



UNITED STATES OFFICE OF PERSONNEL MANAGEMENT

STATEMENT OF
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DIRECTOR

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U.S. OFFICE OF PERSONNEL MANAGEMENT

before the

SUBCOMMITTEE ON GOVERNMENT OPERATIONS
HOUSE OVERSIGHT AND GOVERNMENT REFORM COMMITTEE
UNITED STATES HOUSE OF REPRESENTATIVES

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October 11, 2017

Chairman Meadows, Ranking Member Connolly, and Members of the Subcommittee, my name is Charles S. Phalen, Jr., and I am the Director of the National Background Investigations Bureau (NBIB) at the Office of Personnel Management (OPM). I appreciate the opportunity to appear before you today.

NBIB was established on October 1, 2016, and is the primary provider of background investigations for the Federal government. Over the past year, NBIB has established a strong focus on national security, customer service, and continuous process improvement to meet the critical Government-wide need for a trusted workforce. In my 36 years working in the Federal security space at the Central Intelligence Agency, the Federal Bureau of Investigation, the National Reconnaissance Office, and industry, I have seen this business through several lenses. I took the position as Director of the NBIB because I believe in its mission and want to make a lasting impact to the personnel vetting processes securing our Nation's most sensitive information, people, and assets.

NBIB conducts 95 percent of investigations across the Federal government. Even those few agencies that have the delegated or statutory authority to conduct their own investigations, such as agencies in the Intelligence Community, rely on NBIB's services in some capacity (e.g.,

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NBIB's electronic questionnaire, national agency record checks, central clearance repository, etc.). Its new organizational structure is aimed at leveraging automation to the greatest extent possible, transforming business processes, and enhancing customer engagement and transparency. I strongly believe these efforts are paving the way for improvement in the efficiency, cost effectiveness, and quality of the investigations across the Federal government.

I would like to address NBIB's existing investigative "backlog," which has been the subject of media attention. The current inventory has begun to stabilize and has even reduced modestly over the last seven weeks. As of September 27, 2017, NBIB's inventory is approximately 707,000 investigative products, including simple record checks, suitability and credentialing investigations, and more labor-intensive national security investigations. The total number of investigative products is greater than the number of individuals that are waiting for their first security clearance to begin working for or on behalf of the Government. Of the total outstanding investigative products, approximately 134,000 are either simple record checks that move in and out of the inventory daily or investigations that support credentialing and suitability determinations. Additionally, approximately 330,000 of NBIB's national security determinations or clearances inventory are for initial investigations and 210,000 are for periodic reinvestigations. A significant percentage of the individuals waiting for their initial national security investigation are working under an interim clearance pending the completion of a full investigation and adjudication.

Looking forward, it is our continued NBIB priority to address the investigative inventory while maintaining a commitment to quality and returning back to the level of performance realized from 2009 through 2014. NBIB is working with the Office of the Director of National Intelligence (ODNI), the Department of Defense (DoD), and other customers, to focus our efforts in primary areas.

As OPM testified before you earlier this year, in late 2014, OPM's capacity for contract investigation services was drastically reduced by the loss of OPM's largest field contractor, resulting in a loss of productivity, which led to the growth of the pending investigative inventory. This inventory was exacerbated by three unrelated events: 1) the cybersecurity incidents at OPM that were announced in 2015, which necessitated some immediate steps to respond to the incidents and enhance security, e.g., temporarily suspending electronic processing; 2) a higher than expected volume of fieldwork-intensive investigations in Fiscal Year 2016; and 3) concurrent implementation of the 2012 Federal Investigative Standards which required new investigation types and different coverage requirements.

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Understanding the impact these incidents had, in the last year since formation, NBIB has worked to increase capacity and realize efficiencies in as many areas as possible. This stabilization and these modest decreases have been attained because NBIB has invested in the necessary infrastructure. This infrastructure has been built through contractor and Federal workforce capacities. In 2016, NBIB hired 400 new Federal investigators and awarded a new investigative fieldwork contract, doubling the fieldwork contractors from two companies to four. In 2017, NBIB initiated the hiring of another 200 additional Federal investigators, issued work under the new contracts in February, and is working closely with vendors to quickly increase the capacity of contract investigators. As of today, there are over 6,900 full-time equivalent investigators working on behalf of NBIB, a number we are targeting to grow. For context, the Federal and contractor workforce capacity increased by 25 percent to address the current investigative inventory. This allowed NBIB to increase average monthly production by 6 percent in FY2017 for the T3 (secret) and T5 (top secret) population; and 15 percent higher in the last quarter of FY2017 compared to the FY2016 monthly average. As investigators complete training and reach maximum productivity, NBIB's monthly production rate is projected to continue to increase into FY2018.

NBIB also believes that capacity can be increased through smarter use of our workforce's time. The less time each investigator needs to spend on each case, the more time the investigator has for the next case in his or her queue. This has led us to streamline processes, reallocate resources, and amend internal policies for greater efficiencies and effectiveness while maintaining quality and reciprocity for all of Government. This has allowed NBIB to reform traditionally manually-intensive practices and reduce the number of hours each investigator needs to spend on each case. Use of investigator time can also be strengthened through effective use of technology and other available tools. NBIB has improved fieldwork logistics by centralizing and prioritizing cases; increasing efficiencies of Enhanced Subject Interviews (ESIs) and reporting; leveraging video conferencing (VTC) for Subjects in remote locations; and using telephonic interviews more liberally when applicable to quickly conduct investigative leads on clean non-issue cases. NBIB has also digitized and automated data, records and information by proactively reaching out to record providers to negotiate direct connections, access to terminals, and revised interagency agreements to more quickly facilitate downstream actions, such as case closings and adjudications.

Our efforts have included targeted, surgical approaches such as successfully expediting 14,000 cases in accordance to agency prioritized lists with an average timeliness of 95 days. NBIB has also made more targeted use of flags to trigger expanded investigations, resulting in the cancellation of unnecessary enhanced subject and converted top secret legacy cases to the new

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Tier 5 investigations for Federal workforce. NBIB has actively enhanced customer service and accountability in a number of ways, including realigning price adjustments earlier in the fiscal year to better align to agencies' budget cycles; serving as a key player on the Background Investigation Rate Council; and establishing a Customer Service Advisory Board to advise me and the agency leadership team.

NBIB is focusing on policy and process changes to add efficiencies, reduce level of effort, and maintain investigative quality. To support this effort, NBIB, working closely with DoD and other customer agencies, conducted a detailed business process reengineering effort and worked in collaboration with ODNI, in its role as the office supporting the Security Executive Agent, to identify appropriate policy and process changes to help address the inventory. NBIB is also working with DoD to build a more secure and more flexible automated case management system that will allow NBIB to implement more efficient and effective case processes. NBIB has helped to establish a new organizational structure with strong interagency representation through full-time employees recruited to OPM from stakeholder agencies as well as through a newly established joint duty program. This organizational structure addresses current challenges and introduces mitigation activities to best serve the interests of all Government agencies and departments, as well as Government-wide reform efforts. The structure will help facilitate NBIB's strategy for reform, which focuses on innovation, risk management, and customer and stakeholder engagement in transformation activities.

NBIB, with support from its interagency partners, has made and will continue to make improvements to the background investigation process. As part of the Performance Accountability Council, NBIB is working together with our interagency partners to develop, implement, and continuously re-evaluate and revise outcome-based metrics that measure the effectiveness of the vetting processes (e.g., security, investigative and adjudicative quality, cost, timeliness, reciprocity, customer service, and other performance characteristics). These efforts include: 1) launching programs to continuously evaluate personnel with security clearances to determine whether these individuals continue to meet the requirements for eligibility; 2) enhancing information sharing among State, local, and Federal Law Enforcement entities when conducting background investigations; and 3) assessing the quality of background investigations using a standard set of rules and an automated tool. Additionally, we have strengthened our partnership with DoD while building the National Background Investigations Services (NBIS) which will serve as NBIB's IT system to perform background investigations, as well as shared services for the end-to-end processes for all government agencies and departments. NBIB finalized its Business Process Reengineering Plan in FY2017 and formed a new Strategy and Business Transformation office that will address technology, process changes and data-based

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decisions to realize results in efficiency gains and to further support the development of NBIS. NBIB's work towards long-term solutions to reengineer processes and build out the requirements of NBIS has resulted in progress. As NBIS comes online, NBIB will be able to phase out our legacy systems in favor of NBIS.

NBIB conducted a comprehensive, interagency diagnostics assessment in FY2016 that identified 57 areas of improvement to address. Successes and progress thus far include the launch of a law enforcement liaison office and campaigns to improve quality of criminal checks conducted by all 23 investigative service providers (February 2017) and the release of the new national security questionnaire to be used by agencies (August 2017). Further, we are on-track to release eApplication (early 2018) and to release eAdjudication as a shared service to all agencies (fall 2017).

NBIB has developed strong interagency partnerships with the broader Security, Suitability, and Credentialing Line of Business community to identify and implement background investigation program improvements. As a member of this governance structure, NBIB engages with Performance Accountability Council Principals and DoD on a daily to weekly basis as the government's primary investigative service provider, and coordinates the 22 other delegated agencies that leverage NBIB's infrastructure in some capacity (e.g., electronic questionnaires, automated record checks, investigations, clearance repository, training materials, implementation policy guidance, etc.). NBIB has also continued engagement and provided solutions as part of an interagency initiative with the Presidentially-delegated Executive Agents (OPM and ODNI), OMB, and other stakeholders, including DoD, to reduce the investigation inventory more quickly. NBIB provided a substantial number of the ideas considered based on its vast expertise and ability to provide rich, historical data to inform decisions. Many of the efforts resulting from this idea sharing initiative are already underway by NBIB in close partnership with NBIB's 100-plus Federal customers and stakeholders.

NBIB is also supporting the evolving background investigation process by offering our customer agencies a continuous evaluation product in satisfaction of the guidance issued by the Director of National Intelligence in his role as the Security Executive Agent. NBIB will continue to expand coverage to fulfill future requirements and guidance issued by the Director of National Intelligence.

Our operations follow the investigative and adjudicative processes and standards set out by the Security Executive Agent. It is imperative this mission evolve by leveraging cutting edge technologies, utilizing shared services capabilities, and applying automation and innovative solutions to obtain rich and valid information in support of clearance determinations. It is equally

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important that process improvements and methodologies are made across the entire enterprise in a standardized fashion so that quality investigative products facilitate the reciprocity of clearances across all government agencies and departments.

As we work to reduce the inventory, we will continue to explore new and innovative ways to meet our customer agencies' needs, leverage their expertise as part of our decision-making processes, and remain transparent and accountable to our stakeholders and Congress. We recognize that solutions to reduce the inventory and to maintain the strength of the background investigation program include people, resources, and technology, as well as partnerships with our stakeholder agencies and changes to the overall clearance investigation process.

Thank you for the opportunity to be here today, and I look forward to answering any questions you may have.