

April 2, 2014

18th Annual FOCI Conference



Defense Security Service

STAN SIMS

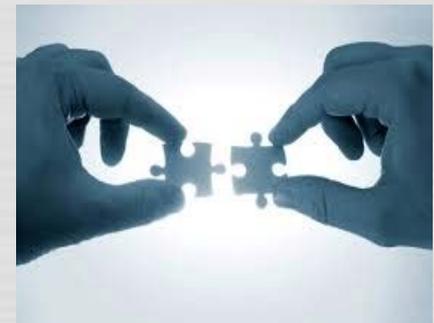
DSS Director





Key FY14 DSS Challenges

- Changing Security / Risk Environment
- Information Sharing and Reporting
 - Shared responsibility between Government and Industry
 - Counterintelligence Awareness
 - Incident and Suspicious Contact Reporting
- Cyber Domain
 - Unclassified (CUI) and Classified Information Security
 - FY13 NDAA, Sec 941 Implementation
 - Data Vulnerability (New DFAR Clause/Analytical Capability)





Key FY14 FOCI Challenges

- NID Policy Update
- Outside Director/Proxy Holder Training
- FOCI Mitigation Implementation – more consistency
 - AOPs, FLPs, ECPs, TCPs
- FOCI Mitigation Oversight – more guidance
 - SVAs, Annual Meetings, Annual Reports
- DoD Committee on Foreign Investment in the US (CFIUS) mitigation coordination



FOCI UPDATE

Ben Richardson
Chief, FOCI Operations Division





Agenda Topics

- General Updates
- Affiliated Operations Plan
- Areas of Concern
- What's next?





General Updates

- Issuing FCLs while implementing FOCl
 - In-process Companies
 - FCL will be issued when the FOCl mitigation has been implemented
 - Companies with FCL (change condition, renewal, acquisition)
 - Maintain FCL as long as Companies meet timelines for implementation
- ECP Approval Process
 - Guidance will be coming to submit ECPs to DSS HQ
 - ECPs will be coordinated with Field elements and approved at HQ to ensure consistency across DSS





General Updates cont.

- DSS has seen an increase in the number of Superior and Commendable ratings at FOCl facilities.
 - The unsatisfactory ratings at FOCl facilities is on par with non-FOCl facilities
 - Over 50% of FOCl facilities are Superior or Commendable vs. less than 25% for non-FOCl facilities
 - DSS attributes this trend to increased engagement by GSCs
- Going forward, more involvement from HQ
 - FOCl Red Flags during SVAs
 - Lead on coordinating Annual Meetings
 - Guidance on Annual Compliance Report
 - Corporate-wide SVAs





General Updates cont.

- New OD/PH Training available on DSS website
 - Three modules
 - Module 1: Intro to DSS and FOCI
 - Module 2: Managing FOCI Mitigation
 - Module 3: Managing Relationships with FOCI Affiliates
 - Next Steps
 - Work with CDSE on FOCI toolkit
 - FOCI Training for FSOs
 - FOCI Training for Foreign Parents
 - Case study on CDC responsibilities through the acquisition process





Affiliated Operations Plan (AOP)

- AOP Defined
 - Shifting from “means” to “methodology” for handling relationships between affiliates and mitigated entities
 - A **tool** for the GSC
 - Business enabler not a disrupter
 - Transparency and assurance
 - Broader categories:
 - Traditional, reverse, and third party services
 - Shared persons
 - Cooperative commercial arrangements*
- Use the AOP as a corporate document to capture affiliate relationships and find balance between security and business needs





AOP cont.

- What DSS wants to see in an AOP:
 - Single document
 - A mitigated entity's relationship with its affiliates
 - Engaged GSC
- What format is DSS seeking:
 - Explain the Company's intentions
 - Identify any FOCI risks
 - Explain how GSC is going to mitigate...
- What DSS is seeing in AOPs:
 - "No FOCI concerns"
 - Lengthy documentation
 - No reference to the role of the GSC, FSO, and TCO





AOP cont.

- Example AOP risk/mitigation

Service	Risk	Mitigation
Financial Services	Inadvertent disclosure of GCA	GCA identifiers masked in reporting
Human Resources	Inadvertent disclosure of PCL information	PCL information managed by FOCl entity through FSO
External Audit	Hinder independent decision making of FOCl Board	Separate engagement letter with FOCl entity

- Services of concern:
 - Information technology
 - Internal audit
 - Business products/services used in a classified contract





Areas of Concern

- FOCI Non-compliance
 - Undue influence on hiring, firing, and performance appraisals
 - Withholding payment to mitigated employees
 - Reporting structures that circumvent the FOCI Company's governing body
 - Lack of Separation/distinction between Affiliates and mitigated entities
 - Independence of FOCI mitigated entity
- Challenges
 - Offshore Funds
 - Traditional investors vs. new entrants





What's Next?

- e-FCL to support ECP, AOP, FLP, NID, etc. submissions and approvals
- Expand support for FSOs and GSCs
 - Training
 - Outreach
 - HQ Action Officer availability
- Simplification of ECP/TCP/VCP/FLP/AOP
- Foreign Parent Guidance/Engagement

