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NATIONAL INDUSTRIAL SECURITY PROGRAM

POLICY ADVISORY COMMITTEE

MINUTES OF THE MEETING

MAY 20, 1996

The National Industrial Security Program Policy Advisory Committee (NISPPAC) held its seventh meeting on May 20, 1996, at 2:00 p.m., at Davis-Monthan Air Force Base, Tucson, Arizona. Steven Garfinkel, Director, Information Security Oversight Office (ISOO), chaired the meeting. The meeting was open to the public.

1. Welcome, Introductions and Announcements: After a welcome and introductions, the Chair announced that the next NISPPAC meeting would take place in September of this year, in Washington, DC. He asked those NISPPAC members located outside the Washington, DC area to provide Dorothy Cephas, Executive Secretary, with any preferred date for the meeting.

The Chair submitted the minutes of the September 1995, meeting for approval. The NISPPAC members approved the minutes without correction.

2. Status of the Information Security Oversight Office: The Chair reported that as of November 17, 1995, ISOO became a component of the National Archives and Records Administration (NARA) and that the offices of the Information Security Oversight Office were relocated to the National Archives Building at 7th and

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Pennsylvania Avenue, NW, Washington, DC 20408. He noted that the next meeting of the NISPPAC may take place at the Archives.

The Chair further reported that with the signing of the new Executive Order 12958, ISOO received additional duties; however, it did not receive funding to perform its new tasks. Consequently, ISOO has not been able to address fully its duties and responsibilities for the National Industrial Security Program. For this reason, the ISOO Director created a working group to assist him in identifying policy issues that should be brought before the NISPPAC. The Chair announced that Ethel R. Theis, ISOO Associate Director, will serve as the chair of the working group. The members will include representatives from the Office of Secretary of Defense, the Director of Central Intelligence, the Department of Energy, and the Nuclear Regulatory Commission.

The working group will meet between NISPPAC meetings. All Government and industry members on the NISPPAC, and a representative from the Security Policy Board may attend the meetings. Dr. Theis will advise these individuals of the meeting dates and invite them to attend.

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3. Motion to Amend Bylaws: Because the NISPPAC is still a very young organization and the term of the remaining initial industry members will end on September 30, 1996, the Chair expressed concern about continuity on the NISPPAC. He introduced a motion to amend the term of membership for the remaining initial industry members. The NISPPAC members passed the motion unanimously.

The fourth sentence of paragraph D, entitled "Term of Membership," of the NISPPAC bylaws now reads as follows: "However, three of the seven initial industry representatives, as agreed among them or drawn by lot, will have their terms expire on September 30, 1995, and two of the seven initial industry representatives, as agreed among them or drawn by lot, will have their terms expire on September 30, 1997."

With the passing of the motion, the Chair reviewed the membership of the industry members. Robert Kettering, Shirley Krieger, and Frank Martin will serve until September 30, 1998. Of the four remaining initial industry members, (Thomas Adams, Carol Donner, James Van Houten II, and John O'Neill) two will leave on September 30, 1996. The two remaining initial industry members plus Richard Grau (an industry member since October 1, 1994) will serve until September 30, 1997. The Chair asked

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the industry members to let him know, as soon as possible, which two initial members will remain. [At the end of the meeting, the Chair was informed that Carol Donner and James Van Houton II would be the two members whose terms will expire this September. Thomas Adams and John O'Neill will remain on the NISPPAC until September 30, 1997.]

4. Additional NISPPAC Vacancies: The Chair reminded the NISPPAC members that there would be two industry vacancies after September and that the terms for all Government members expire September 30, 1996. The Chair would like to have the industry vacancies filled by the September meeting. He invited all of the members to send him recommendations for industry membership on the NISPPAC.

As it concerns nominations for Government members, the Chair will be sending a letter to the head of each agency represented on the NISPPAC, within the next month, requesting nominations. Current Government members may be reappointed.

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- 5. Security Policy Board Update:** Peter D. Saderholm, Director, Security Policy Board, briefed the NISPPAC members on the SPB's progress in implementing:
- (a) Executive Order 12968, "Access to Classified Information,"
 - (b) the Safeguarding Directive for E.O. 12958, and
 - (c) Information Assurance guidelines.

(a) The SPB is in the process of developing a financial disclosure form that is minimally intrusive and will collect meaningful financial information as required by Executive Order 12968. During his remarks, Mr. Saderholm assured the NISPPAC members that every effort would be made to focus the requirement only on those individuals with access to the most sensitive classified information, who also have an ongoing and continuous need-to-know.

(b) With the exception of a few issues, the Safeguarding Directive is near completion. These issues include: (i) the agency head's authority to waive safeguarding standards; (ii) outlining safeguarding standards for Foreign Government Information; and (iii) the use of non-GSA approved security containers after October 2012.

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The accountability issue has been resolved. There will no longer be a requirement to use an accountability system when physical, personnel and technical security controls are sufficient. However, the Directive will provide for the use of an accountability system when the aforementioned controls are insufficient.

(c) Drafting and review groups are in the early stages of producing an Information Security Document that will provide policy on automated information systems for industry and Government.

6. Update on Chapter Eight of the NISPOM: James Van Houten, an industry representative, and John Frields, Office of the Secretary of Defense, reported on the draft re-write of Chapter 8 of the NISPOM. They reported that the chapter has been ~~re-written~~ re-written to reflect a "performance based" approach instead of a technical approach. The technical approach proved unsuccessful because the information contained in the chapter was obsolete and created confusion when Government and industry put it into use.

The "performance based" approach is flexible and will allow for the fast pace of technology advances and challenges. The draft chapter proposes that Government

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and industry work together to evaluate an automated information security system on how it works and what it does in accomplishing the task of protecting automated information systems. Each contractor and cognizant security activity will develop a security plan for its particular automated information security system. This security plan will become the contractual document that manages the system. Chapter 8 makes this a legal binding contracting obligation for the contractor to uphold.

A copy of the draft chapter was distributed to the NISPPAC members for review and comment to OSD. Once all the comments are received, the chapter will be treated as a change to the NISPOM and circulated for approval before it becomes an official part of the NISPOM.

A motion was made to have a status report on Chapter 8 at the next meeting. The NISPPAC members passed the motion unanimously.

7. Security Costs Estimates Update: Laura Kimberly, Information Security Oversight Office, reported that Government agencies had submitted their security classification cost estimates and that ISOO submitted a report of cost estimates to the

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Congress on April 30, 1996. However, ISOO is waiting to receive industry's cost estimates. As soon as ISOO receives the report of cost estimates from industry, ISOO will submit a report to the Congress.

Glenn Gates, an industry representative, reported that industry is completing its collection of security cost estimates and will submit a report to the Office of Secretary of Defense (OSD). John Fields, OSD, stated that he will take the industry data and work with one of the Government members to extrapolate the data to reflect all of industry. Once the extrapolation is complete, OSD will provide ISOO the data. [ISOO submitted its report on industry costs to the responsible congressional committee on June 26, 1996. A copy is attached.]

As the discussion concluded, the Chair reminded the NISPPAC members that both the Congress and the President require these cost data through statute and executive orders. He impressed on the membership that both parties in the Congress are very interested in security cost data and that it is unlikely that election results for the President or the make-up of the Congress will eliminate or alter the requirement to collect such data.

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8. **Foreign Ownership Control or Interest (FOCI) Update:** David Jones, Department of Energy, John Frields, Office of the Secretary of Defense, and Robert Kettering, an industry representative, reported that the Department of Defense and Energy are close to reaching an agreement on the information collected through the foreign interest questionnaire. As soon as the form clears the review and comment process, DOD and DOE expect to issue a standard form that contains eleven questions. DOD and DOE expect to report at the September meeting that the form has been placed in use by Government and industry.

9. **Open Forum - "The NISP: What's Working, What's Not.":** The panel members consisted of representatives from industry, OSD, DIS, CIA, DOE, and NRC. The Chair asked the panel members to comment on the positive and the negative aspects of the NISP. Overall, the industry panel members agreed that the NISP is working and that the dramatic changes in industry requirements within the last two to three years have made the workload a lot easier. Moreover, the industry representatives were pleased to announce that the relationship between industry and Government has changed from an adversarial one to a joint partnership with both parties working toward the same goals.

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As it concerned the negative aspects of the NISP, the industry members noted that the changes in the system very often do not trickle down from the management level to the operation level. Industry personnel in the field are encountering problems with the implementation of the NISPOM, specifically, personnel security issues, and implementation of the E.O. 12958's new marking requirements. To illustrate this point, industry members provided the NISPPAC members with specifics on: (1) implementing documents that are contrary to the spirit and philosophy of the NISPOM; (2) some agencies' resistance to the philosophy of reciprocity, and (3) the failure to implement the use of the "derived from" line on classified documents.

After a lengthy discussion on how to resolve these issues, the NISPPAC members agreed that most of the problems centered around resistance to change and policies in transition. Both Government and industry agreed to work together to overcome the resistance to implementing the new requirements through dialogue and clear guidelines to program managers and contractors.

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10. Adjournment: The Chair reminded the members that the next meeting would take place in September and asked those members outside of the Washington metropolitan area to provide the Executive Secretary with their preferences for a date for the meeting. After summarizing the action items, the Chair adjourned the meeting.

**NATIONAL INDUSTRIAL SECURITY
POLICY PROGRAM ADVISORY COMMITTEE (NISPPAC)
MEMBERS OR ALTERNATES IN ATTENDANCE**

May 20, 1996

FEDERAL GOVERNMENT

<u>NAME</u>	<u>AGENCY</u>
[Dorothy Cephas	Executive Secretary (ISOO)]
William Davidson	Department of the Air Force
John E. Fields	Department of Defense
Steven Garfinkel	Chair/ISOO
Gregory A. Gwash	Defense Investigative Service
David Haag	Central Intelligence Agency
Andrea Jones	Department of State
David Jones	Department of Energy
Duane Kidd	Nuclear Regulatory Commission
Bernard Gattozzi	Department of Justice
Richard Weaver	National Security Agency

INDUSTRY REPRESENTATIVES

NAME _____

Thomas J. Adams

Carol Donner

Richard P. Grau

Robert J. Kettering

Shirley E. Krieger

Frank K. Martin

John P. O'Neill

James H. Van Houten II