

DSS Announces Moratorium on Processing Contractor Security Clearance Requests

DSS Blames Situation on High Volume of Requests and Funding Constraints

The Defense Security Service (DSS), the agency responsible for administering security clearances for the Department of Defense (DoD) and more than twenty other government agencies, has announced in a draft memorandum that DSS "has discontinued accepting industry requests for new personnel security clearances and periodic reinvestigations." This memorandum, though not yet formally issued to contractors, states that the halt will be made "effective immediately and until further notice," citing funding constraints and overwhelming volume. The memorandum requests that contractors refrain from submitting any new requests for investigations until DSS resolves its funding limitations.

DSS Freeze Began Last Week

Although the DSS memorandum has not yet been formally issued, the *Washington Post* and the *Federal Contracts Report* stated that DSS stopped processing new requests for investigations last Monday, April 25, 2006. These reports noted that DSS already has placed some 3,000 applications on hold during the past week, and it could be forced to stop accepting applications altogether if funding issues were not resolved quickly.

Industry and Congressional Reaction

Industry groups have already voiced their concern over the DSS moratorium. On April 28, 2006, Stan Soloway, President of Professional Services Counsel, sent a letter to the Undersecretary of Defense for Intelligence stating that the DSS decision would further exacerbate the estimated 329,000 security clearance backlog and negatively impact mission performance and program costs. The Information Technology Association of America has called on Congress to intervene through H.R. 4939, the 2006 "Emergency Supplemental Appropriation Act of Defense." Representative Thomas M. Davis III (R-Va.), Chairman of the Government Reform Committee, also reportedly has called for "all relevant information to explain why DSS has been forced to consider such drastic measures," Rep. Davis is expected to hold a hearing on the issue.

Until these issues are resolved, contractors may well experience cost impacts arising from their inability to move personnel into cleared positions on current contracts, and the inevitable premium that will be required to attract or retain already qualified personnel. Accordingly, contractors should consider appropriate customer notifications to protect their rights.

The Government Contracts department of McKenna Long & Aldridge LLP (MLA) has contacted representatives from both DSS and the Defense Office of Hearings and Appeals (DOHA), the appellate authority for negative initial security clearance determinations, in order to better understand DSS's draft memorandum and its implications. While the full impact of the DSS moratorium is yet unknown, we

CONTACTS

If you would like more information, please contact any of the McKenna Long & Aldridge attorneys or public policy advisors with whom you regularly work. You may also contact:

Thomas M. Abbott
213.243.6200

Robert Bohn
213.243.6131

have been informed that DOHA will continue to process and hear appeals for cases already initiated. We will continue to monitor and report on developments regarding DSS's implementation of its draft memorandum and other relevant issues involving both personnel and facility security clearances. If you would like more information about this article, or McKenna's experience and capabilities in assisting contractors and individuals in the security clearance process, please contact [Tom Abbott](#) or [Robert Bohn](#).

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