**INFORMATION SECURITY**

**Agencies Need to Improve Oversight of Contractor Controls**

**Why GAO Did This Study**

Federal agencies often rely on contractors to operate computer systems and process information on their behalf. Federal law and policy require that agencies ensure that contractors adequately protect these systems and information.

GAO was asked to evaluate how well agencies oversee contractor-operated systems. The objectives of this report were to assess the extent to which (1) selected agencies oversee the security and privacy controls for systems that are operated by contractors on their behalf and (2) executive branch agencies with government-wide guidance and oversight responsibilities have taken steps to assist agencies in ensuring implementation of information security and privacy controls by such contractors. To do this, GAO selected six agencies based on their reported number of contractor-operated systems and two systems at each agency using a non-generalizable random sample for review, analyzed agency policies and procedures, and examined security and privacy-related artifacts for selected systems. GAO also interviewed agency officials, and reviewed federal guidance and evaluated agency FISMA submissions.

**What GAO Found**

Although the six federal agencies that GAO reviewed (the Departments of Energy (DOE), Homeland Security (DHS), State, and Transportation (DOT), the Environmental Protection Agency (EPA) and the Office of Personnel Management (OPM)) generally established security and privacy requirements and planned for assessments to determine the effectiveness of contractor implementation of controls, five of the six agencies were inconsistent in overseeing the execution and review of those assessments, resulting in security lapses. For example, in one agency, testing did not discover that background checks of contractor employees were not conducted. The following table shows the degree of implementation of oversight activities at selected agencies.

**What GAO Recommends**

GAO is recommending that five of the six selected agencies develop procedures for the oversight of contractors and that OMB clarify reporting instructions to agencies. The five agencies generally agreed with the recommendations and OMB did not provide any comments.

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