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**OFFICE OF  
THE INSPECTOR GENERAL**

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**U.S. NUCLEAR  
REGULATORY COMMISSION**

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Review of NRC's Personnel  
Security Program

OIG-04-A-11    March 25, 2004

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**AUDIT REPORT**

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March 25, 2004

MEMORANDUM TO: William D. Travers  
Executive Director for Operations

FROM: Stephen D. Dingbaum/**RAI**  
Assistant Inspector General for Audits

SUBJECT: REVIEW OF NRC'S PERSONNEL SECURITY PROGRAM  
(OIG-04-A-11)

Attached is the Office of the Inspector General's audit report titled, *Review of NRC's Personnel Security Program*.

Auditors found that despite enhancements made in recent years to NRC's personnel security program, further action is needed to bring the program into compliance with agency requirements and ensure that the agency is responding appropriately to heightened security concerns since the terrorist attacks of September 11, 2001. Specifically, NRC needs to adhere to agency security clearance reinvestigation requirements, improve controls to ensure that employees return their badges and complete the security-termination statement prior to termination, improve accuracy of automated personnel security data, and begin processing summer interns for clearances earlier so that NRC can fully benefit from money spent on such clearances each year.

The report makes 12 recommendations to the Executive Director for Operations to strengthen controls over the personnel security program.

During an exit conference on March 9, 2004, the Executive Director for Operations provided comments concerning the draft audit report. We modified the report as we determined appropriate in response to these comments.

If you have any questions, please contact me at 415-5915 or Beth Serepca at 415-5911.

Attachment: As stated

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## EXECUTIVE SUMMARY

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### BACKGROUND

The Atomic Energy Act of 1954, as amended, requires all NRC employees to have a security clearance, but allows employees to begin working for NRC prior to their clearance, provided the Commission determines that such employment is in the national interest and the employee does not have access to classified information. Today, nearly all NRC employees are permitted to begin work before receiving a security clearance, but only after the Division of Facilities and Security (DFS) conducts an in-house review, determines there are no factors that constitute a security risk, and grants the individual a preappointment investigation waiver to begin work. To receive and maintain a security clearance, NRC employees must undergo an initial background investigation and periodic reinvestigations in accordance with Federal standards. As of November 2003, 161 NRC employees were working under preappointment investigation waivers, 716 had Q clearances, 2,137 had L clearances, and 208 were designated as L-High Public Trust.

### PURPOSE

The audit objectives were to determine whether (1) NRC is in compliance with external and internal personnel security requirements and (2) NRC's personnel security program is efficiently managed.

### RESULTS IN BRIEF

Despite enhancements made in recent years to NRC's personnel security program, further action is needed to (1) bring the program into compliance with agency requirements and (2) ensure that the agency is responding appropriately to heightened security concerns since the terrorist attacks of September 11, 2001. Specifically, NRC needs to adhere to agency security clearance reinvestigation requirements, improve controls to ensure that employees return their badges and complete the security-termination statement prior to termination, improve accuracy of data stored in personnel security automated files, and begin processing summer interns for clearances earlier so that NRC can fully benefit from money spent on such clearances each year.

#### **Personnel Security Program Not in Compliance With NRC Security Clearance Reinvestigation Requirements**

Each year since 2001, the agency has failed to comply with its own reinvestigation timeliness requirements. According to NRC Management Directive and Handbook (MD) 12.3, "*NRC Personnel Security Program*," DFS must reevaluate at least every 5 years the continued eligibility of employees with Q clearances and LH designations. For those with L clearances, MD 12.3

requires reevaluations at least every 10 years. Yet, each year since 2001, DFS has not fully complied with this reevaluation requirement. Furthermore, 426 employees have L clearances based on a reinvestigation that does not meet Federal standards issued in 1997. Although the Office of Personnel Management considers these clearances to be acceptable until 2007, it would be good practice for NRC to bring these employees into compliance with the current standards sooner. DFS is aware of these issues, but has not devoted adequate resources to address them. NRC can strengthen its reinvestigation program by following its own reinvestigation standards and proactively ensuring that all employee clearances are based on current Federal standards.

#### **NRC Lacks Adequate Management Controls To Ensure That Employees Return Badges and Complete the Security Termination Statement During Separation-Clearance Process**

NRC requires that employees return their badges and sign a security termination statement as part of the separation-clearance process. However, some employees fail to do so because NRC lacks management controls to enforce this requirement, does not follow existing policies pertaining to consultant and regional office terminations, and lacks adequate written guidance on badge return for consultants and regional office employees. If not returned to the agency, employee badges, which allow access to NRC facilities, could be misused by individuals with malicious intent toward NRC and its employees. Furthermore, the agency misses an important opportunity to caution employees on their responsibility to protect sensitive and classified information.

#### **Personnel Security Program Information Systems Contain Unreliable Information**

Discrepancies between data stored in the personnel security automated files and the paper files, and inaccuracies in these files, indicate problems with data reliability. These data reliability issues exist because managers did not ensure that staff members consistently followed office procedures to enter data into DFS's former automated system (the PERSEC Modules). In addition, DFS's existing quality control measure for data accuracy was insufficient to prevent these inaccuracies. Without a new approach to ensure data reliability, NRC lacks assurance that these problems will not recur in the agency's new system, the Integrated Personnel Security System.

#### **NRC Fails To Benefit From Dollars Spent on Summer Intern Security Clearances**

NRC spends approximately \$8,100 each year on OPM background investigations for summer interns; however, in the majority of cases, the interns terminate their NRC employment before OPM responds with an investigative report or before NRC can adjudicate the results so that a clearance could be granted. This failure to benefit from the OPM background investigation occurs

because NRC's requests for these investigations are made too late to receive a timely response from OPM. Additionally, when summer interns terminate employment prior to the return of OPM's investigative report, NRC does not cancel the investigation in progress in accordance with OPM policy. NRC needs to revise its timeline for hiring summer interns so that the agency can benefit from the money spent on background investigations for these individuals and to better comply with OPM requirements concerning cancellations.

#### **RECOMMENDATIONS**

This report makes 12 recommendations to the Executive Director for Operations to strengthen controls over the personnel security program. A consolidated list of recommendations appears on page 20 of this report.

#### **AGENCY COMMENTS**

On March 9, 2004, the Executive Director for Operations provided comments concerning the draft audit report. We modified the report as we determined appropriate in response to these comments. Appendix B contains both NRC's comments and our specific response to each.

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## **ABBREVIATIONS AND ACRONYMS**

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ADM	Office of Administration (NRC)
ANACI	Access National Agency Check with Inquiries
CFR	Code of Federal Regulations
DFS	Division of Facilities and Security (NRC)
DOI	U.S. Department of Interior
FY	Fiscal Year
HR	Office of Human Resources (NRC)
IPSS	Integrated Personnel Security System
LH	L – High Public Trust
MD	Management Directive and Handbook
NACLC	National Agency Check With Law and Credit
NRC	U.S. Nuclear Regulatory Commission
OCIO	Office of the Chief Information Officer (NRC)
OGC	Office of the General Counsel (NRC)
OIG	Office of the Inspector General (NRC)
OPM	U.S. Office of Personnel Management
PERSEC Modules	Personnel Security Modules
SSBI	Single Scope Background Investigation
SSBI – PR	Single Scope Background Investigation – Periodic Reinvestigation



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## **I. BACKGROUND**

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Federal agency security programs have received increased attention in recent years because of (1) espionage activities that have had a significant impact on national security and (2) concerns raised in the aftermath of the terrorist attacks of September 11, 2001. These security programs address agency physical security protections — the physical and technological barriers that protect a facility from intrusion by unauthorized vehicles, individuals, or packages — and personnel security protections. Personnel security programs implement measures to ensure that agency staff can be trusted to work with and protect classified information and to prevent the hiring of employees who might otherwise be untrustworthy or unsuitable for Federal Government employment.

All Government employees must undergo a background investigation to work for the Federal Government. The type of investigation required depends on the type of work the individual will perform. For example, Federal employees needing Confidential, Secret, and L clearances undergo an Access National Agency Check With Inquiries (ANACI), while a Single-Scope Background Investigation (SSBI) is required for Top Secret and Q clearances.<sup>1</sup> Each of these investigations involves various record checks (e.g., law enforcement, criminal history, financial) and contact with references. However, the SSBI is more extensive and involves personal interviews with the subject and references, while the ANACI does not include a subject interview and relies on written information provided by references. Individuals with Q and L clearances must also undergo periodic reinvestigations; reinvestigations for Q clearances are more extensive and occur more frequently than those for L clearances. Government employees who will not be working with classified information are required to undergo at least an investigation to assess their “suitability”<sup>2</sup> for Federal employment.

### **NRC's Personnel Security Program**

The Atomic Energy Act of 1954, as amended, requires all NRC employees to have a security clearance, but allows employees to begin working for NRC prior to their clearance — provided the Commission determines that such employment is in the national interest and the employee does not have access to classified information. Today, nearly all NRC employees are permitted to begin work prior to receiving a security clearance, but only after the Division of

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<sup>1</sup>To work with Confidential, Secret, or Top Secret classified information, individuals must receive at least the corresponding level of security clearance (i.e., Confidential, Secret, Top Secret). Pursuant to the Atomic Energy Act of 1954, as amended, NRC uses a separate system; employees receive either an L clearance, which equates to a Confidential or Secret clearance, or a Q clearance, which equates to a Top Secret clearance.

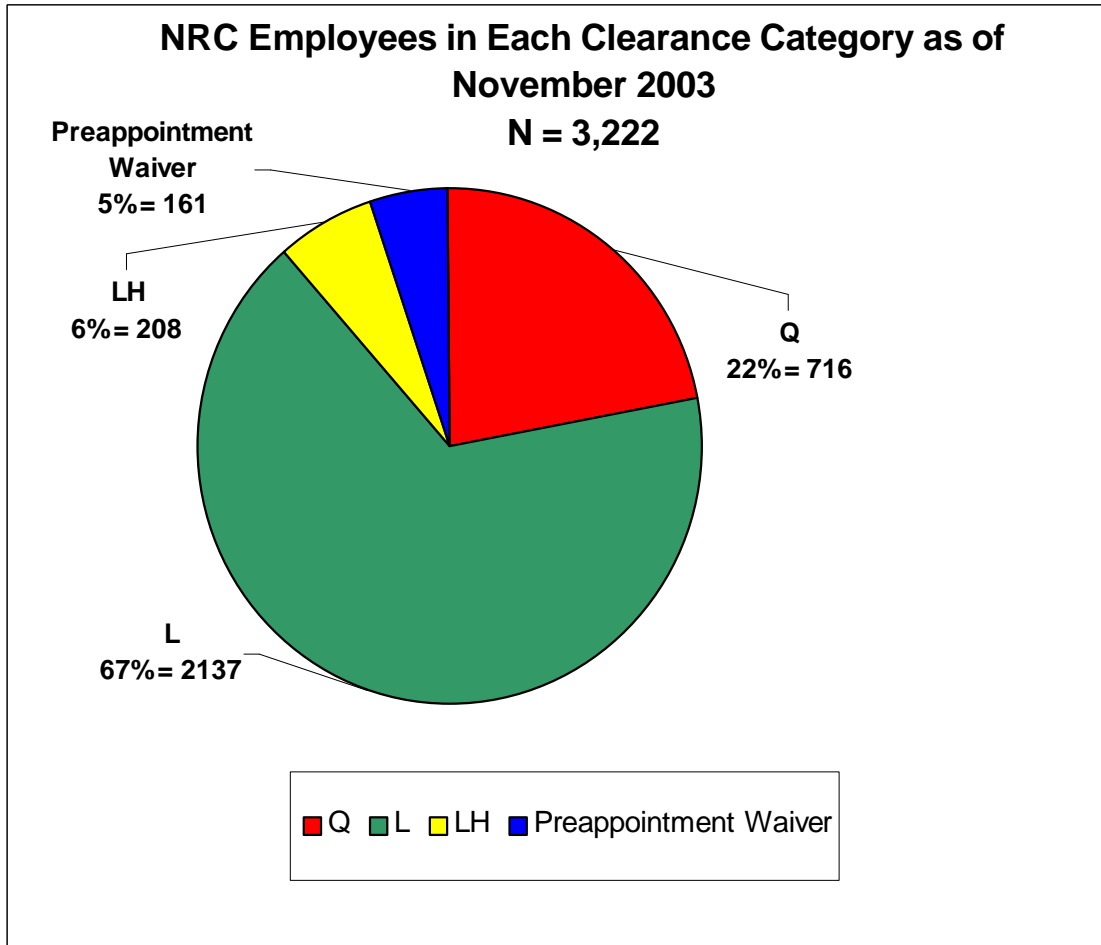
<sup>2</sup>According to Title 5, Part 731, Code of Federal Regulations (5 CFR Part 731), “*Suitability*,” the determination of suitability for Federal employment is based on an individual's character or conduct that may have an impact on the integrity or efficiency of the service. These determinations of suitability for Federal employment are characterized in 5 CFR Part 731 as different from determinations of eligibility for assignment to sensitive national positions.

Facilities and Security (DFS) conducts an in-house review of the prospective employee's background information as reported by the individual, credit history, and criminal history; evaluates the results; and determines there are no factors that constitute a security risk to the agency. Based on this review, NRC grants an initial approval for the employee to begin work. This approval is referred to as a preappointment investigation waiver.

After NRC grants this initial approval to begin work (with no access to classified information), the agency requests a full background investigation, appropriate for either an L or Q clearance, from the Office of Personnel Management (OPM). Due to an increase in background investigation requests since September 11, 2001, OPM is taking longer to complete its work than in the past. According to a DFS staff member, although NRC routinely requests (and pays for) the standard 120-day turnaround on background investigations, it takes OPM about 6 to 9 months to respond for L-clearance investigations and 12 to 18 months for Q-investigation requests.

After the OPM background investigation is returned to NRC, DFS staff evaluate the subject in light of the OPM investigative report information. Based on the issues raised, it may take DFS several months to more than a year to complete this review and make a recommendation to the DFS Director to grant or deny a security clearance. As a result, some NRC employees work for up to 2 years at NRC before receiving a security clearance.

In addition to granting employees Q and L clearances, NRC has an additional "L-High Public Trust" (LH) designation that it uses for employees who hold high public trust positions (e.g., resident inspectors). These employees do not require a Q clearance because they do not work with Secret or Top Secret Restricted Data or Top Secret National Security Information. Individuals designated as LH are initially investigated at the Q level. These individuals are then reinvestigated at L level, but more frequently than those with regular L clearances. As of November 2003, 161 employees were working under preappointment investigation waivers, 716 employees had Q clearances, 2,137 had L clearances, and 208 were designated as LH. [See Figure 1.]



**Figure 1.**

NRC maintains personnel security information on employees in paper files and in an automated data system referred to as the Personnel Security (PERSEC) Modules. In December 2003, DFS implemented a new automated data system, the Integrated Personnel Security System (IPSS), to replace the PERSEC Modules. IPSS is intended to be more efficient and user-friendly with more reporting capabilities than the PERSEC Modules, which are viewed as cumbersome and inadequate. Initially scheduled for implementation in May 2003, IPSS was not installed on the NRC server for testing until September 30, 2003. As of December 2003, NRC had completed the transition to IPSS and had stopped entering data into the PERSEC Modules.

During FY 2003, NRC spent \$971,710 on background investigation requests for employees, contractors, and licensees. Currently, there are five DFS staff members and four contractor staff working to process employees for clearance under NRC's personnel security program.

## II. PURPOSE

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The audit objectives were to determine whether (1) NRC is in compliance with external and internal personnel security requirements and (2) NRC's personnel security program is efficiently managed. This audit report pertains to NRC's personnel security program for employees; a report issued in November 2003 (OIG-04-A-02) addressed the agency's personnel security policies and practices for contractors.

## III. FINDINGS

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Despite enhancements made in recent years to NRC's personnel security program, further action is needed to (1) bring the program into compliance with agency requirements and (2) ensure that the agency is responding appropriately to heightened security concerns since the terrorist attacks of September 11, 2001. Specifically,

- ◆ NRC should strengthen its security clearance reinvestigation program by adhering to agency timeliness requirements and proactively ensuring that all employee clearances are based on current investigative standards.
- ◆ NRC lacks adequate management controls to ensure that, prior to termination, employees complete the personnel security portion of the separation-clearance process.
- ◆ NRC's former and current automated personnel security databases contain unreliable information.
- ◆ NRC frequently does not benefit from money spent to obtain security clearances for summer interns.

### **A. NRC IS NOT IN FULL COMPLIANCE WITH AGENCY SECURITY CLEARANCE REINVESTIGATION REQUIREMENTS**

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All NRC employees are required to have current security clearances in accordance with Federal investigative standards. While NRC is currently in compliance with these Federal standards, each year since 2001, the agency has failed to comply with its own reinvestigation timeliness requirements. Furthermore, 426 employees have L clearances based on a reinvestigation that does not meet Federal standards issued in 1997. Although OPM considers these clearances to be acceptable until 2007, it would be good practice for NRC to bring these employees into compliance with the current standards sooner. DFS is aware of these issues, but has not devoted adequate resources to address them. NRC can strengthen its reinvestigation program by following its own

reinvestigation standards and proactively ensuring that all employee clearances are based on current Federal standards.

**Atomic Energy Act Requires Security Clearances for Employees**

NRC employees must have a security clearance<sup>3</sup> and their clearances must be reapproved on a regular basis in accordance with Federal investigative standards that have been in effect since October 1997. [See Table 1.]

**Table 1.**

<b>Security Clearance Investigation Requirements</b>				
<b>Clearance Type</b>	<b>Initial Investigation Requirements</b>	<b>Initial Investigation Cost</b>	<b>Reinvestigation Requirements</b>	<b>Reinvestigation Cost</b>
<b>Q</b>	<b>Single Scope Background Investigation (SSBI)</b>	<b>\$2,835.</b>	<b>Single Scope Background Investigation Periodic Reinvestigation (SSBI-PR) Every 5 Years</b>	<b>\$1,705.</b>
<b>L</b>	<b>Access National Agency Check With Inquiries (ANACI)</b>	<b>\$135.</b>	<b>National Agency Check With Law and Credit (NACLC) Every 10 Years</b>	<b>\$120.</b>
<b>LH</b>	<b>Single Scope Background Investigation (SSBI)</b>	<b>\$2,835.</b>	<b>National Agency Check With Law and Credit (NACLC) Every 5 Years</b>	<b>\$120.</b>

<sup>3</sup>NRC employees are permitted to begin work prior to their clearance, provided the Commission has determined it to be in the Nation's interest, the DFS Director determined such employment would not pose a security threat, and the employee does not have access to classified information.



These standards require the initiation of Q-clearance reinvestigations every 5 years at the SSBI-Periodic Reinvestigation (SSBI-PR) level and L-clearance reinvestigations every 10 years at the National Agency Check With Law and Credit (NACLC) level. To fulfill these requirements Management Directive and Handbook (MD) 12.3, "*NRC Personnel Security Program*," sets an even higher standard. MD 12.3 specifically states that "DFS must reevaluate the continued eligibility of those individuals cleared at the Q level" at least every 5 years. For those with L clearances, MD 12.3 requires reevaluations at least every 10 years. There are no Federal standards for NRC's LH designation, but the agency has established that this designation requires reevaluation based on an NACLC at least every 5 years. While these reinvestigation requirements are defined in MD 12.3, DFS lacks specific performance measures assessing the agency's compliance with the targets.

According to an OPM official, the reinvestigation standards that existed prior to 1997 are no longer acceptable today. This official said that the 1997 standards were not accompanied by a directive to bring all employees into compliance immediately, however, agencies were expected to comply as quickly as possible, given monetary and time considerations. A DFS manager explained that the 1997 standards reflected a strengthening of investigative requirements for L clearances and a shortening of the time period covered for Q clearance investigations.

### **Personnel Security Program Not in Compliance With NRC Security Clearance Reinvestigation Requirements**

Each year since 2001, DFS has not fully complied with the agency's reinvestigation requirement that employees with Q clearances and LH designations be reevaluated no later than 5 years after the last evaluation and that those with L clearances be reevaluated no later than 10 years after the last evaluation. As of January 2004, DFS had not submitted background reinvestigation requests to OPM for 142 of 247 employees due for reevaluation during 2003. Furthermore, reinvestigation requests for 63 employees whose reevaluations were due in 2002 were not submitted until the end of 2003. Reinvestigation requests for 125 employees whose reevaluations were due during 2001 were also submitted too late for employees to be reevaluated during that year; of the 125 cases, 97 were submitted in 2002 and 28 in 2003. [See Table 2.] By failing to submit these reinvestigation requests to OPM in the year the reevaluation was required, NRC did not comply with its own requirement to reevaluate these employees during that year. NRC can strengthen its reinvestigation program by adhering to the timeliness requirements established in MD 12.3.

**Table 2.**

<b>Number of NRC Reinvestigation Requests Not Sent to OPM During Year Reevaluation By NRC Was Required</b>			
<b>Year</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>
<b>Number</b>	125	63	142

Another area for improvement pertains to employees whose last security clearance reevaluation does not meet current standards for these investigations. OIG identified that 33 of 98 personnel security files<sup>4</sup> reviewed for this audit reflected L clearances based on a background investigation that is no longer appropriate. Subsequent to an exit conference held February 2, 2004, OIG learned that there are 426 NRC employees with L clearances not based on the current standards.

Although DFS is addressing these issues, progress is slow. For example, in April 2003, the single DFS staff member assigned to manage the reevaluation program had reported that reevaluation requests had not been made to OPM for 91 employees due for reevaluation in 2001 and 2002. Competing work priorities, difficulties in locating some employee files, and slow responsiveness from agency employees to complete the required forms were hampering this effort. By the end of October 2003, the effort to identify individuals with outdated clearances and submit these names to OPM for reevaluation had not progressed significantly.<sup>5</sup>

Until recently, DFS' general approach toward clearances based on the old standard was to correct the cases that staff identified in the course of the office's day-to-day business. More recently, staff have taken a more active approach to identifying these cases so that the current reevaluation standards can be applied. According to DFS staff, implementation of the office's new automated personnel security system (IPSS) will facilitate identification of these cases. The system will cross check reevaluation type with clearance type and will flag clearances that are based on the outdated investigation type.

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<sup>4</sup>The process for selecting the 98 files for review was designed to obtain a random sample that would be representative of the overall population of NRC employees.

<sup>5</sup>Only in November and December 2003 — following a second meeting with OIG to discuss the backlog — was the staff member able to complete the effort.

### **DFS Has Not Applied Adequate Resources To Correct Reinvestigation Issues**

While DFS managers are aware that many employee reinvestigation requests are submitted too late to allow reevaluation in the year it is required, and that a number of employees have clearances based on an outdated standard, the office has not devoted adequate resources to address these issues in a timely manner. As noted above, only one staff member is assigned to handle the reinvestigation program. This involves identifying employees for reinvestigation, sending employees the required security forms for completion, and submitting reinvestigation requests to OPM. This responsibility is in addition to the employee's routine duties.

DFS has not applied existing agency resources to fully identify individuals with L clearances based on an outdated standard so that the correct standard can be applied. While DFS staff explained that it was cumbersome to search in the PERSEC Modules for employee clearances not based on current requirements, staff were aware that an Office of Administration (ADM) staff member could perform such a search. Yet, DFS staff never asked the ADM staff member to pursue such an effort. A DFS manager explained that while it would be desirable to identify and request new reinvestigations for all employees falling into this category, it is not a requirement and, therefore, other office responsibilities take precedence. Subsequent to the exit conference, OIG requested that the ADM staff member determine the number of employees with L clearances based on the old standard and learned that there are 426 individuals in this category.

DFS staff do not perceive the late requests for 2003 reinvestigations or the failure to ensure that L clearances are based on current standards as program weaknesses. According to a DFS manager, clearances for employees with overdue reinvestigations are not in jeopardy as long as DFS has sent the employees a request to complete the reinvestigation forms. The manager said that clearances do not expire if the employees have received their letter initiating the reinvestigation processing and, according to a DFS staff member, all such letters have been sent.

Although OPM officials said NRC's interpretation of Federal requirements is acceptable, they also explained that Federal agencies fulfill the requirement in various ways, ranging from NRC's approach to others that adjudicate reinvestigation results in the year the reinvestigation is due. OIG contacted three Federal agencies and found that all adhered to a stricter interpretation than NRC's. Personnel security officials at each of these agencies said they strive to submit reinvestigation requests to OPM in the year the reinvestigation is due for initiation. One of the agencies goes a step further by trying to submit requests 3 to 4 months prior to the due date. While NRC's reinvestigation program is operating in compliance with Federal requirements, the agency does not comply with its own timeliness requirements.

### **Summary**

NRC can strengthen its security clearance reinvestigation program by devoting greater resources to ensure that employees are reinvestigated and reevaluated in accordance with agency requirements and proactively ensuring that clearances are based on current reinvestigation standards. By doing so, NRC can better assure it is taking the necessary measures in this post-September 11 environment to protect classified information and prevent the retention of employees who are untrustworthy or unsuitable for Government employment.

### **RECOMMENDATIONS**

OIG recommends that the Executive Director for Operations:

1. Submit clearance reinvestigation requests to OPM in time to allow NRC to evaluate results in the year the reevaluation is due in accordance with MD 12.3.
2. By the end of FY 2004, submit requests for OPM reinvestigations for employees with clearances not based on current standards.
3. Establish performance measures assessing the timeliness of NRC's reinvestigation program.

## **B. NRC LACKS ADEQUATE MANAGEMENT CONTROLS TO ENSURE THAT EMPLOYEES RETURN BADGES AND COMPLETE THE SECURITY TERMINATION STATEMENT DURING SEPARATION-CLEARANCE PROCESS**

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NRC requires that employees return their badges and sign a security termination statement as part of the separation-clearance process. However, some employees fail to do so because NRC lacks management controls to enforce this requirement, does not follow existing policies pertaining to consultant and regional office terminations, and lacks adequate written guidance on badge return for consultants and regional office employees. If not returned to the agency, employee badges, which allow access to NRC facilities, could be misused by individuals with malicious intent toward NRC and its employees. Furthermore, the agency misses an important opportunity to caution employees on their responsibility to protect sensitive and classified information.

### **DFS's Role in Separation-Clearance Process**

NRC requires that individuals separating from the agency obtain certain approvals before they receive their final salary payment. Management Directive and Handbook (MD) 10.8, "*Clearances Before Separation or Reassignment*," provides specific instructions regarding the procedures to be followed and steps involved in obtaining clearance before separation. Generally, employees must handcarry NRC Form 270, "*Separation Clearance*," to about 15 offices where a clearing

official signs off to indicate that the employee has no financial, property, or other obligations to that particular office. For headquarters employees, 1 of these 15 offices is DFS, where a clearing official checks “yes” or “no” to indicate whether employee has completed Form 136, “*Security Termination Statement*,” and returned his/her badge. The DFS clearing official then signs off on the separation-clearance form in either case. The process is different for regional offices. These offices are responsible for recovering the badge and having the employee complete the security termination statement. According to MD 10.8, the regional offices are to forward the completed security termination statement to DFS for retention and to coordinate with DFS concerning badge recovery and termination of keycard access and security clearance. MD 10.8 does not specify what the regional offices are to do with the retrieved badges, although MD 12.1, “*NRC Facility Security Program*,” states that badges must be returned to DFS.

Until recently,<sup>6</sup> the last stop in the separation-clearance process was the Payroll Office, where a clearing official would review the form, determine whether the individual had any outstanding debts, and whether all signature blocks were completed. Now the last stop in the process is the Office of Human Resources (HR), where designated staff review the separation-clearance form for completeness and employee indebtedness before authorizing final pay action.

The separation process differs for consultants, who are viewed as employees but do not need to complete the separation-clearance form prior to termination. MD 10.6, “*Use of Consultants and Experts*,” directs that when an office decides to terminate (or not extend) a consultant’s appointment, the cognizant office should notify HR. HR is then required to notify DFS so that DFS can terminate the consultant’s security clearance and obtain from the consultant a completed security termination statement. MD 10.6 does not specifically mention badge return and therefore does not specify who is responsible for ensuring that badge return occurs.

### **Not All Employees Return Badge, Complete Security Termination Statement**

Based on a review of records for a random sample of NRC former employees, OIG learned that some employees failed to return their badges or complete the security termination statement prior to termination. Furthermore, NRC does not attempt to withhold final pay action for individuals who failed to complete these steps in the separation-clearance process.

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<sup>6</sup>On November 2, 2003, NRC transitioned to the Department of Interior’s (DOI) Federal Personnel/Payroll System. HR, which serves as a liaison with DOI on payroll issues, is now the final stop in the separation-clearance process and subsequently reviews the separation clearance form for completeness.

Auditors reviewed records for 66<sup>7</sup> of 227 former employees who separated during FY 2003 and found that:

- ◆ DFS lacked indication that a badge had been returned for 13 individuals (5 regional employees, 4 consultants, and 4 headquarters employees).
- ◆ DFS also lacked completed security termination statements for 16 former employees (5 regional employees, 7 consultants, and 4 headquarters employees).
- ◆ DFS was unaware that 7 of the 66 were no longer active employees. Six of these individuals were consultants.

Based on a statistical analysis of this data, DFS could lack information concerning badge return for up to 29 percent (66 employees) of those who terminated NRC employment during FY 2003.

DFS staff were aware that staff separating from NRC occasionally fail to complete the DFS portion of the separation-clearance process. One DFS staff member explained that if an employee terminates without completing the security termination statement and/or returning the badge, DFS mails the individual a letter requesting that they return either the completed security termination statement, the badge, or both to NRC. However, the DFS staff member could not recall that failure to complete this part of the process had ever resulted in a withholding of final pay action.

A Payroll Office manager explained that when employees brought their separation-clearance form to the Payroll Office (as the last stop in the separation-clearance process), one of several clearing officials would review the signature blocks on the form to ensure that all were signed. If any signature blocks were blank, the clearing official would not authorize final pay action and would direct the employee back to the appropriate office to complete the process. However, the manager said that Payroll Office staff were never instructed to review the yes/no boxes in the DFS portion of the separation-clearance form to determine whether the specific steps were actually fulfilled. Therefore, the manager explained, the Payroll Office would not withhold final pay action based on information in the yes/no boxes.

OIG identified three underlying causes for the issues found through the file review:

- ◆ NRC lacks a management control to enforce the DFS portion of the separation-clearance process.

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<sup>7</sup>The 66 files were selected randomly from the 227 in order to obtain a sample that was reflective of all terminating NRC employees.

- ◆ Breakdowns in communication hinder the consultant termination process.
- ◆ Regional communication with headquarters concerning terminations is ineffective.

### **NRC Lacks Management Control To Enforce Badge Return Portion of Separation-Clearance Process**

Under current NRC policy, the agency cannot withhold final pay action as a means of motivating employees to return their badges as part of the separation-clearance process. Despite wording in MD 10.8 indicating that final pay action could be withheld for failure to complete the process, an Office of the General Counsel (OGC) attorney explained that based on Federal regulations and agency guidance, an employee's failure to turn in a security badge does not create a debt owed by the employee to the agency that can be recovered through administrative offset of the employee's salary. However, the attorney agreed that NRC could explore certain policy options that might not be legally objectionable. One such option could be to modify the Form 270 to eliminate the yes/no boxes, and rely on signature alone as indication the step has been accomplished. In OIG's view, this would offer the agency a stronger tool for increasing control over the return of badges.

### **Breakdowns in Communication Hinder Consultant Termination Process**

NRC has not been following its process for terminating consultants; consequently, the agency lacks assurance that these employees will complete the security termination statement as required or that their security clearance and access to NRC will be terminated upon separation from the agency. Furthermore, NRC management directives do not specify who is responsible for badge retrieval from these individuals.

Two specific communication breakdowns have occurred in NRC's consultant termination process. First, while MD 10.6 specifies that cognizant offices need to notify HR when consultants are terminated, such notification is not routinely provided. Second, even when HR is aware that a consultant has been terminated, until recently, DFS was not given notification of the termination. As a result, DFS has been unable to conduct its portion of the process described in the MD. After discussing the matter with OIG auditors, HR has initiated a practice of adding terminated consultants to a regularly published list of terminated employees which is developed and circulated to certain NRC offices, including DFS, each week. Nevertheless, while MD 12.1 specifies generally that employee badges must be returned to DFS, there is no guidance in either MD 12.1, 10.6, or 10.8 describing procedures for the return of consultant badges.

### **Regional Communication with Headquarters Concerning Terminations Is Ineffective**

DFS is not receiving security termination statements for all regional employees who terminate and is not being notified in all cases as to whether these employees' badges were returned. While MD 10.8 requires the regions to forward completed security termination statements to DFS and to coordinate with DFS concerning badge recovery, the necessary communication and coordination with DFS is not occurring. NRC needs to better describe its expectations for regional offices concerning badge return and to better enforce its requirements concerning the security termination statement to facilitate DFS awareness of regional actions concerning terminating employees.

#### **SUMMARY**

DFS needs to increase its control and knowledge over the employee-termination process so that it can fully account for the badges of former employees and ensure that security termination statements are signed. By instituting a stronger means to encourage employees to return their badges as part of the separation-clearance process, implementing existing policies concerning consultants and regional offices, and clarifying guidance concerning badge return, NRC will reduce the risks posed by employees who fail to undergo this portion of the clearance process.

#### **RECOMMENDATIONS**

OIG recommends that the Executive Director for Operations:

4. Eliminate the yes/no boxes from the DFS portion of the separation-clearance form, and require signature for steps completed in this part of the process.
5. Fully implement existing agency policy concerning termination of consultants.
6. Fully implement existing agency policy concerning termination of regional employees.
7. Issue agency guidance specifically concerning return of consultant and regional employee badges to DFS.



### **C. PERSONNEL SECURITY PROGRAM INFORMATION SYSTEMS CONTAIN UNRELIABLE INFORMATION**

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Despite requirements that managers maintain reliable information for decisionmaking, discrepancies between data stored in the personnel security automated files and the paper files, and inaccuracies in these files, indicate problems with data reliability. These data reliability issues exist because managers did not ensure that staff members consistently followed office procedures to enter data into DFS's former automated system (the PERSEC Modules). In addition, DFS's existing quality control measure for data accuracy was insufficient to prevent these inaccuracies. Without a new approach to ensure data reliability, NRC lacks assurance that these problems will not recur in IPSS. NRC's personnel security program needs to require system users to follow consistent data entry practices and to conduct additional quality control procedures for data accuracy.

#### **Discrepancies Between DFS Automated and Paper Files**

DFS cannot rely on the accuracy of the personnel security clearance history information in its paper and automated files. A comparison of personnel security information recorded in 96<sup>8</sup> paper files with personnel security information contained in the corresponding PERSEC Module files revealed discrepancies in 58 of the file pairs. The most frequent discrepancy pertained to first clearance date; in 44 such cases, the date that NRC first granted clearances for individuals was recorded differently in the automated system than in the paper files. Also frequent were discrepancies concerning the first type of clearance an individual held at NRC; auditors identified 38 such inconsistencies. The comparison between the automated system and the paper files also identified 10 discrepancies in employee current clearance date and 7 discrepancies in current clearance type. In 58 cases, the PERSEC Modules contained no information concerning the date that NRC granted the individual's preappointment investigation waiver and in 4 cases the date was incorrect. Finally, DFS had no automated personnel information on file for two consultants included in the sample. Based on a statistical analysis of this information, personnel security files for as many as 2,223 employees (69 percent of employees) could contain at least one of the type of discrepancies noted above and automated data could be missing for up to 193 employees (6 percent of employees). [See Table 3.]

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<sup>8</sup>Auditors pulled 98 paper files for review. There were no corresponding automated records in the PERSEC Modules for 2 of the paper files, therefore only 96 file pairs were available for comparison.

**Table 3.**

<b>Discrepancies Between Personnel Security Automated and Paper Files</b> N = 98	
<u>Type of Discrepancy</u>	<u>Number of Discrepancies</u>
Date of First Clearance	<b>44</b>
Type of First Clearance	<b>38</b>
Date of Current Clearance	<b>10</b>
Type of Current Clearance	<b>7</b>
Date of Preappointment Investigation Waiver	<b>62</b>
File Missing from PERSEC Modules	<b>2</b>

DFS is aware that the PERSEC Modules contain some unreliable information and that this incorrect information was transferred into IPSS as part of the system transition process. DFS staff also are aware of other IPSS data reliability issues that resulted from the data transfer. Therefore, a DFS manager explained, DFS is now involved in a data cleanup effort to ensure that current employee information in IPSS is accurate. The manager could not estimate when the cleanup effort would be complete and explained that it was being carried out during employee overtime hours on an ad hoc basis.

During the exit conference, the agency commented that there are no discrepancies between the automated and paper files, but that these two sets of files track different information with regard to preappointment waiver date, first clearance type, and first clearance date. Despite these agency comments, information in this report concerning discrepancies has not been modified. This is because the information provided during the exit conference does not adequately explain the discrepancies concerning current clearance type and date and does not explain why two files are missing from the automated records.

### **Data Entry Procedures Not Enforced; Quality Control Measure Insufficient**

Inaccuracies in PERSEC Modules data exist because managers did not ensure that staff consistently followed office procedures to enter data into the PERSEC Modules. Furthermore, the PERSEC Modules lack features to prevent data entry mistakes. DFS staff explained that IPSS, the replacement for the PERSEC Modules, contains internal checks to facilitate accuracy and will prevent these types of data discrepancies from occurring. However, these features will not eliminate the possibility of inaccurate data entry. For example, while IPSS will not allow the user to enter the wrong type of investigation into the system for certain clearance types and will not allow illogical dates to be entered, it will not prevent errors if the dates are logical. DFS managers said employees responsible for data entry will be provided with instructions for using the new system correctly, however, there are no plans for requiring these staff to follow the procedures or to check that data entered is accurate.

Another reason for inaccuracies is that the single quality control measure utilized by DFS to ensure data accuracy failed to prevent these inaccuracies from occurring. According to a DFS staff member, agencies are required every 6 months to report their personnel security data to OPM, and NRC has provided this information to OPM two or three times since mid-2002. According to the staff member, OPM compares the agency information to its information and provides NRC with a report highlighting any discrepancies, for example, in birth dates or social security numbers. NRC is required to correct the information and in some cases, provide supporting documentation. Despite this quality control measure, OIG found the discrepancies between the automated and paper files mentioned earlier in this section.

Although the ongoing IPSS data cleanup effort seems likely to ensure an initial level of accuracy in the IPSS data, DFS officials characterized the cleanup process as a one-time effort. Quality control measures have not been established to prevent subsequent deterioration of data quality in IPSS.

### **SUMMARY**

To better ensure the reliability of the information contained in its automated systems, DFS needs to implement consistent data entry guidance to system users and conduct quality control procedures for data accuracy.

### **RECOMMENDATIONS**

OIG recommends that the Executive Director for Operations:

8. Issue specific data entry guidance to DFS staff responsible for entering data into IPSS.

9. Formalize the ongoing IPSS data cleanup effort by documenting this effort. This documentation should include a discussion of resources assigned to the effort and a timeline for completion.
10. Establish and implement a procedure to validate data accuracy at least annually.

#### **D. NRC FAILS TO BENEFIT FROM DOLLARS SPENT ON SUMMER INTERN SECURITY CLEARANCES**

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NRC spends approximately \$8,100 each summer on OPM background investigations for summer interns; however, in the majority of cases, the interns terminate their NRC employment before OPM responds with an investigative report or before NRC can adjudicate the results so that a clearance could be granted. This failure to benefit from the OPM background investigation occurs because NRC's requests for these investigations are made too late to receive a timely response from OPM. Additionally, when summer interns terminate employment prior to the return of OPM's investigative report, NRC does not cancel the investigation in progress in accordance with OPM policy. NRC needs to revise its timeline for hiring summer interns so that the agency can benefit from the money spent on background investigations for these individuals and to better comply with OPM requirements concerning cancellations.

##### **NRC's Summer Intern Program**

Each summer, NRC hires between 57 and 65 students to participate in the agency's summer intern program. These students are hired for a maximum of 89 days and, according to an HR staff member, about 25 percent return the following summer for a second summer internship. In accordance with the Atomic Energy Act of 1954, as amended, summer interns — as NRC employees — are required to have either a security clearance prior to employment or to receive a preappointment investigation waiver following an in-house DFS background investigation. As is the case with NRC employees in general, most interns begin their summer employment without a security clearance, but with the preappointment investigation waiver. Following the issuance of this waiver, DFS makes a request to OPM for the appropriate background investigation based on the request of the NRC office to whom the intern will report. Based on a sample of intern personnel security records reviewed by auditors, most offices seek L clearances for these students. According to the current OPM price list, the investigation needed to grant an L clearance costs \$135.

### **NRC Fails To Benefit From OPM Background Investigations for Summer Interns**

OIG reviewed personnel security records for 17<sup>9</sup> summer interns who terminated their employment during FY 2003. The review found that most summer interns terminate their employment with NRC either before the OPM background investigation results are returned to NRC or, if such results are returned, before NRC can adjudicate them in order to grant a security clearance. Eleven of 17 interns who terminated during FY 2003 never received security clearances. In 4 of the 11 cases, NRC received the OPM results after the intern terminated. In another four cases, the OPM investigative report had not been returned at the time of the OIG file review, however, the OPM investigation had not been canceled. In three cases, OPM's report was returned prior to the intern's termination, but NRC did not have time to adjudicate the results before the intern's termination. In the six cases where the interns had security clearances, the FY 2003 employment period was not the intern's first employment period and, according to DFS staff, the clearances were probably based on investigative results received subsequent to the earlier employment period.

Based on NRC's practice of hiring approximately 60 interns each summer, and processing most for an L clearance (which costs \$135), it appears that the agency spends approximately \$8,100 on background investigations for summer interns each summer. Based on the sample of records OIG reviewed in which about 65 percent of the interns did not receive a clearance, it appears that NRC is not benefitting from about \$5,265 spent on such investigations each summer.

### **NRC Begins Hiring Process Too Late to Grant Clearances**

Most summer interns are unable to receive security clearances because NRC's schedule for hiring these individuals does not allow enough time for DFS to request and receive the OPM background investigations needed to grant the security clearances. According to an HR staff member, the timeline for the summer intern hiring process is generally as follows:

During mid-November, HR requests that office directors determine by December 30 how many summer interns they will need and in what disciplines for the following summer. Based on the response from the office directors, in mid-January HR circulates resumes of applicants with the requisite backgrounds to the offices, which then select students they would like to hire from this pool. In February, HR mails employment offers and security packages to the prospective interns. According to the HR staff member responsible for the summer intern program, students are given 10 days to contact NRC with a response to the job offer, but no deadline has been given for return of the completed security

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<sup>9</sup>These 17 records were part of a random selection of 66 NRC employees who terminated employment during FY 03.

package needed to process the student for a clearance. The staff member said that the students who accept the employment offer typically return the completed security package to HR during April. HR then forwards the security forms to DFS to begin the security clearance process.

According to a DFS staff member, DFS staff make a concerted effort to quickly process the prospective interns for preappointment investigation waivers and to submit their paperwork to OPM for background investigations. However, OPM is generally taking 6 to 9 months to respond to L-clearance background investigation requests. Thus, these requests would need to be made several months earlier in a given year in order to obtain a response from OPM that could be adjudicated for a security clearance in a timely manner. This DFS staff member was aware that OPM's response time does not allow for results to be adjudicated and clearances granted, but said that DFS' practice is not to cancel the investigation requests because the results can be used to grant clearances to interns who return the following summer. As a point of comparison, the U.S. Department of State summer internship program also requires security clearances for participants, but requires that the students submit their security forms by January so that clearances can be issued by May or June of that year.

#### **SUMMARY**

By starting the summer intern hiring process earlier during the fiscal year, NRC can benefit from the dollars it spends on pursuing security clearances for these employees and can greatly reduce the number of occasions where OPM background investigations need to be canceled because an intern terminated his/her employment prior to the completion of the investigations.

#### **RECOMMENDATIONS**

OIG recommends that the Executive Director for Operations:

11. Begin the hiring process for summer interns 1 month earlier each year and impose a deadline on students to return the completed security package so that security clearances are more likely to be granted prior to or during a summer intern's employment period.
12. In accordance with OPM policy, inform OPM when an intern terminates employment prior to completion of the OPM background investigation.

## **IV. CONSOLIDATED LIST OF RECOMMENDATIONS**

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OIG recommends that the Executive Director for Operations:

1. Submit clearance reinvestigation requests to OPM in time to allow NRC to evaluate results in the year the reevaluation is due in accordance with MD 12.3.
2. By the end of FY 2004, submit requests for OPM reinvestigations for employees with clearances not based on current standards.
3. Establish performance measures assessing the timeliness of NRC's reinvestigation program.
4. Eliminate the yes/no boxes from the DFS portion of the separation-clearance form, and require signature for steps completed in this part of the process.
5. Fully implement existing agency policy concerning termination of consultants.
6. Fully implement existing agency policy concerning termination of regional employees.
7. Issue agency guidance specifically concerning return of consultant and regional employee badges to DFS.
8. Issue specific data entry guidance to DFS staff responsible for entering data into IPSS.
9. Formalize the ongoing IPSS data cleanup effort by documenting this effort. This documentation should include a discussion of resources assigned to the effort and a timeline for completion.
10. Establish and implement a procedure to validate data accuracy at least annually.
11. Begin the hiring process for summer interns 1 month earlier each year and impose a deadline on students to return the completed security package so that security clearances are more likely to be granted prior to or during a summer intern's employment period.
12. In accordance with OPM policy, inform OPM when an intern terminates employment prior to completion of the OPM background investigation.

## **V. AGENCY COMMENTS**

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On March 9, 2004, the Executive Director for Operations provided comments concerning the draft audit report. We modified the report as we determined appropriate in response to these comments. Appendix B contains both NRC's comments and our specific response to each.



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## SCOPE AND METHODOLOGY

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This audit reviewed U.S. Nuclear Regulatory Commission (NRC) personnel security program policies and practices pertaining to employees to determine whether (1) NRC is in compliance with external and internal personnel security requirements and (2) NRC's personnel security program is efficiently managed. The audit focused specifically on NRC employees working in NRC headquarters and regional office facilities.

The Office of the Inspector General (OIG) audit team reviewed relevant criteria such as The Atomic Energy Act of 1954; Title 10, Part 10, of the Code of Federal Regulations, "Criteria and procedures for determining eligibility for access to restricted data or national security information or an employment clearance"; Executive Order 12968, "*Access to Classified Information*"; Management Directive and Handbook (MD) 10.6, "*Use of Consultants and Experts*"; MD 10.8, "*Clearances before Separation or Reassignment*"; MD 12.3, "*NRC Personnel Security Program*"; and other agency and Federal documents.

Auditors interviewed staff in the Division of Facilities and Security, the Office of Human Resources, and the Office of the Chief Financial Officer (OCFO) to better understand the processes related to security clearance processing and an attorney in the Office of the General Counsel to better understand the agency's requirements for denying final pay. Auditors interviewed an Office of Personnel Management security appraisal officer to determine NRC's compliance with external requirements and staff at the Department of Energy, the Department of Homeland Security, and the National Aeronautics and Space Administration to learn about personnel security policies and practices at those agencies. In addition, auditors reviewed personnel security case files and payroll files to quantify the frequency that employees complete the security portion of the separation clearance process. Auditors compared information in the personnel security program's paper files to the corresponding information in the automated files in order to assess the reliability of NRC's personnel security data and other issues. Auditors also followed the guidance of an OCFO statistician to analyze the outcomes of these file reviews.

This work was conducted from January 2003 through December 2003, in accordance with generally accepted Government auditing standards and included a review of management controls related to audit objectives. The work was conducted by Vicki Foster, Senior Management Analyst; Judy Gordon, Senior Management Analyst; Beth Serepca, Team Leader; and Rebecca Underhill, Management Analyst.

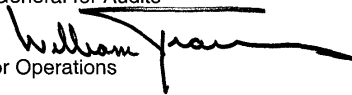
## AGENCY COMMENTS AND OIG RESPONSE



UNITED STATES  
NUCLEAR REGULATORY COMMISSION  
WASHINGTON, D.C. 20555-0001

March 9, 2004

MEMORANDUM TO: Stephen D. Dingbaum  
Assistant Inspector General for Audits

FROM: William D. Travers   
Executive Director for Operations

SUBJECT: DRAFT REPORT ON REVIEW OF NRC'S PERSONNEL SECURITY PROGRAM

I am responding to your February 20, 2004, memorandum on the above subject. I am providing the comments below on the draft findings for your consideration. Addressing these comments will assure that the conclusions and recommendations reflect appropriate interpretation of Federal requirements and guidelines:

1. Page 1, Background, 2<sup>nd</sup> paragraph - The 3<sup>rd</sup> sentence is only true for NRC employees, not for all Federal employees.
2. Page 9, paragraph at top of page - We disagree with OIG's characterization that NRC re-investigations were not timely. NRC is required to initiate re-investigations in the year the re-investigations are required, but is not required to submit them to OPM in the same year.
3. Page 9 - The last sentence on the page is not accurate. NRC's investigative standards are appropriate and consistent with Federal guidelines.
4. Page 12, Recommendation 1 - There is no NRC or Federal requirement that investigative results be returned and evaluated within the 5- or 10-year re-investigation period. OPM will not guarantee a time frame for completion of the investigations. This recommendation should be deleted.
5. Page 12, Recommendation 2 - NRC investigations are in compliance with Federal guidelines as acknowledged on the bottom of page 11 of the draft report, "OPM officials said that NRC's interpretation of federal requirements is acceptable."

Thank you for the opportunity to comment on this document. Please contact Tom Martin at 415-8080 if you have any questions.

**OIG RESPONSE**

Below are the agency's comments to the draft audit report and OIG's response to each comment. NRC's comments appear in bold italics.

***1. Page 1, Background 2<sup>nd</sup> paragraph - The 3<sup>d</sup> sentence is only true for NRC employees, not for all Federal employees.***

This sentence (which appears on page 1, paragraph 2, of this final report) is accurate as written per U.S. Office of Personnel Management *Federal Investigations Notice*, Letter 97-02, therefore, we made no modification to the wording.

***2. Page 9, paragraph at top of page - We disagree with OIG's characterization that NRC reinvestigations were not timely. NRC is required to initiate re-investigations in the year the re-investigations are required, but is not required to submit them to OPM in the same year.***

We modified the draft report wording (which appears on page 6, paragraph 3, of this final report) to clarify that NRC submitted requests for the 125 employees too late for NRC to meet its own reinvestigation timeliness requirements, which hold the agency to a higher standard than OPM's requirements.

***3. Page 9 - The last sentence on the page is not accurate. NRC's investigative standards are appropriate and consistent with Federal guidelines.***

The statement (which appears at the end of the first paragraph on page 7 of this final report) is accurate as written because the 426 employees have L clearances based on a type of investigation which, since 1997, has not been used to reinvestigate individuals with this type of clearance. While agencies are being given time to come into compliance with the current standards, the fact remains that these 426 clearances are not based on the current standards. Therefore, the wording remains unchanged.

***4. Page 12, Recommendation 1 - There is no NRC or Federal requirement that investigative results be returned and evaluated within the 5- or 10-year re-investigation period. OPM will not guarantee a time frame for completion of the investigations. This recommendation should be deleted.***

We modified the wording of this recommendation (now on page 9) to clarify OIG's intent that NRC follow MD 12.3 reinvestigation requirements to reevaluate employees with Q clearances and LH designations at least every 5 years and employees with L clearances at least every 10 years.

***5. Page 12, Recommendation 2 - NRC investigations are in compliance with Federal guidelines as acknowledged on the bottom of page 11 of the draft report, "OPM officials said that NRC's interpretation of federal requirements is acceptable."***

Although OPM officials said NRC's interpretation is acceptable, OIG intends that NRC complete the ongoing DFS effort to bring these individuals into compliance with the current standards. DFS has recognized this issue and has already been engaged in such an effort on an ad hoc basis as noted on page 7 of this report. Recommendation 2 (page 9) remains unchanged.