Private Contractors' Key Role at Issue in NSA Leak

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NEW YORK (AP) — People like Edward Snowden — nearly 500,000 employees of private firms with access to the government's most sensitive secrets — play a crucial role: They help monitor threats to national security.

When Snowden, an employee of one of those firms, Booz Allen Hamilton, revealed details of two National Security Agency surveillance programs, he spotlighted the risks of making so many employees of private contractors a key part of the U.S. intelligence apparatus.

James Clapper, the director of national intelligence, called Snowden's leak "gut wrenching."

The leak could lead the nation's intelligence agencies to reconsider their reliance on outside contractors, said Joseph Augustyn, a former senior CIA official and principal at Booz Allen.

"I think it would call into question the role of the defense contractors," Augustyn said.

Booz Allen, based in McLean, Va., provides consulting services, technology support and analysis to U.S. government agencies and departments. Last year, 98 percent of the company's $5.9 billion in revenue came from U.S. government contracts. Three-fourths of its 25,000 employees hold government security clearances. Half the employees have top secret clearances.

The company has established deep ties with the government — the kinds of ties that contractors pursue and covet. Contractors stand to gain an edge on competitors by hiring people with the most closely held knowledge of the thinking

inside agencies they want to serve and the best access to officials inside. That typically means former government officials.

The relationship often runs both ways: Clapper himself is a former Booz Allen executive. The firm's vice chairman, John "Mike" McConnell, held Clapper's position under George W. Bush.

"That really illustrates the ingrown nature of the relationship of NSA and its contractors," said Steven Aftergood, head of the project on government secrecy at the Federation of American Scientists.

The ties between government and contract workers are so pervasive in Washington that those on each side are known by nicknames: Contractors are called "green badgers" for the color of their identification badges. Government workers, who sport blue, are known as "blue badgers."

The reliance on contractors for intelligence work ballooned after the 9/11 attacks. The government scrambled to improve and expand its ability to monitor the communication and movement of people who might threaten another attack.

"After 9/11, intelligence budgets were increased, new people needed to be hired," Augustyn said. "It was a lot easier to go to the private sector and get people off the shelf."

The reliance on the private sector has grown since then, in part because of Congress' efforts to limit the size of federal agencies and shrink the budget.

Of the 4.9 million people with clearance to access "confidential and secret" government information, 1.1 million, or 21 percent, work for outside contractors, according to a report from Clapper's office. Of the 1.4 million who have the higher "top secret" access, 483,000, or 34 percent, work for contractors.

Applying for a security clearance requires disclosing one's job history, residences, education, spouses, relatives, friends, mental health, criminal activity, finances and allegiance.

Investigators use that information to probe an applicant's past five years for confidential and secret clearance and 10 years for top secret clearance.

Investigators check with local law enforcement officials where applicants lived, worked or attended school. Sometimes, they issue lie-detector tests and psychological evaluations. A top secret clearance costs the government $4,005 per investigation, according to the Government Accountability Office. Lower-level security clearances cost $260.

Once given security clearance, workers can access offices, files and, most important, dedicated communications and computer networks that are walled off from the public.

Snowden previously worked for the CIA and likely obtained his security clearance there. But like others who leave the government to join private contractors, he was able to keep his clearance after he left and began working for outside firms.

Because clearances can take months or even years to acquire, government contractors often recruit workers who already have them.

Snowden says he accessed and downloaded the last of the documents that detailed the NSA surveillance program while working in an NSA office in Hawaii for Booz Allen, where he says he was earning $200,000 a year.

Analysts caution that any of the 1.4 million people with access to the nation's top secrets could have leaked information about the program — whether they worked for a contractor or the government. It was a government employee — U.S. Army Soldier Bradley Manning — who was responsible for the last major leak of classified material, in 2010.

But critics say reliance on contractors hasn't reduced the amount the government spends on defense, intelligence or other programs. Rather, they say it's just shifted work to private employers and reduced transparency. It becomes harder to track the work of those employees and determine whether they should all have access to government secrets.

"It's very difficult to know what contractors are doing and what they are billing for the work — or even whether they should be performing the work at all," said Scott Amey, an expert in contractor oversight and government transparency at Project on Government Oversight, a non-partisan government accountability organization based in Washington. "It has muddied the waters."

Booz Allen has long navigated those waters well.

The firm was founded in 1914 and began serving the U.S. government in 1940, helping the Navy prepare for World War II. In 2008, it spun off the part of the firm that worked with private companies and abroad. That firm, called Booz & Co., is held privately.

Booz Allen was then acquired by the Carlyle Group, an investment firm with its own deep ties to the government. In November 2010, Booz Allen went public. The Carlyle Group still owns two-thirds of the company's shares.

The firm is only moderately profitable, but profits have been rising fast. Booz Allen earned $240 million in profit on its $5.9 billion in revenue last year. That's up from $85 million in profit in 2011 and $25 million in 2010.

Investors haven't been impressed: The company's opening stock price in 2010 was $17. On Monday, it closed just a shade above that, at $17.54. Over the same period, the broader stock market has risen 27 percent.

Booz Allen relies far more on government contract work than do other major

consultants such as Bain & Company, Accenture and Boston Consulting Group because it ceded its private-company work to Booz & Co. when the firms split.

Booz Allen has been trying to attract non-government work in hopes of diversifying its base of clients.

In a statement Sunday, the firm said Snowden had been employed for "less than three months" and was assigned to a team in Hawaii. It called the leaks "shocking" and a "grave violation" of the firm's code of conduct.

The firm declined to offer additional comment Monday.

A U.S. official speaking on the condition of anonymity said this is the second blow to the company in recent months: Booz Allen sought but failed to obtain a lucrative contract known as "Ramp" earlier this year.

The contract, worth hundreds of millions of dollars, was to fill jobs at the CIA's National Clandestine Service, the agency's spy arm. The U.S. official asked not to be named because the official was not authorized to discuss the classified contract.

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