

GAO

Report to the Chairman, Subcommittee on Oversight and Investigations, Committee on Energy and Commerce, House of Representatives

June 1987

INFORMATION SECURITY

Special Access Document Control at Northrop's Advanced Systems Division



539266

National Security and
International Affairs Division

B-226158

June 23, 1987

The Honorable John D. Dingell
Chairman, Subcommittee on Oversight
and Investigations
Committee on Energy and Commerce
House of Representatives

Dear Mr. Chairman:

In your August 28, 1986, letter, you requested that we review the document control system for the Advanced Technology Bomber, a special access program, at the Northrop Corporation's Advanced Systems Division at Pico Rivera, California.¹ You asked that we verify internal inventories of accountable classified documents, identify any systemic weaknesses in document control procedures, and assess the sensitivity of the information in any unaccounted-for documents. As discussed with your office, we did not obtain special access program information to make a detailed assessment of document sensitivity. (See app. I for a copy of the request letter.)

You also asked us to evaluate the adequacy of actions the Department of Defense (DOD) has taken to ensure that classified documents for all special access programs are properly accounted for and protected. It was not practical to complete this evaluation because DOD was in the process of reviewing security administration of all special access contracts, as the Congress mandated in the National Defense Authorization Act for Fiscal Year 1987 (PL 99-661). (The DOD review is discussed on pp. 8 and 9.) Although we found that Northrop's document control procedures generally conformed to the requirements of Northrop's contract with DOD and DOD's Industrial Security Manual for Safeguarding Classified Information, they did not prevent the inadvertent destruction of accountable classified information, and we are recommending a change to the manual.

¹DOD policy permits the establishment of special access programs when a determination is made that normal management and safeguarding procedures are not sufficient to limit "need-to-know" or access. Special access programs can involve almost any facet of DOD's operations where security of the programs is a primary consideration. Generally, the program office strictly controls individual access to program information. Although the Defense Investigative Service normally is responsible for security administration of DOD contracts, the military services and other DOD components have retained such responsibility for many contracts involving special access program activity.

Northrop's Document Control System

In September 1986, Northrop had over 2.7 million classified documents at its Pico Rivera facility. DOD's Industrial Security Manual requires contractors to maintain accountability records for all top secret and secret information.² (The manual does not require contractors to maintain accountability records for confidential information.) The Pico Rivera facility had about 3,000 top secret, 221,000 secret, and 2.5 million confidential documents as of August 31, 1986. By December 31, 1986, the total number of accountable classified documents had increased to about 250,000, according to a DOD representative.

Northrop's document control system consists of a Master Control Center and 136 document control points (substations) located throughout the facility. Individuals responsible for physical custody of accountable classified documents are called "custodians." These custodians include individuals who use the documents in their jobs and substation operators, who are responsible for substation records.

The Master Control Center assigns control numbers to all documents it receives that require accountability. It also assigns blocks of numbers to substations to use in recording the classified documents generated at the substations.

Even the best-designed document control system may not be fully effective without top management support and an education and training program for all employees who handle classified information. Northrop has the requisite management support and the education and training program.

Management support for Northrop's Advanced Systems Division's document control system is indicated by the fact that the Security Manager reports directly to the Division's General Manager and is a member of the General Manager's Executive Council. Also, the Corporation's President recently provided introductory and closing comments, emphasizing the importance of security compliance, on an orientation video tape for managers.

Northrop's education and training program requires all new employees to attend security orientation training and annual reorientations. The

²The accountability record for each top secret or secret document should show (1) the date of receipt or origin; (2) the activity from which received or originated; (3) the classification of the information; and (4) its disposition—transfer, downgrading, declassification, or destruction.

training emphasizes the importance of personal commitment and compliance with security regulations, including those for control and accountability of classified material. Northrop's substation operators and other document custodians receive additional training and periodic refresher training, during which they are tested on procedures and responsibilities.

The training program is aggressive. Employees' training is tracked by the computer that controls their access to the plant. If employees fail to obtain timely refresher training, they are required to obtain a temporary pass that limits their movement in the plant until they attend the training.

Verification of Inventory of Accountable Classified Documents

We tested Northrop's document control system and determined that it provides accurate status information on the company's accountable classified documents. The system, including its audits and inspections, identifies unaccounted-for items for investigation and reporting to the resident DOD program security representative.

To test the system, we randomly sampled 385 of the Master Control Center's control numbers, used in controlling all accountable documents. We found that 134 control numbers had not yet been used because they were part of blocks of numbers the center had assigned to substations for use on documents they generated. Table 1 shows the status of the remaining 251 items in our sample.

Table 1: Results of Sample

Disposition of documents	No.
On hand	123
Destroyed	103
Transferred out of company	16
Downgraded (no longer accountable)	9
Total	251

We verified the physical existence of the 123 items on hand, checked certificates of destruction for the 103 items destroyed, and examined documentation related to the remaining 25 items.

Our sample did not disclose any unaccounted-for items; however, Northrop's audits, inspections, and self-inspections have disclosed unaccounted-for items.

Inspections, Audits, and Self-Inspections

Northrop audits and inspects its document control system to assess how well custodians are controlling the classified material for which they are responsible and to determine how well the controls are functioning overall. The audits and inspections have identified problems, such as substation operators not performing all their assigned duties. The resident DOD security representative receives copies of the audit and inspection reports and is briefed monthly on the status of the security program and its problems.

Northrop's Security Division performs random inspections of the document control stations, and each station is inventoried when the substation operator changes. In addition, the DOD security representative periodically tests the adequacy of the document control system by verifying the location of selected documents.

Northrop also requires substation operators to conduct monthly self-inspections to review their own holdings of accountable items and semi-annual self-inspections to verify the holdings of accountable items assigned to custodians in the areas covered by their substations. During these self-inspections, the substation operators sometimes find that some accountable items are unaccounted for. The substation operators must immediately report the loss to the Security Division and try to find the items. If they cannot find the items, the Security Division investigates.

Since the Pico Rivera facility began operating in 1983, the Security Division has opened investigations for 1,822 unaccounted-for items. Table 2 shows the investigations started by year, and table 3 shows the status of the investigations of those items as of August 31 and December 31, 1986.

Table 2: Number of Investigations by Year

Year	No.
1983	7
1984	447
1985	675
1986	693
Total	1,822

Table 3: Status of Investigations

Status	Number as of	
	Aug. 31, 1986	Dec. 31, 1986
Unaccounted for	568	780
Recovered	425	453
Disposed of without proper documentation	306	384
Still under investigation	99	205
Total	1,398	1,822

Investigation reports for some of the 780 items that could not be found or accounted for suggested that the items might have been placed in receptacles with unaccountable confidential material and destroyed without destruction certificates being prepared. However, the custodians were not certain that the items had been destroyed.

Some of the items destroyed without proper documentation contained technical data, while others were lock combinations that were managed as accountable documents. In response to a request by the DOD program security officer, a Defense Investigative Service (DIS) security inspector was assigned full-time to the Pico Rivera facility in January 1986 to assist the DOD security representative. The DIS inspector has concentrated on Northrop's document accountability system and subcontractor compliance with security requirements. (DIS generally makes semiannual security inspections of contractor facilities that have classified information.)

Systemic Weaknesses and Corrective Actions

Although Northrop's document control system complies with the security requirements of its contract with DOD, two areas related to the system needed improvement: the investigation of missing items and the destruction of unaccountable classified waste. Northrop has strengthened both areas.

Investigations of Unaccounted-for Items

Northrop's investigation reports, which were routinely provided to the DOD security representative, were uniform and well organized. However, many of the reports had gaps or indicated the existence of underlying problems that were not addressed. For example, the reports did not discuss why the recovered items (453 as of December 31, 1986) had been unaccounted for or whether procedural changes were needed to preclude recurrence. Further, the reports did not suggest that the manner in which destruction receptacles were used was an underlying reason for

the 384 missing items that were destroyed without proper documentation or that improved control of receptacle use was needed.

Northrop officials and the DOD representative agreed with our assessment of the investigation reports. The company officials said that they had replaced the manager of the investigation unit because they had been dissatisfied with the quality of the investigations. The new manager said that he agreed with our concerns and that he was working to improve the investigations and the reports.

Destruction of Unaccountable Classified Waste

The Industrial Security Manual prescribes the methods of destroying classified material, including witnessing, recordkeeping, and other procedures. The manual discusses the receptacles used to accumulate unaccountable classified waste. It requires that the receptacles be clearly identified and safeguarded but does not stipulate how they should be used. It does not require anyone to review what is placed in, or removed from, the receptacle to ensure that only unaccountable classified waste is destroyed. Such a requirement would minimize the chances of accountable secret and top secret information being destroyed without proper documentation.

Until shortly before we began our review, Northrop did not examine the classified material placed in the receptacles. The Security Division Manager said that he saw use of the receptacles as a problem when he first took over the program 3 years ago. He said that recent media coverage of another contractor's unsatisfactory document accountability system, and the company's statistics on losses associated with use of the receptacles, helped Northrop decide to improve such control. In commenting on the report, Northrop stated that its action to improve control of waste receptacles was prompted by its analysis of lost document statistics.

The revised destruction procedures, instituted in September 1986, require that classified waste be screened before it is destroyed. The Security Division Manager said that he expects the number of unaccounted-for documents to drop significantly as a result of this change in procedures.

Conclusion and Recommendation

Although Northrop's procedures for destroying confidential information and other unaccountable classified waste were in compliance with DOD's Industrial Security Manual, they did not prevent the inadvertent

destruction of accountable classified information. We therefore recommend that the Secretary of Defense direct the Deputy Under Secretary of Defense for Policy to revise the Industrial Security Manual to prescribe procedures for screening materials placed in classified waste receptacles before the materials are destroyed.

Agency Comments and Our Evaluation

DOD did not agree that the Industrial Security Manual needs to be revised. (See app. II.) DOD stated that the manual clearly spells out the procedures for the destruction of accountable material and waste, and each contractor is responsible for developing procedures to ensure that appropriate documentation is prepared for all accountable material, whether it is placed in waste receptacles or not. DOD observed that waste receptacles used for the collection of classified material function with relatively few problems and also emphasized that the proper use of such receptacles depends on the implementation of a security education program, which has been accomplished at Northrop.

We agree that the Industrial Security Manual provides specific instructions governing the destruction of classified accountable material and waste, but we continue to have concerns about the guidance for use of waste receptacles. (The manual contains three pages of instructions on destruction, but only one sentence on receptacles: "Receptacles utilized to accumulate classified waste shall be clearly identified.") Investigative reports indicate that documents were inadvertently destroyed despite the existence of a training and security education program at Northrop.

We do not believe that our recommended change would require significant effort. We believe that the strengthening of controls over waste receptacles—specifically by screening documents for accountable classified material before destruction—represents a prudent security measure that should not be left to contractors' discretion but should be incorporated into DOD's general security procedures.

Sensitivity of Missing Documents

The investigation reports for the unaccounted-for items contained damage-assessment³ sections that may have discussed document sensitivity. However, Northrop, at the request of DOD, deleted that information from the reports before giving them to us. Therefore, we were unable to make a detailed assessment of document sensitivity. Northrop officials told us

³A determination of the extent of potential damage to the national security that could result from a compromise of the information.

that the company had informed DOD of the unaccounted-for items, and that there was no indication that any of the lost items had resulted in a compromise of classified information. In commenting on a draft of this report, Northrop stated that the company did not know if any of the unaccounted-for documents had been compromised. (See app. III.)

Document Accountability for All Special Access Program Contracts

Because DOD was in the process of reviewing security administration of all special access program contracts, as mandated by the Congress in the 1987 DOD authorization act, we did not evaluate the adequacy of recent DOD actions to ensure that classified documents in all such contracts are properly accounted for and protected.

In two previous reports to the Secretary of Defense, we recommended that DIS be made responsible for periodically inspecting special access program contracts and verifying the control of classified documents. The recommendations resulted from our reviews that showed that DIS had not been given security administration responsibility for many special access program contracts and that, in some cases, no one had been periodically inspecting the contracts and reviewing the document accountability systems.⁴

In an August 7, 1986, memorandum to all DOD components, the Secretary of Defense requested preparation of a plan (within 45 days) to have DIS provide security inspection support for special access program contracts. Because legislation on the subject was introduced in the Congress, DOD did not implement the inspection plan requested by the Secretary. Instead, DOD later prepared an alternative plan to support Section 1206 of the 1987 DOD authorization act, which the Congress approved on October 15, 1986.

Section 1206 states that the Secretary shall direct DIS to conduct a review of security administration of special access program contracts, including the frequency and adequacy of DOD security inspections of such contracts. The act also required the Secretary to report, by May 1, 1987, to the Senate and House Committees on Armed Services on the results of the security administration review, including the identification of any shortcomings, corrective actions, and recommendations for

⁴Further Improvements Needed in Department of Defense Oversight of Special Access (Carve-Out) Contracts (GAO/GGD-83-43, 43[A], Feb. 18, 1983) and Need for DOD Inspections of Special Access Contracts (GAO/NSIAD-86-191, Aug. 7, 1986).

corrective actions. (At the time this report was being prepared for publication, the Secretary had not submitted the results of the review.) The act further provides that, after consulting with the Secretary, DIS may conduct such security inspections of special access program contracts as DIS considers appropriate, unless the Secretary directs otherwise.

In a December 2, 1986, memorandum to all DOD components, the Deputy Secretary of Defense directed DIS to conduct a security administration review of DOD special access program contracts. He directed that the review, at a minimum, identify (1) all contractors who support DOD special access programs, (2) the offices or organizations responsible for security inspections and oversight of the programs, and (3) the frequency and adequacy of security inspections such offices or organizations carry out. He also directed DIS to submit an unclassified report on the review no later than April 1, 1987. The report was submitted by the due date.

DOD is also coordinating a draft directive on special access programs which will (1) establish uniform DOD policy and guidance concerning security administration and (2) assign responsibility for the implementation, direction, management, coordination, and control of such activities.

Objectives, Scope, and Methodology

Our objectives were to verify internal inventories of accountable classified documents at Northrop Corporation's Advanced Systems Division, identify any systemic weaknesses in document control procedures, assess the sensitivity of the information in any unaccounted-for documents, and evaluate the adequacy of DOD actions to ensure that classified documents are properly accounted for and protected for all special access program contracts.

To accomplish these objectives, we reviewed and tested Northrop's document accountability records at the Pico Rivera facility. We randomly sampled document control numbers at the Master Control Center. The control numbers included in our sample involved 37 of the 136 substation control points. We reviewed Northrop's investigative, internal audit, and inspection records. As part of granting us access to this special access program, DOD limited some of the information available to us for security reasons. At DOD's request, Northrop deleted specific information related to program activity before giving documents to us. Northrop's actions did not affect our review of the document accountability system but did prevent us from assessing the sensitivity of information in unaccounted-for documents.

We reviewed the records of the DOD plant security representative and held discussions with the DOD and DIS security representatives and Northrop officials. We also met with DOD representatives at the Pentagon to discuss DOD actions concerning security administration for all special access program contracts.

We performed our work from October 1, 1986, to May 1, 1987, in accordance with generally accepted government auditing standards.

Unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from its date of issue. At that time, we will send copies of the report to the Chairmen, Senate and House Armed Services Committees, and other committees; the Director, Office of Management and Budget; the Secretaries of Defense and the Air Force; and other interested parties upon request.

Sincerely yours,



Frank C. Conahan
Assistant Comptroller General

Letter From Chairman, Subcommittee on Oversight and Investigations, House Committee on Energy and Commerce

NINETY-NINTH CONGRESS

ROOM 2223
RAYBURN HOUSE OFFICE BUILDING
PHONE (202) 225-4441

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U.S. House of Representatives
Subcommittee on Oversight and Investigations
of the
Committee on Energy and Commerce
Washington, DC 20515

August 28, 1986

The Honorable Charles A. Bowsher
Comptroller General of the United States
U. S. General Accounting Office
441 G Street, N. W.
Washington, D. C. 20548

Dear Mr. Bowsher:

On July 7, 1986, the Subcommittee on Oversight and Investigations requested the General Accounting Office's assistance in investigating missing classified documents related to a highly classified "black" program at Lockheed Corporation. In response to that request, your staff, under Mr. Marty Ferber's leadership, investigated the allegations concerning the missing documents and inadequate classified document controls at Lockheed's Burbank plant. They testified on their findings on July 24, 1986.

Lockheed initially denied that any significant problem existed with respect to its system for maintaining control and accountability of classified documents related to this "black" program. Out of apparent ignorance, the Department of Defense initially agreed with Lockheed that there were no problems with classified document control. After the General Accounting Office had completed its examination, however, both Lockheed and the Department of Defense admitted that over 1,400 classified documents related to this highly sensitive "black" program had been lost and that, indeed, the systemic problems that allowed this situation to occur were worse than initially alleged.

Despite the seriousness of the General Accounting Office's findings at Lockheed's Burbank plant, Defense Department officials adamantly stated at an August 8, 1986 hearing that the Lockheed situation was an aberration and that a similar situation would not be found with regard to "black" programs at other contractors' facilities. This strong assertion was made despite the admission by DOD officials that they had not reviewed the document control systems related to any other "black" programs since the problems at Lockheed had become known.

**Appendix I
Letter From Chairman, Subcommittee on
Oversight and Investigations, House
Committee on Energy and Commerce**

The Honorable Charles A. Bowsher
August 28, 1986
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The Subcommittee is very concerned that the Department of Defense has not acted with sufficient aggressiveness in assuring itself that the Lockheed situation was indeed an aberration and that similar problems have not occurred at other "black" program contractors. Since the Subcommittee began looking into classified document control at Lockheed, we have received a number of allegations that similar, and possibly worse, problems exist elsewhere. Because of this concern, we are requesting that the General Accounting Office evaluate the document control systems for "black" programs at several other defense contractors. As a first priority, we would like the GAO to begin with the document control system for the advanced technology bomber program at the Northrop Corporation. Specifically, we would like the General Accounting Office to:

1. verify internal inventories of accountable classified documents, files, pictures, blueprints, etc., dealing with special access programs;
2. if documents are found to be unaccounted for, assess whether the information contained in such documents could cause harm to our national security; and
3. identify any systemic weaknesses in the contractors' document control procedures.

In addition, we would like the General Accounting Office to evaluate the adequacy of actions taken by the Department of Defense since the Lockheed situation became known to assure that classified documents for all other sensitive "black" programs are properly accounted for and protected.

We would appreciate receiving a briefing on the initial results of the General Accounting Office's work at Northrop Corporation by Monday, October 6, 1986, and a briefing on the completed work at Northrop by Monday, November 24, 1986.

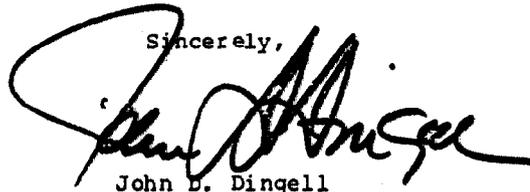
Other contractors that may be selected for examination include TRW, Inc., Harris Corporation, and the Boeing Company; however, a decision will be made at the time of the initial briefing on whether to expand the GAO evaluation to include one or more of these contractors.

Appendix I
Letter From Chairman, Subcommittee on
Oversight and Investigations, House
Committee on Energy and Commerce

The Honorable Charles A. Bowsher
August 28, 1986
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We appreciate very much the General Accounting Office's responsiveness in this most serious matter involving our national security. If you have any questions, please contact Messrs. Peter Stockton or Bruce Chafin of the Subcommittee staff at 225-4441.

Sincerely,

A handwritten signature in black ink, appearing to read "John D. Dingell". The signature is stylized with a large initial "J" and "D".

John D. Dingell
Chairman
Subcommittee on
Oversight and Investigations

JDD:JJ cm

Comments From the Department of Defense



POLICY

THE UNDER SECRETARY OF DEFENSE

WASHINGTON, D. C. 20301-2000

28 APR 1987

Mr. Frank C. Conahan
Assistant Comptroller General
National Security and
International Affairs Division
U.S. General Accounting Office
Washington, D. C. 20548

Dear Mr. Conahan:

This is the Department of Defense (DoD) response to the General Accounting Office (GAO) draft report, "INFORMATION SECURITY: Special Access Document Accountability At The Northrop Corporation," dated March 3, 1987 (GAO Code 391579/OSD Case 7247).

The Department has reviewed the report and, with minor exception, generally concurs with its findings related to the document control system at the Northrop Corporation's Advanced Systems Division at Pico Rivera, California. It is the DoD position that this Northrop Division fully complies with its contractual requirements in this area. The DoD also agrees with the facts presented in the finding related to the status of DoD security administration. The Department does not, however, agree with the finding and recommendation related to the destruction of unaccountable classified waste.

Detailed DoD comments are enclosed. The DoD appreciates the opportunity to comment on the draft.

Sincerely,


Craig Alderman, Jr.
Deputy

Enclosure

GAO DRAFT REPORT - DATED MARCH 3, 1987
(GAO CODE 391579) OSD CASE 7247

"INFORMATION SECURITY: SPECIAL ACCESS DOCUMENT
ACCOUNTABILITY AT THE NORTHROP CORPORATION"

DEPARTMENT OF DEFENSE COMMENTS

* * * * *

FINDINGS

- **FINDING A: Northrop Corporation's Document Control System Generally Conforms To DoD Requirements.** The GAO reported that it reviewed the document control system at the Northrop Corporation's Advanced Systems Division (NASD) at Pico Rivera, California. The GAO found that Northrop's document control system generally conforms to the requirements of its contract with the DoD and with the DoD Industrial Security Manual for Safeguarding Classified Information. (The GAO noted that the Pico Rivera facility had about 3,000 TOP SECRET, 221,000 SECRET, and 2.5 million CONFIDENTIAL documents.) (pp. 1-2/GAO Draft Report)

DOD RESPONSE: Partially concur. The DoD agrees with the facts but does not understand the term "generally conforms." The document accountability system at the NASD meets or exceeds all DoD requirements. The Defense Investigative Service (DIS) employs a full-time industrial security representative at NASD whose oversight responsibilities include ensuring compliance with all DoD security requirements. The DoD has no evidence that the system does not meet the contractual requirements that have been levied on NASD.

- **FINDING B: Training And Management Support.** The GAO observed that even the best designed document control system may not be fully effective without top management support and a comprehensive education and training program. The GAO found that Northrop has the requisite management support and an aggressive education and training program. The GAO observed that management support for the Northrop document control system is illustrated by the fact that the Security Manager reports directly to the General Manager of the Advanced Systems Division. The GAO also reported that the Northrop education and training program requires all new employees to attend security orientation training and annual reorientation. The GAO found that if an employee fails to

Enclosure

Now on p. 2.

obtain timely refresher training, he/she is required to obtain a temporary pass, which limits his/her movement in the plant until attendance at the required training is completed. (pp. 3-4/GAO Draft Report).

DOD RESPONSE: Concur.

- **FINDING C: GAO Test Of Inventory Of Accountable Classified Documents.** To test the system, the GAO randomly sampled 385 of the Northrop facility's Master Control Center control numbers, used in controlling all accountable documents. The GAO (1) verified the physical existence of the 123 items on hand, (2) checked certificates of destruction for the 103 items destroyed, and (3) examined documentation related to the remaining 25 items. (The GAO noted there were also 134 control numbers that had not yet been used because they were part of blocks of numbers assigned by the Center to substations for use on documents generated by the substations.) The GAO concluded that its sample did not disclose any unaccounted for items. (pp. 4-5/GAO Draft Report)

DOD RESPONSE: Concur.

- **FINDING D: Northrop's Inspections, Audits And Self-Inspections.** The GAO found that Northrop audits and inspects its document control system to assess how well custodians are controlling classified material and how well the controls are functioning overall. The GAO noted that the DoD representative receives copies of such audit and inspection reports, and is briefed monthly on the status of the security program and any problems. The GAO also found, that (1) Northrop's Security Division performs random inspections of the document control stations, (2) each station is inventoried when the substation operator changes, and (3) the DoD security representative tests the adequacy of the document control system. In addition, the GAO found that Northrop requires substation operators to conduct monthly self-inspections of their accountable items as well as semiannual self-inspections to verify the holdings of accountable items assigned to custodians in the areas covered by their substations. The GAO reported that when (as sometimes happens) an item is unaccounted for, the substation operator must report the loss to the Security Division and try to find the item. If the substation operator cannot find the item, the Security Division investigates. The GAO found that since 1983, the Security

Now on pp. 2 and 3.

Now on p. 3.

Division has initiated investigations for 1,398 unaccounted-for-items. As of September 1986, 425 were recovered, 99 were still under investigation, 306 were disposed of without proper documentation, and 568 were unaccounted for. The GAO noted that investigation reports for some of these 568 items suggested that these might have been placed in receptacles with unaccountable confidential material and destroyed without destruction certificates being prepared. The GAO also noted that, in January 1986, a Defense Investigative Service (DIS) security inspector was assigned fulltime to the Pico Rivera facility to assist the other DoD security representative. (The DIS inspector has concentrated on Northrop's document accountability system and subcontractor compliance with security requirements.) (pp. 5-6/GAO Draft Report)

Now on pp. 4 and 5.

DOD RESPONSE: Partially concur. The DoD agrees with the facts, as presented, but does not agree with the implication that the DIS has responsibility for the document control system. The system was implemented in 1983 per contractual direction by the USAF. The DIS participation was requested by the USAF in 1986 to augment existing on-site DoD personnel at the NASD.

- **FINDING E: Investigation Of Missing Items Needed Improvement.** The GAO reported that Northrop's investigation of missing items needed improvement, as many of Northrop's investigation reports had gaps or indicated the existence of underlying problems that were not addressed. The GAO noted, for example, that the reports did not discuss why the 425 recovered items had been unaccounted for or whether procedural changes were needed to preclude recurrence. The GAO also observed that the reports did not suggest that the manner in which destruction receptacles were used was an underlying reason for the 306 missing items that were destroyed without proper documentation or that improved control of receptacle use was needed. The GAO noted that (1) Northrop officials and the DoD representative agreed with the GAO assessment of the investigation reports, and (2) company officials advised they had replaced the manager of the investigation unit. (pp. 6-7/GAO Draft Report)

Now on pp. 5 and 6.

DOD RESPONSE: Concur. (NOTE: All NASD investigative reports have been upgraded to incorporate GAO findings.)

- **FINDING F: Destruction Of Unaccountable Classified Waste.** The GAO noted that, while the Industrial Security Manual prescribes the methods of destroying classified material,

witnessing, recordkeeping, and other procedures, it does not discuss how the receptacles used to accumulate unaccountable waste are to be used. The GAO noted, for example, that the manual does not require anyone to review what is placed in, or removed from, the receptacle to ensure that only unaccountable classified waste is destroyed. The GAO observed that such a requirement would minimize the chances of accountable SECRET and TOP SECRET information being destroyed without proper documentation. The GAO reported the Security Division Manager advised that he recognized that use of the receptacles to be a potential problem. The GAO found that as a result of recent media coverage on security and the company's statistics on losses associated with use of the receptacles, a decision was made to improve receptacles control. The GAO observed that revised destruction procedures now require that classified waste in a receptacle be reviewed before it is destroyed. (pp. 7-8/GAO Draft Report)

Now on p. 6.

DOD RESPONSE: Nonconcur. It is the DoD position that the ISM is adequate in this area. Within the Defense Industrial Security Program, the Department has found that waste receptacles used for the collection of classified material function with relative few problems. Imperative to successful use of these receptacles is the development and implementation of a security education program in which contractor employees are briefed on company procedures for their use. As the GAO indicated, this has now been accomplished by the Northrup Corporation's Advanced System Division.

- **FINDING G: Document Accountability For All Special Access Program Contracts.** The GAO reported that, because the DoD was in the process of reviewing security administration of all special access program contracts and verifying the control of classified documents, the GAO did not evaluate the adequacy of recent DoD actions to ensure that classified documents in all such contracts are properly accounted for and protected. The GAO noted that in two previous reports ^{1/} the GAO had recommended that DIS be made

^{1/} GAO Report GGD-83-43, "Further Improvements Needed In Department of Defense Oversight of Special Access (Carve Out) Contracts," dated February 18, 1983 (OSD Case 6142); and GAO Report GAO/NSIAD-86-191, "Need For DoD Inspections of Special Access Contracts," dated August 7, 1986 (OSD Case 7098).

responsible for periodically inspecting special access program contracts and verifying the control of classified documents. The GAO reported that the August 1986 direction by the Secretary of Defense to do so was put in abeyance as a result of pending legislation. Subsequently, on October 15, 1986, Section 1206 of the National Defense Authorization Act for 1987 was approved by the Congress. The GAO reported that Section 1206 states that the Secretary shall direct the DIS to conduct a review of security administration of special access program contracts, including the frequency and adequacy of security inspections of such contracts by the DoD. The GAO reported that this requirement was implemented by a December 2, 1986, Deputy Secretary of Defense memorandum to all DoD components in which he directed the DIS to conduct a security administration review of DoD special access program contracts. The GAO further reported the Deputy Secretary specifically directed that the review, at a minimum, identify (1) all contractors who support DoD special access programs, (2) the offices or organizations responsible for security inspections and oversight of the programs, and (3) the frequency and adequacy of security inspections such offices or organizations carry out. He also directed the DIS to submit an unclassified report on the review no later than April 1, 1987. Finally, the GAO reported that the DoD is also coordinating a draft directive on special access programs, which will (1) establish uniform DoD policy and guidance concerning security administration and (2) assign responsibility for the implementation, direction, management, coordination, and control of such activities. (pp. 9-10/GAO Draft Report)

Now on pp. 8 and 9.

DOD RESPONSE: Concur.

RECOMMENDATION

- **RECOMMENDATION:** The GAO recommended that the Secretary of Defense direct the Deputy Under Secretary of Defense for Policy to revise the Industrial Security Manual to prescribe procedures for managing the use of the receptacles used to accumulate classified waste. (p. 8/GAO Draft Report)

Now on pp. 6 and 7.

DOD RESPONSE: Nonconcur. It is the DoD position that the ISM is adequate. Procedures for the destruction of accountable material and waste are clearly stated in paragraph 19. The DoD depends on the contractor to develop procedures to ensure that appropriate documentation is generated for the destruction of all accountable material, whether it is placed in waste receptacles or not. (Also see DoD response to Finding F.)

Comments From Advanced Systems Division, Northrop Corporation

NORTHROP

Vice President and General Manager

DOOO-87-291

Advanced Systems Division

Aircraft Group

Northrop Corporation

8900 East Washington Boulevard

Pico Rivera, California 90660

Telephone 213 942 3000

01 April 1987

Mr. Frank C. Conahan
Assistant Comptroller General
National Security and
International Affairs Division
United States General
Accounting Office
Washington, DC 20548

Ref: Draft of Proposed Report
**INFORMATION SECURITY: Special
Access Document Accountability
at the Northrop Corporation
(NSIAD-87-79)**

Dear Mr. Conahan:

I am pleased to have the opportunity to review and comment upon your proposed report.

I have no objection to the report as written except for three small points:

Now on p. 2.

1) Reference Page 3, Paragraph 3. It is stated, "the Security Manager reports directly to the Division's General Manager and management council." The Security Manager does not report to the management council; however, he is a member of my Executive Council, and this area of the report would be more clearly stated as follows: "the Security Manager reports directly to the Division's General Manager, and is a member of the General Manager's Executive Council."

Now on p. 6.

2) Reference Page 8, Paragraph 1. This implies that our action to control classified waste receptacles was media prompted; this was not the motivating factor. Our analysis of lost document statistics revealed that control of waste receptacles was necessary, although not required by regulations or contractual requirements. Accordingly, we initiated corrective action which preceded the commencement of your audit.

Now on pp. 7 and 8.

3) Reference Page 9. Notwithstanding investigative conclusions, I would like to point out that we do not know if any of the 568 documents were compromised.

In closing, I would like to express my appreciation for the highly professional and thorough manner in which your investigative team conducted itself during the five-week audit period. We are dedicated to establishing a model of excellence in our security program and will diligently address the areas for improvement identified in your report.


J. Patierno

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