



testimony



STATEMENT OF
ROBERT J. LIEBERMAN
DEPUTY INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
BEFORE THE
SUBCOMMITTEE ON NATIONAL SECURITY,
VETERANS AFFAIRS AND INTERNATIONAL RELATIONS,
HOUSE COMMITTEE ON GOVERNMENT REFORM
ON
DEFENSE SECURITY SERVICE: MISSION DEGRADATION

Report No. D-2001-073

DELIVERED: March 2, 2001

Office of the Inspector General
Department of Defense

Form SF298 Citation Data

Report Date <i>("DD MON YYYY")</i> 02Mar2001	Report Type N/A	Dates Covered (from... to) <i>("DD MON YYYY")</i>
Title and Subtitle Statement of Robert J. Lieberman Deputy Inspector General Department of Defense Before the Subcommittee on National Security, Veterans Affairs and International Relations, House Committee on Government Reform on Defense Security, Veterans Affairs and International Relations, House Committee on Government Reform on Defense Security Service: Mission Degradation		Contract or Grant Number
		Program Element Number
Authors	Project Number	
	Task Number	
	Work Unit Number	
Performing Organization Name(s) and Address(es) OAIG-AUD (ATTN: AFTS Audit Suggestions) Inspector General, Department of Defense 400 Army Navy Drive (Room 801) Arlington, VA 22202-2884	Performing Organization Number(s) D-2001-073	
Sponsoring/Monitoring Agency Name(s) and Address(es)	Monitoring Agency Acronym	
	Monitoring Agency Report Number(s)	
Distribution/Availability Statement Approved for public release, distribution unlimited		
Supplementary Notes		
Abstract I am pleased to be here today to discuss the continuing and serious challenges facing the Department of Defense Personnel Security Program. As you know from your hearings in February and September 2000, the Department's ability to comply with Federal guidelines on security clearances and to carry out the several hundred thousand investigations needed annually for initial clearances or updates virtually collapsed during the late 1990's. The causes included: an ill-considered 40 percent cut in Defense Security Service staffing, with no proportionate decrease in workload; failure of the information system acquisition project that was supposed to facilitate productivity improvement; poor management oversight; and initial attempts to deal with declining investigative productivity by arbitrarily limiting the number of clearance investigation requests that could be submitted by managers and commanders.		
Subject Terms		

Document Classification unclassified	Classification of SF298 unclassified
Classification of Abstract unclassified	Limitation of Abstract unlimited
Number of Pages 13	

Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to discuss the continuing and serious challenges facing the Department of Defense Personnel Security Program. As you know from your hearings in February and September 2000, the Department's ability to comply with Federal guidelines on security clearances and to carry out the several hundred thousand investigations needed annually for initial clearances or updates virtually collapsed during the late 1990's. The causes included: an ill-considered 40 percent cut in Defense Security Service staffing, with no proportionate decrease in workload; failure of the information system acquisition project that was supposed to facilitate productivity improvement; poor management oversight; and initial attempts to deal with declining investigative productivity by arbitrarily limiting the number of clearance investigation requests that could be submitted by managers and commanders.

A series of reports from internal DoD management teams, the General Accounting Office, and the Office of the Inspector General, DoD, have addressed various aspects of the security clearance process over the past few years. (See attachment.) Numerous recommendations have been made and generally accepted. Whereas senior DoD leaders paid very limited attention to the Defense Security Service before the crisis broke, during the

past two years there has been considerable emphasis from the highest levels of the Department. Specific actions to turn things around have included: replacing the Director, Defense Security Service; outsourcing a large percentage of the investigative workload to the Office of Personnel Management and contractors; turning project management responsibility for the Defense Security Service's Case Control Management System over to the Air Force; establishing goals for gradually eliminating the backlog of unsubmitted requests for periodic reinvestigations; and requiring frequent productivity reports to the Office of the Assistant Secretary of Defense (Command, Control, Communications and Intelligence).

On February 8, 2001, the Office of the Assistant Secretary circulated an internal report calling attention to shortfalls in execution of the June 2000 DoD "spend plan," which calls for achieving a "steady state" by the end of FY 2002. The "steady state" would include drastically improved cycle times for clearance investigations and elimination of both backlogged requests and investigations. To achieve those goals, about 2.2 million investigations would have to be completed between October 2000 and September 2002. The report concluded that bold action was needed to attain the goals of the plan, because performance reports for the first 4 months of FY 2001 were not

encouraging. If DoD fails to achieve its goals, continued degradation of a wide variety of Defense missions would result.

Overall Context

Productivity problems at the Defense Security Service are the principal focus of the February 8 report, which is appropriate because the investigation phase of the clearance process is currently the most troubled. It is important to keep in mind, however, that there are risks and issues across the spectrum of activities involved in this process.

We have reported "front end" problems related to the lack of reliable estimates from throughout the Department on how many clearances of various types are needed and what the resulting inflow of requests for initial investigations and periodic reinvestigations will be. Investigation and adjudication organizations cannot determine resource requirements and process options without receiving reliable workload forecasts. The separate problem of a backlog of unsubmitted requests was mentioned previously.

There have always been additional "front end" inefficiencies in terms of late, incomplete or otherwise inadequately completed background information and request forms provided by individuals and their security offices to the investigative agencies. We

understand that there are also problems currently because many requests are being sent to the wrong investigators, i.e., to the Defense Security Service instead of to the Office of Personnel Management.

Following investigations, there is a crucial adjudication phase for each case where derogatory information has been reported. The General Accounting Office, my audit staff and the media have raised issues concerning the quality and consistency of adjudication decisions, the training of adjudicators and the capacity of the eight DoD central adjudication facilities to handle increased workload.

In other words, there are concerns related to training, quality and output throughout the cycle of request preparation, submittal, investigation and adjudication. Various DoD organizations are responsible for each phase of the cycle and backlogs are a problem at each phase. I stress this point because progress in one phase can easily be negated by failure to overcome problems in the other phases. For example, eliminating the backlog of unsubmitted requests accomplishes little if the investigative agencies cannot cope with their workload. Similarly, the value of increased investigative output is undermined if the adjudication offices cannot keep up and another backlog develops there. To the individual, the

contractor or the DoD office awaiting confirmation of an initial clearance or an update, it makes no difference how many places in the pipeline are clogged or where the problems lie. The bottom line is that their needs are not being met.

In terms of the overall context of this discussion, it should also be noted that the sheer scale of activity (2.1 million clearances needed by DoD and its contractors) and the dispersion of responsibilities among hundreds of offices make it imperative that good information technology support be provided. Security managers, investigators, adjudicators and senior level reviewers need to have reliable information systems to perform efficiently. Unfortunately, the DoD historically has not had a strong record in the support systems area and the entire Defense Personnel Security Program clearly has been hampered by inadequate systems for many years.

Current Status

The Office of the Assistant Secretary of Defense (Command, Control, Communications and Intelligence) has shared the February 8 report and other statistics with us that indicate decidedly mixed progress in drawing down the time required to process clearance actions and reducing the backlog of incomplete actions.

It is likely that much of the data being used to track progress against the plan is flawed, but the errors are probably not egregious enough to distort the overall trends, which are very disappointing. It is clear that Defense Security Service output did not begin to exceed input until December 2000, despite assertions at various hearings last year that the corner would be turned as early as April 2000, that the strong August 2000 performance was the turning point, or that the number of cases pending would be cut almost in half by now. The number of pending cases as of early February 2001 was about 444,000, as compared to a reported 397,000 in February 2000.

Of all the categories of investigation actions, the statistics that I find most troubling are those for the top secret initial investigations and periodic reinvestigations. Top secret clearances are intended to protect the most sensitive national security data. The prospect of vital positions going unfilled because of delayed initial clearances or of those positions being held by individuals with grossly outdated clearances, both on a mass scale, is clearly disturbing. According to January 2001 Defense Security Service data, however, it is taking 403 days on average for initial top secret investigations, compared to 359 days in September 2000, when you had your last hearing on this subject. Likewise, it is taking 470 days on average for top secret periodic reinvestigations, compared to 386 days in

September 2000. About 16,000 pending top secret initial cases and 15,000 updates are over a year old. The trends since this time last year have gone the wrong way, as far as this most sensitive part of the investigative workload is concerned.

Digging Out

Mr. Chairman, I believe that there is a healthy level of security awareness throughout the Department of Defense and clear recognition by its leadership that the personnel security clearance area is generating undue risk and must be improved. Director Cunningham has certainly worked hard to turn around the dire situation that he inherited and the Office of the Assistant Secretary of Defense (Command, Control, Communications and Intelligence) has been working closely with the security community to improve coordination between the many players and to solicit ideas for overcoming these tough problems. The persistence of some of these problems is not the result of apathy. Nevertheless, unless there are as yet unexplained prospects for dramatic productivity improvement, I do think that additional management actions are needed.

In my view, DoD should take advantage of the fact that there are multiple sources for clearance investigative support and maximize competition between Defense Security Service staff, Defense Security Service contractors and the Office of Personnel

Management's contractors. In the past, work has been outsourced based on the type of case involved, with the Defense Security Service keeping the most complex investigations. I believe each type of investigation should go to whomever performs most efficiently, period. If the Office of Personnel Management and its contractors can handle more workload, I question why DoD would even hesitate to outsource more cases to them right now.

At a Senate hearing last April and at your hearing last September, we summarized multiple audit recommendations into six general points, saying that DoD needed to:

- o more actively oversee and manage the investigation and adjudication workload, with the expressed intent of maintaining high standards for both quality and timeliness;

- o implement performance metrics that will measure both the quality and timeliness of investigative and adjudication workload;

- o periodically assess and adjust the resource requirements for investigation and adjudication;

- o develop a uniform, DoD-wide priority system for security clearance investigations;

- o improve tracking of security clearance requests and feedback to requestors on case status; and

- o closely monitor management of the Case Control Management System and the Joint Personnel Adjudication System.

In general, management has tried to follow this advice, but the implementation of improvements has been frustratingly slow in many instances. I am sure that Assistant Secretary Money, Director Cunningham and other senior managers share those frustrations. To cite a few examples:

- o We recommended in May 2000 that the Defense Security Service track all clearance requests received until investigative cases are opened. Although the future Joint Personnel Adjudication System is the long term solution, it was agreed that the Case Control Management System would be modified this year as an interim alternative. Due to subsequent slippage in rebaselining the system, the change may not be made until FY 2002. In the meantime, requestors lack reliable feedback on submitted cases.

- o In April 2000, we recommended immediately establishing an investigative case prioritization process. New standards were

finally established in December 2000, but cannot be fully implemented until at least April 2001 because of delays in fielding the critical version 2.2 of the Electronic Personnel Security Questionnaire and version 2.19 of the Case Control Management System.

- o In April 1998, we recommended that DoD implement a peer review program among the central adjudication facilities and establish certification standards for adjudicators. These matters, plus others pertaining to additional recommendations, are either awaiting the long overdue reissuance of DoD Regulation 5200.2-R or a pending GAO report.

We do not know what adjustments have been made or will be made to the FY 2001 and FY 2002 Defense budgets, but it is important for DoD and Congress to have assurance that sufficient resources are earmarked to attain effective operations in all phases of the security clearance management process. It would be very unfortunate if concerns about spending on "overhead" or "headquarters" functions deterred prudent investments in this critically important facet of the overall Defense security posture.

Summary

In conclusion, we view the performance statistics from the late FY 2000 through early FY 2001 period with concern. We included the personnel clearance problem in the list of Top DoD Management Challenges submitted to congressional leaders last December and recommend continued DoD and congressional oversight until this problem is truly solved. With sustained management emphasis, I am confident that ultimately it is fixable, but the current goal of eliminating investigative backlogs by September 30, 2002, is clearly at risk. In addition, it is uncertain that the backlogged cases would be adjudicated until well after that date. My staff and I stand ready to work with the Department's managers to determine what adjustments to the current approach are feasible and necessary.

This concludes my statement.

Attachment

**Recent Office of the Inspector General, DoD
Reports on Personnel Security Clearances**

Report No. D-2001-065, DoD Adjudication of Contractor Security Clearances Granted by the Defense Security Service, February 28, 2001

Report No. D-2001-019, Program Management of the Defense Security Service Case Control Management System, December 15, 2000

Report No. D-2001-008, Resources of DoD Adjudication Facilities, October 30, 2000

Report No. D-2000-134, Tracking Security Clearance Requests, May 30, 2000

Report No. D-2000-111, Security Clearance Investigative Priorities, April 5, 2000

Report No. D-2000-072, Expediting Security Clearance Background Investigations for Three Special Access Programs, January 31, 2000 (SECRET)

Report No. 98-124, Department of Defense Adjudication Program, April 27, 1998

The full text and summaries of the unclassified reports are available on-line at www.dodig.osd.mil

Attachment