



**UNITED STATES OFFICE OF PERSONNEL MANAGEMENT**

**STATEMENT OF  
CHARLES S. PHALEN, JR.  
DIRECTOR  
NATIONAL BACKGROUND INVESTIGATIONS BUREAU  
U.S. OFFICE OF PERSONNEL MANAGEMENT**

**before the**

**SELECT COMMITTEE ON INTELLIGENCE  
UNITED STATES SENATE**

**on**

**“Security Clearance Reform”**

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**March 7, 2018**

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Chairman Burr, Vice Chairman Warner, and Members of the Committee, my name is Charles S. Phalen, Jr., and I am the Director of the National Background Investigations Bureau (NBIB) at the U.S. Office of Personnel Management (OPM). I appreciate the opportunity to appear before you today.

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., NBIB’s electronic questionnaire, national agency record checks, central clearance repository, etc.). NBIB’s systems and processes are aimed at leveraging automation to the greatest extent possible, transforming business processes, and enhancing customer engagement and making our work more transparent to those customers. 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.

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I would like to address NBIB's existing investigative "backlog," which has been the subject of media attention. The decision to terminate our USIS contract at the end of 2014 meant the loss of approximately 4,500 investigators, or 64 percent of our investigative workforce at that time. As we have worked to rebuild that capacity, the investigative workload-in-progress grew substantially. This was a consequence of the limited number of investigators in the field and was further exacerbated by increased demand by customer agencies, resulting in the current inventory. I am pleased the workload-in-progress has stabilized over the past two quarters as a result of building capacity to meet the increased demand, as well as process improvements. In 2017, NBIB completed 2.5 million investigations across all investigation types. As of today, NBIB's inventory is approximately 710,000 investigative products, including simple record checks, suitability and credentialing investigations, and more labor-intensive national security investigations. It should be known that not all these investigations should be considered backlog, as NBIB's inventory includes 160,000-180,000 investigative products that are considered to be a steady state inventory for which NBIB can meet timeliness goals with its current workforce capacity. That number of investigate products, however, 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 164,000 are either simple record checks that move in and out of the inventory daily or investigations that support credentialing and suitability determinations. The remaining inventory is for national security determinations or clearances, of which approximately 340,000 are for initial investigations and 206,000 are for periodic reinvestigations.

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 Security Executive Agent the Office of the Director of National Intelligence (ODNI), the Suitability and Credentialing Executive Agent of OPM, as well as the Department of Defense (DoD), and other customers, to focus our efforts in primary areas, such as increasing our investigative capacity; re-engineering current processes for increased transparency and effectiveness for our customers; and reassessing policies to revolutionize the way we gather and evaluate information.

NBIB has worked to increase capacity and realize efficiencies in as many areas as possible. The stabilization of the inventory has been attained because NBIB has invested in the necessary infrastructure. This infrastructure has been built through contractor and Federal workforce capacities. As of today, there are over 7,200 Federal investigators and investigators who are employees of OPM contractors working on behalf of NBIB, a number we are continuing to grow. In the past year, the Federal and contractor workforce capacity increased by over 25

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percent to address the current investigative inventory. Whenever new investigators come on board, there is a “ramp up” period during which they acquire the experience to accelerate their production. As investigators reach maximum productivity, NBIB’s monthly production rate is projected to continue to increase throughout 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 truism 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 focus has allowed NBIB to reform practices that, traditionally, were manually-intensive and reduce the number of hours each investigator needs to spend on each case. NBIB has improved fieldwork logistics by centralizing and prioritizing cases; increasing efficiencies of Enhanced Subject Interviews and reporting; and using more efficient methodologies by leveraging the power of technology to collect information. NBIB has also increased digitization and automation of 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. This change reduces the number of paper queries that need to be sent and the time it takes to receive replies, as well as reducing the number of files that must be maintained on paper, all of which facilitates faster case closings and adjudications. We also created a Strategy and Business Transformation office to make sure we execute our plan and continue to work toward long-term solutions to transform our processes. Some initiatives underway include exploring how we can integrate information collected by Trusted Information Providers – including agencies and industry – into the process sooner to reduce duplication of efforts and leverage this data properly. The cumulative impact of these efforts could free agents to move to other requirements based on the time saved as cases are more quickly closed.

We are hopeful that the transition to the new information technology system being developed by DoD, the National Background Investigations Service, or NBIS, will help us increase efficiencies even further. As a partner to DoD in the build of NBIS, NBIS will serve as NBIB’s IT system to perform background investigations, as well as offer shared services for the end-to-end processes for all government agencies and departments. As NBIS comes online, NBIB will be able to phase out its legacy system in favor of NBIS. In FY2017, in order to clearly identify key NBIS requirements and to maximize our existing resources, we began and are continuing to implement a Business Process Reengineering strategy to clearly define critical process

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improvements and technology support requirements, and enhance our decisions through better data analytics.

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 (PAC), the interagency group established pursuant to Executive Order 13467 to oversee reform of the Federal Government's background vetting program, 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.

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 PAC Principals and DoD on a daily to weekly basis as the Government's primary investigative service provider, and coordinates with 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), the Office of Management and Budget, 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.

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Our operations follow the investigative and adjudicative processes and standards set out by the Security Executive Agent and the Suitability and Credentialing 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 important that process improvements and methodologies are made across the entire enterprise in a standardized fashion so that quality is sustained, and 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 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.

Finally, as the Federal Government works to implement the transition of background investigations for DoD personnel from NBIB to DoD in accordance with Section 925 of the FY2018 National Defense Authorization Act (Pub. L. 115-91), NBIB continues to examine our workforce needs, capacity, and budget as we work to minimize disruptions to our operations, our contractors, and our customers. Certainly, challenges will present themselves going forward; however, through an internal working group at NBIB and continued communication with the members of the PAC Principals and DoD, we have come together to carry out this transition. NBIB will continue to partner with Executive agents and DoD and other agency partners. We have a shared interest in not only reducing the inventory, but also in taking steps to effectuate a smooth transition in operations.

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