

DEFENSE SECURITY SERVICE
Fiscal Year (FY) 2004 / 2005 Biennial Budget Estimates
February 2003
Narrative Analysis

Functional Description

The Defense Security Service (DSS) is under the direction, authority and control of the Assistant Secretary of Defense (Command, Control, Communications, and Intelligence). DSS provides security services to the Department of Defense (DoD) through the integration of personnel security, industrial security, security training and education, information systems security and counterintelligence. Due to the integration of security services, combined with intelligence threat data, the DSS is uniquely positioned to facilitate the application of threat-appropriate security countermeasures.

The three primary business areas that comprise the DSS mission are: (1) the Personnel Security Investigations (PSI), whose investigations are used by the DoD adjudicative facilities to determine an individual's suitability to enter the armed forces, to access classified information, or to hold a sensitive position within the DoD; (2) The National Industrial Security Program (NISP), which primarily ensures that private industry, colleges, and universities that perform government contracts or research safeguard classified information in their possession; (3) The Security Training and Education Program (the DSS Academy—DSSA) provides security education and training programs to support DSS components, DoD agencies, military departments and contractors. The DSS Academy offers formal classroom training, computer-based training, correspondence and distance learning.

The majority of the DSS workload is driven by executive order requirements to ensure that appropriate security measures are taken when safeguarding classified material, either b DoD or contractor personnel.

Activity Group Composition

The Defense Security Service (DSS), Defense Working Capital Fund (DWCF), Defense Security Service Activity Group is structured with a Headquarters in Alexandria, VA, Linthicum and Fort Meade, MD; with Regions, and Operating Centers located in :

Personnel Security Investigation (PSI) Regions:

Northern Region, Managed by Regional Director, located in Linthicum, MD
Southern Region, Managed by Regional Director, located in Linthicum, MD
Capital Region, Managed by Regional Director, located in Linthicum, MD
Western Region, Managed by Regional Director, located in Long Beach, CA

Industrial Security Program (ISP) Areas: (Managed by Field Director, located in Smyrna, GA)

Northeast
Southeast
West
Capital
Central

Operating Centers:

Personnel Investigation Center (PIC), FT Meade, MD
Defense Industrial Security Clearance Office (DISCO), Columbus, OH
Defense Security Service Academy (DSSA), Linthicum, MD

The DSS missions included in the DWCF are the: Personnel Security Investigations (PSI) program; National Industrial Security Program (NISP); DSS Academy (DSSA). Operational functions, including the Information Technology Directorate, Headquarters and logistical/administrative support are also in the fund.

Manpower Budget Highlights

Civilian end strength and Full Time Equivalents (FTEs) are as follows:

	FY 2003				
	CONTROL	FY 2002	FY 2003	FY 2004	FY 2005
Civilian End Streng	2,533	2,587	0	0	0
Civilian FTEs	2,533	2,592	0	0	0

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Personnel

As a result of a Department of Defense transformation initiative the Defense Security Service (DSS) will be removed from the Defense Working Capital Fund (DWCF) starting in FY 2004. As a result 2,533 positions have been removed from the Defense Working Capital Fund in FY 2004. In FY 2004 the Industrial Security Program and Defense Security Service Academy and their 515 FTEs will be direct funded by Operations and Maintenance Defense-Wide.

Costs, Operating Results and Rates

	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Costs of Goods and Services Sold (Dollars in Millions)	439.4	388.9	43.8	
Net Operating Results (Dollars in Millions)	49.6	(30.9)	0.0	
Accumulated Operating Results (Dollars in Millions)	(24.2)	(55.1)	(55.1)	
Security Products (SP) (000)	349.6	419.5	0.0	

Costs

The decrease in cost from FY 2003 to FY 2004 reflects DSS being removed from the DWCF in FY 2004 as a result of a Department of Defense transformation initiative.

Unit Costs:

Carry-Over

	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
(Dollars in Millions)				
New Orders	462.488	401.780	0.000	
Carry-In	0.000	0.000	43.823	
Gross Orders	462.488	401.780	43.823	
Total Revenue	488.986	357.957	43.823	
Carry-Over	N/A	1.469	0.000	

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Performance Indicators

The performance measures contained in the Performance and Quality Measures section of this budget estimate submission were developed in conjunction with the performance metrics in our Defense Resource Board (DRB) Performance Contract.

Capital Budget

The capital budget in FY 2004 and FY 2005 reflects the removal of DSS from the DWCF as a result of a Department of Defense transformation initiative..

	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Equipment				
Software Development		15.900		
Software	9.211			
Passenger Vehicles		4.729		
Total	9.211	20.629		

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Exhibit Fund 2 Changes in Costs of Operation
(\$ in Millions)

				Expenses
FY 2002	Actual Cost			439.372
FY 2003	Estimate in President's Budget:			421.980
Pricing Adjustments:				(14.406)
	Civilian Personnel		(13.655)	
	Fuel Price		(0.245)	
	Price (non pay/fuel)		(0.506)	
Program Changes:				(18.713)
	Workload		(7.400)	
	Civilian Pay		(2.000)	
	Depreciation		(9.313)	
FY 2003	Current Estimate:			388.861
Pricing Adjustments:				0.000
	Annualization of Prior Year Pay Raises		0.000	
	FY 2004 Pay Raise		0.000	
	Civilian Personnel	0.000		
	Military Personnel	0.000		
	Fund Price Changes		0.000	
	General Purchase Inflation		0.000	
		0.000		
		0.000		
Efficiencies:				0.000
Program Changes:				(388.861)
	Removal of DSS from the DWCF as a result of a Department of Defense transformation initiative.		-388.861	
Other Changes:				0.000
FY 2004	Estimate:			0.000
Pricing Adjustments:				0.000
	Annualization of Prior Year Pay Raises		0.000	
	FY 2005 Pay Raise		0.000	
	Civilian Personnel	0.000		
	Military Personnel	0.000		
	Fund Price Changes		0.000	
	General Purchase Inflation		0.000	
	Other Price Changes (List):		0.000	
		0.000		
		0.000		
Efficiencies:				0.000
	Productivity Initiative 1		0.000	
	Productivity Initiative 2		0.000	
Program Changes:				0.000
Other Changes:				0.000
	Depreciation		0.000	
	Other (List)		0.000	
FY 2005	Estimate:			0.000

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Exhibit Fund 11 Source of New Orders and Revenue
(Dollars in Millions)

	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
1. New Orders				
a. Orders from DoD Components:				
Department of the Army	100.400	105.003		
Department of the Navy	99.600	71.838		
(1) Department of the Air Force	107.800	34.446		
Subtotal Military Department O&M:	307.800	211.287	0.000	0.000
Defense-Wide Operations and Maintenance				
DCAA	0.459	0.307		
DIA	2.949	3.016		
DSS-PSI	91.200	107.603		
DTRA	0.011	0.288		
JCS	0.674	0.118		
NSA	12.739	6.624		
OSIA	0.000	0.000		
USUHS	0.279	0.009		
WHS	1.613	1.661		
USSOCOM	0.653	0.158		
MEPCOM	0.000	0.000		
BMDO	0.000	0.000		
DARPA	0.000	0.000		
DSA	0.000	0.000		
DSAA	0.000	0.000		
DOHA	0.000	0.000		
TRICARE	0.439	0.631		
DNA	0.000	0.000		
NIMA	2.795	2.940		
DCMA	0.000	0.000		
DSPO	0.000	0.000		
DSS-ISP	30.536	56.455		
DSS	2.827	0.874		
OSD	0.000	0.000		
DSS-DSSA	4.838	6.991		
Subtotal Defense-Wide O&M:	152.012	187.675	0.000	0.000
Other Operations and Maintenance				
OIG	0.307	0.355		
b. Orders from other Fund Activity Groups				
DECA	0.133	0.011		
DFAS	0.294	0.248		
DISA	1.351	1.422		
DLA	0.591	0.782		
Other				
Other				
Subtotal, DWCF	2.369	2.463	0.000	0.000
c. Total DoD	462.488	401.780	0.000	0.000
d. Other Orders:				
Department of Transportation	0.000	0.000		
General Accounting Office	0.000	0.000		
General Service Administration	0.000	0.000		
White House	0.000	0.000		
Other	0.000	0.000		
Subtotal Non-DoD Agencies and Others:	0.000	0.000	0.000	0.000
Total New Orders:	462.488	401.780	0.000	0.000
2. Carry-in Orders	0.000	0.000	43.823	0.000
3. Total Gross Orders	462.488	401.780	43.823	0.000
4. Revenue (-)	488.986	357.957	43.823	0.000
5. Funded Carryover	0.000	43.823	0.000	0.000
6. Months of Carryover	0.000	1.469	0.000	0.000

(1) FY 2003 does not include Air Force products that flowed from the Air force directly to OPM

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Exhibit Fund 14 Revenue and Expenses

(Dollars in Millions)

	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Revenue				
Gross Sales:	488.986	357.957	43.823	0.000
Operations	488.986	357.957	43.823	0.000
Surcharges	0.000	0.000	0.000	0.000
Depreciation	0.000	0.000	0.000	0.000
Major Construction Depreciation				
Other Income				
Refunds/Discounts (-)				
Total Income:	488.986	357.957	43.823	0.000
Expenses				
Salaries and Wages:	198.235	200.812	0.000	0.000
Military Personnel Compensation & Benef	0.000	0.000	0.000	0.000
Civilian Personnel Compensation & Benef	198.235	200.812	0.000	0.000
Travel & Transportation of Personnel	6.424	6.303	0.000	0.000
Materials & Supplies (For Internal Operations	5.438	3.922	0.000	0.000
Equipment	4.632	3.623	0.000	0.000
Other Purchases from Revolving Funds	0.935	1.631	0.000	0.000
Transportation of Things	0.000	0.013	0.000	0.000
Depreciation - Capital	0.000	0.000	0.000	0.000
Printing and Reproduction	0.375	0.581	0.000	0.000
Advisory and Assistance Services	2.062	2.054	0.000	0.000
Rent, Communication, Utilities, & Misc. Charç	14.683	16.409	0.000	0.000
Other Purchased Services	206.588	153.513	43.823	0.000
Total ExpensCost of Goods Sold	439.372	388.861	43.823	0.000
Operating Result	49.614	(30.904)	0.000	0.000
Less Capital Surcharge Reservation	0.000	0.000	0.000	0.000
Plus Passthroughs or Other Appropriations Affecting NOR				
Other Adjustments Affecting NOR:	0.000	0.000	0.000	0.000
Other Inventory Adjustments	0.000	0.000	0.000	0.000
Net Change in WIP	0.000	0.000	0.000	0.000
Net Operating Result	49.614	(30.904)	0.000	0.000
Prior Year AOR	(73.812)	(24.198)	(55.102)	
Accumulated Operating Result	(24.198)	(55.102)	(55.102)	0.000
Non-recoverable Adjustment Impacting AOR (specify)				
Accumulated Operating Results for Budget Purposes	(24.198)	(55.102)	(55.102)	0.000