

**Fiscal Year (FY) 2004/FY 2005 Biennial  
Budget Estimates  
Defense Security Service (DSS)**



February 2003

**DEFENSE SECURITY SERVICE**  
**Operation and Maintenance, Defense-Wide**  
**Fiscal Year (FY) 2004/FY 2005 Biennial Budget Estimates**  
**Appropriation Highlights**

**(Dollars in Millions)**

	<u>FY 2002</u>	<u>Price</u>	<u>Program</u>	<u>FY 2003</u>	<u>Price</u>	<u>Program</u>	<u>FY 2004</u>	<u>Price</u>	<u>Program</u>	<u>FY 2005</u>
	<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>
<b><u>Appropriation Summary:</u></b>										
Operation & Maintenance, Defense-Wide										
DSS	121.972	4.564	45.783	172.319	5.121	29.787	207.227	3.569	-6.195	204.601
DERF FY 2002 Obligations: 15.720										

**Description of Operations Financed:**

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 through FY 2003 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; and (3) the Security Training and Education Program (SETA -

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the DSS Academy – DSSA) provides security education and training programs to support the DSS components, DOD agencies, military departments and contractors. The Academy offers formal classroom training, computer-based training, correspondence and distance learning. The remainder of the DSS budget funds NFIP/JMIP counterintelligence activities and O&M/R&D activities of Department of Defense Polygraph Institute (DoDPI).

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 the DoD or contractor personnel.

During FY 2003, the DSS transferred the training portion of the DoDPI to the Counterintelligence Field Agency (CIFA). The NFIP portion of the DoDPI will transfer to the CIFA effective FY 2004. Effective FY 2004 and beyond, the DSS will be comprised of four primary business areas: (1) NISP; (2) SETA; (3) NFIP; and (4) Defense Joint Counterintelligence Program (DJCIP).

**(Dollars in Millions)**

	<b><u>FY 2002</u></b>	<b><u>Price</u></b>	<b><u>Program</u></b>	<b><u>FY 2003</u></b>	<b><u>Price</u></b>	<b><u>Program</u></b>	<b><u>FY 2004</u></b>	<b><u>Price</u></b>	<b><u>Program</u></b>	<b><u>FY 2005</u></b>
	<b><u>Actual</u></b>	<b><u>Change</u></b>	<b><u>Change</u></b>	<b><u>Estimate</u></b>	<b><u>Change</u></b>	<b><u>Change</u></b>	<b><u>Estimate</u></b>	<b><u>Change</u></b>	<b><u>Change</u></b>	<b><u>Estimate</u></b>
BA 3: Training and Recruiting	7.486	0.174	-0.669	6.991	0.182	0.008	7.173	0.170	0.000	7.343
BA 4: Administration and Service-wide Activities	114.486	4.390	46.452	165.328	4.939	29.787	200.054	3.399	-6.195	197.258

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**Narrative Explanation of Changes:**

BA 3: Training and Recruiting

FY 2003 to FY 2004: Price change is due to civilian pay and non-pay inflation.

FY 2004 to FY 2005: Price change is due to civilian pay and non-pay inflation.

BA 4: Administrative and Service-wide Activities

FY 2003 to FY 2004: Price change is due to civilian pay and non-pay inflation. Program change due to realignment of Management Head Quarters from the DSS' Defense Working Capital Fund appropriation to the O&M appropriation (+\$40.3 million); increase in support of Joint Personnel Adjudication System (JPAS) (+\$15.0 million); the Personnel Security Investigations for Industry program was increased in FY 2003. This program was also increased in FY 2004. However, the increase in FY 2004 was not as substantial as in FY 2003. Therefore, a decrease is reflected in the program (-\$24.7 million).

FY 2004 to FY 2005: Price change is due to civilian pay and non-pay inflation.

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**Summary of Increases and Decreases**  
**(Dollars in Thousands)**

	<u>BA 3</u>	<u>BA 4</u>	<u>Total</u>
<b>FY 2003 President's Budget Request</b>	<b>9,889</b>	<b>170,447</b>	<b>180,336</b>
1. Congressional Adjustments			
- Specified Adjustments			
DERF Transfer Critical Infrastructure		500	500
- Undistributed Congressional Adjustments			
FECA Surcharge Reduction		(7)	(7)
Unobligated Balance		(306)	(306)
CSRS/FEHB Accruals	(103)	(166)	(269)
- General Provisions			
Section 8100 - Management Efficiencies		(2,428)	(2,428)
Section 8103 - Government Purchase Card		(10)	(10)
Section 8109 - Reduce Cost Growth of Information Technology		(238)	(238)
Section 8135 - Inflation - revised economic assumptions		(1,011)	(1,011)
- Congressional Earmarks Billpayer			
Section 8044 - Indian Lands Envioronmental Impact		(178)	(178)
<b>FY 2003 Appropriated Amount</b>	<b>9,786</b>	<b>166,603</b>	<b>176,389</b>
2. Functional Transfers-Out			
- Transfer of DoD Polygraph Institute Training resources to Counterintelligence Field Agency	(2,795)		(2,795)
- Transfer of Defense Joint Counterintelligence resources to Counterintelligence Field Agency		(837)	(837)

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**(Dollars in Thousands)**

	<u>BA 3</u>	<u>BA 4</u>	<u>Total</u>
3. Other Transfers-Out (Non-Functional)			
- Transfer of DPAS funding to the DPAS program management office at the Defense Logistics Agency to achieve savings in the Billings for the DPAS information technology Support		(15)	(15)
4. Program Decrease			
- This program decrease funds a portion of emergent fact-of-life requirements for: Government-wide E-Gov initiatives, adaptive planning models to reduce planning timelines, establishment of a Defense Continuity Program Office, increased Rent payments, additional general counsel personnel for growing security clearance adjudications, and other emergent requirements		(423)	(423)
<b>Revised FY 2003 Current Estimate</b>	<b>6,991</b>	<b>165,328</b>	<b>172,319</b>
5. Price Growth	182	4,939	5,121
6. Other Transfers-In (Non-Functional)			
- Realignment of Management Head Quarters Program from DSS' DWCF appropriation to the O&M,DW appropriation		40,306	40,306
7. Functional Transfers-Out			
- Transfer of DoD Polygraph Institute Foreign Counterintelligence Program resources to Counterintelligence Field Agency		(952)	(952)

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**(Dollars in Thousands)**

	<u>BA 3</u>	<u>BA 4</u>	<u>Total</u>
8. Program Increase			
- Increase in support of Joint Personnel Adjudication System		15,000	15,000
- Increase in support of DSS' Foreign Counterintelligence Program		155	155
9. Program Decrease			
- The Personnel Security Investigations for Industry program was increased in FY 2003. This program was also increased in FY 2004. However, the increase in FY 2004 was not as substantial as in FY 2003. Therefore, a decrease is reflected in the program		(24,214)	(24,214)
10. - Critical Infrastructure Protection decrease due to an one-time congressional add in FY 2003 (DERF).		(508)	(508)
<b>FY 2004 Budget Request</b>	<b>7,173</b>	<b>200,054</b>	<b>207,227</b>
11. Price Change	170	3,399	3,569
12. Program Decrease		(6,195)	(6,195)
<b>FY 2005 Budget Request</b>	<b>7,343</b>	<b>197,258</b>	<b>204,601</b>

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**Summary of Price and Program Increases**  
**(Dollars in Thousands)**

		FY02	Price	Program	FY03	Price	Program	FY04	Price	Program	FY05	
		Actuals	Growth	Growth	Estimate	Growth	Growth	Estimate	Growth	Growth	Estimate	
<b><u>CIVILIAN PERSONNEL COMPENSATION</u></b>												
Total	101	Executive, General & Special Schedule	<u>4459</u>	<u>155</u>	<u>-2705</u>	<u>1909</u>	<u>43</u>	<u>40851</u>	<u>42803</u>	<u>1166</u>	<u>0</u>	<u>43969</u>
	199	TOTAL CIVILIAN PERSONNEL COMPENSATION	4459	155	-2705	1909	43	40851	42803	1166	0	43969
<b><u>TRAVEL</u></b>												
	308	Travel of Persons	<u>363</u>	<u>4</u>	<u>-220</u>	<u>147</u>	<u>3</u>	<u>1939</u>	<u>2089</u>	<u>41</u>	<u>0</u>	<u>2130</u>
	399	TOTAL TRAVEL	363	4	-220	147	3	1939	2089	41	0	2130
<b><u>DBOF SUPPLIES AND MATERIALS PURCH</u></b>												
	402	Service Fuel	0	0	0	0	0	439	439	2	0	441
	417	Locally Procured Supplies & Materials	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>585</u>	<u>585</u>	<u>2</u>	<u>0</u>	<u>587</u>
	499	TOTAL DBOF SUPPLIES AND MATERIALS PURCH	0	0	0	0	0	1024	1024	4	0	1028
<b><u>OTHER FUND PURCHASES (EXCLUDE TRANSPORTATION)</u></b>												
	671	Communications Services	0	0	0	0	0	520	520	7	-33	494
	673	Defense Finance and Accounting Service	0	0	0	0	0	351	351	50	0	401
	678	Defense Security Service	<u>115603</u>	<u>4389</u>	<u>48747</u>	<u>168739</u>	<u>5060</u>	<u>-173799</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	699	TOTAL PURCHASES	115603	4389	48747	168739	5060	-172928	871	57	-33	895
<b><u>TRANSPORTATION</u></b>												
	771	Commercial Transportation	<u>15</u>	<u>0</u>	<u>-15</u>	<u>0</u>	<u>0</u>	<u>98</u>	<u>98</u>	<u>2</u>	<u>0</u>	<u>100</u>
	799	TOTAL TRANSPORTATION	15	0	-15	0	0	98	98	2	0	100
<b><u>OTHER PURCHASES</u></b>												
	912	Rental Payments to GSA (SLUC)	0	0	0	0	0	3990	3990	73	0	4063
	914	Purch Comm	0	0	0	0	0	1278	1278	19	-152	1145
	915	Rents	0	0	0	0	0	1627	1627	29	0	1656
	917	Postal Service	0	0	0	0	0	155	155	2	0	157
	920	Supplies & Materials (Non-Fund)	116	1	-55	62	1	48	111	1	0	112
	921	Printing and Reproduction	9	0	-9	0	0	494	494	9	0	503
	922	Equipment Maintenance by Contract	3	0	-3	0	0	316	316	5	0	321
	925	Equipment Purchases (non-Fund)	247	2	-89	160	2	4764	4926	74	-700	4300
	931	Contract Consultants	0	0	0	0	0	1417	1417	25	0	1442
	989	Other Contracts	1157	12	133	1302	12	144606	145920	2060	-5310	142670
	998	Other Costs	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>108</u>	<u>108</u>	<u>2</u>	<u>0</u>	<u>110</u>
	999	TOTAL OTHER PURCHASES	1532	15	-23	1524	15	158803	160342	2299	-6162	156479
<b>9999</b>		<b>TOTAL OPERATION &amp; MAINTENANCE</b>	<b>121972</b>	<b>4563</b>	<b>45784</b>	<b>172319</b>	<b>5121</b>	<b>29787</b>	<b>207227</b>	<b>3569</b>	<b>-6195</b>	<b>204601</b>



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**Operation and Maintenance, Defense-wide**  
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**Budget Activity 3: Training and Recruiting**

**I. Description of Operations Financed:**

The Defense Security Service (DSS) operates under the auspices of the Assistant Secretary of Defense (Command, Control, Communications and Intelligence) (ASD(C3I)). DSS participates in many of the committees and subcommittees operating under the direction of the Security Policy Board which is chaired by the Deputy Secretary of Defense and the Director of Central Intelligence. As recognized by the Joint Security Commission (JSC), the personnel security system is at the heart of the government's security mission. DSS performs:

Security Education and Training - to provide a standardized system of resident, on-site and customized security training in the varied and interdependent security disciplines to support a sound information assurance program throughout the Department of Defense (DoD), other federal agencies and Defense Industry. This includes the Department of Defense Polygraph Institute, which provides courses in forensic psychophysiology to both DoD and non-DoD personnel. DSS programming of O&M Defense-wide (Budget Activity 3) includes amounts for this effort. DSS also programs resources for Foreign Counterintelligence Activities, in Budget Activity 4, to support the integration of counterintelligence experience and knowledge into the background investigation process.

(1) Defense Security Service Academy (DSSA). DSSA offers worldwide security education, training, and awareness for DoD civilian and contractor personnel, non-DoD federal government personnel, and a selected group of security professionals from other foreign governments. This target audience is engaged in the protection of critical infrastructure assets, involved in antiterrorism efforts, and is involved in the development or execution of security countermeasures. Committed to the professional development of the DoD Security Community, DSSA has taken on an expanded role in developing quality assurance metrics for its courseware and products, in addition to measuring the relevancy of its instruction and customer responsiveness. Institutional effectiveness research provides a linkage between DSSA curriculum and career mapping.

DSSA focuses on improving the performance of security programs and related security professionals. This is accomplished by developing and producing courses, providing quality continuing education opportunities and performance improvement tools, creating training publications, providing consulting services, and promoting security awareness through both

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seminars and electronic information sharing, as well as maintaining communication with customers. DSSA presents more than 71 security courses annually presented in approximately 202 iterations. Courses are presented in a variety of formats including resident, field extension, distance learning, Computer Based Training (CBT), and Video Tele-Conferencing (VTC). Customized courses are also provided. Additionally, the DSSA selects and authorizes other organizations to present some of its courses, subject to quality control. DSSA also produces a series of select security modules and materials for organizations to utilize to train their personnel. The DSSA publishes, collects, evaluates, and distributes security awareness materials for the DoD and its cleared contractors. It produces security awareness periodicals and videos as well as a wide range of training and program support materials. DSSA creates and distributes products and training material utilizing a variety of media, to include hard copy, magnetic and on-line. The principal customers of DSSA are Defense military, civilian and contractor activities and personnel. DSSA offers support to foreign government representatives and supports the broader federal sector in several key areas on behalf of the Department of Defense (DoD).

The Defense Security Service Academy (DSSA) is the sole training source in several security areas within the federal government and is an integral part of mandatory training required for security professionals in many agencies. DSSA provides the DoD a common unifying means to prepare individuals for their security program roles and assists with the development of effective security programs. DSSA currently concentrates its support on security management, risk management, information security, special programs security, personnel security investigation and adjudication, management and investigations, technical security, industrial security management and contractor security, acquisition systems security, systems security engineering, technology control, international program security, foreign disclosure, and automated information systems security.

This organization is the primary DoD resource for security program training, education, awareness, and program development support. Its students are U.S. Government military personnel, and designated civilian employees and representatives of U.S. industry. DSSA provides technical assistance to DoD components and other federal entities in the development and improvement of their security programs.

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The Academy's mission is financed with DSS Operation and Maintenance Defense-wide dollars. The FY 2004 DSS Operation and Maintenance Defense-wide authorization contains \$7,173 thousand for security training courses/products/personnel costs produced by the DSS Defense-wide Working Capital Fund (DWCF).

(2) Department of Defense Polygraph Institute (DoDPI).

Per the DEPSECDEF letter dated December 19, 2002, effective immediately, the Department of Defense (DoD) Polygraph Institute (DoDPI) is transferred from the Defense Security Service (DSS) to the DoD Counterintelligence Field Activity (CIFA). It will operate under the authority, direction and control of the Director, CIFA, who is under the authority, direction and control of the Assistant Secretary of Defense for Command, Control, Communications, and Intelligence.

The Department of Defense Polygraph Institute (DoDPI) is a graduate level educational, research and policy establishing institution for the forensic discipline of the psychophysiological detection of deception (PDD). The Institute offers graduate level initial PDD education as well as continuing education for local, state and federal agencies. The primary focus is to qualify federal PDD examiners for careers in law enforcement, intelligence, and the security fields. Since the inception of this program, the DoDPI has modified its curriculum to accept both initial PDD and continuation education for all federal PDD examiners.

**II. Force Structure Summary:**

Not applicable to DSS

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**III. Financial Summary (O&M: Dollars in Thousands):**

A. <u>Subactivity Group</u>	FY 2002	FY 2003		Current	FY 2004*	FY 2005*
	Actuals	Budget Request	Appropriation	Estimate	Estimate	Estimate
1. DSS Academy	4,838	6,991	6,991	6,991	7,173	7,343
2. DoD Polygraph Institute	2,648	2,898	2,795	0	0	0
Total	7,486	9,889	9,786	6,991	7,173	7,343

B. <u>Reconciliation Summary:</u>	Change <u>FY 2003/FY 2003</u>	Change <u>FY 2003/FY 2004</u>	Change <u>FY 2004/FY 2005</u>
1. Baseline Funding	9,889	6,991	7,173
- Congressional Adjustments	(103)		
2. FY 2003 Appropriated Amount (Subtotal)	9,786		
3. Price Change		182	170
4. Program Changes	(2,795)		
5. Current Estimate	6,991	7,173	7,343

C. <u>Reconciliation of Increases and Decreases:</u>	<u>Amount</u>	<u>Totals</u>
<b>FY 2003 President's Budget Request</b>		<b>9,889</b>
1. Congressional Adjustments		(103)
- CSRS/FEHB Accruals (Undistributed Adj.)	(103)	
<b>FY 2003 Appropriated Amount</b>		<b>9,786</b>
2. Program Changes		(2,795)
- Transfer of DoD Polygraph Institute Training Resources to Counterintelligence Field Agency	(2,795)	
<b>Revised FY 2003 Estimate</b>		<b>6,991</b>
3. Price Change	182	182
<b>FY 2004 Budget Request</b>		<b>7,173</b>
4. Price Change	170	170
<b>FY 2005 Budget Request</b>		<b>7,343</b>

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**IV. Performance Criteria and Evaluation Summary:**

Performance Metrics and Workload

	FY 2002	FY 2003	FY 2004	FY 2005
A. <u>Defense Security Service Academy</u>				
1) Courses (Instructor led)	35	35	35	35
2) Student Output (Course Completions)(\$K)	5,523	4,480	5,017	5,017
3) Courses/Products (Distance Learning)	46	16 <sup>1</sup>	20	22
4) Student Output (Registrations)(\$K)	9,677	8,050	9,258	10,647
5) Cost per student training day (actual \$)	278	300	306	313

DSS is using the performance metrics included in the FY 2003 Defense Resources Board Performance Contract as the basis for reporting performance metrics in this budget submission.

Summation of FY 2002: FY 2002 was an exemplary year for the DSSA. During that year, DSSA exceeded each of its performance metrics as published in the Defense Resources Board Performance Contract in addition to achieving substantial production growth as compared to FY 2001. With the understanding that maintaining high quality of instruction, courseware, and other products is of paramount importance, the Academy measures its production in terms of the number of instructor led courses produced and the number of distance learning courses and performance improvement products distributed (i.e., provided to customers). In both instances, FY 2002 was a very successful year for the school.

In FY 2002, DSSA exceeded its goals for both instructor-led and distance learning course completions; the goals were 4,000 and 8,265, respectively. FY 2003 performance metrics were developed prior to the end of FY 2002 and are reflected above. The FY 2003 goal for instructor-led course completions is 4,480, a 12 percent increase over the FY 2002 goal. The distance-learning course enrollment FY 2003 goal is a 15 percent increase

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<sup>1</sup> The number of distance learning Courses provided was reduced between FY 2002 and FY 2003 due to the implementation of an off-the-shelf program (FASTRAC) that makes available more than 1600 courses through distance learning. The FASTRAC vehicle is counted as one product for this report.

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over the FY 2003 goal. Since the distance-learning program is currently being established and developed as a transformation initiative at the DSSA, a goal of 15% growth in this category of production has been projected over the out-years. Changes in this projection will be made over time as actual year-end trend data becomes available for analysis.

The cost per student training day metric is new as it was not reported in previous budget submissions. The average cost per student training day is a Defense Resources Board Performance Contract Performance Metric for the DSSA. The goal for FY 2002 was established not to exceed an average of \$300 per student training day. As shown above, the FY 2002 actual average cost per training day was \$278; a number significantly under the established goal of \$300. It should be noted that the actual average cost per student training day is expected to fall at, or below, the DRB goal that has been established for FY 2003. Until the year has been completed, the number shown in this exhibit is the DRB goal, not the actual average cost per student training day.

**B. Department of Defense Polygraph Institute (DoDPI)**

Academic	<u>FY 2002</u>	<u>FY 2003<sup>1</sup></u>	<u>FY 2004</u>	<u>FY 2005</u>
PDD enrollment	82	0	0	0
Course Iterations	3	0	0	0
Continuing education enrollment	780	0	0	0
Number of Iterations	51	0	0	0
Professional lectures/presentations	1119	0	0	0
Number of Events	43	0	0	0

**V. Personnel Summary:**

	<u>FY 2002</u>	<u>FY 2003<sup>1</sup></u>	<u>FY 2004<sup>2</sup></u>	<u>FY 2005</u>	<u>Change</u> <u>FY 2003/FY 2004</u>	<u>Change</u> <u>FY 2004/FY 2005</u>
<u>Civilian End Strength (Total)</u>	28	0	45	45	45	(0)
U.S. Direct Hire	28	0	45	45	45	(0)
<u>Civilian FTEs (Total)</u>	29	0	45	45	45	(0)
U.S. Direct Hire	29	0	45	45	45	(0)

<sup>1</sup> Effective FY 2003, the DoDPI Training transferred to the CIFA.

<sup>2</sup> DSS will devolve from a DWCF appropriation to an O&M appropriation beginning in FY 2004. Therefore, 45 FTEs for the DSS Academy will convert to the O&M appropriation.

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**Budget Activity 3: Training and Recruiting**

<b>VI. <u>Outyear Summary:</u></b>		<b><u>FY 2006</u></b>	<b><u>FY2007</u></b>	<b><u>FY2008</u></b>	<b><u>FY2009</u></b>
O&M (Dollars in Thousands)		7,482	7,685	7,835	7,985
Civilian FTEs		45	45	45	45

**VII. OP 32 Line Items as Applicable (Dollars in Thousands):**

		FY 2002	Price	Program	FY 2003	Price	Program	FY 2004	Price	Program	FY 2005
		Actuals	Growth	Growth	Estimate	Growth	Growth	Estimate	Growth	Growth	Estimate
101	Exec,GS Sched	2,392	83	-2475	0	0	4,667	4,667	147	0	4,814
308	Travel	155	2	-157	0	0	169	169	2	0	171
402	Service Fuel	0	0	0	0	0	47	47	1	0	48
417	Loc Purch Suppl	0	0	0	0	0	59	59	1	0	60
671	Comm Svcs	0	0	0	0	0	21	21	0	0	21
678	DSS	4,838	88	2,065	6,991	182	-7,173	-7173	0	0	0
771	Comm Trans	15	0	-15	0	0	1	1	0	0	1
914	Purch Comm	0	0	0	0	0	59	59	1	0	60
915	Rents	0	0	0	0	0	771	771	7	0	778
917	Postal Svc	0	0	0	0	0	7	7	0	0	7
920	Supplies	28	0	-28	0	0	9	9	0	0	9
921	Printer	9	0	-9	0	0	240	240	2	0	242
922	Equip Maint	3	0	-3	0	0	27	27	0	0	27
925	Equipment	22	0	-22	0	0	64	64	1	0	65
931	Contr Consult	0	0	0	0	0	23	23	0	0	23
989	Other Contracts	24	0	-24	0	0	1008	1008	8	0	1016
998	Other Costs	0	0	0	0	0	1	1	0	0	1
	<b>Total</b>	<b>7,486</b>	<b>174</b>	<b>-669</b>	<b>6,991</b>	<b>182</b>	<b>0</b>	<b>7,173</b>	<b>170</b>	<b>0</b>	<b>7,343</b>

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**I. Description of Operations Financed:**

The Defense Security Service (DSS) operates under the auspices of the Assistant Secretary of Defense (Command, Control, Communications and Intelligence) (ASD(C3I)). The DSS serves as the Department of Defense (DoD) cognizant security authority for the National Industrial Security Program (NISP). Under the auspices of the NISP, the DSS works in partnership with industry performing on classified government contracts or engaging in classified research and development to assist them in establishing and maintaining threat-appropriate security countermeasure systems. The DSS provides oversight for those Personnel Security Investigations (PSIs) required for contractor personnel under the NISP. In Budget Activity 4 the DSS has three primary mission areas:

(1) National Industrial Security Program (NISP). The primary focus of the DSS' industrial security efforts is in support of the DoD implementation of the NISP. In this regard, the DSS works to advance and communicate the DoD's directives to protect classified information. The NISP is intended to ensure that private industry, while performing on classified government contracts, properly safeguards the related classified and sensitive information in its possession and employee access thereto. Other aspects of the DSS industrial security mission include support for the Critical Infrastructure Protection Program; Arms, Ammunition and Explosives Program; and Acquisition Protection Program.

The DSS administers the NISP on behalf of the DoD and 25 other Federal Government departments and agencies with whom the Secretary of Defense (or designee) has signed Memoranda of Agreement. Industrial security is an integration of information, personnel, and physical security principles applied to the protection of classified information entrusted to industry. The objective of industrial security is to ensure that security systems are established and maintained to (1) deter and detect acts of espionage and (2) to counter the threat posed by traditional and nontraditional adversaries which target the classified information in the hands of industry. The DSS provides proactive, full-service industrial security countermeasure support to more than 11,700 cleared contractor facilities. As part of its NISP efforts, the DSS maintains oversight for certain Special Access Programs in industry. The DSS Counterintelligence Office enhances the accomplishment of the traditional security countermeasure mission by (1) providing threat information for the early detection and



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referral of cases of potential espionage and (2) assisting industry in the recognition and reporting of foreign intelligence collection attempts. The NISP also processes international visit requests.

In addition to the NISP, the DSS also has responsibility for three other industrially oriented security programs. The Arms, Ammunition and Explosives Program provides protection of sensitive conventional arms, ammunition and explosives in the custody of, or produced by, contractors associated with the DoD. The Critical Infrastructure Protection Program promotes the security of facilities that provide critical industrial production and services, thereby, ensuring emergency mobilization preparedness capability. The DSS also provides service to contractors participating in the Acquisition Protection Program. Finally, support is provided to the Defense Threat Reduction Agency in connection with Arms Control Treaties.

The Defense Industrial Security Clearance Office (DISCO), located in Columbus, Ohio, processes and grants facility security clearances to industrial facilities sponsored for clearance by DoD, cleared contractors or any of the 25 other federal agencies. The DISCO operates a customer service activity that provides information and assistance to industrial facilities, DoD activities, other agencies and the general public.

(2) Foreign Counterintelligence Program (FCIP). The DSS FCIP is executed by DSS in two distinct areas:

a. As executed through the DSS Counterintelligence Office, FCIP provides for the early detection and referral of cases of potential espionage, and assists the defense industry in the recognition and reporting for foreign collection attempts, particularly against military critical technologies. The DSS FCIP support also provides for the application of security countermeasures in a threat-appropriate manner. Additionally, the DSS FCIP provides to the intelligence community, analytical referrals indicative of foreign collection interests and methods of operation against cleared defense contractors.

b. The Department of Defense Polygraph Institute (DoDPI) is a graduate level educational, research and policy establishing institution for the forensic discipline of the psychophysiological detection of deception (PDD). The DoDPI is a federally funded institution providing introductory and continuing education courses in forensic psychophysiology. Its

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purpose is to qualify DoD and non-DoD federal personnel for careers as forensic PDD examiners; provide continuous research in forensic psychophysiology and credibility assessment methods; manage the continuing education certification program for all federal agencies; and manage the Quality Assurance Program.

Per the DEPSECDEF letter dated December 19, 2002, effective immediately, the DoDPI is transferred from the DSS to the DoD Counterintelligence Field Activity (CIFA). It will operate under the authority, direction and control of the Director, CIFA, who is under the authority, direction and control of the Director, CIFA, who is under the authority, direction, and control of the Assistant Secretary of Defense for Command, Control, Communications, and Intelligence.

The FCIP is funded entirely with appropriated funds and is not included in the DSS DWCF.

(3) Defense Joint Counterintelligence Program (DJCIP). Technology Protection and Correlation Tools is a Joint Military Intelligence Program (JMIP) initiative to develop and sustain a data correlation and threat modeling capability at the Joint Counterintelligence Assessment Group (JCAG) under the DJCIP (PE 0305146). This capability will allow the DSS CI program to support the JCAG in collecting and disseminating information for purposes of mapping the threats against the DoD critical technologies and research programs/facilities, many of which reside in the cleared defense contractor community. The initiative finances personnel, hardware, software, and data correlation tools. The DJCIP is funded entirely with appropriated funds and is not included in the DSS DWCF.

Effective FY 2003, a portion of the DJCIP was functionally transferred to the CIFA in support of the Joint Counterintelligence Assessment Group.

**II. Force Structure Summary:**

Not applicable to DSS

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**III. Financial Summary (O&M: Dollars in Thousands):**

<b>A. <u>Subactivity Group</u></b>	FY 2002 <u>Actuals</u>	FY 2003			FY 2004 <u>Estimate</u>	FY 2005 <u>Estimate</u>
		<u>Budget Request</u>	<u>Appropriation</u>	<u>Current Estimate</u>		
1. Investigative Activities	80,235	109,915	105,737	105,299	84,900	91,800
2. Industrial Security	30,536	56,455	56,455	56,455	57,446	58,481
3. Foreign Counterintelligence	2,253	2,528	2,454	2,454	1,735	1,790
4. Defense Joint CI Program	1,354	1,549	1,457	620	667	679
5. Critical Infrastructure Program	0	0	500	500	0	0
6. Management Headquarters	0	0	0	0	40,306	29,508
7. Joint Personnel Adjudication System	0	0	0	0	15,000	15,000
8. Counterdrug Program <sup>1</sup>	108	0	0	0	0	0
<b>Total</b>	<b>114,486</b>	<b>170,447</b>	<b>166,603</b>	<b>165,328</b>	<b>200,054</b>	<b>197,258</b>

<sup>1</sup> Only shown for execution purposes. Counterdrug funding is received in the year of execution and is not included in the DSS's FY 2003-2009 funding.

**B. Reconciliation Summary:**

	<u>Change</u> <u>FY 2003/FY 2003</u>	<u>Change</u> <u>FY 2003/FY 2004</u>	<u>Change</u> <u>FY 2004/FY 2005</u>
1. Baseline Funding	<b>170,447</b>	<b>165,328</b>	<b>200,054</b>
a) Congressional Adj (Distributed)	500		
b) Congressional Adj (Undistributed)	(479)		
c) Congressional Adj (General Provision)	(3,687)		
d) Congressional Earmarks	(178)		
2. FY 2003 Appropriated Amount (Subtotal)	<b>166,603</b>		
3. Price Change		4,939	3,399
4. Program Changes	(1,275)	29,787	(6,195)
5. Current Estimate	<b>165,328</b>	<b>200,054</b>	<b>197,258</b>

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<b><u>C. Reconciliation of Increases and Decreases:</u></b>	<b><u>Amount</u></b>	<b><u>Totals</u></b>
<b>FY 2003 President's Budget Request</b>		<b>170,447</b>
1. Congressional Adjustments		(3,844)
a) Distributed Adjustments		
DERF Transfer for Critical Infrastructure	500	
b) Undistributed Adjustments		
FECA Surcharge Reduction	(7)	
Unobligated Balance	(306)	
CSRS/FEHB Accruals	(166)	
c) General Provisions		
Section 8100 - Management Efficiencies	(2,428)	
Section 8103 - Government Purchase Card Industry	(10)	
Section 8109 - Reduce Cost Growth of Information Technology	(238)	
Section 8135 - Inflation - revised economic assumptions	(1,011)	
d) Congressional Earmark Billpayers		
Section 8123 - Indian Lands Environmental Impact	(178)	
<b>FY 2003 Appropriated Amount</b>		<b>166,603</b>
2. Functional Transfers-Out		(837)
- Transfer of Defense Joint Counterintelligence Resources to Counterintelligence Field Agency	(837)	
3. Other Transfers-Out (Non-Functional)		(15)
- Zero sum transfer of DPAS funding to the DPAS program management office at the Defense Logistics Agency to achieve savings in the billings for the DPAS information technology support.	(15)	
4. Program Decrease		(423)
- This program decrease funds a portion of emergent fact-of-life requirements for: Government-wide E-Gov initiatives, adaptive planning models to reduce planning timelines, establishment of a Defense Continuity Program	(423)	

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Office, increased Rent payments, additional general counsel personnel for growing security clearance adjudications, and other emergent requirements.

<b>Revised FY 2003 Current Estimate</b>		<b>165,328</b>
5. Price Change	4,939	4,939
6. Other Transfers-In (Non-Functional)		40,306
- Realignment of Mgmt HQs Program from DSS' DWCF appropriation to the O&M appropriation.	40,306	
7. Functional Transfers-Out		(952)
- Transfer of DoD Polygraph Institute Foreign Counterintelligence Program resources to Counterintelligence Field Agency.	(952)	
8. Program Increases		15,155
- Increase in support of Joint Personnel Adjudication System.	15,000	
- Increase in support of DSS' Foreign Counterintelligence Program.	155	
9. Program Decreases		(24,214)
- The Personnel Security Investigations for Industry program was increased in FY 2003. This program was also increased in FY 2004. However, the increase in FY 2004 was not as substantial as in FY 2003. Therefore, a decrease is reflected in the program.	(24,214)	
- Critical Infrastructure Protection decrease due to a one-time congressional add in FY 2003.	(508)	(508)
<b>FY 2004 Budget Request</b>		<b>200,054</b>
10. Price Change	3,399	3,399
11. Program Decrease	(6,195)	(6,195)
<b>FY 2005 Budget Request</b>		<b>197,258</b>

**IV. Performance Criteria and Evaluation Summary:**

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A. National Industrial Security Program (NISP) Personnel Security Investigation (PSI)

The security product measurement shown finances the Industrial personnel security investigations according to the rate established in the Defense-wide Working Capital Fund budget.

	<u>FY 2002</u> <u>Actual</u>	<u>FY 2003</u> <u>Estimate</u>	<u>FY 2004</u> <u>Estimate</u>	<u>FY 2005</u> <u>Estimate</u>
Personnel Security Investigations				
Security Products Carry-In	93,141	64,372	79,220	29,876
Security Products New Orders	129,429	136,608	110,457	116,537
Security Products Completed	158,198	121,760	159,801	80,235
Security Products Carry-Out	64,372	79,220	29876	66,178

B. Industrial Security Program (ISP)

Industrial Facility Actions (In Thousands)

	<u>FY 2002</u> <u>Actual</u>	<u>FY 2003</u> <u>Estimate</u>	<u>FY 2004</u> <u>Estimate</u>	<u>FY 2005</u> <u>Estimate</u>
Facility Clearances Maintained	11.9	12.0	12.1	12.2
Initial Facility Clearances	1.6	1.7	1.8	2.0

C. Performance Metrics

	<u>FY 2002</u> <u>Actual</u>	<u>FY 2003</u> <u>Estimate</u>	<u>FY 2004</u> <u>Estimate</u>	<u>FY 2005</u> <u>Estimate</u>
Unit Cost	3,007	3,007	3,007	3,007
Facility review				
Possessing classified	98%	95%	95%	95%
Non-possessing classified	98%	90%	90%	90%
Special Access Program	98%	95%	95%	95%

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Interim Secret timeliness goals

Interim Secret Personnel Clearances 98%/60 days 90%/5 days 90%/5 days 90%/5 days

	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
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Interim Secret/Confidential

Facility Security Clearances 95%/90 days 95%/60 days 95%/60 days 95%/60 days

Final timeliness goals

Top Secret Facility Clearances 100%/180 days 90%/150 days 90%/150 days 90%/150 days

Secret and Confidential

Facility Clearances 100%/120 days 90%/135 days 90%/135 days 90%/135 days

Initial Industrial Clearances N/A 90%/3 days 90%/3 days 90%/3 days

Industrial Periodic Reinvestigation

Determination N/A 90%/30 days 90%/30 days 90%/30 days

**Industrial Security Program Summary**

**STRATEGIC GOAL - CONSISTENTLY PROVIDE QUALITY AND TIMELY INDUSTRIAL SECURITY PRODUCTS AND SERVICES TO OUR CUSTOMERS**

DSS plays a critical role in the successful execution of the National Industrial Security Program (NISP) for the Department of Defense and 25 non-DoD government agencies. Program success depends on effective and timely evaluation of contractors sponsored for the NISP and ensuring that those contractors have the capability to prevent, detect or minimize the compromise of classified information. While the NISP is by far DSS' largest industrial security mission workload, the agency also has mission responsibilities under the DoD Arms, Ammunitions and Explosives Program, Critical Infrastructure Protection Program and Acquisition Systems Protection Program.

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The DSS accomplished many of its NISP performance goals in FY 2002. Security reviews at cleared contractor facilities are the primary oversight function of the Industrial Security (IS) Program, and DSS accomplished all of its performance goals related to security reviews in FY 2002. DSS also met performance goals for the issuance of interim facility security clearances and interim personnel security clearances facilitating contract performance for government customers.

The DSS placed considerable effort in FY 2002 toward improving and streamlining business processes where possible. One significant modification resulted in realignment of civilian personnel from Customer Service positions at DISCO, which are non-inherently governmental tasks, to adjudicator positions, which are inherently governmental. This realignment permitted DISCO to increase the adjudicator staff by 20 percent while maintaining high quality Customer Service. Realigning these positions will allow DISCO to make further headway in reducing the on hand inventory of actions to be accomplished.

The DSS has also undertaken initiatives to improve timeliness of certifications and accreditations of automated information systems used by industry to process classified information. The timeliness of these accreditations has a direct impact on contractors' ability to perform on classified programs. In addition to hiring new Information System Security Professionals (ISSP) to improve workload capacity, a pilot test was conducted in FY 2002 in which private sector support was used to assist in the certification of information systems in defense industry. A more expanded pilot test is planned in FY 2003, and pending the results, the DSS plans to utilize private sector information assurance support nationwide in FY 2004.

A key ongoing challenge is improving the information technology (IT) infrastructure for the IS Program. In FY 2002, the IS Program made progress in determining requirements for a new Industrial Security information system, while also attempting to enhance the current field database. We look for continued progress in FY 2003. The Program's IT limitations make it difficult to collect wide-ranging program performance data without negatively impacting productivity and efficiency. Numerous manual workarounds have been established, but they are human resource intensive. The IT improvements will continue to be a key focus for the IS Program in the coming years.



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<b>V. <u>Personnel Summary:</u></b>	<u>FY 2002</u>	<u>FY 2003<sup>1</sup></u>	<u>FY 2004<sup>2</sup></u>	<u>FY 2005</u>	<u>Change</u> <u>FY 2003/FY 2004</u>	<u>Change</u> <u>FY 2004/FY 2005</u>
<u>Civilian End Strength (Total)</u>	23	22	483	483	461	0
<u>U.S. Direct Hire</u>	23	22	483	483	461	0
 <u>Civilian FTEs (Total)</u>	 24	 22	 483	 483	 461	 0
<u>U.S. Direct Hire</u>	24	22	483	483	461	0

1 Reflects NFIP (18 FTEs) and DJCIP (4 FTEs).

2 Reflects NFIP (10 FTEs), DJCIP (4 FTEs), NISP (426 FTEs), and Mgmt HQs (43 FTEs). The significant increase in FY2004 is due to the transfer of the NISP and Mgt HQs programs from the DWCF to the O&M appropriation.

<b>VI. <u>Outyear Summary:</u></b>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
O&M (Dollars in Thousands)	187,812	193,406	198,647	203,873
Civilian FTEs	483	483	483	483

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**VII. OP 32 Line Items as Applicable (Dollars in Thousands):**

		FY 2002	Price	Program	FY 2003	Price	Program	FY 2004	Price	Program	FY 2005
		Actuals	Growth	Growth	Estimate	Growth	Growth	Estimate	Growth	Growth	Estimate
101	Exec,GS Sched	2,067	72	-230	1909	43	36,184	38,136	1019	0	39,155
308	Travel	208	2	-63	147	3	1,770	1,920	39	0	1,959
402	Service Fuel	0	0	0	0	0	392	392	1	0	393
417	Loc Purch Suppl	0	0	0	0	0	526	526	1	0	527
671	Comm Svcs	0	0	0	0	0	499	499	7	-33	473
673	DFAS	0	0	0	0	0	351	351	50	0	401
678	DSS	110,765	4301	46,682	161,748	4,878	-166,626	0	0	0	0
771	Comm Transport	0	0	0	0	0	97	97	2	0	99
912	Rental to GSA	0	0	0	0	0	3,990	3,990	73	0	4,063
914	Purch Comm	0	0	0	0	0	1,219	1,219	18	-152	1,085
915	Rents	0	0	0	0	0	856	856	22	0	878
917	Postal Svc	0	0	0	0	0	148	148	2	0	150
920	Supplies	88	1	-27	62	1	39	102	1	0	103
921	Printer	0	0	0	0	0	254	254	7	0	261
922	Equip Maint	0	0	0	0	0	289	289	5	0	294
925	Equipment	225	2	-67	160	2	4700	4862	73	-700	4,235
931	Contr Consult	0	0	0	0	0	1394	1394	25	0	1419
989	Other Contracts	1133	12	157	1302	12	143598	144912	2052	-5310	141,654
998	Other Costs	0	0	0	0	0	107	107	2	0	109
	<b>Total</b>	<b>114,486</b>	<b>4,390</b>	<b>46,452</b>	<b>165,328</b>	<b>4,939</b>	<b>29,787</b>	<b>200,054</b>	<b>3,399</b>	<b>-6,195</b>	<b>197,258</b>