



INTELLIGENCE

UNDER SECRETARY OF DEFENSE
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WASHINGTON, DC 20301-5000

JUN 12 2009

The Honorable Silvestre Reyes
Chairman
Permanent Select Committee on Intelligence
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

Thank you for your letter regarding the scheduled conversion of Department of Defense (DoD) Intelligence employees to the Defense Civilian Intelligence Personnel System (DCIPS). You urged the Department to delay additional conversions to DCIPS and recommended inclusion of DCIPS in the Administration's review of the National Security Personnel System (NSPS).

By way of clarification, defense intelligence personnel came under DCIPS in 1996, when the Defense Civilian Personnel System Act was enacted, repealing previous statutory authorities for defense intelligence civilian personnel systems in favor of a single, defense-wide human resource system: DCIPS. The DCIPS conversion in question involves the movement of DCIPS organizations from existing pay and performance management systems to a single, consolidated system.

As the Deputy Secretary of Defense noted in his March 16, 2009, response to your letter regarding the Administration's review of NSPS, we are committed to operating fair, transparent and effective personnel systems within the Department. The Director of National Intelligence (DNI) has made a similar commitment on behalf of the broader Intelligence Community (IC). With that commitment in mind, and in deference to your request, we delayed the scheduled April 2009 conversion of employees on the staff of the Under Secretary of Defense for Intelligence (USD(I)) and Air Force civilian employees assigned to the National Reconnaissance Office pending full consideration of your concerns and how we plan to address them, as well as a final review of the readiness of these two groups for conversion to the consolidated DCIPS pay and performance management systems.

We have completed that review and, in consultation with the DNI and the Office of Management and Budget (OMB), we have decided to continue the DCIPS conversions according to the revised schedule set forth below. We believe this decision is necessary in order to maintain the trust of our workforce, and bring them under a common personnel system. However, as we do so, I want to assure you that we will continuously assess DCIPS in order to guide our migration to performance-based compensation in



DoD and the IC. We will also coordinate that assessment with the Department's review of NSPS; however, the DCIPS assessment will be conducted separately from the NSPS review for the following reasons:

- DCIPS was developed and implemented under authority contained in Sections 1601-1614 of Title 10, enacted by the National Defense Authorization Act of 1997. It has been in place since that time. The design of the consolidated pay-for-performance system is largely based on experiences gained from the pay-for-performance program that has been in place within the National Geospatial-Intelligence Agency (NGA) system for over a decade, a system that has just successfully completed its tenth payout. NGA incorporates improvements to their program based upon results of annual reviews and employee feedback.
- DCIPS is consistent with, and supports, a broader IC policy framework that was collaboratively developed and formalized in a series of Intelligence Community Directives issued by the DNI in 2007 and 2008.
- Unlike organizations under NSPS, Defense Intelligence organizations have operated under separate personnel policies. DCIPS will bring all Defense Intelligence employees under common performance management regulations, a step necessary to achieve IC reform. An indeterminate suspension of DCIPS conversion will leave the Defense Intelligence enterprise and the IC divided, with intelligence employees working side by side under different systems, and with different terms and conditions of employment.


In addition, the Government Accountability Office (GAO) is currently conducting a review of DCIPS. We are expecting feedback and recommendations from their review this summer, and will carefully consider their recommendations as part of our ongoing review and evolution of DCIPS. During the reviews, those organizations currently under the consolidated DCIPS performance management and pay systems, including NGA, the Defense Intelligence Agency (DIA), and Naval and Marine Corps Intelligence civilian employees, will continue operating under these DCIPS policies and processes. Recommendations from the GAO or other Departmental reviews of DCIPS will be incorporated within all DCIPS organizations, as appropriate. The DNI shares this view on behalf of the IC.

Currently, we plan to defer the conversion of Air Force civilian employees at the NRO to the DCIPS pay bands and will convert them with all other Air Force civilian intelligence employees in August 2009. We will reschedule conversion for the approximately 100 employees on the USD(I) staff once we have reviewed their readiness against Departmental and IC guidelines. We also will continue to prepare for the remaining conversions scheduled to begin in July 2009. Organizations yet to be converted to the consolidated DCIPS performance management and pay systems include

the National Security Agency, Air Force Intelligence components, Army Intelligence components, and the Defense Security Service. We will provide you with an updated conversion schedule for the remaining organizations once we have reviewed the readiness of these organizations, including training of their workforces. Affected organizations will continue preparation of their employees and managers in accordance with their scheduled conversion. The DNI concurs with this approach, and it is integral to the broader IC pay-for-performance effort. Our position also has been coordinated with OMB and is consistent with the Administration's views, as stated by OMB Director Orszag's May 21, 2009, letter to Chairman Towns regarding oversight of Federal pay-for-performance systems.

Thank you again for sharing your concerns on this important matter. The Department of Defense and the Director of National Intelligence look forward to working with you and your staff to address any questions or concerns. A similar letter has been sent to Chairman Skelton.

Sincerely,



James R. Clapper, Jr.

cc: The Honorable Peter Hoekstra
Ranking Member