

DEFENSE SECURITY SERVICE (DSS) ACTIVITY GROUP
Defense-wide Working Capital Fund (DWCF)

FUNCTIONAL DESCRIPTION

The Defense Security Service (DSS) is chartered to administer three major programs:

Personnel Security Investigation (PSI) Program. The mission of the PSI Program is to conduct background investigations on individuals assigned to/or affiliated with the DoD. The investigative product, containing information concerning an individual's character, loyalty, emotional stability, and reliability, is used to determine if a security clearance should be granted.

National Industrial Security Program (NISP). The purpose of the NISP is to ensure that private industry, while performing in government contracts, properly safeguards classified information in their possession. DSS also administers the Critical Assets Assurance Program and the Arms, Ammunition, and Explosives Program.

Department of Defense (DoD) Security and Education Training Program (DSSTO). Provides worldwide security training, education, awareness, development and policy support to the Department's security countermeasure professionals, programs and contractors. This training program also manages the Interagency Training Centers technical security program that supports the federal community.

The DSS Defense-wide Working Capital Fund (DWCF), DSS Activity Group is structured with Headquarters in Alexandria, VA, and Operating Centers and Locations as shown below:

Operations Center Baltimore, Baltimore, MD
Operations Center Columbus, Columbus, OH

Northeast Operating Location, Boston, MA
Mid-Atlantic Operating Location, Mt. Holly, NJ
Greater DC/Baltimore Operating Locations, Alexandria, VA
Tidewater Operating Location, Virginia Beach, VA
Gulf Coast Operating Location, Smyrna, GA
Midwest Operating Location, Chicago, IL
The Great Plains Operating Location, Fort Leavenworth, KS
Texas-Oklahoma Operating Location, Irving, TX
Southwest Operating Location, Salt Lake City, UT
Southern California Operating Location, Long Beach, CA
Northern California Operating Location, Sacramento, CA
Pacific Northeast Operating Location, Lakewood, WA
International Operating Location, Minneapolis, MN

DEFENSE SECURITY SERVICE (DSS) ACTIVITY GROUP
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FINANCIAL SUMMARY

Financial aspects of the DSS Defense-wide Working Capital Fund budget are presented below with accompanying tables and narrative discussion.

UNIT COST

	<u>FY 1999</u>	<u>FY 2000</u>
Costs of Goods and Services Sold (\$M)	181.073	228.856
Unit Costs (\$/SPs*)	\$370.83	\$410.79
Completed Security Products (SP) (000)	488.3	557.1

* *SPs = Security Products*

The increase in cost is caused by the funding of two significant security policy changes affecting the conduct of personnel investigations (Telephone Interview Restriction Policy and Expanded Scope for Personnel Security Investigations per Executive Order 12968). Also affecting unit cost is the beginning of depreciation for Information Technology equipment newly capitalized in the DWCF. If the policy change and depreciation amounts were subtracted from the FY 2000 Costs of Goods and Services Sold the unit cost would be \$361.08, a decrease of \$9.75 attributable to the increase in workload.

Workload is consistent with customer requirements.

REVENUE/CARRY-OVER

	<u>FY 1999</u>	<u>FY 2000</u>
New Orders	188.583	268.607
Carry-In		30.597
Gross Orders	188.583	299.204
Total Revenue	157.473	252.455
Carry-Over	30.597	46.748
Less WIP	7.510	
Less BRAC, Non-DoD, FMS Intra/Inter DWCF	0.500	13.095
Less Contract Liabilities (Unable to confirm)		
Net Carry-Over	22.587	33.654
Carry-Over in Months	1.72	1.60

New orders and revenue estimates increase in FY 2000 primarily due to: (a) the one time funding of carry-over workload from previous years; (b) increase in workload; (c) improvement in case completion factors; and, (d) the funding of a more restrictive telephone interview policy.

DEFENSE SECURITY SERVICE (DSS) ACTIVITY GROUP
Defense-wide Working Capital Fund (DWCF)

NET OPERATING RESULTS/ACCUMULATED OPERATING RESULTS

	<u>FY 1999</u>	<u>FY 2000</u>
Cost of Goods and Services Produced (Expenses)	188.583	221.345
Total Revenue	157.473	252.455
Net Operating Results (\$M)	(23.599)	23.599
Accumulated Operating Results (\$M)	(23.599)	0

The net operating result of -\$23.6 million is attributable to the unfinanced carry over workload that is financed in FY 2000 and the portion of the civilian pay raise that was not included in the original budget submission. The Customer Rate in FY 2000 fully covers cost and DSS achieves a break-even position in net and accumulated operating results in FY 2000. In FY 1999 stabilized rates are not used because FY 1999 is a "test year" and DSS operates on a reimbursable basis for the year.

CIVILIAN END STRENGTH/MILITARY END STRENGTH

	<u>FY 1999</u>	<u>FY 2000</u>
Civilian End Strength	2,497	2,510
Civilian FTEs	2,482	2,495
Military End Strength	0	0

The less than 1% increase in Civilian End Strength and Civilian FTEs is a result of adjusting the personnel security investigator staffing levels to accomplish the 3% increase in workload projected for FYs 1999 and 2000.

OUTPUTS

The FY 1999 President's Budget projected output as "field" or investigative cases. Since that time DSS developed, in conjunction with customer representatives, a list of security products. As a result, the FY 2000 budget is programmed according to these security products (workload) and a rate established at the composite and per product basis. A portion of these security products will result in "field" cases either because of the nature of the product or derogatory information uncovered during the process of accomplishing another type of product. The product list is as follows:

**DEFENSE SECURITY SERVICE (DSS) ACTIVITY GROUP
Defense-wide Working Capital Fund (DWCF)**

DSS SECURITY PRODUCTS

Single Scope Background Investigation (SSBI)
 Top Secret Periodic Reinvestigation (TSPR)
 Secret
 Secret Periodic Reinvestigation (SPR)
 Confidential
 Confidential Periodic Reinvestigation (CPR)
 Entrance National Agency Check (ENTNAC)
 National Agency Check (NAC)
 Post Adjudicative (SII)
 National Agency Check, Local Agency Check, Credit Check (NACLACR)

Significant progress was made in FY 1998 for reducing the number of days to complete an Industrial or Military Non-Issue SSBI. DSS expects the increase in civilian personnel and the implementation of automation initiatives will enable the organization to further drive down the number of days to complete this type of case in FY 1999.

Output Commitment FYs 1998/1999

Days to Complete

<u>1997</u>	<u>1998</u>	<u>1999</u>
Accomplished Goal	Accomplished Goal	Accomplished

NON-ISSUE Single Scope Background Investigation (SSBI):

Industrial	115	60	81	45	TBD
Military	122	90	109	90	TBD
Civilian	108	90	96	90	TBD

CUSTOMERS

The DSS customer base includes: the military departments, defense agencies and non-Department of Defense federal activities.

BUDGET IMPLEMENTATION/ANALYSIS

The DSS is conducting a zero-based review of the National Industrial Security Program (NISP) and expects to be able to recommend devolvement of the NISP funding in the FY 2001 budget. Also, in conjunction with the Command, Control, Communications and Intelligence element and other Department of Defense components, DSS is participating in a study to analyze the current periodic reinvestigation backlog and develop a plan for eliminating it. The expected completion date of this study is May 1999.

DEFENSE SECURITY SERVICE (DSS) ACTIVITY GROUP
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Pending the successful transition and integration of the Personnel Security Investigation Program and the National Industrial Security Program in the Defense-wide Working Capital Fund, the DSS Training Office will follow.

CAPITAL BUDGET PROGRAM AUTHORITY

	<u>FY 1999</u>	<u>FY 2000</u>
Equipment	0.292	
ADPE & Telecommunications	1.608	3.549
Software		2.451
Passenger Vehicles		4.100
Total	1.900	10.100

In FY 1999 the Capital Budget for DSS (\$1.9 Million) is for replacement of information technology and office equipment.

The FY 2000 Capital Program continues the replacement of mission essential computer hardware and includes ORACLE workflow licenses and enhancement to our Case Control Management System (CCMS).

Additionally, in FY 2000 DSS is purchasing 295 replacement passenger vehicles. Although DSS has 714 vehicles that exceed the Department of Defense recommended mileage/age turn-in, only 295 are being replaced. Congressional language is pending to allow the purchase of vehicles in the Defense-wide Working Capital Fund.

SUMMARY INFORMATION	<u>FY 1999</u>	<u>FY 2000</u>
Cost of Goods Sold	181,073	228,856
Net Operating Results	-23,599	23,599
Accumulated Operating Results	-23,599	0
Workload (Work Units/SPs*)	554,493	572,064
Customer Rates	N/A	371.11
Civilian End Strength	2,497	2,510
Civilian Full Time Equivalents	2,482	2,495
Capital Budget Program Authority	1,900	10,100

* SP = Security Products

Note: DSS has no military personnel

**Exhibit Fund-14 Revenue and Expenses
Department of Defense
Defense Security Service**

(\$ in Millions)

	<u>FY 1999</u>	<u>FY 2000</u>
Revenue		
Gross Sales:	157.473	252.455
Operations	157.473	246.455
Surcharges	0	0
Depreciation excluding Major Construction	0	6.000
Major Construction Depreciation		
Other Income		
Refunds/Discounts (-)		
Total Income:	157.473	252.455
Expenses		
Salaries and Wages:	148.545	154.726
Military Personnel Compensation & Benefits	0	0
Civilian Personnel Compensation & Benefits	148.545	154.726
Travel & Transportation of Personnel	4.464	5.902
Materials & Supplies (For Internal Operations)	0.257	0.389
Equipment	0.256	0.494
Other Purchases from Revolving Funds	2.862	2.969
Transportation of Things	0.156	0.608
Depreciation - Capital	0	6.000
Printing and Reproduction	0.334	0.340
Advisory and Assistance Services	0	0
Rent, Communication, Utilities, & Misc. Charges	10.379	9.119
Other Purchased Services	21.330	40.799
Total Expenses:	188.583	221.345

**Exhibit Fund-14 Revenue and Expenses
Department of Defense
Defense Security Service**

(\$ in Millions)	<u>FY 1999</u>	<u>FY 2000</u>
Operating Result	(31.110)	31.110
Less Surcharge Reservations	0	0
JLSC		
Cash		
Capital		
Plus Appropriations Affecting NOR/AOR		
Other Changes Affecting NOR:	7.510	(7.510)
Other Inventory Adjustments		
Net Change in WIP	(7.510)	7.510
Net Operating Result	(23.599)	23.600
Prior Year Adjustments		
Prior Year AOR		(23.599)
Accumulated Operating Result	(23.599)	0.000
Memo:		
Beginning WIP		7.510
Ending WIP	7.510	0.000
Cost of Goods Sold:	181.073	228.856

**Exhibit Fund-11 Source of Revenue
Department of Defense
Defense Security Service**

(\$ in Millions)

	<u>FY 1999</u>	<u>FY 2000</u>
1. a. Military Department Operations and Maintenance		
Department of the Army	33.900	47.487
Department of the Navy	34.600	48.624
Department of the Air Force	30.300	44.079
Other	0	0
Other	0	0
Subtotal Military Department O&M:	98.800	140.189
Defense-Wide Operations and Maintenance		
DCAA	0	0.290
DIA	0	2.407
DSS-PSI	42.758	47.976
DSWA	0	0.026
JCS	0	0.381
NSA	3.400	5.203
OSIA	0	0.130
USUHS	0	0.038
WHS	8.100	2.289
USSOCOM		0.200
DSS-ISP	27.901	27.845
DSS-SRC	2.494	0.500
DSS-CARRY OVER		23.100
DSS-DSSTO	4.630	4.669
Subtotal Defense-Wide O&M:	89.283	115.056
Other Operations and Maintenance		
OIG	0	0.267
b. Defense Working Capital Fund		
DECA	0	0.013
DFAS	0	0.449
DISA	0	1.915
DLA	0.500	0.698
Other	0	0
Other	0	0
Subtotal DWCF:	0.500	3.075
c. Total DoD	188.583	258.587

**Exhibit Fund-11 Source of Revenue
Department of Defense
Defense Security Service**

(\$ in Millions)

	<u>FY 1999</u>	<u>FY 2000</u>
d. Non DoD Agencies and Others		
Agency for International Development	0	0
Arms Control and Disarmament Agency	0	0
Department of Agriculture	0	0
Department of Commerce	0	0
Department of Interior	0	0
Department of Justice	0	0
Department of Labor	0	0
Department of State	0	0
Department of Transportation	0	0
Department of Treasury	0	0
Environmental Protection Agency	0	0
Federal Emergency Management Agency	0	0
Federal Reserve System	0	0
General Accounting Office	0	0
General Service Administration	0	0
International Trade Commission	0	0
Miscellaneous	0	0
National Aeronautics and Space Admin.	0	0
National Science Foundation	0	0
Nuclear Regulatory Commission	0	0
Small Business Administration	0	0
U.S. Information Agency	0	0
U.S. Trade Representation	0	0
Other	0	10.020
Other	0	0
Subtotal Non-DoD Agencies and Others:	0	10.020
Total New Orders:	188.583	268.607

**Exhibit Fund-11 Source of Revenue
Department of Defense
Defense Security Service**

	(\$ in Millions)	<u>FY 1999</u>	<u>FY 2000</u>
2.	Carry-in Orders		30.597
3.	Total Gross Orders	188.583	299.204
4.	Funded Carry-over	30.597	46.748
5.	Total Gross Sales	157.473	252.455
6.	Number of Months of Carry-Over	1.72	1.60

Carry-Over Calculation	<u>FY 1999</u>	<u>FY 2000</u>
New Orders	188.583	268.607
Carry-In	0	30.597
Gross Orders	188.583	299.204
Total Revenue	157.473	252.455
Carry-Over	30.597	46.748
Less WIP	7.510	0.000
Less BRAC, Non-DoD, FMS Intra/Inter DWCF (excluding SMA)	0.500	13.095
Less Contract Liabilities (Excluding WIP)		
Net Carry-Over	22.586	33.654
Carry-Over in Months	1.72	1.60

**Exhibit Fund-2 Changes in the Costs of Operation
Department of Defense
Defense Security Service**

(\$ in Millions)

			<u>Expenses</u>
FY 1999	Estimate in President's Budget		176.400
	Pricing Adjustments		
	Civilian Pay Raise		0.500
	Program Changes		11.683
	Increase for Software Development for Personnel Security Investigations	3.350	
	Increase for ADP Support Costs	2.800	
	Transfer In Security Research Center	2.494	
	Transfer In Defense Security Service Training Office	4.630	
	Reduction for Congressional Adjustments	(0.165)	
	Decrease in Operations to Fund Capital Program	(1.426)	
FY 1999	Current Estimate		188.583
	Pricing Adjustments		6.774
	Annualization of Prior Year Pay Raises		1.327
	FY 2000 Pay Raise		4.865
	Civilian Personnel	4.865	
	Military Personnel	0.000	
	Fund Price Changes		0.025
	General Purchase Inflation		0.558
	Program Changes		25.988
	Increase for Policy Change -- Telephone Usage	6.200	
	Functional Transfer of Polygraphers to Appropriated Accounts	(1.100)	
	Functional Transfer of General Counsel to National Imagery and Mapping Agency	(0.100)	
	Increase Funding for FY 1999 Unfunded Work in Progress	7.500	
	Adjustment for Workload Increase	14.700	
	Increase to Finance Net Operating Loss for Civilian Pay Raise in FY 1999	0.500	
	Change in DFAS Methodology for Calculating Accounting Charges	(0.700)	
	Electronic Personnel Security Questionnaire Cost Reduction	(0.300)	
	Net Adjustments to Various Accounts	(0.712)	
FY 2000	Estimated Cost		221.345