

VA Office of Inspector General

OFFICE OF AUDITS AND EVALUATIONS



Department of Veterans Affairs

*Review of
Alleged Delays in VA
Contractor Background
Investigations*

September 30, 2012
12-00165-277

ACRONYMS AND ABBREVIATIONS

OIG	Office of Inspector General
OIT	Office of Information Technology
OPM	Office of Personnel Management
OSP	Office of Operations, Security, and Preparedness
SIC	Security and Investigation Center
VA	Veterans Affairs

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Report Highlights: Review of Alleged Delays in VA Contractor Background Investigations

Why We Did This Review

In October 2011, we received a Hotline complaint alleging that VA (1) had a backlog of contractor background investigations, (2) was inappropriately requiring completion of contractors' background investigations before the contractors could begin work, and (3) was not meeting its 20-day standard for starting investigations. The complainant concluded that the backlog caused the Department to incur unnecessary costs.

What We Found

We substantiated all three allegations and determined VA could improve management of its contractor background investigations. VA had a backlog of 3,000 contractor background investigations as of April 2012, despite process improvements and a recent reduction in pending cases. VA policy requires only initiating, not completing, investigations before contractors can start work; however, we identified instances whereby VA inappropriately prohibited contractors from working on contracts. Further, VA was not meeting its 20-day standard for starting background investigations with the Office of Personnel Management.

According to VA officials, delays were due to ineffective management within VA's Security and Investigation Center, responsible for initiating and adjudicating the background investigations; staff misunderstanding VA's personnel security requirements and investigative processes; and the lack of an effective centralized

system to monitor progress in addressing the backlog. Without a system to link contractors needing background investigations to underlying contracts, we could not determine whether VA unnecessarily paid for contractors not yet authorized to work on awarded contracts. Nonetheless, VA officials said the backlog adversely affected their ability to fully staff major information technology initiatives.

What We Recommended

We recommended the Assistant Secretary for Operations, Security, and Preparedness implement improved policies and procedures to reduce the backlog of contractor background investigations, and implement a central case management system to monitor contractor status and associated costs during the background investigation process.

Agency and OIG Comments

Assistant Secretary for Operations, Security, and Preparedness generally concurred with our findings and recommendations. The Assistant Secretary stated that VA had altered its internal processing procedures, thus eliminating the backlog of contractor background investigations. The OIG will monitor implementation of the corrective action plans.

A handwritten signature in black ink, appearing to read "Linda A. Halliday".

LINDA A. HALLIDAY
Assistant Inspector General
for Audits and Evaluations

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INTRODUCTION

Objective

We evaluated the merits of a VA Office of Inspector General (OIG) Hotline complaint regarding ineffective VA management of its contractor background investigations.

Background

VA relies on contractors to supplement its employee workforce and support its programs, missions, and operational objectives. However, VA must evaluate contractors for personnel suitability and authorize them to work on awarded contracts. The Office of Operations, Security, and Preparedness (OSP) is the lead agent in VA's identity management and personnel suitability program. Within OSP, the Security and Investigation Center (SIC) processes and adjudicates background investigations for all moderate and high-risk public trust and national security positions held by VA employees and contractors. While VA program offices play a significant role in contract oversight, OSP is primarily responsible for managing the agency-wide process of ensuring that personnel (including contractors) who access VA systems are verified, trusted, and credentialed at the appropriate levels to carry out assigned work.

Prior Reviews

In prior annual Federal Information Security Management Act reviews, we determined that VA employees did not receive appropriate background security clearances before gaining access to VA systems and networks. Our reviews did not assess whether contractors had appropriate background security clearances. Our reviews also did not include an examination of any potential adverse effects of background investigation backlogs.

Allegation

In October 2011, we received an anonymous Hotline complaint that VA had a significant backlog of contractors undergoing the background investigation process. The complainant alleged that VA was inappropriately requiring that contractors have fully completed, and not just started, security background investigations before authorizing them to perform contract work. Further, the complainant alleged that VA had established a 20-day standard for initiating contractor background investigations, but was not meeting this standard. The complainant concluded that the backlog of contractor background investigations was causing the Department to incur unnecessary contract costs.

To determine the merits of the Hotline allegation, we examined applicable statutory requirements, reviewed supporting documentation, and interviewed officials from OSP and the Office of Information Technology (OIT). Appendix A provides additional background information on our review. Appendix B provides details on our review scope and methodology. Appendix C provides comments by the Assistant Secretary for Operations, Security, and Preparedness on a draft of this report.

RESULTS AND RECOMMENDATIONS

Finding VA Could Improve Management of its Contractor Background Investigations

We substantiated all three allegations and determined VA could improve management of its contractor background investigations. VA had a backlog of 3,000 contractor background investigations as of April 2012, despite process improvements and a reduction in pending cases in recent months. We identified instances whereby VA inappropriately prohibited contractors from working on awarded contracts although VA policy only requires initiating, not fully completing, investigations before contractors could start work. Further, VA was not meeting its 20-day standard for starting background investigations with the Office of Personnel Management (OPM).

According to VA officials, delays occurred due to ineffective management within VA's SIC, responsible for initiating and adjudicating background investigations; staff misunderstanding VA's personnel security requirements and investigative processes; and no effective centralized system to monitor progress in addressing the backlog. In the absence of a system linking contractors needing background investigations with underlying contracts, we could not determine whether VA unnecessarily paid for contractors not yet authorized to work on awarded contracts. Nonetheless, VA officials said the backlog adversely affected their ability to fully staff major information technology initiatives.

Significant Contractor Background Investigation Backlog

We substantiated the allegation that VA had a significant backlog of contractors requiring background investigations, although we determined that progress had been made in reducing that backlog over time. In May 2012, OSP provided a SIC report identifying the number of contractors, including employees, with pending background investigations. The table provides the categories and number of pending background investigations since October 2011, including the cases referred to OPM. According to OSP, contractor background investigations comprise approximately 70% of the amounts presented in the table on the following page.

Table

Categories and Numbers of Pending Contractor/Employee Background Investigations Backlog				
	Cases Untouched	Cases Pending SIC Review	Cases Released to OPM	Total
Backlog – October 2011	1,328	3,116	662	5,106
Backlog – February 2012	540	1,899	866	3,305
Backlog – April 2012	780	1,388	832	3,000

Source: VA OIG analysis of OSP’s April 2012 report

- Cases Untouched – Represents the number of background investigations requested by applicants, but reported as incomplete because applicants had not provided all information required to forward their cases for review.
- Cases Pending SIC Review – Represents the background investigations requested, but awaiting SIC review before the cases can be forwarded to OPM for investigation.
- Cases Released to OPM – Represents the number of cases submitted to OPM to initiate background investigations.

VA showed overall improvement in reducing its background investigations backlog from October 2011 through April 2012. Improvements occurred primarily because of OSP campaigns to educate major program offices on personnel security requirements and streamlined SIC work processes implemented over the past several months. VA also showed overall progress in reducing the background investigation backlog for “Cases Untouched” and “Cases Pending Review” from October 2011 through April 2012, despite an interim increase by 240 in “Cases Untouched” from February through April 2012.

Additionally, the number of “Cases Released” to OPM has increased since October 2011, showing progress in the rate of moving cases forward for investigations to begin. Despite a significant drop by over 2,000 total pending cases—from 5,106 in October 2011 to 3,000 in April 2012—a backlog still existed as alleged. The OSP Director agreed that additional improvements to the contractor on-boarding processes were still needed. For example, VA could benefit from developing improved procedures to reduce

the number of contractors onboard, but not yet authorized to work on awarded contracts.

**Contractors
Inappropriately
Prevented From
Working on
Contracts**

We substantiated the allegation that some contractors were inappropriately prevented from working on awarded contracts until their background investigations were complete. VA Directive 0710, *Personnel Security and Suitability Program* (June 4, 2010), states that OSP is responsible for implementing the following processes.

- Mandating use of the Position Risk Designation and Automated Tool to replace the current process for position risk designation
- Mandating the use of OPM’s Electronic Questionnaires for Investigations Processing for all investigation types, such as Minimum Background Investigations and National Agency Checks
- Requiring reciprocity checks and recognizing other agency personnel security clearances when applicable
- Incorporating the necessary process improvements to reduce the contractor background investigations backlog

The OSP Director clarified that VA Directive 0710 did not require OPM to complete full background investigations before contractors could be granted access to VA facilities and resources. Rather, the Director explained that contractors could receive interim clearance to work on VA contracts after:

- Providing fingerprints, signature cards, and personal information for input to OPM’s Electronic Questionnaires for Investigations Processing system
- Successfully completing a Special Agency Check adjudicated by VA’s SIC, that forwards the background investigation request to OPM to initiate the investigations
- Successfully completing VA’s information security training requirements and signing VA’s Contractor Rules of Behavior

Despite this interim clearance process, the Director acknowledged that in early FY 2012, OIT inappropriately denied more than 600 contractors access to VA systems and resources until their background investigations were complete. According to the Director, OIT personnel misunderstood VA provisions that allowed contractors who had met the interim requirements to begin work while awaiting full clearance.

To address such misunderstanding, representatives from VA’s Personnel Security and Identity Management Office, OIT, and other program offices participated in off-site “lockdown” sessions to clarify VA’s existing background security requirements and streamline business processes supporting security background investigations. The OSP Director stated that the results of the lockdown sessions helped him better communicate

personnel security requirements agency-wide and implement needed process improvements.

**Timeliness
Standard Not Met
for Starting
Background
Checks**

We substantiated the allegation that VA did not meet its 20-day standard for initiating contractor background investigations. In an effort to reduce the backlog, in June 2011, the Assistant Secretary for Operations, Security, and Preparedness issued a memorandum, *Contractor Background Investigations*, establishing a 20-day time frame for VA staff to initiate required contractor background investigations. The memorandum included process changes for SIC, as well as defined roles and responsibilities for Contracting Officers and Contracting Officer's Technical Representatives.

However, VA soon recognized that because of human resource constraints and a lack of standardized contractor on-boarding processes, it would not be able to meet the stringent target it initially set. As such, in August 2011, the Assistant Secretary issued a subsequent memorandum, *Contractor Background Investigation-Clarification*, stating that VA would not immediately implement the 20-day standard for initiating background investigations. VA would instead develop a phased approach to establishing the 20-day standard by the end of October 2011. VA had a backlog of more than 5,000 contractor background investigations by the end of October 2011.

In January 2012, as the backlog persisted, although at reduced levels, the Assistant Secretary for Operations, Security, and Preparedness issued a third memorandum, *Rescind Contractor Background Investigation Requirements*, removing the 20-day standard defined in the previous memoranda. VA officials told us they planned ultimately to adopt the 20-day standard, once they addressed the human resources and nonstandard contractor on-boarding issues that hindered them from meeting this goal in the near term.

**Causes for the
Background
Investigation
Backlog**

According to VA officials, the contractor background investigations backlog occurred because of several factors.

- **SIC Management and Operational Issues:** SIC staff struggled to keep pace with the large number of background investigation requests submitted for their review. As previously discussed, after review and initial adjudication of a case, the SIC releases it to OPM to initiate the background investigation. Over the past several months, SIC hired six security assistants to handle the workload. VA planned to hire additional security assistants to support each VA major program office. In April 2012, VA also hired a new SIC Director to lead process improvements to reduce the contractor backlog.
- **Staff Misunderstanding of the Background Investigation Process:** The lack of understanding by some employees that contractors did not have to wait until their background investigations were fully completed before they could begin work contributed to the backlog. VA guidance

allowed for interim contractor clearance and authorization to begin work while OPM completed its investigations. Prohibiting the contractors from working until their background investigations were fully completed kept their names on the list as needing clearance and made the backlog appear larger than it actually was.

Additionally, OIT Contracting Officer Technical Representatives misunderstood VA Directive 0710 provisions that background investigations and adjudications could be mutually and reciprocally accepted. As a result, certain VA personnel did not research contractors' existing clearances through other agencies early in the process, overlooked the possibility for reciprocal agreements, and thereby caused duplicative and unnecessary background investigations to be performed. As of June 2012, VA was developing updated policies and procedures to clarify personnel security requirements. VA was also developing transformation plans to standardize employee and contractor on-boarding and out-processing procedures across VA.

- **Lack of an Effective Centralized Case Management System:** VA had no centralized system in place to correlate contractors requiring background investigations, with related contracts, and oversight personnel. VA currently uses a centralized Security Manager Database case management system to record all background investigations processed at the SIC. To improve its capabilities, VA was developing and testing a central database and case management system that will more effectively track background investigation cases. The new system was expected to help correlate contractors requiring background investigations with their related contracts and contract oversight personnel. The system was also expected to help responsible VA personnel monitor the contractor on-boarding process to minimize delays. VA did not have a clear date for implementation of the new system.

**Effects of the
Contractor
Backlog**

Because VA did not have a central system in place to link contractors requiring background investigations with their related contracts, we were unable to determine whether VA was incurring unnecessary costs from the contractor backlog. In the absence of such a system, we could not determine whether VA unnecessarily paid for contractors awaiting clearance, but were not yet performing work on awarded contracts. Such a determination will not be possible until VA completes its implementation of the central database and case management system currently underway.

Nonetheless, VA officials readily acknowledged that the backlog of contractor background investigations was having a negative impact on the Department's ability to adequately staff major information technology initiatives, including the \$12 billion Transformation Twenty-One Total

Technology acquisition contracts intended to modernize VA legacy systems and business processes. It is too early to determine whether the backlog will ultimately affect VA's ability to complete such information technology initiatives on schedule.

- Recommendations**
1. We recommend that the Assistant Secretary for Operations, Security, and Preparedness implement improved policies, procedures, and practices to reduce the backlog of contractor background investigations and educate appropriate personnel on VA's personnel security requirements and contractor on-boarding processes.
 2. We recommend that the Assistant Secretary for Operations, Security, and Preparedness, in conjunction with the Assistant Secretary for Information Technology, implement a central case management system to automate the background investigation process and effectively monitor VA contractor status and associated contract costs during the background investigation process.

**Management
Comments**

Assistant Secretary for Operations, Security, and Preparedness generally concurred with our findings and recommendations. The Assistant Secretary stated that in May 2012, VA altered its internal processing procedures; thus eliminating the backlog of contractor background investigations. Additionally, from April through July 2012, the SIC released 4,810 background investigation cases to the Office of Personnel Management (OPM), which were primarily contractor cases. Furthermore, VA has now established a standard whereby cases are initiated within "5-Days" of receipt of a background investigation request; when requests are submitted with all supporting documentation, and accurately completed.

The Assistant Secretary for Operations, Security, and Preparedness also stated that VA will implement an automated central case management system. The central case management system should position VA with contractor on-boarding data that will enable tracking of associated contract costs from contract award to the on-boarding completion of the contractor. The Office of Operations, Security, and Preparedness projects deployment of a VA enterprise-wide centralized case management system by September 30, 2012.

OIG Response

Management's comments and corrective action plans are responsive to the recommendations. We will follow up as required on all actions. Initially, Office of Operations, Security, and Preparedness provided us with a Security and Investigation Center report identifying the number of contractors with pending background investigations. Subsequently, the program office informed us that the report contained both the number of employees and contractors requiring background investigations. Accordingly, we have

updated the report to reflect that pending contractor background investigations comprise approximately 70% of the amounts presented in the Table on page 3.

Appendix A Background

OSP Purpose, Mission, and Components

The Office of Operations, Security, and Preparedness (OSP) coordinates emergency management, preparedness, personal identity verification, physical security, personnel security and suitability, police services, and law enforcement activities to support, protect, and ensure continuity of its mission-essential functions during the time of crisis. OSP includes four program offices: Office of Emergency Management, Office of Personnel Security and Identity Management, Office of Resource Management, and Office of Security and Law Enforcement.

In turn, the Office of Personnel Security and Identity Management is composed of three program offices: the Personnel Security and Suitability Service, the Security and Investigations Center (SIC), and Homeland Security Presidential Directive 12. These program offices ensure alignment, accountability, and transparency of VA's personnel security programs and provide central oversight of the identity management infrastructure.

Contractor Background Investigation Process

The background investigation process begins after contract award. The awarded contractor must provide to the Contracting Officer's Technical Representative the name of each contract employee designated to work on the contract. Subsequently, the contractor must provide fingerprints, signature cards, and personal information for input to OPM's Electronic Questionnaire for Investigations Processing system. The Contracting Officer's Technical Representative forwards this electronic information to the SIC for review. The SIC processes and adjudicates background investigations for all moderate and high-risk public trust and national security positions for VA employees and contractors. After review and initial adjudication of a case, the SIC releases the contractor information to OPM to initiate the background investigation. Once a background investigation is complete, the SIC reviews the investigation results to determine the contractor's suitability to access VA resources and to work on the awarded contract.

Appendix B Scope and Methodology

To conduct our review, we examined applicable statutory requirements, Office of Management and Budget memoranda, and VA policies and procedures related to Federal personnel security requirements. We also gained an understanding of the types of personnel security information entered into OPM's Electronic Questionnaire for Investigations Processing system. We interviewed officials from the Office of Operations, Security, and Preparedness to determine its processes for ensuring compliance with background investigation requirements. We also interviewed OIT program officials to learn about their contractor background investigation delays and the potential impact on some major information technology initiatives. Additionally, we reviewed supporting documents such as workflows and statistical data to gain an understanding of causes for VA's contractor background investigations backlog and VA's approach to improving existing business processes.

We conducted our fieldwork at VA's Office of Operations, Security, and Preparedness and OIT in Washington, DC. We performed all fieldwork from November 2011 to May 2012.

Reliability of Computer- Processed Data

We did not receive computer-processed data for this review. As such, we could not review the accuracy or reliability of such data. We evaluated the sufficiency of information provided on background investigation processes. VA did not have a central system of record in place to support the contractor backlog information provided in the report.

Compliance With CIGIE Standards

We conducted our review in accordance with *Quality Standards for Inspection and Evaluation* published by the Council of the Inspectors General on Integrity and Efficiency. We planned and performed the review to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our review objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our review objective.

Appendix C Assistant Secretary for Operations, Security, and Preparedness Comments

Department of Veterans Affairs

Memorandum

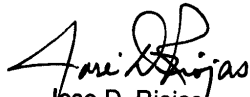
Date: September 17, 2012

From: Assistant Secretary for Operations, Security, and Preparedness (007)

Subj: Status Request – Review of Alleged Delays in Contractor Background Investigations at the Security and Investigations Center of the Office of Operations, Security and Preparedness (VAIQ #7274354)

To: Inspector General (50)

1. This memorandum provides consolidated comments from the Office of Operations, Security, and Preparedness and the Office of Information Technology for the Office of Inspector General: Review of Alleged Delays in Contractor Background Investigations as directed in your email dated July 30, 2012. Our responses and supporting documentation of the specific recommendations are attached from the Security and Investigations Center and the Office of Information Technology regarding the alleged delays in contractor background investigations.
2. Please contact Mr. Tom Muir, Director, Office of Personal Security and Identify Management at 202-461-7531 if you require additional information. Thank you for your efforts in identifying areas for improvement of contractor background investigations at the VA Security and Investigations Center.


Jose D. Riojas

Attachment

cc: Assistant Secretary for Information Technology (005)

**Office of Operations, Security, and Preparedness
Response to draft OIG Report
“Review of Alleged Delays in VA Contractor Background Investigations”**

OIG Recommendations

1. We recommend the Assistant Secretary for Operations, Security, and Preparedness implement improved policies and procedures to reduce the backlog of contractor background investigations, and work with the Assistant Secretary for Information Technology to implement a central case management system to monitor contractor status and associated costs during the background investigation process.

The Office of Operations, Security, and Preparedness concurs in part with the findings and recommendations developed during the review of alleged delays in contractor background investigation processing. Below you will find the implementation plan showing specific corrective actions and completion dates for the areas of concurrence.

OSP Comments: Concur.

The Office of Operations, Security, and Preparedness (OSP) has implemented a new and more efficient method of processing background investigations which is showing great results. During the 86 work day(s) period beginning 01APR2012 and ending 31JUL2012, the Security and Investigations Center (SIC) released to the Office of Personnel Management (OPM) 4,810 cases which were primarily contractor cases (estimated 70% of the total). In May 2012, the SIC altered the internal background investigation processing procedures which resulted in the complete elimination of the backlog at the SIC and established a standard whereby cases are now initiated within “**5-Days**” of receipt of a background investigation request when the request is submitted with all supporting documentation, accurately completed.

Categories and Numbers of Pending Contractor Background Investigations Backlog

Numbers below are tracked by the SIC include both contractors and employees with a ratio of approximately 70% contractors and 30% employees with no finite resolution beyond the estimated 70/30 totals.

	Cases Untouched by applicant	Cases Pending SIC Review	Cases Released to OPM	TOTAL
Contractor Backlog – OCT2011	1,328	3,116	662	5,106
Contractor Backlog – FEB2012	513	1,752	643	2,908
Contractor Backlog – APRIL 2012	780	1,388	1,018	3,186
SIC Backlog – MAY 31, 2012	424	1,432	1,243	3,090
SIC Backlog – JUNE 28, 2012	462	458	1,613	2,533
SIC Backlog – AUG 02, 2012	286	542	783	1,611

Note: CRISP cases processed by the SIC during April – July 2012, approximately 1,800, are not included in the above figures.

Chart Legend:

Cases Untouched by Applicant – The SIC has received a request for a background investigation, ensured all required documentation is present e.g., SAC, SF-306, VA-0710, Resume, etc., has initiated the case in the Office of Personnel Management (OPM) eQIP application, and has notified the applicant via email to log into eQIP to complete the background investigation questionnaire but the applicant has NOT logged into eQIP.

Cases Pending SIC Review – The applicant has completed the eQIP questionnaire and released the case to the SIC for review to ensure all questions were substantively answered and that the eQIP Release signature pages were signed, dated and sent electronically to the SIC.

Cases Released to OPM – The SIC has verified that the applicant has completed all required forms, eQIP questionnaire and signature pages and the case is at OPM for the background investigation to be scheduled.

2. We recommend the Assistant Secretary for Operations, Security, and Preparedness in conjunction with the Assistant Secretary for Information Technology, implement a central case management system to automate the background investigation process and effectively monitor VA contractor status and associated contract costs during the background investigation process.

OIT/OSP Comments: Concur.

a. OSP in collaboration with OIT will implement an automated central case management system to track and monitor the VA contractor background investigation process and its' status. The central case management system should position OIT with the on-boarding data on the contractor that will enable OIT to track associated contract costs from contract award to the on-boarding completion of the contractor.”

b. OSP explains the way-ahead for implementing a centralized case management system, security manager base, which automates the background investigation process and effectively monitors VA’s contractor status. OSP is projecting the deployment of a VA enterprise-wide improved centralized case management system - Personnel Security Suitability System (PSSS) by September 30, 2013. PSSS is currently being assessed for Advisory and Assistance and 508 Compliance. VA will continue to use the Security Manager database software system until PSSS is fully deployed throughout the enterprise.

Appendix D Office of Inspector General Contact and Staff Acknowledgments

OIG Contact	For more information about this report, please contact the Office of Inspector General at (202) 461-4720.
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Acknowledgments	Michael Bowman, Director Elijah Chapman Richard Purifoy Felita Traynham
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Appendix E Report Distribution

VA Distribution

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Non-VA Distribution

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This report will be available in the near future on the OIG's Web site at <http://www.va.gov/oig/publications/reports-list.asp>. This report will remain on the OIG Web site for at least 2 fiscal years.