

CONTRACTOR BACKGROUND INVESTIGATIONS

INTRODUCTION

Based on a request from the House Subcommittee on Oversight and Investigations of the Committee on Financial Services, we conducted a survey of the Commission's contractor background investigation process. We found that the Commission's written policies and procedures need improvement. The Commission is currently discussing the needed improvements to the policies and procedures.

SCOPE AND OBJECTIVES

The scope of our audit survey consisted primarily of interviewing Commission and Office of Personnel Management staff, and reviewing supporting documentation, among other procedures. We did not review contract files.

The primary objective of the audit survey was to assess the adequacy of the Commission's written policies and procedures for initiating, reinvestigating, adjudicating, and documenting background investigations for contractors.

The survey was performed from May to July 2001 in accordance with generally accepted government auditing standards.

AUDIT RESULTS

Few government-wide regulations apply to background investigations for contractors. Thus, agencies have much discretion in establishing and implementing applicable policies and procedures.

Many Commission contractors work in the Information Technology area. OMB Circular A-130 requires that agencies

“ensure that information is protected commensurate with the risk and magnitude of the harm that would result from the loss, misuse, or unauthorized access to or modification of such information.”

With respect to implementing the A-130 requirement, the Commission's policies and procedures state:

“Controls established and maintained by the Commission include, among other things, requirements for screening all individuals (including contractors) participating in the design, development, operation or maintenance of sensitive applications, as well as those having access to sensitive data. The level of screening required by these policies is to vary from minimal checks (such as an FBI check, credit check and check with Immigration and Naturalization Service for valid working permit) to full background investigations, depending on the sensitivity of the information to be handled and the risk and magnitude of harm the individual could cause.”

The Commission occasionally requests background investigations for contractors, partly to safeguard information under OMB Circular A-130. However, without adequate policies and procedures, sensitive Commission information may not be adequately safeguarded.

We believe that the Commission’s written policies and procedures need improvement. For instance, the policies should address:

- Which types of contracts, other than those under A-130, require background investigations of contractor employees,
- How to designate high, moderate, and low risk contracts,
- Which Commission organization makes the decision concerning whether, and to what extent, background investigations of contractor staff will be required for each contract,
- The scope of background investigations (based on whether the contract is designated as high, moderate, or low risk),
- Who should conduct the background investigation,¹
- Timeframes for adjudicating potential adverse issues,
- Documentation requirements for background investigations,
- Which contracts require periodic reinvestigations, and
- Timeframes for initiating (*e.g.*, prior to starting work, within 14 days) background investigations.

Commission officials concurred with our finding, and have begun to discuss the needed improvements to the policies and procedures.

Recommendation A

The Office of Administrative and Personnel Management, in consultation with Commission divisions and offices, should improve the policies and procedures related to contractor background investigations.

¹ We were told that generally, Commission contractors conduct background investigations of their own staff; this is a potential conflict of interest.