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READINESS AT RISK: THE DEPARTMENT OF DEFENSE SECURITY CLEARANCE PROCESS

HEARING

BEFORE THE

READINESS SUBCOMMITTEE

OF THE

COMMITTEE ON ARMED SERVICES
HOUSE OF REPRESENTATIVES

ONE HUNDRED TENTH CONGRESS

SECOND SESSION

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CONTENTS

CHRONOLOGICAL LIST OF HEARINGS

2008

Page

HEARING:

Wednesday, February 13, 2008, Readiness at Risk: The Department of Defense Security Clearance Process 1

APPENDIX:

Wednesday, February 13, 2008 19

WEDNESDAY, FEBRUARY 13, 2008

READINESS AT RISK: THE DEPARTMENT OF DEFENSE SECURITY CLEARANCE PROCESS

STATEMENTS PRESENTED BY MEMBERS OF CONGRESS

Boyda, Hon. Nancy, a Representative from Kansas, Readiness Subcommittee . 1

Forbes, J. Randy, a Representative from Virginia, Ranking Member, Readiness Subcommittee 2

WITNESSES

Dillaman, Kathy L., Associate Director, Federal Investigative Services Division, Office of Personnel Management 6

Edwards, Jack E., Acting Director, Defense Capabilities and Management, Government Accountability Office 8

Romero, Ben G., Chairman of the Intelligence Committee of the Information Technology Association of America, Lockheed Martin Corporation 9

Torres, Gregory, Director of Security, Office of the Under Secretary of Defense for Intelligence, Department of Defense 4

APPENDIX

PREPARED STATEMENTS:

Dillaman, Kathy L. 40

Edwards, Jack E. 45

Forbes, Hon. J. Randy 26

Ortiz, Hon. Solomon P., a Representative from Texas, Chairman, Readiness Subcommittee 23

Romero, Ben G. 64

Torres, Gregory 29

DOCUMENTS SUBMITTED FOR THE RECORD:

Report on Improved Annual Reporting Would Enable More Informed Congressional Oversight submitted by Mr. Edwards 81

Security Clearance Survey 2008 by the Information Technology Association of America and National Defense Industrial Association 122

QUESTIONS AND ANSWERS SUBMITTED FOR THE RECORD:

Mrs. Boyda 145

Mr. Forbes 142

Mr. Ortiz 137

READINESS AT RISK: THE DEPARTMENT OF DEFENSE SECURITY CLEARANCE PROCESS

HOUSE OF REPRESENTATIVES,
COMMITTEE ON ARMED SERVICES,
READINESS SUBCOMMITTEE,
Washington, DC, Wednesday, February 13, 2008.

OPENING STATEMENT OF HON. NANCY BOYDA, A REPRESENTATIVE FROM KANSAS, READINESS SUBCOMMITTEE

The subcommittee met, pursuant to call, at 2:05 p.m., in room 2118, Rayburn House Office Building, Hon. Nancy Boyda presiding.

Mrs. BOYDA. The hearing will come to order.

Welcome to today's Readiness Subcommittee hearing on security clearances.

I want to thank our witnesses for taking the time to appear before us today, and we all look forward to your testimony.

The title for today's hearing is "Readiness at Risk: The Department of Defense Security Clearance Process." Those words simply summarize why we are here today. It does not take a rocket scientist to know that every delay in properly processing clearances can hurt our national security.

The problems in the Department of Defense (DOD) security clearance process have been on our radar screen for years. And the sudden stoppage of processing clearances for industry in 2006, certainly got our attention.

That led to a reprogramming request for $90 million that Congress quickly approved. We approved another reprogramming last summer to avert another crisis. And we have required the Secretary of Defense to submit a report with the President's budget submission on the status of the industry's security clearances.

But these actions are only the tip of the iceberg. Currently, DOD is responsible for about two million active personnel security clearances. Approximately 34 percent is held by industry personnel working on DOD contracts.

In 2005, DOD transferred responsibility for conducting the initial investigation to the Office of Personnel Management (OPM). This was intended to speed the process. DOD accounts for about 80 percent of the investigations now handled by OPM.

However, timeliness of the DOD clearance process continues to be a significant issue. And that is why it landed on the Government Accountability Office (GAO) high risk list in 2005, and it remains there today.

We are very concerned with the budgetary implications of the DOD's apparent inability to measure the current backlog and accu-

rately predict future requests. And we do not want any more surprise stoppages.

We do not believe DOD can simply rely on reprogramming requests to keep the program limping along year after year.

Why can't DOD get it right when it comes to predicting its budget needs for processing clearances? What technology improvements do we need? What are the costs? Is DOD budgeting for these costs now?

If there are technology solutions, then let us not push those further down the road. We should not have to continue to plod along with these outdated systems.

So, we are all interested in hearing more about what OPM is doing to reduce delays. And I am very interested in the Tiger Team that was set up to review and make recommendations for improving the process. Perhaps this will lead to a better system across the board.

And just last week, the President signed a memo asking for a plan to speed up the clearance process. He wants that plan by the end of April. And I hope our DOD and OPM witnesses can tell us more about what they are going to do to get that plan done. Continued delays increase risks to national security and add to the cost of classified work for the government.

To me, this is unacceptable, so let us work together to find these solutions.

Now, I would like to turn to my good friend from Virginia, Mr. Forbes, the subcommittee Ranking Member, for any opening comments that he might like to make. Thank you very much.

STATEMENT OF HON. J. RANDY FORBES, A REPRESENTATIVE FROM VIRGINIA, RANKING MEMBER, READINESS SUBCOMMITTEE

Mr. FORBES. Thank you, Ms. Boyda. And let me just say, I appreciate you chairing this hearing, and I look forward to being a part of it.

I am sorry the chairman could not be here today. I join you in welcoming our distinguished group of witnesses. And I want to thank you and Chairman Ortiz for holding a hearing on what I believe is a critical challenge to the readiness of our force.

The process of granting access to our Nation's secrets through security clearances is not one that this committee and the Department of Defense take lightly. Even this week, we learned of allegations in Virginia and New Orleans, where individuals with access to top secret information conspired to provide military secrets to Chinese intelligence services.

We do not know the full impact of these failures, but it is clear that these compromises may have seriously or gravely damaged the national security of our country.

It is imperative that we have an effective screening process in place to clear trustworthy individuals while weeding out those who would not be safe custodians of our country's secrets.

The process for determining security clearance eligibility should not only be effective, but we must make it as efficient as possible. Every day that a personnel billet that requires access to classified

information is filled by someone without a security clearance, our readiness suffers.

According to the GAO, it took an average of 276 days to complete end-to-end processing of a top secret clearance in 2007. That is a full nine months this employee may not fully contribute on the job site.

Our security clearance program must be focused, funded and responsive to the dynamics that shape the work force. The transfer of personnel security investigations functions from the Defense Security Service (DSS) to the Office of Personnel Management seems to have, at least in the onset, made things worse.

Added to the strain of an already enormous backlog of hundreds of thousands of pending investigations, are several issues I will call "fact of life" challenges. These challenges include interagency coordination, incompatible Information Technology (IT) systems and coping with the transfer of 1,600 staff members from DSS to OPM. These are enormous hurdles for both agencies, and I know they are actively working to deal with these things.

However, what we see today offers little improvement in the personnel security clearance process. While it appears that increased staffing at OPM has reduced the backlog and improved clearance processing time, more needs to be done to improve the efficiency and effectiveness of the clearance program.

We also see that the Department is still struggling to determine their baseline clearance work load and funding requirements. In recent years, this has resulted in insufficient funding for security clearances and out-of-cycle reprogramming requests. Insufficient funding causes breaks in security clearance processing. That is the last thing we need when we are still dealing with the backlog of requests.

I believe I can speak for my colleagues on this when I say that we take the readiness needs of our military very seriously. The repeated challenges in the security clearance programs are ones that threaten to undermine our capability to confront the security challenges we face today.

I look forward to hearing from our witnesses, and I am very interested in their views on how we right the process and eliminate these clearance delays, so that we can get a fully qualified, trusted work force fielded for our national defense.

Madam Chairman, thank you for the time, and I yield back the balance of my time.

[The prepared statement of Mr. Forbes can be found in the Appendix on page 26.]

Mrs. BOYDA. Thank you, Mr. Forbes.

Today, we have a panel of distinguished witnesses, who will discuss the Department of Defense security clearance process.

Our witnesses today are Mr. Greg Torres, Director of Security for DOD's Office of Counterintelligence and Security.

Welcome.

Ms. Kathy Dillaman, Associate Director of the Field Investigative Services Division of the Office of Personnel Management.

Welcome.

Mr. Jack Edwards, the Director of the Defense Capabilities and Management Team for the GAO, General Accountability Office.

Welcome.

Mr. Ben Romero of Lockheed Martin Corporation, who is representing the Security Clearance Reform Coalition.

Without objection, all the written testimony will be included in the record.

Mr. Torres, welcome, and please proceed with your opening remarks.

STATEMENT OF GREGORY TORRES, DIRECTOR OF SECURITY, OFFICE OF THE UNDER SECRETARY OF DEFENSE FOR INTELLIGENCE, DEPARTMENT OF DEFENSE

Mr. TORRES. Thank you.

Representative Boyda, Ranking Member Forbes and members of the subcommittee, it is my pleasure to appear before you today to discuss the DOD security clearance process and the progress we are making toward the goals outlined in the Intelligence Reform and Terrorism Prevention Act (IRTPA).

As the director of security in the Office of the Under Secretary of Defense for Intelligence within the Department of Defense, my office is responsible for the development of personnel security policy and oversight of the personnel security program.

Over the past year, under the leadership of the Office of Management and Budget (OMB), the Department and its primary partner for this process, the Office of Personnel Management, made significant progress.

First, I would note that within the Federal Government, DOD comprises approximately 90 percent of the investigation requests submitted to OPM for security clearances. On an annual basis, DOD processes over 700,000 clearance eligibility actions at its adjudication facilities.

The process begins with a determination that an individual requires access to classified information for the performance of their official duties. The individual completes a security questionnaire, and submits it for investigation.

During the submission review process, we continue to expedite interim clearances for our military, civilian and contractor work force, enabling eligible personnel to begin working on classified programs quickly, with minimal risk to national security. The electronic submissions, a request for investigation for DOD military and civilian personnel, are already at 82 percent, up from approximately 65 percent at this same time last year.

The planned modification to the Joint Personnel Adjudication System (JPAS), which is the DOD system of record maintained by the Defense Security Service, will add an electronic fingerprint submission capability for industry by June of this year—reducing the time an electronic case is suspended at OPM, waiting for hard copy fingerprints to be mailed and catch up to the electronic submission of the investigative forms.

The completed investigation is then sent to one of DOD's adjudication facilities to determine whether to grant, deny or revoke access to classified information.

DOD has also reduced the time to adjudicate 80 percent of the completed investigations from an average of 53 days in the first quarter of fiscal year 2007 to an average of 30 days in the first

quarter of fiscal year 2008. In December of 2007, DOD's overall end-to-end timeliness of the security clearance process was 80 percent and an average of 112 days.

DOD policy also requires the reciprocal acceptance of existing investigations and clearance determinations rendered by other executive branch agencies. The Department fully embraces OMB's reciprocity policy.

In regard to the funding for industry personnel security investigations, DSS is now fully funded. This is due in part to the DSS's enhanced ability to predict requirements and tie them to the budget process.

Clearance transformation is one of the Secretary of Defense's top 25 priorities for the Department. The Secretary's call for improvement to the security clearance process is matched by the Director of National Intelligence (DNI), who has placed security clearance reform in his 100- and 500-day plans.

Together, these senior leaders established the Joint Security Clearance Process Reform Team, charging this expert group to develop a transformed, modernized, fair and reciprocal security clearance process. The joint team conducts its activities with the oversight and concurrence of OMB.

The team recently assessed that the processes for determining eligibility for access to classified information and suitability for Federal employment rely on very similar background data. However, the processes for collecting and analyzing that data are not sufficiently integrated.

Therefore, the overall scope of the reform effort expanded to encompass security clearances and Federal employment suitability, to ensure the executive branch executes these authorities within a framework that maximizes efficiencies and effectiveness.

The importance of this project was underscored on February 5, 2008, when the President issued a memorandum acknowledging the work of this group, and directed that the heads of executive departments and agencies provide all information and assistance requested by the director of OMB in this important endeavor.

Every related component within the Department of Defense has made improving this process a top priority. Of particular note, and as part of the reform team demonstration projects, the Army is validating the efficiencies to be gained by receiving completed investigations from OPM electronically, eliminating mail and handling time.

They are also scheduled to conduct a demonstration project using automation to make adjudicative decisions on investigations that have no significant or actionable derogatory information. If viable, this process could demonstrate an automated decision for up to 30 percent of our investigations.

While we must clearly continue to improve our current clearance process, unless there is a concerted effort to change what we do, and not just how we do it, we will not have done our jobs. The Joint Security Clearance Process Reform Team is that effort.

I am confident that sufficient executive commitment exists to ensure that security clearance reform will be achieved.

Thank you for the opportunity to appear before you and testify on the Department's security clearance process and ongoing re-

forms. We look forward to working with the committee on this very important matter, as we continue to improve the security clearance process.

This concludes my statement.

Thank you.

[The prepared statement of Mr. Torres can be found in the Appendix on page 29.]

Mrs. BOYDA. Thank you.

Ms. Dillaman.

STATEMENT OF KATHY L. DILLAMAN, ASSOCIATE DIRECTOR, FEDERAL INVESTIGATIVE SERVICES DIVISION, OFFICE OF PERSONNEL MANAGEMENT

Ms. DILLAMAN. Madam Chairperson, Ranking Member Forbes, it is my pleasure to be here today to talk to you about OPM's support of the Department of Defense's security clearance program and the progress we have made in complying with the Intelligence Reform Act of 2004.

As the agency responsible for 90 percent of the Federal Government's background investigations, OPM continues to ensure that the goals and expectations set by Congress and President Bush are met.

And I am especially glad to be here today with an opportunity to correct for the record two recent news articles that inaccurately reflected where we are in terms of timeliness. Although retractions were printed and apologies made, they are often overlooked.

On February 20, 2005, the Department of Defense's personnel security investigations program and staff were successfully consolidated with OPM's investigations program. As a result of this merger, OPM absorbed over 1,600 Defense Security Service employees, 145,000 investigations in process, and all ongoing background investigation work loads for DOD.

Overall, in 2007, OPM conducted almost two million background investigations, half of which were for DOD, including 640,000 that supported security clearance determinations for civilian, military and contractor personnel.

Since this merger, we have been working closely with DOD in four critical areas that must be managed effectively: work load projections, submission of requests for investigations, the investigations process and the adjudications process. Significant progress made in these areas has improved the overall timeliness for making security clearance determinations, and we are continuing to work together on any remaining issues that may hinder or delay the process.

First, work load projections.

To staff the investigation and adjudication programs responsibly, it is critical that agencies accurately project their investigation needs. Work loads may vary significantly year-to-year, depending on hiring patterns and contracting efforts. We have been working closely with DOD to refine this process, and they have improved the accuracy of their projections significantly.

Next, the submission for investigations.

OPM and DOD are now using online technology to speed the time it takes to process the paperwork required to conduct an in-

vestigation. OPM's electronic questionnaires for investigations processing allows subjects to submit their background information electronically, improving both the timeliness and the quality of the information supplied.

During the first quarter of the fiscal year, DOD submitted 82 percent of all their security clearance investigations through eQIP, reducing the processing time for submission from 30 to 14 days.

The Intelligence Reform and Terrorism Prevention Act established a goal that 80 percent of the background investigations for initial security clearances be completed within an average of 90 days or less by the end of 2006. OPM has met and exceeded that goal.

In fact, of the 586,000 initial clearance investigations OPM received in 2007, 80 percent were processed in an average of 67 days. That is 92 days for top secret and 63 days for secret and confidential level clearances.

Our success in meeting this goal is due to our increased staffing, the work we have done with federal, state and local record providers, the standup of our international program and the automation of many of our support functions within investigations. While shortening the time it takes to complete investigations, we have not compromised the quality of the investigations we do.

And finally, the adjudication phase.

We are also supporting agencies' efforts to adjudicate completed investigations timely. In 2007, we developed an electronic delivery process that provides agencies with the option to receive their completed investigations in a combination data, text and imaged format—electronically, rather than by hard copy through the mail.

Last August, the Department of the Army began receiving their completed investigations online, and to-date, over 113,000 completed investigations have been transmitted to them, making the process between Army and OPM virtually paperless. We have also linked with many agencies' in-house records systems to our processing system, to update their adjudication actions electronically into the clearance verification system.

OPM is continuing efforts to improve processing through greater use of information technology. This year, eQIP—which is OPM's suite of automation tools that support the investigations and adjudications process—will allow for total end-to-end paperless processing for those agencies equipped to implement them.

As Greg mentioned, we are also partnering with the Office of the Director of National Intelligence (ODNI) and the Department of Defense for more significant reforms to the overall security clearance process. This reform effort is challenging traditional processing from application through adjudication.

The ultimate outcome of this effort will be a governmentwide system for determining security clearance eligibility that continues to protect national security through more modern processes that are secure, dependable, scalable and time and cost-efficient.

This concludes my remarks. I would be happy to answer any questions you may have.

[The prepared statement of Ms. Dillaman can be found in the Appendix on page 40.]

Mrs. BOYDA. Thank you.

Mr. Edwards.

STATEMENT OF JACK E. EDWARDS, ACTING DIRECTOR, DEFENSE CAPABILITIES AND MANAGEMENT, GOVERNMENT ACCOUNTABILITY OFFICE

Mr. EDWARDS. Madam Chairwoman and Ranking Member Forbes, thank you for this opportunity to be here today to talk about the DOD personnel security clearance process.

We have documented that DOD and other agencies have taken some positive steps forward to improve the clearance processes. These steps include greater use of technology and increasing the investigative work force.

While such steps are encouraging, DOD's clearance program still faces some of the same challenges that led us to put the program on our high risk list in 2005. The most visible such challenge is eliminating clearance delays and backlogs.

I will cover two other important issues. They are, one, improving the projections of clearances needed; and also, demonstrating quality in all clearance processes. My full statement additionally discusses delays, funding and the need for a comprehensive plan to address these challenges.

DOD has had a longstanding challenge in accurately projecting the number of clearance investigation requests that it will make of OPM, and before that, DSS. In 2004, we found some inaccuracies there and recommended that DOD improve its projection. Two years later, in 2006, OPM reported that DOD's actual number of clearance investigation requests was about 59 percent higher than the number of projected needs that it was going to have.

In contrast, the governmentwide goal for agencies is to have their projected and actual clearance investigation requests to be about five percent from one another.

Recently, DOD have taken some steps to improve those projection procedures. These steps include: one, getting more industry facilities to provide information about the number of clearances they estimate that they will need in the future; and two, looking at statistical enhancements to their procedures they use to calculate the projections.

It is still too early right now to determine whether these steps will be successful, and how successful. Improved projections are, however, critical for the issue that you mentioned earlier about the funding and making sure that we have a good measure of funding into the future. And also, for work load and work force planning.

Let us move now to the second challenge that I talked about, and that is, demonstrating quality.

We have cautioned that the government cannot afford to achieve its goal of eliminating clearance delays by providing investigative and adjudicative reports that are incomplete in certain key areas. Concerns about quality can undermine the government's efforts to achieve reciprocity. And reciprocity is the process whereby one agency will accept the clearance that another agency has issued.

The lack of full reciprocity is an outgrowth of agencies' concerns that other agencies may have granted a clearance based on an inadequate adjudication or investigation. If needless investigations or adjudications are re-performed, that wastes government money.

Also, that uses some of the resources that we can use to try to get the clearances done more quickly.

In the report that we are issuing today along with this testimony, we recommended that DOD develop quality measures and report the statistics from those measures to Congress. We are happy to say that DOD concurred with that recommendation and will be issuing those metrics to the government and to Congress in the near future.

In conclusion, we are encouraged by some of the DOD-specific and governmentwide efforts that have been taken to improve the clearance process. At the same time, the clearances that I have discussed, and the additional challenges cited in my full statement, indicate that much remains to be done. Therefore, we will continue to monitor DOD's program as part of our high risk series.

This concludes my remarks. I would be happy to answer any questions.

[The prepared statement of Mr. Edwards can be found in the Appendix on page 45.]

Mrs. BOYDA. Thank you.

Mr. Romero.

STATEMENT OF BEN G. ROMERO, CHAIRMAN OF THE INTELLIGENCE COMMITTEE OF THE INFORMATION TECHNOLOGY ASSOCIATION OF AMERICA, LOCKHEED MARTIN CORPORATION

Mr. ROMERO. Good afternoon, Madam Chairwoman and Ranking Member Forbes.

My name is Ben Romero, and I speak to you as the chairman of the intelligence committee of the Information Technology Association of America, ITAA, and on behalf of the Security Clearance Reform Coalition.

I would like to thank you for the opportunity to discuss reform of the clearance-granting process. In addition to these oral comments, I ask that the committee accept our attached written recommendations that expand upon many of the issues we in industry feel are critical to addressing the persistent problem.

Industry has used a simple mantra to explain what we believe will bring about transformation of the clearance-granting process: one application, one investigation, one adjudication and one clearance.

We seek an Internet-based application that collects information electronically and forms the basis for an end-to-end digital process that creates a record that can be amended by investigators, adjudicators, security officers for the life of the clearance; an investigation that would be timely, uniform, thorough in its process and product; an adjudication where an applicant is judged using updated, viable, post-Cold War criteria, and a clearance that is accepted across the Federal Government with minimal additional vetting.

In looking at the clearance-granting process and its effectiveness, the committee should examine the reports of the industry-led working group of the National Industrial Security Program Policy Advisory Committee, or NISPPAC, which recently analyzed actual re-

sults from clearances processed through DSS and the Defense Industrial Security Clearance Office.

This task force found that on the average, secret clearances still took more than 200 days. Top secret clearances took more than 300 days. This is in 2007.

This was an end-to-end analysis measuring from the time an applicant was given the form to complete—that is the SF–86—on the electronic questionnaire for investigations processing Web site, to the point where the adjudicators determined whether or not a clearance was to be granted.

Even more alarming is the finding of the working group regarding investigations for top secret clearances, where the trend line has grown for more than a year and currently tops out at 540 days.

Reinvestigations are the periodic review of the current clearance holders, and those delays impact on their ability to continue supporting the national security programs.

I would like to commend the President for his February 5, 2008 memo that calls for the submission of a plan to transform the clearance-granting process. This memo memorializes the activity of the joint task force coordinated by the Under Secretary of Defense for Intelligence (USD(I)), OMB, ODNI and OPM. All of them are participating.

This task force has proceeded under the premise that we need to bring about total transformation of the way we determine whether or not someone is trustworthy enough to handle the Nation's critical and crucial information. The effort would change what we ask, the way we ask it, how we ask it and the way we grant and maintain clearances once granted.

This approach is different, because it does not seek to fix the parts that are already broken in the system today, but instead creates a new, more efficient process going forward.

Industry has been apprised of the work of this group, and we fully support the initiative. We are optimistic that the work of this Tiger Team, and work—and wait to evaluate their report in April. But further action is needed now.

The IRTPA was passed by Congress in 2004, and the delays in the clearance-granting process has long been recognized, but we are still calling for a plan. Further delays—be they bureaucratic, legislative, budgetary—cannot be tolerated.

The nine associations of the Security Clearance Reform Coalition again thank the committee for this opportunity to highlight our perspectives in this deliberation, and we hope that 2008 will finally be the year that we will see a solution implemented.

Thank you.

[The prepared statement of Mr. Romero can be found in the Appendix on page 64.]

Mrs. BOYDA. Thanks to all of our witnesses.

Mr. Forbes and I are kind of—since it is just the two of us, we can go back and forth fairly informally.

There have been a couple of calls for reports here. The one that the President has just done, I believe had an action plan of April 30th. In addition, the 2007 National Defense Authorization Act (NDAA) also called for a report to be submitted with the budget.

So, can one of you give me an update on where that process is?

Mr. TORRES. Yes, ma'am. The NDAA report has been submitted. The report that is due on the 30th is currently underway with the reform team. And at this point, they expect that they will meet the timeline set by the President for that particular report.

Mrs. BOYDA. Do you summarize what is in the report for the—what was submitted with the budget resolution in terms of what—is it just basically a summary of what you had just said, that some progress has been made? Or where are we on addressing the entire process?

Mr. TORRES. Yes, ma'am. I will tell you that the efforts of the reform team speak specifically to the conversation that just took place here.

It is really geared toward a total transformation. It is not an effort to try to fix the pieces that are broken. It is an effort to try to transform how we do business, not just what we do.

So, the report should include a plan that outlines where we think we need to go. And it is also going to be based on an assessment of some demonstration projects that are underway right now.

Mrs. BOYDA. Thank you.

Mr. Romero, have you seen that report that was submitted with the budget? Have you had a chance to look at that one?

Mr. ROMERO. I have not, but some of the members of the coalition have had an opportunity to at least see glimpses of it.

And the one interesting part that we are looking forward to is the replacement of JPAS with a complete new system.

Mrs. BOYDA. When is that expected to be done?

Mr. TORRES. The replacement of JPAS, we do not have a specific date yet for that system. But that system is funded. The development of that system has been transferred from the Defense Security Service to the Business Transformation Agency, a part of DOD.

And most of that process and most of that development will be based on the results of the report to the President, because that is really what is designing our way forward in this particular effort.

Mrs. BOYDA. All right. Thank you very much. I will have some additional.

Mr. Forbes.

Mr. FORBES. Thank you, Madam Chairman.

Mr. Romero, when Congress passed the Intel Reform Act, we specifically addressed reciprocity of clearances, to address the longstanding problem.

Has the contractor community seen an improvement in the willingness of agencies to accept the clearances issued by other agencies? And what, if any, reciprocity related problems remain?

And just the third part of that, if there are problems, which agencies seem to be least willing to accept clearances issued by other agencies? And what reasons are given for that lack of reciprocity?

Mr. ROMERO. Sir, I can give you a personal example.

I hold an intelligence community green badge, which allows me to visit the various intelligence offices of the members of the community. And I have had no problem going from one place to the other. That is, in my estimation, remarkable, because up to six months ago, I could not do that.

As far as one of the areas that continues in industry's estimation to be a problem is primarily with the Department of Homeland Security. They have too many different parts that do not even recognize their own reciprocity, much less reciprocity from those in industry that are coming in to work at the various parts.

Whether we hold Justice clearances or DOD clearances, they still have to vet—yet again—that we are trustworthy enough to go work their systems.

Mr. FORBES. GAO has indicated that there are costs associated with delays in determining clearance eligibility. Can you provide us with any concrete examples of the monetary and non-monetary costs that contractors have incurred from the delays, so that we can get an idea of how much effect the delays are having?

Mr. ROMERO. Sir, we are in the process of collecting data as we speak to update our records on what the issue is. We did a data call within the last two weeks. I would like to take that for the record and get something back to you.

[The information referred to can be found in the Appendix beginning on page 142.]

Mr. FORBES. That would be great if you could do that.

And Mr. Edwards, what steps need to be taken to remove security clearances from the GAO high risk list?

Mr. EDWARDS. GAO has a set procedure to go through and evaluate every different program or different area that is on the high risk list. That is done every two years. We will be issuing a new high risk list in January 2009.

At that time, we will go through and look at the status of the problems that originally got the programs on the high risk list. We will look at efforts that they have had to improve the process, look at the plans that are in place for moving forward, and also look at the high level involvement and other factors which can influence whether we are going to see a continued improvement in those areas.

Mr. FORBES. Good.

And Ms. Dillaman, it has been reported that OPM initiated a pilot program with the Army to electronically transfer applications for adjudications. What have been the results of this pilot program? And are there plans to extend the program to other agencies?

Ms. DILLAMAN. Yes, sir. Yes, sir, it has been highly effective.

As I said in my testimony, well over 110,000 investigations have been transmitted to the Army electronically—no paper, no mail. And I believe the Army would attest to the fact that that is a successful initiative.

We have another ten agencies who are interested in signing on this year. We are in the current process of adding Department of Transportation and Transportation Security Administration (TSA).

Mr. FORBES. And just one more question before I yield back to the chairman.

Mr. Torres, should the responsibility for handling all aspects of processing security clearances for DOD employees and contractors be returned to DOD? And why or why not?

Mr. TORRES. I do not think we are yet at a position where we could answer that question. Whether that would be a better solu-

tion or not, we do not have that data. The Department is currently not pursuing that particular avenue or that approach.

But we suspect that, as a result of the reform team efforts, a unified, single process, way of doing business, will eventually have an impact on the types and numbers of investigations or leads that we submit to the Office of Personnel Management. But we do not have a separate effort ongoing to make that decision.

Mr. FORBES. Madam Chairman, I yield back to you.

Mrs. BOYDA. Thank you.

I just would like to ask a few more questions to try to just understand a little bit more what is going on on the ground.

Right now, it sounds as if the goal is to have 80 percent of the applications serviced or performed in 90 days. That is the current goal.

Ms. DILLAMAN. Yes, ma'am.

Mrs. BOYDA. Okay.

Mr. Romero, is that a reasonable goal?

Mr. ROMERO. Yes, ma'am. I think it would be a reasonable goal. But as looked at through the NISPPAC and some of the reviews that they have done, it is going to be very, very hard to reach that goal unless the system is reformed.

Mrs. BOYDA. We are meeting it now.

Ms. DILLAMAN. If I may, ma'am, yes, we are.

And I think one of the things that complicates the data is, not only are we meeting that goal now for new applications that began through the process starting in fiscal year 2006, but over the past year we have effectively eliminated the entire backlog of initial clearance investigations.

We put out about 150,000 more initial clearance investigations than we received. Now, those had been in the process. They were the backlog. And that contributed to the overall age of the clearances granted in 2007.

But clearly, if you started through the process on or after October 1, 2006, 80 percent of all initial clearance investigations are being completed in an average of mid-60 days.

Mrs. BOYDA. Thank you.

Any comment on that?

Mr. Romero.

Mr. ROMERO. I will reserve comment.

Mrs. BOYDA. Mr. Edwards, do you——

Mr. EDWARDS. Yes. You know, one thing to consider there, the interpretation on the Intel Reform Act, OPM and OMB are interpreting the law to deal strictly with the 90 days and 120 days total to apply to just the initial investigations and adjudications.

However, we would see a higher level if we were also considering the reinvestigations. And the decision has been made about putting a higher priority on the initials, and we do not take exception with that. We are just saying that there is a little bit more happening there.

Mrs. BOYDA. Right. I would just—again, I am curious.

If 80 percent of them are being done in 90 days or less—and that sounds like a good goal—what happens to the other 20 percent? Are there any standards or goals with regard to that 20 percent?

Ms. DILLAMAN. Ma'am, while there are no standards established, of course it is in everyone's best interests to complete all investigations as quickly as possible.

I think there is a recognition, though, that there is a portion of the population that, either due to the types of issues developed or the complex nature of the background that we are conducting, they were going to take longer. And I think the 80 percent goal was a good place to start. This year, internally, we are upping that goal, so that a bigger portion of the population will get done more quickly.

But I think, no matter what we do, there will still be a small segment that we will need to invest time and resources in to do it right. And that has to be our first priority.

Mrs. BOYDA. Are the 20 percent more of the Top Secret and the higher clearances, then?

Ms. DILLAMAN. Typically, because they are much more intensive and in terms of the effort put in to doing the interviews.

Mrs. BOYDA. Mr. Edwards, if you were—is it appropriate to say if you were a betting man?

Do you think this would be off the GAO high risk list in 2009, and the manner with which we are proceeding?

Mr. EDWARDS. At this point, I am probably not a betting man, one way or another. We would like to keep an open mind and to consider what will happen in a future job that we have planned.

Ms. Garman has talked to us about some of the issues that this committee in particular is interested in. And we are looking at how can we best address those issues which would allow us to come to an informed decision, probably in about December, about whether it would stay on the high risk list or not.

Mrs. BOYDA. Do you expect a reprogramming request for this year?

Mr. TORRES. No, ma'am. Defense Security Service is fully funded, and the processes that they have designed and improved on to reject requirements has brought their accuracy up extremely well. So, we expect no reprogramming requests.

Mrs. BOYDA. The reason I ask again is, you know, I think each member present today—or not present today—certainly appreciates the massive amount of work and the influx of—you know, not even being able to predict for quite a little while what your work load was going to be.

Certainly, we are all interested in making sure that we are ready to do whatever it takes, either from a DOD personnel or from a defense contractor personnel. So, we are interested in knowing what legislative—you know, we are here to help you, as well. What can we do to make this better?

I understand you will be doing your report. It will be out by April 30th. And we are hoping that you make it very clear what we can do to make sure that you have the resources that you need. We do not want to put you in a position of not being able to get that done.

So, do you know of any other legislative fixes or resources that you will need to move this forward?

Mr. TORRES. I am not currently aware of what legislative recommendations may come out of that particular reform effort, but that particular requirement is in there, as well. So, if there are leg-

islative changes that need to be recommended, that will part of that report.

Mrs. BOYDA. Mrs. Dillaman, as well, too. I mean, that is part of the purpose of this hearing, is to make sure that we are all on the same page, and we know where we are all heading, and we are all heading for a system that is new and improved and works better, and ends up with a more secure America.

Ms. DILLAMAN. Yes, ma'am. And I am highly optimistic.

Many of the things that are being looked at are even being incorporated in the "As-Is" today. And that will all make for positive improvement.

Mrs. BOYDA. Mr. Romero, what question have I not asked?

Mr. ROMERO. I think that we have been looking at the backlogs and the problems. And we are continuing to fix a system that was established during the Cold War.

What policies need to be addressed? What are we really looking at and looking for? How much risk can we afford to take?

And the most important one is, if you look at Homeland Security Presidential Directive (HSPD)–12 and the background investigations that are going to come in, what is the impact on those types of background investigations going to have on the clearance-granting process as they start molding?

Mrs. BOYDA. Any comments?

Ms. DILLAMAN. Yes, ma'am. Last year, we experienced a bump of about 200,000 investigations annually that we attribute to the HSPD–12.

Now, those investigations do draw on the same investigative resources. They pull records from the same records systems at the federal, state and local levels. And all of those records systems have to increase their output capacity in order for us to complete these investigations on time.

But by and large, the new investigations that are being introduced into this process are electronic. They are not the labor-intensive field investigations that support the Top Secret clearances. And so, the impact on the investigative work force I do not believe will be significant.

Mrs. BOYDA. Thank you.

Mr. Forbes, did you have others?

Mr. FORBES. Just a couple more, Madam Chairman, if I could.

Mr. Edwards, the chairman asked you if you were a betting man. You indicated you were not a betting man, but we know that you are forecasting and an analytical man.

And based on that forecasting capabilities and your analytical capabilities, do you believe that DOD, OMB and OPM made the necessary commitments to improve the security clearance process? And what steps do you think need to be taken to ensure that ongoing initiatives continue?

Mr. EDWARDS. In the last few years, we have seen improvements. We have seen more use of technology. We have seen an increase in the adjudicative and investigative work force. But as I mentioned, we do see some challenges that are still out there.

The idea that we are going to reform the entire clearance process—that is a large undertaking. You know, I do not think any of us can think about all of the things that are required with the risk

that is incurred whenever we grant somebody a Top Secret clearance.

So, at this point, trying to forecast into the future exactly when this system might be able to come on line and what it would look like, when I have not even gotten a briefing on this, because we have not been involved in that particular area, I think would be premature.

But we certainly are looking forward to seeing this system as it is developed. And should you and other Members of Congress desire us to go in and look at that system, then we certainly are available to do that.

Mr. FORBES. And Madam Chairman, just one more question.

Ms. Dillaman, I asked Mr. Romero about the reciprocity issue. And we know that OMB has had a major role in trying to ensure greater reciprocity of clearances. And just a series of little questions, if you could answer whichever one of them you could.

But who is currently keeping the database of the number of instances of non-reciprocity? And what agencies have the most cases of non-reciprocity?

And in the last fiscal year, what was the number of waivers granted to allow agencies to conduct new investigations or adjudications?

And then finally, why isn't this type of information provided in OMB's annual report to Congress mandated by the Intelligence Reform and Terrorism Prevention Act?

And I do not expect you to have all those at your fingertips today. But if you cannot answer them today, could you just supply those back to us in a written form, if that would be easier for you? Whichever one would be best.

Ms. DILLAMAN. I would be happy to, but the application of reciprocity really is outside of OPM's visibility. We conduct the investigations.

And I will tell you, though, that we have a stop system, that if an agency attempts to request an investigation that is not needed, because the investigative requirements have already been met, we will not open a new investigation and do redundant, unnecessary.

And last year I believe there were about 25,000 investigation requests in total that we rejected, because the investigative requirements have already been met.

Under OMB's guidance, I believe it was Bill Leonard and the NISPPAC committee established a reporting system where contractors could report violations of the rules of reciprocity. But I do not have access to that data, and I am not sure that there is any central data maintained.

Mr. FORBES. Well, if I could just leave it as an open question to all four of our witnesses. Again, you can just reply in writing if you want to.

But where is our data on looking at that? Or does it just not exist at this particular point in time? And is it important for us to have that kind of data?

Mr. Romero, I would think this would be an important thing for your industry to know and to be able to look at. Is it all anecdotal evidence, or do we have someplace that we can go to get some objectivity? Because the chairman and I have to work on just a few

facts—you know, at some point in time that we can get our hands around to make sure this is working.

So, to the extent that any of the four of you have this or could tell us who we need to go to, to get that information, that would be helpful for us at some point in time.

Mr. ROMERO. I think what we will do is make sure that we add that as one of the questions that we ask from our industry members, and see if we can collect that type of information to provide back.

[The information referred to can be found in the Appendix beginning on page 142.]

Mr. FORBES. That would be useful.

Thank you, Madam Chairman.

Mrs. BOYDA. We are going to have votes here in a minute. I have a couple more questions.

It is my understanding of the President's budget that we saw a decrease of about 34 percent into the Defense Information Systems for Security, DISS.

Does that ring a bell?

Mr. TORRES. Yes, ma'am, it does.

We can get you some specific numbers on DISS. But DISS was transferred to, as I mentioned before, the Business Transformation Agency. There was money transferred. There is additional monies that need to be transferred, as well. So, the actual numbers of going up or going down are not easily defined right now.

We can get back to you and take that as a question for the record——

Mrs. BOYDA. I would certainly appreciate this——

Mr. TORRES [continuing]. And provide that specific data to you.

[The information referred to can be found in the Appendix beginning on page 145.]

Mrs. BOYDA [continuing]. Just to know where we are—what our overall funding among the different agencies.

And again, when you say you do not anticipate a reprogramming request, on what basis are you predicting that we will not need a reprogramming request? Are you fairly certain about that?

Mr. TORRES. Yes, ma'am. We are quite certain of that. Defense Security Services made numerous changes.

One of the critical changes, I think, is that they are now monitoring this on a weekly basis, so they know exactly how much is going out, how much work is going out to the Office of Personnel Management. They can see the burn rates on a weekly basis.

And based on projections that are now more accurate, because they have a new collection methodology, we feel very certain that there will not be a request for reprogramming.

Mrs. BOYDA. Thank you very much.

Any additional questions?

Mr. FORBES. No. Thank you, Madam Chairman, for the hearing.

Mrs. BOYDA. All right. Thank you.

Thank you so much for your time today.

[Whereupon, at 2:55 p.m., the subcommittee was adjourned.]

A P P E N D I X

FEBRUARY 13, 2008

PREPARED STATEMENTS SUBMITTED FOR THE RECORD

FEBRUARY 13, 2008

Opening Statement of

Hon. Solomon P. Ortiz

Chairman of Readiness Subcommittee

Hearing on

Readiness at Risk: The Department of Defense

Security Clearance Process

February 13, 2008

OPENING STATEMENT
READINESS SUBCOMMITTEE HEARING – February 13, 2008
READINESS AT RISK: DOD SECURITY CLEARANCE PROCESS

The hearing will come to order.

Welcome to today's Readiness Subcommittee hearing on security clearances.

I want to thank our witnesses for making the time to appear before us today.

I look forward to your testimony.

The title for today's hearing is "Readiness at Risk: the Department of Defense Security Clearance Process." Those words simply summarize why we are here today. It does not take a rocket scientist to know that every delay in properly processing clearances can hurt our national security.

The problems in the DOD security clearance process have been on our radar screen for years. And the sudden stoppage of processing clearances for industry in 2006 certainly got our attention.

That led to a reprogramming request for $90 million which Congress quickly approved. We approved another reprogramming last summer to avert another crisis.

And we have required the Secretary of Defense to submit a report with the President's budget submission on the status of industry security clearances.

But these actions only address the tip of the iceberg.

Currently, DOD is responsible for about 2 million active personnel security clearances. Approximately 34 percent is held by industry personnel working on DOD contracts.

In 2005, DOD transferred responsibility for conducting the initial investigations to OPM. This was intended to speed the process. DOD accounts for about 80% of the investigations now handled by OPM.

However, timeliness of the DOD clearance process continues to be an issue. That is why it landed on the GAO high-risk list in 2005. And it remains there today.

We are very concerned with the budgetary implications of DOD's apparent inability to measure the current backlog and accurately predict future requests. We don't want anymore surprise stoppages.

We don't believe DOD can simply rely on reprogramming requests to keep the program limping along through the year.

Why can't DOD get it right when it comes to predicting its budget needs for processing clearances?

What technology improvements do we need? What are the costs? Is DOD budgeting for those costs now?

If there are technology solutions, let's not push those further down the road. We should not have to continue to plod along with out-dated systems.

I'm interested to hear more about what OPM is doing to reduce delays.

And I'm very interested in the "tiger team" that was set up to review and make recommendations for improving the process. Perhaps this will lead to a better system across the board.

And just last week, the president signed a memo asking for a plan to speed up the clearance process. He wants that plan by the end of April. I hope our DOD and OPM witnesses can tell us more about what they will do to get that plan done.

Continued delays increase risks to national security and add to the cost of classified work for the government. To me, this is unacceptable.

Let's work together to find solutions.

Now I would like to turn to my good friend from Virginia, Mr. Forbes, the subcommittee ranking member, for any opening remarks he might like to make.

WITNESS INTRODUCTION

Today, we have a panel of distinguished witnesses who will discuss the Department of Defense security clearance process.
Our witnesses today are:
Mr. Greg Torres
Director of Security for DOD's Office of Counterintelligence and Security

Ms. Kathy Dillaman
Associate Director of the Federal Investigative Services Division for the Office of Personnel Management

Mr. Jack Edwards
Director of the Defense Capabilities and Management Team for the General Accountability Office

Mr. Ben Romero of Lockheed Martin Corporation, who is representing the Security Clearance Reform Coalition

Without objection, all the written testimony will be included in the record.

Mr. Torres, welcome. Please proceed with your opening remarks.

Opening Statement – Hon. J. Randy Forbes

Readiness Subcommittee Hearing

Readiness at Risk: The Department of Defense Security Clearance Process

February 13, 2008

Forbes Opening Statement for Hearing on Department of Defense Security Clearance Process

Washington D.C. – U.S. Rep. J. Randy Forbes (R-VA), senior Republican on the Armed Services Subcommittee on Readiness, today released the following statement for the subcommittee's hearing on the Department of Defense's procedures for processing security clearances:

"I join you in welcoming our distinguished group of witnesses and I want to thank you and Chairman Ortiz for holding a hearing on what I believe is a critical challenge to the readiness of our forces.

"The process of granting access to our nation's secrets through security clearances is not one that this committee and the Department of Defense take lightly. Even this week, we learned of allegations in Virginia and New Orleans, where individuals with access to top secret information conspired to provide military secrets to Chinese intelligence services. We do not know the full impact of these failures, but it is clear that these compromises may have seriously or gravely damaged the national security of our country. It is imperative that we have an effective screening process in place to clear trustworthy individuals while weeding out those who would not be safe custodians of our country's secrets.

"The process for determining security clearance eligibility and managing the personnel security clearance program should not only be effective, but we must make it as efficient as possible. Every day that a personnel billet that requires access to classified information is filled by a person without a security clearance, our readiness suffers. According to the GAO, it took an average of 276 days to complete end-to-end processing of a top secret clearance in 2007. That's a full nine months this employee may not fully contribute on the job site. Our security clearance program must be focused, funded and responsive to the dynamics that shape the workforce.

"The transfer of personnel security investigations functions from the Defense Security Service to the Office of Personnel Management seems to have—at least in the onset—made things worse. Added to the strain of an already enormous backlog of hundreds of thousands of pending investigations are several issues I'll call "fact of life" challenges. These challenges include interagency coordination, incompatible IT systems, and coping with the transfer of 1,600 staff members from DSS to OPM. These are enormous hurdles for both agencies and I know they are actively working to deal with these things.

"However, what we see today offers little improvement in the personnel security clearance process. While it appears that increased staffing at OPM has reduced the backlog and improved clearance processing time, more needs to be done to improve the efficiency and effectiveness of the clearance program.

"We also see that the Department is still struggling to determine their baseline clearance workload and funding requirements. In recent years, this has resulted in insufficient

funding for security clearances and out-of-cycle reprogramming requests. Insufficient funding causes breaks in security clearance processing. That's the last thing we need when we are still dealing with a backlog of requests.

"I believe I can speak for my colleagues on this when I say that we take the readiness needs of our military very seriously. The repeated challenges in the security clearance programs are ones that threaten to undermine our capability to confront the security challenges we face today.

"I look forward to hearing from our witnesses and am very interested in their views on how we right the process and eliminate these clearance delays so that we can get a fully qualified, trusted workforce fielded for our national defense."

Statement for the Record
Mr. Gregory Torres
Director of Security
Office of the Under Secretary of Defense for Intelligence

before the

House Armed Services Readiness Subcommittee
House Armed Services Committee

on

Readiness at Risk: Department of Defense Security Clearances

February 13, 2008

Chairman Ortiz, Ranking Member Forbes, and Members of the Subcommittee, it is my pleasure to appear before you today to discuss the Department of Defense (DoD) security clearance process and the progress we are making towards the goals outlined in the Intelligence Reform and Terrorism Prevention Act (IRTPA). While we have met several key objectives in the past year, the Department recognizes that opportunities for improvement remain. As the Director of Security, in the Office of the Under Secretary of Defense for Intelligence (USD(I)) within the DoD, my office is responsible for the development of personnel security policy and oversight of the personnel security program.

Over the past year, under the leadership of the Office of Management and Budget (OMB), the Department and its primary partner for this process, the Office of Personnel Management (OPM), have made significant progress. Although we have not yet resolved all of the challenges to

establishing an efficient and effective process, we continue to work together towards that goal. I believe it is important for you to understand the level of attention and energy focused on the security clearance process within the Intelligence Community and the Department. I will discuss each of these in more detail but would like to highlight some significant initiatives first. These initiatives include:

-The Joint Security Clearance Process Reform Team commissioned by the Director of National Intelligence (DNI) and USD(I) to systematically examine and improve the way we do business. This effort includes many ongoing actions intended to make an immediate and lasting impact.

-The Base Realignment and Closure Commission requirement for us to collocate our ten adjudication facilities at Fort Meade. This action will allow us to carefully review options that will increase process efficiencies and capture best practices for work standardization and risk management.

-Numerous initiatives being conducted within the services and defense agencies sponsoring demonstration programs to streamline and enhance current business practices.

-The Defense Security Service (DSS) implementation of a transformation plan that will position it to support the Department and our Industry partners.

-The IRTPA mandated that by December 2006 80 percent of clearance actions be completed in an average of 120 days (90 days for the investigation phase, and 30 days for the adjudication phase). Since that time, OPM has demonstrated a marked improvement in investigative timeliness for cases submitted after 1 October 2006.

Each of these examples is a deliberate effort to move the Department forward on a course for success.

I would like to take a moment to highlight some examples of this progress. First, the magnitude of the process is worthy of some consideration. Within the federal government, DoD composes approximately 90% of the investigation requests submitted to OPM for security clearances. On an annual basis, DoD processes over 700,000 clearance eligibility actions at 10 adjudication facilities. In managing such an expansive security clearance program, the Department complies with Executive Orders, Presidential issuances, and all applicable laws to ensure that processing investigations and determining eligibility for access to classified information is appropriately uniform, expedient, and reciprocal to protect national security interests.

The Security Clearance Process begins with a determination that an individual requires access to classified information for the performance of his or her official duties. The individual completes a security questionnaire, and it is submitted for investigation. During the submission review process, and in accordance with Executive Orders and DoD policy, we continue to expedite interim clearances for our military, civilian and contractor workforce, enabling eligible personnel to begin working on classified programs quickly with minimal risk to national security.

Electronic submissions of requests for investigation for DoD military and civilian personnel are already at 82%, up from approximately 65% at this same time last year with a goal of 100% use by the end of this fiscal year. This increase in electronic submissions is already contributing to shortened overall clearance timelines. Our industry partners are already at 100% electronic form submission. A planned modification to the Joint

Personnel Adjudication System (the DoD system of record maintained by DSS) will add an electronic fingerprint submission capability. DSS expects to deploy this capability for industry by June of this year. This initiative will allow industry applicants to submit all of their clearance information electronically and will reduce the time an electronic case is suspended at OPM, waiting for hard copy fingerprints to be mailed and catch up to the electronic submission of the investigative forms.

The completed investigation is then sent to one of the DoD adjudication facilities. The adjudicator reviews the completed investigation, and any additional documentation provided with the case to determine whether or not to grant, deny, or revoke access to classified information. In a small percentage of the cases, there is insufficient information to make a determination and further inquiries or expanded investigations are necessary. In other cases, when there is a decision to deny or revoke a clearance, the subject is given the opportunity to appeal the decision using the DoD's due process system required by executive order.

For the adjudication phase of the process, DoD has reduced the time to adjudicate completed investigations from 80% in an average of 53 days in first quarter fiscal year 2007 to 80% in an average of 30 days in first quarter fiscal year 2008. The Defense Industrial Security Clearance Office, an element of DSS, is responsible for adjudications of investigations for industry. In December 2007, 80% of industry adjudications were completed in an average of 34 days, which slightly exceeds the current IRTPA goal of 80% in an average of 30 days and the 2006 self-imposed goal of 80% in an average of 25 days. This higher timeline is due in part to

a significant increase in OPM's output, which has increased DoD workload. DSS has initiated several internal process improvements beginning in January 2008 to reduce the adjudicative timelines of industry cases, including hiring additional adjudicators and contractor support to meet current requirements. We expect to see continued improvement on timelines within 90 to 120 days.

In December of 2007, DoD's overall end-to-end timeliness of the security clearance process was 80% in an average of 112 days. It should be noted, however, that while we strive to meet the 80% standard established by IRTPA, this leaves us with 20% or nearly 140,000 cases per year that exceed those timelines and in some cases significantly. In October 2007, the National Industrial Security Program Policy Advisory Committee Ad Hoc Working Group, consisting of members from Industry, OPM, DoD and the Information Security Oversight Office, compiled end-to-end processing time metrics for Top Secret and Secret investigations for completed industry investigations. The survey did not demonstrate any significant improvement in timeliness over the past year. However, the survey included all completed work, including that representing OPM's efforts to reduce the investigations backlog, not just a measure of the fastest 80% as required by IRTPA. It should be noted that during that time, a significant number of older investigations were completed thereby driving up average timelines and diminishing the progress made for the fastest 80%.

DoD policy also requires the reciprocal acceptance of existing investigations and clearance determinations rendered by the Intelligence

Community or other Executive branch agencies. The Department fully embraces OMB's reciprocity policy that established the standards for reciprocal recognition of security clearances. As a rule, when contractor personnel change employment from one company to another or a government employee transfers to a different federal agency, the current clearance eligibility remains valid. In fact, our cleared industry partners have the capability within our central security database, to establish a relationship with any clearance eligible subject and grant them access to classified information without further delay.

In regard to billing for the Personnel Security Investigation portion of the process, the DSS is the lead DoD agency for managing the process. Until last year, DSS was dependent on reprogramming actions to fund its core mission areas. After an extensive review within DoD by the Comptroller and Program Analysis and Evaluation (PA&E) organizations, it was determined that the existing DSS funding allocation was not sufficient to meet its basic infrastructure funding requirements. The Department resolved the DSS baseline funding shortfall and fully funded transformation efforts in the FY09 President's Budget request. DSS funding for fiscal years 2008 and 2009 is sufficient for all missions and no reprogramming actions are anticipated.

While we recognize our improvements to date, we are by no means satisfied with the current length of time it takes to process clearances. Nor are we satisfied with the fact that several of the Department's components have not yet met some of the 2007 self-imposed goals, which will help us attain the December 2009 IRTPA goal of 90% of adjudications completed

in an average of 20 days. While the IRTPA goals provide direction, those objectives include only the investigative and adjudicative segments of the process. The IRPTA goals do not provide end-to-end process performance measures for all portions of the process, nor do they capture all of the opportunities for improvement such as timeliness requirements for submission, handling time between organizations or due process. The Security Clearance Oversight Group, chaired by OMB, has established aggressive standards for those elements of the overall process that are not referenced in IRTPA.

Clearance Transformation is also one of the Secretary of Defense's top 25 priorities for the Department. The Secretary's call for improvement to the security clearance process is matched by the DNI, who has placed security clearance reform in his 100- and 500-day Plans. Together, these senior leaders established the Joint Security Clearance Process Reform Team in June 2007, charging this expert group to develop a transformed, modernized, fair and reciprocal security clearance process for the entire Executive branch. The Joint Team conducts its activities with oversight and concurrence from the OMB, and the participation from other agency partners. For example, the Joint Team recently learned through the concurrent reform effort of OPM that the processes for determining eligibility for access to classified information, suitability for Federal employment, eligibility to work on a Federal contract, and granting access to Federally-controlled facilities and information systems rely on very similar background data; however, the processes for collecting and analyzing that data are not sufficiently coordinated. It was decided that the most efficient way to proceed was to combine the two efforts into one.

Therefore, the overall scope of the reform effort now encompasses aligning security clearances and federal employment suitability, to ensure the Executive branch executes these authorities within a framework that maximizes efficiency and effectiveness. The importance of this project was underscored on February 5, 2008, when the President issued a memorandum acknowledging the work of this combined group and directed the heads of executive departments and agencies to provide all information and assistance requested by the Director of OMB in this important endeavor. The memo also directs the Director of the OMB, the Director of the OPM, the Assistant to the President for National Security Affairs, the DNI, and the Secretary of Defense, to submit to the President an initial reform proposal not later than April 30, 2008, that includes, as necessary, proposed executive and legislative actions to achieve the goals of reform.

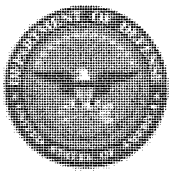
In its first phase of the team's activity, concluding in August 2007, the Joint Team developed a proposal for a transformed security clearance system that would meet the IRTPA timeline goals, while ensuring that quality and cost are balanced to serve the enterprise. Currently, the Joint Team is conducting concurrent work in three areas: information technology, policy development/revision, and targeted demonstration activity that seeks to validate innovations in the new process design. The primary innovations driving the transformation involve the use of more automated processes and data collection mechanisms that aim to significantly reduce processing times by eliminating manual, time intensive activities. The new process proposes the use of new investigative tools, an end-to-end information management system, a continuous risk management philosophy, and efficient standardized business practices.

Every related component within the Department has made improving this process a top priority. Of particular note are the efforts within the Army. They currently have an effort underway, using the Lean-Six-Sigma toolset, to design a new front-end business model geared to maximize the use of automation, eliminate redundant processes and improve timeliness. The Army's efforts are already validating the efficiencies to be gained by adopting the process of receiving completed investigations electronically that was developed by OPM last year, eliminating mailing time and mailing expenses as well as reducing mail room handling time and manpower. The next phase of their efforts will include a demonstration project using automation to make adjudicative decisions on investigations that have no significant or actionable derogatory information. If viable, this process could demonstrate an automated, electronic adjudication for up to 30% of our investigations, with no discernable increase in risk. Simultaneously, the DoD Personnel Security Research Center is continuing to pursue the possibility of supplementing or replacing some of the "boots on the ground" investigation techniques with automated checks of commercial databases.

While we must continue to improve our current clearance process, we recognize that efficiencies will only get us so far. Unless there is a concerted effort to change what we do and not just how we do it, we have not done our jobs. The Joint Security Clearance Process Reform Team is that effort. It is this combined vision and initiative that I believe is uniting the Federal Security community with one goal and one purpose: the transformation of the security clearance process and the alignment of the suitability process. I am confident that sufficient executive commitment exists to ensure that security clearance reform will be achieved.

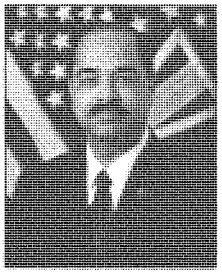
Thank you for the opportunity to appear before you and testify on the Department's security clearance process and ongoing reforms. We look forward to working with the Committee on this very important matter as we continue to improve the security clearance process.

Mr. Chairman, this concludes my statement.



Gregory Torres

Director of Security
Deputy Under Secretary of Defense
(Counterintelligence and Security)



Mr. Gregory Torres currently serves as the Director of Security, Deputy Under Secretary of Defense (Counterintelligence and Security), Under Secretary of Defense (Intelligence), Office of the Secretary of Defense. He is a member of the Defense Intelligence Senior Executive Service and is responsible for the development, promulgation and oversight of Department of Defense policy for personnel security, physical security, industrial security, information security, operations security, chemical/biological security, special access program security, and research and technology protection.

Mr. Torres began his government career in 1980 in the Communications Intelligence field with the Marine Corps. His assignments in the Corps included Florida, Scotland, Japan, New Orleans, Marine Corps Headquarters in Washington, D.C. and several deployments to Korea and aboard Navy ships. During these assignments, Mr. Torres became one of the Corps' subject matter experts in Physical, Personnel, and Computer Security, Secure Communications and Classification Management. He also trained with the Royal Marines in Counter-terrorism operations. His last assignment with the Marine Corps saw him performing security oversight inspections of Marine Corps Special Security Offices (SSOs).

In 1993, Mr. Torres left the Marine Corps and was hired as the Special Security Officer for the Joint Warfare Analysis Center in Dahlgren, VA. Responsible for all aspects of the Command's Sensitive Compartmented Information program, Mr. Torres was later assigned as the acting Director of Security and the Command Program Security Officer for Special Access Programs. In May 1998 Mr. Torres accepted a position with the Office of Naval Intelligence as the Command Security Officer and Force Protection Officer. This assignment included direction of the Command's Police Force and Physical Security program. He was later assigned as the acting Deputy Director of the Security Directorate and Deputy SSO for the Department of the Navy. In June of 2002 Mr. Torres transferred to the Army, first as the Deputy G-2 and Director of the Intelligence and Technology Security Activity for HQ Army Materiel Command and then as the Chief of the Security Division for the Department of the Army. During his last assignment with the Army, Mr. Torres directed multiple security disciplines, including: Personnel, Information & Industrial Security; Polygraph, Tempest, Technical Surveillance Countermeasures, Special Access Programs, Communications Security, the Army Research Technology Protection program, and the Army's Sensitive Compartmented Information Program.

In June 2006 Mr. Torres was selected as the Deputy Director for Security Education Training and Awareness at the Defense Security Service and was promoted into the Senior Executive Service. In September of 2006 he was selected and assigned to his current position.

Mr. Torres is a graduate of the Senior Executive Fellows Program at Harvard University. He is also the recipient of numerous military and civilian awards for his work in the field of Security, to include the Navy Achievement Medal, Navy Commendation Medal, the Navy's Meritorious and Superior Civilian Service Awards, the Army's Commander's Award for Civilian Service, and twice received the Army's Superior Civilian Service Award.

Statement of

Kathy L. Dillaman
Associate Director
Federal Investigative Services Division
Office of Personnel Management

before the

Subcommittee on Readiness
Committee on Armed Services
U.S. House of Representatives

on

Readiness at Risk: Department of Defense Security Clearance Processes

February 13, 2008

Mr. Chairman, and Members of the Subcommittee:

It is my pleasure to appear before you today to discuss the Office of Personnel Management's (OPM's) support of the Department of Defense's (DOD's) security clearance process and compliance with the Intelligence Reform and Terrorism Prevention Act of 2004 (IRTPA). As the agency responsible for 90 percent of the Federal workforce's background investigations, OPM continues to ensure the goals and expectations set out by Congress and President Bush are met in a timely manner.

Background

OPM's mission is to ensure the Federal Government has an effective civilian workforce. To accomplish this mission, OPM provides background investigation products and services to Federal agencies, including DOD, to assist them in making security clearance or suitability decisions on civilian, active military, and contractor personnel. The division responsible for conducting background investigations is the Federal Investigative Services Division (FISD), headquartered in Boyers, Pennsylvania.

By statutory requirement, on February 20, 2005, DOD's personnel security investigations program and staff were consolidated with the OPM investigations staff which is headquartered in Pennsylvania. This meant the absorption of over 1,600 Defense Security Service (DSS) staff by OPM, along with 145,000 background investigations in process, and all ongoing DSS workloads previously handled by DOD.

Currently, DOD is our largest customer agency for national security investigations. In fact, of the two million investigations OPM conducted in Fiscal Year 2007, over one million were processed for DOD, including over 640,000 that supported security clearance determinations.

Status of the security clearance and investigation process

The investigation and security clearance process includes four critical areas that must be managed effectively for efficient processing: workload projections, agency submission of investigation requests, the investigations process, and agencies' adjudication processes. Significant progress has been made in these areas to improve the overall timeliness of investigations and adjudications, and we are continuing to work aggressively to resolve any issues that may delay security clearance determinations.

Workload projections: To staff the investigation and adjudication programs responsibly, agencies must develop a process to accurately project their investigation needs. OPM works with agencies to project annual workloads, which may vary significantly year to year depending on hiring patterns and contracting efforts.

Timeliness and quality of agency submissions for investigations: Using technology to speed the time it takes to process the paperwork required to conduct an investigation, OPM's electronic Questionnaires for Investigations Processing (e-QIP) allows subjects to submit their security clearance forms electronically, improving both clearance processing timeliness and the quality of the information supplied. During the first quarter of Fiscal Year 2008, DOD submitted 82 percent of all security clearance investigations through e-QIP, reducing the processing time for submission from 30 days to 14 days, on average.

Investigations Timeliness: The Intelligence Reform and Terrorism Prevention Act of 2004 requires 80 percent of background investigations for initial security clearances to be completed within an average of 90 days by 2006. As of today, OPM is exceeding this statutory goal. In fact, of the 586,569 initial clearance investigations OPM received during Fiscal Year 2007, 80 percent were completed in an average of 67 days (92 days for 64,722 Top Secret and 63 days for 404,534 Secret/Confidential). As a result of OPM's increased investigations staffing level of over 9,400 Federal and contractor employees, there is no longer a backlog of initial clearance investigations due to insufficient manpower resources. In fact, this staff increase has resulted in the substantial decrease in the time it takes to complete the majority of the background checks submitted to OPM. During October 2006, there were over 98,000 pending initial clearance investigations that were over 180 days in process; however, as of January 26, 2008, OPM only had 22,115 pending investigations over 180 days in process. Other factors also contributed to OPM's timeliness improvements. One such factor is the agency's ability to receive third-party information in a more timely manner. OPM has successfully negotiated agreements with a number of Federal, State and local record agencies so that individuals' records are provided to OPM more rapidly. Another factor is our improved ability to work with the international community and the State Department. In 2007, we sent 360 agents abroad and closed more than 24,000 international leads for new employee clearances or reinvestigations of current Federal employees and contractors

Even though we have decreased the time it takes to complete background investigations, we have not compromised quality in the process. Over time, OPM has developed additional internal quality control processes including a dedicated Quality Management Group to ensure that background checks continue to meet investigative standards. OPM has met these standards with less than 1 percent of all completed investigations returned to OPM for quality deficiencies by agencies' adjudicating personnel.

Adjudications Timeliness: OPM continues to work with agencies to find ways to ensure adjudications are completed quickly, and the expanded use of OPM's electronic imaging system to transmit investigative results has helped improve this process. In many cases, an agency's in-house record system is linked to OPM's data base so adjudications can be updated electronically. One good example of how this works is the pilot we completed with the Department of the Army, starting in August 2007. To date, over 113,000 completed investigations have been electronically sent Army for adjudication action, making the entire process between OPM and Army virtually paperless. During Fiscal Year 2008, we expect other agencies to adopt this method of receiving completed investigations.

Billing Process

OPM's investigation program operates under a revolving fund, fee-for-service structure. A fixed price is determined each year for each type of investigation to ensure full cost recovery as required by law. The cost of the investigation includes all contractor and Federal labor costs, infrastructure costs, fees paid for third-party records, such as FBI fingerprint checks, police records, and birth verifications, and any capital investments needed to support the investigations program. We have been working closely with DOD to provide additional backup to our billing records which supports management of their internal personnel security program budget

Reform Initiatives

OPM is continuing to optimize the current process by maintaining adequate staffing, building partnerships with information suppliers, and through greater use of information technology. This year, *EPIC*, which is OPM's integrated suite of automation tools that support the investigations and adjudications process, will allow for total end-to-end paperless processing for those agencies equipped to implement them.

By linking e-QIP, which collects the subjects' background information electronically, along with imaged fingerprints and supporting documents, to OPM's automated investigations processing system, data and required forms can now move seamlessly between the subject, their clearance granting agency, and OPM without paper handling, mail, or redundant data entry.

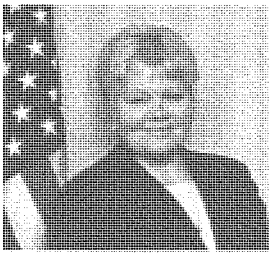
During investigations processing, relevant data is relayed electronically to Federal, State, and local record providers, as well as OPM's field investigators, for their use in conducting required interviews and record searches. Reports of investigation are constructed and stored in a data format, along with text, data, or imaged results received from third-party record suppliers. The investigative results can then be electronically bundled for transmission to the adjudicating agency.

In addition, our work with national, State, and local record providers will continue to improve the processes for obtaining required information.

We are also partnering with the Office of the Director of National Intelligence and the Department of Defense for more significant reforms to the overall security clearance processes. On February 5, 2008, President Bush issued a memorandum to the heads of the Executive Departments and Agencies reaffirming his support in reforming the personnel security clearance program across Government. This reform effort is challenging traditional processing from application through adjudication. The ultimate outcome of this effort will be a Government-wide system that continues to protect national security for the Federal workforce through more modern processes that are secure, dependable, scalable, and time and cost efficient.

This concludes my remarks. I would be happy to answer any questions the Subcommittee may have.

Associate Director, Federal Investigative Services Division (FISD)



Kathy Dillaman

Kathy L. Dillaman is the Associate Director of Investigations for U.S. Office of Personnel Management (OPM), Federal Investigative Services Division (FISD). An OPM Senior Executive since 1999, Director Springer appointed Ms. Dillaman to her current position in October 2005.

OPM's Federal Investigative Services Division is the Federal Government's largest provider of background investigations and services, supporting over 90 Federal agencies' personnel security programs.

Ms. Dillaman oversees OPM-FISD's operations in Washington, DC, Boyers, Pennsylvania, Ft. Meade, Maryland offices, as well as Regional operations. She is responsible for FISD's operations, policy development, and contractor oversight of OPM's Investigations Program with an annual revolving fund of over $500 million.

Previously, Ms. Dillaman was one of the senior managers responsible for the automation of OPM's investigations processing system. The Personnel Investigations Processing System (PIPS) is considered one of the government's most successful automation efforts.

Ms. Dillaman participates on several national panels and committees, including the Compact Council, established under the authority of Title II, Public Law 105-261 and the Federal Working Group of the Criminal Justice Information Services' (CJIS) Advisory Policy Board. This Working Group represents the Federal criminal and non-criminal justice community on issues of worldwide importance.

In 2004, Ms. Dillaman was awarded the Presidential Rank Award for Meritorious Executive. Born in Grove City, Pennsylvania, Kathy attended Slippery Rock University and is a graduate of the Federal Executive Institute. She and her husband Garry have two children and one grandchild.

United States Government Accountability Office

GAO

Testimony

Before the Subcommittee on Readiness, Committee on Armed Services, House of Representatives

For Release on Delivery
Expected at 2:00 p.m. EST
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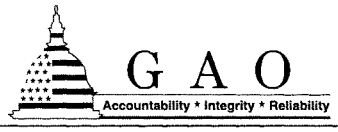
DOD PERSONNEL CLEARANCES

DOD Faces Multiple Challenges in Its Efforts to Improve Clearance Processes for Industry Personnel

Statement of Jack E. Edwards, Acting Director
Defense Capabilities and Management



GAO-08-470T

February 13, 2008

GAO
Accountability · Integrity · Reliability
Highlights

Highlights of GAO-08-470T, a testimony before the Subcommittee on Readiness, Committee on Armed Services, House of Representatives

DOD PERSONNEL CLEARANCES

DOD Faces Multiple Challenges in Its Efforts to Improve Clearance Processes for Industry Personnel

Why GAO Did This Study

The Department of Defense (DOD) maintains approximately 2.5 million security clearances on servicemembers, federal DOD civilian employees, industry personnel for DOD and 23 other federal agencies, and employees in the legislative branch. Delays in determining eligibility for a clearance can heighten the risk that classified information will be disclosed to unauthorized sources, increase contract costs, and pose problems in attracting and retaining qualified personnel. In this statement, GAO addresses: (1) the status of DOD's efforts to improve its projections of the numbers of clearances needed for industry personnel, and (2) other long-standing challenges that have a negative effect on the efficiency and effectiveness of DOD's personnel security clearance program for industry personnel. This statement is based on a report GAO is issuing today (GAO-08-350) and other prior work, which included reviews of clearance-related documents and interviews of senior officials at DOD and the Office of Personnel Management (OPM).

What GAO Recommends

GAO made recommendations to address DOD's security clearance challenges. For example, in the report we are issuing today, GAO recommended that DOD provide Congress with information on funding and quality in clearance processes. DOD concurred and indicated it would provide that information in its 2009 report to Congress.

To view the full product, click on GAO-08-470T. For more information, contact Jack Edwards at (202) 512-8246 or edwardsj@gao.gov, or Brenda Farrell at (202) 512-3604 or farrellb@gao.gov.

What GAO Found

DOD has had a long-standing challenge in accurately projecting the number of clearance investigations that will be required in the future for industry personnel. The Office of Management and Budget (OMB) developed criteria for these projections in November 2005. It established a governmentwide goal for agencies to refine their projections of the number of clearance investigations that will be required in any given year to be within 5 percent of the number of actual requests for investigation. At a May 2006 congressional hearing, an OPM Assistant Director stated that DOD had exceeded its departmentwide projection by 59 percent for the first half of fiscal year 2006. The negative effects of such inaccurate projections include impediments to workload planning and funding. GAO noted the problem with the accuracy of DOD's projections in its February 2004 report and recommended that DOD improve its projections for industry personnel. In the report it is issuing today, GAO noted that DOD has initiated changes to improve its estimates of future investigation needs and is conducting research that may change these methods further. For example, in 2006, DOD took steps to increase the response rate of its annual survey used as a basis for determining its projections. In 2007, it changed its methods for analyzing data that informs its projections. However, DOD has not yet demonstrated the effectiveness of these changes.

DOD must address additional long-standing challenges or issues in order to improve the efficiency and accuracy of its personnel security clearance program for industry personnel. First, continuing delays in determining clearance eligibility can result in increased costs and risk to national security. For example, when new employees' clearances are delayed, it affects their abilities to perform their duties fully since they do not have access to classified material. Second, DOD and the rest of the federal government provide limited information to one another on how they individually ensure the quality of clearance products and procedures, which affects reciprocity of clearances. Reciprocity occurs when one government agency fully accepts a security clearance granted by another government agency. GAO's September 2006 report noted that agencies may not reciprocally recognize clearances granted by other agencies because of concerns that other agencies may have granted clearances based on inadequate investigations and adjudications. Third, in DOD's August 2007 report to Congress, it provided less than 2 years of funding-requirements information, which limits congressional awareness of future year requirements for this program. Fourth, DOD does not have a comprehensive DOD-specific plan to address delays in its clearance program. While there is a governmentwide effort to reform the clearance process, it is projected not to be operational until beyond December 2008.

Chairman Ortiz and Members of the Subcommittee:

I am pleased to be here today to discuss several of the long-standing challenges that affect the efficiency and effectiveness of the Department of Defense's (DOD) personnel security clearance program for industry personnel. DOD's clearance program maintains approximately 2.5 million clearances on servicemembers, federal DOD civilian employees, industry personnel for DOD and 23 other federal agencies, and employees in the federal legislative branch. For more than two decades, we have documented challenges to DOD's clearance program.

Long-standing delays in determining clearance eligibility and other clearance challenges led us to designate DOD's personnel security clearance program as a high-risk area in January 2005 and to continue that designation in the updated list of high-risk areas that we published in 2007.[1] We identified this as a high-risk area because problems in the clearance program can negatively affect national security. For example, delays in renewing security clearances for personnel who are already doing classified work can lead to a heightened risk of unauthorized disclosure of classified information. In contrast, delays in providing initial security clearances for previously noncleared personnel can result in other negative consequences, such as additional costs and delays in completing national security-related contracts, lost-opportunity costs, and problems retaining the best qualified personnel. At the same time, our work has acknowledged recent improvements to the department's clearance processes that were DOD-specific or part of governmentwide efforts.

My statement today will focus on two issues: (1) the status of DOD's efforts to improve its projections of the number of clearances needed for industry personnel, and (2) an overview of other long-standing challenges that have a negative effect on the efficiency and effectiveness of DOD's personnel security clearance program for industry personnel. My statement draws on a report which we are issuing today[2] and on our prior

[1]GAO, *High-Risk Series: An Update*, GAO-07-310 (Washington, D.C., January 2007); and *High-Risk Series: An Update*, GAO-05-207 (Washington, D.C.: January 2005). The areas on our high-risk list received their designation because they are major programs and operations that need urgent attention and transformation in order to ensure that our national government functions in the most economical, efficient, and effective manner possible.

[2]GAO, *DOD Personnel Clearances: Improved Annual Reporting Would Enable More Informed Congressional Oversight*, GAO-08-350 (Washington, D.C., Feb. 13, 2008).

work on clearance processes which included reviews of clearance related documents and interviews of senior officials at DOD and the Office of Personnel Management (OPM) which has the primary responsibility for providing investigation services to DOD. Our work was performed in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions, based on our audit objectives. We believe that the evidence we obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. A list of our related GAO products can be found at the end of this statement.

Summary

DOD has had a long-standing challenge in accurately projecting the number of clearance investigations that will be required in the future for industry personnel. In November 2005, the Office of Management and Budget (OMB) reported a governmentwide goal for agencies to refine their projections of the number of clearance investigations that will be required in any given year to be within 5 percent of the numbers of actual requests for investigation. In contrast, at a May 2006 congressional hearing, an OPM Assistant Director stated that DOD's actual number of clearance investigation requests exceeded its departmentwide projection by 59 percent for the first half of fiscal year 2006. The negative effects of such inaccurate projections include impediments to workload planning and funding. These negative effects led us to recommend in our February 2004 report that DOD improve its projections for industry personnel. In the report we are issuing today on security clearances, we note that DOD initiated changes to improve its estimates of future investigation needs and is conducting research that may change these methods further. DOD's Defense Security Service (DSS) took steps to improve the response rate of its annual survey used to determine the number of clearances that industry anticipates needing in order to perform classified work. First, in 2006 to improve response rates, DSS made its annual survey accessible through the Internet, and DSS field staff began actively encouraging industry representatives to complete this voluntary survey. Second, in 2007, DSS changed the methods it uses to analyze the survey data. For example, DSS began performing weekly analyses of future investigation needs rather than relying on the previous method of performing a one-time annual analysis of its survey results. DSS also changed its analysis procedures by including variables (e.g., company size) not previously accounted for in its analyses. In addition to these recent changes to the methods DSS uses to develop its projections, DOD is conducting research that may change

these methods further. However, DOD has not yet demonstrated the effectiveness of these changes.

DOD must address additional long-standing challenges or issues in order to improve the efficiency and effectiveness of its personnel security clearance program for industry personnel. First, delays in determining the eligibility for a clearance continue. For example, DOD's August 2007 congressionally mandated report on clearances for industry personnel noted that it took 276 days to complete the end-to-end processing of initial top secret clearances in the first 6 months of fiscal year 2007. These delays result in increased costs and risk to national security, such as when new industry employees are not able to begin work promptly and employees with outdated clearances have access to classified documents.[3] Second, DOD and the rest of the federal government provide limited information to one another on how they individually ensure the quality of clearance products and procedures which affects reciprocity of clearances. Reciprocity occurs when one government agency fully accepts a security clearance granted by another government agency. In our September 2006 report, we noted that agencies may not reciprocally recognize clearances granted by other agencies because the other agencies may have granted clearances based on inadequate investigations and adjudications.[4] Third, in DOD's August 2007 report to Congress it provided less than 2 years of funding-requirements information which limits congressional awareness of future year requirements for this program. Fourth, DOD currently has no comprehensive DOD-specific plan to address delays in its clearance program. There is a new governmentwide effort led by an interagency security clearance process reform team to reduce delays in the security clearance process.[5] However, the future system will not be operational until some time after December 2008. We have recommended that DOD take several actions to address each of these challenges in our prior work. Most recently, in the report we are issuing today, we are recommending that DOD augment its annual report on industry personnel security clearances with additional information on funding and quality in clearance processes. DOD concurred with those recommendations and indicated it would provide that information in its 2009 report.

[3]GAO-08-350.

[4]GAO, *DOD Personnel Clearances: Additional OMB Actions Are Needed to Improve the Security Clearance Process*, GAO-06-1070 (Washington, D.C.: Sept. 28, 2006).

[5]GAO-08-350.

Background

As with servicemembers and federal workers, industry personnel must obtain security clearances to gain access to classified information. Clearances are categorized into three levels: top secret, secret, and confidential. The level of classification denotes the degree of protection required for information and the amount of damage that unauthorized disclosure could reasonably cause to national security. The degree of expected damage that unauthorized disclosure could reasonably be expected to cause is "exceptionally grave damage" for top secret information, "serious damage" for secret information, and "damage" for confidential information.[6]

DOD's Office of the Under Secretary of Defense for Intelligence [OUSD(I)] has responsibility for determining eligibility for clearances for servicemembers, DOD civilian employees, and industry personnel performing work for DOD and 23 other federal agencies, and employees in the federal legislative branch.[7] That responsibility includes obtaining background investigations, primarily through OPM. Within OUSD(I), DSS uses OPM-provided investigative reports to determine clearance eligibility of industry personnel. DOD has responsibility for adjudicating the clearances of servicemembers, DOD civilians, and industry personnel. Two DOD offices are responsible for adjudicating cases involving industry personnel: the Defense Industrial Security Clearance Office within DSS and the Defense Office of Hearings and Appeals within the Defense Legal Agency. Accordingly, the Defense Industrial Security Clearance Office adjudicates cases that contain only favorable information or minor issues regarding security concerns (e.g., some overseas travel by the individual). The Defense Office of Hearings and Appeals adjudicates cases containing major security issues (e.g., an individual's unexplained affluence or

[6]5 C.F.R. § 1312.4 (2007).

[7]DOD, *National Industrial Security Program: Operating Manual*, DOD 5220.22-M (Feb. 28, 2006), notes that heads of agencies are required to enter into agreements with the Secretary of Defense for the purpose of rendering industrial security services. The following 23 departments and agencies have entered into such agreements: (1) National Aeronautics and Space Administration, (2) Department of Commerce, (3) General Services Administration, (4) Department of State, (5) Small Business Administration, (6) National Science Foundation, (7) Department of the Treasury, (8) Department of Transportation, (9) Department of the Interior, (10) Department of Agriculture, (11) Department of Labor, (12) Environmental Protection Agency, (13) Department of Justice, (14) Federal Reserve System, (15) Government Accountability Office, (16) U.S. Trade Representative, (17) U.S. International Trade Commission, (18) U.S. Agency for International Development, (19) Nuclear Regulatory Commission, (20) Department of Education, (21) Department of Health and Human Services, (22) Department of Homeland Security, and (23) Federal Communications Commission.

criminal history) that could result in the denial of clearance eligibility and possibly lead to an appeal.

Recent significant events affecting DOD's clearance program include the passage of the Intelligence Reform and Terrorism Prevention Act of 2004[8] and the issuance of the June 2005 Executive Order 13381, "Strengthening Processes Relating to Determining Eligibility for Access to Classified National Security Information." The act included milestones for reducing the time to complete clearances, general specifications for a database on security clearances, and requirements for reciprocity of clearances. Among other things, the executive order stated that OMB was to ensure the effective implementation of policy related to appropriately uniform, centralized, efficient, effective, timely, and reciprocal agency functions relating to determining eligibility for access to classified national security information.

Another recent event affecting DOD's clearance program was the passage of the John Warner National Defense Authorization Act for Fiscal Year 2007[9] which required DOD to include in its annual budget submission to Congress a report on DOD's industry personnel clearance investigations program. In response to that mandate, DOD's August 2007 Annual Report to Congress on Personnel Security Investigations for Industry described DOD-specific and governmentwide efforts to improve security clearance processes.[10] For example, one DOD-specific action described in the report is the addition of a capability to electronically submit a clearance applicant's form authorizing the release of medical information. In addition, one governmentwide effort described in the report is that all requests for clearances are now being submitting using OPM's Electronic Questionnaires for Investigations Processing.

[8]Pub. L. No. 108-458 (2004).

[9]Pub. L. No. 109-364, §347 (2006).

[10]DOD, *Annual Report to Congress on Personnel Security Investigations for Industry and the National Industrial Security Program* (August 2007). This first of a series of annual reports was mandated by the John Warner National Defense Authorization Act for Fiscal Year 2007, Pub. L. No. 109-364, §347 (2006).

DOD's Procedures for Projecting Future Industry Investigation Needs Are Evolving, but the Effectiveness of These Efforts Is Unclear

DOD has had a long-standing challenge in accurately projecting future industry investigation needs and is developing and implementing new methods to improve its procedures. However, DOD has not yet demonstrated the effectiveness of these changes. Since 2001, DOD has conducted an annual survey of contractors performing classified work for the government in order to estimate future clearance-investigation needs for industry personnel, but those estimates have not accurately reflected actual clearance needs. In November 2005, OMB reported a governmentwide goal whereby agencies have been asked to work toward refining their projections of required investigations to be within 5 percent of the numbers of actual requests for investigation.[11] However, according to an OPM Associate Director's May 2006 congressional testimony, DOD exceeded its departmentwide projection by 59 percent in the first half of fiscal year 2006.

Our work has shown that DOD's long-standing inability to accurately project its security clearance workload has had negative effects on its clearance-related budgets and staffing requirements. For example, as we reported in 2004, the services and defense agencies had to limit the number of overdue reinvestigations that they submitted for investigation in fiscal year 2000 because they did not budget sufficient funds to cover the costs of the workload.[12] Furthermore, in April 2006, DOD temporarily stopped processing applications for clearance investigations for industry personnel, attributing the stoppage to a large volume of industry clearance requests and funding problems.[13]

In May 2004, we addressed DOD's problems with inaccurately projecting the future number of clearances needed for industry personnel and the negative effect of inaccurate projections on workload planning.[14] In that report, we recommended that OUSD(I) improve its projections of clearance requirements for industry personnel—for both the numbers and types of clearances—by working with DOD components, industry

[11]OMB, *Plan for Improving the Personnel Security Clearance Process* (November 2005).

[12]GAO, *DOD Personnel Clearances. DOD Needs to Overcome Impediments to Eliminating Backlog and Determining Its Size*, GAO-04-344 (Washington, D.C.: Feb. 9, 2004).

[13]GAO, *DOD Personnel Clearances: Funding Challenges and Other Impediments Slow Clearances for Industry Personnel*, GAO-06-747T (Washington, D.C.: May 17, 2006).

[14]GAO, *DOD Personnel Clearances: Additional Steps Can Be Taken to Reduce Backlogs and Delays in Determining Security Clearance Eligibility for Industry Personnel*, GAO-04-632 (Washington, D.C.: May 26, 2004).

contractors, and the acquisition community to identify obstacles and implement steps to overcome them. At that time, DOD officials attributed inaccurate projections to (1) the use of some industry personnel on more than one contract and often for different agencies, (2) the movement of employees from one company to another, and (3) unanticipated world events such as the September 11, 2001, terrorist attacks. Because DOD continues to experience an inability to accurately project its security clearance workload, we believe that our 2004 recommendation for improving projections still has merit.

In the report on security clearances we are issuing today, we note that DSS has made recent changes to the methods it uses to develop these estimates, and it is conducting research that may change these methods further. For example, DOD has modified the procedures for annually surveying contractors performing classified work for the government in order to more accurately estimate the number of future clearance investigations needed for industry personnel. To improve the response rate to this survey, in 2006, DSS made its survey accessible through the Internet, and DSS field staff began actively encouraging industry representatives to complete this voluntary survey. According to a DSS official, these changes increased the survey response rate from historically low rates of between 10 and 15 percent of the surveyed facilities providing information in previous years to 70 percent of facilities in 2007, which represented 86 percent of industry personnel with a clearance. In addition to improving the response rate for its annual survey, DSS also changed its methods for computing the projections. For example, DSS began performing weekly analyses to refine its future investigation needs rather than relying on the previous method of performing a onetime annual analysis of its survey results. DSS also changed its analysis procedures by including variables (e.g., company size) not previously accounted for in its analyses. In addition, DOD's Personnel Security Research Center is assessing a statistical model for estimating future investigation needs in order to determine if a model can supplement or replace the current survey method. However, it is too early to determine the effect of these new methods on the accuracy of DOD's projections.

DOD Faces Additional Long-standing Challenges to Improving the Efficiency and Effectiveness of Its Personnel Security Clearance Program for Industry Personnel

DOD must address additional long-standing challenges or issues in order to improve the efficiency and effectiveness of its personnel security clearance program for industry personnel. First, delays in the clearance process continue to increase costs and risk to national security, such as when new industry employees are not able to begin work promptly and employees with outdated clearances have access to classified documents. Second, DOD and the rest of the federal government provide limited information to one another on how they individually ensure the quality of clearance products and procedures. Third, in DOD's August 2007 report to Congress, it provided less than 2 years of funding-requirements information which limits congressional awareness of future year requirements for this program. Fourth, DOD currently has no comprehensive DOD-specific plan to address delays in its clearance program.

Delays in Clearance Processes Continue to Be a Challenge

DOD's August 2007 report to Congress noted that delays in processing personnel security clearances have been reduced, yet the time required to process clearances continues to exceed time requirements established by the Intelligence Reform and Terrorism Prevention Act of 2004.[15] This law currently requires adjudicative agencies to make a determination on at least 80 percent of all applications for a security clearance within an average of 120 days after the date of receipt of the application, with 90 days allotted for the investigation and 30 days allotted for the adjudication. DOD's August 2007 congressionally-mandated report on clearances for industry personnel described continuing delays in the processing of clearances. For example, during the first 6 months of fiscal year 2007, the end-to-end processing of initial top secret clearances took an average of 276 days; renewal of top secret clearances, 335 days; and all secret clearances, 208 days.

Delays in clearance processes can result in additional costs when new industry employees are not able to begin work promptly and increased risks to national security because previously cleared industry employees are likely to continue working with classified information while the agency determines whether they should still be eligible to hold a clearance. To

[15]DOD, *Annual Report to Congress on Personnel Security Investigations for Industry and the National Industrial Security Program* (August 2007).

improve the timeliness of the clearance process, we recommended in September 2006 that OMB establish an interagency working group to identify and implement solutions for investigative and adjudicative information-technology problems that have resulted in clearance delays.[16] In commenting on our recommendation, OMB's Deputy Director for Management stated that that National Security Council's Security Clearance Working Group had begun to explore ways to identify and implement improvements to the process.

DOD and the Rest of the Government Provide Limited Information on How to Ensure the Quality of Clearance Products and Procedures

DOD's August 2007 congressionally mandated report on clearances for industry personnel documented improvements in clearance processes but was largely silent regarding quality in clearance processes. While DOD described several changes to the processes and characterized the changes as progress, the department provided little information on (1) any measures of quality used to assess clearance processes or (2) procedures to promote quality during clearance investigation and adjudication processes. Specifically, DOD reported that DSS, DOD's adjudicative community, and OPM are gathering and analyzing measures of quality for the clearance processes that could be used to provide the national security community with a better product. However, the DOD report did not include any of those measures.

In September 2006, we reported that while eliminating delays in clearance processes is an important goal, the government cannot afford to achieve that goal by providing investigative and adjudicative reports that are incomplete in key areas. We additionally reported that the lack of full reciprocity of clearances is an outgrowth of agencies' concerns that other agencies may have granted clearances based on inadequate investigations and adjudications. Without fuller reciprocity of clearances, agencies could continue to require duplicative investigations and adjudications, which result in additional costs to the federal government. In the report we are issuing today, we are recommending that DOD develop measures of quality for the clearance process and include them in future reports to Congress.[17] Statistics from such measures would help to illustrate how DOD is balancing quality and timeliness requirements in its personnel security clearance program. DOD concurred with that recommendation, indicating it had developed a baseline performance measure of the quality

[16]GAO-06-1070.

[17]GAO-08-350.

of investigations and adjudications and was developing methods to collect information using this quality measure.

DOD's Limited Information on Future Funding Requirements Hampers Congressional Awareness of a Key Aspect of the Personnel Security Clearance Program

DOD's August 2007 congressionally mandated report on clearances for industry personnel provided less than 2 years of data on funding requirements. In its report, DOD identified its immediate needs by submitting an annualized projected cost of $178.2 million for fiscal year 2007[18] and a projected funding need of approximately $300 million for fiscal year 2008. However, the report did not include information on (1) the funding requirements for fiscal year 2009 and beyond even though the survey used to develop the funding requirements asked contractors about their clearance needs through 2010 and (2) the tens of millions of dollars that the DSS Director testified to Congress in May 2007 were necessary to maintain the infrastructure supporting the industry personnel security clearance program.

The inclusion of less than 2 future years of budgeting information limits Congress's ability to carry out its oversight and appropriations functions pertaining to industry personnel security clearances. Without more information on DOD's longer-term funding requirements for industry personnel security clearances, Congress lacks the visibility it needs to fully assess appropriations requirements. Elsewhere, DOD provides such longer-term funding projections as a tool for looking beyond immediate budget priorities. Specifically, DOD annually submits the future years defense program to Congress, which contains budget projections for the current budget year and at least the 4 succeeding years. In the report we are issuing today, we are recommending that DOD add projected funding information for additional future years so that Congress can use that information in making strategic appropriation and authorization decisions about the clearance program for industry personnel.[19] DOD concurred with that recommendation and stated that it would implement our recommendation in its 2009 congressional report.

[18]This annualized projection was based on the 41 weeks from October 1, 2006, to July 14, 2007.

[19]GAO-08-350.

DOD Has No Comprehensive Department-specific Plan to Address Delays in its Clearance Program

DOD currently has no comprehensive department-specific plan to address delays and other challenges in its clearance program. In our 2004 report[20] on personnel security clearances for industry personnel, we recommended that DOD develop and implement an integrated, comprehensive management plan to eliminate the backlog, reduce the delays in conducting investigations and determining eligibility for security clearances, and overcome the impediments that could allow such problems to recur. However, DOD continues to address challenges in the security clearance process in an incremental fashion. According to OUSD(I) officials, DOD is pursuing a limited number of smaller-scale initiatives to address backlogs and delays. For example, to address delays in the process, DOD is working with OPM to introduce a new method of obtaining an applicant's fingerprints electronically and implement a method that would enable OPM to transfer investigative records to DOD adjudicators electronically.

The DSS Director said that DSS had been drafting a comprehensive plan to improve security clearance processes for industry personnel, but new governmentwide efforts have supplanted the larger-scale initiatives that DSS was planning. In particular, DOD is relying on a governmentwide effort to reform the clearance system. Agencies involved in this governmentwide effort include the Office of the Director of National Intelligence, DOD, OMB, and OPM. A description of those planned improvements are included in the team's July 25, 2007, terms of reference, which indicate that the reform team plans to deliver "a transformed, modernized, fair, and reciprocal security clearance process that is universally applicable" to DOD, the intelligence community, and other U.S. government agencies. In our November 2007 discussions with DOD officials, the OUSD(I) Director of Security stated that the government expects to have demonstrated the feasibility for components of the new system by December 2008, but the actual system would not be operational for some additional unspecified period.

We believe that our 2004 recommendation for a comprehensive management plan is still warranted because (1) many of the challenges still exist 4 years after we made our recommendation and (2) the date that the reformed system will be in operation is unknown.

[20]GAO-04-632.

Concluding Observations

Mr. Chairman, we are encouraged by some department-specific and governmentwide efforts that have improved DOD's personnel security clearance program, but the challenges identified in this testimony show that much remains to be done. Should these long-standing challenges and issues not be addressed, the vulnerability of unauthorized disclosure of national security information and additional costs and delays in completing national security-related contracts will likely continue. We will continue to monitor DOD's program as part of our series on high-risk issues that monitors major programs and operations that need urgent attention and transformation.

Chairman Ortiz and Members of the subcommittee, this concludes my prepared statement. I would be happy to answer any questions that you may have at this time.

Contact and Acknowledgments

For further information regarding this testimony, please contact me at (202) 512-8246 or edwardsj@gao.gov, or Brenda S. Farrell at (202) 512-3604 or farrellb@gao.gov. In addition, contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. Individuals who made key contributions to this testimony are Grace Coleman, James P. Klein, Ron La Due Lake, Marie Mak, and Karen D. Thornton.

Related GAO Products

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Jack Edwards is an acting director in the Defense Capabilities and Management area at the U.S. Government Accountability Office (GAO). His prior GAO positions include assistant director supervising teams evaluating military personnel programs and social science analyst providing methodological assistance to teams examining national security, international affairs and trade, and acquisition sourcing and management issues. His non-GAO positions include chief of the Personnel Survey Branch at the Defense Manpower Data Center, science advisor to the Chief of Naval Personnel, research psychologist at the Navy Personnel Research and Development Center, and tenured associate professor at the Illinois Institute of Technology.

Since receiving his Ph.D. from Ohio University in 1981, Mr. Edwards has published four textbooks—including *Evaluating Human Resources Program: A 6-Phase Approach for Optimizing Performance*—and published or presented over 100 journal articles, book chapters, and convention papers, in addition to publishing numerous government reports. He is a fellow in the Society for Industrial and Organizational Psychology and the American Psychological Association and a member of the editorial board for the journal, *Personnel Psychology*. Mr. Edwards has earned GAO-wide honors including Meritorious Service and Client Service awards, as well as DCM-wide honors such as the Leadership and Quality awards.

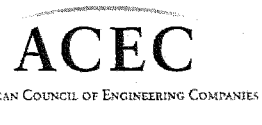
Testimony of

Ben Romero

On behalf of the Security Clearance Reform Coalition

Before the Readiness Subcommittee of the House Armed Service Committee
Of the U.S. House of Representatives
February 13, 2008

Aerospace Industries Association
American Council of Engineering Companies
Armed Forces Communications & Electronics Association
Associated General Contractors of America
Association of Old Crows
Information Technology Association of America
Intelligence and National Security Alliance
National Defense Industrial Association
Professional Services Council



SECURITY CLEARANCE REFORM COALITION
TESTIMONY BEFORE THE READINESS SUBCOMMITTEE OF THE HOUSE ARMED SERVICES COMMITTEE
FEBRUARY 13, 2008

Good afternoon Mr. Chairman, my name is Ben Romero and I speak to you as the chairman of the Intelligence Committee of the Information Technology Association of America (ITAA) and on behalf of the Security Clearance Reform Coalition[1]. I would like to thank you for this opportunity to discuss reform of the clearance granting process. In addition to these oral comments, I ask that the committee accept our attached written recommendations that expand upon many of the issues we feel are critical to addressing this persistent problem.

Industry has used a simple mantra to explain what we believe will bring about transformation of the clearance granting process: one application, one investigation, one adjudication and one clearance. We seek an internet-based application that collects information electronically and forms the basis for an end-to-end digital process that creates a record that can be amended by investigators, adjudicators and security officers for the life of that clearance; an investigation that would be timely, uniform and thorough in its process and product; an adjudication where an applicant is judged using updated, viable post-Cold War criteria; and, a clearance that is accepted across the Federal government with minimal additional vetting.

In looking at the clearance granting process and its effectiveness, the Committee should examine the reports of an industry-led working group of the National Industrial Security Program Policy Advisory Committee (NISPPAC), which recently analyzed actual results from clearances processed through DSS and the Defense Industrial Security Clearance Office (DISCO). This task force found that on average, Secret clearances still took more than 200 days and Top Secret clearances took more than 300 days to process in 2007. This was an end to end analysis measuring from the time an applicant was given access to complete the online SF-86 provided on the Electronic Questionnaires for Investigations Processing website (e-QIP) to the point when the adjudicators determined whether or not a clearance was granted. Even more alarming is the finding of the working group regarding reinvestigations for Top Secret clearances, where the trend line has grown for more than a year and currently tops out at 540 days. Reinvestigations are the periodic reviews of the current clearance holders and these delays impact the ability of current employees to continue working on National Security programs. These findings are the most current and thorough evaluation of the process and gives empirical backing to the anecdotal experiences industry has been reporting for years.

Since this Committee has jurisdiction over the process at the Department of Defense (DoD), I will focus my comments there. A number of issues unique to DoD and the Defense Security Service (DSS) bear mentioning, as they are impacting how members of the defense industrial base are able to meet the National Security mission.

Problems at DSS include: an inability to accurately forecast budget needs; an inability in JPAS to accept electronic attachments, like release forms and digital fingerprints; an inability to identify submitting facility on the JPAS record; an inability to identify additional case codes that

[1] The Security Clearance Reform Coalition is comprised of the Aerospace Industries Association, the American Council of Engineering Companies, AFCEA International, the Associated General Contractors of America, the Association of Old Crows, the Information Technology Association of America, the Intelligence and National Security Alliance, the National Defense Industrial Association and the Professional Services Council.

frequently cause a case to be re-opened for further investigation; and, "out-of-sync" applications.

While there have been some improvements in the budget forecast, the possibility that a future need to reprogram dollars will remain as long as the process is reliant upon estimates and voluntary disclosures of information. Some of the necessary information is resident or available elsewhere and could be captured to enhance the accuracy of the estimation.

The other issues I mentioned are technical in nature and can all be addressed when JPAS is replaced with a more robust system that will create additional capabilities and be able to more efficiently share information. For example, "out-of-sync" applications are applications that, while completed using the e-QIP internet based SF-86 form, are lost in the digital ether because of technical shortcomings. "Out of sync" applications frequently require the applicant to repeat the application, thus adding a delay to processing the clearance.

Another technical problem is the inability to process digital fingerprints through JPAS. Currently, applications processed through JPAS and sent to the Office of Personnel Management (OPM) are not able to bundle in digital format the three main components of the application: signatures for release forms, fingerprints and the SF-86 form. JPAS simply cannot handle digital fingerprints. Instead, applicants must still submit inked fingerprint cards, despite the abandonment of this older technology by the armed services for recruit fingerprinting, other Federal agencies and most local law enforcement. This condition remains a roadblock in the processing of clearances at DoD.

DSS has been responsive to industry's repeated concerns about these and other issues. To their credit, DSS recognized some time ago that it would be necessary to replace JPAS in order to enable these and other capabilities the Department wants as part of an end-to-end automated clearance process. But resources have been scarce and solutions have not been implemented. This is something that the Committee can help remedy.

Since DoD is the largest customer for OPM, it bears mentioning the problems that are rooted in the investigative portion of the process and how those are delaying clearances at DoD. These include: the inefficient marriage of e-QIP applications with fingerprint cards and release forms; too much touch labor in the investigative stage of the process, including printing of electronic records because PIPS is incapable of saving attachments like criminal or electronic records; bar-coding and scanning (imaging) of documents rather than using a truly electronic record and the mailing of investigative files back and forth between OPM and field investigators.

I would like to close by commending the President for his February 5, 2008 memo that called for the submission of a plan to transform the clearance granting process no later than April 30, 2008. This memo memorializes the activity of a Joint Task Force coordinated by the Office of Management and Budget (OMB), the Undersecretary of Defense for Intelligence (USD(I)), the Director of OPM and the Office of the Director of National Intelligence (ODNI). This task force has proceeded under the premise that we need to bring about transformation of the way we determine whether or not someone is trustworthy enough to handle the Nation's critical

information. The effort would change what we ask, the way we ask it, how we ask it and the way we grant and maintain clearances once granted. This approach is different because it does not seek to fix the parts of the broken process we use today, but instead creates a new, more efficient process going forward.

Industry has been apprised of the work of this group and we fully support this initiative. The Tiger Team intends to use technology to create an end-to-end, automated, interoperable process that collects information in new and different ways and takes advantage of government and commercial databases to expedite the application, investigation and adjudication. These new technologies will also facilitate reciprocity. While industry is optimistic about the work of this Tiger Team and waits to evaluate their report in April, further action is needed now.

The IRTPA was passed by the Congress in 2004 – and the delays in the clearance granting process have been recognized for decades - but we are still calling for a plan. Further delays – be they bureaucratic, legislative or budgetary – should no longer be tolerated. We must move beyond additional calls for plans and begin to actually make investments to change the process. These plans must include the resources for DSS to build and deploy a replacement for JPAS.

The nine associations of the Security Clearance Reform Coalition again thank the Committee for this opportunity to highlight our perspectives in this deliberation. We hope that 2008 will finally be the year that we see solutions implemented.

Recommendations of the

Security Clearance Reform Coalition For Improvements to the Clearance Granting Process

Presented to the Readiness Subcommittee of the House Armed Services Committee
Of the U.S. House of Representatives
February 13, 2008

Aerospace Industries Association
American Council of Engineering Companies
Armed Forces Communications & Electronics Association
Associated General Contractors of America
Association of Old Crows
Information Technology Association of America
Intelligence and National Security Alliance
National Defense Industrial Association
Professional Services Council

These recommendations are focused on the collateral DoD clearance granting process, since many of the IC agencies are running efficient processes using state of the art technologies.

These recommendations are based upon extensive interviews with the various stakeholders in the clearance granting process to better understand what happens to an application as it moves through the process and are bolstered by the numbers of clearances in the backlog, defined as non-compliant with the metrics of the 2004 Intelligence Reform and Terrorism Prevention Act.

APPLICATIONS

1) End-to-End Capability: The process is one large paper shuffle and must adopt an end-to-end capability to share data interoperably in real-time. No such planning is currently underway, as there is no one manager for the process.

2) Require Electronic Applications: OPM must enforce the requirement published in the Federal Register requiring all new applications and renewals to be submitted via the Internet-based e-QIP. Currently, between 25-40% of all applications are still accepted in hard copy. Several major agencies, including the General Services Administration, still require applicants to complete paper applications and include other extraneous information, like resumes, as part of the application.

3) Clarify Metrics: Congress must clarify that the time frames established in the IRTPA for clearance processing begin when an application is actually received by the investigative agency, regardless of when it is actually scheduled. Frequently, the calendar for the investigation is not started until months after the application has been received by the investigative agency.

4) Improve JPAS: DoD must invest the funds necessary to make required improvements to JPAS. This is not happening at present and service is being degraded to the DoD adjudication facilities as well as to thousands of security managers in both government and industry who depend upon it for mission requirements. The JPAS user community and the Defense Security Service (DSS) have already identified the changes needed to streamline and accelerate JPAS processing, but the level of priority for this problem seems to have fallen since last summer when DSS ran out of funding. These improvements include the ability to accept and capture digitized fingerprints and signatures from industry and eliminate delays and dropped applications caused by JPAS being out of synch.

INVESTIGATIONS

1) Modernize Data Capture: OPM must modernize its data capture procedures. Imaging, while frequently cited as an "automation" of the clearance process, is nothing more than taking a picture of a document and is ineffective at capturing the data in the document for use in an information technology system.

a. OPM must stop accepting fingerprint cards and start using digitized fingerprint capture tools such as LiveScan.
b. Signatures on release forms can also be easily captured using technology at checkout counters across America and eliminates the need to print and mail release forms to investigators when needed.
c. Investigative files are also selectively imaged, where using truly digitized information would allow for the preservation of the entire file, not just summaries, and preserve critical information like credit reports and criminal histories.

2) Modernize Data Management at OPM: OPM-FISD continues to rely upon PIPS, an antiquated stand-alone mainframe computer system that is not interoperable and cannot be made so. This reliance forces continuation of labor-intensive paper handling that significantly delays the processing of clearances. Many of the problems identified by industry in the process are related to or stem from this reliance upon PIPS.
   a. PIPS does case assignment, but once a case is assigned, it is printed out and mailed to investigators for processing.
   b. For paperwork management, OPM relies upon barcodes, which are manually keyed, printed and affixed to documents in the hard copy files.
   c. Only some of the information collected during an investigation is preserved for future review or access by the adjudicators. Critical information sources, such as criminal and credit histories, are not retained.
   d. CVS is an important tool, but cannot adequately verify a clearance since it relies upon batched data and is not real-time.

3) Eliminate the "Closed Pending" status for clearances at OPM: OPM categorizes investigations that are incomplete due to the lack of some data or incomplete status of some component of the application as "closed pending." Some of these incomplete files are then passed to the originating agency for adjudication, while other departments, like DoD, refuse to accept or adjudicate these applications in "closed pending" status. Since this information is frequently needed to make adjudicative risk assessments, agencies are then forced to return the application to OPM, thereby incurring further charges to process the clearance.

4) Implement the Use of Phased Periodic Reinvestigations (PR): The federal government should direct implementation of phased periodic reinvestigation (currently being implemented only by DoD) to realize the full benefits of scaling the PR in such a way that limits the use of costly and time consuming field investigation. Using commercial and government databases, cleared personnel are evaluated for any activity that would require further investigation (Phase I). If the Phase I results (automated checks and selected interviews) are favorable, there is no need to proceed to the costly field investigation (Phase II). Phased PR's can be conducted more frequently with less cost, so that the cleared personnel – those most in a position to cause harm to the United States – are more effectively monitored. It is conservatively estimated that such an approach could save 20% or more of the cost of conducting periodic reinvestigations.

ADJUDICATIONS

1) Adequately Develop Derogatory Information: OPM has modified the criteria to which clearances at various levels are investigated, including dropping efforts to investigate and develop derogatory information for Secret collateral clearances. Such a change in the process makes it difficult if not impossible to effectively adjudicate many applications.

2) Enhance Training Standards: Develop and implement standardized professional training and certification criteria for adjudicators across the federal government. This would create equity in the training and development of adjudication officers and improve reciprocity of clearances by building trustworthiness across federal agencies with the application of adjudicative standards.

3) Establish Common Recordkeeping: Establish and implement a common approach across all agencies, using existing central clearance databases like CVS, JPAS, and Scattered Castles, for the recording of waivers, conditions, and deviations in order for adjudicators and security officers to have access to this information when taking an action to reciprocally accept another agency's clearance or access determination.

RECIPROCITY

1) Increase Clearance Data Sharing: Intelligence Community agencies should be required to populate JPAS with clearance/access information on non-classified employees. All such data should be validated to ensure that it is not corrupting critical, accurate information about existing clearance holders contained in the databases.

2) Reinforce Uniformity in the Application of Reciprocity: Some Intelligence Community agencies are requiring that a clearance must be "active" rather than "current" before it will be considered for acceptance under reciprocity rules. This approach necessitates obtaining the prior investigative file and re-adjudicating the clearance. This is a costly, time consuming and unnecessary process under existing policy and is in violation of the spirit, if not the letter, of the IRTPA. It is also in direct conflict with the provisions of EO 12968 and OMB memoranda of December 2005 and July 2006 (Checklist of Permitted Exceptions to Reciprocity) which require a valid "access eligibility determination."

3) Provide Access to JPAS for Authorized Agencies: All authorized Federal agencies should be given direct access to JPAS, as the sole system of record of the U.S. Government for all clearance and access eligibility determinations, in order to more fully and efficiently realize the goal of clearance/access reciprocity.

BUDGET AND PERSONNEL

1) Establish Efficient Budgetary Mechanisms: Budget issues were partly to blame for the processing moratorium on industry security clearances. As such, security clearance

reform must include budget improvements as well. For instance, the federal government must develop a more accurate system for estimating the demand of industry clearances, and the appropriate agencies should submit budget requests that mirror the anticipated demand, with a limited reliance on charged premiums.

2) Enhance OPM Workforce Capabilities: Likewise, OPM's workforce capabilities must also be aligned to meet the anticipated demand for security clearances, as well as the demand for investigations of government and contractor personnel under HSPD-12 (industry estimates this requirement to include over 10M individuals). While some flexibility currently exists, industry is skeptical that it can meet these anticipated demands.

3) Build More Accountability Into the Invoicing Process for Clearances: OPM should not collect fees from the agency until the background check is completed and should provide greater clarity in their billing practices per the DoD IG investigation of these practices.

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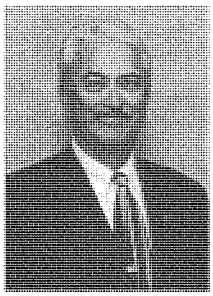

Ben Romero is Director, Intelligence, Lockheed Martin Washington Operations. In this position, Mr. Romero brings a comprehensive knowledge of national security with over 28 years of professional experience in the Department of Defense and Intelligence Community. Additionally, he brings over 9 years of significant management and business development experience and expertise in growing the Intelligence and Integrated Solutions marketplace for information technology services and functional business solutions.

Currently, Mr. Romero is responsible for assisting in horizontally integrating business opportunities and interfacing with management on key policy and legislative issues pertaining to the Intelligence Community. Mr. Romero leads strategic planning discussions to create measurable results and maximum effectiveness across the lines of business. He encourages full participation of diverse talents and excels in building strong teams throughout the corporation. With a profit-oriented focus, Mr. Romero demonstrates a strong ability to identify, analyze and solve problems that benefit the entire organization.

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Mr. Romero earned a Bachelor of Arts in History/Education from New Mexico State University and a Master of Arts in Psychology Counseling and Guidance from the University of Northern Colorado. He is a proven leader, who in November 1998 came to Lockheed Martin from the US Air Force where his last assignment was Director of Intelligence Infrastructure in the Office of the ASD/C3I. He is a graduate of multiple leadership schools and is a CIA Intelligence Community Fellow. He keeps fully abreast of changing government regulations and technologies by being an active participant in many defense, intelligence and information technology associations.

Ben Romero is married to Marita (Mardy) Romero and resides in Vienna, VA.

DISCLOSURE FORM FOR WITNESSES
CONCERNING FEDERAL CONTRACT AND GRANT INFORMATION

INSTRUCTION TO WITNESSES: Rule 11, clause 2(g)(4), of the Rules of the U.S. House of Representatives for the 110th Congress requires nongovernmental witnesses appearing before House committees to include in their written statements a curriculum vitae and a disclosure of the amount and source of any federal contracts or grants (including subcontracts and subgrants) received during the current and two previous fiscal years either by the witness or by an entity represented by the witness. This form is intended to assist witnesses appearing before the House Armed Services Committee in complying with the House rule.

Witness name: Benjamin Romero

Capacity in which appearing: (check one)

___Individual

_X_Representative

If appearing in a representative capacity, name of the company, association or other entity being represented: ITAA, Security Clearance Reform Coalition (contracts listed below are only for ITAA)

FISCAL YEAR 2007

federal grant(s) / contracts	federal agency	dollar value	subject(s) of contract or grant

FISCAL YEAR 2006

federal grant(s) / contracts	federal agency	dollar value	subject(s) of contract or grant
Consortium for Mathematics and its Application	Subcontract for NSF	$7699	STEM education/workforce development

FISCAL YEAR 2005

Federal grant(s) / contracts	federal agency	dollar value	subject(s) of contract or grant
National Workforce Center for Emerging Technologies	Subcontract to NSF	$9970	STEM education/workforce development
Consortium for Mathematics and its Application	Subcontract to NSF	$14,897	Stem education/workforce development
AIHEC Project	NSF	$50,983	Stem education/workforce development

Federal Contract Information: If you or the entity you represent before the Committee on Armed Services has contracts (including subcontracts) with the federal government, please provide the following information:

Number of contracts (including subcontracts) with the federal government:

Current fiscal year (2007): 0;
Fiscal year 2006: 1;
Fiscal year 2005: 3.

Federal agencies with which federal contracts are held:

Current fiscal year (2007): ;
Fiscal year 2006: NSF;
Fiscal year 2005: NSF.

List of subjects of federal contract(s) (for example, ship construction, aircraft parts manufacturing, software design, force structure consultant, architecture & engineering services, etc.):

Current fiscal year (2007): ;
Fiscal year 2006: Workforce development and education;
Fiscal year 2005: Workforce development and education.

Aggregate dollar value of federal contracts held:

Current fiscal year (2007):_____;
Fiscal year 2006: $7699;
Fiscal year 2005: $75,840.

Federal Grant Information: If you or the entity you represent before the Committee on Armed Services has grants (including subgrants) with the federal government, please provide the following information:

Number of grants (including subgrants) with the federal government:

Current fiscal year (2007):_____;
Fiscal year 2006:_____;
Fiscal year 2005:_____.

Federal agencies with which federal grants are held:

Current fiscal year (2007):_____;
Fiscal year 2006:_____;
Fiscal year 2005:_____.

List of subjects of federal grants(s) (for example, materials research, sociological study, software design, etc.):

Current fiscal year (2007):_____;
Fiscal year 2006:_____;
Fiscal year 2005:_____.

Aggregate dollar value of federal grants held:

Current fiscal year (2007):_____;
Fiscal year 2006:_____;
Fiscal year 2005:_____.

DOCUMENTS SUBMITTED FOR THE RECORD

FEBRUARY 13, 2008

United States Government Accountability Office

GAO

Report to Congressional Committees

February 2008

DOD PERSONNEL CLEARANCES

Improved Annual Reporting Would Enable More Informed Congressional Oversight

GAO-08-350

February 2008

GAO
Accountability·Integrity·Reliability
Highlights

Highlights of GAO-08-350, a report to congressional committees

DOD PERSONNEL CLEARANCES

Improved Annual Reporting Would Enable More Informed Congressional Oversight

Why GAO Did This Study

The Department of Defense (DOD) industry personnel security clearance program has long-standing delays and backlogs in completing clearance requests and difficulties in accurately projecting its future needs for investigations to be conducted by the Office of Personnel Management (OPM). In 2006, Congress mandated that DOD report annually on the future requirements of the program and DOD's efforts to improve it, and that GAO evaluate DOD's first report. Specifically, GAO was required to report on (1) the extent to which the report responds to the issues in the mandate, (2) the number and cost of clearance investigations and adjudications in fiscal years 2000-2006, and (3) the extent to which DOD has developed procedures to estimate future needs, plans to reduce delays and backlogs, and plans to provide funding for the program. To accomplish these objectives, GAO obtained and reviewed laws, executive orders, policies, reports, and other documents related to the security clearance process and interviewed officials from a range of government offices concerned with the clearance process.

What GAO Recommends

GAO recommended that DOD augment future reports with information on funding needs for additional future years, timeliness data on clearance process phases in addition to the investigation (e.g., adjudication), and measures of quality in the clearance process, to be developed. DOD concurred with each recommendation.

To view the full product, including the scope and methodology, click on GAO-08-350. For more information, contact Brenda Farrell at (202) 512-3604 or farrellb@gao.gov.

What GAO Found

Although DOD's first annual report responded to the issues specified in the mandate, it did not include certain important information that was available on funding, processing times, and quality. DOD's report limited the funding requirements information for its industry security clearance program to 2007 and 2008, even though the department asserted before Congress in May 2007 that it would need tens of millions of dollars in the future to maintain the infrastructure supporting the program and to cover operating costs. While DOD reported the average total time for DOD industry clearances and the average time to complete all clearance investigations, it did not include information on the time to complete any of the other phases (e.g., adjudication). GAO's September 2006 report suggested that longer delays are found in some phases of the process than in others and that quantifying those delays would be useful. The DOD report was largely silent on measures of quality in the clearance process, which is crucial if agencies are to accept the validity of clearances from other agencies. By not including these types of information, DOD limited the information available to Congress as it oversees the effectiveness of DOD's industry personnel security clearance program.

GAO was unable to report the number and unit cost of investigations and adjudications for fiscal years 2000 through 2004 because data were either unavailable or insufficiently reliable. However, DOD reported that OPM conducted 81,495 and 138,769 investigations of industry personnel in fiscal years 2005 and 2006, respectively, and DOD granted clearance eligibility to 113,408 and 144,608 industry personnel in fiscal years 2005 and 2006, respectively. In estimating unit costs, DOD and OPM did not account for all factors affecting the cost of a clearance—factors that would have made the DOD-provided estimates higher. These factors included (1) the cost of special interviews that are sometimes necessary to resolve discrepancies in information and (2) that top secret clearance adjudications normally take about twice as long as those for secret/confidential clearances.

DOD's procedures and plans are evolving, including procedures for projecting the number of future investigations it will need and plans to reduce backlogs and delays, as well as steps to fund the industry clearance program. In ongoing efforts to address the continued inaccuracy of its projections of future clearance needs, DOD has taken several steps. For example, DOD made its voluntary annual survey of contractors performing classified government work accessible through the Internet in 2006 and began encouraging industry staff to complete it. The response rate increased to 86 percent of industry personnel in 2007. Further, while DOD does not have its own plan to address the funding of its clearance program and its delays in processing clearances, it is currently participating in a governmentwide effort to make clearance processes more efficient and cost-effective. Streamlining and improving the efficiency of its clearance process is also one of DOD's top transformation priorities. In its 2004 report, GAO recommended that DOD implement a comprehensive plan and improve its estimates of future investigation needs.

Contents

Letter		1
	Results in Brief	5
	Background	9
	DOD's Report Responded to the Mandated Issues but Did Not Include Certain Important Data on Some Issues	10
	Many of DOD's Records of the Numbers and Costs of Security Clearance Investigations and Adjudications Were Not Available or Were Considered Unreliable	14
	DOD's Procedures for Projecting Future Investigation Needs and Its Plans for Improving and Funding the Industry Clearance Program Are Evolving	21
	Conclusions	24
	Recommendations for Executive Action	25
	Agency Comments and Our Evaluation	25
Appendix I	**Scope and Methodology**	27
Appendix II	**Comments from the Department of Defense**	31
Appendix III	**Contact and Staff Acknowledgments**	34
Related GAO Products		35
Tables		
	Table 1: Underlying Factors that Contributed to the Reliability of DOD's Data on the Numbers and Costs of Investigations and Adjudications for Industry Personnel during Fiscal Years 2000 through 2006	15
	Table 2: Numbers of Clearance Investigations Completed for Industry Personnel in Fiscal Years 2005 and 2006	17
	Table 3: Numbers of Clearance Adjudications Completed for Industry Personnel in Fiscal Years 2005 and 2006	18

Table 4: Estimated Costs of Investigations, Adjudications, and Total Costs for Industry Personnel Security Clearances in Fiscal Years 2005 and 2006–Using OPM Standard and Priority Billing Rates 18
Table 5: Sources Providing Documentary and/or Testimonial Evidence as a Result of Personal or Telephonic Interviews 28

Abbreviations

CCMS	Case Control Management System
DISCO	Defense Industrial Security Clearance Office
DOD	Department of Defense
DODIG	Department of Defense, Office of Inspector General
DOHA	Defense Office of Hearings and Appeals
DSS	Defense Security Service
FYDP	future years defense program
JPAS	Joint Personnel Adjudications System
NACLC	national agency check with local agency check and credit check
NARA	National Archives and Records Administration
OPM	Office of Personnel Management
OUSD(C)	Office of the Under Secretary of Defense for the comptroller
OUSD(I)	Office of the Under Secretary of Defense for Intelligence

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United States Government Accountability Office
Washington, DC 20548

February 13, 2008

The Honorable Carl Levin
Chairman
The Honorable John McCain
Ranking Member
Committee on Armed Services
United States Senate

The Honorable Ike Skelton
Chairman
The Honorable Duncan L. Hunter
Ranking Member
Committee on Armed Services
House of Representatives

The Department of Defense's (DOD) long-standing delays and backlogs (i.e., cases that have exceeded government timeliness requirements) in completing clearance requests, as well as other impediments that hindered DOD's ability to accurately estimate and eliminate its clearance backlog, led us to begin designating DOD's personnel security clearance program as a high-risk area in January 2005.[1] We have also noted that it is crucial for officials granting security clearances to be scrupulous in their decision making because of the potential damage to national security and foreign relations that could result if personnel with security clearances fail to adequately safeguard classified information. In April 2006, DOD briefly stopped processing applications for clearance investigations for industry personnel, attributing the stoppage to a large volume of industry clearance requests and funding problems. In 2006, the John Warner National Defense Authorization Act of 2007 mandated that DOD report annually on the future requirements of the industry personnel security clearance investigations program and that we evaluate DOD's first report in response to this mandate.

[1]GAO, *High-Risk Series: An Update*, GAO-07-310 (Washington, D.C.: January 2007); and *High-Risk Series: An Update*, GAO-05-207 (Washington, D.C.: January 2005). The areas on our high-risk list receive their designation because they are major programs and operations that need urgent attention and transformation in order to ensure that our national government functions in the most economical, efficient, and effective manner possible.

DOD's Office of the Under Secretary of Defense for Intelligence [OUSD(I)] has responsibility for determining eligibility for clearances for servicemembers, DOD civilian employees, and industry personnel performing work for DOD and 23 other federal agencies.[2] That responsibility includes obtaining background investigations, primarily through the Office of Personnel Management (OPM). Within OUSD(I), the Defense Security Service (DSS) uses OPM-provided investigative reports to determine clearance eligibility of industry personnel. As of May 2006, industry personnel held about one-third of the approximately 2.5 million DOD-maintained personnel security clearances. Individuals working for private industry play a growing role in national security work conducted by DOD and other federal agencies—as a result of the increased awareness of threats to our national security stemming from the terrorist attacks on the United States on September 11, 2001, and increased efforts over the past decade to privatize federal jobs.

Our prior work has shown that there have been delays in processing clearances for industry personnel. For example, in our September 2006 report, we found that industry personnel contracted to work for the federal government waited more than 1 year on average to receive top secret clearances. Specifically, our analysis of about 2,300 cases showed the clearance process took an average of 446 days for initial top secret clearances and 545 days for renewals of top secret clearances. While the government's goal for the application-submission phase of the process is 14 days or less, this phase took an average of 111 days.

Problems in the clearance program can negatively affect national security. For example, delays in renewing security clearances for personnel who are already doing classified work can lead to a heightened risk of

[2]DOD, *National Industrial Security Program: Operating Manual*, DOD 5220.22-M (Feb. 28, 2006) notes that heads of agencies are required to enter into agreement with the Secretary of Defense for the purpose of rendering industrial security services. The following 23 departments and agencies have entered into such agreements: (1) National Aeronautics and Space Administration, (2) Department of Commerce, (3) General Services Administration, (4) Department of State, (5) Small Business Administration, (6) National Science Foundation, (7) Department of the Treasury, (8) Department of Transportation, (9) Department of the Interior, (10) Department of Agriculture, (11) Department of Labor, (12) Environmental Protection Agency, (13) Department of Justice, (14) Federal Reserve System, (15) Government Accountability Office, (16) U.S. Trade Representative, (17) U.S. International Trade Commission, (18) U.S. Agency for International Development, (19) Nuclear Regulatory Commission, (20) Department of Education, (21) Department of Health and Human Services, (22) Department of Homeland Security, and (23) Federal Communications Commission.

disclosure of classified information. In contrast, delays in providing initial security clearances for previously noncleared personnel can result in other negative consequences, such as additional costs and delays in completing national security-related contracts, lost-opportunity costs, and problems retaining the best-qualified personnel. The Intelligence Reform and Terrorism Prevention Act of 2004[3] provided timeliness guidelines that currently require adjudicative agencies to make a determination on at least 80 percent of all applications for a security clearance within an average of 120 days after the date of receipt of the application, with 90 days for the investigation and 30 days for the adjudication. Moreover, as we noted in our prior reports,[4] when clearance investigations or adjudications (determination of eligibility for a clearance) were inadequately or inconsistently documented, DOD was unable to demonstrate that it had fully considered all significant adverse conditions that might call into question an individual's ability to adequately safeguard classified information.

The John Warner National Defense Authorization Act[5] for Fiscal Year 2007 required DOD to include in its annual budget submission to Congress a report on DOD's industry personnel clearance investigations program. Specifically, the law required that DOD report on five items: (1) the funding requirements of the investigations program and the ability of the Secretary of Defense to fund it, (2) the size of the investigation process backlog, (3) the length of the average delay for an individual case pending in the investigation process, (4) any progress made by the Secretary of Defense in implementing planned changes in the investigation process during the 12 months preceding the report date, and (5) a determination, certified by the Secretary of Defense, of whether the investigation process had improved during the 12 months preceding the report date. The mandate specified that DOD shall include this report annually in the defense budget justification documents it submits to Congress. DOD

[3]Pub. L. No. 108-458.

[4]GAO, *DOD Personnel Clearances: Additional OMB Actions Are Needed to Improve the Security Clearance Process*, GAO-06-1070 (Washington, D.C.: Sept. 28, 2006); *DOD Personnel: More Consistency Needed in Determining Eligibility for Top Secret Security Clearances*, GAO-01-465 (Washington, D.C.: Apr. 18, 2001); and *DOD Personnel: Inadequate Personnel Security Investigations Pose National Security Risks*, GAO/NSIAD-00-12 (Washington, D.C.: Oct. 27, 1999).

[5]Pub. L. No. 109-364, §347 (2006).

submitted its 2007 report on August 20, 2007, about 6 months after it submitted its budget justification documents to Congress.

The mandate further specified that we review the initial DOD report and provide additional information to Congress. This additional information is the number and unit cost of each type of clearance investigation and adjudication for industry personnel performed in fiscal years 2000 through 2006; the amount of any surcharge DOD paid to OPM for conducting an investigation; a description of procedures DOD used to estimate the number of investigations to be conducted annually; and a description of DOD's plans to reduce delays and backlogs, adequately fund the investigative process, and establish a more effective and stable investigations program. Therefore, this letter answers the following questions: (1) To what extent does DOD's August 2007 report to Congress address the five issues specified in the mandate? (2) What were the number and cost of each type of clearance investigation and adjudication for industry personnel performed in fiscal years 2000 through 2006? (3) To what extent has DOD developed procedures to estimate the number of investigations to be conducted; plans to reduce delays and backlogs in the clearance program, if any; and provide funding? This report contributes to a larger GAO body of work on DOD's personnel security clearance program. (See the list of related GAO products at the end of this report.)

Our scope was limited to industry personnel whose clearance investigations or adjudications occurred in fiscal year 2000 or later and were the responsibility of OUSD(I). For all three questions, we reviewed laws, executive orders, and policies related to top secret, secret, and confidential security clearance investigations and adjudications. Those sources provided most of the criteria we used to assess the DOD report on personnel security clearances for industry and for the data and planning we examined to address our other two researchable questions. We gained additional insights about causes and effects to explain our findings from reports (e.g., GAO and DOD Office of the Inspector General) and documentary and testimonial evidence from interviews we conducted with personnel associated with a variety of government offices: OUSD(I), DSS, DOD's adjudication facilities for industry personnel clearances, the Office of the Under Secretary of Defense for the Comptroller [OUSD(C)], and DOD's Personnel Security Research Center. To determine the extent to which DOD's report to Congress addressed the five issues specified in Public Law 109-364 (Sec. 347), we compared the findings in the DOD report to the mandated requirements and governmentwide and DOD-wide data quality standards. To determine the number and cost of each type of clearance work performed for industry personnel in fiscal years 2000

through 2006, we obtained and analyzed investigations-related data from DSS and OUSD(C), as well as adjudications-related data from DOD's two adjudication facilities for industry personnel clearances. When we assessed the reliability of the data pertaining to numbers and costs of investigations and adjudications, we found that some of the information was not available, could not be assessed, or contained discrepancies when compared with data from other sources. Since the data for fiscal years 2000 through 2004 were not sufficiently reliable, we have reported numbers and costs for only fiscal years 2005 and 2006, which were sufficiently reliable for the purposes of this report. To determine the extent to which DOD has implemented plans to make its clearance program more effective and stable by better estimating the numbers of industry clearances needed, reducing delays and backlogs, and providing adequate funding, we reviewed planning documentation that OUSD(I) and DSS officials provided. Additional information on our scope and methodology is presented in appendix I. We conducted this performance audit from May 2007 through February 2008 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions, based on our audit objectives. We believe that the evidence we obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Results in Brief

While DOD responded in its first annual report to the issues specified in the mandate, it did not include certain important information that was available on funding, times to complete some phases of the clearance process, and quality. In its report, DOD included sections addressing the funding requirements of the personnel security clearance program for industry, and the numbers of initial and renewal investigations for top secret and secret/confidential clearances that were overdue as of July 14, 2007. It also included descriptions of seven actions taken that DOD characterized as progress in the industry clearance program, such as efforts to improve timeliness that are DOD-specific (e.g., adding a capability to electronically submit the applicant's form authorizing the release of medical information) or governmentwide (e.g., submitting all requests for clearance using OPM's Electronic Questionnaires for Investigations Processing). However, for three issues, DOD stated in the report that certain important information was available but not included. First, DOD provided information on funding requirements as mandated, but limited the information to 2007 and 2008. Additional funding information was not included, even though the DSS Director testified to

Congress in May 2007 that tens of millions of dollars would be needed in the future to maintain the infrastructure supporting the industry personnel security clearance program, in addition to the funding to conduct the investigations for the clearances themselves. DOD regularly submits longer-term financial planning documents, such as its future years defense program, to Congress. Second, although DOD reported the average end-to-end processing time for DOD industry clearances and the average time to complete investigations for all clearances, it did not include the average time to complete other phases of the clearance process, such as the adjudication. As our September 2006 report showed, longer delays are found in some phases of the process than in others.[6] Providing the times to complete other phases of the clearance process in the report would help to highlight where those delays are occurring. Finally, while DOD identified several improvements that it had made to the clearance process, it was largely silent on measures to assess quality in the clearance process. In our September 2006 report, we identified concerns with quality in the clearance process and noted that the lack of full reciprocity of clearances—when a security clearance granted by one government agency is not accepted by another agency—is an outgrowth of agencies' concerns that other agencies may have granted clearances based on inadequate investigations and adjudications. The OUSD(I) Director of Security and the DSS Director told us that several factors influenced their decision not to include these types of information in the DOD report. For example, because information used to project the funding requirements for this program has less accuracy the farther into the future projections are made, DOD decided not to include future funding requirements beyond 1 year. In deciding not to include certain available information in its report to Congress, DOD limited the information available to Congress as it oversees the effectiveness of DOD's industry personnel security clearance program.

We were unable to report the number and unit cost of investigations and adjudications for fiscal years 2000 through 2004, because our data requests and analyses revealed that the information was either unavailable or insufficiently reliable for us to report. However, DOD reported that OPM provided 81,495 and 138,769 clearance investigations on industry personnel in fiscal years 2005 and 2006, respectively; and DOD staff granted clearance eligibility to 113,408 industry personnel in fiscal year

[6]GAO-06-1070.

2005 and 144,608 industry personnel in fiscal year 2006.[7] No reliable information is available for fiscal years 2000 through 2004 for reasons including the fact that an electronic database for investigative and adjudicative information was discontinued. While we were able to report DOD's estimated unit costs of security clearances for fiscal years 2005 and 2006, three factors suggest that the actual unit costs would be higher than the estimates we reported if OPM and DOD were to account for all costs. First, DOD's estimated unit cost for an investigation (e.g., $3,840 for an initial top secret clearance in fiscal year 2006) did not include the expense of special interviews that are sometimes conducted to resolve conflicting information that has arisen in the investigation. Second, DOD's estimated unit cost did not account for a partial refund of about $7 million—made to DOD in September 2006—of a surcharge DOD paid OPM for all DOD investigations conducted in fiscal years 2005 and 2006. Third, determining the actual unit cost of adjudications for fiscal years 2005 and 2006 would require accounting for several factors that DOD did not include in the data it provided to us. For example, while DSS provided an estimate for the unit cost of adjudications, officials acknowledged that this estimate was rough because, among other things, it did not account for the fact that adjudications for top secret clearances normally take about twice as long as those for secret/confidential clearances.

DOD's procedures for projecting the number of investigations it will need OPM to conduct in the future and its plans to reduce backlogs and delays as well as steps for funding the industry clearance program are evolving. DOD has had problems projecting its departmentwide clearance needs accurately in the past. For example, OPM reported that DOD exceeded its departmentwide projection by 59 percent for the first half of fiscal year 2006. To address these problems, DOD has recently made changes to the methods it uses to estimate the number of future security clearance investigations it needs, and it continues efforts to improve these methods. First, starting in 2006, DSS made its annual survey accessible through the Internet to make it easier for contractors to report estimates of how many initial and renewal clearances they would need in the future. Second, DSS field staff made a more concerted effort to actively encourage industry representatives to complete the voluntary survey. These changes increased the survey response rate from historically low rates of between

[7]The number of clearances granted in a year may not match the number of investigations conducted in that year because of the time that elapses between completion of the investigation and completion of the adjudication.

10 and 15 percent of the surveyed facilities providing information to 70 percent of facilities in 2007, which represented 86 percent of industry personnel with a clearance. Third, DSS began performing weekly updates to the investigation projection analysis rather than relying on a onetime annual projection of investigation needs. Fourth, DSS made additional changes to the methodology it uses to analyze the survey data it collects—including accounting for additional variables, such as the size of the responding company. DOD's Personnel Security Research Center is also researching the feasibility of replacing or supplementing the survey method DSS currently uses with a statistical model for estimating future investigation needs. Although DOD currently has no comprehensive plan to address delays and funding in its clearance program, DSS had been developing such a plan when its effort was supplanted by a new governmentwide effort led by an interagency security clearance process reform. At the same time, OMB, DOD, and other agencies have been focusing attention on making the clearance process more efficient and cost-effective across the federal government. Streamlining the security clearance process is also one of DOD's top transformation priorities, with the goal of facilitating the granting of personnel security clearances in the shortest time possible and at the lowest possible cost. However, we reported in 2004 that DOD was operating in a reactive mode to improve its clearance program, working piecemeal in response to impediments in the absence of a comprehensive plan to reduce delays. Because DOD has not developed a comprehensive plan to address delays in the industry security clearance program, we continue to believe that our 2004[6] recommendations that DOD develop such a plan and improve its projections of clearance requirements have merit.

In order to provide Congress with more information for its oversight of security clearances for industry personnel, we are recommending that in DOD's future annual reports, OUSD(I) (1) add projected funding information for additional out years consistent with the future years defense program, (2) provide information on the average time taken to complete each of the phases of the clearance process, and (3) develop and include measures of clearance quality. In its agency comments, OUSD(I) concurred with all three of our recommendations. OUSD(I) noted that DOD agrees the recommended additional information will aid Congress in its oversight role and its future annual reports—starting in 2009—will

[6]GAO-04-632.

include the suggested information. DOD's comments are reprinted in appendix II.

Background

DOD obtains nearly all of its clearance investigations through OPM,[9] which is currently responsible for 90 percent of the personnel security clearance investigations for the federal government. DOD retained responsibility for adjudicating clearances of servicemembers, DOD civilians, and industry personnel. Two DOD offices are responsible for adjudicating cases involving industry personnel. The Defense Industrial Security Clearance Office (DISCO) within DSS adjudicates cases that contain only favorable information or minor issues regarding security concerns (e.g., some overseas travel by the individual). The Defense Office of Hearings and Appeals (DOHA) within the Defense Legal Agency adjudicates cases that contain major security issues (e.g., an individual's unexplained affluence or criminal history) which could result in the denial of clearance eligibility and possibly lead to an appeal.

Like servicemembers and federal workers, industry personnel must obtain a security clearance to gain access to classified information, which is categorized into three levels: top secret, secret, and confidential. The level of classification denotes the degree of protection required for information and the amount of damage that unauthorized disclosure could reasonably be expected to cause to national security. For top secret information, the expected damage that unauthorized disclosure could reasonably be expected to cause is "exceptionally grave damage;" for secret information, it is "serious damage;" and for confidential information, it is "damage."[10]

[9]Currently, three DOD agencies (National Security Agency, Defense Intelligence Agency, and the National Reconnaissance Office) have waivers from DOD that allow them to contract for their own personnel security clearance investigations.

[10]5 C.F.R. § 1312.4, (2007).

DOD's Report Responded to the Mandated Issues but Did Not Include Certain Important Data on Some Issues

DOD provided information on each issue specified by the mandate, but certain important information on funding, processing times, and quality was limited or absent. DOD divided its nine-page report into five sections, corresponding to the five sections of the law. DOD began with a discussion of the personnel security clearance investigation funding requirements—$178 million for fiscal year 2007 and approximately $300 million for fiscal year 2008—and indicated that funds exist to cover the fiscal year 2007 projected costs.[11] In section two, DOD reported the size of the investigative backlog by showing that 21,817 (48 percent) of the applications for clearance investigations for industry personnel which were still pending as of July 14, 2007, were more than 90 days old. In section three, DOD reported OPM statistics that showed the average number of days required to complete investigations as of May 2007.[12] An initial top secret clearance took an average of 211 days; top secret renewals, an average of 334 days; and all secret/confidential initials and renewals, an average of 127 days.[13] The fourth section of DOD's report highlighted seven areas that DOD characterized as progress toward implementing planned changes in the process. These areas included timeliness-improvement actions that were DOD-specific (e.g., adding a capability to electronically submit the applicant's form authorizing the release of medical information) and governmentwide (e.g., submitting all requests for clearances using OPM's Electronic Questionnaires for Investigations Processing). In the fifth section, the Under Secretary of Defense for Intelligence certified that the department had taken actions to improve the industry personnel clearance program during the 12 months

[11]DOD reported the annualized projected funding requirement for fiscal year 2007 of $178 million for this program based on the 41-week period from October 1, 2006, through July 14, 2007. In addition, the DOD report indicated that the department's 2006 survey, which provided data for fiscal years 2007 through 2010, indicated an industry personnel security investigations funding requirement that may exceed $300 million for fiscal year 2008.

[12]The report showed average delay-related information for completed cases but not average delays for pending cases. The report did, however, provide a frequency distribution of times for pending cases. The mandate required that DOD report the length of the average delay for an individual case pending in the investigation process.

[13]OPM performs one investigation—known as the national agency check with local agency check and credit check (NACLC)—for the initial and renewal of both the secret and confidential clearances.

preceding the report date.[14] DOD supported this finding by including a table showing that the monthly average number of completed industry investigations increased from 13,227 in July 2006 to 16,495 in July 2007.

Certain important information on three of the mandated issues—the program funding requirements, the average processing time, and quality in the clearance process—was limited or absent. First, DOD reported program-funding requirements covering less than 2 years. DOD reported an annualized projected cost of $178.2 million for fiscal year 2007,[15] a projected funding requirement of approximately $300 million for fiscal year 2008, and a department statement indicating that it was able to fund the industry personnel security clearance program for the remainder of 2007. The mandate directed DOD to report its funding requirements for the program and the Secretary of Defense's ability to fulfill them. While the report described DOD's immediate needs and ability to fund those needs, it did not include information on (1) the funding requirements for fiscal year 2009 and beyond, even though the survey used to develop the funding requirements asked contractors about their clearance needs through 2010; and (2) the tens of millions of dollars that the DSS Director testified to Congress in May 2007 were necessary to maintain the infrastructure supporting the industry security clearance program. The OUSD(I) Director of Security and the DSS Director told us that the department did not include funding requirements beyond fiscal year 2008 because of concerns about the accuracy of the data used to identify the requirements. They told us that the funding requirements of the program depend on the estimates of the future number of investigations that DSS will obtain from OPM, which DSS determines using its annual survey. They, as well as the report, indicated that because projections made farther into the future are more likely to be inaccurate, DOD decided not to include funding projections beyond 1 future year in the report. The report also stated that the data used to construct the projected funding requirements are available through fiscal year 2010, but the report did not include that information. DOD regularly submits longer-term financial planning documents to Congress. Specifically, the future years defense program (FYDP), which is

[14]The DSS Director told us that the information in Section V of the DOD report constituted the Secretary of Defense's certification that DOD had taken actions to improve its industry clearance program during the 12 months preceding the report date and that the Under Secretary of Defense for Intelligence was authorized to certify for the Secretary of Defense in this instance.

[15]This annualized projection was based on the 41 weeks from October 1, 2006, to July 14, 2007.

submitted annually to Congress, contains detailed data projections for the budget year in which funds are being requested and at least the 4 succeeding years. The FYDP is a long-term capital plan and as such provides DOD and Congress with a tool for looking at future funding needs beyond immediate budget priorities.

Second, DOD reported the average investigation times cited earlier but did not include the times for other specific phases of the end-to-end clearance process. DOD reported the average number of days it took to complete investigations for all clearances closed between May 2006 and May 2007 and the average numbers of days to process DOD industry clearances from end to end for all cases adjudicated during the first 6 months of fiscal year 2007. The mandate directed DOD to report the length of the average delay for an individual case pending in the personnel security clearance investigation process. The Intelligence Reform and Terrorism Prevention Act of 2004 requires the processing of at least 80 percent of clearances to be completed within an average of 120 days, including no more than 90 days for the investigation. Although it did not provide times for other clearance phases and was not mandated to do so, DOD's report stated that a joint study conducted by OPM, DSS, and industry identified average times to complete six discrete phases—including the investigation, the time needed to mail investigation reports from OPM to a DOD adjudication facility, and the adjudication. Our September 2006 report[16] showed that longer delays are found in some phases of the process than in others (e.g., our analysis of 2,259 cases showed that the application-submission phase took an average of 111 days to complete instead of the goal of 14 days) and suggested that monitoring each of the phases would help DOD to identify where actions are needed to improve timeliness. The OUSD(I) Director of Security and the DSS Director told us that because the DOD report included both the average time to complete an investigation and the time to process the clearance from start to finish, the department did not include the times to process the additional discrete phases of the clearance process. While the information included in the report provides visibility to the processing times for the investigation and for the entire process, monitoring and reporting times for each phase would help DOD and Congress to identify where actions are most needed to improve timeliness.

[16]GAO-06-1070.

Third, DOD documented improvements in the process but was largely silent regarding quality in the clearance processes. While DOD described several changes to the process it characterized as progress, it provided little information on measures of quality used to assess the clearance processes or procedures to promote quality during clearance investigations and adjudications processes. Specifically, the DOD report's section describing improvements noted that DSS, DOD's adjudicative community, and OPM are gathering and analyzing measures of quality for the clearance processes that could be used to provide the national security community with a better product. However, the DOD report did not include any of those measures. When we asked the OUSD(I) Director of Security why the measures of quality were not included, he said the department did not include them because stakeholders in the clearance processes have not agreed on how to measure quality. In September 2006, we identified several areas where OPM-supplied investigative reports and DOD adjudicative data were incomplete. We noted that while eliminating delays in the clearance process is an important goal, the government cannot afford to achieve that goal by providing reports of investigations and adjudications that are incomplete in key areas. We additionally noted that the lack of full reciprocity of clearances—when a security clearance granted by one government agency is not accepted by another agency—is an outgrowth of agencies' concerns that other agencies may have granted clearances based on inadequate investigations and adjudications.

In deciding not to provide certain important information in its first annual report to Congress, DOD has limited the information available to Congress as it oversees the effectiveness of DOD's industry personnel security clearance processes. Specifically, by not including funding requirements for 2009 and beyond, DOD left out information Congress could use in making longer-term appropriation and authorization decisions for this program. In addition, by not including the times to complete phases of the clearance process other than the investigation, DOD makes it less apparent to Congress where the most significant timeliness gains can be made relative to the costs of improving the processes. Finally, by not including measures of quality in the clearance processes, DOD has only partially supported its assertion that it has made improvements to the clearance processes.

Many of DOD's Records of the Numbers and Costs of Security Clearance Investigations and Adjudications Were Not Available or Were Considered Unreliable

DOD reported that OPM conducted 81,495 investigations for the department in fiscal year 2005 and 138,769 in fiscal year 2006 and that DOD staff granted clearance eligibility to 113,408 industry personnel in fiscal year 2005 and 144,608 industry personnel in fiscal year 2006. However, we are unable to report the numbers and unit costs of investigations and adjudications for industry personnel for fiscal years 2000 through 2004, because DOD either was not able to provide data or supplied data that we found to be insufficiently reliable to report. Reliable information for fiscal years 2000 through 2004 was not available because of factors such as the abandonment of an electronic database for recording investigative and adjudicative information. Although some limitations are present for the numbers and costs data for industry personnel for fiscal years 2005 and 2006, our assessments show that they are sufficiently reliable for us to report them, along with explicit statements about their limitations.

DOD Could Not Provide Sufficiently Reliable Information on the Numbers and Costs of Investigations and Adjudications for Fiscal Years 2000 through 2004

Our assessments of data on the numbers and costs of investigations and adjudications for industry personnel for fiscal years 2000 through 2004 showed that DOD-provided information was not sufficiently reliable for us to report. The shaded portion of table 1 summarizes underlying factors that contributed to DOD's inability to provide us with reliable data. (In the next section, we report information provided to us by DOD on the numbers and costs of investigations and adjudications for fiscal years 2005 and 2006).

Table 1: Underlying Factors that Contributed to the Reliability of DOD's Data on the Numbers and Costs of Investigations and Adjudications for Industry Personnel during Fiscal Years 2000 through 2006[a]

	Type of information assessed for data reliability			
Fiscal year	Number of investigations	Number of adjudications	Cost of investigations	Cost of adjudications
2000 2001 2002 2003 2004	The former investigations database—the Case Control Management System—is no longer operational; and paper summary reports and other records maintained by different DOD offices show discrepancies in the numbers of investigations completed for these 5 fiscal years.	DOD did not designate the Joint Personnel Adjudications System as the official DOD-wide adjudications database until February 2005. Previously, adjudication data for industry clearances were stored in the Case Control Management System, which is no longer operational.	DOD transferred its investigative function and 1,800 authorized positions to OPM in February 2005. The transfer resulted in lost or misplaced records and reduced institutional knowledge in DSS's financial management office.	Neither of the DOD adjudication facilities—DISCO nor DOHA—can separate out industry adjudication costs from other expenses in its budget.
2005 2006	DOD provided OPM data that have been generated since OPM began supplying the clearance investigations for industry personnel in fiscal year 2005.	DOD provided information from the Joint Personnel Adjudication System.	DOD provided rate information showing the amount OPM charged the department for each type of clearance investigation.	DOD estimated the cost information for this report by examining DSS expenditures and the numbers of adjudications performed.

Source: GAO analysis of DOD data

[a]The shaded portions of table 1 summarize underlying factors that contributed to DOD's inability to provide us with reliable data.

When we assessed the reliability of DOD-provided information on the numbers of investigations for industry personnel, we found discrepancies in the fiscal years 2000 through 2004 summary records kept by two DOD offices: DSS and OUSD(C). The discrepancies in the annual numbers of investigations ranged from 3 to 48 percent. Relative to the numbers found in DSS records, OUSD(C) records showed 3 percent more investigations for secret clearances had been completed in fiscal year 2001 and 48 percent fewer investigations for initial top secret investigations had been completed in fiscal year 2000. The original source of data for both offices' records was DOD's Case Control Management System (CCMS), which had formerly been used to electronically store data on DOD personnel security clearance investigations. DOD stopped maintaining CCMS in conjunction with the department's transfer of DSS's investigative functions and personnel to OPM in February 2005. DOD estimated that it could save $100 million over 5 years in costs associated with maintaining and updating CCMS by instead using OPM's Personnel Investigations Processing System for electronically storing investigations data. Because CCMS is no longer available, we were unable to determine which—if either—office's data

were sufficiently reliable for the purposes of this report. While DOD no longer has access to the CCMS software tool needed to aggregate the associated personnel security clearance data, individual files on industry personnel have been archived and are available for access (e.g., when someone renews a clearance).

We are similarly unable to report the number of adjudications for fiscal years 2000 through 2004, because DOD could not provide information that was sufficiently reliable for the purposes of this report. Sufficiently reliable data were not available for this period because the Joint Personnel Adjudications System (JPAS) did not become the official DOD adjudication database until February 2005. In the prior years, DSS had stored adjudication-related information on industry personnel in CCMS—which is no longer operational. A DSS official indicated that JPAS provides pre-2005 adjudication information inaccurately because of problems DOD experienced when transitioning from CCMS to JPAS.

We found cost data on industry personnel clearances for fiscal years 2000 through 2004 to be insufficiently reliable, as evidenced by the inconsistency of the information that we obtained from DSS and OUSD(C). At the most extreme, the DSS records show that the cost for an investigation of a secret clearance in fiscal year 2004 was 486 percent higher than the rate reported in OUSD(C) records. DOD's ability to provide us with more reliable information was hampered by two factors. First, when DOD transferred its investigative function and 1,800 authorized positions to OPM in February 2005, the transfer resulted in lost or misplaced records and reduced institutional knowledge in DSS's financial management office. The DSS Director told us that DSS record keeping has not been a "strong suit" of the agency in the past. Second, DSS leadership has frequently changed over the past 5 years. For example, DSS had four acting directors in the 4 years before getting its current permanent Director, and it had nine comptrollers during the same period.

The unit cost for adjudications for fiscal years 2000 through 2004 for industry personnel clearances could not be computed, because the total cost of all adjudications and the number of adjudications—key variables in computing unit cost—were either unavailable or unreliable. For example, DSS officials told us that the budget records for this period did not differentiate the portion of DSS's budget used to fund DISCO, which adjudicates the majority of DOD's clearances for industry. Additionally, officials from DOHA, which adjudicates some industry cases, told us that they similarly could not accurately identify a unit cost for adjudications. DOHA officials told us that because their adjudicators conduct additional

work besides security clearance work and those costs are not accounted for separately, estimates of the unit cost of the adjudicative work they perform would be speculative. Finally, as we discussed above, the data that DOD provided on the number of adjudications for 2000 through 2004 were not sufficiently reliable for the purposes of this audit.

DOD Provided Sufficiently Reliable Data on the Numbers and Costs of Investigations and Adjudications for Fiscal Years 2005 and 2006

DOD reported that OPM conducted 81,495 investigations of industry personnel for the department in fiscal year 2005 and 138,769 such investigations in 2006 (see table 2). The difference in the numbers of investigations for the 2 years is due largely to the fact that DOD could not provide reliable information on the number of investigations that DSS completed before the February transfer of investigative staff and functions to OPM. In both years, OPM provided DOD with more investigations for secret or confidential clearances than for top secret clearances. More secret/confidential clearances are historically required and performed as compared to top secret clearances, and data presented in table 2 are consistent with this trend.

Table 2: Numbers of Clearance Investigations Completed for Industry Personnel in Fiscal Years 2005 and 2006

Fiscal year	Top secret: initial & renewal	Secret/confidential:[a] initial & renewal	Total
2005	16,397[b]	65,098[b]	**81,495[b]**
2006	38,113	100,656	**138,769**

Source: GAO analysis of OPM data provided by DOD.

[a]The same type of investigation is used for determining both secret and confidential clearances.

[b]The numbers for fiscal year 2005 include only those investigations that OPM conducted. That is, information on investigations of industry personnel that DSS personnel completed before the February 2005 transfer was not available.

Using OPM-provided data, DSS determined that it had granted clearance eligibility to 113,408 industry personnel in fiscal year 2005 and 144,608 industry personnel in fiscal year 2006 (see table 3). The number of clearances granted in a year may not match the number of investigations conducted in that year because of the time that elapses between completion of the investigation and completion of the adjudication.

Table 3: Numbers of Clearance Adjudications Completed for Industry Personnel in Fiscal Years 2005 and 2006

Fiscal year	Top secret: initial & renewal	Secret/confidential:[a] initial & renewal	Total
2005	36,038	77,370	**113,408**
2006	40,477	104,131	**144,608**

Source: GAO analysis of OPM data provided by DOD.

[a]Secret and confidential clearances are included together because the clearance-eligibility determinations are generated from a single type of investigation, which generates less information than the investigative report required to determine eligibility for a top secret clearance.

For the 2 most recent of the 7 fiscal years specified in the mandate, the total estimated unit cost for the entire clearance process varied from $290 for an initial or a renewal of a secret/confidential clearance to $3,850 for the initial top secret clearance that is determined with a standard investigation (see table 4). The lower half of table 4 shows that investigations that are given higher priorities cost more.

Table 4: Estimated Costs of Investigations, Adjudications, and Total Costs for Industry Personnel Security Clearances in Fiscal Years 2005 and 2006–Using OPM Standard and Priority Billing Rates

	Fiscal year 2005				Fiscal year 2006			
Type of process used to determine clearance eligibility	DOD investigation cost	Surcharge	Adjudication unit cost[a]	Total unit cost	DOD investigation cost	Surcharge	Adjudication unit cost[a]	Total unit cost
OPM standard billing rates for DOD								
Initial top secret	$3,000	$750	$100	**$3,850**	$3,150	$600	$90	**$3,840**
Renewal of top secret	$1,825	$735	$100	**$2,660**	$2,050	$510	$90	**$2,650**
Renewal of top secret, using the phased periodic reinvestigation	N/A	N/A	N/A	N/A	$1,625	$310	$90	**$2,025**
Renewal of top secret, using an expanded phased periodic reinvestigation	N/A	N/A	N/A	N/A	$1,075	$205	$90	**$1,370**
Initial and renewal of secret and confidential	$125	$75	$100	**$300**	$131	$69	$90	**$290**
OPM priority billing rates for DOD								
Initial top secret	$3,480	$870	$100	**$4,450**	$3,655	$695	$90	**$4,440**
Renewal of top secret	$2,125	$850	$100	**$3,075**	$2,375	$600	$90	**$3,065**

Type of process used to determine clearance eligibility	Fiscal year 2005				Fiscal year 2006			
	DOD investigation cost	Surcharge	Adjudication unit cost[a]	Total unit cost	DOD investigation cost	Surcharge	Adjudication unit cost[a]	Total unit cost
Renewal of top secret, using the phased periodic reinvestigation	N/A	N/A	N/A	N/A	$1,900	$360	$90	**$2,350**
Renewal of top secret, using an expanded phased periodic reinvestigation	N/A	N/A	N/A	N/A	$1,075	$425	$90	**$1,590**
Initial and renewal of secret and confidential	$195	$50	$100	**$345**	$205	$40	$90	**$335**

Source: OPM data provided by DOD.

[a]Adjudication unit cost has been rounded from DOD's estimate of $98.20 for fiscal year 2005 and $87.51 for fiscal year 2006.

Regardless of whether the clearance was based on a standard or priority investigation, the primary reason for the difference in costs is due to the effort required to complete the different types of investigations. For example, our September 2006 report[17] noted that OPM estimated that approximately 60 total staff hours are needed for each investigation for an initial top secret clearance and 6 total staff hours are needed for each investigation to support a secret or confidential clearance. Another factor that causes variability in the cost of the clearance determination is whether investigators can use a phased reinvestigation. Starting in fiscal year 2006, the President authorized the use of phased reinvestigations, which do not require some types of information to be gathered during the renewal of a top secret clearance unless there are potentially derogatory issues found in earlier portions of the reinvestigation.

While the information in table 4 provides the estimated unit costs of investigations and adjudications and estimated total costs, several considerations suggest that the actual unit costs would be somewhat different from those shown in the table if OPM and DOD were to account for all of the costs. For example, the fixed costs for the investigations do not include any additional costs that DOD might incur should adverse information be revealed that requires an additional subject interview to address this information. In these instances, OPM charges DOD for an

[17]GAO-06-1070. Table 1 in our September 2006 report shows the types of information gathered for each type of clearance-eligibility determination.

additional interview to resolve the issue before the case is adjudicated. In addition, if DOD sends an investigation report back to OPM with a request for additional interviews in order to reconcile conflicting information, there may be additional fees. DOD officials stated that cases requiring subsequent resolution of multiple issues could result in additional charges to address each issue. These special interviews cost $515 in 2005 and $430 in 2006. DOD was unable to provide data identifying the number of investigations that included these special interviews. Conversely, the 2006 investigation costs do not address a $7 million refund that OPM made to DOD in September 2006; the refund pertained to a surcharge covering all DOD investigations that DOD had paid to OPM.

In fiscal years 2005 and 2006, DOD paid OPM a surcharge in addition to the base rate OPM charged DOD to conduct investigations. The surcharge amounts were 25 percent in fiscal year 2005 and 19 percent in fiscal year 2006. DOD and OPM agreed to this surcharge in a memorandum of understanding that defined the terms of the transfer of the investigative functions and personnel from DSS to OPM. This surcharge was intended to offset any potential operating losses that OPM incurred in taking over the investigative function from DSS. However, disagreements between DOD and OPM about the amount of the surcharge led to mediation between the agencies in September 2006 and resulted in a retroactive reduction of the surcharge to 14 percent for the third quarter of fiscal year 2006 and an elimination of the surcharge for fiscal year 2007 and beyond.[15]

The unit costs of the adjudications—$100 in fiscal year 2005 and $90 in fiscal year 2006—are approximations that must be viewed with some caution. DOD officials acknowledged that while they provided a single value for the unit cost of both top secret and secret/confidential adjudications, the actual time to adjudicate top secret clearance-eligibility determinations is roughly twice that required to adjudicate secret/confidential clearance-eligibility determinations. Furthermore, the DOD-supplied unit cost estimate for adjudications does not account for the cost associated with the additional work required to adjudicate derogatory information in some of the cases that are sent to DOHA. Prior to 2005, DSS had not differentiated the adjudication portion of its budget from other functions in its budget.

[15]DOD Office of the Inspector General, *Transition Expenditures for DOD Personnel Security Investigations for FY 2005*, D-2007-083 (Arlington, Va.: Apr. 10, 2007).

DOD's Procedures for Projecting Future Investigation Needs and Its Plans for Improving and Funding the Industry Clearance Program Are Evolving

Changes are occurring in the way in which DOD estimates its future investigations needs, as well as its plans and funding for modifying the personnel security clearance program for industry personnel. The procedures for estimating the numbers of clearance investigations needed annually for industry personnel are being revised in an attempt to improve the accuracy of those estimates. Similarly, DOD is not pursuing DOD-specific planning for reducing backlogs and delays as well as steps to adequately fund its clearance process but instead is participating in governmentwide planning efforts to improve clearance processes.

DOD's Method for Estimating the Numbers of Industry Personnel Clearance Investigations Needed in the Future Is Evolving

DOD is changing the methods it uses to estimate the numbers of security clearance investigations it will need for industry personnel in the future in an effort to improve the accuracy of those estimates. Since 2001, DOD has conducted an annual survey of contractors performing classified work for the government in order to estimate future clearance-investigation needs for industry personnel. In November 2005, OMB reported a governmentwide goal whereby agencies have been asked to work toward refining their projections to be within 5 percent of the numbers of actual requests for investigation.[19] However, DOD has had difficulties in projecting its departmentwide clearance needs accurately. For the first half of fiscal year 2006, OPM reported that DOD had exceeded its departmentwide projection by 59 percent. The negative effects of such inaccurate projections include impediments to workload planning and funding.

We have addressed the impact that inaccurate projections have on workload planning in our prior work. In 2004, we recommended that OUSD(I) improve the projections of clearance requirements for industry personnel—for both the numbers and types of clearances—by working with DOD components, industry contractors, and the acquisition community to identify obstacles and implement steps to overcome them. At that time, DOD officials attributed inaccurate projections to (1) the fact that the voluntary annual survey was answered by only a small fraction of the more than 10,000 cleared contractor facilities, (2) the use of some industry personnel on more than one contract and often for different agencies, (3) the movement of employees from one company to another,

[19]OMB, *Plan for Improving the Personnel Security Clearance Process* (November 2005).

and (4) unanticipated world events such as the September 11, 2001, terrorist attacks.

In its efforts to improve its estimates of future clearance investigation needs, DSS has made recent changes to the methods it uses to develop these estimates; and it is conducting research that may change these methods further.[20] First, starting in 2006, DSS made its annual survey accessible through the Internet. Second, DSS field staff made a more concerted effort to actively encourage industry representatives to complete the voluntary survey. According to a DSS official, these two changes increased the response rate of the survey, from historical lows of between 10 and 15 percent of surveyed facilities in previous years, to 70 percent of facilities responding in 2007, representing 86 percent of industry personnel with a clearance in fiscal year 2007. Third, during fiscal year 2007, DSS began performing weekly updates to the analysis of future investigation needs, rather than relying on the previous method of performing a onetime annual analysis. Fourth, DSS has changed its analysis procedures by including variables (e.g., company size) not previously accounted for and is using a statistical method that substitutes values for missing survey data. In addition, DOD's Personnel Security Research Center is assessing a statistical model for estimating future investigation needs in order to determine if a model can supplement or replace the current survey method.

DOD Currently Has No Plan of Its Own to Improve the Clearance Process but Is Participating in Related Governmentwide Efforts

Modifications to DOD's personnel security clearance program are changing from a DOD-specific emphasis to one that focuses on governmentwide efforts. Consequently, DOD does not have a comprehensive plan to address department-specific clearance backlogs, delays, and program funding. The principles of the Government Performance and Results Act of 1993 provide federal agencies with a basis for a results-oriented framework that they can use to construct comprehensive plans that include setting goals, measuring performance, and reporting on the degree to which goals are met. In addition, the Intelligence Reform and Terrorism Prevention Act of 2004 provides DOD with timeliness requirements that would need to be met in any such comprehensive plan addressing clearance backlogs and delays.

[20] Although OUSD(I) officials provided us with information which may indicate that DOD improved the accuracy of its estimates of future clearance investigation needs for industry in fiscal year 2007, we were not able to analyze and corroborate this evidence because it was provided after we had concluded the analysis phase of our audit.

In our 2004 report[21] on personnel security clearances for industry personnel, we recommended that DOD develop and implement an integrated, comprehensive management plan to eliminate the backlog, reduce the delays in conducting investigations and determining eligibility for security clearances, and overcome the impediments that could allow such problems to recur. At that time, DOD had been reacting to the impediments in a piecemeal fashion, rather than establishing an integrated approach that incorporated objectives and outcome-related goals, set priorities, identified resources, established performance measures, and provided milestones for permanently eliminating the backlog and reducing the delays.

The DSS Director told us that DSS had been drafting a comprehensive plan to improve the security clearance process for industry personnel, but new governmentwide efforts have supplanted the larger-scale initiatives that DSS was planning. However, according to OUSD(I) officials, DOD continues to pursue a limited number of smaller-scale initiatives to address backlogs and delays and to ensure that funding is available for its security clearance processes. For example, to address delays in the processes, DOD is working with OPM to introduce methods of obtaining applicants' fingerprints electronically and to implement a method that would enable OPM to transfer investigative records to DOD adjudicators electronically. To help ensure that funding is available for its security clearance program, DOD is examining the number of clearances it funds and undertakes for industry personnel who work with 23 other federal agencies and departments. The DSS Director indicated that DOD is considering the cost it incurs for providing clearance-related services and the feasibility of shifting the funding responsibility back to the federal agencies and departments that request the clearances through DOD.

High-level attention has been focused on improving personnel security clearance processes governmentwide. Since June 2005, OMB's Deputy Director of Management has been responsible for a leadership role in improving the governmentwide processes. During that time, OMB has overseen, among other things, the issuance of reciprocity standards, the growth of OPM's investigative workforce, and greater use of OPM's automated clearance-application system. An August 9, 2007, memorandum from the Deputy Secretary of Defense indicates that DOD's clearance program is drawing attention at the highest levels of the department.

[21]GAO-04-632.

Streamlining security clearance processes is one of the 25 DOD transformation priorities identified in the memorandum.

Another indication of high-level governmentwide involvement in addressing problems in clearance processes is the formation of an interagency security clearance process reform team in June 2007. The team's memorandum of agreement indicates that it seeks to develop, in phases, a reformed DOD and intelligence community security clearance process that allows the granting of high-assurance security clearances in the least time possible and at the lowest reasonable cost. The team's July 25, 2007, terms of reference indicate that the team plans to deliver "a transformed, modernized, fair, and reciprocal security clearance process that is universally applicable" to DOD, the intelligence community, and other U.S. government agencies, no later than December 31, 2008. In our November 2007 discussions with DOD officials, the OUSD(I) Director of Security clarified that the government expects to have demonstrated the feasibility of components of the new system by December 2008, but the actual system would not be operational for some additional unspecified period.

Conclusions

While DOD's initial report on security clearances addressed all of the issues specified in the mandate, the omission of certain important information on the same issues currently limits Congress's ability to carry out its oversight and appropriations functions pertaining to industry personnel security clearances. For example, inclusion of only one future year of budgeting information limits the report's usefulness for strategic appropriations and oversight purposes. Without more information on DOD's longer-term funding needs for industry personnel security clearances, Congress lacks the visibility it needs to fully assess appropriations requirements. Elsewhere, DOD provides such longer-term funding projections as a tool for looking beyond immediate budget priorities. Specifically, DOD annually submits to Congress the FYDP, which contains budget projections for the current budget year and at least the 4 succeeding years. Similarly, congressional oversight is hampered by the absence of information specific to industry personnel on timeliness measures for the average number of days it takes to perform portions of the clearance process—such as the adjudication phase—for pending and completed cases. Without these additional statistics, there is limited transparency for monitoring the progress that DOD and OPM are making annually in streamlining investigative and adjudicative tasks. Finally, DOD's report did not include any metrics on quality, even though we have previously recommended—in multiple reports and testimonies—that DOD

and other parts of the government develop and report such measures for their clearance processes. Problems with the quality of investigations and adjudications can lead to negative consequences—such as the reluctance of agencies to accept clearances issued by other agencies—and can thereby increase waste in the form of unnecessary additional workload for the entire clearance community. Inclusion of these three types of data in the future annual reports appears feasible, based on statements in DOD's initial report that acknowledged the availability or ongoing development of each type of data.

Recommendations for Executive Action

To improve the quality of the information that DOD provides in future reports to Congress for monitoring the security clearance process for industry personnel, we recommend that the Secretary of Defense direct the Under Secretary of Defense for Intelligence to augment the information contained in the department's initial mandated report. We therefore recommend the following three actions:

- Add projected funding information for additional out years so that Congress can use that input in making strategic appropriation and authorization decisions about the clearance program for industry personnel.
- In addition to the mandated information on average delays for pending cases; provide timeliness data for the additional phases within the clearance process, to allow for greater transparency regarding which processes are working well and which need improvement.
- Develop measures of quality in the clearance process and include them in future reports, to explicitly show how DOD is balancing quality and timeliness requirements in its personnel security clearance program.

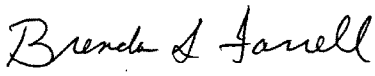
Agency Comments and Our Evaluation

In written comments on a draft of this report, OUSD(I) concurred with all three of our recommendations. OUSD(I) noted that DOD agrees the recommended additional information will aid Congress in its oversight role and its future annual reports—starting in 2009—will include the suggested information. Regarding our funding recommendation, OUSD(I) noted its plans for addressing out year funding in the future and discussed the difficulty in capturing infrastructure costs such as those needed to sustain the current adjudication system and build a new information technology system. With regard to our recommendation on quality, DOD noted that the Personnel Security Research Center is leading the effort to further define measures, develop collection methodology, and suggest

collection methods. DOD's comments are included in their entirety in appendix II of this report.

We are sending copies of this report to interested congressional committees; the Secretary of Defense; the Director of the Office of Management and Budget; and the Director of the Office of Personnel Management. We will also make copies available to others on request. In addition, the report will be available at no charge on the GAO Web site at http://www.gao.gov.

If you or your staff has any questions about this report, please contact me at (202) 512-3604 or farrellb@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made major contributions to this report are listed in appendix III.



Brenda S. Farrell
Director
Defense Capabilities and Management

Appendix I: Scope and Methodology

Scope

The scope and methodology of this report follow from the questions it answers. This report answers the following questions: (1) To what extent does the Department of Defense's (DOD) August 2007 report to Congress address the five issues specified in the mandate? (2) What were the number and cost of each type of clearance investigation and adjudication for industry personnel performed in fiscal years 2000 through 2006? (3) To what extent has DOD developed procedures to estimate the number of investigations to be conducted; plans to reduce delays and backlogs in the clearance program, if any; and provide funding?

In 2006, the John Warner National Defense Authorization Act for Fiscal Year 2007 mandated that (1) DOD report annually on the future requirements of its industry personnel security investigations program and (2) we evaluate DOD's first report in response to this mandate and provide additional information on eight issues. For our review of the DOD report, our scope was largely limited to information in the DOD report. The report included information on initial and renewal top secret, secret, and confidential clearances for industry personnel and information about program funding, the size of the backlog, the average time to complete investigations, and changes to the process. For the additional information on the number and cost—including information on surcharges that DOD paid to the Office of Personnel Management (OPM)—of each type of industry clearance work performed in DOD's personnel security clearance program, we limited our scope to DSS- and OPM-conducted investigations and DOD adjudications of initial and renewal top secret, secret, and confidential clearances for industry personnel completed in fiscal years 2000 through 2006. For the additional information on planning and investigation requirements-estimation procedures, our scope included DOD and governmentwide plans and on-going efforts as well as DOD-specific procedures for estimating the numbers of future initial and renewal top secret, secret, and confidential clearances which will be needed for industry personnel.

Methodology

To determine the extent to which DOD's report addressed each of the five issues specified in the mandate, we reviewed various documents, including laws and executive orders, DOD security clearances policies, OPM security clearances policies, and DOD and governmentwide data quality policies and regulations. These sources provided the criteria used for assessing the DOD report on personnel security clearances for industry. The sources also provided insights into possible causes and effects related to our findings about whether the DOD report addressed each of the issues specified in the mandate. We also reviewed clearance-

related reports issued by organizations such as GAO, DOD's Office of Inspector General (DODIG), and DOD's Personnel Security Research Center. We interviewed and obtained and evaluated documentary evidence from headquarters policy and program officials from various offices (see the column for question 1 in table 5) in DOD, OPM, and the National Archives and Records Administration (NARA). We compared the findings in the DOD report to the mandated requirements and governmentwide and DOD-wide data quality standards. We also interviewed and discussed our observations of the DOD report with officials from various DOD offices.

Table 5: Sources Providing Documentary and/or Testimonial Evidence as a Result of Personal or Telephonic Interviews

	Office provided information to answer		
Office	Question 1	Question 2	Question 3
DOD			
OUSD(I), The Pentagon, Arlington, Virginia	X	X	X
OUSD(C), The Pentagon, Arlington, Virginia	X	X	X
DODIG, The Pentagon, Arlington, Virginia	X		X
DSS, Alexandria, Virginia	X	X	X
DISCO, Columbus, Ohio		X	
DOHA, Columbus, Ohio		X	
Personnel Security Research Center, Monterey, California		X	X
NARA, Information Security Oversight Office, Washington, DC	X		X
OPM, Washington, DC		X	

Source: GAO

To determine the number and cost of each type of clearance investigation and adjudication for industry personnel performed in fiscal years 2000 through 2006, we obtained and analyzed data from the Defense Security Service (DSS), the Office of the Under Secretary of Defense for the Comptroller [OUSD(C)], the Defense Industrial Security Clearance Office (DISCO), and the Defense Office of Hearings and Appeals (DOHA). Before determining the numbers and types of investigations and clearances, we assessed the reliability of the data by (1) interviewing knowledgeable officials about the data and the systems that produced them; (2) reviewing relevant documentation; and (3) comparing multiple sources (e.g., DSS vs.

OUSD(C) records) for consistency of information and examining patterns in the data (e.g., the percentage of all adjudications in a given fiscal year that were for top secret clearances). Our analyses showed the numbers and costs of investigations and adjudications completed in fiscal years 2000 through 2004 were not sufficiently reliable for the purposes of this report as we have previously discussed. In contrast we found the data for fiscal years 2005 and 2006 to be sufficiently reliable for our purposes but explicitly noted limitations with those data. The data for these 2 more recent years used different databases than those used to capture the earlier 5 years. Our methodology to determine the numbers and costs of investigations and adjudications for fiscal years 2005 and 2006 included the following:

- Numbers of investigations: We obtained and analyzed data from OPM's Personnel Investigations Processing System that DSS provided to us.
- Numbers of adjudications: We obtained and analyzed data from the Joint Personnel Adjudications System.
- Costs of investigations: We obtained and analyzed investigation rate data in Financial Investigative Notices published by OPM. While we found limitations associated with these types of data for fiscal years 2005 and 2006, we found that the information was sufficiently reliable for the purposes of this report.
- Surcharge for investigations: We obtained and analyzed documentary and testimonial evidence from DSS and OUSD(C) officials.
- Costs of adjudications: We obtained and analyzed unit cost information that DSS officials produced for this report to show the cost of DISCO-provided adjudications and discussed the limitations of these data in the report. Although DOHA reported a unit cost for adjudications for fiscal year 2006, we did not report that statistic because our assessment revealed that it was not sufficiently reliable for the purposes of this report.

Finally, we interviewed headquarters policy and program officials from various offices (see question 2 in table 5) in DOD, OPM, and NARA to obtain their perspectives on our observations of these data.

To determine the extent to which DOD has developed procedures to estimate the number of future investigations needed for industry personnel and the extent to which DOD has plans to reduce delays and backlogs and provide funding, we took the following actions. We reviewed relevant laws, regulations, and DOD security clearances policies. These sources provided the criteria that we used in our evaluations. We also reviewed relevant clearance-related reports issued by organizations such as GAO, DODIG, and DOD's Personnel Security Research Center. We

interviewed headquarters policy and program officials from the organizations shown in table 5 (see the column for question 3). Our methodology to determine the extent to which DOD has developed procedures to estimate the number of future investigations needed for industry personnel included three steps: (1) we obtained and analyzed documents describing DOD's procedures for estimating the number of industry investigations, (2) we reviewed DSS's Internet-based survey of contractors who perform classified work for the government and discussed our observations of this survey with the DSS Director and DSS officials responsible for this survey, and (3) we reviewed documents obtained from DOD officials describing ongoing research on potential changes to the methods DOD uses to make these estimates. Finally, our methodology to determine the extent to which DOD has plans to reduce delays and backlogs and provide funding included reviewing documents obtained in interviews with officials at the Office of the Under Secretary of Defense for Intelligence [OUSD(I)] and DSS. In particular, we reviewed and analyzed the Memorandum of Agreement between the Director of National Intelligence and the Under Secretary Of Defense (Intelligence) concerning the clearance process reengineering team. We also reviewed an August 2007 memorandum from the Deputy Secretary of Defense listing the top 25 transformation priorities for DOD, one of which is streamlining the security clearance process.

We conducted this performance audit from May 2007 through February 2008 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix II: Comments from the Department of Defense

INTELLIGENCE

OFFICE OF THE UNDER SECRETARY OF DEFENSE
5000 DEFENSE PENTAGON
WASHINGTON, DC 20301-5000

FEB 05 2008

Ms. Brenda S. Farrell
Director, Defense Capabilities and Management
U.S. Government Accountability Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Ms. Farrell:

This is the Department of Defense (DoD) response to the GAO draft report, GAO-08-350, 'DoD PERSONNEL CLEARANCES: Improved Annual Reporting Would Enable More Informed Congressional Oversight,' dated January 17, 2008 (GAO Code 350986)."

The recommendations ask the Department to provide information outside of the 2006 Congressional mandate to report annually on the future requirements of the industry personnel security program. The Department agrees the additional information will aid Congress in its oversight role and our future annual reports will include this information as suggested. The recommendations will be implemented in the Department's 2009 report as they were received after submission of this year's report.

I appreciate the opportunity to comment on the report and the professionalism and courtesy of your personnel. My point of contact is Rosalind Baybutt at (703) 604-1138 or rosalind.baybutt@osd.mil.

Sincerely,

Troy L. Sullivan
Acting Deputy Under Secretary of Defense
(Counterintelligence and Security)

Enclosure:
As stated

GAO DRAFT REPORT - DATED JANUARY 17, 2008
GAO CODE 350986/GAO-08-350

"DoD PERSONNEL CLEARANCES: Improved Annual Reporting Would Enable More Informed Congressional Oversight"

DEPARTMENT OF DEFENSE COMMENTS TO THE RECOMMENDATIONS

RECOMMENDATION 1: The GAO recommends that the Secretary of Defense direct the Under Secretary of Defense for Intelligence to augment the information contained in the Department's initial mandated report by adding projected funding information for additional out years so that Congress can use that input in making strategic appropriation and authorization decisions about the clearance program for industry personnel.

DOD RESPONSE: Concur. After an extensive review within DoD by the Comptroller and Program Advisory and Execution (PA&E) process, it was determined that the DSS funding was not sufficient. A fix was implemented for the FY08 and FY09 funding lines and the entire DSS program will be reevaluated for the FY10 Program Objective Memorandum (POM). Therefore, showing any numbers beyond FY09 would not have reflected accurate information. Once the POM process has been completed and the DSS funding stabilized, the Department will include projected funding for the out years.

Second, the report cites Congressional testimony by the Director of DSS that "it would need tens of millions of dollars in the future to maintain the infrastructure supporting the program and to cover operating costs." The testimony cited referred to the cost to sustain the Joint Personnel Adjudication System (JPAS) and to build a successor IT system. The budget numbers reflected in the Department's Report to Congress (CDA) refer to the amount budgeted by DoD for direct reimbursement costs to the Office of Personnel Management for Personnel Security Investigations for Industry. There is no accounting mechanism within the Department to capture infrastructure costs, such as those for JPAS, and apply them to this direct cost.

RECOMMENDATION 2: The GAO recommends that the Secretary of Defense direct the Under Secretary of Defense for Intelligence to augment the information contained in the Department's initial mandated report by providing timeliness data for the additional phases within the clearance process to allow for greater transparency regarding which processes are working well and which need improvement.

DOD RESPONSE: Concur.

RECOMMENDATION 3: The GAO recommends that the Secretary of Defense direct the Under Secretary of Defense for Intelligence to augment the information contained in the Department's initial mandated report by developing measures of quality in the clearance process and including them in future reports to explicitly show how DoD is balancing quality and timeliness requirements in its personnel security clearance program.

DOD RESPONSE: Concur. Using the Office of Management and Budget Program Assessment Rating Tool, the Department has developed three key baseline performance measures, cost of investigations and adjudications, timeliness of the clearance process and quality of investigations and adjudications. The Personnel Security Research Center (PERSEREC) has the lead to further define the measures, develop collection methodology and recommend collection tools.

Appendix III: Contact and Staff Acknowledgments

GAO Contact

Brenda S. Farrell, (202) 512-3604 or farrellb@gao.gov.

Acknowledgments

In addition to the contact named above, Jack E. Edwards, Assistant Director; Joanne Landesman; James P. Klein; Ron La Due Lake; Thomas C. Murphy; Beverly C. Schladt; and Karen Thornton made key contributions to this report.

Related GAO Products

Defense Business Transformation: A Full-time Chief Management Officer with a Term Appointment Is Needed at DOD to Maintain Continuity of Effort and Achieve Sustainable Success. GAO-08-132T. Washington, D.C.: October 16, 2007.

DOD Personnel Clearances: Delays and Inadequate Documentation Found For Industry Personnel. GAO-07-842T. Washington, D.C.: May 17, 2007.

High-Risk Series: An Update. GAO-07-310. Washington, D.C.: January 2007.

DOD Personnel Clearances: Additional OMB Actions Are Needed To Improve the Security Clearance Process. GAO-06-1070. Washington, D.C.: September 28, 2006.

DOD Personnel Clearances: Questions and Answers for the Record Following the Second in a Series of Hearings on Fixing the Security Clearance Process. GAO-06-693R. Washington, D.C.: June 14, 2006.

DOD Personnel Clearances: New Concerns Slow Processing of Clearances for Industry Personnel. GAO-06-748T. Washington, D.C.: May 17, 2006.

DOD Personnel Clearances: Funding Challenges and Other Impediments Slow Clearances for Industry Personnel. GAO-06-747T. Washington, D.C.: May 17, 2006.

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DOD Personnel Clearances: Government Plan Addresses Some Long-standing Problems with DOD's Program, But Concerns Remain. GAO-06-233T. Washington, D.C.: November 9, 2005.

Defense Management: Better Review Needed of Program Protection Issues Associated with Manufacturing Presidential Helicopters. GAO-06-71SU. Washington, D.C.: November 4, 2005.

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Intelligence Reform: Human Capital Considerations Critical to 9/11 Commission's Proposed Reforms. GAO-04-1084T. Washington, D.C.: September 14, 2004.

DOD Personnel Clearances: Additional Steps Can Be Taken to Reduce Backlogs and Delays in Determining Security Clearance Eligibility for Industry Personnel. GAO-04-632. Washington, D.C.: May 26, 2004.

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DOD Personnel Clearances: DOD Needs to Overcome Impediments to Eliminating Backlog and Determining Its Size. GAO-04-344. Washington, D.C.: February 9, 2004.

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Security Clearance Survey 2008

by

The Information Technology Association of America (ITAA) and
National Defense Industrial Association (NDIA)

The following summarizes the results of online surveys of ITAA and NDIA member companies in January-April 2008.

Business Impact

1) **How many employees in your company hold a security clearance?**

Response	Total NDIA	% NDIA	Total ITAA	% ITAA
Less than 100	54	53%	6	14%
100-500 employees	29	29%	14	32%
500-1000 employees	12	12%	5	11%
1000-10,000 employees	3	3%	13	30%
More than 10,000 employees	3	3%	6	14%
Total Responses	101	100%	44	100%

2) **H w many of those clearances are Confidential or Secret?**

Response	Total NDIA	% NDIA	Total ITAA	% ITAA
None	9	9%	1	2%
Less than 10%	6	6%	11	26%
10%-25%	5	5%	3	7%
25%-50%	11	11%	12	28%
50%-75%	25	25%	10	23%
More than 75%	44	44%	6	14%
Total Responses	100	100%	43	100%

3) **How many of those clearances are Top Secret or above?**

Response	Total NDIA	% NDIA	Total ITAA	% ITAA
None	28	28%	2	5%
Less than 10%	19	19%	3	7%
10%-25%	17	17%	3	7%
25%-50%	18	18%	17	39%
50%-75%	11	11%	6	14%
More than 75%	7	7%	13	30%
Total Responses	100	100%	44	100%

4) **How many current job openings do you have that require a security clearance?**

Response	Total NDIA	% NDIA	Total ITAA	% ITAA
Less than 50	73	78%	22	51%
50-250	18	19%	10	23%
250-500	1	1%	5	12%
More than 500	2	2%	6	14%
Total Responses	94	100%	43	100%

5) **How do you PRIMARILY recruit employees for cleared positions?**

Response	Total NDIA	% NDIA	Total ITAA	% ITAA
Recruit people with needed skills and apply for a clearance	50	53%	15	35%
Recruit people with current clearances from other contractors	35	37%	27	63%
Recruit people from government service	4	4%	1	2%
Clear existing staff and move them to national security projects	6	6%	0	0%
Total Responses	95	100%	43	100%

6) **Do you pay a salary premium when hiring personnel who already hold a clearance?**

Response	Total NDIA	% NDIA	Total ITAA	% ITAA
Yes	29	31%	31	72%
No	65	69%	12	28%
Total Responses	94	100%	43	100%

7) **If yes, what is the average salary premium for pe ple that have a security clearance but with skills comparable to an employee without a security clearance?**

Response	Total NDIA	% NDIA	Total ITAA	% ITAA
Less than 5%	12	31%	5	16%
5-25%	25	64%	26	81%
More than 25%	2	5%	1	3%
Total Responses	39	100%	32	100%

8) **If you are paying a premium, is that premium increasing?**

Response	Total NDIA	% NDIA	Total ITAA	% ITAA
Yes	21	42%	17	50%
No	29	58%	17	50%
Total Responses	50	100%	34	100%

9) **Have the contractual requirements for cleared people increased in the past 5 years?**

Response	Total NDIA	% NDIA	Total ITAA	% ITAA
Not at all	14	15%	1	2%
Somewhat	27	28%	5	12%
General increase	38	40%	18	42%
Significant increase	17	18%	19	44%
Total Responses	96	100%	43	100%

10) **D the delays in the clearance process restrict y ur ability to grow your business?**

Response	Total NDIA	% NDIA	Total ITAA	% ITAA
Yes	60	61%	37	86%
No	38	39%	6	14%
Total Responses	98	100%	43	100%

11) **What is the annual revenue impact to your company because of the lack of cleared personnel?**

Response	Total NDIA	% NDIA	Total ITAA	% ITAA
Less than $1 million	52	66%	12	33%
$1 million-$5 million	19	24%	13	36%
$5 million-$10 million	7	9%	4	11%
More than $10 million	1	1%	7	19%
Total Responses	79	100%	36	100%

Applications

12) **"Out of Synch" applications are SF-86 forms that are submitted using the E-Quip system. They appear to have been submitted successfully but are actually lost in the digital ether. Have your employees seeking security clearance had problems with "out of synch" applications?**

Response	Total NDIA	% NDIA	Total ITAA	% ITAA
Yes	40	42%	24	57%
No	20	21%	5	12%
Not that we are aware of	36	38%	13	31%
Total Responses	96	100%	42	100%

13) **If your employees have had issues with "out of synch" applications, how were they informed that their SF-86 form had been lost?**

Response	Total NDIA	% NDIA	Total ITAA	% ITAA
They were informed that there was an error at the time of submission	7	13%	6	21%
A delay in interim clearance inspired inquiry as to the applications progress	21	40%	13	45%
They were not informed and were forced to submit another SF-86 form	24	46%	10	34%
Total Responses	52	100%	29	100%

14) **The E-Quip system enables those seeking security clearance to submit SF-86 forms electronically. Since this feature has been implemented the process of gaining security clearance has:**

Response	Total NDIA	% NDIA	Total ITAA	% ITAA
Expedited significantly	34	37%	17	41%
Expedited to a small degree	34	37%	17	41%
Remained about the same	19	21%	6	15%
Slowed down	4	4%	1	2%
Total Responses	91	100%	41	100%

15) **Would you prefer to submit applicant's fingerprints electronically were such an option available?**

Response	Total NDIA	% NDIA	Total ITAA	% ITAA
Yes	88	91%	38	90%
No	9	9%	4	10%
Total Responses	97	100%	42	100%

Investigation

16) **On average, how long does it take the government to clear industry personnel for your company (includes investigative and adjudicative time frames)?**

Response	Total NDIA	% NDIA	Total ITAA	% ITAA
Less than 90 days	3	3%	2	5%
90-180 days	28	29%	7	17%
180-270 days	40	42%	14	34%
More than 270 days	24	25%	18	44%
Total Responses	95	100%	41	100%

17) **What is the average time for your company to get a new person cleared for TS/ TS-SCI (includes investigative and adjucative time)?**

Response	Total NDIA	% NDIA	Total ITAA	% ITAA
Less than 90 days	2	2%	2	5%
90-180 days	11	13%	3	8%
180-270 days	32	39%	14	35%
More than 270 days	37	45%	21	53%
Total Responses	82	100%	40	100%

18) **Since last year have you noticed any improvements in the Security Clearance Process?**

Response	Total NDIA	% NDIA	Total ITAA	% ITAA
Yes, marked improvement	11	12%	4	10%
Some improvement	49	53%	24	60%
Stayed the same	23	25%	12	30%
Worse	10	11%	0	0%
Total Responses	93	100%	40	100%

19) **H w would you rate the responsiveness of OPM in dealing with any questions or concerns you may have about the clearance process?**

Response	Total NDIA	% NDIA	Total ITAA	% ITAA
Responsive all the time	26	27%	6	15%
Responsive some of the time	37	39%	19	46%
Responsive rarely	14	15%	7	17%
Non-responsive	6	6%	4	10%
Not applicable	13	14%	5	12%
Total Responses	96	100%	41	100%

20) **How well informed are you and your employees as to the progress of submitted applications?**

Response	Total NDIA	% NDIA	Total ITAA	% ITAA
We are not at all informed as to the progress of pending applications	32	34%	18	45%
We receive sporadic updates as to the progress of pending applications	29	31%	14	35%
We are moderately well informed as to the progress of pending applications	22	24%	5	13%
We are very well informed as to the application's process	10	11%	3	8%
Total Responses	93	100%	40	100%

21) **How would you rate the responsiveness of DISCO in dealing with any questions or concerns you may have about the clearance process?**

Response	Total NDIA	% NDIA	Total ITAA	% ITAA
Responsive all the time	33	35%	16	39%
Responsive some of the time	39	41%	18	44%
Responsive rarely	10	11%	4	10%
Non-responsive	6	6%	0	0%
Not applicable	6	6%	3	7%
Total Responses	94	100%	41	100%

22) **Please rate the difficulty in obtaining a security clearance for each of these Agencies (1 being the easiest, 10 being the hardest. Please leave it blank if you have not attempted to obtain a clearance from a particular agency.):**

Central Intelligence Agency

Response	Total NDIA	% NDIA	Total ITAA	% ITAA
0	5	19%	0	0%
1	2	7%	1	4%
2	2	7%	1	4%
3	2	7%	1	4%
4	1	4%	1	4%
5	3	11%	1	4%
6	1	4%	2	8%
7	1	4%	6	24%
8	2	7%	2	8%
9	2	7%	2	8%
10	6	22%	8	32%
Total Responses	27	100%	25	100%

Department of Defense

Response	Total NDIA	% NDIA	Total ITAA	% ITAA
0	0	0%	0	0%
1	9	11%	3	8%
2	10	12%	4	11%
3	5	6%	5	14%
4	7	8%	6	16%
5	22	26%	6	16%
6	7	8%	7	19%
7	8	9%	3	8%
8	8	9%	2	5%
9	2	2%	0	0%
10	7	8%	1	3%
Total Responses	85	100%	37	100%

Department of Homeland Security

Response	Total NDIA	% NDIA	Total ITAA	% ITAA
0	3	16%	0	0%
1	1	5%	1	4%
2	1	5%	1	4%
3	4	21%	0	0%
4	0	0%	3	12%
5	1	5%	4	16%
6	1	5%	1	4%
7	2	11%	1	4%
8	4	21%	8	32%
9	1	5%	2	8%
10	1	5%	4	16%
Total Responses	19	100%	25	100%

Defense Intelligence Agency

Response	Total NDIA	% NDIA	Total ITAA	% ITAA
0	4	19%	2	8%
1	0	0%	0	0%
2	1	5%	4	17%
3	4	19%	0	0%
4	2	10%	1	4%
5	4	19%	3	13%
6	1	5%	1	4%
7	0	0%	2	8%
8	5	24%	7	29%
9	0	0%	3	13%
10	0	0%	1	4%
Total Responses	21	100%	24	100%

Drug Enforcement Agency

Response	Total NDIA	% NDIA	Total ITAA	% ITAA
0	4	40%	3	20%
1	1	10%	0	0%
2	0	0%	1	7%
3	1	10%	0	0%
4	1	10%	0	0%
5	1	10%	4	27%
6	1	10%	2	13%
7	0	0%	1	7%
8	0	0%	2	13%
9	1	10%	2	13%
10	0	0%	0	0%
Total Responses	10	100%	15	100%

Energy Department

Response	Total NDIA	% NDIA	Total ITAA	% ITAA
0	4	33%	2	15%
1	2	17%	0	0%
2	0	0%	0	0%
3	0	0%	0	0%
4	1	8%	1	8%
5	1	8%	2	15%
6	0	0%	1	8%
7	0	0%	4	31%
8	2	17%	1	8%
9	1	8%	2	15%
10	1	8%	0	0%
Total Responses	12	100%	13	100%

Federal Bureau of Investigation

Response	Total NDIA	% NDIA	Total ITAA	% ITAA
0	5	29%	0	0%
1	1	6%	0	0%
2	0	0%	1	6%
3	1	6%	1	6%
4	2	12%	2	11%
5	1	6%	3	17%
6	1	6%	2	11%
7	0	0%	4	22%
8	4	24%	3	17%
9	2	12%	1	6%
10	0	0%	1	6%
Total Responses	17	100%	18	100%

National Geospatial Intelligence Agency

Response	Total NDIA	% NDIA	Total ITAA	% ITAA
0	4	22%	1	5%
1	1	6%	0	0%
2	2	11%	2	11%
3	1	6%	1	5%
4	2	11%	2	11%
5	1	6%	1	5%
6	1	6%	3	16%
7	1	6%	2	11%
8	2	11%	5	26%
9	2	11%	1	5%
10	1	6%	1	5%
Total Responses	18	100%	19	100%

National Reconnaissance Office

Response	Total NDIA	% NDIA	Total ITAA	% ITAA
0	4	22%	1	5%
1	1	6%	3	14%
2	2	11%	3	14%
3	1	6%	0	0%
4	2	11%	1	5%
5	1	6%	1	5%
6	1	6%	3	14%
7	1	6%	2	10%
8	2	11%	4	19%
9	2	11%	3	14%
10	1	6%	0	0%
Total Responses	18	100%	21	100%

National Security Agency

Response	Total NDIA	% NDIA	Total ITAA	% ITAA
0	4	15%	0	0%
1	1	4%	4	17%
2	4	15%	0	0%
3	6	22%	1	4%
4	0	0%	1	4%
5	2	7%	3	13%
6	1	4%	4	17%
7	3	11%	3	13%
8	3	11%	2	8%
9	3	11%	3	13%
10	0	0%	3	13%
Total Responses	27	100%	24	100%

State Department

Response	Total NDIA	% NDIA	Total ITAA	% ITAA
0	3	19%	2	9%
1	1	6%	2	9%
2	1	6%	1	4%
3	2	13%	0	0%
4	1	6%	4	17%
5	3	19%	6	26%
6	1	6%	3	13%
7	1	6%	2	9%
8	1	6%	1	4%
9	2	13%	1	4%
10	0	0%	1	4%
Total Responses	16	100%	23	100%

Treasury Department

Response	Total NDIA	% NDIA	Total ITAA	% ITAA
0	4	36%	3	20%
1	1	9%	2	13%
2	0	0%	1	7%
3	0	0%	0	0%
4	0	0%	1	7%
5	3	27%	3	20%
6	0	0%	2	13%
7	1	9%	0	0%
8	1	9%	2	13%
9	1	9%	1	7%
10	0	0%	0	0%
Total Responses	11	100%	15	100%

US Coast Guard

Response	Total NDIA	% NDIA	Total ITAA	% ITAA
0	5	42%	3	21%
1	0	0%	1	7%
2	0	0%	1	7%
3	1	8%	2	14%
4	0	0%	2	14%
5	2	17%	3	21%
6	2	17%	0	0%
7	0	0%	1	7%
8	0	0%	1	7%
9	1	8%	0	0%
10	1	8%	0	0%
Total Responses	12	100%	14	100%

23) **How often have employees/potential employees seeking security clearance been placed under a status of "closed pending", meaning their application is missing information?**

Response	Total NDIA	% NDIA	Total ITAA	% ITAA
Very Often	3	3%	6	15%
Often	19	20%	7	18%
Rarely	53	56%	27	68%
Never	20	21%	0	0%
Total Responses	95	100%	40	100%

24) **When an applicant status for security clearance is listed as "closed pending," approximately how long does it take before they are informed of this status?**

Response	Total NDIA	% NDIA	Total ITAA	% ITAA
They are informed immediately	8	11%	3	8%
They are informed within a few weeks of their application being declared as "closed pending"	29	41%	13	33%
They are only informed when they inquire as to their applications progress	34	48%	24	60%
Total Responses	71	100%	40	100%

Reciprocity

25) **Has any agency of the federal government failed to recognize clearances held by your employees?**

Response	Total NDIA	% NDIA	Total ITAA	% ITAA
Yes	21	22%	30	71%
No	74	78%	12	29%
Total Responses	95	100%	42	100%

26) **If yes, did the refusing agency require additional paperwork of your employee?**

Response	Total NDIA	% NDIA	Total ITAA	% ITAA
Yes	17	52%	31	89%
No	16	48%	4	11%
Total Responses	33	100%	35	100%

27) **If yes, how long was the delay to acquire the additional clearance?**

Response	Total NDIA	% NDIA	Total ITAA	% ITAA
Less than 90 days	9	32%	11	34%
90-180 days	9	32%	15	47%
180-270 days	5	18%	6	19%
More than 270 days	5	18%	0	0%
Total Responses	28	100%	32	100%

28) **Which agency(s) did not honor reciprocity? Please list the agency(s)** (top three)

0	DHS
0	CIA
0	DOD

If yes, how many employees has this affected?

Response	Total NDIA	% NDIA	Total ITAA	% ITAA
Less than 25	23	85%	19	59%
26-50	2	7%	4	13%
51-75	0	0%	2	6%
76-100	0	0%	2	6%
More than 100	2	7%	5	16%
Total Responses	27	100%	32	100%

For additional questions, please contact:

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QUESTIONS AND ANSWERS SUBMITTED FOR THE RECORD

FEBRUARY 13, 2008

QUESTIONS SUBMITTED BY MR. ORTIZ

Mr. ORTIZ. In 2004, GAO recommended, and DOD concurred, that the Office of the Under Secretary of Defense for Intelligence develop a comprehensive plan to address numerous challenges faced by the industry personnel security clearance program. Why hasn't DOD issued such a plan in the four years since then?

Mr. TORRES. In response to the 2004 GAO report, Department of Defense (DOD) has studied how to improve the security clearance process. One example of how the Department is addressing the concerns outlined in the GAO report is the development of the DOD Security Clearance Program Assessment Rating Tool (PART), which was submitted to the Office of Management and Budget on January 15, 2008. The PART is a rating tool that continually assesses and reviews all factors that affect program performance including program purpose and design; performance measurement, evaluations, and strategic planning; program management; and program results. In essence, it provides a long-range plan for security clearance program management and improvement. The PART will help DOD better assess and manage the program using performance measures. These measures include the cost, timeliness, and quality for the submission, investigation and adjudication phases of the security clearance process. The Department expects to have baseline data on these measures by end of this FY and use this data to set aggressive goals for performance improvement in the out years.

Mr. ORTIZ. The John Warner National Defense Authorization Act for Fiscal Year 2007 required that DOD provide Congress with annual reports on five aspects of industry personnel clearances. GAO's evaluation of that report noted that the information on funding, timeliness, and quality was limited. What steps will DOD take to address those shortcomings and help Congress in its oversight role?

Mr. TORRES. The GAO report asked the Department to provide information outside of the 2006 Congressional mandate. The Department agrees the additional information will aid Congress in its oversight role. DOD continues to develop the processes needed to address the shortcomings identified in the areas of funding, timeliness and quality:

- An extensive review within DOD by the Comptroller and Program Analysis and Evaluation determined the funding for the Defense Security Service (DSS) was not sufficient. A fix was implemented for the FY08 and FY09 funding lines, and the entire DSS program will be reevaluated for the FY10 Program Objective Memorandum (POM). Therefore, showing any numbers beyond FY09 in the 2008 report would not have reflected accurate information.
- The DSS Clearance Oversight Office reviews and evaluates end-to-end timeliness of industry personnel clearances, annually surveys cleared industry's clearance requirements, and tracks actual submissions against projections.
- DSS is working with DOD Personnel Security Research Center to develop a quality metrics tool for the DOD Central Adjudication Facilities to identify quality deficiencies. The DSS Clearance Liaison Office will track the quality deficiencies and work with the community and Office of Personnel Management, as necessary, to identify and resolve systemic issues.

Our future annual reports will include this information as suggested. The additional information will be provided in the Department's 2009 report since the GAO recommendations were received after submission of the 2008 report.

Mr. ORTIZ. The backlog of overdue clearances has never been fully eliminated. Since top secret clearances need to be renewed every five years, what types of analyses has DOD performed to see if there will be a large number of top secret clearances needing to be renewed in the next few years? Will the current system be able to handle those requests?

Mr. TORRES. The Defense Security Service (DSS) is responsible for reviewing and reporting the DOD projective investigative needs to the Office of Personnel Management (OPM). We believe our security clearance system will handle the upcoming investigative requests. The Department is reducing its backlog of cases and is taking steps towards meeting the OMB goal of keeping our backlog to an average of less than 10% of its monthly submissions. Considering our steps towards reducing our

backlog and the work of the Joint Clearance Reform Team, we do not anticipate periodic reinvestigate requirements to strain our adjudicative resources.

Mr. ORTIZ. The Intelligence Reform Act set a goal of 2009 for completing 90% of all security clearances within 60 days. What progress have you made in meeting that goal?

- What challenges do you face in meeting that goal—in terms of funding, staffing or electronic needs?

Ms. DILLAMAN. In the first quarter of fiscal year 2008, OPM conducted 80% of the initial security clearance investigations in average of 67 days. In pursuit of the 2009 goal, for September 2008, we are holding ourselves accountable for providing 90% of the initial investigations within an average of 65 days. We believe we have sufficient staff to complete the investigations, but our ability to close the cases within the required timeframe will depend on timely responses from third party record providers, such as the FBI's Record Management Division. For its September 2008 goal, the FBI has been directed by the Office of Management and Budget (OMB) to provide 90% of responses within an average of 30 days. It is critical the FBI make such a dramatic improvement in processing times so we can meet our future goals. In addition, we continue to work with other Federal, State, and local record providers to improve the timeliness of their responses.

Mr. ORTIZ. We are aware of the formation of an interagency security clearance process reform team in June 2007. The teams' memorandum of agreement indicates that it seeks to develop, in phases, a reformed DOD and intelligence community security clearance process that allows the granting of high-assurance security clearances in the least time possible and at the lowest reasonable cost. The team's terms of reference indicate that the team plans to deliver "a transformed, modernized, fair, and reciprocal security clearance process that is universally applicable" to DOD, the intelligence community, and other US. government agencies.

- What support is your office providing to this "tiger team"?
- Please describe what the government plans and give us an idea of when each of the major steps is projected for completion.
- When will the system be operational, and what agency will be charged with the responsibility for maintaining the system?

Ms. DILLAMAN. OPM is partnering with the Office of the Director of National Intelligence and the Department of Defense to reform the overall security clearance process. In support of the group's efforts, a number of OPM employees are working directly with the "tiger team" to provide subject matter expertise in information technology, policy, and case processing. Other OPM employees are supporting the reform team's efforts by conducting research, and identifying opportunities for streamlining existing processes and procedures.

The initial set of recommendations will be submitted to President George W. Bush no later than April 30, 2008. These recommendations will describe the government's plan for reforming the security process and will identify ongoing efforts and may provide a timeframe for offering additional recommendations over the next several months.

Mr. ORTIZ. What steps does OPM take to build quality into its clearance investigations?

- How are these processes different from those that resulted in the large number of incomplete investigative reports that GOA documented in its September 2006 report?

Ms. DILLAMAN. We recognized early in the transfer of DOD's personnel security investigation (PSI) function to OPM that the Defense Security Service (DSS) and OPM did not have a consistent interpretation of the coverage requirements. We conducted training for the field agents and quality review staff to standardize the scope and content of the investigations. The training has continued for new FISD field agents and other investigative staff. (Please see response below concerning training for contractor personnel.) In addition, we developed an investigator's handbook in partnership with DOD and the stakeholders that includes common baseline standards for conducting background investigations.

We also put an internal quality review process in place. In March 2006, we formed the Quality Management Group that is responsible for handling the most serious quality concerns. Recently, we expanded QMG to conduct random quality review of employees' work. QMG was forming when the GAO conducted its audit and we are confident GAO would see significant improvements in the quality of the background investigations currently being produced.

Mr. ORTIZ. GAO has stated in multiple reports that the percentage of investigative reports returned for deficiencies is not—by itself—an adequate measure of qual-

ity. In its August 2007 Annual Report to Congress on Personnel Security Investigations for Industry and the National Industrial Security Program, DOD stated, "DSS, OPM, and the DOD adjudicative community are gathering and analyzing quality metrics to provide the national security community with a better product." What additional quality measures have been developed, and what do they indicate?

Ms. DILLAMAN. In addition to recording and tracking the investigations returned by adjudicating offices for corrective actions, there are a number of quality "indicators" that are tracked and recorded.

- OPM routinely conducts customer assessment surveys to obtain feedback from agencies on the products and services we provide. Over 300 agency program level or security offices responded to the November 2007 survey. Of these, 91 percent reported being satisfied with the content and quality of OPM's background investigations and 95 percent were satisfied with the overall services we provide.
- OPM's Integrity Assurance program includes contacting personal and record sources of information for quality feedback on our Federal and contractor field agents. Overall, approximately 3% of all sources obtained by a field agent are recontacted by a written inquiry soliciting performance feedback. Both positive and negative feedback are used for individual performance management.

Mr. ORTIZ. It is our understanding that the OPM PIPS system is an antiquated data management system that is not interoperable with modern IT systems. What steps is OPM taking to replace PIPS?

Ms. DILLAMAN. OPM has no plans to replace PIPS. The system is stable, reliable and secure, providing efficiencies in processing a tremendous volume of information within seconds. PIPS executes on an IBM z900 Enterprise Server under the control of z/OS operating system. It is capable of processing 450 million instructions per second and averages 1.8 million transactions by 1,650 customers logged on daily. There are over 10,000 authorized users, to include 1,200 customers and over 7,000 field investigators. The system is integrated with the other applications that make up the entire investigative application suite, called *EPIC,* and is accessible to agencies through direct link or the Department of Defense's Joint Personnel Adjudications System (JPAS). The system is able to adjust to the changing needs of the investigative process and OPM has continually been modernizing PIPS and will continue on this path to ensure the system is meeting the ever changing needs and demands of the investigative community.

Mr. ORTIZ. In prior years, OPM's contractors supplying investigative reports were experiencing double-digit turnover of staff.

- What is the current level of turnover and what types of problems does this present when trying to deliver timely, high-quality investigative reports?

Ms. DILLAMAN. The attrition rate for our contractors is between 15 to 20 percent. While this does put a burden on the contract companies, they ensure the quality of the investigative products they provide to OPM by managing robust training programs and relentless quality control.

Mr. ORTIZ. How does OPM monitor the initial and continuing training and knowledge of in-house and contractor investigative staff? For example, who approves the training materials, methods, etc. used to promote high-quality performance of clearance-related staff? What training-related consistencies and inconsistencies have been found for this quality control issue?

Ms. DILLAMAN. OPM's Federal Investigative Services Division (FISD) takes an active role in ensuring the investigative staff is adequately trained. It is of the utmost importance to ensure staff members understand current policies and procedures to ensure a quality investigation. In January 2006, FISD established the Training and Staff Development Group (TSDG). This training group is comprised of subject matter experts within the background investigation field. FISD management approves the training programs TSDG develops. The TSDG primary goal is to develop and execute the staged training program for the federal staff and audit the materials/training provided to the contractors' investigative staff.

The contractual agreements between OPM and the contractors outline the specific competencies, skills, and policies that must be incorporated into their training program. As with most contracts in the Federal Government, it is the contractor's responsibility to adequately train their staff. The following steps have been taken to make certain the contract investigators are exposed and understand theses elements.

1. TSDG provided language to be inserted into the field contacts to standardize the training provided to investigative staff.
2. TSDG provided the contractors with all materials used to train federal staff.

3. TSDG reviews and approves all material utilized by the contractors' training programs prior to implementation.
4. TSDG provides oversight of the contractors' training programs on a continual basis to ensure they are accurately instructing on the appropriate policies and procedures.

To ensure all training programs expose investigators to current policies/procedures and address areas of concern, the TSDG works closely with the FISD's Operational Policy Group and Quality Assurance Group. Analysis of case deficiencies and program challenges are conducted routinely and incorporated into the training programs.

Mr. ORTIZ. In the report that GAO[1] issued today to this committee and your testimony statement, you discussed a need for more emphasis on quality in clearance products and processes. What have agencies been using as quality measures, and are they sufficient?

Mr. EDWARDS. Through our reports and testimonies, we have emphasized a need to build more quality and quality monitoring into the clearances process. As we have reported, since 1999 government agencies have relied on a measure of quality—the percentage of investigative reports returned by requesting agencies to the investigating agency because of incompleteness—and this measure is insufficient. We find this measure to be problematic because the number of investigations returned for rework is not by itself a valid indicator of the quality of investigative work. One reason for this is that according to adjudication officials, they were reluctant to return incomplete investigations in anticipation of further delays.[2] Additionally, this metric pertains only to the investigation phase of the clearance process, and there are no metrics for the other five phases of the investigative process (the clearance process has six phases: the requirements setting, application-submission, investigation, adjudication, appeal, and clearance updating).

Mr. ORTIZ. Do you believe that DOD, OMB, and OPM have made the necessary commitment to improve the security clearance process? What steps need to be taken to ensure that on-going initiatives continue past this Administration?

Mr. EDWARDS. As noted in our February 13, 2008 report,[3] we are encouraged by some department-specific and governmentwide efforts that have improved DOD's personnel security clearance program. Examples of improvements to the process include (1) DOD's ability to electronically submit a clearance applicant's form authorizing the release of medical information and (2) a governmentwide effort that has resulted in the increased use of the Office of Personnel Management's (OPM) Electronic Questionnaires for Investigations Processing.

In addition, as we have previously reported, we have been encouraged by the commitment that the Office of Management and Budget (OMB) and OPM have demonstrated in the development of a governmentwide plan to address clearance-related problems.[4] The OMB Deputy Director met with us to discuss OMB's general strategy for addressing the problems that led to our high-risk designation for DOD's clearance program. Demonstrating strong management commitment and top leadership support to address a known risk is one of the requirements for us to remove DOD's clearance program from our high-risk list.

Nevertheless, as we noted in our February 13, 2008 statement, we have identified a number of challenges in our past work that will require long-term commitment from this and subsequent administrations to further improve the security clearance process. Specifically, in our statement we emphasized the need for initiative in five areas: (1) improvement in projecting future industry investigation needs, (2) eliminating delays in the clearance processes, (3) supplementing the limited information on quality of clearance products and procedures, (4) increasing the amount of clearance-related funding information available to Congress to improve oversight, and (5)

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[1] GAO, *DOD Personnel Clearances: DOD Faces Multiple Challenges in Its Efforts to Improve Clearance Processes for Industry Personnel,* GAO–08–470T (Washington, D.C.: Feb. 13, 2008).

[2] For example, GAO, *DOD Personnel Clearances: Additional OMB Actions Are Needed to Improve the Security Clearance Process,* GAO–06–1070 (Washington, D.C.: Sept. 28, 2006); *DOD Personnel Clearances: Government Plan Addresses Some Long-standing Problems with DOD's Program, But Concerns Remain,* GAO–06–233T (Washington, D.C.: Nov. 9, 2005); and *DOD Personnel: Inadequate Personnel Security Investigations Pose National Security Risks,* GAO/NSIAD–00–12 (Washington, D.C.: Oct. 27, 1999).

[3] GAO, *DOD Personnel Clearances: Improved Annual Reporting Would Enable More Informed Congressional Oversight,* GAO–08–350 (Washington, D.C.: Feb. 13, 2008).

[4] GAO, *DOD Personnel Clearances: Questions and Answers for the Record Following the Second in a Series of Hearings on Fixing the Security Clearance Process,* GAO–06–693R (Washington, D.C.: June 14, 2006).

developing and implementing a department-specific plan to address clearance problems.[5]

In another recent testimony,[6] we emphasized that current and future efforts to reform personnel security clearance processes should consider, among other things, the following four key factors: (1) determining whether clearances are required for a specific position, (2) incorporating quality control steps throughout the clearance processes, (3) establishing metrics for assessing all aspects of clearance processes, and (4) providing Congress with the long-term funding requirements of security clearance reform.

Mr. ORTIZ. The Intel Reform Act requires that timeliness statistics be reported to Congress. Do the timeliness statistics provide a full picture of how quickly clearances are being issued? If there are additional statistics that would add to the Congress's oversight of clearance timeliness, what types of factors should be considered in identifying additional metrics?

Mr. EDWARDS. The timeliness statistics that OMB and OPM have provided to Congress may not convey the full magnitude of the time required to complete clearance investigations and adjudications. In May 2007, we reported the following five concerns with the transparency of the government's timeliness statistics: (1) limited information on reinvestigations for clearance updating, (2) not counting the total number of days to finish the application-submission phase, (3) shifting some investigation-related days to the adjudication phase or not counting them, (4) not counting the total number of days to complete closed pending cases, and (5) not counting the total number of days to complete investigations sent back for rework.[7] Our preliminary observations of OMB's February 2008 *Report of the Security Clearance Oversight Group* and recent OPM congressional testimony indicate that there may be continuing problems in these areas.

- *Limited information on reinvestigations for clearance updating:* In previous OMB reports and OPM congressional testimony, the government provided limited information on the time to complete reinvestigations. However, OMB included in its 2008 *Report of the Security Clearance Oversight Group* information on the timeliness of reinvestigations.
- *Not counting the total number of days to finish the application-submission phase:* Our preliminary observations of OMB's February 2008 report raise concerns that some activities occurring in the initial part of the application-submission phase may not be included when counting the time to complete the application-submission phase. For example, OMB's February 2008 report noted that investigation timeliness was "calculated from receipt of the full request for investigation;" however, some activities may be excluded in timeliness measurements depending on how OMB interprets the "full request for investigation."
- *Shifting some investigation-related days to the adjudication phase or not counting them:* In our September 2006 report, we raised concerns about how the time to complete the adjudication phase was measured because OMB included mailing time in reporting the timeliness of the adjudication phase.[8] This practice continues as noted in OMB's February 2008 report to Congress: timeliness statistics for adjudications "include . . . up to 15 days in mail and handling between OPM and the adjudicating agency." Including time to mail and handle investigative reports from OPM to adjudicating agencies shifts a portion of the time to complete the investigation to the adjudication phase.
- *Not counting the total number of days to complete closed pending cases:* OPM may be combining two kinds of investigations, which may overstate the timeliness of completed investigations. In her February 13, 2008, congressional testimony statement, the Associate Director in charge of OPM's investigations unit did not indicate whether the investigation timeliness statistics presented in her statement included closed pending investigations in the calculation of the average times to complete all investigations. Closed pending investigations are investigative reports sent to adjudication facilities without one or more types of source data required by the federal investigative standards. In our February 2004 report, we noted that closed pending cases should continue

[5] GA0–08–470T.

[6] GAO, *Personnel Clearances: Key Factors to Consider in Efforts to Reform Security Clearance Processes,* GAO–08–352T (Washington, D.C.: Feb. 27, 2008).

[7] GAO, *DOD Personnel Clearances: Delays and Inadequate Documentation Found for Industry Personnel,* GAO–07–842T (Washington, D.C.: May 17, 2007).

[8] GAO, *DOD Personnel Clearances: Additional OMB Actions Are Needed to Improve the Security Clearance Process,* GAO–06–1070 (Washington, D.C.: Sept. 28, 2006).

to be tracked separately in the investigations phase of the clearance process because a closed pending investigation may be reopened when the missing data are supplied. The time measurement of a closed pending case is suspended for an undetermined amount of time, which is not accounted for if the pending cases are reopened later and included in the timeliness calculations of fully completed investigations.

- *Not counting the total number of days to complete investigations sent back for rework:* In 2006, we reported that in instances when investigative reports are returned to OPM to address investigative insufficiencies, OPM's procedure has been to replace the investigative time recorded for providing the initial report to the adjudication agency with the investigation time to rework the report to address the insufficiencies. Reworking the investigative report could take less time than the earlier effort to complete the initial investigative report. While reworking cases occurs approximately in 1 to 2 percent of investigative reports, replacing the initial investigative time with the time to complete the reworked investigations as the total number of days to complete investigations does not provide a full picture of how quickly clearances axe being issued. OMB's February 2008 report does not clarify its timeliness statistics to show how or if it is addressing this issue.

Mr. ORTIZ. OPM and DOD have reported decreases in the delays for providing clearances. What, if any, measurable improvements for contractors have resulted from these improvements in timeliness?

Mr. ROMERO. It is my pleasure to report to you, following a survey conducted of the member companies of both ITAA and NDIA, that we believe there have been some measurable improvements for contractors that have resulted from improvements in the timeliness for providing security clearances. Most notably, the majority of member companies of both ITAA and NDIA agree that the E-Quip system that has been put in place has generally expedited clearances in government agencies. Most believe that allowing for internet application submittal not only speeds up the clearance process, but that it also makes it easier to access the necessary forms. However, the member companies have expressed certain concerns with this system and tend to agree that the E-Quip system does have flaws. I have provided a list of recommendations pertaining to E-Quip as well as the clearance process as a whole; that document, as well as the results to the survey, is attached.

[The information referred to can be found in the Appendix on page 122.]

QUESTIONS SUBMITTED BY MR. FORBES

Mr. FORBES. Can you provide us with any concrete examples of the monetary and non-monetary costs that contractors have incurred from the delays, so that we can get an idea of how much effect the delays are having?

Mr. ROMERO. There was a study conducted some years ago that estimated the cost of the delays to process clearances was $192M. Details about the study are explained in the study titled "The Cost to Industry of Security Clearance Delays" and is included below:

THE COST TO INDUSTRY OF SECURITY CLEARANCE DELAYS

Executive Summary: Continuing delays in issuing security clearances to defense contractor employees are driving substantial "lost labor" costs for Industry. A recent AIA study estimates $152M was lost at nine facilities examined in a small but representative sample. The study indicated timeliness of final clearance output for Industry is not yet improving despite concerted efforts by DOD since mid-1999. Extrapolation of sample data to all of defense industry would put the labor costs wasted, while employees await final clearance, into the billions of dollars annually. Senior corporate management should consider elevating concern to the incoming administration. Greater emphasis needs to be placed on: (1) more *rapidly* reducing DOD's administrative processing and field investigative time to an average of 90 days, and (2) on *expediting* the processing of "issue cases" which require special adjudication.

Background: For well over two years the Department of Defense has struggled with a huge backlog of background investigations (BIs) for initial security clearances and for periodic clearance updates. DOD's administrative process for managing BIs is apparently broken and their repair effort has yet to take full effect as inordinate delays in the timely completion of BIs continues. These delays drive a significant cost impact for defense firms doing classified business with the U.S. Government.

The DOD BI agency, Defense Security Service (DSS), signed up to a get-well schedule with the Defense Management Council last year. That schedule now ap-

pears to industrial observers not to be aggressive enough, and a recent study raises the question of whether DSS' progress is still tracking to plan.

Since August 2000 a group of Industrial Security organizations[1] has tracked DOD's BI backlog reduction and production timeliness at nine representative industrial facilities. Based on data from this sample it's estimated that DOD's failure to complete timely clearances on just the 2271 sampled Top Secret BIs has cost Industry in excess of $152M in lost or wasted labor at these nine facilities alone. If the sample is extrapolated to the more than 10,000 cleared industrial facilities in the U.S., the total annual cost to Industry reaches the billions of dollars.[2]

The nine-facility study revealed that it currently takes 249 days *on average* (over eight months) for a contractor employee to receive a "Final Secret" clearance. That span is measured from the time the employee's clearance request is transmitted by the contractor's Security Office to DOD until a "Letter of Consent" is received back from DOD authorizing the employee's access to classified information.[3]

For a Final Top Secret clearance, the current *average* wait is 343 days, or almost eleven and a half months from submittal of the request to DOD.

The four-month survey also raised some trend questions:

- *CASE COMPLETION TIMELINESS* did not move toward any significant improvement over the four months examined.[4]
- *PENDING CASE BACKLOG* showed signs of aging even further.
  - The percentage of Secret clearance cases in pending status for OVER ONE YEAR increased steadily over the survey period, from 8.6% of the total pending backlog in August to 13.0% in November.
  - Secret clearance cases over one year will likely increase, since the percentage of pending Secret cases in the Nine-to-Twelve Month age category also increased steadily, and more than doubled over the four months surveyed, from 11.6% to 22.9% of the total backlog. This may indicate a continuing DOD process problem with the older cases.
  - The percentage of Top Secret eases pending for OVER ONE YEAR went from 26.1% of the total pending backlog in August to 31.5% in November. Thus, in just four months, the number of Top Secret pending cases over one year old went from about one-quarter to nearly one-third of the entire backlog.

Most of DOD's recent remedial efforts have focused on fixing the BI process problems at DSS where the great majority of cases are bogged down. That is proper. However, an added delay invariably occurs as a result of "issue cases"[5] stacking up on adjudicators' desks. DSS' job is finished once it writes the BI report. However, there is virtually no visibility to Industry when an issue case on one of our employees moves to the Defense Office of Hearings and Appeals (DOHA) for issue adjudication. Yet our employee in this situation, seeking an initial clearance, remains unable to perform work on classified programs while "due process" plays itself slowly out.

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[1] The six industrial security organizations are: Aerospace Industrial Association's Industrial Security Committee, the American Society for Industrial Security's Government Security Committee, the Contractor SAP Security Working Group, the Industrial Security Working Group, the National Classification Management Society and the National Defense Industrial Association's Industrial Security Committee.

[2] The pricing model used to develop the cost figures cited in this paper applies a typical burdened salary for an aerospace professional employee. It assumes that a large percentage of the uncleared employee's time, after having waited an initial 90 days for a clearance, is "wasted labor" because the employee's services are being denied to the classified program to which he is assigned. That waste can be attributed to the delay in clearance completion. Details of the pricing model as applied to survey project data can be supplied on request.

[3] The adverse impact of delay in receiving a Final Secret clearance is mitigated to some extent by DOD's timely issuance of "Interim Secret" clearances to qualified applicants. For that reason the Final Secret pending backlog is not included in the cost impact-pricing model used in this paper. DSS' concerted effort to improve and maintain their timely performance in this regard is deserving of praise. However, certain restrictions on Interim Secret clearances limit their value in many industrial job situations. Specifically, they cannot be used for access to classified NATO or COMSEC information, and they do not provide a basis for access to Special Compartmented Information (SCI) or Special Access (SAP) programs.

[4] Monthly averages for Final Secret LOC issuance were 243, 293, 267, and 249 days over the course of the study. Monthly averages for Final Top Secret LOC issuance were 381, 342, 348 and 343 days.

[5] An "issue case" is one where the BI has revealed some piece of potentially adverse information about the subject. That triggers a formal review of the investigation report against presidential-approved adjudicative guidelines. If the government adjudicator then decides the derogatory information is significant enough to require denial of an initial clearance, or revocation of an existing clearance, it moves into a "due process" phase. In this phase the subject is offered an opportunity to appeal the denial or revocation at an administrative hearing prior to a final decision. Such cases have been known to drag on for years.

About 23% of Industry's current pending case backlog is old enough in the system to indicate most of those matters are probably pending issue adjudication at DOHA.[6] That is a significant enough figure to indicate that DOD needs also to focus greater attention on the resources needed for more timely adjudicative output by DOHA.

Mr. FORBES. Who is currently keeping the database of the number of instances of non-reciprocity? And what agencies have the most cases of non-reciprocity?

And in the last fiscal year, what was the number of waivers granted to allow agencies to conduct new investigations or adjudications?

And then finally, why isn't this type of information provided in OMB's annual report to Congress mandated by the Intelligence Reform and Terrorism Prevention Act?

Mr. TORRES. The Department of Defense (DOD) does not keep a database on instances of non-reciprocity. However, the Department is committed to the reciprocal recognition of investigations or adjudications for security clearances conducted by other U.S. Government Agencies, as outlined in Title III or Public Law 108–458 (The Intelligence and Reform Terrorist Prevention Act (IRTPA) of 2004) and Executive Order 13381, Strengthening Processes Relating to Determining Eligibility for Access to Classified National Security Information.

DOD implementation of Office of Management & Budget (OMB) guidance on reciprocal recognition of existing security clearances specifically stipulates that any DOD component that determines it necessary to impose additional investigative or adjudicative requirements must notify the Office of the Deputy Under Secretary of Defense for Counterintelligence and Security; this office has received no such notifications.

Additionally, DOD is a participating member of the National Reciprocity Working Group which ensures reciprocal recognition of existing security clearances across the Federal government.

Mr. FORBES. Who is currently keeping the database of the number of instances of non-reciprocity? What agencies have the most cases? In the last fiscal year, what was the number of waivers granted to allow agencies to conduct new investigations and adjudications? Why isn't this type of information provided in OMB's annual report to Congress mandated by the Intelligence Reform and Terrorism Prevention Act?

Ms. DILLAMAN. The application of reciprocity is often outside of OPM's visibility. OPM's role is to conduct the investigations, and we have a process in place that stops an investigation from being initiated when the same or a higher level investigation is currently pending or recently completed. Our automated system will not open a new investigation when the investigative requirements have already been met. We are also expanding our record system to capture additional adjudicative information that will provide better transparency into a subject's suitability and/or security determination. This will assist agencies in achieving full reciprocity.

Mr. FORBES. Who is currently keeping the database of the number of instances of non-reciprocity? And what agencies have the most cases of non-reciprocity?

And in the last fiscal year, what was the number of waivers granted to allow agencies to conduct new investigations or adjudications?

And then finally, why isn't this type of information provided in OMB's annual report to Congress mandated by the Intelligence Reform and Terrorism Prevention Act?

Mr. EDWARDS. We are not aware of a database maintained by any government agency that records information on reciprocity.

Mr. FORBES. Where is our data on looking at that? Or does it just not exist at this particular point in time? And is is important for us to have that kind of data?

Mr. ROMERO. As noted by Ms. Dillaman, issues related to reciprocity were managed by Mr. Bill Leonard and the ISOO office at the National Archives. Mr. Leonard convened several government/industry sessions where specific instances and experiences related to reciprocity were discussed and new standards were developed as a result of those discussions.

Unfortunately, reciprocity is still determined by security officers that can be several layers removed from the agency security officers and variances in application of reciprocity still occur. Mr. Leonard and ISOO created a voluntary reporting mechanism where industry could report instances of non-reciprocity. Unfortunately, in practice, contractor personnel were extremely reluctant to report non-reciprocity by

[6] The 23% would include most of the 13% of all currently pending Secret cases over one year old, and most of the 10% of all pending Top Secret cases over 18 months old. However, due to Industry's lack of visibility on matters pending with DOHA, the exact backlog there can only be estimated. We only know that a case remains pending within the government.

their government customers for fear of retaliation during the period of contract performance. Some in industry, however, have taken advantage of the reporting mechanism, so there should at least be anecdotal evidence available.

QUESTIONS SUBMITTED BY MRS. BOYDA

Mrs. BOYDA. It is my understanding of the President's budget that we saw a decrease of about 34 percent into the Defense Information Systems for Security, DISS. Does that ring a bell?

Mr. TORRES. Program management and development responsibility for the Defense Information System for Security (DISS) moved from the Defense Security Service (DSS) to the Business Transformation Agency (BTA) in November 2007 at the direction of the Deputy Secretary of Defense. Upon achieving full operational capability, the system will transition to DSS for sustainment. DSS and BTA are working to ensure a smooth transition from the existing Information Technology (IT) systems to the next generation system.

The Operations & Maintenance (O&M) program has not decreased but instead has experienced a 68% increase between FY07–FY08. This increase was related to DISS legacy system sustainment in FY08. The O&M portion of DISS represents the cost of sustaining the existing systems such as the Joint Personnel Adjudication System (JPAS).

Between FY08 and FY09 there was a decrease of 66% versus 34% ($34.2M—$11.5M) in Research, Development, Test & Evaluation (RDT&E) funding. The decrease is because the "old" DISS should have been developed and operational by FY09. Once a program is developed it drops out of RDT&E funding and goes into sustainment/maintenance O&M funding. This would explain the drop in RDT&E funding between FY08 and FY09.

The remaining RDT&E funds, other than those needed to maintain the existing systems, will be transferred to BTA for DISS development. That transfer is expected in FY08.

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