

FOIA MARKER

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Folder Title:

Personnel Security [6]

Staff Office-Individual:

Legal Advisor-Derosa, Mary

Original OA/ID Number:

4058

Row:	Section:	Shelf:	Position:	Stack:
39	6	9	1	V

Withdrawal/Redaction Sheet

Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. draft	Security Procedures for EOP Security Office. (22 pages)	08/01/1996	b(7)(E), b(7)(F)
002. fax	Cover Sheet. [partial] (1 page)	06/20/1994	b(7)(C)

COLLECTION:

Clinton Presidential Records
National Security Council
Legal Advisor (Mary DeRosa)
OA/Box Number: 4058

FOLDER TITLE:

Personnel Security [6]

2006-1066-F
vz875

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

- b(1) National security classified information [(b)(1) of the FOIA]
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- b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20504

August 30, 1996

ACTION

MEMORANDUM FOR ANDREW SENS

THROUGH: MARY HAINES *Mary Haines*

FROM: JAMES HALL

SUBJECT: Authorizations for Personnel Security Reviews

The EOP has recently instituted new procedures for the initiation of FBI name checks and background investigations and for the review of FBI background investigation files. As part of these procedures, the Office of Administration has requested that each EOP entity provide the FBI with sample signatures of those persons authorized to initiate name checks or background investigations. OA has also requested the signatures of all NSC employees who are authorized to review or possess FBI background information.

While conforming with OA's sample memorandum, the attached memorandum also notes that in addition to evaluating NSC staff for suitability and clearances the APNSA, DAPNSAs and select NSC staff are asked by the White House Counsel and Presidential Personnel to evaluate information contained in the background files of prospective presidential appointees where such information may implicate national security or foreign relations equities. As a result, it is necessary to authorize a greater number of NSC officials to have access to background information than would be the case for an EOP entity that only adjudicates clearances for its own employees.

Concurrence by: James Baker *JB*

RECOMMENDATION

That you send the attached memorandum to Charles Easley after signature by appropriate NSC officials.

Approve _____ Disapprove _____

Attachment

Tab A Draft Memorandum to Charles Easley

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20504

MEMORANDUM FOR CHARLES C. EASLEY
Director White House Security

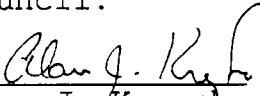
FROM: ANDREW D. SENS

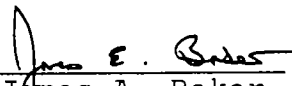
SUBJECT: Authorization for Personnel Security Reviews

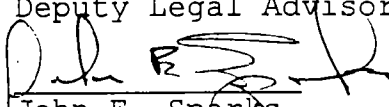
Consistent with the EOP's new Personnel Security procedures this memorandum is intended to notify the EOP Security Office of those individuals authorized to 1) approve the initiation of name checks and background investigations and 2) review or process FBI background investigation files on behalf of the National Security Council.

Approving Name Checks and Background Investigations

The following individuals, whose signatures appear below, are authorized to approve the initiation of name checks and background investigations on behalf of the National Security Council:


Alan J. Kreczko
Special Asst to the President
Legal Advisor, NSC


James A. Baker
Deputy Legal Advisor, NSC


John E. Sparks
Deputy Legal Advisor, NSC

Reviewing or Processing FBI Background Investigation Files

The following individuals, whose signatures appear below, are authorized to review or process (i.e., physically handle and possess) FBI and other agency background investigation files for the National Security Council.

With the exception of Ms. Haines and Mr. Hall, the individuals listed below require access on an aperiodic basis only. In addition to reviewing information that may pertain to the suitability and clearance of NSC staff or prospective staff, the

Assistant to the President for National Security Affairs (APNSA), Deputy Assistants to the President for National Security Affairs (DAPNSAs), and representatives of the Office of the Legal Adviser are also asked by the White House Counsel and Presidential Personnel to evaluate information contained in the background files of prospective presidential appointees, where such information may implicate national security or foreign relations equities. Toward this end, the APNSA and DAPNSAs may determine that it is necessary to consult with additional NSC staff (not listed below) with specialized regional or functional knowledge. In such cases, additional NSC staff having access to FBI background information will be advised that such access is provided for official purposes only and such information shall be used only for the purpose of the specific consultation in question.

Finally, it should be noted that Mr. Leary, as the Senior Director for Records and Access Management, is authorized access and to possess background files and information to the extent required to perform his functions as Custodian of NSC records.

Anthony Lake
Asst to the President for
National Security Affairs

Samuel R. Berger
Dep Asst to the President for
National Security Affairs

Nancy E. Soderberg
Dep Asst to the President for
National Security Affairs

Andrew D. Sens
Executive Secretary, NSC

Alan J. Kreczko
Alan J. Kreczko
Special Asst to the President
Legal Advisor, NSC

James A. Baker
James A. Baker
Deputy Legal Advisor, NSC

John E. Sparks
John E. Sparks
Deputy Legal Advisor, NSC

William H. Leary
William H. Leary
Senior Director for
Records & Access Management,
NSC

Mary A. Haines
Mary A. Haines
Dir of Administration, NSC

James A. Hall
James A. Hall
Security Officer, NSC



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF ADMINISTRATION
WASHINGTON, D.C. 20503

August 1, 1996

MEMORANDUM FOR DISTRIBUTION

FROM: NELSON W. CUNNINGHAM 
GENERAL COUNSEL

SUBJECT: Draft EOP Security Office Procedures

With the incorporation into the EOP Security Office of the former responsibilities of the White House Office of Personnel Security, we have drafted a uniform set of procedures for the EOP Security Office. Because these procedures will govern how security investigations for your staff will be conducted, and will govern your access to information, we are circulating the draft for your comments.

Please let me have your comments by Wednesday, August 7, 1996.

Distribution:

WHO - Jack Quinn, David Fein
OVP - Kumiki Gibson
CEA - Michele Jolin
CEQ - Dinah Bear
NSC - Alan Kreczko
OMB - Bob Damus
ONDCP - Ed Jurith
OSTP - Jonathan Foster
PFIAB - Frank Fountain
USTR - Jennifer Hillman
ExRes - Gary Walters

Withdrawal/Redaction Marker

Clinton Library

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E X E C U T I V E O F F I C E O F T H E P R E S I D E N T

01-Aug-1996 11:47am

TO: (See Below)

FROM: Douglas R. Matties
 Office of Administration

SUBJECT: Signature Authorization for Security Checks

Attached for your convenience is the electronic version of the sample signature authorization for security checks that was sent to you earlier this week by Nelson Cunningham.

As Nelson requested, please complete this form and return it to Chuck Easley (NEOB 4018, x56206) by Friday, August 2. If you need a disk version of the sample, please let me know. I can be reached on x62015.

Thank you.

Distribution:

TO: Michele M. Jolin
TO: Dinah Bear
TO: Allan J. Kreczko
TO: Robert G. Damus
TO: Edward H. Jurith
TO: Jonathan Foster
TO: Jennifer Hillman

* * S A M P L E * * S A M P L E * *

MEMORANDUM FOR CHARLES C. EASLEY
EOP SECURITY OFFICER

FROM: [Head of Agency or Office]

SUBJECT: Authorizations for Personnel Security Reviews

The EOP Security Office handles personnel security matters for [name of agency or office]. The purpose of this memorandum is to notify the EOP Security Office of those individuals whom I have authorized to 1) approve the initiation of name checks and background investigations and 2) review or process FBI background investigation files.

Approving Name Checks and Background Investigations

I hereby authorize the following individuals, whose signatures appear below, to approve the initiation of name checks and background investigations for [name of agency or office]:

_____	_____
	[signature]
_____	[name]
	[title]
_____	_____
	[signature]
_____	[name]
	[title]

Reviewing or Processing FBI Background Investigation Files

I hereby authorize the following individuals, whose signatures appear below, to review or process (i.e., physically handle and possess) FBI background investigation files for [name of agency or office]:

_____	_____
	[signature]
_____	[name]
	[title]
_____	_____
	[signature]
_____	[name]
	[title]

[OR "I have not authorized any person at [name of agency or office] to review or process (i.e., physically handle and possess) FBI background investigation files."]

E X E C U T I V E O F F I C E O F T H E P R E S I D E N T

01-Aug-1996 03:20pm

TO: Joan S. Hunerwadel

FROM: Douglas R. Matties
 Office of Administration

SUBJECT: Here's what I sent to Alan



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF ADMINISTRATION
Washington, D.C. 20503

July 29, 1996

MEMORANDUM FOR GENERAL COUNSELS OF EXECUTIVE OFFICE OF
THE PRESIDENT OFFICES AND AGENCIES

FROM: NELSON W. CUNNINGHAM 
GENERAL COUNSEL

SUBJECT: Signature Authorization for Security Checks

As you are aware, new procedures have recently been implemented for the initiation of FBI name checks and background investigations and for the review of FBI background investigation files. The FBI has requested that we provide them with sample signatures of those persons authorized to initiate name checks or background investigations. For most agencies or offices, this will be someone in the General Counsel's Office.

Attached is a sample signature and authorization memo. Please type it on your agency or office letterhead, obtain the necessary signatures and return it to Chuck Easley by **Friday, August 2, 1996**. A copy of the completed memo will be submitted to the FBI for their use in verifying signatures.

If your agency concludes that no agency employee shall have a need to review FBI background files, please modify the sample memo accordingly. You should understand, however, that the EOP Security Officer will not permit you or anyone else from your agency to read any portion of a background investigation file in the absence of such written authorization.

If you would like a copy of the memo on a diskette or via e-mail, please call my assistant, Doug Matties, at 6-2015.

Thank you for your help.

cc: Charles C. Easley
EOP Security Officer

* * S A M P L E * * S A M P L E * *

MEMORANDUM FOR CHARLES C. EASLEY
EOP SECURITY OFFICER

FROM: [Head of Agency or Office]

SUBJECT: Authorizations for Personnel Security Reviews

The EOP Security Office handles personnel security matters for [name of agency or office]. The purpose of this memorandum is to notify the EOP Security Office of those individuals whom I have authorized to 1) approve the initiation of name checks and background investigations and 2) review or process FBI background investigation files.

Approving Name Checks and Background Investigations

I hereby authorize the following individuals, whose signatures appear below, to approve the initiation of name checks and background investigations for [name of agency or office]:

_____[signature]_____
[name]
[title]

_____[signature]_____
[name]
[title]

Reviewing or Processing FBI Background Investigation Files

I hereby authorize the following individuals, whose signatures appear below, to review or process (i.e., physically handle and possess) FBI background investigation files for [name of agency or office]:

_____[signature]_____
[name]
[title]

_____[signature]_____
[name]
[title]

[OR "I have not authorized any person at [name of agency or office] to review or process (i.e., physically handle and possess) FBI background investigation files."]

SECURITY BRIEFING

- I. Introduction and Overview
- II. Passes
 - ▶ When to Wear
 - ▶ Loss of Pass
 - ▶ Termination of Employment
- III. WAVES
 - ▶ Appointments
 - ▶ Appointments with a Principal
 - ▶ Work Orders
- IV. Classified Documents
 - ▶ 3 Categories - Confidential, Secret, Top Secret
 - ▶ Storage
 - ▶ Destruction
 - ▶ When and Where to Discuss Information
 - ▶ Electronic Security
 - ▶ Press
- V. Office and Personal Security
 - ▶ Locks and Alarms
 - ▶ Missing Items
 - ▶ Fire or Medical Emergency Procedures
 - ▶ Threats
 - ▶ Escort Service
- VI. Mail Security
 - ▶ Normal Procedures
 - ▶ Urgent Packages
 - ▶ Mailing Classified Documents
 - ▶ Suspicious Packages
 - ▶ Letterhead
- VII. Computer Security
 - ▶ Passwords
 - ▶ Unauthorized Software
 - ▶ Internet
- VIII. Summary & Questions

SECURITY REMINDERS

- ▶ Display your pass at all times when inside the complex. Remove your pass when exiting the complex.
- ▶ Volunteers and Interns are not allowed to clear appointments of any type, nor should they be asked to do so.
- ▶ All appointments with a Principal require both a date of birth and social security number. This information must be sent to the WAVES Center AT LEAST 48 hours in advance.
- ▶ Do not leave any classified materials unsecured and/or unattended at any time. Be sure to secure all classified materials at the close of business.
- ▶ Do not load unauthorized software onto your computer.
- ▶ Make sure all packages, bags, mail, etc. are screened by the USSS.
- ▶ Letterhead is only to be used for official business.
- ▶ Do not give out your computer passwords to anyone. Also, change your passwords every month. Do not use obvious selections such as birthdates, addresses, etc.
- ▶ The Internet is for official and authorized purposes only and available only through OASIS.
- ▶ Never discuss classified or sensitive information over an unsecured phone line or cellular phone. Never transmit a message containing classified or sensitive information over a pager system.
- ▶ The White House Communications Agency (WHCA) can provide users with secure phone and fax information.

IMPORTANT PHONE NUMBERS

Emergency (WH, OEOB, NEOB) — DO NOT DIAL 9 911 or O
Emergency (Winder, 750 17th, Jackson Pl.) 708-1111
USSS Command Center (WH & OEOB) 5-4467
USSS Command center (NEOB) 5-4466
USSS Escort Service 5-4366
WHCA Customer Service 7-1234
IS&T Help Desk 5-7370

Press Office 6-2100
OEOB Health Unit 5-6024
NEOB Health Unit 5-5064
Employee Assistance Program (24 Hours a Day) (800) 545-1221
EOP Security Office 5-6206
WH Personnel Security 6-2345

SECURITY BRIEFING

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USSS Command center (NEOB) 5-4466
USSS Escort Service 5-4366
WHCA Customer Service 7-1234
IS&T Help Desk 5-7370

Press Office 6-2100
OEOB Health Unit 5-6024
NEOB Health Unit 5-5064
Employee Assistance Program (24 Hours a Day) (800) 545-1221
EOP Security Office 5-6206
WH Personnel Security 6-2345

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ONE HUNDRED FOURTH CONG

Congress of the United States

House of Representatives

COMMITTEE ON GOVERNMENT REFORM

2157 RAYBURN HOUSE OFFICE

WASHINGTON, DC 20515-

July 22, 1996

John M. Quinn, Esq.
Counsel to the President
The White House
Washington, DC

Dear Mr. Quinn:

Recent testimony given in both Committee depositions and Committee hearings has raised questions with respect to the process of granting security clearances to White House staff members. Please provide the following information regarding this process.

1. The name of the office or agency which has the responsibility of granting security clearances for White House staff members.
2. The name of the individual who is currently the head of that office or agency, and any other individuals who have headed that office since January, 1993.
3. The process by which an individual working in the White House obtains a security clearance. Please include in the explanation, a chain of command for the application and other paperwork, a description of the forms that are completed by the applicant, and where the records for the security clearances on White House staff are stored.
4. Please state whether current FBI full field background investigations are used in the completion of security clearances for White House staff members.
5. Please state whether the completion of a Name Check request can constitute the basis for a security clearance, for any purpose, in the White House.
6. State whether the process in place for the granting of security clearances in the White House has changed in any way since January of 1993. If so, please provide a full explanation of any amendments to the process, and the reasons for those amendments.

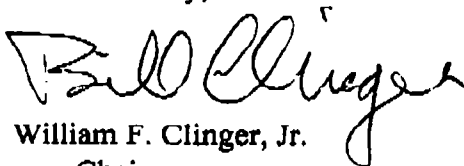
F.12 W18
Securities
Rust TC: Kew
Jodie
Chuck Esley
Nelson
Evelyn
cc fyi -
James
Jamie B
who is going
to draft reply?
JR

Quinn Letter,
Page 2

7. State if, at any time, the granting of a temporary pass by the U.S. Secret Service to a White House employee constituted any level of security clearance. If so, please state the level of security clearance conferred upon a White House temporary passholder.
8. State if, at any time, the granting of a permanent pass by the U.S. Secret Service to a White House employee constituted any level of security clearance. If so, please state the level of security clearance conferred upon a White House permanent passholder.

Thank you for your attention to this matter. I would appreciate your response by July 25, 1996.

Sincerely,

A handwritten signature in black ink, appearing to read "Bill Clinger". The signature is fluid and cursive, with a large initial "B" and a stylized "C".

William F. Clinger, Jr.
Chairman

cc: Honorable Cardiss Collins

WILLIAM F. CLINGER, JR. PENNSYLVANIA
CHAIRMAN

EDWARD A. CLAMAN, NEW YORK
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Congress of the United States

House of Representatives

COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT

2157 RAYBURN HOUSE OFFICE BUILDING

WASHINGTON, DC 20515-6143

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TOM LANTOS, CALIFORNIA

WILLIAM R. SPARTAN, VIRGINIA
WILLIAM R. SPARTAN, VIRGINIA

WILLIAM R. SPARTAN, VIRGINIA
WILLIAM R. SPARTAN, VIRGINIA

FACSIMILE TRANSMISSION

TO:

Mr. Jack Quinn

FROM:

Chairman Clinger

DATE:

July 23, 1996

PHONE:

Fax: 456-6279

There will be a total of 3 pages, including this page.

Comments:

If there are any questions or problems
regarding this transmission, please call the sender
at (202) 225-5074.

[Date]

MEMORANDUM FOR DONNA M. HEIVILIN

Director, Defense management and NASA Issues
National Security and International Affairs Division
General Accounting Office

SUBJECT: Personnel Security Investigations and Adjudications

In response to your letter of May 31, 1994, I would invite your attention to the recommendations of the Secretary of Defense and Director of Central Intelligence's Joint Security Commission Report of February 28, 1994, *Redefining Security*. While the Administration has not fully endorsed all the recommendations of this report, it contains much serious reflection and several recommendations relevant to your inquiry.

It may not be feasible or desirable to place ^{all} government wide investigative and adjudicative responsibility into one personnel security organization. However, consolidation of investigations and standardization of procedures may be cost effective within Departments with multiple and overlapping personnel security investigative organizations, such as the Department of Defense and the Intelligence Community. It also makes sense to consolidate adjudications in a centralized facility or data base, ^{however} but due to the unique responsibilities of certain agencies, it may be neither feasible or desirable to consolidate adjudication responsibilities into one organization. [Further, I believe that there may be serious concerns regarding placing responsibility for both investigations and adjudication into the same organization.]

A prudent course may be to monitor and evaluate the effectiveness and actual cost reduction achieved by a test of such consolidation within the Defense Department or other appropriate Department.

Anthony Lake
Assistant to the President for
National Security Affairs

and within the least
possible
and he should certainly explore minimum requirements
for duplicative investigations where government employees
are affiliated with more than one agency or
transfer from one department to another.

Bob Mangano, Pat Nelson

CLASSIFICATION
Declassify on: OADR

It is also this important that
whatever model the least utilized
choices, it is essential that the
tribut retain flexibility to respond
and adapt to changing circumstances and need strong
return.

?
Already
is
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case
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not.

Statement
of President
Anthony.

Withdrawal/Redaction Marker

Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
002. fax	Cover Sheet. [partial] (1 page)	06/20/1994	b(7)(C)

COLLECTION:

Clinton Presidential Records
National Security Council
Legal Advisor (Mary DeRosa)
OA/Box Number: 4058

FOLDER TITLE:

Personnel Security [6]

2006-1066-F

vz875

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

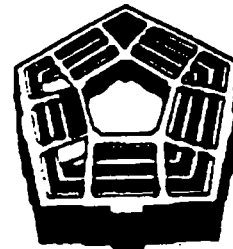
PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

- b(1) National security classified information [(b)(1) of the FOIA]
- b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
- b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
- b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
- b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

1. Galt
P. Miller
T. P. Miller
E. Miller
J. Miller



OASD(C3I)

Office of the Director, Counterintelligence and
Security Programs, ODASD(I)
FAX Cover Sheet

To: Ray Mislock, NSC

Fax Phone # (202) 395-1475

Voice Phone # (202) 395-4614

Comments:

The attached draft response to GAO regarding investigative and adjudicative consolidation is provided for your review & comment. John Elliff has reviewed. Please give me a call if you have any questions or suggestions.

From: Peter Nelson

Voice Phone #

(b)(7)(c)

UNCLASS Fax Phone

(b)(7)(c)

CLASS Fax Phone

(b)(7)(c)

This case consists of 5 pages including this cover sheet.

[002]



DRAFT
OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE

WASHINGTON, DC 20301-3040

COMMAND, CONTROL,
COMMUNICATIONS
AND INTELLIGENCE

Donna M. Heivilin, Director
Defense Management and
NASA Issues
U.S. General Accounting Office
441 G Street
Washington, D.C. 20548

Dear Ms. Heivilin:

This is in response to your May 31, 1994 letter to the Secretary of Defense regarding the ongoing review of investigation and adjudication of personnel security clearances (Code 709035). These are important issues of significant interest to the Department of Defense which were highlighted in the Joint Security Commission report, "Redefining Security," dated February 28, 1994.

There are numerous agencies in the Federal government conducting personnel security investigations (PSI) for access to classified information and employment in sensitive and non-sensitive positions. The two largest of those are the Defense Investigative Service (DIS) and the Office of Personnel Management (OPM). Together they account for in excess of 250,000 field investigations and 800,000 National Agency Checks (NAC) and National Agency Checks with Inquiries (NACI) per year. This constitutes approximately 90% of the total investigations conducted each year by all agencies. Other agencies that conduct such investigations include FBI, State, CIA, IRS, ATF, Customs, NRO, etc.

Since NSD 63 was signed by the President in October 1991 implementing the single scope background investigation (SSBI), most agencies have made progress in adopting common investigative scopes and accepting each other's products. However, differences still exist, especially with respect to the scope for SECRET which is a NAC in DoD and a NACI elsewhere. The JSC report recommended that the NACI plus credit be adopted as the minimum scope for SECRET, which would impose a substantial resource burden upon DIS.

In consideration of the above, significant improvements in cost, timeliness and efficiency could be achieved through progress towards consolidation of investigations in the Executive Branch, as was suggested in the JSC report. DoD has recently been approached by several Executive Branch agencies to have DIS conduct PSI's due to the cost of OPM's product. While OPM's workload has declined significantly and they have been forced to reduce investigative personnel, DIS continues to experience

DRAFT

increases in case completion times due to a heavy workload. Accordingly, a significant first step towards the goal of Senators Inouye and Lautenberg might be to consider consolidating DIS and OPM security clearance investigations. Such a merger could result in several potential benefits, including 1) a single data base comprising accurate and current investigative information of 90% of personnel in government; 2) economies of scale resulting in significantly less cost per case to the customer; 3) overall improvement in case completion times, and 4) delivery of a consistent and high quality investigative product. While there will no doubt be some legal and technical issues associated with such a merger, they are not insurmountable and could be well worth the effort.

With respect to the issue of a single adjudicative facility for the Executive Branch, the problems associated with this initiative are more complex and potentially intractable. While DoD has recently moved to further consolidate its adjudicative functions and the JSC recommended total consolidation within DoD, extending such a concept to other agencies and departments with different missions and statutory authorities becomes much more problematical, especially with respect to hiring decisions for unclassified sensitive and non-sensitive positions. Whereas many Federal agencies already use DIS to conduct investigations for contractor personnel and OPM for employees, such is not the case with adjudicative determinations. Most agencies understandably would prefer to retain such critical decisions under their respective statutory authorities, especially when the consequences of a mistake could be significant. While DoD agrees with the JSC recommendation that all such adjudicative outcomes should be entered into a central data base accessible by authorized users, a totally centralized adjudication facility may be neither feasible nor desirable due to the unique roles and environments of the affected agencies. Such a facility would be subject to the criticism that decisions would tend to be more homogenous and not reflect the unique needs of a particular agency.

Therefore, a goal of increased centralization of adjudicative functions within agencies such as DoD, linked to a common data base, could be a cost effective and feasible alternative rather than total government-wide consolidation. Likewise, a phased approach towards consolidation of the investigative function for access to classified information and employment in sensitive and non-sensitive positions, beginning with DoD and OPM, under some mutually agreeable structure that is adequately resourced, could pay significant dividends in the future. Regardless of what consolidation alternatives are selected, it is not appropriate to consolidate both the investigative and adjudicative functions in one agency due to the possibility of a conflict of interest. It is an established concept in our constitutional system that the investigative process be kept separate from the machinery that determines guilt or innocence. The same considerations should also apply with

DRAFT

respect to the issuance, denial or revocation of a security clearance as well as a determination of suitability for employment.

A summary of the advantages and disadvantages of each proposal is contained at the enclosure.

Keith R. Hall
Deputy Assistant Secretary
of Defense (Intelligence
& Security)

Enclosure

DRAFT**Advantages/Disadvantages of Consolidated
Investigation/Adjudication****I. Consolidated Investigation:**

<u>Advantages</u>	<u>Disadvantages</u>
1. Consistent scope	1. Responsiveness degraded
2. Enhanced reciprocity	2. Loss of agency control
3. Reduced costs	3. Mixed priorities
4. Single point of contact	4. Bigger target for funding decrements
5. Single, government-wide data base	5. Loss of training vehicle for new agents
6. Improved oversight & quality control	6. Loss of agency flexibility
7. Leverage scarce resources	7. Statutory/regulatory issues

II. Consolidated Adjudication:

<u>Advantages</u>	<u>Disadvantages</u>
1. Consistent decisions	1. Clearance vs. employment standards conflict
2. Timely outcomes	2. Missions/functions differ
3. Single data base	3. Statutory conflicts
4. Efficient use of scarce resources	4. Decisions made to minimum standards
5. Facilitates oversight	5. Lack of flexibility
6. Consistent due process	6. Loss of agency input to decision process
7. Standard training and selection procedures	7. Inability to respond to agency priorities

Dear Mr. Campbell:

Thank you for your letter of July 5, 1995, concerning the financial disclosure provisions in the President's Executive Order on Access to Classified Information.

While I support financial disclosure as a component of security management, I appreciate your concern about the Order's implementation. We have an opportunity for improvement of security, if financial reporting is cost-effective, fair and as simple as possible.

As you may be aware, the Executive Order directs the Security Policy Board to develop procedures for implementing the Order's provision on financial reporting, including development of a standard financial disclosure form. These procedures are subject to the President's approval. The form itself is also subject to OMB approval.

The Security Policy Board welcomes the comments and participation of industry representatives as they proceed with their work. (I recommend that you call Peter Saderholm, 703-482-xxxx.) In addition, a Security Policy Advisory Board, composed of five private sector members, will soon be established to advise the President about security matters. You should not hesitate to bring your concerns and advice to these boards. In the interim, I have taken the liberty of forwarding your letter and a copy of my response to the Security Policy Board.

Sincerely,

Anthony Lake
Assistant to the President
for National Security Affairs

Barry G. Campbell, President & CEO
Vitro Corporation
45 West Gude Drive
Rockville, MD 20850-1160

Dear Don:

Thank you for your letter on the President's Executive Order on Access to Classified Information. I know that Tony Lake and his staff have been in touch with you directly regarding the Order's provisions on financial disclosure.

I did, however, want to express my own confidence that the Security Policy Board, which includes John Deutch, Jamie Gorelick and John White, intends to address the sorts of concerns you have raised about financial disclosure in a manner that both fullfills the President's directive and requirements of the Intelligence Authorization Act of 1995 and that is appropriate for the situation.

I know they will appreciate having your views as they move forward.

Sincerely,

Don Fuqua
President
Aerospace Industries Association
1250 Eye Street, N.W.
Washington, D.C. 20005

UNCLASSIFIED
NSC/RMO PROFILE

RECORD ID: 9506033
RECEIVED: 03 AUG 95 17

TO: LAKE

FROM: KOHLER, ROBERT J

DOC DATE: 01 AUG 95
SOURCE REF:

KEYWORDS: INTELLIGENCE
MP

ACCESS

JB

PERSONS:

SUBJECT: TRW EXEC VP CONCERNS RE DRAFT EO RE ACCESS TO CLASSIFIED INFORMATION

ACTION: PREPARE MEMO FOR LAKE

DUE DATE: 07 AUG 95 STATUS: S

STAFF OFFICER: APPEL

LOGREF:

FILES: WH

NSCP:

CODES:

D O C U M E N T D I S T R I B U T I O N

FOR ACTION

APPEL

FOR CONCURRENCE

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LEARY

FOR INFO

BEERS
VAN TASSEL

COMMENTS: _____

DISPATCHED BY _____ DATE _____ BY HAND W/ATTCH

OPENED BY: NSJWF

CLOSED BY:

DOC 1 OF 1

UNCLASSIFIED

August 1, 1995

Mr. Anthony Lake
Assistant to the President for National Security
The White House
Washington, DC 20500

Dear Mr. Lake:

I am writing to express my strong concerns regarding some aspects of the draft Executive Order on "Access to Classified Information," which is now being circulated for comment within the government.

Specifically, I wish to call your attention to Section 1.3 of the proposed order that would require new, intrusive and onerous disclosures of financial information by those who are granted access to certain categories of classified information. As presently worded, the order would mandate that employees, including contractors, file a report on not only their own financial status, but also the status of their spouse and children. The bureaucracy has already prepared some draft versions of those disclosure forms, and I commend them to your attention. They all require a considerable amount of detailed information, in one case consisting of four pages of questions and categories requiring separate valuations of each individual asset; in a nutshell, they make the IRS 1040 form look like child's play (see copy of draft form attached).

I am not arguing against the need and importance of strong security controls on classified information and technical systems. Moreover, I am acutely aware of the need to improve security and counterintelligence practices in the aftermath of the Aldrich Ames espionage case. I have labored under the strictest security rules and regulations, including being subjected to in-depth polygraph examinations, for my entire professional life--including 18 years of service at the Central Intelligence Agency involved in the development and management of extremely sensitive intelligence collection systems--and therefore understand the vital importance of strong security practices. I willingly submitted to those rules and regulations because they were an appropriate and reasonable response to anticipated security threats.

Increasing the burden of security rules and regulations should be done only if the changes will manifestly improve our security posture. I object to the new financial reporting requirement because not only will the new rule *not* appreciably strengthen security, it could have the perverse consequence of weakening our security efforts. First, the reporting requirements will serve only to encourage a reasonably intelligent spy to be more circumspect in hiding and spending his ill-gotten gains; it is extremely doubtful that a spy will confess to making extraordinary deposits to overseas bank accounts, regardless of the financial reporting requirements. Second, at a time when budgets are flat or declining, where is the intelligence community going to find the resources to manage the veritable flood of financial reports on the many hundreds of thousands of people that will be required by the new rule? What financial analysis training will be provided to the security staffs handling that data, and how much will that cost? Absent special training, what

competence do security officers in the intelligence and defense communities have to process, manage, and review, let alone understand, the financial reporting of this many people? Quite frankly, I have no confidence that the bureaucrats who have spent a career in a security office will have or be able to acquire the requisite expertise and financial sophistication to understand the full range of personal financial transactions and compensation packages (especially for private sector contractor employees, where stock options, bonuses, and other complex incentive plans are prevalent) sufficiently well to be able to detect evidence of espionage. Further, security offices will be too inundated with reports to discern the truth; not only will they be so swamped with paper and data that the material could not be properly analyzed, but their efforts to manage that process would consume the limited resources and personnel that could otherwise be dedicated to more effective counterintelligence and security programs. The net effect would be less, not better, security.

As a defense contractor, I have a third major concern about the effect of new financial reporting requirements on our ability to recruit, hire, and retain qualified personnel with technical expertise, especially in areas like software engineering, where a robust market for such skills exists in the commercial sector. We already impose a number of security requirements on our people, including background investigations, polygraph examinations, travel restrictions, and other limitations on personal freedoms. Creating a new and onerous security regulation like this financial reporting requirement will serve only to discourage talented people from seeking or maintaining their employment in the defense sector in favor of the commercial sector where such security rules are absent. We face enough of a challenge hiring qualified staff to work on vital national security programs because of the perceived decline of the defense industry as an area to make a career; we do not need the additional negative burden of intrusive financial reporting requirements.

Before you make up your mind on this issue, I would encourage you to consult with the government's own security experts. I understand that the Personnel Security Committee, a policy working group reporting to the U.S. Security Policy Board, recently discussed the proposed financial reporting requirements; there was a vote of confidence among the members as to whether they felt such disclosures were likely to have a positive effect on security--22 members voted no confidence, five abstained, and only one member stated qualified support, based on perceived political rather than security imperatives. Thus, your own security professionals are acutely aware that the proposed reporting requirements will not be effective in finding a very small number of needles (spies) in a haystack (of financial reports) that will grow geometrically.

Rather than force hundreds of thousands of people who already adhere to numerous security rules to submit to this dubious proposed financial disclosure requirement, I would propose a much simpler course of action: personnel granted access to classified information should sign a waiver granting duly authorized law enforcement personnel access to personal financial information if a security or counterintelligence investigation should become necessary. Such a solution would focus on the few instances when such investigations are necessary, and would spare the rest of us from forced participation in an ultimately feckless exercise.

I appreciate the complexity of these security issues, and I hope my views will be taken into account as you consider your decision on the new Executive Order.

Sincerely,

A handwritten signature in black ink, appearing to read "R. Kohler", with a long horizontal flourish extending to the right.

Robert J. Kohler
Executive Vice President

Enclosure

7. List identification information for all domestic and foreign real estate you currently own or rent. Do not list purchase price and date of real estate that you are renting from others.						
Street Address	City	State/ Country	Purchase Price	Date of Purchase	Type	Owner/ Renter ¹
Total purchase price of all real estate held (also note this amount in Item 1a)			→			

8. List identification information for all automobiles, trucks, airplanes, boats, and recreation vehicles you currently own or lease. Do not list purchase price and date for items you are leasing from others.							
Type of vehicle	Year	Make	License or Reg #	State	Purchase Price	Date of Purchase	Owner/ Renter ¹
Total purchase price of all vehicles owned (also note this amount in Item 1b)					→		

¹Indicate if you are Owner (O) or Renter/lessee (R) and relationship of the person in whose name(s) the mortgage, vehicle loan contract, title, deed, or rental/lease agreement are placed: Filer (F), Spouse (S), Dependent Child(ren) (C), and/or some other person (P). For example, O-FS, O-C, R-F, O-SC.

9. Value of securities and investment accounts (stocks, bonds, mutual funds, commodities). List individually only securities for which you hold the certificates.							
Brokerage Firm/Self Held	Address	City	State/ Country	Account No.	Last State- ment Value	Date Value Computed	Account Holder ²
DRAFT							
Total Value of all securities and investments (also note this amount in Item 1c)					→		

10. List all domestic and foreign bank, savings and loan, credit union, money market accounts and certificates of deposit.

Institution	City	State/ Country	Account No.	Type	Last State- ment Value	Date Value Computed	Account Holder ²
Total Value of all savings, checking, money market accounts and CD's (also note this amount in Item 1d)					→		

²Indicate the relationship of the person in whose name(s) the securities, investments, accounts are placed: Filer (F), Spouse (S), Dependent Child(ren) (C), and/or some other person (P).

THE WHITE HOUSE

WASHINGTON

July 21, 1995

Dear Madam and Sirs:

Thank you for your recent letter. I share your concern about the implementation of the Congressional mandate for financial reporting as a component of security management.

The draft Executive Order on Access to Classified Information will, as the 1995 Intelligence Appropriations Act required, initiate financial reporting as one of the major improvements to our national security program. I, too, believe that such reporting should be cost-effective, fair and as simple as possible.

The Executive order will direct the Security Policy Board to set standards for financial reporting and several other aspects of security. A Security Policy Advisory Board, composed of five private sector members, will be set up soon to advise the President about these matters. You should not hesitate to bring your concerns and advice to these boards.

I am forwarding your letter and this response to the Security Policy Board Staff Director, Peter Saderholm. Along with NSC Counterintelligence Director Edward J. Appel, with whom you are already in contact, the Board will arrange to receive your input on financial reporting and the other aspects of the order that concern you. We think your advice will be invaluable in setting up the standards, forms and other mechanisms to carry out the Executive order when it is issued.

Sincerely,



Anthony Lake
Assistant to the President
for National Security Affairs

Council of Defense and Space Industry Associations
1250 Eye Street, N.W.
Suite 1100
Washington, D.C. 20005

UNCLASSIFIED
NSC/RMO PROFILE

RECORD ID: 9505102
RECEIVED: 03 JUL 95 15

TO: COUN OF DEFENSE

FROM: LAKE

DOC DATE: 21 JUL 95
SOURCE REF:

KEYWORDS: INTELLIGENCE
EO

ACCESS

PERSONS:

SUBJECT: REPLY RE IMPLEMENTATION OF CONGRESSIONAL MANDATE FOR FINANCIAL
REPORTING FOR SECURITY MANAGEMENT

ACTION: LAKE SGD LTR

DUE DATE: 06 JUL 95 STATUS: C

STAFF OFFICER: APPEL

LOGREF:

FILES: WH

NSCP:

CODES:

DOCUMENT DISTRIBUTION

FOR ACTION

FOR CONCURRENCE

FOR INFO

APPEL
BEERS
NSC CHRON

*James
FYI*

CC: J. Baker

COMMENTS: _____

DISPATCHED BY _____ DATE _____ BY HAND W/ATTCH

OPENED BY: NSBTM

CLOSED BY: NSDRS

DOC 3 OF 3

UNCLASSIFIED

UNCLASSIFIED
ACTION DATA SUMMARY REPORT

RECORD ID: 9505102

DOC ACTION OFFICER

CAO ASSIGNED ACTION REQUIRED

001 APPEL	Z 95062916 PREPARE MEMO FOR LAKE
002 LAKE	Z 95071816 FOR SIGNATURE
003	X 95072114 LAKE SGD LTR

DISPATCH DATA SUMMARY REPORT

<u>DOC</u>	<u>DATE</u>	<u>DISPATCH FOR ACTION</u>	<u>DISPATCH FOR INFO</u>
003	950721	COUN OF DEFENSE & SPACE INDUST	

UNCLASSIFIED

National Security Council
The White House

REC'd 7/19
4:15 PM

PROOFED BY: _____

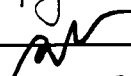
LOG # 5102

URGENT NOT PROOFED: _____

SYSTEM ~~FRS~~ NSC INT

BYPASSED WW DESK: _____

DOCLOG ~~FRS~~ A/O _____

	SEQUENCE TO	INITIAL/DATE	DISPOSITION
 Harmon	1		
Dohse			
Sens			
Soderberg		copy ✓	
Berger	-		
Lake	2	Natl Sec Advisor	
Situation Room		has seen	
West Wing Desk	3	 7/21	
Records Mgt.	4	FRS 7/22	

A = Action I = Information D = Dispatch R = Retain N = No Further Action

cc:

COMMENTS:

FOR MR. B. J. J.

18 JUL 85 4:22

Exec Sec Office has diskette 

THE WHITE HOUSE

WASHINGTON

July 21, 1995

Dear Madam and Sirs:

Thank you for your recent letter. I share your concern about the implementation of the Congressional mandate for financial reporting as a component of security management.

The draft Executive Order on Access to Classified Information will, as the 1995 Intelligence Appropriations Act required, initiate financial reporting as one of the major improvements to our national security program. I, too, believe that such reporting should be cost-effective, fair and as simple as possible.

The Executive order will direct the Security Policy Board to set standards for financial reporting and several other aspects of security. A Security Policy Advisory Board, composed of five private sector members, will be set up soon to advise the President about these matters. You should not hesitate to bring your concerns and advice to these boards.

I am forwarding your letter and this response to the Security Policy Board Staff Director, Peter Saderholm. Along with NSC Counterintelligence Director Edward J. Appel, with whom you are already in contact, the Board will arrange to receive your input on financial reporting and the other aspects of the order that concern you. We think your advice will be invaluable in setting up the standards, forms and other mechanisms to carry out the Executive order when it is issued.

Sincerely,



Anthony Lake
Assistant to the President
for National Security Affairs

Council of Defense and Space Industry Associations
1250 Eye Street, N.W.
Suite 1100
Washington, D.C. 20005

COUNCIL OF DEFENSE AND SPACE INDUSTRY ASSOCIATIONS

1250 Eye Street, N.W., Suite 1100
Washington, D.C. 20005
(202) 371-8414

5102

June 29, 1995

The Honorable Anthony Lake
Assistant to the President for
National Security Affairs
National Security Council
Old Executive Office Building
Washington, DC 20500

Dear Mr. Lake:

The undersigned member associations of the Council of Defense and Space Industry Associations (CODSIA) are deeply concerned about the draft Presidential Executive Order "Access to Classified Information," and in particular the section dealing with financial disclosure.

CODSIA was formed in 1964 by industry associations having common interests in the defense and space fields and is comprised of nine associations, representing some 4,000 large and small member firms across the nation. The Department of Defense encouraged formation of this organization as a vehicle for obtaining broad industry input to new and revised regulations, policies and procedures concerning procurement and related fields.

We understand that the proposed Order is based on requirements contained in the FY 1995 Intelligence Appropriations Act, and we do not question the importance of financial disclosure to national security. However, we are concerned that: (1) adequate criteria or standards be provided to ensure that the requirement for financial disclosure is not abused or applied more broadly than necessary; and (2) the financial disclosure form itself be as simple and straightforward as possible and still accomplish its objective. One proposed disclosure form which we have seen asks for the value of "collectibles" (art, coins, stamps, antiques) in addition to detailed bank accounts, investments, and real property. Clearly the government is reacting to the Aldrich Ames case in a manner than can only be viewed as overly intrusive. Yet, it is hard to imagine that "spies" will complete the form honestly.

Unless the applicability of the financial disclosure aspects of the Order and the scope of financial disclosure are properly limited, we fear that the implementation of this Order will have a chilling effect on the government contracting community and will significantly impact the cost of doing business in the national security arena. For example:

- The burdensomeness of completing one of the more detailed disclosure forms we have seen, and the very private nature of such information (including such items as specific identity of account numbers), would have an adverse impact on the willingness of contractor personnel to be cleared at special access levels.

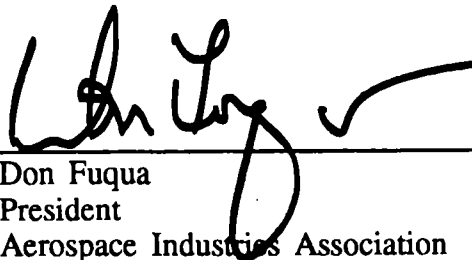
Hon. Anthony Lake
June 29, 1995
Page 2

- Additional resources will be required by both government and industry to implement, manage and safeguard the financial reports that will be generated. Furthermore, if either a contractor or the government fails to maintain such information properly, there could be substantial potential liability under the Privacy Act and under common law tort concepts.
- The information required by the more detailed form seems to avoid the restrictions on, and criminal sanctions that can be imposed for, unauthorized disclosure of tax information (e.g., 26 U.S.C. 7213). The person providing the information would have less protection than he/she would have if tax forms were provided.
- - Unnecessarily intrusive disclosure requirements will make recruiting top talent much more difficult for the government and certainly for CODSIA member companies performing defense contracts. They will surely discourage potential corporate directors from accepting such appointments. In addition, they will deter many commercial firms from doing business with the government, and will give our best talent one more reason to seek careers outside national security. We are already competing with the commercial sector for talent, and this will be one more costly disadvantage we can ill afford.

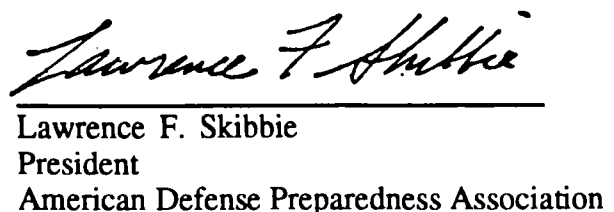
We recognize that the Order has not yet been signed, nor has the extent of financial disclosure been fixed. However, the very fact that forms such as those we have seen are being considered is a matter of great concern. Industry has always been willing to cooperate and furnish information where there was a need, but we seriously question the value-added of the wholesale accumulation of personal data. We view the prospect of such financial disclosure as is being considered as a costly overreaction to the unfortunate problem represented by the Ames case. These extreme measures are neither warranted nor will they produce the desired results.

We urge the establishment of a joint government-industry working group to ensure the development of a form which will fulfill the government's legitimate needs and minimize the intrusive aspects. We stand ready to assist you in forming such a group.

Sincerely,

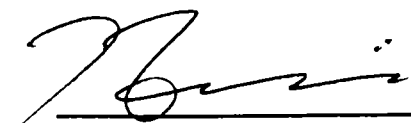


Don Fuqua
President
Aerospace Industries Association

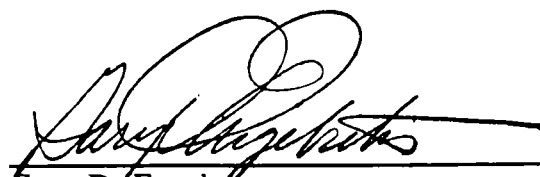


Lawrence F. Skibbie
President
American Defense Preparedness Association

Hon. Anthony Lake
June 29, 1995
Page 3



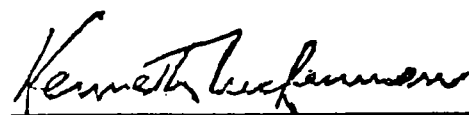
John F. Mancini
Chief Operating Officer
American Electronics Association



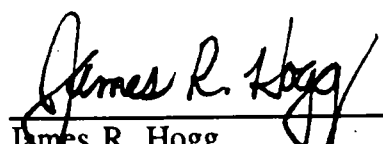
Gary D. Engebretson
President
Contract Services Association



Dan C. Heinemeier
Vice President
Electronic Industries Association



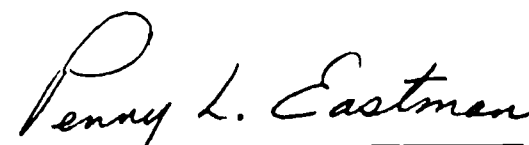
Kenneth McLennan
President
Manufacturers Alliance for Productivity
and Innovation



James R. Hogg
President
National Security Industrial Association



Bert M. Concklin
President
Professional Services Council



Penny L. Eastman
President
Shipbuilders Council of America

cc - Hon. William J. Perry
Secretary of Defense

- Hon. John M. Deutch
Director, Central Intelligence Agency

NATIONAL SECURITY COUNCIL

WASHINGTON, D.C. 20506

July 18, 1995

ACTION

MEMORANDUM FOR ANTHONY LAKE

THROUGH: R. RANK BEERS

FROM: EDWARD J. APPEL

SUBJECT: Draft Executive Order on Access to Classified
Information; Industry Association Correspondence

Attached at Tab I for your signature is a letter responding to a June 29, 1995 letter from the Council of Defense and Space Industry Associations.

As you will recall, Don Fuqua, President, Aerospace Industries Association, wrote June 7, 1995, and you responded June 16, on the issue of financial disclosure in the draft Executive Order on Access to Classified Information. Now, Mr. Fuqua is joined by several other defense and space industry associations in expressing concerns about how the order and implementing forms and standards will require financial disclosure for cleared employees and contractors (Tab II).

I have arranged for a session for the associations at which we will discuss their concerns, and invite their continued participation, as the order is finalized and the Security Policy Board goes about implementing the order through adoption of standards and forms. The letter thanks them for their interest and invites continued communications. Copies of the letter are being sent to the Security Policy Board, Defense Department and CIA (the latter two because incoming correspondence copied them).

RECOMMENDATION:

That you sign the letter at Tab I.

Attachment

Tab I Letter to CODASIA

Tab II Incoming correspondence

Dear Mr. Campbell:

Thank you for your letter of July 5, 1995, concerning financial disclosure provisions of the draft Executive Order on Access to Classified Information.

I share your concern about the implementation of the provisions of the 1995 Intelligence Authorization Act, which mandate financial disclosure as a component of security management. We have an opportunity to improve our security, but we should do so in a manner that is as cost-effective, fair and simple as possible.

As you may be aware, the Executive Order will direct the Security Policy Board to set standards for financial reporting and several other aspects of security. Soon, a Security Policy Advisory Board, composed of five private sector members, will be set up to advise the President about security matters. You should not hesitate to bring your concerns and advice to these boards, and I will take the liberty of forwarding your letter and my response to their staff.

The National Security Council staff is monitoring the standards, forms and regulations developed and recommended by the Security Policy Board closely, and we will consider your views seriously in evaluating their recommendations.]

Sincerely,

Anthony Lake
Assistant to the President for
National Security Affairs

Barry G. Campbell, President & CEO
Vitro Corporation
45 West Gude Drive
Rockville, MD 20850-1160



Staff to Alan Kveezko
5239

Vitro Corporation
45 West Gude Drive
Rockville, MD 20850-1160
301 738-4000
FAX 301 738-4479

5 July 1995

The Honorable Anthony Lake
Assistant to the President
for National Security Affairs
The White House
Washington, D.C. 20500

Dear Mr. Lake

I have recently learned that the President may sign an Executive Order within the next few weeks mandating financial disclosure requirements as a condition precedent for access to classified information throughout the government and industry.

I am also greatly concerned that the very thought of digging through personal records to fully answer the financial information required could cause the best and brightest to seek employment where access to classified material is not required. As you well know, neither private industry nor government can afford this loss of talent.

Should an alternative solution to financial disclosure not be feasible, stronger guidance in the Executive Order should provide for the exercise of a high degree of selectivity by Agency Heads in designating individuals to whom the requirement for financial disclosure would be applicable.

I sincerely urge you to find a more effective method to deal with the espionage threat. For example, if federal investigators do not now have the necessary authority to examine all of our financial records, it seems to me that a simple waiver, signed by those of us who need access to classified information, would suffice. I trust that wisdom will prevail in solving this issue.

Sincerely,


Barry G. Campbell
President & CEO

CRS:ch

cc: AARossi
GWDavies
CRSmith
File

Appel, Edward J.

From: Baker, James E.
To: Appel, Edward J.
Cc: /R, Record at A1
Subject: RE: Financial Disclosure Provision of EO on Access [UNCLASSIFIED]
Date: Tuesday, July 25, 1995 10:31AM

Ed:

I think this is a short solid letter. Two recommendations: (1) second sentence of 2d para. it does not follow exactly that security will improve if it is cost effective and simple. I would reword "We have an opportunity to improve our security, but we should do so in a manner that is as cost-effective, fair and simple as possible." (2) Last para. first sentence. Unless you really mean it, I would avoid saying the National Security Council. I would say "My staff" or "the National Security Council staff" or depending on what we finally agreed to, you could go further and use the language directly out of order: "I intend to review on behalf of the President as will OMB. . . blah blah."

When you have in final draft, I would like to show to Ab Mikva before we send out and use as the template, because he has also received letters on the subject. Thanks.

From: Appel, Edward J.
To: Baker, James E.
CC: /R, Record at A1; Hammond, Lisa W.
Subject: Financial Disclosure Provision of EO on Access [UNCLASSIFIED]
Date: Friday, July 21, 1995 03:04 PM

<< Attached File: FINAN1.DOC >>

Jamie: This is a prototype for letters I'd like to write to industry correspondents who are writing to TL about their financial reporting concerns stemming from the EO on Access to Classified Info. Please look it over. If it's OK with you, I propose to use it as a model for routine letters of this type. (I have a few to do like it now.) Let me know if you concur. Thx Ed

Liša: If Jamie OK's this letter, it will respond to 5239 and we'll use it for some other responses.



**Aerospace
Industries
Association**

*Jamie
Kathie or Alan
Don Don
W*



Don Fuqua
President
371-8501

June 29, 1995

The Honorable Abner Mikva
Counsel to the President
The White House
Washington, D. C. 20500

Dear Ab:

Attached is a copy of a letter which was delivered
to Tony Lake and to Edward Appel.

Just wanted you to be aware of our concerns about
the potential impact of financial disclosure if there is
a tendency to go overboard in the scope of data requested.

I hope we will be permitted to participate in the
development of the financial disclosure form. I will
give you a call sometime after the holiday to get your
thoughts.

Sincerely,

Don Fuqua

DF:as

Enclosure

COUNCIL OF DEFENSE AND SPACE INDUSTRY ASSOCIATIONS

1250 Eye Street, N.W., Suite 1100
Washington, D.C. 20005
(202) 371-8414

June 29, 1995

The Honorable Anthony Lake
Assistant to the President for
National Security Affairs
National Security Council
Old Executive Office Building
Washington, DC 20500

Dear Mr. Lake:

The undersigned member associations of the Council of Defense and Space Industry Associations (CODSIA) are deeply concerned about the draft Presidential Executive Order "Access to Classified Information," and in particular the section dealing with financial disclosure.

CODSIA was formed in 1964 by industry associations having common interests in the defense and space fields and is comprised of nine associations, representing some 4,000 large and small member firms across the nation. The Department of Defense encouraged formation of this organization as a vehicle for obtaining broad industry input to new and revised regulations, policies and procedures concerning procurement and related fields.

We understand that the proposed Order is based on requirements contained in the FY 1995 Intelligence Appropriations Act, and we do not question the importance of financial disclosure to national security. However, we are concerned that: (1) adequate criteria or standards be provided to ensure that the requirement for financial disclosure is not abused or applied more broadly than necessary; and (2) the financial disclosure form itself be as simple and straightforward as possible and still accomplish its objective. One proposed disclosure form which we have seen asks for the value of "collectibles" (art, coins, stamps, antiques) in addition to detailed bank accounts, investments, and real property. Clearly the government is reacting to the Aldrich Ames case in a manner than can only be viewed as overly intrusive. Yet, it is hard to imagine that "spies" will complete the form honestly.

Unless the applicability of the financial disclosure aspects of the Order and the scope of financial disclosure are properly limited, we fear that the implementation of this Order will have a chilling effect on the government contracting community and will significantly impact the cost of doing business in the national security arena. For example:

- The burdensomeness of completing one of the more detailed disclosure forms we have seen, and the very private nature of such information (including such items as specific identity of account numbers), would have an adverse impact on the willingness of contractor personnel to be cleared at special access levels.

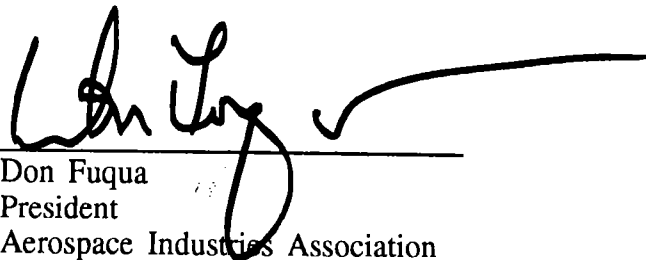
Hon. Anthony Lake
June 29, 1995
Page 2

- Additional resources will be required by both government and industry to implement, manage and safeguard the financial reports that will be generated. Furthermore, if either a contractor or the government fails to maintain such information properly, there could be substantial potential liability under the Privacy Act and under common law tort concepts.
- The information required by the more detailed form seems to avoid the restrictions on, and criminal sanctions that can be imposed for, unauthorized disclosure of tax information (e.g., 26 U.S.C. 7213). The person providing the information would have less protection than he/she would have if tax forms were provided.
- Unnecessarily intrusive disclosure requirements will make recruiting top talent much more difficult for the government and certainly for CODSIA member companies performing defense contracts. They will surely discourage potential corporate directors from accepting such appointments. In addition, they will deter many commercial firms from doing business with the government, and will give our best talent one more reason to seek careers outside national security. We are already competing with the commercial sector for talent, and this will be one more costly disadvantage we can ill afford.

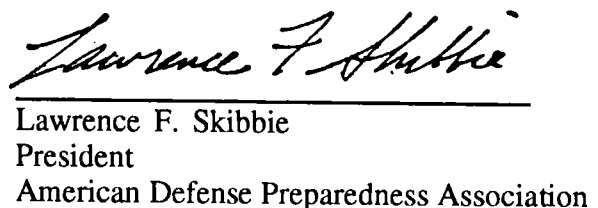
We recognize that the Order has not yet been signed, nor has the extent of financial disclosure been fixed. However, the very fact that forms such as those we have seen are being considered is a matter of great concern. Industry has always been willing to cooperate and furnish information where there was a need, but we seriously question the value-added of the wholesale accumulation of personal data. We view the prospect of such financial disclosure as is being considered as a costly overreaction to the unfortunate problem represented by the Ames case. These extreme measures are neither warranted nor will they produce the desired results.

We urge the establishment of a joint government-industry working group to ensure the development of a form which will fulfill the government's legitimate needs and minimize the intrusive aspects. We stand ready to assist you in forming such a group.

Sincerely,

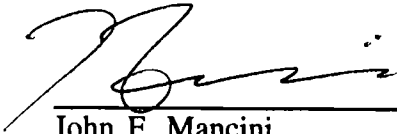


Don Fuqua
President
Aerospace Industries Association

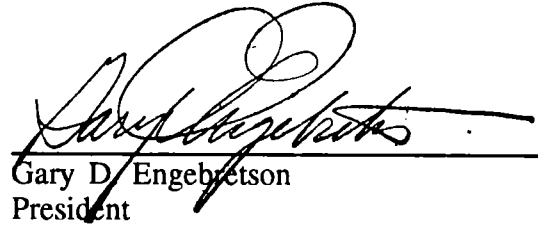


Lawrence F. Skibbie
President
American Defense Preparedness Association

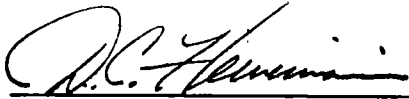
Hon. Anthony Lake
June 29, 1995
Page 3



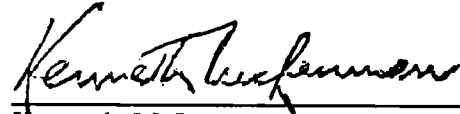
John F. Mancini
Chief Operating Officer
American Electronics Association



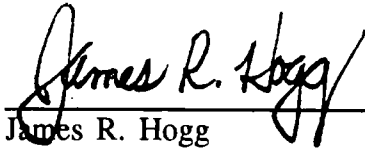
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President
Contract Services Association



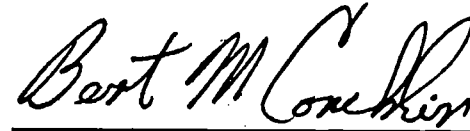
Dan C. Heinemeier
Vice President
Electronic Industries Association



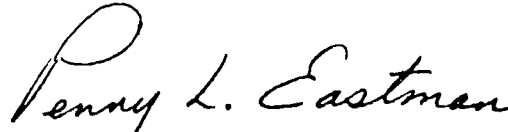
Kenneth McLennan
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and Innovation



James R. Hogg
President
National Security Industrial Association



Bert M. Concklin
President
Professional Services Council



Penny L. Eastman
President
Shipbuilders Council of America

cc - Hon. William J. Perry
Secretary of Defense

- Hon. John M. Deutch
Director, Central Intelligence Agency

UNCLASSIFIED
NSC/RMO PROFILE

RECORD ID: 9504803
RECEIVED: 21 JUN 95 18

TO: LAKE

FROM: FUQUA, D

DOC DATE: 07 JUN 95
SOURCE REF:

KEYWORDS: ACCESS
INTELLIGENCE

EO

JB

PERSONS:

SUBJECT: LTR TO LAKE FM AEROSPACE INDUSTRIES ASSOC PRES FUQUA RE DRAFT EO ON
ACCESS TO CLASSIFIED INFORMATION

ACTION: PREPARE MEMO FOR LAKE

DUE DATE: 24 JUN 95 STATUS: S

STAFF OFFICER: LEARY

LOGREF:

FILES: WH

NSCP:

CODES:

D O C U M E N T D I S T R I B U T I O N

FOR ACTION
LEARY

FOR CONCURRENCE
KRECKZO
TENET

FOR INFO

COMMENTS: _____

DISPATCHED BY _____ DATE _____ BY HAND W/ATTCH

OPENED BY: NSKDB

CLOSED BY:

DOC 1 OF 1

UNCLASSIFIED



**Aerospace
Industries
Association**

PLEASE STAFF

Bill Leary



Don Fuqua
President

June 7, 1995

The Honorable Anthony Lake
Assistant to the President for National Security Affairs
National Security Council
Old Executive Office Building
Washington D. C., 20500

Dear Mr. Lake:

Our member companies are deeply concerned about the draft Executive Order, governing access to classified information, which is in the final stages of interagency coordination. We understand that the proposed order includes new requirements for extensive financial disclosure by all government, military, and industry personnel as a condition of clearance for access to classified information.

The apparent broad scope of this order and the uncertainty of how it will be implemented are of serious concern to our association and other associations whose members provide goods and services to the Department of Defense. We are in the process of preparing a letter to you which will outline the key concerns of our associations.

Implementation of the Order will significantly impact the cost of doing business in the national security arena. And, the burdensome and unnecessarily intrusive reporting is directly in conflict with the Administration's successful movement toward streamlining and common sense regulations.

We request that we have an opportunity to discuss our concerns with members of your staff at the earliest opportunity. I will contact your office in the next two weeks to arrange a meeting to explore ways that the government's needs may be met, and at the same time minimize the intrusive aspects of the Executive Order.

We would appreciate your personal attention to this very important matter.

Sincerely,

Don Fuqua

DF:pds

cc: Gordon Adams

UNCLASSIFIED
NSC/RMO PROFILE

RECORD ID: 9505224
RECEIVED: 10 JUL 95 08

TO: LAKE

FROM: LETAW, HARRY

DOC DATE: 07 JUL 95
SOURCE REF:

KEYWORDS: ACCESS

EO

JB

PERSONS:

SUBJECT: LTR TO LAKE FM LETAW OF ESSEX CORP RE EXECUTIVE ORDER ON FINANCIAL
DISCLOSURE

ACTION: PREPARE MEMO FOR LAKE

DUE DATE: 13 JUL 95 STATUS: S

STAFF OFFICER: APPEL

LOGREF:

FILES: WH

NSCP:

CODES:

D O C U M E N T D I S T R I B U T I O N

FOR ACTION
APPEL

FOR CONCURRENCE
BEERS
~~KRECZKO~~

FOR INFO
LEARY
VAN TASSEL

COMMENTS: _____

DISPATCHED BY _____ DATE _____ BY HAND W/ATTCH

OPENED BY: NSGP

CLOSED BY:

DOC 1 OF 1

UNCLASSIFIED



July 7, 1995

PLEASE STAFF

FEDERAL EXPRESS

The Honorable Anthony Lake
Assistant to the President
for National Security Affairs
The White House
Washington, D.C. 20500

to John F. ...

Dear Mr. Lake:

Please do not issue the Executive Order on financial disclosure. Subject it to further searching consideration before presenting it to the President. It can unmask no spies, but is an additional tax on the personal time and privacy of individuals whom the Nation needs.

No one has time to study or investigate my financial affairs or those of the thousands of others who would be affected by the Order. Everyone is concerned about Government intervention and foolish spending. We must not allow the order to become Ames' revenge against the rest of us.

The Government is huge and unwieldy and must be run by the numbers. But, in fact, it is really a collection of small groups. The small group containing Ames was terminally dysfunctional. There was absolutely no supervision at all or his rot would have been carved out long before it jeopardized national security.

We have enough policing in this community if policing were the answer. Competent industrial managers know that it is not. We must give supervisors control. At the lower mid-levels, where the rubber meets the road, responsibility and authority are merely concepts that may apply to other folks, but not to us. We must train and motivate first- and second-line supervisors and give them authority and responsibility to see with their eyes, hear with ears, think with their brains -- and act.

In May 1993, I wrote to Senator DeConcini and suggested that mass data collection is useless and easily defeated by our enemies. Copies of our correspondence are attached.

Respectfully yours,

ESSEX CORPORATION

Harry Letaw, Jr.
Chairman & CEO

Attachments (2)

ESSEX CORPORATION

9150 Guilford Road, Columbia, Maryland 21046-1891

(301) 953-7797 • FAX (301) 953-7880



May 25, 1994

Honorable Dennis DeConcini
Chairman
Senate Select Committee on Intelligence
211 Hart Senate Office Building
Washington, D.C. 20510-6475

Dear Mr. Chairman:

The Ames matter has generated a surge of public awareness of the cost of espionage. It is a timely challenge to all of us to join in a shared effort to protect our critical interests.

Reading S.1948 as a layman engineer and manager, I am concerned that mass data collection can be defeated easily by spies and their handlers. Our Humint folks or former clients of BCCI would likely agree. If there is probable cause, let's go for it, but a national fishing expedition seems to me to be a waste of time and money. The procedure envisioned would certainly be an unwelcome intrusion into my life.

In my opinion, a first order of business is to ensure that employer-employee relationships in our mega-organizations are not allowed to be adversarial and rule-bound. I believe that many of the "surprises" that we experience grow out of poor sensitivity on the part of supervisors, lack of motivation, inadequate personnel management or a combination of them. We know how to create environments of mutual support and trust, even in large enterprises, and should apply our organizational and legislative skills to that end.

I suggest a play to our strengths based on the proposition that the hard working, intelligent, loyal Americans serving our nation are committed to protect our secrets. We can learn to recognize the onset of symptoms of financial, family and work problems before they mature into reduced workforce productivity, disaffection and, sometimes, threats to national security. Supervisory skills training puts effective small-group process to work in even the largest complex. Human resources people and others can be motivated to form improved, ombudsman-like relationships with co-workers. Our opportunities are diverse and unlimited.

Before adding procedures, we must be certain that we know why the ones in place failed. We would be well advised to focus on harnessing the capacities of our co-workers to meet our objectives rather than to create another daunting station on our security obstacle course.

Respectfully yours,

Harry Letaw, Jr., Ph.D.
Chairman & Chief Executive Officer

DENNIS DeCONCINI, ARIZONA, CHAIRMAN
JOHN W. WARNER, VIRGINIA, VICE CHAIRMAN

HOWARD M. METZENBAUM, OHIO
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United States Senate

SELECT COMMITTEE ON INTELLIGENCE
WASHINGTON, DC 20510-6475

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KATHLEEN P. MCGHEE, CHIEF CLERK

June 9, 1994

Mr. Harry Letaw, Jr.
Chairman & Chief Executive Officer
Essex Corporation
9150 Guilford Road
Columbia, MD 21046-1891

Dear Mr. Letaw:

Thank you for your recent letter raising concerns about "massive data collection" regarding cleared federal employees as a response to the Ames case.

Under the bill reported by the Committee several weeks ago (S. 2056), the President is left with discretion in terms of deciding which federal employees or contractors must report financial information as a condition of their access to such information. The nature of the financial reporting required is also left to presidential regulation.

Insofar as Government investigators being able to request financial records regarding federal employees, the bill provides specific criteria that must be met before such requests can be made. A written certification of the agency head or a senior official at the Assistant Secretary level must also accompany the request. Thus, the bill does not contemplate the sort of unfocused "fishing expedition" you suggest in your letter.

I agree with you that sophisticated spies can defeat this type of system. But I do think these requirements will make it more difficult for them. I think they will give agencies an ability to identify problems which they do not have at present. It's admittedly a judgment call, but in my view the potential benefit justifies what I see as a limited intrusion upon federal employees and contractors with access to highly sensitive classified information.

I appreciate your interest in this matter.

Sincerely,



Dennis DeConcini
Chairman