

# **Facility Clearances in the NISP**

**IS140v4**

**Student Guide**

**Of**

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## Lesson 1: Course Introduction

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### *Course Information*

Purpose: Provide a thorough understanding of the Facility Clearance (FCL) process and maintenance for contractors who participate in the National Industrial Security Program (NISP).

Audience:

- Facility Security Officers (FSOs) at cleared DOD contractor facilities participating in the NISP
- Other contractor security personnel
- DCSA Industrial Security Representatives (IS Reps)
- DOD Industrial Security Specialists

Pass/Fail percent: 75% on final examination

Estimated completion time: 120 minutes

### *Course Overview*

The federal government entrusts classified information to contractors in order to meet government procurement needs. Part of the trust inherent to the relationship between the government and contractors is the approval of a favorable entity eligibility determination, also referred to as a Facility Clearance, or FCL.

In this course, you will learn what an FCL is, why it is required, and how it is obtained and maintained.

### *Course Objectives*

- Identify the various government organizations, divisions, and electronic information systems involved in the facility clearance process
- Identify the eligibility requirements for consideration for a facility clearance
- Identify the key areas that are evaluated when determining a contractor's eligibility for a facility clearance
- Identify the effects of different business structures on the facility clearance process
- Identify other factors that should be considered when determining the need for a facility clearance
- Identify the process by which a facility clearance is requested and granted
- Identify facility clearance maintenance activities, changed conditions, and personnel actions that affect a facility clearance in accordance with NISPOM requirements
- Identify when an interim and final facility clearance is appropriate, and actions that may be applied to a facility clearance and when such actions are appropriate

### *Course Structure*

- Course Introduction
- Introduction to Facility Clearances in the NISP
- Facility Clearances Eligibility
- Is a Facility Clearance Appropriate?
- The Facility Clearance Process
- Maintaining a Facility Clearance
- Course Conclusion

## Lesson 2: Introduction to Facility Clearances in the NISP

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### *Lesson Objective*

If you are new to your role in the National Industrial Security Program, or NISP, and the facility clearance process, then you may ask yourself:

- What is a Facility Clearance, or an FCL? Why is it necessary?
- What government organizations are involved in obtaining and maintaining an FCL?
- Who are the representatives for these organizations?
- What computer applications are involved in the FCL process?

We will examine each of these questions in this lesson.

Here is the lesson objective:

- Identify the various Government organizations, divisions, and electronic information systems involved in the facility clearance process

### *Purpose of a Facility Clearance*

An FCL is an administrative determination that, from a security viewpoint, an entity is eligible for access to classified information of a certain level, and all lower levels. An FCL is a favorable entity eligibility determination.

Now that you know what an FCL is, you're probably wondering why an FCL is needed. The government procures products or services from private industry, and sometimes these procurement needs require a contractor to access classified information. For example, Relay, a division of Connex Corporation, is bidding on a project that requires access to classified information at the SECRET level.

Relay's main operations are conducted at its facility, which includes an office building and two other sites. Some of Relay's employees perform work off-site at another contractor's facility and on a government installation as well.

When a contractor performs work that requires access to classified information, the contractor is required to have an FCL equivalent to the classification level of the classified information that will be accessed. The determination of a favorable FCL is separate from the determination that a contractor has safeguarding capability for classified information. Therefore, a contractor's favorable FCL does not automatically include approval for classified storage at the contractor's facility. The CSA will make both of these determinations as applicable.

### *Obtaining a Facility Clearance*

As you have just learned, an FCL is an administrative determination that a contractor is eligible for access to classified information; but how is such a determination made?

The Facility Clearance Branch, or FCB, of the Defense Counterintelligence and Security Agency, or DCSA, grants FCLs through a process that involves evaluating a contractor's company and facility in detail.

There are several main areas that are evaluated to determine if an FCL may be granted:

- Sponsorship,
- Execution of the DOD Security Agreement, or DD Form 441,
- The company's business structure,
- The company's Key Management Personnel, or KMP, and

- Execution of the Certificate Pertaining to Foreign Interest, or SF 328, indicating any Foreign Ownership, Control, or Influence, or FOCI, factors that may affect the contractor.

Given a contractor’s business structure, it must also be determined if it is appropriate to consider the company for an FCL. Once a facility has been granted an FCL, it is the responsibility of the Facility Security Officer, or FSO, to supervise and direct the company’s security measures necessary for implementing the National Industrial Security Program Operating Manual, or NISPOM, requirements and related government security requirements to ensure the protection of classified information.

An FCL may be issued with a status of interim depending on the contractor’s stage in the request process. There are several actions that may be applied to an FCL once it has been granted. An FSO should be aware of each possible action and when they may apply.

***Facility Clearance Regulations***

The requirements regarding FCLs can be found in the NISPOM. The NISPOM is the operating manual for the NISP. But what exactly is the NISP?

Because the government contracts with private industry for products and services that require access to classified information, a program was established to ensure that classified information entrusted to industry is properly protected. That program is the NISP, which is a partnership between the United States Government and private industry.

The NISP ensures that classified information released to industry is properly protected. Executive Order 12829 established the NISP. In support of the NISP, guidance for classifying and protecting national security information can be found in Executive Order 13526.

Cleared contractors who participate in the NISP agree to meet all applicable requirements set forth in the NISPOM. The NISPOM establishes the baseline security requirements that contractors must implement to ensure classified information is adequately protected.

***The Structure of the NISP***

To understand the NISP and your role in it, you should be aware of the different entities involved in the NISP and how these entities relate to one another. The responsibility for ensuring implementation of the NISP has been delegated to the following Cognizant Security Agencies, or CSAs:

- The Director of National Intelligence (DNI)
- The Department of Energy (DOE)
- The Nuclear Regulatory Commission (NRC)
- The Department of Defense (DOD), and
- The Department of Homeland Security (DHS)

The DOD is the CSA for all DOD agencies and other federal agencies who have entered into agreements with the DOD. The DOD has delegated the responsibility to administer industrial security-related activities to the DCSA which acts as the Cognizant Security Office, or CSO, for the DOD. Within the DCSA, under Industrial Security, there are a few operational units that you should be aware of, since they relate to an FCL:

- The Vetting Risk Operations (VRO)
- The Facility Clearance Branch (FCB) and
- Regional Directors in Field Operations

VRO helps oversee national security eligibility determinations, also referred to as Personnel Security Clearances, or PCLs, for personnel employed by contractors participating in the NISP. The FCB oversees the issuance of FCLs and monitors FCL maintenance. The FCB employs security specialists who monitor FCLs for multiple contractors.

There are Regional Directors that help oversee Field Operations. Depending on the location of a contractor's facility, it will fall under the purview of one of the Regional Directors, who oversee various DCSA Field Offices located within their region.

Each DCSA Field Office has a Field Office Chief (FOC) who supervises multiple Industrial Security Representatives (IS Reps). Each IS Rep is assigned multiple contractor facilities and provides advice and assistance to each contractor's FSO to ensure that the facility's security program meets NISP requirements. FSOs are responsible for the daily security measures necessary for the implementation of their facility's security program.

### ***Electronic Management Systems***

FCL and PCL information is collected, tracked, and maintained electronically, using information systems, databases, and secure websites. Information pertaining to contractor facility clearances is managed using the FCL system of record. Information pertaining to PCLs is managed using the DOD personnel security system of record and Electronic Questionnaires and/or Applications for Investigations are processed using a secure web-based system.

#### ***FCL System of Record***

The FCL system of record is an electronic repository of industrial security FCL information. It is used to collect and manage information such as KMPs, the SF 328, and information on contractor facilities affected by FOICI factors. DCSA industrial security personnel use this system to document industrial security actions regarding contractor facilities participating in the NISP. This system can also be accessed by contractors and government specialists to verify an FCL and safeguarding capabilities of facilities cleared under the NISP.

#### ***DOD Personnel Security System of Record***

The DOD Personnel Security System of Record serves as the enterprise-wide solution for personnel security, suitability, and credentialing management for DOD, military, civilian, and contractor personnel. This system of record provides secure communications between adjudicators, security officers, and components, allowing users to request, record, document, and identify personnel security actions.

Part of the FCL process is to obtain PCLs for KMP such as the company President, Chairman of the Board of Directors, if there is a chairperson, FSO, Senior Management Official, or SMO, Insider Threat Program Senior Official, or ITPSO, and other managing officers as necessary.

#### ***Electronic Questionnaires/Applications for Investigations Processing***

Electronic Questionnaires and/or Applications for National Security Positions, are processed using a secure web-based automated system. This system contains the standard investigative forms used by DCSA and other Investigation Service Providers to process personnel background investigations for Federal security, suitability, fitness, and credentialing purposes.

Requests for personnel security investigations within the DOD are initiated through the DOD personnel security system of record but processed using this secure web-based system.



**Review Activity 1**

Match each entity with its associated representative.

Entity Representative:

*Industrial Security Representative* \_\_\_\_\_

*Facility Security Officer* \_\_\_\_\_

*Security Specialist* \_\_\_\_\_

Entity participating in the NISP:

- A. Facility Clearance Branch
- B. DCSA Field Office
- C. Contractor Facility

**Review Activity 2**

A description of an information system, database, or secure website involved in electronically managing facility clearance information is provided. Select the correct system, database, or website for each description.

**Question 1 of 3**

This is used to collect documentation regarding FOCI, KMP information, Certificate Pertaining to Foreign Interest (SF328) and other facility documents to the DCSA.

- FCL system of record
- DOD personnel security system of record
- Electronic Questionnaires/Applications for Investigations Processing

**Question 2 of 3**

This is used to manage information pertaining to Personnel Security Clearances (PCL).

- FCL system of record
- DOD personnel security system of record
- Electronic Questionnaires/Applications for Investigations Processing

**Question 3 of 3**

Standard investigative forms are processed using this system.

- FCL system of record
- DOD personnel security system of record
- Electronic Questionnaires/Applications for Investigations Processing

### *Summary*

In this lesson, you learned about the purpose of an FCL, the regulatory basis for an FCL, the structure of the NISP and the different entities involved in the FCL process, and the various electronic information tracking systems used in processing, monitoring and maintaining FCL information.

### **TERMS**

**FCB Security Specialist:** Employed and assigned by the Facility Clearance Branch to monitor FCLs for multiple contractors.

**Industrial Security Representative:** Employed by DCSA Field Office and assigned to several contractor facilities; works with each contractor's FSO to ensure that the facility's security program meets the NISP requirements.

**Facility Security Officer:** An employee of the contractor facility, they are responsible for the daily security measures necessary for creating, implementing, and updating their facility's security program.

**FCL System of Record:** An electronic repository of industrial security information used to document industrial security actions regarding contractor facilities participating in the NISP.

**DOD Personnel Security System of Record:** The system of record to perform comprehensive personnel security, suitability and credential eligibility management for all DOD contractors.

**Electronic Questionnaires/Applications for Investigations Processing:** A secure web-based automated system designed to facilitate the processing of standard investigative forms used when conducting background investigations. Requests for personnel security investigations and clearances within the DOD are initiated through the DOD Personnel System of Record but processed using this secure web-based system.

## Lesson 3: Facility Clearance Eligibility

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### *Lesson Objectives*

What are the basic eligibility requirements that an entity, including companies and academic institutions, must meet before they may be considered for a facility clearance, or an FCL? What areas will DCSA evaluate to determine an FCL?

In this lesson, we will discuss these eligibility requirements and evaluation areas in more detail.

Here are the lesson objectives.

- Identify the eligibility requirements for consideration for a facility clearance
- Identify the key areas that are evaluated when determining a contractor's eligibility for a facility clearance

### *General Eligibility Requirements*

To be considered for an initial FCL, the prospective contractor must meet certain basic eligibility requirements before the FCL request process may even begin. The contractor must first require access to classified information in connection with a legitimate U.S. Government or foreign government need, and access must be consistent with national security interests.

Secondly, the contractor must be organized and exist under the laws of the U.S., one of the fifty states, the District of Columbia, or D.C., an organized U.S. territory, or under the laws of an American Indian or Alaska Native tribal entity as determined by NISPOM and be physically located in the U.S. or its territorial areas.

Next, the contractor must have a reputation for integrity and lawful conduct in its business dealings. The company must include a Senior Management Official, or SMO, Facility Security Officer, or FSO, and Insider Threat Program Senior Official, or ITPSO, who have and who maintain eligibility for access to classified information and are not excluded from participating in U.S. government contracts or agreements. It must maintain sufficiently authorized and cleared employees to manage and implement the requirements of the NISPOM and in accordance with CSA guidance. The contractor must not be under Foreign Ownership, Control, or Influence, or FOICI, to such a degree that a favorable entity eligibility determination for access to classified information would be inconsistent with the national interest, nor pose an unacceptable risk to national security interests, in the judgment of the CSA. The entity must also meet all requirements governing access to classified information established by the CSA or the relevant authorizing law, regulation, or government-wide policy.

### *Evaluation Areas*

A contractor requiring an FCL is evaluated on several key areas. These areas verify required elements, evaluate the contractor's business structure, and evaluate the controlling influences over the contractor. Possible risk indicators that could affect the contractor are also evaluated. Information pertaining to these factors are gathered through the FCL evaluation process. The Facility Clearance Branch, or FCB, in coordination with the assigned DCSA Industrial Security Representative, or IS Rep, will use the information about the contractor to make a determination to grant the contractor an FCL.

### ***Sponsorship***

The contractor requiring an FCL may not request a clearance on its own behalf, but must instead be sponsored by a government entity, or by another cleared contractor in order to subcontract part of its classified business. Once received by DCSA, the sponsorship request, sometimes referred to as a sponsorship letter, is evaluated to confirm that the contractor has a valid need to access classified information in connection with a legitimate government requirement.

### ***Department of Defense Security Agreement***

As part of the FCL processing, the contractor must execute a security agreement, which is a legally binding contract between the U.S. government and the contractor that advises the contractor of its security-related responsibilities as a participant of the NISP.

The Department of Defense Security Agreement, or DD Form 441, comprises six parts:

- Security controls,
- Security reviews,
- Modifications of the agreement,
- Termination,
- Prior security agreements, and
- Security costs

In conjunction with this agreement, the National Industrial Security Program Operating Manual, or NISPOM, obligates the contractor to comply with the requirements specified in the NISPOM that pertain to its classified operations.

### ***Business Structure Elements***

The company requiring an FCL is evaluated to confirm the type of business and the structure it is currently operating under. Evaluating a contractor's business structure also identifies the ownership interests and management control over the company. This assessment further identifies Key Management Personnel.

### ***Common Business Structures***

Some of the more common business structures of contractors participating in the NISP are sole proprietorship, partnership, corporation, and Limited Liability Company, or LLC. There are also a few variations of the corporation business structure that affect the requirement for an FCL differently.

You may want to review the Business Structures Course from the Center for Development of Security Excellence, or CDSE, for more information.

### ***Sole Proprietorship***

Corey Adams owns a sole proprietorship, called Ace Printing. Mr. Adams owns all the assets for Ace Printing, owes all the company's liabilities, and operates the company in his personal capacity. This means that Mr. Adams has the legal right to direct the business and that liability for obligations owed by the business can be extended to his personal assets.

***Partnership***

Alexis Johnson and Jack Smith created a partnership under the name Johnson & Smith, LLP. A partnership is an association of two or more persons or entities to carry on a business for profit as co-owners. Note that a partnership may be composed of two individuals, or of two business entities, such as corporations. While there are many types of partnerships, one of the most common is a general partnership.

A general partnership may be formed without executing a formal written agreement, and the partnership's liabilities may be extended to each of the partners' personal assets. Also, any member of the partnership may obligate the partnership as a whole, with or without the knowledge of the other members. When evaluating any partnership, all general partners must be examined, and if there is an executive committee, all members of that committee must also be examined.

***Corporation***

A corporation is a separate legal entity that is considered a "person" with an existence distinct from its stockholders, directors, officers, and employees. A corporation may hold property, sue, and be sued in its own name, and it bears the liability for its obligations. A corporation will not expire upon a shareholder's death or withdrawal from the company.

***Limited Liability Company***

Possessing attributes of both a partnership and a corporation, an LLC, is an unincorporated business that does not issue stock, but is fully independent of its owners. An LLC has one or more owners, usually known as members, which may be a person, a corporation, or even another LLC. The laws governing an LLC differ from state to state and may affect control of the company by allowing or requiring either the actual members to control company operations, or an appointed manager or managers to control the company operations. Additionally, an LLC may be considered a different business structure type depending on the laws of the state governing the LLC, and therefore an LLC may complete the DD Form 441 differently from one another.

An LLC is considered its own legal entity and therefore its members are not liable for business debts. Although an LLC is considered a legal entity in its own right, it has a limited legal duration, typically ten to thirty years, but may usually be renewed by members.

***Variations of a Corporation***

There are two key variations of a corporation business structure: a Multiple Facility Organization, or MFO, and a Parent-Subsidiary business relationship.

Connex Corporation is an example of an MFO. An MFO, is one way that a corporation may be organized. In an MFO there is a Home Office Facility, or HOF, which may also be referred to as the company's headquarters, and there are branches or divisions that are distinct, but are not legally separate, from the HOF.

A parent-sub subsidiary business relationship is another way that a corporation may be organized. In a parent-sub subsidiary business relationship, two separate and distinct companies form a relationship where one company, usually an enterprise, acting as the "parent" establishes or takes control of a smaller subsidiary company.

### ***Key Management Personnel***

KMP are an entity's officials who either hold majority interest or stock in or have direct or indirect authority to influence or decide issues affecting the management or operations of the entity or classified contract performance. KMPs include officials of the company and vary from business structure to business structure. These individuals include, but are not limited to, persons holding the following positions:

- President or Chief Executive Officer, commonly referred to as the CEO
- SMO
- FSO
- ITPSO
- Members of the board of directors, and
- Any stockholder in a position to exert control and influence over the organization's classified business operations.

All KMP should be listed for the company, but only certain positions are required per the NISPOM to hold a PCL for access to classified information at the level of the entity's FCL and be on the KMP list for the cleared entity before an FCL may be granted. These are the SMO, the FSO, and the ITPSO.

For example, in a corporation, those KMP that require PCLs are the SMO, often the President, FSO, ITPSO, and Chairman of the Board, or COB, (if there is one), and any other officials as determined by the CSA. If the chairperson position is rotated among the board members, then all board members must be cleared.

A final FCL will not be granted until all KMP required to be cleared in connection and level with the entity's FCL have received final favorable national security eligibility determinations, or PCLs, for classified access.

### ***Certificate Pertaining to Foreign Interests***

The Certificate Pertaining to Foreign Interests, commonly referred to as the SF 328, identifies and assesses the sources of foreign power that affect a contractor's facility. This form asks ten questions about the contractor's controlling influences regarding stock ownership, ownership by foreign interests, any non-U.S. citizens on the board of directors, any foreign persons with direct or indirect power to control classified business operations, contracts or agreements with foreign persons, indebtedness to foreign persons, income derived from foreign persons, stock holdings of ten percent or more that do not identify the beneficial owner, foreign positions held by members of the board of directors or company officers, and any other factors that indicate or demonstrate a capability on the part of foreign persons to control or influence the operations or management of the company.

Any ownership interests or FOCI factors that are in a position to exert control and influence over the company's classified business operations must be favorably mitigated and adjudicated before an FCL will be granted.

***Review Activity 1***

Which of the following statements are true regarding eligibility requirements for a Facility Clearance (FCL)?

- A contractor must require access to classified information in connection with a legitimate U.S. Government need.
- A contractor does not necessarily need to be organized and exist under the laws of the U.S, one of the fifty states, the District of Columbia (D.C.) or an organized U.S. territory.
- A contractor’s business reputation is irrelevant when determining eligibility for consideration for an FCL.
- A Contractor may be under Foreign Ownership, Control, or Influence (FOCI) and still be considered for an FCL.

***Review Activity 2***

A description of the intent behind each of the key evaluation areas is provided. Select the correct evaluation area for each description.

**Question 1 of 5**

Which of these identifies the ownership interests and management control of the company?

- Sponsorship
- DD Form 441
- Business Structure
- Key Management Personnel (KMP)
- SF 328

**Question 2 of 5**

Which of these confirms a contractor’s valid need to access classified information?

- Sponsorship
- DD Form 441
- Business Structure
- Key Management Personnel (KMP)
- SF 328

**Question 3 of 5**

Which of these identifies the officials who either hold majority interest or stock in, or have direct or indirect authority to influence or decide issues affecting the management or operations of the entity or classified contract performance?

- Sponsorship
- DD Form 441
- Business Structure
- Key Management Personnel (KMP)
- SF 328

**Question 4 of 5**

Which of these identifies and assesses the sources of foreign power that affect a contractor’s facility?

- Sponsorship
- DD Form 441
- Business Structure
- Key Management Personnel (KMP)
- SF 328

**Question 5 of 5**

Which of these is a legally binding contract that advises the contractor of security-related responsibilities and obligates the contractor to comply with the NISPOM?

- Sponsorship
- DD Form 441
- Business Structure
- Key Management Personnel (KMP)
- SF 328

***Review Activity 3***

A description of a sample company’s business structure is provided. Select the correct business structure category for each description.

**Question 1 of 5**

Two contractor companies, Tech Trace and Site Capture, are moderately-sized corporations that have agreed to form an association called Tech Capture to carry on business for profit. What business structure is Tech Capture?

- Sole Proprietorship
- Partnership
- Corporation
- Limited Liability Company (LLC)

**Question 2 of 5**

Star Chase is a business entity that may sue and be sued in its own name and has a home office and several off-site branch facilities. What business structure is Star Chase?

- Sole Proprietorship
- Partnership
- Corporation
- Limited Liability Company (LLC)

**Question 3 of 5**

Sylvia Mitchell is the only owner of her business, World Travel, which owes more money than it can generate from profits. World Travel’s creditors intend to sue Ms. Mitchell for her personal savings to pay the debts. What business structure is World Travel?

- Sole Proprietorship
- Partnership
- Corporation
- Limited Liability Company (LLC)



**Question 4 of 5**

Hydra Net is a legal business entity that may hold property in its own name and bears the liability for its own obligations. What business structure is Hydra Net?

- Sole Proprietorship
- Partnership
- Corporation
- Limited Liability Company (LLC)

**Question 5 of 5**

Two companies, Golding Corp and Frasier Inc have decided to create an unincorporated company together that will not issue stock but will exist as a separate legal entity. According to state laws, they will appoint a manager to control company operations. What business structure is Golding and Frasier's new company?

- Sole Proprietorship
- Partnership
- Corporation
- Limited Liability Company (LLC)

**Summary**

In this lesson, you learned about the eligibility requirements for consideration for an FCL, you learned about the key evaluation areas examined by your IS Rep and the FCB when making an eligibility determination to grant an FCL and you also learned about a few of the more common business structures of contractors participating in the NISP. **Valid Government need:** The entity must require access to classified information in connection with a legitimate U.S. Government or foreign government need, and access is consistent with national security interests.

**Legitimate U.S. business:** The contractor must be organized and exist under the laws of the U.S., one of the fifty states, the District of Columbia (D.C.), or an organized U.S. territory; or under the laws of an American Indian or Alaska Native tribal entity as determined by NISPOM.

**Good business reputation:** The contractor must have a reputation for integrity and lawful conduct in its business dealings, and must include a SMO, FSO, and ITPSO who have and who maintain eligibility for access to classified information and are not excluded from participating in U.S. government contracts or agreements. Neither the company nor its KMP may be barred from participating in U.S. government contracts

**Acceptable level of FOCI:** A contractor must not be under FOCI to such a degree that a favorable entity eligibility determination for access to classified information would be inconsistent with the national interest, nor pose an unacceptable risk to national security interests, in the judgment of the CSA.

**Sponsorship:** Sponsorship confirms that the entity has a valid need to access classified information in connection with a legitimate government requirement and ensures that certain basic eligibility requirements are met before the FCL request process begins.

**DD Form 441:** The Department of Defense DOD Security Agreement, or DD Form 441 in conjunction with the NISPOM, is an agreement or contract between the government and the contractor. It advises the contractor of its security-related rights and responsibilities as a participant of the NISP.

**Business Structure:** Examining a company's business structure confirms the type of business and structure it is currently operating under, ensures that the contractor is an actual legal entity, identifies the

ownership interest and management control, ensures that no subversive ownership interests are present, and identifies KMP.

**Key Management Personnel (KMP):** KMP are an entity’s officials who either hold majority interest or stock in or have direct or indirect authority to influence or decide issues affecting the management or operations of the entity or classified contract performance. The SMO, FSO and ITPSO are required to be KMP and must hold a favorable PCL, for access to classified information at the level of the entity's FCL and be they must be on the KMP list for the cleared entity. Reviewing KMP, ensures that the individuals who manage the day-to-day operations of the company and can therefore affect the policies and practices regarding classified contracts do not represent a risk to the protection of classified material.

**SF 328:** The Certificate Pertaining to Foreign Interests, or SF 328, identifies and assesses the sources of foreign power, the ownership interests, and FOCI factors of a contractor.

**Sole Proprietorship:** The sole proprietor—

- Owns all the company’s assets
- Owes all the company’s liabilities
- Operates the company in his or her personal capacity
- Has the legal right to direct the business of the company?
- Is liable for obligations owed by the company, the fulfillment of which can be extended to his or her personal assets

**Partnership:** A partnership—

- Is an association of two or more persons or entities to carry on a business for profit as co-owners
- May be composed of two individuals, or of two business entities, such as corporations
- May have general partners and/or executive committee members

**Corporation:** A corporation—

- Is a separate legal entity that is considered a “person” with an existence distinct from its stockholders, directors, officers, and employees
- May hold property, sue, and be sued in its own name
- Bears the liability for its obligations
- Will not expire upon a shareholder’s death or withdrawal from the company

**Limited Liability Company (LLC):** Has attributes of a partnership and a corporation—

- Unincorporated business
- Does not issue stock
- Is fully independent of its owners
- May be controlled by either the members or an appointed manager according to the laws of the state governing the LLC
- Has limited lifetime duration of 10 to 30 years but may be renewed

## Lesson 4: Is a Facility Clearance Appropriate?

### *Lesson Objective*

Simply meeting all of the eligibility requirements and evaluation areas doesn't mean it is appropriate for a facility to be granted an FCL. In this lesson, we will examine when an FCL is required and we will discuss other factors that should be considered before an FCL is granted.

Here are the lesson objectives: Identify the effects of different business structures in the facility clearance process

- Identify other factors that should be considered when determining the need for a facility clearance

### *Assessing the Need for a Facility Clearance*

What determines if it is appropriate for a facility to obtain an FCL? For many companies who have only a single facility and are considered a legal and separate entity, determining whether to obtain an FCL is relatively simple.

The need for an FCL is usually determined by whether or not the contractor is awarded a classified contract that requires access to classified information in order to perform work on the contract. If no access to classified information is required, the contractor does not need an FCL. If any access to classified information is required, the contractor will need an FCL.

This determination method can be applied easily to single-facility corporations but determining if an FCL is appropriate for companies with multiple facilities, or who participate in a parent-subsidiary business relationship, can be more complex. Occasionally, when activities of a cleared facility are located in the same geographical area, the facility may request that the activities be considered off-site locations.

### *Off-site Locations*

An off-site location may be considered an extension of a cleared facility, and will therefore not require a separate FCL, if it meets all of the following conditions:

- The distance between the off-site location and the cleared facility is within a reasonable commuting distance
  - Generally, this means within one hour of driving time
- The locations are under a centrally directed security program and are under the direct supervision of the contractor's managers
- The off-site location must also be subject to the security procedures established by the contractor such as under the same company name and included in a single mailing location
- The IS Rep determines that security supervision at the off-site location can be effectively administered by the cleared facility's Facility Security Officer (FSO)

### *Multiple Facility Organizations*

Companies with more than one facility are called Multiple Facility Organizations, or MFO. In an MFO where the collection of all facilities within the organization is considered one legal entity, the home office facility, or HOF, acts as the headquarters for the organization, while a division or branch of an MFO is considered an extension of the organization without the branch or division being a legal separate entity. For an MFO, determining if an FCL is appropriate involves two factors. As with single-facility corporations, the need for an FCL is usually determined by whether or not the contractor is awarded a classified contract that requires access to classified information to perform work on the contract.

However, unlike single-facility corporations, for an MFO, whether or not classified information is stored at the facility also affects the requirement for an FCL.

**Multiple Facility Organization:** A business organization with more than one facility, in which the HOF is considered a separate and distinct legal entity, while a division or branch of the MFO is considered an extension of a business organization without being a legally separate entity.

**Facility Clearance:** An administrative determination that from a national security standpoint, a facility is eligible for access to classified information of a certain classification level, and all lower levels.

### ***Home Office Facility***

Within an MFO, the home office must be cleared if any of its divisions or branches are cleared. The FCL for the home office must be at the same or higher clearance level as any of its cleared divisions or branches. Because the home office provides management direction to, and control over, all of its division and branch facilities, even if the home office does not currently, and may not ever, require access to classified information, it must still be cleared in order for any of its divisions and branches to receive an FCL.

### ***Division/Branch Office with Classified Contract***

Within an MFO, a division or branch office that has been awarded a classified contract will require an FCL if the work performed on that contract requires access to classified information and storage of classified information. Even if the home office already has an FCL, the division or branch office must obtain its own FCL.

### ***Access-Elsewhere Division/Branch Office***

Consider an MFO with a division or branch office that performs work on classified contracts, But all of the classified access for those contracts takes place elsewhere, At a Government Contracting Activity, or GCA, or another cleared contractor's facility. Since no classified information is stored at the division or branch office, an FCL is not required.

### ***Parent-Subsidiary Company***

Parent-subsubsidiary companies, also known as tiered companies, are another type of contractor organization with more than one facility. While they may appear to be similar to MFOs, there is a key distinction between parent-subsubsidiary companies and MFOs.

In a parent-subsubsidiary or tiered company business relationship, both the parent and the subsidiary are considered separate and distinct legal entities. Typically, a parent company will be granted an FCL if it has a contractual requirement of its own, independent of the subsidiary, that requires access to classified information.

If there is no requirement for access, then the parent will not be granted an FCL And will be excluded. If there is a requirement for classified access, the parent will be cleared to the level of access required under its contract, even if that level is higher or lower than that of the subsidiary. If a subsidiary has more than one U.S. parent, all U.S. parent companies must be either cleared or excluded and the highest cleared U.S. parent company, as well as the highest uncleared U.S. parent company, must each submit an SF 328 which must be favorably adjudicated.

***Cleared***

When a subsidiary is cleared, the parent will only be cleared if it also requires access to classified information. If the parent is cleared, then both the parent and subsidiary companies must execute a DD Form 441.

***Excluded***

If the parent does not require access to classified information, it will be formally excluded. The subsidiary must recognize the exclusion by executing an exclusion resolution noting the parent's exclusion. The parent must also acknowledge its exclusion by executing its own exclusion resolution noting its exclusion and by signing the exclusion resolution executed by the subsidiary. Sometimes, a parent may only be partially excluded. If the parent has a contractual requirement for access to classified information at a lower level than the cleared subsidiary, then the subsidiary will exclude the parent from access to information classified at the higher level.

***Preparing for a Facility Clearance***

Companies who have been sponsored for consideration for an FCL may have questions about how an FCL will affect certain aspects of their operations. For example, what is the cost of acquiring and maintaining an FCL? What additional security controls will be required once an FCL is granted? How does having or not having an FCL affect bidding or performing on classified contracts? How does an FCL granted by DCSA as the CSA for the DOD, affect classified contracts with non-DOD agencies? And finally, for how long is an FCL effective?

***Cost***

Does acquiring an FCL cost anything? Yes, or no. The actual request process and granting of an FCL does not have a direct cost. However, the contractor is responsible for the costs associated with implementing sufficient safeguarding measures and creating and maintaining a security program in order to be eligible an FCL. Recall the DD 441 when you agreed to establish a security program.

***Security Controls***

What security controls are required to be implemented by a cleared contractor facility? The security controls in place at a cleared contractor's facility must meet baseline security requirements consistent with the facility's classified activity as outlined in the NISPOM. In order to maintain an FCL, a cleared contractor's security program, to include any safeguarding measures, must be maintained at a satisfactory level as evaluated by periodic government security reviews.

***Contracts***

Can a contractor bid on a classified contract if it does not have an FCL? It depends. Is access to classified information required during the pre-award phase? Contractors are not required to have an FCL during the pre-award phase if access to classified material is not required in order to bid. If classified access during the pre-award phase is required in order to bid, then contractors intending to bid must have an FCL. If classified access will be at the company's site and the company will receive and store classified information, the facility must be approved to safeguard classified information as well.

If a bid or potential subcontract involves access to classified information, then the GCA or cleared prime contractor can submit a sponsorship letter to request an FCL for the uncleared bidder.

***Reciprocity***

In the context of FCLs, reciprocity is the mutual acceptance of an FCL by all government agencies, regardless of which agency issued the FCL. FCLs can be issued under one of the CSAs the DOD as represented by the DCSA, the Office of the Director of National Intelligence, or ODNI, the Department of Energy, or DOE, the Nuclear Regulatory Commission, or NRC, and the Department of Homeland Security, or DHS. If another CSA issues an FCL to a contractor, does the contractor then need to obtain an additional FCL from the DOD in order to perform classified DOD work? No. An FCL is reciprocally accepted by all federal agencies as long as the FCL meets or exceeds the clearance level needed by an agency.

***Duration***

When does an FCL expire? A contractor's FCL is effective as long as its DOD Security Agreement, or DD Form 441, is effective. In accordance with the DD Form 441, either the government or the contractor may terminate the security agreement by providing thirty days written notice in advance of the requested termination. Part of maintaining a valid FCL is receiving a satisfactory rating on periodic government reviews and ensuring an acceptable level of FOCI. Another part of maintaining a valid FCL is continued performance on a classified contract. If no classified contracts are present, the FCL becomes "dormant", and the contractor may be allowed to maintain its dormant FCL for a period up to twelve months so that they may continue to seek additional classified work. If the contractor's efforts to procure a new classified contract are not successful and there continues to be no need for classified access, then the contractor's FCL will be administratively terminated.

***Review Activity 1***

A description of a contractor facility provided. Select whether the facility needs an FCL for each description.

**Question 1 of 4**

Facility Alpha houses a single corporation that has cleared employees who perform classified work at government customer sites. No classified information is accessed or stored at facility Alpha. Does Alpha need an FCL?

- Yes
- No

**Question 2 of 4**

The MFO Delta Corp. has a cleared home office. One of its branch offices, Beta, has cleared employees who perform classified work at client sites. No classified information is accessed or stored at facility Beta. Does the Beta branch office need an FCL?

- Yes
- No

**Question 3 of 4**

Theta Corp. is the parent company to its subsidiary company Kappa Inc. Theta Corp. does not perform work on classified contracts. Kappa Inc., however, does perform work on classified contracts and therefore possesses an FCL. As the parent to a cleared subsidiary, does Theta Corp. need an FCL?

- Yes
- No

**Question 4 of 4**

Omega, a division of the MFO Omicron Inc., accesses classified information, performs classified work, and stores classified information at its facility. Does the Omicron home office need an FCL?

- Yes
- No

**Review Activity 2**

Which of the following statements is true regarding eligibility requirements for an FCL?

- Although there is no direct cost to a contractor for requesting and being granted an FCL, there are indirect costs associated with maintaining the security program.
- A contractor should obtain a separate FCL from each CSA for which it performs classified work.
- A contractor must have an FCL to bid on a classified contract if it is necessary to access classified information during the pre-award phase.
- A contractor's FCL is effective as long as its DD Form 441 is effective.

**Summary**

In this lesson, you learned when it is appropriate to obtain an FCL for single corporations, Multiple Facility Organizations, MFOs, and parent-subsidiary companies. You also learned about several factors related to having an FCL that may affect certain aspects of your facility's operations.

**TERMS**

**Single Corporation:** If any kind of access to classified information is required, should obtain an FCL. Whether or not classified information is stored at the facility, should still obtain an FCL. Regardless of whether classified work is performed at contractor's own facility or at client's facility, should still obtain an FCL.

**Multiple Facility Organization:** A business organization with more than one facility, in which the HOF is considered a separate and distinct legal entity, while a division or branch of the MFO is considered an extension of a business organization without being a legally separate entity.

**Home Office Facility:** In an MFO, a Home Office is required to obtain an FCL at the same or higher level if any of its branches or divisions are cleared. This is because it provides management direction to, and control over, all of its cleared facilities.

**Division/Branch Office:** In an MFO, a division/branch office is required to obtain an FCL if it has been awarded a contract that requires access to classified information AND it must store classified information in connection with the work performed on a classified contract.

**Access Elsewhere Division/Branch Office:** In an MFO, a division/branch office is not required to obtain an FCL if it has cleared employees who perform work on classified contracts off site at either the government customer's or cleared prime contractor's location AND it does not need to store any classified information in connection with work performed on classified contracts.

**Parent-Subsidiary Company:** A business relationship in which both the parent and subsidiary companies are considered separate and distinct legal entities.

**Parent Company**

- May be cleared only if access to classified information is required
- May be cleared at a higher or lower level than subsidiary
- May be formally excluded from access

If parent is not excluded:

- Both parent and subsidiary must complete DD Form 441 separately
- All U.S. parent companies must submit a favorably adjudicated SF 328

**Cost:** There is no direct cost for requesting and being granted an FCL. However, the contractor is responsible for the costs associated with creating and maintaining a security program in order to be eligible for an FCL.

**Security Controls:** The security program and safeguarding measures in place at a contractor’s facility must meet the baseline security requirements outlined in the NISPOM. In order to maintain an FCL, a contractor’s security program must be maintained at a satisfactory level as evaluated by periodic government security reviews.

**Contracts:** A contractor needs to have an FCL in order to bid only if it is necessary to access classified information during the procurement phase.

**Reciprocity:** An FCL is accepted by all federal agencies as long as the FCL meets or exceeds the clearance level required by the federal agency.

**Duration:** An FCL is effective for as long as the facility’s DD Form 441 is effective. Either party to the DD Form 441 may terminate the agreement by advance written notice. An FCL will continue to be effective, in a dormant status, for up to twelve months after the completion of the contractor’s last active contract involving classified information.



## Lesson 5: The Facility Clearance Process

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### *Lesson Objective*

In this lesson, we will examine the FCL process. We will examine the roles of each party involved in the process, the documentation involved in the process, and the FCL Initial Orientation Meeting.

Here is the lesson objective:

- Identify the process by which a facility clearance is requested and granted

### *The Facility Clearance Process*

The Government Contracting Activity, or GCA, with the classified procurement need has decided to initiate a sponsorship request for an FCL for Relay, so that Relay may access classified information to submit a bid in response to the GCA's request for proposal. Now that the need to seek an FCL has been confirmed, what is the process for an FCL approval?

The FCL process involves several parties. First, the contractor must meet all eligibility requirements. Next, the sponsor, either the GCA with the procurement need, or another cleared contractor acting as the prime, determines which contractor, or contractors, can perform the required classified work. The sponsor then initiates the sponsorship request to the Facility Clearance Branch, or FCB, requesting an FCL for the prospective contractor's facility.

The FCB reviews the FCL request and determines whether it is valid. Once the FCB has validated the FCL request, the information needed is gathered and reviewed to evaluate the prospective contractor facility. A DCSA Industrial Security Representative, or IS Rep, is also assigned.

DCSA ensures that all the requisite documents and forms are completely executed and all KMP are identified who need access to classified information or have been formally excluded from access to classified information. The security specialist at the FCB, in conjunction with the DCSA IS Rep, uses all information to evaluate the prospective contractor and make an eligibility determination regarding whether or not to grant an FCL.

### *Sponsoring a Company*

The FCL process begins with the sponsor completing a sponsorship request to the FCB in the FCL system of record, through a system generated fill-in-the-blank FCL sponsorship request form. This system also includes the ability to upload required documentation, such as the DD 254, Statement of Work, or SOW, or Performance Work Statement, or PWS, and GCA authorization.

The sponsorship contains critical information that the security specialist at the FCB needs in order to validate the FCL request. Key information required for the sponsorship includes the full legal name of the uncleared contractor company needing the FCL, as well as the physical address for the uncleared contractor company.

Note that a post office box address is not acceptable for the physical address. The request indicates what level of FCL is required to meet the procurement need, and whether or not safeguarding, or classified storage capability is required.

Next, the request includes contact information for the designated Facility Security Officer, or FSO, and alternate company official at the uncleared contractor facility, who will act as the contractor's point of contact, or POC, during the FCL process. The sponsorship request must provide justification for classified access and include the applicable government solicitation or contract number. A copy of the Department

of Defense, or DOD, Contract Security Classification Specification, or DD Form 254, must be submitted with the sponsorship request. Finally, the sponsor, either a GCA or another cleared contractor acting as the prime, must provide the name, telephone number, and email address of their POC. If the sponsor is another cleared contractor, the sponsor's Commercial and Government Entity, or CAGE, code should be provided. Note that if the uncleared contractor possesses a CAGE code, this should also be included.

### ***FCL Request Validation***

Upon receipt of the sponsorship request, a facility profile is automatically created in the FCL system of record. The FCB will identify the DCSA field office that will act as the Cognizant Security Office, or CSO and notify them appropriately.

After the FCB validates the FCL request, the associated GCA POC and FSO will receive an automatically generated notice confirming submission of the sponsorship package.

Once the sponsorship package is approved by the FCB, the contractor's FSO, alternate POC, and sponsor will receive an electronic notice with a Welcome Package addressing overall requirements and discontinuation points, along with other steps the company must take for a favorable FCL determination. The assigned IS Rep will schedule an on-site visit with the facility for an FCL Initial Orientation Meeting.

### ***FCL Initial Orientation Meeting***

The purpose of the FCL Initial Orientation Meeting is to both gather information from, and provide information to, the uncleared contractor. The IS Rep will meet with the POC to discuss the contractor's NISPOM requirements, security program, and insider threat program. During this visit, U.S citizenship verification on KMP may be obtained.

During the FCL Initial Orientation Meeting, the IS Rep may confirm the information submitted in the FCL system of record. Such information may include identifying the security requirements stipulated by the procurement need, ensuring the proper execution of required documentation, and validating KMP.

### ***Contractor Preparations***

As you have just learned, there is a lot of information involved in both the FCL request process and the FCL Initial Orientation Meeting. So how can the contractor be better prepared? The uncleared contractor POC should research the company, review the procurement requirement, and collect the necessary documentation.

#### ***Research Contractor Company***

Because a significant part of the FCL process involves evaluating the uncleared contractor company, it is important for the POC at the contractor facility to be informed and knowledgeable about the company. Therefore, the POC should research the company in order to accurately respond to any questions or concerns. Information to research may include documentation of the company's legal existence and stock or share authorizations, corporate history such as name or address changes, information about any home offices or parent or affiliated companies, and information about the structure of the company, as well as the facility's CAGE code. A checklist for a new FCL to assist you is available via the Course Resources page.

#### ***Review Procurement Requirement***

The procurement requirement provides much of the information needed to determine not only the level of FCL needed, but also the nature and extent of safeguarding that should be in place, if an Authorized Information System, or IS, is needed to process classified, and the location where work will be performed.

Additionally, contact information for the GCA POC, usually the Contract Officer, is provided. The uncleared contractor POC and prospective KMPs should also review the NISPOM, to determine how to establish a facility security program appropriate to the procurement requirement.

***Collect Necessary Documentation***

In order for DCSA to verify and confirm company information, the POC for the uncleared contractor facility will need to furnish a variety of documents. For a corporation, such documentation would include:

- Articles of incorporation, the company’s federal tax ID number, and corporate by-laws
- Stock records and any \$10,000.00 Transaction Reports filed with the Securities and Exchange Commission, and
- Possibly minutes from board of directors’ meetings

It is helpful to provide a brief summary of the company’s primary business or services. Further, create a listing of KMP, research and compile e-mail, telephone and fax, company website and complete mailing address information for the last ten years, and secure proof of U.S. citizenship for the prospective or current KMPs.

***Providing General Information***

The contractor is responsible for providing information to DCSA About several aspects of the company:

- The contractor company’s business structure
- The company’s corporate history, such as changes in the company’s operating name or changes in the company’s address
- The identification of KMP
- Information about any home office, parent companies, or other affiliated companies, such as the name, address, and CAGE code of the home office
- If the home office already has an FCL and the level of that FCL, and
- If the prospective facility has been granted an FCL by another government agency

***The Facility Clearance Request Process***

The uncleared contractor company POC will use the FCL system of record to complete and submit several required forms:

- The Department of Defense Security Agreement, or DD Form 441
- The Appendage to the Department of Defense Security Agreement, or DD Form 441-1, if applicable
- The Certificate Pertaining to Foreign Interests, or SF 328
- KMP information
- Exclusion Resolutions, if any are applicable

Because different business structures complete the DD Form 441 and 441-1 differently, we will discuss this form in more detail.

***KMP Information***

KMP information provides identifying information about the contractor company and about the KMP who are required to be cleared in connection with the FCL. Each facility, in this case the home office and Relay, will complete information for its own KMP. It is important to note that although only certain KMP are required to be cleared in connection with the FCL, all corporate officer’s information must be included.

Let's examine the KMP information required. KMP information should include full legal name, followed by his or her position title, the date of birth, city and state of birth, country of citizenship and the full Social Security Number, or SSN, for each individual required to be cleared in connection with the FCL. Also required is the level of PCL for each individual, or if the individual is to be excluded and the date of exclusion. All KMP information is then entered and submitted via the FCL system of record.

### ***SF 328, Certificate Pertaining to Foreign Interests***

Recall that SF 328, Certificate Pertaining to Foreign Interests, identifies and assesses the sources of foreign power that affect a contractor's facility by asking ten questions about the controlling influences over a contractor. In the case of a MFO, the HOF should complete the SF 328, not the branch or division facility. The Course Resource page provides a sample of this form and instructions for how to complete it.

### ***Exclusion Resolutions***

KMP who are not required to be cleared in connection with the FCL, and who do not require access to classified information, must be officially excluded from classified access by means of a formal exclusion action. If resolutions for exclusion are needed, DCSA will request such resolutions for specifically identified officials from the contractor. Also keep in mind that Exclusion Resolutions may also be required for a parent subsidiary tiered business structure, if a parent organization does not require an FCL or is cleared to a lower level than any of its cleared subsidiaries.

### ***Completing DD Form 441***

The Department of Defense DOD Security Agreement, or DD Form 441, is an agreement between an industry contractor company and the United States Government that details the security responsibilities of both the cleared contractor and the United States Government.

All contractor headquarters, or HOFs in the case of MFOs, must complete the DD Form 441. The DD Form 441-1 is an appendage to the DD Form 441 and is required for cleared branches or divisions of an MFO. The contractor company's business structure will affect how they fill out the DD Form 441. We will discuss how the form is completed using some of the most common business structures: sole proprietorship, partnership, corporation, and one variation of a corporation, an MFO.

Remember that the laws governing a Limited Liability Company, or LLC, differ from state to state. An LLC may be organized as a sole proprietorship, partnership, or corporation and the representative of such a company should complete the DD Form 441 according to the business structure an LLC is organized as by the state.

### ***Sole Proprietorship***

As you know, a sole proprietorship is a business wherein a single individual owns all the assets, owes all the liabilities, and operates the company in his or her personal capacity. While much of the DD Form 441 is filled out the same way regardless of business structure, there are some areas where business structure dictates a specific approach.

When completing the DD Form 441, the sole proprietor, or owner should input his name as the official name of the legal entity. The sole proprietor should then select business structure "(3)" by entering his name or the name under which he is conducting business, often written "John Doe, Doing Business As or DBA [Company Name]." Because this company is not a corporation, a witness must sign the form attesting to its validity.

***Partnership***

You will recall that a partnership is an association of two or more persons, or other legal entities, to carry on business for profit as co-owners. While much of the DD Form 441 is filled out the same way regardless of business structure, there are some areas where business structure dictates a specific approach. When completing the DD Form 441, the partner representing the partnership should input the official name of the legal entity, that entity being the partnership.

The representative partner should then select business structure “(2)” by entering the legal names of each of the general partners involved in the partnership. A separate list may be attached if more room is needed to list all general partners. Note that this list is not the DD Form 441-1.

The DD Form 441-1 should not be completed by a partnership. Instead, the contractor should furnish an extra page as an attachment to the DD Form 441 agreement. As with a sole proprietorship, because a partnership is not a corporation, a witness must attest to the parties executing the document by signing where indicated.

***Corporation***

Remember that a corporation is a separate legal entity that is considered a “person” with an existence distinct from its stockholders, directors, officers, and employees. While much of the DD Form 441 is filled out the same way regardless of business structure, there are some areas where business structure dictates a specific approach. When completing the DD Form 441, the authorized official representing the corporation should input the official name of the legal entity, that entity being the corporation.

The authorized official representing the corporation, such as the corporate president, should then select business structure “(1)” by entering the type of business structure, in this case “corporation” and the state in which the company is incorporated. Because the contractor is a corporation, a witness must attest to the parties executing the document by signing where indicated.

Note that in the case of a one-person corporation, the individual comprising the corporation completes the DD Form 441 as a sole proprietor.

***Multiple Facility Organization***

You learned that an MFO is a large corporation that has branches or divisions that are separate from the corporate headquarters, or HOF. When a branch or division requires an FCL, both the HOF and the branch or division must take part in the FCL process. Part of that process is completing the DD Form 441, and, in this case, the DD Form 441-1.

The DD Form 441 should be completed by the authorized official representing the HOF of the corporation, such as the corporate president, in the same manner as a non-MFO corporation, using the HOF’s information, not the branch’s information.

The Appendage to Department of Defense Security Agreement, or DD Form 441-1, is an attachment to the DD Form 441 that lists cleared divisions or branch offices that are included in, and covered by, the provisions of the organization's Security Agreement.

When completing the DD Form 441-1, the top portion of the form should be completed by entering the official name of the legal entity that is the corporation, not the branch or division name.

The middle portion of the form provides three columns across which information about the branch or division should be entered. The bottom right portion of the form should be completed by an authorized

official, usually a KMP member with the authority to obligate the organization under the Security Agreement.

### ***Initiating a Personnel Security Clearance***

As part of the FCL process, the contractor provides a listing of all KMP. Personnel security clearance, or PCL, investigation requests must be initiated for each KMP member required to be cleared in connection with the FCL. In this case, the Connex Corporation home office is being processed along with the branch facility. Many times, however, the home office will already be cleared and therefore will not need to be processed with the branch facility. In order to initiate the investigation requests, the contractor must have an account in the DOD personnel security system of record.

Depending on how a PCL is processed in a company, the account can be established for the Home Office or for the individual branch. While PCL information is managed and tracked using the DOD personnel security system of record, the investigation form, Questionnaire for National Security Positions, or SF-86, is completed using an electronic system for national security background investigations.

For facilities being processed for an initial FCL, DCSA will initiate the investigation requests through the DOD personnel security system of record for the required KMP. The contractor will also need to submit fingerprints via an approved secure transmission system for each KMP member required to be cleared in connection with the FCL.

At a minimum for a corporation, this would include the Senior Management Official, or SMO, typically the corporate President, Chairman of the Board, FSO, and Insider Threat Program Senior Official, or ITPSO, at the company's home office, as well as the Division Director, FSO, and ITPSO at the branch facility.

DCSA will also advise the contractor about the designated timeframe that all clearance paperwork must be completed and submitted. Failure to submit clearance paperwork in a timely manner may result in the discontinuance of the FCL process.

### ***Obtaining a CAGE Code***

A contractor must have a CAGE code before an FCL may be granted. Having a CAGE code is not equivalent to having an FCL. According to the Defense Logistics Agency, or DLA website, a CAGE code is a code that identifies companies doing, or wishing to do, business with the federal government. The code is used to support a variety of mechanized systems throughout the government. Because this code provides for a standardized method of identifying a given facility at a specific location, each facility, whether a home office, or a branch, must have its own distinct CAGE code.

DCSA uses CAGE codes as numeric identifiers for each facility when processing and tracking requests for an FCL. If a contractor does not already have a CAGE code, it may obtain one through the System for Award Management or SAM database.

### ***Granting a Facility Clearance***

Once the on-site FCL Initial Orientation Meeting has been completed, and the contractor has submitted all the necessary forms, DCSA will monitor to ensure the following:

- All required forms have been properly executed by the contractor
- Any foreign ownership, control, or influence, or FOCI, factors have been favorably mitigated or adjudicated
- Home office or parent companies have been cleared or excluded as appropriate
- No disqualifying information has been discovered, and

- PCLs have been granted for all KMP

Recall that an FCL will not be granted unless all KMP required to be cleared in connection with the FCL have received a favorable national security eligibility determination, or PCL. If all required KMP members are eligible for interim PCLs, then an interim FCL may be granted. If final eligibility determinations have been made, then the final FCL may be granted. When the FCL, either interim or final, has been granted, the contractor facility will receive a notification of FCL from the FCB, via email and also in the FCL system of record.

***Review Activity 1***

Place the steps of the facility clearance process in the correct order.

- DCSA On-site Orientation Meeting
- Sponsorship Request
- DCSA Evaluation
- FCL Notification

***Review Activity 2***

A description of an activity in the FCL process is provided. Select the correct party who conducts the described activity.

**Question 1 of 5**

Who completes and submits the sponsorship letter?

- Government Contracting Activity (GCA) or cleared prime contractor
- In-process contractor company
- IS Rep

**Question 2 of 5**

Who validates the sponsorship letter?

- Government Contracting Activity (GCA) or cleared prime contractor
- IS Rep
- FCB

**Question 3 of 5**

Who conducts the FCL Initial Orientation Meeting?

- In-process contractor company
- IS Rep
- FCB

**Question 4 of 5**

Who makes the determination about issuing an FCL?

- Government Contracting Activity (GCA) or cleared prime contractor
- In-process contractor company
- FCB and IS Rep

**Question 5 of 5**

Who receives the Letter of notification of FCL?

- Government Contracting Activity (GCA) or cleared prime contractor

## Facility Clearances in the NISP

## Student Guide

- In-process contractor company
- FCB



### *Review Activity 3*

#### **Question 1**

Which of the following statements are true of the FCL process?

A CAGE code is equivalent to an FCL.

- True
- False

#### **Question 2**

All KMP need access to classified information.

- True
- False

#### **Question 3**

When an uncleared branch facility in an MFO requires an FCL, the facility's home office does not need to complete the DD Form 441.

- True
- False

### *Summary*

In this lesson, you learned about the steps of the FCL process and who conducts those steps, the documentation involved in the request process, and the FCL Initial Orientation Meeting.

#### **TERMS**

**Facility Clearance:** An administrative determination that from a national security standpoint, a facility is eligible for access to classified information of a certain classification level, and all lower levels.

**Sponsorship Letter:** Either the GCA, or a prime contractor, must submit a sponsorship letter to initiate the FCL request process. An uncleared contractor cannot request an FCL for themselves. Before an evaluation of the prospective contractor may begin, the FCB first validates the FCL request.

**Evaluates:** The FCB Security Specialist and the DCSA IS Rep assigned to the prospective contractor facility reviews and evaluates information about the contractor company/facility. Then, the IS Rep conducts the on-site FCL Initial Orientation Meeting to review procurement and NISPOM requirements and validate company KMP.

**FCL Granted:** The FCB in conjunction with the DCSA IS Rep makes the determination to grant the prospective contractor an FCL based on information obtained by the IS Rep through surveys. Once approved the prospective contractor will receive a notification of FCL from the FCB.

**DD Form 441 & 441-1 Department of Defense Security Agreement and the Appendage to the Department of Defense Security Agreement:** Advises contractor of security-related rights and responsibilities. Must be submitted before an FCL will be granted.

**SF 328 Certificate Pertaining to Foreign Interests:** All FOCI factors must be favorably mitigated and adjudicated before and FCL will be granted.

**Exclusion Resolutions:** Corporate resolution excluding those KMP members who do not receive a favorable PCL or do not need access to classified information. Must be submitted before an FCL is granted.

**KMP Information:** Provides identifying information about the contractor company and about the key management personnel KMP who need a PCL as part of the company obtaining an FCL.

**Fingerprints:** Must be submitted for all KMP via a secure transmission system.

**SF-86 Questionnaire for National Security Positions:** Must be submitted by all KMP and all KMP must receive a favorable determination before an FCL is granted.

**Review Procurement Requirement:** The contractor should review the procurement requirement for level of FCL and safeguarding needed, if an authorized information system is needed for processing classified, work performance location, and GCA contact information. The contractor should also familiarize themselves with the basic security requirements in the NISPOM and ensure their security program is appropriate for the procurement required.

## Lesson 6: Maintaining a Facility Clearance

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### *Lesson Objectives*

Once a facility has been awarded an FCL, it must then maintain the FCL. FCLs may be assigned a status with associated actions.

In this lesson, we will discuss maintaining an FCL, the types of status of an FCL, and the actions that may be applied in more detail.

Here are the lesson objectives:

- Identify facility clearance maintenance activities, changed conditions, and personnel actions that affect a facility clearance in accordance with NISPOM requirements
- Identify when an interim and final facility clearance is appropriate, and actions that may be applied to a facility clearance and when such actions are appropriate

### *Maintenance Activities*

Once a contractor has completed the FCL process and been granted an FCL, what must the contractor do to maintain its FCL? First, the contractor facility's security program must meet the baseline security requirements specified in NISPOM.

In order to verify the security program's continued compliance with these requirements, the facility will undergo periodic government security reviews as required by both the NISPOM and the Department of Defense Security Agreement, or DD Form 441.

Finally, the contractor facility must report changed conditions as specified in the NISPOM. We will review some examples of changed conditions.

### *Government Security Review*

The NISPOM states that the CSA will conduct recurring oversight reviews of a contractor's NISP security program to verify that the contractor is protecting classified information and implementing NISPOM provisions.

Government security reviews are conducted by a facility's IS Rep. The occurrence of your company's government security reviews will depend on your company's classified involvement in the NISP. The CSA will determine the scope and frequency of security reviews, which may be increased or decreased consistent with risk management principles.

Government security reviews result in the assignment of a security rating that describes the security posture of a facility's security program. The contractor will be rated on NISPOM implementation, management support, security awareness, involvement in the security community, and the number of vulnerabilities, administrative findings, or serious security issues.

There are five possible security ratings:

- **Superior:** Reserved for contractors who possess a security posture of the highest caliber when compared with other contractors of similar size and complexity. Such contractors—
  - Consistently, fully, and effectively implement NISPOM requirements that—
    - Heighten the security awareness of its employees
    - Foster a spirit of cooperation within the security community
  - Are able to demonstrate the presence of a sustained, high level of management support

- Had no critical, systemic vulnerabilities or serious security issues found during the facility’s most recent government security review that exceed administrative vulnerabilities for complex operations
- **Commendable:** Assigned to contractors who possess an exemplary security posture when compared with other contractors of similar size and complexity. Such contractors—
  - Fully implement the requirements of the NISPOM in an effective manner
  - Are able to demonstrate the presence of strong management support for the security program
  - Have no security issues present that exceed minor administrative vulnerabilities
  - Had no serious security issues found during the facility’s most recent government security review
- **Satisfactory:** The most commonly assigned rating, this rating denotes that a contractor’s security program is in general conformity with the basic requirements of the NISPOM. Such contractors –
  - May have had findings requiring corrective action in one or more security program elements during the facility’s more recent government review
- **Marginal:** Given to contractors whose security program, for whatever reason, is not in general conformity with the basic requirements of the NISPOM. Such contractors—
  - Had serious vulnerabilities in one or more security program areas that could contribute to an eventual compromise of classified information if left uncorrected, during the facility’s more recent government security review
  - Requires GCA notification

The facility’s government representative will schedule and a follow-up compliance review 120 days after the security review issuing the rating to assess the effectiveness of any corrective actions taken to mitigate the vulnerabilities. DCSA will also notify the contractor’s GCA of the marginal inspection rating.

- **Unsatisfactory:** Given to contractors when circumstances and conditions indicate that the contractor has lost, or is in imminent danger of losing, its ability to adequately safeguard the classified information in its possession or to which it has access. Such contractors—
  - Can no longer credibly demonstrate that they can be depended upon to preclude the unauthorized disclosure of classified information to unauthorized persons
  - Requires notification to GCA security and Counterintelligence, or CI POCs and the facility’s government representative will conduct a compliance review that is required within 30 calendar days after the security review or event that led to the rating to assess the effectiveness of the corrective actions taken to mitigate the vulnerabilities.
  - Requires considering invalidation or revocation if the contractor refuses to take corrective actions or has consistently demonstrated an inability to protect classified information.

### ***Changed Conditions***

You know that you must report changed conditions to your IS Rep, but what exactly constitutes a changed condition? You can find guidance about reporting information in the NISPOM. Consider the following scenarios and determine whether each represents a change that requires reporting.

Scenario 1:

Due to rezoning, Connex Corporation, the home office for Relay, has had its street address name changed from “Rose Street” to “Heather Street.” Should this be reported to the home office’s IS Rep?

Yes, a change of address is a reportable changed condition.

Scenario 2:

Philip White, Relay’s FSO, has accepted a job offer with another company. The new FSO who will replace Mr. White is Kevin Russell. Should this be reported to Relay’s IS Rep?

Yes, any changes in KMP should be reported.

Scenario 3:

A current stockholder with twenty percent ownership in Connex Corporation has decided to sell his shares to a long-time business associate who is a U.S. citizen. Should this be reported to Relay’s IS Rep?

Yes, any changes in company ownership should be reported.

Scenario 4:

This year, Connex Corporation won a commercial contract with a foreign company that is a leader in its industry. As a result, Connex Corporation is now receiving income derived from the foreign company. Should this be reported to Relay’s IS Rep?

Yes, because it changes the FOCI information previously provided on the Certificate Pertaining to Foreign Interests, or SF 328, this is a reportable condition.

Scenario 5:

Racer Corporation performs work on contracts for both government and private industry. Racer Corporation’s largest contract is with a company called Navigator Corporation. Unfortunately, due to changes in the economy, Navigator has had to drastically reduce its production which required it to terminate its contract with Racer Corporation. Without the income from Navigator, Racer Corporation will be forced to file Chapter 11 bankruptcy. Should this be reported to Racer corporation’s IS Rep?

Yes, because this is a change to terminate business operations, it is a reportable condition.

If you are unsure if a change represents a reportable condition, review the NISPOM, or check with your IS Rep.

### ***Facility Clearance Status Overview***

An FCL is not an unchanging authorization, it can have many status types for different reasons.

Let’s take a look at the FCL status for some of the other contractors bidding on the same procurement as Relay.

### ***Receiving a Facility Clearance***

An interim FCL is granted on a temporary basis pending completion of the full investigative requirements of the company and required KMP. This eligibility may only be granted if there is no evidence of adverse information that calls into question an individual’s eligibility for access to classified information. If results are favorable following completion of full investigative requirements, the CSA will update the temporary eligibility determination for access to classified information to be final.

Relay is being processed for an FCL. All documentation has been correctly completed and submitted by Relay, and its KMP have each been determined eligible for an interim PCL. There are no FOCI factors

affecting the facility at this time, and there are no other disqualifying factors. Therefore, Relay has been granted an interim FCL.

Another contractor company, Aurora, has completed the FCL process and required KMP have received favorable final PCLs. All required documents have been properly executed, all FOCI factors have been favorably mitigated or adjudicated, and no other disqualifying information has been discovered. Therefore, Aurora has been issued a final FCL.

### ***Changing a Facility Clearance Level***

Tech Solutions is another contractor on the same procurement as Relay. Tech Solutions already has a SECRET level FCL, but it has just been awarded work on a contract that requires access to TOP SECRET information. Therefore, Tech Solutions will need to have its FCL upgraded.

In order for a contractor to be considered for an upgrade of its FCL, it must be sponsored just as it was required for obtaining its initial FCL. DCSA will verify that the facility meets the eligibility requirements for the higher FCL's classification level. All the KMP at Tech Solutions who were cleared in connection with the initial FCL must also have their PCL upgraded to match the higher FCL classification level.

Valor is another contractor on the same procurement as Relay. Valor already has a TOP SECRET level FCL but has not worked on any contracts that require access to TOP SECRET information in the last 12 months. Valor has two currently active contracts that require access to SECRET information. Therefore, because Valor no longer needs access to TOP SECRET information, DCSA may take action to downgrade its FCL to the SECRET level. In order to downgrade a contractor's FCL, the IS Rep assigned to its facility must verify that the facility does not possess any materials or information classified at the higher level.

### ***Invalidating, Revalidating, and Revoking a Facility Clearance***

Greyson and Corinth are two contractors hoping to submit a bid on the same procurement as Relay. Both Greyson and Corinth have had their FCL invalidated due to serious problems with their security programs. The Government Contracting Activity, or GCA, with the procurement need would like to use both contractors, however, contractors are ineligible to receive new contracts as long as their FCLs are invalidated. Invalidation of an FCL is an interim measure that is taken to allow a contractor to correct circumstances that negate the integrity of its security program, or that result in the potential for compromise of classified information. Greyson successfully corrected the circumstances that led to the invalidation of its FCL within the proscribed timetable, therefore, DCSA has revalidated its FCL. Revalidation returns a facility's FCL to its previous active status and reinstates the privileges allowed for an active FCL such as eligibility to bid on new classified procurements.

Corinth failed to successfully correct the circumstances that led to the invalidation of its FCL, and therefore, its FCL has been revoked. Revocation terminates a facility's FCL under negative circumstances and strips the privileges associated with an FCL. The facility is required to turn over all classified materials, and all access to classified information is prohibited.

The decision to revoke an FCL is ultimately determined by the GCAs, who have contracted work from the contractor. If a GCA determines that it is in the best interest of the government to permit contract completion in spite of the reasons for revocation, then the contractor may continue performing work on a classified contract and the FCL will remain in an invalid status until contract completion, at which time the FCL will be revoked.

***Terminating a Facility Clearance***

Weller is yet another contractor who has bid on the same procurement as Relay. It did not win. Weller already has an FCL. However, none of Weller’s work within the past twelve months has required access to classified information, and its FCL is therefore considered dormant. Weller does not have any active classified contracts and does not expect to be awarded any others in the near future. Since there is no need to continue the FCL, DCSA will initiate an action to administratively terminate Weller’s FCL. Weller will receive a notice that its FCL will be terminated thirty (30) days from the date of the notice, unless a government classified procurement requirement is provided.

***Review Activity 1***

Which of the following circumstances should be reported as a changed condition?

- The street name for Aurora’s physical address has changed.
- The CEO for Weller is retiring and will be replaced by a Senior Vice President.
- Corinth has acquired a smaller contractor company that has active contracts with foreign governments.
- Valor was awarded a new classified contract that does not require any changes to its security program.

***Review Activity 2***

A description of a facility and its FCL is provided. For each description, select the correct status of the FCL.

**Question 1 of 6**

A contractor has completed the FCL process but is waiting on the full investigative requirements for required KMP.

- Interim
- Final
- Invalidated

**Question 2 of 6**

A contractor has corrected vulnerabilities that negated the integrity of its security program within the proscribed time frame.

- Invalidated
- Revoked
- Revalidated

**Question 3 of 6**

Vulnerabilities have been discovered with a contractor’s security program that could result in the potential for compromise of classified information.

- Downgrade
- Invalidate
- Revoke

**Question 4 of 6**

A contractor has an FCL at the TOP SECRET level but currently only has active classified contracts at the SECRET level.

- Final
- Upgrade
- Downgrade

**Question 5 of 6**

A contractor has an FCL but has not performed work on classified contracts for 12 months and does not have any current classified procurement requirements.

- Interim
- Administratively Terminate
- Revoked

**Question 6 of 6**

A contractor has completed the FCL process, required KMP have received favorable PCLs, all required documents have been properly executed, and all FOCI factors have been favorably mitigated or adjudicated.

- Final
- Upgrade
- Revalidated

***Summary***

In this lesson you learned about maintaining an FCL once granted, what circumstances constitute reportable changed conditions, and the associated actions that may be taken regarding an FCL, including when each action is appropriate to take.

**TERMS**

**National Industrial Security Program Operating Manual:** Operating manual for the National Industrial Security Program (NISP). It establishes the baseline security procedures and requirements that contractors must implement to ensure classified information is adequately protected.

**DD Form 441 Department of Defense Security Agreement:** An agreement or contract between the government and the contractor. It advises the contractor of its security-related rights and responsibilities.

**Foreign Ownership, Control, or Influence (FOCI):** When a foreign interest has power, direct or indirect, whether or not exercised, to direct or decide matters affecting the management or operations of the company in a manner which may result in unauthorized access to classified information or may adversely affect the performance of classified contracts.

**Interim:** An interim FCL is granted on a temporary basis pending completion of the full investigative requirements of the company and required KMP. This eligibility may only be granted if there is no evidence of adverse information that calls into question an individual's eligibility for access to classified information. Contractor has completed the FCL process with personnel security eligibility for required KMP pending final personnel security adjudication.

**Final:** Contractor has completed the FCL process, all of its KMP have received favorable PCLs. All required documents have been properly executed, all FOCI factors have been favorably mitigated or adjudicated and no other disqualifying information has been discovered.

**Upgrade:** Contractor has a current FCL at a level lower than the level required by a procurement need; the contractor's FCL needs to be upgraded to meet the needs of the procurement requirement.

**Downgrade:** Contractor has a current FCL at a level higher than the level required by a procurement need; the contractor's FCL needs to be downgraded to meet and not exceed the needs of the procurement requirement.



**Invalidated:** Contractor has vulnerabilities that negate the integrity of its security program or that result in the potential for compromise of classified information; the facility’s FCL is therefore invalidated as an interim measure to allow the contractor to correct the vulnerabilities.

**Revalidated:** Returns a facility’s FCL to its previous active status. Reinstates the privileges allowed for an active FC and eligibility to bid on new classified procurements.

**Revoked:**

- Terminates a facility’s FCL under negative circumstances
- Strips the privileges associated with an FCL
  - Facility is required to turn over all classified materials
  - Access to all classified information is prohibited

Decision to revoke is ultimately determined by the GCAs who have contracted work from the contractor

- If a GCA determines that it is best to permit contract completion, then the contractor may continue performing work on the classified contract
  - The FCL will remain in an invalid status until contract completion
  - Upon contract completion, the FCL will be revoked

**Administratively Terminated:** The contractor—

- Has a dormant FCL, meaning that no classified work has been performed in the last 12 months
- Is not currently obligated to perform work requiring access to classified information
- Cannot provide a government classified procurement need that would require keeping the FCL

## Lesson 7: Course Conclusion

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### *Course Summary*

Facility clearance, or FCLs, ensure that classified information is protected at contractor facilities. Contractors needing to obtain an FCL must first meet general eligibility requirements, and if eligible, are then evaluated on key areas to grant an FCL. Contractors being processed for an FCL should recognize if an FCL is appropriate for their facility given their business structure and should consider the impact an FCL will have on certain aspects of their company operations.

The FCL process involves a multi-faceted review of the contractor company, key management personnel, and the facility. The evaluation of a cleared contractor facility does not cease once an FCL is granted. FSOs need to conduct maintenance activities and be aware of the associated actions regarding an FCL, including when to take each action appropriately.

### *Lesson Review*

Here is a list of the lessons in the course:

- Course Introduction
- Introduction to Facility Clearances in the NISP
- Facility Clearance Eligibility
- Is a Facility Clearance Appropriate?
- The Facility Clearance Process
- Maintaining a Facility Clearance
- Course Conclusion

### *Course Objectives*

You should now be able to perform all of the listed activities.

- ✓ Identify the various organizations, divisions, and electronic information systems involved in the facility clearance process
- ✓ Identify the eligibility requirements for consideration for a facility clearance
- ✓ Identify the key areas that are evaluated when determining a contractor's eligibility for a facility clearance
- ✓ Identify the effects of different business structures on the facility clearance process
- ✓ Identify other factors that should be considered when determining the need for a facility clearance
- ✓ Identify the process by which a facility clearance is requested and granted
- ✓ Identify facility clearance maintenance activities, changed conditions, and personnel actions that affect a facility clearance in accordance with NISPOM requirements
- ✓ Identify when an interim and final facility clearance is appropriate, and actions that may be applied to a facility clearance and when such actions are appropriate

Congratulations. You have completed the Facility Clearances in the NISP course.

To receive course credit, you MUST take the Facility Clearances in the NISP examination.

***Review Activity Answer Key***

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**Lesson 2: Introduction to Facility Clearances in the NISP****Review Activity 1**

Match each entity with its associated representative.

Entity participating in the NISP:

- A. Facility Clearance Branch
- B. DCSA Field Office
- C. Contractor Facility

Entity Representative:

*Industrial Security Representative:* **(Correct) B. DCSA Field Office**

*Facility Security Office:* **(Correct) C. Contractor Facility**

*Security Specialist:* **(Correct) A. Facility Clearance Branch**

**Review Activity 2**

A description of an information system, database, or secure website involved in electronically managing facility clearance information is provided. Select the correct system, database, or website for each description.

**Question 1 of 3**

This is used to collect documentation regarding FOCI, KMP information, Certificate Pertaining to Foreign Interest (SF328) and other facility documents to the DCSA.

- **FCL system of record (correct)**
- DOD personnel security system of record
- Electronic Questionnaires/Applications for Investigations Processing

**Question 2 of 3**

This is used to manage information pertaining to Personnel Security Clearances (PCL).

- FCL system of record
- **DOD personnel security system of record (correct)**
- Electronic Questionnaires/Applications for Investigations Processing

**Question 3 of 3**

Standard investigative forms are processed using this system.

- FCL system of record
- DOD personnel security system of record
- **Electronic Questionnaires/ Applications for Investigations Processing (correct)**

**Lesson 3: Facility Clearances Eligibility****Review Activity 1**

Which of the following statements are true regarding eligibility requirements for a Facility Clearance (FCL)?

- A contractor must require access to classified information in connection with a legitimate U.S. Government need. (correct)**
- A contractor does not necessarily need to be organized and exist under the laws of the U.S, one of the fifty states, the District of Columbia (D.C.) or an organized U.S. territory.
- A contractor's business reputation is irrelevant when determining eligibility for consideration for an FCL.
- A Contractor may be under Foreign Ownership, Control, or Influence (FOCI) and still be considered for an FCL. (correct)**

**Review Activity 2**

A description of the intent behind each of the key evaluation areas is provided. Select the correct evaluation area for each description.

**Question 1 of 5**

Which of these identifies the ownership interests and management control of the company?

- Sponsorship
- DD Form 441
- Business Structure (correct)**
- Key Management Personnel (KMP)
- SF 328

**Question 2 of 5**

Which of these confirms a contractor's valid need to access classified information?

- Sponsorship (correct)**
- DD Form 441
- Business Structure
- Key Management Personnel (KMP)
- SF 328

**Question 3 of 5**

Which of these identifies the officials who either hold majority interest or stock in, or have direct or indirect authority to influence or decide issues affecting the management or operations of the entity or classified contract performance?

- Sponsorship
- DD Form 441
- Business Structure
- Key Management Personnel (KMP) (correct)**
- SF 328

**Question 4 of 5**

Which of these identifies and assesses the sources of foreign power that affect a contractor’s facility?

- Sponsorship
- DD Form 441
- Business Structure
- Key Management Personnel (KMP)
- **SF 328 (correct)**

**Question 5 of 5**

Which of these is a legally binding contract that advises the contractor of security-related responsibilities and obligates the contractor to comply with the NISPOM?

- Sponsorship
- **DD Form 441 (correct)**
- Business Structure
- Key Management Personnel (KMP)
- SF 328

***Review Activity 3***

A description of a sample company’s business structure is provided. Select the correct business structure category for each description.

**Question 1 of 5**

Two contractor companies, Tech Trace and Site Capture, are moderately-sized corporations that have agreed to form an association called Tech Capture to carry on business for profit. What business structure is Tech Capture?

- Sole Proprietorship
- **Partnership (correct)**
- Corporation
- Limited Liability Company (LLC)

**Question 2 of 5**

Star Chase is a business entity that may sue and be sued in its own name and has a home office and several off-site branch facilities. What business structure is Star Chase?

- Sole Proprietorship
- Partnership
- **Corporation (correct)**
- Limited Liability Company (LLC)

**Question 3 of 5**

Sylvia Mitchell is the only owner of her business, World Travel, which owes more money than it can generate from profits. World Travel’s creditors intend to sue Ms. Mitchell for her personal savings to pay the debts. What business structure is World Travel?

- **Sole Proprietorship (correct)**
- Partnership
- Corporation
- Limited Liability Company (LLC)

**Question 4 of 5**

Hydra Net is a legal business entity that may hold property in its own name and bears the liability for its own obligations. What business structure is Hydra Net?

- Sole Proprietorship
- Partnership
- Corporation (correct)**
- Limited Liability Company (LLC)

**Question 5 of 5**

Two companies, Golding Corp. and Frasier Inc., have decided to create an unincorporated company together that will not issue stock but will exist as a separate legal entity. According to state laws, they will appoint a manager to control company operations. What business structure is Golding and Frasier's new company?

- Sole Proprietorship
- Partnership
- Corporation
- Limited Liability Company (LLC) (correct)**

**Lesson: Is a Facility Clearance Appropriate?**

**Review Activity 1**

A description of a contractor facility provided. Select whether the facility needs an FCL for each description.

**Question 1 of 4**

Facility Alpha houses a single corporation that has cleared employees who perform classified work at government customer sites. No classified information is accessed or stored at facility Alpha. Does Alpha need an FCL?

- **Yes (correct)**
- No

**Question 2 of 4**

The MFO Delta Corp. has a cleared home office. One of its branch offices, Beta, has cleared employees who perform classified work at client sites. No classified information is accessed or stored at facility Beta. Does the Beta branch office need an FCL?

- Yes
- **No (correct)**

**Question 3 of 4**

Theta Corp. is the parent company to its subsidiary company Kappa Inc. Theta Corp. does not perform work on classified contracts. Kappa Inc., however, does perform work on classified contracts and therefore possesses an FCL. As the parent to a cleared subsidiary, does Theta Corp. need an FCL?

- Yes
- **No (correct)**

**Question 4 of 4**

Omega, a division of the MFO Omicron Inc., accesses classified information, performs classified work, and stores classified information at its facility. Does the Omicron home office need an FCL?

- **Yes (correct)**
- No

**Review Activity 2**

Which of the following statements is true regarding eligibility requirements for an FCL?

- ✓ **Although there is no direct cost to a contractor for requesting and being granted and FCL, there are indirect costs associated with maintaining the security program. (correct)**
- ☐ A contractor should obtain a separate FCL from each CSA for which it performs classified work.
- ✓ **A contractor must have an FCL to bid on a classified contract, if it is necessary to access classified information during the pre-award phase. (correct)**
- ✓ **A contractor's FCL is effective as long as its DD Form 441 is effective. (correct)**

**Lesson 5: The Facility Clearance Process**

**Review Activity 1**

Place the steps of the facility clearance process in the correct order.

- A. DCSA On-site Orientation Meeting
- B. Sponsorship Request
- C. DCSA Evaluation
- D. FCL Notification

**Correct Order below**

1. B. Sponsorship Request
2. A. DCSA On-site Orientation Meeting
3. C. DCSA Evaluation
4. D. FCL Notification

**Review Activity 2**

**Question 1 of 5**

Who completes and submits the sponsorship letter?

- **Government Contracting Activity (GCA) or cleared prime contractor (correct)**
- In-process contractor company
- IS Rep

**Question 2 of 5**

Who validates the sponsorship letter?

- Government Contracting Activity (GCA) or cleared prime contractor
- IS Rep
- **FCB (correct)**

**Question 3 of 5**

Who conducts the FCL Initial Orientation Meeting?

- In-process contractor company
- **IS Rep (correct)**
- FCB

**Question 4 of 5**

Who makes the determination about issuing an FCL?

- Government Contracting Activity (GCA) or cleared prime contractor
- In-process contractor company
- **FCB and IS Rep (correct)**

**Question 5 of 5**

Who receives the Letter of notification of FCL?

- Government Contracting Activity (GCA) or cleared prime contractor
- **In-process contractor company (correct)**
- FCB



**Review Activity 3**

**Question 1**

Which of the following statements are true of the FCL process?

A CAGE code is equivalent to an FCL.

- True
- False (correct)**

**Question 2**

All KMP need access to classified information.

- True
- False (correct)**

**Question 3**

When an uncleared branch facility in an MFO requires an FCL, the facility's home office does not need to complete the DD Form 441.

- True
- False (correct)**

**Lesson 6: Maintaining a Facility Clearance****Review Activity 1**

Which of the following circumstances should be reported as a changed condition?

- ✓ **The street name for Aurora's physical address has changed. (correct)**
- ✓ **The CEO for Weller is retiring and will be replaced by a Senior Vice President. (correct)**
- ✓ **Corinth has acquired a smaller contractor company that has active contracts with foreign governments. (correct)**
- Valor was awarded a new classified contract that does not require any changes to its security program.

**Review Activity 2****Question 1 of 6**

A contractor has completed the FCL process but is waiting on the full investigative requirements for required KMP.

- **Interim (correct)**
- Final
- Invalidated

**Question 2 of 6**

A contractor has corrected vulnerabilities that negated the integrity of its security program within the proscribed time frame.

- Invalidated
- Revoked
- **Revalidated (correct)**

**Question 3 of 6**

Vulnerabilities have been discovered with a contractor's security program that could result in the potential for compromise of classified information.

- Downgrade
- **Invalidate (correct)**
- Revoke

**Question 4 of 6**

A contractor has an FCL at the TOP SECRET level but currently only has active classified contracts at the SECRET level.

- Final
- Upgrade
- **Downgrade (correct)**

**Question 5 of 6**

A contractor has an FCL but has not performed work on classified contracts for 12 months and does not have any current classified procurement requirements.

- Interim
- Administratively Terminate (correct)**
- Revoked

**Question 6 of 6**

A contractor has completed the FCL process, required KMP have received favorable PCLs, all required documents have been properly executed, and all FOCI factors have been favorably mitigated or adjudicated.

- Final (correct)**
- Upgrade
- Revalidated