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DOD PERSONNEL CLEARANCES

Preliminary Observations Related to Backlogs and Delays in Determining Security Clearance Eligibility for Industry Personnel

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Highlights of [GAO-04-202T](#), a testimony before the House Committee on Government Reform

Why GAO Did This Study

Because of increased awareness of threats to national security and efforts to privatize federal jobs, the demand for security clearances for government and industry personnel has increased. Industry personnel are taking on a greater role in national security work for the Department of Defense (DOD) and other federal agencies. Because many of these jobs require access to classified information, industry personnel need security clearances. As of September 30, 2003, industry workers held about one-third of the approximately 2 million DOD-issued security clearances.

Terrorist attacks have heightened national security concerns and underscored the need for a timely, high-quality personnel security clearance process. However, GAO's past work found that DOD had a clearance backlog and other problems with its process. GAO was asked to review the clearance eligibility determination process and backlog for industry personnel.

This testimony presents our preliminary observations on the security clearance process for industry personnel and describes (1) the size of the backlog and changes in the time needed to issue eligibility determinations, (2) the impediments to reducing the backlog and delays, and (3) some of the initiatives that DOD is considering to eliminate the backlog and decrease the delays. Later this month, we plan to issue our final report.

www.gao.gov/cgi-bin/getrpt?GAO-04-202T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Gregory Wilshusen at (202) 512-6244 or wilshusen@gao.gov.

DOD PERSONNEL CLEARANCES

Preliminary Observations Related to Backlogs and Delays in Determining Security Clearance Eligibility for Industry Personnel

What GAO Found

On the basis of our preliminary observations, long-standing backlogs and delays in determining security clearance eligibility for industry personnel continue to exist and can have adverse effects. DOD's security clearance backlog for industry personnel was roughly 188,000 cases as of March 31, 2004. The backlog included estimates by the Defense Security Service (DSS)—the agency responsible for administering DOD's personnel security investigations program—that consisted of

- more than 61,000 reinvestigations (required for renewing clearances) that were overdue but had not been submitted to DSS,
- over 101,000 new DSS investigations or reinvestigations that had not been completed within DOD's established time frames, and
- over 25,000 cases awaiting adjudication (a determination of clearance eligibility) that had not been completed within DOD's established time frames.

From fiscal year 2001 through fiscal year 2003, the average time that it took DOD to determine clearance eligibility for industry personnel increased by 56 days to over 1 year. Delays in completing reinvestigations of industry personnel and others doing classified work can increase national security risks. In addition, delays in determining clearance eligibility can affect the timeliness, quality, and cost of contractor performance on defense contracts.

Several impediments hinder DOD's ability to eliminate the backlog and decrease the amount of time needed to determine clearance eligibility for industry personnel. Impediments include a large number of new clearance requests; an increase in the proportion of requests for top secret clearances, which require more time to process; inaccurate workload projections for both the number and type of clearances needed for industry personnel; and the imbalance between workforces and workloads. Industrial contractors cited the lack of full reciprocity (the acceptance of a clearance and access granted by another department, agency, or military service) as an obstacle that can cause industry delays in filling positions and starting work on government contracts. Furthermore, DOD does not have an integrated, comprehensive management plan for addressing the backlog and delays.

DOD is considering a number of initiatives to supplement actions that it has implemented in recent years to reduce the backlogs and the time needed to determine eligibility for a security clearance. Additional initiatives include (1) conducting a phased, periodic reinvestigation; (2) establishing a single adjudicative facility for industry; and (3) reevaluating investigative standards and adjudicative guidelines. GAO's forthcoming report will provide a more complete discussion of these and other initiatives.

Mr. Chairman and Members of the Committee:

I am pleased to be here today to discuss our preliminary observations on the process the Department of Defense (DOD) uses to determine security clearance eligibility for industry personnel.

For a variety of reasons, including an increased awareness of threats to our national security resulting from the terrorist attacks on the United States on September 11, 2001, and efforts over the past decade to privatize federal jobs, the demand for security clearances for both government employees and industry personnel has increased over the last few years. Individuals working for industry are playing an increasingly larger role in national security work conducted by DOD and other federal agencies. Many industry personnel hold jobs that allow them to work on classified programs and activities and that require access to classified information. To handle classified information, industry personnel must hold a security clearance. As of September 30, 2003, industry personnel held about 682,000 (or about 34 percent) of the approximately 2 million DOD-issued security clearances.

Terrorist attacks have heightened national security concerns and have highlighted the need for a timely, high-quality personnel security clearance process. As part of a three-stage process, DOD determines whether industry personnel are eligible for a security clearance by conducting a background investigation and adjudication (determining eligibility for access to classified information). However, some government and industry officials have recently expressed concern about the security clearance backlog—overdue security clearance reinvestigations¹ that have not been requested and new investigations and adjudications that have not been completed within established time frames—and the amount of time it takes to determine eligibility for a security clearance for industry personnel.

Since at least the late 1990s, the timeliness of DOD's personnel security clearance process has been at issue. As our previous work has shown, backlogs and delays in personnel security investigations and adjudications historically have been problems for DOD, and they affect industry

¹ Reinvestigations are conducted periodically to determine whether an individual's security clearance should be renewed.

personnel as well as service members and civilian employees.² In February and September 2000 testimonies before the Subcommittee on National Security, Veterans Affairs, and International Relations, House Committee on Government Reform,³ we noted our concerns about the amount of time needed to obtain clearances and that DOD had historically reported a large backlog of overdue but not submitted reinvestigations for security clearances. In our February 2004 report, for example, we identified several impediments that hinder DOD's ability to eliminate its security clearance backlog and made recommendations for decreasing the backlog and improving timeliness.⁴ Likewise, this committee reported that DOD's personnel security investigations backlog poses a threat to national security and recommended actions to address the backlog.⁵

Mr. Chairman, in June 2003, you and the Vice Chairman of this committee asked us to review the process DOD uses to determine security clearance eligibility for industry personnel. Later this month, we plan to provide you with a report containing the final results and our recommendations.

Today, I will present our preliminary observations on DOD's security clearance process for industry personnel. Specifically, I will discuss (1) the size of the backlog and changes during the last 3 fiscal years in the time needed to issue eligibility determinations, (2) the impediments to reducing the backlog and delays, and (3) some of the initiatives that DOD is considering to eliminate the backlog and decrease the delays.

² See U.S. General Accounting Office, *DOD Personnel: More Consistency Needed in Determining Eligibility for Top Secret Clearances*, [GAO-01-465](#) (Washington, D.C.: Apr. 18, 2001); U.S. General Accounting Office, *DOD Personnel: More Actions Needed to Address Backlog of Security Clearance Reinvestigations*, [GAO/NSIAD-00-215](#) (Washington, D.C.: Aug. 24, 2000); and U.S. General Accounting Office, *DOD Personnel: Inadequate Personnel Security Investigations Pose National Security Risks*, [GAO/NSIAD-00-12](#) (Washington, D.C.: Oct. 27, 1999).

³ See U.S. General Accounting Office, *DOD Personnel: Inadequate Personnel Security Investigations Pose National Security Risks*, [GAO/T-NSIAD-00-65](#) (Washington, D.C.: Feb. 16, 2000) and U.S. General Accounting Office, *DOD Personnel: More Accurate Estimate of Overdue Security Clearance Reinvestigations Is Needed*, [GAO/T-NSIAD-00-246](#) (Washington, D.C.: Sept. 20, 2000).

⁴ See U.S. General Accounting Office, *DOD Personnel Clearances: DOD Needs to Overcome Impediments to Eliminating Backlog and Determining Its Size*, [GAO-04-344](#) (Washington, D.C.: Feb. 9, 2004).

⁵ See Committee on Government Reform, *Defense Security Service: The Personnel Security Investigations [PSI] Backlog Poses a Threat to National Security*, H.R. 107-767 (Oct. 24, 2002).

In conducting this review, we examined DOD policy guidance, regulations, instructions, and statistical evidence on the security clearance process for industry personnel. In addition, we reviewed reports by GAO, DOD, congressional staff, and other government entities. We also interviewed DOD and industry officials, observed the procedures used to process clearance information, and assessed the reliability of databases. We determined that the data for fiscal years 2001 and thereafter were sufficiently reliable for the purpose of our work. At the end of my statement is a list of related GAO products. We conducted our review from July 2003 through April 2004 in accordance with generally accepted government auditing standards.

Summary

Long-standing backlogs and delays in determining security clearance eligibility for industry personnel continue to exist and can have adverse effects. As of March 31, 2004, DOD estimated that its security clearance backlog for industry personnel was roughly 188,000 cases. DOD identified more than 61,000 reinvestigations that were overdue but had not been submitted, over 101,000 backlogged investigations, and over 25,000 backlogged adjudications. In the 3-year period from fiscal year 2001 through fiscal year 2003, the average time that it took DOD to determine clearance eligibility for industry personnel increased by 56 days to over 1 year. Delays in initiating reinvestigations for individuals working on classified programs and activities can increase national security risks while delays in determining eligibility for clearances for industry personnel can affect the timeliness, quality, and cost of contractor performance on defense contracts. Such delays prevent industry personnel from beginning or continuing work on classified programs and activities, hinder industrial contractors from hiring the most experienced and best qualified personnel, increase the time needed to complete national-security-related contracts, and increase costs to the federal government.

A number of impediments hinder DOD's ability to eliminate the backlog and decrease the amount of time needed to determine eligibility for security clearances for industry personnel. Impediments include large investigative and adjudicative workloads resulting from a large number of clearance requests in recent years; an increase in the proportion of requests requiring top secret clearances, which take longer and are more expensive to complete than secret clearances; inaccurate workload projections; and the imbalance between workforces and workloads. Industrial contractors cited the lack of full reciprocity—a policy that requires acceptance by an agency of an equivalent personnel security

clearance and access granted by another agency—as an impediment that can cause industry contractors delays in filling positions and starting work on government contracts. Furthermore, DOD does not have a management plan to address the impediments in a comprehensive and integrated manner.

DOD is considering a number of initiatives to reduce the backlog and the amount of time needed to determine eligibility for a security clearance. Among those steps that DOD is exploring are conducting a phased periodic reinvestigation; establishing a single adjudicative facility for industry; and reevaluating investigative standards and adjudicative guidelines. Even if these initiatives prove promising, they face obstacles—such as the need to change investigative standards, coordinate these policy changes with other agencies, and ensure reciprocity—that could prevent their implementation or limit their use. Our May 2004 evaluative report will provide a more complete discussion of these and other initiatives.

Background

In March 1997, a White House memorandum implemented adjudicative guidelines, temporary eligibility standards, and investigative standards governmentwide.⁶ The National Security Council is responsible for overseeing these guidelines and standards. Within DOD, the Office of the Under Secretary of Defense for Intelligence (OUSD [I]) is responsible for coordinating and implementing DOD-wide policies related to access to classified information.⁷ Within OUSD (I), the Defense Security Service (DSS) is responsible for conducting background investigations and administering the personnel security investigations program for DOD and 24 other federal agencies that allow industry personnel access to classified

⁶ See The White House, “Implementation of Executive Order 12968,” Memorandum (Washington, D.C.: Mar. 24, 1997). This memorandum includes the *Investigative Standards for Background Investigations for Access to Classified Information* and *Adjudicative Guidelines for Determining Eligibility for Access to Classified Information*. It approves the adjudicative guidelines, temporary eligibility standards, and investigative standards required by Executive Order No. 12968, *Access to Classified Information* (Aug. 4, 1995).

⁷ Previously, this responsibility resided within the Office of the Assistant Secretary of Defense for Command, Control, Communications, and Intelligence. OUSD (I) was created in 2002 by the Bob Stump National Defense Authorization Act for Fiscal Year 2003, Pub. L. No. 107-314 § 901 (Dec. 2, 2002).

information.⁸ DSS's Defense Industrial Security Clearance Office (DISCO) adjudicates cases that contain only favorable information or minor security issues. The Defense Office of Hearings and Appeals (DOHA) within DOD's Office of General Counsel adjudicates cases that contain more serious security issues.

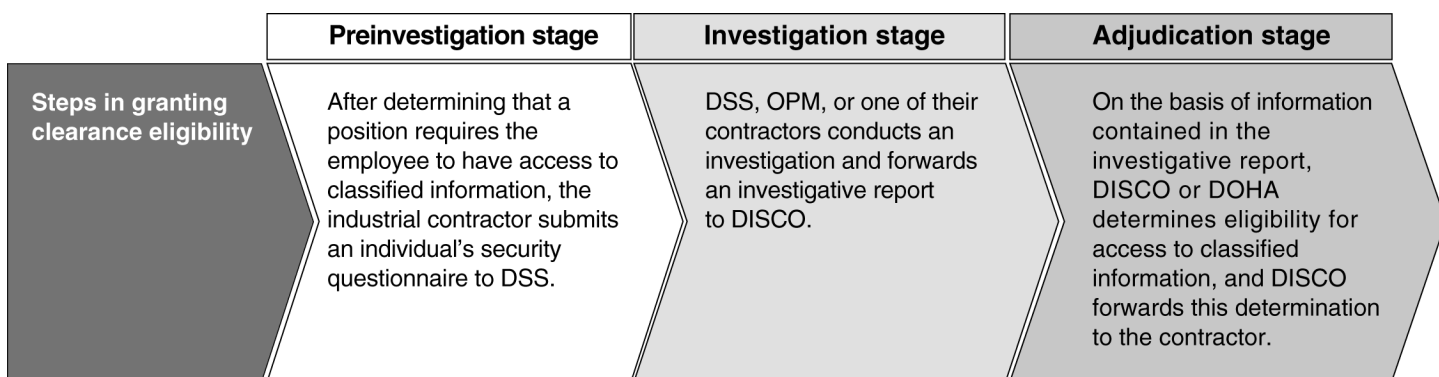
As with military members and federal workers, industry personnel must obtain a security clearance to gain access to classified information, which is categorized into three levels: top secret, secret, and confidential. Individuals who need access to classified information over a long period are required to periodically renew their clearance (a reinvestigation). The time frames for reinvestigations are 5 years for top secret clearances, 10 years for secret clearances, and 15 years for confidential clearances.⁹

To ensure the trustworthiness, judgment, and reliability of contractor personnel in positions requiring access to classified information, DOD relies on a three-stage personnel security clearance process that includes (1) determining that the position requires a clearance and, if so, submitting a request for a clearance to DSS, (2) conducting an initial investigation or reinvestigation, and (3) using the investigative report to determine eligibility for access to classified information—a procedure known as “adjudication.” Figure 1 depicts this three-stage process and the federal government offices that have the lead responsibility for each stage.

⁸ Executive Order No. 10865, *Safeguarding Classified Information within Industry* (Feb. 20, 1960), which was amended by Executive Order No. 12829, *National Industrial Security Program* (Jan. 6, 1993), authorizes DOD to reach agreement with other federal departments and agencies to extend its regulations concerning authorizations for access to classified information by industry. Three federal agencies (the Department of Energy, the Central Intelligence Agency, and Nuclear Regulatory Commission) also may grant security clearances to industry personnel who work on national-security-related programs.

⁹ See *Adjudicative Guidelines for Determining Eligibility for Access to Classified Information*, 32 C.F.R. Part 147, Subpart B, Attach. A and Attach. C (2003).

Figure 1: DOD's Personnel Security Clearance Process for Industry Personnel



Sources: DSS and DOHA.

Note: Cases involving access to sensitive compartmented information (see footnote 21) are sent through the requesting agency's central adjudication facility for adjudication.

In the preinvestigation stage, the industrial contractor must determine that a position requires the employee to have access to classified information. If a clearance is needed, the industry employee completes a personnel security questionnaire, and the industrial contractor submits it to DSS. All industry requests for a DOD-issued clearance are submitted to DSS while requests for military members and federal employees are submitted to either DSS or the Office of Personnel Management (OPM).

In the investigation stage, DSS, OPM, or one of their contractors conducts the actual investigation of the industry employee by using standards established governmentwide in 1997 and implemented by DOD in 1998.¹⁰ As table 1 shows, the type of information gathered in an investigation depends on the level of clearance needed and whether an initial investigation or a reinvestigation is required. DSS forwards the completed investigative report to DISCO.

¹⁰ See Assistant Secretary of Defense for Command, Control, Communications, and Intelligence, "Personnel Security Investigations and Adjudications," Memorandum (Washington, D.C.: Nov. 10, 1998). In implementing the federal adjudicative guidelines, DOD Directive 5200.2, *DOD Personnel Security Program* (Apr. 9, 1999), sets forth the policies and procedures for granting DOD military, civilian, and industry personnel access to classified information. The policies and procedures for granting industrial personnel security clearances and adjudicative procedural guidance for appealing cases if an unfavorable clearance decision is reached also are contained in DOD Directive 5220.6, *Defense Industrial Personnel Security Clearance Review Program* (Apr. 20, 1999).

Table 1: Information Gathered to Determine Eligibility for a Security Clearance

Type of information gathered	Type of security clearance		
	Confidential or secret	Top secret	
	Initial investigation or reinvestigation	Initial investigation	Reinvestigation
1. Personnel security questionnaire: The subject's self-reported answers on a paper SF-86 form or an electronic form	X	X	X
2. National agency check: Data from Federal Bureau of Investigation, military records centers, Treasury, etc.	X	X	X
3. Credit check: Data from credit bureaus where the subject lived/worked/attended school for at least 6 months	X	X	X
4. Local agency checks: Data from law enforcement agencies where the subject lived/worked/attended school during past 5 years	X	X	X
5. Date and place of birth: Corroboration of information supplied on the personnel security questionnaire	X	X	
6. Citizenship: For individuals born outside of the United States, verification of U.S. citizenship directly from the appropriate registration authority		X	
7. Education: Corroboration of most recent or significant claimed attendance, degree, or diploma		X	X
8. Employment: Review of employment records and interviews with workplace references, such as supervisors and coworkers		X	X
9. References: Data from interviews with subject-identified and investigator-developed leads		X	X
10. National agency check for spouse or cohabitant: National agency check without fingerprint		X	X
11. Former spouse: Data from interview(s) conducted with spouse(s) divorced within the last 10 years		X	X
12. Neighborhoods: Interviews with neighbors and verification of residence through records check		X	X
13. Public records: Verification of issues, such as bankruptcy, divorce, and criminal and civil court cases		X	X
14. Subject interview: To collect relevant data, resolve significant inconsistencies, or both		X	X

Source: DSS.

In the adjudicative stage, DISCO uses the information from the investigative report to determine whether an individual is eligible for a security clearance. If the report is determined to be a “clean” case—a case that contains no potential security issue or minor issues—then DISCO adjudicators determine eligibility for a clearance. However, if the case is an “issue” case—a case containing issues that might disqualify an individual for a clearance (e.g., foreign connections or drug- or alcohol-related problems)—then the case is forwarded to DOHA adjudicators for the clearance-eligibility decision. Regardless of which office determines eligibility, DISCO issues the clearance-eligibility decision and forwards this determination to the industrial contractor. All adjudications are based on 13 federal adjudicative guidelines established governmentwide in 1997 and implemented by DOD in 1998.

Recent legislation could affect DOD’s security clearance process. The National Defense Authorization Act for Fiscal Year 2004 authorized the transfer of DOD’s personnel security investigative functions and more than 1,800 investigative employees to OPM.¹¹ However, as of March 31, 2004, this transfer had not taken place. The transfer can occur only after the Secretary of Defense certifies to Congress that certain conditions can be met and the Director of OPM concurs with the transfer.

Long-standing Backlogs and Delays in Determining Security Clearance Eligibility for Industry Personnel Continue to Exist and Can Have Adverse Effects

DOD’s security clearance backlog for industry personnel is sizeable, and the average time needed to determine eligibility for a clearance increased during the last 3 fiscal years to over 1 year. DSS has established case-completion time frames for both its investigations and adjudications. For investigations, the time frames range from 75 to 180 days, depending on the investigative requirements.¹² For DISCO adjudications, the time frames are 3 days for initial clearances and 30 days for periodic reinvestigations. DOHA’s time frame is to maintain a steady workload of adjudicating 2,150 cases per month within 30 days of receipt. Cases exceeding these time frames are considered backlogged.

¹¹ See Pub. L. No. 108-136, § 906 (Nov. 24, 2003).

¹² DSS’s performance goal is to complete at least 75 percent of each type of investigation within the specified time limits. However, monitoring of the backlog requires a determination of whether each investigation was completed within the time frame—not whether an aggregate performance goal was met for a particular type of investigation.

- **Sizeable backlog continues to exist**—As of March 31, 2004, the security clearance backlog for industry personnel was roughly 188,000 cases. This estimate is the sum of four separate DSS-supplied estimates: over 61,000 reinvestigations that were overdue but had not been submitted, over 101,000 ongoing DSS investigations, over 19,000 cases awaiting adjudication at DISCO, and more than 6,300 cases awaiting adjudication at DOHA that had exceeded the case-completion time frames established for conducting them. However, as of March 31, 2004, DOHA independently reported that it had eliminated its adjudicative backlog.

Moreover, the size of the total DSS-estimated backlog for industry personnel doubled during the 6-month period ending on March 31, 2004, as the comparison in table 2 shows. This comparison does not include the backlog of overdue reinvestigations that have not been submitted because DSS was not able to estimate that backlog as of September 30, 2003.

Table 2: Comparison of Backlog Sizes As of September 30, 2003, and March 31, 2004

Type of backlog	Estimated number of backlogged cases for industry personnel		Increase in backlog	
	Sept. 30, 2003	Mar. 31, 2004	Number of cases	Percentage of increase
Investigative backlog	44,600	101,000	56,400	126
Adjudicative backlog at DISCO	12,800	19,000	6,200	48
Adjudicative backlog at DOHA	4,500	6,300	1,800	40
Total	61,900	126,300	64,400	104

Sources: DSS and the Case Control Management System (data); GAO (analysis).

Note: Although DSS provided the backlog estimates in table 2, DOHA independently reported that, as of March 31, 2004, it had eliminated its adjudicative backlog.

The industry backlogs for investigations and adjudications represent about one-fifth of the DOD-wide backlog for investigations and adjudications as of September 30, 2003 (the date of the most recent DOD-wide data). On that date, the estimated size of the investigative backlog for industry personnel amounted to roughly 44,600 cases, or 17 percent of the larger DOD-wide backlog of approximately 270,000 cases, which included military members, federal employees, and industry personnel. Similarly, the estimated size of the adjudicative backlog for industry personnel totaled roughly 17,300 cases, or 19 percent of the approximately 93,000 cases in the DOD-wide adjudicative backlog on that date.

Furthermore, the size of the industrial personnel backlog may be underestimated. In anticipation of the authorized transfer of the

investigative function from DSS to OPM, DSS had opened relatively few cases between October 1, 2003, and March 31, 2004. More specifically, DSS had not opened almost 69,200 new industry personnel requests received in the first half of fiscal year 2004. Because these requests have not been opened and investigations begun, they are not part of the 188,000 case backlog identified above. An unknown number of these cases might have already exceeded the set time frames for completing the investigation.

- **Average time to determine clearance eligibility has increased**—In the 3-year period from fiscal year 2001 through fiscal year 2003, the average time that DOD took to determine clearance eligibility for industry personnel increased from 319 days to 375 days, an increase of 18 percent. (See table 3.) During fiscal year 2003, DOD took an average of more than 1 year from the time DSS received a personnel security questionnaire to the time it issued an eligibility determination. From fiscal year 2001 through fiscal year 2003, the number of days to determine clearance eligibility for clean cases increased from 301 days to 332 days, whereas the time increased for issue cases from 516 days to 615 days.

Table 3: Average Number of Days Needed to Determine Eligibility for a Security Clearance for Industry Personnel, Fiscal Years 2001-3

Fiscal year	Average number of days to determine eligibility for a security clearance for industry personnel		
	All industry cases	Clean cases ^a	Issue cases ^b
2003	375	332	615
2002	343	316	629
2001	319	301	516

Sources: DISCO and the Case Control Management System.

Note: Although DSS’s case management system can provide the total elapsed time between opening a case and issuing the final security clearance eligibility determination, it is not capable of generating separate time estimates for the intermediate stages of the clearance process. Nor does it have the capability to identify how much time DOHA needed to adjudicate issue cases. Therefore, all of the time-based findings include the time period beginning when personnel security questionnaires were entered into the case management system and ending when DISCO notified the industrial contractor of the DISCO or DOHA adjudicators’ decisions to grant a clearance.

^aIncludes investigative time and DISCO review time.

^bIncludes investigative time, DISCO and DOHA review time, and additional time when some cases were sent back for additional investigation or were appealed after a denial or revocation of a clearance.

- **Backlogs and delays can have adverse effects**—Delays in renewing security clearances for industry personnel and others who are doing classified work can lead to a heightened risk of national security breaches.

In a 1999 report, the Joint Security Commission II pointed out that delays in initiating reinvestigations create risks to national security because the longer the individuals hold clearances, the more likely they are to be working with critical information and systems.¹³ In addition, delays in determining security clearance eligibility for industry personnel can affect the timeliness, quality, and cost of contractor performance on defense contracts. According to a 2003 Information Security Oversight Office¹⁴ report, industrial contractor officials who were interviewed said that delays in obtaining clearances cost industry millions of dollars per year and affect personnel resources.¹⁵ The report also stated that delays in the clearance process hampered industrial contractors' ability to perform duties required by their contracts and increased the amount of time needed to complete national-security-related contracts. Industrial contractors told us about cases in which their company hired competent applicants who already had the necessary security clearances, rather than individuals who were more experienced or qualified but did not have a clearance. Industry association representatives told us that defense contractors might offer monetary incentives to attract new employees with clearances—for example, a \$15,000 to \$20,000 signing bonus for individuals with a valid security clearance, and a \$10,000 bonus to current employees who recruit a new employee with a clearance. In addition, defense contractors may hire new employees and begin paying them, but not be able to assign any work to them—sometimes for a year or more—until they obtain a clearance. Contractors may also incur lost-opportunity costs if prospective employees decide to work elsewhere rather than wait to get a clearance.

¹³ See Joint Security Commission II, *Report by the Joint Security Commission II* (Aug. 24, 1999), pp. 5-6.

¹⁴ Executive Order No. 12829, *National Industrial Security Program*, Jan. 6, 1993, requires the Director of the Information Security Oversight Office to implement and monitor the National Industrial Security Program and oversee agency, contractor, licensee, and grantee actions; review all agency implementing regulations, internal rules or guidelines; and gives the Director the authority to conduct periodic on-site reviews of the implementation of the program by each program member that has access to classified information or stores it. This office is part of the National Archives and Records Administration.

¹⁵ See Information Security Oversight Office, *The National Industrial Security Program, Industry's Perspective: Making Progress, but Falling Short of Potential* (2003).

Impediments Hinder Elimination of the Backlog and Reduction of Time Needed to Determine Eligibility for a Clearance

A number of impediments hinder DOD’s efforts to eliminate the clearance backlog for industry personnel and reduce the time needed to determine eligibility for a clearance. Impediments include large investigative and adjudicative workloads resulting from a large number of clearance requests in recent years and an increase in the proportion of requests requiring top secret clearances, inaccurate workload projections, and the imbalance between workforces and workloads. The underutilization of reciprocity is an impediment that industrial contractors cited as an obstacle to timely eligibility determinations. Furthermore, DOD does not have a management plan that could help it address many of these impediments in a comprehensive and integrative manner.

- **Large number of clearance requests**—The large number of clearance requests that DOD receives annually for industry personnel, military members, and federal employees taxes a process that already is experiencing backlogs and delays. In fiscal year 2003, DOD submitted over 775,000 requests for investigations to DSS and OPM, about one-fifth of which (almost 143,000 requests) were for industry personnel. Table 4 shows an increase in the number of DOD eligibility determinations for industry personnel made during each of the last 3 years.¹⁶ DOD issued about 63,000 more eligibility determinations for industry personnel in fiscal year 2003 than it did 2 years earlier, an increase of 174 percent. During the same period, the average number of days required to issue an eligibility determination for industry personnel grew by 56 days, or about 18 percent. In other words, the increase in the average wait time was small compared to the increase in the number of cases.

Table 4: Number of Clearance-Eligibility Determinations for Industry Personnel, Fiscal Years 2001-3

Fiscal year	Number of clearance-eligibility determinations for industry personnel		
	All industry cases	Clean cases	Issue cases
2003	99,652	87,172	12,480
2002	86,226	78,836	7,390
2001	36,370	33,294	3,076

Source: DISCO and the Case Control Management System.

¹⁶ The outcomes of the clearance requests are eligibility determinations, but the determinations may be made in the year subsequent to the year when the request was submitted.

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- **Increase in the proportion of requests for top secret clearances—**From fiscal year 1995 through fiscal year 2003, the proportion of all requests requiring top secret clearances for industry personnel grew from 17 to 27 percent. According to OUSD (I), top secret clearances take eight times more investigative effort to complete and three times more adjudicative effort to review than do secret clearances. The increased demand for top secret clearances also has budget implications for DOD. In fiscal year 2003, security investigations obtained through DSS cost \$2,640 for an initial investigation for a top secret clearance, \$1,591 for a reinvestigation of a top secret clearance, and \$328 for an initial investigation for a secret clearance. Thus, over a 10-year period, DOD would spend \$4,231 (in current-year dollars) to investigate and reinvestigate an industry employee for a top secret clearance, a cost 13 times higher than the \$328 it would require to investigate an individual for a secret clearance.
 - **Inaccurate workload projections—**Although DSS has made efforts to improve its projections of industry personnel security clearance requirements, problems remain. For example, inaccurate forecasts for both the number and type of security clearances needed for industry personnel make it difficult for DOD to plan ahead to size its investigative and adjudicative workforce to handle the workload and fund its security clearance program. For fiscal year 2003, DSS reported that the actual cost of industry personnel investigations was almost 25 percent higher than had been projected. DOD officials believed that these projections were inaccurate primarily because DSS received a larger proportion of requests for initial top secret investigations and reinvestigations. Further inaccuracies in projections may result when DOD fully implements a new automated adjudication tracking system, which will identify overdue reinvestigations that have not been submitted DOD-wide.
 - **Imbalance between workforces and workloads—**Insufficient investigative and adjudicative workforces, given the current and projected workloads, are additional barriers to eliminating the backlog and reducing security clearance processing times for industry personnel. DOD partially concurred with our February 2004 recommendation to identify and implement steps to match the sizes of the investigative and adjudicative workforces to the clearance request workload. According to an OPM official, DOD and OPM together need roughly 8,000 full-time-equivalent investigative staff to eliminate the security clearance backlogs and deliver

timely investigations to their customers.¹⁷ In our February 2004 report, we estimated that DOD and OPM have around 4,200 full-time-equivalent investigative staff who are either federal employees or contract investigators.¹⁸

In December 2003, advisors to the OPM Director expressed concerns about financial risks associated with the transfer of DSS's investigative functions and 1,855 investigative staff authorized in the National Defense Authorization Act for Fiscal Year 2004. The advisors therefore recommended that the transfer not occur, at least during fiscal year 2004. On February 6, 2004, DSS and OPM signed an interagency agreement that leaves the investigative functions and DSS personnel in DOD and provides DSS personnel with training on OPM's case management system and investigative procedures as well as access to that system. According to our calculations, if all 1,855 DSS investigative employees complete the 1-week training program as planned, the loss in productivity will be equivalent to 35 person-years of investigator time. Also, other short-term decreases in productivity will result while DSS's investigative employees become accustomed to using OPM's system and procedures.

Likewise, an adjudicative backlog of industry personnel cases developed because DISCO and DOHA did not have an adequate number of adjudicative personnel on hand. DISCO and DOHA have, however, taken steps to augment their adjudicative staff. DISCO was recently given the authority to hire 30 adjudicators to supplement its staff of 62 nonsupervisory adjudicators. Similarly, DOHA has supplemented its 23 permanent adjudicators with 46 temporary adjudicators and, more recently, has requested that it be able to hire an appropriate number of additional permanent adjudicators.

- **Reciprocity of access underutilized**—While the reciprocity of security clearances within DOD has not been a problem for industry personnel, reciprocity of access to certain types of information and programs within the federal government has not been fully utilized, thereby preventing some industry personnel from working and increasing the workload on

¹⁷ OPM has estimated that DOD and OPM account for 80 percent of the investigations conducted for the federal government.

¹⁸ See [GAO-04-344](#).

already overburdened investigative and adjudicative staff.¹⁹ According to DOD and industry officials, a 2003 Information Security Oversight Office report on the National Industrial Security Program,²⁰ and our analysis, reciprocity of clearances appears to be working throughout most of DOD. However, the same cannot be said for access to sensitive compartmented information and special access programs²¹ within DOD or transferring clearances and access from DOD to some other agencies. Similarly, a recent report by the Defense Personnel Security Research Center concluded that aspects of reciprocity for industrial contractors appear not to work well and that the lack of reciprocity between special access programs was a particular problem for industry personnel, who often work on many of these programs simultaneously.²²

Industry association officials told us that reciprocity of access to certain types of information and programs, especially the lack of full reciprocity in the intelligence community, is becoming more common and one of the top concerns of their members. One association provided us with several examples of access problems that industry personnel with DOD-issued security clearances face when working with intelligence agencies. For example, the association cited different processes and standards used by intelligence agencies, such as guidelines for (1) the type of investigations and required time frames, (2) the type of polygraph tests, and (3) not accepting adjudication decisions made by other agencies.

¹⁹ Reciprocity, which is required by Executive Order No. 12968, is a policy that requires background investigations and eligibility determinations conducted under the order be mutually and reciprocally accepted by all agencies, except when an agency has substantial information indicating that an employee may not satisfy the standards under this order. Reciprocity also involves the ability to transfer (1) an individual's existing, valid security clearance and (2) access from one department, agency, or military service to another or from the federal government to the private sector (and vice versa) when the individual changes jobs without having to grant another clearance or access.

²⁰ See Information Security Oversight Office, *The National Industrial Security Program, Industry's Perspective: Making Progress, but Falling Short of Potential* (2003).

²¹ Sensitive compartmented information is classified intelligence information derived from intelligence sources, methods, or analytical processes, which is handled by systems established by the Director of Central Intelligence. A special access program is a sensitive program that imposes need-to-know and access controls beyond those normally provided for access to confidential, secret, or top secret information.

²² See Defense Personnel Security Research Center, *Reciprocity: A Progress Report*, PERSEREC Technical Report 04-2 (Monterey, Calif.: Apr. 1, 2004).

In addition to the reciprocity concerns relating to access to sensitive compartmented information and special access programs, industry officials identified additional reciprocity concerns. First, DSS and contractor association officials told us that some personnel with an interim clearance could not start work because an interim clearance does not provide access to specific types of national security information, such as sensitive compartmented information, special access programs, North Atlantic Treaty Organization data, and restricted data.²³ Second, intelligence agencies do not always accept clearance reinstatements and conversions (e.g., a security clearance may be reactivated depending on the recency of the investigation and the length of time since the clearance was terminated). Third, the Smith Amendment—with exceptions—prohibits an individual with a clearance from being eligible for a subsequent DOD clearance if certain prohibitions (e.g., unlawful user of a controlled substance) are applicable.²⁴

- **Lack of overall management plan**—Finally, DOD has numerous plans to address pieces of the backlog problem but does not have an overall management plan to eliminate permanently the current investigative and adjudicative backlogs, reduce the delays in determining clearance eligibility for industry personnel, and overcome the impediments that could allow such problems to recur. These plans do not address process wide objectives and outcome-related goals with performance measures, milestones, priorities, budgets, personnel resources, costs, and potential obstacles and options for overcoming the obstacles.

²³ Under the Atomic Energy Act of 1954 (as amended), the term “restricted data” means all data (information) concerning the (1) design, manufacture, or utilization of atomic weapons, (2) the production of special nuclear material, or (3) the use of special nuclear material in the production of energy, but shall not include data declassified or removed from the restricted data category pursuant to § 142 of the Act. Pub. L. No. 83-703 § 11 (Aug. 30, 1954), codified at 42 U.S.C. § 2014.

²⁴ See Floyd D. Spence National Defense Authorization Act for Fiscal Year 2001, Pub. L. No. 106-398, § 1071 (Oct. 30, 2000) (codified at 10 U.S.C. § 986).

DOD Is Considering Several Initiatives to Decrease the Backlog and Time Period Needed to Obtain Eligibility for a Clearance

DOD and industry association officials have suggested several initiatives to reduce the backlog and delays in issuing eligibility for a security clearance. They indicated that these steps could supplement actions that DOD has implemented in recent years or has agreed to implement as a result of our recommendations or those of others. Even if positive effects would result from these initiatives, other obstacles, such as the need to change investigative standards, coordinate these policy changes with other agencies, and ensure reciprocity, could prevent their implementation or limit their use. Today, I will discuss three of the suggested initiatives. Our final report to you will provide a more complete evaluation of these and other initiatives.

- **Conducting a phased periodic reinvestigation**—A phased approach to periodic reinvestigations for top secret clearances involves conducting a reinvestigation in two phases; the second phase would be conducted only if potential security issues were identified in the initial phase. Phase 1 information is obtained through a review of the personnel security questionnaire, subject and former spouse interviews, credit checks, a national agency check on the subject and former spouse or current cohabitant, local agency checks, records checks, and interviews with workplace personnel. If one or more issues are found in phase 1, then phase 2 would include all of the other types of information gathered in the current periodic reinvestigation for a top secret investigation. Recent research has shown that periodic reinvestigations for top secret clearances conducted in two phases can save at least 20 percent of the normal effort with almost no loss in identifying critical issues for adjudication.²⁵ According to DSS, this initiative is designed to use the limited investigative resources in the most productive manner and reduce clearance-processing time by eliminating the routine use of low-yield information sources on many investigations and concentrating information-gathering efforts on high-yield sources. While analyses have not been conducted to evaluate how the implementation of phasing would affect the investigative backlog, the implementation of phasing could be a factor in reducing the backlog by decreasing some of the hours of fieldwork required in some reinvestigations. Even if additional testing confirms promising earlier findings that the procedure very rarely fails to identify critical issues, several obstacles, such as noncompliance with existing governmentwide investigative standards and reciprocity

²⁵ See Defense Personnel Security Research Center, *A New Approach to the SSBI-PR: Assessment of a Phased Reinvestigation*, PERSEREC Technical Report 01-6 (Monterey, Calif.: Oct. 29, 2001) and *Implementation of the Phased SSBI-PR at DSS: An Evaluation with Recommendations*, PERSEREC Technical Report 04-X (Monterey, Calif.: in press).

problems, could prevent the implementation or limit the use of this initiative.

- **Establishing a single adjudicative facility for industry**—Under this initiative, DOD would consolidate DOHA's adjudicative function with that of DISCO's to create a single adjudicative facility for all industry personnel cases. At the same time, DOHA would retain its hearings and appeals function. According to OUSD (I) officials, this consolidation would streamline the adjudicative process for industry personnel and make it more coherent and uniform. A single adjudicative facility would serve as the clearinghouse for all industrial contractor-related issues. As part of a larger review of DOD's security clearance processes, DOD's Senior Executive Council is considering this consolidation. An OUSD (I) official told us that the consolidation would provide greater flexibility in using adjudicators to meet changes in the workload and could eliminate some of the time required to transfer cases from DISCO and to DOHA. If the consolidation occurred, DISCO officials said that their operations would not change much, except for adding adjudicators. On the other hand, DOHA officials said that the current division between DISCO and DOHA of adjudicating clean versus issue cases works very well and that combining the adjudicative function for industry into one facility could negatively affect DOHA's ability to prepare denials and revocations of industry personnel clearances during appeals. They told us that the consolidation would have very little impact on the timeliness and quality of adjudications.
- **Evaluation of the investigative standards and adjudicative guidelines**—This initiative would involve an evaluation of the investigative standards used by personnel security clearance investigators to help identify requirements that do not provide significant information relevant for adjudicative decisions. By eliminating the need to perform certain tasks associated with these requirements, investigative resources could be used more efficiently. For example, DSS officials told us that less than one-half of one percent of the potential security issues identified during an investigation are derived from neighborhood checks; however, this information source accounts for about 14 percent of the investigative time. The modification of existing investigative standards would involve using risk management principles based on a thorough evaluation of the potential loss of information. Like a phased periodic reinvestigation, this initiative would require changes in the governmentwide investigative

standards. In addition, the evaluation and any suggested changes would need to be coordinated within DOD, intelligence agencies, and others.

Mr. Chairman, this concludes my prepared statement. I will be happy to respond to any questions you or other Members of the committee may have at this time.

Appendix I: GAO Contacts and Staff Acknowledgments

GAO Contacts

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Acknowledgments

Individuals making key contributions to this statement include Mark A. Pross, James F. Reid, William J. Rigazio, and Nancy L. Benco.

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