

# At Booz Allen, a Vast U.S. Spy Operation, Run for Private Profit

By [MATTHEW ROSENBERG](#)

Photo



Booz Allen Hamilton, with its headquarters located in McLean, Va., has made billions from its contracting business with the American intelligence community. Credit Kevin Lamarque/Reuters

WASHINGTON — In the six weeks since federal agents raided a suburban Maryland home and [arrested Harold T. Martin III](#) on suspicion of stealing classified information from the [National Security Agency](#), another organization has quietly prepared to face the fallout: Booz Allen Hamilton, Mr. Martin's employer.

Booz Allen, a [consulting firm](#) that earns billions of dollars by working for American intelligence agencies, has been called the [world's most profitable spy organization](#). News this week of Mr. Martin's arrest in August could renew scrutiny of the firm's operations and, more broadly, the lucrative contracting business that American intelligence now relies on to run its vast, global surveillance operations.

Mr. Martin's arrest is the second time in three years that a Booz Allen contractor has been accused of stealing potentially damaging material from the N.S.A. The company also employed Edward J. Snowden, who spirited out a cache of documents that, in 2013, exposed the extent of American surveillance programs in the United States and around the world.

Booz Allen is one of a handful of defense and intelligence contractors that blur the line between the government's intelligence work and private enterprise.

Tens of thousands of contractors are believed to work for American intelligence agencies (the exact number is not known). They do everything from helping secure the military against cyberattacks and plan intelligence operations, to training spies and running war games for NATO generals.

“What most people don't realize is just the sheer scale of the intelligence work force that is outsourced,” said Peter W. Singer, a national security expert at New America, a think tank in Washington. “There will be meetings, and less than 10 percent of the people there are official U.S. government employees as opposed to contractors.”

Firms like Booz Allen provide a ready and potentially lucrative option for federal employees who are looking to cash in on their government experience.

Booz Allen, founded in 1914, has done especially well at building its government business. Its clients include every branch of the military and a long list of intelligence organizations, from the N.S.A. to lesser-known outfits, such as the National Geospatial-Intelligence Agency, which is essentially a high-tech mapping operation. Overseas, Booz Allen has helped the United Arab Emirates build its own high-tech spy agency.

The director of national intelligence during the George W. Bush administration, Mike McConnell, was an executive at Booz Allen; President Obama's director of national intelligence, James R. Clapper Jr., worked for the firm before returning to government to oversee the nation's spy agencies.

In its last fiscal year, which ended in March, Booz Allen earned \$3.9 billion — about three quarters of its total revenue — from its defense and intelligence business. Once its work for other parts of the government is factored in, Booz Allen's government contracting accounted for 97 percent of its revenue.

But as the two thefts have made clear, employing large numbers of contractors brings security risks, though experts point out that there have been many leaks in recent years that came from government employees, as well.

Booz Allen weathered the Snowden leaks, and it was cleared of any wrongdoing by the Air Force. It has so far had little to say about the Martin case, issuing a brief statement on Wednesday saying it had fired Mr. Martin and was cooperating with the investigation.

Unlike Mr. Snowden, some officials have said, Mr. Martin does not appear to have leaked any of the information he is suspected of stealing, which is believed to be highly classified computer code.

But the problem for Booz Allen is that at least some of the documents alleged to have been found in Mr. Martin's possession date to 2014. That would call into question the effectiveness of reforms aimed at safeguarding the nation's secrets announced in the wake of the Snowden affair.

“We have been and will continue to assess the proper role of contract employees in the intelligence community, many of whom play a vital role,” said Representative Adam B. Schiff of California, the

ranking Democrat on the House Intelligence Committee. “We must be careful not to overcorrect or to draw the wrong lessons. This issue is fundamentally about preventing and detecting insider threats, both from contractors like Edward Snowden and this individual, and from government employees.”

The leak in 2013 of the materials stolen by Mr. Snowden prompted calls from Sen. Dianne Feinstein of California, then the Democratic chairwoman of the Senate Intelligence Committee, for contractors like Booz Allen to lose their access to highly sensitive intelligence. The Obama administration, meanwhile, tightened security measures at intelligence agencies, and slashed the number of employees with access to classified information by 17 percent.

The role of contractors has grown since the 1990s, when they were seen as a way to save money, and accelerated in the aftermath of the Sept. 11 terrorist attacks.

Proponents of using contractors say they allow the government to quickly bring in people with technical expertise, and allow government agencies to get around staffing and budgetary constraints set by Congress.

A glaring example of how contractors are used to get around staffing limits can be seen in Afghanistan. There, the Obama administration has set a hard limit on the number of troops that can be deployed — it currently stands at 9,800. The Defense Department and State Department have, as a result, brought in thousands of contractors to do everything from serve food to analyze secret intelligence. There are currently believed to be about six contractors for every American government employee in Afghanistan.

At the same time, the use of contractors has often failed to deliver on the promised savings. Critics also say that shifting sensitive work into the hands of private businesses, which are not subject to same disclosure rules as federal agencies, often limits the ability of Congress to provide oversight.

Jo Becker contributed reporting from New York.