

*U.S. DEPARTMENT OF COMMERCE*  
*Office of Inspector General*

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*OFFICE OF THE SECRETARY*

*Program for Designating Positions  
According to Their Risk and Sensitivity  
Needs to Be Updated and Strengthened*

*Final Inspection Report No. OSE-14486/September 2001*

**PUBLIC  
RELEASE**


*Office of Systems Evaluation*



UNITED STATES DEPARTMENT OF COMMERCE  
The Inspector General  
Washington, D.C. 20230

SEP 28 2001

**MEMORANDUM FOR:** Otto Wolff  
Chief Financial Officer and Assistant  
Secretary for Administration

**FROM:** Johnnie E. Frazier 

**SUBJECT:** Office of the Secretary  
*Program for Designating Positions According to Their Risk and  
Sensitivity Needs to Be Updated and Strengthened*  
Final Inspection Report No. OSE-14486

This is the final report on our evaluation of the Department's program for designating positions according to their level of risk and sensitivity. *Risk* designations address the potential damage an individual could cause to the efficiency and integrity of government programs and operations, whereas *sensitivity* designations address the potential adverse impact on national security.

Our evaluation concluded that the Department's guidance for designating positions as to risk and sensitivity is out of date and needs to be revised immediately and disseminated to all operating units. Further, we found instances where the Department's records on employee background investigations are incomplete and need to be updated. As a result of the deficiencies in the personnel designation program, risk levels for some positions are inconsistent with their levels of responsibility and trust, some positions that do not have national security impacts are erroneously designated as such, and some employees have not had appropriate background investigations.<sup>1</sup> Because of record keeping problems, the Department cannot always identify what type of background investigation, if any, has been performed.

This review was prompted, in part, by our recent evaluation of the security of the Census Bureau's Advance Retail Sales Principal Economic Indicator, which suggested that the issues of appropriate sensitivity and risk designations and background investigations may exist elsewhere in Commerce.<sup>2</sup> On July 3, 2001, we briefed the Deputy Assistant Secretary for Security and the

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<sup>1</sup>Our review did not address whether appropriate designations have been made for positions having national security impacts.

<sup>2</sup>*Additional Security Measures Needed for Advance Retail Sales Economic Indicator*, Final Inspection Report No. OSE-12754, September 2001.

Director of Human Resources Management on these issues. Both generally concurred with our conclusion that the Department's program for designating positions and conducting and recording background investigations need to be updated and strengthened, as well as with our preliminary recommendations, and they immediately advised us of their plan to form a joint team to address these issues. We then held meetings with the Deputy Assistant Secretary for Security and the Director of Human Resources Management and members of their staffs at which they presented information on their roles and responsibilities, plans to address our findings and recommendations, and tentative dates for completion of proposed corrective actions.

The Chief Financial Officer and Assistant Secretary for Administration agreed with the findings and recommendations of our draft report, and the Deputy Assistant Secretary for Security and the Director of Human Resources Management are coordinating the development of a plan to implement our recommendations. The response to our draft report is included as an attachment to this report and constitutes the action plan. We will consider the matter resolved when we receive a copy of the plan referenced in the response.

## INTRODUCTION

The Department of Commerce has numerous positions that involve policy-making, major program responsibility, public safety and health, law enforcement, fiduciary responsibilities, and other duties demanding a significant degree of public trust. Many Commerce positions involve access to or operation or control of financial records, which, if misused, pose a significant risk for causing damage or realizing inappropriate personal gain. These types of positions are considered to have high or moderate risk levels and would normally be designated as "public trust" positions. Agency heads are required to designate every competitive service position within the agency at a high, moderate, or low risk level as determined by the position's potential for adversely affecting the efficiency and integrity of government programs and operations.<sup>3</sup>

Commerce also has positions that could allow employees to have a material adverse effect on national security. Agency heads are similarly required to designate such positions according to their level of sensitivity—nonsensitive, non-critical sensitive, critical sensitive, and special sensitive.<sup>4</sup>

Guidance for designating positions within the Department according to the four national security sensitivity levels and for determining the type of background investigation appropriate for each level is contained in the Commerce *Personnel Security Manual*. This manual, which was issued

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<sup>3</sup>Positions designated as low risk are not considered "public trust" positions.

<sup>4</sup>5 CFR 731, *Suitability* and 5 CFR 732, *National Security Positions*.

by the Office of Security in December 1988, implemented then-current Federal Personnel Manual (FPM) chapters 731 (Personnel Suitability), 732 (Personnel Security), 736 (Personnel Investigations), and 754 (Suitability Disqualification Actions). In November 1989, the Department's Office of Personnel and Civil Rights issued the final version of Department Administrative Order (DAO) 202-731, *Position Sensitivity for Personnel Suitability and Personnel Security Purposes*, which established the four-level system for designating the sensitivity of positions for personnel suitability and national security purposes as described in FPM chapters 731 and 732.

When DAO 202-731 was issued in 1989, positions having a potential impact on efficiency and integrity (i.e., public trust positions) were designated according to the same sensitivity levels as positions dealing with national security. For example, a position that required the employee to deal regularly with sensitive economic information that is not available to the public might have been designated as critical sensitive, but without a need to access national security information. However, in 1991, the Office of Personnel Management (OPM) issued Appendix A to 731 Subchapter 5 of the FPM. This appendix provided guidance and criteria for designating positions of public trust, such as those dealing with development of Principal Federal Economic Indicators, as high, moderate, or low risk. It also specified the type of background investigation appropriate for each of these risk levels. However, the FPM was abolished in December 1993.

On December 28, 2000, OPM published revised regulations in the *Federal Register* concerning the designation of positions based on risk level and the associated background investigation requirements. These regulations, found at 5 Code of Federal Regulations Part 731, became effective on March 30, 2001; however, they do not provide details, such as those provided by FPM Appendix A, for designating position risk levels and do not identify background investigation requirements for the various risk levels. Rather than including these details in the regulations, OPM decided to offer federal agencies training on designating position risk levels and determining appropriate background investigations. Although the revised regulations only address risk levels, the training also provides guidance on designating position sensitivity levels and determining appropriate background investigations for positions dealing with national security. OPM's Federal Investigations Notice No. 01-08, dated March 19, 2001, provides details about the available training.

Additionally, because of the abolishment of the FPM, the revised regulation includes a section outlining OPM's and agencies' responsibilities for personnel security associated with the design, operation, and use of federal automated information systems, as required by OMB Circular A-130, *Management of Federal Information Resources*, and the Computer Security Act. OPM's training addresses the designation of positions dealing with federal automated information systems from both the risk and sensitivity perspectives.

## OBJECTIVES, SCOPE, AND METHODOLOGY

The objective of this evaluation was to assess the Department's program for designating positions of employment according to their impact on the efficiency and integrity of government programs and operations or on national security and for ensuring that appropriate background investigations are performed. We reviewed applicable Department Administrative Orders, as well as manuals and information provided by OPM, and held discussions with representatives from the Department's Office of Security (OSY) and the Office of Human Resources Management (OHRM). To ascertain whether the issues raised in our work on Advance Retail Sales were of concern in other areas of the Department, we reviewed guidance from human resources management offices for selected operating units, as well as background investigation records.

Our evaluation was conducted in accordance with the *Quality Standards for Inspections* issued by the President's Council on Integrity and Efficiency, and was performed under the authority of the Inspector General Act of 1978, as amended, and Departmental Organization Order 10-13, dated May 22, 1980, as amended.

## FINDINGS AND RECOMMENDATIONS

Department guidance for designating positions according to their impact on the efficiency and integrity of government programs and operations or on national security is out of date and needs to be revised immediately and promulgated to all Commerce operating units. Furthermore, the Department's records of background investigations conducted for employees are incomplete and need to be updated. Finally, the Department needs to ensure that its operating units understand and are implementing the new guidance.

### I. Department Guidance for Designating Positions is Out of Date, and Positions are Designated Incorrectly

DAO 202-731 and the *Personnel Security Manual* are the official Department-level documents that provide guidance for designating positions according to their potential impact on the efficiency and integrity of government programs and operations or the national security and for conducting appropriate background investigations. However, because these documents were issued in 1989 and 1988, respectively, they do not address important changes to position designation and investigation guidance brought about by modifications to the FPM, 5 Code of Federal Regulations, and OMB Circular A-130. Neither the DAO nor the security manual includes guidance for assigning risk levels to positions that could affect the efficiency and integrity of government programs and operations, or conducting associated background investigations. Each document should have been updated and reissued as changes to the FPM, 5

CFR, and OMB Circular A-130 were made. As noted earlier, rather than developing detailed implementation guidance, OPM decided to offer federal agencies training that is consistent with current regulations for designating position risk and sensitivity levels and determining appropriate background investigations.

In March 1993, OHRM issued Departmental Notice 93-2 to implement the changes in the FPM and 5 CFR, which clarified the distinctions between suitability and national security requirements and added a system of risk designation and investigative requirements. DAO 202-731 should have been modified to incorporate the requirements of the notice before its expiration date of September 30, 1993. However, DAO 202-731 was never modified and reissued. The *Personnel Security Manual* should also have been modified to include the departmental guidance. A 1995 draft version of the Personnel Security Manual included much of the guidance, but was never finalized by OSY.

Because DAO 202-731 and the *Personnel Security Manual* have not kept pace with changes that affected all federal agencies, Commerce operating units have no current, official Department-level guidance for designating public trust and national security positions and conducting appropriate background investigations. As a result, some positions of public trust within the Department and its operating units are designated according to national security sensitivity levels rather than the appropriate risk levels, a circumstance that can lead to inappropriate background investigations. Also, risk levels for some positions are inconsistent with their level of responsibility and trust.

Moreover, the responsibility and authority of personnel involved in the designation process are not clear, and human resources, security, and management officials do not always understand their responsibilities. DAO 202-731 names the head of the operating unit as the responsible official for ensuring that the sensitivity designations of positions are accurate and for making the designations. Supervisors are responsible for making recommendations to designating officials on sensitivity levels for positions. The order permits the designation authority to be redelegated only to officials to whom full personnel management authority has been delegated. Servicing personnel officers are to review position designations for adherence to level definitions and consistency across similar positions and to provide advice and guidance, as needed. Disputes between personnel officers and designating officials are to be resolved by the next higher management level. Servicing personnel officers also are responsible for initiating the appropriate personnel investigation. Servicing security officers are to provide advice and guidance to designating officials in cases involving access to classified information or other national security issues.

Departmental Notice 93-2 attempted to revise this authority, including giving managers increased responsibility and authority. It delegated authority for position sensitivity and risk level

designation to the heads of operating units, principal personnel officers, and servicing personnel officers, but allowed heads of operating units to authorize subordinate managers and supervisors to designate risk levels. It also made supervisors responsible for determining whether, and to what extent, a position requires access to national security information. Heads of operating units were to arbitrate disputes between managers and personnel officers regarding sensitivity and risk level designations. Servicing personnel officers were to be responsible for keeping position sensitivity and risk designations current for the National Finance Center personnel/payroll system, and security officers were responsible for assuring that investigation requests by management were consistent with the data going to the Finance Center and for initiating the investigation process. The notice also included provisions for suitability adjudication.<sup>5</sup> However, as noted previously, the notice expired in September 1993.

As a result of our discussions, OHRM and OSY have begun to coordinate efforts to update DAO 202-731 and the *Personnel Security Manual* to reflect the current governing regulations and should continue this new process. However, the Department needs to assess the responsibilities and authorities associated with position sensitivity and risk designations, including the role of managers; determine how the responsibilities and authorities will be allocated; and ensure that they are understood by managers, personnel officials, and security officials. In addition, managers and staff from OHRM and OSY should (1) attend OPM-approved training on designating position risk and sensitivity levels and determining appropriate background investigations, (2) update DAO 202-731 and the *Personnel Security Manual* to include OPM's latest guidance and clearly identify the roles and responsibilities of heads of operating units, subordinate managers and supervisors, servicing personnel officers, and security officers, and (3) distribute revised departmental guidance to all operating units.

## II. Records of Investigations Are Incomplete, and Employees Lack Appropriate Investigations

The Department lacks current and complete information on employee risk or sensitivity levels and the type and currency of the investigations, if any, conducted for employees. During our evaluation of the Census Bureau's Advance Retail Sales economic indicator, we noted that OSY was unable to provide investigation records for many employees in the Census Bureau's Economic Programs Directorate. OSY currently uses two automated systems to track the type of investigation performed and the date the investigation was completed; however, in many cases, neither system contains the needed information. Our Census Bureau evaluation also found that,

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<sup>5</sup>Suitability adjudication means assessing an individual's past and present conduct for indications of probable future actions with adverse impact on the efficiency of the service and includes deciding to take action based on pre-employment factors, such as falsification of application documents.

in some cases, employees did not have the level of background investigation required by the risk level of their positions.

In a later review of a sample of investigation records provided by OSY for employees of the National Institute of Standards and Technology, the Bureau of Export Administration, and the National Oceanic and Atmospheric Administration, we found additional instances where employees did not have the level of background investigation required by the sensitivity or risk level designation of their positions. In some cases, the level of background investigation was too low and thus would not provide assurance that employees could be trusted with the information to which they have access. In other cases, the level was too high and, hence, unnecessarily expensive and intrusive. The sample also contained records indicating what type of investigation was conducted and when it was conducted, but did not include the position designation, which is needed to determine whether the appropriate level of investigation had been conducted, and thus, is not an effective management tool. A further indication of problems is that the Department began participating in a pilot project with OPM in 1998 to enter agency investigation data into OPM's Suitability Investigations Index database, but, according to OSY, later withdrew from the project because of a lack of confidence in the data.

The Department should maintain an accurate database that indicates the position designation and investigation data for all employees. The data should indicate the employee's risk or sensitivity level, as well as what type of investigation was conducted and when it was conducted. Without accurate data, it is impossible to determine whether employees have had the appropriate background investigation and are suitable to fill their positions based on the sensitivity or risk designation. Having a database that contains accurate investigation data for each employee is also important because the database can be used to automatically notify security personnel when reinvestigations are due to be conducted.

### **III. Recommendations**

We recommend that the Chief Financial Officer and Assistant Secretary for Administration take the necessary actions to:

1. Assess the responsibilities and authorities associated with position sensitivity and risk designations, determine how they should be allocated, and ensure that they are understood by managers, personnel officials, and security officials.
2. Ensure that managers and staff from OHRM and OSY attend OPM-approved training for designating risk-based and sensitivity-based positions and for determining appropriate background investigations.



3. Ensure that OHRM and OSY continue to coordinate their efforts for developing revisions to DAO 202-731 and the *Personnel Security Manual* according to OPM regulation and guidance, and ensure that roles and responsibilities of heads of operating units, subordinate managers and supervisors, servicing personnel officers, and security officers are clearly stated.
4. Ensure that Commerce operating unit human resources and security personnel receive appropriate training and that they can implement the new regulations and guidance.
5. Ensure that heads of operating units, subordinate managers, and supervisors are aware of and can implement their roles and responsibilities for position designation.
6. Require OSY and OHRM to improve record keeping to ensure that background investigation data is accurately maintained for all employees.
7. Direct OHRM and OSY to develop a plan to determine whether current positions within the Department are properly designated according to risk or sensitivity level, appropriate background investigations have been conducted, and reinvestigations are being conducted as necessary.



As noted previously, the Chief Financial Officer and Assistant Secretary for Administration agreed with the findings and recommendations of our draft report, and the Deputy Assistant Secretary for Security and the Director of Human Resources Management are coordinating the development of a plan to implement our recommendations. The response to our draft report is included as an attachment to this report and constitutes the action plan. We will consider the matter resolved when we receive a copy of the plan referenced in the response.

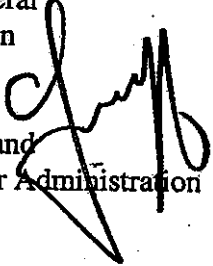
We appreciate the cooperation and courtesies extended to us by your staff during our review.

Attachment



UNITED STATES DEPARTMENT OF COMMERCE  
Chief Financial Officer  
Assistant Secretary for Administration  
Washington, D.C. 20230

MEMORANDUM FOR: Judith J. Gordon  
Assistant Inspector General  
for Systems Evaluation

FROM: Otto J. Wolff   
Chief Financial Officer and  
Assistant Secretary for Administration

SUBJECT: Office of the Secretary  
*Program for Designating Positions According to Their Risk and  
Sensitivity Needs to Be Updated and Strengthened*  
Draft Inspection Report No. OSE-14486

I am in agreement with the findings and recommendations included in the subject report. We are taking immediate action to revise Departmental Administrative Order 202-731. Additionally, staff is doing a comprehensive review of material in the Departmental *Personnel Security Manual* revising it to comport with controlling directives, regulations and guidance.

The staffs of the Office of Human Resources Management and the Office of Security have collaborated to develop a plan that addresses the recommendations contained in the report. Attached is a summary of the key actions we will take to respond to the seven recommendations.

Do not hesitate to contact me if you need further information about our current and projected plans for improving the overall process of security designations and investigations.

Attachment

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Sensitivity Needs to Be Updated and Strengthened*  
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**Recommendation 1.** Assess the responsibilities and authorities associated with position sensitivity and risk designations, determine how they should be allocated and ensure that they are understood by managers, personnel officials, and security officials.

**Action:** Deliberations have begun among the responsible staff offices and the determination regarding where and how designations should be made will be forthcoming in the first quarter of FY 2002. Those determinations will be clearly conveyed to all officials via such means as training sessions, mandatory briefings, and on-line tutorials.

**Recommendation 2.** Ensure that managers and staff from OHRM and OSY attend OPM-approved training for designating risk-based and sensitivity-based positions and for determining appropriate background investigations.

**Action:** Key staff attended a course in mid-September 2001, on submitting and processing investigation forms. A larger group of OHRM and OSY staff is scheduled to receive a 5-day "train the trainer" class at the end of October.

**Recommendation 3.** Ensure that OHRM and OSY continue to coordinate their efforts for developing revisions to DAO 202-731 and the *Personnel Security Manual* according to OPM regulation and guidance, and ensure that roles and responsibilities of heads of operating units, subordinate managers and supervisors, servicing personnel officers, and security officers are clearly stated.

**Action:** Revisions to both documents are being accomplished in a collaborative mode by a joint OHRM-OSY team.

**Recommendation 4.** Ensure that Commerce operating unit human resources and security personnel receive appropriate training and that they can implement their roles and responsibilities for position designation.

**Action:** Our strategy for corrective action includes a plan to deploy trainers in each bureau to convey technical knowledge and information to human resources and security personnel. Classes will be conducted for human resources and security staffs on position sensitivity and suitability determinations and the attendant processes.

**Recommendation 5:** Ensure that heads of operating units, subordinate managers, and supervisors are aware of and can implement their roles and responsibilities for position designation.

**Action:** We plan for bureaus to conduct training for managers. We will also develop an on-line personnel security tutorial that will improve understanding and provide easy, remote access to information about roles and responsibilities.

**Recommendation 6.** Require OSY and OHRM to improve record keeping to ensure that background investigation data is accurately maintained for all employees.

**Action:** The offices are revising the system for recording completion of investigations.

**Recommendation 7.** Direct OHRM and OSY to develop a plan to determine whether current positions within the Department are properly designated according to risk or sensitivity level, appropriate background investigations have been conducted, and reinvestigations are being conducted as necessary.

**Action:** Our refocused efforts will include an oversight plan and on-site oversight reviews to ensure compliance with all applicable rules, regulations and guidelines, and to detect areas that would benefit from improved communications or processes on the part of the Department.

Director of Human Resources Management on these issues. Both generally concurred with our conclusion that the Department's program for designating positions and conducting and recording background investigations need to be updated and strengthened, as well as with our preliminary recommendations, and they immediately advised us of their plan to form a joint team to address these issues. We then held meetings with the Deputy Assistant Secretary for Security and the Director of Human Resources Management and members of their staffs at which they presented information on their roles and responsibilities, plans to address our findings and recommendations, and tentative dates for completion of proposed corrective actions.

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## **INTRODUCTION**

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Commerce also has positions that could allow employees to have a material adverse effect on national security. Agency heads are similarly required to designate such positions according to their level of sensitivity—nonsensitive, non-critical sensitive, critical sensitive, and special sensitive.<sup>4</sup>

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On December 28, 2000, OPM published revised regulations in the *Federal Register* concerning the designation of positions based on risk level and the associated background investigation requirements. These regulations, found at 5 Code of Federal Regulations Part 731, became effective on March 30, 2001; however, they do not provide details, such as those provided by FPM Appendix A, for designating position risk levels and do not identify background investigation requirements for the various risk levels. Rather than including these details in the regulations, OPM decided to offer federal agencies training on designating position risk levels and determining appropriate background investigations. Although the revised regulations only address risk levels, the training also provides guidance on designating position sensitivity levels and determining appropriate background investigations for positions dealing with national security. OPM's Federal Investigations Notice No. 01-08, dated March 19, 2001, provides details about the available training.

Additionally, because of the abolishment of the FPM, the revised regulation includes a section outlining OPM's and agencies' responsibilities for personnel security associated with the design, operation, and use of federal automated information systems, as required by OMB Circular A-130, *Management of Federal Information Resources*, and the Computer Security Act. OPM's training addresses the designation of positions dealing with federal automated information systems from both the risk and sensitivity perspectives.

## OBJECTIVES, SCOPE, AND METHODOLOGY

The objective of this evaluation was to assess the Department's program for designating positions of employment according to their impact on the efficiency and integrity of government programs and operations or on national security and for ensuring that appropriate background investigations are performed. We reviewed applicable Department Administrative Orders, as well as manuals and information provided by OPM, and held discussions with representatives from the Department's Office of Security (OSY) and the Office of Human Resources Management (OHRM). To ascertain whether the issues raised in our work on Advance Retail Sales were of concern in other areas of the Department, we reviewed guidance from human resources management offices for selected operating units, as well as background investigation records.

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## FINDINGS AND RECOMMENDATIONS

Department guidance for designating positions according to their impact on the efficiency and integrity of government programs and operations or on national security is out of date and needs to be revised immediately and promulgated to all Commerce operating units. Furthermore, the Department's records of background investigations conducted for employees are incomplete and need to be updated. Finally, the Department needs to ensure that its operating units understand and are implementing the new guidance.

### **I. Department Guidance for Designating Positions is Out of Date, and Positions are Designated Incorrectly**

DAO 202-731 and the *Personnel Security Manual* are the official Department-level documents that provide guidance for designating positions according to their potential impact on the efficiency and integrity of government programs and operations or the national security and for conducting appropriate background investigations. However, because these documents were issued in 1989 and 1988, respectively, they do not address important changes to position designation and investigation guidance brought about by modifications to the FPM, 5 Code of Federal Regulations, and OMB Circular A-130. Neither the DAO nor the security manual includes guidance for assigning risk levels to positions that could affect the efficiency and integrity of government programs and operations, or conducting associated background investigations. Each document should have been updated and reissued as changes to the FPM, 5

CFR, and OMB Circular A-130 were made. As noted earlier, rather than developing detailed implementation guidance, OPM decided to offer federal agencies training that is consistent with current regulations for designating position risk and sensitivity levels and determining appropriate background investigations.

In March 1993, OHRM issued Departmental Notice 93-2 to implement the changes in the FPM and 5 CFR, which clarified the distinctions between suitability and national security requirements and added a system of risk designation and investigative requirements. DAO 202-731 should have been modified to incorporate the requirements of the notice before its expiration date of September 30, 1993. However, DAO 202-731 was never modified and reissued. The *Personnel Security Manual* should also have been modified to include the departmental guidance. A 1995 draft version of the Personnel Security Manual included much of the guidance, but was never finalized by OSY.

Because DAO 202-731 and the *Personnel Security Manual* have not kept pace with changes that affected all federal agencies, Commerce operating units have no current, official Department-level guidance for designating public trust and national security positions and conducting appropriate background investigations. As a result, some positions of public trust within the Department and its operating units are designated according to national security sensitivity levels rather than the appropriate risk levels, a circumstance that can lead to inappropriate background investigations. Also, risk levels for some positions are inconsistent with their level of responsibility and trust.

Moreover, the responsibility and authority of personnel involved in the designation process are not clear, and human resources, security, and management officials do not always understand their responsibilities. DAO 202-731 names the head of the operating unit as the responsible official for ensuring that the sensitivity designations of positions are accurate and for making the designations. Supervisors are responsible for making recommendations to designating officials on sensitivity levels for positions. The order permits the designation authority to be redelegated only to officials to whom full personnel management authority has been delegated. Servicing personnel officers are to review position designations for adherence to level definitions and consistency across similar positions and to provide advice and guidance, as needed. Disputes between personnel officers and designating officials are to be resolved by the next higher management level. Servicing personnel officers also are responsible for initiating the appropriate personnel investigation. Servicing security officers are to provide advice and guidance to designating officials in cases involving access to classified information or other national security issues.

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As a result of our discussions, OHRM and OSY have begun to coordinate efforts to update DAO 202-731 and the *Personnel Security Manual* to reflect the current governing regulations and should continue this new process. However, the Department needs to assess the responsibilities and authorities associated with position sensitivity and risk designations, including the role of managers; determine how the responsibilities and authorities will be allocated; and ensure that they are understood by managers, personnel officials, and security officials. In addition, managers and staff from OHRM and OSY should (1) attend OPM-approved training on designating position risk and sensitivity levels and determining appropriate background investigations, (2) update DAO 202-731 and the *Personnel Security Manual* to include OPM's latest guidance and clearly identify the roles and responsibilities of heads of operating units, subordinate managers and supervisors, servicing personnel officers, and security officers, and (3) distribute revised departmental guidance to all operating units.

## **II. Records of Investigations Are Incomplete, and Employees Lack Appropriate Investigations**

The Department lacks current and complete information on employee risk or sensitivity levels and the type and currency of the investigations, if any, conducted for employees. During our evaluation of the Census Bureau's Advance Retail Sales economic indicator, we noted that OSY was unable to provide investigation records for many employees in the Census Bureau's Economic Programs Directorate. OSY currently uses two automated systems to track the type of investigation performed and the date the investigation was completed; however, in many cases, neither system contains the needed information. Our Census Bureau evaluation also found that,

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in some cases, employees did not have the level of background investigation required by the risk level of their positions.

In a later review of a sample of investigation records provided by OSY for employees of the National Institute of Standards and Technology, the Bureau of Export Administration, and the National Oceanic and Atmospheric Administration, we found additional instances where employees did not have the level of background investigation required by the sensitivity or risk level designation of their positions. In some cases, the level of background investigation was too low and thus would not provide assurance that employees could be trusted with the information to which they have access. In other cases, the level was too high and, hence, unnecessarily expensive and intrusive. The sample also contained records indicating what type of investigation was conducted and when it was conducted, but did not include the position designation, which is needed to determine whether the appropriate level of investigation had been conducted, and thus, is not an effective management tool. A further indication of problems is that the Department began participating in a pilot project with OPM in 1998 to enter agency investigation data into OPM's Suitability Investigations Index database, but, according to OSY, later withdrew from the project because of a lack of confidence in the data.

The Department should maintain an accurate database that indicates the position designation and investigation data for all employees. The data should indicate the employee's risk or sensitivity level, as well as what type of investigation was conducted and when it was conducted. Without accurate data, it is impossible to determine whether employees have had the appropriate background investigation and are suitable to fill their positions based on the sensitivity or risk designation. Having a database that contains accurate investigation data for each employee is also important because the database can be used to automatically notify security personnel when reinvestigations are due to be conducted.

### **III. Recommendations**

We recommend that the Chief Financial Officer and Assistant Secretary for Administration take the necessary actions to:

2. Assess the responsibilities and authorities associated with position sensitivity and risk designations, determine how they should be allocated, and ensure that they are understood by managers, personnel officials, and security officials.
3. Ensure that managers and staff from OHRM and OSY attend OPM-approved training for designating risk-based and sensitivity-based positions and for determining appropriate background investigations.

4. Ensure that OHRM and OSY continue to coordinate their efforts for developing revisions to DAO 202-731 and the *Personnel Security Manual* according to OPM regulation and guidance, and ensure that roles and responsibilities of heads of operating units, subordinate managers and supervisors, servicing personnel officers, and security officers are clearly stated.
5. Ensure that Commerce operating unit human resources and security personnel receive appropriate training and that they can implement the new regulations and guidance.
6. Ensure that heads of operating units, subordinate managers, and supervisors are aware of and can implement their roles and responsibilities for position designation.
7. Require OSY and OHRM to improve record keeping to ensure that background investigation data is accurately maintained for all employees.
8. Direct OHRM and OSY to develop a plan to determine whether current positions within the Department are properly designated according to risk or sensitivity level, appropriate background investigations have been conducted, and reinvestigations are being conducted as necessary.



As noted previously, the Chief Financial Officer and Assistant Secretary for Administration agreed with the findings and recommendations of our draft report, and the Deputy Assistant Secretary for Security and the Director of Human Resources Management are coordinating the development of a plan to implement our recommendations. The response to our draft report is included as an attachment to this report and constitutes the action plan. We will consider the matter resolved when we receive a copy of the plan referenced in the response.

We appreciate the cooperation and courtesies extended to us by your staff during our review.

Attachment