Trent Franks, Arizona

Cathy McMorris Rodgers, Washington

Doug Lamborn, Colorado



Statement for the Record
Mr. Gregory Torres
Director of Security
Office of the Under Secretary of Defense for Intelligence

before the

House Armed Services Readiness Subcommittee
House Armed Services Committee

on

Readiness at Risk: Department of Defense Security Clearances

February 13, 2008

Chairman Ortiz, Ranking Member Forbes, and Members of the Subcommittee, it is my pleasure to appear before you today to discuss the Department of Defense (DoD) security clearance process and the progress we are making towards the goals outlined in the Intelligence Reform and Terrorism Prevention Act (IRTPA). While we have met several key objectives in the past year, the Department recognizes that opportunities for improvement remain. As the Director of Security, in the Office of the Under Secretary of Defense for Intelligence (USD(I)) within the DoD, my office is responsible for the development of personnel security policy and oversight of the personnel security program.

Over the past year, under the leadership of the Office of Management and Budget (OMB), the Department and its primary partner for this process, the Office of Personnel Management (OPM), have made significant progress. Although we have not yet resolved all of the challenges to

establishing an efficient and effective process, we continue to work together towards that goal. I believe it is important for you to understand the level of attention and energy focused on the security clearance process within the Intelligence Community and the Department. I will discuss each of these in more detail but would like to highlight some significant initiatives first. These initiatives include:

- The Joint Security Clearance Process Reform Team commissioned by the Director of National Intelligence (DNI) and USD(I) to systematically examine and improve the way we do business. This effort includes many ongoing actions intended to make an immediate and lasting impact.

- The Base Realignment and Closure Commission requirement for us to collocate our ten adjudication facilities at Fort Meade. This action will allow us to carefully review options that will increase process efficiencies and capture best practices for work standardization and risk management.

- Numerous initiatives being conducted within the services and defense agencies sponsoring demonstration programs to streamline and enhance current business practices.

- The Defense Security Service (DSS) implementation of a transformation plan that will position it to support the Department and our Industry partners.

- The IRTPA mandated that by December 2006 80 percent of clearance actions be completed in an average of 120 days (90 days for the investigation phase, and 30 days for the adjudication phase). Since that time, OPM has demonstrated a marked improvement in investigative timeliness for cases submitted after 1 October 2006.

Each of these examples is a deliberate effort to move the Department forward on a course for success.

I would like to take a moment to highlight some examples of this progress. First, the magnitude of the process is worthy of some consideration. Within the federal government, DoD composes approximately 90% of the investigation requests submitted to OPM for security clearances. On an annual basis, DoD processes over 700,000 clearance eligibility actions at 10 adjudication facilities. In managing such an expansive security clearance program, the Department complies with Executive Orders, Presidential issuances, and all applicable laws to ensure that processing investigations and determining eligibility for access to classified information is appropriately uniform, expedient, and reciprocal to protect national security interests.

The Security Clearance Process begins with a determination that an individual requires access to classified information for the performance of his or her official duties. The individual completes a security questionnaire, and it is submitted for investigation. During the submission review process, and in accordance with Executive Orders and DoD policy, we continue to expedite interim clearances for our military, civilian and contractor workforce, enabling eligible personnel to begin working on classified programs quickly with minimal risk to national security.

Electronic submissions of requests for investigation for DoD military and civilian personnel are already at 82%, up from approximately 65% at this same time last year with a goal of 100% use by the end of this fiscal year. This increase in electronic submissions is already contributing to shortened overall clearance timelines. Our industry partners are already at 100% electronic form submission. A planned modification to the Joint

Personnel Adjudication System (the DoD system of record maintained by DSS) will add an electronic fingerprint submission capability. DSS expects to deploy this capability for industry by June of this year. This initiative will allow industry applicants to submit all of their clearance information electronically and will reduce the time an electronic case is suspended at OPM, waiting for hard copy fingerprints to be mailed and catch up to the electronic submission of the investigative forms.

The completed investigation is then sent to one of the DoD adjudication facilities. The adjudicator reviews the completed investigation, and any additional documentation provided with the case to determine whether or not to grant, deny, or revoke access to classified information. In a small percentage of the cases, there is insufficient information to make a determination and further inquiries or expanded investigations are necessary. In other cases, when there is a decision to deny or revoke a clearance, the subject is given the opportunity to appeal the decision using the DoD's due process system required by executive order.

For the adjudication phase of the process, DoD has reduced the time to adjudicate completed investigations from 80% in an average of 53 days in first quarter fiscal year 2007 to 80% in an average of 30 days in first quarter fiscal year 2008. The Defense Industrial Security Clearance Office, an element of DSS, is responsible for adjudications of investigations for industry. In December 2007, 80% of industry adjudications were completed in an average of 34 days, which slightly exceeds the current IRTPA goal of 80% in an average of 30 days and the 2006 self-imposed goal of 80% in an average of 25 days. This higher timeline is due in part to

a significant increase in OPM's output, which has increased DoD workload. DSS has initiated several internal process improvements beginning in January 2008 to reduce the adjudicative timelines of industry cases, including hiring additional adjudicators and contractor support to meet current requirements. We expect to see continued improvement on timelines within 90 to 120 days.

In December of 2007, DoD's overall end-to-end timeliness of the security clearance process was 80% in an average of 112 days. It should be noted, however, that while we strive to meet the 80% standard established by IRTPA, this leaves us with 20% or nearly 140,000 cases per year that exceed those timelines and in some cases significantly. In October 2007, the National Industrial Security Program Policy Advisory Committee Ad Hoc Working Group, consisting of members from Industry, OPM, DoD and the Information Security Oversight Office, compiled end-to-end processing time metrics for Top Secret and Secret investigations for completed industry investigations. The survey did not demonstrate any significant improvement in timeliness over the past year. However, the survey included all completed work, including that representing OPM's efforts to reduce the investigations backlog, not just a measure of the fastest 80% as required by IRTPA. It should be noted that during that time, a significant number of older investigations were completed thereby driving up average timelines and diminishing the progress made for the fastest 80%.

DoD policy also requires the reciprocal acceptance of existing investigations and clearance determinations rendered by the Intelligence

Community or other Executive branch agencies. The Department fully embraces OMB's reciprocity policy that established the standards for reciprocal recognition of security clearances. As a rule, when contractor personnel change employment from one company to another or a government employee transfers to a different federal agency, the current clearance eligibility remains valid. In fact, our cleared industry partners have the capability within our central security database, to establish a relationship with any clearance eligible subject and grant them access to classified information without further delay.

In regard to billing for the Personnel Security Investigation portion of the process, the DSS is the lead DoD agency for managing the process. Until last year, DSS was dependent on reprogramming actions to fund its core mission areas. After an extensive review within DoD by the Comptroller and Program Analysis and Evaluation (PA&E) organizations, it was determined that the existing DSS funding allocation was not sufficient to meet its basic infrastructure funding requirements. The Department resolved the DSS baseline funding shortfall and fully funded transformation efforts in the FY09 President's Budget request. DSS funding for fiscal years 2008 and 2009 is sufficient for all missions and no reprogramming actions are anticipated.

While we recognize our improvements to date, we are by no means satisfied with the current length of time it takes to process clearances. Nor are we satisfied with the fact that several of the Department's components have not yet met some of the 2007 self-imposed goals, which will help us attain the December 2009 IRTPA goal of 90% of adjudications completed

in an average of 20 days. While the IRTPA goals provide direction, those objectives include only the investigative and adjudicative segments of the process. The IRPTA goals do not provide end-to-end process performance measures for all portions of the process, nor do they capture all of the opportunities for improvement such as timeliness requirements for submission, handling time between organizations or due process. The Security Clearance Oversight Group, chaired by OMB, has established aggressive standards for those elements of the overall process that are not referenced in IRTPA.

Clearance Transformation is also one of the Secretary of Defense's top 25 priorities for the Department. The Secretary's call for improvement to the security clearance process is matched by the DNI, who has placed security clearance reform in his 100- and 500-day Plans. Together, these senior leaders established the Joint Security Clearance Process Reform Team in June 2007, charging this expert group to develop a transformed, modernized, fair and reciprocal security clearance process for the entire Executive branch. The Joint Team conducts its activities with oversight and concurrence from the OMB, and the participation from other agency partners. For example, the Joint Team recently learned through the concurrent reform effort of OPM that the processes for determining eligibility for access to classified information, suitability for Federal employment, eligibility to work on a Federal contract, and granting access to Federally-controlled facilities and information systems rely on very similar background data; however, the processes for collecting and analyzing that data are not sufficiently coordinated. It was decided that the most efficient way to proceed was to combine the two efforts into one.

Therefore, the overall scope of the reform effort now encompasses aligning security clearances and federal employment suitability, to ensure the Executive branch executes these authorities within a framework that maximizes efficiency and effectiveness. The importance of this project was underscored on February 5, 2008, when the President issued a memorandum acknowledging the work of this combined group and directed the heads of executive departments and agencies to provide all information and assistance requested by the Director of OMB in this important endeavor. The memo also directs the Director of the OMB, the Director of the OPM, the Assistant to the President for National Security Affairs, the DNI, and the Secretary of Defense, to submit to the President an initial reform proposal not later than April 30, 2008, that includes, as necessary, proposed executive and legislative actions to achieve the goals of reform.

In its first phase of the team's activity, concluding in August 2007, the Joint Team developed a proposal for a transformed security clearance system that would meet the IRTPA timeline goals, while ensuring that quality and cost are balanced to serve the enterprise. Currently, the Joint Team is conducting concurrent work in three areas: information technology, policy development/revision, and targeted demonstration activity that seeks to validate innovations in the new process design. The primary innovations driving the transformation involve the use of more automated processes and data collection mechanisms that aim to significantly reduce processing times by eliminating manual, time intensive activities. The new process proposes the use of new investigative tools, an end-to-end information management system, a continuous risk management philosophy, and efficient standardized business practices.

Every related component within the Department has made improving this process a top priority. Of particular note are the efforts within the Army. They currently have an effort underway, using the Lean-Six-Sigma toolset, to design a new front-end business model geared to maximize the use of automation, eliminate redundant processes and improve timeliness. The Army's efforts are already validating the efficiencies to be gained by adopting the process of receiving completed investigations electronically that was developed by OPM last year, eliminating mailing time and mailing expenses as well as reducing mail room handling time and manpower. The next phase of their efforts will include a demonstration project using automation to make adjudicative decisions on investigations that have no significant or actionable derogatory information. If viable, this process could demonstrate an automated, electronic adjudication for up to 30% of our investigations, with no discernable increase in risk. Simultaneously, the DoD Personnel Security Research Center is continuing to pursue the possibility of supplementing or replacing some of the "boots on the ground" investigation techniques with automated checks of commercial databases.

While we must continue to improve our current clearance process, we recognize that efficiencies will only get us so far. Unless there is a concerted effort to change what we do and not just how we do it, we have not done our jobs. The Joint Security Clearance Process Reform Team is that effort. It is this combined vision and initiative that I believe is uniting the Federal Security community with one goal and one purpose: the transformation of the security clearance process and the alignment of the suitability process. I am confident that sufficient executive commitment exists to ensure that security clearance reform will be achieved.

Thank you for the opportunity to appear before you and testify on the Department's security clearance process and ongoing reforms. We look forward to working with the Committee on this very important matter as we continue to improve the security clearance process.

Mr. Chairman, this concludes my statement.

GAO

Testimony

Before the Subcommittee on Readiness,
Committee on Armed Services,
House of Representatives

For Release on Delivery
Expected at 2:00 p.m. EST
Wednesday, February 13, 2008

DOD PERSONNEL CLEARANCES

DOD Faces Multiple Challenges in Its Efforts to Improve Clearance Processes for Industry Personnel

Statement of Jack E. Edwards, Acting Director
Defense Capabilities and Management





DOD PERSONNEL CLEARANCES

DOD Faces Multiple Challenges in Its Efforts to Improve Clearance Processes for Industry Personnel

What GAO Found

DOD has had a long-standing challenge in accurately projecting the number of clearance investigations that will be required in the future for industry personnel. The Office of Management and Budget (OMB) developed criteria for these projections in November 2005. It established a governmentwide goal for agencies to refine their projections of the number of clearance investigations that will be required in any given year to be within 5 percent of the number of actual requests for investigation. At a May 2006 congressional hearing, an OPM Assistant Director stated that DOD had exceeded its departmentwide projection by 59 percent for the first half of fiscal year 2006. The negative effects of such inaccurate projections include impediments to workload planning and funding. GAO noted the problem with the accuracy of DOD's projections in its February 2004 report and recommended that DOD improve its projections for industry personnel. In the report it is issuing today, GAO noted that DOD has initiated changes to improve its estimates of future investigation needs and is conducting research that may change these methods further. For example, in 2006, DOD took steps to increase the response rate of its annual survey used as a basis for determining its projections. In 2007, it changed its methods for analyzing data that informs its projections. However, DOD has not yet demonstrated the effectiveness of these changes.

DOD must address additional long-standing challenges or issues in order to improve the efficiency and accuracy of its personnel security clearance program for industry personnel. First, continuing delays in determining clearance eligibility can result in increased costs and risk to national security. For example, when new employees' clearances are delayed, it affects their abilities to perform their duties fully since they do not have access to classified material. Second, DOD and the rest of the federal government provide limited information to one another on how they individually ensure the quality of clearance products and procedures, which affects reciprocity of clearances. Reciprocity occurs when one government agency fully accepts a security clearance granted by another government agency. GAO's September 2006 report noted that agencies may not reciprocally recognize clearances granted by other agencies because of concerns that other agencies may have granted clearances based on inadequate investigations and adjudications. Third, in DOD's August 2007 report to Congress, it provided less than 2 years of funding-requirements information, which limits congressional awareness of future year requirements for this program. Fourth, DOD does not have a comprehensive DOD-specific plan to address delays in its clearance program. While there is a governmentwide effort to reform the clearance process, it is projected not to be operational until beyond December 2008.

What GAO Recommends

Chairman Ortiz and Members of the Subcommittee:

I am pleased to be here today to discuss several of the long-standing challenges that affect the efficiency and effectiveness of the Department of Defense's (DOD) personnel security clearance program for industry personnel. DOD's clearance program maintains approximately 2.5 million clearances on servicemembers, federal DOD civilian employees, industry personnel for DOD and 23 other federal agencies, and employees in the federal legislative branch. For more than two decades, we have documented challenges to DOD's clearance program.

Long-standing delays in determining clearance eligibility and other clearance challenges led us to designate DOD's personnel security clearance program as a high-risk area in January 2005 and to continue that designation in the updated list of high-risk areas that we published in 2007.¹ We identified this as a high-risk area because problems in the clearance program can negatively affect national security. For example, delays in renewing security clearances for personnel who are already doing classified work can lead to a heightened risk of unauthorized disclosure of classified information. In contrast, delays in providing initial security clearances for previously noncleared personnel can result in other negative consequences, such as additional costs and delays in completing national security-related contracts, lost-opportunity costs, and problems retaining the best qualified personnel. At the same time, our work has acknowledged recent improvements to the department's clearance processes that were DOD-specific or part of governmentwide efforts.

My statement today will focus on two issues: (1) the status of DOD's efforts to improve its projections of the number of clearances needed for industry personnel, and (2) an overview of other long-standing challenges that have a negative effect on the efficiency and effectiveness of DOD's personnel security clearance program for industry personnel. My statement draws on a report which we are issuing today² and on our prior

¹GAO, *High-Risk Series: An Update*, GAO-07-310 (Washington, D.C.: January 2007); and *High-Risk Series: An Update*, GAO-05-207 (Washington, D.C.: January 2005). The areas on our high-risk list received their designation because they are major programs and operations that need urgent attention and transformation in order to ensure that our national government functions in the most economical, efficient, and effective manner possible.

²GAO, *DOD Personnel Clearances: Improved Annual Reporting Would Enable More Informed Congressional Oversight*, GAO-08-350 (Washington, D.C.: Feb. 13, 2008).

work on clearance processes which included reviews of clearance related documents and interviews of senior officials at DOD and the Office of Personnel Management (OPM) which has the primary responsibility for providing investigation services to DOD. Our work was performed in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions, based on our audit objectives. We believe that the evidence we obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. A list of our related GAO products can be found at the end of this statement.

Summary

DOD has had a long-standing challenge in accurately projecting the number of clearance investigations that will be required in the future for industry personnel. In November 2005, the Office of Management and Budget (OMB) reported a governmentwide goal for agencies to refine their projections of the number of clearance investigations that will be required in any given year to be within 5 percent of the numbers of actual requests for investigation. In contrast, at a May 2006 congressional hearing, an OPM Assistant Director stated that DOD's actual number of clearance investigation requests exceeded its departmentwide projection by 59 percent for the first half of fiscal year 2006. The negative effects of such inaccurate projections include impediments to workload planning and funding. These negative effects led us to recommend in our February 2004 report that DOD improve its projections for industry personnel. In the report we are issuing today on security clearances, we note that DOD initiated changes to improve its estimates of future investigation needs and is conducting research that may change these methods further. DOD's Defense Security Service (DSS) took steps to improve the response rate of its annual survey used to determine the number of clearances that industry anticipates needing in order to perform classified work. First, in 2006 to improve response rates, DSS made its annual survey accessible through the Internet, and DSS field staff began actively encouraging industry representatives to complete this voluntary survey. Second, in 2007, DSS changed the methods it uses to analyze the survey data. For example, DSS began performing weekly analyses of future investigation needs rather than relying on the previous method of performing a one-time annual analysis of its survey results. DSS also changed its analysis procedures by including variables (e.g., company size) not previously accounted for in its analyses. In addition to these recent changes to the methods DSS uses to develop its projections, DOD is conducting research that may change

these methods further. However, DOD has not yet demonstrated the effectiveness of these changes.

DOD must address additional long-standing challenges or issues in order to improve the efficiency and effectiveness of its personnel security clearance program for industry personnel. First, delays in determining the eligibility for a clearance continue. For example, DOD's August 2007 congressionally mandated report on clearances for industry personnel noted that it took 276 days to complete the end-to-end processing of initial top secret clearances in the first 6 months of fiscal year 2007. These delays result in increased costs and risk to national security, such as when new industry employees are not able to begin work promptly and employees with outdated clearances have access to classified documents.³ Second, DOD and the rest of the federal government provide limited information to one another on how they individually ensure the quality of clearance products and procedures which affects reciprocity of clearances. Reciprocity occurs when one government agency fully accepts a security clearance granted by another government agency. In our September 2006 report, we noted that agencies may not reciprocally recognize clearances granted by other agencies because the other agencies may have granted clearances based on inadequate investigations and adjudications.⁴ Third, in DOD's August 2007 report to Congress it provided less than 2 years of funding-requirements information which limits congressional awareness of future year requirements for this program. Fourth, DOD currently has no comprehensive DOD-specific plan to address delays in its clearance program. There is a new governmentwide effort led by an interagency security clearance process reform team to reduce delays in the security clearance process.⁵ However, the future system will not be operational until some time after December 2008. We have recommended that DOD take several actions to address each of these challenges in our prior work. Most recently, in the report we are issuing today, we are recommending that DOD augment its annual report on industry personnel security clearances with additional information on funding and quality in clearance processes. DOD concurred with those recommendations and indicated it would provide that information in its 2009 report.

³GAO-08-350.

⁴GAO, *DOD Personnel Clearances: Additional OMB Actions Are Needed to Improve the Security Clearance Process*, GAO-06-1070 (Washington, D.C.: Sept. 28, 2006).

⁵GAO-08-350.

Background

As with servicemembers and federal workers, industry personnel must obtain security clearances to gain access to classified information. Clearances are categorized into three levels: top secret, secret, and confidential. The level of classification denotes the degree of protection required for information and the amount of damage that unauthorized disclosure could reasonably cause to national security. The degree of expected damage that unauthorized disclosure could reasonably be expected to cause is “exceptionally grave damage” for top secret information, “serious damage” for secret information, and “damage” for confidential information.⁶

DOD’s Office of the Under Secretary of Defense for Intelligence [OUSD(I)] has responsibility for determining eligibility for clearances for servicemembers, DOD civilian employees, and industry personnel performing work for DOD and 23 other federal agencies, and employees in the federal legislative branch.⁷ That responsibility includes obtaining background investigations, primarily through OPM. Within OUSD(I), DSS uses OPM-provided investigative reports to determine clearance eligibility of industry personnel. DOD has responsibility for adjudicating the clearances of servicemembers, DOD civilians, and industry personnel. Two DOD offices are responsible for adjudicating cases involving industry personnel: the Defense Industrial Security Clearance Office within DSS and the Defense Office of Hearings and Appeals within the Defense Legal Agency. Accordingly, the Defense Industrial Security Clearance Office adjudicates cases that contain only favorable information or minor issues regarding security concerns (e.g., some overseas travel by the individual). The Defense Office of Hearings and Appeals adjudicates cases containing major security issues (e.g., an individual’s unexplained affluence or

⁶5 C.F.R. § 1312.4 (2007).

⁷DOD, *National Industrial Security Program: Operating Manual*, DOD 5220.22-M (Feb. 28, 2006), notes that heads of agencies are required to enter into agreements with the Secretary of Defense for the purpose of rendering industrial security services. The following 23 departments and agencies have entered into such agreements: (1) National Aeronautics and Space Administration, (2) Department of Commerce, (3) General Services Administration, (4) Department of State, (5) Small Business Administration, (6) National Science Foundation, (7) Department of the Treasury, (8) Department of Transportation, (9) Department of the Interior, (10) Department of Agriculture, (11) Department of Labor, (12) Environmental Protection Agency, (13) Department of Justice, (14) Federal Reserve System, (15) Government Accountability Office, (16) U.S. Trade Representative, (17) U.S. International Trade Commission, (18) U.S. Agency for International Development, (19) Nuclear Regulatory Commission, (20) Department of Education, (21) Department of Health and Human Services, (22) Department of Homeland Security, and (23) Federal Communications Commission.

criminal history) that could result in the denial of clearance eligibility and possibly lead to an appeal.

Recent significant events affecting DOD's clearance program include the passage of the Intelligence Reform and Terrorism Prevention Act of 2004⁸ and the issuance of the June 2005 Executive Order 13381, "Strengthening Processes Relating to Determining Eligibility for Access to Classified National Security Information." The act included milestones for reducing the time to complete clearances, general specifications for a database on security clearances, and requirements for reciprocity of clearances. Among other things, the executive order stated that OMB was to ensure the effective implementation of policy related to appropriately uniform, centralized, efficient, effective, timely, and reciprocal agency functions relating to determining eligibility for access to classified national security information.

Another recent event affecting DOD's clearance program was the passage of the John Warner National Defense Authorization Act for Fiscal Year 2007⁹ which required DOD to include in its annual budget submission to Congress a report on DOD's industry personnel clearance investigations program. In response to that mandate, DOD's August 2007 Annual Report to Congress on Personnel Security Investigations for Industry described DOD-specific and governmentwide efforts to improve security clearance processes.¹⁰ For example, one DOD-specific action described in the report is the addition of a capability to electronically submit a clearance applicant's form authorizing the release of medical information. In addition, one governmentwide effort described in the report is that all requests for clearances are now being submitted using OPM's Electronic Questionnaires for Investigations Processing.

⁸Pub. L. No. 108-458 (2004).

⁹Pub. L. No. 109-364, §347 (2006).

¹⁰DOD, *Annual Report to Congress on Personnel Security Investigations for Industry and the National Industrial Security Program* (August 2007). This first of a series of annual reports was mandated by the John Warner National Defense Authorization Act for Fiscal Year 2007, Pub. L. No. 109-364, §347 (2006).

DOD's Procedures for Projecting Future Industry Investigation Needs Are Evolving, but the Effectiveness of These Efforts Is Unclear

DOD has had a long-standing challenge in accurately projecting future industry investigation needs and is developing and implementing new methods to improve its procedures. However, DOD has not yet demonstrated the effectiveness of these changes. Since 2001, DOD has conducted an annual survey of contractors performing classified work for the government in order to estimate future clearance-investigation needs for industry personnel, but those estimates have not accurately reflected actual clearance needs. In November 2005, OMB reported a governmentwide goal whereby agencies have been asked to work toward refining their projections of required investigations to be within 5 percent of the numbers of actual requests for investigation.¹¹ However, according to an OPM Associate Director's May 2006 congressional testimony, DOD exceeded its departmentwide projection by 59 percent in the first half of fiscal year 2006.

Our work has shown that DOD's long-standing inability to accurately project its security clearance workload has had negative effects on its clearance-related budgets and staffing requirements. For example, as we reported in 2004, the services and defense agencies had to limit the number of overdue reinvestigations that they submitted for investigation in fiscal year 2000 because they did not budget sufficient funds to cover the costs of the workload.¹² Furthermore, in April 2006, DOD temporarily stopped processing applications for clearance investigations for industry personnel, attributing the stoppage to a large volume of industry clearance requests and funding problems.¹³

In May 2004, we addressed DOD's problems with inaccurately projecting the future number of clearances needed for industry personnel and the negative effect of inaccurate projections on workload planning.¹⁴ In that report, we recommended that OUSD(I) improve its projections of clearance requirements for industry personnel—for both the numbers and types of clearances—by working with DOD components, industry

¹¹OMB, *Plan for Improving the Personnel Security Clearance Process* (November 2005).

¹²GAO, *DOD Personnel Clearances: DOD Needs to Overcome Impediments to Eliminating Backlog and Determining Its Size*, GAO-04-344 (Washington, D.C.: Feb. 9, 2004).

¹³GAO, *DOD Personnel Clearances: Funding Challenges and Other Impediments Slow Clearances for Industry Personnel*, GAO-06-747T (Washington, D.C.: May 17, 2006).

¹⁴GAO, *DOD Personnel Clearances: Additional Steps Can Be Taken to Reduce Backlogs and Delays in Determining Security Clearance Eligibility for Industry Personnel*, GAO-04-632 (Washington, D.C.: May 26, 2004).

contractors, and the acquisition community to identify obstacles and implement steps to overcome them. At that time, DOD officials attributed inaccurate projections to (1) the use of some industry personnel on more than one contract and often for different agencies, (2) the movement of employees from one company to another, and (3) unanticipated world events such as the September 11, 2001, terrorist attacks. Because DOD continues to experience an inability to accurately project its security clearance workload, we believe that our 2004 recommendation for improving projections still has merit.

In the report on security clearances we are issuing today, we note that DSS has made recent changes to the methods it uses to develop these estimates, and it is conducting research that may change these methods further. For example, DOD has modified the procedures for annually surveying contractors performing classified work for the government in order to more accurately estimate the number of future clearance investigations needed for industry personnel. To improve the response rate to this survey, in 2006, DSS made its survey accessible through the Internet, and DSS field staff began actively encouraging industry representatives to complete this voluntary survey. According to a DSS official, these changes increased the survey response rate from historically low rates of between 10 and 15 percent of the surveyed facilities providing information in previous years to 70 percent of facilities in 2007, which represented 86 percent of industry personnel with a clearance. In addition to improving the response rate for its annual survey, DSS also changed its methods for computing the projections. For example, DSS began performing weekly analyses to refine its future investigation needs rather than relying on the previous method of performing a onetime annual analysis of its survey results. DSS also changed its analysis procedures by including variables (e.g., company size) not previously accounted for in its analyses. In addition, DOD's Personnel Security Research Center is assessing a statistical model for estimating future investigation needs in order to determine if a model can supplement or replace the current survey method. However, it is too early to determine the effect of these new methods on the accuracy of DOD's projections.

DOD Faces Additional Long-standing Challenges to Improving the Efficiency and Effectiveness of Its Personnel Security Clearance Program for Industry Personnel

DOD must address additional long-standing challenges or issues in order to improve the efficiency and effectiveness of its personnel security clearance program for industry personnel. First, delays in the clearance process continue to increase costs and risk to national security, such as when new industry employees are not able to begin work promptly and employees with outdated clearances have access to classified documents. Second, DOD and the rest of the federal government provide limited information to one another on how they individually ensure the quality of clearance products and procedures. Third, in DOD's August 2007 report to Congress, it provided less than 2 years of funding-requirements information which limits congressional awareness of future year requirements for this program. Fourth, DOD currently has no comprehensive DOD-specific plan to address delays in its clearance program.

Delays in Clearance Processes Continue to Be a Challenge

DOD's August 2007 report to Congress noted that delays in processing personnel security clearances have been reduced, yet the time required to process clearances continues to exceed time requirements established by the Intelligence Reform and Terrorism Prevention Act of 2004.¹⁵ This law currently requires adjudicative agencies to make a determination on at least 80 percent of all applications for a security clearance within an average of 120 days after the date of receipt of the application, with 90 days allotted for the investigation and 30 days allotted for the adjudication. DOD's August 2007 congressionally-mandated report on clearances for industry personnel described continuing delays in the processing of clearances. For example, during the first 6 months of fiscal year 2007, the end-to-end processing of initial top secret clearances took an average of 276 days; renewal of top secret clearances, 335 days; and all secret clearances, 208 days.

Delays in clearance processes can result in additional costs when new industry employees are not able to begin work promptly and increased risks to national security because previously cleared industry employees are likely to continue working with classified information while the agency determines whether they should still be eligible to hold a clearance. To

¹⁵DOD, *Annual Report to Congress on Personnel Security Investigations for Industry and the National Industrial Security Program* (August 2007).

improve the timeliness of the clearance process, we recommended in September 2006 that OMB establish an interagency working group to identify and implement solutions for investigative and adjudicative information-technology problems that have resulted in clearance delays.¹⁶ In commenting on our recommendation, OMB's Deputy Director for Management stated that that National Security Council's Security Clearance Working Group had begun to explore ways to identify and implement improvements to the process.

DOD and the Rest of the Government Provide Limited Information on How to Ensure the Quality of Clearance Products and Procedures

DOD's August 2007 congressionally mandated report on clearances for industry personnel documented improvements in clearance processes but was largely silent regarding quality in clearance processes. While DOD described several changes to the processes and characterized the changes as progress, the department provided little information on (1) any measures of quality used to assess clearance processes or (2) procedures to promote quality during clearance investigation and adjudication processes. Specifically, DOD reported that DSS, DOD's adjudicative community, and OPM are gathering and analyzing measures of quality for the clearance processes that could be used to provide the national security community with a better product. However, the DOD report did not include any of those measures.

In September 2006, we reported that while eliminating delays in clearance processes is an important goal, the government cannot afford to achieve that goal by providing investigative and adjudicative reports that are incomplete in key areas. We additionally reported that the lack of full reciprocity of clearances is an outgrowth of agencies' concerns that other agencies may have granted clearances based on inadequate investigations and adjudications. Without fuller reciprocity of clearances, agencies could continue to require duplicative investigations and adjudications, which result in additional costs to the federal government. In the report we are issuing today, we are recommending that DOD develop measures of quality for the clearance process and include them in future reports to Congress.¹⁷ Statistics from such measures would help to illustrate how DOD is balancing quality and timeliness requirements in its personnel security clearance program. DOD concurred with that recommendation, indicating it had developed a baseline performance measure of the quality

¹⁶GAO-06-1070.

¹⁷GAO-08-350.

of investigations and adjudications and was developing methods to collect information using this quality measure.

DOD's Limited Information on Future Funding Requirements Hampers Congressional Awareness of a Key Aspect of the Personnel Security Clearance Program

DOD's August 2007 congressionally mandated report on clearances for industry personnel provided less than 2 years of data on funding requirements. In its report, DOD identified its immediate needs by submitting an annualized projected cost of \$178.2 million for fiscal year 2007¹⁸ and a projected funding need of approximately \$300 million for fiscal year 2008. However, the report did not include information on (1) the funding requirements for fiscal year 2009 and beyond even though the survey used to develop the funding requirements asked contractors about their clearance needs through 2010 and (2) the tens of millions of dollars that the DSS Director testified to Congress in May 2007 were necessary to maintain the infrastructure supporting the industry personnel security clearance program.

The inclusion of less than 2 future years of budgeting information limits Congress's ability to carry out its oversight and appropriations functions pertaining to industry personnel security clearances. Without more information on DOD's longer-term funding requirements for industry personnel security clearances, Congress lacks the visibility it needs to fully assess appropriations requirements. Elsewhere, DOD provides such longer-term funding projections as a tool for looking beyond immediate budget priorities. Specifically, DOD annually submits the future years defense program to Congress, which contains budget projections for the current budget year and at least the 4 succeeding years. In the report we are issuing today, we are recommending that DOD add projected funding information for additional future years so that Congress can use that information in making strategic appropriation and authorization decisions about the clearance program for industry personnel.¹⁹ DOD concurred with that recommendation and stated that it would implement our recommendation in its 2009 congressional report.

¹⁸This annualized projection was based on the 41 weeks from October 1, 2006, to July 14, 2007.

¹⁹GAO-08-350.

DOD Has No Comprehensive Department-specific Plan to Address Delays in its Clearance Program

DOD currently has no comprehensive department-specific plan to address delays and other challenges in its clearance program. In our 2004 report²⁰ on personnel security clearances for industry personnel, we recommended that DOD develop and implement an integrated, comprehensive management plan to eliminate the backlog, reduce the delays in conducting investigations and determining eligibility for security clearances, and overcome the impediments that could allow such problems to recur. However, DOD continues to address challenges in the security clearance process in an incremental fashion. According to OUSD(I) officials, DOD is pursuing a limited number of smaller-scale initiatives to address backlogs and delays. For example, to address delays in the process, DOD is working with OPM to introduce a new method of obtaining an applicant's fingerprints electronically and implement a method that would enable OPM to transfer investigative records to DOD adjudicators electronically.

The DSS Director said that DSS had been drafting a comprehensive plan to improve security clearance processes for industry personnel, but new governmentwide efforts have supplanted the larger-scale initiatives that DSS was planning. In particular, DOD is relying on a governmentwide effort to reform the clearance system. Agencies involved in this governmentwide effort include the Office of the Director of National Intelligence, DOD, OMB, and OPM. A description of those planned improvements are included in the team's July 25, 2007, terms of reference, which indicate that the reform team plans to deliver "a transformed, modernized, fair, and reciprocal security clearance process that is universally applicable" to DOD, the intelligence community, and other U.S. government agencies. In our November 2007 discussions with DOD officials, the OUSD(I) Director of Security stated that the government expects to have demonstrated the feasibility for components of the new system by December 2008, but the actual system would not be operational for some additional unspecified period.

We believe that our 2004 recommendation for a comprehensive management plan is still warranted because (1) many of the challenges still exist 4 years after we made our recommendation and (2) the date that the reformed system will be in operation is unknown.

²⁰GAO-04-632.

Concluding Observations

Mr. Chairman, we are encouraged by some department-specific and governmentwide efforts that have improved DOD's personnel security clearance program, but the challenges identified in this testimony show that much remains to be done. Should these long-standing challenges and issues not be addressed, the vulnerability of unauthorized disclosure of national security information and additional costs and delays in completing national security-related contracts will likely continue. We will continue to monitor DOD's program as part of our series on high-risk issues that monitors major programs and operations that need urgent attention and transformation.

Chairman Ortiz and Members of the subcommittee, this concludes my prepared statement. I would be happy to answer any questions that you may have at this time.

Contact and Acknowledgments

For further information regarding this testimony, please contact me at (202) 512-8246 or edwardsj@gao.gov, or Brenda S. Farrell at (202) 512-3604 or farrellb@gao.gov. In addition, contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. Individuals who made key contributions to this testimony are Grace Coleman, James P. Klein, Ron La Due Lake, Marie Mak, and Karen D. Thornton.

Related GAO Products

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Statement of

**Kathy L. Dillaman
Associate Director
Federal Investigative Services Division
Office of Personnel Management**

before the

**Subcommittee on Readiness
Committee on Armed Services
U.S. House of Representatives**

on

Readiness at Risk: Department of Defense Security Clearance Processes

February 13, 2008

Mr. Chairman, and Members of the Subcommittee:

It is my pleasure to appear before you today to discuss the Office of Personnel Management's (OPM's) support of the Department of Defense's (DOD's) security clearance process and compliance with the Intelligence Reform and Terrorism Prevention Act of 2004 (IRTPA). As the agency responsible for 90 percent of the Federal workforce's background investigations, OPM continues to ensure the goals and expectations set out by Congress and President Bush are met in a timely manner.

Background

OPM's mission is to ensure the Federal Government has an effective civilian workforce. To accomplish this mission, OPM provides background investigation products and services to Federal agencies, including DOD, to assist them in making security clearance or suitability decisions on civilian, active military, and contractor personnel. The division responsible for conducting background investigations is the Federal Investigative Services Division (FISD), headquartered in Boyers, Pennsylvania.

By statutory requirement, on February 20, 2005, DOD's personnel security investigations program and staff were consolidated with the OPM investigations staff which is headquartered in Pennsylvania. This meant the absorption of over 1,600 Defense Security Service (DSS) staff by OPM, along with 145,000 background investigations in process, and all ongoing DSS workloads previously handled by DOD.

Currently, DOD is our largest customer agency for national security investigations. In fact, of the two million investigations OPM conducted in Fiscal Year 2007, over one million were processed for DOD, including over 640,000 that supported security clearance determinations.

Status of the security clearance and investigation process

The investigation and security clearance process includes four critical areas that must be managed effectively for efficient processing: workload projections, agency submission of investigation requests, the investigations process, and agencies' adjudication processes. Significant progress has been made in these areas to improve the overall timeliness of investigations and adjudications, and we are continuing to work aggressively to resolve any issues that may delay security clearance determinations.

Workload projections: To staff the investigation and adjudication programs responsibly, agencies must develop a process to accurately project their investigation needs. OPM works with agencies to project annual workloads, which may vary significantly year to year depending on hiring patterns and contracting efforts.

Timeliness and quality of agency submissions for investigations: Using technology to speed the time it takes to process the paperwork required to conduct an investigation, OPM's electronic Questionnaires for Investigations Processing (e-QIP) allows subjects to submit their security clearance forms electronically, improving both clearance processing timeliness and the quality of the information supplied. During the first quarter of Fiscal Year 2008, DOD submitted 82 percent of all security clearance investigations through e-QIP, reducing the processing time for submission from 30 days to 14 days, on average.

Investigations Timeliness: The Intelligence Reform and Terrorism Prevention Act of 2004 requires 80 percent of background investigations for initial security clearances to be completed within an average of 90 days by 2006. As of today, OPM is exceeding this statutory goal. In fact, of the 586,569 initial clearance investigations OPM received during Fiscal Year 2007, 80 percent were completed in an average of 67 days (92 days for 64,722 Top Secret and 63 days for 404,534 Secret/Confidential). As a result of OPM's increased investigations staffing level of over 9,400 Federal and contractor employees, there is no longer a backlog of initial clearance investigations due to insufficient manpower resources. In fact, this staff increase has resulted in the substantial decrease in the time it takes to complete the majority of the background checks submitted to OPM. During October 2006, there were over 98,000 pending initial clearance investigations that were over 180 days in process; however, as of January 26, 2008, OPM only had 22,115 pending investigations over 180 days in process. Other factors also contributed to OPM's timeliness improvements. One such factor is the agency's ability to receive third-party information in a more timely manner. OPM has successfully negotiated agreements with a number of Federal, State and local record agencies so that individuals' records are provided to OPM more rapidly. Another factor is our improved ability to work with the international community and the State Department. In 2007, we sent 360 agents abroad and closed more than 24,000 international leads for new employee clearances or reinvestigations of current Federal employees and contractors.

Even though we have decreased the time it takes to complete background investigations, we have not compromised quality in the process. Over time, OPM has developed additional internal quality control processes including a dedicated Quality Management Group to ensure that background checks continue to meet investigative standards. OPM has met these standards with less than 1 percent of all completed investigations returned to OPM for quality deficiencies by agencies' adjudicating personnel.

Adjudications Timeliness: OPM continues to work with agencies to find ways to ensure adjudications are completed quickly, and the expanded use of OPM's electronic imaging system to transmit investigative results has helped improve this process. In many cases, an agency's in-house record system is linked to OPM's data base so adjudications can be updated electronically. One good example of how this works is the pilot we completed with the Department of the Army, starting in August 2007. To date, over 113,000 completed investigations have been electronically sent Army for adjudication action, making the entire process between OPM and Army virtually paperless. During Fiscal Year 2008, we expect other agencies to adopt this method of receiving completed investigations.

Billing Process

OPM's investigation program operates under a revolving fund, fee-for-service structure. A fixed price is determined each year for each type of investigation to ensure full cost recovery as required by law. The cost of the investigation includes all contractor and Federal labor costs, infrastructure costs, fees paid for third-party records, such as FBI fingerprint checks, police records, and birth verifications, and any capital investments needed to support the investigations program. We have been working closely with DOD to provide additional backup to our billing records which supports management of their internal personnel security program budget.

Reform Initiatives

OPM is continuing to optimize the current process by maintaining adequate staffing, building partnerships with information suppliers, and through greater use of information technology. This year, *EPIC*, which is OPM's integrated suite of automation tools that support the investigations and adjudications process, will allow for total end-to-end paperless processing for those agencies equipped to implement them.

By linking e-QIP, which collects the subjects' background information electronically, along with imaged fingerprints and supporting documents, to OPM's automated investigations processing system, data and required forms can now move seamlessly between the subject, their clearance granting agency, and OPM without paper handling, mail, or redundant data entry.

During investigations processing, relevant data is relayed electronically to Federal, State, and local record providers, as well as OPM's field investigators, for their use in conducting required interviews and record searches. Reports of investigation are constructed and stored in a data format, along with text, data, or imaged results received from third-party record suppliers. The investigative results can then be electronically bundled for transmission to the adjudicating agency.

In addition, our work with national, State, and local record providers will continue to improve the processes for obtaining required information.

We are also partnering with the Office of the Director of National Intelligence and the Department of Defense for more significant reforms to the overall security clearance processes. On February 5, 2008, President Bush issued a memorandum to the heads of the Executive Departments and Agencies reaffirming his support in reforming the personnel security clearance program across Government. This reform effort is challenging traditional processing from application through adjudication. The ultimate outcome of this effort will be a Government-wide system that continues to protect national security for the Federal workforce through more modern processes that are secure, dependable, scalable, and time and cost efficient.

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

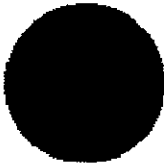
Testimony of

Ben Romero

On behalf of the Security Clearance Reform Coalition

Before the Readiness Subcommittee of the House Armed Service Committee
Of the U.S. House of Representatives
February 13, 2008

Aerospace Industries Association
American Council of Engineering Companies
Armed Forces Communications & Electronics Association
Associated General Contractors of America
Association of Old Crows
Information Technology Association of America
Intelligence and National Security Alliance
National Defense Industrial Association
Professional Services Council



SECURITY CLEARANCE REFORM COALITION

**TESTIMONY BEFORE THE READINESS SUBCOMMITTEE OF THE HOUSE ARMED SERVICES COMMITTEE
FEBRUARY 13, 2008**

Good afternoon Mr. Chairman, my name is Ben Romero and I speak to you as the chairman of the Intelligence Committee of the Information Technology Association of America (ITAA) and on behalf of the Security Clearance Reform Coalition¹. I would like to thank you for this opportunity to discuss reform of the clearance granting process. In addition to these oral comments, I ask that the committee accept our attached written recommendations that expand upon many of the issues we feel are critical to addressing this persistent problem.

Industry has used a simple mantra to explain what we believe will bring about transformation of the clearance granting process: one application, one investigation, one adjudication and one clearance. We seek an internet-based application that collects information electronically and forms the basis for an end-to-end digital process that creates a record that can be amended by investigators, adjudicators and security officers for the life of that clearance; an investigation that would be timely, uniform and thorough in its process and product; an adjudication where an applicant is judged using updated, viable post-Cold War criteria; and, a clearance that is accepted across the Federal government with minimal additional vetting.

In looking at the clearance granting process and its effectiveness, the Committee should examine the reports of an industry-led working group of the National Industrial Security Program Policy Advisory Committee (NISPPAC), which recently analyzed actual results from clearances processed through DSS and the Defense Industrial Security Clearance Office (DISCO). This task force found that on average, Secret clearances still took more than 200 days and Top Secret clearances took more than 300 days to process in 2007. This was an end to end analysis measuring from the time an applicant was given access to complete the online SF-86 provided on the Electronic Questionnaires for Investigations Processing website (e-QIP) to the point when the adjudicators determined whether or not a clearance was granted. Even more alarming is the finding of the working group regarding reinvestigations for Top Secret clearances, where the trend line has grown for more than a year and currently tops out at 540 days. Reinvestigations are the periodic reviews of the current clearance holders and these delays impact the ability of current employees to continue working on National Security programs. These findings are the most current and thorough evaluation of the process and gives empirical backing to the anecdotal experiences industry has been reporting for years.

Since this Committee has jurisdiction over the process at the Department of Defense (DoD), I will focus my comments there. A number of issues unique to DoD and the Defense Security Service (DSS) bear mentioning, as they are impacting how members of the defense industrial base are able to meet the National Security mission.

Problems at DSS include: an inability to accurately forecast budget needs; an inability in JPAS to accept electronic attachments, like release forms and digital fingerprints; an inability to identify submitting facility on the JPAS record; an inability to identify additional case codes that

¹ The Security Clearance Reform Coalition is comprised of the Aerospace Industries Association, the American Council of Engineering Companies, AFCEA International, the Associated General Contractors of America, the Association of Old Crows, the Information Technology Association of America, the Intelligence and National Security Alliance, the National Defense Industrial Association and the Professional Services Council.

**SECURITY CLEARANCE REFORM COALITION
TESTIMONY BEFORE THE READINESS SUBCOMMITTEE OF THE HOUSE ARMED SERVICES COMMITTEE
FEBRUARY 13, 2008**

frequently cause a case to be re-opened for further investigation; and, "out-of-sync" applications.

While there have been some improvements in the budget forecast, the possibility that a future need to reprogram dollars will remain as long as the process is reliant upon estimates and voluntary disclosures of information. Some of the necessary information is resident or available elsewhere and could be captured to enhance the accuracy of the estimation.

The other issues I mentioned are technical in nature and can all be addressed when JPAS is replaced with a more robust system that will create additional capabilities and be able to more efficiently share information. For example, "out-of-sync" applications are applications that, while completed using the e-QIP internet based SF-86 form, are lost in the digital ether because of technical shortcomings. "Out of sync" applications frequently require the applicant to repeat the application, thus adding a delay to processing the clearance.

Another technical problem is the inability to process digital fingerprints through JPAS. Currently, applications processed through JPAS and sent to the Office of Personnel Management (OPM) are not able to bundle in digital format the three main components of the application: signatures for release forms, fingerprints and the SF-86 form. JPAS simply cannot handle digital fingerprints. Instead, applicants must still submit inked fingerprint cards, despite the abandonment of this older technology by the armed services for recruit fingerprinting, other Federal agencies and most local law enforcement. This condition remains a roadblock in the processing of clearances at DoD.

DSS has been responsive to industry's repeated concerns about these and other issues. To their credit, DSS recognized some time ago that it would be necessary to replace JPAS in order to enable these and other capabilities the Department wants as part of an end-to-end automated clearance process. But resources have been scarce and solutions have not been implemented. This is something that the Committee can help remedy.

Since DoD is the largest customer for OPM, it bears mentioning the problems that are rooted in the investigative portion of the process and how those are delaying clearances at DoD. These include: the inefficient marriage of e-QIP applications with fingerprint cards and release forms; too much touch labor in the investigative stage of the process, including printing of electronic records because PIPS is incapable of saving attachments like criminal or electronic records; bar-coding and scanning (imaging) of documents rather than using a truly electronic record and the mailing of investigative files back and forth between OPM and field investigators.

I would like to close by commending the President for his February 5, 2008 memo that called for the submission of a plan to transform the clearance granting process no later than April 30, 2008. This memo memorializes the activity of a Joint Task Force coordinated by the Office of Management and Budget (OMB), the Undersecretary of Defense for Intelligence (USD(I)), the Director of OPM and the Office of the Director of National Intelligence (ODNI). This task force has proceeded under the premise that we need to bring about transformation of the way we determine whether or not someone is trustworthy enough to handle the Nation's critical

**SECURITY CLEARANCE REFORM COALITION
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information. The effort would change what we ask, the way we ask it, how we ask it and the way we grant and maintain clearances once granted. This approach is different because it does not seek to fix the parts of the broken process we use today, but instead creates a new, more efficient process going forward.

Industry has been apprised of the work of this group and we fully support this initiative. The Tiger Team intends to use technology to create an end-to-end, automated, interoperable process that collects information in new and different ways and takes advantage of government and commercial databases to expedite the application, investigation and adjudication. These new technologies will also facilitate reciprocity. While industry is optimistic about the work of this Tiger Team and waits to evaluate their report in April, further action is needed now.

The IRTPA was passed by the Congress in 2004 – and the delays in the clearance granting process have been recognized for decades - but we are still calling for a plan. Further delays – be they bureaucratic, legislative or budgetary – should no longer be tolerated. We must move beyond additional calls for plans and begin to actually make investments to change the process. These plans must include the resources for DSS to build and deploy a replacement for JPAS.

The nine associations of the Security Clearance Reform Coalition again thank the Committee for this opportunity to highlight our perspectives in this deliberation. We hope that 2008 will finally be the year that we see solutions implemented.

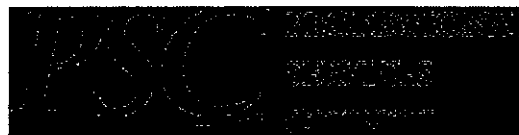
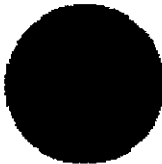
**SECURITY CLEARANCE REFORM COALITION
TESTIMONY BEFORE THE READINESS SUBCOMMITTEE OF THE HOUSE ARMED SERVICES COMMITTEE
FEBRUARY 13, 2008**

Recommendations of the

**Security Clearance Reform Coalition
For Improvements to the Clearance Granting Process**

Presented to the Readiness Subcommittee of the House Armed Services Committee
Of the U.S. House of Representatives
February 13, 2008

Aerospace Industries Association
American Council of Engineering Companies
Armed Forces Communications & Electronics Association
Associated General Contractors of America
Association of Old Crows
Information Technology Association of America
Intelligence and National Security Alliance
National Defense Industrial Association
Professional Services Council



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These recommendations are focused on the collateral DoD clearance granting process, since many of the IC agencies are running efficient processes using state of the art technologies.

These recommendations are based upon extensive interviews with the various stakeholders in the clearance granting process to better understand what happens to an application as it moves through the process and are bolstered by the numbers of clearances in the backlog, defined as non-compliant with the metrics of the 2004 Intelligence Reform and Terrorism Prevention Act.

APPLICATIONS

- 1) End-to-End Capability: The process is one large paper shuffle and must adopt an end-to-end capability to share data interoperably in real-time. No such planning is currently underway, as there is no one manager for the process.
- 2) Require Electronic Applications: OPM must enforce the requirement published in the Federal Register requiring all new applications and renewals to be submitted via the Internet-based e-QIP. Currently, between 25-40% of all applications are still accepted in hard copy. Several major agencies, including the General Services Administration, still require applicants to complete paper applications and include other extraneous information, like resumes, as part of the application.
- 3) Clarify Metrics: Congress must clarify that the time frames established in the IRTPA for clearance processing begin when an application is actually received by the investigative agency, regardless of when it is actually scheduled. Frequently, the calendar for the investigation is not started until months after the application has been received by the investigative agency.
- 4) Improve JPAS: DoD must invest the funds necessary to make required improvements to JPAS. This is not happening at present and service is being degraded to the DoD adjudication facilities as well as to thousands of security managers in both government and industry who depend upon it for mission requirements. The JPAS user community and the Defense Security Service (DSS) have already identified the changes needed to streamline and accelerate JPAS processing, but the level of priority for this problem seems to have fallen since last summer when DSS ran out of funding. These improvements include the ability to accept and capture digitized fingerprints and signatures from industry and eliminate delays and dropped applications caused by JPAS being out of synch.

INVESTIGATIONS

- 1) Modernize Data Capture: OPM must modernize its data capture procedures. Imaging, while frequently cited as an "automation" of the clearance process, is nothing more than taking a picture of a document and is ineffective at capturing the data in the document for use in an information technology system.

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- a. OPM must stop accepting fingerprint cards and start using digitized fingerprint capture tools such as LiveScan.
 - b. Signatures on release forms can also be easily captured using technology at checkout counters across America and eliminates the need to print and mail release forms to investigators when needed.
 - c. Investigative files are also selectively imaged, where using truly digitized information would allow for the preservation of the entire file, not just summaries, and preserve critical information like credit reports and criminal histories.
- 2) Modernize Data Management at OPM: OPM-FISD continues to rely upon PIPS, an antiquated stand-alone mainframe computer system that is not interoperable and cannot be made so. This reliance forces continuation of labor-intensive paper handling that significantly delays the processing of clearances. Many of the problems identified by industry in the process are related to or stem from this reliance upon PIPS.
- a. PIPS does case assignment, but once a case is assigned, it is printed out and mailed to investigators for processing.
 - b. For paperwork management, OPM relies upon barcodes, which are manually keyed, printed and affixed to documents in the hard copy files.
 - c. Only some of the information collected during an investigation is preserved for future review or access by the adjudicators. Critical information sources, such as criminal and credit histories, are not retained.
 - d. CVS is an important tool, but cannot adequately verify a clearance since it relies upon batched data and is not real-time.
- 3) Eliminate the "Closed Pending" status for clearances at OPM: OPM categorizes investigations that are incomplete due to the lack of some data or incomplete status of some component of the application as "closed pending." Some of these incomplete files are then passed to the originating agency for adjudication, while other departments, like DoD, refuse to accept or adjudicate these applications in "closed pending" status. Since this information is frequently needed to make adjudicative risk assessments, agencies are then forced to return the application to OPM, thereby incurring further charges to process the clearance.
- 4) Implement the Use of Phased Periodic Reinvestigations (PR): The federal government should direct implementation of phased periodic reinvestigation (currently being implemented only by DoD) to realize the full benefits of scaling the PR in such a way that limits the use of costly and time consuming field investigation. Using commercial and government databases, cleared personnel are evaluated for any activity that would require further investigation (Phase I). If the Phase I results (automated checks and selected interviews) are favorable, there is no need to proceed to the costly field investigation (Phase II). Phased PR's can be conducted more frequently with less cost, so that the cleared personnel – those most in a position to cause harm to the United States – are more effectively monitored. It is conservatively estimated that such an approach could save 20% or more of the cost of conducting periodic reinvestigations.

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ADJUDICATIONS

- 1) Adequately Develop Derogatory Information: OPM has modified the criteria to which clearances at various levels are investigated, including dropping efforts to investigate and develop derogatory information for Secret collateral clearances. Such a change in the process makes it difficult if not impossible to effectively adjudicate many applications.
- 2) Enhance Training Standards: Develop and implement standardized professional training and certification criteria for adjudicators across the federal government. This would create equity in the training and development of adjudication officers and improve reciprocity of clearances by building trustworthiness across federal agencies with the application of adjudicative standards.
- 3) Establish Common Recordkeeping: Establish and implement a common approach across all agencies, using existing central clearance databases like CVS, JPAS, and Scattered Castles, for the recording of waivers, conditions, and deviations in order for adjudicators and security officers to have access to this information when taking an action to reciprocally accept another agency's clearance or access determination.

RECIPROCITY

- 1) Increase Clearance Data Sharing: Intelligence Community agencies should be required to populate JPAS with clearance/access information on non-classified employees. All such data should be validated to ensure that it is not corrupting critical, accurate information about existing clearance holders contained in the databases.
- 2) Reinforce Uniformity in the Application of Reciprocity: Some Intelligence Community agencies are requiring that a clearance must be "active" rather than "current" before it will be considered for acceptance under reciprocity rules. This approach necessitates obtaining the prior investigative file and re-adjudicating the clearance. This is a costly, time consuming and unnecessary process under existing policy and is in violation of the spirit, if not the letter, of the IRTPA. It is also in direct conflict with the provisions of EO 12968 and OMB memoranda of December 2005 and July 2006 (Checklist of Permitted Exceptions to Reciprocity) which require a valid "access eligibility determination."
- 3) Provide Access to JPAS for Authorized Agencies: All authorized Federal agencies should be given direct access to JPAS, as the sole system of record of the U.S. Government for all clearance and access eligibility determinations, in order to more fully and efficiently realize the goal of clearance/access reciprocity.

BUDGET AND PERSONNEL

- 1) Establish Efficient Budgetary Mechanisms: Budget issues were partly to blame for the processing moratorium on industry security clearances. As such, security clearance

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reform must include budget improvements as well. For instance, the federal government must develop a more accurate system for estimating the demand of industry clearances, and the appropriate agencies should submit budget requests that mirror the anticipated demand, with a limited reliance on charged premiums.

- 2) Enhance OPM Workforce Capabilities: Likewise, OPM's workforce capabilities must also be aligned to meet the anticipated demand for security clearances, as well as the demand for investigations of government and contractor personnel under HSPD-12 (industry estimates this requirement to include over 10M individuals). While some flexibility currently exists, industry is skeptical that it can meet these anticipated demands.
- 3) Build More Accountability Into the Invoicing Process for Clearances: OPM should not collect fees from the agency until the background check is completed and should provide greater clarity in their billing practices per the DoD IG investigation of these practices.

