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DEFENSE INVESTIGATIVE SERVICE
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WASHINGTON D.C. 20330-1700

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*To be coordinated
will not be printed.*

MAR 18 1987

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Reply to
Attn of: VD400

SUBJECT: Forthcoming changes to the Industrial Security Manual (ISM)

**TO: Directors of Industrial Security
Director, Office of Industrial Security, International-Europe
Chief, Office of Industrial Security, International-Far East
Director, Defense Industrial Security Clearance Office**

1. This is to provide an update on ISM changes from the Stilwell Commission and advance information concerning other forthcoming ISM changes which were agreed upon at a February 26, 1987 meeting between DIS and ODUSD(P).

2. Outstanding ISM changes as a result of Stilwell recommendations:

a. Classification challenges (#21). Approved for publication without coordination (Attachment 1).

b. Control of reproduction equipment (#23). Requires further staffing due to complexity.

c. Report all foreign travel (#42). To be coordinated before publication.

d. Inspect briefcases (#44). To be coordinated (Attachment 2).

e. Naturalized citizens from designated countries (#66). Revise ISR/ISM to provide:

(1) Eligibility requirements of five years as a U.S. citizen, or 10 years residency, will be put into next ISM change.

(2) Such applicants must be submitted on DD Form 49 so that such clearances at all levels will be based upon IBI.

(3) Such individuals are not eligible for company confidential clearance. (Attachment 3 is an advance copy but it needs more staffing.)

f. Prohibit retention beyond 5 years (#30). Approved for publication, without coordination, in next ISM change.

g. Annual clean-out day (#31). Approved for coordination.

3. Other ISM changes:

ELIMINATION OF PRIVACY PROCEDURES
~~of the ISM~~ It was agreed to eliminate the current procedures for privacy questions. This will allow the contractor to access the privacy section of the PSQ. This is expected to reduce our reject rate. An applicant will be able to request an interview with a DIS agent instead of answering a privacy question under certain conditions.

(1) We hope to implement the above by publication of the new PSQ (e.g. the new DD Form 398 to replace the DD Form 49 and the new DD Form 398-2 to replace the DD Form 48) if at all possible. If the new PSQ's cannot be published in the next ISM change, DIS will delete the privacy procedures in the current ISM for the 48, 49 and 48-3.

(2) This will eliminate the 703 and 704 envelopes.

b. Delete DIS Form 180 and revert to the original paragraph 20a language which required the contractor to retain justification for PCL for review by the inspector.

c. Automated access controls. Approved. Separate letter will follow.

d. Reconcile DISCO printouts. Approved (Attachment 4).


e. It was agreed to phase-in the SF 189-A as replacement of the DISCO Form 482.

(1) Newly cleared personnel will execute the SF 189-A.

(2) Previously executed DISCO Forms 482 will continue in force until there is another security clearance action for that individual at which time the SF 189-A will be executed.

(3) Retention of executed SF 189-A forms for the required 50 years will be by the contractor unless the contractor goes out of business at which time the forms will be forwarded to the CSO. For your information, we are planning to provide for the Larsen system to identify those facilities that forward their forms to the CSO, and CSO's to retire such forms to a federal records center.

3. We welcome your comments on changes to the ISM/ISR to make further improvements.


ROBERT G. SCHWALLS
Deputy Director
(Industrial Security)

4 Attachments

Copy to: Regional Directors

As we are all aware, the November 1986 ISM contained more changes than any other revision in its known history. This was due to the recommendations of the Stilwell Commission. Even so, not all of the approved recommendations had been included in the November 1986 ISM. Further, shortly after publishing that ISM, it became clear that some of its provisions could not be implemented and ISL 87L-2 announced that SPP's need not be revised until the next ISM revision was received. In conclusion, you are reminded that SPP's are to be revised, as appropriate, within four months of receipt of the September 1987 ISM.

5. DEPARTMENT OF STATE REGISTRATION REQUIREMENTS

Federal law (22 USC 2778) and regulations (22 CFR Parts 120-130) require any person who engages in the business in the United States of either manufacturing or exporting defense articles or furnishing defense services to register with the Office of Munitions Control (OMC), U.S. Department of State. Manufacturers of defense articles must register even if they do not export. Defense articles include components, parts, accessories, attachments, firmware, software, and systems, as well as forgings, castings, and machined bodies for defense articles. Defense services include the furnishing of technical data or technical assistance related to defense articles.

If your company is engaged in the business activities described above, and is not registered with OMC, please contact that office for more information about registration requirements. Questions and requests for registration material should be addressed to Ms. Shirley Shields, Office of Munitions Control (PM/MC), Room 800 SA-6, U.S. Department of State, Washington, D.C. 20520, telephone 703-875-6635.

It is requested that you inform your subcontractors and vendors of OMC's registration requirements. There is strong Administration interest in the effective enforcement of this legal requirement.

6. NEW PROCEDURES FOR PROCESSING PERSONNEL SECURITY QUESTIONNAIRES (PSQ'S)

Effective with publication of the new ISM, dated September 1987, the instructions pertaining to the privacy section located on the PSQ's, and the privacy guidance contained in the instruction booklets for completion of PSQ's are no longer applicable. While all items on the PSQ's are to be answered, if the applicant for a clearance believes there is a significant personal matter which they desire not to disclose to their employer, they may request an interview with a Defense Investigative Service agent by entering "DIS Interview Requested" rather than completing the specific item.

Prior to affixing his or her signature to the respective privacy section, the form may be folded or covered, so that the witness to the signature will not see the prescribed portion. On completion of the privacy section, the PSQ, together with the FD 258, Applicant Fingerprint Card, if applicable, shall be returned to the employer for mailing.

The privacy envelopes (DISCO Forms 703 and 704) will also be eliminated with the publication of the September 1987 ISM. Contractors are now expected to defray the costs of submitting completed PSQ's to DISCO. A contractor may use existing supplies of the government-furnished envelopes; however, the "postage and fees paid" portion must be covered or obliterated, and proper postage affixed.

7. CLASSIFIED INFORMATION NONDISCLOSURE AGREEMENT (SF 189-A)

The September 1987 ISM will introduce the "Classified Information Nondisclosure Agreement" to the Defense Industrial Security Program as the replacement to the "Security Briefing and Termination Statement (Industrial Personnel)" (DISCO Form 482).

On August 3, 1987 the Information Security Oversight Office (ISOO) published a revised rule implementing the SF 189-A. The rule, titled "Points of Clarification," provides (i) a definition of "indirect" unauthorized disclosure as used in paragraph 3 of the SF 189-A, and (ii) a notation that paragraph 7 of the SF 189-A refers to "classified materials which have or may come" into the possession of the signer of the form. ISOO has initiated a new printing of the SF 189-A that will incorporate the clarifications listed above.

The SF 189-A contained in the September 1987 ISM, and those that are available for use, do not contain the above clarifications. Pending the issuance of the reprinted forms, contractors should use those currently available. The points of clarification do not alter the substance of the agreements reflected in the current forms. However, you should offer anyone who has expressed concern or has objected to signing the current form the opportunity to sign it as modified by attaching a copy of the clarifications and incorporating them by reference on the form itself. The following may be reproduced for attachment to the SF 189-A:

As used in paragraph 3 of SF 189-A, the word "indirect" refers to any situation in which the knowing, willful or negligent action of a party to the agreement results in the unauthorized disclosure of classified information even though the party to the agreement does not directly communicate, deliver or transmit classified information to a person who is not authorized to receive it. A party to the SF 189-A would violate its nondisclosure provisions only if he or she knew, or reasonably should have known, that his or her action would result, or reasonably could result, in the unauthorized disclosure of classified information.

As used in the third sentence of paragraph 7 of the SF 189-A, the words "all materials which have, or may have, come into my possession," refer to "all classified materials which have or may come into my possession," exclusively.

8. JAMES S. COGSWELL INDUSTRIAL SECURITY AWARDS FOR 1987

The winners of JAMES S. COGSWELL INDUSTRIAL SECURITY AWARDS FOR 1987 for superior performance in carrying out security obligations on classified defense contracts were announced September 29, 1987 by Mr. Thomas J. O'Brien, Director, Defense Investigative Service, at the 33rd Annual Seminar of the American Society for Industrial Security held in Las Vegas, Nevada.

Forty-eight firms were selected to receive the James S. Cogswell Award named for the first Chief of the Office of Industrial Security. The recipients were selected from over 12,000 industrial firms having Department of Defense facility security clearances to perform on classified contracts. Contractors were chosen on the basis of criteria that included the degree of security consciousness and cooperation by management, effectiveness of employee security education and motivation programs, security practices and procedures, and ability to sustain progressive security systems.

Plaques for outstanding security programs will be presented to:

Analysis & Technology, Inc.
Technical Services Sector
New London, CT 06320
(FSC: 58672) - Ms. Virginia Boiselle, FSO

Analysis and Simulation, Inc.
Buffalo, NY 14225
(FSC: 43833) - Ms. Patricia D. Pfohl, FSO

Comptek Research, Inc.
Vallejo, CA 94590
(FSC: 7W123) - Ms. Debra L. Martin, FSO

EG&G Washington Analytical Services Center, Inc.
Orlando, FL 32826
(FSC: 5Z030) - Ms. Laura J. Hilder, FSO

EXCEL Services, Inc.
Lowry AFB, CO 80230
(FSC: 7W492) - Mr. E. Dale Boggie, FSO

Frontier Engineering, Inc.
Norco, CA 91766
(FSC: 9V743) - Mr. Richard W. Flory, FSO

General Dynamics Corporation, Electric Boat Division
Bangor Facility
Poulsbo, WA 98370
(FSC: 8T328) - Mr. James J. Sullivan, FSO

General Image Engineering Corporation
Provo, UT 84601
(FSC: 7M681) - Ms. Shirley M. Herrera, FSO

Harbert International, Inc.
Birmingham, AL 35244
(FSC: 7W044) - Mr. Charles F. Knight, FSO

Hercules Incorporated
Hercules Aerospace Products Group
Allegany Ballistics Lab
Mineral County, WV 20753
(FSC: 70272) - Mr. Frederick A. Pfeiffer, FSO

Honeywell, Inc., Sperry Defense Systems Division
Albuquerque, NM 87113
(FSC: 07187) - Mr. David A Coulie, FSO

Hughes Aircraft Company, Denver Engineering Facility
Englewood, CO 80111
(FSC: 5R497) - Mr. David R. Tomes, FSO

International Business Machines Corporation
Federal Systems Division
Gaithersburg, MD 20879
(FSC: 4N497) - Mr. Paul J. Kelly, FSO

Irvine Sensors Corporation
Costa Mesa, CA 92626
(FSC: 54266) - Ms. Gail Lafferty, FSO

ITEK Corporation, Litton Applied Technology Division
Warner Robins, GA 31093
(FSC: 2L335) - Ms. Judith C. Inman, FSO

ITT Corporation, Defense Communications Division
(Florida Operations)
Cape Canaveral, FL 32920
(FSC: 3T678) - Mr. Anton J. Marth, FSO

Jaycor
San Diego, CA 92121
(FSC: 3M687) - Mr. Ray Arias, FSO

Kevlin Microwave Corporation
Woburn, MA 01801
(FSC: 25634) - Mr. John Malin, FSO

Lockheed Missiles & Space Company
Polaris Missile Facility
Charleston, SC 29408
(FSC: 5D207) - Mr. Charles J. Watts, FSO

Logicon, Inc.
Bellevue, NE 68005
(FSC: 8R427) - Mr. Joseph H. Towne, FSO

Martin & Stern, Inc., T/A MSI
Chantilly, VA 22021
(FSC: 63222) - Mr. Daniel F. Coyle, FSO

Mason & Hanger - Silas Mason Co., Inc.
Lexington, KY 40504
(FSC: 14913) - Mr. James E. Obermiller, FSO

McDonnell Douglas Corporation
Huntington Beach, CA 92647
(FSC: 18355) - Mr. Joseph R. Carrow, FSO

Metric Systems Corporation
Ft. Walton Beach, FL 32548
(FSC: 12339) - Ms. Barbara Fallin, FSO

Mission Research Corporation
Santa Barbara, CA 93102
(FSC: 1G992) - Ms. Mary L. Sourmany, FSO

Nations, Inc.
Shrewsbury, NJ 07701
(FSC: 6X191) - Mr. John N. Parrigin, FSO

Northrop Worldwide Aircraft Services, Inc.
Vance AFB, OK 73701
(FSC: 9F913) - Mr. Donald E. Snowden, FSO

Omni Analysis Company
San Diego, CA 92126
(FSC: 7R186) - Mr. Elmer P. West, FSO

PRC Kentron, Inc., WSMR Stallion Range Center
Socorro, NM 87810
(FSC: 3X899) - Mr. James R. Finley, FSO

R. M. Vredenburg & Co.
McLean, VA 22102
(FSC: 1B633) - Ms. Robin L. Rhiner, FSO

Rockwell International Corporation
Science Center
Thousand Oaks, CA 91360
(FSC: 2D609) - Ms. Sierra Sue Chmiel, FSO

SciTec, Inc.
Princeton, NJ 08540
(FSC: 2S031) - Ms. Deborah E. Jans, FSO

Southern Research Institute
Birmingham, AL 35255
(FSC: 24048) - Mr. Alex J. Muro, FSO

Space Applications Corporation
Santa Ana, CA 92707
(FSC: 3D135) - Ms. Irene Murphy, FSO

Sterling Federal Systems, Inc.
Intelligence & Military Division
Bellevue, NE 68005
(FSC: 3U880) - Ms. Karen M. Lund, FSO

Teledyne Brown Engineering
Lexington, MA 02173
(FSC: 9Y091) - Ms. Gretchen E. Pierce, FSO

Teledyne Microwave
Mountain View, CA 94043
(FSC: 24022) - Ms. Carol McNelly, FSO

Texas Instruments Incorporated
Ridgecrest, CA 93555
(FSC: 7B136) - Ms. Mary Anne Arnold, FSO

The Mitre Corporation
Bellevue, NE 68005
(FSC: 3T282) - Mr. Gene D. Knapp, FSO

The Mitre Corporation
Colorado Springs, CO 80906
(FSC: 6D573) - Ms. Mary Margaret Brummeler, FSO

The Mitre Corporation
HQ USAREUR
(Heidelberg, Federal Republic of Germany
APO New York, NY 09063
(FSC: 4B080) - Mr. Robert J. Roberto, FSO

Tri-State Motor Transit Co.
Joplin, MO 64802
(FSC: 64573) - Mr. Walter C. Burch, FSO

Trident Data Systems, Inc.
San Antonio, TX 78213
(FSC: 5Z045) - Mr. Larry G. Decker, FSO

TSC, Inc., dba Technology Service Corporation
Santa Monica, CA 90405
(FSC: 1G764) - Ms. Stephanie L. Esbin, FSO

United Technologies Optical System, Inc.
Optics & Applied Technology Laboratory
West Palm Beach, FL 33402
(FSC: 8U320) - Ms. Lyla H. Marsalis, FSO

Vectronics Microwave Corporation
Middlesex, NJ 08846

(FSC: 32846) - Mr. Stanley Miskewicz III, FSO

Veda Incorporated
Arlington, VA 22202

(FSC: 9B445) - Ms. Gail F. Alexander, FSO

Vitro Corporation
Chesapeake, VA 23320

(FSC: 9B364) - Ms. Sharon Bishop, FSO

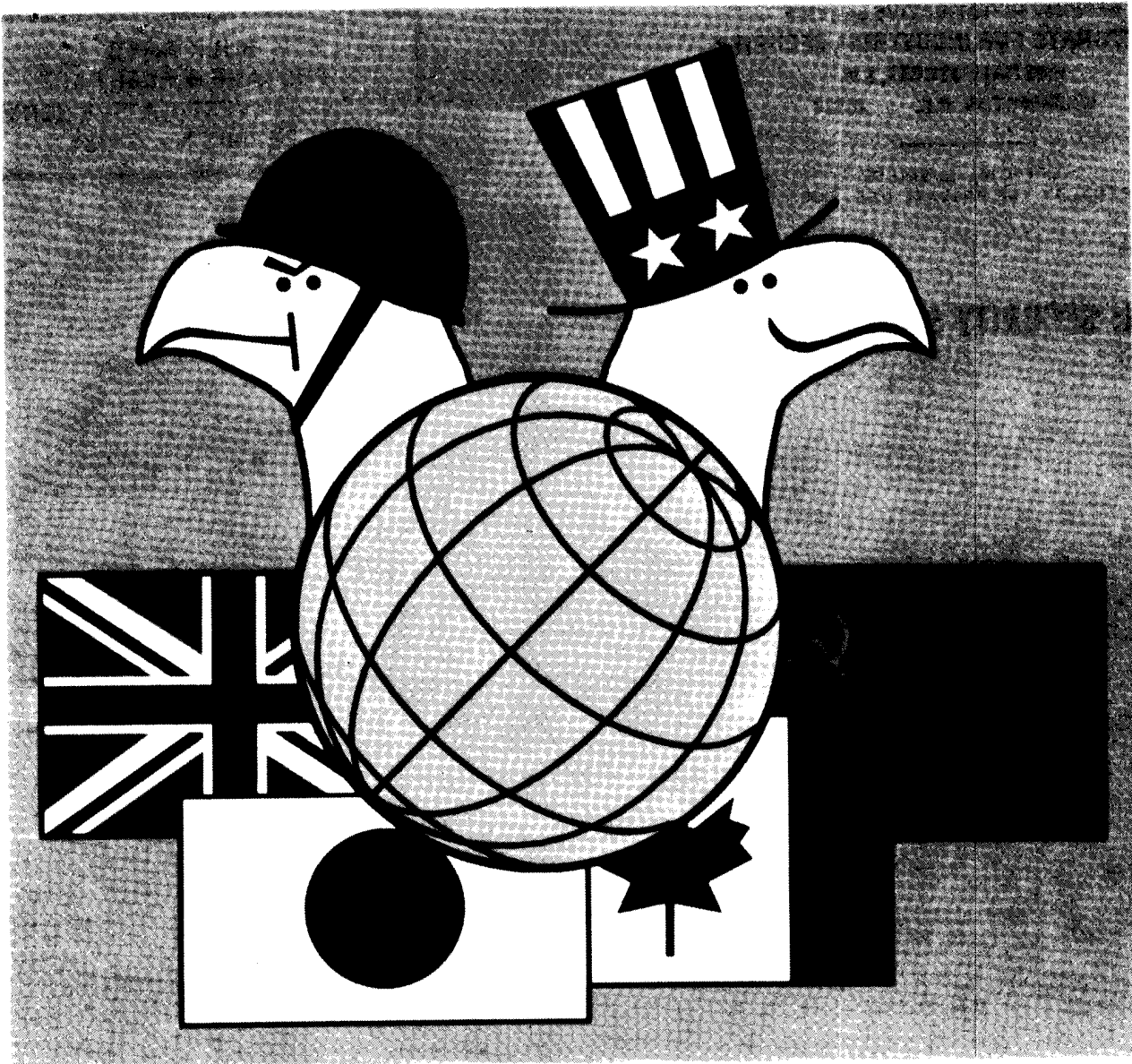


ROBERT G. SCHWALLS

Deputy Director

(Industrial Security)

Attachment



“National security information is official information that relates to our national defense or foreign relations.”

National Security Information

What is it? Who controls it? How does the system function?

Learn the answers to these questions and more from the new video by the Information Security Oversight Office (ISOO). Colorful and informative, it's ideally suited to complement initial and refresher briefings.

The video is in three segments:

Overview- *Highlights of original and derivative classification, marking, declassification and safeguarding (20 min)*

Marking- *A tutorial on proper marking practices and procedures (15 min)*

Safeguarding- *Highlights of basic safeguarding requirements (12 min)*

The video is unclassified, very reasonably priced, and available in all video and slide/tape formats. ISOO has designed the briefing for use by civilian and military agencies, and their contractors. All three segments emphasize the need for active communication between program offices and security managers or classification specialists.

For further information about the briefing contact ISOO, (202) 535-7251.

For order information, contact The Dub Center, (800) 382-0080.

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INDUSTRIAL SECURITY LETTER

Industrial Security Letters will be issued periodically to inform Industry, User Agencies and DoD Activities of developments relating to industrial security. The contents of these Letters are for information and clarification of existing policy and requirements. Information contained herein does not represent a change of policy or requirements until and unless officially incorporated in the Industrial Security Manual. Local reproduction of these Letters in their original form for the internal use of addressees is authorized. Suggestions and articles for inclusion in the Letter will be appreciated. Articles or ideas contributed will become the property of DIS. Contractor requests for copies of the Letter and inquiries concerning specific information should be addressed to the cognizant security office, for referral to the Directorate for Industrial Security, HQ DIS, as appropriate.

ISL 87L-4

September 29, 1987

1. REJUSTIFICATION OF NEED FOR A SECURITY CLEARANCE FOR EMPLOYEES ASSIGNED OVERSEAS
2. CONVERSION OF RECIPROCAL PERSONNEL SECURITY CLEARANCES (RPCL'S) TO LAA'S
3. NEW VIDEO FROM THE INFORMATION SECURITY OVERSIGHT OFFICE (ISOO)
4. REVISION OF THE STANDARD PRACTICE PROCEDURES
5. DEPARTMENT OF STATE REGISTRATION REQUIREMENTS
6. NEW PROCEDURES FOR PROCESSING PERSONNEL SECURITY QUESTIONNAIRES (PSQ'S)
7. CLASSIFIED INFORMATION NONDISCLOSURE AGREEMENT (SF 189-A)
8. JAMES S. COGSWELL INDUSTRIAL SECURITY AWARDS FOR 1987

1. REJUSTIFICATION OF NEED FOR A SECURITY CLEARANCE FOR EMPLOYEES ASSIGNED OVERSEAS

Paragraph 96b, Industrial Security Manual (ISM), requires that contractors who have assigned cleared employees overseas rejustify to DISCO their continuing need for a security clearance two years from the date of initial assignment and every two years thereafter. The justification must state why the employees will require access to classified information overseas in performance of assigned duties, to include identification of the contract or program under which such access is necessary.

You are encouraged to submit to DISCO the necessary rejustification as early as possible after the two-year anniversary. When the rejustification is not received by DISCO, a reminder will be mailed to the facility. If continuation of a clearance cannot be justified, or if DISCO does not receive a response to their reminder, the personnel security clearance will be administratively terminated.

2. CONVERSION OF RECIPROCAL PERSONNEL SECURITY CLEARANCES (RPCL's) TO LIMITED ACCESS AUTHORIZATIONS (LAA's)

Foreign nationals can no longer hold RPCL's. A foreign national may be eligible for an LAA if:

(1) Access to classified information is required at a cleared contractor facility under foreign ownership, control, or influence and the terms of the facility clearance permit access by foreign nationals, or

(2) Access to classified information is required for performance on a contract, subcontract, or cooperative project involving the government of the individual's country of citizenship, and

(3) There is a bilateral security agreement containing provisions for the exchange of security assurances between the U.S. Government and the government of which the individual is a citizen. The CSO should be consulted to determine the existence of a security agreement containing this provision.

Previously granted RPCL's are to be changed to LAA's when an employee meets the criteria contained in paragraph 31.2a of the ISM. The Industrial Security Representative servicing your facility will review all RPCL's and assist in the change to LAA's. Those RPCL's that do not meet the new requirements are to be administratively terminated. If continuation of access through an LAA is appropriate, the Letter of Consent (DISCO Form 560) shall be annotated with the words "Limitations of paragraph 31.3, ISM, apply."

3. NEW VIDEO FROM THE INFORMATION SECURITY OVERSIGHT OFFICE (ISOO)

ISOO has recently developed a video tape on information security entitled National Security Information (flyer attached). The briefing is an excellent educational and training tool and is available for loan in the training libraries in each Cognizant Security Office. Please contact your Regional Education and Training Specialist if you wish to borrow a copy.

4. REVISION OF THE STANDARD PRACTICE PROCEDURE

We are frequently asked: "When is a new ISM or change effective and when do I have to amend my SPP?"

First, a new ISM or change is effective the date of the change (paragraph 1g). However, as a practical matter, we consider a new ISM or change to be effective upon receipt by the contractor facility.

Second, policy currently requires that the SPP be revised within four months after receipt of the change (paragraph 5s). It should be emphasized that the contractor must change his/her SPP only if the particular ISM change is in fact applicable to his operation.