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Opening Statement

Rep. Elijah E. Cummings, Ranking Member

Hearing on "DC Navy Yard Shooting: Fixing the Security Clearance Process"

February 11, 2014

There is no doubt that we need to conduct a thorough investigation to determine how Aaron Alexis was able to obtain and keep a security clearance given his troubling background. We owe this to the families of the twelve people he killed and the others he injured, as well as all Americans who rely on the background check system to protect our national security.

Mr. Chairman, I want to thank you and your staff for your bipartisan approach on this investigation to date. Our work has the potential to stand as an important part of this Committee's legacy if we follow through on these efforts. Here is what we know so far.

First, Alexis obtained a security clearance from the Navy in 2008, and his background investigation was conducted by U.S. Investigations Services (USIS). USIS is the single biggest contractor that performs background investigations for the Office of Personnel Management (OPM), completing more than the government or any other contractor.

Four years before Alexis got his clearance, he was arrested in Seattle for shooting out the tires of someone's car. USIS did not obtain a copy of that 2004 arrest report, and OPM did not require one because the City of Seattle refused to cooperate with similar requests in the past. Instead, USIS obtained a summary that omitted references to the weapon and said only that Alexis was charged with malicious mischief. If USIS and the government had obtained a copy of that arrest report, perhaps Alexis' clearance would have been denied.

Under its contract, USIS also was required to conduct a "quality review" of its background investigation of Alexis. However, nobody has been able to confirm that USIS did that quality review. USIS has not confirmed it, nor has OPM, nor has the Inspector General.

In 2011, a long-time USIS employee, its Director of Fieldwork Services, accused USIS of a massive conspiracy to bilk U.S. taxpayers. Although USIS was required to conduct quality reviews of all of its background investigations, this official reported that USIS was "dumping" unfinished cases and billing OPM for the work anyway.

Inexplicably, USIS also had a separate contract with OPM to conduct additional quality reviews on behalf of the agency. In other words, USIS was checking its own work.

In January, the Committee conducted a transcribed interview with Merton Miller, OPM's Associate Director of Federal Investigative Services. He accused USIS of using information obtained through this second contract to evade detection of its fraud under the first. He said:

[T]hey circumvented OPM's oversight of their performance of their quality review. I'm not splitting hairs, but they knew how we were auditing. They knew what kind of reports we generated to oversee that they were actually performing the activities ... so they circumvented our oversight process, and they falsified records to help do that.

The Department of Justice has now determined that these allegations have merit and filed a False Claims Act suit seeking more than \$1 billion from USIS, claiming that the company charged taxpayers for work it never performed on 665,000 background investigations from 2008 to 2012. The Department stated:

USIS management devised and executed a scheme to deliberately circumvent contractually required quality reviews of completed background investigations in order to increase the company's revenues and profits.

In 2007, USIS was purchased by a private equity firm known as Providence Equity Partners. The Committee's investigation revealed that directly after this acquisition, USIS adopted aggressive new financial incentives to accelerate its work. During this period, USIS executives received huge bonuses, including more than \$1 million for the company's CEO, Bill Mixon, and about \$470,000 for the company's Chief Financial Officer. The Justice Department alleges that both officials were "fully aware of and, in fact, directed the dumping practices." USIS also received millions of dollars in bonus payments from OPM for its seemingly incredible progress, including \$2.4 million in 2008, \$3.5 million in 2009, and \$5.8 million in 2010.

In the wake of this scandal, the company's CEO, CFO, and nearly two dozen other officials have resigned, been terminated, or left the company. In fact, just yesterday, USIS informed us that the President of its Investigations Services Division has also now resigned.

These revelations cry out for an investigation, but to date the Committee has not conducted a single transcribed interview of any USIS employee. Mr. Chairman, I know you wanted to focus first on OPM's oversight, but given what we have uncovered, these serious allegations must be investigated. While I have no objection to Mr. Phillips being here today, he was hired only last year and has no firsthand knowledge of these allegations. We should investigate how bonuses and incentives were paid to USIS executives, as well as the roles played by Providence Equity Partners and Altegrity, the holding company formed to house USIS.

Finally, Mr. Chairman, I appreciate that your staff provided us with a draft of your report last week, but I regret that you issued it yesterday without including most of this information about USIS that we asked you to include. For these reasons, I am issuing my own staff report today that provides this information, and I ask that it be made part of the record.

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