

**GENERAL MANAGEMENT:  
The Bureau of Engraving and Printing's Controls  
Over Background Investigations Need to be Improved**

OIG-03-004

October 16, 2002

This report has been reviewed for public dissemination by the Office of Counsel to the Inspector General. Information requiring protection from public dissemination has been redacted from this report in accordance with the Freedom of Information Act, 5 U.S.C. section 552.



**Office of Inspector General**

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**The Department of the Treasury**

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## Abbreviations

ACD	Advanced Counterfeit Deterrence
BI	Background Investigation
ESS	Employee Suitability System
FRN	Federal Reserve Note
Ft. Worth	Fort Worth
NAC	National Agency Check
NACI	National Agency Check with Inquiries
USSS	United States Secret Service

Thomas A. Ferguson  
Director  
Bureau of Engraving and Printing

On January 20, 1999, the Bureau of Engraving and Printing (the Bureau) implemented its Personnel Security Policy for Positions in Vulnerable Areas, No. 71-00.51, which superseded a 1996 policy. The 1996 policy limited full background investigations to persons who had access to finished products. The current (1999) policy sets forth an additional number of areas designated as vulnerable and applies to employees with access to vulnerable areas, to include finished and unfinished products.

The Bureau's Personnel Security Division has the responsibility of performing background investigations and maintaining data files. Since 1988, the Personnel Security Division has maintained its data of background investigations on a database called the Employee Suitability System (ESS).

We examined the Bureau's controls, policies, and procedures for conducting and updating background investigations. Specifically, we reviewed the controls currently in place within the Bureau's Washington Personnel Security Division to determine whether the Bureau had adequate controls to ensure that initial and updated investigations were performed timely and efficiently; thus to prevent and/or deter theft of currency and other documents.

Our overall audit objective was to review security over currency and other documents including a review of background investigations. The review of the controls over currency and other documents is pending and will be discussed in a future report. Our objective during this phase of our review was to determine the

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Bureau's controls and procedures for conducting and updating background investigations. We performed our fieldwork primarily from April 2002 to September 2002, at the Washington, D.C. facility. A more detailed description of our objective, scope, and methodology is provided as Appendix 1.

## **Results in Brief**

- At the time of our review, the ESS contained inaccurate data. In addition, it did not produce status reports to show the collective number of open cases, the number of employees who have certain levels of security clearances (high-risk, moderate-risk, low-risk), and the number of cases that are outstanding/pending investigations. We also observed that the Bureau's database is not currently designed to permit easy reconciliation to the Bureau's Office of Human Resources roster because of automation problems and incorrect data. The ESS had inaccurate data concerning Social Security numbers, contained multiple records, and Personnel Security did not remove former employees from its current database timely. We recommend that the ESS be enhanced to produce status reports that we believe are needed by decision makers in measuring and determining how well and to what extent the 1999 Vulnerable Area Policy has been implemented, and to ensure accurate and reliable data is reported. Bureau management and the Personnel Security Division have agreed to work with the Bureau's Information Technology Directorate to assess the ESS' capabilities. We also recommend that Social Security numbers be corrected, the correct ones be used for background investigations, old records be archived appropriately, and multiple records be eliminated.
- The Bureau performs full background investigations on high-risk or critical sensitive positions. However, since the 1999 policy change, we noted employees with moderate-risk background investigations working in high-risk areas. We recommend that Bureau management assess employees in moderate and low risk positions to determine whether their security clearances are commensurate with their job positions and accessibility to vulnerable areas.

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- The Bureau has a backlog of “no issue” cases (cases in which no issues were identified during the field investigation), but the cases have not been adjudicated<sup>1</sup>. As a general rule, the Personnel Security Division first processes those cases where issues were identified, while deferring the processing of no issues cases. This practice has created a backlog of cases being opened as far back as 1999. We recommend that the Bureau ascertain whether procedures are in place in the Personnel Security Division to ensure background investigations are closed and adjudicated timely to reduce or eliminate backlogs.
  - We also noted that similar problems existed at the Fort Worth (Ft. Worth) facility concerning multiple records, the need for reinvestigations, and the need to upgrade positions. We recommend that the Bureau perform a self-assessment of the magnitude of these issues, provide continuous bureau-wide oversight, and take the appropriate corrective actions.

Bureau management agreed with our finding and recommendations. As a result, a project team of senior personnel has been established to perform a self-assessment of the Bureau’s background investigations program to determine what actions need to be taken to implement the recommendations and to determine the extent of problems at Ft. Worth. The self-assessment is due to be completed in mid-December 2002. At that point, Bureau management is to establish timeframes for implementing the recommendations. With regard to continuous oversight, the Chief, Office of Security, has been designated the responsibility to plan, administer, and monitor the Bureau’s various security programs on a bureau-wide basis, including background investigations.

## Background

The Bureau began printing all United States currency in 1877. Today, it produces U.S. currency, postage stamps, and many other security documents. Accordingly, the Bureau designs, prints, and

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<sup>1</sup> An assessment of conduct and character as it impacts on a person’s suitability for any position in the Federal government.

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furnishes Federal Reserve Notes (FRNs), most U.S. postage stamps, Treasury securities, identification cards, naturalization certificates, and other special security documents. All products are designed and manufactured with advanced counterfeit deterrence features to ensure product integrity, and the Bureau advises other Federal agencies on document security matters. The Bureau also processes claims for the redemption of mutilated currency. The Bureau's research and development efforts focus on the continued use of automation in the production process and counterfeit deterrent technologies for use in security documents, especially U.S. currency.

The Bureau occupies three Government-owned facilities. The Main and Annex buildings, located in Washington, D.C., produces FRNs, postage stamps, and other security documents. The Western Currency Facility, located in Ft. Worth, Texas, produces only FRNs. In 2001, approximately 2,500 Bureau staff members produced 7 billion FRNs and 15.9 billion postage stamps. As of May 2002, there were a total of 2,549 employees: 1,910 at the Washington, D.C. facility and 639 in Ft. Worth.

The Bureau's executive structure includes the Bureau Director, Deputy Director, and six Associate Directors. Three of these six directorates have a role in controlling and safeguarding sensitive property. This includes the Management Directorate, which through its Office of Security is responsible for physical and operational security, theft reports, and other incidents. The Personnel Security Division is responsible for conducting background investigations.

#### Vulnerable Areas

The security aspects of the Bureau's mission require that areas of greatest vulnerability receive the greatest scrutiny. Vulnerable areas are work locations determined to be most vulnerable to theft during the production of, currency, stamps, or other Bureau securities. -----

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The Bureau of Engraving and Printing Manual No. 71-00, dated February 1, 2001, outlines the Bureau's security program. The Bureau Personnel Security Policy for Positions in Vulnerable Areas, No. 71-00.51, dated January 20, 1999, describes the personnel security policy regarding positions with access to vulnerable areas. This policy superseded a 1996 policy that required full background investigations be conducted solely for persons who had access to finished products. The current (1999) policy sets forth an additional number of areas designated as vulnerable and applies to employees occupying positions in vulnerable areas, employees with unescorted access to vulnerable areas, and applicants for positions in, or with access to vulnerable areas -----

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Security Designations

High-risk is a designation for a position having potential for exceptionally serious impact on the mission of the Bureau, or the overall efficiency of service. Other designations are moderate-risk and low-risk, all of which are defined by the Office of Human Resources Management.

All Bureau employees are given a National Agency Check (NAC), which consists of fingerprint check, name check, and check for prior investigations. A low-risk position (which needs escorted access to vulnerable areas) requires a NAC with Inquiries (NACI) i.e. written questions sent to neighbors, previous employers, and others. -----

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vulnerable areas requires a personal interview of the subject, record checks and source interviews at current and previous employers and residences, and record searches covering a specific area of the subject's background that goes back 3 years. No reinvestigation is required for the moderate-risk clearance.

High-risk designations, (people with positions that allow them unlimited access to vulnerable areas) require that background investigations and 5-year periodic reinvestigations be conducted on

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employees occupying positions with unescorted access to vulnerable areas. A full field investigation consists of the same checks performed at the moderate-risk level except the scope covers a 5-year period. Issues that are identified may cause the scope of the investigation to be expanded to resolve those issues. In addition, annual criminal history and credit checks are initiated to determine whether suitability issues exist. The policy also includes contractors and other individuals with a need for access to Bureau premises and/or products to assure that they meet the minimum standards.

A 1994 United States Secret Service report made recommendations to improve security as well as an Office of Inspector General report titled *Opportunities for the Bureau of Engraving and Printing to Improve the Processing of Mutilated Currency*, dated February 1, 2000 (OIG-00-047). Our follow-up of these issues is discussed in the ESS reconciliation section and the backlog section of the following finding.

## **Finding and Recommendations**

### **Finding 1                      Oversight over Background Investigations Needs to be Improved**

The Bureau's monitoring of background investigations does not provide management consistent and continuous oversight over the status of background investigations. This has occurred because the system for maintaining and updating personnel security records needs to be enhanced to provide accurate reports on the status of employee security levels, to allow for easy reconciliation with the bureau's personnel database, and to reflect only employees currently working at the Bureau. Although in 1999 the Bureau issued an updated policy to identify more vulnerable areas and to require more high-risk designations, the Personnel Security Division's database could not provide collective data on the number and status of persons who have been re-evaluated and re-investigated as a result of the updated policy. Notwithstanding, the Bureau cannot determine whether its policy has been effectively implemented to ensure persons were given the proper security designations on a timely basis. As a result, the Bureau



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may not identify instances on a timely basis where employee suitability issues exist.

The Government Performance and Results Act of 1993 (the Results Act) holds Federal agencies accountable for achieving program results. Accordingly, the Results Act requires Federal agencies to more effectively plan, budget, execute, evaluate, and account for their programs and activities. Federal managers are required to establish performance-based management systems to accomplish goals and measure results. The goals are to be expressed in an objective, quantifiable, and measurable form. The Bureau's 2000-2005 Strategic Plan lays out its mission, goal, and strategy for achieving goals and objectives. In November 1999, the General Accounting Office issued Standards for Internal Control that referenced the Office of Management and Budget (OMB Circular No. A-123). The Circular states that Federal employees develop and implement management controls that cover all aspects of an agency's programs and operations. The Circular further states, among other things, that management controls are used to reasonably ensure (i) programs achieve their intended results; (ii) resources are used consistently with agency mission; (iii) programs and resources are protected from waste, fraud, and mismanagement; (iv) laws and regulations are followed; and, (v) reliable and timely information is obtained, maintained, reported, and used for decision making.

#### The Bureau's Employee Suitability System Needs to be Enhanced

The Personnel Security Division maintains its data of background investigations on a database called the Employee Suitability System. The ESS was put into use in 1988. The 1999 policy designated more areas as being vulnerable by including finished and unfinished product areas. However, our review showed that the ESS had inaccurate and unreliable data and did not produce status reports. As a result, the Bureau has not been able to rely on the ESS to determine whether its policy has been effectively implemented and to ensure persons were given the proper security designations on a timely basis.

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At the beginning of our review, we requested reports showing the status and number of background investigations that were open but not completed; the number of investigations pending (scheduled to be opened); the number of re-investigations (security clearance updates and upgrades) that were currently being performed and scheduled to be performed; and the number/percentage of employees in high, moderate, or low-risk categories. The Personnel Security Division informed us that the ESS could not produce such reports and there had not been a need for such reports. We believe because the ESS does not produce reports that could be useful to management, the Bureau's controls over and monitoring of background investigations are hindered. This could put the Bureau at greater risk in that employees could have more access to vulnerable areas than needed. (The Personnel Security Division has agreed to work with the Bureau's Information Technology Directorate to assess the ESS' capabilities.)

Because the Bureau could not produce the type of reports we requested, we obtained a list from the Office of Human Resources of all persons currently employed at the Bureau. We also obtained a list from the ESS database of background investigations performed by the Bureau's Personnel Security Division. In our attempt to assess the Bureau's progress and status over background investigations, we compared the two lists as of May 29, 2002.

Our first observation was that the Office of Human Resources' listing contained 2,544 employee records and the Personnel Security Division's listing contained 3,975 employee records. We inquired as to why Personnel Security's listing had over 1400 more records than the Office of Human Resources. Management primarily attributed this to several factors. Each time Personnel Security does a reinvestigation, a new record is established and the previous record also remains in the ESS. This creates multiple records on the same person. Also, the Personnel Security Division supervisor informed us that persons no longer working at the Bureau are still on the ESS because of a 5-year data retention requirement. These two practices prevented accurate reconciliation with the Bureau's personnel database and were reported in the Secret Service report in October 2000 and an OIG

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report in February 2000. We believe the Personnel Security Division should maintain an active database of current employees.

Although we were aware that the Personnel Security Division's database contained inaccurate data when compared with the Office of Human Resources' database (as indicated above), we selected a sample of records using Social Security numbers. We found 704 records that were non-matches, i.e., records on the Office of Human Resources' database list that did not appear to be on the Personnel Security Division's ESS database.

Based on the 704 non-matching records, we selected a sample of 140 records (See Appendix 1.) We then stratified this sample that resulted in 45 Washington, D.C. employee records and 95 from Ft. Worth, Texas. We tested the 45 Washington, D.C. records to determine whether those records were actually in the ESS. We found all 45 were in the ESS, but we also found errors in the ESS database. For example, 5 of the 45 (11 percent) had inaccurate Social Security numbers, 1 of which had a Social Security number containing less than nine digits. Because of these errors and the importance of Social Security numbers, we queried the 704 non-matches to determine how many other records had less than nine digits or non-numeric characters. This query resulted in 185 records of persons at the Washington, DC facility. The Personnel Security Division supervisor attributed this, in part, to the computer not placing zeros in front of Social Security numbers. In other cases, the errors were attributed to data entry input.

Even though we were aware that the Personnel Security Division's database had errors, we compared the list of 185 records (less than nine digit Social Security numbers or non-numeric characters), with the Office of Human Resources' list. This comparison produced 103 records that appeared to be on the Office Human Resources' list, but not on the Personnel Security Division's list. We selected a total of ten employees whose Social Security numbers were incorrect, seven records from the list of 103 and 3 from the sample of 45. Seven of the 10 records, according to the Office of Human Resources' database, did not begin with zero; therefore, we concluded there were errors other than computer glitches of dropping zeros, as was indicated previously. We

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reviewed the manual files in the Personnel Security Division to determine what Social Security numbers were used during the employees' background investigations. We found that 5 of the 10 had the wrong Social Security number in the ESS. These 5 also had the wrong Social Security numbers on some of the documents in the manually maintained files. These files contained the actual reports that resulted from inquiries made during background investigations. Therefore, some of the background investigations may have contained the wrong Social Security numbers in obtaining information used to grant a clearance. Some examples follow.

-----had an incorrect Social Security  
-----, this person was given a low-risk  
clearance. ----- had two incorrect Social Security  
numbers, o----- I and another on the Report of  
Investigation<sup>2</sup>. This person's reinvestigation was in 1997 at the  
high-risk clearance level. On two separate background  
investigations,-----had different incorrect Social Security  
numbers on th-----ility Report<sup>3</sup>, and credit report. This  
person was given a low-risk clearance in 1999. -----  
-----credit report con-----incorrect  
Social Security number. In 2002, this person was reinvestigated at  
a high-risk critical sensitive clearance level. ----- had a  
wrong Social Security number on a Report of Investigation. This  
person was reinvestigated in 2001 at the high-risk clearance level.  
Because of errors like these, the Bureau does not have assurance  
that all critical background data about employees was identified.

The Personnel Security Division's manager told us that requests, such as credit checks and other inquiries, are requested electronically from the Personnel Security Division. Social Security numbers are entered on inquiries by Personnel Security Division employees. In addition to the 10 employee records with incorrect

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- 2 Report of Investigation is a document prepared in the Personnel Security Division that consists of a collection of data gathered during the background investigation.
- 3 Suitability Report is a document also prepared in the Personnel Security Division that states the determination made as to whether or not an applicant is suitable for employment.

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Social Security numbers, and based on our visual scan of the ESS database, we believe there is a possibility that more cases of incorrect Social Security numbers exist. We immediately brought this to management's attention in July 2002. In mid-August 2002, the Personnel Security Division's manager told us these issues are in process of being addressed.

In addition, to the incorrect Social Security numbers, we found several other errors in the ESS database. For example, we found 16 of the 45 (36 percent) had multiple records because the previous record of investigation was not deleted or archived when the reinvestigation occurred. One of the 45 employee's position description was different on both lists. On the Office of Human Resources' list the employee was listed as -----and on the Personnel Security's list the employee was-----  
----- which would re-----gher  
-----he 45 employee's record did not reflect a name change because the employee got married. We also found 1 of the 45 persons in the ESS was no longer employed at the Bureau.

We determined that the 16 employees with multiple records in the ESS were the result of the Personnel Security Division performing reinvestigations and not deleting or archiving the previous record of investigation. We questioned the Manager of the Personnel Security Division and reviewed the Bureau Security Manual to determine whether procedures exist to determine what to do with the previous record of investigation when a reinvestigation is performed. There were none. The Manager of Personnel Security stated that they archive the records when they get the opportunity. We believe that a consistent and continuous process of archiving previous records should be established. This would also assist in reconciling the Personnel Security Division's records with the Office of Human Resources' roster.

We also reviewed records of 13 individuals that were involved in incidents of theft and separated from the Bureau. This was done to determine whether their records were listed in the active files on the ESS. Of the 13 individuals, we found 7 individuals listed in the active files on the ESS. Including the 1 individual from the sample;

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we identified eight individuals listed in the active files that should have been archived. Three of these people have not worked at the Bureau for 5 years, three for 9 years, one for 12 years, and one for 13 years.

Our review of the ESS, which also contains Ft. Worth information, indicated similar problems exist in Ft. Worth. For example, 20 out of 95 employees need reinvestigations performed, 19 out of 95 employees need to be updated to high-risk, and 67 out of 95 employees have multiple records in the ESS. In some instances these employees had overlapping issues. During the initial course of our review, no one was officially designated below the Bureau Director's level to provide overall oversight over background investigations at the two facilities. We believe if the proper reports are generated from the ESS, management will have a means of review for the status of background investigations on an overall basis from a Bureau perspective. We brought this to the attention of management and were told no one was designated to perform this function.

After sharing these problems with the Personnel Security Division, the manager began to make efforts to correct the incorrect Social Security numbers and archive former employee records from the ESS database. However, the ESS needs to be completely verified and validated to ensure the integrity of the database. In addition, the Bureau needs to enhance the technical capability of this system and ensure the system is monitored and data is verified by management. In July 2002, the Bureau's Office of Security Chief told us that a policy was in process to provide overall monitoring and oversight for both offices at Washington, D.C. and Ft. Worth, Texas. In September 2002, Bureau management agreed to work with its Information Technology Directorate to assess the ESS' capabilities.

#### The Bureau has Employees Working in Areas Inconsistent with Their Background Investigation Designation

The Bureau's 1999 Vulnerable Area Policy identified an additional number of areas designated as vulnerable. It also applied to employees occupying positions in vulnerable areas and employees

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with unescorted access to vulnerable areas. The ESS, however, does not produce automated reports showing the collective number and names of employees working in these newly identified areas that require an upgraded background investigation. The Bureau has to retrieve each employee's file individually to determine an individual's status. Given the number of employees in the Bureau and the continuous process of background investigations, we do not believe this is the most efficient method of monitoring and maintaining controls over background investigations.

Our review of the stratified sample of 45 records showed that the Bureau had 12 individuals (26 percent) working in high-risk areas with only moderate risk background investigations. These positions should have been upgraded and should have had a high-risk background investigation. These persons included -----

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vulnerable. However, these employees' background investigations were at the moderate-risk level, but they were working in high-risk areas. This could put the Bureau at a higher risk. When we questioned the manager of the Personnel Security Division, we were told that upgrades are being performed over a 5-year cycle and about 25 are done per month. Notwithstanding, the 1999 policy has been in effect for 3 years. If the ESS produced status reports on the number of upgrades that have been performed and the number to be performed, management would be better informed as to whether the 1999 policy is being implemented effectively and timely.

We also believe the Bureau should devise a means for reassessing employees' position descriptions and determine whether the position and accessibility to vulnerable areas match the background investigation designation. We believe this is particularly necessary

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in light of the events of September 11, 2001, and the national security risks of unauthorized usage of Immigration and Naturalization and other documents to which unauthorized and unofficial escorted persons may gain access.

Under the 1999 Vulnerable Area Policy, all positions with access to vulnerable areas are to be upgraded to high-risk and given full background investigations. Two of the 12 employees we reviewed that should have been upgraded, had not received background investigations since 1981, a period of 21 years. As previously noted, since the ESS does not produce status reports, the Bureau cannot easily and readily determine how many positions already have been upgraded, how many need to be upgraded as a result of the 1999 policy, and how many persons have not been investigated over an extended period of time, such as 21 years.

Our statistical sample indicated that 3 of the 45 (7 percent) of the Bureau's Washington employees in high-risk positions were due for a reinvestigation, but there was no indication in the ESS that one had been opened. These 3 had not been updated since 1997. When we questioned Personnel Security Division personnel, we were told that reinvestigations are identified monthly as individuals become due, and these individuals were just overlooked.

#### The Bureau's Backlog of Open Cases Creates an Extended Five-Year Reinvestigation Period

The Bureau of Engraving and Printing's Personnel Security Handbook, dated November 1999, and the Bureau Circular No.71-00.51, require periodic reinvestigations of all employees occupying high-risk and critical sensitive positions. Background investigations are conducted when the employee initially occupies the position and every 5 years thereafter.

At the beginning of our audit, we asked for a count and status of open cases. The Personnel Security Division manager told us that the ESS could not produce a list of open cases. When we asked how he monitored open cases and whether background investigations were performed timely, he stated that he would go to each adjudicator and get a manual count of the number of cases



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that are open. Again, we determined this was not an efficient method to monitor and maintain controls over background investigations. He stated he could request that the Bureau's Information Technology Directorate write a program to identify all open cases from the ESS and provide us a list. Our review showed that as of May 7, 2002, there were 366 open background investigations. A backlog problem was reported in the Secret Service Report issued in October 2000.

Of the 366, there were 215 cases determined to be backlogged "no issue" or "no action" cases, i.e. no questionable issues were identified during the field investigation to deem a person unsuitable for the applicable level of duty. "No action" cases are also cases that, for example, uncovered an old arrest, but are not considered as having an impact on the employee's suitability for work. The Personnel Security Division does not consider these cases to be a priority, subsequently leaving these cases open for long periods of time, i.e., not adjudicated and closed timely. For example, of the 215 no issue cases alone, we found cases still opened since 1999 and 41 percent opened and not closed as far back as 2000 and 2001. Because the reinvestigation timeframe begins at the closing date of the previous investigation, cases left open cause the timeframe to extend beyond the required 5-year reinvestigation period, thus causing the reinvestigation of employees to be unduly extended.

"Issue" cases, on the other hand, are those that disclosed conduct, medical, or qualification problems that may deter employment suitability. These cases are adjudicated first.

During the course of our audit, we identified and discussed conditions found with the manager of the Personnel Security Division. The Personnel Security Division assigned an additional adjudicator to review the backlog of cases and is considering ways to enhance the ESS. We believe that the Bureau should take a proactive approach to complete outstanding cases more timely, reassess and upgrade employees' security status, reinvestigate employees every 5 years on a timely basis, and ensure that Personnel Security files are updated and its ESS is enhanced. This would serve as a measure to significantly improve controls over

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currency and other documents, thus preventing or reducing the risk and possibility of theft incidents. We also believe that coordination and reviews of the status of background investigations at both the Washington and Ft. Worth facilities would provide improved overall oversight from a Bureau perspective, as was discussed with and concurred by Bureau management.

In summary the ESS needs to be enhanced or some other official designated automated system needs to be put in place to produce (a) status reports as to the precise number of open and closed cases, (b) the number of persons who have been reinvestigated or upgraded, and (c) the number of outstanding investigations relative to the length of time the investigations have been open, i.e. the number opened for 6-months, 12-months, and so on. This will establish an aging and tracking system to provide management better controls and procedures in determining if background investigations are being completed and adjudicated in a timely manner.

We further concluded the ESS should be reviewed regularly for erroneous data, especially regarding Social Security numbers. Employee files should be reviewed and the Personnel Security Division should assess and determine the validity of the data collected for the respective employees. As a minimum, the ESS data should be archived and reconciled with the Office of Human Resources roster; the Bureau management should ensure information used in conducting and assessing background investigations is valid; and, reliable and timely information should be obtained, maintained, reported, and used for decision-making. This should be continuously adhered to for new hires, re-investigations, and upgrades.

### **Recommendations**

We recommend that the Bureau Director:

1. Enhance the ESS to produce reports that accurately depict the Bureau's status of background investigations on an individual and overall basis, and ensure that the ESS is reconciled on a regular basis with the Bureau's Office of

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Human Resources roster. Ascertain employees' current employment status and archive multiple records and former employees in accordance with the policy.

2. Review employees' manual files that contain erroneous Social Security numbers to ascertain whether background investigations reflect the actual person being investigated. Correct the erroneous Social Security numbers in the ESS and the manual files.
3. Reassess employees' job positions and descriptions to determine if they are commensurate with security levels and accessibility to vulnerable areas. Provide the required background investigation for upgraded positions.
4. Ascertain that procedures are in place in the Personnel Security Division to ensure background investigations are tracked, adjudicated, and closed timely to reduce or eliminate backlogs.
5. Designate someone to provide continuous oversight over both facilities (Washington, D.C. and Ft. Worth) relative to background investigations and other applicable security issues. Perform a self-assessment of the Ft. Worth facility to identify the magnitude and type of issues that were identified at the Washington, D.C. facility. Take appropriate actions to correct those issues.

#### Management Comments

The Bureau concurred with the audit finding and recommendations. The Bureau has formed a project team of senior personnel to perform a self-assessment of the Bureau's background investigations program to be completed in mid-December 2002. The project team will address the recommendations. In addition, the Bureau has designated the Chief, Office of Security, to provide continuous oversight over background investigations and other security issues on a bureau-wide basis.

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### OIG Comments

Based on the Bureau's corrective and planned actions, we consider these recommendations to have a management decision. Once the self-assessment is completed, we request that the results, corrective actions, and target dates for each recommendation be provided for our review.

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We appreciate the cooperation and courtesies extended to our staff during this audit. The major contributors to this report are identified in Appendix 5. If you have any questions, please contact me at (202) 927-5904 or Iris Hudson, Audit Manager, at (202) 927-4881.

Thomas E. Byrnes  
Director, Manufacturing and Procurement Audits

The overall objective of the audit was to determine whether the Bureau has implemented adequate controls to: (1) prevent and /or deter the theft of currency and other documents and (2) ensure that initial and updated background investigations of employees and contractor personnel are performed in a timely manner, i.e. if background investigations are completed before the employee is placed and, if periodic reinvestigations are performed when required. Because of the expansive scope of this review, the initial part of our audit focused on background investigations.

To accomplish these objectives, we interviewed personnel in the Office of Security and the Office of Human Resources. We reviewed: (1) personnel files, (2) the Personnel Security Division's ESS database, (3) prior reports and studies on controls over the Bureau's security, and (4) the incidents that have occurred at or been linked to the Washington facility. We used a stratified sampling methodology with a 95 percent confidence level, 2 percent expected deviation rate and 5 percent expected tolerable error rate. This resulted in a sample of 140 records, a total of 95 employee records for Ft. Worth and 45 employee records for Washington, DC.

Our audit fieldwork was performed primarily from April 2002 to September 2002 at the Bureau's Washington, D.C. facility. We performed our audit in accordance with generally accepted Government auditing standards.

Appendix 2:  
Management Response

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DEPARTMENT OF THE TREASURY  
BUREAU OF ENGRAVING AND PRINTING  
WASHINGTON, D.C. 20228

October 10, 2002

MEMORANDUM FOR THOMAS E. BYRNES, DIRECTOR  
MANUFACTURING AND PROCUREMENT AUDITS  
OFFICE OF INSPECTOR GENERAL

FROM: Gregory D. Carper *Gregory D. Carper*  
Associate Director  
(Chief Financial Officer)

SUBJECT: Draft Audit Report – The Bureau of Engraving and Printing's  
Controls Over Background Investigations Need To Be Improved

Thank you for the opportunity to review the Office of Inspector General's draft audit report "The Bureau of Engraving and Printing's Controls Over Background Investigations Need To Be Improved." We agree with the report's finding and recommendations. As recommended, we have established a team of senior personnel from the Offices of Management Control, Security, and Systems Development to perform a self-assessment of the Bureau of Engraving and Printing's Background Investigations Program.

The project team will address recommendations one through four during its assessment of the Background Investigations Program at the Washington, D.C. and Fort Worth, Texas facilities. The focus of the assessment will be to determine what actions need to be taken to implement the recommendations and to determine if, and the extent to which, the type of issues found at the Washington, D.C. facility exist at the Fort Worth, Texas facility. Also, as part of this assessment, the Employment Suitability System will be reviewed to determine additional upgrades that may be needed to enhance the system. We plan to complete the self-assessment on or about mid-December, 2002.

Regarding the first part of recommendation five which states "designate someone to provide continuous oversight over both facilities (Washington, D.C. and Fort Worth) relative to background investigations and other applicable security issues..." this recommendation is implemented. Effective July 29, 2002, the Chief, Office of Security, has the responsibility to plan, administer, and monitor various security programs, including background investigations, on a Bureau-wide basis.

If you have any questions, please call me on (202) 874-2020.

Appendix 3:  
Major Contributors to this Report

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