



UNITED STATES
NUCLEAR REGULATORY COMMISSION
WASHINGTON, D. C. 20555
April 7, 1989

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2

MEMORANDUM FOR: Victor Stello, Jr.
Executive Director for Operations

FROM: Patricia G. Norry, Director
Office of Administration

SUBJECT: CREDIT CHECKS - EXPANDED PERSONNEL SECURITY
INVESTIGATIVE COVERAGE

During a program review meeting in your office on March 13, 1989, we discussed conducting credit checks during personnel security investigations. The discussion was related to two pending proposals: (1) to add a credit check to the initial security clearance investigation coverage for "L" cleared employees, contractors, and licensees, and (2) to do credit checks as part of our new program for reinvestigation of "L" cleared personnel.

A credit check has long been an essential element in Full Field background investigations that serve as the basis for an NRC "Q" security clearance and "U" SNM access authorization under 10 CFR Part 11. Since 1983, a credit check has also been a part of the "Q" reinvestigation scope. In October 1987, OPM added several significant financial questions to its SF-86, "Questionnaire For Sensitive Positions" which the NRC currently uses. OPM added these questions in order to identify security related concerns and possible exploitable weaknesses in a person's background.

The credit checks we have done in the past have provided the Division of Security with important and relevant information used in determining an applicant's overall eligibility for an NRC clearance. In our judgment, we have been able to obtain a higher degree of assurance that an individual is reliable, trustworthy, and does not have any significant financial problems which may cause the individual to be susceptible to pressures, blackmail or coercion to act contrary to the national interest. In our actual case experience we have found that an individual's financial difficulty may be an indicator or result of other more serious problems e.g., drug abuse, alcohol abuse or dishonesty.

Based on the GAO program review period (1983-1988), we had over 100 cases that contained significant derogatory information, 30 of which involved credit information. In all cases the credit report data were confirmed to be essentially correct. Also during this same period, 23 of approximately 1300 reinvestigations/upgrades involved derogatory information, 9 of which were credit related. Again, the credit data were confirmed as correct.

By way of background, SEC goes through a number of steps and looks at many factors when reviewing and evaluating an individual's credit check report. First, SEC compares any reported bad debts, e.g., delinquent or charged off accounts, bankruptcy, etc., listed in the report against the individual's SF-86, which requires the individual to list any loans or financial obligations

April 7, 1989

which are 90 days or more delinquent and any bankruptcies, tax liens or legal judgments. SEC reviews any past due accounts, for example, to determine (1) how long it has been past due; (2) the total debt which is past due; (3) the total debt owed; (4) any judgments or claims filed against the debtor; and (5) any bankruptcy action. We also evaluate the applicant's efforts, if known from the report, to satisfy any debts. On balance, this evaluation provides SEC with an appreciation of the nature and seriousness of an individual's financial difficulties, as reflected by the credit report. For example, an individual may have been 30-120 days past due on several small accounts 1 or 2 years ago, but has made timely payments since then. If the background investigation is otherwise favorable, SEC would not question the individual's financial stability. Another individual may have been reported to be delinquent on several accounts for a lengthy period of time up to the date of the information we had received and determine through an informal interview (1) the current status of the accounts; (2) the individual's repayment intentions; (3) the individual's income when the debt was delinquent; (4) the individual's current status; (5) any other bad debts not listed on the report; (6) any other pertinent information. Contact with the individual to verify the information contained in the report. If the financial concerns are resolved, or the individual can show that he/she desires to clear up their debt and it is apparent that he/she has made an effort to do so, the security concern regarding the individual's financial stability will be mitigated.

Based on our experience in evaluating credit bureau reports (since 1975 for Full Field Investigations and since 1983 for Periodic Reinvestigations), we have found they are, on balance, reliable indicators of an individual's financial responsibility and susceptibility to pressures or coercion. In the few instances where the credit report contained some isolated erroneous data, the individual has had the opportunity to correct his/her credit record/rating.

A number of agencies, including DOE, GAO, GSA, Department of Interior (Bureau of Indian Affairs), Department of Agriculture, and OPM, use the credit check as part of the basis for employment and/or security clearance determinations. Additionally, OPM reports that of the investigations they conduct for other government agencies including NRC, approximately 25% contain adverse financial information. Our own experience reflects a 12% rate for NRC investigations.

We believe that adding a credit check makes sense for three reasons. First, it will provide us with greater assurance that an individual requiring an "L" or "R" is reliable, trustworthy and does not have any significant financial problems which may make him/her subject to pressures, blackmail or coercion to act contrary to the national interest.

Secondly, the investigative scope for low NRC "L" and "R" will achieve greater comparability with the scope for DOE "L" and Secret clearances. DOE has found the credit check a valuable tool in making clearance eligibility determinations. Finally, the upgraded NRC investigative scope would be more

consistent with the investigative coverage proposed in the NUMARC guidelines for licensee personnel with unescorted access to protected and vital areas of nuclear power plants. By adding the credit check to the "L" investigative scope, NRC employees, other than inspectors (e.g., project managers), who require unescorted access could be certified to the licensee as complying with a program essentially equivalent to the proposed NUMARC guidelines.

We do not recommend applying this new credit check requirement retroactively for those who currently have "L" or "R" clearances. However, the planned reinvestigation program for "L" cleared individuals (recommended in the GAO report) would include a credit check.

We estimate that the additional annual costs to NRC associated with this investigative upgrade for NRC applicants, contractors and other non-licensee personnel would be approximately \$26,000. Investigative costs associated with processing clearances for licensee personnel are charged to the licensee. We estimate that the overall additional annual costs to the licensee community as a whole would total approximately \$13,770.

Based on OGC legal advice, implementing this change in the investigative scope for the "R" SNM access authorization and the "L" security clearance granted to licensees would require a rulemaking to amend 10 CFR Parts 11 and 25.

A negligible effect is predicted on the general public since this rulemaking activity applies only to those licensees and others who need to use, process, store, transport, or deliver to a carrier for transport formula quantities of special nuclear material (as defined in 10 CFR Part 73) or generate, receive, safeguard, and store National Security Information or Restricted Data (as defined in 10 CFR Part 25). Approximately 31 NRC licensee and other license related interests would be affected under the provisions of 10 CFR Parts 11 and/or 25. However, 20 of these licensee or other interests have only a limited number of active clearances, e.g., one or two each, relating to Safeguards activities. We do not anticipate that these interests would be significantly affected. Staff resources required for processing these rule changes through final publication are estimated at 240 hours. Since SEC has the necessary expertise in this area, we recommend that SEC be designated to initiate the required rulemaking. RES and NMSS concur in this recommendation.

ADM plans to publish a proposed rule for public comment in the Federal Register by August, 1989.

Consistent with your authority, we request you (1) approve the immediate implementation of this investigative coverage change for "L" security clearance investigations required for NRC applicants, contractors, and other non-license related personnel and for "L" security clearance reinvestigations for NRC employees; (2) sign the enclosed bulletin to implement the "L" reinvestigation

April 7, 1989

program which also includes a credit check; and (3) have SEC initiate rulemaking to amend 10 CFR Parts 11 and 25, in order to implement the same investigative scope change for "R" and "L" licensee applicants and to revise the current fee schedule to recover the full cost of each initial credit check.

Patricia G. Norry
Patricia G. Norry, Director
Office of Administration

Enclosure:
As stated

Approve

Disapprove

Victor Stello, Jr.
Victor Stello, Jr.

Dated: 4/12/89

AD28-1
PDR
3

MEMORANDUM FOR: Chairman Zech
Commissioner Roberts
Commissioner Carr
Commissioner Rogers
Commissioner Curtiss

APR 28 1989

FROM: Victor Stello, Jr.
Executive Director for Operations

SUBJECT: CREDIT CHECKS - EXPANDED PERSONNEL SECURITY
INVESTIGATIVE COVERAGE

As a follow-up to the General Accounting Office report entitled "NRC's Security Clearance Program Can be Strengthened," and the subsequent Synar Committee hearing held March 15, 1989, I have (1) approved adding a credit check, effective immediately, to the scope of the initial personnel security investigation required for an "L" clearance for NRC applicants, contractors, and other non-licensee personnel; (2) signed the enclosed bulletin implementing the reinvestigation program for "L" cleared employees which will also contain a credit check; and (3) authorized the Office of Administration to initiate rulemaking to amend 10 CFR Parts 11 and 25, in order to implement the same initial investigative scope change for "R" and "L" licensee applicants and to revise the current fee schedule under the authority of 31 USC §9701 196 Stat. 1051 to recover the additional cost of each initial credit check.

Original signed by
Victor Stello, Jr.
Executive Director for Operations

Enclosure:
As stated

cc: SECY
GPA
OGC

Contact:
James J. Dunleavy, PSB
X27343

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See previous concurrence
OFC :PERSEC* :DD/SEC :D/SEC* :D/ADM* :DEDS [initials] : [initials] :
NAME :JJDunleavy:v:RADopp :RJBrady :FGNorry :HLThompson, Jr.:Stello, Jr.:
DATE :04/14/89 :04/ /89 :04/14/89 :04/14/89 :04/27/89 :04/28/89 :

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AD28-1
PDR

REGULATORY AGENDA ENTRY

Title:

Credit Checks - Expanded Personnel Security Investigative Coverage

CFR Citation:

10 CFR Part 11; 10 CFR Part 25

Abstract:

The proposed rule would expand the present investigative scope for licensee "R" Special Nuclear Material Access Authorization and "L" security clearance applicants by adding a credit check and would revise the corresponding fee schedule to recover the additional cost of each credit check.

These amendments are necessary for the following reasons: (1) to obtain a higher degree of assurance that licensee "R" and "L" applicants are reliable, trustworthy and do not have any significant financial problems which may cause them to be susceptible to pressures, blackmail or coercion to act contrary to the national interest; (2) to achieve greater comparability with the investigation scope for DOE's "L" and Secret clearances; (3) to be consistent with the investigative coverage proposed in the NUMARC guidelines for licensee personnel with unescorted access to protected and vital areas of nuclear power plants; and (4) to recover the additional cost of each credit check. This rule will have a negligible effect on the general public. NRC resources required for processing this rule through final publication are estimated to be 240 staff hours.

Timetable:

Proposed Rule to be published for comments in the Federal Register by August 31, 1989.

Legal Authority:

42 USC 2165; 42 USC 2201; 42 USC 5841; 42 USC 2273; E.O. 10865, E.O. 12356

Effects on Small Business and Other Entities:

None

Agency Contact:

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