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## NATIONAL INDUSTRIAL SECURITY PROGRAM POLICY ADVISORY COMMITTEE

### MINUTES OF THE MEETING

Wednesday, September 25, 2002

The National Industrial Security Program Policy Advisory Committee (NISPPAC) held its 20<sup>th</sup> meeting on Wednesday, September 25, 2002, at 10 a.m., at the National Archives Building, 700 Pennsylvania Avenue, Northwest, Washington, DC. J. William Leonard, Director, Information Security Oversight Office (ISOO), chaired the meeting. The meeting was open to the public.

#### **I. Welcome, Announcements and Introductions.**

After welcoming those in attendance, the Chair began the meeting by welcoming incoming industry members Thomas J. Langer\*, Vice President, BAE SYSTEMS North American, Inc., and P. Steven Wheeler, Director of Security and Emergency Services, Lockheed Martin Aeronautics Company. On behalf of the NISPPAC members, the Chair expressed his thanks and appreciation to outgoing members Gregory A. Gwash and Bernard A. Lamoureux for their outstanding service and contributions to the NISPPAC. He added that he had been advised that they would receive a letter of appreciation from the National Security Advisor acknowledging their exemplary service for the past four years as members of the NISPPAC. In his concluding remarks, the Chair encouraged the outgoing members to maintain an ongoing dialogue with the NISPPAC.

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\*Mr. Langer was unable to attend the meeting.

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Following the introductions of the new members and the self-introductions, the Chair submitted the minutes of the May 21, 2002 meeting for approval. The members approved the minutes without correction.

## **II. Status of the Revisions to Executive Order 12958, “Classified National Security Information.”**

The Chair reported that the process for amending the Executive order is not proceeding as quickly as he expected. Although the date for automatic declassification is looming, several agencies continue to press the more contentious issues. It is the goal of the Policy Coordinating Committee (PCC) for Records Access and Information Security to reconcile these issues and have a draft copy available for interagency comment within the next month. The Chair assured the membership that should the PCC not resolve the issues in dispute, an amendment extending the automatic declassification date would most likely be published.

## **III. Financial Disclosure Form Update.**

Gerald A. Schroeder, Chairman, Personnel Security Working Group, gave a brief overview of the requirement under Executive Order 12968, “Access to Classified Information,” for employees to file a financial disclosure report. The Personnel Security Working Group has drafted a standard financial disclosure form (two pages) for use by all agencies. The form also recognizes the National Industrial Security Program’s concerns about issues of privacy. The Policy Coordinating Committee for Records Access and Information Security has approved the draft form. The PCC is in the process of forwarding the draft form to the National Security

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Advisor. In his concluding remarks, Mr. Schroeder stated that ISOO would develop the procedures to implement the standardized financial disclosure form in industry.

At this point in the discussion, the Chair explained ISOO's role in developing the procedures and asked for those members interested in serving on a working group to draft the implementing document to submit their names to him by October 15, 2002. The goal of the working group is to have a draft document for submission to the NISPPAC by the end of November.

#### **IV. Executive Agent's Update.**

Rosalind Baybutt, Deputy Director for Industrial Security, Office of the Assistant Secretary of Defense (C3I), reported on the following: (a) review of the National Industrial Security Program Operating Manual (NISPOM); (b) the Industrial Security Mission Area Analysis; (c) Industrial Security Regulation; (d) Fee-for-Service; (e) a new User Agency; and (f) Buy-outs in the Office of the Secretary.

##### **A. Review of the National Industrial Program Operating Manual.**

Ms. Baybutt asked that those members with recommendations for amending the NISPOM to submit them to her by the end of October. She reported that the Nuclear Regulatory Commission has submitted recommendations.

##### **B. The Industrial Security Mission Analysis Assessment.**

At the direction of the Office of the Secretary of Defense (OSD), C3I, the Institute of Defense Analysis has completed its review and drafted its report of the Industrial

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Security Mission. Ms. Baybutt reported that the report, in its entirety, would not be distributed. Certain parts of the report may be made available, if necessary. In her concluding remarks, Ms. Baybutt reported that the Department of Defense Polygraph Institute is moving to the Counter Intelligence Field Activity (CIFA).

## **C. Industrial Security Regulation.**

Ms. Baybutt informed the members that the Industrial Security Regulation is still in the Office of the General Counsel. As soon as it is released, she will inform the members of the Memorandum of Understanding Group and the NISPPAC.

## **D. Fee-for-Service.**

Ms. Baybutt was pleased to report that the Fee-for-Service issue has been resolved. The Defense Security Services has a budget to cover these expenses for 2004-2005.

## **E. A New User Agency.**

In August, the Department of Health and Human Services (HHS) entered into an agreement with the Department of Defense to become the newest User Agency under the National Industrial Security Program. Under this agreement, which is required by Executive Order 12829, "National Industrial Security Program," the Defense Security Service will serve as the Cognizant Security Office for HHS contractor facilities requiring access to classified information.

## **F. Buy-outs in the Office of the Secretary of Defense.**

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In order to cut its personnel by 15%, the Office of the Secretary of Defense is offering buy-outs to its employees.

## **V. Defense Security Service (DSS) Update.**

Ronald W. Iverson, Deputy Director for Industrial Security, Defense Security Service (DSS), discussed DSS's backlog of personnel security investigations, and its initiative to facilitate the transmission of classified information overseas and the use of contractor support to certify Automated Information Systems (AIS).

### **A. Personnel Security Investigations.**

As of March 1, 2002, the Defense Security Services resumed processing industry's Sensitive Compartmented Information (SCI) and Special Access Program (SAP) Personnel Security Investigations requests for access to SCI and/or SAPs that were previously transferred to the Office of Personnel Management (OPM) for processing. DSS hoped this action would help to reduce its large backlog of pending investigations. Unfortunately, OPM now has 250,000 clearances pending and is no longer able to assist DSS. With the return of the workload and a new caseload that is 27% higher than expected, DSS does not expect to meet its case completion goals set under its Spend Plan. DSS's investigative resources are entirely used for the new cases. Hence, the old cases, those received prior to March 1, 2002, are receiving very little attention.

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To alleviate the workload, DSS has proposed a “test” period of one year for a Phased Single Scope Background Investigations Periodic Reinvestigation program. DSS is waiting for the Deputy Secretary of Defense to sign the memorandum authorizing the program.

During the discussion, the NISPPAC members expressed their concern about the personnel security investigations backlog. Gregory A. Gwash of Boeing moved that the Chair draft a letter to the Secretary of Defense that properly reflects the discussion and industry’s concerns about DSS’s personnel security investigation backlog. As the members discussed the motion, Thomas Martin, Nuclear Regulatory Commission, asked that the Chair circulate a draft of the letter for comment before it is sent to the Secretary of Defense. The Chair proposed that the members e-mail him their suggestions for the letter by October 1. He added that he would like to send a draft letter to the membership for comment by October 7. After the discussion, Mr. Gwash amended his motion to reflect the conversation. The NISPPAC members passed the motion unanimously.

## **B. Transmission of Classified Information from Government to Government.**

To facilitate government-to-government transmissions, DSS has initiated a Designated Government Representative Pilot (DGR) to determine whether the DGR has to be present to authorize an international transfer of classified information. DSS has established strict guidelines for what type of information is to be transferred. The pilot has been in existence for 120 days. Ten cleared facilities throughout the United States are participating in the program. There have been 156 shipments without any degradation of

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security. The pilot has been successful and DSS plans to seek authority from ASD C3I to expand and continue the program. At the end of his discussion, Mr. Iverson mentioned that the State Department has some concerns and that DSS is planning to meet with the appropriate State officials to discuss those issues.

## **C. Possible Contractor Support to DSS for AIS Certification.**

Mr. Iverson informed the membership that DSS continues to look at streamlining and standardizing its Certification & Accreditation Process for its automated information systems. Thirteen sites were selected for a 21-day cycle to complete certification. The pilot delivered mixed results and limited success. In some cases, the systems were not ready to be certified. However, DSS is still committed to establishing a standardized certification and accreditation process for industry.

## **D. Critical Infrastructure Protection Assurance Program.**

Mr. Iverson reported that at this time there is no support or funding for critical infrastructure assurance. DSS may consider this issue at a later time.

## **VI. Nuclear Regulatory Commission Report on Sharing Classified Information with Governors.**

Thomas O. Martin, Director, Division of Facilities and Security, briefly described the Nuclear Regulatory Commission's (NRC) policy for sharing classified information with Governors. Based on a 1988 Department of Justice legal opinion, the Governors do not undergo a personnel security clearance investigation. And they are treated as non-possessors. The Governors enter

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into an agreement with the United States not to disclose classified information that they are provided access to by executing the Standard Form 312, "Classified Information Nondisclosure Agreement." To date, the NRC has not experienced any problems with its policy for sharing classified information with Governors.

## **VII. Industry's Five Issues Concerning the Improvement of the National Industrial Security Program.**

Patricia B. Tomaselli, Director of Sector Security, Northrop Grumman Corporation, presented a synopsis of industry's five issues and a status report on the initiatives that industry is considering or undertaking to address each issue. Although all five issues generated some discussion, the members focused their discussion on the issue of reciprocity. Industry members indicated that the reciprocity agreements, specifically in the personnel security clearance area, are eroding rapidly with a significant impact on time, money and personnel resources. Government members also expressed similar concerns about reciprocity. The general feeling of the group is that the lack of reciprocity undermines security because it takes weeks even months to give someone the same access that he or she had in a previous assignment.

As the discussion concluded, the Chairman of the Personnel Security Working Group (PSWG) stated that this issue should have been resolved in 1995 and asked that both industry and Government members inform him of any instances of the lack of reciprocity in the collateral world. The Chairman of the PSWG asked the membership to let him know where the lack of reciprocity occurs, the clearance level, the clearance level sought and the relevant facts. The Chairman indicated that he would follow up to find out why reciprocity is not being observed.

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## **VIII. Sensitive Homeland Security Information.**

Daniel Chenok, Office of Information and Regulatory Affairs, Office of Management and Regulatory Affairs (OMB), briefed the NISPPAC members on OMB's involvement with the Office of Homeland Security. Mr. Chenok explained that the Office of Homeland Security has asked OMB to address the handling of information that is sensitive from a Homeland Security perspective that is not publicly available and will need to be shared with a first-responder that is a non-Federal entity. Working in the context of existing structures, the Freedom of the Information Act (FOIA), etc., OMB has been asked to draft guidance that all of the agencies will follow and that will establish consistent procedures for handling access requests under the FOIA. OMB has been asked to draft guidance that defines what is Sensitive Homeland Security Information; establishes the procedures for sharing the information; and establishes the rules of engagement for protecting the information from unnecessary release.

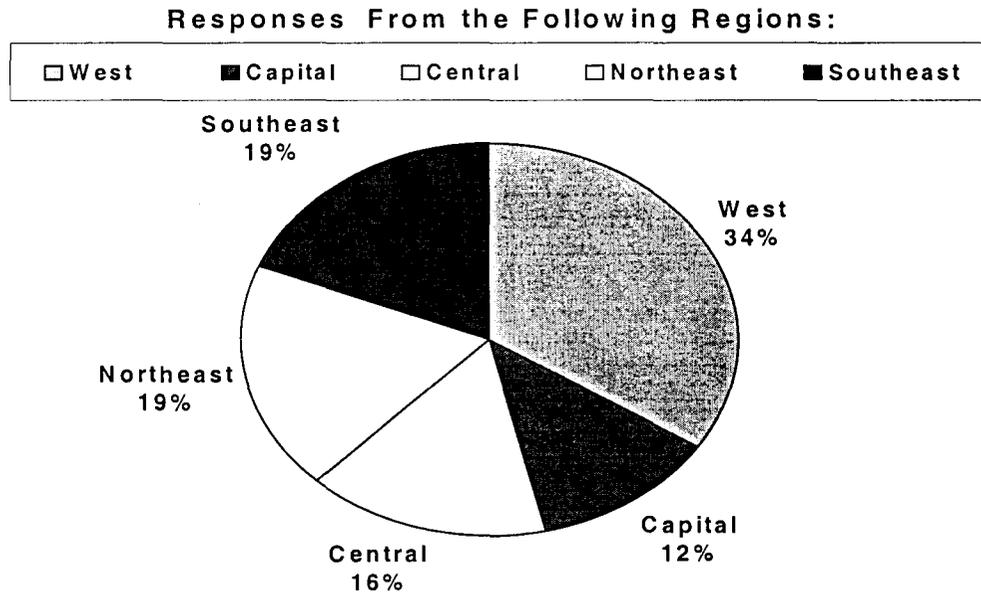
As Mr. Chenok concluded his remarks, he told the members that OMB has consulted various parties such as public interest organizations, the science and technology community, and state and local governments in preparing the guidance. A draft guidance paper may be circulated for comment within a couple of months. He invited the NISPPAC members to comment and also to share their suggestions for handling such information.

## **IX. NISPPAC Subcommittee Update – Implementation of Recommendation Number Four.**

Recommendation number four calls upon ISOO to increase its oversight of Executive

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Order 12829, "National Industrial Security Program" (NISP), and its implementing directives. The goal of this recommendation is two-fold: (1) to strengthen the National Industrial Security Program and (2) to facilitate ISOO's role in developing, verifying, and crystallizing issues. ISOO Program Analyst Bernard S. Boyd briefly updated ISOO's actions to implement this recommendation. An electronic survey was conducted from August 15 through September 13 to determine the effectiveness of the NISP. The survey centered on the following five areas: (1) level of knowledge; (2) level of confidence, (3) source of concern; (4) barriers to full implementation, and (5) the success of the NISP. More than 400 contractors responded to the survey. When the survey statistics have been reviewed, the membership will be provided with a



comprehensive report of the findings. The following graph shows the origin of the responses.

Now, that the electronic phase of the survey is complete, ISOO plans to conduct on-site visits to at least four regions to follow up on the survey results and to clarify some of the feedback. The

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on-site visits will take place between October 15 and November 3. ISOO expects to issue a final report to the NISPPAC membership by the second quarter of fiscal year 2003.

The Chair followed up the presentation by remarking that just as the on-site surveys will serve to increase the visibility of the NISP and the NISPPAC, ISOO is also undertaking initiatives to expand the NISPPAC's presence on ISOO's web site. This should also serve to highlight activities of the NISP, the NISPPAC and its issues.

## **X. Automated Continuing Evaluation System (ACES).**

Rosalind Baybutt briefed the members on the Department of Defense's (DOD) initiative to address meaningful clearance reform. At the request of the Department of Defense, the Defense Personnel Research Center, also known as PERSEREC, (DOD's study arm) developed, ACES, an automated database that ties into numerous databases that maintain records pertaining to finances, state and motor vehicle registration, customs, foreign visits, etc. ACES will be tied into the Joint Personnel Access System (JPAS) where DOD maintains its eligibility records. The system is designed to randomly and on a rotationally basis select files of individuals (those holding clearances at the "TS/SCI" level or SAP-cleared) for queries and will be transmitted to other databases to see if anything pops out. Anything in question will be queried against the adjudication database to determine whether that issue has already been adjudicated. If the issue(s) has not been adjudicated, the information will be forwarded to an adjudicator to see if a special investigation should be opened. DOD is still testing this system and expects to have it in full operation by June 2003.

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During the general discussion, the DoD Pilot Study of phased periodic reinvestigations came up. Alyn C. Hulse, Central Intelligence Agency (CIA), emphasized that this is a DOD pilot project and that the intelligence community will look at the results in a year from now to determine whether it can be instituted in the intelligence community. CIA is concerned about some of its capabilities for making additional adjudication decisions relating to staffing special programs or assignments, etc., that may be lost in the adjudication process. As Mr. Hulse concluded his remarks, he stated that even though the intelligence community has concerns about phased PR it is supportive of this initiative as a pilot project and as a potential change to streamline the security clearance process.

As the general discussion ended, the membership opined that this project should not be stopped and that serious consideration should be given to instituting it Government-wide.

## **XI. Open Forum, Closing Remarks and Adjournment.**

There being no other business raised the Chair adjourned the meeting. The next meeting is scheduled for April 2003, in Washington, DC.

Attachments (2):

(1) Summary of Action Items

(2) Attendance Roster

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## Summary of Action Items

ACTION ITEM	WHO	TIME FRAME
1. Submit names to Chair to serve on the Financial Disclosure Working Group to draft procedures for implementing the standardized disclosure form in industry.	All NISPPAC Members	By October 15, 2002
2. Submit recommendations for amending the NISPOM to Rosalind Baybutt.	All NISPPAC Members	By the end of October 2002
3. Inform the Memorandum of Understanding Group and the NISPPAC of the release of the Industrial Security Regulation.	Rosalind Baybutt	As soon as the Regulation is released
4. Submit (via e-mail) suggestions to Chair for letter to SecDef re: the clearance delays.	All NISPPAC Members	By October 1, 2002 (extended to October 30, 2002)
5. Send draft letter to NISPPAC members for comment.	J. William Leonard, Chair	By October 7, 2002 (extended to Wednesday, November 6, 2002)
6. Inform Gerald A. Schroeder, Chair, Personnel Security Working Group of any instances of the lack of reciprocity in the collateral world.	All NISPPAC Members	On-going activity
7. Suggestions/comments to OMB re: draft guidance paper on Sensitive Homeland Security Information are to be referred to Laura L.S. Kimberly, ISOO.	All NISPPAC Members	By the end of October

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**National Industrial Security Program Policy Advisory Committee**  
**Meeting-Wednesday, September 25, 2002**  
**10 a.m.– noon**  
**National Archives Building, Room 105**

## Roster of Attendees

### Government

**William A. Davidson**  
Department of the Air Force  
**Katherine H. Weick**  
Department of the Army  
**Alyn C. Hulse**  
Central Intelligence Agency  
**Rosalind Baybutt**  
Department of Defense  
**Ronald W. Iverson**  
Defense Security Service  
**Stephen Lewis**  
Defense Security Service  
**Geralyn Praskievicz**  
Department of Energy  
**Gerald A. Schroeder**  
Department of Justice  
**Clinton G. Herbert, Jr.**  
National Aeronautics and Space Admin.  
**Dennis Hanratty**  
National Security Agency  
**Ronald Marshall**  
Department of the Navy  
**Thomas O. Martin**  
Department of Energy  
**Andrea Jones**  
Department of State  
**Daniel Green**  
Department of the Air Force  
**J. William Leonard, Chair**  
Information Security Oversight Office

### Industry

**James P. Linn**  
Science Applications International Corp.  
**Gregory A. Gwash**  
The Boeing Company  
**Maynard C. Anderson**  
ARCARDIA GROUP WORLDWIDE, INC.  
**Patricia B. Tomaselli**  
Northrop Grumman Corporation  
**P. Steven Wheeler**  
Lockheed Martin Aeronautics Company  
**Michael S. Nicholson**  
Washington Group International Government  
**Dianne Raynor**  
MCA Engineers, Inc.  
**Bernard A. Lamoureux**  
Lockheed Martin Corporation  
**Glenn Ulvinen**  
General Dynamics

### ISOO Support Staff

Laura L. S. Kimberly  
Dorothy L. Cephas  
Emily R. Hickey  
Bernard S. Boyd  
Philip A. Calabrese  
Margaret L. Rose  
Kristina Fullmer-Anderson  
Matthew W. Stephan

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