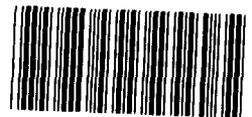


GAO

Testimony



138185

For Release
on Delivery
Expected at
10:00 a.m. EST
Wednesday
March 15, 1989

Weaknesses in NRC's Security Clearance Program

Statement of
Keith O. Fultz, Director, Energy Issues
Resources, Community, and Economic Development
Division

Before the
Subcommittee on Environment, Energy and Natural
Resources
Committee on Government Operations
House of Representatives



044871/138185

Mr. Chairman and Members of the Subcommittee:

We appreciate the opportunity to discuss the Nuclear Regulatory Commission's (NRC) personnel security clearance program. My testimony today is based on our report, Nuclear Regulation: NRC's Security Clearance Program Can Be Strengthened (GAO/RCED-89-41), which you requested and are releasing today, Mr. Chairman.

In summary, our work shows that several weaknesses in NRC's program cause potential security risks or adversely affect the operation of its program. Specifically, we found that

- NRC faces a dilemma when hiring new employees. By law, NRC must investigate the backgrounds of new employees and can waive this requirement only when a clear need exists to do so. However, NRC waives this requirement for about 99 percent of new employees because the security clearance process takes so long. Subsequent background investigations for about 7 percent of NRC employees reveal derogatory information--about 10 percent of these individuals terminate their employment.

- Although virtually all espionage cases in federal agencies over the last several years have involved cleared employees, NRC does not reinvestigate the backgrounds of nearly 50 percent of its clearance holders. Therefore, NRC

does not know whether changes in some employees' lifestyles may make them a security risk.

-- NRC does not have accurate clearance information to effectively manage its program.

-- Despite the possibility of sabotage against U.S. energy supply sources and an increase in safety-related incidents --including drug and alcohol abuse--NRC does not ensure that nuclear power plant employees do not pose a threat of radiological sabotage. For more than 10 years, NRC has debated the need for regulations to control access to vital, protected areas of nuclear power plants or endorse industry-developed guidelines.

Taken together, these weaknesses raise considerable doubt about the effectiveness of NRC to ensure that only those individuals who do not pose a security threat have access to classified information or facilities involved with special nuclear material. Before I discuss these weaknesses in greater detail, I will briefly describe NRC's security clearance program.

OVERVIEW OF NRC'S SECURITY CLEARANCE PROGRAM

The Atomic Energy Act of 1954 requires NRC to conduct background investigations of its employees and consultants, as well

as others who have access to classified information, material, or facilities. To do this, NRC established a multipart security clearance program. Under NRC policies, a security clearance is granted after the Office of Personnel Management (OPM) or the Federal Bureau of Investigation (FBI) checks the background of those applying for clearances.

NRC grants four kinds of clearances: Q, L, U, and R. NRC has about 10,600 active clearances and uses the Department of Energy's (DOE) Central Personnel Clearance Index (CPCI) to track the number and types of clearances granted. For its own applicants, employees, and consultants, NRC grants Q or L clearances. A Q clearance permits access to top-secret national security information and restricted data. NRC grants a Q clearance to individuals occupying highly important or sensitive positions. An L clearance permits access for up to secret national security information and confidential restricted data. NRC grants the L clearance to employees who occupy noncritical-sensitive positions.

In 1985, NRC began granting clearances for employees at fuel cycle facilities. NRC grants them either a U or R clearance, which are similar to Q and L clearances, respectively. NRC follows the same procedures to grant these clearances as it does to grant a Q or L. The higher level U clearance applies to individuals who require unescorted access to, or control over, special nuclear material or who hold jobs in which they could steal or divert such

material or commit radiological sabotage. NRC grants the lower level R to those who require access to protected plant areas.

NRC also periodically reassesses the eligibility of individuals holding the highest level clearance. Although NRC considers all its positions to be "sensitive" and thus requires clearances, it reinvestigates at 5-year intervals only those individuals who hold the highest level Q clearance. Beginning in 1991, NRC plans to reinvestigate all fuel cycle facility clearance holders.

Generally, NRC does not grant clearances to employees of the 110 licensed nuclear power plants because they do not normally have access to classified information or special nuclear material. Instead, individual utilities have their own programs to prescreen employees.

PROBLEMS GAO
IDENTIFIED

NRC established a personnel security clearance program to ensure that its employees, consultants, and others who have access to classified information, material, or facilities are trustworthy. However, we found several weaknesses in NRC's program that cause potential security risks or adversely affect the operation of the program.

Hiring Without Clearances

NRC faces a dilemma when it hires new employees. Despite requirements to waive background investigations only when an urgent need exists, waivers have become the rule rather than the exception. NRC staff estimate that 99 percent of new employees are hired before they receive a security clearance because OPM takes too long to conduct required background investigations and waiting for investigation results adversely affects their ability to recruit and hire new employees. NRC estimates that it takes OPM between 10 months and 1 year to complete the background investigations necessary for a Q clearance and between 75 and 90 days for an L clearance.

Although NRC does not allow individuals hired with waivers access to classified information and the waivers allow NRC to hire new employees faster, this practice results in less than fully productive use of employees, as well as a potential security risk. For example, NRC inspectors cannot have unescorted access to nuclear power plants until they receive clearances. In addition, about 7 percent of subsequent background investigations of NRC employees reveal drug, financial, or other personal problems--about 10 percent of these individuals terminate their employment with NRC. The following examples illustrate the type of derogatory information found during background investigations.

An NRC reactor operator examiner received a background investigation waiver in October 1986. OPM's subsequent investigation for a Q clearance revealed that the employee had failed to file federal income tax returns for 13 years, received psychiatric treatment for drug overdose and marital problems, received treatment for alcohol abuse, and physically abused his spouse and children. The employee resigned in November 1987 without receiving a security clearance.

In another case, NRC hired a reactor engineer in January 1985 without a security clearance. The subsequent background investigation for a Q clearance revealed that the individual used heroin and had overdosed on the drug in 1984. The employee resigned during the 1-year probation period.

In addition, in 1984 NRC hired an individual to be a reactor inspector. The background investigation for a Q clearance revealed that the individual had falsified information on the employment application and failed to list several arrests. The employee resigned in 1985 without receiving a security clearance.

Ineffective Internal Controls

NRC can better manage its personnel security clearance program by updating its automated clearance database. Since 1983, NRC has used the CPCI as its primary clearance database. For all

clearances granted, the CPCI lists such information as the type of clearance, date of the initial investigation, date of last reinvestigation, social security number, and date of birth for each clearance holder.

We found several omissions when we compared the CPCI with NRC's payroll, security, and file card systems. For example, the CPCI lacks information on the time taken to grant initial clearances or conduct required periodic reinvestigations. Also, for over 76 percent of NRC's clearance holders, the CPCI does not list the dates when NRC requested OPM background investigations. Without this data, NRC must manually calculate the time taken to grant clearances and determine when to reinvestigate some individuals.

In addition, the CPCI contains incorrect social security numbers, even though accurate social security numbers are critical because they uniquely identify individuals in the database. The system also lists as active some clearances that have been terminated.

Reinvestigations Needed

Although virtually all espionage cases in various federal agencies over the past few years have involved cleared employees and DOE and Department of Defense studies have concluded that

insiders pose a greater security threat than outsiders, NRC does not routinely reinvestigate L clearance holders--48 percent of its employees and consultants. As a result, NRC does not know if changes have occurred in the lifestyles of these individuals such that they might be susceptible to engaging in espionage, sabotage, or theft of nuclear materials. Our review of a sample of NRC's personnel security files identified cases that highlight the importance of, and need for, periodic reinvestigations. Three examples follow.

An NRC branch chief with access to restricted data, national security information, and highly sensitive personnel, proprietary, and other NRC-protected information was granted a Q clearance in September 1979. NRC suspended the clearance in 1983 after learning that the employee had been indicted on 52 counts of interstate racketeering. The trial (the employee was found not guilty) and an NRC security investigation revealed that the employee, among other things, established an ongoing business association with a massage and escort service and counseled the service's operator on how to conduct the business so that it appeared to be legal. NRC dismissed the employee in 1984.

In another case, a machine operator who worked at a facility that made fuel for commercial and naval reactors was granted an L clearance in 1981. In 1986, NRC wanted to upgrade the clearance. NRC suspended the clearance after learning that the employee had

sexually molested minor boys between 1982 and 1984 and threatened persons with bodily harm if they revealed these actions. The individual elected to take "early retirement" rather than appeal the suspension.

NRC granted a Q clearance to a secretary in 1976 but did not conduct a reinvestigation until 1984. The employee had access to classified reports, applications for construction permits, and operating licenses for commercial reactors, spent-fuel processing plants, and waste disposal facilities. The 1984 investigation showed that the employee was about \$37,000 in debt because of alcohol and drug abuse problems. Later, the employee was arrested and found guilty of writing bad checks and attempting to illegally withdraw funds from someone else's account. NRC terminated the secretary's employment in 1985.

Although these cases illustrate the importance of periodically reinvestigating cleared employees and the fact that NRC's Personnel Security Branch Chief believes all clearance holders should be reinvestigated, NRC has not done so primarily for financial reasons. On the basis of DOE's reinvestigation requirements for L clearance holders, NRC staff estimate it could cost \$168,000 to begin a reinvestigation program for all clearance holders and about \$48,000 each year to continue the program. This cost represents less than 1 percent of NRC's fiscal year 1989 budget estimates and would require only one additional staff member.

In addition, we noted that inconsistencies exist in NRC's reinvestigation policies. Whereas NRC requires periodic reinvestigations for all fuel cycle facility employees, including those with clearances similar to an L, it does not have the same requirement for its L clearance holders.

Screening of Power
Plant Employees

Despite the possibility of sabotage against U.S. energy supply sources, NRC does not generally conduct background investigations or grant clearances to commercial nuclear power plant employees. Instead, utilities have their own programs to prescreen prospective employees. For over a decade, NRC has considered establishing regulations to increase the assurance that persons requiring unescorted access to protected and vital areas in nuclear power plants are trustworthy, reliable, emotionally stable, and do not pose a threat to commit radiological sabotage. During that time, NRC published proposed rules, established a hearing board, and asked for public comments on whether to issue a policy statement that endorses industry-developed guidelines or promulgate a rule that codifies access authorization provisions. In 1986, the Commission overruled its own staff recommendation to go forward with regulations after a utility group, the Nuclear Management and Resources Council, offered an alternative proposal to NRC for utilities to prescreen employees and conduct background

investigations and psychological evaluations for those individuals hired.

Although safety-related events at nuclear power plants continued to increase, NRC is still debating the issue. NRC reports show that the frequency of radiological sabotage, arson, firearms, and drug and alcohol-related events has increased by 144 percent between 1986 and 1987. Drug- and alcohol-related events represent most of this increase. Also, for the 10-year period ending December 31, 1987, utilities reported that drug- and alcohol-related events increased from 2 to 150.

- - - -

In conclusion, Mr. Chairman, we believe that NRC should address several problems to ensure that its employees and consultants--as well as others who have access to classified information, material, or facilities--are trustworthy. As I noted earlier, NRC faces a dilemma when it hires new employees. Although NRC's policy allows it to waive background investigations to hire faster, this practice has become the rule rather than the exception. NRC hires virtually all new employees before they receive security clearances.

NRC considers all its positions sensitive and requires initial background investigations for all individuals who do business with

the agency. However, a potential security risk exists because NRC does not routinely reinvestigate all clearance holders-- specifically those who hold L clearances. In addition, NRC's reinvestigation requirements are not consistent. Although NRC recognizes the "insider threat" by periodically reinvestigating all fuel cycle employees, it does not have a similar requirement for its own employees and consultants. The estimated costs for initiating a program to reinvestigate all clearance holders is minimal compared with the potential security risk of not doing so.

Further, NRC has debated the merits of an access authorization program at nuclear power plants for over 10 years--a period when drug- and alcohol-related events have steadily increased at these plants. We believe that 10 years is a more than reasonable time period for NRC to decide the best approach to address this issue.

In order to eliminate potential security risks and ensure a reliable and efficient security clearance program, we recommended that the Chairman, NRC, take a number of actions, such as requiring periodic reinvestigations of all employees. We also recommended that NRC validate and update the security clearance database and expedite a decision to issue either a policy statement or a regulation regarding unescorted access to commercial nuclear power plants. We hope, Mr. Chairman, that you and the Subcommittee will strongly encourage NRC to implement our recommendations.

This concludes our testimony. We would be pleased to respond to any questions you or the members of the Subcommittee may have.