

**Audit**



**Report**

OFFICE OF THE INSPECTOR GENERAL

**PERSONNEL SECURITY IN THE  
DEPARTMENT OF DEFENSE**

Report No. 97-196

July 25, 1997

**Department of Defense**

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### **Acronyms**

CAF	Central Adjudication Facility
CCMS	Case Control Management System
DIS	Defense Investigative Service
JPAS	Joint Personnel Adjudication System
PBO	Performance Based Organization
PIC	Personnel Investigations Center
SSBI	Single Scope Background Investigation



**INSPECTOR GENERAL**  
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July 25, 1997

MEMORANDUM FOR ASSISTANT SECRETARY OF DEFENSE (COMMAND,  
CONTROL, COMMUNICATIONS, AND  
INTELLIGENCE)  
DIRECTOR, DEFENSE INVESTIGATIVE SERVICE

SUBJECT: Audit Report on Personnel Security in the Department of Defense  
(Report No. 97-196)

We are providing this report for information and use. We performed the audit in response to a congressional request. The Assistant Secretary of Defense (Command, Control, Communications, and Intelligence) and the Air Force provided suggestions, which we have incorporated, on technical points in the report. No further management comments are required.

We appreciate the courtesies extended to the audit staff. Questions on the audit should be directed to Mr. Robert M. Murrell, Audit Program Director, at (703) 604-9428 (DSN 664-9428) or Ms. Judith I. Padgett, Audit Project Manager, at (703) 604-9405 (DSN 664-9405). See Appendix E for the report distribution. The audit team members are listed inside the back cover.

A handwritten signature in black ink that reads "Robert J. Lieberman".

Robert J. Lieberman  
Assistant Inspector General  
for Auditing

## Office of the Inspector General, DoD

Report No. 97-196  
(Project No. 6RD-5049.01)

July 25, 1997

### Personnel Security in the Department of Defense

#### Executive Summary

**Introduction.** The DoD established the personnel security program to ensure that access granted to Federal civilian employees, military personnel, contractor employees, and other persons to classified information is clearly consistent with the interests of national security. The DoD has a multistep process to grant security clearances. The security clearance process includes a request made by the employing organization, an investigation performed by the Defense Investigative Service, and an adjudication decision made by one of eight Central Adjudication Facilities.

**Audit Objectives.** Our objective was to determine the effectiveness and efficiency of the management of the DoD personnel security program. Specifically, we reviewed:

- the processes for conducting personnel security investigations and for adjudicating security clearances, and
- the procedures for disseminating information related to personnel security investigations.

**Audit Results.** Overall, the management of the DoD personnel security program is improving as extensive process reengineering is carried out. During the audit, Defense Investigative Service management reviewed the personnel security investigation process and took action to improve the timeliness of investigations. The Central Adjudication Facilities streamlined core adjudication functions and improved case prioritization to expedite adjudication of clean (no unfavorable information) cases. Additionally, the Defense Investigative Service improved its control procedures for authorizing the release of personnel security investigation files. See Appendix A for a discussion of the review of the management control program.

**Management Comments.** A draft report was issued on June 13, 1997. Because this report contains no recommendations, written comments were not required. However, the Assistant Secretary of Defense (Command, Control, Communications, and Intelligence) and the Air Force provided suggestions, which we have incorporated, on technical points in the report.

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## **Part I - Audit Results**

### Audit Background

On June 18, 1996, Senator Ted Stevens requested that the Inspector General, DoD, provide information on background investigation files that DoD provided to the White House. On October 31, 1996, the Inspector General responded to Senator Stevens by letter stating that, while no significant impropriety had been found, it would be useful to audit overall management controls in the DoD personnel security program. Based on input from the Office of the Assistant Secretary of Defense (Command, Control, Communications, and Intelligence) and the Defense Investigative Service (DIS), the scope of our effort was broadened to compliment the ongoing DIS business process reengineering effort. As a result, we initiated the audit of the DoD personnel security program.

**The Defense Investigative Service.** On December 29, 1971, the Secretary of Defense established DIS. The Secretary assigned the new agency responsibility for the DoD personnel security investigative program within the United States. No other DoD Component may conduct personnel security investigations without the specific written authorization of the Deputy Assistant Secretary of Defense (Intelligence and Security). Since that time, DIS has conducted DoD personnel security investigations.

**DoD Personnel Security Program.** DoD Regulation 5200.2-R, "DoD Personnel Security Program," reissued with expanded direction and procedures in January 1987,<sup>1</sup> implemented the Federal personnel security program in the DoD. The program mission is to ensure that access to classified information granted to Federal employees, military personnel, contractor employees, and other affiliated persons is clearly consistent with the interests of national security. To obtain a clearance, an individual must have a current, completed, and adjudicated investigation.

**Executive Order 12968.** On August 2, 1995, the President signed Executive Order 12968, "Access to Classified Information." The Executive Order established a uniform Federal personnel security program. The program applies to Federal employees, military personnel, and contractor employees, whose department, agency,

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<sup>1</sup>The Assistant Secretary of Defense (Command, Control, Communications, and Intelligence) is updating DoD Regulation 5200.2-R for expected issuance in September 1997.

or company requests that they have access to classified information. The Executive Order requires that all Federal Departments and Agencies reciprocally accept background investigations conducted by any other Federal Department or Agency to grant access to classified information.

**Process Reengineering.** On May 20, 1996, at the direction of its Director, DIS initiated an assessment of the effects of its policies and procedures on the delivery of its services. DIS management and employees reviewed the investigation process to identify ways in which DIS could decrease cost and improve the timeliness of an investigation. See Appendix C for a detailed discussion of the options DIS examined to improve cost-effectiveness and service.

**Security Clearance Process.** In brief, for the investigation phase, DoD Components send requests for investigation to the Personnel Investigations Center (PIC), a subordinate organization of DIS. The PIC initiates an investigation by sending investigative leads to DIS field offices throughout the United States. Agents in the field offices complete the leads and send the information back to the PIC, which collects all investigative leads and forwards the information to one of eight Central Adjudication Facilities (CAFs)<sup>2</sup> for the adjudication phase. The CAF makes a decision to either grant or deny a clearance based on the investigative information that DIS provides. The CAF forwards the decision to the DoD Component that requested the clearance. See Appendix D for a more detailed description of the security clearance process.

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<sup>2</sup>The eight CAFs are the Army, Navy, Air Force, Joint Staff, Washington Headquarters Services, Defense Intelligence Agency, National Security Agency, and the Defense Office of Hearings and Appeals.

### **Audit Objectives**

The overall audit objective was to determine the effectiveness and efficiency of the management of the DoD personnel security program. Specifically, we assessed:

- the processes for conducting personnel security investigations and for adjudicating security clearances, and
- the procedures to adequately safeguard personnel security files and information.

Also, we reviewed the adequacy of the management control program as it applied to the overall audit objective. See Appendix A for a discussion of the audit scope and methodology and the review of the management control program. See Appendix B for a summary of prior coverage related to the objective.

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## The DoD Personnel Security Program

Overall, the management of the DoD personnel security program is improving as a result of process reengineering efforts. DIS management identified ways to improve the timeliness of investigations. CAF management streamlined core adjudication functions and improved case prioritization. Additionally, DIS improved its procedures for authorizing the release of personnel security investigation files.

### Initiatives to Improve the Timeliness of Investigations

On May 20, 1996, at the direction of its Director, DIS initiated an assessment of the relevance and responsiveness of its policies and procedures to the users of its service. DIS management and employees reviewed the investigation process to identify ways to improve the timeliness of an investigation. Initiatives developed by DIS managers included:

- reorganizing and streamlining the agency,
- becoming a performance based organization (PBO),
- implementing new investigative procedures to improve the timeliness of investigations,
- automating the scope development and review of investigations, and
- charging a fee for service.

**Reorganizing and Streamlining DIS.** In FY 1991, DIS employed about 1,650 investigative personnel and completed 39,427 background investigations<sup>3</sup> and

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<sup>3</sup>Before October 21, 1991, a 5-year scope, background investigation was required to obtain a top secret clearance.

## The DoD Personnel Security Program

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50,428 special background investigations.<sup>4</sup> In FY 1996, DIS employed about 1,110 investigative personnel and completed 57,928 single scope background investigations (SSBIs).<sup>5</sup> The decrease in staff and changes to investigative scope prompted DIS management to review reorganization as a means to effectively investigate cases using fewer resources.

In September 1996, DIS and the CAFs established an integrated product team to discuss various DIS initiatives for the personnel security program. In February 1997, at an integrated product team meeting, we requested that the CAFs discuss their concerns with DIS regarding the changes to investigative policy that DIS issued to its agents. Those changes included 26 policy letters that DIS issued from August 1996 to December 1996, changes to the DIS decision logic table, and the DIS Manual for Personnel Security Investigations. The integrated product team members are now working to identify ways to improve all processes associated with the personnel security program.

In March 1997, DIS placed team chiefs in the field to perform investigations and to improve case turnaround time. DIS implemented that initiative because it believed that team chiefs had little time to manage the case work load after reviewing case documentation. Once the team chiefs were placed in the field to perform investigations instead of reviewing case documentation, DIS instructed the field office special agents in charge to review case documentation on a sample basis and to review the paperwork for other agents who did not routinely turn in quality reports of investigation.

**Becoming a PBO.** The PBO concept is used to improve the performance of an agency by interjecting private-sector incentives. For example, a PBO may reward management at a level that corresponds to the level that management achieves its performance goals. Along with incentive programs, PBOs receive administrative and legislative flexibility to achieve improved organizational performance. To qualify as a PBO, candidate

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<sup>4</sup>Before October 21, 1991, a 15-year scope, special background investigation was required to obtain access to secret compartmented information.

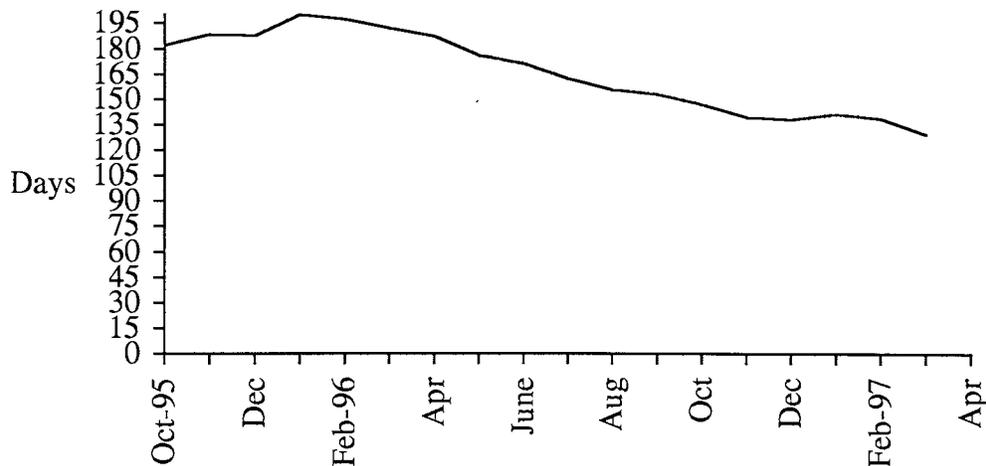
<sup>5</sup>A security investigation for a top secret clearance that applies the investigations to a uniform time period is directed by DoD Regulation 5200.2-R. Beginning October 21, 1991, National Security Directive 63 directed that a standard, 10-year SSBI be adopted by all Government agencies and departments to obtain access to top secret and sensitive compartmented information.

organizations must have a clear mission, measurable services, and a performance measurement system in place or in development. Additionally, PBO candidate organizations should focus on external rather than internal customers and should have funding predictability.

DIS submitted its PBO candidate statement to the Under Secretary of Defense (Comptroller) in March 1997. DIS developed its concept statement and briefed the Quadrennial Defense Review regarding its proposal to become a PBO in FY 1999. DIS has since suspended work on its PBO proposal until uncertainties regarding legislative requirements have been resolved. See Appendix C for additional details on the DIS initiative to become a PBO.

**Implementing New Procedures to Improve Timeliness.** For FY 1996, DIS completion of an SSBI averaged 175 days. DIS personnel reviewed the investigations process to identify ways to improve the timeliness of investigations. DIS changed its method of prioritizing cases several times in recent years. In February 1997, DIS applied a queuing model to its procedures to identify delays in the investigative process. The results of the queuing model study are the foundation for an improved prioritization method under development.

**Methods for Prioritizing Cases.** Before FY 1996, DIS prioritized cases by giving highest priority to those cases that had reached overdue status and measured agent effectiveness by the number of leads (persons or organizations contacted) each agent completed. In FY 1996, DIS prioritized cases by giving highest priority to investigating and closing those cases with one remaining lead (referred to as the last-lead-first method). In February 1997, DIS prioritized cases by giving priority to closing cases submitted for first-time access to classified information. Those cases included initial SSBIs, special project cases requiring expeditious handling, and expanded checks of national agency (for example, the Federal Bureau of Investigation) records. The new prioritization methods decreased the case turnaround time. As shown in the following figure, the number of days to close an SSBI case was reduced from 182 days in October 1995 to 130 days in March 1997. DIS expects the number of days to close an SSBI case to significantly decrease from the FY 1996 average of 175 days.



### Reduction in Number of Days to Close an SSBI Case

**Method Founded on Queuing Model.** In an assessment of the DIS investigative process, the DIS Operational Research Group developed a queuing model to identify time delays in that process. The Operational Research Group proposed using the model to predict improvements that would be made by changes to the process. The proposed changes were to prioritize cases by the amount of time an investigator needed to complete each case. DIS decided to implement a decision protocol that would prioritize the investigation of cases by first investigating those cases that required the least time to complete. DIS estimated that it could complete most cases in 30 to 50 days by applying the queuing process. The drawback of the proposed decision protocol is that SSBIs with issues (with unfavorable information) could take significantly longer to complete. Because the Operational Research Group was just beginning to use the model for prediction purposes, we did not review it. However, the Quantitative Methods Division, Office of the Inspector General, DoD, stated that DIS used the model appropriately. Because the model involves prediction, it is potentially more sensitive to differences between actual data patterns and assumed distributions. Therefore, the Quantitative Methods Division urged the Operational Research Group to collect actual arrival time and service time data for a representative sample of cases across all categories and to compare the model results of the actual data to the model results of the predictive data.

**Automating Scope Development and Case Review.** DIS is automating its investigation process by implementing the Case Control Management System (CCMS). The goal of the CCMS is to simplify the investigation process; eliminate unnecessary manual activity; and automate the processes associated with code assignment, distribution, case opening, lead generation, and overall case management of personnel security actions. The CCMS will serve as the focal point for processing personnel security actions. DIS will monitor the system and perform periodic reviews to ensure that the CCMS is developing the scope and reviewing the cases appropriately. Once CCMS is implemented, DIS will eliminate the paperwork reviews done by field office staff.

**Charging a Fee for Service.** On August 15, 1996, the Deputy Secretary of Defense issued Program Decision Memorandum I, which directed that the Assistant Secretary of Defense (Command, Control, Communications, and Intelligence) conduct a study of those policies that have increased the workload for DIS and develop alternative methods to accomplish the workload. In response to the Program Decision Memorandum I, DIS proposed becoming a fee-for-service agency. This proposal was approved during the Quadrennial Defense Review process completed in April 1997.

DIS management chose the fee-for-service option because it believed that fee for service would reduce the requests for investigations and decrease the case backlog. DIS has evaluated the fee-for-service option at the policy level and is identifying specific steps needed to charge a fee for service. DIS proposes charging a fee for service in FY 2000 by requesting the associated authority in the FY 1998 budget submission. Further, DIS plans to request annual funding from its customers at the start of each fiscal year. Appendix C discusses additional details of fee for service.

Another option that DIS could consider is to set quotas for each DoD Component to control cost and timeliness. Each Component would receive a pro rata share of investigations each year based on the DIS appropriation. If the quotas were insufficient for a Component, the Assistant Secretary of Defense (Command, Control, Communications, and Intelligence) would approve purchase of additional investigations from outside sources.

## **Streamlined Adjudication Functions**

**Joint Personnel Adjudication System.** In response to the development of the CCMS, the CAFs are developing the Joint Personnel Adjudication System (JPAS). JPAS will enable the CAFs to receive reports of investigation electronically from DIS. Phase I of JPAS is scheduled to be complete when CCMS becomes operational in September 1997. The CAFs plan for JPAS to eventually link all the CAFs together and to their respective requesting agencies. To develop JPAS, the CAFs formed a steering committee, which determined the functions JPAS needs to meet all CAF requirements. Additionally, representatives from each of the CAFs and the JPAS contractor attended an activity modeling workshop February 3 through March 14, 1997, to decide the core, noncore, and nonadjudicative functions that JPAS should include. As a result of the workshop, the CAFs determined that each CAF had many functions in common and the steering committee agreed to automate the common functions on JPAS.

**Army, Air Force, and Washington Headquarters Services Adjudication Facilities Improve Case Adjudication.** Both the Army and the Washington Headquarters Services adjudication facilities established case prioritization procedures for the adjudication of clean cases (a case without any unfavorable information reported on the security questionnaire or any of the reports of investigation). The Army Central Personnel Security Clearance Facility Management Division identifies clean cases and reviews those first to determine whether the CAF should grant a clearance. The Director, Washington Headquarters Services, identifies clean cases and assigns them to two adjudicators who adjudicate only clean cases. The procedures established at those two adjudication facilities have resulted in clean cases adjudicated in 1 or 2 days.

The Air Force signed a memorandum of understanding with the PIC regarding clean case screening. The memorandum stipulates that the PIC will screen all Air Force SSBIs, SSBI periodic reinvestigations, secret periodic reinvestigations, and special access program periodic reinvestigations for the Air Force CAF. The PIC will forward the completed investigation to the CAF for special programs<sup>6</sup> cases that it marks "clean," and the CAF will fully adjudicate those cases. The PIC will not send the completed investigation to the CAF for cases not identified as special programs cases

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<sup>6</sup>Sensitive compartmented information access, presidential support, limited access authorizations, or Air Force Office of Special Investigations personnel.

and marked “clean.” The PIC will instead send the marked DD Form 1879<sup>7</sup> or Standard Form 86<sup>8</sup> to the CAF so that a clearance entry may be made in the Defense Clearance and Investigations Index. Although not specifically stated in the memorandum of understanding, the Air Force CAF stated that the objective of the case screening program is to improve case processing time and utilize personnel more efficiently. The Air Force adjudicators have reviewed 19 percent of the cases the PIC identified as clean to verify that the screening process is working effectively.

## **Release of Investigative Files**

DIS released copies of investigative files to both DoD and non-DoD organizations. Before DIS can release a file, DIS must receive an authorization letter from the requester. DIS Regulation 20-12, “Protection and Release of Investigation Information,” August 7, 1984, requires DoD and non-DoD organizations to submit an authorization letter to DIS stating the purpose of the request and the planned disposition of the information, including destruction of files. The organization must list the specific individuals authorized to receive background investigation files. The Chief, Information and Public Affairs, DIS, approves requests to receive investigation files. Before release of a file to any individual, DIS management control procedures require that the requester be an authorized receiver of DIS files.

For authorization letters on file as of September 1996, DIS management controls were not adequate to ensure that only authorized requesters received the files. Personnel at DIS Headquarters and the PIC did not ensure that they had matching copies of authorization letters on file. Additionally, DIS released files to individuals listed on out-of-date (more than a year old) authorization letters.

During the audit, DIS improved its procedures for authorizing the release of files. By March 1997, DIS had taken actions to ensure that the copies of the authorization letters on file at both the DIS Headquarters and the PIC matched. DIS also initiated actions

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<sup>7</sup>DoD request for a personnel security investigation submitted by the requesting agency.

<sup>8</sup>Personnel Security Questionnaire completed by the subject.

## **The DoD Personnel Security Program**

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to ensure that authorization letters are current. The Office of the Assistant Secretary of Defense (Command, Control, Communications, and Intelligence) will revise the DoD Regulation 5200.2-R by September 1997 to require DoD and non-DoD organizations to update authorization letters at least annually.

### **Summary**

Improving the DoD personnel security program can have widespread beneficial ramifications in areas ranging from acquisition management to personnel administration and can result in large savings for the DoD. During the audit, DIS reviewed the personnel security investigation process and took action to improve the timeliness of investigations. The CAFs streamlined core adjudication functions and improved case prioritization to expedite adjudication of clean cases. Additionally, the DIS improved its control procedures for authorizing the release of personnel security investigation files and information. We strongly support reengineering efforts in this area.

## **Part II - Additional Information**

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## Appendix A. Audit Process

### Scope and Methodology

We reviewed the management of the DoD Personnel Security Program to include the investigation, adjudication, appeals, and dissemination processes. We evaluated the policies and procedures of DoD, DIS, and the CAFs for conducting personnel security investigations, adjudicating security clearances, rebutting clearance decisions, and disseminating related clearance information. We reviewed types of cases closed and case turnaround times at DIS and the CAFs for FYs 1996 and 1997. Our scope did not include the review of the security clearance request process because there are numerous sources from which a request could generate. We interviewed officials from the Office of the Assistant Secretary of Defense (Command, Control, Communications, and Intelligence); CAFs; and other DoD Components. Also, we coordinated our review with the Security Policy Board.

**Audit Period and Standards.** We performed this program audit from October 1, 1996, through April 30, 1997, in accordance with auditing standards issued by the Comptroller General of the United States, as implemented by the Inspector General, DoD. We included tests of management controls deemed necessary. We did not use computer-processed data or statistical sampling procedures for this audit.

**Audit Contacts.** We visited or contacted individuals and organizations within the DoD, the Office of Personnel Management, and the Security Policy Board. Further details are available on request.

### Management Control Program

DoD Directive 5010.38, "Management Control (MC) Program," August 26, 1996, requires DoD organizations to implement a comprehensive system of management controls that provides reasonable assurance that programs are operating as intended and to evaluate the adequacy of the controls.

**Scope of Review of the Management Control Program.** We reviewed the adequacy of management controls at DIS regarding the performance of personnel security investigations. Specifically, we reviewed how investigative agents conduct background investigations, how DIS notifies investigative agents of changes to investigative standards, and how case analysts at the PIC review cases for quality assurance before forwarding them to the CAFs.

We also reviewed the adequacy of management controls regarding case adjudication at each of the eight CAFs. Specifically, we reviewed how adjudicators review investigative case files received from DIS and how supervisors review adjudicator decisions to grant, deny, or revoke security clearances. Because we did not identify any material weakness, we did not assess managements' self-evaluations.

**Adequacy of Management Controls.** The DIS management controls over the investigation process for security clearances and the CAFs' management controls over case adjudication for security clearances were adequate as they applied to the audit objective.

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## **Appendix B. Summary of Prior Coverage**

**Inspector General, DoD, Report No. 95-INS-15, "The Defense Investigative Service Inspection Report," September 21, 1995.** The inspection evaluated the effectiveness and efficiency of the management programs and processes used by DIS to support its mission. The report concluded that methodologies for determining manpower requirements were not in place for 20 percent of DIS. As a result of not using standard methodologies, DIS could not ensure that the quantity and skill mix of personnel were appropriate to meet support mission requirements. The report recommended that DIS establish standard methodologies to ensure that all manpower requirements are based on uniformly applied standards. DIS responded that it was actively pursuing the most efficient structure for support services. That effort began during a conference DIS held in March 1997.

**Joint Security Commission, "Redefining Security," February 28, 1994.** The Joint Security Commission report addressed the processes used to formulate and implement security policies in the DoD and the intelligence community. The Joint Security Commission concluded that the clearance process is needlessly complex, cumbersome, and costly. The Joint Security Commission made various recommendations that would create a new policy structure, enhance security, and lower cost by avoiding duplication and increasing efficiency.

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## Appendix C. Defense Investigative Service Initiatives

On May 20, 1996, the Director, DIS, designated DIS as a reinvention laboratory. In that capacity, DIS assessed its policies and procedures to determine their relevance and responsiveness to the users of DIS services. DIS management and employees reviewed the investigation process to identify ways to improve the timeliness of investigations. As a result of becoming a reinvention laboratory, DIS examined various options to improve its cost-effectiveness and service, including becoming a PBO and charging a fee for service.

### Becoming a Performance Based Organization

The premise of a PBO is to improve the performance of an agency by injecting incentives, such as establishing specific goals, clear aims, and measures for improved performance, found in the private sector. An agency must go through four stages before becoming a PBO.

- **Conceptual Development Stage.** This stage includes identifying outputs, developing the mission statement, and determining what management flexibility is needed to improve current operations.
- **Developing Legislative Components.** This stage requires the PBO candidate to create specific mission objectives and functional boundaries.
- **Developing an Administrative Framework Agreement.** This stage addresses leadership and policy structure, civil service requirements, procurement needs, financial management structure, real estate, supplies, information technology, and the PBO candidate's relationship with the DoD.
- **Developing an Operating Plan and Performance Agreement.** This stage discusses performance standards and targets and requires the PBO candidate to draft a performance agreement with the Chief Executive.

## Fee for Service

DoD Regulation 7000.14-R, “DoD Financial Management Regulation,” Volume 11-B, “Reimbursable Operations, Policy and Procedures, Defense Business Operations Fund,” December 1994, states that prior to the financing of an organization under the Defense Business Operations Fund, the DoD agency shall ensure that proposed Defense Business Operations Fund business areas:

- identify outputs,
- implement an accounting system that collects and identifies costs to output,
- identify customers that require and order products or services so the agency can align resources in the account of the customer with the requirement, and
- evaluate the buyer-seller advantages and disadvantages, including an assessment of the customer’s ability to influence cost.

**Office of the Under Secretary of Defense (Comptroller).** The Office of the Under Secretary of Defense (Comptroller) estimated that it takes about a year and a half for an agency to become a fee-for-service organization. The agency would establish a revolving fund by transferring its appropriations to its customers. The customers place the funds within their operation and maintenance category and utilize the funds to purchase any type of operation and maintenance services. The Office of the Under Secretary of Defense (Comptroller) allots Operation and Maintenance funding to the DoD agencies and Military Departments on a quarterly basis.

The Office of the Under Secretary of Defense (Comptroller) emphasized that for fee for service to be successful, an agency must have a strong relationship with its customers and be responsive to customer needs. In addition, an agency may want to identify a source where it can obtain Operation and Maintenance funding, if necessary, normally from the agency that authorizes its budget. DIS did not contact the Assistant Secretary of Defense (Command, Control, Communications, and Intelligence), the DIS budget authority, to discuss the option of using Assistant Secretary of Defense (Command, Control, Communications, and Intelligence) Operation and Maintenance funds.

Additionally, Congress directed the Office of the Under Secretary of Defense (Comptroller) to conduct a study on the value of the revolving fund to determine whether Congress should discontinue the revolving fund in FY 2000. The study report

is due in September 1997. As a result of the study, the Office of the Under Secretary of Defense (Comptroller) stated that DIS, and any other agency considering whether to become a fee-for-service agency, may want to evaluate other options if the revolving fund would cease to exist in FY 2000. DIS plans to continue using appropriated funds and to implement the other initiatives discussed above if either the Office of the Secretary of Defense or the Office of the Under Secretary of Defense (Comptroller) does not authorize DIS to operate within the Defense Business Operations Fund or if Congress disestablishes that fund.

**DIS Actions.** To meet the requirements in DoD Regulation 7000.14-R, DIS has begun to identify its outputs, analyze an accounting system, identify its customers, and evaluate the buyer-seller advantages and disadvantages.

**Identifying Outputs.** DIS has identified its output as providing personnel security investigations for military and DoD civilian and contractor personnel. DIS conducts investigations so that an adjudicator can make a determination regarding access to classified information, assignment or retention in sensitive duties, or other designated duties requiring such investigations.

**Analyzing the Accounting System.** DIS is awaiting Under Secretary of Defense (Comptroller) approval to become a fee-for-service agency before obligating funds to purchase an accounting system. DIS met with an analyst from the Office of the Under Secretary of Defense (Comptroller) to discuss implementing a cost accounting system. The DIS Comptroller is developing the documentation to request a cost accounting system. The DIS Comptroller must coordinate the documentation with the DIS Information Systems Group to ensure that the requested cost accounting system is compatible with the CCMS. DIS plans to purchase a system by September 1997, at the earliest.

**Identifying Customers.** On May 9, 1997, DIS met with its Board of Directors, (representatives from the Offices of the Assistant Secretary of the Army [Manpower and Reserve Affairs]; Principal Deputy Assistant Secretary of the Navy [Manpower and Reserve Affairs]; Secretary of the Air Force [Administrative Assistant]; Deputy to the Under Secretary of Defense for Policy Support; Deputy Under Secretary of Defense for Requirements and Resources; Principal Deputy Under Secretary of Defense [Comptroller]; Associate Deputy General Counsel, DoD General Counsel; Associate Executive Director, Intelligence Community Affairs; and President and Chief Executive Officer, the MITRE Corporation, to discuss DIS becoming a fee-for-service agency along with other options. DIS has not established investigation

## Appendix C. Defense Investigative Service Initiatives

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rates and has not incorporated into its cost structure the no-cost services currently provided by the Military Departments and non-DoD agencies.

**Evaluating Buyer and Seller Advantages and Disadvantages.** Under the National Industry Security Program, DIS conducts investigations at no cost for 20 executive branch agencies and departments. If DIS is approved as a fee-for-service agency, DIS will renegotiate those 20 memorandums of understanding in the summer of 1998. In addition, an estimated 6 to 10 percent of DIS investigations are performed overseas by military personnel at no cost. To accurately determine a rate for investigations, DIS needs to factor in charges that the Military Departments are likely to initiate.

Following completion of the four steps discussed above, DoD Regulation 7000.14-R requires DIS to develop a new charter to operate under the Defense Business Operations Fund. DIS submits the charter to the Under Secretary of Defense (Comptroller) for final approval. The DIS Operations Division is reviewing the DIS charter. The DIS Comptroller will coordinate the charter revisions with the Operations Division.

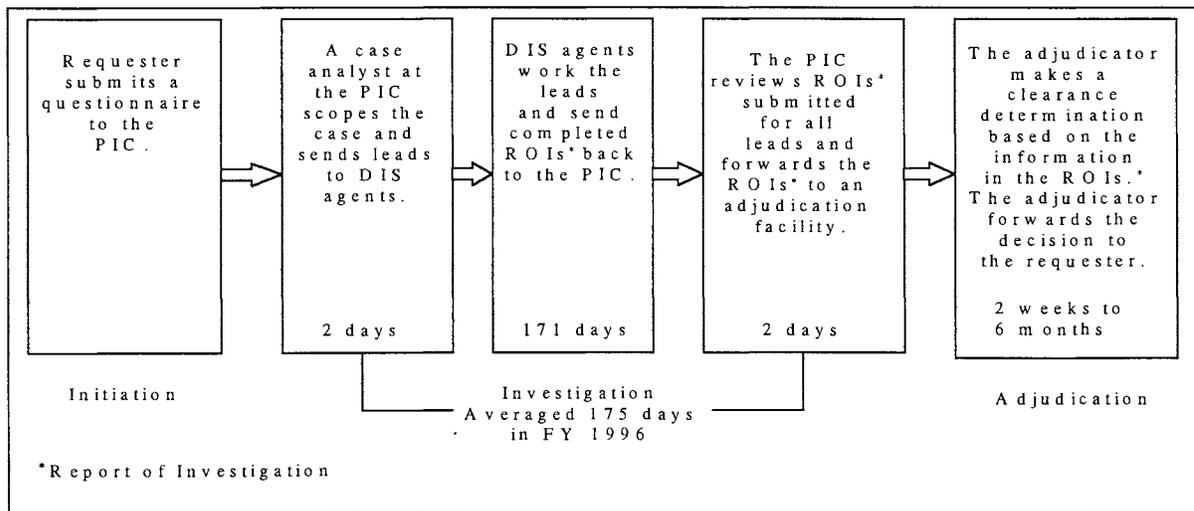
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## Appendix D. The Security Clearance Process

### Investigative Process

When an agency determines that an individual needs a security clearance, the agency asks the individual to complete a personnel security questionnaire (the questionnaire). When the agency security office receives the completed questionnaire, the security officer reviews it for completeness before submitting it to DIS for investigation. We did not review this process or determine the amount of time it takes an agency to request and receive a questionnaire and submit it to DIS.

**Initiating a Case.** The background investigation begins when an agency security officer submits an individual's questionnaire to the PIC, a subordinate organization of DIS. The PIC assigns the questionnaire a case number and gives it to a case analyst. The figure below depicts the security clearance process. The figure does not include appeals of denied clearances.



Security Clearance Process

## Appendix D. The Security Clearance Process

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**Developing Case Scope.** The case analysts develop the scope for all case investigative leads. During scope development, the analyst enters the zip codes listed on the questionnaire into an automated scope guide to identify DIS field offices that will receive the various leads. In addition, the analyst reviews the individual's credit report for potential problems and forwards the credit report to the field office where the agent will conduct the subject interview. The analyst prepares an action lead sheet that identifies all leads needed to complete a case and identifies the field offices where agents will investigate those leads. The action lead sheets are then sent to the respective DIS field offices.

**Reviewing a Case.** After an investigator completes a lead, the investigator writes a report of investigation and sends it to the PIC. Case analysts at the PIC track each case lead and review the reports of investigation to ensure that each lead is completed. The analyst first reviews those leads that will close a case, then reviews the remaining leads in date order. The reviews involve reading reports of investigation to ensure that agents investigated each lead as required by DoD and DIS regulations. If the analyst and team chief agree that the case requires additional investigative work, the analyst sends an "add lead" to the appropriate field office. The PIC is the only organization in the investigation process where all leads are compiled and reviewed and that can issue "add leads" to resolve outstanding issues.

When the case analyst receives all the leads for a case and determines the leads are complete, the analyst sends the case to one of the eight CAFs. The CAFs review the documentation to make an informed adjudicative decision. The average time for DIS to complete a case during FY 1996 was 175 days.

### **Adjudicative Process**

The DIS sends completed cases to the appropriate CAF. The appropriate CAF is determined based on the requesting agency. For example, if an Army command requested a security clearance for an individual, then the Army Central Personnel Security Clearance Facility would receive the case for adjudication. The CAFs adjudicate the cases and make a determination to grant, deny, or revoke clearances. Adjudicators make their decisions regarding an individual's clearance by following the adjudication guidelines in DoD 5200.2-R, Appendix I, "Adjudicative Guidelines for Determining Eligibility for Access to Classified Information." An adjudicator reviews

all reports of investigation and any additional documentation provided with the case to determine whether the DoD should grant, deny, or revoke the clearance requested.

A case without any unfavorable information reported on the questionnaire or on any of the reports of investigation is a clean case. An adjudicator can make a decision on a clean case within 1 or 2 days. Cases that have unfavorable information take longer to adjudicate. Adjudication time may also increase if the adjudicator needs to go back to DIS, the subject, or the requesting agency security officer to clarify information that is in the case file or that is missing from the file. During FY 1996, most of the CAFs took from 2 weeks to 6 months to adjudicate a case.

If the adjudicator decides to grant the individual a clearance, the adjudicator sends a clearance certificate and a notification letter to the individual, through the requesting agency's security office. For cases in which the adjudicator denies or revokes a clearance based on the adjudication process, the individual has the right to due process and appeals procedures.

### **Appeals Process**

The individual has a right of appeal through due process if the adjudicator decides to deny or revoke a clearance based on the information reviewed. The adjudicator will send a letter of intent to the individual to deny or revoke a clearance and to the individual's security officer. The letter includes a Statement of Reasons. The Statement of Reasons identifies specific issues, such as drug use or financial problems, that the adjudicator thinks are sufficiently relevant to deny or revoke the individual's clearance. The individual has the right to rebut the Statement of Reasons and has 30 days to send a written response to the CAF. If the CAF upholds the denial or revocation after reviewing the rebuttal, the CAF sends a letter of notification to the individual and the individual's security officer.

The individual can appeal the decision by requesting a hearing from the Defense Office of Hearings and Appeals or by submitting a written appeal to the specific CAF Personnel Security Appeals Board. In either case, the Personnel Security Appeals Board makes the final determination. The appeals process can take from 2 to 7 months.

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## **Appendix E. Report Distribution**

### **Office of the Secretary of Defense**

Under Secretary of Defense for Acquisition and Technology  
Deputy Under Secretary of Defense (Acquisition Reform)  
Director, Defense Logistics Studies Information Exchange  
Under Secretary of Defense (Comptroller)  
Deputy Chief Financial Officer  
Deputy Comptroller (Program/Budget)  
Under Secretary of Defense for Personnel and Readiness  
Assistant Secretary of Defense (Command, Control, Communications, and Intelligence)  
Assistant Secretary of Defense (Public Affairs)  
Director, Administration and Management  
Chief, Consolidated Adjudication Facility, Personnel and Security Directorate,  
Washington Headquarters Services

### **Joint Staff**

Chief, Joint Staff Security

### **Department of the Army**

Assistant Secretary of the Army (Financial Management and Comptroller)  
Auditor General, Department of the Army  
Commander, Central Personnel Security Clearance Facility, U.S. Total Army  
Personnel Command

### **Department of the Navy**

Assistant Secretary of the Navy (Financial Management and Comptroller)  
Auditor General, Department of the Navy  
Assistant Director, Central Adjudication Facility, Naval Criminal Investigative Service

## **Department of the Air Force**

Assistant Secretary of the Air Force (Financial Management and Comptroller)  
Auditor General, Department of the Air Force  
Director, Directorate of Security and Communications Management, Headquarters,  
497<sup>th</sup> Intelligence Group

## **Other Defense Organizations**

Director, Defense Contract Audit Agency  
Director, Defense Intelligence Agency  
    Inspector General, Defense Intelligence Agency  
    Director, Central Clearance Facility Division, Counterintelligence and Security  
    Activity, Directorate for Administration, Defense Intelligence Agency  
Director, Defense Investigative Service  
    Director, Defense Personnel Security Research Center  
Director, Defense Logistics Agency  
Director, Defense Office of Hearings and Appeals, Defense Legal Services Agency  
Director, National Security Agency  
    Inspector General, National Security Agency  
    Director, Personnel Security Services, Office of Security, National Security Agency

## **Non-Defense Federal Organizations and Individuals**

Office of Management and Budget  
Technical Information Center, National Security and International Affairs Division,  
General Accounting Office

**Non-Defense Federal Organizations and Individuals (cont'd)**

Chairman and ranking minority member of each of the following congressional committees and subcommittees:

Senate Committee on Appropriations  
Senate Subcommittee on Defense, Committee on Appropriations  
Senate Committee on Armed Services  
Senate Committee on Governmental Affairs  
Senate Select Committee on Intelligence  
House Committee on Appropriations  
House Subcommittee on National Security, Committee on Appropriations  
House Committee on Government Reform and Oversight  
House Subcommittee on Government Management, Information, and Technology,  
Committee on Government Reform and Oversight  
House Subcommittee on National Security, International Affairs, and Criminal  
Justice, Committee on Government Reform and Oversight  
House Committee on National Security  
House Permanent Select Committee on Intelligence

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