

DEFENSE SECURITY SERVICE
Defense-Wide Working Capital Fund (DWWCF)
FY 2001 Budget Estimates

Functional Transfer:

The Defense Security Service (DSS) is under the direction, authority and control of the Assistant Secretary of Defense (Command, Control, Communications, and Intelligence). DSS provides security services to the Department of Defense (DoD) through the integration of personnel security, industrial security, security training and education, information systems security and counterintelligence. Due to the integration of security services, combined with intelligence threat data, the DSS is uniquely positioned to facilitate the application of threat-appropriate security countermeasures.

The three primary business areas that comprise the DSS mission are the Personnel Security Investigations (PSI), whose investigations are used by the DoD adjudicative facilities to determine an individual's suitability to enter the armed forces, to access classified information, or to hold a sensitive position within the DoD. The National Industrial Security Program (NISIP), which primarily ensures that private industry, colleges, and universities that perform government contracts or research safeguard classified information in their possession. The Security Training and Education Program (the DSS Academy-DSSA) provides security education and training programs to support DSS components, DOD agencies, military departments and contractors. The Academy offers formal classroom training, computer-based training, correspondence and distance learning.

The majority of the DSS workload is driven by executive order requirements to ensure that appropriate security measures are taken when safeguarding classified material, either by DoD or contractor personnel.

Activity Group Composition

The Defense Security Service (DSS), Defense-wide Working Capital Fund, Defense Security Service Activity Group is structured with a Headquarters in Alexandria VA; with Operating Centers, Region Headquarters and Locations as shown:

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Personnel Investigation Center (PIC), Baltimore MD
Defense Industrial Security Clearance Office (DISCO), Columbus
OH
Defense Security Service Academy (DSSA), Baltimore MD

Northeast Region

Northeast Operating Location, Boston MA
Mid-Atlantic Operating Location, Mt Holly, NJ
DC/Baltimore Operating Location, Alexandria VA
Office of Security Services International, Minneapolis, MN

Southeast Region

Tidewater Operating Location, Virginia Beach VA
Gulf Coast Operating Location, Smyrna GA

Central Region

Midwest Operating Location, Chicago IL
Great Plains Operating Location, Fort Leavenworth KS
Texas-Oklahoma Operating Location, Irving TX

West Region

Southwest Operating Location, Salt Lake City UT
Southern California Operating Location, Long Beach CA
Northern California Operating Location, Sacramento CA
Pacific Northwest Operating Location, Lakewood WA

The DSS missions included in the DWCF are the: Personnel Security Investigations (PSI) program; National Industrial Security Program (NISP); and the DSS Academy (DSSA). Operational functions to include the Information Systems Directorate, Headquarters and logistical/administrative support are in the fund.

Budget Highlights

Civilian end strengths and FTEs are as follows:

	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>
Civilian End Strength	2,412	2,632	2,630
Civilian FTEs	2,435	2,551	2,624

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Personnel:

The Program Decision Memorandum, dated 08/16/99, increased the DSS FTE workyear allocation by 132 above the prior President's Budget control for FY 2001. The increase accommodated a conversion of 60 investigative agent overtime workyears to FTE workyears, an additional 40 Industrial Security representatives to reduce the assessment delinquency rate for classified contractor facilities and 32 FTE workyears to stand up an Augmentation Management Office to manage cases and coordinate contractor conducted investigations to reduce the outstanding periodic reinvestigation backlog (PR BL). As directed by OSD(C), this budget includes workload and financing to address the backlog of periodic reinvestigations for DoD contractors. The Deputy Secretary of Defense, in his 06/09/99 letter, directed that all active clearances/accesses be based upon a current investigation in accordance with the national standard by the end of FY 2000. Financing and cost associated with this Department-wide effort will be addressed during FY2000/2001. This budget submission begins the buildup of both DSS, contractor and reservist resources beginning in FY 2000 because elimination of the backlog cannot be delayed, and it will be important to complete the contracting, recruiting and training process so as to apply full year level of effort to both the Personnel Security and Industrial Security programs by FY 2001.

Existing FTE controls reflect a previously approved functional transfer of 12 from DWCF to O&M for field polygraphers. Existing controls reflect a previously directed Management Headquarters reduction of 3 FTEs from FY 1999 to FY 2000 and 2 FTEs from FY 2000 to FY 2001. This budget reflects the functional transfer of 10 FTEs for the Security Research Center (SRC) to the Defense Human Resources Activity (DHRA) beginning in FY2000.

DSS did not fully execute FY 1999 FTE workyears because the newly-installed DSS Case Control Management System (CCMS) for personnel security investigations did not function as expected, resulting in fewer than expected cases flowing to the field for investigation. DSS delayed hiring personnel to fill investigator positions, as well as other investigative support

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positions until the infrastructure was available to support them. Because of the number of pending cases from FY 1999 and the hiring required to reduce the PR BL, DSS has over 100 investigative agent positions under recruitment, along with other mission essential positions such as case analysts and contractor support positions. We expect them to come onboard beginning early in FY 2000 and be trained to be available by the time CCMS throughput capacity has expanded to the point the agents will be fully utilized to reduce the backlog.

Costs, Operating Results and Rates:

	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>
Costs of Goods and Services Produced (Expenses) (\$M)	190.485	308.384	311.005
Costs of Goods and Services Sold (\$M)	190.485	308.384	311.005
Net Operating Results (\$M)	(24.114)	24.114	0.000
Accumulated Operating Results (\$M)	(24.114)	0.000	0.000
Customer Revenue Rate Per SP*		\$488.57	\$510.15
Percent Rate Change From Prior Year			4.42%
Unit Costs (\$/SPs)	\$699.37	\$434.10	\$417.73
Security Products (SP) (000)	272.4	710.4	744.5

Costs

The increase in cost from FY 1999 to FY 2000 reflects the following: National Industrial Security Program Personnel Security Investigations for the contractor periodic reinvestigation backlog, \$45.4M; Case Control Management System, \$10.1M; Augmentation Management Office, \$28.0M; Workyear repricing calculation, \$14.3M; FTEs for the National Industrial Security Program, \$1.3M; Policy change for telephone usage, \$6.2M; Reservists, \$2.0M; DFAS, \$0.4M; Pricing Adjustments (annualization of prior year pay raise, pay raise, fund price

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changes, and general purchase inflation), \$7.5M; Lease and Communications \$1.5M, Note: All depreciation of capital assets have been removed from the cost of operations for both FY 2000 and FY 2001.

The increase in cost from FY 2000 to FY 2001 reflects: Public Key infrastructure, \$0.5M, National Industrial Security Program, \$1.3M, Augmentation Management Office, \$1.1M, Operations Center Columbus move, \$0.4M, Increased Workload Adjustments \$5.1M, and Pricing Adjustments (annualization of Prior year pay raise, pay raise, fund price changes, and general purchase inflation), \$7.5M; and civilian pay pricing adjustments, (\$5.9M); and reduction of the NISP PSI PR backlog effort, (\$5.4M); general inflation adjustment, (\$1.0M); and the Joint Personnel Adjudication System, (\$0.7M).

DSS budgeted \$1.2M for DFAS workload in FY 1999; FY 1999 actual is \$0.9M. The estimates for FY 2000/2001 reflect projected workload.

Operating Results and Rates:

This submission reflects costs to complete workload carried into FY 1999 from prior years which resulted in a NOR loss in FY 1999 and is funded in FY 2000. No assumption is made for revenue associated with FY 2000 Periodic Reinvestigation (PR) Backlog processing (aside for those funds specifically earmarked for the NISP PSI PR backlog). FY 1999 was a "test" year for DSS in the DWCF. In FY 2000 DSS will continue service level billing because of the difficulties encountered in implementing DWCF. Additionally, Program Decision Memorandum dated 08/16/99, continues service level billing in FY 2001 and FY 2002. As a result, rates will not be established and NOR will equal customer financing minus costs incurred.

Unit Costs:

	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>
Cost of Goods Sold (\$000)	190.485	308.384	311.005
Security Products (000)	272.4	710.4	744.5
Unit Cost (\$000/SPs)	\$699.37	\$434.10	\$417.73

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Carry-Over:

<u>(\$ in Millions)</u>	<u>FY 1999</u>	<u>FY 2001</u>	<u>FY 2001</u>
New Orders	216.577	303.490	308.705
Carry-In	0.00	50.600	21.592
Gross Orders	216.971	354.090	330.297
Total Revenue	166.371	332.498	311.005
Carry-Over	50.600	21.592	19.292
Less WIP	0.00	0.00	0.00
Less BRAC, Non-DoD, FMS	.615	11.495	12.919
Intra/Inter DWWCF	0.00	0.00	0.00
Less Contract Liabilities (Unable to confirm)	-	-	-
Net Carry-Over	49.985	10.097	6.373
Carry-Over in Months	3.61	0.36	0.25

Performance Indicators:

The performance measures contained in the Performance and Quality Measures section of this budget estimate submission were developed in conjunction with the performance metrics in our Defense Management Council (DMC) Performance Contract. These performance measures reflect expectations for DSS' performance during FY00 & FY01 in each of our three core mission areas: Personnel Security Investigations, Industrial Security, and Security Training and Education. There are six categories of performance measures: financial, timeliness, quality, customer satisfaction, capacity, and productivity. Performance data will be collected and reported throughout the fiscal year to gauge our progress.

Capital Budget:

In FY99 the Capital Budget for DSS was used in support of software and hardware upgrades and modification for the Case Control Management System (CCMS) (\$2.8M), and a small amount for major equipment purchases (300K). When CCMS was launched in FY99, DSS encountered many unanticipated configuration,

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software, and hardware problems requiring immediate attention to maintain production levels. An Air Force Red Team was brought in to assess the current stability of the system and offer recommendation for future improvements to enhance capacity and productivity. Based on their recommendations, the capital program in FY00 and FY01 will make significant modifications to the system in an effort to improve its operational performance. An Example of the improvements includes the deployment of a full back-up/test system, so as not to impact productivity for software testing and upgrade activities.

	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>
<u>(\$ in Millions)</u>			
Equipment	0.297	0.00	0.00
ADPE & Telecommunications	2.690	2.200	2.932
Software	0.00	5.600	21.668
Passenger Vehicles	0.00	4.100	4.586
Total	2.987	11.900	29.186

**Exhibit Fund-14 Revenue and Expenses
Department of Defense
Defense Security Service
(\$ in Millions)**

	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>
Revenue			
Gross Sales:	166.371	332.498	311.005
Operations	166.371	332.498	311.005
Surcharges			
Depreciation			
Other Income			
Refunds/Discounts (-)			
Total Income:	166.371	332.498	311.005
Expenses			
Salaries and Wages:	153.114	172.665	178.579
Military Personnel Compensation & Benefits			
Civilian Personnel Compensation & Benefits	153.114	172.665	178.579
Travel & Transportation of Personnel	3.916	6.205	6.442
Materials & Supplies (For Internal Operations)	0.056	0.284	0.399
Equipment			
Other Purchases from Revolving Funds	0.890	1.008	1.044
Transportation of Things	0.255	0.507	0.379
Depreciation - Capital			
Printing and Reproduction	0.153	0.262	0.340
Advisory and Assistance Services			
Rent, Communication, Utilities, & Misc. Charges	9.551	10.985	9.988
Other Purchased Services	22.550	116.467	113.833
Total Expenses:	190.485	308.384	311.005
Operating Result	(24.114)	24.114	0.000
Less Surcharge Reservations			
JLSC			
Cash			
Capital			
Plus Appropriations Affecting NOR/AOR			
Other Changes Affecting NOR:			
Other Inventory Adjustments			
Net Change in WIP			
Net Operating Result	(24.114)	24.114	0.000
Prior Year Adjustments			
Prior Year AOR		(24.114)	0.000
Accumulated Operating Result	(24.114)	0.000	0.000
Memo:			
Beginning WIP			
Ending WIP			
Cost of Goods Sold:	190.485	308.384	311.005

**Exhibit Fund-11 Source of Revenue
Department of Defense
Defense Security Service**

(\$ in Millions)

	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>
1. a. Military Department Operations and Maintenance			
Department of the Army	41.971	44.900	52.200
Department of the Navy	42.657	45.900	54.300
Department of the Air Force	40.369	41.600	48.300
Other			
Other			
Subtotal Military Department O&M:	124.997	132.400	154.800
Defense-Wide Operations and Maintenance			
DCAA		0.200	0.200
DIA		2.300	2.100
DSS-PSI	43.993	91.381	84.538
DTRA		0.100	0.100
JCS		0.300	0.300
NSA	3.400	4.900	4.500
OSIA			
USUHS			
WHS	8.547	2.100	2.000
USSOCOM		0.200	0.200
NIMA		2.600	2.600
DSS-ISP	27.901	27.845	31.281
DSS-SRC	2.494		
DSS-CARRY OVER		22.800	
DSS-C3I CCMS Reprogramming			
DSS-PDM CCMS/PKI			8.200
DSS-DSSTO	4.630	4.669	4.767
Subtotal Defense-Wide O&M:	90.965	159.395	140.786
Other Operations and Maintenance			
OIG		0.200	0.200
b. Defense Working Capital Fund			
DECA			
DFAS		0.400	0.400
DISA		1.800	1.700
DLA	0.615	0.800	0.600
Other			
Other			
Subtotal DWCF:	0.615	3.000	2.700
c. Total DoD	216.577	294.995	298.486
d. Non DoD Agencies and Others			
Agency for International Development			
Arms Control and Disarmament Agency			
Department of Agriculture			
Department of Commerce			
Department of Interior			
Department of Justice			
Department of Labor			
Department of State			
Department of Transportation			
Department of Treasury			
Environmental Protection Agency			
Federal Emergency Management Agency			
Federal Reserve System			
General Accounting Office			
General Service Administration			
International Trade Commission			
Miscellaneous			
National Aeronautics and Space Admin.			
National Science Foundation			
Nuclear Regulatory Commission			
Small Business Administration			
U.S. Information Agency			
U.S. Trade Representation			
Other		8.495	10.219
Other			
Other			
Other			
Other			
Other			
Subtotal Non-DoD Agencies and Others:		8.495	10.219
Total New Orders:	216.577	303.490	308.705

**Exhibit Fund-11 Source of Revenue
Department of Defense
Defense Security Service**

(\$ in Millions)

	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>
2. Carry-in Orders		50.600	21.592
3. Total Gross Orders	216.971	354.090	330.297
4. Funded Carry-over	50.600	21.592	19.292
5. Total Gross Sales	116.371	332.498	311.005
6. Number of Months of Carry-Over	3.61	0.36	0.25

Carry-Over Calculation	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>
New Orders		216.577	303.490	308.705
Carry-In			50.600	21.592
Gross Orders		216.971	354.090	330.297
Total Revenue		116.371	332.498	311.005
Carry-Over		50.600	21.592	19.292
Less WIP				
Less BRAC, Non-DoD, FMS Intra/Inter DWCF (excluding SMA)		0.615	11.495	12.919
Less Contract Liabilities (Excluding WIP)				
Net Carry-Over		49.985	10.097	6.373
Carry-Over in Months		5.15	0.36	0.25

**Exhibit Fund-2 Changes in the Costs of Operation
Department of Defense
Defense Security Service**

(\$ in Millions)

FY 1999	Estimated Actual	<u>Expenses</u>
		190.485
FY 2000 President's Budget		221.345
	Add Case Control Management System Program Management Office/Case	10.100
	Control Management System Stabilization Enhancements	
	Add Augmentation Management Office (Plus 16 FTEs -- 1.031M)	28.000
	Add Workyear Repricing Calculation	13.932
	Sub National Industrial Security Program Workload	45.400
	Sub General Inflation Adjustment	(0.738)
	Sub Depreciation	(6.000)
	Sub Security Research Center	(2.830)
	Sub Congressional Adjustment	(0.577)
	Sub Congressional Recission	(0.248)
FY 2000	Estimated Cost	308.384
Pricing Adjustments		7.578
	Annualization of Prior Year Pay Raises	1.632
	FY 2001 Pay Raise	3.774
	Civilian Personnel	3.774
	Fund Price Changes	0.044
	General Purchase Inflation	2.127
Program Changes		(4.957)
	Add Public Key Infrastructure	0.500
	Add Additional 20 FTEs for National Industrial Security Program	1.341
	Add Additional 16 FTEs for Augmentation Management Office	1.113
	Add Operations Center Columbus (OCC) Move	0.425
	Add Increased Workload Adjustments	4.026
	Sub General Inflation Adjustment	(0.262)
	Sub Security Research Center	(0.100)
	Sub Joint Personnel Adjudication System	(0.700)
	Sub Civ Pay Over-pricing	(5.900)
	Sub National Industrial Security Program Workload	(5.400)
FY 2001	Estimated Cost	311.005