

Office of Inspector General Corporation for National and Community Service

STATUS OF THE CORPORATION'S IMPLEMENTATION OF HOMELAND SECURITY PRESIDENTIAL DIRECTIVE/HSPD-12

OIG REPORT 08-23



Corporation for
**NATIONAL &
COMMUNITY
SERVICE** 

1201 New York Avenue, NW,
Suite 830
Washington, DC 20525
Telephone (202) 606-9390
Facsimile (202) 606-9397

This report was issued to Corporation management on September 25, 2008. Under the laws and regulations governing audit follow-up, the Corporation is to make final management decisions on the report's findings and recommendations no later than March 25, 2009 and complete its corrective actions by September 25, 2009. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.



OFFICE OF INSPECTOR GENERAL

September 25, 2008

TO: Ray Limon
Chief Human Capital Officer

FROM: Stuart Axenfeld /s/
Assistant Inspector General for Audit

SUBJECT: Office of Inspector General Report 08-23, *Status of the Corporation's Implementation of Homeland Security Presidential Directive/HSPD-12*

Attached is the final report on the *Status of the Corporation's Implementation of Homeland Security Presidential Directive/HSPD-12*.

Under the Corporation's audit resolution policy, the notice of final action is due by March 25, 2009.

If you have questions pertaining to the final report, please contact Jim Elmore, Audit Manager, at (202) 606-9354 or j.elmore@cncsoig.gov.

Attachment

cc: William Anderson, Acting Chief Financial Officer
Nicola Goren, Chief of Staff
Norm Franklin, Director, Personnel Security
Sherry Blue, Audit Resolution Coordinator



1201 New York Avenue, NW ★ Suite 830, Washington, DC 20525
202-606-9390 ★ Hotline: 800-452-8210 ★ www.cncsoig.gov

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Status of the Corporation's Implementation of Homeland Security
Presidential Directive/HSPD-12

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Executive Summary

The Office of Inspector General (OIG), Corporation for National and Community Service (Corporation), reviewed the Corporation's status with regard to implementing Homeland Security Presidential Directive/HSPD-12 (Directive). The Directive provided for all Executive Departments and Executive Agencies to implement the requirements of the Directive and for the Office of Management and Budget (OMB) to provide implementing guidance. The OMB's implementing guidance excluded Executive Agencies that are also Government Corporations from mandatory implementation of the Directive. Nevertheless, the Corporation discussed, with OMB, its plans to "comply as much as possible" if resources become available.

However, resource issues have left implementation and the degree of implementation uncertain at this time. As a result, the Corporation is not able to prepare, with reasonable accuracy, estimates of the dates for accomplishing milestones that normally would be associated with implementation of projects and programs. We recommended that the Corporation prepare an action plan, and periodically advise OMB of implementation status so that OMB can meet its tasking to ensure compliance for entities implementing the Directive.

The Corporation in its response (*see* Appendix) to a draft of this report agreed to prepare an action plan when resources for implementing HSPD-12 become available. It also agreed that GSA would notify OMB of the Corporation's implementation progress because of the existing interagency agreement with GSA. The Corporation's response met the intent of the recommendations.

Objectives, Scope, and Methodology

Initially, the OIG announced this effort as an audit but later converted the effort to a review because of the degree of involvement of the General Services Administration (GSA) in the implementation of HSPD-12 at or for the Corporation. The objectives of the engagement were to determine whether the Corporation: (1) implemented HSPD-12 and (2) established sufficient management controls to ensure the security of, and restricted access to, the equipment, software, information, and materials used in its identification processing program. The OIG revised the objectives of the engagement upon converting the effort to a review to report on the status of implementation of HSPD-12 at the Corporation so that stakeholders would be aware of the Corporation's efforts.

Actions of the Corporation since the inception of HSPD-12 through November 2007 were subject to the review. Information that became available to us in June 2008 is also included in this report.

Our methodology included reviews of documentation at the Corporation and Federal Government Internet sources of criteria from the OMB, Department of Commerce, and the GSA. We limited our interviews to Corporation officials mostly within the Office of Human Capital, including the Office of Personnel Security.

We conducted our review from February 9, 2007, through June 30, 2008, in accordance with Quality Standards for Inspections (January 2005) issued by the President's Council on Integrity and Efficiency. An exit conference was held with Corporation management on,

August 14, 2008, to discuss the issues and recommendations presented in this report. The Corporation's response to the draft report is included as an Appendix.

Background

Homeland Security Presidential Directive/HSPD-12 (Directive), signed by President Bush on August 27, 2004, required the Secretary of Commerce to promulgate a Federal standard for secure and reliable forms of identification for Federal employees and contractors. The Directive also established timelines for executive agencies to implement this standard.

On January 11, 2007, the Office of Management and Budget (OMB), issued OMB Memorandum for Chief Information Officers, *Validating and Monitoring Agency Issuance of Personal Identity Verification Credentials* (M-07-06). In addition to guidance for executive agencies, M-07-06 advised that it had requested the President's Council on Integrity and Efficiency to review agency processes and help ensure they are consistent with the Directive and Federal Information Processing Standard 201. We reviewed the status of the Directive at the Corporation because of the OMB request to the President's Council on Integrity and Efficiency. The status of compliance is addressed in Appendix A.

Criteria

The Presidential Directive. The Directive stated that it is the policy of the United States to enhance security, increase Government efficiency, reduce identity fraud, and protect personal privacy by establishing a mandatory, Government-wide standard for secure and reliable forms of identification issued by the Federal Government to its employees and contractors (including contractor employees). Furthermore, to implement this new policy, the Directive tasked the Department of Commerce, in consultation with certain key Government officials and the Director, OMB, to promulgate a Federal standard for secure and reliable forms of identification.

The Directive also required implementing agencies to meet several milestones, including: (1) not later than four months following promulgation of the Federal standard, the heads of executive departments and agencies shall have a program in place to ensure that identification issued by their departments and agencies to Federal employees and contractors meet the standard; and (2) as soon as possible, but not later than eight months after the date of the promulgation of the standard, agencies "shall, to the maximum extent practicable, require the use of identification by Federal employees and contractors that meet the standard in gaining physical access to Federally controlled facilities and logical access to Federally controlled information systems." Departments and agencies were to implement HSPD-12 in a manner consistent with ongoing Government-wide activities, policies, and guidance issued by OMB, which shall ensure compliance. Subsequently, the Department of Commerce issued the Federal standard and OMB issued implementing guidance.

The Standard. On February 25, the Department of Commerce issued Federal Information Processing Standards Publication 201 (FIPS 201), *Personal Identity Verification (PIV) of Federal Employees and Contractors* (Standard). The Standard was reissued in March 2006 as FIPS 201-1 and revised with Change Notice 1 in June 2006.

Government-wide Implementing Guidance. OMB issued its initial implementing guidance on HSPD-12 and FIPS 201 on August 5, 2005, in OMB Memorandum M-05-24, *Implementation of Homeland Security Presidential Directive (HSPD) 12 – Policy for a Common Identification Standard for Federal Employees and Contractors*. Selected information and requirements are:

- Appendix A, paragraph 1.A. Executive departments and agencies listed in title 5 U.S.C. § 101, the Department of Homeland Security, and independent establishments defined by title 5 U.S.C. §104(1), and the United States Postal Service are subject to HSPD-12. However, OMB provided that Government corporations, as defined by title 5 U.S.C. § 103(1), such as the Corporation for National and Community Service, are encouraged but not required to implement HSPD-12.
- Appendix A, paragraph 2.B. Covered agencies and departments shall submit implementation plans to OMB by June 27, 2005.
- Appendix A, paragraph 7.A. Identify to OMB by August 26, 2005, those Federally controlled facilities, Federally controlled information systems, and other Federal applications that are important for security and for which use of the Standard (FIPS 201-1) in circumstances not covered by HSPD-12 should be considered.
- Appendix A, paragraph 5.C. OMB noted that it may not be cost effective for a small department or agency to procure its own products or services and provided for the GSA to identify agency sponsors who will provide a range of services to agencies. The extent and cost of services to be provided will be determined by agreement between the sponsor and the customer agency.

Agency Sponsor. The GSA became one of the agency sponsors that provides HSPD-12 products and services to Federal agencies. GSA's USAccess Program enables Federal Government agencies to credential employees, contractors, and affiliates. The GSA HSPD-12 Managed Service Office (MSO) is the executive agent responsible for providing Federal agencies with interoperable identity management and credentialing solutions that provide end-to-end services to enroll applicants, issue credentials, and manage the lifecycle of these credentials. The MSO offers the end-to-end solution as a shared service to Federal agencies when agencies sign up through interagency agreements. Although some agencies are implementing HSPD-12 without sponsorship, the GSA, through its USAccess Program, already has agreements to provide at least some HSPD-12 services to nearly 67 agencies, including the Department of Agriculture, Department of Housing and Urban Development, and the Corporation. It began issuing credentials for agencies in August 2007.

Results and Recommendations

Sponsored HSPD-12 Services to the Corporation. The Corporation entered into a memorandum of understanding (MOU) with the HSPD-12 MSO on September 19, 2006. On September 21, 2006, the Corporation provided a reimbursable agreement as a financial addendum to the MOU, which provided \$10,000 to GSA's Federal Technology Service, "To provide the initial funding for the HSPD-12 Shared Service Provider contract award and administration. Funding for the cost of developing and operating the PMO [Project

Management Office] is also included.” The GSA may perform many of the key roles in the process of issuing personal identity verification credentials.

The Corporation voluntarily chose to implement the Directive to the extent resources were available but has not yet defined the roles to be performed by Corporation personnel and the separation of duties, which are critical to compliance. The Corporation lacks a written plan and milestones for implementation because of the uncertain availability of resources.

The Corporation’s existing card readers at various physical entry points throughout the Headquarters building were selected early on to be capable, with reprogramming, of reading the GSA-issued personal identity verification credentials, which are planned to be fully compliant with the Directive and implementing standards and guidance.

The Corporation represented to the OIG that it was not subject to the requirements of the Directive. However, the Corporation planned to implement certain elements of the Directive and supplementing guidance. Although the Directive is mandatory for almost all Federal agencies and departments, its application to the Corporation, which is continuing at this time to voluntarily implement the guidance, is uncertain because the OMB did not provide specific guidance for agencies voluntarily opting to implement the Directive. However, by electing to implement the Directive, the Corporation, we believe, must coordinate with OMB in order for OMB to meet its mandate to ensure compliance throughout the Federal Government. The Director, Personnel Security, and an OMB Senior Policy Analyst discussed by telephone in April 2008 the efforts of the Corporation to implement the Directive. The Director, Personnel Security, advised the OIG that OMB agreed that the Corporation’s implementation efforts were voluntary. We believe that the Corporation should periodically advise OMB of its implementation status.

On October 23, 2007, OMB implied in its Memorandum for Heads of Departments and Agencies, *HSPD-12 Implementation Status*, M-08-1, that all implementing agencies may need to have an agreement with OMB concerning agency implementation schedules and plans. Although the Corporation has been on a path to voluntarily implement the Directive, the Corporation did not formally notify OMB of its intention to implement the Directive until OMB contacted the Corporation in April 2008. Notwithstanding, the Corporation advised us in November 2007 that it plans to use GSA’s services to issue fully compliant personal identity validation credentials in calendar year 2008. In May 2008, the Director, Personnel Security, revised the estimate to calendar year 2009.

Recommendations. We recommend that the Corporation:

- 1.a. Prepare a tentative action plan for HSPD-12 implementation, including identifying the roles of key figures, separation of duties, and milestones.

Corporation Response. The Corporation agreed to establish a tentative action plan once it has received the funding resources required to implement HSPD-12.

OIG Comment. The planned actions satisfy the intent of the recommendation.

- 1.b. Periodically notify the Office of Management and Budget of the status of its plans to implement HSPD-12.

Corporation Response. The Corporation stated that its interagency agreement with GSA provided for a turn key implementation of HSPD-12. It also stated that it would notify GSA, once the Corporation has full HSPD-12 funding, and GSA in turn would communicate with OMB regarding the Corporation's progress.

OIG Comment. The planned actions satisfy the intent of the recommendation to keep OMB informed.

This report is intended for the information and use of the Corporation for National and Community Service, Office of the Inspector General, and the U.S. Congress. However, this report is a matter of public record and its distribution is not limited.

Stuart Axenfeld /s/
Assistant Inspector General for Audit
September 25, 2008

Appendix: Corporation for National and Community Service Response

SEP 11 2008

MEMORANDUM FOR STUART AXENFELD

Assistant Inspector General for Audit

FROM: Raymond Limon
Chief Human Capital Officer

SUBJECT: Draft Report on Corporation Implementation of Homeland
Security Presidential Directive/HSPD-12

Thank you for your recommendations regarding the Corporation's implementation of its personnel security program. As you correctly indicate in your report, the Office of Management and Budget (OMB) excluded Government corporations from mandatory implementation of the Directive. However, the Corporation still manages a personnel security program which attempts to fulfill the intent of HSPD-12.

In regards to your two recommendations:

1. Prepare a tentative action plan for HSPD-12 implementation, including identifying the role of key figures, separation of duties, and milestones.
2. Periodically notify the Office of Management and Budget (OMB) of the status of its plans to implement HSPD-12.

Resource issues have left the implementation and degree of implementation of this program uncertain at this time. An action plan would be premature. However, the Corporation will prepare a tentative action plan once it has received the funding resources required to implement HSPD-12.

Since the Corporation has entered into an interagency agreement with the General Service Administration (GSA) to provide turn key implementation of the HSPD-12 requirements, we will notify GSA once we have full HSPD-12 funding. GSA in turn will communicate with OMB on our implementation progress.

