

The corporate takeover of U.S. intelligence

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The U.S. government now outsources a vast portion of its spying operations to private firms – with zero public accountability.

More than five years into the global “war on terror,” spying has become one of the fastest-growing private industries in the United States. The federal government relies more than ever on outsourcing for some of its most sensitive work, though it has kept details about its use of private contractors a closely guarded secret. Intelligence experts, and even the government itself, have warned of a critical lack of oversight for the booming intelligence business.

On May 14, at an industry conference in Colorado sponsored by the Defense Intelligence Agency, the U.S. government revealed for the first time how much of its classified intelligence budget is spent on private contracts: a whopping 70 percent. Based on this year’s estimated budget of at least \$48 billion, that would come to at least \$34 billion in contracts. The figure was disclosed by Terri Everett, a senior procurement executive in the Office of the Director of National Intelligence, the agency established by Congress in 2004 to oversee the 16 agencies that make up the U.S. intelligence infrastructure. A copy of Everett’s unclassified PowerPoint slide presentation, titled [“Procuring the Future”](#) and dated May 25, was obtained by Salon. (It has since become available on the DIA’s Web site.) “We can’t spy ... If we can’t buy!” one of the slides proclaims, underscoring the enormous dependence of U.S. intelligence agencies on private sector contracts.

The DNI figures show that the aggregate number of private contracts awarded by intelligence agencies rose by about 38 percent from the mid-1990s to 2005. But the surge in outsourcing has been far more dramatic measured in dollars: Over the same period of time, the total value of intelligence contracts more than doubled, from about \$18 billion in 1995 to about \$42 billion in 2005.

“Those numbers are startling,” said Steven Aftergood, the director of the Project on Government Secrecy at the Federation of American Scientists and an expert on the U.S. intelligence budget. “They represent a transformation of the Cold War intelligence bureaucracy into something new and different that is literally dominated by contractor interests.”

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Because of the cloak of secrecy thrown over the intelligence budgets, there is no way for the American public, or even much of Congress, to know how those contractors are getting the money, what they are doing with it, or how effectively they are using it. The explosion in

[outsourcing](#) has taken place against a backdrop of intelligence failures for which the Bush administration has been hammered by critics, from Saddam Hussein's fictional weapons of mass destruction to abusive interrogations that have involved employees of private contractors operating [in Iraq, Afghanistan](#) and [Guantánamo Bay, Cuba](#). Aftergood and other experts also warn that the lack of transparency creates conditions ripe for corruption.

Trey Brown, a DNI press officer, told Salon that the 70 percent figure disclosed by Everett refers to everything that U.S. intelligence agencies buy, from pencils to buildings to "whatever devices we use to collect intelligence." Asked how much of the money doled out goes toward big-ticket items like military spy satellites, he replied, "We can't really talk about those kinds of things."

The media has reported on some contracting figures for individual agencies, but never before for the entire U.S. intelligence enterprise. In 2006, the Washington Post [reported](#) that a "significant majority" of the employees at two key agencies, the National Counterterrorism Center and the Pentagon's Counter-Intelligence Field Activity office, were contractors (at CIFA, the number was more than 70 percent). More recently, former officers with the Central Intelligence Agency have said the CIA's workforce is about 60 percent contractors.

But the statistics alone don't even show the degree to which outsourcing has penetrated U.S. intelligence — many tasks and services once reserved exclusively for government employees are being handled by civilians. For example, private contractors analyze much of the intelligence collected by satellites and low-flying unmanned aerial vehicles, and they write reports that are passed up to the line to high-ranking government officials. They supply and maintain software programs that can manipulate and depict data used to track terrorist suspects, both at home and abroad, and determine what targets to hit in hot spots in Iraq and [Afghanistan](#). Such data is also at the heart of the National Security Agency's massive eavesdropping programs and may be one reason the DNI is pushing Congress to grant immunity to [corporations that may have cooperated with the NSA](#) over the past five years. Contractors also provide collaboration tools to help individual agencies communicate with each other, and they supply security tools to protect intelligence networks from outside tampering.

Outsourcing has also spread into the realm of human intelligence. At the CIA, contractors help staff overseas stations and provide disguises used by agents working under cover. According to Robert Baer, the former CIA officer who was the inspiration for the character played by George Clooney in the film ["Syriana,"](#) a contractor stationed in Iraq even supervises where CIA agents go in Baghdad and whom they meet. "It's a completely different culture from the way the CIA used to be run, when a case officer determined where and when agents would go," he told me in a recent interview. "Everyone I know in the CIA is leaving and going into contracting whether they're retired or not."

The DNI itself has voiced doubts about the efficiency and effectiveness of outsourcing. In a [public report](#) released last fall, the agency said the intelligence community increasingly "finds itself in competition with its contractors for our own employees." Faced with arbitrary staffing limits and uncertain funding, the report said, intelligence agencies are forced "to use contractors for work that may be borderline 'inherently governmental'" — meaning the agencies have no clear idea about what work should remain exclusively inside the government versus work that can be done by civilians working for private firms. The DNI

also found that “those same contractors recruit our own employees, already cleared and trained at government expense, and then ‘lease’ them back to us at considerably greater expense.”

A Senate Intelligence Committee [report](#) released on Thursday spells out the costs to taxpayers. It estimates that the average annual cost for a government intelligence officer is \$126,500, compared to the average \$250,000 (including overhead) paid by the government for an intelligence contractor. “Given this cost disparity,” the report concluded, “the Committee believes that the Intelligence Community should strive in the long-term to reduce its dependence upon contractors.”

The DNI began an intensive study of contracting last year, but when its “IC Core Contractor Inventory” report was sent to Congress in April, DNI officials refused to release its findings to the public, citing risks to national security. The next month, a report from the House Permanent Select Committee on Intelligence [rebuked](#) the DNI in unusually strong language, concluding that U.S. officials “do not have an adequate understanding of the size and composition of the contractor work force, a consistent and well-articulated method for assessing contractor performance, or strategies for managing a combined staff-contractor workforce.”

U.S. intelligence budgets are classified, and all discussions about them in Congress are held in secret. Much of the information, however, is available to intelligence contractors, who are at liberty to lobby members of Congress about the budgets, potentially skewing policy in favor of the contractors. For example, Science Applications International Corp., one of the nation’s largest intelligence contractors, spent \$1,330,000 in their congressional lobbying efforts in 2006, which included a focus on the intelligence and defense budgets, according to [records](#) filed with the Senate’s Office of Public Records.

The public, of course, is completely excluded from these discussions. “It’s not like a debate when someone loses,” said Aftergood. “There *is* no debate. And the more work that migrates to the private sector, the less effective congressional oversight is going to be.” From that secretive process, he added, “there’s only a short distance to the Duke Cunninghams of the world and the corruption of the process in the interest of private corporations.” In March 2006, Randy “Duke” Cunningham, R-Calif., who had resigned from Congress several months earlier, was sentenced to eight years in prison after being convicted of accepting more than \$2 million in bribes from executives with MZM, a prominent San Diego defense contractor. In return for the bribes, Cunningham used his position on the House appropriations and intelligence committees to win tens of millions of dollars’ worth of contracts for MZM at the [CIA](#) and the Pentagon’s CIFA office, which has been criticized by Congress for spying on American citizens. The MZM case deepened earlier this month when Kyle “Dusty” Foggo, the former deputy director of the CIA, was indicted for conspiring with former MZM CEO Brent Wilkes to steer contracts toward the company.

U.S. intelligence agencies have always relied on private companies for technology and hardware. Lockheed built the famous U-2 spy plane under specifications from the CIA, and dozens of companies, from TRW to Polaroid to Raytheon, helped develop the high-resolution cameras and satellites that beamed information back to Washington about the Soviet Union and its military and missile installations. The National Security Agency, which was founded in the early 1950s to monitor foreign communications and telephone calls, hired IBM, Cray and other companies to make the supercomputers that helped the agency break encryption codes and transform millions of bits of data into meaningful intelligence.

By the 1990s, however, commercial developments in encryption, information technology, imagery and satellites had outpaced the government's ability to keep up, and intelligence agencies began to turn to the private sector for technologies they once made in-house. Agencies also turned to outsourcing after Congress, as part of the "peace dividend" that followed the end of the Cold War, cut defense and intelligence budgets by about 30 percent.

When the National Geospatial-Intelligence Agency was created in 1995 as the primary collection agency for imagery and mapping, for example, it immediately began buying its software and much of its satellite imagery from commercial vendors; today, half of its 14,000 workers are full-time equivalent contractors who work inside NGA facilities but collect their paychecks from companies like Booz Allen Hamilton and Lockheed Martin. In the late 1990s, the NSA began outsourcing its internal telecommunications and even some of its signals analysis to private companies, such as Computer Services Corp. and SAIC.

Outsourcing increased dramatically after 9/11. The Bush administration and Congress, determined to prevent further terrorist attacks, ordered a major increase in intelligence spending and organized new institutions to fight the war on [terror](#), such as the National Counterterrorism Center. To beef up these organizations, the CIA and other agencies were authorized to hire thousands of analysts and human intelligence specialists. Partly because of the big cuts of the 1990s, however, many of the people with the skills and security clearances to do that work were working in the private sector. As a result, contracting grew quickly as intelligence agencies rushed to fill the gap.

That increase can be seen in the DNI documents showing contract award dollars: Contract spending, based on the DNI data and estimates from this period, remained fairly steady from 1995 to 2001, at about \$20 billion a year. In 2002, the first year after the attacks on New York and Washington, contracts jumped to about \$32 billion. In 2003 they jumped again, reaching about \$42 billion. They have remained steady since then through 2006 (the DNI data is current as of last August).

Because nearly 90 percent of intelligence contracts are classified and the budgets kept secret, it's difficult to draw up a list of top contractors and their revenues derived from intelligence work. Based on publicly available information, including filings from publicly traded companies with the Securities and Exchange Commission and company press releases and Web sites, the current top five intelligence contractors appear to be Lockheed Martin, Northrop Grumman, SAIC, General Dynamics and L-3 Communications. Other major contractors include Booz Allen Hamilton, [CACI International](#), DRS Technologies and Mantech International. The industry's growth and dependence on government budgets has made intelligence contracting an attractive market for former high-ranking national security officials, like former CIA director George Tenet, who now [earns millions of dollars](#) working as a director and advisor to four companies that hold contracts with U.S. intelligence agencies and do big business in Iraq and elsewhere.

Congress, meanwhile, is beginning to ask serious questions about intelligence outsourcing and how lawmakers influence the intelligence budget process. Some of that interest has been generated by the Cunningham scandal. In another recent case, Rep. Rick Renzi, a Republican from Arizona, resigned from the House Intelligence Committee in April because he is under federal investigation for introducing legislation that may have benefited Mantech International, a major intelligence contractor where Renzi's father works in a senior executive position.

In the Cunningham case, many of MZM's illegal contracts were funded by "earmarks" that he inserted in intelligence bills. Earmarks, typically budget items placed by lawmakers to benefit projects or companies in their district, are often difficult to find amid the dense verbiage of legislation — and in the "black" intelligence budgets, they are even harder to find. In its recent budget report, the House Intelligence Committee listed 26 separate earmarks for intelligence contracts, along with the sponsor's name and the dollar amount of the contract. The names of the contractors, however, were not included in the list.

Both the House and Senate are now considering intelligence spending bills that require the DNI, starting next year, to provide extensive information on contractors. The House version requires an annual report on contractors that might be committing waste and fraud, as well as reviews on its "accountability mechanisms" for contractors and the effect of contractors on the intelligence workforce. The amendment was drafted by Rep. David Price, D-N.C., who introduced a similar bill last year that passed the House but was quashed by the Senate. In a statement on the House floor on May 10, Price explained that he was seeking answers to several simple questions: "Should (contractors) be involved in intelligence collection? Should they be involved in analysis? What about interrogations or covert operations? Are there some activities that are so sensitive they should only be performed by highly trained Intelligence Community professionals?"

If either of the House or Senate intelligence bills pass in their present form, the overall U.S. intelligence budget will be made public. Such transparency is critical as contracting continues to expand, said Paul Cox, Price's press secretary. "As a nation," he said, "we really need to take a look and decide what's appropriate to contract and what's inherently governmental."

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