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Testimony

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DOD PERSONNEL

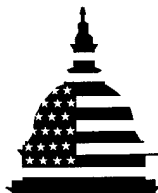
Inadequate Personnel
Security Investigations
Pose National Security
Risks

Statement of Carol R. Schuster, Associate Director,
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Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to discuss our recent evaluation of Defense Security Service personnel security investigations.¹ This evaluation was conducted at the request of the Ranking Minority Member of the House Armed Services Committee, who was concerned about espionage committed by Department of Defense (DOD) employees who held security clearances. From 1982 through September 1999, 80 individuals were convicted of committing espionage against the United States; 68 of these were DOD employees, and all had undergone personnel security investigations and held security clearances.

The Defense Security Service is the key investigative agency responsible for conducting investigations of DOD's civilian and military personnel, consultants, and contractors.

Today, I would like to discuss the results of our analysis of a representative sample of Defense Security Service investigations completed in January and February 1999. Specifically, I will discuss (1) the completeness and timeliness of the agency's investigations, (2) the factors that contributed to the deficiencies we found, and (3) our major recommendations. But first, let me provide a brief summary of my testimony.

Summary

Safeguarding sensitive national security information is one of the most important responsibilities entrusted to public servants. Therefore, it is critical that only those individuals who have passed the scrutiny of rigorous background investigations be granted security clearances. Unfortunately, our evaluation of Defense Security Service personnel security investigations revealed serious lapses in the thoroughness and timeliness of the investigations, raising questions about the risks such lapses pose to national security.

Our detailed analysis of 530 personnel security investigations showed that the vast majority did not comply with federal standards for conducting such investigations. All of the individuals investigated were granted top secret security clearances even though Defense Security Service investigators had not always verified such basic information as residency, citizenship, or employment. We also found that Defense Security Service investigations have not been completed in a timely manner and that there

¹*DOD Personnel: Inadequate Personnel Security Investigations Pose National Security Risks* (GAO/NSIAD-00-12, Oct. 27, 1999).

is a current backlog of over 600,000 cases for reinvestigation. As a result of these conditions, some of DOD's 2.4 million personnel currently holding security clearances may be handling sensitive national security information without having been thoroughly screened. In addition, in 1994, the Joint Security Commission reported that delays in obtaining security clearances cost DOD several billion dollars because workers were unable to perform their jobs while awaiting a clearance.²

In examining the reasons for these deficiencies, we identified a series of ineffective management reforms at the Defense Security Service that occurred from 1996 through early 1999. We found that the Defense Security Service—in an effort to streamline operations and improve efficiency—relaxed its investigative guidance, eliminated key quality control mechanisms, inadequately trained its investigators, and ineffectively managed automation of its case processing system. However, the underlying cause of the Defense Security Service's problems is insufficient oversight of its operations by the Assistant Secretary of Defense (Command, Control, Communications, and Intelligence). We believe that these factors led to incomplete investigations and exacerbated the growing backlog of uninvestigated cases.

Our report made a series of recommendations to improve the overall management of the personnel security investigation program. These recommendations include identifying the program as containing material internal control weaknesses in DOD's next report to the President and the Congress in accordance with the Federal Managers' Financial Integrity Act. We also recommended that the Secretary of Defense require the Defense Security Service Director to develop a strategic plan and performance measures to improve the quality of the investigative work and correct other identified weaknesses. DOD agreed with all of our recommendations and is in the early stages of making the necessary changes. However, because of the seriousness and breadth of the problems, it may take several years and many millions of dollars before all of the necessary improvements are made.

Background

Because of the importance of our methodology to our results, I would like to provide some background information on how we selected cases for our evaluation and how we determined whether investigations were complete. To obtain the most recent cases possible, we selected a random sample of investigations completed by the Defense Security Service (DSS)

²The Joint Security Commission was established in May 1993, by the Secretary of Defense and the Director of Central Intelligence to review security policies and procedures. It was convened twice and issued reports on its work in 1994 and 1999.

in January and February 1999. We drew our sample from DSS's four largest customers: the Air Force, the Army, the Navy, and the National Security Agency. Although our findings are projectable only to the investigations done for these four DOD components, these entities accounted for 73 percent of the investigative work done by DSS in fiscal year 1998. Therefore, our findings suggest systemic program weaknesses.

To ensure the objectivity of our analysis, we used the federal investigative standards approved by the President in 1997, which apply to all federal departments and agencies. All investigations must be conducted in accordance with these standards, which are designed to help determine whether individuals can be trusted to properly protect classified information. For top secret clearances, these standards require investigations in the following nine areas:

- corroboration of a subject's date and place of birth, and verification of citizenship for foreign-born subjects and their foreign-born immediate family members;
- corroboration of education;
- verification of employment for the past 7 years and interviews with supervisors and co-workers;
- interviews with character references and former spouses;
- interviews with neighbors to confirm residences;
- a national agency check on the subject and spouse or cohabitant, using files and records held by federal agencies (such as the Federal Bureau of Investigation);
- a financial review, including a credit bureau check;
- a local agency check of criminal history records and other public records to verify any civil or criminal court actions involving the subject; and
- a personal interview of the subject.

We employed several methods to ensure the accuracy of our review of DSS investigations. First, we developed a data collection instrument that incorporated the federal investigative standards and had it reviewed by officials from the office of the Assistant Secretary of Defense (Command, Control, Communications, and Intelligence) and the Army's adjudication

facility.³ Second, two GAO staff reviewed each sampled investigation to ensure that no important investigative information was overlooked. Third, to ensure the accuracy of our work, we returned a random subsample of deficient investigations to the Air Force, the Army, the Navy, and the National Security Agency adjudication facilities for their review.

DSS Investigations Lacked Required Information

In the 530 cases we reviewed, DOD granted top secret clearances notwithstanding that

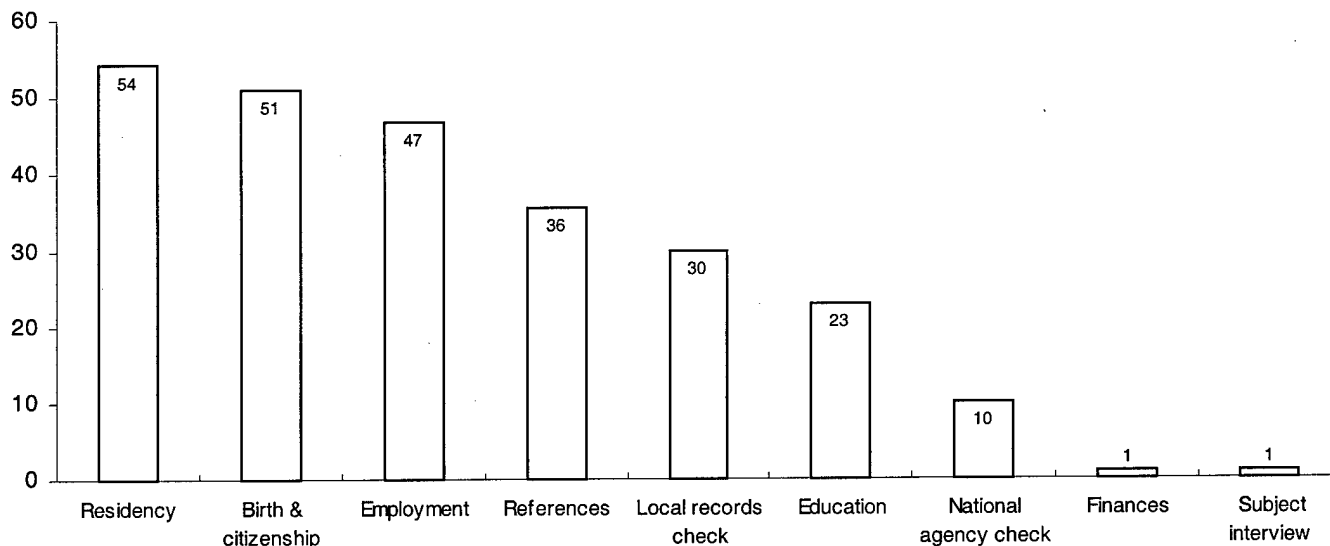
- 92 percent of the 530 investigations were deficient in that they did not contain information in at least one of the nine required investigative areas; and
- 77 percent of the investigations were deficient in meeting federal standards in two or more areas.
- The Air Force, Army, Navy, and National Security Agency adjudication facilities agreed with our findings.

As shown in figure 1, we found problems primarily in six of the nine areas that the federal standards require for a security clearance investigation. Frequently, DSS did not obtain the following information: confirmation of residency; corroboration of birth or citizenship for a foreign-born subject, spouse, or family member; verification of employment; interviews of character references; and a check of local agency records.

³An adjudication facility decides whether to grant or deny a clearance. In DOD, there are eight adjudication facilities.

Figure 1: Percent of Deficient Investigations in Nine Required Investigative Areas

Percent of deficient investigations



Source: GAO sample of 530 DSS investigations.

In 16 percent of the investigations we examined, DSS did not pursue issues pertaining to individuals' prior criminal history, alcohol and drug use, financial difficulties, and other problems that its investigators uncovered. Any of these issues, if corroborated, could disqualify an individual from being granted a security clearance. Of particular concern is the failure to resolve issues pertaining to large outstanding debts and bankruptcy, since financial gain has been the major reason individuals committed espionage. The following cases illustrated these lapses.

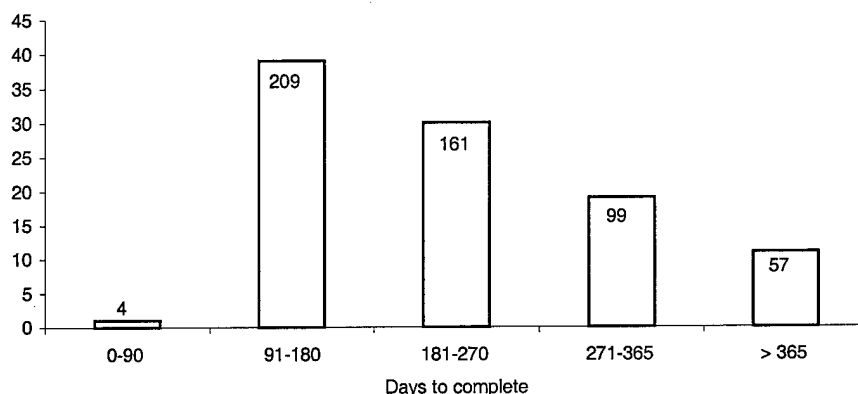
- A reinvestigation for an individual working on cross-service issues revealed that the subject's credit report showed \$10,000 past due on a mortgage and indicated that the lender had begun foreclosure proceedings. The subject denied knowledge of the matter, and there was no evidence that DSS pursued the matter further by contacting the lender.

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- An initial investigation for an individual assigned to a communications unit revealed a bankruptcy on the subject's credit report. There was no evidence that DSS questioned the subject about the matter or made any further attempt to address it.
 - A reinvestigation for an electronics technician contained no evidence that DSS attempted to verify the subject's claim to be a member of a foreign military service and to hold foreign citizenship. Further, although the investigative file indicated that the subject may have been involved in shooting another individual, we found no evidence that the matter was pursued by DSS.

Untimely Investigations Created Costly Delays and Backlog

DSS investigations take too much time. Although DOD components and contractors want investigations completed in 90 days to avoid costly delays, half of the 530 investigations we reviewed took 204 or more days to complete. In 1994, the Joint Security Commission reported that delays in obtaining security clearances cost DOD several billion dollars in fiscal year 1994 because workers were unable to perform their jobs while awaiting a clearance. In February 1999, representatives of several contractors wrote to the DSS Director complaining about the time taken to clear personnel scheduled to work on defense contracts and pointed out that the delays were threatening to affect some facilities' ability to effectively perform on contracts and meet cost schedules. The representatives noted that 64 percent (1,426) of the 2,236 investigations they had requested were pending for more than 90 days, with 76 investigations pending since 1997. In addition, adjudication facility officials said that they frequently made decisions to grant or deny clearances based on incomplete investigations because it would take too long to have DSS obtain the missing information. They considered this a judicious weighing of the risks entailed. Figure 2 shows that DSS completed only 4 of the 530 investigations we reviewed—less than 1 percent—under 90 days, whereas 11 percent took more than 1 year.

Figure 2: Calendar Days Needed to Complete Investigations
Percent of days



Source: GAO sample of 530 DSS investigations.

About 600,000 DOD individuals holding clearances are overdue for reinvestigations.⁴ This backlog resulted, in large part, from quotas imposed by the Assistant Secretary in 1996 (and that continue today) on the number of reinvestigations that DOD components could request in a given year. In 1994 and 1999, the Joint Security Commission reported that delays in initiating reinvestigations create risks to national security because the longer individuals hold clearances the more likely they are to be working with critical information systems. Also, the longer a reinvestigation is delayed, the greater the risk that changes in an individual's behavior will go undetected. DOD is currently initiating several efforts to reduce this large backlog.

⁴The 1997 federal investigative standards require a periodic reinvestigation of individuals granted access to classified information. Clearances are outdated if a reinvestigation has not been initiated in the past 5 years for top secret clearances, 10 years for secret clearances, and 15 years for confidential clearances.

Ineffective Management Reforms and Inadequate Oversight Led to Deficient Investigations

The deficiencies in DOD's personnel security investigation program are due to DSS's ineffective management reforms and inadequate program oversight by the Assistant Secretary of Defense (Command, Control, Communications, and Oversight). DSS relaxed its investigative requirements against the advice of the Security Policy Board, eliminated critical investigative quality control mechanisms, did not adequately train its staff on the new federal investigative standards, and ineffectively managed the implementation of a new \$100 million automation effort.⁵ DSS's actions were undertaken as reinvention efforts ostensibly based on the National Performance Review, which called for improving government at less cost.⁶ However, DSS's actions did not achieve this result.

DSS Relaxed Investigative Guidance Contrary to Security Policy Board's Advice

From August 1996 through February 1999, DSS relaxed its investigative requirements through a series of policy letters. Several of these letters gave investigators greater discretion in how they would meet the federal standards or pursue investigative issues that might be significant. For example, although the federal standards require credit information to be obtained on a subject, DSS eliminated the requirement to contact creditors about debts revealed by the subject. DSS also eliminated its practice of routinely verifying disputed credit accounts. Although the federal standards require investigators to obtain character references on the subject, DSS gave investigators "broad leeway" in deciding whether to obtain references from the subject's neighborhood. DSS also did not require that local agency checks for a subject's prior criminal history be done if local jurisdictions charge a service fee, an exception not provided for in the standards. Similarly, although the standards require verification of divorces, bankruptcies, and other court actions, DSS only required that divorce records be routinely reviewed. These policy changes caused much confusion among agency staff. In responding to our survey of nearly 1,300 DSS investigators and case analysts, 59 percent of the investigators and 90 percent of the case analysts said that the policy guidance had confused them about what investigative requirements they were to follow.

In 1996 and again in 1998, the Security Policy Board advised DSS not to adopt policies that ran counter to the federal investigative standards. The

⁵The Board consists of senior representatives from the following 10 federal agencies, departments, and other organizations: the Central Intelligence Agency; the National Security Council; the Office of Management and Budget; the Joint Chiefs of Staff; the Departments of Commerce, Defense, Energy, Justice, and State; and a non-defense agency rotated on an annual basis (now served by the Department of Transportation). It is responsible for developing directives for U.S. security policies, procedures, and practices.

⁶The National Performance Review was a task force headed by Vice President Albert Gore, Jr., in 1993 aimed at reinventing government to make it less expensive and more efficient.

Board noted that DOD was a full partner in developing the new standards and that the planned actions would undermine the objectives of achieving reciprocity in investigations among the federal government's agencies, cause a serious deterioration in the quality of investigative work, and increase security risk. It stated that if DSS wanted to change the standards, it should bring such requests to the Board, which was specifically established for that purpose. In spite of this advice, DSS adopted the relaxed investigative guidance. The new DSS Director, appointed in June 1999, has acknowledged the need to bring DSS standards in line with the federal standards, and he has directed a review toward this end. He also has expressed his intention to improve cooperation with the Security Policy Board.

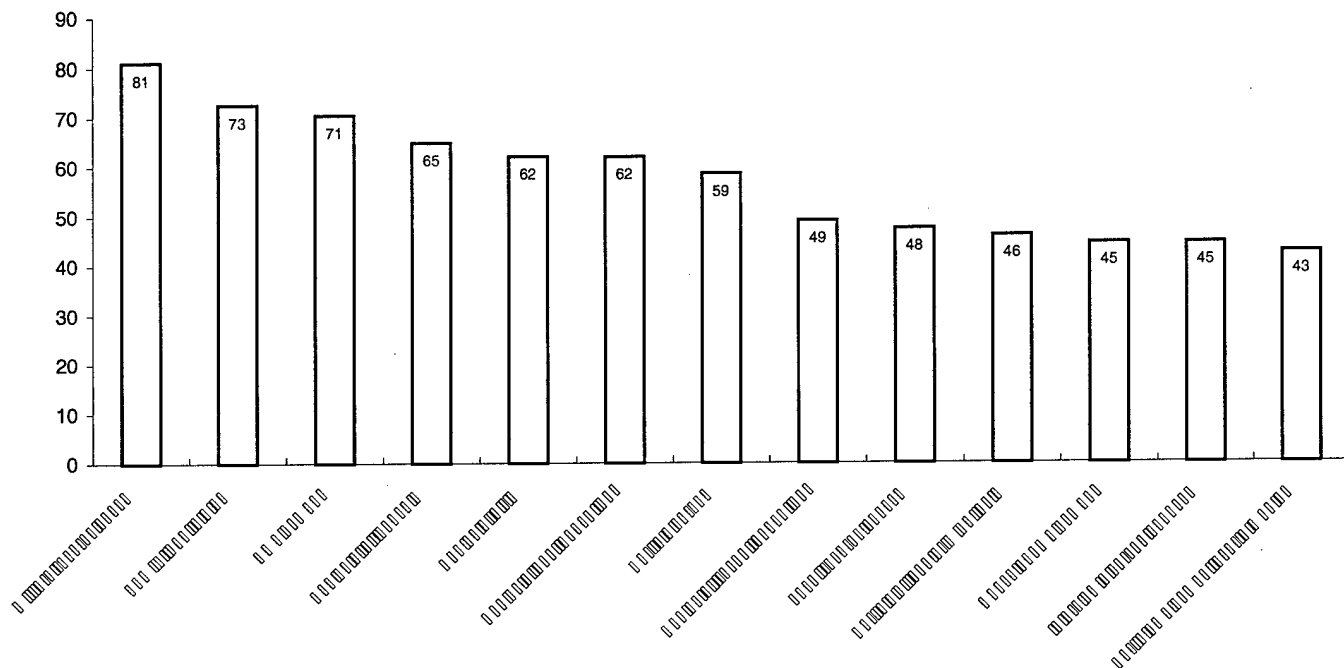
DSS Eliminated Important Quality Control Mechanisms and Did Not Provide Adequate Training

In 1996, DSS eliminated two quality control mechanisms that were critical to ensuring the quality of the investigative work—supervisory review of completed investigations and its quality assurance branch. Previously, field supervisors routinely reviewed all completed investigations before they were forwarded to DSS headquarters and submitted to the adjudication facilities for clearance decisions. The quality assurance branch conducted weekly reviews of a sample of completed investigations and published a newsletter on common investigative problems. Both programs were eliminated under DSS's reinvention efforts.

Investigative quality has also been diminished by inadequate training on the federal standards for both the investigative and case analysts staffs. During the past 3 years, DSS provided almost no formal training on the standards, and DOD dismantled the major training organization that provided the training. As a result, from 43 percent to more than 80 percent of the investigators we surveyed stated that they were inadequately trained on the various federal standards. Figure 3 shows the areas where the investigators most frequently cited training gaps.

Figure 3: Percent of Investigators Without Recent Training on Investigative Requirements

Percent of investigators



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

Poorly Planned Automation Efforts Have Consumed Millions of Dollars and Delayed Case Processing

DSS did not properly plan for the implementation of a new system designed to automate its personnel security investigation case processing. As a result, (1) DSS has not been able to process its investigations; (2) the volume of investigations sent to field offices and the adjudication facilities has decreased sharply; and (3) according to DSS officials, DOD may have to add \$100 million to \$300 million more to the \$100 million already spent on its automation efforts to have a workable system. The automation problems have exacerbated DSS's efforts to cope with the large backlog of overdue investigations.

Our survey of investigators shows the dramatic impact the automation problems have had on their workload. Before the system was implemented in October 1998, 58 percent of the investigators said they had too much work. Since the system was implemented, the situation has reversed: Now, 60 percent of the investigators said they had too little work. A similar decrease in workload has occurred at the adjudication facilities. The volume of investigative cases for four facilities included in our review dropped between 37 percent and 67 percent following the implementation of the new automated system.

Inadequate Oversight Is Underlying Cause of DSS Problems

The problems we found in the completeness and timeliness of DSS investigations and in its automation efforts were due to inadequate oversight by the Assistant Secretary of Defense (Command, Control, Communications, and Intelligence). For at least 4 years, DSS has operated with little scrutiny of its programs by the Assistant Secretary, who is responsible for DSS oversight. Sound management practices call for such oversight. DOD officials stated that once DSS initiated its reinvention efforts, it was allowed to operate, for the most part, at its own discretion.

DOD Is Implementing GAO's Recommendations

Because of the significant weaknesses in DOD's personnel security investigation program and the program's importance to national security, we made numerous recommendations to the Secretary of Defense. We identified the program as containing material internal control weaknesses and recommended that the Secretary report this to the President and the Congress in accordance with the Federal Managers' Financial Integrity Act. We recommended that the Secretary develop a strategic plan and performance measures for the program. We also called for the Secretary to (1) direct that oversight of DSS be increased, (2) provide the necessary funding and prioritization to effectively deal with the large backlog of overdue investigations, (3) improve the mechanisms for implementing investigative policy changes consistent with federal procedures, (4) establish effective investigative quality control mechanisms and a training infrastructure, (5) take near- and long-term actions to correct the case automation problems, and (6) direct the adjudication facilities to grant clearances only when all essential investigative work has been done. With respect to this last recommendation, the Ranking Minority Member, House Committee on Armed Services, has recently asked us to review DOD's adjudication policies and procedures, including those used to grant and deny clearances for DOD contractors.

DOD agreed that the deficiencies we found represent a potential risk to the personnel security program and the protection of classified

information. DOD concurred with all our recommendations to improve its personnel security investigation program and to fully implement all recommendations. In response to our recommendations, DOD is in the process of taking a series of actions to correct program weaknesses. To its credit, DOD did not wait for us to issue our final report before it began taking corrective actions. Although most of DOD's actions are in their early stages, they appear to be responsive to our recommendations and are positive steps toward addressing the weaknesses we found.

Mr. Chairman and Members of the Subcommittee, this concludes my prepared remarks. I would be happy to answer any questions you may have.

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