



U.S. Department of Energy
Office of Inspector General
Office of Audits and Inspections

INSPECTION REPORT

Security Clearance Vetting at the
Portsmouth Site

OAI-L-16-07

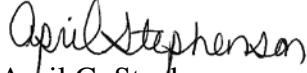
February 2016



Department of Energy
Washington, DC 20585

February 19, 2016

MEMORANDUM FOR THE MANAGER OF PORTSMOUTH/PADUCAH PROJECT
OFFICE

FROM: 
April G. Stephenson
Assistant Inspector General
for Audits and Inspections
Office of Inspector General

SUBJECT: INFORMATION: Inspection Report on "Security Clearance Vetting at
the Portsmouth Site"

BACKGROUND

The Portsmouth/Paducah Project Office (PPPO) manages the Department of Energy's (Department) cleanup activities at the Portsmouth and Paducah Gaseous Diffusion Plants. The PPPO's primary goals are to accelerate site cleanup, eliminate potential environmental threats, and reduce the Department footprint at each site. Due to the nature of the work at Portsmouth, the Federal Government requires contractor employees to obtain security clearances to perform tasks or services stipulated in the contract. The Department's Oak Ridge Office (Oak Ridge) of Safeguards, Security, and Emergency Management is the Cognizant Personnel Security Office (CPSO) having Federal personnel security adjudication responsibilities for the Portsmouth site. During the past 3 years, Oak Ridge CPSO has granted 300 security clearances at the Portsmouth site for contractors employed through Fluor B&W Portsmouth, LLC (Fluor).

In May 2015, the Office of Inspector General received a hotline complaint alleging that Fluor, B&W Conversion Services, and Wastren-EnergX Mission Support were not conducting the security pre-screening process with due diligence, as required by their contracts. During a subsequent interview with the complainant, it was clarified that the allegation was against Fluor, the prime contractor. Specifically, it was alleged that Fluor did not resolve concerns that surfaced during the pre-employment screening process and knowingly submitted employees with derogatory information, such as criminal activity. The submission of employees with known backgrounds that would make them ineligible for security clearances resulted in Government funds being expended on unnecessary background checks. The complainant further alleged Fluor's actions cost the Government \$5,000 to \$15,000 per clearance. We initiated this inspection to examine the facts and circumstances surrounding the allegation.

RESULTS OF INSPECTION

The allegations were not substantiated. We found that contract requirements did not require Fluor to determine if an individual would qualify for a security clearance based on potentially

derogatory information divulged as part of the hiring process. Senior Department security officials confirmed that, in accordance with Department regulations, only Department-trained Federal employees may determine a contractor employee's security clearance eligibility.

Fluor Human Resource (HR) managers and General Counsel confirmed that Fluor's pre-employment review relates only to employment suitability, not to security clearance determinations. According to a Fluor HR manager, if derogatory information is discovered during the pre-employment process, Fluor's HR and General Counsel will review the information to determine if the individual is suitable for employment. If a decision is made that an individual is suitable for employment and requires a clearance, then the information is submitted for further security clearance processing.

Our review revealed that, in general, Fluor has processes in place to conduct applicant pre-employment investigative screening checks in accordance with contract terms and conditions. However, we noted that Fluor's HR personnel were not conducting prior employment and personal reference checks, as required by the contract.

Security Clearance Suitability

We determined that Fluor was prohibited from evaluating information for the purpose of assessing security clearance eligibility. Department Order 472.2, *Personnel Security*, stipulates that only Department-trained Federal employees, who have been designated in writing as having been properly trained, may determine a contractor employee's security clearance eligibility or render other formal determinations that affect an individual's security clearance. The Cognizant Personnel Security Office (CPSO) is the Federal personnel security office that is authorized to submit investigative requests to investigative service providers and to adjudicate security clearances and access authorizations. Both contractor and Federal personnel confirmed that only Federal employees are authorized to make a security clearance determination. A Fluor HR manager stated that when derogatory information was discovered, Fluor's undocumented process involved HR personnel consulting with General Counsel to determine if the applicant was suitable for employment, but did not extend to assessing security clearance eligibility.

Our review of Oak Ridge security clearance records for fiscal years 2013 through 2015 revealed that the CPSO had not denied security clearances for any Fluor new hires. We sampled 25 percent of Fluor's new hires submitted for security clearances and found that 10 individuals had derogatory credit information. The CPSO granted the individual's security clearances and a CPSO official told us that the derogatory information, as well as other pertinent information, was assessed in making the security clearance determination.

Pre-Employment

We found that, in general, Fluor conducts pre-employment investigative screening as required by their contract; however, we noted that officials were not conducting required applicant reference checks. Section H.36 of Fluor's contract, *Personnel Security Clearances*, requires pre-employment screening of its prospective employees in order to ensure trustworthiness and reliability. The pre-employment screening process includes identity verification, employment

and education validation, and drug testing, as well as reference, credit, and local law enforcement checks. Furthermore, the contract requires that the contractor provide the Contracting Officer a document certifying that the pre-employment investigative screening has been completed.

Through interviews and an examination of 25 percent of Fluor's personnel records for individuals requiring a clearance, we validated that Fluor did not conduct prior employment and personal reference checks as required by their contract. We also noted that the lack of reference checks was previously identified during a June 5, 2015, Federal security office review titled "*Security Oversight and Support Branch Findings*" in which Fluor was unable to locate personal reference check documentation in eight files. A senior HR official indicated that Fluor HR officials had not conducted reference checks because the checks were not always useful, and the officials were not aware of the contract requirement. Furthermore, prior to our site visit, Fluor had not implemented corrective actions concerning the lack of reference checks. However, during our inspection, HR personnel directed staff to follow their contract requirements to conduct reference checks for future applicants. We validated Fluor's action by reviewing a copy of the reference check procedures, individual file documentation and interviews with HR personnel.

SUGGESTED ACTION

To strengthen Fluor's pre-employment process, we suggest that Fluor continue to enforce contractual requirements to conduct reference checks for new hires. We appreciate the cooperation of your staff during the inspection.

A formal response to this report is not required.

Attachments

cc: Manager, Oak Ridge Office
Assistant Manager, Safeguards, Security, and Emergency Management

OBJECTIVE, SCOPE, AND METHODOLOGY

OBJECTIVE

On May 26, 2015, the Department of Energy's (Department) Office of Inspector General received a complaint alleging that Fluor B&W Portsmouth, LLC (Fluor), did not adequately resolve background concerns that surfaced during the pre-employment screening process as required by the contract. Furthermore, the complainant alleged that because the contractor was not conducting security clearance checks with due diligence, the resulting Department background checks could cost the Government \$5,000 to \$15,000 per clearance. We initiated this inspection to examine the facts and circumstances surrounding the allegation.

SCOPE

The inspection was conducted at the Portsmouth Site located in Piketon, Ohio. The inspection was performed from May 2015 to February 2016 and focused on a review of the site's pre-employment investigative screening of applicants from fiscal years 2013 to 2015. The inspection was conducted under Office of Inspector General project number S15IS014.

METHODOLOGY

To accomplish our objective, we:

- Reviewed applicable Federal laws, regulations, and local procedures related to the processing of employment verifications for Federal agencies and contractors;
- Interviewed Portsmouth/Paducah Project Office and Oak Ridge Office security personnel regarding pre-employment screening requirements and security clearance processes for contractors;
- Interviewed Human Resource Personnel and General Counsel from Fluor regarding pre-employment screening requirements and security clearance processes for contractors;
- Compared and contrasted Federal, Department, and contractor pre-employment verification policies and processes;
- Obtained and reviewed information, documents, and email concerning various aspects of the allegation;
- Conducted a judgmental sample concerning the number of contractors that have been denied or approved for security clearances at Fluor; and
- Interviewed the complainant.

This inspection was conducted in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation*. Those standards

require that we plan and perform the inspection to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusions and observations based on our inspection objective. We believe the evidence obtained provided a reasonable basis for our conclusions and observations based on our inspection objective. Accordingly, the inspection included tests of controls and compliance with laws and regulations to the extent necessary to satisfy the inspection objective. Because our review was limited, it would not necessarily have disclosed all internal control deficiencies that may have existed at the time of our inspection. Finally, we relied on computer-based data, to some extent, to satisfy our objective. We confirmed the validity of such data, when appropriate, by conducting interviews and analyzing source documents.

Portsmouth/Paducah Project Office management waived an exit conference on February 4, 2016.

FEEDBACK

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Department of Energy
Washington, DC 20585

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