

Highlights of [GAO-12-197](#), a report to the Chairman, Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia, Committee on Homeland Security and Governmental Affairs, U.S. Senate

Why GAO Did This Study

In fiscal year 2011, the Office of Personnel Management (OPM), as the investigative service provider for most of the federal government, received over \$1 billion to conduct more than 2 million background investigations (suitability determinations and personnel security clearances) for government employees. The 2004 Intelligence Reform and Terrorism Prevention Act and the resulting governmentwide reform (led by the Performance Accountability Council) helped to improve the timeliness and quality of investigations. GAO was asked to (1) identify the cost trends related to OPM's background investigations since fiscal year 2005 and the principal factors driving OPM's costs, (2) assess how OPM develops the background investigation prices it charges to agencies and the extent to which the basis of these prices is transparent, and (3) assess the extent to which governmentwide reform efforts have focused on reducing costs. For this review, GAO analyzed OPM's reported background investigation cost, workload and pricing data from fiscal years 2005 to 2011; examined key background investigation reform effort documents; and conducted interviews with executive branch agencies' officials.

What GAO Recommends

GAO recommends that OPM provide customer agencies better information on the costs of background investigations and identify and address efficiencies that could lead to cost savings. GAO also recommends that the Office of Management and Budget (OMB), through the Performance Accountability Council, expand its reform focus to identify opportunities for cost savings. OPM and OMB concurred; however, OPM raised issues with the basis of some of GAO's findings. GAO disagrees and addresses these issues in this report.

View [GAO-12-197](#). For more information, contact Brenda S. Farrell at (202) 512-3604 or farrellb@gao.gov.

BACKGROUND INVESTIGATIONS

Office of Personnel Management Needs to Improve Transparency of Its Pricing and Seek Cost Savings

What GAO Found

OPM's reported costs to conduct background investigations increased by almost 79 percent, from about \$602 million in fiscal year 2005 to almost \$1.1 billion in fiscal year 2011 (in fiscal year 2011 dollars). However, the extent to which OPM's cost data are reliable is unknown because an audit of OPM's revolving fund, which finances business-type operations, has not been conducted. Independent audits of OPM's overall financial management system, where revolving fund transactions are recorded, identified material weaknesses in internal controls, which could affect the reliability of these cost data. OPM's background investigation program has three principal cost drivers. The first cost driver is investigation fieldwork and support contracts, which represent nearly half of OPM's fiscal year 2011 reported costs—about \$532 million. These contracts allow OPM to assign an investigation to a contractor and buy clerical support for case-management. The second cost driver is personnel compensation and benefits for OPM's background investigation federal workforce, which represents about 25 percent of OPM's fiscal year 2011 reported costs—about \$265 million. The third cost driver is OPM's information technology investments. While these investments represent less than 10 percent of fiscal year 2011 reported costs, they have increased more than 682 percent over 6 years (in fiscal year 2011 dollars), from about \$12 million in fiscal year 2005 to over \$91 million in fiscal year 2011. OPM attributed cost increases to more comprehensive subject interviews, increased FBI fees, and compliance with investigation timeliness requirements.

OPM develops prices for background investigations using aggregated operating costs and does not provide customer agencies with transparent information underlying its prices and price increases. Customer agency officials expressed dissatisfaction that OPM does not provide more transparent information about how it derived its prices. According to previous GAO work on the management of revolving funds and user fees, agencies should provide their program information to customer agencies, stakeholders, and Congress, to help ensure transparency of costs. Given the lack of transparency underlying the prices and price increases, some agencies believe they may be overcharged and are looking into alternative means for carrying out their investigations, which could lead to duplication that is contrary to the goals of the governmentwide suitability and personnel security clearance reform effort. OPM has information regarding its aggregated operating costs, including federal personnel costs and information technology investments, that could improve customers' understanding of how OPM determines its prices if shared.

Governmentwide suitability and personnel security clearance reform efforts have not yet focused on cost savings. The stated mission of these efforts includes improving cost savings, timeliness, and quality, among others. While the Performance Accountability Council has focused on improving timeliness and quality, it has not provided the executive branch with guidance on cost savings. However, GAO identified opportunities for achieving cost savings or cost avoidance. Specifically, agencies have made duplicative investments in case-management and adjudication systems without considering opportunities for leveraging existing technologies. Further, OPM's investigation process has not been studied for process efficiencies that could lead to cost savings. In addition, OPM invested in an electronic case-management program yet continues to convert submitted electronic files to paper. Given the pressure government agencies are under to reduce costs, the Performance Accountability Council, including OPM, is well-positioned to identify opportunities for cost savings within the process.