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National Security and
International Affairs Division

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September 18, 1987

The Honorable William D. Ford
Chairman, Committee on Post Office
and Civil Service
House of Representatives

The Honorable Patricia Schroeder
Chairwoman, Subcommittee on Civil Service
Committee on Post Office and Civil Service
House of Representatives

In your May 1986 letters and in subsequent meetings with your representatives, you asked us to review the status of the Department of Defense (DOD) security clearance reduction program and DOD efforts to reduce the backlog of periodic reinvestigations. You also asked us to describe other major personnel and information security initiatives and their status.

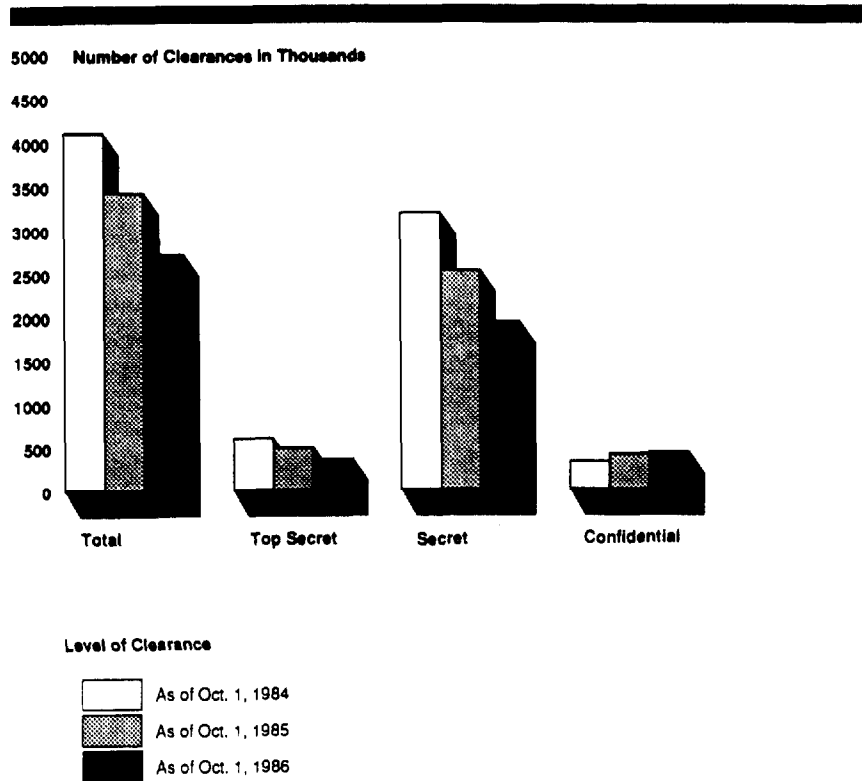
DOD estimated that at the beginning of fiscal year 1985 about 4.1 million DOD civilian, military, and defense industry personnel had security clearances. DOD believed that a large number of these individuals had access to classified information on a continuing basis, suggesting, because of the large number of people with clearances, a vulnerability to compromise of such information. DOD expressed concern that the number of personnel security investigations conducted annually had increased 50 percent since 1975, causing delays in completing investigations and periodic reinvestigations. In 1985 DOD estimated that approximately 300,000 individuals with top secret clearances would be overdue for reinvestigation in 1986.

DOD set goals to reduce security clearances and background investigations, and the Congress appropriated funds to reduce the reinvestigation backlog. In most cases, DOD exceeded its goals of 10-percent reductions in the number of individuals with security clearances and initial background investigations. In addition, DOD reported that it almost achieved the legislative goal of a 25-percent reduction in the backlog of reinvestigations with far less funding than originally anticipated. An overview of these programs and the status of recent actions to improve information and personnel security are provided below, with more detailed information provided in the appendixes.

CLEARANCE REDUCTION PROGRAM

In June 1985 the Secretary of Defense directed a reduction in the number of security clearances within DOD components and defense industry (from October 1, 1984 levels) by 10 percent for each level--top secret, secret, and confidential--by October 1, 1985. DOD and the defense industry achieved an overall reduction of about 16 percent (from 4.1 million to 3.4 million clearances). Top secret and secret clearances were reduced by about 17 percent (597,000 to 493,000) and 21 percent (3.2 million to 2.5 million), respectively, but confidential clearances increased by about 26 percent (324,000 to 408,000) primarily because of downgrading from top secret and secret to confidential. DOD reported continued reductions in clearances, with an overall reduction of almost 34 percent as of October 1, 1986. Figure 1 shows security clearance trends, for each level, for DOD and the defense industry.

Figure 1: DOD Security Clearance Trends



After the Secretary's announcement, contractors expressed concern that the program would impair their ability to perform on government contracts, and that some small companies might even go out of business. Following clarification of the procedures to be used to attain the reduction in industry, and through the Defense Investigative Service's (DIS's) flexibility in applying reductions in industry, the concerns subsided.

The Secretary of Defense also directed that the number of requests for background investigations, required for the granting of top secret security clearances, in fiscal year 1986 be reduced by 10 percent from the number of investigations reported in fiscal year 1984. DOD exceeded this goal, reducing the number of requests for background investigations by 18 percent in 1986.

BACKLOG OF PERIODIC REINVESTIGATIONS

In April 1983, following a 2-year moratorium instituted because of the increasing number of background investigations, DIS began 5-year periodic reinvestigations for the 600,000 DOD and industry personnel with top secret clearances. From 1983 through 1985, DIS conducted approximately 27,000 periodic reinvestigations annually. In 1985, DOD estimated that the backlog of periodic reinvestigations would be almost 300,000 in fiscal year 1986. This backlog estimate was developed by the Defense Manpower Data Center based on the number of background investigations that would be over 5 years old in 1986.

The Congress, setting a goal of a 25-percent reduction in the backlog, authorized \$25 million of appropriations for operations of defense agencies for fiscal year 1986 to be used only for the purpose of carrying out "such actions as may be necessary to achieve a substantial reduction" in the backlog. DIS advised us that \$14.1 million of the \$25 million appropriated by Congress was spent in 1986 to reduce the backlog. DIS withheld \$5.4 million to meet funding reductions mandated by the Balanced Budget and Emergency Deficit Control Act of 1985 (Public Law 99-177) and about \$0.5 million was returned to DOD. The remaining \$5 million, was allocated and spent in 1987 for the purchase of vehicles.

DOD reported to the Senate and House Committees on Armed Services that because of the geographic distribution of the backlog and the nature of DIS work, investigators could not

be dedicated solely to periodic reinvestigations. Although DIS received less than the authorized \$25 million for reducing the backlog, it reported achieving a 22-percent reduction in the periodic reinvestigation backlog for fiscal year 1986, thereby almost meeting the congressional goal of a 25-percent reduction.

We believe, and DOD representatives agreed, that the estimated backlog may have been inaccurate because the expected results from the clearance reduction program were not used in the development of the backlog figure. The number of DOD and contractor employees requiring periodic reinvestigations declined from about 579,000 in 1984 to about 493,000 in 1985, and to about 356,000 in 1986.

Because the clearance reduction program has significantly reduced the population requiring periodic reinvestigations, DOD may be able to reduce the remaining backlog more quickly than it has estimated. It also appears that the backlog can continue to be reduced for less funding than received to date--\$25 million in fiscal year 1986 and \$24 million in fiscal year 1987. (DIS conducted over 65,000 periodic reinvestigations in fiscal year 1986 using \$14.1 million.)

OTHER INITIATIVES TO IMPROVE
SECURITY VULNERABILITIES

In addition to the clearance and periodic reinvestigation backlog reduction programs discussed above, a number of other actions have been initiated to improve security over classified information. Two weeks after announcing the clearance reduction program, the Secretary of Defense established a Commission to Review DOD Security Policies and Practices. The Commission made 63 recommendations to the Secretary to correct security deficiencies in many areas. The Secretary has approved (at least in part) 51 of the recommendations; however, DOD has not provided the estimated \$22 million needed to implement some of them. (Many of the recommendations were implemented through changes in existing policy and did not require funding.) According to DOD officials, two significant recommendations that have not received funding are expanded background checks for secret clearances and an expanded role for the

Defense Security Institute¹ to include coordinating research activities in various areas of security.

Other actions taken to improve security include government-wide reviews of the information security system and personnel security program. The review of the government's information security system was conducted by the Information Security Oversight Office, the agency responsible for ensuring compliance by executive agencies with information security requirements, and resulted in the recommendation of 13 initiatives concerning classification management and unauthorized disclosures. These initiatives have been approved in principle by the National Security Council, and the directives necessary to implement them were in draft form as of August 1987. Another group, headed by the Department of Justice, studied the federal personnel security program and drafted a new executive order on access to classified information; that order was in draft form as of August 1987.

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We discussed a draft of this report with Office of the Secretary of Defense and DIS officials and have incorporated their comments where appropriate. Overall, they agreed with the report. They noted that fiscal year 1987 and future funds for periodic reinvestigations which are not needed for that purpose could be reprogrammed for other security initiatives.

We are sending copies of this briefing report to the Chairmen, Senate and House Committees on Armed Services and on Appropriations; the Secretaries of Defense, the Army, the Navy, and the Air Force; and the Directors of the Office of Management and Budget, the Office of Personnel Management, and the Information Security Oversight Office.

¹The Defense Security Institute's mission is the training of DOD personnel and contractors in various aspects of security and publishing security awareness materials for industry. The Institute is assigned to DIS but is responsive to the policy direction of the Deputy Under Secretary of Defense for Policy.

B-226244

Copies will be made available to other interested parties on request. If you need further information, please call me on 275-8412.

A handwritten signature in black ink, appearing to read "Martin M. Ferber". The signature is fluid and cursive, with a prominent initial "M" and a long, sweeping underline.

Martin M Ferber
Senior Associate Director

C O N T E N T S

	<u>Page</u>
Letter	1
APPENDIX	
I	8
II	10
III	15
IV	18
V	23
Figure	
1	2
Tables	
II.1	12
II.2	14
III.1	16

ABBREVIATIONS

DIS	Defense Investigative Service
DOD	Department of Defense

REVIEW OF SELECTED PERSONNEL
AND INFORMATION SECURITY ISSUES

BACKGROUND

Executive Order 10450, Security Requirements for Government Employment, April 27, 1953, is the basic authority for the federal government's personnel security program. Among other things, the order assigned agencies the responsibility for ensuring that personnel with access to national security information have not been recruited, and are not vulnerable to recruitment, by organizations which threaten national security.

National security information is classified at one of three levels: top secret, secret, or confidential. The level of classification depends on the extent of damage to national security which could be caused by the unauthorized disclosure of the information. If the unauthorized disclosure could cause exceptionally grave damage to the national security, then the information should be classified top secret; if serious damage, then secret; and, if damage, then confidential.

Government agencies investigate persons who are to have access to classified information; the type of investigation varies with the level of clearance to be granted. The investigative requirements for confidential and secret clearances are essentially the same--both require a search of federal agency records to identify previous investigations or criminal records. Both investigations include verification of citizenship and previous military service and written inquiries covering specific areas of the subject's background. (Written inquiries are not required for military or contractor confidential clearances.) A top secret clearance requires the same steps as confidential and secret clearances, plus a background investigation covering the previous 5 years or back to the subject's 18th birthday (whichever is later), and includes personal interviews with people who know the subject as well as an interview with the subject.

DOD estimated that approximately 4.1 million personnel held DOD security clearances at the beginning of fiscal year 1985 (an increase of 50 percent from the number in 1975). Although a large portion of the increase was believed to have resulted from the growth in defense contracting, DOD believed that too many clearances were being requested for individuals whose positions did not require clearances.

The Federal Personnel Manual, issued by the Office of Personnel Management, requires a reinvestigation every 5 years for government civilian employees placed in positions equivalent to having a top secret clearance. In 1983 DOD began requiring a 5-year reinvestigation for all other personnel with DOD top secret clearances.

In 1984 about 600,000 individuals had top secret clearances in DOD and industry and were subject to being reinvestigated every 5 years. From 1983 to 1985, DIS conducted about 27,000 periodic reinvestigations a year. In 1985 DOD estimated that approximately 300,000 reinvestigations would be overdue in fiscal year 1986. The Congress authorized \$25 million for DIS to reduce the backlog of periodic reinvestigations by 25 percent in fiscal year 1986.

OBJECTIVES, SCOPE, AND METHODOLOGY

The Chairman of the House Committee on Post Office and Civil Service, on behalf of the Chairwoman of the Subcommittee on Civil Service, asked us to review the clearance reduction program and the information classification program at DOD. As agreed, we are reporting on the results of the clearance reduction program, efforts to reduce the backlog of periodic reinvestigations, and the status of other selected recent initiatives to improve security.

We discussed the clearance and reinvestigation reduction programs with those officials responsible for security in the Office of the Secretary of Defense, the military services, the DIS and in industry. We reviewed and analyzed program documentation to identify goals and results. We compared the data reported by DOD with information in our previous reports and also reviewed the legislative history for DOD's 1986 appropriation for the periodic reinvestigation backlog reduction program.

We conducted our review from September 1986 to August 1987 in accordance with generally accepted government auditing standards.

CLEARANCE AND BACKGROUND INVESTIGATION
REDUCTION PROGRAMS

On June 10, 1985, the Secretary of Defense announced a clearance reduction program to limit and control the number of personnel with security clearances within DOD and the defense industry. The purpose of the program was to eliminate what the Secretary perceived to be a serious security vulnerability--"too many persons are cleared and being cleared who do not have a need for access to classified information." The Secretary directed

- a 10-percent reduction in security clearances from the numbers reported as of October 1, 1984, for each level of clearance by October 1, 1985 and
- a 10-percent reduction in the number of requests for background investigations in fiscal year 1986 from the number of investigations in fiscal year 1984.

Defense industry representatives initially expressed concern that the clearance reduction program would be detrimental to performance under government contracts and that the reductions could prevent small contractors from bidding on some contracts. Our review of DIS¹ files and discussions with industry representatives, however, indicated that their concerns have not materialized. (As of October 1, 1986, industry had reduced the total number of security clearances by about 16 percent.)

CLEARANCE REDUCTION RESULTS

Although DOD reported an overall reduction in clearances of 16 percent, it did not achieve the 10-percent goal for confidential clearances. In November 1985 DOD reported that top secret clearances had decreased 17 percent and secret clearances had decreased 21 percent. However, confidential clearances had increased 26 percent, primarily because a portion of top secret and secret clearances had been downgraded to confidential.

As a result of these cuts, DOD reported that about 3.4 million military, civilian, and contractor personnel had security clearances, a decrease of about 700,000 from the 4.1 million reported by the Secretary of Defense in June 1985. By October 1, 1986, the total number of clearances had dropped further, to 2.7 million. This decrease in 1985 and 1986 represents an overall reduction of about 34 percent since 1984. The trend for each level

¹DIS is the DOD agency responsible for conducting initial investigations and most periodic reinvestigations.

of clearance continued over the 2-year period--top secret clearances decreased about 40 percent, secret clearances decreased about 39 percent, and confidential clearances increased about 32 percent.

Table II.1 shows the number of clearances by level, and percent reductions since 1984 for the military services, defense industry, and all of DOD.

Table II.1: DOD and Defense Industry Security Clearances

<u>Level of clearance</u>	<u>FY 1984</u>	<u>FY 1985</u>	<u>Percent change^a</u>	<u>FY 1986</u>	<u>Percent change^a</u>
<u>Army</u>					
Top Secret	118,000	100,000	(15)	77,000	(35)
Secret	734,000	611,000	(17)	400,000	(46)
Confidential	<u>17,000</u>	<u>47,000</u>	176	<u>25,000</u>	47
Total ^b	<u>869,000</u>	<u>759,000</u>	(13)	<u>501,000</u>	(42)
<u>Navy</u>					
Top Secret	153,000	97,000	(37)	89,000	(42)
Secret	768,000	396,000	(48)	366,000	(52)
Confidential	<u>2,000</u>	<u>163,000</u>	8100	<u>158,000</u>	7800
Total ^b	<u>923,000</u>	<u>656,000</u>	(29)	<u>613,000</u>	(34)
<u>Air Force</u>					
Top Secret	180,000	161,000	(11)	62,000	(66)
Secret	689,000	621,000	(10)	315,000	(54)
Confidential	-	-	-	-	-
Total ^b	<u>869,000</u>	<u>782,000</u>	(10)	<u>377,000</u>	(57)
<u>Contractors</u>					
Top Secret	128,000	119,000	(7)	113,000	(12)
Secret	972,000	880,000	(9)	831,000	(15)
Confidential	<u>305,000</u>	<u>197,000</u>	(35)	<u>243,000</u>	(20)
Total ^b	<u>1,405,000</u>	<u>1,196,000</u>	(15)	<u>1,187,000</u>	(16)
<u>DOD-wide^c</u>					
Top Secret	597,000	493,000	(17)	356,000	(40)
Secret	3,188,000	2,526,000	(21)	1,933,000	(39)
Confidential	<u>324,000</u>	<u>408,000</u>	26	<u>427,000</u>	32
Total ^b	<u>4,100,000</u>	<u>3,426,000</u>	(16)	<u>2,715,000</u>	(34)

^aPercent change from 1984.

^bTotals may not add due to rounding of numbers for each level of clearance.

^cDOD totals include other defense agencies.

DOD components were responsible for meeting the clearance reduction goals established by the Secretary of Defense. However, DOD has not required the components to control future increases in security clearances by setting specific ceilings as was done for defense contractors. In October 1985 the Deputy Under Secretary of Defense, Policy, issued a plan establishing a ceiling, calculated annually, for contractors to operate within. The contractors may exceed their specific ceiling without DOD's approval, provided that the percent of increase does not exceed limits set by DOD. Exceptions require DIS approval.

BACKGROUND INVESTIGATION
REDUCTION GOALS MET

The Secretary of Defense also directed a 10-percent reduction in the number of requests for background investigations in 1986 from the number that were reported in fiscal year 1984. DIS planned a quota system to limit DOD components' requests for background investigations. However, because the Navy and the Air Force expressed concern, DOD allowed the services to use the DIS quota as a guideline rather than an absolute ceiling.

DOD reported an overall reduction in background investigations of about 18 percent for fiscal year 1986 from 1984 levels. Military services' reductions ranged from 1 percent for the Air Force to 13 percent for the Army. For contractors, the reduction was 48 percent. For fiscal year 1987, DOD extended the target ceiling numbers used in fiscal year 1986. Table II.2 shows the 1986 target ceilings and the number and percent of reductions for fiscal year 1986 compared to fiscal year 1984 for the services, contractors, and DOD-wide.

Table II.2: Number of DOD Background Investigations

<u>Component</u>	<u>Fiscal year 1984</u>	<u>Fiscal year 1986</u>		<u>Percent reduction from 1984</u>
	<u>Actual Number</u>	<u>Target ceiling Number</u>	<u>Actual Number</u>	
Army	28,371	25,524	24,624	13
Navy	27,040	24,336	25,476	6
Air Force	30,568	27,504	30,187	1
Contractors	31,664	28,500	16,365	48
DOD-wide ^a	133,763	120,086	110,154	18

^aDOD-wide estimates include other defense agencies.

REDUCTION IN PERIODIC REINVESTIGATION BACKLOG

In June 1981 DOD placed a moratorium on periodic reinvestigations because of the investigative backlog resulting from the need to do an increasing number of initial investigations. Effective April 1983, when the moratorium was lifted, all defense personnel with a top secret clearance were required to have a periodic reinvestigation every 5 years. Before then, fewer personnel required such reinvestigations. From 1983 to 1985, DIS initiated roughly 27,000 periodic reinvestigations a year.

At the end of 1984, about 600,000 individuals had top secret clearances in DOD and the defense industry. In 1985 DOD estimated that a periodic reinvestigation backlog would total approximately 300,000 by 1986. Section 1222 of Public Law 99-145 (the Department of Defense Authorization Act, 1986), reprinted as appendix V, directed the Secretary of Defense "to take such action as may be necessary to achieve a substantial reduction" in the reinvestigation backlog, with a goal of a 25-percent reduction. It authorized \$25 million of appropriations for operations of defense agencies to be used only for carrying out that purpose.

On April 1, 1986, as required by Section 1222, DIS reported to the Senate and House Armed Services Committees, that because of the "geographic distribution of the backlog and the nature of the investigative work" investigators were precluded from being dedicated solely to periodic reinvestigations.

DIS also reported that it expected to achieve a 23-percent reduction in the periodic reinvestigation backlog, almost meeting the 25-percent reduction goal established by the 1986 authorization act. DIS officials told us that it achieved a 22-percent reduction (opening 65,700 cases in fiscal year 1986).

DISPOSITION OF FUNDS

According to DIS, of the \$25 million authorized, the Congress appropriated \$20 million in the operations and maintenance account and \$5 million in the procurement account to purchase vehicles. DIS did not spend the entire \$20 million which was appropriated for operations. Table III.1 shows the accounting DIS provided to us for disposition of the \$20 million.

Table III.1: Disposition of the Appropriated \$20 Million
for Operations

<u>Action</u>	<u>Amount</u>
Appropriated	\$20,000,000
Less:	
Cut to meet budget reduction goals	\$5,356,000
Returned to DOD ^a	<u>536,000</u>
	<u>5,892,000</u>
Spent	<u>\$14,108,000</u>

^aDOD allocated \$1.1 million to the military services for overseas leads on periodic reinvestigations. Of the \$1.1 million, the services spent \$564,000, which is included in the \$14,108,000 and the remaining \$536,000 was returned to DOD.

DIS withheld about \$5.4 million appropriated for the program to meet agency-wide funding reductions mandated by the Balanced Budget and Emergency Deficit Control Act of 1985 (Public Law 99-177). DIS informed us that the \$5 million for the purchase of vehicles was not allocated until fiscal year 1987. Ceilings on the number of new vehicles in fiscal year 1986 precluded their purchase in that year. In 1987, the Congress authorized the necessary additional number of vehicles, and DIS purchased them.

REMAINING BACKLOG AND ASSOCIATED FUNDING
REQUIREMENTS MAY BE OVERSTATED

DOD's estimate of the 1986 periodic reinvestigation backlog (300,000) was based on three studies conducted by the Defense Manpower Data Center. Each study addressed a different population, comprising almost the total universe of personnel requiring periodic reinvestigations--active military, DOD civilians, and DOD contractors (reserve personnel were not included in the estimate). Data for the active military was taken from service personnel data files. Information on DOD civilian employees was obtained from an automated data base maintained by the Defense Manpower Center. Security clearance data for contractors were drawn from the automated files of the Defense Industrial Security Clearance Office.

In a more recent estimate, DOD reported a potential backlog for 1987 of about 346,000 for active and reserve military, civilian, and contractors.

We questioned the initial and latest backlog estimates. For example, DOD now reports only about 356,000 DOD and contractor personnel with top secret clearances. If DOD's latest backlog estimate were correct, 97 percent of the total population with top secret clearances would already require periodic reinvestigations. DOD representatives agreed that the latest estimate is questionable, and told us that DOD is trying to develop a better figure by the end of fiscal year 1987.

According to DIS, it received \$24 million in fiscal year 1987 to reduce the backlog by an additional 25 percent. DIS plans to open 118,000 periodic reinvestigation cases in fiscal year 1987. If DIS opens that many cases, the maximum number of individuals that could still require reinvestigation at the end of the year would be 238,000, even if all clearances were due for reinvestigation. Such a circumstance could only occur if there had been no turnover of the personnel in 5 years. Even with that highest estimate, DIS could completely eliminate the backlog by 1990 if it conducted about 70,000 periodic reinvestigations annually.

At an annual rate of 70,000 periodic reinvestigations, the possibility of needing less than \$24 million for reinvestigations arises because DIS performed over 65,000 reinvestigations in 1986 using only \$14.1 million. An overstated backlog estimate could also mean less funding may be required. Thus, the \$24 million received for reinvestigations for fiscal year 1987 may not all be necessary for that purpose and funding in later years could be reduced or reallocated. DIS officials agree that the full \$24 million may not be necessary for the sole purpose of conducting periodic reinvestigations. However, they stated that the funds could be used for other priority needs, such as the implementation of recommendations at the Commission to Review DOD Security policies and Practices. (See app. IV.)

OTHER INITIATIVES TO IMPROVE
SECURITY VULNERABILITIES

Many espionage cases have surfaced publicly in the last few years and increased attention has been focused on the protection of national security information. DOD and other agencies have initiated a number of actions to improve security in the past few years. This appendix identifies selected initiatives and the status of their implementation. Unless otherwise noted, status is reported as of March 31, 1987.

RECOMMENDATIONS BY THE COMMISSION TO
REVIEW DOD SECURITY POLICIES AND PRACTICES

On June 25, 1985, the Secretary of Defense established the Commission to Review DOD Security Policies and Practices. The Secretary directed the Commission to evaluate DOD's security policies and procedures, identify any systemic weaknesses in DOD security programs, and recommend changes. On November 19, 1985, the Commission presented its findings and 63 recommendations, covering a wide spectrum of personnel and information security issues, for approval by the Secretary of Defense. In February 1986 the Secretary had approved (at least in part) 51 of the recommendations and said that further study was required for the remaining 12.

Personnel security issues

The Commission, while finding the DOD security program "reasonably effective," said

"Clearly there is room for improvement. Many people are cleared who do not need access to classified information. Background investigations yield relatively little derogatory information on those being cleared, and under the existing adjudication process, far fewer still are actually denied a clearance.... The principle that a cleared individual is authorized access only to the information he 'needs to know' is not well enforced."

The Commission's recommendations focused on improving management controls over personnel with access to classified information, and on detecting and investigating security violations. The Commission's recommendations included the following:

- Grant secret clearances based on broader background investigations and establish a periodic reinvestigation system for persons holding a secret clearance.

- Monitor top secret clearances by performing more reinvestigations with a broader scope (to include polygraph examinations).
- Deny clearances to persons who only require access to the workplace (security and custodial personnel).
- Reduce the number of clearances and streamline security requirements for contractors, making the clearance follow the position rather than the individual.
- Require specific justification for each clearance for contractor personnel rather than just an assertion of need.
- Require a single scope (same investigative requirements) background investigation for both top secret and SCI access.

The Commission also recommended that DOD request the Armed Services Committees of the Congress to approve "continuing discretionary authority" for its polygraph screening program. The Congress had authorized DOD to conduct a test program in fiscal years 1985, 1986, and 1987, with a limit on the number of screening examinations that could be given each year. DOD submitted permanent legislation to the Senate Armed Services Committee; however, the Committee has not reported favorably on the proposal and the Congress has not taken any further action.

Information security issues

In analyzing the management and control of classified information, the Commission determined that

"In general the shortcomings in the area of classification are primarily a matter of inadequate implementation of existing policy, rather than a matter of deficient policy."

The Commission found that although estimates of the number of classified documents vary considerably, "it is clear that the volume of classified documents is enormous" and that "too much information appears to be classified and much at higher levels than is warranted." The remedy, accordingly, "is straightforward: disciplined compliance with the rules." The Commission recommended that DOD

- require, rather than just permit, challenges to classifications believed to be improper;
- require a higher minimum degree of accountability for secret documents;

- impose better controls over reproduction equipment used to copy classified information;
- reduce unnecessary retention and storage of classified documents;
- implement stricter workplace controls such as briefcase checks and always have at least two people present when anyone reviews top secret information;
- conduct more inspections and ensure greater management responsibility; and
- support and facilitate the efforts of the National Security Agency to provide low cost, secure voice telephone equipment to components and cleared contractors.²

DOD has revised its regulations to incorporate most of these recommendations.

Actions not taken to implement some approved recommendations

DOD has not implemented some of the approved recommendations that are now included in DOD policy because it has not taken the necessary actions to fund them. A provision of the Continuing Appropriations for 1987 (Public Law 99-591, section 9120) permitted DOD to reprogram \$8.1 million in fiscal year 1987 to implement the Commission's recommendations concerning personnel and industrial security programs, provided that DOD submit a reprogramming notification identifying funds for this purpose. DOD did not approve such reprogramming in the latest program budget decision for its 1987 budget. However, in April 1987, a DOD official told

²Our report Concerns Regarding the National Security Agency Secure Telephone Program (GAO/NSIAD-86-7), Oct. 15, 1985, identified areas of concern in this effort. One area of major concern focused on one of three priorities which DOD has established for the use of the new secure telephones (STU-IIIs) and the definition "unclassified but sensitive national security related information." Another concern focused on the possible excessive costs resulting from the direct contractor purchase of secure phones. Delivery of the new telephones is scheduled to begin in the fall of 1987. The initial unit costs are projected to be about \$3,700, almost double the original estimate of \$2,000, but are expected to fall as additional units are purchased.

us that DOD would reprogram \$4.9 million (for the remainder of fiscal year 1987) to implement some of the Commission's recommendations in 1987. DOD also deleted \$22 million from its 1988 budget which had been included to implement part of the Commission's recommendations. We were told by DOD that this was because of the impact of personnel reductions resulting from the Department of Defense Reorganization Act of 1986, Public Law 99-433.

Recommendations that have not been implemented due to lack of funding include (1) granting secret clearances based on broader background investigations, (2) applying procedures used for granting interim secret clearances routinely to the processing of all such clearances, (3) instituting a crypto-access program, (4) developing an improved security awareness program in industry, (5) expanding the role for the Defense Security Institute, (6) certifying training, and (7) increasing research in the security field.

OTHER GOVERNMENT INITIATIVES

Other initiatives announced by the administration to improve personnel and information security include (1) efforts to draft a new executive order on information access, (2) an inspection of DOD-wide security policies and practices, and (3) an interagency review of the government's information security system.

Executive order on access to classified information

National Security Decision Directive 84, "Safeguarding National Security Information" (March 11, 1983), requested the Attorney General, in consultation with the Director, Office of Personnel Management, to establish a group to study the federal personnel security program and recommend appropriate revisions in existing executive orders, directives, regulations, and guidelines. As a result of the group's effort, a proposed new order--which supplements but does not replace Executive Order 10450--"Security Requirements for Government Employment" has been drafted but had not been issued by the end of August 1987. The proposed order will be applicable to all government employees, contractor personnel, and military personnel and will establish standards for (1) determining who is to be given access to classified information, (2) initial investigations and reinvestigations, and (3) adjudication of investigative results. The proposed order will also assign policy responsibility to the National Security Council and oversight responsibility to the Director of the Information Security Oversight Office.

Comprehensive DOD Inspector
General Inspection

In September 1986 the DOD Office of the Inspector General announced that during the first quarter of fiscal year 1987, it would begin a comprehensive inspection of DOD's security policies and practices. The inspection was to follow up on the results of the Commission to Review DOD Security Policies and Practices and an earlier DOD study involving industrial security. The inspection was also to assess the effectiveness of each major DOD security program, such as information security, personnel security, and operations security. The inspection has been postponed until DOD implements a number of pending policy changes. The Inspector General has scheduled the inspection to begin sometime in fiscal year 1988.

Interagency review of information

In July 1985 the National Security Council endorsed a request from the Information Security Oversight Office to commence an interagency review of the government's information security system. In October 1985 the interagency group recommended 13 initiatives to (1) reduce over-classification and over-distribution of classified information, (2) improve classification management, (3) enforce the need-to-know principle, and (4) minimize unauthorized disclosures. The National Security Council approved the initiatives in principle, and the Oversight Office drafted the required directive and executive order changes in June 1986. As of August 1987, the Oversight Office was awaiting final approval by the Council.

REDUCTIONS IN SECURITY CLEARANCE BACKLOG,
EXCERPTS FROM PUBLIC LAW 99-145, SECTION 1222

- (a) Finding.--The Congress finds that there are many persons with a security clearance at a level of top secret or above who have not been investigated for more than five years as a result of delays in the program of the Department of Defense for periodic reinvestigations of persons with clearance at such a level.
- (b) Reduction in Clearance Backlog.--The Secretary of Defense shall take such action as may be necessary to achieve a substantial reduction in the backlog under such periodic-reinvestigation program by the end of fiscal year 1986. The Secretary should seek to obtain a 25-percent reduction in that backlog in fiscal year 1986.
- (c) Authorization of Appropriations.--There is authorized to be appropriated for fiscal year 1986 for operation and maintenance of defense agencies \$25,000,000 which may be used only for the purpose of carrying out actions required by subsection (b).
- (d) Report.--Not later than April 1, 1986, the Secretary shall submit to Congress a report on the level and manner of obligation the funds appropriated pursuant to the authorization in subsection (c) and on the level of reductions of the backlog achieved at the time of the report. Such report also shall include a description of resources and the funding level which would be needed in order to reduce by the end of fiscal year 1987 such backlog by 50 percent below the level of such backlog on the date of the enactment of this Act.

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