

GAO

Report to the Ranking Minority Member,
Committee on Armed Services, House of
Representatives

October 1999

DOD PERSONNEL

Inadequate Personnel Security Investigations Pose National Security Risks



G A O

Accountability * Integrity * Reliability

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Abbreviations

CCMS	Case Control Management System
DOD	Department of Defense
DSS	Defense Security Service
GPRA	Government Performance and Results Act
NSA	National Security Agency
OCB	Operations Center Baltimore



United States General Accounting Office
Washington, D.C. 20548

**National Security and
International Affairs Division**

B-283901

October 27, 1999

The Honorable Ike Skelton
Ranking Minority Member
Committee on Armed Services
House of Representatives

Dear Mr. Skelton:

The federal government uses personnel security investigations to determine whether an individual should be granted access to classified information. Because these investigations are a critical first step in safeguarding national security information, the federal government has established standards to ensure that various aspects of an individual's background are consistently investigated and considered when a federal agency decides if a clearance should be granted. Although such investigations do not guarantee that individuals will not later engage in espionage activities, they remain a critical step in identifying those who can be trusted to access and safeguard classified information.¹ The Department of Defense's (DOD) Defense Security Service, with oversight by the Assistant Secretary of Defense (Command, Control, Communications, and Intelligence), conducts the investigations for DOD and forwards the results to one of eight DOD adjudication facilities, which decide whether to grant or deny the clearance. These decisions are referred to as adjudications.

At the end of fiscal year 1998, about 2.4 million DOD active duty military, civilian, and contractor employees held personnel security clearances: 96,000 employees held confidential clearances, 1.8 million held secret clearances, and 524,000 held top secret clearances. From 1982 through September 1999, 80 federal employee and contractor personnel, 68 of whom were employed by DOD, were convicted of committing espionage against the United States. These individuals had undergone personnel security investigations and held security clearances; 19 held clearances that allowed access to top secret information. Top secret, secret, and

¹Personnel security investigations are the cornerstone of, but only a part of, DOD's personnel security program to prevent and detect espionage. Other mechanisms include employee education and counseling programs, continuing evaluations of employee workplace behavior, and counterintelligence operations.

confidential clearances require reinvestigations every 5, 10, and 15 years, respectively.

In view of the importance of these investigations to national security, you asked us to review DOD's personnel security investigative functions. Specifically, we assessed (1) the completeness and timeliness of DOD personnel security investigations; (2) what factors, if any, might be hindering the completeness and timeliness of the investigations; and (3) what actions DOD has taken to address any program weaknesses. As you requested, we are also providing information on recent broad-based studies that examined federal personnel security investigations and the status of actions taken on these studies' recommendations to improve the process. This information is presented in appendix I.

To address these objectives, we reviewed the extent to which a sample of 530 randomly selected personnel security investigations conducted by the Defense Security Service included the information required by the federal standards. These investigations included 226 (43 percent) investigations conducted for the purposes of determining whether to grant or deny an initial top secret clearance and 304 (57 percent) reinvestigations conducted to determine whether to continue or revoke a top secret clearance already held. We randomly selected the investigations from four of the eight DOD adjudication facilities: the Air Force, the Army, the Navy, and the National Security Agency. Our findings can only be generalized to the investigations done during the January and February 1999 period at the four adjudication facilities. However, these facilities accounted for 73 percent of the investigative work done by the Defense Security Service in fiscal year 1998; therefore, these findings suggest systemic program weaknesses. In addition, we surveyed all Defense Security Service investigators and case analysts about their workload, training, the manner in which they conduct investigations, and the adequacy of the investigative policy guidance they received. A detailed discussion of the scope and methodology for conducting our work is presented in appendix II.

Results in Brief

DOD personnel security investigations are incomplete and not conducted in a timely manner. As a result, they pose a risk to national security by making DOD vulnerable to espionage. In the 530 cases we reviewed, DOD granted clearances notwithstanding that

- 92 percent of the 530 investigations were deficient in that they did not contain the information in at least 1 of the 9 investigative areas required

- by the federal standards for granting clearances, which include confirming the subject's residency, birth and citizenship, and employment records; checking records for prior criminal history, divorces, and financial problems; and interviewing character references;
- 77 percent of the investigations were deficient in meeting federal standards in two or more areas; and
 - 16 percent of the investigations identified issues that the Defense Security Service did not pursue pertaining to individuals' prior criminal history, alcohol and drug use, financial difficulties, and other problems that could be cause to deny a security clearance.

Defense Security Service clearance investigations are also not timely. Half of the 530 investigations we reviewed took 204 or more days to complete even though DOD components and contractors requesting the investigations want them completed in 90 days. Less than 1 percent of the 530 investigations met this 90-day time frame. This lack of timeliness causes defense contractors to incur costs because their personnel cannot begin work on DOD contracts without a security clearance. Also, about 600,000 individuals holding clearances are overdue for reinvestigations. Delays in initiating reinvestigations create risks because DOD may be unaware of changes in employees' personal circumstances or behaviors that make them a greater security risk.

Completeness and timeliness problems in DOD's personnel security program have resulted largely from a series of Defense Security Service management actions that weakened quality assurance and led to delays in processing cases. Specifically, the Defense Security Service

- adopted relaxed investigative policy guidance causing confusion about investigative requirements and raising concerns about the sufficiency of information available for clearance decisions and the impact on uniformity in all personnel security investigations;
- eliminated quality control mechanisms such as quality assurance and supervisory review of completed investigations;
- ineffectively managed implementation of a new automated investigative case processing system that caused delays in processing cases; and
- did not adequately train its staff on the new federal investigative standards, causing much confusion among Defense Security Service staff about conducting investigations in compliance with the federal standards.

These problems arose and persisted, in part, because the Assistant Secretary of Defense (Command, Control, Communications, and Intelligence) did not provide proper oversight of the program.

DOD is taking steps to address these problems; however, it will take a significant amount of time and money to identify and implement all of the actions and additional steps needed. DOD recently appointed a new acting Defense Security Service Director who has (1) negotiated with the Office of Personnel Management and private contractors to assist in eliminating the large backlog of clearance reinvestigations; (2) directed a review of all investigative policies; (3) begun reinstating quality control mechanisms, such as quality assurance reviews, and established a new training organization; and (4) appointed a team to assess automation problems. DOD has not developed a strategic plan for the program that includes measurable program goals and performance measures. Such a plan is needed to institute sound management practices and to assess progress in overcoming identified problems. DOD has recognized the need for a strategic plan for the personnel security investigation program, but the plan is only in the early stages of development. Moreover, despite the serious and widespread nature of the completeness and timeliness problems affecting the personnel security investigation program, DOD has not planned to report these problems as material weaknesses under the Federal Managers' Financial Integrity Act of 1982.² This act mandates that federal agencies conduct ongoing evaluations of their internal control systems to protect federal programs against fraud, waste, abuse, and mismanagement. Reporting the Defense Security Service's material weaknesses under the act would focus needed attention on a formal corrective action plan with specific milestones and actions to address their underlying causes.

This report makes recommendations to the Secretary of Defense to improve oversight and identify the personnel security program as containing material internal control weaknesses in DOD's next report to the President and the Congress in accordance with the Federal Managers' Financial Integrity Act. We are also recommending that the Secretary require that the Defense Security Service Director develop a strategic plan and performance measures to improve the quality of the investigative work and correct other identified weaknesses.

²See 31 U.S.C. 3512.

Background

Espionage against the United States is any overt, covert, or clandestine activity designed to obtain information relating to national defense with the intent to injure the United States or to provide an advantage to a foreign nation. Acts of espionage have had serious consequences for the United States: intelligence personnel have been killed, critical information has been compromised, and U.S. military forces have been put at risk. Although the number of acts of espionage appears small in comparison to the number of security clearances in effect, according to DOD counterintelligence officials, hundreds of other potential instances have been detected but have not resulted in convictions because (1) individuals defected or committed suicide or (2) the cases were settled in other ways.

To commit espionage, a person must have access to national security information, contacts with foreign personnel seeking it, and a willingness to compromise the information. The primary motive for the 80 individuals convicted of espionage was greed—the chance for financial gain—but ideology was often another important factor. These two issues are among the areas that are to be addressed in personnel security investigations and considered in decisions to grant clearances.

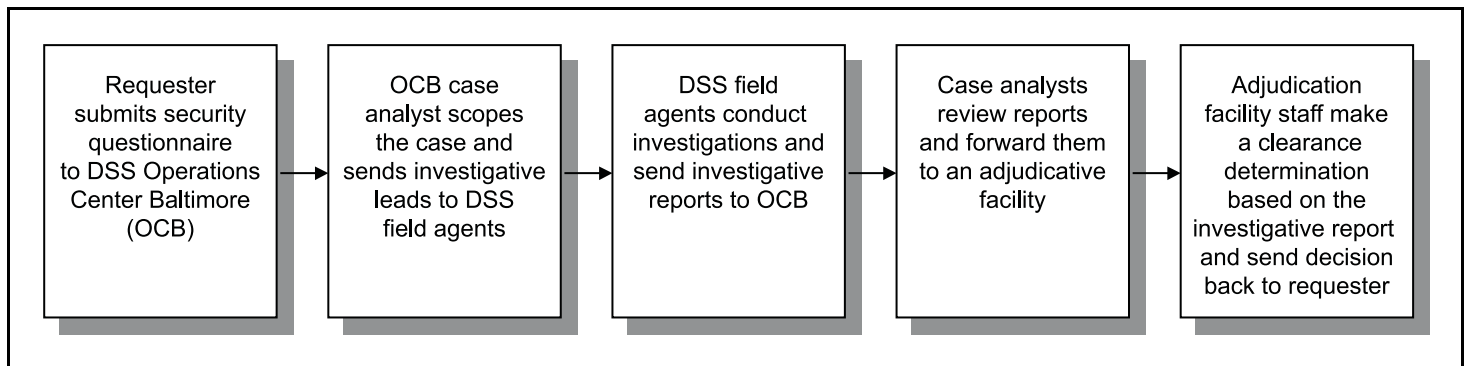
Personnel Security Investigations in DOD

The personnel security investigation is a critical step toward ensuring that individuals can be trusted to protect classified information. In granting a security clearance, DOD determines that the person's loyalty to the United States, character, trustworthiness, honesty, reliability, discretion, and judgment are such that the person can be expected to comply with government policy and procedures for safeguarding classified information.

The process of obtaining a security clearance, as shown in figure 1, begins with a request from a military commander, contractor, or other DOD official for a security clearance for an individual because of the sensitive nature of his or her duties. The individual then completes a security questionnaire that asks for the personal details needed to conduct the investigation, which is forwarded to the Defense Security Service's (DSS) Operations Center Baltimore, in Linthicum, Maryland. The Center's case analysts review clearance requests to ensure that all necessary forms are complete, develop a scope for the investigation, and assign the required work to the 12 DSS field-operating locations throughout the United States. An investigation may be sent to one or more operating locations depending on where the individual seeking the clearance (referred to as the subject) has lived, worked, or attended school. Once received in the field, an

investigation is assigned to an investigator who seeks information in that geographic location about the subject's loyalty, character, reliability, trustworthiness, honesty, and financial responsibility. The investigation must be expanded to clarify and resolve any information that raises questions about the subject's suitability to hold a position of trust. As investigative elements are completed, the field sends reports to the DSS Operations Center, where case analysts determine if all investigative criteria have been met and all issues relevant for a clearance decision have been resolved. The case analysts also request information from other federal agencies, such as the Office of Personnel Management, Federal Bureau of Investigation, the Central Intelligence Agency, and the Immigration and Naturalization Service. DSS sends the completed investigation to the appropriate adjudication facility, which decides whether to grant or deny a clearance. Every 5 to 15 years, personnel are supposed to undergo a reinvestigation, depending on the type of clearance.

Figure 1: Personnel Security Investigation and Adjudication Process



Source: Defense Security Service.

DSS Resources and Workload

Over the past 7 years, financial and personnel resources at DSS and investigative workloads have fluctuated, but have declined overall. In fiscal year 1998, DSS had a budget of \$190 million and spent approximately 75 percent of its budget on personnel security investigations. The agency had approximately 2,500 employees, half of whom worked on personnel security investigations. The remainder of DSS's budget and staff are used for DSS's industrial security program and other areas related to its responsibilities, such as administrative support. DSS received about 126,000 investigation requests and completed 142,000 investigations in

fiscal year 1998, some of which were submitted in prior years. These workload figures do not include about 600,000 reinvestigations for confidential, secret, and top secret clearances that are overdue but have not been submitted for reinvestigation. On average, a top secret investigation or reinvestigation costs about \$1,600 to \$2,600. DSS's budget, staffing, and investigative workload for fiscal years 1991 through 1998 is presented in appendix III.

Federal Standards for Personnel Security Investigations and Adjudication

In 1994, the President established the Security Policy Board as a new interagency body to develop directives for U.S. security policies, procedures, and practices; in addition, the National Security Act was amended to require the President to establish uniform executive branch procedures to govern access to classified information.³ In August 1995, under Executive Order 12968, the President directed the Board to develop a common set of investigative standards and adjudicative guidelines for determining eligibility for access to classified information. In March 1997, the President approved federal standards developed by the Board. These standards apply to all U.S. civilian and military personnel, consultants, contractors, and other individuals who require access to classified information. The objectives of the standards are to (1) investigate and assess various aspects of an individual's trustworthiness and reliability, taking into account both positive and negative issues (a practice known as the whole person concept), and (2) standardize federal processes to achieve reciprocity and avoid unnecessary and costly reinvestigations when an individual switches agencies.

³The Board, created by Presidential Decision Directive 29, consists of senior representatives from the following 10 federal agencies, departments, and other organizations: the Central Intelligence Agency; the National Security Council; the Office of Management and Budget; the Joint Chiefs of Staff; the Departments of Defense, Commerce, Energy, Justice, and State; and a non-defense agency rotated on an annual basis (now served by the Department of Transportation).

The purpose of initial investigations for top secret clearances is to provide information in the following nine areas:⁴

- corroboration of subject's proof of date and place of birth; verification of citizenship for foreign-born subjects and their foreign-born immediate family members;
- corroboration of education;
- verification of employment for the past 7 years (including all prior federal and military service and type of discharge) and interviews with supervisors and co-workers;
- interviews with character references with social knowledge of the subject and any former spouse divorced within the last 10 years;
- interviews with neighbors to confirm all residences for last 3 years;
- a national agency check for the subject and spouse or cohabitant (searches of investigative files and other records held by federal agencies, including the Federal Bureau of Investigation and the Central Intelligence Agency);
- a financial review, including a credit bureau check;
- a local agency check of criminal history records and other public records to verify any civil or criminal court actions involving the subject; and
- a personal interview of the subject.

The standards call for investigations to be expanded to resolve issues that arise, such as potential criminal history, alcohol or drug usage, and financial matters, including unexplained affluence or a history of not meeting financial obligations.

The standards for reinvestigations are essentially the same as those for initial investigations, with two exceptions. Reinvestigations do not require corroboration of proof of birth and citizenship for subjects and their family members or the subjects' education. According to officials of the Security Policy Board and in the Office of the Assistant Secretary of Defense (Command, Control, Communications, and Intelligence), the basis for not requiring this information in reinvestigations is that it is to be obtained in the initial investigation. However, the officials stated that if there were significant changes since the last investigation, such as a new spouse or

⁴Secret and confidential clearances require proof of the subject's date and place of birth, national and local agency checks, and a financial review.

claim of significant education attained, such as a college degree, reinvestigations are to include this information.

In deciding if a clearance should be granted or denied, the federal adjudicative guidelines require adjudication facility staffs, using the results of the investigation, to base their decision on the following factors:

- allegiance to the United States;
- foreign influence;
- sexual behavior;
- personal conduct;
- financial considerations;
- alcohol consumption;
- drug involvement;
- emotional, mental, and personality disorders;
- criminal conduct;
- security violations;
- outside activities; and
- misuse of information technology systems.

Investigations Have Been Incomplete and Untimely

The DOD personnel security investigation program has resulted in investigations that

- did not obtain the information required by the federal standards, such as residency, corroboration of birth or citizenship for foreign-born subjects or their immediate family members, verification of employment, interviews of character references, and local records checks for any prior criminal history, divorces, or financial problems;
- did not address issues that the investigations revealed could disqualify individuals from holding security clearances, such as prior criminal history, financial problems, and alcohol and drug use; and
- were not completed in a timely manner to meet the needs of DOD components and contractors.

These weaknesses pose risks to national security in that individuals have been granted access to classified information without undergoing a personnel security investigation that complies fully with federal standards. In addition, the delays in completing the investigations have hindered some contractors' ability to meet their cost and performance schedules on DOD contracts, according to contractor officials. Further, the large number of overdue reinvestigations has allowed hundreds of thousands of individuals

to continue to access classified information without having a current reinvestigation as required. In 1999, the Joint Security Commission II reported that delaying reinvestigations poses risks to national security because the longer individuals hold clearances, the more likely they are to be working with more critical information and systems.⁵ Also, the longer a reinvestigation is delayed, the greater the risk that changes in an individual's behavior will go undetected.

DSS Investigations Have Been Incomplete

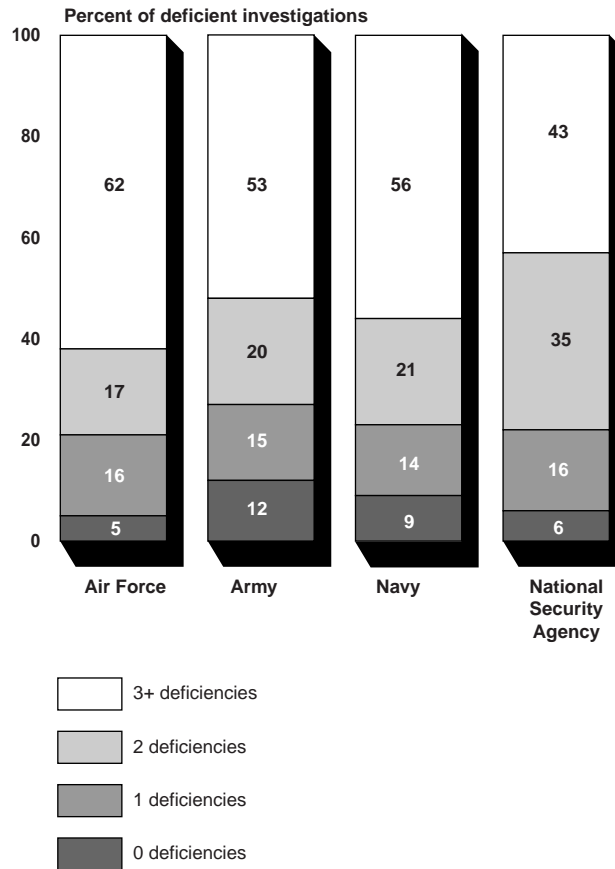
In our review of 530 randomly sampled top secret security clearance investigations and reinvestigations completed by DSS in January and February 1999 for the 4 DOD adjudication facilities that received most of DSS's investigations, we found that 92 percent (489) did not fully meet federal investigative standards because they were incomplete. The incompleteness rates for each adjudication facility were 95 percent for the Air Force facility, 94 percent for the National Security Agency facility, 91 percent for the Navy facility, and 88 percent for the Army facility. (These rates are projectable to the respective populations with a precision rate of ± 3 to 5 percentage points. See app. II, table 6). Overall,

- 92 percent of all 530 investigations—90 percent of the 226 initial investigations and 94 percent of the 304 reinvestigations—were deficient; that is, they did not contain the information in at least 1 of the 9 investigative areas provided in the federal standards for granting clearances;
- 77 percent of the investigations were deficient in meeting the federal standards in two or more areas; and
- initial investigations had an average of 3.1 investigative deficiencies per investigation and reinvestigations averaged 2.7 deficiencies.

Figure 2 shows the percent of deficiencies among all four DOD adjudication facilities included in our sample. Appendix IV includes more information regarding these deficiencies.

⁵The Joint Security Commission was convened twice to review U.S. security policies and procedures. It issued reports on its work in 1994 and 1999. See appendix I for more detailed information on the Joint Security Commission's work.

Figure 2: Percent of Personnel Security Investigations with Deficiencies



Note: An investigation could be deficient in up to nine areas. In our review, the maximum number of deficiencies was eight.

Source: GAO sample of 530 DSS investigations.

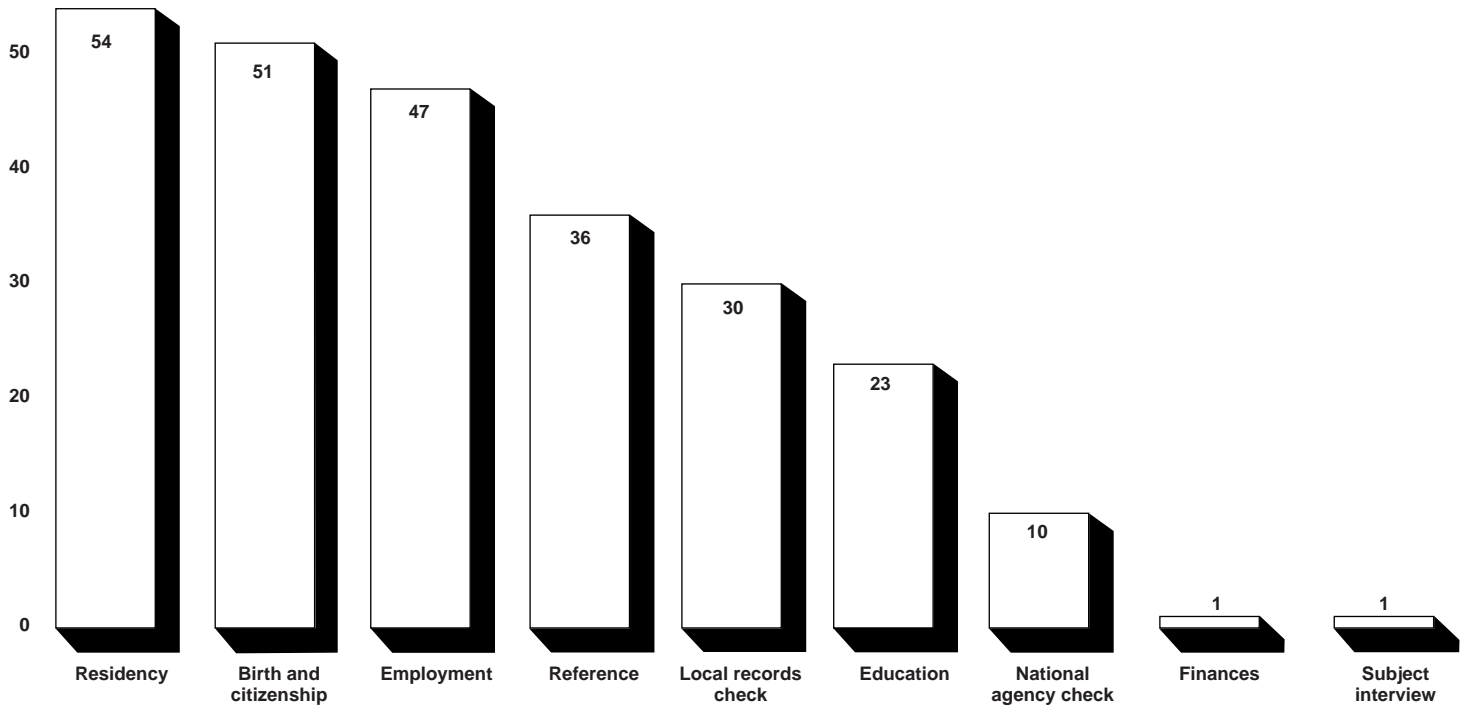
As shown in figure 3, we found problems primarily in six of nine areas required to be investigated for a security clearance by the federal standards.⁶ Frequently, DSS did not obtain one or more of the following types of information: confirmation of residency; corroboration of birth or citizenship for a foreign-born subject, spouse, or family member; verification of employment; interviews of character references; check of

⁶For our analysis, we grouped interviews with former spouses with other character references.

local agency records for any criminal history, divorce, or financial problems; and corroboration of education. DSS frequently met the requirement to conduct national agency checks, and almost always conducted financial checks. Both checks are done in an automated manner. In addition, DSS almost always conducted subject interviews.

Figure 3: Percent of Deficient Investigations in Nine Required Investigative Areas

60 Percent of deficient investigations



Source: GAO sample of 530 DSS investigations.

DSS also did not pursue issues needed for making clearance decisions that arose in 84 of the 530 investigations (16 percent) that we reviewed.⁷ These issues included prior criminal history, failure of a prior polygraph

⁷Because the basic investigative work was incomplete in a high percentage of the cases we reviewed, we were unable to determine the extent to which other issues may have existed but were not identified.

examination, potential foreign allegiance, serious sexual issues, alcohol and drug use, and financial problems, including large outstanding debts and bankruptcy. Officials at DSS, the Office of the Assistant Secretary of Defense (Command, Control, Communications, and Intelligence), and the DOD adjudication facilities said that issues such as these should be pursued. Derogatory information on these issues could potentially disqualify an individual from being granted a clearance. Further, since financial gain has been the major reason individuals committed espionage, the failure to resolve issues pertaining to large outstanding debts and bankruptcy is of particular concern. The following are examples of the types of issues we found that DSS investigators did not pursue.

- In an initial investigation for an individual involved in special operations, DSS did not address allegations by character references that the subject, a former police officer, had assaulted an inmate or had an affair that produced a child. In addition, DSS did not contact creditors owed nearly \$1,000 in past due accounts with an additional \$2,800 that had been charged off.
- In an initial investigation for an individual assigned to a communications unit, the subject's credit report listed a bankruptcy. The investigative file did not show that DSS questioned the subject about the matter or made any further attempt to address it.
- In a reinvestigation for an electronics technician, DSS did not verify the subject's claim of foreign military service and citizenship. In addition, DSS did not resolve whether the subject might have been involved in shooting another individual.
- In a reinvestigation for a systems engineer, the subject stated that he had failed a polygraph test regarding loyalty to the United States. He claimed he was loyal, but he could not explain the test results. DSS did not perform an additional polygraph or provide documentation on the failed test.
- In a reinvestigation for an individual in a joint service office, the subject's credit report showed \$10,000 past due on a mortgage and indicated that the lender had begun foreclosure proceedings. The subject denied knowledge of the matter and DSS did not contact the lender.

DSS Investigations Have Not Been Timely

DSS investigations have not been timely in two respects. First, once requests for investigations are received and logged in as open cases, DSS has not completed them in the time that its customers, such as the military services and industrial contractors, need them to be completed. According

to DSS customers and the Joint Security Commission, when investigations take longer than 90 days (1) the military services are unable to assign servicemembers to jobs that require clearances and (2) defense contractors incur financial costs because their personnel cannot begin work on DOD contracts. Second, periodic reinvestigations are overdue because they have not been initiated within the periods established by federal standards. In 1994 and 1999, the Joint Security Commission reported that delaying reinvestigations poses risks to national security because the longer individuals hold clearances, the more likely they are to be working with more critical information and systems.

DSS investigation time has not met customers' needs

The federal standards do not contain any specified time requirements for agencies to complete their investigative work. However, DSS's customers (the military services, DOD civilian agencies, and industrial contractors) and adjudication officials stated that they need DSS to complete its investigations within 90 days. The Office of Personnel Management, which conducts personnel security investigations for employees of non-DOD federal agencies, uses a standard of completing its work in 35, 75, or a maximum of 120 days, depending on the price the customer is willing to pay for the service.⁸

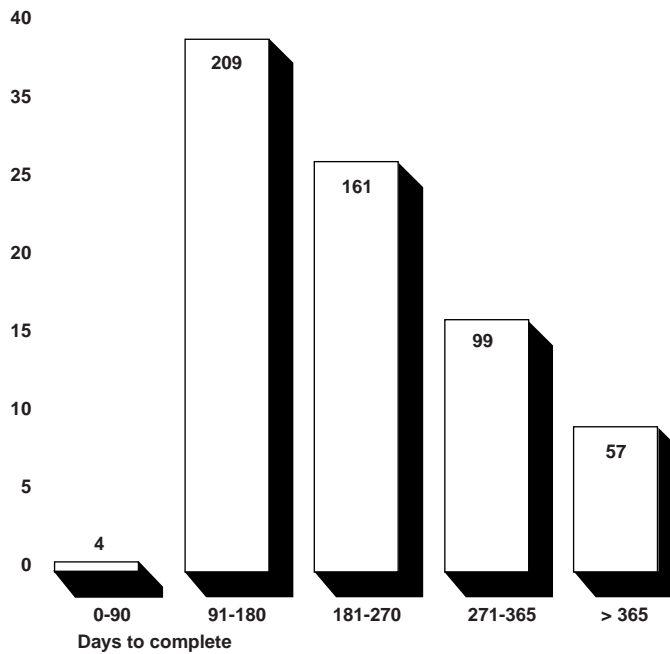
From our review of 530 investigations, we found that the median time for DSS to complete investigative work was 204 days—more than twice as long as what its customers want.⁹ Figure 4 shows that DSS completed 4 investigations, less than 1 percent, in less than 90 days; 11 percent (57 investigations) took more than 1 year.

⁸OPM charges from \$1,600 to about \$3,000 for top secret investigations and reinvestigations.

⁹The median is the point at which 50 percent of the investigations took longer than 204 days and 50 percent took less than 204 days.

Figure 4: Calendar Days Needed to Complete Investigations

45 Percentage of days



Source: GAO sample of 530 DSS investigations.

Adjudication facility officials said that because of the amount of time it has taken to receive DSS investigative reports, they have been reluctant to return incomplete investigations to DSS because of further delays. When they have returned investigations to DSS for additional work, it has not been unusual to wait an additional 6 months for DSS to complete the work. Adjudication officials said that they frequently made decisions to grant or deny clearances based on incomplete investigations because it would simply take too long to have DSS obtain the missing information. They considered this a judicious weighing of the risks entailed.

In 1994, the Joint Security Commission reported that the costs to DOD directly attributable to delays in obtaining security clearances was as high as several billion dollars in fiscal year 1994 for workers who were unable to perform their jobs while awaiting a clearance.¹⁰ In February 1999, representatives of several contractors wrote a letter to the DSS Director complaining about the time taken to clear personnel scheduled to work on

defense contracts and pointing out that the delays were threatening to affect some facilities' ability to effectively perform on contracts and meet cost schedules. They noted that 64 percent (1,426) of the 2,236 investigations they had requested were pending for more than 90 days, with 76 investigations pending since 1997.

Periodic reinvestigations are overdue

The federal standards require a periodic reinvestigation of individuals granted access to classified information. Clearances are outdated if a reinvestigation has not been initiated in the past 5 years for top secret clearances, 10 years for secret clearances, and 15 years for confidential clearances. Historically, DOD has had a large backlog of overdue reinvestigations. In fiscal year 1986, DOD had a backlog of 300,000 overdue reinvestigations.¹¹ According to the Deputy Secretary of Defense, in June 1999, about 600,000 DOD clearances were based on outdated investigations. However, DOD is not certain of the total number of overdue reinvestigations, and was analyzing the backlog at the time that we completed our work.

According to the 1999 report by the Joint Security Commission II, as many as 700,000 reinvestigations are overdue and the backlog was continuing to grow.¹² The Commission recommended that DOD should (1) begin to fully enforce the standards for reinvestigations and (2) screen all individuals whose reinvestigations are overdue to identify those whose positions and access suggest the highest risk, and provide resources to complete those reinvestigations promptly. At the time we completed our work in September 1999, DOD was determining its response to this recommendation.

¹⁰In its 1994 report, the Joint Security Commission noted that DSS customers wanted clearance investigations completed within 90 days. At the time, it took DSS an average of 149 days to complete investigations. The Commission used an average cost of \$250 per day beyond the 90-day standard for each DOD employee who was unable to perform their duties while awaiting a security clearance.

¹¹*National Security: DOD Clearance Reductions and Related Issues* (GAO/NSIAD-87-170BR, Sept. 18, 1987).

¹²*A Report by the Joint Security Commission II*, August 24, 1999.

Management Actions and Inadequate Oversight Have Weakened Investigations

The lack of completeness and timeliness in the DSS personnel security investigation program can be traced, in part, to several management actions by DSS and inadequate oversight by the Office of the Assistant Secretary of Defense (Command, Control, Communications, and Intelligence). Management actions that affected investigative completeness have included DSS (1) causing confusion and raising concerns by adopting relaxed investigative policy guidance that gives investigators greater discretion in doing their work, (2) eliminating important investigative quality control mechanisms, and (3) inadequately training its investigative staff and case analysts. Many of these actions were adopted from 1996 to 1998, under a policy of reinventing business practices. DSS based its mandate for these changes on (1) the National Performance Review, which called for improving government at less cost; (2) the 1994 report of the Joint Security Commission, which called for defining the security needed in terms of an affordable price; and (3) DOD's 1997 Quadrennial Defense Review, which called for DSS to streamline the security investigative process and charge its customers for investigations. Additionally, inadequate planning by DSS management for a new automation initiative has caused further delays in the timely completion of investigations.

DSS Relaxed Its Investigative Guidance

The incomplete DSS personnel security investigations stemmed, in part, from the organization's reinvention effort to streamline investigative requirements. DSS relaxed its prior investigative policy guidance, thereby allowing investigators greater discretion—but also causing much confusion—regarding the work needed to complete investigations. In two instances, DSS's relaxed guidance was inconsistent with federal standards. In adopting the relaxed guidance, DSS also ignored the concerns of DOD officials and the Security Policy Board about the adverse effects of the policy changes on the completeness of investigative work. The officials were concerned that these changes would result in the adjudicators not having sufficient information to make informed clearance decisions. The Security Policy Board was also concerned that DSS's policy changes would hinder efforts to achieve reciprocity of clearances between DOD and other federal agencies.

DSS investigative policies give greater discretion to investigators

In June 1996, the Assistant Secretary of Defense (Command, Control, Communications, and Intelligence) formally announced that DOD would adopt the new federal investigative standards as of July 1, 1996, while they were being reviewed by the National Security Council. In implementing the new standards, however, DSS began to relax its prior investigative

requirements. Between August 1996 and February 1999, DSS issued 31 policy letters directly related to the manner in which investigations were to be conducted. Several letters announced policy changes that gave investigators greater discretion in how they would meet the standards or pursue issues that might be of significance in deciding to grant clearances. This greater discretion is illustrated below:

- In August 1996, DSS eliminated its requirement to contact creditors about debts not listed on credit reports but revealed by the subject; and in November 1996, DSS eliminated its practice of routinely contacting creditors to verify the status of disputed accounts, instead relying on the subject's documentation.
- In October 1996, DSS eliminated its requirement to confirm allegations of adultery and stated that the subject should be questioned "briefly" about the matter.
- In October 1996, DSS issued policy guidance that allowed investigators "broad leeway" in deciding whether to obtain character references from the subject's neighborhood. In May 1997, DSS issued additional policy guidance that allowed investigators broad leeway in determining how the subject's residence will be confirmed.
- In October 1996, DSS encouraged discretion in pursuing alcohol-related issues, stating that "only a minimal number of specific leads to resolve" alcohol-related issues are required and "cases will no longer be routinely expanded as issues based solely on one alcohol-related incident within the last three years."
- In December 1996, DSS eliminated its previous requirement for its investigators to verify federal employment using personnel records if there was no issue to resolve.
- In November 1998, DSS adopted a policy providing that the time period to be covered in a reinvestigation is to be the period since the last investigation or the most recent 5-year period, whichever is shorter. DSS currently has about 600,000 reinvestigations that are overdue, in that it has been more than 5 years since the last investigation. Thus, DSS policy allows for gaps in developing information that could be relevant in making a clearance decision.

DSS's policies were also inconsistent with federal investigative standards in two areas—the requirement to conduct local agency checks and to verify public records.

- Federal standards require local agency checks of criminal history records for the last 10 years for all locations where a subject has lived,

been employed, and/or attended school for 6 months or more. However, it has been DSS policy not to conduct these checks if the local jurisdiction charges a fee for this service, an exception not provided for in the federal standards.

- With regard to public records, the federal standards require verification of divorces, bankruptcies, and other court actions, whether civil or criminal, involving the subject. For civil actions, DSS policy requires that records of divorce be routinely reviewed. In cases of bankruptcy, DSS policy requires review only if the bankruptcy occurred within the last 2 years. For all other civil actions, DSS policy requires review only if it appears likely that suitability issues are involved. The federal standards, however, do not provide for exceptions based on date of the event, "suitability issues," or any other reason.

These policy changes have confused many investigators about what investigative work is to be done. In responding to our surveys, 59 percent (625) of the 1,061 investigator respondents and 90 percent (79) of the 88 case analyst respondents said that DSS policy guidance has resulted in confusing investigative requirements, while only 23 percent (239) of the investigators and 3 percent (3) of the case analysts said that it has clarified requirements. When we completed our work in September 1999, these policies were still in effect but being reviewed by the acting DSS Director.

DOD officials and the Security Policy Board raised concerns about DSS's revised policies

In our review of DSS policies, we discussed the DSS revised investigative policy guidance and the DSS process for adopting policy changes with officials in the DOD Office of the General Counsel assigned to DSS, the Office of the Assistant Secretary of Defense (Command, Control, Communications, and Intelligence), the eight adjudication facilities, and the Security Policy Board. These officials expressed two overall concerns about the impact of DSS's policy changes: (1) the DSS investigations have increasingly provided less complete information for use by adjudicators in determining whether to grant clearances and (2) the revised policies undercut the Security Policy Board's efforts to achieve uniformity among federal agencies conducting personnel security investigations. These officials stated that, for the most part, the DSS Deputy Director for Policy presented the policy changes to them after decisions had been made rather than consulting with them in advance. The officials also said that DSS had adopted certain policies that were not consistent with their expectations about how federal agencies would meet the federal standards.

Adjudication facility officials described frequent shortfalls in many of the investigative areas covered by the federal standards, such as failures to

corroborate citizenship of a foreign-born subject, spouse, or family member; verify employment; or conduct local agency checks for prior criminal histories. Adjudication officials also stated that DSS often failed to pursue issues, such as unexplained affluence. Furthermore, the officials from the Defense Office of Hearings and Appeals, which serves as the appeal board for DOD and industry personnel whose clearances have been denied or revoked, said that the investigative information provided by DSS was frequently insufficient to make an informed determination about a denial or revocation of a clearance being appealed.

In addition, in their policymaking actions, DSS officials have ignored the explicit concerns of the Security Policy Board regarding the goal of achieving investigative uniformity. The following examples illustrate this problem:

- In October 1996, DSS's Deputy Director for Investigations briefed the Board's Personnel Security Committee on DSS reinvention efforts and its proposal to eliminate neighborhood checks. The Committee disagreed with this change and noted that DOD was a full partner in the cooperative effort to develop new, standard investigative and adjudicative policy and that unilateral action by DSS would undermine the process. The Committee also said that a failure by DSS to meet the federal standards would constitute a serious deterioration in the quality of its investigations and would unacceptably increase risk. In correspondence dated October 28, 1996, the Board notified all Security Policy Forum members and others, including the Deputy Secretary of Defense and the DSS Director, of its concerns about DSS initiatives that it believed would run counter to the investigative standards, focusing especially on the adverse effect on reciprocity when agreed upon standards are ignored. It reiterated that Presidential Decision Directive 29 established the Security Policy Board structure as the vehicle for "vetting and proposing security policies" and advised DSS to bring any proposed changes to the standards to the Board. DSS, however, continued to revise and implement relaxed investigative policies after the Board's instruction.
- In March 1998 correspondence to the Security Policy Board's Staff Director, the Chairman of the Board's Personnel Security Committee expressed concerns about DSS's intent to unilaterally initiate changes to investigative policies. The Chairman believed DSS's changes constituted a departure from federal standards. The Chairman noted that, in January 1997, the Personnel Security Committee advised that the Board's Personnel Security Research Subcommittee (comprised of

representatives from DSS, the Central Intelligence Agency, and other agencies) was the appropriate organization to coordinate and vet research initiatives to change national standards. Moreover, the Committee emphasized that all personnel security investigative standards should continue to be assessed and refined under the cognizance of the Security Policy Forum. In April 1998, the Board's Staff Director notified all Personnel Security Committee members and DOD about these concerns and advised that any research initiatives regarding the standards should be vetted through the Board's processes.

In February 1999, when we brought these concerns to the attention of DSS officials, the Deputy Director for Policy acknowledged that DSS's proposed policy changes were not sufficiently coordinated with key officials, including the DOD General Counsel, the Office of the Assistant Secretary of Defense (Command, Control, Communications, and Intelligence), the adjudication facilities, and the Security Policy Board. In July 1999, the acting DSS Director stated that he would review DSS policies and procedures to ensure that they are consistent with the federal standards. The Director also plans to improve the liaison with the Board, including meeting monthly to discuss investigative standards.

Important Quality Control Mechanisms Have Been Eliminated

The elimination of important quality control mechanisms has also compromised the quality of DSS investigations. In the absence of such mechanisms, DSS investigations have been sent for adjudication with virtually no review to determine if they are complete and meet federal investigative standards. DSS had two major quality control procedures to review investigative work until 1996, when both were eliminated as a part of reinvention efforts. First, field supervisors routinely reviewed completed investigations before forwarding them to the DSS Operations Center. Second, the quality assurance branch, composed of seven investigators, conducted weekly reviews of a sample of completed investigations. The quality assurance branch also published a quarterly newsletter on common investigative problems. By eliminating both the quality assurance branch and supervisory reviews, the 112 case analysts in the DSS Operations Center became the only quality control mechanism, responsible for reviewing about 150,000 investigations per year. The analysts that we spoke with stated they have been so consumed with processing investigations that they have spent little time reviewing the quality of investigative work.

Before 1996, DSS used two other programs to ensure quality. It sent letters to a sample of individuals interviewed by DSS investigators to determine if

the investigators were respectful and courteous, and it periodically had supervisors accompany their subordinates to become familiar with how the work was being done. These programs allowed DSS to determine that investigators were actually and properly conducting their work. Both programs were eliminated in 1996 under reinvention efforts at DSS.

DSS Staff Training Has Been Inadequate

Investigative quality has also been diminished by a lack of training on the federal standards for the investigative and case analyst staffs. During the past 3 years, DSS provided almost no formal training, especially on the standards, and DOD dismantled the major training infrastructure that provided the training. Consequently, the investigative and case analyst staffs may not be fully aware of what the federal standards require.

DSS acknowledged that it has conducted little training for its staff on the new federal investigative standards. Our analysis of DSS training data for fiscal year 1998 showed that DSS conducted 31 training courses attended by 2,468 DSS personnel. Only five of these courses covered personnel security topics; 414 staff attended these courses. The remaining 26 courses covered industrial security topics, classification procedures, technical computer training, adjudication, information security, and other topics. DSS officials stated that since few investigators have been hired in recent years due to a hiring freeze, DSS did not believe that training covering the new federal standards was necessary. In June 1999, the acting DSS Director stated that no formal training for case analysts has been conducted since 1991. Thus, the analysts may not be fully aware of what the federal standards require as they review investigations forwarded from DSS's field locations.

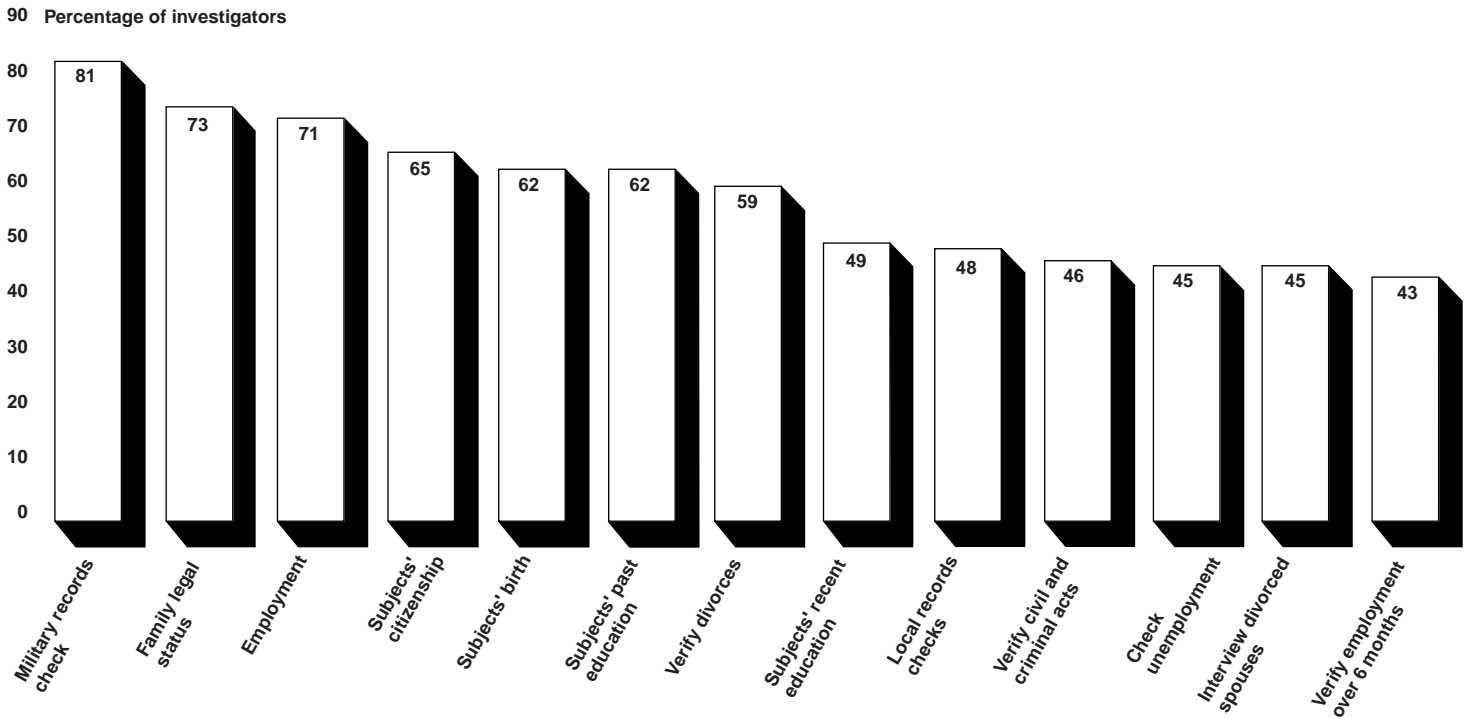
Cutbacks in the DSS training infrastructure have contributed to a lack of training. In 1997, DOD eliminated the main investigator training organization at DSS, the DOD Security Institute in Richmond, Virginia. Besides training DSS staff on investigative and other security procedures, the Institute trained other federal agency and contractor personnel on security procedures. In November 1997, the functions of the DOD Security Institute were integrated into DSS, along with the DOD Personnel Security Research Center and the DOD Polygraph Institute. The Security Institute's functions were transferred to the DSS Office of Mission and Training in Baltimore, Maryland. One year after the transfer, DSS studied its investigative training program and found major deficiencies. DSS concluded, among other things, that (1) the infrastructure was not in place for quality training, (2) many training courses were obsolete, (3) no means

existed to evaluate staff training needs, (4) training had not met the customers' needs, (5) refresher training and continuing education were lacking, and (6) a new curriculum was not developed because of a lack of resident expertise. Based on the study, DSS established a training task force to oversee the training office. In May 1999, DSS hired a training director, and in July 1999, the acting DSS Director established a new DSS training organizational entity, the Defense Security Service Academy.

The respondents to our investigator survey provided information on their training, which we defined to include both staff meetings covering investigative standards and formal classroom training. Many of the 1,009 investigators who answered the questions on training in our survey said that they were not trained or could not recall receiving any training on many of the federal standards since 1996.¹³ Figure 5 shows the areas where investigators most frequently cited a lack of training in their responses to our survey. A complete analysis of the investigators' training responses is presented in appendix V.

¹³The Security Policy Board approved the new investigative standards in March 1996. In June 1996, DOD decided to implement the new standards while the National Security Council considered them for approval. The President approved the standards in March 1997.

Figure 5: Percent of Investigators Without Recent Training on Investigative Requirements



Note: We did not include information on national agency checks because investigators do not perform this function.

Source: GAO survey of 1,009 DSS investigators who provided information on their training.

Transition to Automated Case Management Has Led to Case Processing Delays

DSS did not properly plan for the implementation of its new case management automation initiative, referred to as the Case Control Management System (CCMS). As a result, DSS has not been able to process its investigations, and the volume of investigations sent to DSS field agents for investigative work and to the adjudication facilities for clearance decisions has decreased. This has caused further delays in the processing of investigations.

The CCMS was supposed to expedite case processing by linking all relevant information critical to an investigation through a series of subsystems. These subsystems include

- the Electronic Personnel Security Questionnaire, which collects electronically the personnel security data to initiate and conduct an investigation;
- the Field Information Management System, which generates field investigative reports that are then fed into the system;
- the Files Automation Scanning System, which converts paper personnel security questionnaires and attachments into electronic form for storage and retrieval;
- the Defense Clearance and Investigations Index, which integrates the system's applications with the central index of all DOD personnel security investigations and clearances; and
- the Industrial Security System, which is a separate application that shares information in the corporate database.

DSS officials acknowledged that CCMS (for which DOD has spent about \$100 million) has not operated as intended, is not year 2000 compliant,¹⁴ and may cost about an additional \$100 million to stabilize. DOD officials confirmed that DSS did not complete the system acquisition planning steps required by DOD Directive 5000.1 or adequately test the system before implementation.¹⁵ In addition, when the system was implemented, DSS eliminated its existing capability before ensuring that the new system would operate as intended and ensure it could retrieve previously developed information. Further, even after this system achieves a stable operational status, DOD may have to replace it in order to meet user requirements. DSS officials estimated that they should know in 6 months to 1 year what alternatives are available and the approximate cost to complete this automation effort.

DSS has experienced significant system start-up problems with CCMS. For example, CCMS has been unable to accept data from the electronic personnel security questionnaire needed to open investigations and cannot produce investigative reports. Instead of expediting the transmission of requests for investigations and reports to and from DSS field offices,

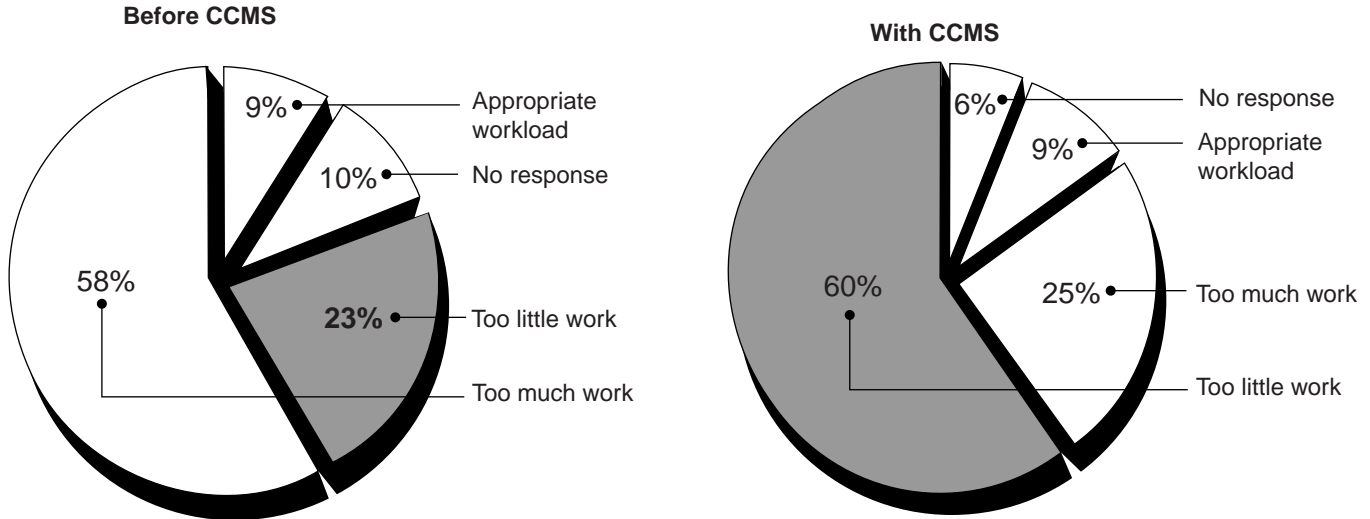
¹⁴The year 2000 problem results from the inability of a computer system at the year 2000 to interpret the century correctly from a recorded or calculated date having only two digits to indicate the year. As a result, the computer system could malfunction or produce incorrect information. To be year 2000 compliant, a computer system must be tested, verified, and validated to function or produce correct information when the year 2000 is encountered during its processing of automated data.

¹⁵DOD Directive 5000.1, titled *Defense Acquisition*, contains policies and principles for all DOD acquisition programs.

system problems have caused serious delays in information processing and resulted in a dramatic drop in the number of case openings and field investigations.

Our survey of DSS investigators reflected this drop in the number of investigations being undertaken in DSS's field offices. We asked the investigators about their workload before and after CCMS implementation. As shown in figure 6, 58 percent stated that they had too much investigative work before the new system was implemented; 23 percent said they had too little work; and 9 percent said their workload was appropriate. Since the new automation system was implemented the situation has reversed: 60 percent of investigators stated that they have had too little work, only 25 percent said that they have had too much work, and 9 percent said that their workload has been appropriate.

Figure 6: Investigators Views on Workload



Source: GAO survey of 1,061 DSS investigators.

Our analysis of the volume of completed investigations sent for clearance decisions to the four DOD adjudication facilities included in our review corroborates the investigators' views about the substantial decrease in workload since the new case management system was implemented. For example, in fiscal year 1998, the Air Force adjudication facility received, on average, more than 2,200 completed investigations per month from DSS. From October 1998 through June 1999, it received about 900 completed

investigations per month. Table 1 shows the volume of investigative receipts for four of the eight adjudication facilities before and after CCMS implementation. Adjudication facility officials stated that the delays in receiving completed investigations prevent DOD from assigning individuals to high-priority units that require a security clearance for their personnel.

Table 1: Comparison of DSS Investigations Sent for Adjudication Before and After CCMS Implementation

Adjudication facility	Average monthly receipts (Oct. 1997 – Sept. 1998)	Average monthly receipts (Oct. 1998 – June 1999)	Difference	Percent change
Air Force	2,238	901	-1,337	-60
Army	2,044	1,292	-752	-37
Navy	1,920	947	-973	-51
NSA	448	149	-299	-67

Source: GAO analysis of data from Air Force, Army, Navy, and National Security Agency adjudication facilities.

DSS officials stated that, for the most part, DSS has not been able to use CCMS to process investigations as intended. As a temporary solution to the start-up problems, DSS has recruited investigators, reserve military personnel, and Office of Personnel Management employees to open and scope investigations manually, and it has attempted to make emergency repairs to the system. The acting DSS Director has placed a high priority on correcting the problems with CCMS. He has established a project office to provide a short-term capability that will allow DSS to process investigations, and he is working on long-term alternatives for a permanent solution. The acting Director expects to study the long-term options in 2000.

Inadequate Oversight of DSS Has Allowed Quality Problems to Persist and Increased the Number of Overdue Reinvestigations

DSS has operated for at least 4 years with little or no oversight from the Office of the Assistant Secretary of Defense (Command, Control, Communications, and Intelligence), which is responsible for assessing the completeness of DSS investigative work. Officials in the Office of the Assistant Secretary stated that there had been little oversight of the management of DSS, including monitoring the investigative work and whether DSS was properly planning its automation efforts. Sound management practices call for such oversight. The officials stated that once

DSS became a reinvention laboratory, it was allowed to operate, for the most part, at its own discretion.

Inadequate oversight has also resulted in a large backlog of overdue reinvestigations. In June 1999, the Senior Civilian Official in the Office of the Assistant Secretary of Defense (Command, Control, Communications, and Intelligence) attributed the backlog to (1) DOD's need to implement the federal standards that lowered the interval for secret clearances from 15 to 10 years and set a new 15-year requirement for confidential clearances and (2) the restrictions his office imposed from fiscal year 1996 to the present on the number of reinvestigations that DOD components could request.¹⁶ DOD implemented these restrictions in an effort to reduce the time for completing investigations received by DSS. However, the Office of the Assistant Secretary did not monitor the effect that these restrictions had on the number of overdue reinvestigations until the situation became critical.

In 1995, the Assistant Secretary of Defense (Command, Control, Communications, and Intelligence) directed DOD components to cease submitting reinvestigation requests that were due to DSS because, if such action was not taken, the average investigation completion time would exceed 278 days. Instead, the Defense Manpower Data Center would identify individuals for reinvestigation based on (1) the length of time since the last investigation and (2) potentially disqualifying issues raised in the last investigation.¹⁷ In June 1996, the Assistant Secretary revised the policy to allow DOD components to submit up to 40,000 secret and 42,000 top secret reinvestigation requests per year—commonly referred to as a quota. While these restrictions may have helped to reduce the time to complete DSS investigations, from 278 days to 204 days, the policy has contributed to a backlog of 600,000 overdue reinvestigations.

¹⁶From February 1998 until October 1999, a senior civilian official headed the Office of the Assistant Secretary of Defense (Command, Control, Communications, and Intelligence).

¹⁷The Defense Manpower Data Center, established in 1974, collects and maintains an archive of automated manpower, personnel, training, and financial databases for DOD. One of its databases (the Defense Clearance and Investigations Index) maintains data on active duty personnel, reservists, and DOD civilians and contractors who have been involved in a security clearance investigation or adjudication.

DSS Has Acted to Improve Investigations but Lacks Corrective Action and Strategic Plans

In recognition of the problems confronting DSS, DOD recently appointed an acting DSS Director who has been developing a series of corrective actions for the problems we identified. Despite the serious and widespread nature of the completeness, timeliness, and other problems affecting the personnel security investigation program, DOD has not planned to report these problems under the Federal Managers' Financial Integrity Act. Further, DOD has not yet developed a strategic plan for the program that includes measurable program goals and performance measures as required under the Government Performance and Results Act (GPRA) of 1993.¹⁸

New Acting DSS Director Taking Steps to Improve Investigative Quality and Timeliness, but Formal Corrective Plan Is Needed

DOD has begun to address several DSS management weaknesses that have affected the quality of personnel security investigations. In June 1999, the Deputy Secretary of Defense appointed a new acting DSS Director charged with improving the overall management of the organization. In June 1999, we briefed the acting Director on the preliminary results of our work. The Director stated that DSS would address the large backlog of clearance reinvestigations, the case management automation problems, any lack of consistency between DSS policy and investigations and the federal standards, and the lack of training and quality control mechanisms. In July and August 1999, the Director began to take a series of actions, including the following:

- Working with the Defense Management Data Center, DSS will define the extent of the reinvestigation backlog to assist other DOD components in prioritizing those individuals in the most critical positions to support DOD missions. After preliminary discussions with the Office of Personnel Management and private contractors, DSS plans to seek their assistance to eliminate the backlog of overdue reinvestigations.
- The Director has initiated a review of all investigative policy guidance and procedures to ensure that DSS complies with federal standards. DSS subsequently plans to issue a new investigative manual.
- The Director stated that he is re-instituting a uniform quality assurance function in DSS and has tasked the DSS Inspector General to periodically review the quality of investigative work.
- The Director has created a Defense Security Service Academy that will be responsible for training all DSS staff on the federal standards and implementing the recommendations from the 1998 DSS training report.

¹⁸See 5 U.S.C. 306 and 31 U.S.C. 1115.

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- DSS, with the assistance of the U.S. Air Force, established a program office to lead the effort to stabilize the current automation system. As of August 1999, DSS officials could not estimate the level of effort or funds needed to resolve the automation problem. Preliminary estimates ranged from \$100 million to over \$300 million in additional funding requirements. DSS officials acknowledge it would be another 6 months to 1 year before alternatives could be identified and a course of action is planned.

While the acting DSS Director is taking positive steps to improve the personnel security investigation program, at the time we completed our fieldwork in September 1999, DOD had not planned to report the identified control weaknesses in this program as material weaknesses under the Federal Managers' Financial Integrity Act. Under the act, agency managers are publicly accountable for correcting deficiencies; the head of each agency reports annually to the President and the Congress on material internal control weaknesses and on formal plans for correcting them.¹⁹ According to officials in the Office of the Assistant Secretary of Defense (Command, Control, Communications, and Intelligence), the weaknesses are due, for the most part, to the discretion given to DSS over its management, which resulted in the issuance of relaxed investigative policy guidance, elimination of quality control mechanisms, and inadequate investigative work. The serious and widespread nature of the problems and the weaknesses in DSS's internal control systems for the personnel security investigation program would typically warrant reporting under the Federal Managers' Financial Integrity Act.

DSS Improvements Have Not Been Guided by a Strategic Plan or Methods to Measure Performance

Under GPRA, federal agencies are required to set strategic goals, measure performance, and report on the degree to which goals were met. GPRA incorporates performance measurement as one of its most important features. Executive branch agencies are generally required to develop annual performance plans that use performance measurement to reinforce the connection between strategic goals and the day-to-day activities of their managers and staff. The annual performance plans are to include performance goals for an agency's program activities as listed in the budget, a summary of the necessary resources to conduct these activities, the performance indicators that will be used to measure performance, and a discussion of how the performance information will be verified.

¹⁹See 31 U.S.C. 3512 (d)(2).

DOD does not have a strategic plan for DSS's personnel security investigation program that includes goals and performance measures. The acting DSS Director has recognized the need for such plans, and DSS is in the early stages of developing them. In addition, DSS currently lacks adequate methods to measure the quality of its investigative work. DSS has used two primary measurement methods: (1) a customer assessment team that met periodically with adjudicators and requesters of investigations to determine their satisfaction with DSS investigative work and (2) the number of completed investigations returned by the adjudication facilities for re-work. Based on these measures, DSS determined that its customer assessments "have not raised any systemic issues" and that the adjudication facilities have returned only a small number of investigations (1 percent) for re-work due to incomplete investigations. Based on these results, former DSS officials stated that they believed DSS customers were satisfied with its work.

Contrary to this DSS view, officials in all eight adjudication facilities told us that they had complained about the quality and timeliness of the investigative work on numerous occasions. As discussed earlier, DSS's reliance on the number of cases returned for re-work is not a valid indicator of the quality of its investigative work because the adjudication facility staffs only return a small number of incomplete investigations because they said that it takes too long for DSS to complete the work and return the cases. Without independent performance measures, DSS cannot be sure it has accurate data on work quality. In addition, although DSS has established time goals for completing its investigations, it has not met its customers' needs to have investigations completed within 90 days. In fiscal year 2000, DSS goals are to complete (1) 75 percent of top secret initial investigations for military and civilian personnel within 120 days and 90 percent within 220 days and (2) 50 percent of top secret periodic reinvestigations within 180 days and 90 percent within 300 days. However, DSS has not conducted any workload analysis to determine the caseload that its investigators and case analysts can carry and produce timely, high-quality work. Without such information, it is difficult to determine what level of staff is necessary.

Conclusions

DOD investigations have not fully complied with federal personnel security investigative standards, creating risks to national security by granting security clearances based on incomplete investigations. Although there is no guarantee that individuals fully investigated will not engage in espionage activities, these investigations are a critical first step in ensuring that those

granted access to classified information can be trusted to safeguard it. At this time, DOD cannot make such assurances. Problems at the Defense Security Service, combined with the lack of adequate oversight by the Assistant Secretary of Defense (Command, Control, Communications, and Intelligence), have allowed the weaknesses in the Defense Security Service's personnel security investigations program to persist and go unreported.

The Defense Security Service has implemented investigative policies that relaxed its prior requirements and gave its investigators greater discretion in doing their work. As a result, nearly 60 percent of the Defense Security Service investigators and 90 percent of the case analysts reported being confused about the investigative work required, and according to the Security Policy Board, DOD has hindered efforts to achieve uniformity among federal agencies in conducting clearance investigations. More importantly, the completeness of Defense Security Service investigations has been significantly compromised. DOD has stated that many of the changes in the management of personnel security investigations were undertaken as efforts to reinvent the Defense Security Service using better business practices; however, Defense Security Service actions have not achieved this result. Rather, the reinvention efforts have eroded the completeness and timeliness of clearance investigations. As a result, hundreds of thousands of individuals can access classified information without assurances of their trustworthiness and reliability because their investigations may be incomplete and the reinvestigations for many are overdue. Moreover, the reduced volume of investigations processed by the Defense Security Service since October 1998 has hindered contractors' efforts to meet cost and performance schedules. Finally, the Defense Security Service has not planned to report this program as containing material internal control weaknesses, in accordance with the Federal Managers' Financial Integrity Act.

There are no quick and easy solutions to the problems in the Defense Security Service's personnel security investigations program. It may take several years before DOD can fully implement the needed corrective policy and infrastructure changes, and the cost of the corrective actions may be substantial. The actions that the acting Defense Security Service Director has taken are steps in the right direction, but few definitive plans for improvements have been developed and many planned actions have not yet been implemented. The Defense Security Service does not yet have a strategic plan that establishes program goals and measures to assess its performance against the goals. In addition, the plans for separate

activities—such as revising investigative policy guidance, re-instituting quality control mechanisms, and providing an infrastructure for training—have not yet been brought together into an overall corrective action plan. Additionally, the Office of the Assistant Secretary of Defense (Command, Control, Communications, and Intelligence) has not developed specific plans for improving its oversight of Defense Security Service activities.

Recommendations

Because of the significant weaknesses in the DOD personnel security investigation program and the program's importance to national security, we recommend that the Secretary of Defense direct the Assistant Secretary of Defense (Command, Control, Communications, and Intelligence) to

- report the personnel security investigation program as a material weakness under the Federal Managers' Financial Integrity Act to ensure that the needed oversight is provided and that actions are taken to correct the systemic problems in the Defense Security Service personnel security investigation program;
- improve its oversight of the Defense Security Service personnel security investigation program, including approving a Defense Security Service strategic plan; and
- identify and prioritize overdue reinvestigations, in coordination with other DOD components, and fund and implement initiatives to conduct these reinvestigations in a timely manner.

In addition, we recommend that the Secretary of Defense instruct the Defense Security Service Director, with oversight by the Assistant Secretary of Defense (Command, Control, Communications, and Intelligence), to

- develop a corrective action plan as required under the Federal Managers' Financial Integrity Act that incorporates corrective actions and milestones for addressing material weaknesses in the Defense Security Service personnel security investigative program and performance measures for monitoring the progress of corrective actions;
- establish a strategic plan that includes agency goals, performance measures, and procedures for tracking progress in meeting goals in accordance with sound management practices and the Government Performance and Results Act;
- conduct analyses needed to (1) determine an appropriate workload that investigators and case analysts can manage while meeting federal

standards and (2) develop an overall strategy and resource plan to improve the quality and timeliness of investigations and reduce the number of overdue reinvestigations;

- review and clarify all investigative policy guidance to ensure that investigations comply with federal standards;
- establish a process for identifying and forwarding to the Security Policy Board suggested changes to policy guidance concerning the implementation of the federal standards and other investigative policy issues;
- establish formal quality control mechanisms to ensure that Defense Security Service or contracted investigators perform high-quality investigations, including periodic reviews of samples of completed investigations and feedback on problems to senior managers, investigators, and trainers;
- establish a training infrastructure for basic and continuing investigator and case analyst training that includes formal feedback mechanisms to assess training needs and measure effectiveness, and as a high priority, provide training on complying with federal investigative standards for investigators and case analysts; and
- take steps to correct the case management automation problems to gain short-term capability and develop long-term, cost-effective automation alternatives.

Further, we recommend that the Secretary direct all DOD adjudication facility officials to (1) grant clearances only when all essential investigative work has been done and (2) regularly communicate with the Defense Security Service about continuing investigative weaknesses and needed corrective actions.

Agency Comments

In written comments on a draft of this report, DOD agreed that the deficiencies cited in the report represent a potential risk to the DOD personnel security program and the protection of classified information. DOD concurred with all our recommendations to improve its personnel security investigation program. DOD also stated that it plans to aggressively monitor and report on progress to remedy the problems we disclosed and to fully implement all recommendations, including complying with the reporting requirement under the Federal Managers' Financial Integrity Act. DOD further described many actions already planned or under way to implement each recommendation. When fully implemented, these actions should correct the significant weaknesses we found in our review.

DOD's comments are presented in their entirety in appendix VI. DOD also provided technical comments, which we have incorporated as appropriate.

As agreed with your office, unless you publicly announce the contents of this report earlier, we plan no further distribution of this report until 15 days after its issue date. At that time, we will send copies to the Honorable William S. Cohen, Secretary of Defense; the Honorable Arthur L. Money, Assistant Secretary of Defense (Command, Control, Communications, and Intelligence); the Honorable Louis Caldera, Secretary of the Army; the Honorable Richard Danzig, Secretary of the Navy; the Honorable F. Whitten Peters, Secretary of the Air Force; Lieutenant General Michael V. Hayden, Director, National Security Agency; and Lieutenant General (retired) Charles J. Cunningham, Jr., Acting Director, Defense Security Service. We are also sending copies to the Honorable Samuel Berger, Assistant to the President for National Security Affairs, and General (retired) Larry Welch, Chairman, and Mr. Dan Jacobson, Executive Director, Security Policy Board; and other interested parties.

If you have any questions about this report, please call the contacts listed in appendix VII.

Sincerely yours,



Carol R. Schuster
Associate Director, National Security
Preparedness Issues

Recent Broad-Based Studies of the Personnel Security Investigation Process

Since 1974, 21 studies have assessed various aspects of the personnel security investigation process. The Department of Defense (DOD) Inspector General, GAO, special commissions, and other groups conducted these studies. Most recently, the Joint Security Commission and the Commission on Protecting and Reducing Government Secrecy conducted three broad-based studies of the policies and procedures used for security investigations. This appendix describes the 33 recommendations made by these broad-based studies to improve personnel security investigations. The Security Policy Board is responsible for evaluating the recommendations and is tracking the status of their implementation. As of August 1999, 19 recommendations had been implemented, 2 had been rejected, and 12 were still under consideration.

Redefining Security: A Report by the Joint Security Commission, 1994

In May 1993, the Secretary of Defense and the Director of Central Intelligence established the Joint Security Commission to review security policies and procedures. It reviewed security procedures in DOD and the intelligence community and obtained advice from policymakers at all levels, including the Congress, military and industrial leaders, and public interest groups.

The Joint Security Commission's 1994 report covered a wide variety of topics relating to security, including personnel security, classifying documents, threat assessments, physical security, and protecting technology and information systems. However, the Commission devoted most of its report to the personnel security investigation and adjudication processes. The Commission found the security clearance process needlessly complex, fragmented, and costly. It noted that (1) security clearances were sought for personnel who did not need them, (2) too many forms were required, (3) automation and information sharing were insufficient among federal agencies, and (4) investigations and adjudication were practiced differently across agencies. It made 23 recommendations related to the personnel security investigation and adjudication processes. At the time we completed our work in August 1999, 17 recommendations had been implemented, 5 were in process, and 1 had been rejected. Table 2 lists the recommendations and their status.

**Appendix I
Recent Broad-Based Studies of the Personnel
Security Investigation Process**

Table 2: Status of Joint Security Commission Recommendations

Recommendation	Status
Request clearances only for personnel requiring access to classified information	Implemented
Standardize personnel security questionnaire	Implemented
Establish investigative standards for secret clearances	Implemented
Establish reinvestigative standards for secret clearances	Implemented
Establish investigative standards for top secret clearances	Implemented
Establish reinvestigative standards for top secret clearances	Implemented
Grant interim clearances based on favorable review of security questionnaire	Implemented
Adopt common adjudicative criteria	Implemented
Do not re-adjudicate individuals with existing clearances	Implemented
Limit the authority of program managers when making access determinations	Implemented
Do not use trial-type procedures for clearance appeals by DOD civilian employees	Implemented
Inform employees facing loss of clearances of right to counsel	Implemented
Make available documents pertaining to loss of security clearances for review by employees	Implemented
Give DOD civilian employees the right to personally appeal clearance revocations or denials to adjudication facility	Implemented
Give DOD civilian employees the right to appeal any adverse clearance decision to an appeal board	Implemented
Give DOD military personnel facing clearance denials same rights as civilian employees	Implemented
Appoint an executive agent for security training	Implemented
Institute fee-for-service mechanisms to fund security requests	In process
Increase investment in automation	In process
Begin process improvement programs in all investigative and adjudicative agencies	In process
Develop standard measurable objectives for investigations, adjudications, and appeals	In process
Merge all DOD adjudicative entities	In process
Establish a joint investigative service	Rejected

Source: GAO analysis of *Redefining Security: A Report by the Joint Security Commission*, Joint Security Commission, February 28, 1994.

A Report by the Joint Security Commission II, 1999

On August 24, 1999, the Joint Security Commission issued its second report on the security systems of the United States. The Deputy Secretary of Defense and the Director of Central Intelligence reconvened the Commission to (1) assess the progress toward meeting the goals recommended in the Commission's 1994 report and (2) examine emerging security issues that may require increased emphasis due to electronic data systems, networks, and communications systems due to the increasingly global nature of businesses and technologies. With regard to personnel

Appendix I
Recent Broad-Based Studies of the Personnel
Security Investigation Process

security investigations, the Joint Security Commission noted some progress toward achieving reciprocity as individuals move from one agency's security purview to another due to the adoption of the uniform investigative standards and adjudicative guidelines. However, it recognized that there were important issues regarding the appropriateness of some of the standards that needed to be resolved, such as neighborhood checks and financial data reporting, and recommended that a research effort should be conducted to determine the efficacy and effectiveness of personnel security policies. The Commission made six recommendations related to personnel security investigation and adjudication processes. Since they were very recent, all six recommendations were in process. Table 3 lists the recommendations and their status.

Table 3: Status of Joint Security Commission II Recommendations

Recommendation	Status
The Security Policy Board should fund research on the efficacy and effectiveness of personnel security policies	In process
DOD should begin to fully enforce the reinvestigative standards and within 90 days should screen all individuals overdue for reinvestigation and promptly complete reinvestigations for those whose positions and access suggest the highest risk	In process
DOD and the Central Intelligence Agency should limit interim clearances to 180 days	In process
Efforts to create, coordinate, and implement security training for government and industry should continue	In process
The Security Policy Board should charter a coordinated, government-wide security awareness program within 2 years	In process
Funding should be created to initiate security training, awareness, and research projects by designated federal departments and agencies	In process

Source: GAO analysis of *A Report by the Joint Security Commission II*, Joint Security Commission, August 24, 1999.

Secrecy: Report of the Commission on Protecting and Reducing Government Secrecy, 1997

Title IX of the Foreign Relations Authorization Act for fiscal years 1994 and 1995 (Pub. L. 103-236, Apr. 30, 1994) created the Commission on Protecting and Reducing Government Secrecy. The Congress sought to (1) make comprehensive proposals to reduce the volume of classified information, (2) strengthen the protection of legitimately classified information, and (3) improve existing personnel security procedures. This Commission was the first authorized by statute to examine these matters in over 40 years.

The Commission noted that the personnel security system was established after World War II as a means of supporting the classification system and

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implementing programs to investigate the loyalty of federal employees. It found that a variety of directives and regulations had been issued to meet these objectives, resulting in a buildup of rules and other inefficiencies. It noted that although Executive Order 12968 provided for common investigative and adjudicative standards to improve clearance reciprocity, strengthen appeal procedures, and other things, it did not supersede prior directives. In effect, the Commission said that the new order simply added another regulatory layer to prior directives and regulations regarding the personnel security system.

The Commission concluded that the solutions to these problems called for a fundamental reevaluation of the personnel security system. It made four recommendations to improve the process. Two recommendations were implemented, one was in process, and one was rejected. Table 4 lists the recommendations and their status.

Table 4: Status of Secrecy Commission Recommendations

Recommendation	Status
Make clearances reciprocal from one agency to another	Implemented
Establish guiding principles for an effective personnel security system	Implemented
Achieve a greater balance between initial clearances and continuing employee evaluations	In process
Eliminate neighborhood and educational interviews	Rejected

Source: GAO analysis of *Secrecy: Report of the Commission on Protecting and Reducing Government Secrecy*, March 3, 1997.

Scope and Methodology

This review focused on DOD policies and procedures for conducting personnel security investigations to determine individuals' eligibility to access classified information. To determine whether DOD complied with federal investigative standards, we reviewed 530 cases that the Defense Security Service (DSS) sent to four adjudication facilities in January and February 1999 for individuals seeking a top secret clearance. We selected this period because DSS stated that it had instituted some special reviews of investigations in fiscal year 1998 to improve the investigations and that these changes should have been fully implemented by January 1999.¹ We selected separate random samples for the Air Force, the Army, the Navy, and the National Security Agency adjudication facilities. In fiscal year 1998, these adjudication facilities accounted for 73 percent of the investigative work done by DSS. Table 5 shows the number of investigations completed by DSS in January and February 1999 for each of the four DOD adjudication facilities and the number we reviewed.

Table 5: Number of DSS Investigations Sent to Four DOD Adjudication Facilities and Sampled by GAO

DOD adjudication facility	Investigations sent to facility	Investigations sampled by GAO
Air Force	895	175
Army	429	146
Navy	190	105
National Security Agency	184	104
Total	1,698	530

Note: All investigations were received by the adjudication facilities in January and February 1999.

Source: GAO compilation of DSS completed investigations in January and February 1999 for four DOD adjudication facilities.

The sampling strategy was designed to yield a precision of ± 7 percentage points, under the assumption that we would find that 50 percent of the investigations were done in accordance with federal standards and

¹DSS officials stated that DSS began a series of multiple reviews of investigations it had completed for the Army based on complaints DSS received from the Army about the completeness of the cases. DSS officials further stated that cases found to be incomplete were not to be sent forward to the Army's adjudication facility until all required investigative work was done.

50 percent did not comply with the standards. Since the percentage of noncompliant investigations was much greater than 50 percent, our precision increased. Table 6 shows the precision for the investigation deficiency rate for each of the sample DOD adjudication facilities.

Table 6: Precision Rates for Investigations Sampled at Four DOD Adjudication Facilities

DOD adjudication facility	Investigations with at least one deficiency			Investigations with two or more deficiencies		
	Number	Percent	Precision	Number	Percent	Precision
Air Force	166	95	±3 %	138	79	±6 %
Army	129	88	±5 %	107	73	±6 %
Navy	96	91	±4 %	81	77	±6 %
National Security Agency	98	94	±3 %	81	78	±6 %
Total	489			407		

Source: GAO sample of 530 DSS investigations.

To review the completeness of investigations, we developed a data collection instrument that incorporated the federal investigative standards approved by the President in March 1997. Officials in the Office of the Assistant Secretary of Defense (Command, Control, Communications, and Intelligence) and the Army’s adjudication facility reviewed the instrument, and we pretested it using Army investigations. To ensure the accuracy of our work, two of our staff reviewed each sampled investigation, and we returned a random subsample of deficient investigations to the Air Force, the Army, the Navy, and the National Security Agency adjudication facilities for their review.

To determine the factors that might be hindering the investigative process, we reviewed DSS (1) investigative policies and procedures, (2) mechanisms to ensure the quality of investigative work, (3) methods to train investigative staff, and (4) automation initiatives. We reviewed DSS investigative policy guidance and DSS’s process for implementing policy changes, including coordination with other organizations, such as the DOD General Counsel and the Security Policy Board. To assess quality control procedures, we reviewed what mechanisms had been established to ensure the completeness of the investigative work. To assess the adequacy of investigative training, we determined the number of training courses offered to investigative staff and the number of staff attending in fiscal

year 1998. We supplemented this work with surveys mailed to all 1,174 DSS investigators and 112 DSS case analysts. Ninety percent (1,061) of the investigators and 79 percent (88) of the case analysts responded. The questionnaires asked respondents' views on (1) manageability of investigative workload, (2) adequacy of training, (3) clarity of investigative policy guidance, (4) manner of conducting investigations, and (5) frequency that investigations were returned for additional work.

We also reviewed DOD's oversight of DSS and DOD's assessment of the internal controls in the personnel security investigation program. Further, we reviewed this program in relation to the Federal Managers' Financial Integrity Act of 1982, which mandates that federal agencies conduct ongoing evaluations of their internal control systems to protect federal programs against fraud, waste, abuse, and mismanagement.² That act further requires that the heads of federal agencies report annually to the President and the Congress on the condition of these systems and on actions to correct the weaknesses identified.

We identified the actions DOD was taking to improve investigative work, but we were unable to assess their effectiveness because they had not been sufficiently developed or implemented at the time we completed our work in September 1999. We also determined the number of federal employees (including DOD military, civilian, and contractor personnel) convicted of espionage from 1982 through September 1999 and reviewed studies of the personnel security investigation process and determined the status of recommendations for improvement.

We performed our work at the following DOD and other organizations:

- Office of the Assistant Secretary of Defense (Command, Control, Communications, and Intelligence), Washington, D.C.;
- Headquarters, DSS, Alexandria, Virginia;
- Gulf Coast Operating Location, DSS, Smyrna, Georgia;
- Security Policy Board, Arlington, Virginia;
- Army Central Personnel Security Clearance Facility, Fort Meade, Maryland;
- Air Force Headquarters 497th Intelligence Group, Bolling Air Force Base, Washington, D.C.;

²See 31 U.S.C. 3512.

- Department of the Navy Central Adjudication Facility, Washington, D.C.; and
- National Security Agency Central Adjudication Facility, Linthicum, Maryland.

We also discussed the personnel security investigation program, automation, and other issues with officials of the following adjudication facilities: the Defense Intelligence Agency, Joint Chiefs of Staff, Defense Office of Hearings and Appeals, and Washington Headquarters Service. In July 1999, we held a meeting with representatives from the Office of the Assistant Secretary of Defense (Command, Control, Communications, and Intelligence), DSS, and all eight adjudication facilities to obtain their views on the personnel security investigation program and any actions needed to improve it.

We conducted our review from October 1998 to September 1999 in accordance with generally accepted government auditing standards.

Defense Security Service Resources and Workload

This appendix describes the Defense Security Service's resources and workload for fiscal years 1991 through 1998 and the percent of changes during that period. Table 7 presents information on the personnel security budget.

Table 7: Personnel Security Investigation Budget

Fiscal year 1998 dollars in millions

	Fiscal Year							
	1991	1992	1993	1994	1995	1996	1997	1998
Investigative budget	\$176	\$169	\$184	\$167	\$164	\$165	\$146	\$142
Change from FY1991		-4%	+5%	-5%	-7%	-6%	-17%	-19%
Other budget	53	65	51	62	59	55	56	48
Change from FY1991		+23%	-4%	+17%	+11%	+4%	+6%	-9%
Total DSS budget	\$229	\$234	\$235	\$229	\$223	\$220	\$202	\$190
Change from FY1991		+2%	+3%	0%	-3%	-4%	-12%	-17%

Source: Defense Security Service and GAO analysis of DSS data.

Table 8 describes the number of investigative staff assigned as personnel security investigators, the number assigned to other DSS functions, and the total number of DSS staff.

Table 8: Personnel Security Investigation Staff

Staff	Fiscal Year							
	1991	1992	1993	1994	1995	1996	1997	1998
Investigators	1,652	1,562	1,432	1,324	1,230	1,120	1,165	1,251
Change from FY1991		-5%	-13%	-20%	-26%	-32%	-29%	-24%
Other staff	2,334	2,198	2,219	1,956	1,887	1,739	1,450	1,260
Change from FY1991		-6%	-5%	-16%	-19%	-25%	-38%	-46%
Total DSS staff	3,986	3,760	3,651	3,280	3,117	2,859	2,615	2,511
Change from FY1991		-6%	-8%	-18%	-22%	-28%	-34%	-37%

Source: Defense Security Service and GAO analysis of DSS data.

**Appendix III
Defense Security Service Resources and
Workload**

Table 9 describes the personnel security workload, including the number of investigations opened, the number opened per investigator, the number of investigations closed, and the number closed per investigator.

Table 9: Personnel Security Investigation Workload

Investigations in thousands

	Fiscal Year							
	1991	1992	1993	1994	1995	1996	1997	1998
Investigations opened	227	271	214	208	212	126	190	126
Change from FY1991		+19%	-6%	-8%	-7%	-44%	-16%	-44%
Investigations opened per investigator	137	173	149	157	172	113	163	101
Change from FY1991		+27%	+9%	+15%	+26%	-18%	+19%	-26%
Investigations closed	232	264	217	206	204	158	172	142
Change from FY1991		+14%	-6%	-11%	-12%	-32%	-26%	-39%
Investigations closed per investigator	140	169	152	156	166	141	148	114
Change from FY1991		+21%	+8%	+11%	+18%	+1%	+5%	-19%

Source: Defense Security Service and GAO analysis of DSS data.

Deficient Investigations in Our Sample

This appendix describes the number of deficiencies we found in our review of 530 DSS investigations completed in January and February 1999. A deficiency is an instance where an investigation was incomplete in that it did not contain all the information required by federal investigative standards. The numbers of deficiencies are presented for (1) each of the four DOD adjudication facilities in our sample and for the total 530 investigations and (2) initial investigations and reinvestigations. Table 10 describes the number of deficient DSS investigations at four facilities.

Table 10: Number of Deficient DSS Investigations at Four DOD Adjudication Facilities

	No deficiency	One deficiency	Two deficiencies	Three or more deficiencies	Total investigations
Air Force					
Initial investigations	1	10	8	53	72
Reinvestigations	8	18	21	56	103
Army					
Initial investigations	13	12	12	37	74
Reinvestigations	4	10	18	40	72
Navy					
Initial investigations	5	7	11	37	60
Reinvestigations	4	8	11	22	45
National Security Agency					
Initial investigations	3	7	6	4	20
Reinvestigations	3	10	30	41	84
All four adjudication facilities					
Initial investigations	22	36	37	131	226
Reinvestigations	19	46	80	159	304
Totals	41	82	117	290	530

Source: GAO review of 530 DSS investigations.

Investigators' Recall of Recent Training Received on Federal Investigative Standards

This appendix describes the results of the investigators' responses about their training experiences on the federal investigative standards during the last 3 years. In our survey, we broadly defined training to include any courses, agent continuing education seminars, and office-held meetings that discussed personnel security investigation topics related to the federal standards. Table 11 presents the number and percent of responses indicating that "no—the topic had not been covered in training," "yes—it had been covered," or "could not recall." The responses are presented for three groups whose sizes varied according to the number of people who answered each question. The groups are all investigators (996-1,009 respondents), investigators with at least 4 years experience (921-934 respondents), and investigators with 3 or less year's experience (75-76 respondents).¹ Because not all investigators answered every question, totals for each topic vary slightly.

Table 11: Investigators' Responses to Survey Questions on Recent Training Received on Federal Standards

Topic related to federal standards	All investigators		Investigators with 4 or more years DSS experience		Investigators with 3 or less years DSS experience	
	Number	Percent	Number	Percent	Number	Percent
Corroborate subject's birth						
No	512	51.0	496	53.4	16	21.1
Yes	379	37.7	320	34.5	59	77.6
Do no recall	113	11.3	112	12.1	1	1.3
Corroborate subject's citizenship						
No	533	53.2	514	55.5	19	25.0
Yes	350	34.9	298	32.2	52	68.4
Do not recall	119	11.9	114	12.3	5	6.6
Check family's legal status if foreign born						
No	566	56.5	542	58.6	24	31.6
Yes	274	27.4	232	25.1	42	55.3
Do not recall	161	16.1	151	16.3	10	13.2

Continued

¹We separated the years of DSS investigative experience at 4 or more because DSS had a hiring freeze for investigators in effect from 1989 until late 1996.

**Appendix V
Investigators' Recall of Recent Training
Received on Federal Investigative Standards**

Topic related to federal standards	All investigators		Investigators with 4 or more years DSS experience		Investigators with 3 or less years DSS experience	
	Number	Percent	Number	Percent	Number	Percent
Corroborate education more than 3 years ago						
No	465	46.6	446	48.3	19	25.3
Yes	377	37.8	332	36.0	45	60.6
Do not recall	156	15.6	145	15.7	11	14.7
Verify education within last 3 years						
No	399	39.9	388	41.9	11	14.7
Yes	510	50.9	448	48.4	62	82.7
Do not recall	92	9.2	90	9.7	2	2.7
Verify all residences for last 3 years						
No	316	31.5	310	33.5	6	7.9
Yes	623	62.2	555	59.9	68	89.5
Do not recall	63	6.3	61	6.6	2	2.6
Verify last 7 years of employment						
No	338	33.7	332	35.8	6	7.9
Yes	598	59.6	528	57.0	70	92.1
Do not recall	67	6.7	67	7.2	0	0
Verify each employment more than 6 months						
No	351	35.1	345	37.3	6	7.9
Yes	573	57.3	503	54.4	70	92.1
Do not recall	76	7.6	76	8.2	0	0
Interview each employment more than 6 months						
No	348	34.7	343	37.0	5	6.6
Yes	579	57.8	509	55.0	70	92.1
Do not recall	75	7.5	74	8.0	1	1.3
Corroborate any unemployment of more than 60 days						
No	360	35.9	353	38.0	7	9.2
Yes	556	55.4	487	52.5	69	90.8
Do not recall	88	8.8	88	8.5	0	0
Verify federal/military employment and discharge						
No	497	49.6	474	51.2	23	30.3
Yes	296	29.5	259	28.0	37	48.7
Do not recall	209	20.9	193	20.8	16	21.1

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**Appendix V
Investigators' Recall of Recent Training
Received on Federal Investigative Standards**

Topic related to federal standards	All investigators		Investigators with 4 or more years DSS experience		Investigators with 3 or less years DSS experience	
	Number	Percent	Number	Percent	Number	Percent
Corroborate military service records						
No	598	59.8	565	61.1	33	43.4
Yes	189	18.9	160	17.3	29	38.2
Do not recall	213	21.3	199	21.5	14	18.4
Interview subject						
No	215	21.5	211	22.8	4	5.3
Yes	736	73.5	663	71.7	72	94.7
Do not recall	51	5.1	51	5.5	0	0
Interview four character references						
No	286	28.5	280	30.2	6	7.9
Yes	648	64.6	582	62.8	66	86.8
Do not recall	69	6.9	65	7.0	4	5.3
Interview all former spouses						
No	341	33.9	328	35.3	13	17.1
Yes	557	55.4	496	53.4	61	80.3
Do not recall	107	10.6	105	11.3	2	2.6
Conduct state and local government records' checks						
No	382	38.3	367	39.8	15	20.0
Yes	524	52.5	465	50.4	59	78.7
Do not recall	92	9.2	91	9.9	1	1.3
Conduct financial checks and resolve credit issues						
No	37	3.7	31	3.3	6	8.0
Yes	949	94.1	881	94.3	68	90.7
Do not recall	23	2.3	22	2.4	1	1.3
Verify bankruptcy						
No	156	15.5	151	16.2	5	6.7
Yes	799	79.5	731	78.6	68	90.7
Do not recall	50	5.0	48	5.2	2	2.7
Verify divorces						
No	426	42.7	410	44.4	16	21.3
Yes	413	41.4	363	39.3	50	66.7
Do not recall	159	15.9	150	16.3	9	12.0

Continued from Previous Page

Appendix V
Investigators' Recall of Recent Training
Received on Federal Investigative Standards

Topic related to federal standards	All investigators		Investigators with 4 or more years DSS experience		Investigators with 3 or less years DSS experience	
	Number	Percent	Number	Percent	Number	Percent
Verify civil/criminal actions with court records						
No	342	34.3	333	36.2	9	12.0
Yes	537	53.9	476	51.7	61	81.3
Do not recall	117	11.7	112	12.2	5	6.7

Continued from Previous Page

Comments From the Department of Defense



ASSISTANT SECRETARY OF DEFENSE
6000 DEFENSE PENTAGON
WASHINGTON, DC 20301-6000



October 13, 1999

COMMAND, CONTROL,
COMMUNICATIONS, AND
INTELLIGENCE

Mr. Norman J. Rabkin
Director, National Security
Preparedness Issues
National Security and International
Affairs Division
U.S. General Accounting Office
Washington, DC 20548

Dear Mr. Rabkin:

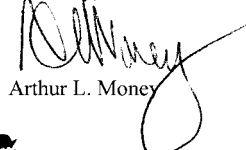
This is the Department of Defense (DoD) response to the General Accounting Office (GAO) draft report, "DOD PERSONNEL: Inadequate Personnel Security Investigations Pose National Security Risks," dated September 27, 1999 (GAO Code 703242/OSD Case 1901).

I share the GAO conclusion that the deficiencies cited in your report represent a potential risk to the DoD personnel security program as well as the protection of classified and other sensitive information vital to the accomplishment of DoD core missions. The Department is dependent on the quality and timeliness of the Defense Security Service (DSS) background investigations for assuring the employment and retention of trustworthy and reliable personnel in sensitive positions which is why I have directed a number of actions be taken to eliminate the periodic reinvestigation backlog and correct deficiencies at DSS.

As the enclosure indicates, DoD concurs with all 12 recommendations cited by GAO to improve the DoD personnel security investigative program, especially the reporting requirement under the Federal Managers' Financial Integrity Act. GAO has expended a significant effort on this survey since its initiation by Congressman Skeleton in March 1998, and I can assure you that my staff will aggressively monitor and report on the progress already underway by the Acting DSS Director to remedy the problems and fully implement all recommendations.

I appreciate the opportunity to comment on the draft GAO report. My staff and I are responsible for overseeing the full and timely implementation of the GAO report recommendations if you have any questions.

Sincerely,



Arthur L. Money

Enclosure



GAO DRAFT REPORT - DATED SEPTEMBER, 27, 1999
GAO CODE 703242 - OSD CASE 1901

"DOD PERSONNEL: INADEQUATE PERSONNEL SECURITY
INVESTIGATIONS POSE NATIONAL SECURITY RISKS"

DEPARTMENT OF DEFENSE COMMENTS

Because of the significant weaknesses in the DoD personnel security investigation program and the program's importance to national security, the GAO recommended that the Secretary of Defense direct the Assistant Secretary of Defense (Command, Control, Communication and Intelligence) to:

Now on p. 35.

RECOMMENDATION 1: Report the personnel security investigation program as a material weakness under the Federal Managers' Financial Integrity Act to ensure that the needed oversight is provided and that actions are taken to correct the systemic problems in the DSS personnel security investigations program. (P. 32/GAO Draft Report)

DOD RESPONSE: Concur. OASD(C3I) will work closely with DSS and the OSD staff to ensure reporting requirements under the Federal Managers' Financial Integrity Act are fully complied with until such time as the systemic problems with the personnel security investigations program have been resolved.

Now on p. 35.

RECOMMENDATION 2: Improve its oversight of the DSS personnel security investigation program, including approving a DSS strategic plan. (p. 32 GAO/Draft Report)

DOD RESPONSE: Concur. OASD(C3I) intends to be aggressive in its oversight of DSS to ensure full compliance with all applicable national investigative standards such that the DoD Central Adjudication Facilities are fully satisfied with the quality and timeliness of the investigations.

Now on p. 35.

RECOMMENDATION 3: Identify and prioritize overdue reinvestigations, in coordination with other DoD components, and fund and implement initiatives to conduct these investigations in a timely manner.

DOD RESPONSE: Concur. OASD(C3I) is working closely with DSS and the DoD Components to develop and implement a plan to eliminate the periodic reinvestigation backlog as soon as possible. A key component of this plan is a rational approach to prioritizing the 600K PR's that are currently overdue to ensure that the people with the most sensitive access are addressed earlier than others with less sensitive access. DSS has a team working on this issue and Program Decision Memorandum I (PDM-I) directed that recommendations be developed by October 15, 1999.

Appendix VI
Comments From the Department of Defense

In addition, GAO recommended that the Secretary of Defense instruct the DSS Director, with oversight by the Assistant Secretary of Defense (Command, Control, Communications, and Intelligence) to:

Now on p. 35.

RECOMMENDATION 4: Develop a corrective action plan as required under the Federal Managers' Financial Integrity Act that incorporates corrective actions and milestones for addressing material weaknesses in the DSS personnel security investigative program and performance measures for monitoring the progress of correction actions.

DOD RESPONSE: Concur. In the upcoming annual assurance statement, DSS will identify the Personnel Security Investigations Program as being a material weakness and will provide a plan that addresses corrective actions needed to bring the program back into compliance with performance expectations and with existing security policies. The plan will: 1) provide milestones for improving performance of the automated Case Control Management System (CCMS); 2) provide additional training to existing investigative agents 3) ensure compliance with existing investigative procedures and policy directives; 4) recruit and train additional agents; 5) stand up an augmentation management office; and 6) and ensure investigative standards for contractors and reserve components comply with existing security policy objectives. The plan will provide both milestone dates and performance measures so that it will be clear when milestones are achieved.

Now on p. 35.

RECOMMENDATION 5: Establish a strategic plan that includes agency goals, performance measures, and procedures for tracking progress in meeting goals in accordance with sound management practices and the Government Performance and Results Act.

DOD RESPONSE: Concur. The Acting Director, DSS established a Planning & Programming (P&P) Division within the Office of Planning, Programming, and Budgeting in July 1999. Among other areas of concentration, the P&P Division is responsible for Strategic Planning, Performance Planning, and Measurement. A P&P working group was established in August 1999. The group is comprised of representatives from all DSS Headquarters elements. The working group has met several times since August and has developed draft agency goals and objectives for the Director's approval. The goals and objectives, together with the agency vision, mission, values, and core competencies, are scheduled to be published for agency-wide dissemination in October 1999.

Performance measures were included in the September 1999 DSS Budget Estimate Submission (BES). The categories of measures included the following: Financial Indicators; Timeliness; Quality; Customer Satisfaction; Capacity; and Productivity. Measures were included for all DSS business areas. Additional performance measures/metrics have been submitted to OSD (PA&E) for inclusion in the next version of the Defense Management Council Performance Contract. It is anticipated that the contract will be forwarded to the Deputy Secretary of Defense for review by October 31, 1999. The format of the contract includes three primary sections: Unit Cost and Productivity Metrics; Quality and Customer Responsiveness Metrics; and Reengineering Actions. Measures were included for all DSS business areas.

The P&P working group is scheduled to meet every two weeks through December 1999. The next step for the group, after the agency goals and objectives are approved, will be to define the agency's subordinate/supporting objectives (to include those already delineated in the BES exhibit, the DMC performance contract, and the draft GAO report). Progress on each of the subordinate/supporting objectives will be measured and reported on a regular basis. The proposed tracking/reporting plan requires that each agency goal have a goal sponsor; that the goal sponsor report on the status of all objectives related to the goal at least once each quarter; and that all goals be briefed collectively to the Director, DSS at the conclusion of each quarter. The specific reporting schedule will be developed by the P&P working group. The DSS strategic plan is targeted to be rewritten during October - December 1999 and republished by January 2000.

Now on pp. 35-36.

RECOMMENDATION 6: Conduct analyses needed to (1) determine an appropriate workload that investigators and case analysts can manage while meeting federal standards and (2) develop an overall strategy and resource plan to improve the quality and timeliness of investigations and reduce the number of overdue reinvestigations.

DOD RESPONSE: Concur. Part (1) of this recommendation is being accomplished by means of a three-step method. DSS already has the means of identifying opened and closed cases and the number of leads completed by type of lead. The second step is to capture the amount of time it takes to conduct the various leads and to process each segment of a case, as well as the minimum amount of indirect time associated with case management. Time will be captured initially by means of a Monthly Activity Report (MAR) which has been devised for implementation on 1 October 1999. The report will identify, among other things, time devoted by agents and investigative technicians on investigative leads as well as time spent by case analysts on processing cases. These two steps together will enable the agency to determine with a sufficient degree of certainty a time standard for investigators and case analysts. The time standard will not achieve sufficient validity until a number of improvements have been made both to processes and to systems. The third step, which will entail a longer lead-time, will consist of conducting objective observations of investigative processes to verify the standards derived via the reporting process. The third step will be conducted over the course of FY 2000 because it will require a substantial number of observations at randomly selected field offices to achieve validity.

DSS is currently establishing baselines for organizational resources to include manpower and funding. The results of the third step listed above will then be programmed into the Planning, Programming, and Budget System (PPBS) to ensure sufficient resources are identified through the programming process.

Several efforts are ongoing to address the Periodic Reinvestigation (PR) backlog. DSS has issued Letter Contracts to two investigative contractors with a combined capacity of 37,000 cases per year; additional letter contracts are planned. DSS is seeking additional qualified sources through a recent "Sources Sought Synopsis" announcement in the Commerce Business Daily. An "Industry Day" is planned for mid October to respond to questions and answers. Goal is to have additional vendors on board. DSS anticipates effecting these contracts between January and July 2000.

Appendix VI
Comments From the Department of Defense

In addition, military reservists have been brought on board to supplement DSS investigators throughout the organization as interim support. Plans are ongoing to establish a reserve unit (all Services) attached to DSS in which reservists would perform their drill and training duty with DSS on a continuing basis.

Finally, the Office of Personnel Management (OPM) is supporting this effort and has agreed to conduct a total of 9,000 civilian PRs during 4th Qtr FY99, 43,000 investigations (38,000 PRs) of all types in FY00; and 71,000 (65,000 PRs) in FY01.

In addition to the above, DSS capacity is increasing under the continuing support of the recently established Program Management Office for the Case Control Management System (CCMS). Enhancements to increase the capabilities of the system are ongoing to increase case openings to 2,500 per day by early next year. Currently, CCMS is processing about 1,600-1,800 cases per day.

RECOMMENDATION 7: Review and clarify all investigative policy guidance to ensure that investigations comply with federal standards.

DOD RESPONSE: Concur. DSS undertook the task of evaluating national investigative and adjudicative standards. On August 16, 1999, the Acting DSS Director published a letter, subject: Supporting National Investigative and Adjudicative Standards. As stated in the letter, "the DSS handbook for Personnel Security Investigations is now being revised and will be republished as a Manual that fully supports these standards. We will not wait for publication of the Manual to implement the following crucial changes, however." A synopsis of some of these changes follows:

- Credit issue expansion criteria has been lowered from \$5,000 to \$2,000.
- Any alcohol abuse incident must be discussed with the Subject.
- Investigator discretion has been removed from fulfilling neighborhood requirements.
- The requirement to review Official Personnel Folders of federal employees that were not reviewed by the requester has been reinstated.
- The scope of the Periodic Reinvestigations has been extended back to the date of the prior investigation.
- Local agency checks will be conducted whether or not there is a fee.
- Civil court records involving Subject within scope will be reviewed, whether or not a suitability issue is involved.

DSS is in the process of revising the PSI Handbook into Manual form. The new Manual will reflect all of the changes in the DSS letter of August 16, 1999. The Manual is written in a directive style and removes much of the "broad leeway" which GAO pointed out was introduced by internal DSS policy letters over the last few years. The Manual is being fully coordinated with the Central Adjudication Facilities and their suggested changes and corrections are being incorporated as much as possible. The manual will be distributed by October 31, 1999.

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DSS is in the process of researching changes required to comply with national standards regarding overseas coverage and the whole person reporting. A number of exceptions to the scoping of overseas investigative leads has been developed over the years that DSS (formerly DIS) has been in operation. It is unclear to DSS at this time what coverage is actually available and what legal restrictions, if any, apply. DSS is working towards being able to implement overseas scoping of leads to meet national standards when that is possible. Further, the new Manual stresses the need for investigators to obtain and report mitigating circumstances whenever unfavorable information exists. A newly established Operational Standards and Quality Board, which includes executives from all the Central Adjudicative facilities, is scheduled to discuss whole person reporting when they meet for the first time on October 12, 1999.

DSS is currently working with GAO to review the actual cases that were in their sample and the investigative deficiencies noted in each case. This will permit DSS to establish a dialogue to clarify any standard that may be unclear or that DSS may be interpreting erroneously.

RECOMMENDATION 8: Establish a process for identifying and forwarding suggested changes to its policy guidance implementing the federal standards and other investigative policy issues to the Security Policy Board.

DOD RESPONSE: Concur. To facilitate communication, DSS established a liaison position with the Security Policy Board (SPB). Additionally, DSS has established a new position - Deputy Director for Standards and Quality. One of the integral responsibilities of this position is to identify, evaluate and justify proposed changes to PSI policy. Any such proposed changes will be reviewed and coordinated with the DoD Components and C3I prior to forwarding them to the SPB for consideration.

RECOMMENDATION 9: Establish formal quality control mechanisms to ensure that DSS or contracted investigators perform high-quality investigations, including periodic review of samples of completed investigations and feedback on problems to senior managers, investigators, and trainers.

DOD RESPONSE: Concur. A part of improving overall quality levels is a focus on the professionalism and effectiveness of the workforce. To that end DSS is standing up an office of Standards and Quality (SQ). SQ will be responsible for the establishment and maintenance of investigative and industrial security standards in the form of manuals (implementing national standards) and operating instructions. In addition, DSS is developing a formal process of ongoing evaluation and certification of the workforce. These evaluations will be a recurring requirement and will be focused on how DSS Agents and Industrial Security Specialists execute their missions. These evaluations will cover technical competency and knowledge of standards and requirements, focused on the people themselves. There will likely be a personal evaluation of how each employee performs their job, in addition to continuing education, and some degree of skill assessment/testing. This entire SQ process is focused on maintaining a high degree of skill and professionalism in the workforce. SQ will also conduct trend analysis to ensure that factors negatively impacting the mission(s) are addressed and corrected while propagating

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beneficial practices or procedures. The bulk of this work will be done by the newly formed Standardization and Evaluation Function.

DSS has taken steps to set up a formal Quality Assurance (QA) function under the SQ Office. SQ Senior Managers will be meeting with other organizations that have successfully established a quality assurance program to determine how they have instituted QA programs. Mechanisms will be developed to review completed products and this will occur in both the field and at the QA Office. Trend analysis will be accomplished to identify any areas needing improvement in terms of quality. This information will be available within the Standards and Quality Office, the Academy, Headquarters, and Field Managers.

In addition, beginning with the 1997 Biennial Review of Defense Agencies and DoD Field Activities, the Department has used a statistically sound survey of organizational customers to assess the performance of agencies and activities with respect to each of their major products and services. This process provides the Directors of the 20 Defense Agencies and DoD Field Activities - including DSS - with formal feedback from their organizational customers. The 1999 Biennial Review, which is required by Section 192(c) of Title 10, U.S. Code, is on-going at the present time and builds on the organizational-customer-survey approach taken in 1997.

RECOMMENDATION 10: Establish a training infrastructure for basic and continuing investigator and case analyst training that includes formal feedback mechanisms to assess training needs and measure effectiveness, and as a high priority, provide training on complying with federal investigative standards for investigators and case analysts.

DOD RESPONSE: Concur. The Defense Security Service formally established an academy in July 1999. The DSS Academy was chartered in July 1999 and is in the process of designing and building academic and classroom space in a leased building at Linthicum, MD. In July DSS initiated a project with a contractor, Vertex Solutions (VS), who specialize in education and training systems design. VS has been tasked with conducting a baseline evaluation of the personnel security investigations (PSI) curriculum. Thus far, they have completed a draft gap analysis of the PSI curriculum. VS is working closely with DSS to revise the curriculum which will be piloted beginning this fall/winter. The curriculum is designed to look at all requirements that take into account all investigative standards. DSS also contracted with Vertex to assist in developing a course for the new case analysts that are coming on board. Although this course is tailored for new case analysts, it can be utilized as a basis to provide refresher training for current case analysts.

The DSS Standards and Quality Office will be the formal feedback mechanism by which DSS contributes to the training needs. DSS has also established a curriculum management system. By implementing the system DSS assures that the curriculum will be reviewed annually with input from the DSS customers/stake holders. DSS will also continue to evaluate each class by obtaining feedback from the students through the use of critiques. This critique system will be expanded by requesting that the student's supervisor complete an evaluation after the student has been on the job for a period of time after the training.

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RECOMMENDATION 11: Take steps to correct the case management automation problems to gain short-term capability and develop long-term, cost-effective automation alternatives.

DOD RESPONSE: Concur. DSS is aggressively initiating corrective actions to stabilize and improve its enterprise Case Control Management System (CCMS). The end result of these actions will be to increase the number of new cases entering the system each day; reduce the length of time cases remain processing in the system; increase the number of daily case closings; and increase the number of Reports for Adjudication sent to the Central Adjudication Facilities (CAFs) each day.

- September 1, 1999, established a Program Management Office (PMO) operated by the Air Force. The PMO is responsible to provide expert support for infrastructure enhancements, development and acquisitions.
- September 12, 1999, a new CCMS release was deployed. The release reduced the number of workflow user tasks from 4 to 3 to open industrial cases and from 4 to 2 to open non-industrial cases, thus increasing the system throughput.
- October 1, 1999, PMO contract in place for a single contractor responsible for the integration of all enterprise system work performed, for both the infrastructure enhancements and development.
- October 23, 1999, estimated delivery date of a test system for the DSS enterprise system, to include CCMS, the Files Automation Scanning System and workflow. The test system will permit Year 2000 end-to-end testing and remediation over the next few months; and for development and testing of all new software releases prior to installing them on the operational system.
- November 1, 1999, date to deploy new Case Analyst 500 MHz PCs which are expected to increase the productivity per Case Analyst per day by 10%.
- Every effort will be made to achieve original CCMS enterprise design goals, e.g. 3000 new entries per day into the system, and better if possible. Once the initial goal of operations integrity of information systems is achieved, needed functionality will be addressed as part of infrastructure enhancements.

Infrastructure enhancement actions fall into three time frames, immediate, near term and long term.

Immediate actions:

- Y2K testing and mitigation actions,
- DEC/Compaq system memory and disk optimization,
- Oracle engine and index optimization,
- Workstation replacement, and
- Network packet/usage optimization.

Near term actions:

- Expand on activities already underway,
- Archiving information to reduce workload,
- Upgrade of Oracle to newer release,
- Workflow process optimization,
- Application optimization,
- Subsystem separation to ease processing loads,
- Additional user functionality,
- Electronic Fingerprint Card Project,
- Interface with the Joint Personnel Adjudication System (JPAS), and
- On-line access for the CAFs.

Long term actions:

- Workflow enhancements or replacement,
- Database engine enhancements, and
- Additional user functionality.

RECOMMENDATION 12: The Secretary direct all DoD adjudication facility officials to (1) grant clearances only when all essential investigative work had been done, and (2) regularly communicate with DSS about continuing investigative weaknesses and needed corrective actions.

DOD RESPONSE: Concur. (1) It has always been the goal of the DoD Central Adjudication Facilities to only grant (or deny) a security clearance based on an investigation that is complete and fully in compliance with the national standards. Unfortunately, as a result of delays in completing both the initial and follow-up investigations at DSS, the CAFs have sometimes been forced to make risk management decisions, on a case by case basis, and issue a clearance with less than complete background information. Usually this occurs where the case is largely favorable, only missing a minor lead, and issuance of an interim clearance was not feasible or permissible. In their decision process the CAFs carefully weigh the adverse mission impact that may arise by failure to grant the clearance in a timely manner against the likelihood that one or more absent investigative leads will yield significant additional information. This situation should resolve itself through the actions underway at DSS to improve both the quality and timeliness of their investigations. However, the CAFs will also need to take appropriate action to ensure, to the maximum extent possible, that all essential investigative leads are accomplished or expanded as necessary. (2) As indicated above, DSS has already taken the initiative to establish an Operational Standards and Quality Council, consisting of representatives from the CAFs and DSS, which will first meet on October 12, 1999 and provide a forum for DSS customers to address a variety of issues concerning the scope, quality and timeliness of DSS investigations. This initiative should go a long way towards providing an effective mechanism for all parties to the investigative and adjudicative process to communicate problems and concerns in a timely fashion and have them expeditiously addressed and resolved. OASD(C3I) and the Security Policy Board will also participate in this process.

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