

**NATIONAL INDUSTRIAL SECURITY PROGRAM
POLICY ADVISORY COMMITTEE
MINUTES OF THE MEETING**

SEPTEMBER 27, 1995

The National Industrial Security Program Policy Advisory Committee (NISPPAC) held its sixth meeting on September 27, 1995, at 10:00 a.m., at the offices of the Information Security Oversight Office (ISOO), 750 17th Street, NW, Suite 530, Washington, DC. The meeting was open to the public.

Steven Garfinkel, the ISOO Director, chaired the meeting. He opened the meeting with a moment of silence for John P. Cornett, who had died on Wednesday, September 21, 1995. During his Government career Mr. Cornett served with distinction in the Department of the Air Force. He also worked at ISOO for several years following his retirement from the Air Force.

1. **Welcome and Introductions:** After a welcome and introductions, the Chairman submitted the minutes of the April 20, 1995, meeting for approval. The NISPPAC members approved the minutes without correction.

2. **Presentations to Outgoing Industry Members:** Sally Katzen, Administrator, Office of Information and Regulatory Affairs, Office of Management and Budget (OMB), presented outgoing industry members Ernest A. Conrads, William F. Lavalley, and Harry A. Volz with certificates of appreciation from the OMB Director for their contributions to the

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industrial security program, in general, and the NISPPAC in particular. She also presented Mr. Conrads, Mr. Lavalley, and Mr. Volz with letters of appreciation from the President.

3. Status of the Directive Implementing Executive Order 12958 on classification and marking, agency security education and self-inspection programs; and classification and declassification guides:

The Chairman reported that the draft directive was in the final stages of coordination, but that ISOO was still receiving and considering comments. He noted that ISOO planned to publish the directive in the *Federal Register* before October 14, 1995, the effective date of the Order.

4. Availability of Threat Information to Industry: Michael J. Waguespack, Director, National Counterintelligence Center (NACIC), reported on initiatives taken to make threat information available to industry. He noted that NACIC works closely with the Federal Bureau of Investigation (FBI), the Defense Investigative Service, and other agencies to make threat information available to industry. Primarily through the FBI's Development of Espionage, Counterintelligence, and Counterterrorism Awareness (DECA) program, NACIC provides periodic briefings, regional seminars, and quarterly publications to members of industry.

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He mentioned that another initiative included the creation of an industry council. The council, with representation from a cross-section of industry, is to provide feedback on threat information, and evaluate NACIC's performance. Mr. Waguespack also mentioned that NACIC was exploring the possibility of electronic dissemination of threat information so that it might reach a broader audience. Mr. Waguespack further reported that the Intelligence Community's elimination of the "no contract dissemination" caveat made it easier for NACIC to make threat information available to industry.

5. Mechanisms Available for Making Policy Changes on

Industrial Security: The Chairman reminded the members that there are many avenues for making policy changes to the National Industrial Security Program. He noted that the NISPPAC has already proven to be an excellent avenue for creating policy changes on industrial security. He added that evidence of this is that two NISPPAC recommendations for change had been approved by the President and Secretary of Defense, respectively.

John Frields, Office of the Secretary of Defense (OSD), noted that the process in place within OSD for making policy changes to industrial security is an inclusive one. Proposals are received from a wide-range of individuals including private citizens, industry, Congress and Government agencies. Proposals that concern the industrial security program are reviewed and

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comments are solicited from and coordinated with Government and industry officials prior to making any decision to revise the NISPOM. He emphasized that OSD wanted to ensure that industry has sufficient time to comment on any proposal before it is considered for inclusion in the NISPOM.

Peter Saderholm, Security Policy Board (SPB), informed the NISPPAC members that the SPB plans to continue its dialogue with industry, and to make available for review and comment Board draft issuances on industrial security. He added that the SPB process provides yet another avenue for possible changes to the industrial security program.

6. Standardization of Automated Information Security

Procedures: Mr. Fields explained that difficulties in establishing a timely, national-level automated information systems security policy for the protection of classified information has caused DOD to fall behind in the development of Chapter 8 of the NISPOM. Mr. Fields introduced a motion asking the NISPPAC to have the Automated Information Systems Working Group assume the lead in preparing a draft re-write of Chapter 8 of the NISPOM. After a brief discussion, the NISPPAC members unanimously passed the motion.

7. Accreditation and Inspection Reciprocity: Mr. Fields reassured the NISPPAC members that DOD believes in the principle of reciprocity.

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Some individuals, however, appear reluctant to adopt this principle because they seem to believe that the clearance process within their agency or organization is better than that of other agencies.

Mr. Frields introduced the motion that the NISPPAC explore the advisability and feasibility of having the Information Security Oversight Office, consistent with its assigned responsibilities under Executive Order 12829, serve as the central point within Government to receive from industry alleged violations of the reciprocity provisions of the NISPOM.

During a discussion of the motion, Helen Bragg, Department of the Army, pointed out that the essence of the motion was already addressed in Chapter 1, Section 2, paragraph 1-207 (a) 3 of the NISPOM. The NISPPAC members agreed that the language in the NISPOM is consistent with the concerns raised during the discussion. Mr. Frields withdrew the motion.

8. Disseminating Guidance on Implementing the NISPOM:

Mr. Frields reported that OSD had disseminated guidance on implementation of the NISPOM. Representatives from the Central Intelligence Agency, the Department of Energy, and the Nuclear Regulatory Commission reported that their agencies have also disseminated guidance on implementation.

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9. Security Clearance Reciprocity: Peter Saderholm reported that the SPB was in the process of developing regulations to implement Executive Order 12968 on personnel security. The regulations would include standards for clearance reciprocity. Interested parties will have the opportunity to comment before the regulations are finalized.

10. Implementation of the Financial Disclosure Requirement in the Executive order on personnel security: Mr. Saderholm reported that the SPB was also involved in the development of a financial disclosure form. Before a final decision is made, however, the draft of the financial disclosure form will be provided to industry for comment.

11. Update of the Information Security Oversight Office's Funding: Ethel Theis reported that ISOO expects to be fully funded through the National Archives and Records Administration for Fiscal Year 1996. As long as no budget is enacted into law, ISOO will remain funded through the Office of Management and Budget.

2. The ISOO Role Under Executive Order 12829: Dr. Theis reported that ISOO planned to start conducting formal reviews of the industrial security program in 1996. The initial reviews will probably focus on whether the policy and procedures being implemented are consistent with those of the Executive order.

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13. Open Forum:

A. Foreign Ownership Control and Influence (FOCI) Reporting:

Ernest Conrads, a representative from Industry, expressed industry's concern about the FOCI reporting system and requested that the NISPPAC examine the possibility of standardizing the reporting system. Peter Saderholm responded that the SPB's Policy Integration Committee (PIC) has an International Issues Subcommittee which is addressing FOCI issues. He suggested that proposals for change be sent to Charles C. Wilson, Assistant Deputy to the Under Secretary of Defense for Policy Support. Mr. Wilson, chairs the subcommittee. Mr. Garfinkel asked the NISPPAC members to advise him whether they wished to have a report on the status of possible FOCI changes as an agenda item for the next meeting. Bob Kettering, a representative from industry, indicated that he would keep the members informed of the PIC's progress in this area, and that he would inform Mr. Garfinkel whether he should place this item on the agenda of the next NISPPAC meeting.

B. Industrial Security Cost Task Force: Mr. Fields, on behalf of the Executive Agent for the NISP, introduced a motion that the NISPPAC indicate its support for the on-going efforts of the joint Government-industry Industrial Security Cost Task Force. After a lengthy discussion, the NISPPAC members passed the motion. One member opposed the motion.

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14. **Adjournment:** No date was set for the next meeting. After summarizing the action items, the chairman adjourned the meeting.