Defense Security Service

15th Annual FOCI Conference

November 30, 2010

Drew Winneberger

Director, Industrial Policy & Programs

Agenda

09:00 – Welcome & DSS Update

Drew Winneberger, Director, Industrial Policy & Programs

09:30 – FOCI Operations Update

Stephen Hanson, Chief, FOCI Operations Division

10:00 – FOCI Oversight Update

Justin Walsh, Industrial Operations FOCI Program Manager

10:30 – Best Practices Discussion

11:30 – Lunch

13:00 – Targeting U.S. Technologies (CLASSIFIED SECRET/NOFORN)

Stephen Nemeth, DSS Counterintelligence

14:00 – FOCI Analytics Update

Lynda Mallow, Chief, FOCI Analytic Division

14:30 – DSS Panel Q&A

DSS Scope

DSS FY11 Budget: $518.7M/1,030 personnel
DSS FY10 Budget: $495M/862 personnel

COUNTERINTELLIGENCE

- 201 known or suspected collectors identified within industry
- 7,002 CI Suspicious Contact Reports
- 660 Intelligence Information Reports

INDUSTRIAL SECURITY

13,333 active, cleared facilities in NISP

- *Clear and inspect facilities*
- 9,448 inspections
- 1,279 new facility clearances granted
- 14,355 accredited systems in industry
- 23 Federal Partners

EDUCATION & TRAINING

DoD Functional Manager for Security Training

- 379,779 course completions since FY99
- 2,587% increase in course completions since FY00
- Catalog of 68 courses serving DoD and Industry
- 44% increase in course catalog since FY08
- 17,668 course completions by sponsored foreign nations

PROGRAMS & POLICY

- 702 FOCI facilities
- 286 FOCI mitigation agreements
- Support to 65 Foreign Countries

DSS 2015

January 2009 DEPSECDEF Guidance: Strengthen and refocus DSS on NISP and SETA Programs and ensure effective oversight/management of NISP

Oversee National Industrial Security Program (NISP)

- Reduce ratio of industrial security professionals to cleared facilities
- Enhance current Facilities of Interest List with additional CI and other risk factors
- Enhance current internal industrial security information management system
- Establish overseas presence
- Support DoD Cybersecurity initiatives

Deliver security education and training

- Establish the Security Professional Education Development Certification Program for the DoD Security Workforce
- Establish professional development and certification program for Industrial Security personnel
- Develop a post graduate level education program to develop security leaders
- Deliver training and other services to support DoD and Industry
- Stand up the Center for Development of Security Excellence
- Administer the DoD Personnel Security Adjudication Certification Program

Strengthen Counterintelligence in Industry

- Facilitate industry access to threat information
- Continue to integrate CI into Industrial Security Program
- Continue staff augmentation to tailor and expand CI services to Cleared Defense Contractors
- Continue CI and Law Enforcement Inter-agency community outreach

Provide Foreign Ownership, Control or Influence mitigation/international

- Refine processes of Foreign Ownership, Control or Influence (FOCI) analytic division to ensure proper reporting and develop trends in FOCI
- Develop financial analysis cell to assess FOCI by foreign investment entities
- Refine processes in FOCI Operations/International Branches
- Develop overseas presence policies and procedures

Provide information technology services

- Build next generation information systems
- Focus on managing data as an asset
  - Collect data once, use it many times
  - Enhance information sharing
- Leverage existing investments (e.g. ISFD or the new Infolink) as the foundation for future automation initiatives

DSS Successes FY10

- DSS CI referrals resulted in over 200 investigations or operations by federal law enforcement and intelligence agencies (increase of over 300 percent from FY09)
- Decreased FOCI case processing from 256 days to 120 days, decreased FOCI case backlog from 93 to 23
- Established tailored inspections for FOCI facilities and completed first corporate-wide review
- Created Facilities of Interest List which allows DSS to prioritize and tailor inspections
- Created Fusion Center to identify gaps in information and maximize collaboration across the agency
- Initiated beta test of SPeD program
- Sponsored DoD Security Manager's Conference (500+ security professionals)
- Transitioned legacy IT systems to Defense Manpower Data Center

DSS Priorities for FY11

- Provide support to the cleared DIB to ensure they are effective in detecting and mitigating threats
- Develop and implement coordinated Cybersecurity strategy
- Continued integration of Counterintelligence into all aspects of DSS operations
- Resolution of FOCI cases
- Facilitate and complete BRAC-mandated moves
- Implement DoD Security Professionalization Certification Program
- Establish Insider Threat Program
- Expand tailored inspection program to freight forwarders, AA&E facilities

Stephen Hanson

Chief, FOCI Operations Division

FOCI Developments & Objectives

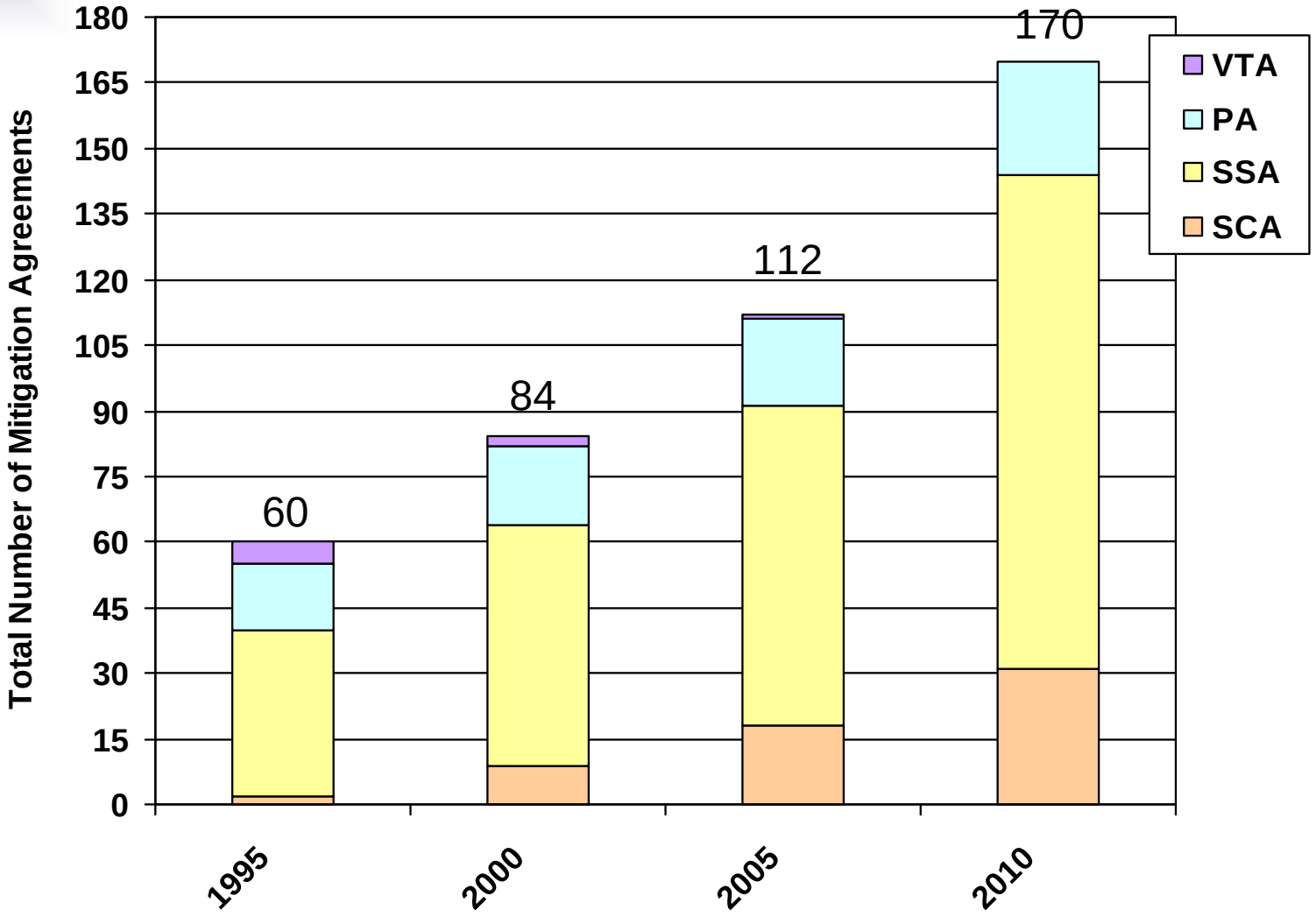
- **FY10 Developments**
  - e-FCL introduction, refinements
  - New Electronic Communications Plan (ECP) Template
  - ISOO Amendment to Directive 1 addressing NIDs
  - New FOCI Annual Conference for FSOs
  - Staff-assisted visits
  - New FOCI training
- **FY11 Objectives**
  - e-FCL available for DD 254s to expedite NIDs
  - Preparation for DSS HQs BRAC move to Quantico
  - New FOCI mitigation agreement templates

FOCI Statistics

- **NISP: 9,000+ companies, 13,000+ facilities**
- **FOCI: 286 mitigation agreements, 702 facilities**
  - 26 Proxy Agreements (9%), 94 facilities
  - 113 SSAs (40%), 318 facilities
  - 31 SCAs (11%), 51 facilities
  - 116 Board Resolutions (40%), 239 facilities
- **43 FOCI Cases Pending**
  - 24 SSA, 13 SCA, 6 Proxy Agreements
  - Goal is to Complete Cases in 120 Days

FOCI Mitigation Over Time

Total Number of FOCI Mitigation Agreements, 1995 - 2010



FOCI approaches for different company structures

- Large Companies (40-100 cleared facilities)
- Large Companies with little cleared work
- Start-ups
- Greenfield Investments
- Joint Ventures (JV)
- Unpopulated Joint Ventures
- Bankruptcies
- Minority Foreign ownership

Top FOCI concerns

- Intentional control and influence over classified work resulting in unauthorized access
- Undue influence adversely affecting contract performance
- Restructuring without considering security requirements
- Foreign government control
- Unidentified indirect foreign ownership
- Foreign subsidiaries and affiliates under mitigation agreements
- Unreported material changes
- Government customer involvement

Top FOCI Questions from Industry

- Visit Requests and Contact Reports
- Annual Reports
- Shared Services
- Co-location
- National Interest Determinations
- Renewals
- Electronic Communications Plan (ECP)

Advance Approval of Visits

- Seven-day advance notice required except for 'unforeseen exigencies' - any urgent situation

- SSA XI, 11.03 - A written request for approval of a visit must be submitted to the FSO no less than seven (7) calendar days prior to the date of the proposed visit. If a written request cannot be accomplished because of an unforeseen exigency, the request may be communicated via telephone to the FSO and immediately confirmed in writing.

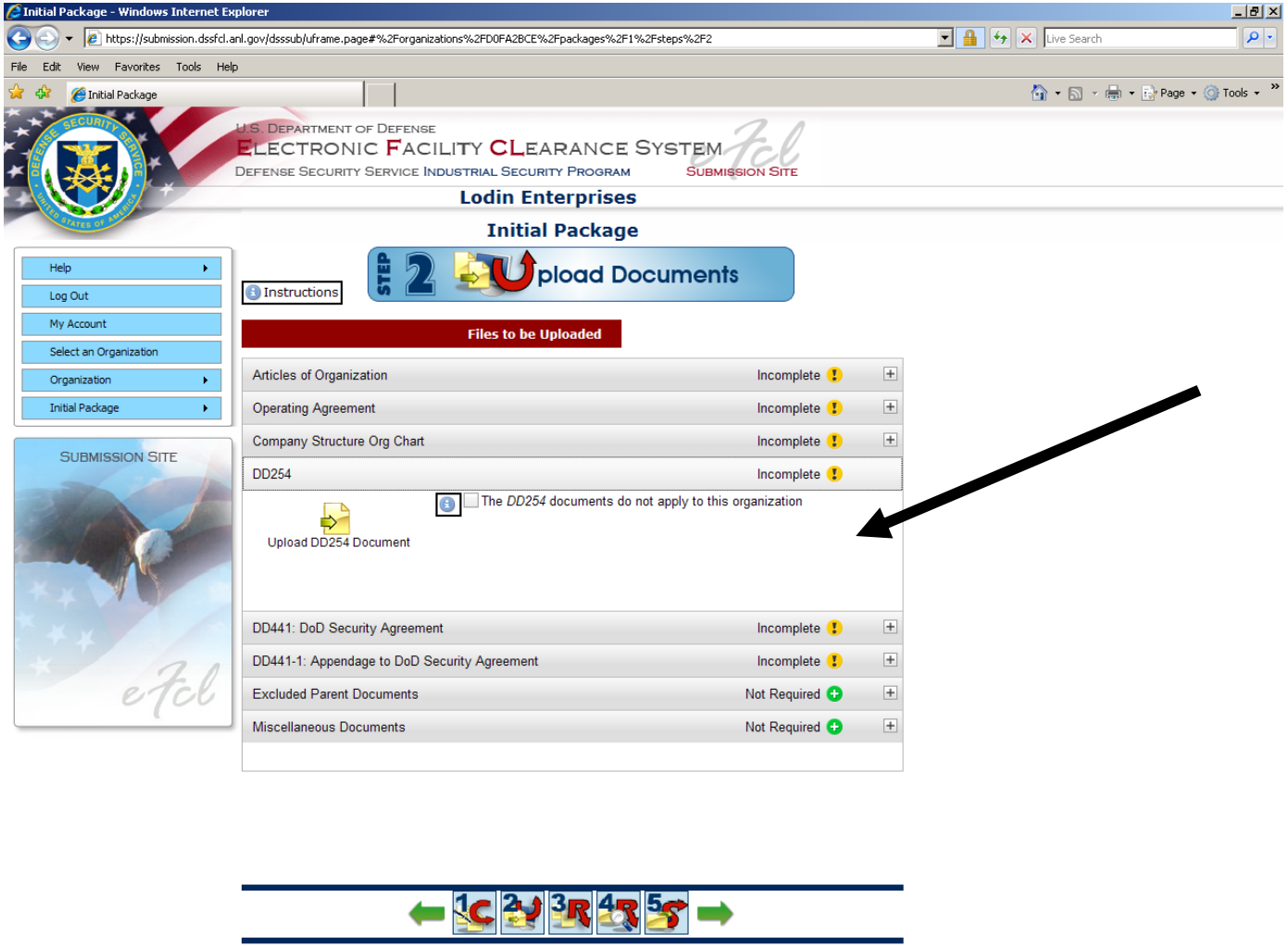
- Proxy Agreement XI, 11.01c - A written request for approval of a visit must be submitted to the FSO not less than seven (7) calendar days prior to the date of the proposed visit. If any unforeseen exigency precludes compliance with this requirement, such request may be communicated via telephone or other electronic means to the FSO and promptly confirmed in writing...

- ODs/PHs can approve many at one time, as long as individual justifications are reviewed.

National Interest Determinations

- **About 42 SSAs require National Interest Determinations (NIDs)**
  - 564 proscribed contracts under SSAs require NIDs.
  - 134 NIDs approved.
  - 85 new contracts being performed which await NID approval.
- **Government Contracting Activity (GCA) makes determination**
  - Government customer assesses whether release of the proscribed information is consistent with U.S. national security interests**.**
- **Timeline for approval in 32 CFR 2004.22 (c).**
  - 30 days for GCA to approve NID; 60 days for GCA if additional coordination with originating agencies is required (ODNI for SCI, DOE for RD, etc.).
  - DSS shall intercede to request again if deadline passes.

New DD-254 Submission via e-FCL



New Outside Director & Proxy Holder Collaboration Site

- The collaboration tool is a SharePoint site residing on UNCLASSIFIED Intelink, a web-based collaboration site run by the Office of the Associate Director of National Intelligence and Chief Information Officer
- The collaboration site is designed to allow members to post items which may be useful to other members, including:
  - Announcements
  - Documents
  - Discussions
  - Calendar items
  - Links
- Access is only for Outside Directors and Proxy Holders operating under a DSS mitigation agreement.
- Use of this system is voluntary.
- For UNCLASSIFIED use only.
- Currently being tested by several Outside Directors & Proxy Holders.
- Implementation is slated for the beginning of the new year. Registration information will be forwarded to current Outside Director & Proxy Holders.

View of Collaboration Site

This page contains dynamic content -- Highest Possible Classification is **UNCLASSIFIED//FOR OFFICIAL USE ONLY** Security Banner

Intelink Site Directory > DSS FOCI Outside Director & Proxy Holder Collaboration Site

Welcome intelink passport:steven.j.lindq...

This Site: DSS FOCI Outside Di

DSS FOCI Outside Director & Proxy Holder Collaboration Site

Home

Site Actions

View All Site Content

Documents
- Shared Documents
- FOCI Templates

Lists
- Calendar

Discussions
- Team Discussion

Sites

People and Groups

Site Hierarchy
- Administration Library
- FOCI Templates
- Shared Documents
- Announcements
- Calendar
- Links
- Team Discussion

Site Collection Admins

Collaboration site for Outside Directors and Proxy Holders currently operating under a Defense Security Service FOCI Mitigation Plan.

Announcements

2010 Facility Security Officer (FSO) Conference 11/1/2010 3:40 PM
by intelink passport:steven.j.lindquist
The Defense Security Service (DSS) is pleased to announce our first Facility Security Officer (FSO) Foreign Ownership, Control or Influence (FOCI) Conference scheduled for Wednesday, December 1, 2010, at the MITRE Corporation, McLean, Virginia.
...

2010 15th Annual FOCI Conference 11/1/2010 3:37 PM
by intelink passport:steven.j.lindquist
The Defense Security Service's 15th Annual FOCI Conference is scheduled for November 30, 2010, at the MITRE Corporation Conference Center in McLean, VA. Registration ends November 5, 2010.

Add new announcement

Discussions

Subject

Is there anything that you would like to discuss?

Add new discussion

Calendar

December, 2010 — Expand All | Collapse All | Day | Week | Month

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
28	29	30	1	2	3	4
		15th Annual FOCI Conference	DSS Facility Security Officer (FSO) Conference			
5	6	7	8	9	10	11
12	13	14	15	16	17	18

Links
- Defense Security Service website
- Outside Director Pages on dss.mil
- Site Terms & Conditions
- Collaboration Site User Guide

Add new link

RSS Feeds

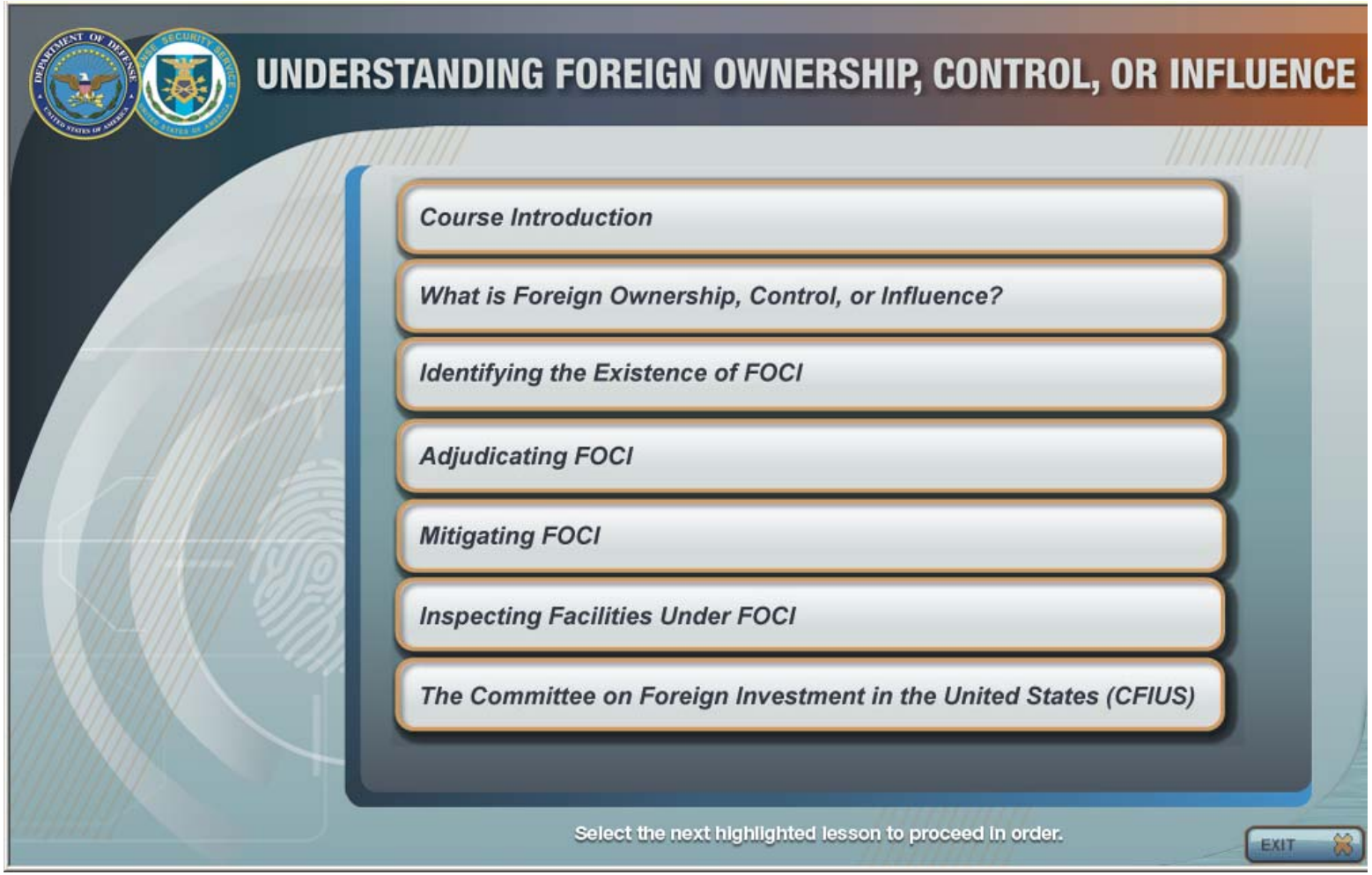
CNN.com
- In Haiti, too many cholera patients, not enough space
- TSA: All passengers must be screened
- 42 killed in China high-rise fire
- Rangel walks out of ethics hearing
- Realigned Congress gets back to work

Done — Internet — 100%

New Industry FOCI Course

- Developed by DSS Center for Development of Security Excellence.
- Course is web-based and will be available through the DSS ENROL system.
- Course will be available to Industry.
- Currently in BETA testing.
- Release expected by March 2011.

FOCI Course Content



FOCI Course Snapshots

FOCI Oversight

Justin Walsh

FOCI Program Manager

Industrial Security Field Operations

(703) 325-3257, justin.walsh@dss.mil

Briefing Objectives

- FOCI Oversight Numbers
- Reasons for poor security ratings at FOCI Facilities
- ECP Timelines and Oversight
- Outside Director and Proxy Holder responsibilities
- What you should expect during a DSS Inspection.

FOCI Oversight Data

- Since 1 Oct 2008, DSS has conducted 20,067 security inspections
- 559 of which were FOCI signatories
- Non-FOCI signatories Compliance Breakdown:
  - 80.3% rated Satisfactory
  - 15% rated Commendable
  - 4% rated Superior
  - 0.7% rated Marginal or Unsatisfactory
- FOCI Signatory Compliance Breakdown:
  - 77% rated Satisfactory
  - 16% rated Commendable
  - 4% rated Superior
  - 3% rated Marginal or Unsatisfactory

Reasons for Poor Security Ratings

- Foreign Parent Management Control
- Unauthorized Co-location
- Shared services occurring without approval
- Inadequate ECP/TCP Implementation
- Inadequate monitoring of electronic communications
- Interlocking Directors that were not disclosed or approved
- No separation of IT network
- Disclosure of export controlled information to the foreign parent without export authorization

Reasons for Poor Security Ratings

- Failure to submit an Annual Compliance Report
- Failure to Monitor/Approve/Document Visits
- Total lack of implementing the SSA and Proxy
- Lack of Training with regards to TCPs, ECPs, Agreement
- Inadequate/failure to Report (transfer of export material, communications)
- Compensation committee consisting of just the Inside Director

FCL Invalidations of FOCI Companies

- Since 1 Oct 2008, DSS has invalidated 54 facility clearances (FCLs).
  - 14 of those invalidations were FOCI Signatories (26%)
  - Of the 9,000+ Companies in the NISP there are 261 FOCI signatories (less than 3% of the companies in the NISP)
  - Reasons for invalidations of FOCI companies:
    - » FOCI Changed Conditions where DSS and the company could not agree on acceptable mitigation. (36%)
    - » FOCI Compliance Issues (64 % - see previous slides)

ECP Composition

What should an ECP look like?

Template dated March 2010

- Network
- System Description/Technical Overview/Network Diagram
- Identification and Authentication Policy & Procedures
- Access Control Policy
- Remote Access
- Security Awareness/Training
- Auditing
- Monitoring
- Incident response & handling
- Physical Environment & protection
- Maintenance
- Media Protection

- Identification/phone/email address of FSO, TCO, IT Personnel, Outside Director and their roles

- Employee Acknowledgement briefing

- Export Release Forms

ECP Composition

- Telephone
- Video Teleconferencing (VTC)/Teleconferencing (TC)
- Facsimile
- Cell Phones
- PDA
- All computer communication emails and server access

NOTE: VTC/TC logged in as Visits under VCP

Timelines on Implementation of ECP

- At what point will a company need to submit an ECP? Instructions were provided to industry on the DSS website June 28, 2010:

- Companies in FOCI mitigation process must be in compliance with the new ECP template within 45 days of Agreement execution.

- Effective September 1, 2010: Signatory companies already cleared under an applicable FOCI agreement are required to be in compliance by their next annual security inspection.

- Branch/Subsidiary/Division sites will need to have a site specific ECP within 45 days from the date the signatory facility's ECP was approved.

Timeline on Implementation of the ECP

- ECPs are approved by the Field Office Chief after:

  - Coordination and review between the ISR, ISSP and Region Senior Action Officer

  - On-Site Visit by an ISSP

  - Coordination with the Company to ensure that the ECP is an accurate depiction of their network and procedures

  - ECP approval must be in writing

  - Approved 45 days from the date of submission

OD/PH Responsibilities

- Implement plans and requirements from Agreement
- Ensure that FSO, TCO and their staffs are fully capable of ensuring compliance with the NISPOM, ITAR, and FOCI agreement
- Detailed annual report to DSS
- Report violations and attempts of undue influence from parents and/or affiliates
- Ensure technology is transferred only when authorized
- Maintain at least a satisfactory security posture
- Seek approval of visits or approve routine visits

What to Expect From The Field

- Inspections and Annual Meetings conducted on time every cycle. Inspection results and findings conveyed in a timely manner

- ECP Assistance

- Inspection teams consisting of the ISR, Sr. Action Officer specializing in FOCI, ISSP, and Field Counterintelligence Specialist.

- Continued Implementation of Corporate Wide Inspections

- Better communication across regions.

- Oversight Consistency

Lynda Mallow

Chief, FOCI Analytic Division

FOCI Analytic Division

Initial Mission: Created to ensure all available data is analyzed and applied when determining acceptable risk mitigation strategies for companies under FOCI

- Reviewed SF328s for those reporting FOCI

Enhanced Mission: Ensure all available data is analyzed and applied to all NISP facilities to ensure all FOCI is identified and mitigated

- Reviewing all SF328s regardless of response

FOCI Analytic Division

Company data into e-FCL – coordination with the Industrial Security Representative (ISR)

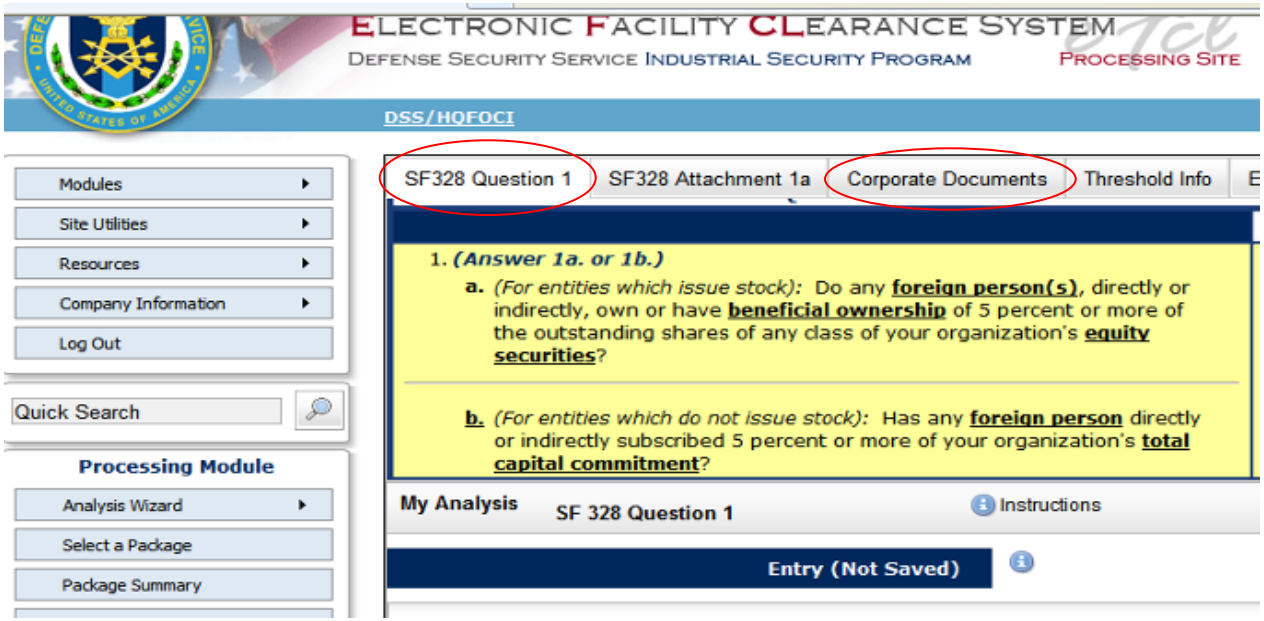
Completed packages are sent to the Field Office Chief and the FAD

Review of all SF328s by FOCI Analytic Division

Identification and Analysis of FOCI

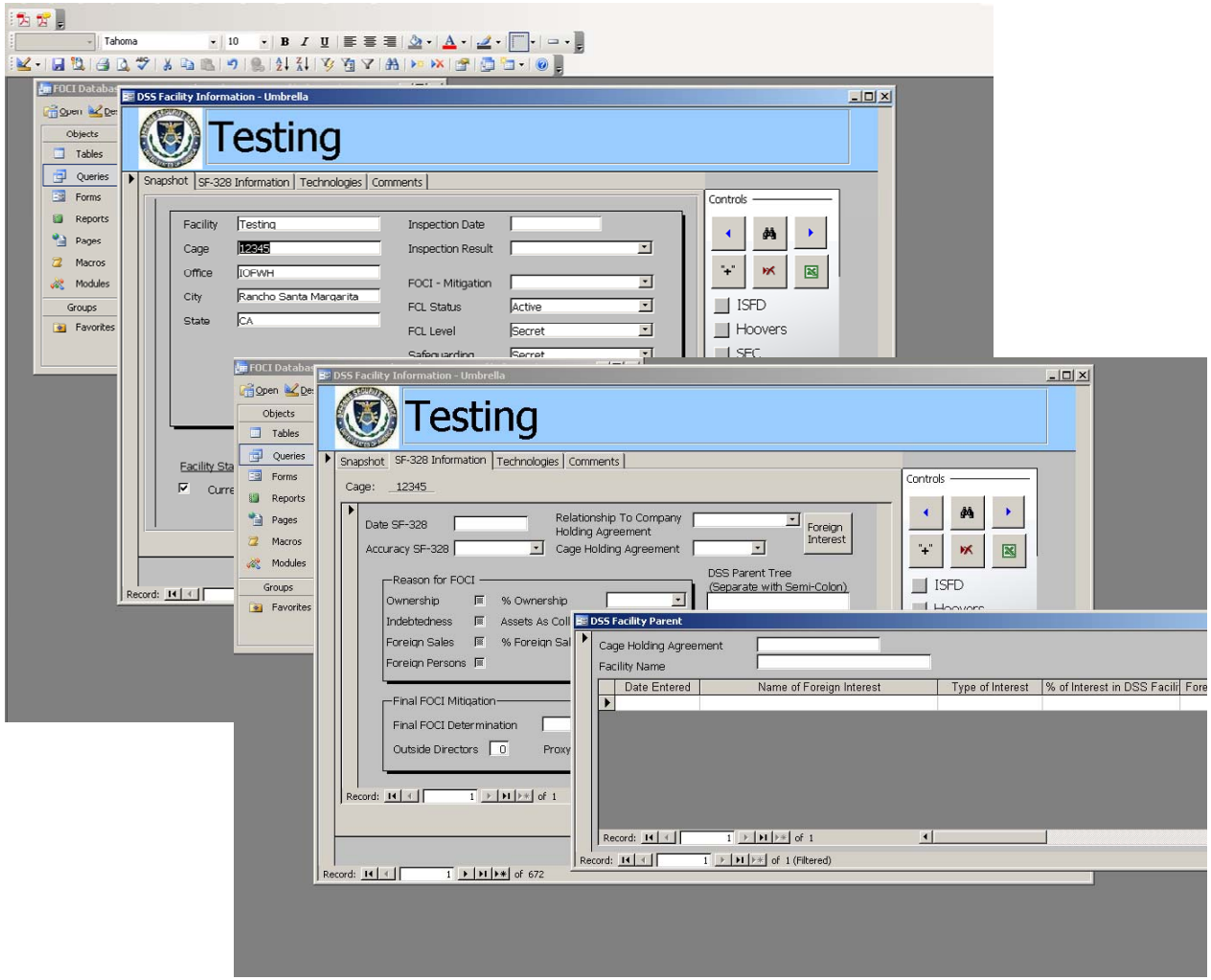
Review Completed Packages to Ensure Correct and Complete Responses

- Review various business databases: Hoovers, SEC, D&B, etc.
- Review various open sources: Justice, State, Company Website, etc.
- Review classified resources, to include DSS/CI holdings
- Tap into financial expertise of DSS' Assessments and Evaluation Division



FOCI Analytic Division

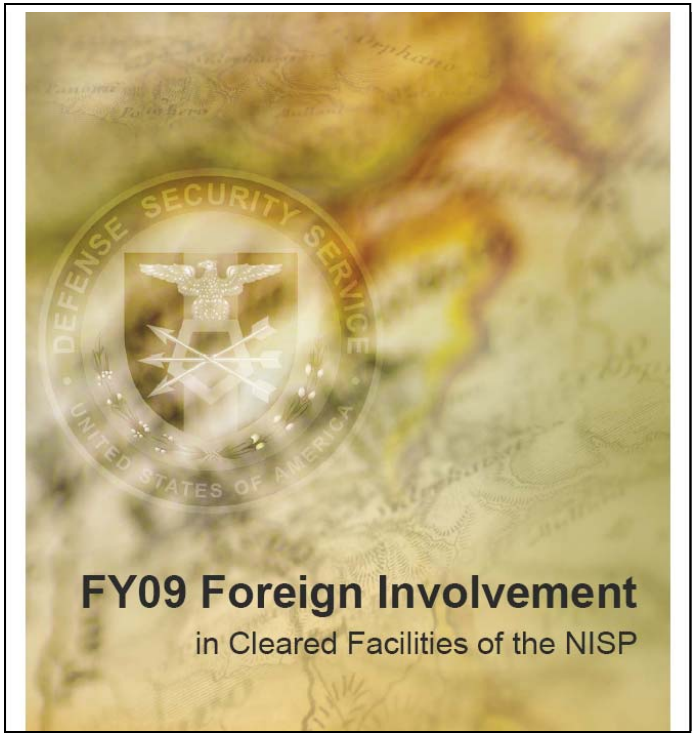
Created Repository For FOCI Data



Data Points

- Cage/name
- Complete mitigation information
- Identification and type of FOCI
- NAICS/technology

FOCI Analytic Division



Based on FOCI database, FAD prepared a compilation of datapoints

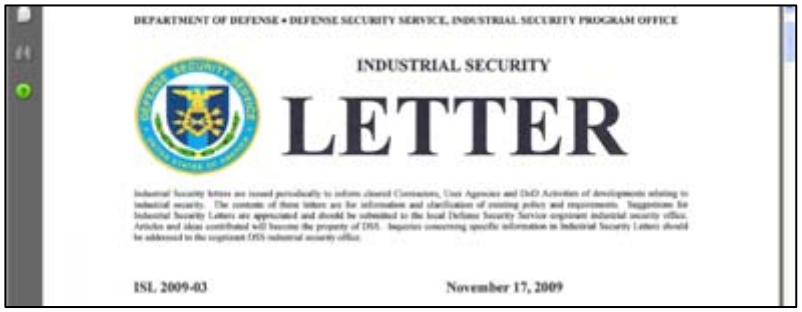
- **Countries involved**
- **Number and types of mitigation**
- **Types of entities with involvement**

FOCI Analytic Division

"Any material change concerning the information previously reported by the contractor concerning foreign ownership, control or influence (FOCI). This report shall be made by the submission of a Certificate Pertaining to Foreign Interests." (Source: NISPOM 1-302)

Further clarified by an Industrial Security Letter (ISL) published November 17, 2009 which provides a matrix describing circumstances that businesses are required to report on the SF328.

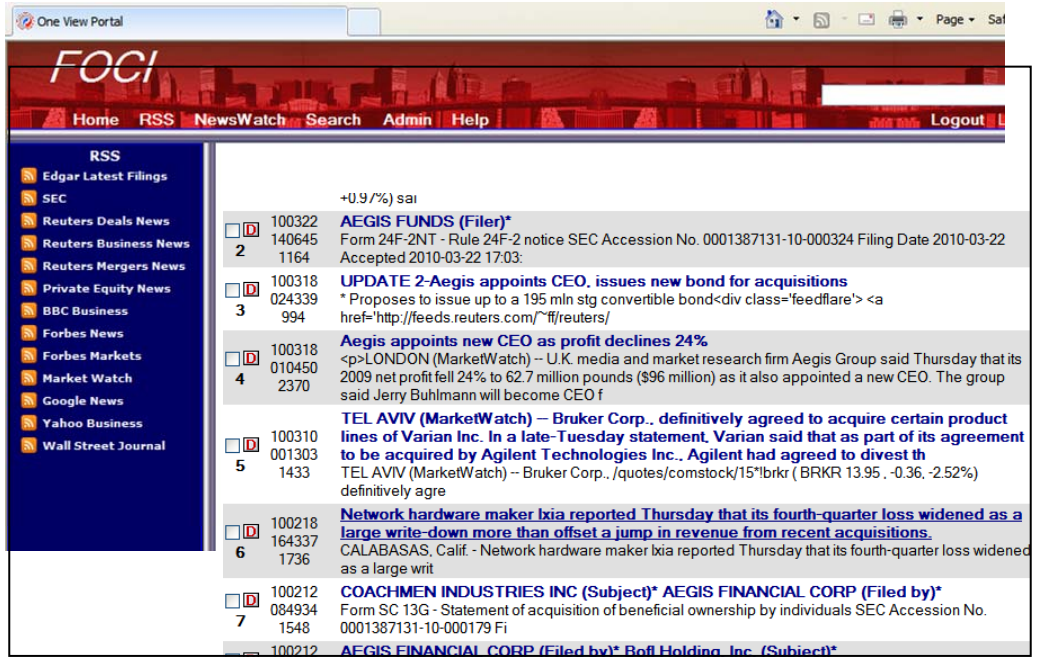
www.dss.mil contains a wealth of information, to include all ISLs

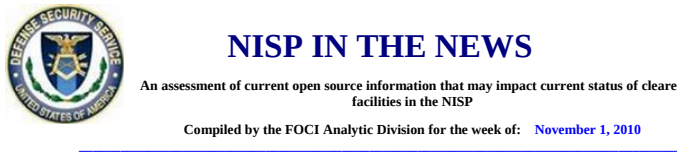


FOCI Analytic Division

Monitoring NISP Facilities

- Created a Portal which continually runs a search of the names of all NISP facilities against various RSS feeds from business news sites
- FAD Analysts review portal news for their assigned field offices on a daily basis
- Significant material changes are reported in NISP in the NEWS for internal use





QUESTIONS?

Lynda Mallow, Chief, DSS FOCI Analytic Division

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703-325-5797