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REPORT BY THE
Comptroller General
OF THE UNITED STATES

RELEASED

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**Costs Of Federal Personnel
Security Investigations
Could And Should Be Cut**

This report discusses the extent of the personnel security investigation program in Federal agencies, factors bearing on consolidating these functions into a single agency, and improvements needed before consolidation is feasible. It also evaluates improvements and savings which have occurred or are possible without full consolidation.

GAO's study was made at the request of the Chairman, Subcommittee on Legislation and National Security, House Committee on Government Operations. *HSE01506*



506404 / 110471

FPCD-79-79
AUGUST 31, 1979



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-132376

The Honorable Jack Brooks
Chairman, Subcommittee on Legislation
and National Security,
Committee on Government Operations

HSE 01506

Dear Mr. Chairman:

As requested in your May 3, 1979, letter and discussed with your office, we updated our previous review in terms of the number, type, and scope of, and average time taken for, investigations being conducted; the cost of full-field investigations; and the justifications, if any, for not consolidating these investigative functions into a single agency.

The report recommends that the Director, Office of Personnel Management, work with other agencies to develop definitive standards for reporting costs and for determining the scope of investigation, reach agreements to use these standards, share resources when appropriate, and encourage the use of improvements made by other agencies. Once the standards have been established and improvements made, the Office of Personnel Management should use the data to determine the most effective program, including assessing the potential savings that could result from consolidation. The Office of Personnel Management also should improve its own program with respect to controls over written inquiries and developing adequate classification criteria. We also repeat our prior recommendation that the Congress consolidate into one law the authority to investigate and judge the suitability of Federal employees, including the potential of employees in sensitive positions to impair national security.

As you directed, we did not obtain formal agency comments. The facts in the report were discussed with responsible officials, and their comments have been considered in its preparation.

COMPTROLLER GENERAL'S REPORT
TO THE SUBCOMMITTEE ON
LEGISLATION AND NATIONAL SECURITY
COMMITTEE ON GOVERNMENT OPERATIONS
HOUSE OF REPRESENTATIVES

COSTS OF FEDERAL
PERSONNEL SECURITY
INVESTIGATIONS COULD
AND SHOULD BE CUT

20/90
D I G E S T

A personnel security investigation is an inquiry into the activities of an individual to make sure he or she is reliable, trustworthy, loyal, and of good character. Authorities use the information to determine a person's suitability, security eligibility, and loyalty.

Under Executive Order No. 10450 and several public laws and other Executive orders, the Office of Personnel Management, the Defense Investigative Service, the Federal Bureau of Investigation, the Department of State, several units of the Treasury Department, and other agencies make personnel security investigations.

There are two basic types of investigations: one called full field which is extensive, and one called national agency check and inquiry which is less so. Each includes a check of Federal agency arrest and investigative records. Under the full field, investigators also interview employers, educators, neighbors, references, and other local sources. The national agency check and inquiry supplements the records search with written inquiries for information about a person's loyalty, character, associations, experience, education, or arrests from local sources. The extent of an investigation is determined by the sensitivity of the job.

STATISTICS ON INVESTIGATIONS

Of \$72 million spent on about 1.3 million investigations in fiscal year 1978, about

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use of the Office of Personnel Management to make some of their full-field investigations, tend to support the benefits of consolidation.

However, there is no way to measure how much could be saved by consolidating personnel security investigations, as GAO recommended in 1974, because the agencies do not have comparable cost data.

✓ Savings from transferring investigative activities to a single agency would be limited to potential benefits, such as eliminating duplicate or unnecessary overhead and stabilizing the workload. Costs may increase as a result of consolidation because some agencies have indicated a strong desire to retain their investigators for other work, and the Office of Personnel Management may need more staff.

Some agencies would have to continue making their own investigations or assisting others to provide assistance overseas or to protect the identity of intelligence agents.

Opportunities to consolidate personnel investigations also may be limited by the many laws and Executive orders authorizing them.

WAYS AGENCIES CAN STREAMLINE INVESTIGATIONS

✓ Some agencies are improving the timeliness and efficiency of their personnel security investigations by

--reducing their extent,

--determining more carefully those positions requiring full-field type, and

--using investigators more effectively.

Agencies are reducing the number of full-field investigations of job applicants through better screening processes. They

GAO also repeats its prior recommendation 1/ that the Congress consolidate into one law the authority to investigate and judge the suitability of Federal employees, including the potential of employees in sensitive positions to impair national security.

AGENCY COMMENTS

GAO reviewed the findings in this report with appropriate agency officials who generally agreed with the facts presented.

1/"Proposals to Resolve Longstanding Problems in Investigations of Federal Employees" (FPCD-77-64, Dec. 16, 1977).

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CHAPTER 1

INTRODUCTION

In December 1974 we issued a report 1/ which contained recommendations for improving personnel security investigations within the Government and for consolidating the investigative activities being conducted by several different Government agencies. On May 3, 1979, the Subcommittee on Legislation and National Security, House Committee on Government Operations, asked us to update this review in terms of the number, type, and scope of, and average time taken for, investigations being conducted; the cost of full-field investigations; and the justifications, if any, for not consolidating these investigative functions into a single agency.

BACKGROUND OF PERSONNEL SECURITY INVESTIGATIONS

A personnel security investigation is an inquiry into the activities of an individual to make sure he or she is reliable, trustworthy, loyal, and of good character. Authorities use the information to determine a person's suitability, security eligibility, and loyalty.

Executive Order No. 10450 made the Civil Service Commission primarily responsible for the investigations under the frame work of a security program. This function was subsequently transferred to the Office of Personnel Management (OPM) under the Civil Service Reform Act of 1978. Although primary responsibility for investigations was assigned to OPM under this order, other agencies, such as the Defense Investigative Service (DIS), Federal Bureau of Investigation (FBI), Department of State, and constituent agencies of the Department of the Treasury, have been designated by OPM to share the responsibility. The authority to make personnel investigations by various agencies is also contained in several other public laws and Executive orders.

Executive Order No. 10450 authorized two types of investigations (1) full field and (2) national agency check and inquiry (NACI). Both include at least a national agency check (NAC) of Federal agency arrest and investigative records. A full-field investigation includes NAC plus

1/"Personnel Security Investigations: Inconsistent Standards and Procedures" (B-132376, Dec. 2, 1974).

--some of the investigations being performed were inadequate for employees with sensitive duties and were too expensive for most employees, and

--OPM has inadequate controls over the dissemination of information to protect individual rights.

On June 9, 1978, we advised several congressional committees that OPM had agreed with the findings and principles recommended in the report, but it proposed alternative corrective actions which were inadequate. We are sending followup letters to these committees explaining the current status of these same problems.

Recently, we also reviewed the work of the Inspection Service, 1/ Internal Revenue Service (IRS), which includes making personnel security investigations. We found that IRS had assigned criminal investigators to do this work. By assigning it to either OPM, which uses less costly general investigators, or IRS general investigators, IRS could reduce the Government's cost of providing retirement benefits by about \$8 million. Since that report, IRS has made improvements which are discussed in this report.

SCOPE OF REVIEW

We made our review at OPM, FBI, DIS, IRS, the Customs Service, the Department of State, and the Secret Service. We also collected data from 43 civilian departments and agencies to determine how many additional organizations were making full-field investigations.

We obtained the data through interviews and reviews of agency records. We discussed our work with the principal investigative officials at these locations and incorporated the results in our report.

1/"IRS Inspection Service Functions: Management Can Further Enhance Their Usefulness" (GGD-78-91, Jan. 30, 1979).

| <u>Agency and type of investigation</u> | <u>Number of investigations</u> | <u>Cost per investigation (note a)</u> |
|--|---------------------------------|--|
| | <u>FY 1978</u> | |
| OPM: | | |
| Full-field investigations | 23,760 | \$ 836.00 |
| Limited field investigations | 2,477 | 458.00 |
| NACI | 270,148 | 8.81 |
| NAC | <u>59,761</u> | 7.25 |
| Total | <u>356,146</u> | |
| DIS: | | |
| Special background | 48,572 | 394.00 |
| Background | 57,723 | 208.00 |
| Special background—update investigation | 12,747 | 108.00 |
| Background—update investigation | 1,300 | 178.00 |
| Expanded NAC | 21,826 | 60.00 |
| Special investigative inquiries | 1,934 | - |
| Limited inquiries | 2,357 | - |
| NAC | 364,343 | 3.57 |
| Entrance NAC | <u>391,437</u> | |
| Total | <u>902,239</u> | |
| FBI: | | |
| Administrative Services Section: | | |
| Special agent | 1,057 | b/ 5,452.00 |
| FBI support | c/ 3,000 | - |
| Maintenance, contractors, vendors with access to Hoover Building | c/ d/ 1,000 | - |
| Civil Rights and Special Inquiries Section: | | |
| Nonreimbursable full-field investigation | 2,173 | - |
| Reimbursable full-field investigations | 1,579 | 979.00 |
| National FBI Academy: | | |
| Limited full-field investigation of candidates | c/ <u>1,200</u> | 500.00 |
| Total | <u>10,009</u> | |

| <u>Agency and type of investigation</u> | <u>Number of investigations</u> | <u>Cost per investigation (note a)</u> |
|--|---------------------------------|--|
| | <u>FY 1978</u> | |
| Coast Guard (note h): | | |
| Background investigation | <u>147</u> | - |
| Department of Commerce: | | |
| Full-field investigation | <u>2</u> | - |
| National Aeronautics and Space Administration: | | |
| Full-field investigation | <u>1</u> | - |
| Agency for International Development: | | |
| Full-field investigation | 356 | 650.00 |
| NACI and NAC | <u>654</u> | - |
| Total | <u>1,010</u> | |
| ACTION: | | |
| Full-field investigation | 50 | 500.00 |
| Update investigation | <u>5</u> | - |
| Total | <u>55</u> | |

a/Includes actual or estimated costs.

b/Includes recruiting, testing, physical examination, and full-field investigation.

c/Estimated.

d/Persons with regular access to the FBI building receive full-field investigations. Persons with limited access receive NACIs.

e/Limited character investigation for nonsensitive (specified) positions is scheduled to be eliminated. Positions will be reclassified as nonsensitive and OPM will conduct a NACI for IRS.

f/The total for these five types of investigations is 844. The \$276 is the average cost per investigation.

g/A limited full-field investigation was added in January 1979 for non-critical sensitive positions.

h/Military personnel only.

as discussed below, we could not relate the scope to the costs involved because the number and type of contacts per case were not always available.

VARIATIONS IN INVESTIGATIVE SCOPE

"Scope" is defined as the type and number of contacts with witnesses, record searches, letters of inquiry, and telephone interviews during the investigation. The scope of the investigations varies, and thus employees are subject to inconsistent coverage resulting in possible overinvestigation or underinvestigation. Investigative scope also affects the cost and the amount of time involved in the investigation. The number of witnesses interviewed and the number of records searched usually increase the time and the cost of an investigation.

Most agencies do not keep data on a regular basis showing the number of contacts per case and the type of contact. Therefore, we could not compare the scope of the investigations. OPM and DIS had made studies to obtain the data, and IRS keeps the most complete data on the personal, letter, and telephone contacts by type of investigation. (See app. II.) This data was not comparable due to different types of contacts. The Customs Service, FBI, Secret Service, and State Department did not maintain this type of information.

Although statistical information was not available to compare the contacts per case, a review of the procedures showed that variations existed in the scope of the investigations made by the agencies we visited. Following are some of the differences in investigative scope.

Some agencies interview applicants while others do not

The Department of State and Customs Service schedule interviews with individuals as part of their personnel investigations. DIS interviews the contractor employees scheduled for special background investigations, and the FBI interviews applicants for FBI special agent and support positions before the investigation as part of its hiring process. Customs Service officials said the interview provides the best source of information.

A study in 1974 by a Department of Defense (DOD) group showed that the personal interview of the applicant provided

--IRS, in its character investigation, obtains letter responses from two listed references and, in its security investigations, requires that two unlisted references be interviewed.

--The Customs Service, in its full-field investigation, interviews one named and two unlisted references and, in its limited full-field investigation, interviews one named and one unlisted reference.

Education

Agencies use the following standards for performing educational investigations:

--The Customs Service verifies education by on-site visit when a college is involved. If the highest education level is high school, a letter of inquiry is sent for verification.

--DIS, in its special background and background investigations, verifies institutions of higher learning through school records. If there is unfavorable information in its background investigation, references will be interviewed. In its special background investigation, DIS attempts to interview two references for all attendance at educational institutions that occurred in the most recent 5 years.

--IRS, in its security investigation, verifies the highest education by personal contact and makes an attempt to interview two persons associated with the applicant. In its character investigation, IRS acquires written verification from the highest education completed. If college is the highest completed education, IRS retains transcripts of credits and degrees received.

--The FBI, in its bureau applicant investigation, verifies school records, diplomas, and advance degrees and interviews a representative number of school officials and teachers. In its applicant and employee investigation for other agencies, the FBI verifies college attendance and degrees. Teachers and fellow students are interviewed and high school attendance is covered only if it is within the preceding 6 years.

--OPM requires personal interviews of persons who know the applicant in the educational environment and reviews of academic, disciplinary, and security records within the most recent 5 years will receive intensive coverage.

CHAPTER 3

CONSOLIDATION: PROBLEMS AND BENEFITS

Although we have recommended in our previous report that selected personnel investigations be consolidated under OPM, the agencies have made little progress toward this goal. The circumstances of consolidation are complicated by the agencies' contention that they can perform less costly, more timely, and more thorough investigations than OPM.

The cost question cannot be resolved at present because investigative costs as discussed in chapter 2 vary widely and are not comparable because of the lack of uniform methods for developing costs and for defining the scope of investigations. The problems of scope also affect agencies' contentions concerning thoroughness of their investigations.

Benefits from consolidation include the elimination of overhead, stabilizing workload, and the use of uniform standards and procedures. The overall savings, however, cannot be determined because costs are not comparable and the agencies desire to retain their investigative staffs for other priority work. But, we have some evidence that consolidation is feasible. For example, some agencies making their own investigations also use OPM when timeliness is not a factor or when they have more work than they can do. Other issues that need to be considered in the consolidation is the authority to investigate and the possible need for more than one agency to conduct or assist in the investigations.

AGENCY OBJECTIONS TO CONSOLIDATION

We discussed the justification, if any, for agencies wanting to make their own personal security investigations, rather than using OPM. Most agencies believed they could make investigations more promptly and at less cost. They considered timeliness to be a primary justification for making their own investigations. They also believed that their own personnel were more thorough, and thoroughness was essential for highly sensitive positions.

Regarding cost differences, many agency officials said that their investigations were more efficient than OPM's. As noted before, however, the wide variations in scope and cost methods together with lack of records precluded us from verifying this claim.

Reasons given for the differences in timeliness varied. Many agencies did not want to start hiring personnel without

BENEFITS OF CONSOLIDATION

OPM officials pointed out that consolidating personnel investigations under one agency offers many advantages. It permits more efficient and effective operations by

- eliminating the support positions associated with personnel investigations in the agencies conducting the investigations;
- distributing the staff more widely to reduce travel, save time, and provide faster service;
- permitting other agencies' investigative, intelligence, and enforcement staffs to concentrate on their primary mission; and
- reducing inefficiencies due to the peaks and valleys of individual agency workloads.

Consolidation also fosters

- the use of a uniform and quality background investigation applicable to all Federal employees,
- a higher degree of specialization,
- a uniform application of the Privacy Act provisions,
- better coordination of investigative effort,
- greater adaptability to changing needs,
- increased responsiveness to public and congressional attitudes and key court decisions, and
- separation of investigative and adjudicative responsibilities.

ACTIONS TOWARD CONSOLIDATION

Since our last report, agencies have taken or proposed actions which will transfer some of their responsibilities for personnel security investigations to OPM. In addition, agencies assist one another to a limited degree in these responsibilities. Thus, there has been some movement toward consolidating this function.

said the draft charter eliminated their requirement to conduct personnel investigations for agencies such as the Department of Energy and the Nuclear Regulatory Commission. During fiscal year 1978 the FBI made 1,579 such cases at an estimated cost of \$1.5 million. Estimated workload for this current fiscal year is 1,700.

Agency assistance in
personnel investigations

When the need arises, agencies making their own full-field investigations have requested OPM to make full-field investigations for them or have requested assistance during an investigation when they lack resources.

During fiscal year 1978 the following departments and agencies made their own full-field investigations and also relied on OPM to make some of their investigations:

- The National Aeronautics and Space Administration and the Department of Commerce made one and two full-field investigations, respectively. They relied on OPM to make the remainder of their full-field investigations. They made their own investigations only in extreme circumstances involving a very limited time. The Department of Commerce also reported that it would occasionally update investigations on a few employees holding special access security clearances granted by the Central Intelligence Agency.
- The Customs Service makes its own personnel investigations of applicants where timeliness is a consideration. OPM makes full-field investigations for Customs employees who are being promoted.
- When its security work is too heavy the Department of State uses OPM to assist in personnel investigations. Suitability-type cases and full-field investigations in Puerto Rico and Alaska are sent to OPM.

The State Department, during fiscal year 1978, also assisted the following agencies in making overseas investigations.

whether specific authority existed to make personnel investigations of military personnel. DOD directives provide policy relating to the type of investigations and clearances to be granted civilian, military, and contractor employees and define the type of investigations for positions in the nuclear reliability program and Presidential support activities.

During our review of two directives, we noted that clearances may be awarded to civilian and military personnel on the basis of two different types of investigations and that there is no authority such as a public law or Executive order for investigating contractor employees in Presidential support activities.

Some clearances may be awarded on the basis of different investigations

DOD Directive 5210.8 sets the policy on investigation and clearance of DOD personnel for access to classified defense information. The top secret and secret clearances for civilian and military personnel can be awarded on the basis of different investigations. For example, a secret clearance is granted to civilian employees on the basis of the NACI or background investigation, while the same clearance may be granted to military personnel on the basis of the NAC.

Authority to investigate contractor employees assigned to Presidential support functions

DOD Directive 5210.55 describes the assignment of personnel into two classifications of Presidential support activities involving regular or frequent contact with or access to the President or Presidential facilities, communications activities, or modes of transportation. One classification is employees in direct support of the President; the second classification is contractor employees who provide services or who require unescorted access to Presidential support areas, activities, or equipment, including maintenance of the Presidential retreat, communications, and aircraft. The directive further provides that personnel nominated for these duties must have been the subject of a background investigation. There was no information relating to the authority for making personnel investigations of contractor employees.

regular background investigation. The estimated savings at that time would have been about \$12 million if the new method was adopted. An additional \$15.8 million could have been saved if the method was applied to the special background investigation.

Both IRS and Customs Service have made changes in their personnel investigation program. While they will continue to make full-field investigations for certain positions, they have introduced a limited background investigation for other positions, which should limit the number of personal contacts. They plan to rely on sources which are providing the best information. In addition, the Department of State is coordinating an interagency study for determining the best sources of information in conducting the investigations.

DIS efforts to reduce scope

In the past DIS has reduced the scope of personnel investigations and saved about \$4.7 million. For example, as a result of policy changes regarding update investigations, about \$2.9 million were saved. A further policy change in 1976 recommended by a DOD working group resulted in savings of about \$1.8 million.

In April 1975 the DOD Personnel Security Working Group reported on the DOD personnel security program involving military and civilian personnel. The primary objective of the study related to the feasibility of centralizing the adjudication of security clearances and determinations for acceptance and retention in the military service and civilian employment. The study also considered aspects such as the scope of investigations and organization.

The group recommended that the scope of the background investigation be revised to intensify the investigation during the most recent 5-year period, to reduce the number and type of source testimonies required, and to provide for use of telephone/letter inquiries in certain instances. A credit check was added to the investigative requirements. The number of leads per case would drop from 20 to 14 but would stress those of proven productivity. The group estimated that this scope revision would save \$1.8 million, assuming that the background investigations continued at the same rate.

Many of those changes were implemented in 1976 and 1978. In May 1976 the Deputy Secretary of Defense directed the following changes in DIS' scope of background investigations.

with information from interviews of airmen who had been accepted into high-risk Air Force programs. The interview failed to identify only 3.8 percent of those personnel whose special background investigation contained important derogatory information. In these cases, it appeared that NAC could have identified some of the derogatory information.

The second phase of the study compared summary information of interviews of airmen with the results of 281 background investigations. The interview failed to identify 3.2 percent of the personnel whose background investigation contained important derogatory information. Conversely, the background investigations failed to identify 17.1 percent of the personnel whose personal interviews contained important derogatory information. Using cost estimates of \$281 per background investigation (over about 50,000 per year) and \$40 for the personal interview, letters of inquiry, and NAC, potential savings of about \$12 million exists.

Although the group concluded in its 1974 report that the personal interview with the applicant was much more productive and less costly than a full background investigation, DOD had made little effort to incorporate these changes in its scope.

Security Plans and Programs Directorate officials said they were reluctant to initiate such a substantial change without further evidence that this methodology would result in an effective investigation and that savings could be attained. A scarcity of resources has prevented further action on this recommendation.

DIS, however, was directed in October 1978 to develop a pilot program to test this approach and has therefore proposed a study of 500 cases, beginning about October 1979, to establish a new background investigation. Under the test, it plans to (1) conduct a background investigation that is now conducted, (2) conduct an NAC, a local agency check, a credit check, and an interview of the same applicant, and (3) evaluate the results of both ways of conducting the investigation.

The group also concluded that the new methodology be considered for special background investigations. An additional \$15.8 million could be saved if this were extended to 60,000 special background investigations. The group, however, recognized that reducing the scope of these investigations could not be accomplished without revising the requirements set out in Central Intelligence Directive 1/14.

Some changes in the character investigation program that were made in May 1979 as a result of a task force meeting in April 1979 include:

- Voucher responses are to be obtained from two listed references.
- Military service records are to be reviewed only when the discharge is less than honorable.
- Neighborhood investigations are not required although they are recommended for internal audit inspectors; special agents; and, if feasible, for other enforcement positions.

OPM

OPM officials have also made studies on the most productive sources of information in investigations. In some cases these studies have revealed information contrary to that from other agencies. For example, OPM's 1979 study of 500 full-field investigations showed it was obtaining adverse information in 298 instances from 15 types of sources. Neighbors provided adverse information in 25 of 298 instances, or 8.4 percent of the total sources of information. In IRS, neighbors provided adverse information in 15 out of 1,063 instances, or about 1.4 percent of the total.

Customs Service

The Customs Service, in January 1979, reclassified its positions as critical sensitive, noncritical sensitive, and nonsensitive. (See p. 26.) Before this change the positions were classified as sensitive and nonsensitive. Full-field investigations were made for all sensitive positions, and OPM made NACIs for nonsensitive positions. The Customs Service continues to make full-field investigations for its critical sensitive positions and uses OPM to make NACIs for its nonsensitive positions but has established a limited full-field investigation for its noncritical sensitive positions. The primary difference between the full-field and the limited full-field investigation is the years covered in the investigation scope (5 years for full field and 3 years for limited full field). At the time of our review, the Customs Service did not keep statistical data showing the type of investigation made.

Department of State

The Department of State is coordinating an interagency analysis to determine how far back an investigation should

necessary. However, the regulations do not discuss other duties which should be classified as noncritical sensitive or nonsensitive. We believe that, as a result, agencies will continue to be unsure which positions to classify as sensitive. OPM makes full-field investigations for all positions classified as critical sensitive and NACIs for positions classified as noncritical sensitive or nonsensitive.

To improve employing agencies' consistency in classifying positions so that occupants of those positions are appropriately investigated, we recommended in a previous report that OPM establish criteria providing agencies with clear instructions on how to classify positions into three categories based on whether the position duties would help an occupant to have

- a materially adverse effect on national security and/or a materially adverse effect on other national interests,
- a materially adverse effect on agency operations, or
- no materially adverse effect on agency operations or national interest.

These classifications should then be used as the communication tool for designating the scope of the investigation needed, the responsibility for adjudication, and the need to disseminate investigative results.

Closer agency evaluation to determine the need for full-field investigations

Potential savings could be realized if agencies more closely evaluated the need for full-field investigations unless positions are critically sensitive.

IRS and the Customs Service made full-field investigations for noncritical sensitive positions in fiscal year 1978 while OPM made NACIs for the same classification. If the NACI investigation OPM made had been sufficient for IRS noncritical sensitive positions, \$4.7 million could have been saved in fiscal year 1978.

As discussed on page 25 IRS, in May 1979, changed the scope of the character investigation which should reduce the cost of an investigation for a noncritical sensitive position. However, the new procedures still require personal contacts for employment, self-employment, and neighborhoods. In addition, a 3-year review of the applicant's

reason for this change is to reduce the amount of time a criminal investigator spends on these duties and to increase the time on duties more appropriate for the position.

IRS

Our report entitled "IRS Inspection Service Functions: Management Can Further Enhance Their Usefulness" (GGD-78-91, Jan. 30, 1979) discusses the use of IRS criminal investigators for personnel and other noncriminal work which could be done at less cost by OPM or a general investigator. We recommended in the report that the Commissioner, Internal Revenue Service, along with the Director, Office of Personnel Management, determine the extent that office can assume additional responsibilities for personnel investigations now being conducted by IRS criminal investigators and, to the extent possible, transfer the responsibility to OPM. We estimated that the Government would incur additional costs of about \$15.8 million because of the special retirement benefits due to 409 criminal investigators assigned to security functions. At least 50 percent of the investigative work could be handled by OPM or IRS general investigative personnel, which would reduce the Government's cost of providing employee retirement benefits by about \$8 million. In chapter 3 of this report we discussed IRS efforts to transfer some of its work to OPM.

In other major changes, IRS is transferring much of the work related to character investigation for noncritical sensitive positions to investigative aides. The aides will control and make the scope of the investigation and will interview witnesses. The division's authorized staffing reflects these changes. The criminal investigator will interview witnesses when serious derogatory information is developed during the investigation.

The division's authorized staffing reflects these changes. The number of criminal investigator staff-years is decreasing, and the number of investigative aide staff-years is increasing. The number of criminal investigator staff-years would be decreased from 405 in fiscal year 1979 to 369 in fiscal year 1980. Internal Security Division officials said they planned to request 355 criminal investigator staff-years in fiscal year 1981. Fifty staff-years for investigative aides are being authorized to cover most of the personnel investigative work. Twenty staff-years are being authorized for fiscal year 1979 and 40 staff-years for fiscal year 1980; the officials plan to request 50 staff-years in fiscal year 1981. The division is authorized 405 staff-years for criminal investigators for fiscal year 1979; however, the present number

that their investigators should present much more than derogatory information. Otherwise, OPM would be putting itself in the role of the adjudicating agency by determining which information is derogatory. OPM officials also stated that they should be able to cover themselves in the event an employee turns out to be unsuitable and that oftentimes it is more economical to repeat information verbatim than to summarize and determine which information is pertinent to the suitability of the applicant.

Reducing the number of full-field investigations per applicant

Some of the agencies have tried to reduce the number of full-field investigations per applicant. The most common action is the use of better screening techniques, such as more thorough personal interviews to limit the applicants subject to the investigation. The high costs associated with these investigations should imply to management that consideration be given to making investigations later in the hiring process or at least after more thorough screening devices, such as personal interviews.

Since the summer of 1977, the FBI has greatly reduced the number of full-field investigations of applicants for special agent positions. But it still makes more background investigations on applicants than it intends to hire as special agents, support staff, or accept as students at the FBI academy.

Before November 1976, full-field investigations were made on all applicants for special agent positions. From November 1976 until October 1977, no appointments to special agent positions were made because of a hiring freeze. A new special agent selection program was implemented on August 1, 1977. Under the program, applicants for special agent positions are tested and rated, and the top-ranked applicants are interviewed. The top-ranked applicants are graded on the interviews and the best qualified candidates are selected for background investigation. From August 1, 1977, to September 30, 1978, 6,067 applicants were tested and 3,115 were interviewed. Of 3,115 applicants interviewed, 1,057 of the best qualified were selected for background investigations. Thus it has reduced the need for 5,010 investigations in this situation. The number of special agents hired during fiscal year 1978 was 670. For the fiscal year 1979, the FBI planned to hire 275 to 300 special agents. It plans to make background investigations on about 345 applicants.

CHAPTER 5

CONCLUSIONS AND RECOMMENDATIONS

CONCLUSIONS

Although we recommended in our previous report that selected civilian personnel investigations be consolidated under OPM, little progress has been made toward this goal. The circumstances of consolidation are complicated by the agencies' contention that they can perform less costly, more timely, and more thorough investigations than OPM. On the other hand some agencies' actions or proposals, such as the transfer of some responsibilities to OPM, tend to support the benefits for consolidation. The potential savings cannot be determined at this time because the agencies do not have comparable cost data. Other issues which affect the decision to consolidate follow:

- Overall savings from transferring more functions into one agency such as OPM may be limited to potential benefits such as eliminating duplicate overhead, stabilizing workload, and using uniform standards and procedures. Agencies, in some instances, may attempt to keep their investigative resources for other priority work or to do work not now done. This might offset the savings because OPM would probably need to hire more staff for the additional workload. In these cases, agencies would have to justify and approve the staff on the basis of workload and OMB's approval.
- Consolidation may be limited by the numerous authorities for making personnel investigations. Under Executive Order No. 10450, investigations of persons entering or employed in the competitive service are the responsibility of OPM, and investigations of those not in the competitive service are the responsibility of the employing department or agency. DIS uses many different authorities and directives to investigate civilian and contractor employees and military personnel.
- It may still be necessary for some agencies to make their own investigations or assist others since (1) investigative resources of the State Department need to be retained to provide overseas assistance to OPM and other agencies making the personnel investigations and (2) intelligence agencies such as the Central Intelligence Agency and FBI need to make their own personnel investigations to protect the identity of their agents.

--encourage the use of improvements made by other agencies.

Once standards have been established and improvements made, OPM, as part of its monitoring process, should use the reported costs and other operational data to determine the most effective program, including assessing the potential savings that could result from consolidation. This would include identifying

--which agencies will conduct or assist in personnel investigations;

--an estimate of the workload which could be transferred, the number of staff years to make investigations, and the cost of these investigations; and

--potential benefits which would result from consolidation.

OPM also should improve its own program with respect to controls over written inquiries and developing adequate classification criteria.

We also repeat our previous recommendation that the Congress consolidate into one law the authority to investigate and judge the suitability of Federal employees, including the potential of employees in sensitive positions to impair national security. We said the Congress should consider:

--Restrictions imposed on personnel investigations by other laws such as the Privacy Act of 1974 and court decisions protecting individuals' constitutional rights.

--Whether OPM should investigate occupants of nonsensitive positions only to determine prior criminal conduct, leaving to employing agencies the responsibility for assessing applicants' efficiency.

--The need to define, in a manner acceptable to the courts, disloyal acts which should bar Federal employment.

--The scope of investigation needed for the several levels of security clearances granted Federal employees.

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NINETY-SIXTH CONGRESS
Congress of the United States
House of Representatives
LEGISLATION AND NATIONAL SECURITY SUBCOMMITTEE
OF THE
COMMITTEE ON GOVERNMENT OPERATIONS
RAYBURN HOUSE OFFICE BUILDING, ROOM B-373
WASHINGTON, D.C. 20515

May 3, 1979

Honorable Elmer B. Staats
Comptroller General of the United States
General Accounting Office
441 G Street, N.W.
Washington, D. C. 20548

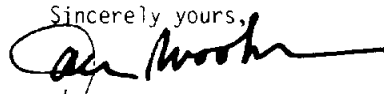
Dear General:

In 1974 GAO issued a report entitled, "Personnel Security Investigations: Inconsistent Standards and Procedures," B-132376, which contained several recommendations for improving the procedures for conducting personnel security investigations within the Federal Government. One recommendation was to consolidate some of the investigative activities that were being performed by several different Government agencies.

I am very interested in the potential savings and improved efficiency that might result from the consolidation of some of these activities. Therefore, I would appreciate GAO updating this review in order to determine (1) the number and types of personnel investigations presently being conducted by Government agencies; (2) the scope of these investigations by the various agencies, and the average time taken per investigation; (3) the cost of these investigations per agency; and (4) the justifications, if any, for not consolidating the majority of these functions within a single agency such as the Office of Personnel Management.

I would appreciate having this review completed within sixty days from the date of this letter so that it can be useful to the Subcommittee this session of Congress. As usual, I would appreciate your not discussing your findings and recommendations with any of the agencies involved.

Thank you for your cooperation.

Sincerely yours,

JACK BROOKS
Chairman

| | | <u>IRS character investigations</u> | | | | | | | | | | |
|-------|------|-------------------------------------|---------------------------|----------------|---------------------------|----------------|---------------------------|----------------|--------------------------|--------------------------|------------------|--------------|
| | | <u>Personal</u> | | | <u>Letter of inquiry</u> | | <u>Telephone</u> | | <u>Contacts per case</u> | | | |
| | | <u>Closed cases</u> | <u>Number of contacts</u> | <u>Percent</u> | <u>Number of contacts</u> | <u>Percent</u> | <u>Number of contacts</u> | <u>Percent</u> | <u>Personal</u> | <u>Letter of inquiry</u> | <u>Telephone</u> | <u>Total</u> |
| May | 1978 | 413 | 4,445 | 47.80 | 4,415 | 47.50 | 444 | 4.80 | 10.76 | 10.69 | 1.08 | 22.53 |
| June | 1978 | 465 | 5,355 | 49.90 | 4,832 | 45.00 | 546 | 5.10 | 11.52 | 10.39 | 1.17 | 23.08 |
| July | 1978 | 423 | 4,712 | 49.60 | 4,322 | 45.50 | 459 | 4.80 | 11.14 | 10.22 | 1.08 | 22.44 |
| Aug. | 1978 | 482 | 5,057 | 47.40 | 5,070 | 47.50 | 538 | 5.00 | 10.49 | 10.52 | 1.12 | 22.13 |
| Sept. | 1978 | 448 | 4,340 | 43.60 | 5,003 | 50.30 | 604 | 6.10 | 9.69 | 11.16 | 1.35 | 22.20 |
| Oct. | 1978 | 409 | 4,099 | 44.80 | 4,567 | 49.90 | 488 | 5.30 | 10.02 | 11.17 | 1.19 | 22.38 |
| Nov. | 1978 | 384 | 3,795 | 42.30 | 4,768 | 53.10 | 412 | 4.60 | 9.88 | 12.42 | 1.07 | 23.37 |
| Dec. | 1978 | 323 | 2,996 | 39.60 | 4,214 | 55.70 | 351 | 4.60 | 9.28 | 13.05 | 1.09 | 23.41 |
| Jan. | 1979 | 383 | 3,010 | 35.70 | 4,961 | 58.80 | 467 | 5.50 | 7.86 | 12.95 | 1.22 | 22.03 |
| Feb. | 1979 | 300 | 2,390 | 36.90 | 3,798 | 58.60 | 295 | 4.60 | 7.96 | 12.66 | .98 | 21.61 |
| Mar. | 1979 | 290 | 2,114 | 32.30 | 4,061 | 62.10 | 364 | 5.60 | 7.29 | 14.00 | 1.26 | 22.55 |
| Apr. | 1979 | <u>268</u> | <u>1,280</u> | <u>25.10</u> | <u>3,571</u> | <u>70.00</u> | <u>254</u> | <u>5.00</u> | <u>4.78</u> | <u>13.32</u> | <u>.95</u> | <u>19.05</u> |
| Total | | <u>4,588</u> | <u>43,593</u> | 42.60 | <u>53,582</u> | 52.30 | <u>5,222</u> | 5.10 | 9.50 | 11.68 | 1.14 | 22.32 |

4. Preappointment investigations. These are limited inquiries made to follow up on information included on an applicant's employment forms.
5. Limited character. IRS previously performed these investigations which were similar to the NACI for a specified nonsensitive position. However, this function has been transferred to OPM.

FULL-FIELD INVESTIGATIONS

These investigations include NAC by OPM or DIS. However, instead of written inquiries of local sources, witnesses are interviewed and records are checked by investigators from OPM or other agencies. In addition, similar procedures may be used to update prior investigation. Some of the variations in terminology follows.

DIS

1. Background investigation. This investigation consists of a NAC, personal contacts, record searches, and written inquiries.
2. Special background investigation. This is a more thorough investigation than the background investigation in that it also includes additional checks on the subject's immediate family if foreign born and spouse and neighborhood investigations to verify each of the subject's former residences in the United States where he resided 6 months or more.

DIS also has investigations which are more limited than the above under:

1. Bring-up investigation. This investigation is designed to bring a previously conducted background investigation or special background investigation up to date and is conducted at 5-year intervals.
2. Limited inquiry. This inquiry is unrelated to the types of investigations described above but designed to provide commanders or security officials with personnel information, such as determining the eligibility of a representative of foreign interest.

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Customs Service

--Limited full-field investigations. These investigations consist of 3 years' coverage rather than 5 years' coverage in the full-field investigation.

IRS

--Security investigation. This investigation is conducted for critical sensitive positions; it includes a NAC, personal contacts, and record searches.

DESCRIPTION OF INVESTIGATIONSNAC

This is normally conducted by OPM or DIS as a standard part of other investigations and consists of searching indexes and the files as follows:

1. FBI fingerprint and investigative files.
2. Defense Central Index of Investigations.

When appropriate, a check of other Federal agencies is done-- for example, OPM; the Immigration and Naturalization Service; the Central Intelligence Agency; and the State Department's Visa Section, Security Division, and Passport Division. DIS also conducts variations of NACs as follows:

1. Entrance NAC. This is identical to NAC except the check of FBI files consists of a "name check only."
2. Expanded NAC. This consists of investigative inquiries as necessary to substantiate unfavorable information disclosed during an NAC or an entrance NAC.

NACI

This includes an NAC and written inquiries from local sources, such as employers, educators, references, police agencies, and others. Generally, OPM conducts NACIs for all Federal employees. When it develops adverse security or suitability information, a limited suitability investigation may be conducted by OPM or a full-field loyalty investigation may have to be made by the FBI.

In addition, IRS may also conduct variations of NACIs as follows:

1. Followup work on NACIs. Additional work done by IRS when OPM has identified derogatory information.
2. Enrollee applicant checks. These are limited checks of police and principal service components to screen applicants as tax practitioners.
3. Police checks. These are checks of employees in service centers, etc.

CONTACTS PER CASE

OPM, in March 1979, made a survey of 500 full-field investigation cases closed in February and March 1979 which showed the types of contacts and the average number of contacts per case as follows:

| | <u>Total number of contacts</u> | <u>Number per case</u> |
|--------------------|---------------------------------|------------------------|
| Personal contacts | 8,319 | 16.6 |
| Record searches | 7,857 | 15.7 |
| Telephone contacts | 130 | .3 |
| Other | <u>88</u> | <u>.2</u> |
| • Total | <u>16,394</u> | <u>32.8</u> |

DIS, in an August 1978 survey, developed the total number of contacts per case as follows:

| | <u>Number of contacts per case</u> |
|--|------------------------------------|
| Special background investigation | 25 |
| Background investigation | 13 |
| Bring-up investigation--special background | 9 |
| Bring-up investigation--background | 11 |
| Expanded NAC | 6 |

DIS, in its survey, did not develop the information by type of contact per case.

--Whether there is a need in the legislation for provisions to aid OPM in gathering local law enforcement information; for example, reimbursing local law enforcement agencies for supplying information, receiving assistance from Federal law enforcement agencies, or clarifying OPM's legal authority to have local arrest information.

Improvements and savings can be achieved without consolidation. Agencies are changing their programs in an effort to reduce the number and cost of investigations, increase timeliness, and use investigative staff more effectively. The changes include reductions in the scope of investigations and more effective use of criminal investigators. These changes have been made with little or no coordination or other involvement by OPM. These tend to reduce costs and provide more timely investigations.

Another improvement without full consolidation is for selected agencies now making full-field investigations to use other agencies' investigators when their staff is not available. This could reduce travel and other costs and improve timeliness. Although standards in scope would be required, deviations from these standards could be programmed by the agency controlling the investigation. Some agencies are already making investigations for other agencies lacking staff at selected locations. This approach is being used very sparingly; however, the concept could be expanded.

Action is also needed by OPM to correct its problems with respect to controls over written inquiries and developing adequate classification criteria.

Each agency visited had its own policies and procedures on the types and scope of investigations to be conducted. Agencies' programs have not been centrally monitored and coordinated to determine the best program and to develop a uniform approach. The agencies have no investigation standard for sensitive positions. Under centralized direction, agencies could reduce duplication of effort and overhead by doing such things as consolidating investigations or sharing resources.

RECOMMENDATIONS

In order to provide more timely, more useful, and less costly personnel investigations, we recommend that the Director, OPM, work with other agencies to

- develop definitive standards for reporting costs and determining the scope of investigations;
- reach agreements to use these standards;
- share resources when appropriate; and

An FBI official said that to fill between 1,200 and 1,400 support positions, the FBI makes about 3,000 background investigations of applicants. He said about 1,000 applicants were eliminated as a result of background investigation and another 300 to 400 were eliminated by the appointing officer. Another 100 to 200 applicants are lost because they fail to report for duty. About 10,000 applicants apply for these positions; however, 7,000 are eliminated from further consideration as a result of testing and applicant interviews.

An FBI official said the training division makes a limited background investigation on about 1,200 candidates a year for the National FBI Academy. The number attending the course is 1,000. The reason they make more investigations than the number attending is that about 200 candidates a year withdraw for professional and personal reasons before the start of class.

DIS has also made changes which should reduce the number of investigations per applicant, as directed by the Secretary of Defense in May 1976. Similar to the above FBI change, DOD employing organizations and DIS officials have been directed to interview applicants to eliminate unsuitable individuals before making a special background investigation. Another DIS change has further emphasized the requirement for processing of requests for contractor employees' personnel investigations through the Defense Industrial Security Clearance Office to preclude duplicative investigative requests and double handling.

We did not explore in detail the procedures used by other agencies to use more thorough personal interviews as a screening device before investigations. In one situation, Department of State personnel officers made only personal interviews of prospective Foreign Service officers. However, the interviews are for determining intellectual capability only. A more thorough personal interview, by the Office of Security, may not be made until most of the other checks are completed for the field investigation, depending on availability of staff. Officials could not provide information as to how many of the 2,630 applicants for which they had made their own investigations in fiscal year 1978 were actually hired.

In addition, we did not review the procedures used by agencies when they hired employees who transferred from other agencies. Therefore, we could not assess the degree of duplication which could exist if agencies do not rely on investigative work of others. If substantial, this could result in streamlining the number of full-field investigations.

of positions authorized is 383. The Government's cost of providing retirement benefits would be reduced as a result of the changes in staffing officials said.

They claimed that the time spent by criminal investigators on personnel security investigations has been reduced from 34 percent to 25 percent since the beginning of fiscal year 1979.

Customs Service

The Customs Service, as a result of an OPM review of Custom's use of criminal investigators at regional locations, has proposed a plan whereby general investigator positions will be established for some positions now designated as criminal investigative positions.

ADDITIONAL STREAMLINING ACTIONS

Agencies are also streamlining their personnel investigations by reducing (1) requirements for reporting by investigators and (2) the number of investigations per applicant.

Reducing requirements for reporting by investigations

Potential savings may result from changing the methods and procedures for reporting personnel investigations. The amount of time investigators and support personnel spend in preparing these reports could be reduced if the amount of detail and information necessary were carefully screened to provide only that which is needed to judge applicants' qualifications.

Currently the amount of detail and information included in these reports varies between the agencies doing the investigative work. At Customs Service, general paragraphs are prepared on who was interviewed and the results. If there is any derogatory information, it is listed in detail in the report. DIS, however, has several basic styles of reporting format which is designed to expedite the typing and submitting of its reports controlled by the personnel investigation center. This merely allows all favorable information to be reported in a short format with derogatory information presented in more detail.

A general criticism of OPM by one agency is that OPM reports repeat verbatim the information obtained during interviews and record checks. OPM officials believe, however,

tax account is made and a tax audit for 2 years for technical tax positions and other positions requiring such checks.

Internal Security Division officials said that using NACIs was not a viable option because the occupants of non-critical sensitive positions would require more coverage than presently offered under the NACI program and that OPM needed to improve NACI procedures.

However, we believe that a more uniform approach toward determining the type of investigation may be needed. We recognize that additional coverage such as the tax audit may still be required and could be made by IRS. However, it is possible that the agency could have NACIs if there were clear criteria as to which positions should be classified as non-critical sensitive, requiring only a supplemented NACI; or classified as critical sensitive, requiring a full-field investigation.

We cannot recommend this change, however, unless OPM takes action to correct its NACI program as indicated in our previous report. We had concluded that the NACI made by OPM was inadequate for noncritical sensitive positions. We had proposed that controls be established to determine that information is received and that personal contacts be made if necessary to obtain the information. OPM officials said they cannot expand the controls and followup on the NACI with the current staffing resources for field investigations.

OPM officials also believed that a realistic study of certain positions might identify increased need for investigations and additional costs to the Government. However, if the proper investigation was conducted for each type of position, a more cost-effective program should ultimately result.

EFFORTS TO MAKE BETTER USE OF RESOURCES

Some agencies are making less use of criminal investigators to make personnel investigations. Agencies such as DIS and OPM whose primary mission is personnel investigations use general investigators to make investigations. Criminal investigators receive higher employment benefits and, therefore, are more costly to the Government. Agencies who use criminal investigators for personnel investigations proposed internal staffing changes to reduce the criminal investigators' time spent in personnel investigations. The primary

go into an individual's past and the best sources of information. This should help to reduce the cost and time of investigations for positions in 11 agencies which use sensitive intelligence information.

CLOSER EVALUATIONS OF POSITIONS
SUBJECT TO FULL-FIELD INVESTIGATIONS

The proper classification of positions determines the type of investigation. We have previously criticized the ambiguous criteria and lack of action by OPM in providing more definitive guidelines to insure that occupants for positions are not overinvestigated or underinvestigated according to the degree of position sensitivity. We have also found that a closer evaluation by agencies may be needed to determine whether positions which are not classified as critically sensitive should be given a full-field investigation.

Our position on classification
and investigations

Our 1977 report to the Congress and our June 9, 1978, letter to several congressional committees said that

- OPM did not have adequate classification criteria for agencies to determine the proper investigation and
- some of the investigations being made were inadequate for employees with sensitive duties and too extensive for most employees.

Although OPM agreed with the findings and recommendations in the report, it proposed alternative corrective actions which were inadequate and plans few corrective actions.

The proper classification of positions controls the type of investigation for occupants of positions by degree of sensitivity. The current categories of critical sensitive, noncritical sensitive, and nonsensitive positions determine whether potential occupants will be subject to varying degrees of full-field investigations or simple NACIs. High-level policymaking positions and positions requiring access to top secret defense information are classified critical sensitive while all other sensitive positions are noncritical. The current regulations are unclear as to how agencies should categorize other sensitive positions. OPM requires agencies to identify positions as noncritical sensitive if access to secret or confidential defense information is

Efforts by other agencies to reduce scope

IRS

The IRS Internal Security Division, since October 1977, has been gathering information about the type of investigation and the number of personal letters of inquiry and telephone contacts per case. Also, information has been gathered on the sources providing the best information. A study group was established to streamline its personnel investigations operations. Procedures were implemented in May 1979 to reduce the scope of the character investigations for non-critical sensitive positions.

In 1978 IRS analyzed 5,304 complete background cases for the period October 1, 1977, to April 30, 1978, and found that 540 cases had some type of adverse information which led to the cases being submitted for suitability decision. The sources of adverse information were as follows:

| | |
|--|---------------------|
| Application forms | 254 |
| Police check in person | 158 |
| Police check, voucher | 114 |
| Employment check in person | 109 |
| NAC | 98 |
| Credit check | 79 |
| Employment voucher | 49 |
| Tax audit | 47 |
| Employment interview | 39 |
| Other (miscellaneous) | 30 |
| Education check in person | 21 |
| Military records | 19 |
| Neighborhood | 15 |
| Education voucher | 8 |
| Reference interview in person | 8 |
| Financial statement | 8 |
| Reference voucher | 4 |
| Office of Comptroller of Currency Information | 2 |
| Driver's license information | <u>1</u> |
| Total | <u><u>1,063</u></u> |

The above data shows that IRS could obtain much of its adverse information from application forms. According to Internal Security Division officials, application forms are a good source of information because gaps can be filled or faulty information can be identified by comparing them to the applicants' tax returns. This technique is not available to agencies such as OPM.

- With some exceptions, reduce the coverage of the background investigation from 15 years to the most recent 5 years. The last college attended will be verified, the military service checked regardless of dates, and the 15 years' coverage will be continued on military and civilian personnel appointed to the North Atlantic Treaty Organization and immigrant aliens.
- To the extent feasible, use letters of inquiry instead of personal visits for investigative elements relating to educational institutions, law enforcement agencies, and part-time and short-term employment of 4 months or less. When derogatory, adverse, or questionable information is developed, personal contacts will be scheduled.
- Use telephone contacts to extent feasible to obtain information from sources where an established relationship has been developed.
- Discontinue contacting listed references except to develop leads to other sources. Telephone contacts are permitted for this purpose.

In October 1978 the Under Secretary of Defense for Policy implemented changes such as those described below to achieve better use of resources.

- Discontinue coverage on an individual before his 16th birthday unless information is needed to resolve significant derogatory or questionable information.
- For background investigations, discontinue education checks on part-time education and education beyond the 5-year period of investigation.

Scope changes of DIS investigations
not yet implemented

The study group also recommended that a personal interview plus letters of inquiry and an NAC replace the present background investigation scope and be considered for special background investigations. (See app. III for definition.) The group developed a pilot program to test the validity of the hypothesis that a combination of a personal interview, NAC, and letters of inquiry would produce as much derogatory information as the conventional background investigation scope at a fraction of the cost. The project made at Lackland Air Force Base consisted of two phases. The first phase compared the results of 444 special background investigations

CHAPTER 4

IMPROVEMENTS AND SAVINGS WITHOUT CONSOLIDATION

Some agencies have tried to improve the efficiency and timeliness of their personnel security investigations by proposing and making changes in their programs, including

- reducing the scope of investigations,
- determining more carefully those positions subject to full-field examination, and
- making better use of resources.

Many improvements have shown measurable savings, but further actions by these agencies and others may result in additional potential savings. These improvements have been made with little or no coordination or other involvement by OPM. Several agencies are reducing the scope for full-field investigations. For example, DIS has made changes which will save \$4.7 million. Additional reductions in scope could save from \$12 million to \$28 million. In addition, IRS and the Customs Service have made considerable reductions in the scope of their full-field investigations for selected positions. However, potential savings are available if these agencies more closely evaluate the need for a full-field investigation. If the NACI conducted by OPM had been sufficient for IRS positions, about \$4.7 million could have been saved last year. We estimated in our previous report that IRS could reduce the cost of providing retirement benefits by about \$8 million by using general investigative staff or OPM.

EFFORTS TO REDUCE SCOPE

Four agencies have reduced the scope of their investigations for selected positions or have planned studies to reduce the scope or determine the best sources of information. In most instances each agency is directing its own study without central direction or coordination.

DIS, as a result of staffing reductions and heavy workloads, is trying to reduce the scope of its background investigations and to reduce investigation time.

A 1974 study conducted on airmen at Lackland Air Force Base, Texas, showed that more derogatory information was obtained through the personal interview than through the

| | <u>Number of investigations</u> |
|---|-------------------------------------|
| Agency for International Development | 144 |
| U.S. Information Agency | 61 |
| FBI | 64 |
| Air Force | 107 |
| Army | 1 |
| Navy | 13 |
| Treasury | 108 |
| DIS | 1,189 |

AUTHORITY TO INVESTIGATE

In our 1977 report we cited several Executive orders and public laws as the authority to make personnel investigations of Federal personnel and recommended that the Congress consolidate into one law the authority to investigate and judge the suitability of Federal employees, including the potential of employees in sensitive positions to impair national security.

Executive Order No. 10450 states that the appointment of each civilian employee in any Government agency be made subject to investigation. It permits agencies to make some of their own personnel investigations. It states also that OPM investigate persons entering or employed in the competitive service, except in cases in which the head of a department or agency assumes that responsibility pursuant to law or by agreement with OPM. The employing department or agency investigates persons other than those in the competitive service; however, agencies may use OPM when they do not have investigative resources.

DIS also uses several authorities and directives to make personnel investigations of civilian, military, and contractor personnel. It uses Executive Order No. 10450 as the basis for investigating some Federal civilian employees. Executive Order No. 10865, as amended by Executive Order No. 10909, sets the standard and criteria for making security clearances when persons employed in private industry require access to classified defense information. The directives for minimum personnel security standards governing eligibility for access to sensitive intelligence information--Executive Order No. 11905, section 102 of the National Security Act of 1947, and National Security Council Directives--are in the Director of Central Intelligence Directive 1/14. OSD Security Plans and Programs Directorate officials said it was debatable

Transfer of IRS responsibilities

Since our report 1/, IRS has revised its procedures for transferring more of its investigative work to OPM and for making better use of its criminal investigators. IRS, in May 1979, proposed to consolidate two subcategories into one classification for nonsensitive positions. As a result of the reclassification, the limited character investigation was eliminated and NACI will be made by OPM for all nonsensitive positions. IRS has established procedures for reviewing and supplementing the OPM NACI investigation when the coverage is deficient for the approximately 7,000 limited character investigations that were formerly made by IRS for one subcategory of nonsensitive positions. In these cases the IRS personnel office will send all preemployment vouchers and college transcripts, if any, to OPM when the NACI is requested.

NACI results will be forwarded to the regional IRS inspectors' office for a review and supplemental coverage if necessary. An investigative aide will review (1) the NACI which should contain the NAC results, (2) employment and police coverage for the past 5 years, (3) responses from at least two references, and (4) results of a check of the individual's highest education. If the coverage is deficient, the aide will conduct the supplemental coverage by letter or telephone to bring the investigation up to IRS standards.

FBI proposal to curtail investigative responsibilities

The FBI, in its draft charter, proposed to limit the number of investigations it makes for other agencies. FBI officials said they wanted to reduce the number of personnel investigations they make so that their criminal investigators could increase the time on white-collar and organized crime activities. The charter basically identifies select positions requiring a high degree of trust or access to classified information. The charter still includes such positions as those held by judges, staff members of designated congressional committees, appointees in the Executive Office of the President, nominees that require Senate advice and consent, as well as other designated positions for the Department of Justice or the Attorney General. The officials

1/"IRS Inspection Service Functions: Management Can Further Enhance their Usefulness" (GGD-78-91, Jan. 30, 1979).

an investigation or to lose a qualified candidate because of the time involved in OPM's investigations. In some of the agencies, such as DIS, the reporting was tailored to perform a short review of necessary information about the applicant. In other circumstances, it appeared that by placing priority emphasis and by using their own personnel, the agencies were able to prevent delays and shorten the time. Some officials explained that, with their own investigations, they were able to have more control. They could eliminate unnecessary contacts and curtail the investigation quicker when significant derogatory information was discovered.

Another consideration for making their own investigation was the need for increased thoroughness. For example, the Department of State, the FBI, and constituent agencies of the Treasury such as the IRS; Customs Service; Bureau of Alcohol, Tobacco and Firearms; and Bureau of Engraving and Printing believed that their own investigators were needed to thoroughly screen potential applicants for their highly sensitive positions. These agencies explained that their positions required special investigative work and that their investigators were more qualified and had access to more criminal and fiduciary records than OPM. We did not attempt to determine whether these agencies' investigations were more thorough.

The Department of State also prefers to continue its investigative program because it contributes to a more stabilized workload in field offices. Officials said the survival of their passport/visa investigative, overseas security, and protective security programs depend on an active personnel security program and the existing field office structure. The program also provides an opportunity to train prospective overseas officers. They also said their overseas investigative effort is important because of potential diplomatic problems resulting from other agencies' investigations in foreign countries. Officials also believed it was more economical for them to conduct the investigations.

OPM officials claimed that they could provide timely service if they had enough staff and said they had been unable to meet their 60-day time standard for a full-field investigation because of low personnel ceilings. They have requested additional spaces to meet recent increases in the number of personnel investigations, and the current ceiling for this program would need to be raised if workloads were received from other agencies.

--The Department of State verifies the applicant's claims to attendance at secondary schools, colleges, and universities as an undergraduate or graduate student and claims of diplomas and degrees within the 7-year investigative period. Attempts are made to interview sources, including instructors who knew the applicant at school.

TIMELINESS OF INVESTIGATIONS

Most agencies have time standards or average time frames which are much lower than the OPM average of 95 days for completing investigations. The following chart shows this variation.

| <u>Agency</u> | <u>Days to complete investigation</u> | |
|---|---------------------------------------|---------------|
| | <u>Standard</u> | <u>Actual</u> |
| OPM | 60 | 95 |
| DIS: | | |
| Background investigation | 50 | 75 |
| Special background investigation | 50 | 74 |
| FBI | 7 to 45 | - |
| IRS | 50 to 180 | - |
| Secret Service | 60 | - |
| Bureau of Engraving and Printing | 30 | - |
| Bureau of Alcohol, Tobacco and Firearms | 21 | - |
| ACTION | 30 to 60 | - |
| Agency for International Development | 35 | - |

The FBI has numerous standards within which the investigations must be completed. The standards range from 7 days for Presidential special inquiries to 45 days for applicants for pardon or executive clemency. IRS has national standards of 50 days for security investigations and 180 days for character investigations. Only DIS and OPM keep actual data on the average number of days to complete their full-field investigations. The other agencies shown do not keep current data on turnaround times and provided us with standards or estimates for expected completion times. We did not confirm whether these standards were being met or the accuracy of the estimates.

good information. It plans to test a new background investigation using the interview. OPM does not interview the subjects unless requested by the using agency or OPM applicants are involved.

Scope of neighborhood investigations

Some agencies require that neighbors be interviewed as part of the personnel investigation while others do not require the interview or make it an option. Also the years of coverage and the number of neighbors to be visited vary by agency. For example:

- DIS does not require a neighborhood investigation as part of its background investigation, and IRS, in its character investigation, uses language which permits the regions to make investigations if feasible or at their option.
- OPM interviews neighbors for all periods of residence exceeding 30 days during the most recent 3 years while Customs Service and IRS, in their full-field and security investigations, respectively, interview neighbors where the applicant has resided generally for 1 year or longer over the past 3 years. The FBI interviews neighbors where the applicant has resided over the past 5 years and DIS, in its special background investigation, interviews neighbors where the applicant has resided 6 months or more over the past 5 years.

References

The number and type of interviews vary among the agencies we visited as follows:

- DIS does not require that listed references be interviewed. It does require that three unlisted sources (sources developed through other sources) be interviewed.
- OPM requires that those persons listed as references be interviewed when they are available at or near the place of investigation.
- The State Department requires that at least two listed and two unlisted references be interviewed in each investigation.

The Agency for International Development relies on OPM to make full-field investigations for all of its competitive positions and makes its own full-field investigations for the agency's noncompetitive positions. It uses investigators under contract to make its investigations. It also makes NACIs and NACs for contractors.

VARIATIONS IN AVERAGE COST BY AGENCY

As shown in the preceding pages, the average cost of full-field investigations varied widely. Although many agencies had estimated costs which were only moderately below those of OPM, agencies such as DIS; Bureau of Alcohol, Tobacco and Firearms; and the Bureau of Engraving and Printing had considerably lower costs for their own investigations. Officials said some of the variations exist due to the lack of uniform costing methods and others may be due to more efficient operations or higher volume. These include reduced overhead per case because of larger and more stable workloads and the use of higher quality investigators or more efficient procedures, but sufficient information was not available to relate these conditions to costs.

Because of insufficient agency data, we did not review in detail the categories of cost included or the method used to arrive at the full costs of making investigations. OPM develops the most comprehensive cost data since it is required to recoup costs through reimbursement. OPM officials told us that overhead accounted for 40 percent of the total investigation cost. The average cost per investigation estimated by other agencies did not include comprehensive cost elements similar to those used by OPM. For example:

- DIS costs per investigation were estimated by using statistical studies and not by accumulating actual costs incurred. A DIS official said the estimates did not include such elements as DOD overhead, accrued leave, military retirement, automobile procurement, military and State Department personnel assistance overseas, FBI checks, and nonpayroll costs of supporting the military personnel assigned to DIS.
- The Customs Service develops its cost of investigation on the basis of agent and clerical hours spent on the investigation and transportation and per diem costs; it adds 4 percent of agent and clerical salaries for administrative costs.

Also, wide variations in the scope of the investigations exist, which could greatly affect the costs. However,

| <u>Agency and type of investigation</u> | <u>Number of investigation</u> | <u>Cost per investigation (note a)</u> |
|--|--------------------------------|--|
| <u>FY 1978</u> | | |
| Department of Treasury: | | |
| IRS: | | |
| Security (full-field investigation) | 39 | \$1,058.00 |
| Character | 4,312 | 1,095.00 |
| Limited character (note e) | 6,881 | 194.00 |
| Security--clearance | 46 | } <u>f/</u> 276.00 |
| Security--5-year update investigation | 4 | |
| Preappointment | 217 | |
| NACI | 380 | |
| Police check | 197 | |
| Enrollee applicant | <u>1,374</u> | 34.00 |
| Total | <u>13,450</u> | |
| Customs Services (note g): | | |
| Full-field investigation | <u>1,796</u> | 700.00 |
| Bureau of Alcohol, Tobacco and Firearms: | | |
| Full-field investigation | 432 | 242.13 |
| Update investigation | <u>375</u> | - |
| Total | <u>807</u> | |
| Bureau of Engraving and Printing: | | |
| Full-field investigation | 112 | 250.00 |
| Update investigation | <u>11</u> | - |
| Total | <u>123</u> | |
| Secret Service: | | |
| Full-field investigation | 600 | 750.00 |
| Update investigation | <u>1,200</u> | 225.00 |
| Total | <u>1,800</u> | |
| Department of State: | | |
| Full-field investigation | 2,630 | 613.00 |
| Update investigation | <u>245</u> | - |
| Total | <u>2,875</u> | |
| U.S. Postal Service: | | |
| Full-field investigation | 1,516 | - |
| Update investigation | <u>893</u> | - |
| Total | <u>2,409</u> | |

CHAPTER 2

CURRENT STATUS OF PERSONNEL SECURITY INVESTIGATIONS

Many agencies are making personnel investigations of Federal employees, contractor employees, and military personnel. We estimate the annual cost of investigations to be at least \$72 million.

Investigation costs varied widely and were not comparable due to the lack of a uniform method of developing the costs. Other statistical data related to the scope and timeliness of investigations also were not comparable. We noted that the agencies continued to have wide variations in the scope of their full-field investigations.

We estimate that the cost of personnel investigations for fiscal year 1978 was at least \$71.7 million, of which about \$61.6 million was for full-field investigations as shown below.

| | <u>Number</u> | <u>Costs</u> (millions) |
|---|------------------|----------------------------|
| Full-field investigations | 152,057 | \$61.6 |
| Other investigations, such as updates, NACI, and NAC | <u>1,140,812</u> | <u>10.1</u> |
| Total | <u>1,292,869</u> | <u>\$71.7</u> |

NUMBER, TYPE, AND COST OF INVESTIGATIONS

Most personnel investigations are made by DIS, OPM, FBI, the Department of State, and constituent agencies of the Treasury Department. DIS makes the most personnel investigations, and the Treasury Department has more constituent agencies making full-field investigations than any other department. The following schedule shows the type, number, and cost of investigations of the departments and agencies making their own personnel investigations during fiscal year 1978. (A description of investigations is included as app. III.)

personal interviews of employers, educators, neighbors, references and checks of local sources. NACI consists of NAC plus only written inquiries for information concerning a person's loyalty, character, associations, experience, education, or arrests from local sources. Besides sharing some of these investigative responsibilities with OPM, various agencies also follow up on derogatory information and update previous investigations.

The scope of the investigations is determined by the classification assigned to positions by agency heads according to the degree of sensitivity. Full-field investigations are made for positions classified as critical in terms of national security or requiring a high degree of trust, whereas NACIs are made for less sensitive positions. The scope may be expanded to obtain needed details about adverse or questionable matters.

OUR PREVIOUS REPORTS

In our December 1974 report 1/ we looked at full-field investigations and found that the various agencies did not apply consistent standards and practices. There were wide variations in (1) determining who would be investigated (classification) and how they would be investigated (scope) and (2) the use made of the investigative results (adjudications). Executive Order No. 10450 and OPM had provided little guidance for agencies to classify their positions according to the type of investigation needed. We concluded that a centralized investigation would insure uniformity of scope and be more efficient. Additional savings could result from a more stable workload and by reducing overhead and the number of agencies involved in the investigative process.

We reported additional problems in the personnel investigation program in December 1977. 2/ We looked at NACI as made by OPM and found that

- the authority for investigations was out of date and had been eroded by more recent laws and court decisions,
- OPM did not have adequate classification criteria for agencies to determine the proper investigation,

1/"Personnel Security Investigations: Inconsistent Standards and Procedures" (B-132376, Dec. 2, 1974).

2/"Proposals to Resolve Longstanding Problems in Investigations of Federal Employees" (FPCD-77-64, Dec. 16, 1977).

| APPENDIX | | <u>Page</u> |
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| II | Contacts per case | 38 |
| III | Description of investigations | 40 |

ABBREVIATIONS

| | |
|------|-----------------------------------|
| DIS | Defense Investigative Service |
| DOD | Department of Defense |
| FBI | Federal Bureau of Investigation |
| GAO | General Accounting Office |
| IRS | Internal Revenue Service |
| NAC | national agency check |
| NACI | national agency check and inquiry |
| OPM | Office of Personnel Management |

also are reducing the time of investigations by reporting less information.

However, these agencies are making or proposing changes without central direction or coordination.

RECOMMENDATIONS

In order to provide more timely, more useful, and less costly personnel investigations, we recommend that the Director, Office of Personnel Management, work with other agencies to

- develop definitive standards for reporting costs and determining the scope of investigations;
- reach agreements to use these standards;
- share resources when appropriate; and
- encourage the use of improvements made by other agencies.

Once standards have been established and improvements made, the Office of Personnel Management, as part of its monitoring process, should use the reported costs and other operational data to determine the most effective program, including assessing the potential savings that could result from consolidation. This would include identifying

- which agencies will conduct or assist in personnel investigations;
- an estimate of the workload which could be transferred, the number of staff-years to make investigations, and the costs of investigations; and
- potential benefits which would result from consolidation.

The Office of Personnel Management also should improve its own program with respect to controls over written inquiries and developing adequate classification criteria.

\$62 million was for full-field investigations. Costs vary widely and cannot be compared because there is no uniform method to develop the costs of investigations. Likewise, statistical data relating to scope and timeliness of investigations could not be compared.

REASONS FOR NOT CONSOLIDATING INVESTIGATIONS

AC There has been little progress toward consolidation since GAO's previous report, 1/ which recommended that selected civilian personnel investigations be consolidated.

Some Federal agencies prefer to make their own personnel security investigations of Federal and contractor employees and military personnel because of the belief that they cost less, take less time, and are more thorough than investigations made by the Office of Personnel Management which has the primary responsibility.

Although average costs for most investigations made by agencies were less than the costs of investigations made by the Office of Personnel Management, variations in scope and methods used to determine costs prevented accurate comparisons.

Most agencies had shorter time requirements to complete an investigation than the Office of Personnel Management's average of 95 days. Office of Personnel Management officials said they could provide service in less time if they had more staff.

ADDITIONAL CONSOLIDATION ISSUES NEED TO BE CONSIDERED

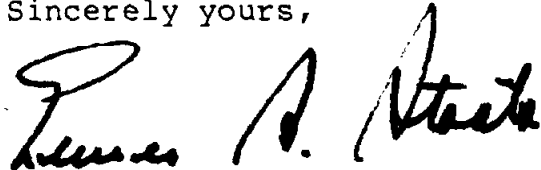
Some agencies' actions or proposals, such as the transfer of some responsibilities to the Office of Personnel Management, interchange of assistance among agencies, and

1/"Personnel Security Investigations: Inconsistent Standards and Procedures" (B-132376, Dec. 2, 1974).

B-132376

As arranged with your Subcommittee, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from the date of issue. At that time we will send copies to interested parties and make copies available to others upon request.

Sincerely yours,

A handwritten signature in black ink, appearing to read "James A. Stacks". The signature is written in a cursive style with a large initial "J" and "S".

Comptroller General
of the United States

