

*Personnel Security Investigations
for Industry and the National
Industrial Security Program*

This Page Intentionally Left Blank

Annual Report to Congress on Personnel Security Investigations for Industry and the National Industrial Security Program

U.S. Department of Defense

March 2009



Annual Report to Congress on Personnel Security Investigations (PSI) for Industry and the National Industrial Security Program

This report complies with Section 347 of the John Warner National Defense Authorization Act for Fiscal Year 2008 (Public Law 109-364). The NDAA requires the Secretary of Defense to include, in the budget justification documents submitted to Congress in support of the President's budget for the Department of Defense (DoD), a report on the future requirements of DoD with respect to the Personnel Security Investigations for Industry and the National Industrial Security Program (NISIP) of the Defense Security Service (DSS). This is the third annual report. Data in this report provided by the Office of Personnel Management (OPM) cannot be validated by DoD.

Section I: The Funding Requirements of the Personnel Security Clearance Investigation Program and the Ability of the Secretary of Defense to Fund the Program.

The FY08 total cost for Personnel Security Investigations for Industry (PSI-I) was \$222.8 million. The Department has funded \$225.9 million for FY09 requirements. In addition, the Department has approved the following PSI-I funding for FY10 to FY15. Based on current projections and requirements known at the time of this report, this funding is expected to be sufficient:

- FY10: \$230.6 million
- FY11: \$235.2 million
- FY12: \$240.0 million
- FY13: \$244.7 million
- FY14: \$249.6 million
- FY15: \$254.6 million

Industry PSIs for National Security Clearances are centrally funded through the Defense-Wide Operations and Maintenance appropriation.

**Section II: The Size of the Industry Personnel Security Clearance
Adjudication and Investigation Process Backlog**

As part of the DSS mission to facilitate the personnel security clearance process for industry, the Defense Industrial Security Clearance Office (DISCO), a DSS component, is responsible for the adjudication of PSI-Is on behalf of DoD and 23 other Federal agencies in the National Industrial Security Program. During FY08, the pending case inventory at DISCO declined from 34,630 to 3,394, marking a 90% reduction in pending adjudication inventory.

FY08 DISCO Pending Adjudications Chart

<i>Case Type</i>	<i>Oct-07 (Start of Q1)</i>	<i>Mar-08 (End of Q2)</i>	<i>Jun-08 (End of Q3)</i>	<i>Sep-08 (End of Q4)</i>	<i>Delta (Q1 vs Q4)</i>
NACLC	11,449	488	240	1953	-83%
SSBI	9,337	5,625	30	354	-96%
SBPR	4,899	3,752	5,973	757	-85%
PPR	8,945	4,923	4,210	330	-96%
Total Pending	34,630	14,788	10,453	3,394	-90%

OPM Pending Cases Report¹
Pending Cases at the close of FY08 (9/27/08) for Initial Investigations

The following OPM data depicts open DoD National Industrial Security Program initial investigations cases pending at OPM at the end of FY08 (includes cases not scheduled) as well as those pending more than 90 days or more, in successive 30-day increments.

<i>Case Type</i>	<i>Total Pending</i>	<i>91-120</i>	<i>121-150</i>	<i>151-180</i>	<i>181-210</i>	<i>211-240</i>	<i>241-270</i>	<i>271-300</i>	<i>301-330</i>	<i>331-360</i>	<i>>360</i>	<i>Total Cases 90 <</i>
Standard SSBI ²	6,720	406	130	75	40	13	9	8	4	0	3	688
NACL ³	15,561	530	245	156	60	10	11	14	7	2	9	1,044
Totals	22,281	936	375	231	100	23	20	22	11	2	12	1,732

- In all, there was a 47% reduction in the number of total pending investigations at the end of FY08 (22,281) compared to the end of FY07 (42,128).
- 8% (1,732 out of 22,281) of investigations were more than 90 days old. This is a 28 percentage point improvement over the close of FY07 where 36% of investigations were more than 90 days old.

¹ Data Source OPM, Pending Case Report

² SSBI – Single Scope Background Investigations are for Top Secret Clearances

³ NACL – National Agency Check, with Local and Credit Check Investigation for Initial Secret Clearances and Periodic Reinvestigations for Secret Clearances

OPM Pending Cases Report⁴
Pending Cases at the close of FY08 (9/27/08) for Periodic Reinvestigations

The following OPM data depicts open DoD National Industrial Security Program periodic reinvestigation cases pending at OPM at the end of FY08 (includes cases not scheduled) as well as those pending more than 180 days or more, in successive 30-day increments.

<i>Case Type</i>	<i>Total Pending</i>	<i>181-210</i>	<i>211-240</i>	<i>241-270</i>	<i>271-300</i>	<i>301-330</i>	<i>331-360</i>	<i>>360</i>	<i>Total Cases 180 <</i>
SSBI-PR ⁵	4,167	34	14	5	8	5	2	37	105
Phased PR ⁶	6,408	24	12	9	5	4	3	7	64
Totals	10,575	58	26	14	13	9	5	44	169

- In all, there was a 43% reduction in the number of total pending reinvestigations at the end of FY 08 (10,575) compared to the end of FY07 (18,696).
- 2% (169 out of 10,575) of reinvestigations were more than 180 days old. This is a 34 percentage point improvement over the close of FY07 where 36% of reinvestigations were more than 180 days old.

⁴ Data Source OPM, Pending Case Report

⁵ SSBI-PR – Single Scope Background Investigation for Periodic Re-evaluation for Top Secret Clearances

⁶ Phased-PR – is a streamlined investigation used for cases where derogatory information is not present and is for re-evaluation for Top Secret Clearances

Section III: The Length of the Average Delay for an Individual Case Pending in the Personnel Security Clearance Investigation Process

The National Industrial Security Program Policy Advisory Committee (NISPPAC) Ad Hoc Working Group⁷, consisting of members from Industry, OPM, DSS and the Information Security Oversight Office, compiled end-to-end processing time metrics for 100% of initial Top Secret and Secret clearances during FY08. Below are process timelines for closed cases, by case type, for FY08.

FY 2008 Sub-Step Timeliness – Closed Cases*

Sub-Step	Averages (Days)		
	SSBI	NACLC	SSBI PR
Industry Prep	19	18	22
DISCO Open	2	2	2
OPM Open	24	16	8
OPM Invest	114	82	150
Mail to DISCO	14	14	14
Adjudication	50	27	83
TOTAL	223	159	279

The Intelligence Reform and Terrorism Prevention Act (IRTPA) of 2004 mandates the development of a plan to reduce the length of the personnel security clearance process. To the extent practicable, the plan shall require that each authorized adjudicative agency make a determination on at least 90 percent of all applications for clearances within an average of 60 days from the date of receipt of the completed application. The act states that not more than 40 days should be spent on investigative phase and not more than 20 days should be spent on the adjudicative phase. The plan shall take effect by December 2009. During the fourth quarter of FY08, Industry clearances averaged 102 days to complete 90 percent of initial clearances end-to-end (this average covers only investigation and adjudication times). This is a significant improvement over the first quarter of FY08 when the average was 167 days.

⁷ The NISPPAC is a Federal Advisory Committee established on January 8, 1993, by Executive Order 12829, "National Industrial Security Program". The NISPPAC advises the Committee Chair on all matters related to the NISP, and is chaired by the Director of the Information Security Oversight Office.

* Pending (open) case data not available at time of publication.

Section IV: Any Progress Made by the Secretary of Defense During the 12 months Preceding the Date on Which the Report is Submitted Toward Implementing Planned Changes in the Personnel Security Clearance Investigation Process.

DSS's Personnel Security Clearance Liaison Office (CLO) is responsible for working with OPM and DoD components on the quality oversight and improvement of the DoD personnel security investigation process. CLO initiatives in FY08 include:

- **Rapid Assessment of Incomplete Security Investigations (RAISE):** RAISE is an automated investigation quality assessment tool for use by adjudicators to assess and measure whether investigations meet the scope of the national investigative standards and whether issues known at case opening or developed during a PSI are resolved before case closing. This quality review tool will identify deficient investigations and provide data that will facilitate improvements in the investigative process. The system will be deployed at DISCO during the second quarter of FY09.
- **Secure Web Fingerprint Transmission (SWFT):** All initial national security investigations require submission of fingerprints as part of the request for investigation to OPM. SWFT is a program that permits electronic submission of fingerprints for PSI-Is. In July 2008, DSS launched a pilot program with a test group of key cleared contractors. Full program implementation is set for third quarter of FY09. Electronic fingerprint transmission will reduce fingerprint rejection rates as well as improve investigative timeliness.
- **Joint Personnel Adjudication System (JPAS) Enhancement:** This enhancement allows DoD to identify special investigative processing needs to OPM via JPAS, such as identify the method of fingerprint delivery to OPM, and processing requests to verify U.S. citizenship, prior to the start of the investigation rather than post investigation completion which will improve investigative timelines. Additional enhancements will be deployed in DoD in conjunction with the new OPM Standard Form 86 release in second quarter FY09.

The DSS Personnel Security Clearance Oversight Office (COO) is responsible for estimating the annual PSI workload requirements for DoD, monitoring PSI funding, resolving billing issues between DoD and OPM and working with OPM on metrics. COO initiatives in FY08 include:

- **DSS Security Clearance Process Metrics Oversight Report:** DSS produces a monthly statistical summary of DoD Personnel Security investigation processing metrics and other elements of the security clearance process. The report includes timeliness metrics, projected vs. actual case volume, DoD pending case inventory levels, and DoD Central Adjudication Facilities' (CAF) adjudication metrics. The report is distributed to staff of the Undersecretary of Defense for Intelligence, the Military Services and the Defense Agencies as a monthly personnel security program evaluation tool. The assessment tool has been well received and has assisted recipients in tracking actual PSI submissions against budget projections.
- **Personnel Security Investigations for Industry Requirements Survey:** On April 14, 2008, DSS deployed its annual web-based survey to 10,953 cleared Industry Facility Security Officers representing 12,189 cleared facilities for the purposes of projecting PSI-I requirements. The projections are the key component in Future Years Defense Program (FYDP) DSS/DoD program planning and budgeting for NISP security clearances. With more than 83% of cleared contractor facilities responding (representing 92% of the cleared contractor population), the survey has proven to be highly effective in projecting contractor security clearance requirements. Projections provided from the survey in FY07 were 103.9% of actual submissions. At the close of FY08, industry clearance eligibility submissions were .9% above projections, which is well within the OMB mandate that the survey results be +/- 5% of actual submissions.
- **Weekly PSI Budget Checkbook:** DSS monitors DoD component submission of personnel security clearance requests and distributes to each component a weekly summary report of PSI expenses to date and a projection of expenses for the fiscal year. The report identifies actual submissions by case type and cost. Estimated annual expenditures are based on FY08 personnel security investigation case projections provided by each agency, plus a 3.2% adjustment for the costs associated with the Special Interview (SPIN) and Reimbursable Security Interview (RSI). The report is an excellent picture of actual PSI expenses compared to the PSI budget and assists DoD components in identifying potential or actual budget shortfalls.
- **PSI Billing Automation:** The current method of processing bills received from OPM by DoD includes both automated and manual processes. DSS is completing development of a fully automated system to improve accuracy, correctly identify DoD components' separate shares of the OPM bill and efficiently process bills for payment. The PSI billing system will establish consistent customer files, which will lead to accurate communication and will facilitate prompt payments by DoD components. The billing system will be operational during the fourth quarter of FY09.

- Billing Transaction Database: DSS has developed a billing transaction database which depicts the cost of all personnel security investigations since FY06. The database is a useful audit tool to identify discrepancies in OPM invoices for personnel security investigations. Every PSI transaction is grouped by special key identifier and allows DSS to identify potential overcharges and duplicate billing entries. The database has been instrumental in identifying OPM billing system anomalies such as excessive charges for Entrance National Agency Check (ENTNAC) to National Agency Check with Local and Credit Check (NACLC) conversions.

In 2004, Congress enacted the Intelligence Reform and Terrorism Prevention Act of 2004 (IRTPA). IRTPA mandated specific goals for improving timeliness for both personnel security investigations and adjudications. DISCO, the DSS adjudication facility has exceeded the mandated IRTPA guidelines for completion of adjudications. During FY08, DISCO achieved significant success in reducing average adjudication process times as well as increasing the number of adjudications completed. These gains were achieved through mandatory overtime and increased proficiency of adjudicators hired during the last 12 to 18 months.

- In FY08, DISCO completed 90% of initial adjudications in 20 days. This exceeded the 25-day intermediate IRTPA goal established by the Office of Management and Budget by five days.
- DISCO increased the number of interim personnel security clearance eligibilities granted by 11%, from 82,550 in FY07 to 92,350 in FY08.
- DISCO increased the number of initial personnel security clearance adjudications measured by IRTPA by 35% from FY07 to FY08 (from 111,415 in FY07 to 150,333 in FY08).
- DISCO increased the number of all adjudications (initial and other) by 38%, from 139,345 in FY07 to 191,914 in FY08.
- DISCO increased the number of overall personnel security clearance eligibilities granted by 30%, from 139,407 in FY07 to 181,179 in FY08.

Personnel Security Clearance Eligibilities Granted by DISCO FY05 - FY08

Year	Top Secret	Secret	Confidential
FY08	73,063	108,115	1
FY07	40,494	98,909	4
FY06	34,098	92,980	0
FY05	34,512	73,306	528

During FY08, DISCO developed the following initiatives to improve the personnel security clearance process:

- **DISCO Satellite Office:** DSS established a DISCO satellite office in the vicinity of Fort Meade, Md., in FY08 to reduce the disruptions involved with the pending relocation of DISCO from Columbus, Ohio, to Fort Meade in 2011, as directed in connection with the 2005 Base Realignment and Closure (BRAC) Commission recommendations.
- **Clearance Adjudication Tracking System (CATS):** DISCO is working with the Army and the DoD Business Transformation Agency (BTA) to adopt the Army's CATS system. Implementation of the system at DISCO is scheduled for March 2009. The CATS system will include a JPAS/CATS interface and will enable DISCO to receive and process reports of investigations electronically vice manually and will assist in managing work flow to DISCO adjudicators.

In FY08 the Department completed its' development of the Level 1 DoD Adjudicator Certification Program, a Security Education Training and Awareness (SETA) initiative. This certification program will promote verifiable and sustained competency among the adjudicative workforce through training, initial testing, and approved continuing education. DSS is responsible to administering and maintaining the program. The certification program will be implemented during the second quarter of FY09.

**SECTION V: Determination by the Secretary of Defense of whether the
Personnel Security Clearance Investigation Process has Improved
During the 12 months Preceding the Date of the Report**

The Department of Defense is committed to working with Congress to improve the personnel security process. As reflected in this document, the Department of Defense has made improvements in the funding and management of its PSI process, has improved the timeliness of adjudications and significantly reduced the pending adjudicative inventory. The Department continues to support the Joint Security and Suitability and Reform Team and will work toward making more significant improvements in the future.

PL 109-364, SEC. 347. ANNUAL REPORT ON PERSONNEL SECURITY INVESTIGATIONS FOR INDUSTRY AND NATIONAL INDUSTRIAL SECURITY PROGRAM

(a) ANNUAL REPORT REQUIRED.—The Secretary of Defense shall include in the budget justification documents submitted to Congress in support of the President’s budget for the Department of Defense for each fiscal year, a report on the future requirements of the Department of Defense with respect to the Personnel Security Investigations for Industry and the National Industrial Security Program of the Defense Security Service.

(b) CONTENTS OF REPORT. —Each report required to be submitted under subsection (a) shall include the following:

- (1) The funding requirements of the personnel security clearance investigation program and ability of the Secretary of Defense to fund the program.
- (2) The size of the personnel security clearance investigation process backlog.
- (3) The length of the average delay for an individual case pending in the personnel security clearance investigation process.
- (4) Any progress made by the Secretary of Defense during the 12 months preceding the date on which the report is submitted toward implementing planned changes in the personnel security clearance investigation process.
- (5) A determination certified by the Secretary of Defense of whether the personnel security clearance investigation process has improved during the 12 months preceding the date on which the report is submitted.

(c) COMPTROLLER GENERAL REPORT.—Not later than 180 days after the Secretary of Defense submits the first report required under subsection (a), the Comptroller General shall submit to Congress a report that contains a review of such report. The Comptroller General’s report shall include the following:

- (1) The number of personnel security clearance investigations conducted during the period beginning on October 1, 1999, and ending on September 30, 2006.
- (2) The number of each type of security clearance granted during that period.
- (3) The unit cost to the Department of Defense of each security clearance granted during that period.
- (4) The amount of any fee or surcharge paid to the Office of Personnel Management as a result of conducting a personnel security clearance investigation.
- (5) A description of the procedures used by the Secretary of Defense to estimate the number of personnel security clearance investigations to be conducted during a fiscal year.
- (6) A description of any plan developed by the Secretary of Defense to reduce delays and backlogs in the personnel security clearance investigation process.
- (7) A description of any plan developed by the Secretary of Defense to adequately fund the personnel security clearance investigation process.
- (8) A description of any plan developed by the Secretary of Defense to establish a more stable and effective Personnel Security Investigations Program.