



U.S. Department of Energy
Office of Inspector General
Office of Inspections and Special Inquiries

Inspection Report

Security Clearances at Lawrence
Livermore National Laboratory and
Sandia National Laboratory-California

INS-O-09-01

December 2008



Department of Energy

Washington, DC 20585

December 11, 2008

MEMORANDUM FOR ADMINISTRATOR, NATIONAL NUCLEAR SECURITY
ADMINISTRATION
CHIEF HEALTH, SAFETY AND SECURITY OFFICER

FROM:

Christopher R. Sharpley
Deputy Inspector General
for Investigations and Inspections

A handwritten signature in black ink, appearing to read "Chris Sharpley", written over the typed name and title.

SUBJECT:

INFORMATION: Inspection Report on "Security Clearances at
Lawrence Livermore National Laboratory and Sandia National
Laboratory-California"

BACKGROUND

Department of Energy facilities, including those managed by the National Nuclear Security Administration (NNSA), use a formal security clearance process to authorize employees with a "need to know" to access classified information or special nuclear material. The NNSA Service Center (Service Center) in Albuquerque, New Mexico, is the cognizant authority for NNSA personnel security clearances. In fiscal year 2007, the Service Center spent about \$21 million to process approximately 52,000 personnel security clearances for NNSA facilities. This included Lawrence Livermore National Laboratory (Livermore) and Sandia National Laboratory-California (Sandia), where about 9,200 individuals held clearances and approximately \$3.6 million of the \$21 million was expended. During this same period, the Service Center had a backlog of over 2,500 personnel security clearance requests that it was unable to process.

Department and NNSA policies provide guidance concerning the issuance and reinvestigation of personnel security clearances, including determining the justification for initial security clearances or the continuation of security clearances. The issuance and management of security clearances within the Department is time and resource intensive, and processing backlogs have been a concern within the Department. Ensuring security clearances are requested only when truly required is a matter of policy and will help reduce unwarranted expenditures and the clearance backlog. We initiated this inspection to determine if security clearance justifications at Livermore and Sandia met the Department's requirements.

RESULTS OF INSPECTION

We concluded that Livermore and Sandia officials did not fully adhere to Department requirements regarding security clearance justifications. Specifically, we found that Livermore and Sandia officials requested and retained security clearances inconsistent with Department policy. We determined that this issue went undetected by Livermore, Sandia, and Service Center personnel security officials because there were no internal controls in place to validate the



justification of need as stated on the security clearance requests. We made three recommendations to management designed to ensure that future security clearance request justifications are subject to improved internal controls.

MANAGEMENT REACTION

In responding to a draft of this report, the Office of Health, Safety and Security (HS) strongly concurred “with the need for increased oversight of the process for justifying access to classified information within the Department.” HS stated it has taken or initiated several actions to enhance oversight of access authorizations.

NNSA’s comments on the draft report did not specifically state whether management concurred with the findings and recommendations. NNSA interpreted our report as stating that clearance justifications should be challenged in every case. This is not what is stated in the report, nor is it our intent. Rather, we believe there should be internal controls in place to ensure compliance with Department requirements pertaining to clearances and clearance justifications. Management’s comments are discussed in further detail in the report. Management’s verbatim comments are included in Appendix C.

Attachment

cc: Acting Deputy Secretary
Chief of Staff
Manager, Livermore Site Office
Manager, Sandia Site Office
Director, Policy and Internal Controls Management
Director, Office of Internal Review (CF-1.2)
Audit Liaison, Livermore Site Office
Audit Liaison, Sandia Site Office

SECURITY CLEARANCES AT LAWRENCE LIVERMORE NATIONAL LABORATORY AND SANDIA NATIONAL LABORATORY-CALIFORNIA

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Overview

INTRODUCTION AND OBJECTIVE

The National Nuclear Security Administration (NNSA) manages multiple Department of Energy (Department) national laboratories, including Lawrence Livermore National Laboratory (Livermore)¹ and Sandia National Laboratory-California (Sandia). Livermore and Sandia are research and development institutions supporting national security through nuclear weapons stockpile stewardship, nonproliferation, homeland security, and advance defense capabilities. Due to the sensitive nature of the Livermore and Sandia missions, the Department uses a formal security clearance process to authorize employees with a “need to know” to access classified information or special nuclear material.

The NNSA Service Center (Service Center) in Albuquerque, New Mexico, is the cognizant authority for NNSA personnel security clearances. In fiscal year 2007, the Service Center spent about \$21 million to process and retain approximately 52,000 personnel security clearances for NNSA’s facilities under its cognizance, including Livermore and Sandia, where about 9,200 individuals held clearances. Approximately \$3.6 million of the \$21 million was expended to process security clearance requests for Livermore and Sandia. During this same period, the Service Center had a backlog of over 2,500 personnel security clearance requests (applicants and incumbents) that it was unable to process.

Department and NNSA policies provide guidance concerning the issuance and reinvestigation of personnel security clearances. The policies address roles and responsibilities of Federal and contractor officials, including determining the justification for initial security clearances or the continuation of security clearances, including reinvestigations. The Department recently established an Office of Departmental Personnel Security within the Office of Health, Safety and Security that serves as the central authority for the personnel security programs of the Department, including NNSA.

The issuance and management of security clearances within the Department is time and resource intensive. Personnel security clearance processing and related backlogs have been a concern within the Department as well as a number of other Federal entities. Ensuring security clearances are requested only when

¹ On October 1, 2007, Lawrence Livermore National Security, LLC, succeeded the University of California as the contractor managing Livermore.

truly required is a matter of policy and will help reduce unwarranted expenditures and the security clearance backlog.

We initiated this inspection with the objective of determining if security clearance justifications at Livermore and Sandia met the Department's requirements for obtaining and retaining security clearances.

OBSERVATIONS AND CONCLUSIONS

We concluded that Livermore and Sandia officials did not fully adhere to Department requirements regarding security clearance justifications. Specifically, we found that Livermore and Sandia officials requested and retained security clearances inconsistent with Department policy. We determined that this issue went undetected by Livermore, Sandia, and Service Center personnel security officials because there were no internal controls in place to validate the justification of need as stated on the security clearance requests.

The Office of Inspector General (OIG) has conducted a number of reviews that identified weaknesses in personnel security internal controls, including the granting of site access and badge terminations. In addition, several U.S. Government Accountability Office (GAO) reports have identified a clear need to improve the efficiency and effectiveness of the personnel security clearance process, including determining the need for a clearance, the quality of the investigation, and the delays in processing clearances. These reports are listed at Appendix B.

Details of Finding

CLEARANCE JUSTIFICATIONS

We found that Livermore and Sandia officials requested and retained security clearances inconsistent with Department policy.

The Department's Manual 470.4-5, "Personnel Security," (Manual) requires that a request for an access authorization will be submitted only after a determination is made that the duties of the position require access to classified matter or special nuclear material. The Manual states that the request will only be processed when the need for access is clearly justified, to avoid the unnecessary expenditure of Department funds and other resources. Department and NNSA policies further require that the requesting official complete a "Clearance Request/Recertification/Suitability Form" to identify the specific job activity requiring a clearance, duties of the position, the level of classified matter or special nuclear material to be accessed, and the frequency of the access. The Manual also specifies that access authorizations not be requested or continued to "establish a pool of cleared" individuals; "anticipate unspecified classified work"; "accommodate an individual's personal convenience"; or "avoid the use of access controls or physical barriers."

We interviewed a judgmental sample of 58 individuals with security clearances at Livermore and Sandia. The sample included contractor employees from human resources, procurement, and other areas where security clearances may not be needed to perform job functions. Of these 58 employees, we determined that 40 did not work in classified areas or with classified materials and did not attend classified meetings. We noted that the 40 individuals were part of an established "pool of cleared individuals"; or were granted clearances for anticipated "unspecified classified work"; or held clearances for business or personal convenience, such as delivering food and unclassified paperwork. We reviewed the clearance justifications for these individuals and noted that the justifications for 28 of the 40 individuals stated that the individuals required a "Q" clearance to access secret restricted data, top secret data, or similar reasons on a daily or weekly basis. This proved to be inconsistent with their assigned duties.

Regarding the maintenance of a pool of individuals who held security clearances, Livermore and Sandia management officials indicated that due to the unpredictable, lengthy security clearance process, they believed it necessary for employees to possess security clearances in anticipation of future classified duties rather than applying for a clearance once the work was identified. The

officials also stated that by establishing a pool of individuals with security clearances, it was easier to move employees around as needed.

Internal Controls

During our review, we observed that there were no internal controls concerning security clearance justifications. Specifically, after the contractor requestor prepared the security clearance justification form, contractor and Service Center personnel security reviewed the form for completeness; but neither validated the security clearance justification. Contractor personnel security officials told us that they did not validate the justifications stated by the requestors prior to forwarding the clearance requests to the Service Center. When interviewed, a Service Center official stated that clearance request forms are only checked for completeness and the Service Center had no reason to challenge the security clearance justification requests. The official further stated that the Service Center relied heavily on the contractor security clearance requestors and contractor personnel security officials at the laboratories to validate the security justification requests. We also noted that neither the NNSA Livermore Site Office nor Sandia Site Office was involved in reviewing the justifications.

The current process at Livermore and Sandia for justifying/requesting a security clearance allows the justification to go unchallenged and unvalidated, which has potentially resulted in unnecessary clearances being processed and an increase in the Service Center's backlog. An Office of Departmental Personnel Security senior official informed us that any unnecessary security clearance requests by the laboratories would contribute to the NNSA Service Center's backlog and that the establishment of internal controls to filter unnecessary security clearance requests would help to alleviate the backlog.

RECOMMENDATIONS

We recommend that the Manager, Livermore Site Office, ensures that:

1. Livermore establishes internal controls for validating that the justifications for new security clearances and the continuance of existing security clearances are consistent with applicable Department/NNSA requirements.

We recommend that the Manager, Sandia Site Office, ensures that:

2. Sandia establishes internal controls for validating that the justifications for new security clearances and the continuance

of existing security clearances are consistent with applicable Department/NNSA requirements.

We recommend that the Director of the Office of Health, Safety and Security's Office of Security Evaluations:

3. Incorporates a review of security clearance justifications into future inspections of personnel security functions at Department sites.

MANAGEMENT COMMENTS

In comments on a draft of this report, the Office of Health, Safety and Security (HS) strongly concurred "with the need for increased oversight of the process for justifying access to classified information within the Department." HS identified actions it has taken or initiated to enhance oversight of access authorizations.

NNSA's comments regarding our draft report did not specifically state whether management concurred with the finding and recommendations. NNSA commented that "To state that the justifications go unchallenged and are not validated would give the impression that they **should be** challenged in each and every case and that each and every detail of justifications should be validated in advance by a federal employee." NNSA stated that "While there may not be specific internal controls to ensure that justifications **are** validated . . . that does not mean, however, that there are not a myriad of controls in place to monitor actions and performance that provide reasonable assurance." However, NNSA also stated that "The Chief, Defense Nuclear Security will direct all sites, who have not already done so, to incorporate validation samplings of security clearance requests as part of their existing survey system to provide more oversight in this area."

Management's comments are provided in their entirety in Appendix C of the report.

INSPECTOR COMMENTS

We found the HS comments to be responsive to our report. Regarding NNSA's comments, our report does not state that justifications should be challenged in every case and that every detail of justifications should be validated in advance by a Federal employee. The report addresses Livermore and Sandia officials requesting and retaining security clearances inconsistent with Department policy and the lack of internal controls to ensure justifications are valid. We did not find any evidence of internal controls over Sandia's and Livermore's security clearance justifications, and NNSA's management comments only spoke in generalities about internal controls, never citing actual controls

over the clearance justifications. The lack of internal controls contributed to unwarranted expenditures and the security clearance backlog. Therefore, we continue to believe it is appropriate for Sandia and Livermore to be required to establish internal controls to ensure compliance with Department policies regarding clearances and their justifications.

Because NNSA did not state whether it concurred with our recommendations and provide a corrective action plan, a management decision from NNSA is required.

Appendix A

SCOPE AND METHODOLOGY

We performed the majority of our inspection fieldwork between June 2007 and June 2008. We interviewed Livermore, Sandia, NNSA, and Office of Health, Safety and Security officials and Livermore and Sandia employees regarding personnel security clearances and procedures. We reviewed Livermore, Sandia, NNSA, and Department of Energy policies, procedures, and records involving personnel security clearances. Documentation reviewed for this inspection included:

- Department of Energy Manual 470.4-1, “Safeguards and Security Program Planning and Management,”
- Department of Energy Manual 470.4-2, “Physical Protection,”
- Department of Energy Manual 470.4-5, “Personnel Security,” and
- Department of Energy Form 472.1C, “Clearance Request/Recertification/Suitability Form.”

Also, pursuant to the “Government Performance and Results Act of 1993,” we reviewed Livermore’s and Sandia’s performance measurement processes as they relate to personnel security.

This inspection was conducted in accordance with the “Quality Standards for Inspections” issued by the President’s Council on Integrity and Efficiency.

Appendix B

Prior OIG Reports

The following Department of Energy OIG reports are related to personnel security:

- “Selected Aspects of the East Tennessee Technology Park’s Security Clearance Retention Process” (DOE/IG-0779, October 2007);
- “Badge Retrieval and Security Clearance Terminations at Sandia National Laboratory-New Mexico” (DOE/IG-0724, April 2006);
- “Security Clearance Terminations and Badge Retrieval at the Lawrence Livermore National Laboratory” (DOE/IG-0716, January 2006);
- “Security and Other Issues Related to Out-Processing of Employees at Los Alamos National Laboratory” (DOE/IG-0677, February 2005);
- “Personnel Security Clearances and Badge Access Controls at Selected Field Locations” (DOE/IG-0582, January 2003); and,
- “Personnel Security Clearances and Badge Access Controls at Department Headquarters” (DOE/IG-0548, March 2002).

GAO Reports

The following GAO reports were reviewed as part of our inspection activities:

- “DOD Personnel Clearances: Questions for the Record Related to the Quality and Timeliness of Clearances” (GAO-08-580R, March 2008);
- “DOD Personnel Clearances: DOD Faces Multiple Challenges in Its Efforts to Improve Clearance Process for Industry Personnel” (GAO-08-470T, February 2008);
- “DOD Personnel Clearances: Improved Annual Reporting Would Enable More Informed Congressional Oversight” (GAO-08-350, February 2008);
- “DOD Personnel Clearances: Key Factors to Consider in Efforts to Reform Security Clearance Processes” (GAO-08-352T, February 2008); and,

Appendix B (continued)

- “Intelligence Reform: GAO Can Assist the Congress and the Intelligence Community on Management Reform Initiatives” (GAO-08-413T, February 2008).



Department of Energy

Washington, DC 20585

August 29, 2008

MEMORANDUM FOR CHRISTOPHER R. SHARPLEY
DEPUTY INSPECTOR GENERAL FOR INVESTIGATIONS
AND INSPECTIONS
OFFICE OF INSPECTOR GENERAL

FROM: ~~GLENN S. PODONSKY~~
~~CHIEF HEALTH, SAFETY AND SECURITY OFFICER~~
~~OFFICE OF HEALTH, SAFETY AND SECURITY~~

SUBJECT: Draft Inspection Report on "Security Clearance at Lawrence Livermore
National Laboratory and Sandia National Laboratories-California"
(S07IS017)

This is in response to Recommendation 3 of your memorandum dated July 30, 2008, subject as above, which recommends that the Office of Departmental Personnel Security, Office of Health, Safety, and Security (HSS), incorporate a review of security clearance justifications into future inspections of personnel security functions at Department sites. HSS strongly concurs with the need for increased oversight of the process for justifying access to classified information within the Department. DOE must ensure that only individuals with a valid, continuing need for access to classified information, in direct support of their official Departmental duties, are submitted for such access. Toward that end, HSS offers the following:

- a. We recently sent a memorandum to the Undersecretaries that requested increased management oversight of access authorizations. The memorandum, entitled "Reduction in Access Authorizations," was signed and distributed on July 31, 2008, (copy attached).
- b. A review of DOE M 470.4-5, "Personnel Security," disclosed that detailed guidance regarding justifications for access is included in Chapter 1, "Access Authorization Request," and Attachment 2, "Contractor Requirements Document." However, said documentation does not clearly state that a Federal employee must request or approve a request for access authorization. The Office of Departmental Personnel Security is in the process of updating the manual and will incorporate definitive language regarding Federal employee oversight into the revised version.
- c. The Office of Security Evaluations, within the Office of Health, Safety and Security's Office of Independent Oversight, routinely incorporates a review of access justification documentation into their periodic oversight inspections of servicing personnel security organizations and makes findings when such documentation is inadequate or missing from personnel security files. Such reviews are conducted at least once every three years. The Office of Security Evaluations last conducted an inspection of the personnel security organization servicing Lawrence Livermore National Laboratory and



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Appendix C (continued)

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Sandia National Laboratories-California in 2006, and no finding regarding justification documentation was made at that time. The Office of Security Evaluations will enhance its coverage of the access justification process in future inspections of the adjudicative sites.

HSS believes that the above actions, in consonance with continued emphasis during inspections conducted by the Office of Independent Oversight and the Office of Inspector General, will improve the oversight of the DOE access authorization process. Also, please note that the Office of Departmental Personnel Security is incorrectly identified as the Office of Personnel Security in several places in your memorandum and draft report.

Thank you for the opportunity to comment on your draft inspection report. If you have any questions regarding this response, please do not hesitate to contact me or your staff may contact Ms. Stephanie Brewer, Office of Departmental Personnel Security, at (202) 586-3249, or Mr. John Hyndman, Director, Office of Security Evaluations, at (301) 903-5895.

Attachment: July 31, 2008, Memorandum, Reduction in Access Authorizations

Appendix C (continued)



Department of Energy
Washington, DC 20585

EXEC-2008-008209

July 31, 2008

MEMORANDUM FOR THOMAS P. D'AGOSTINO
UNDER SECRETARY FOR NUCLEAR SECURITY

C.H. ALBRIGHT, JR.
UNDER SECRETARY OF ENERGY

RAYMOND L. ORBACH
UNDER SECRETARY FOR SCIENCE

FROM: ~~GLENN S. POBONSKY~~
CHIEF HEALTH, SAFETY AND SECURITY OFFICER
OFFICE OF HEALTH, SAFETY AND SECURITY

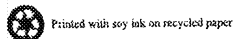
SUBJECT: Reduction in Access Authorizations

The Office of Management and Budget is leading a government-wide effort to improve the timeliness, appropriateness, consistency, and efficiency of security clearance and access authorization processing and adjudication, as mandated under Title III of the Intelligence Reform and Terrorism Prevention Act of 2004. Towards that end, the Department of Energy (DOE) must ensure that only individuals with a valid, continuing need for access to classified information, in consonance with their official Departmental duties, are submitted for such access. In addition to supporting national initiatives, there are other significant benefits to keeping access authorizations at a minimum, such as:

- minimize unnecessary access to classified information, thereby diminishing the potential adverse impact of insider threats.
- reducing the investigative and adjudicative workload, resulting in improved timelines.
- reducing Departmental investigative costs in a time of fiscal restraint (for reference purposes, the FY 08 investigative costs to-date are attached).

In accordance with Chapter 1 of DOE M 470.4-5, "Personnel Security," access authorizations must not be processed (i.e., requested, granted, continued, reinstated, transferred, or extended) to:

- avoid the use of access controls or physical barriers to distinguish perimeters among security areas or between security and open areas;
- alleviate responsibilities for escorting uncleared individuals within a security area;



Appendix C (continued)

- alleviate individual or management responsibilities for properly protecting classified information or controlling dissemination of such classified information on a need-to-know basis;
- establish a pool of cleared employees;
- accommodate an individual's personal convenience, expedience, gain, or advantage;
- anticipate unspecified classified work; or
- determine suitability for Federal, contractor, or other employment.

In order to assure compliance with DOE M 470.4-5, minimize the cleared insider threat potential, and reduce the costs associated with unnecessary investigations and adjudications, you are asked to review the number of access authorizations currently in place within your respective areas of responsibility, with a view toward eliminating or reducing access authorizations wherever possible. For reference purposes, a listing of FY 08 personnel security investigation costs through June is appended as an attachment. It is requested that you complete any identified reductions within one year from the date of this memorandum.

Limiting the number of personnel within the workforce with access to classified information can be an operational and managerial challenge, but providing such access to employees who don't require it is of a greater concern. If you have any questions, please contact me at x33777 or your staff may contact James L. Packett, Office of Departmental Personnel Security, at x65141.

Attachment

Appendix C (continued)



Department of Energy
National Nuclear Security Administration
Washington, DC 20585

October 2, 2008

OFFICE OF THE ADMINISTRATOR

MEMORANDUM FOR Christopher R. Sharpley
Deputy Inspector General
for Investigations and Inspections

FROM: William C. Ostendorff *WCO*
Principal Deputy Administrator

SUBJECT: Comments to Draft Inspection Report on Security
Clearances at Lawrence Livermore and Sandia National
Laboratories; Project No. S07IS017; IDRMS No. 2007-
01866

The National Nuclear Security Administration (NNSA) appreciates the opportunity to review the Inspector General's (IG) draft report, "Security Clearances at Lawrence Livermore National Laboratory and Sandia National Laboratories-California." We understand that the IG initiated this inspection with the objective of determining if security clearance justifications at Livermore and Sandia met the Department's requirements for obtaining and retaining a security clearance. NNSA understands that the IG is concluding that security clearances are being requested and retained inconsistent with Departmental policy and that there are no internal controls in place to validate the justification of need.

NNSA agrees that obtaining a security clearance is resource- and time-intensive leading to a backlog of initial and reinvestigation clearance requests. NNSA agrees that the processing of clearance requests, in the aggregate, is expensive. However, having the sufficient number of appropriately cleared employees (contractor and federal) is a necessary cost of managing our National Security Mission. The majority of the facilities are located inside security areas and unescorted access to these areas requires a security clearance.

NNSA methodology of operations is for the federal establishment to levy the requirement and for the contractor establishment to staff, resource, and develop methods and processes to meet the requirement. The contractor is required under the terms of the contract to determine positions that require individuals to possess security clearances, not only to conduct hands-on work within security areas, but to transit and perform non-security activities within the established security areas (this is part of the employer/employee relationship that is a contractual obligation). The NNSA disagrees with the IG's position that federal validation of each and every security clearance request is required or necessary. There are no documented requirements to conduct a federal validation of the clearance justification that is used to initiate a clearance request. DOE



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Appendix C (continued)

Manual 470.4-5 does contain specific guidance for all clearance requests and outlines prohibitions on certain activities (to include requesting security clearances for convenience). Contractors establish need, justification, and internal contractor approval for security clearances based on mission requirements, scope of work and within the boundaries of DOE Manual 470.4-5. The contractor is responsible, in accordance with its contract, for ensuring that the request meets the intent of the Manual.

Having said that, NNSA agrees that there is a federal interest in ensuring that the contractor's processes and systems for establishing need for, and validating the appropriateness of justifications for, security clearances are well designed, faithfully implemented and are consistently achieving the objectives for which they were put into place. Under the Department's Management and Operating contract system, and as directed by the Secretary of Energy, in general federal managers are to establish the "What" and contractors are to be responsible for determining the "How," in accordance with clear federal requirements and expectations and subject to assessment and evaluation of the operations of the contractor's systems and processes. This is the "systems-approach" taken in the case of processing security clearances.

Thus, the IG's following statement is misleading: "The current process for justifying/requesting a security clearance at the Service Center allows the contractor's justification to go unchallenged and not validated, which has resulted in potentially unnecessary clearances being processed and an increase in the Service Center's backlog." The current process for clearances allows for the contractors' justification and request to be sent directly to the Service Center for processing. To state that the justifications go unchallenged and are not validated would give the impression that they **should be** challenged in each and every case and that each and every detail of justifications should be validated in advance by a federal employee. There are already documented procedures in place within the NNSA for federal oversight of contractor work as it pertains to the DOE Security Orders. The contractor is responsible for the deployment of a suitable system of management controls and then subjecting those systems and processes to a regimen of Self-Assessments; the Site Office conducts observations and surveys of the contractor; and these are supplemented by comprehensive inspections and evaluations conducted by the Office of Health, Safety and Security (HSS), Office of Security Evaluations. The Chief, Defense Nuclear Security will direct all sites, who have not already done so, to incorporate validation samplings of security clearance requests as part of their existing survey system to provide more oversight in this area.

The IG further states that there were/are no internal controls in place to validate the justification of need for security clearances. While there may not be specific internal controls to ensure that justifications are validated (see above discussion); that does not mean, however, that there are not a myriad of controls in place to monitor actions and performance that provide reasonable assurance. For example, Contractor management controls, Contractor Assurance systems, internal audits and approvals of said systems, line oversight of systems; Headquarters review of all contractor reviews; OMB Circular A-123 reviews, and fee determination reviews all evaluate internal control structures. Within the Security community, the contractor has their own internal security reviews

Appendix C (continued)

along with Site Office oversight and surveys to determine if programs are in place and being conducted appropriately. There is no lack of internal controls or corresponding internal controls structure. NNSA has a level of confidence that the Personnel Security Clearance program is being conducted appropriately to meet NNSA's mission, operational, and organizational needs. Nevertheless, NNSA will emphasize to its Site Managers and its Site Security Managers the importance of continued diligence in overseeing the Contractors' security clearance process, as previously stated, with particular attention on ensuring that the contractors' systems and processes are operating as intended and achieving the expected results.

The IG is also recommending to the Department's Office of Personnel Security that they incorporate a review of clearance justifications into their future inspections. This recommendation is not directed towards NNSA, but we believe that this recommendation is already incorporated into the inspection and evaluation processes of the Office of Security Evaluations/HSS.

The IG is correct in calling to NNSA's attention the need to be judicious in its request for security clearances. This applies to both the federal element as well as NNSA's contractor element. NNSA believes that with its complex transformation initiative—and corresponding reduction in security area footprints—that it is conceivable that there will be reduced requirements for security clearances leading to cost avoidance and reduced costs of doing business. However, this goal will not be realized for a number of years. It might be appropriate for the IG to recommend to the Administrator or to the Chief, Defense Nuclear Security, to remind both the federal and contractor establishments that in a time of shrinking budgets, all due diligence must be performed when requesting new or renewed security clearances. Additionally, NNSA is in receipt of the July 31, 2008 memorandum from HSS, "Reduction in Access Authorizations" which also encourages all elements of the Department to judiciously review existing clearance populations with a goal of reducing clearances that are not required to effectively implement the mission.

Should you have any questions related to this response, please contact Richard Speidel, Director, Policy and Internal Controls Management. He may be contacted at 202-586-5009.

cc: Bradley Peterson, Chief, Defense Nuclear Security
Patty Wagner, Manager, Sandia Site Office
Camille Yuan-Soo Hoo, Manager, Livermore Site Office
Robert Smolen, Deputy Administrator for Defense Programs
Karen Boardman, Director, Service Center
David Boyd, Senior Procurement Executive

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