

**Narrative Analysis
Department of Defense
Defense Security Service**

Functional Description

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: (1) 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 (2) The National Industrial Security Program (NISP), which primarily ensures that private industry, colleges, and universities that perform government contracts or research safeguard classified information in their possession (3) 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 and Linthicum, MD; with Regions and Operating Centers located in :

Northeast Region Alexandria, VA
Southeast Region Smyrna, GA
Central Region Irvin, TX
West Region Long Beach, CA
Capital Region Linthicum, MD
Personnel Investigation Center (PIC) Linthicum, MD
Defense Industrial Security Clearance Office (DISCO) Columbus, OH
Defense Security Service Academy (DSSA) Linthicum, MD

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

**Narrative Analysis
Department of Defense
Defense Security Service**

Manpower Budget Highlights

Civilian end strengths and FTEs are as follows:

	FY 2000 CONTROL	FY 2000	FY 2001	FY 2002
Civilian End Strength	2,632	2,491	2,630	2,630
Civilian FTEs	2,551	2,451	2,611	2,611

Personnel:

The Deputy Secretary of Defense directed that all active clearances/accesses be based upon a current investigation in accordance with the national standard. This budget submission reflects continuation of the previously-approved build-up of DSS and contractor resources in FY 2001 to support an increased level of new orders for background investigations and to continue reduction and eventual elimination of the periodic reinvestigation (PR) backlog. It also continues a previous-approved build-up of Industrial Security Program (ISP) representatives to further reduce the delinquency rate in assessing classified contractor facilities.

The budget also identifies a transfer of 8 field polygraphers from O&M reimbursable FTEs to DWCF in FY 2002 and out years. Existing controls reflect a previously directed Management Headquarters reduction of 2 FTE from FY 2001 to FY 2002, and another 3 FTE from FY 2002 to FY 2003. Existing controls also reflect an increase of 6 from FY2001 to FY 2002 in order to comply with PBD 434. Additional personnel to meet current workload requirements, are being hired on a 2 year basis.

DSS did not fully execute FY 2000 workyears primarily because of external recruiting constraints but also partially because of a needed internal shifting of resources to comply with GAO review recommendations regarding product quality, inadequate review of agent work, and inadequate training of agents both centrally and in the field. DSS continually had more than 400 external recruit actions underway throughout the year, and did, in fact, increase the personnel level by about 100 during the year. The agency expects to reach its FY 2001 end-strength level by about mid-year and to overhire for a short period just after mid-year, allowing attrition to return the agency to its FY 2001 end-strength in order to maximize available resources to continue reducing the PR backlog.

Costs, Operating Results and Rates:

	FY 2000	FY 2001	FY 2002
Costs of Goods and Services Produced (Expenses) (\$M)	278.974	523.027	417.409
Costs of Goods and Services Sold (\$M)	278.974	523.027	417.409
Net Operating Results (\$M)	24.100	0.000	0.000
Accumulated Operating Results (\$M)	0.000	0.000	(0.000)
Customer Revenue Rate per SP	\$630.47	\$498.37	\$500.29
Percent Rate Change from Prior Year	0.39%	-20.95%	0.39%
Unit Costs (\$/SPs)	\$630.47	\$498.37	\$500.29
Security Products (SP) (000)	442.5	1,049.5	834.3

**Narrative Analysis
Department of Defense
Defense Security Service**

Costs:

The increase in cost from FY 2000 to FY 2001 reflects the following: National Industrial Security Program Personnel Security Investigations for the contractor periodic reinvestigation backlog, \$40M; OPM support, \$137.3M; Work In Process \$47.1M; Additional Workyears, \$11.2M; Pricing Adjustments (annualization of prior year pay raise, pay raise, fund price changes, and general purchase inflation), \$6.5M; Lease and Communications \$1.8M; vehicles \$4.7M (due to transfer from CCP to DWCF operations) Note: All depreciation of capital assets have been removed from the cost of operations for FY 2000 and FY 2001.

The decrease in cost from FY 2001 to FY 2002 reflects: Pricing Adjustments (annualization of prior year pay raise, pay raise, fund price changes, and general purchase inflation), \$7.4M; and Additional Workyears, \$2.2M; Augmentation Management Office (AMO), \$2.0M; reduction of the OPM support, (\$45.0M); reduction of the NISP PSI PR backlog effort, (\$40.0M); and reduction due to workload efficiency, \$5.1M. Note: All depreciation of capital assets have been removed from the cost of operations for FY 2001 and FY 2002.

Operating Results and Rates:

Program Decision Memorandum dated 08/16/99, continued service level billing. As a result, billing rates are not established and NOR equals customer financing minus costs incurred.

Carry-Over:

	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>
(\$M)			
New Orders	256.683	515.675	417.409
Carry-In	50.655	7.352	
Gross Orders	307.338	523.027	417.409
Total Revenue	303.074	523.027	417.409
Carry-Over		7.352	

**Narrative Analysis
Department of Defense
Defense Security Service**

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 expectation for DSS' performance during FY01 & FY02 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.

. The information provided pertains predominantly to FY01 as our FY 2002 DMC Performance Contract has neither been fully vetted with our customers and stakeholders nor agreed upon by the contracting parties.

1. Financial Indicators:

a) Maintain unit cost within budget

2. Timeliness:

a) PSI: Reduce processing time on initial SSBI's and SSBI-PR's to 240 days by FY2001 and to 120 day by FY2005.

b) PSI: Reduce processing time on NAACL's for initial secret and confidential (S/C) and S/C-PR's to 114 days in FY2001 and to 90 days in by FY2005.

c) PSI: Reduce processing time for 90% of the Auto-ENTNAC's to 30 days in FY2001 and 95% in 30 days by FY2003.

d) ISP: Issue interim Facility Security Clearances in and average of 35 days in FY2001 and out.

3. Quality:

a) PSI: Improve the % of Personnel Security Investigations that meet national standards resulting from Standard and Evaluations reviews to 95% by the end of FY 2001 and to 97% by the end of FY 2002.

b) DSSA: Increase the number of DSSA courses reviewed each year to improve course content and applicability.

c) DSSA: Increase the percentage of DSSA instructors who are formally trained in order to improve the quality of "platform" instruction.

d) DSSA: Institute Semi-annual peer review evaluations for each platform instructor.

4. Customer Satisfaction:

a) Reduce the adjudicative returns to no more than 1% of total cases forwarded to the CAF's for adjudication.

5. Throughput (capacity):

a) ISP: Increase throughput of CCMS and the AAO to increase DSS capacity to process personnel security investigations to 2650 per day for FY 2001 and to sustain a production level TBD, relative to DSS workload and case mix, to meet established investigative closing time frames.

b) DSSA: Increase the number of adjunct professors at the DSSA.

c) DSSA: Increase external student enrollment in scheduled DSSA courses in FY2001.

6. Productivity:

a) PSI: Increase cases closed per year per investigative resource relative to workload and mix of cases (total security products).

Capital Budget:

The Capital Budget for DSS is used in support of software (\$5.0M) and hardware (\$3.2M) upgrades and modifications for the Case Control Management System (CCMS), which totals (\$8.2M). Based on recommendations from our AF-PMO office and TRW, the capital program will make significant modifications to the system in an effort to improve it operational performance. An example of the improvements include continual stabilization and software improvement efforts to achieve the throughput targets established in this submission.

	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>
(\$M)			
Equipment			
ADPE & Telecommunications	3.767	2.932	2.000
Software	5.012	26.454	11.159
Vehicles	4.100		
Total	12.879	29.386	13.159

FY 2002 Amended Budget Submission June 2001

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

(\$ in Millions)

	<u>Expenses</u>
FY 2000 Estimated Actual	278.974
FY 2001 President's Budget	311.005
Pricing Adjustments	8.695
Annualization of Prior Year Pay Raises	1.969
FY 2002 Pay Raise	4.552
Civilian Personnel	4.552
Military Personnel	
Fund Price Changes	0.036
General Purchase Inflation	2.138
Program Changes from FY 2000 Estimated Actuals to FY 2001 Estimated Costs	
Increases:	
Executive, General, and Special Schedule (Plus 159 FTE's)	12.998
Travel of Persons (Plus 159 FTE's)	1.180
Defense Financing and Accounting Services (DFAS)(Due to PBD)	0.618
Postal Service	0.125
Purchased Communications (non-Fund)(Cell Phones for Agents)	1.000
Rents & Leases (Non-GSA) Increase in ISSA Cost	0.548
Equipment Maintenance	0.397
OPM Support	137.250
Vehicles	4.600
Equipment Purchases (non centrally managed)(One time furniture Purchase)	1.319
Other Contracts	<u>55.120</u>
Total Increases:	- 217.083
Decreases:	
Cost Efficiency	(6.200)
Supplies and Materials (Non-Fund)	(0.607)
Rental Payments to GSA Leases (SLUC)	(0.330)
Equipment Purchases (Non-Fund)(One time Purchase of Equipment)	<u>(3.974)</u>
Total Decreases:	(11.111)
FY 2001 Estimated Cost	523.027
Pricing Adjustments	10.155
Annualization of Prior Year Pay Raises	1.698
FY 2002 Pay Raise	4.956
Civilian Personnel	4.956
Military Personnel	
Fund Price Changes	0.046
General Purchase Inflation	3.456
Program Changes	(98.715)
Executive, General, and Special Schedule (add 30 FTE's)	2.187
Travel of Persons	0.180
Rental Payments to GSA Leases (SLUC) Increases	0.039

FY 2002 Amended Budget Submission June 2001

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

(\$ in Millions)

	<u>Expenses</u>
Supplies and Materials (Non-Fund)(Plus 30 FTE's)	0.030
Reduction in OPM Support	(48.919)
Other Contracts	(51.932)
Cost Efficiency	(5.100)
Vehicles	4.800
Total Other Purchases	
FY 2002 Estimated Cost	417.409

FY 2002 Amended Budget Submission June 2001

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

(\$ in Millions)

	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>
1. a. Military Department Operations and Maintenance			
Department of the Army	44.900	113.100	86.387
Department of the Navy	53.264	123.000	99.686
Department of the Air Force	40.342	105.200	79.786
Subtotal Military Department O&M:	138.507	341.300	265.859
 Defense-Wide Operations and Maintenance			
DCAA	0.200	1.003	0.332
DIA	2.300	4.818	2.894
DSS-PSI	72.820	87.271	77.109
DTRA	0.100	0.449	0.216
JCS	0.300	0.214	0.146
NSA	4.037	17.457	11.906
USUHS		0.031	0.034
WHS	2.801	3.201	1.816
USSOCOM		0.200	0.161
NIMA	2.008	2.389	1.180
DSS-ISP	27.800	31.084	31.391
DSS-PDM CCMS		0.518	
DSS-DSSTO	4.669	4.748	4.864
Subtotal Defense-Wide O&M:	117.035	153.383	132.049
 Other Operations and Maintenance			
OIG	0.318	0.346	0.416

FY 2002 Amended Budget Submission June 2001

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

(\$ in Millions)

	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>
b. Defense Working Capital Fund			
DECA		0.067	0.048
DFAS	0.400	1.642	0.584
DISA	1.800	1.852	1.005
DLA	0.800	0.954	0.435
		4.515	2.072
c. Total DoD	255.860	499.544	400.396
d. Non DoD Agencies and Others			
General Accounting Office	0.183		
Other	0.640	16.131	17.013
Subtotal Non-DoD Agencies and Others:	0.823	16.131	17.013
Total New Orders:	256.683	515.675	417.409

FY 2002 Amended Budget Submission June 2001

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

(\$ in Millions)

	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>
2. Carry-in Orders	50.655	7.352	
3. Total Gross Orders	307.338	523.027	417.409
4. Funded Carry-over	7.352		
5. Total Gross Sales	303.074	523.027	417.409
6. Number of Months of Carry-Over	0.26		

Carry-Over Calculation	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>
New Orders	256.683	515.675	417.409
Carry-In	50.655	7.352	
Gross Orders	307.338	523.027	417.409
Total Revenue	303.074	523.027	417.409
Carry-Over	7.352		

FY 2002 Amended Budget Submission June 2001

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

	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>
Revenue			
Gross Sales:	303.074	523.027	417.409
Operations	303.074	523.027	417.409
Surcharges			
Depreciation			
Major Construction Depreciation			
Other Income			
Refunds/Discounts (-)			
Total Income:	303.074	523.027	417.409
Expenses			
Salaries and Wages:	164.046	183.565	192.407
Military Personnel Compensation & Benefits			
Civilian Personnel Compensation & Benefits	164.046	183.565	192.407
Travel & Transportation of Personnel	3.986	5.230	5.499
Equipment	1.522	0.195	0.199
Other Purchases from Revolving Funds	0.822	1.454	1.479
Transportation of Things	0.311	0.446	0.454
Printing and Reproduction	0.415	0.729	0.741
Advisory and Assistance Services	2.810	2.664	2.709
Rent, Communication, Utilities, & Misc. Charges	13.116	14.046	14.324
Other Purchased Services	91.946	314.697	199.598
Total Expenses:	278.974	523.027	417.409
Operating Result	24.100	0.000	0.000

FY 2002 Amended Budget Submission June 2001

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

	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>
Net Operating Result	24.100	0.000	0.000
Prior Year Adjustments			
Prior Year AOR	(24.100)	0.000	0.000
Accumulated Operating Result	0.000	0.000	0.00
Cost of Goods Sold:	278.974	523.027	417.409