

Statement of
Mr. Charles E. Allen
to the
Senate Subcommittee on Oversight of Government Management, the
Federal Workforce, and the District of Columbia
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Intelligence Community Contractors: Are We Striking the Right Balance?

Good Morning. Chairman Akaka, Senator Johnson and members of the Committee, thank you for the opportunity to speak to you today regarding this important subject.

I would like to make clear for the record that I am appearing today in my capacity as the Senior Intelligence Advisor to the Intelligence and National Security Alliance, and not as a representative of the Chertoff Group. INSA is a small non-profit that serves as a forum where individuals from the public, private and academic sectors associated with the intelligence and national security communities can come together to discuss issues of common concern and offer suggestions to policy makers. INSA is one of the key thought leaders in this arena and has produced white papers and other recommendations for leaders in the White House, the Congress, the Department of Defense, the Intelligence Community, and the Department of Homeland Security. Most recently, INSA has published papers on cyber intelligence, homeland security intelligence, organizational conflict of interest, and recommendations for “smart” reductions for the intelligence community in the current, challenging fiscal environment. We will soon publish a paper on improving the security clearance process for contractors. Because INSA tries to represent the best interests and concerns of

both the public and private sectors, I believe we can provide you a unique perspective on this topic of intelligence community contractors.

Additionally, I have been associated with the IC for over 50 years. I joined the CIA in 1958 and have worked with the IC in some capacity ever since. I was the Under Secretary of Homeland Security for Intelligence and Analysis from 2005-2008. In many of these assignments, particularly when we were trying to develop new organizations and capabilities to confront new threats, we would inevitably be faced with the dilemma that we needed an individual with a certain skill or talent that was not readily available within the organization, for example unique foreign language skills or unconventional information technology skills. Often, the best solution in those circumstances was to enter into a contract with a trusted private company who could provide such a skill set in the short term. In earlier days, these numbers were small. In recent years, because of the complex, asymmetric threat of terrorism, these numbers have grown substantially, and finding the right balance of government workers, supported by qualified contractors with unique skill sets has become increasingly complex.

It was a good thing and very timely that the Office of Federal Procurement Policy finalized their policy letter on “Performance of Inherently Governmental and Critical Functions” last week. While the IC has been carefully following the interim guidance issued in March 2010, publication of this definitive policy sends a clear message regarding the importance of this topic.

Based on my experience and what I have been able to determine, the policy letter does a good job of outlining what constitutes “inherently governmental” and what constitutes “critical functions” and provides the guidance the IC needs to ensure that functions that are intimately related to the public interest are performed only by Federal Government employees. Requiring IC agencies to carefully prioritize “critical functions” and judiciously maintain management oversight and control of these functions ensures that the agency operates effectively and maintains control of its mission and operations, but also gives them the flexibility to find the right federal employee/contractor balance when very unique skills may be required to properly perform the “critical function.”

In the instances where I oversaw contractors and in observing other supervisors who managed significant contractor work forces, I believe that in most instances, contractors are pretty seamlessly integrated into the workforce. If it were not for “blue badges” representing federal employees and “green badges” representing contract employees, one would have a hard time differentiating. Federal managers are required to keep contracting officers (CO) and contracting officer technical representatives (COTR) well –informed regarding the performance of the contractors under their supervision so that the contractor knows whether their performance is satisfactory or if remedial action or termination of the contract is warranted.

I do believe that IC agencies have dramatically improved management of the contractor workforce as a part of the strategic workforce planning efforts that the DNI requires. When I was the Under Secretary for Intelligence and Analysis at DHS, I did not ask if intelligence products or inputs were developed by contractor or government employees, but I knew that I had put in the proper safeguards to ensure that priorities and final analytic judgments – inherently governmental functions in my estimation – were the ultimate responsibility of federal employees. That said, from my perspective, contractors were part of the team and they were held to the same standard as other government employees on my staff.

The IC has a lot of experience and lessons learned managing the contractor workforce, particularly over the past 10 years when the need for manpower and expertise increased exponentially and the IC had little choice, initially, than to seek immediate support from qualified, trusted companies in the private sector. The IC is, in fact, reducing its reliance on contractors as it develops the requisite expertise internally for recurring, long-term requirements. It is my understanding that most IC agencies have established goals and strategic manpower plans to move toward an optimal federal employee/contractor mix.

In your invitation letter, you asked me to comment on how the IC addresses organizational conflict of interests. The potential for organizational conflict of interest is always there and there must be management procedures to safeguard

against any such conflict. Interestingly, INSA did a study on OCI earlier this year and could not come across a single instance of an IC contractor intentionally playing the role of a “bad actor” in any intelligence community activity. This study also found, however, that each IC agency had its own policy with regard to OCI and that these policies are not always consistent. INSA recommended that the DNI should provide policy guidance to create some level of consistency on the analysis and understanding of OCI. The INSA paper also recommended that the DNI establish an OCI board to meet regularly to assess OCI issues facing the agencies within the IC. The ODNI has taken these recommendations under advisement. Personal conflicts of interest are more common, but all IC agencies have rigorous procedures to ensure that senior personnel and those engaged in contract award and management are aware of the law and policies regarding ethics and potential conflicts of interest.

With regard to hiring, training, and retention challenges in balancing the IC workforce, they differ little from the challenges facing the federal government writ large. The IC has a large portion of its workforce nearing retirement and replacing such expertise will be a challenge because of a gap in the mid-career population created by the hiring freezes of the 90’s, pre-9/11. Conversely, well over 50% of the workforce has been hired since 9/11. These demographics would suggest that the IC will continue to rely on contractors for certain skills, at least until these challenging demographics moderate themselves over time.

An additional challenge is that few young people entering the work force today expect to stay in the same job or organization for 20 years. My understanding is that few if any of the IC agencies have a shortage of applicants, but many of those that are hired will likely want to move between organizations and between the private and public sector multiple times. Our HR and security clearance procedures do not currently encourage such ambitions, but it is probably something we should consider, as a person who has such varied experiences is likely to be a significant asset. Those entering the workforce now have different expectations than most of us had when we entered the workforce --- in my case 53 years ago. We need to figure out ways to respond to these evolving expectations.

In closing, I would like to offer a few thoughts about valuable services contractors could provide. First, it happens on a case-by-case basis now, but we could view some contractors as a resource to hire and develop talent on the government's behalf, with the idea that the government would actually hire the best of their employees, under carefully managed, appropriate circumstances. They absorb the hiring and development infrastructure until we are ready to take over, and then they hire behind those we hire to continue the pipeline, adjusting as our needs evolve. Obviously, appropriate safeguards would have to be established to ensure the integrity of such an arrangement. A second constructive role for contractors can be as providers of specific talent where we just don't have the talent on board and cannot hire and develop it in time to meet mission requirements. In these instances, we can judge whether the services are required just for a transitional period, in which the contractor would provide the services throughout the period, or longer-term requirements, where we use the contractor to augment our capability as we hire and develop government talent to fill the emerging requirements. Finally, we turn to a contractor to do work that is not core to our basic mission - more traditional outsourcing such as IT infrastructure operations or logistics and maintenance of facilities. One could come up with a longer list of variants and combinations of these scenarios.

Again, thank you for the opportunity to speak with you today and I look forward to your questions.

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