

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

U.S. Department of Defense

January 2010



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

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

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

The FY09 total cost for PSI-Is was \$218.7 million. DoD has funded \$230.6 million for FY10 requirements. In addition, DoD has approved the following PSI-I funding for FY11 through FY15. Based on current projections and requirements known at the time of this report, this funding is expected to be sufficient:

- FY11: \$235.2 million
- FY12: \$239.9 million
- FY13: \$244.7 million
- FY14: \$249.6 million
- FY15: \$254.6 million

PSI-Is for national security clearances are centrally funded through the Defense-wide Operations and Maintenance Appropriation.

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

As part of the DSS mission to facilitate the personnel security clearance process for industry, the Defense Industrial Security Clearance Office (DISCO), a DSS component, is responsible for the adjudication of PSI-Is on behalf of DoD and 23 other Federal agencies in the NISP. During FY09, pending adjudication inventory at DISCO increased by 9 percent overall, from 8,833 to 9,596. The slight inventory increase is attributed to a reduction in overtime use and increased hours of adjudicator training requirements, resulting in a net decrease of available adjudication staff of 6 percent when compared to FY08.

In 2005, the Base Realignment and Closure Commission (BRAC) mandated relocation of DISCO operations from Columbus, Ohio to Fort Meade, Maryland by September 2011. As a result, DISCO adjudicators in Columbus are seeking employment elsewhere, raising a traditional 2 percent attrition rate to 16 percent in FY08. Further, competition for qualified resources for the satellite office in the Fort Meade area is significant. DSS expects to see these higher attrition rates continue. Positions formerly occupied by experienced adjudicators in Columbus are being filled with less experienced adjudicators near the Fort Meade area, which continues to require a considerable amount of training assistance. The resulting challenges have had an impact on operational productivity at DISCO. DSS initiatives to ensure no serious degradation to operations include both locations. In the Fort Meade area, the satellite office space will be expanded, over hires authorized, and shift work will be possible. In the Columbus area, retention of remaining personnel until the facility closes and the use of term appointments will supplement capacity until sufficient resources are available. Contingency options are also being developed.

FY09 DISCO Pending Adjudications Chart

<i>Case Type</i>	<i>Dec-08 (End of Q1)</i>	<i>Mar-09 (End of Q2)</i>	<i>June-09 (End of Q3)</i>	<i>Sept-09 (End of Q4)</i>	<i>Delta Q1 vs Q4</i>
NACLC	4,721	1,815	4,187	7,292	54%
SSBI	1,448	634	1,102	1,608	11%
SSBI-PR	974	340	756	488	-50%
Phased PR	1,690	495	346	208	-88%
TOTAL PENDING	8,833	3,284	6,391	9,596	9%

OPM Pending Cases Report¹
Pending Cases at the close of FY09 (9/30/09) for Initial Investigations

The following OPM data depicts open DoD NISP initial investigation cases pending at OPM at the end of FY09 (including cases not scheduled) as well as those pending longer than 90 days, in successive 30-day increments.

<i>Case Type</i>	<i>Total Pending</i>	<i><90</i>	<i>91-120</i>	<i>121-150</i>	<i>151-180</i>	<i>181-210</i>	<i>211-240</i>	<i>241-270</i>	<i>271-300</i>	<i>301-330</i>	<i>331-360</i>	<i>>360</i>
Standard SSBI²	6,561	6,007	258	124	80	36	24	10	2	5	6	9
NACL³	12,307	12,013	122	57	36	17	24	14	6	6	3	9
Totals	18,868	18,020	380	181	116	53	48	24	8	11	9	18

- There was a 15 percent reduction in the number of total pending SSBI and NACL investigations at the end of FY09 (18,868), compared to the end of FY08 (22,281).
- 4.5 percent (848 out of 18,868) of investigations were more than 90 days old.

OPM Pending Cases Report⁴
Pending Cases at the Close of FY09 (9/30/09) for Periodic Reinvestigations (PRs)

The following OPM data depicts open DoD NISP Top Secret (TS) PR cases pending at OPM at the end of FY09 (includes cases not scheduled) as well as those pending longer than 180 days, in successive 30-day increments.

<i>Case Type</i>	<i>Total Pending</i>	<i><180</i>	<i>181-210</i>	<i>211-240</i>	<i>241-270</i>	<i>271-300</i>	<i>301-330</i>	<i>331-360</i>	<i>>360</i>
SSBI-PR⁵	3,703	3,599	48	28	3	4	6	5	10
Phased PR⁶	2,640	2,597	8	12	6	5	2	5	5
Totals	6,343	6,196	56	40	9	9	8	10	15

¹ Data Source OPM, Pending Case Report

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

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

⁴ Data Source OPM, Pending Case Report

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

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

- In all, there was a 41 percent reduction in the number of total pending TS PRs at the end of FY09 (6,196) as compared to the end of FY08 (10,575).
- At the close of FY09, 2 percent (147 out of 6,343) of TS PRs were more than 180 days old.

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

The National Industrial Security Program Policy Advisory Committee (NISPPAC) Ad Hoc Working Group⁷, consisting of members from industry, OPM, DSS and the Information Security Oversight Office, compiled end-to-end processing time metrics for 100 percent of initial TS and Secret clearances completed during FY09. Below are process timelines for closed cases, by case type, for FY09.

FY 2009 Sub-Step Timeliness – Closed Cases*

Averages (Days)			
Sub-Step	SSBI	NACLC	SSBI PR
Initiation Time	16	15	8
DISCO Processing Time	2	2	2
OPM Investigation	82	46	100
Mail to DISCO	10	10	10
Adjudication	29	29	36
TOTAL	139	102	156

The Intelligence Reform and Terrorism Prevention Act (IRTPA) of 2004 mandated the development of a plan to reduce the length of the personnel security clearance process with the following criteria:

- To the extent practicable, the plan shall require that each authorized adjudicative agency make a determination on at least 90 percent of all applications for clearances within an average of 60 days from the date of receipt of the completed application.
- The act states that by December 2009, not more than 40 days should be spent on the investigative phase and not more than 20 days should be spent on the adjudicative phase.

During the fourth quarter of FY09, 90 percent of initial industry clearances averaged 84 days from start to finish, an 18 percent improvement over the fourth quarter of FY08 when the average was 102 days.

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

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

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

DSS's former Personnel Security Clearance Office (PSC) consisted of the Clearance Oversight Office (COO) and the Clearance Liaison Office (CLO). Responsibilities of the CLO included working with OPM and DoD components on quality policy, procedures and oversight of the DoD personnel security investigation (PSI) process. The COO was responsible for estimating the annual PSI workload requirements for DoD, monitoring PSI funding and timeliness, resolving billing matters between DoD and OPM and working with OPM on metrics.

On April 2, 2008, the Secretary of Defense directed the Under Secretary of Defense for Intelligence (USD(I)) to formally assess future options for DSS. A study panel was convened, and that panel issued recommendations for future missions and functions of DSS. On January 15, 2009, the Deputy Secretary of Defense issued a memorandum adopting recommendations of the DSS Future Options Study (copy attached). As a result of the DSS study, DoD directed the implementation of numerous measures designed to strengthen and refocus DSS to meet 21st-century industrial security and counterintelligence needs.

Toward this end, several significant changes occurred:

- DoD enterprise-wide information technology (IT) systems associated with personnel security clearances will be transferred to the Defense Manpower Data Center (DMDC). A Memorandum of Agreement (MOA) to guide the transfer of the IT systems associated with personnel security clearances from DSS to DMDC was being negotiated at the end of FY09, and is now being finalized.
- The PSC was disestablished and oversight of personnel security investigations policy was realigned to the Security Directorate of the Office of the Under Secretary of Defense for Intelligence (OUSD(I)). As of the end of FY09, the transfer of PSC functions relating to PSI oversight and policy were being formally coordinated with OUSD(I). DSS's Industrial Policy and Programs (IP) Directorate, Assessment and Evaluation Division (IP-A), will continue to perform responsibilities related to PSI oversight and policy pending execution of a MOA and subsequent transfer of operations. The DSS retains responsibility only over PSI functions specific to industry personnel clearance adjudications, including projection of PSI-I requirements, management and payment of PSI-I bills, and related billing matters.
- Oversight of DoD projections and billing matters for military and civilian personnel PSIs was formally transferred to the Department of the Air Force. The Air Force was formally designated as the DoD single point of contact for all DoD PSI billing matters and payments to OPM effective October 1, 2009.

Additional DSS initiatives and improvements made during FY09 include:

Rapid Assessment of Incomplete Security Investigations (RAISE): The DSS, using a prototype developed by the Defense Personnel Security Research Center (PERSEREC), with input from DoD Central Adjudication Facilities (CAFs) and DoD policy experts, developed the RAISE online tool to efficiently and systematically collect information about the scope, issues, and utility of investigations with deficient information. In June 2009, RAISE was designated as the DoD tool for assessing personnel security investigation quality; shortly thereafter, the Joint Suitability and Security Reform Team (JSSRT) began work to incorporate the RAISE functionality into the DoD Case Adjudication Tracking System (CATS). We estimate that this functionality will be available through CATS during the second quarter of FY10.

Secure Web Fingerprint Transmission (SWFT): All initial PSIs require submission of fingerprints, which are transmitted to OPM as part of the request for investigation. SWFT is a program that permits electronic submission of fingerprints for PSIs. In August 2009, DSS launched the full production SWFT capability and began allowing cleared contractors to submit fingerprints electronically. These electronic submissions eliminate delays associated with the previous practice of mailing paper cards and ensure that fingerprint files are matched to a valid investigation in the Joint Personnel Adjudication System (JPAS) prior to release to OPM. These voluntary electronic submissions have already helped reduce the fingerprint rejection rate by approximately 9 percent due to the high quality of the fingerprint submissions. As of October 2009, 4 cleared companies had joined the SWFT program and over 9,400 electronic fingerprint files had been transmitted from the DSS SWFT system to OPM. Although these submissions represent only a small portion of the potential customer base, DSS continues to engage industry on the SWFT program and expects these numbers to grow dramatically over the next few years. Electronic fingerprint transmission will reduce fingerprint rejection rates as well as improve investigative timeliness.

Enhanced Secret Internet Protocol Network (SIPRNet) to the Field: The introduction of mobile SIPRNet workstations to DSS regional and field offices allows DSS industrial security representatives and field counterintelligence (CI) specialists to use a secure network for day-to-day operations. This capability provides access to web content on SIPRNet including threat reporting, e-mail, and access to CI tools, and supports secure collaboration on work products. The DSS is the first DoD agency to expand SIPRNet to remote offices via the new National Security Agency-certified communication encryption devices. These devices allow DSS to provide SIPRNet capabilities to field offices and ensure classified and sensitive U.S. Government information remains secure. One hundred systems have been introduced across the agency as of October 2009.

JPAS Enhancements: DSS implemented the revised SF-86 (Questionnaire for National Security Positions) in JPAS, allowing DoD to fulfill its commitment nearly two months ahead of the deadline for implementing this action. This enhancement allowed cleared industry and military accessions to continue processing personnel security clearance requests and to smoothly transition to the revised SF-86. DSS implemented interfaces with the CATS and the Automated Continuing Evaluation System (ACES) to allow critical data to be

exchanged in support of DoD Personnel Security reform initiatives. The CATS tool was selected as the DoD non-intelligence community IT system for case management and adjudications. The interface allows adjudicative information from CATS to be updated in JPAS, giving security managers visibility into the clearance eligibility status of their personnel. The ACES interface provides JPAS data in support of the ACES automated eligibility assessments conducted between normal investigation cycles. The ACES is currently in pilot mode with initial operating capability planned for FY 2010 and full operating capability planned for FY 2011.

JPAS Certification and Accreditation: DSS certified and accredited JPAS by validating the security controls, and obtained an Authority to Operate on the Non-classified but Sensitive Internet Protocol Router Network (NIPRNet). The DSS complied with various security vulnerability alerts issued by Defense Information Systems Agency and the Joint Task Force-Global Network Operations and tested all patches and upgrades to ensure requirements were implemented and new problems were not introduced into the system. DSS responded and provided resolution to various JPAS incidents involving government and contract personnel. In addition, DSS initiated a network security solution which provides real-time analysis of network flows and models behavior to identify abnormal activity. DSS installed U.S. Army Research Laboratory sensors to monitor external traffic between routers and firewalls for abnormal activity on the DSS unclassified data network.

Call Center Operations: In FY09, the DoD Security Services Call Center team continued to provide exemplary customer service and assistance as verified and acknowledged by numerous customers. The dual-sited integrated Call Center team (located in Alexandria, Virginia, and Columbus, Ohio) currently provides front-line DSS IT mission systems user support.

In addition to JPAS and SWFT, the significant DSS IT mission systems supported by the Call Center team include:

- The Industrial Security Facilities Database, which manages facility information for those cleared contractors participating in the NISP.
- The Defense Central Index of Investigations, which allows for the central management and identification of investigative reports created by DoD components about specific personnel.
- The Electronic Network Registration & On-line Learning (ENROL) system, which is a web-based learning management system that automates the administration, documentation, tracking, and reporting of training in support of the Security Education Awareness and Training (SETA) mission area.
- The Electronic Questionnaires for Investigations Processing (e-QIP) system, which is part of an e-Government initiative sponsored by OPM. E-QIP allows applicants to electronically enter, update, and transmit their personal investigative data over a secure internet connection to their employing agency for review and approval.

With a call abandonment rate of less than 1 percent and an average caller wait time of only 7 seconds, the Call Center team exceeded their set standards for speed of service and ensured approximately 1,500 daily callers received personal, high quality assistance. Additionally, an element of the Call Center was relocated in September 2009 from the DSS Headquarters facility to the Hoffman Building I in Alexandria, Virginia, with no disruption to service. The move resulted in a dedicated workspace for the Call Center with reduced background noise and improved customer support.

E-QIP as Designed: The e-QIP program will allow investigation requests by industry to flow directly to OPM, eliminating the use of JPAS as the sole front end for industry. Implementing this program will require system changes that should be completed during calendar year 2012. In the interim, industry will have to access both JPAS and e-QIP to generate requests for investigation.

The DSS Industrial Policy and Programs Directorate, Assessment and Evaluation Division (IP-A), is responsible for estimating the annual PSI workload requirements for DoD, monitoring PSI funding, resolving billing issues between DoD and OPM and working with OPM on metrics. IP-A initiatives in FY09 include:

- **DSS Security Clearance Process Metrics Oversight Report:** DSS produces a monthly statistical summary of DoD PSI processing metrics and of other elements of the security clearance process. The report includes timeliness metrics, projected vs. actual case volume, DoD pending case inventory levels, and DoD CAF adjudication metrics. The report is distributed to the staff of the USD(I), Military Services, and the Defense Agencies as a monthly personnel security program evaluation tool. The assessment tool has been well received and has assisted recipients in tracking actual PSI submissions against budget projections. This oversight function will be transferred to the USD(I) in FY10.
- **PSI-I Requirements Survey:** In April 2009, DSS deployed its annual Web-based survey to 11,594 facility security officers (representing 12,735 cleared facilities) for the purposes of projecting PSI-I requirements. The projections are the key component in DSS/DoD program planning and budgeting for NISP security clearances in the Future Years Defense Program (FYDP). With more than 87.5 percent of cleared contractor facilities responding (representing 94.6 percent of the cleared contractor facility population), the survey has proven to be highly effective in projecting contractor security clearance requirements. Projections provided from the survey in FY08 were 0.9 percent below actual submissions. At the close of FY09, industry clearance eligibility submissions were 2.4 percent below projections, which is well within the Office of Management and Budget (OMB) mandate that the survey results be plus or minus 5 percent of actual submissions. Projections of PSI-I will remain a DSS function.
- **Weekly PSI Budget Checkbook:** DSS monitors DoD-component submissions of personnel security clearance requests and distributes to each component a weekly summary report of PSI expenses to date and a projection of expenses for the fiscal

- **PSI Billing Automation:** DSS completed a fully automated system to improve accuracy, correctly identify DoD components' separate shares of the OPM bill, and efficiently process bills for payment. The PSI billing system established consistent customer files, which ensures accurate communication and facilitates prompt payments by DoD components. DoD billing functions, with the exclusion of PSI-I, have been transferred to the Air Force as of October 1, 2009.
- **Billing Transaction Database:** DSS developed a billing transaction database which depicts the cost of all PSIs since FY06. The database is a useful audit tool to identify discrepancies in OPM invoices for PSIs. Every PSI transaction is grouped by special key identifier and allows DSS to identify potential overcharges and duplicate billing entries. Continuous matching of PSI bills provided by OPM against actual DoD submissions identified discrepancies between OPM TS Phased PR requests and TS PR openings. Monitoring of PSIs by DSS resulted in the recovery of an estimated \$3.8 million in overcharges DoD-wide, with an additional 8,000 cases pending review.

The IRTPA mandated specific goals for improving timeliness for both PSIs and adjudications. DISCO, the DSS adjudication facility that adjudicates collateral clearances for contractor personnel, has exceeded the mandated IRTPA guidelines for completion of adjudications. During FY09, DISCO achieved significant success in reducing average adjudication process times.

In FY09, DISCO completed 90 percent of initial adjudications in an average of 16 days. This exceeded the 20-day IRTPA goal established by the OMB by 4 days.

- DISCO increased the number of interim personnel security clearance eligibilities granted by 28 percent, from 92,350 in FY08 to 118,323 in FY09.
- DISCO made 125,245 initial personnel security clearance adjudications measured by IRTPA in FY09, as compared to 150,333 in FY08.
- DISCO made 161,018 adjudications (initial and other) in FY09, as compared to 191,914 in FY08.
- DISCO granted 159,862 personnel security clearance eligibilities in FY09, as compared to 181,179 in FY08.

Personnel Security Clearance Eligibilities Granted by DISCO FY05 - FY09

Year	Top Secret	Secret	Confidential
FY09	57,101	102,756	5
FY08	73,063	108,115	1
FY07	40,494	98,909	4
FY06	34,098	92,980	0
FY05	34,512	73,306	528

During FY09, DISCO completed the following initiatives to improve the personnel security clearance process:

- **DISCO Satellite Office:** The DSS staffed a DISCO satellite office in the vicinity of Fort Meade, Maryland, in FY09 as a strategy to mitigate disruptions associated with the pending relocation of DISCO from Columbus, Ohio, to Fort Meade in 2011, as directed in recommendation #130 from the 2005 Base Realignment and Closure (BRAC) Commission. Staffing of the DISCO satellite office included two adjudicative teams with two additional teams to be added in the first quarter of FY10.
- **Clearance Adjudication Tracking System (CATS):** DISCO worked with the Army and the DoD Business Transformation Agency (BTA) to adopt the CATS, the DoD-designated case management and adjudication system. Implementation of the system at DISCO occurred in August 2009. The CATS system included a JPAS interface, which enabled DISCO to receive and process reports of investigations electronically and will assist in managing work flow to DISCO adjudicators.
- **E-Adjudication:** In September 2009, DISCO initiated e-Adjudication of NACLIC investigations that are identified by OPM as having no issues or no actionable issues. This allows the eligibility determination to be made with no human review, resulting in enhanced efficiencies. Resources previously used for this were diverted to other workloads.
- **Sensitive Compartmented Information Facility (SCIF):** DISCO received accreditation for a SCIF and obtained access to the Joint Worldwide Intelligence Communications System and the Scattered Castles application. This access enhances the verification process of intelligence community clearances and promotes clearance reciprocity.

In FY09, DoD completed the redesign of the DoD Personnel Security Adjudicator Certification Program, a SETA initiative led by PERSEREC. The certification program

development team consisted of representatives from SETA, the DoD CAFs and PERSEREC. The program, originally developed as a multi-level program, was redesigned as a single-level program to certify that a DoD adjudicator is qualified to perform all adjudicative functions except for due process actions. Once certified, adjudicators who perform due process actions may qualify for an additional credential for the performance of these actions. This certification program will promote verifiable and sustained competency among the adjudicative workforce through training, initial testing, and approved continuing education. DSS is responsible for administering and maintaining the program. The certification package is currently being staffed through the DoD Office of General Counsel.

SECTION V: Determination by the Secretary of Defense of Whether the Personnel Security Clearance Investigation Process Has Improved During the 12 Months Preceding the Date of the Report

The Department of Defense is committed to continue working with Congress to improve the personnel security process. As reflected in this document, we have made meaningful improvements in the funding and management of the PSI process, improved the timeliness of adjudications, and significantly reduced the pending adjudicative inventory. The Department continues to support the JSSRT and will work toward making more significant improvements in the future.

Attachment:

Deputy Secretary of Defense Memorandum, "Defense Security Service (DSS) Future Options Study Recommendations," dated 15 January 2009

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

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

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

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

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

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



DEPUTY SECRETARY OF DEFENSE

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JAN 15 2009

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
CHAIRMAN OF THE JOINT CHIEFS OF STAFF
UNDER SECRETARIES OF DEFENSE
CHIEFS OF THE MILITARY SERVICES
ASSISTANT SECRETARIES OF DEFENSE
GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE
DIRECTOR, OPERATIONAL TEST AND EVALUATIONS
INSPECTOR GENERAL OF THE DEPARTMENT OF
DEFENSE
ASSISTANTS TO THE SECRETARY OF DEFENSE
DIRECTOR, ADMINISTRATION AND MANAGEMENT
DIRECTOR, PROGRAM ANALYSIS AND EVALUATION
DIRECTOR, NET ASSESSMENT
DIRECTORS OF THE DEFENSE AGENCIES
DIRECTORS OF THE DOD FIELD ACTIVITIES

SUBJECT: Defense Security Service (DSS) Future Options Study Recommendations

The Secretary's April 2, 2008, memorandum, Sensitive Activities Study Recommendations on Counterintelligence, Human Intelligence and Related Activities, directed the Under Secretary of Defense for Intelligence (USD(I)) to "work with Director of Administration & Management to establish a process that allows affected stakeholders the opportunity to assess future options for Defense Security Service."

The USD(I) convened a panel to hear testimony from more than 25 experts and organizational representatives to examine the four mission areas of DSS (industrial security, education and training, personnel security clearances office, and information technology program). The panel recommended that the Department strengthen and refocus DSS to meet 21st century industrial security and counterintelligence needs. Pursuant to the recommendation, DSS will:

- o Enhance and expand the National Industrial Security Program (NISP);
- o Retain adjudication of personnel security clearances for industry, projection of industry personnel security clearance requirements and funding for industry personnel security clearance investigations;
- o Reinvigorate the Security Education Training and Awareness Program (SETA);
and



- Retain management of IT systems that support the NISP, SETA and internal agency IT functions.

Additionally, the following functions and all associated resources are hereby transferred from DSS to the entities identified:

- DoD enterprise wide IT systems associated with personnel security clearances to the Defense Manpower Data Center;
- Oversight of personnel security investigations policy to the Security Directorate of the Office of the Under Secretary of Defense for Intelligence; and
- Projections and billing for military and civilian personnel security clearances to the Department of the Air Force.

In November 2008, I approved the above recommendations and directed that the resources necessary to implement them (approximately \$686M, 450 civilian full-time equivalents, and 7 military positions) be added to the DSS program during Fiscal Year (FY) 2010-15. The Under Secretary of Defense (Comptroller) and the Director, Program Analysis and Evaluation have reflected this decision in the draft FY10-15 President's Future Years Defense Program.

All actions taken in furtherance of this plan will be fully consistent with the Department's obligations to complement the closure and realignment recommendations of the 2005 Defense Base Closure and Realignment Commission.

A handwritten signature in black ink that reads "Gordon England". The signature is written in a cursive style with a large, prominent "G" and "E".