PERSONNEL VETTING

DOD Should Improve Management and Operation of Its Background Investigation Working Capital Fund
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What GAO Found

The Defense Counterintelligence and Security Agency (DCSA) uses a working capital fund (WCF) to recover the costs of providing personnel vetting products and services, such as background investigations. Defense WCFs must plan to maintain monthly cash balances within an operating range. DCSA generally did so for fiscal years 2020 through 2022. However, GAO found DCSA miscalculated one element of its operating range in fiscal year 2021, resulting in an operating range being more than five times that of other defense WCFs. If calculated correctly, DCSA could have reduced prices and saved customers hundreds of millions of dollars.

Defense Working Capital Funds’ Operating Ranges, Fiscal Year 2021

![Operating Ranges Chart]

DCSA implemented two of four key operating principles for effective WCF management.

- Clearly delineate roles and responsibilities
- Ensure self-sufficiency by recovering the agency’s actual costs
- Measure performance
- Build in flexibility to obtain customer input and meet customer needs

Legend:
- ● Implemented
- ○ Partially Implemented

GAO found that DCSA’s management of its WCF is limited by the following:

- DCSA has not aligned performance measures with its strategic goal for its WCF or developed targets for those performance measures, hindering its ability to evaluate and improve WCF performance.
- DCSA could improve its understanding of customer needs by developing a systematic and reliable method for obtaining and analyzing information on customer satisfaction with WCF performance.
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<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>DCSA</td>
<td>Defense Counterintelligence and Security Agency</td>
</tr>
<tr>
<td>DOD</td>
<td>Department of Defense</td>
</tr>
<tr>
<td>NBIS</td>
<td>National Background Investigation Services</td>
</tr>
<tr>
<td>ODNI</td>
<td>Office of the Director of National Intelligence</td>
</tr>
<tr>
<td>OPM</td>
<td>Office of Personnel Management</td>
</tr>
<tr>
<td>PAC</td>
<td>Security, Suitability, and Credentialing Performance Accountability Council</td>
</tr>
<tr>
<td>WCF</td>
<td>Working Capital Fund</td>
</tr>
</tbody>
</table>

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July 27, 2023

The Honorable Mike Rogers  
Chairman  
The Honorable Adam Smith  
Ranking Member  
Committee on Armed Services  
House of Representatives  

The U.S. government relies on more than 4 million civilian, military, and contractor personnel with security clearances to support national security efforts, according to the Office of the Director of National Intelligence (ODNI). These personnel provide critical public services, including national defense. Increasingly complex threats to national security, as well as strategic competition with the People’s Republic of China (China) and threats from the Russian Federation (Russia), underscore the importance of timely and high-quality determinations of who is eligible to hold a security clearance and access classified information. The federal government uses personnel vetting processes, such as background investigations, to determine the trustworthiness of this national security workforce and prevent the unauthorized disclosure of classified information to foreign intelligence services or others.

Prior to fiscal year 2020, the Office of Personnel Management (OPM) conducted most of the federal government’s background investigations. During this time, there were congressional concerns about the timeliness, quality, and security of background investigations. We reported extensively on these challenges and placed the government-wide personnel security clearance process on our High-Risk List in January 2018. OPM transferred its background investigation operations to the

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2The government-wide personnel security clearance process has faced challenges including the timely processing of clearances and management of its information technology systems, and we have made numerous recommendations to address these challenges. We initially added the Department of Defense’s (DOD) personnel security clearance program to the High-Risk List in 2005 and removed it from the High-Risk List in 2011. However, we added it back to our High-Risk List in 2018 as part of the government-wide process because of a significant backlog of background investigations and delays in the timely processing of security clearances, among other challenges. See GAO, High-Risk Series: Efforts Made to Achieve Progress Need to Be Maintained and Expanded to Fully Address All Areas, GAO-23-106203 (Washington, D.C.: Apr. 20, 2023).
Department of Defense’s (DOD) Defense Counterintelligence and Security Agency (DCSA) as of October 2019. At this time, DCSA became the federal government’s primary background investigation service provider.

DCSA established a defense working capital fund (WCF)—one of six within DOD—to finance its products (e.g., background investigations) and services (e.g., continuous vetting). WCFs operate as self-supporting entities that are designed to break even (i.e., not make profits or take losses) over the long term and do not typically rely on annual appropriations from Congress. In addition to statutory requirements for WCFs, DOD’s Financial Management Regulation requires that defense WCFs plan to maintain cash balances within upper and lower required cash levels, or an operating range.

House Report 117-118, accompanying a bill for the National Defense Authorization Act for Fiscal Year 2022, included a provision for us to evaluate DCSA’s WCF, among other things. In this report, we (1) describe how DCSA plans to finance its activities; (2) evaluate the extent to which DCSA maintained its monthly cash balances within established operating ranges for fiscal years 2020 through 2022 and calculated the cash requirements correctly for fiscal year 2021; and (3) evaluate the

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3Exec. Order No. 13,869, Transferring Responsibility for Background Investigations to the Department of Defense, 84 Fed. Reg. 18,125 (Apr. 24, 2019) authorized the renaming of the Defense Security Service to DCSA; the transfer of various activities to DCSA; and the phased transition of OPM’s National Background Investigation Bureau to DCSA by September 30, 2019.

4DCSA conducts most of the federal government’s background investigations as the primary investigative service provider, but some executive branch agencies have the authority to conduct all or some of their own background investigations. Such agencies are investigative service providers and, according to the ODNI, include the Central Intelligence Agency, the Federal Bureau of Investigation, and the State Department. In addition, some DOD components, including the National Security Agency, have the authority to conduct their own background investigations, according to ODNI.

5DCSA refers to initial background investigations, continuous vetting, and associated offerings as both products and services. DCSA’s continuous vetting offerings operate on a monthly subscription model and involve regularly reviewing a cleared individual’s background to ensure the individual continues to meet security clearance requirements.


7H.R. Rep. No. 117-118, at 217-218 (2021). The committee requested that we provide information on how the transfer of amounts from OPM’s to DCSA’s working capital fund (WCF) affected OPM’s operations. We separately provided this information to the Committee on Armed Services, House of Representatives.
extent to which DCSA managed its WCF in accordance with key operating principles for WCFs.

To address our first objective, we reviewed DCSA’s budget documentation and plans for future WCF operations. To address our second objective, we obtained the WCF’s monthly cash balance for fiscal years 2020 through 2022 and assessed whether it remained within the targeted upper and lower operating range. We assessed the reliability of DCSA’s monthly cash balance data and determined they were sufficiently reliable for the purposes of our reporting objectives. We also compared DCSA’s calculation of its operating range for fiscal year 2021—the most recent data available—with DOD’s cash management policy. For our third objective, we assessed DCSA’s WCF management process with our key operating principles for effective WCF management. We also compared the design and use of DCSA’s customer satisfaction survey for fiscal year 2021 with standards and guidelines for federal agency surveys. To address all of our objectives, we interviewed officials within DOD, OPM, and industry about DCSA and its WCF. We describe our objectives, scope, and methodology in more detail in appendix I.

We conducted this performance audit from March 2022 to July 2023 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence provides a reasonable basis for our findings and conclusions based on our audit objectives.

8To assess the reliability of the data used for our analysis, we reviewed DCSA monthly cash balances contained in Department of the Treasury records and DCSA WCF monthly financial reports. We reviewed relevant documentation supporting these transactions and interviewed knowledgeable DCSA officials.


11Office of Management and Budget Directive No. 2, Standards and Guidelines for Statistical Surveys (Sept. 2006). We consider these standards together with generally accepted research survey standards to be leading practices for surveys conducted by federal agencies. Federal agencies are required to receive approval from the Office of Management and Budget prior to collecting information when surveying 10 or more persons as defined in Office of Management and Budget Directive No. 2.
Background

DCSA Establishment

DCSA was established by executive order in April 2019.12 The Office of the Under Secretary of Defense for Intelligence and Security exercises authority, direction, and control over DCSA. The Office of the Under Secretary of Defense (Comptroller) establishes financial management policies for DOD and its components—including DCSA—and enforces internal control policies, standards, and compliance guidelines. Figure 1 displays a timeline of key events in the establishment of DCSA.

Figure 1: Timeline of Key Events in the Establishment of the Defense Counterintelligence and Security Agency (DCSA)

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>December 23, 2016 – The Secretary of Defense was directed to develop a plan for the Defense Security Service (DSS) to conduct background investigations for Department of Defense (DOD) personnel as part of Sec. 951 of the National Defense Authorization Act (NDAA) for Fiscal Year 2017.</td>
</tr>
<tr>
<td>2017</td>
<td>December 12, 2017 – The Secretary of Defense was directed to—in consultation with the Director of the Office of Personnel Management (OPM)—provide for a phased transition for the conduct of certain background investigations from OPM’s National Background Investigation Bureau (NBIB) to DSS by Oct. 1, 2020, as part of Sec. 929 of the NDAA for Fiscal Year 2018.</td>
</tr>
<tr>
<td>2018</td>
<td>April 24, 2019 – The President directed the Secretary of Defense to rename DSS as DCSA; designated DCSA as the primary federal entity for conducting background investigations for the federal government; and required the phased transition to DCSA from NBIB be completed by Sept. 30, 2019, as part of Executive Order 13,869.</td>
</tr>
<tr>
<td>2019</td>
<td>October 1, 2019 – DOD and OPM completed the transfer of NBIB personnel, resources, and other functions to DCSA. DOD also completed the transfer of its Consolidated Adjudications Facility to DCSA.</td>
</tr>
<tr>
<td>2020</td>
<td>October 1, 2020 – DCSA assumed operational control and responsibility for OPM’s legacy IT systems for personnel vetting and the Defense Information Systems Agency’s National Background Investigation Services IT system.</td>
</tr>
</tbody>
</table>

Source: NDAA for fiscal years 2017 and 2018; Executive Order 13,869; analysis of DCSA and OPM documents. | GAO-23-105812

Note: The Consolidated Adjudications Facility, now Consolidated Adjudication Services, is the sole authority to determine security clearance eligibility of non-Intelligence DOD personnel occupying sensitive positions or requiring access to classified material.

In October 2019, DCSA became the federal government’s primary background investigation service provider after completion of the phased

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12Exec. Order No. 13,869, Transferring Responsibility for Background Investigations to the Department of Defense, authorized the renaming of the Defense Security Service to DCSA; the transfer of various activities to DCSA; and the phased transition of OPM’s National Background Investigation Bureau to DCSA by September 30, 2019.
transfer of OPM’s background investigation operations to DCSA.\textsuperscript{13} DCSA also assumed responsibility for certain personnel and industrial security areas, such as Consolidated Adjudication Services, from other DOD entities.\textsuperscript{14} Table 1 provides an overview of DCSA’s missions and associated areas.\textsuperscript{15} For descriptions of each associated area, see appendix II.

Table 1: Defense Counterintelligence and Security Agency (DCSA) Missions and Associated Areas

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Background Investigations</td>
<td>National Industrial Security Program</td>
<td>Department of Defense Insider Threat Management and Analysis Center</td>
<td>Center for Development of Security Excellence</td>
<td>National Background Investigation Services</td>
</tr>
<tr>
<td>Consolidated Adjudication Services</td>
<td>Arms, Ammunition, and Explosives</td>
<td>Counterintelligence</td>
<td>National Center For Credibility Assessment</td>
<td>Background Investigations Enterprise Systems</td>
</tr>
<tr>
<td>Vetting Risk Operations</td>
<td>Foreign Ownership, Control, or Influence</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Controlled Unclassified Information</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: GAO analysis of DCSA documentation. | GAO-23-105812

\textsuperscript{13}The National Background Investigation Bureau, an entity within OPM, was the federal government’s primary background investigation service provider from October 2016 through September 2019. Its establishment was part of the transformation of the government-wide personnel security investigation mission that had historically been conducted (for non-DOD programs) by OPM as the successor to the Civil Service Commission. See Exec. Order No. 10,450, Security Requirements for Government Employment, 18 Fed. Reg. 2489 (Apr. 27, 1953) (establishing a government-wide personnel security investigation requirement).

\textsuperscript{14}Consolidated Adjudication Services, formerly known as the DOD Consolidated Adjudications Facility, is the sole authority to determine security clearance eligibility of non-Intelligence agency DOD personnel occupying sensitive positions or requiring access to classified material. DCSA’s Consolidated Adjudication Services customers include military service members; military applicants; civilian employees; and consultants affiliated with DOD; among others.

\textsuperscript{15}DCSA groups its activities under areas, with the areas grouped under broad missions. DCSA activities supporting personnel vetting fall under multiple areas. These include all areas within DCSA’s personnel security mission; select other areas within DCSA’s counterintelligence and insider threat and security training missions; and areas providing mission and enabling support.
DCSA Funding and WCF Operations

DCSA established a WCF in June 2019 to finance personnel vetting activities, such as background investigations.\textsuperscript{16} In addition to its WCF, DCSA receives appropriated amounts to support salary and expense costs for other activities, as well as certain personnel vetting activities not financed by the WCF.\textsuperscript{17} In fiscal year 2022, DCSA’s total obligations were about $2.5 billion, of which more than half came from the WCF, as shown in figure 2.\textsuperscript{18}

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{figure2.png}
\caption{Defense Counterintelligence and Security Agency (DCSA) Obligations by Funding Source, Fiscal Year 2022}
\end{figure}

DCSA’s WCF finances personnel vetting activities, enabling DCSA to manage them in a business-like way by charging for products and services, as illustrated in figure 3.\textsuperscript{19}

\begin{flushleft}
\begin{itemize}
\item $\textsuperscript{17}$DCSA receives amounts from the Defense-Wide Operations and Maintenance annual appropriation to support some of its salary and expense costs.
\item $\textsuperscript{18}$Consistent with DOD’s \textit{Financial Management Regulation}, DCSA, as an organization with two funds (the General Fund holding appropriated amounts and the WCF), uses cost allocation to identify costs associated with particular activities and ensure that costs are recorded consistently across the agency. Indirect mission costs, often referred to as overhead costs, are allocated to each fund on a percentage basis. All direct mission costs are 100 percent allocated to either the General Fund or the WCF. DCSA Memorandum, \textit{Proposed Indirect Costs Allocation for Fiscal Year 2023} (July 29, 2022).
\item $\textsuperscript{19}$The DCSA WCF is one of six defense WCFs within DOD—Army; Navy; Air Force; Defense-wide; Defense Commissary Agency; and DCSA.
\end{itemize}
\end{flushleft}
Defense WCFs are designed to control the costs of products and services by providing incentives for customers to limit orders to their needs and for providers to reduce or eliminate costs. Customer agencies can more easily plan and budget because WCFs establish standard prices in advance of agencies’ budgeting processes. For example, in June 2022, DCSA announced estimated prices for its fiscal year 2024 products and services, enabling customer agencies to include these expected costs in their respective budgets.

Defense WCFs require initial funds to begin operations. The DCSA WCF received approximately $1.5 billion in initial funds: $1.3 billion in transfers...
from OPM and $200 million in appropriations from Congress in fiscal year 2020.\textsuperscript{21} Like all defense WCFs, the DCSA WCF must maintain sufficient cash balances to finance the provision of products and services. Specifically, the \textit{DOD Financial Management Regulation} requires that defense WCFs maintain cash balances within upper and lower required cash levels or an operating range.\textsuperscript{22}

Additionally, defense WCFs are designed to fully recover their costs over time through fees charged for products and services.\textsuperscript{23} The DCSA WCF recovers its costs by charging customers a standard price for each product or service. DCSA publishes the prices in documents known as Federal Investigations Notices.\textsuperscript{24} DCSA typically charges its customers monthly and receives payment prior to providing products and services.\textsuperscript{25} DOD is DCSA’s largest customer for background investigations (see table 2).

\textsuperscript{21}To begin operations, a defense WCF receives capital either by a transfer from another WCF or from congressional appropriations. Transfers from the OPM revolving fund to DCSA’s WCF began in October 2019 and were completed in May 2021. Additionally, in fiscal year 2020, Congress directed that $200 million in appropriations be provided to the DCSA WCF. In fiscal year 2021, Congress rescinded $100 million from appropriated amounts made available to the DCSA WCF in fiscal year 2020. In both fiscal year 2022 and 2023, Congress rescinded an additional $30 million from appropriated amounts made available in fiscal year 2021.

\textsuperscript{22}DOD 7000.14-R, vol. 2B, chap. 9.

\textsuperscript{23}10 U.S.C. § 2208(o)(1)(A). Full cost recovery includes applicable administrative expenses. DCSA refers to initial background investigations; continuous vetting; and associated offerings as both products and services.

\textsuperscript{24}For example, see DCSA Federal Investigations Notice (FIN) No. 23-01, \textit{Final FY 2024 Investigations Reimbursable Billing Rates} (Jan. 30, 2023).

\textsuperscript{25}In general, federal entities may not make advance payments on services or items before they have received the full benefit of the service or the item. See 10 U.S.C. § 3324(a). Exceptions to the advance payment prohibition are generally authorized through statutes, such as the Economy Act statute, section 1535, U.S. Code title 31, authorizing advance payment to a performing federal agency by a requesting federal agency, or the advance billing exception included in section 2208, U.S. Code title 10 authorizing the establishment of defense WCFs.
Table 2: Charges for Defense Counterintelligence and Security Agency (DCSA) Background Investigation Products and Services by Customer, Fiscal Year 2022

<table>
<thead>
<tr>
<th>Customer</th>
<th>Charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department of Defense</td>
<td>822.9</td>
</tr>
<tr>
<td>Department of Energy</td>
<td>119.8</td>
</tr>
<tr>
<td>Department of Veterans Affairs</td>
<td>46.1</td>
</tr>
<tr>
<td>Department of Homeland Security</td>
<td>32.5</td>
</tr>
<tr>
<td>Department of Justice</td>
<td>29.5</td>
</tr>
<tr>
<td>Department of Health and Human Services</td>
<td>22.7</td>
</tr>
<tr>
<td>Bureau of Prisons</td>
<td>19.3</td>
</tr>
<tr>
<td>Social Security Administration</td>
<td>16.1</td>
</tr>
<tr>
<td>Department of the Treasury</td>
<td>14.2</td>
</tr>
<tr>
<td>Department of the Interior</td>
<td>13.3</td>
</tr>
<tr>
<td>All others (85 customers)</td>
<td>85.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$1,222.0</strong></td>
</tr>
</tbody>
</table>

Source: GAO analysis of DCSA documentation. | GAO-23-105812

Note: This table includes billing data for DCSA background investigation products and services. Billing for other DCSA products and services comprises less than one percent of DCSA’s total revenue as of fiscal year 2022. Total may not sum due to rounding.

Trusted Workforce 2.0

Trusted Workforce 2.0 is the whole-of-government initiative to modernize personnel vetting, updating a framework that has been in place for decades and establishing a single personnel vetting system for the U.S. government. The initiative was launched in 2018 and encompasses recommendations made by the Security, Suitability, and Credentialing Performance Accountability Council (PAC). The PAC divided Trusted Workforce 2.0 implementation into two phases and expects full

26Modernization of the personnel vetting process through Trusted Workforce 2.0 includes a series of policy and procedural reforms that incorporates continuous evaluation and continuous vetting.

27Established in 2008, the PAC is the government-wide entity responsible for driving implementation of reform efforts for the government’s personnel vetting processes. The PAC has four principal members: the Deputy Director for Management of the Office of Management and Budget; the Director of National Intelligence; the Director of the Office of Personnel Management; and the Under Secretary of Defense for Intelligence and Security.
implementation during or after fiscal year 2024. In April 2022, the PAC released an implementation strategy for Trusted Workforce 2.0, directing that all executive departments and agencies implement personnel vetting reforms in accordance with the implementation strategy. Trusted Workforce 2.0 will establish new investigative tiers and vetting scenarios, as shown in figure 4.

Figure 4: Trusted Workforce 2.0 Investigative Tiers and Vetting Scenarios

![Diagram showing investigative tiers and vetting scenarios]

Source: Performance Accountability Council documentation. | GAO-23-105812

Previously, we found the PAC made progress in implementing both phases of Trusted Workforce 2.0. See GAO, Personnel Vetting: Actions Needed to Implement Reforms, Address Challenges, and Improve Planning, GAO-22-104093 (Washington, D.C.: Dec. 9, 2021).

The implementation strategy establishes actions agencies should take to ensure successful outcomes, and requires agency implementation be consistent with the strategy and the Federal Personnel Vetting Core Doctrine, 86 Fed. Reg. 2705 (Jan. 13, 2021). According to the implementation strategy, Trusted Workforce 2.0 in its future state will be supported by a comprehensive set of policies consisting of guidelines and standards, including Federal Personnel Vetting Investigative Standards, which are issued as they are finalized rather than waiting for the entire suite of policies to be completed.
DCSA Plans to Use Its WCF to Finance All Personnel Vetting Activities

DCSA currently uses its WCF, along with appropriated amounts, to support personnel vetting and other activities, and is assessing what other activities are well-suited to being financed through the WCF. According to DCSA officials, DCSA plans to use its WCF to finance all personnel vetting activities and will transition those supported by appropriated amounts to the WCF over multiple years, beginning in 2023 (see table 3). DCSA officials told us they will evaluate other activities on a case-by-case basis.

Table 3: Planned Timeframes for Transition of Activities from Appropriations to the Defense Counterintelligence and Security Agency (DCSA) Working Capital Fund, as of May 2023

<table>
<thead>
<tr>
<th>Fiscal year</th>
<th>Activity (description)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2023</td>
<td>Expedited Screening Protocol (Vetting Risk Operations’ centralized process for screening and vetting personnel)</td>
</tr>
<tr>
<td>2024</td>
<td>National Background Investigation Services (federal government’s future information technology system for end-to-end personnel vetting)</td>
</tr>
<tr>
<td></td>
<td>Continuous Vetting (Vetting Risk Operations’ continuous vetting services for DOD personnel)</td>
</tr>
<tr>
<td></td>
<td>Secure Web Fingerprint Transmission Program (program for defense industry users to submit electronic fingerprints to DCSA)</td>
</tr>
<tr>
<td>2025+</td>
<td>Consolidated Adjudication Services (authority to determine security clearance eligibility of non-Intelligence agency DOD and other personnel)</td>
</tr>
<tr>
<td></td>
<td>Other activities, to be determined</td>
</tr>
</tbody>
</table>

Source: GAO analysis of DCSA documentation. | GAO-23-105812

Note: Vetting Risk Operations also oversees continuous vetting services for non-DOD personnel, which are already financed by the DCSA Working Capital Fund.

Under the WCF fee-for-service model, DCSA charges its customers for personnel vetting products and services at a price set to recover the full cost of the product or service provided. Work on new orders is financed by amounts already collected in the WCF rather than amounts received through annual appropriations. According to DCSA planning documentation, transitioning all personnel vetting activities to the WCF will enable them to manage program support resources with flexibility; serve all customers equally; and share resources internally.

30DCSA activities supporting personnel vetting fall under multiple areas. These include all areas within DCSA’s personnel security mission; select other areas within DCSA’s counterintelligence and insider threat and security training missions; and areas providing mission and enabling support.
DCSA documentation presents a governance process developed by DCSA, including leadership review and approval, to assess an activity’s readiness to transition to the WCF. According to DCSA officials and planning documentation, activities under the personnel security mission can transition to the WCF earlier than others because there is an existing market for personnel security products. DCSA officials said that would not be the case for products and services associated with industrial security activities.

As DCSA transitions personnel vetting activities to its WCF, it will also introduce new and updated products and services for Trusted Workforce 2.0. DCSA plans to offer some of these products and services to its customers for the first time in fiscal year 2024 (see figure 5).

![Figure 5: Changes to Background Investigation Products under Trusted Workforce 2.0 (TW 2.0)](image)

**Table:**

<table>
<thead>
<tr>
<th>Fiscal year 2023</th>
<th>Fiscal year 2024</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Investigations/Initial Vetting</strong></td>
<td><strong>Investigations/Initial Vetting</strong></td>
</tr>
<tr>
<td><strong>Tier 5</strong></td>
<td><strong>TW 2.0 High Tier</strong></td>
</tr>
<tr>
<td>Top Secret, Sensitive Compartmented Information (SCI), Critical Sensitive</td>
<td>Top Secret, SCI, Critical Sensitive, High Risk Public Trust</td>
</tr>
<tr>
<td>5,410</td>
<td>4,255</td>
</tr>
<tr>
<td>Tier 4</td>
<td><strong>TW 2.0 Moderate Tier</strong></td>
</tr>
<tr>
<td>High Risk Public Trust</td>
<td>Secret, Confidential, Non-Critical Sensitive, Moderate Risk Public Trust</td>
</tr>
<tr>
<td>4,095</td>
<td>585</td>
</tr>
<tr>
<td>Tier 3</td>
<td><strong>TW 2.0 Low Tier</strong></td>
</tr>
<tr>
<td>Secret, Confidential, Non-Critical Sensitive</td>
<td>Non-Sensitive, Low Risk Public Trust, Physical/Logical Access</td>
</tr>
<tr>
<td>420</td>
<td>148</td>
</tr>
<tr>
<td>Tier 2</td>
<td>Moderate Risk Public Trust</td>
</tr>
<tr>
<td>420</td>
<td></td>
</tr>
<tr>
<td>Tier 1</td>
<td><strong>TW 2.0 Moderate Tier</strong></td>
</tr>
<tr>
<td>Non-Sensitive, Low Risk Public Trust, Physical/Logical Access</td>
<td>Secret, Confidential, Non-Critical Sensitive, Moderate Risk Public Trust</td>
</tr>
<tr>
<td>180</td>
<td>585</td>
</tr>
</tbody>
</table>

Source: GAO analysis of Defense Counterintelligence and Security Agency pricing information. | GAO-23-105812

Notes: Figure 5 presents information on select background investigation products offered in fiscal year 2023 and planned for fiscal year 2024. Descriptions for investigations (initial vetting) indicate the level of clearance or suitability determination by product.

According to DCSA officials, the price for the TW 2.0 Moderate Tier product in fiscal year 2024 incorporates the weighted average cost of interviews that are required for some cases. The fiscal year 2023 price for Tier 2 and Tier 3 products did not include the cost of these interviews as they were charged separately if required.
DCSA plans to use its WCF to finance Trusted Workforce 2.0 background investigation products and services—including initial and continuous vetting.\(^{31}\) Starting in fiscal year 2024, DCSA also intends to use its WCF to finance operation of National Background Investigation Services (NBIS)—an information technology system in development for personnel vetting that is key to fully implementing Trusted Workforce 2.0 (see sidebar).\(^{32}\)

According to DCSA planning documents, Trusted Workforce 2.0 initial and continuous vetting products and services are expected to be similar to DCSA’s existing offerings, but modified in accordance with Trusted Workforce 2.0 standards.\(^{33}\) Other Trusted Workforce 2.0 products and services, such as upgrades to the level of vetting, will be new additions to DCSA’s offerings. DCSA officials said they have not yet developed pricing for these new products and services because they require details on policies, standards, and costs.

\(^{31}\)Some Trusted Workforce 2.0 products and services will be financed by the WCF in fiscal year 2024, but other products and services, such as adjudications, will be financed with appropriated amounts. DCSA officials said the WCF will eventually finance all costs associated with Trusted Workforce 2.0 products.

\(^{32}\)DCSA assumed operational control and responsibility for NBIS from the Defense Information Systems Agency in October 2020. NBIS is intended to build upon and replace a suite of legacy background investigation information technology systems planned for decommissioning. See GAO-22-104093 for additional information.

\(^{33}\)Trusted Workforce 2.0 investigative standards outline three investigative tiers, reduced from the five tiers outlined in prior standards. See figures 4 and 5 for details.
DCSA, as a defense WCF, must plan to maintain monthly cash balances within an upper and lower operating range, according to DOD regulation. DCSA’s primary means of maintaining cash levels within the operating range is to set prices charged to customers that cover the full cost of providing products and services. DCSA can adjust prices to recover actual or projected losses, or to return excess cash or projected gains to customers by lowering prices. DCSA’s WCF operating range changed from year to year, but generally had a lower range of about $800 million and an upper range of about $1.5 billion for fiscal years 2020 through 2022. We found that DCSA maintained its monthly cash balances within its operating ranges in 33 of 36 months—exceeding the upper operating range once in fiscal year 2020 and twice during fiscal year 2022. In each instance, the monthly cash balance returned to being within the operating range the following month and did not require DCSA adjustment, as shown in figure 6.

<table>
<thead>
<tr>
<th>Monthly Cash Balances</th>
<th>Generally Remained within WCF Operating Ranges during Fiscal Years 2020 through 2022</th>
</tr>
</thead>
</table>

DCSA’s WCF operating range changed from year to year, but generally had a lower range of about $800 million and an upper range of about $1.5 billion for fiscal years 2020 through 2022. We found that DCSA maintained its monthly cash balances within its operating ranges in 33 of 36 months—exceeding the upper operating range once in fiscal year 2020 and twice during fiscal year 2022. In each instance, the monthly cash balance returned to being within the operating range the following month and did not require DCSA adjustment, as shown in figure 6.

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35Monthly cash balances are allowed to fluctuate within the operating range, and periodically outside it. DOD guidance directs that components should consider adjustments when the cash balance trends below or above plan for more than 3 consecutive months. DOD 7000.14-R, vol. 2B, chap. 9 (Aug. 2022). DCSA monthly cash balances did not meet or exceed this requirement.
Figure 6: Defense Counterintelligence and Security Agency’s Working Capital Fund Operating Ranges and Monthly Cash Balances, Fiscal Years 2020 through 2022

Dollars (in billions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Operating Range</th>
<th>Monthly Cash Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>0.5 to 1.5</td>
<td></td>
</tr>
<tr>
<td>2021</td>
<td>0.5 to 1.5</td>
<td></td>
</tr>
<tr>
<td>2022</td>
<td>0.5 to 1.5</td>
<td></td>
</tr>
</tbody>
</table>

Notes: The fiscal year 2020 operating range is from budget material supporting Defense Counterintelligence and Security Agency’s (DCSA) fiscal year 2022 working capital fund budget. Fiscal years 2021 and 2022 operating ranges are from budget material supporting DCSA’s fiscal year 2023 working capital fund budget.

Monthly cash balances are allowed to fluctuate within the operating range, and periodically outside it. DOD guidance directs that components should consider adjustments when the cash balance trends below or above plan for more than 3 consecutive months. DOD 7000.14-R, vol. 2B, chap. 9 (Aug. 2022). DCSA monthly cash balances did not meet or exceed this requirement.

DCSA’s working capital fund monthly cash balances increased in fiscal year 2020 as a result of the Office of Personnel Management transferring $1.3 billion to DCSA in fiscal years 2020 and 2021 as part of moving background investigations to DCSA. It generally remained at the top of operating range in fiscal years 2021 and 2022 because prices were set to recover costs.

DCSA Miscalculated One Element of Its WCF Operating Range for Fiscal Year 2021

DCSA calculated the four primary elements of its WCF cash requirements, as stated in DOD’s cash management policy, when determining the upper and lower WCF operating range for fiscal year 2021.
However, it miscalculated the range of operations element, as shown in table 4.

Table 4: Analysis of Defense Counterintelligence and Security Agency (DCSA) Calculations for Operating Range Elements, Fiscal Year 2021

<table>
<thead>
<tr>
<th>Element</th>
<th>DCSA calculation</th>
<th>Calculated amount</th>
<th>GAO determination</th>
</tr>
</thead>
<tbody>
<tr>
<td>Range of operations—The difference between the highest and lowest expected cash levels</td>
<td>Six to 8 months of disbursements to address challenges related to receiving and processing orders from customers and possible impacts from a continuing resolution.</td>
<td>789</td>
<td>Incorrectly Calculated</td>
</tr>
<tr>
<td>Rate of disbursement—The average amount disbursed between collection cycles</td>
<td>Working capital fund annual disbursements divided by the number of collection cycles per year.</td>
<td>95</td>
<td>Correctly Calculated</td>
</tr>
<tr>
<td>Risk mitigation—Cash needed to mitigate risk from unplanned and uncontrollable events such as budget errors, commodity price fluctuations, and crises.</td>
<td>Funds to mitigate risks, such as for sustaining DCSA’s information technology network and to address uncertainties associated with relocating and consolidating offices.</td>
<td>425</td>
<td>Correctly Calculated</td>
</tr>
<tr>
<td>Reserves—Funds held for known future requirements.</td>
<td>Amount for known future needs, such as funds received from customers prior to performing work.</td>
<td>364</td>
<td>Correctly Calculated</td>
</tr>
</tbody>
</table>

Source: GAO analysis of DOD guidance and DCSA data. I GAO-23-105812

According to DOD’s cash management policy, the range of operations element should be calculated using the difference between the highest and lowest cash levels based on assumptions and past experience. However, DCSA did not calculate the range of operations element consistent with DOD’s cash management policy.

According to DCSA’s fiscal year 2023 WCF budget, the agency set the range of operations element for fiscal year 2021 at $789 million to allow for 6 to 8 months of disbursements. As a result, DCSA established the

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36The four elements of establishing WCF cash requirements are: 1) the rate of disbursements; 2) the range of operations; 3) risk mitigation; and 4) reserves. DOD 7000.14-R, vol. 2B, chap. 9 (Aug. 2022). We reviewed the calculations for fiscal year 2021 upper and lower operating range supporting the fiscal year 2023 DCSA WCF budget because it was the most recent information available when we performed this analysis.

37DOD 7000.14-R, vol. 2B, chap. 9 (Aug. 2022). DOD’s cash management policy recognizes that cash balances are not static and volatility can be expected due to annual, quarterly, and more frequent seasonal trends and significant one-time events. Historical trends should be normalized for such factors as annual operating results return or recovery, capital investments, the amount of work and changes in operations, and used to estimate future fluctuations in cash flow and balances.
upper operating range amount at nearly twice the lower operating range.\textsuperscript{38} This was more than five times the actual difference between the highest and lowest monthly cash balance, which we found was about $135 million. Therefore, the range of operations element may have been set higher than needed by approximately $654 million for fiscal year 2021. Furthermore, this contributed to the operating range—expressed as months of disbursements—being more than five times that of other defense WCFs, as shown in figure 7.\textsuperscript{39}

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{figure7}
\caption{Defense Working Capital Funds' Fiscal Year 2021 Upper and Lower Operating Ranges}
\end{figure}

Notes: The upper and lower operating range can be expressed in terms of the length of time the working capital fund can make disbursements before additional collections are needed to pay for its continued operations. Operating range expressed in time provides a more comparable metric across organizations because operating range dollar amounts reflect differences in their scale of operations (Months of disbursements = operating range/(FY 2021 disbursements/12 months)).

\textsuperscript{38}DCSA combined the risk mitigation and reserve elements to establish the fiscal year 2021 lower operating range.

\textsuperscript{39}We compared the operating range for the DCSA WCF with the operating ranges of other defense WCFs to determine whether our analysis was reasonable.
The Defense Commissary Agency Working Capital Fund—one of six defense working capital funds—was not included in this analysis because the upper and lower operating range were not available for fiscal year 2021.

Defense Counterintelligence and Security Agency officials stated that when they established the lower operating range they considered costs not widely experienced by other defense working capital funds, such as costs for information technology transitions and for consolidation and improvement of facilities.

For this analysis, we used the fiscal year 2021 projected operating range for the Defense-wide Working Capital Fund because the actual operating range was not available.

DCSA officials stated that they lacked historical data when calculating the range of operations element in fiscal year 2021 because background investigation operations were recently transferred from OPM to DCSA in October 2019. Specifically, DCSA officials said they lacked sufficient data regarding risks, variable costs, and ability to collect fees from customers. DCSA officials said they had access to OPM’s historical data, but noted those data were not suitable for calculating this element because of differences between OPM’s and DCSA’s collection processes. Officials said they now have sufficient historical data upon which to base their analyses and confirmed they used these data when developing DCSA’s fiscal year 2024 budget request.

DCSA officials also said that they were limited in their ability to correctly calculate the WCF’s operating range because DCSA had not issued or implemented guidance for appropriately calculating the range of operations element. Specifically, DCSA drafted implementing cash management guidance in July 2020. However, this draft guidance was not consistent with DOD’s cash management policy for the range of operations element and was ultimately never issued.40

Additionally, DCSA has maintained a high cash balance in its WCF because it did not calculate the range of operations element correctly. Had it done so, and then acted to reduce its cash balance by reducing prices, it could have saved customers hundreds of millions of dollars. For example, in February 2023, DCSA officials used historical data to calculate the range of operations element and develop the operating range budget exhibit supporting its fiscal year 2024 WCF budget submission. As a result, DCSA’s range of operations element was reduced from $789 million in fiscal year 2021, as shown in table 4 above, to $215 million in fiscal year 2022. This contributed to DCSA reducing fiscal year 2024 prices for background investigations by 18 percent.

compared to fiscal year 2023; saving customers about $184 million in fiscal year 2024.

Although DCSA took an important step in modifying calculation of the range of operations element in its fiscal year 2024 budget by basing it on historical data and adjusting prices charged to customers accordingly, it has not codified its approach or demonstrated it is consistent with DOD guidance. DCSA officials said they have drafted new guidance for calculating its WCF operating range—including the range of operations element—that is consistent with DOD's cash management policy. They expect to issue this guidance during the fourth quarter of fiscal year 2023.

Until DCSA issues and implements guidance for calculating the range of operations element based on historical data consistent with the DOD cash management policy, DCSA continues to run the risk that it will incorrectly calculate the range of operations element from year-to-year. This could lead DCSA to retain a high cash balance and restrict funds that could be better used for other DOD priorities or miss opportunities to reduce customer prices that could result in hundreds of millions of dollars of customer savings.

Congress oversees the operations of defense WCFs through the annual budget cycle. Each year, as part of the President's budget submission to Congress, the six defense WCFs submit a budget containing mission-related and financial information. Typically, defense WCF mission-related information includes descriptions of the products and services provided to customers, location of key sites, and major changes executed or planned to the agency's WCF, among other things. For example, DCSA's fiscal year 2024 WCF budget disclosed that DCSA plans to offer Trusted Workforce 2.0 products and services through its WCF starting in fiscal year 2024.

In addition, defense WCFs present financial information related to their WCF operations including revenue, expenses, and year-end cash balances for 3 fiscal years, among other things. For example, DCSA’s fiscal year 2023 WCF budget submission reported that DCSA earned revenue of $1,209 million for fiscal year 2021; estimated $1,244 million in

DCSA Did Not Present WCF Operating Range Amounts in Its Budget Submissions to Congress

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\[41\text{Defense WCF budgets include financial information for 3 fiscal years including the prior, current, and upcoming fiscal years. Amounts for current and prior fiscal years may be reported as estimated rather than actual because final fiscal year accounting was still ongoing when the budget request was finalized.}\]
final revenue for fiscal year 2022; and projected revenue of $1,216 million in fiscal year 2023.42

DCSA, unlike the agencies responsible for managing four of the five other defense WCFs, did not provide Congress with information on its WCF’s upper and lower operating range amounts in its fiscal years 2023 and 2024 WCF budget submissions.43 Instead, DCSA described the elements used to calculate its operating ranges and its year-end cash balances for the 3 fiscal years included in its budget submission. By comparison, the Army, Navy, Air Force, and Defense-wide WCFs provided a description of the elements used to calculate their respective operating ranges, the upper and lower operating range amounts for the current and upcoming fiscal years, and the year-end cash balances for those years even though not all of these are required.

Standards for Internal Control in the Federal Government call for management to provide decision makers with the necessary quality information for making decisions.44 DCSA officials stated they did not provide that information to Congress as part of its annual budget submission because it is available when requested. Information about WCF operating range amounts allows Congress to take timely action to address concerns about WCFs with cash balances that remain outside those amounts. For example, we recently reported that Congress provided Navy, Air Force, and Defense-wide WCFs almost $1.5 billion in March 2020 to prevent, position, and prepare for, and respond to the coronavirus, domestically or internationally. We noted that none of these three defense WCFs had maintained a monthly cash balance that met their lower operating range amounts during the preceding 5-month time period.45 These three defense WCFs present operating range amounts as part of their respective budget submissions. DCSA, by including its upper and lower operating range amounts in its budget submission, would

43DCSA calculated and presented its WCF’s upper and lower operating range amounts for fiscal years 2023 and 2024 in Exhibit Fund-13b, Cash Requirements, submitted to the Office of the Under Secretary of Defense (Comptroller) Revolving Funds Directorate. The Revolving Funds Directorate reviews and approves cash requirements during the annual program and budget review process. The Defense Commissary Agency did not present upper and lower operating range amounts in its fiscal years 2023 and 2024 WCF budget submissions. Instead, it included them in supplemental budget materials.
improve transparency regarding its financial requirements. Further, DCSA would provide decision makers with more timely information about DCSA’s financial requirements and with better visibility into the risks DCSA’s WCF assumed regarding its current and future cash balances.

The WCF Has Defined Roles and Is Self-Sufficient, but DCSA Does Not Fully Measure Performance or Assess Feedback

DCSA clearly delineates WCF roles and responsibilities and has processes to ensure WCF self-sufficiency through price setting. However, DCSA’s management of its WCF is hampered by efforts to measure WCF performance and assess customer feedback. We identified four key operating principles (principles) for the effective management of WCFs in our prior work that call for: (1) clearly delineated roles and responsibilities; (2) WCF self-sufficiency, which includes establishing transparent pricing; (3) performance measurement; and (4) built-in flexibility to obtain customer input and meet customer needs. Each of these principles has three underlying components describing specific actions agencies should take to adhere to the principle. We evaluated DCSA’s management of its WCF using these principles and their components and found it fully implemented two of four key principles and nine of 12 components, as shown in table 5.46

Table 5: Evaluation of Defense Counterintelligence and Security Agency’s (DCSA) Working Capital Fund Management

<table>
<thead>
<tr>
<th>Key operating principle</th>
<th>Component</th>
<th>Component determination</th>
<th>Principle determination</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clearly delineate roles and responsibilities</td>
<td>Define key areas of authority and responsibility</td>
<td>Met</td>
<td>Implemented</td>
</tr>
<tr>
<td></td>
<td>Segregate duties to reduce errors or fraud</td>
<td>Met</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Establish management review and approval process at the functional or activity level that ensures appropriate tracking and use of funds</td>
<td>Met</td>
<td></td>
</tr>
<tr>
<td>Ensure self-sufficiency by recovering the agency’s actual costs</td>
<td>Establish transparent and equitable pricing methodology</td>
<td>Met</td>
<td>Implemented</td>
</tr>
<tr>
<td></td>
<td>Set prices to cover agency’s actual costs of providing services</td>
<td>Met</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Establish management review for price setting</td>
<td>Met</td>
<td></td>
</tr>
<tr>
<td>Measure performance</td>
<td>Align performance measures with strategic goals</td>
<td>Partially met</td>
<td>Partially implemented</td>
</tr>
<tr>
<td></td>
<td>Establish performance measures and targets</td>
<td>Partially met</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Establish management review of WCF performance</td>
<td>Met</td>
<td></td>
</tr>
</tbody>
</table>

46GAO-12-56. For further information about each key operating principle (principle) and its components with examples, see appendix III.
<table>
<thead>
<tr>
<th>Key operating principle</th>
<th>Component</th>
<th>Component determination</th>
<th>Principle determination</th>
</tr>
</thead>
<tbody>
<tr>
<td>Build in flexibility to obtain customer input and meet customer needs</td>
<td>Establish process to prioritize requests for services</td>
<td>Met</td>
<td>Partially implemented</td>
</tr>
<tr>
<td></td>
<td>Develop process to assess resources needed to meet changes in customer demand</td>
<td>Met</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Communicate with customers regularly and in a timely manner</td>
<td>Partially met</td>
<td></td>
</tr>
</tbody>
</table>

Note: We evaluated DCSA’s actions related to each of the 12 components based on information available for fiscal years 2020 through 2022. We determined a component to be “Met” if we had documentation showing DCSA addressed all characteristics; to be “Not met” if DCSA took no action to address the component; and to be “Partially met” if DCSA took steps to incorporate some but not all elements of the component. We determined a key principle to be “Implemented” if the agency addressed all of the principle’s components; “Partially implemented” if the agency addressed some of the components; and “Not implemented” if the agency addressed none of the components.

Source: GAO analysis of DCSA documents and GAO-12-56. | GAO-23-105812

DCSA Clearly Delineates WCF Management Roles and Responsibilities

We found that DCSA has delineated roles and responsibilities for its WCF. A key principle for effective management of WCFs is to clearly delineate roles and responsibilities by defining key areas of authority, segregating duties to reduce errors or fraud, and establishing management review and approval processes. DCSA’s delineation of roles and responsibilities promotes accountability for specific duties and reduces the risk of mismanaged funds.

**DCSA defines key areas of WCF authority and responsibility.** Well-managed WCFs have clearly defined and assigned key areas of authority and responsibility. In fiscal year 2022, DCSA defined and documented in detail the roles and responsibilities of its Office of the Chief Financial Officer, which manages the WCF, in its workforce planning report. This report establishes who is accountable for completing specific tasks by defining management responsibilities. By defining areas of authority and responsibility, DCSA provides a clear understanding of who will be accountable for specific duties.

**DCSA segregates duties to reduce error or fraud.** Well-managed WCFs are structured so that duties are segregated to reduce error and prevent fraud. DCSA segregates the financial management duties for its

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47GAO-12-56.

For example, DCSA guidance for billing and collections indicates that three different groups of officials are involved in the review and approval of background investigation billing at multiple steps in the process. DCSA segregates duties across officials and groups, reducing the risk of error or fraud in its operations.

**DCSA management reviews and approves billing at the functional or activity level.** Well-managed WCFs establish management review and approval processes at the functional or activity level. This may include a routine review process to ensure proper execution of transactions and billing actions. We found that DCSA’s management review and approval process includes regular reviews and internal controls that ensure the appropriate use of funds in the billing process. DCSA guidance outlines the internal control steps used in the process. In addition, DCSA officials conduct periodic reviews of billing data to verify that transactions are completed. Officials also conduct routine audits on financial data systems to verify that billing rates are accurate. Through its management review and approval processes at the functional level, DCSA reduces the risk of mismanaged funds.

### DCSA Has Processes to Ensure WCF Self-Sufficiency

DCSA has processes to ensure its WCF is self-sufficient and recovers its actual costs of providing services over time. Key principles for effective WCF management state that agencies ensure WCFs are self-sufficient by establishing a transparent and equitable pricing methodology, setting prices to cover actual costs, and establishing management review of price setting. DCSA, by ensuring its WCF is self-sufficient, helps assure it is sustainable over time and positions the agency to fulfill its background investigation mission.

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52 GAO-12-56.
DCSA pricing methodology is transparent and intended to be equitable. Well-managed WCFs establish a transparent and equitable pricing methodology. DCSA publishes prices for background investigation products and services annually in its federal investigations notices.\(^5^3\) DCSA determines its prices using a methodology outlined in its pricing process memorandum and with pricing software that uses data inputs and formulas.\(^5^4\) This pricing process memorandum outlines DCSA’s methodology and provides high-level information on timelines and steps the agency follows to develop its prices.\(^5^5\) Finally, DCSA documented the analysis that provided the basis for the prices it plans to charge for Trusted Workforce 2.0 continuous vetting services in fiscal year 2024.

DCSA officials stated that the prices they charge to customers are equitable. In the federal investigations notices DCSA issued during fiscal years 2020 through 2022, its prices for background investigation products and services were the same for each customer. By using a transparent and equitable pricing methodology, DCSA allows its customers to better incorporate pricing information into budget plans.

DCSA sets its prices to cover its actual costs of providing services. Well-managed WCFs set prices to cover their actual costs of providing services. Specifically, their pricing methodologies and accompanying processes ensure that charges recover actual costs and that the agency breaks even over time by not making profits or taking financial losses. DCSA’s pricing process memorandum states that DCSA should charge the full costs of products and services and manage the WCF’s cash balance in accordance with DOD’s cash management policy which directs that WCF prices should be set to break even over time.\(^5^6\)

According to DCSA, the agency sets its prices for background investigation products and services by estimating the actual costs for each product and service. DCSA then verifies that the proposed price covers the agency’s estimated actual costs using a cost allocation model that quantifies the indirect and direct costs of those products and services. Finally, DCSA adjusts its WCF prices for actual or projected

\(^{53}\)DCSA FIN 20-04; FIN 21-02; FIN 22-02; FIN 23-01.


gains, losses, or excess cash to ensure the WCF breaks even even over time. Although, as discussed earlier, DCSA missed an opportunity to lower customer prices because of its WCF operating range miscalculation for fiscal year 2021, DCSA designed its process to set prices that cover the actual costs of providing services over time when calculated correctly. DCSA, by setting prices to recover the actual costs of providing products and services over time, is better able to ensure its WCF is self-sufficient and can finance DCSA’s personnel vetting mission.

**DCSA uses a management review process for price setting.** Well-managed WCFs include a management review process for price setting. Specifically, these processes allow managers to incorporate feedback from customers on prices and provide transparency into how prices are set and whether they are equitable. DCSA’s process includes manager review, customer outreach through internal reviews and external briefings, and management approval. DCSA also notifies stakeholders, including customers, about changes in prices before it finalizes and publishes them. For example, DCSA officials present prices and other information to stakeholder groups that include its customers, such as the Background Investigations Stakeholder Group. DCSA also provides customers with information on its proposed prices and receives feedback during quarterly briefings. By establishing a management review process for price setting, DCSA helps ensure it applies pricing methodology consistently over time.

DCSA has taken some steps to measure its WCF performance by establishing management review processes, but incomplete strategic planning hinders its ability to evaluate and improve WCF operations. Organizations that are well-positioned to measure performance are better able to evaluate their operations, assess performance against strategic goals, and identify opportunities for improvement.

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57 The Background Investigations Stakeholder Group provides a forum to keep DCSA customers and stakeholders apprised of DCSA-specific business and facilitates interagency discussion regarding personnel vetting security, suitability, and credentialing issues that affect the entire investigations community.

58 GAO-12-56.
DCSA has not fully aligned WCF performance measures with its strategic goal. DCSA’s strategic plan identifies a strategic goal relevant to its WCF, but DCSA has not fully aligned its performance measures with this strategic goal. In May 2022, DCSA issued its first agency-wide strategic plan, which includes a strategic goal to implement effective resourcing processes and an objective to transform DCSA’s financial management operations and processes. According to DCSA officials, this goal and objective directly relate to its WCF.

We found that DCSA established performance measures for aspects of its operations prior to issuing its May 2022 strategic plan. For example, DCSA compares its monthly disbursements, collections, and WCF cash balances to planned amounts. DCSA also reports on its WCF revenue, obligations and expenditure rates, background investigations workload, and the length of time the agency takes to provide background investigation products and services.

Despite having established some performance measures, the agency has not yet articulated how these performance measures will enable it to assess progress toward its strategic goal of implementing effective resourcing processes for its WCF. For example, it is unclear what levels of revenue, obligations, and expenditures would indicate improvements in DCSA’s resourcing processes. Similarly, given the challenges previously discussed regarding DCSA’s efforts to manage its WCF operating range, DCSA officials have not yet articulated how cash balance provides a meaningful measure of the agency’s progress.

According to our key principles for effective management of WCFs, agencies should align their performance measures with their strategic goals. Performance measures that are aligned with strategic goals can be used to evaluate whether and how WCF activities are contributing to the achievement of agency goals.

DCSA has not fully aligned performance measures with its strategic goal for its WCF because it has not evaluated whether the performance measures, which predate its strategic plan, are appropriate, or articulated

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<table>
<thead>
<tr>
<th>Key principle: Measure performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Component</td>
</tr>
<tr>
<td>-----------</td>
</tr>
<tr>
<td>Align performance measures with strategic goals</td>
</tr>
<tr>
<td>Establish performance measures and targets</td>
</tr>
<tr>
<td>Establish management review of fund performance</td>
</tr>
</tbody>
</table>

Source: GAO analysis of DCSA documents and GAO-12-56. | GAO-23:105812

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50DCSA, Strategic Plan (2022-2027) (May 2022). According to the strategic plan, DCSA seeks to become the nation’s preeminent security organization. DCSA identified nine mission- and enterprise-related, agency-wide goals designed to optimize its mission performance in this document.

60We define performance measurement as the ongoing monitoring and reporting of program accomplishments, particularly progress toward pre-established goals. Performance measures may address the type or level of program activities conducted (process), the direct products and services delivered by a program (outputs), or the results of those products and services (outcomes). GAO, Performance Measurement and Evaluation: Definitions and Relationships, GAO-11-646SP (Washington, D.C.: May 2011).
how performance measures relate to that goal. According to DCSA officials, in July 2022, DCSA established three project teams—one of which is focused on the WCF—and tasked them with analyzing how agency activities, such as WCF operations and processes, are contributing to the achievement of its strategic goals. DCSA officials told us that this effort may address the alignment of performance measures with strategic goals for its WCF. However, the project team has not yet completed this analysis and DCSA officials did not have a timeline for when this initiative would conclude. Until DCSA fully aligns its performance measures with its strategic goal for its WCF—by evaluating them to confirm they are appropriate or developing new measures if needed, and articulating how these measure relate to DCSA’s strategic goals—DCSA will be unable to fully assess its progress toward that goal.

DCSA has not fully established and documented performance measures and targets. As previously stated, DCSA has some performance measures that the agency uses to track and report on WCF disbursements, collections, and cash balances—among other things—but, in many cases, these performance measures do not have associated performance targets.61 DCSA’s primary means of tracking WCF performance is through the use of recurring internal briefings to agency leadership that compare disbursements, collections, and WCF cash balances to planned amounts. These briefings include data on WCF revenue; obligations and expenditure rates; background investigations workload; and the length of time the agency takes to provide background investigation products and services.

We found that DCSA has not established performance targets for many of its performance measures. Where DCSA has set performance targets for its performance measures (i.e., WCF cash balances), it mostly has done so because of policy requirements or guidance. For example, DCSA set a target to expend at least 53 percent of the amount of its WCF’s expected fiscal year 2022 amounts by the end of the third quarter. DCSA documentation indicates that this target was based on DOD guidance for acceptable monthly expenditure rates for operations and maintenance

61 For the purposes of this report, we use the term “performance targets” to refer to performance goals. Performance goals are defined as a target level of performance expressed as a tangible, measurable objective, against which actual achievement can be compared, including a goal expressed as a quantitative standard, value, or rate. Government Performance and Results Act (GPRA) Modernization Act of 2010 (GPRAMA), Pub. L. No. 111-352, § 3 (2011) (amending 31 U.S.C. § 1115).
appropriations. DCSA does not have performance targets for its other performance measures. For example:

- DCSA tracks the monthly comparison of its planned earned revenue with its actual earned revenue, but has not set a target for the acceptable difference between the planned and actual amounts.

- DCSA measures and compares the difference between the agency’s annual workload estimates and the actual workload requirements, but DCSA does not have a target for an acceptable amount of the difference.

Well-managed WCFs establish performance measures and targets to assess the WCF’s performance. Performance targets may be expressed as quantitative standards, values, or rates to better position WCF managers to determine when to use its limited resources to take actions to improve WCF performance. DCSA officials stated that they have not developed performance targets yet because the agency is focused on transitioning background investigation products and services and on establishing the WCF. Without establishing performance targets for each performance measure, DCSA is limited in its ability to accurately evaluate its WCF operations. By addressing this issue, DCSA would be better positioned to identify opportunities for improvement in its WCF operations. As DCSA introduces new products, services, and activities into the WCF, the agency’s ability to evaluate and improve its WCF performance will be critical.

**DCSA established management review of WCF performance.** Well-managed WCFs establish management reviews of performance. DCSA has implemented a management review process that includes a variety of tools intended to provide information on WCF operations. For example, DCSA management receives and reviews data about WCF operations and performance through weekly cash balance reports, monthly cash balances, monthly briefings for management, and quarterly financial updates. These tools provide DCSA management with ways to obtain and review information on WCF operations that could enable them to identify performance issues and take corrective steps, if necessary. However, DCSA’s review process is limited because, as previously discussed, it has not fully established performance measures that are linked to DCSA’s strategic goal for its WCF or associated performance targets for WCF operations.

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62DCSA, Office of the Chief Financial Officer FY22 3rd Quarter Financial Highlights (July 25, 2022).

63GAO-12-56.
DCSA Has Some Methods to Assist Customers, but Could Improve Its Collection and Analysis of Customer Feedback

<table>
<thead>
<tr>
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<tbody>
<tr>
<td><strong>Key principle:</strong> Build in flexibility to obtain customer input and meet customer needs</td>
</tr>
<tr>
<td><strong>Component</strong></td>
</tr>
<tr>
<td>Establish process to prioritize requests for services</td>
</tr>
<tr>
<td>Develop process to assess resources needed to meet changes in customer demand</td>
</tr>
<tr>
<td>Communicate with customers regularly and in a timely manner</td>
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</table>

Source: GAO analysis of DCSA documents and GAO-12-56.

DCSA has taken some steps to build in flexibility to obtain customer input and meet customer needs, but could improve its analysis of customer feedback. Key principles for effective management of WCFs state that agencies should build in flexibility to obtain customer input and meet customer needs by establishing a process to prioritize requests for products and services, developing a process to assess resources needed to meet changes in customer demand, and communicating with customers regularly and in a timely manner.\(^{64}\) By obtaining and analyzing customer feedback about customer needs and its WCF operations, DCSA will be better positioned to respond to changes in customer needs.

**DCSA has a process to prioritize customer requests for services.** Well-managed WCFs establish a process to prioritize requests for products and services. DCSA prioritizes cases if customers pay extra for expedited service or in emergencies. For example, according to DCSA officials, the agency prioritized background investigations for new employees hired by the Department of Health and Human Services to assist with processing unaccompanied minors at U.S. borders. DCSA’s process for prioritizing customer requests enables the agency to adjust the WCF’s resources as needed.

**DCSA has a process to assess resources needed to meet changes in customer demand.** Well-managed WCFs seek information on changes in customer demand and assess the resources needed to accommodate those changes. DCSA assesses its resource needs through its budgeting process. According to DCSA officials, they estimate changes in customer demand by analyzing customer data and asking customers annually for information on their projected service needs for the upcoming year. Officials stated that they also project customer demand using data on past usage of background investigation products and services. DCSA uses its assessment of the resources needed to meet customers’ future demand as an input into its annual budget process. Using these processes positions DCSA to allocate its WCF resources in response to customer demands.

**DCSA communicates with customers regularly, but its assessment of customer feedback has limitations.** DCSA regularly provides information to, and collects information from, its customers as described in table 6. However, DCSA does not fully analyze the information it receives to assess the extent to which DCSA is meeting customer needs.

\(^{64}\)GAO-12-56.
DCSA provides and receives customer information in several ways, as shown in table 6. Agency liaisons and hotline staff can collect customer feedback at any time during their interactions. In addition, DCSA participates in regular meetings with stakeholder groups that include customers, where participants can provide input on DCSA’s operations and performance. DCSA officials stated they use information collected using these communication tools to ensure they resolve customer needs. However, they also said that they do not analyze information obtained using these tools to identify broader successes or concerns customers may be experiencing.

DCSA officials said that they use the agency’s annual customer satisfaction survey to supplement information collected from customers through other communication tools. We found that the customer satisfaction survey is its primary method for collecting, synthesizing, and analyzing customer feedback over time. According to DCSA documentation, the annual customer satisfaction survey’s objective is to provide customers with the opportunity to provide feedback, and DCSA uses the customer satisfaction survey results to make program
changes. Specifically, DCSA uses its survey results to report on customer satisfaction to DCSA senior leaders, and DCSA officials told us that managers throughout the agency access survey data to inform their operations. These officials went on to say that the annual survey is the primary tool for collecting and analyzing customer feedback, and that it is the only communication tool from which they routinely analyze customer data.

DCSA followed some of the Office of Management and Budget’s standards and guidelines for statistical surveys for federal surveys as well as other generally accepted survey research practices (leading practices). Specifically, DCSA categorized and grouped its surveyed customers by their usage of products and services and attempted to collect data from nonrespondents. However, we found that DCSA’s customer satisfaction survey could be strengthened as a data collection and analysis method, according to our analysis. Specifically:

- DCSA’s customer satisfaction survey excluded contractors and included subject matter experts who are not customers. DCSA has not assessed how this may affect its survey results. Leading practices for federal surveys state that agencies must ensure that potential respondents for a planned survey are appropriate for the study.

- DCSA did not select a generalizable group of participants for its customer satisfaction survey. Instead, DCSA selected which agency contacts to survey, the exact number of which vary by agency. According to leading practices for federal surveys, any nonrandom survey should include statistical justification and measure possible errors concerning estimates, but DCSA’s customer satisfaction survey did not include these. This increases the risk survey responses do not represent the target population and affects DCSA’s ability to perform meaningful analyses.

- DCSA used an unbalanced set of answer options for its satisfaction questions that provided respondents with more “positive” answer options than “negative” options, increasing the risk that the responses...

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66Office of Management and Budget Directive No. 2, Standards and Guidelines for Statistical Surveys (Sept. 2006). We collected information about the design, purpose, and implementation of DCSA’s annual customer satisfaction survey conducted in fiscal year 2022, the most recent completed survey, and evaluated it according to leading survey practices. References to leading survey practices refer to the Office of Management and Budget’s standards and guidelines as well as other generally accepted survey research practices. For additional information on our analysis of DCSA’s customer satisfaction survey, see appendix IV.
are biased toward the positive options. Leading survey practices recommend that survey question language should be unbiased to minimize reporting errors by respondents.

- The most recent customer satisfaction survey’s overall response rate was 31 percent. According to leading practices for federal surveys, agencies should investigate the potential for bias from the number of surveyed customers who did not respond (nonresponse bias) and adjust results for survey nonresponses when a response rate is under 80 percent. If adjustments are not possible, agencies should report that results may be influenced by nonresponse bias. DCSA did not make any adjustments, increasing the risk that survey results do not represent its target population or reported satisfaction rate.

- DCSA presented its customer satisfaction survey results as representative of the target population by reporting the majority of its customers were satisfied, even though responses were not adjusted for known sources of bias, such as using judgmentally-selected versus randomly-selected agency contacts and not accounting for differences in response rates between agencies and other subgroups. Agencies should make these adjustments, according to leading practices for federal surveys. The lack of such adjustments may lead to incorrect characterizations of the population’s satisfaction with DCSA’s performance.

According to our key principles for managing WCFs, organizations communicate with customers regularly and in a timely manner by establishing forums, routine meetings, or surveys to solicit information on customer needs and satisfaction with WCF performance.67 Opportunities for customers to provide input in a timely manner enable agencies to regularly assess whether customer needs are being met or have changed.

DCSA regularly communicates with its customers, but has limited ability to analyze customer feedback on WCF operations because it has not implemented a systematic and reliable method for obtaining and analyzing this information. DCSA could accomplish this by establishing new methods for collecting and analyzing feedback from customers or by redesigning its customer satisfaction survey to follow leading practices for federal agency surveys. Without a systematic and reliable method for obtaining and analyzing information on customer needs and satisfaction with WCF performance, DCSA will be hampered in its ability to fully assess customer satisfaction with its WCF, evaluate the extent to which

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67GAO-12-56.
The U.S. government relies on over 4 million civilian, military, and contractor personnel with security clearances to provide critical public services, including national defense. As the federal government’s primary background investigation service provider responsible for security clearance vetting, DCSA has a key role in determining the trustworthiness of this national security workforce and preventing the unauthorized disclosure of classified information. Because DCSA finances personnel vetting activities through its WCF, effective management of its WCF ensures the agency’s ability to carry out its personnel vetting mission. DCSA’s plans to transition additional personnel vetting activities to its WCF and introduce new and updated products and services for the federal government’s personnel vetting modernization efforts further emphasize the importance of DCSA’s WCF.

Like all defense WCFs, DCSA is required to maintain a sufficient WCF cash balance to finance the provision of products and services. DCSA has generally maintained its WCF monthly cash balances within its targeted operating ranges. By taking actions to ensure its operating ranges are correctly and consistently calculated in the future and to report those amounts in its WCF budgets, DCSA could provide greater transparency on its financial requirements and generate opportunities to use agency resources efficiently.

DCSA has taken specific actions that are used by well-managed WCFs to promote accountability, self-sufficiency, and sustainability. DCSA could further enhance its WCF management by evaluating and articulating how its WCF’s performance relates to DCSA’s WCF strategic goal and implement a systematic and reliable method for collecting and analyzing customer feedback. Such actions would help ensure DCSA is well-positioned to assess its WCF performance, identify opportunities for improvement, and adjust WCF operations as needed. Continued effective WCF management will be important for DCSA’s ability to support and fulfill its personnel vetting mission on behalf of the federal government in a time of increasingly complex threats to national security.

We are making the following six recommendations to DOD:

The Secretary of Defense should ensure that the Director of the DCSA issues and implements guidance for calculating the operating range of DCSA’s working capital fund that is consistent with DOD’s cash management policy. (Recommendation 1)
The Secretary of Defense should ensure that the Director of the DCSA adjusts the prices charged to customers upon implementation of DCSA guidance to ensure that DCSA’s cash balance is within its operating range. (Recommendation 2)

The Secretary of Defense should ensure that the Director of the DCSA presents WCF upper and lower operating range amounts in the DCSA WCF annual budget submission to Congress in addition to the budget supplement, starting with the fiscal year 2025 budget. (Recommendation 3)

The Secretary of Defense should ensure that the Director of the DCSA evaluates DCSA’s existing performance measures to confirm they are appropriate for assessing progress toward DCSA’s strategic goal; develop new performance measures if needed; and articulate how those performance measures relate to DCSA’s strategic goals. (Recommendation 4)

The Secretary of Defense should ensure that the Director of the DCSA establishes performance targets for each of DCSA’s performance measures. (Recommendation 5)

The Secretary of Defense should ensure that the Director of the DCSA implements a systematic and reliable method for obtaining and analyzing information on customer needs and satisfaction with WCF performance. DCSA could accomplish this by establishing new methods for collecting and analyzing feedback from customers or by redesigning its customer satisfaction survey to follow leading practices for federal agency surveys. (Recommendation 6)

We provided a draft of this report to DOD for review and comment. In its comments, reproduced in appendix V, DOD concurred with all of our recommendations.

Agency Comments

We are sending copies of the report to the appropriate congressional committees, the Secretary of Defense, and other interested parties. In addition, the report is available at no charge on the GAO website at https://www.gao.gov.

If you or your staff have any questions about this report, please contact me at (202) 512-3058 or czyza@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last
Alissa H. Czyz
Director, Defense Capabilities and Management
Appendix I: Objectives, Scope and Methodology

House Report 117-118, accompanying a bill for the National Defense Authorization Act for Fiscal Year 2022, included a provision for us to evaluate Defense Counterintelligence and Security Agency’s (DCSA) working capital fund (WCF). In this report, we (1) describe how DCSA plans to finance its activities; (2) evaluate the extent to which DCSA maintained its monthly cash balances within established operating ranges for fiscal years 2020 through 2022 and calculated the cash requirements correctly for fiscal year 2021; and (3) evaluate the extent to which DCSA managed its WCF in accordance with key operating principles for WCFs.

For our first objective, we reviewed DCSA’s budget and financial management documentation, sections of the DOD Financial Management Regulation relevant to WCF operations, and documentation describing DCSA’s plans for future WCF operations and implementation of Trusted Workforce 2.0. We also conducted interviews with knowledgeable officials from DOD, OPM, and industry.

For our second objective, to identify instances where monthly cash balances were not within DCSA’s operating ranges, we compared DCSA WCF monthly cash balances for fiscal years 2020 through 2022 to DCSA WCF upper and lower operating ranges contained in WCF budget materials supporting the fiscal years 2022 and 2023 DCSA WCF budgets. We assessed the reliability of the data sources we used to conduct our analysis by comparing Department of the Treasury data on DCSA’s monthly cash balances to WCF monthly financial reports and reviewing relevant documentation supporting these transactions. We found the data to be sufficiently reliable for the purposes of our reporting objectives. We also met with DCSA officials and reviewed documentation to determine actions taken by DCSA to increase or decrease its WCF monthly cash balances for the 3-year period.

Additionally, we assessed DCSA’s calculation of the four elements used to establish its WCF upper and lower operating range for fiscal year 2021

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1H.R. Rep. No. 117-118, at 217-218 (2021). The committee requested that we provide information on how the transfer of amounts from OPM’s to DCSA’s working capital fund (WCF) affected OPM’s operations. We separately provided this information to the Committee on Armed Services, House of Representatives.


3We obtained DCSA WCF monthly cash balances for fiscal years 2020 through 2022 from data maintained by the Department of Treasury. DCSA upper and lower operating range are presented in budget materials supporting the DCSA WCF budgets as DCSA Background Investigative Service Cash Requirements, Exhibit Fund 13-b.
to determine if it complied with DOD’s cash management policy.\textsuperscript{4} We reviewed the calculation for the fiscal year 2021 operating range because it was the most recent information available when we performed this analysis. We also compared fiscal year 2021 DCSA WCF upper and lower operating range expressed in months of disbursements with the cash requirements presented in Army, Navy, Air Force, and Defense-wide WCFs’ budgets for the same fiscal year. We did this by taking the operating range for each WCF for fiscal year 2021 and dividing it by the mean monthly disbursement for that year.\textsuperscript{5} Further, we met with knowledgeable DCSA officials to discuss reasons for any deviations from DOD’s cash management policy and DCSA plans for changing its WCF operating range calculations in the future.

We analyzed the DCSA WCF budgets for fiscal years 2023 and 2024 to determine if the information in the budgets provides the quality information needed to make decisions about DCSA’s financial requirements. In completing this work, we determined that the use of quality information principle of federal internal control standards was significant to our audit.\textsuperscript{6} We assessed whether DCSA’s presentation of its WCF financial information in its WCF budgets provided quality information needed for Congress to make decisions regarding DCSA’s financial requirements. We did this by analyzing Army, Navy, Air Force, Defense-wide, and Defense Commissary Agency WCF budgets for the same fiscal years to determine if DCSA presented similar financial information to the other WCFs in its budgets. We also interviewed knowledgeable officials to determine the cause of variations in information included in the defense WCF budget submissions.

For our third objective, we assessed DCSA’s actions to manage its WCF operations during fiscal years 2020 through 2022, using our four key

\textsuperscript{4}DOD 7000.14-R, \textit{Financial Management Regulation}, vol. 2B, chap. 9 (Aug. 2022). DOD guidance requires WCF components to consider four elements when establishing the upper and lower operating range including rate of disbursement, range of operations, risk mitigation, and reserves.

\textsuperscript{5}The upper and lower operating range can be expressed in terms of the length of time the working capital fund can make disbursements before additional collections are needed to pay for its continued operations. Operating range expressed in time provides a more comparable metric across organizations because operating range dollar amounts reflect differences in their scale of operations (Months of disbursements=Operating range/(FY 2021 disbursements/12 months)).

operating principles (principles) for effective management of WCFs.\(^7\) (See appendix III for a list of key principles and components.) We analyzed relevant documentation and interviewed DCSA officials about WCF management policies and practices by comparing DCSA’s WCF management with each key principle and each principle’s components. Two analysts independently analyzed relevant information from fiscal years 2020 through 2022 to determine whether DCSA met, partially met, or did not meet each component for each key operating principle. We determined a component to be:

- “met” if we had documentation showing DCSA addressed all characteristics;
- “not met” if DCSA took no action to address the component; and,
- “partially met” if DCSA took steps to incorporate some but not all elements of the component.

We then determined the extent to which DCSA’s WCF management had implemented each of the four key principles. We defined “implemented” as having addressed all of the principle’s supporting components; “partially implemented” as having addressed some of the supporting components; and “not implemented” as not having addressed any of the supporting components. After both analysts completed the analysis, they compared their assessments to identify where their determinations did not match. In those instances, a third analyst reviewed each individual assessment and provided a final determination.

We also collected information about the design and conduct of the DCSA’s customer satisfaction survey for fiscal year 2021, the most recent completed customer satisfaction survey at the time of our review. We analyzed the methodology, content, and reporting of DCSA’s annual customer satisfaction survey and compared them with generally accepted survey research practices and the Office of Management and Budget’s 2006 *Standards and Guidelines for Statistical Surveys*.\(^8\) We consider Office of Management and Budget’s 2006 *Standards and Guidelines for Statistical Surveys* together with generally accepted survey research practices to be leading survey practices for surveys conducted by federal agencies. Federal agencies are only required to follow Office of


\(^8\)Office of Management and Budget Directive No. 2, *Standards and Guidelines for Statistical Surveys* (Sept. 2006). We refer to these standards and guidelines as well as other generally accepted survey research practices as leading survey practices.
Management and Budget’s guidelines for surveys provided to 10 or more persons as defined in the guidelines.

We conducted this performance audit from March 2022 to July 2023 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence provides a reasonable basis for our findings and conclusions based on our audit objectives.
Appendix II: Defense Counterintelligence and Security Agency (DCSA) Missions and Associated Areas

DCSA’s activities are categorized into missions and associated areas. DCSA’s four primary missions are personnel security; industrial security; counterintelligence and insider threat; and security training. DCSA has additional areas—related to the agency’s information technology systems—that it categorizes as mission and enabling support. See table 7 below for a description of each area associated with DCSA’s missions.

<table>
<thead>
<tr>
<th>Mission</th>
<th>Area</th>
<th>Description</th>
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<tbody>
<tr>
<td>Personnel Security</td>
<td>Background Investigations</td>
<td>Works to ensure the trustworthiness of the U.S. government’s workforce through the delivery of investigative services. Background investigations are an early step in the personnel vetting process. The Background Investigations customer base includes more than 100 federal agencies.</td>
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<td></td>
<td>Consolidated Adjudication Services</td>
<td>Serves as the sole authority to determine security clearance eligibility of non-Intelligence agency Department of Defense (DOD) personnel occupying sensitive positions and/or requiring access to classified material. The Consolidated Adjudication Services customer base includes all military service members, military applicants, civilian employees, and consultants affiliated with DOD, among others.</td>
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<td>Vetting Risk Operations</td>
<td>Oversees DCSA’s continuous vetting services; handles overall management of the National Industrial Security Program contractor population through personnel clearance oversight and background investigation submissions; and screens and vets individuals with foreign risk concerns leveraging Expedited Screening Protocol, among other activities.</td>
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<tr>
<td>Industrial Security</td>
<td>National Industrial Security Program</td>
<td>Seeks to ensure that cleared U.S. industry safeguards classified information while performing work on contracts, programs, bids, or research and development efforts by processing, issuing, and monitoring facility clearances, among other activities. DCSA administers the National Industrial Security Program on behalf of DOD and 34 other federal agencies.</td>
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<td></td>
<td>Arms, Ammunition, and Explosives</td>
<td>Assesses contractor compliance with the physical security requirements of sensitive arms, ammunition, and explosives that U.S. contractors manufacture, test, store, or transport for DOD.</td>
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<td>Foreign Ownership, Control, or Influence</td>
<td>Reviews companies to determine whether they fall under Foreign Ownership, Control, or Influence as part of the facility clearance process. Companies determined to be under Foreign Ownership, Control, or Influence are not eligible for a facility clearance unless and until security measures have been put in place to negate or mitigate the Foreign Ownership, Control, or Influence.</td>
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<td>Controlled Unclassified Information</td>
<td>Executes functions related to DCSA’s eight specific responsibilities for DOD’s Controlled Unclassified Information management, including administration of the DOD Controlled Unclassified Information program for contractors in the National Industrial Security Program.</td>
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<tr>
<td>Counterintelligence and Insider Threat</td>
<td>Counterintelligence</td>
<td>Conducts authorized activities to identify, assess, and disrupt foreign intelligence entity threats to the Trusted Workforce and the cleared national industrial base, including its technologies, supply chains, and personnel.</td>
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<td></td>
<td>DOD Insider Threat Management and Analysis Center</td>
<td>Oversees the identification, assessment, and mitigation of insider threats to DOD and oversees and manages unauthorized disclosures, among other activities.</td>
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## Appendix II: Defense Counterintelligence and Security Agency (DCSA) Missions and Associated Areas

### Mission and Area

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<thead>
<tr>
<th>Mission</th>
<th>Area</th>
<th>Description</th>
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</thead>
<tbody>
<tr>
<td>Security Training</td>
<td>Center for Development of Security Excellence</td>
<td>Provides security training, education, and certification for DOD, federal government, and cleared contractors under the National Industrial Security Program. Incorporates security education and training to DCSA’s internal investigative workforce under the former National Training Center.</td>
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<td></td>
<td>National Center for Credibility Assessment</td>
<td>Provides federal agencies with training, oversight, and research on polygraph and other credibility assessment technologies and techniques.</td>
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<tr>
<td>Mission and Enabling Support</td>
<td>National Background Investigation Services (NBIS)</td>
<td>Oversees the development and implementation of NBIS—the federal government’s information technology system for end-to-end personnel vetting, from initiation and application to background investigation, adjudication, and continuous vetting. DCSA has begun introducing the system in a phased approach.</td>
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<td>Background Investigation Enterprise Systems</td>
<td>Manages the development and sustainment of DCSA’s portfolio of legacy background investigation information technology systems, including Electronic Questionnaires for Investigations Processing (i.e., e-QIP), Personnel Investigations Processing System, and others.</td>
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### Table 8: Key Operating Principles for Working Capital Fund (WCF) Management

<table>
<thead>
<tr>
<th>Principle</th>
<th>Components of principle</th>
<th>Examples of evidence supporting principle</th>
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</thead>
<tbody>
<tr>
<td>1. Clearly delineate roles and responsibilities</td>
<td>Appropriate delineation of roles and responsibilities promotes a clear understanding of who will be held accountable for specific tasks or duties, such as authorizing and reviewing transactions, implementing controls over WCF management, and helping ensure that related responsibilities are coordinated. In addition, this reduces the risk of mismanaged funds and tasks or functions “falling through the cracks.” Moreover, it helps customers know who to contact in the event they have questions.</td>
<td>Written roles and responsibilities specify how key duties and responsibilities are divided across multiple individuals/offices and are subject to a process of checks and balances. This should include separating responsibilities for authorizing transactions, processing and recording them, and reviewing the transactions.</td>
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<td></td>
<td>Segregate duties to reduce error or fraud</td>
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<td></td>
<td>Define key areas of authority and responsibility</td>
<td>Written description of all WCF roles and responsibilities in an accessible format such as a fund manual. Discussions with providers and clients confirm a clear understanding.</td>
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<td></td>
<td>Establish management review and approval process at the functional or activity level that ensures appropriate tracking and use of funds</td>
<td>A routine review process exists to ensure proper execution of transactions and events.</td>
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<tr>
<td>2. Ensure self-sufficiency by recovering the agency’s actual costs</td>
<td>Transparent and equitable pricing methodologies allow agencies to ensure that prices charged recover agencies’ actual costs and reflect customers’ service usage. If customers understand how prices are determined or changed including the assumptions used, customers can better anticipate potential changes to those assumptions, identify their effect on costs, and incorporate that information into budget plans. A management review process can help to ensure the methodology is applied consistently over time and provides a forum to inform customers of decisions and discuss as needed.</td>
<td>Published price sheets for services are readily available. Documentation of pricing formulas supports equitable distribution of costs.</td>
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<td></td>
<td>Establish transparent and equitable pricing methodology</td>
<td>Pricing methodology and accompanying process ensures that, in aggregate, charges recover the actual costs of operations.</td>
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<td>Set prices to cover agency’s actual costs of providing service</td>
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<td></td>
<td>Establish management review for price-setting</td>
<td>Management review process allows fund managers to receive and incorporate feedback from customers. Discussions with customers confirm an understanding of the charges and that they are viewed as transparent and equitable.</td>
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</table>
### Appendix III: Key Operating Principles for Working Capital Fund (WCF) Management

<table>
<thead>
<tr>
<th>Principle</th>
<th>Components of principle</th>
<th>Examples of evidence supporting principle</th>
</tr>
</thead>
<tbody>
<tr>
<td>3. Measure performance</td>
<td>Performance targets and measures are important management tools applicable to all operations of an agency, including the program, project, or activity level. Performance measures and goals could include targets that assess fund managers’ responsiveness to customer inquiries, the consistency in the application of the funds’ price-setting methodology, the reliability of cost information, and the billing error rates. Performance measures that are aligned with strategic goals can be used to evaluate whether, and if so how, WCF activities are contributing to the achievement of agency goals. A management review process comparing expected to actual performance allows agencies to review progress towards goals and potentially identify ways to improve performance.</td>
<td>Establish performance measures and targets</td>
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<td></td>
<td></td>
<td>Align performance measures with strategic goals</td>
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<td></td>
<td></td>
<td>Establish management review of WCF performance</td>
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<tr>
<td>4. Build in flexibility to obtain customer input and meet customer needs</td>
<td>Opportunities for customers to provide input about WCF services, or voice concerns about needs, in a timely manner enable agencies to regularly assess whether customer needs are being met or have changed. This also enables agencies to prioritize customer demands and use resources most effectively, enabling them to adjust WCF capacity up or down as business rises or falls.</td>
<td>Communicate with customers regularly and timely</td>
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<td>Develop process to assess resources needed to meet changes in customer demand</td>
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<td>Establish process to prioritize requests for services</td>
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We reviewed Defense Counterintelligence and Security Agency’s (DCSA) annual customer satisfaction survey, most recently conducted in fiscal year 2022 about fiscal year 2021, and assessed DCSA’s methodology, content, and reporting of the customer satisfaction survey using the Office of Management and Budget’s 2006 *Standards and Guidelines for Statistical Surveys* and other generally accepted survey research practices.¹ Through its annual customer satisfaction survey, DCSA provides its customers with the opportunity to provide feedback based on the products and services received over the most recent fiscal year. According to DCSA’s customer satisfaction survey procedures, DCSA uses the received customer feedback to improve its customers’ experiences by focusing its attention on improving where necessary and, when possible, educating the customer on products and services available for their needs.

We compared the design and implementation of DCSA’s annual customer satisfaction survey with the Office of Management and Budget’s standards and guidelines and other generally accepted survey research practices to determine the extent to which the survey followed leading practices for federal agency surveys. Specifically, we considered the risk of error to survey estimates using five broad categories of survey error: coverage, sampling, measurement, nonresponse, and processing. We found that DCSA follows some leading survey practices and also that the DCSA customer satisfaction survey includes potential sources of error.²

In our review of DCSA’s analysis of customer satisfaction survey data and DCSA’s presentation of its customer satisfaction survey results, we identified potential sources of error, as discussed in table 9.

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¹Office of Management and Budget Directive No. 2, *Standards and Guidelines for Statistical Surveys* (Sept. 2006). Office of Management and Budget’s approval prior to collecting information is required of federal agencies only when surveying 10 or more persons as defined in Directive 2. We consider these standards and guidelines together with other generally accepted research survey standards to be leading practices for surveys conducted by federal agencies and refer to them collectively as “leading practices.”

²For the purposes of this review, we use the term “potential sources of error” to denote areas where our analysis indicated an elevated risk of error may be present.
### Table 9: Potential Sources of Error in the Defense Counterintelligence and Security Agency’s (DCSA) Customer Satisfaction Survey

<table>
<thead>
<tr>
<th>Design category</th>
<th>Leading survey practices</th>
<th>Potential sources of error</th>
<th>Potential effect</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Coverage</strong></td>
<td>Agencies must ensure that the sample frames (a list from which surveyors select individuals to be surveyed) are appropriate for the study design and are evaluated against the target population for quality. The frame should be evaluated periodically for completeness and exclusions should be made clear.</td>
<td>DCSA’s list of potential customer satisfaction survey respondents is different than its list of customer agencies, and DCSA has not evaluated its list for this possibility or adjusted its customer satisfaction survey results to match the possible respondents.</td>
<td>DCSA’s customer satisfaction survey results may not be representative of the entire population meaning the customer satisfaction survey provides limited, incomplete, or incorrect insight into customer satisfaction.</td>
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<td></td>
<td>DCSA excluded federal contractor personnel from its list of potential customer satisfaction survey respondents, and included subject matter experts who are not customers. As a result, DCSA’s target customer satisfaction survey population (agency contacts who are federal employees) is a subset of the target population (all DCSA customers). DCSA has not assessed how excluding contractors may affect the customer satisfaction survey’s results.</td>
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<td><strong>Sampling</strong></td>
<td>Agencies must develop a survey design, including defining the target population, designing the sampling plan, setting response rate goals, precision requirements, selecting samples using generally accepted statistical methods (e.g., probabilistic methods that can provide estimates of sampling error), and where applicable, effective sample size determination based on power analyses for key variables.</td>
<td>The sample is not randomly selected. DCSA uses a judgmental selection method that may include customers who are systematically different from the customers who were not selected.</td>
<td>DCSA’s customer satisfaction survey results may not be representative of the intended population as presented in customer satisfaction survey procedures and results.</td>
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<td></td>
<td>The sample may not represent the total population, because it includes an unknown number of customer satisfaction survey participants who are not DCSA customers but have background investigation experience. Also, the sample may be insufficient to make statements about customer satisfaction at individual agencies, depending on how many contacts exist at each agency.</td>
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<td><strong>Measurement</strong></td>
<td>Survey questions, answer sets, and other instrument materials should be developed and tested to be made as understandable, unambiguous, and unbiased as possible to minimize reporting errors by respondents.</td>
<td>Some customer satisfaction survey questions used answer options—“extremely satisfied,” “very satisfied,” “satisfied,” “somewhat satisfied” and “dissatisfied”—that included more opportunity to express satisfaction than dissatisfaction.</td>
<td>Responses may be positively biased.</td>
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<table>
<thead>
<tr>
<th>Design category</th>
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<tbody>
<tr>
<td><strong>Some customer satisfaction survey questions included more than one concept or situation about which respondents may have different and conflicting attitudes.</strong></td>
<td>Responses may be difficult to interpret accurately because the question introduces multiple or complex concepts or situations about which respondents can only select one answer.</td>
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<td><strong>Some customer satisfaction survey questions included positively-biased language. For example, one question's language suggested an action was positive and assumed the action affected the respondent.</strong></td>
<td>Responses may be positively biased.</td>
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<td>Test new components of a survey using methods such as cognitive testing, focus groups, and usability testing, prior to a field test of the survey system and incorporate the results from these tests into the final design</td>
<td>DCSA did not pretest new questions added to the customer satisfaction survey.</td>
<td>Not pretesting questions increases the risk of measurement error.</td>
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<td><strong>The customer satisfaction survey’s most recent response rate was 31 percent. However, DCSA did not assess the potential for nonresponse bias.</strong></td>
<td>Low customer satisfaction survey response rates, without nonresponse bias assessment, may limit DCSA’s ability to accurately represent the population in its results and analysis.</td>
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<td><strong>DCSA did not perform a nonresponse bias analysis.</strong></td>
<td>Nonresponse bias analysis could show if certain characteristics of customer satisfaction survey respondents correlated with a tendency to respond to the customer satisfaction survey.</td>
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<td><strong>Survey data should be adjusted for sample selection probability and response rate because the presentation of raw results can be misleading if samples were not selected randomly and proportionally to agency size, and response rates varied by subpopulation characteristics.</strong></td>
<td>DCSA presented the customer satisfaction survey results as being generalizable to the population although the results may not accurately reflect the satisfaction of DCSA’s population of customers.</td>
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<tr>
<td><strong>DCSA did not provide information on data processing activities such as adjustments to the raw customer satisfaction survey responses to account for sample selection probabilities or differential response rates by different parts of the population (e.g., by agency or service provided).</strong></td>
<td>DCSA presents customer satisfaction survey results as representative of its entire customer population in its analysis and reporting. However, DCSA did not make adjustments to account for biases that may be present in its sample frame and, the customer satisfaction survey results may not be representative of DCSA’s customer population.</td>
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To select personnel for surveying, DCSA officials first identify primary contacts at each agency. DCSA sends a number of customer satisfaction surveys (from two to 10) to the primary contacts who may forward the customer satisfaction surveys to other relevant contacts at the agency (secondary contacts) for completion. DCSA also surveys an undetermined number of personnel considered to be experts in background investigations.

We also found that DCSA followed some leading practices, such as:

- DCSA typically contacts customer satisfaction survey nonrespondents and encourages them to complete the survey. According to DCSA officials, they were unable to conduct such follow up for their fiscal year 2021 customer satisfaction survey, but plan to regain this capability and to resume these contacts for future customer satisfaction surveys.

- DCSA categorized and grouped its surveyed customers by their usage of DCSA products and services.

- DCSA used responses to the customer satisfaction survey’s open-ended questions only for anecdotal examples, rather than analyzing them for potential themes across respondents, according to DCSA officials.
Appendix V: Comments from the Department of Defense

OFFICE OF THE UNDER SECRETARY OF DEFENSE
1100 DEFENSE PENTAGON
WASHINGTON, DC. 20301-1100

COMPTROLLER
(EFT)

Ms. Alissa Czyz
Director, Defense Capabilities and Management
U.S. Government Accountability Office
441 G Street, NW
Washington DC 20548

Dear Ms. Czyz,


My point of contact is Mr. Gabriel Santos who can be reached by email at mark.g.santos.civ@mail.mil and by phone at (Office: 703.697.3102 / Cell: 703.623.0952).

Sincerely,

KRISTINA M. KOLESAR
Deputy Comptroller for Enterprise Financial Transformation

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Appendix V: Comments from the Department of Defense

GAO DRAFT REPORT DATED JUNE 21, 2023
GAO-23-105812 (GAO CODE 105812)

“PERSONNEL VETTING: DOD SHOULD IMPROVE MANAGEMENT AND OPERATION OF ITS BACKGROUND INVESTIGATION WORKING CAPITAL FUND”

DEPARTMENT OF DEFENSE COMMENTS TO THE GAO RECOMMENDATION

RECOMMENDATION 1: The Secretary of Defense should ensure that the Director, DCSA issue and implement guidance for calculating the operating range of DCSA’s working capital fund (WCF) to be consistent with DoD’s cash management policy.

DoD RESPONSE: Concur with comments. Since the merger of legacy organizations in 2019 to form DCSA and the concomitant establishment of the Department’s newest WCF, the Agency has demonstrated its commitment to maturing oversight and management of the fund, to include developing a more robust method for calculating and monitoring the WCF operating range. The Agency’s July 2021 draft Cash Management Policy (CMP), previously reviewed by GAO, has since been revised and is in final staffing. The revised CMP documents the Agency’s implementation of more advanced, analytically-based cash management practices and provides guidance on future iterative improvements. The policy leverages insights provided by DCSA’s Financial Management Transformation (FMT) team, established in July 2021 as a fundamental part of the Agency’s transition and transformation plan. The FMT team is part of an ongoing, multi-year initiative supporting DCSA’s continued WCF financial transformation.

The revised CMP provides in-depth guidance on WCF operating range development in direct support of DCSA’s unique business operations. It analyzes the following factors (referred to as the “Four Rs”):

- **Risk:** Uncertainties in policy and mission operations may require DCSA to employ the WCF to fund short-term requirements. These operations currently include the transition of missions into the WCF and the implementation of the Federal Government’s next-generation personnel vetting system, Trusted Workforce 2.0. These factors present unique product/pricing risks requiring reserve funds to address unplanned drawdowns in cash.

- **Reserve:** Planned expenses, such as facility investments where a specific amount of cash is required to support an established plan, are accounted for via adequate reserve funds to ensure the stability of the WCF throughout routine operations.

- **Rate:** Typical business cadence creates a rate of disbursements between collection cycles. Identifying and accounting for both routine and emergent disbursement cycles unique to DCSA are critical to defining its specific cash requirements.

- **Range:** The range of the cash balance throughout normal operations accounts for uncertainties, the probability of those uncertainties, and the potential for business and financial process transformation, which may drive the balance higher or lower than historical trends.
The revised CMP establishes the FY23 operating range and factors that influence the range, consistent with DCSA’s business operations and financial processes. For example, financial systems are typically down for approximately the first month of a new fiscal year, necessitating suspension of WCF collections activity during that period. Further, customers’ ability to provide timely funding agreements is impaired at the start of the fiscal year, and this lag is occasionally compounded by Congressional continuing resolutions that limit customers’ ability to fund for DCSA services.

In summary, DCSA has implemented a WCF operating range that is analytically derived, more mature, and aligned to the Department’s cash management policy. The revised CMP documents DCSA’s current “Four R” requirements and provides guidance and specific principles for the Agency to follow in the future evolution of its cash requirement. The CMP codifies a robust governance process, which includes semi-annual reviews of the “Four Rs.” In conjunction with conclusions drawn from operational Key Performance Indicators (KPIs), DCSA will be able to adjust the operating range or the other “Four Rs” as necessary to reflect its new forecasted cash requirement to cover typical, planned but atypical, and uncertain cash outlays. The revised CMP is scheduled for publication by December 31, 2023.

**RECOMMENDATION 2:** The Secretary of Defense should ensure that the Director, DCSA adjust the prices charged to customers upon implementation of DCSA guidance to ensure that DCSA’s cash balance is within its operating range.

**DoD RESPONSE:** Concur with comments. DCSA has used pricing in a continuous maturation approach, alongside other tools, to manage and directionally control the Working Capital Fund (WCF) cash balance within its operating range. DCSA executed this strategy in consideration of both near- and long-term goals of financial stability and effective service to its customers. Other tools DCSA employs include budget controls and risk management for unplanned unfunded requirements. DCSA has taken a conservative risk-based approach to setting and adjusting prices below full-cost recovery rates to return cash to its customers. As an example, following its first two years of operation, DCSA was able to re-evaluate strict risk-based assumptions regarding personnel hiring (fill rate, lapse rate, and attrition), technology costs, and field contract expenditures. After two years of price reductions, and in close coordination with the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)), DCSA made a strategic decision to suspend price reductions for FY23. This decision ensured more of the remaining WCF cash balance would be available to support the transition of the DoD Continuous Vetting (CV) program to the WCF and implementation of Trusted Workforce 2.0 initiatives.

DCSA has developed a cash management strategy capturing each element of its cash balance control, including pricing. This strategy outlines analytic approaches to assess the cash balance and leverage controls in place to ensure the balance remains within the operating range. The policy also provides guidance to address deviations from the operating range during mission operations. DCSA’s revised Cash Management Plan (CMP) prescribes processes to evaluate whether a deviation is persistent vs. transitory, and any specific corrective actions DCSA should take, such as adjusting pricing to bring the cash balance back within the operating range.
Appendix V: Comments from the Department of Defense

In summary, DCSA employs a risk-based approach that has evolved to adjust prices and ensure that the cash balance is within its operating range. This is most recently evidenced by the reduction of background investigation product prices by 18 percent overall, which will reduce the WCF cash balance and return an estimated $200 million to customers in FY24. After the revised CMP is finalized, DCSA will more formally use it to “adjust the prices charged to customers…to ensure that DCSA’s cash balancing is within its operating range.” This action will be completed by August 31, 2024, the first pricing cycle after publication of the CMP.

RECOMMENDATION 3: The Secretary of Defense should ensure that the Director, DCSA provides Working Capital Fund (WCF) upper and lower operating range amounts in the DCSA WCF annual budget submission to Congress in addition to the budget supplement, starting with the FY 2025 budget.

DoD RESPONSE: Concur.

RECOMMENDATION 4: The Secretary of Defense should ensure that the Director, DCSA evaluate DCSA’s existing performance measures to confirm they are appropriate for assessing progress toward DCSA’s strategic goal; develop new performance measures if needed; and articulate how those performance measures relate to DCSA’s strategic goals.

DoD RESPONSE: Concur with comments. DCSA’s Working Capital Fund (WCF) operational and financial measures support the goal to “implement effective resourcing processes.” Additionally, through recent and ongoing Financial Management Transformation (FMT) team efforts, DCSA is identifying, defining/refining, calculating, and developing targets for Key Performance Indicators (KPIs) that directly support the evaluation of WCF performance. DCSA’s operational KPIs are regularly employed by leadership to effectively resource and staff the mission.

DCSA maintains and reviews WCF performance financial KPIs, as noted throughout the GAO report. For example, accounting and cash measures, to include revenue, expenses, collections, and disbursements are tracked closely for their impact on the DCSA WCF cash balance. Measures relating to DCSA’s Office of the Chief Financial Officer (OCFO) performance are also tracked. For example, OCFO closely tracks the monthly amount it bills customers versus the amount collected. Any differences point to errors or inefficiencies in processes or systems that can then be reviewed and improved.

In summary, DCSA has strong operational and financial performance measures. In FY22, the Agency began a maturing effort to evaluate existing performance measures and confirm their appropriateness for assessing progress toward DCSA’s strategic goals. Through its FMT team and similar Agency-wide transformation activities, DCSA is developing new performance measures and will align those measures to achieving its strategic goals. The estimated completion date for this recommendation is December 31, 2024.

RECOMMENDATION 5: The Secretary of Defense should ensure that the Director, DCSA establishes performance targets for each of DCSA’s performance measures.
DoD RESPONSE: Concur with comments. DCSA’s current selection and use of Key Performance Indicators (KPIs) has consistently tracked trends over time and compared projections to actual performance, as noted throughout the GAO report.

DCSA has begun to codify data-driven targets for a variety of financial process metrics. Highlights include collection rates and financial statement amounts, including revenue.

One challenge recognized by the Financial Management Transformation (FMT) team is the development of robust and reasonable targets given limited historical data. For example, the development of data-driven targets for Continuous Vetting (CV) performance within the Working Capital Fund (WCF) is dependent on data that has only been generated reliably for the past two to three years — a period where the product itself was under development. Now that CV policies and processes are beginning to mature, the FMT team is positioned to develop data-driven CV financial metric targets. In terms of financial processes, even routine cash collections targets are expected to shift as a result of the Department’s transition to G-Invoicing. Historical data on collections rates and timeliness will be partially or wholly invalidated as the new G-Invoicing processes support full-advance payments prior to customer requests for investigation.

In summary, DCSA has made significant advancements in financial and operational KPI development. It will continue this effort, via DCSA’s FMT team and strategic initiatives Agency-wide, to codify target values and ranges to evaluate historical and current performance across relevant KPIs. The estimated completion date for this recommendation is December 31, 2024.

RECOMMENDATION 6: The Secretary of Defense should ensure that the Director, DCSA implement a systematic and reliable method for obtaining and analyzing information on customer needs and satisfaction with Working Capital Fund (WCF) performance. DCSA could accomplish this by establishing new methods for collecting and analyzing feedback from customers or by redesigning its customer satisfaction survey to follow leading practices for Federal Agency surveys.

DoD RESPONSE: Concur with comments. DCSA will re-examine all aspects of collecting and analyzing customer feedback in support of efforts to ensure high levels of customer satisfaction. The estimated completion date for this recommendation is March 1, 2024.
### GAO Contact and Staff

<table>
<thead>
<tr>
<th>GAO Contact</th>
<th>Alissa H. Czyz, (202) 512-3058 or <a href="mailto:CzyzA@gao.gov">CzyzA@gao.gov</a></th>
</tr>
</thead>
<tbody>
<tr>
<td>Staff</td>
<td>In addition to the contact named above, GAO staff who made key contributions to this report include Alex Winograd (Assistant Director), Rebekah J. Boone (Analyst-in-Charge), David Jones, Suzanne Kaasa, Felicia Lopez, Keith McDaniel, Carl Ramirez, Clarice Ransom, Molly Ryan, Alexander Webb, and Khristi Wilkins.</td>
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</tbody>
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### Acknowledgments

In addition to the contact named above, GAO staff who made key contributions to this report include Alex Winograd (Assistant Director), Rebekah J. Boone (Analyst-in-Charge), David Jones, Suzanne Kaasa, Felicia Lopez, Keith McDaniel, Carl Ramirez, Clarice Ransom, Molly Ryan, Alexander Webb, and Khristi Wilkins.
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