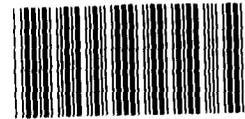


**U.S. GENERAL ACCOUNTING OFFICE**

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**STATEMENT OF**



127183

**BILL W. THURMAN**

**DEPUTY DIRECTOR**

**NATIONAL SECURITY AND INTERNATIONAL AFFAIRS DIVISION**

**BEFORE THE  
SUBCOMMITTEE ON GOVERNMENT INFORMATION, JUSTICE AND AGRICULTURE  
HOUSE COMMITTEE ON GOVERNMENT OPERATIONS**

**ON**

**THE GOVERNMENT'S PROGRAM FOR  
PROTECTING NATIONAL SECURITY INFORMATION**

032303

Mr. Chairman and Members of the Subcommittee:

I appreciate the opportunity to appear before you this afternoon to discuss some of the observations we have made on the government's program for protecting national security information.

With me this afternoon are Irv Boker and Jim Reid, who work in the security area.

National security information includes classified information pertaining to national defense and foreign relations. The protection of classified information generally falls into three broad categories--information security, physical security, and personnel security. Briefly, information security involves the proper classification and marking of national security information; physical security involves the safe transmission and secure use and storage of the classified information; and personnel security involves the investigation and adjudication of information concerning an individual, needed to determine that the individual is trustworthy and can be given access to classified information.

The volume of classified information and of people with security clearances to see that information has increased significantly in recent years. The following statistics, which exclude the Central Intelligence Agency and the National Security Agency, give some indications of the dimensions of the problem of maintaining security for classified information and for effective management in the area.

Data that we gathered in 1984 showed that at the end of calendar year 1983, approximately 2.7 million government employees (including the military) had security clearances. This was an increase of about 7.5 percent over 1982. In addition, about 1.5 million contractor employees had security clearances, which means that about 4.2 million individuals had security clearances at the end of 1983. At that time, DOD accounted for 94 percent of the government employees and 87 percent of the contractor employees with security clearances.

DOD has advised us that, as of March 1985, about 2.9 million DOD civilian and military personnel had security clearances and about 1.4 million DOD contractor employees had clearances, an increase from December 1983 of almost 11 percent for DOD.

Over 50 government agencies (including several thousand installations and offices) are authorized to handle classified information and are responsible for safeguarding it. According to the Information Security Oversight Office, these agencies, excluding the National Security Agency, generated over 19.5 million classified documents in calendar year 1984 including about 16.6 million for DOD (almost 85 percent of the total). In

addition, about 14,000 cleared industrial facilities are authorized to handle classified documents. The number of classified documents they generated in calendar year 1984 is unknown; however, they have an inventory of about 16 million classified documents.

Executive orders have governed the classification of national security information since 1940. The current executive order 12356, issued in April 1982, like several orders before it, prescribes three levels of classification--top secret, secret, and confidential--depending on the level of sensitivity of the information and the potential damage that would result from its disclosure.

Executive Order 10450, issued April 27, 1953, is the basic authority for the federal government's personnel security clearance program. The order makes the Office of Personnel Management (OPM) responsible for conducting all competitive service investigations used in determining the suitability of individuals for civilian government employment and as a basis for ensuring that the employment of the individual is clearly consistent with the interests of national security. Some agencies, such as the Departments of Defense, State, and Treasury, are authorized by law, or agreement with OPM, to conduct investigations of competitive service positions.

The type of security clearance an individual needs is determined by the classification level of the information to which the individual will have access. Most government employees with a security clearance have either a secret or top secret clearance. A secret clearance can be granted if a National Agency Check and Inquiries produces no serious derogatory information. The National Agency Check portion consists of searching the records of certain federal agencies such as the OPM and the Departments of Defense, Justice, and State to determine the existence of any previous investigations or a criminal record and to verify citizenship and any military service. The inquiries portion involves sending written inquiries covering specific areas of the subject's background during the past 5 years or since the individual's 18th birthday, whichever is shorter. A top secret clearance requires the same information but, in addition, it requires a favorable background investigation which covers the same period. The background investigation includes personal interviews with people who know the individual being investigated and a verification of his or her birthdate, education, and employment.

In addition to a regular security clearance, the intelligence agencies, including some components of DOD, require that a more extensive, or special background investigation be conducted before an individual is granted access to intelligence information, methods, or sources. Such information is referred to as sensitive compartmented information (SCI). The minimum standards for the special background investigation are prescribed by the Director of Central Intelligence.

DOD, through the Defense Investigative Service, performs the majority of the personnel investigations made each year. These investigations are needed because of new employee hiring, changes in jobs, and retirements; military enlistments, promotions and discharges; new programs; and periodic reinvestigations. During calendar year 1984, the Investigative Service performed 1,071,000 investigations involving DOD and industry personnel.

Over the past 10 years, we have examined various aspects of the government's program for protecting national security information. A listing of pertinent GAO reports is included as an attachment to my statement. We would be pleased to provide copies of any or all of these reports to the Subcommittee.

In view of the current concerns about the effectiveness of the nation's system for protecting classified information, the results of our work in certain areas might be of particular interest to the subcommittee, and I would like to briefly summarize our observations in the following three areas:

- Periodic reinvestigations and continuous monitoring of cleared employees,
- Control of the number of requests for security clearances, and
- Improved classification guidance for contractors.

#### Need for Periodic Reinvestigations and Continuous Monitoring of Cleared Employees

The granting of security clearances to government or contractor employees is only the first step in the protection of national security information. Previously cleared individuals should be periodically reinvestigated and continuously monitored to ensure that their access to classified information remains in the best interest of national security. Policies and procedures for such monitoring differ among agencies.

The Federal Personnel Manual, issued by OPM, which applies only to government civilian employees, requires a reinvestigation every 5 years after an individual is placed in a position designated "special sensitive" or "critical sensitive." (These terms are equivalent to an SCI access and top secret clearance, respectively.)

In June 1981, DOD placed a moratorium on periodic reinvestigations for individuals with SCI access because of the investigative backlog resulting from an increased number of initial investigations. In April 1983, because of improvements in the backlog and turnaround time, DOD resumed periodic reinvestigations for persons with SCI access and expanded the scope of its periodic reinvestigations of individuals with top secret

clearances. Included with the individuals with top secret clearances to be reinvestigated were military personnel. Previously, military personnel with top secret clearances would be reinvestigated only if they were (1) given access to SCI, (2) assigned to certain special programs, or (3) the subject of some derogatory information. In those cases involving derogatory information, the investigation was to be limited to that necessary to verify or discount the information.

To ensure that the periodic reinvestigations would not adversely impact the overall backlog and case-completion time for all investigations, DOD established an annual quota of 40,000 periodic reinvestigations. With over 100,000 individuals with SCI access and about 500,000 other individuals with top secret clearances in DOD and industry, it may be several years before DOD can get the reinvestigation process back on schedule, considering its heavy work load of requests for new investigations.

We understand that DOD has recently begun an evaluation of the usefulness of its reinvestigation program. We believe that this is a worthwhile effort and it may enable DOD to identify areas where greater emphasis should be placed. Reinvestigations are currently required only for those individuals who have top secret clearances or SCI access. Over 3.3 million (2,385,000 government and 972,000 contractor) individuals have secret clearances and are not subject to a periodic reinvestigation.

The continuous monitoring of employees who have security clearances is also important. Government agencies and contractors need to pay close attention to employees with emotional, alcohol- or drug-related, or severe financial problems.

DOD requires its contractors, operating some 14,000 cleared facilities that may have access to classified information, to report any adverse information about an employee with a security clearance. This is a formalized reporting process, with the reports being sent to the Defense Industrial Security Clearance Office, which is the central adjudication facility for contractor employees. During fiscal year 1984, the Clearance Office received 2,400 reports with adverse information and, based on these reports, suspended 24 clearances, on an interim basis, until the adverse information could be resolved.

DOD regulations covering military and civilian personnel require the immediate reporting of adverse information, by the most expeditious means possible, to the commander or security officer of the organization to which the subject individual is assigned.

We have found that, when derogatory information on a individual is reported, agencies are reluctant to revoke security clearances because such revocation might be considered an adverse action. Agencies prefer to reassign the employee to a position that does not require a clearance.

#### Need to Control the Number of Requests for Security Clearance Investigations

We have not performed any overall evaluation of the need for the number of security clearances that have been issued; however, our work, as well as that of DOD internal audit agencies, has indicated there is a need for greater control over requests for security clearances. In our February 1983 report, which pertained only to DOD special access contracts, we recommended that instructions be issued that would require DOD's advance approval of a contractor's nominee for a special background investigation. We also recommended that the Defense Investigative Service return to contractors any requests not containing the advance approval. DOD took steps to implement our recommendations.

Some contractors said that it was possible to circumvent the system and that they were submitting more requests than they needed. Two contractors, who acknowledged requesting a few more special access authorizations than they needed, said that delays by DOD in completing investigations forced them into an untenable situation. If they received a new contract or needed additional employees for an existing contract, they could transfer appropriately cleared employees from other contracts (which would delay that work), hire other contractors' employees who already had special access authorizations (which was costly), or submit requests in anticipation of need.

DOD officials have told us of cases where contractors' employees had security clearances that were in excess of the number needed to perform on classified contracts. Over the years, audit reports by the military services have identified situations where an excessive number of security clearances were being requested for military personnel. DOD recognizes the problem and has considered a number of options to control the proliferation of security clearances, such as authorizing a specific number of clearances to each major defense component, and charging each component and its constituent contractors for each investigation requested. DOD has also emphasized to military commanders and program managers their responsibility to keep clearance requests to an absolute minimum.

Last week, DOD took some steps to control the number of requests for personnel security clearances. On June 10, 1985, the Defense Investigative Service announced a "Clearance Reduction Program Within Industry." The program is designed to identify and eliminate existing security clearances that are no longer required and to tighten the procedures used

by contractors to request clearances. In addition, the Secretary of Defense ordered an immediate 10 percent reduction in the number of security clearances held by military and civilian personnel. He also formed a special panel to identify "any systemic vulnerabilities or weaknesses" identified by the recent espionage case.

Need for Improved Classification  
Guidance for Contractors

The large number of security clearances is driven by the volume of classified material. In our March 1981 report, we identified instances where, because of deficiencies in guidance, training, and inspections, some national security information had been improperly classified--both overclassified and underclassified--and had not been properly marked to protect it. We reviewed 235 classified documents to determine if various portions of the documents were classified correctly. Of the 235 documents, 119, or about 51 percent, contained one or more examples of improper classification. Of the 119 documents, 109 had portions that were overclassified and the other 10 had portions that were both underclassified and overclassified. In addition, we found that 90 percent of 496 documents that we reviewed, were not marked correctly to protect national security information.

We found that classification guidance furnished by DOD was outdated, vague and inconsistent. We recommended that DOD improve the classification guidance given to contractors, expand the training of contractor employees, and include classification management in its periodic security inspections of contractors. DOD agreed that more training was needed, but said that a lack of funding and personnel precluded any significant expansion of its training program.

We have not done any follow-up work on this subject; however, an April 1985 report to DOD by the National Classification Management Society concluded that classification guidance, when available to industry, often was provided late and was irrelevant, inconsistent, and unclear.

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This concludes my prepared statement. We would be pleased to respond to any questions the Subcommittee might have.

GAO REPORTS ON THE PROTECTION OF NATIONAL SECURITY INFORMATION

<u>Date</u>	<u>Number</u>	<u>Title</u>
12/02/74	B-132376	Personnel Security Investigations: Inconsistent Standards and Procedures
12/16/77	FPCD-77-64	Proposals to Resolve Longstanding Problems in Investigations of Federal Employees
01/30/79	GGD-78-91	IRS Inspection Service Functions: Manage- ment Can Further Enhance Their Usefulness
03/09/79	LCD-78-125	Improved Executive Branch Oversight Needed for the Government's National Security Information Classification Program
08/31/79	FPCD-79-79	Costs of Federal Personnel Security Investigations Could and Should Be Cut
09/25/79	FPCD-79-92	Status of the Investigative Program
10/26/79	LCD-80-16	Continuing Problems in DOD's Classification of National Security Information
04/11/80	LCD-80-51	The Central Intelligence Agency's Handling of Mandatory Review Requests Under Executive Order 12065
10/15/80	LCD-81-3	Systematic Review for Declassification of National Security Information--Do Benefits Exceed Costs?
12/16/80	LCD-81-13	Oversight of the Government's Security Classification Program--Some Improvements Still Needed
03/23/81	PLRD-81-3	DOD Should Give Better Guidance and Training to Contractors Who Classify National Security Information
09/15/81	GGD-81-105	Faster Processing of DOD Personnel Security Clearances Could Avoid Millions in Losses
07/08/82	GAO/GGD-82-56	The Department of Justice Needs to Address the Problem of Two Personnel Investigations Being Conducted on All Bureau of Prisons Employees
10/07/82	GAO/GGD-83-15	Review of Department of Defense Investigation of Leak of Classified Information to <u>The Washington Post</u>

02/18/83	GAO/GGD-83-43	Further Improvements Needed in Department of Defense Oversight of Special Access (Carve-out) Contracts
05/18/83	GAO/GGD-83-66	Need for Central Adjudication Facility for Security Clearances for Navy Personnel
10/18/83	GAO/NSIAD 84-26	Effect of National Security Decision Directive-84, Safeguarding National Security Information
06/11/84	GAO/NSIAD 84-134	Polygraph and Prepublication Review Policies of Federal Agencies