Cybersecurity Challenges

Protecting DoD’s Unclassified Information

Implementing DFARS Clause 252.204-7012, Safeguarding Covered Defense Information and Cyber Incident Reporting

October 2018
Outline

- Protecting DoD’s Unclassified Information on the Contractor’s Internal Information System
- DFARS Clause 252.204-7012, Safeguarding Covered Defense Information and Cyber Incident Reporting
  - Implementation and Guidance
- Resources
Cybersecurity Landscape

Cyber threats targeting government unclassified information have dramatically increased

Cybersecurity incidents have surged 38% since 2014

*The Global State of Information Security® Survey 2016*

Cyber attacks cost companies $400 billion every year

*Inga Beale, CEO, Lloyds*

Cybercrime will cost businesses over $2 trillion by 2019

*Juniper Research*

Impacts of successful attacks included downtime (46%), loss of revenue (28%), reputational damage (26%), and loss of customers (22%)

*AT&T Cybersecurity Insights Vol. 4*

61% of breach victims are businesses with <1,000 employees

*2017 Data Breach Investigations Report, Verizon*

80% of breaches leverage stolen, weak, and/or guessable passwords

In a study of 200 corporate directors, 80% said that cyber security is discussed at most or all board meetings. However, two-thirds of CIOs and CISOs say senior leaders in their organization don’t view cyber security as a strategic priority.

*NYSE Governance Services and security vendor Veracode*
DoD has a range of activities that include both regulatory and voluntary programs to improve the collective cybersecurity of the nation and protect U.S. interests:

- Securing DoD’s information systems and networks
- Codifying cybersecurity responsibilities and procedures for the acquisition workforce in defense acquisition policy
  - Contractual requirements implemented through the Federal Acquisition Regulation (FAR) and Defense FAR Supplement (DFARS)
- DoD’s DIB Cybersecurity Program for voluntary cyber threat information sharing
- Leveraging security standards such as those identified in National Institute of Standards and Technology (NIST) Special Publication 800-171 “Protecting Controlled Unclassified Information in Nonfederal Systems and Organizations” (Revision 1 published Dec 2016)
DFARS Clause 252.204-7012, Safeguarding Covered Defense Information and Cyber Incident Reporting

- Overview
- Covered Defense Information
- Subcontractor Flowdown
- Adequate Security
- Cloud Environment
- Implementation and Compliance
Protecting the DoD’s Unclassified Information

Contractor’s Internal System

DFARS Clause 252.204-7012, and/or FAR Clause 52.204-21, and security requirements from NIST SP 800-171 apply

- Federal Contract Information
- Controlled Unclassified Information (USG-wide)
- Covered Defense Information (includes Unclassified Controlled Technical Information)
- Controlled Unclassified Information

Internal Cloud
NIST SP 800-171

External CSP
Equivalent to FedRAMP Moderate

Cloud Service Provider

System Operated on Behalf of the DoD

Controllable Unclassified Information

DoD Information System

Security requirements from CNSSI 1253, based on NIST SP 800-53, apply

Cloud Service Provider

When cloud services are provided by DoD, the DoD Cloud Computing SRG applies

DoD Owned and/or Operated Information System

See FAQ 32
DFARS Clause 252.204-7012, Safeguarding Covered Defense Information and Cyber Incident Reporting

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When Contractors are faced with implementing multiple versions of the clause, Contracting Officers may work with Contractors, upon mutual agreement, to implement the latest version of the clause.
DFARS Clause 252.204-7012 requires contractors/subcontractors to:

1. **Provide adequate security to safeguard** covered defense information that resides on or is transiting through a contractor’s internal information system or network.

2. **Report cyber incidents** that affect a covered contractor information system or the covered defense information residing therein, or that affect the contractor’s ability to perform requirements designated as operationally critical support.

3. **Submit malicious software** discovered and isolated in connection with a reported cyber incident to the DoD Cyber Crime Center.

4. If requested, submit **media** and additional information to support damage assessment.

5. **Flow down** the clause in subcontracts for operationally critical support, or for which subcontract performance will involve covered defense information.
Covered Defense Information – Term used to identify information that requires protection under DFARS Clause 252.204-7012

- Unclassified controlled technical information (CTI) or other information, as described in the CUI Registry,¹ that requires safeguarding or dissemination controls pursuant to and consistent with law, regulations, and Government wide policies and is –
  1) Marked or otherwise identified in the contract, task order, or delivery order and provided to contractor by or on behalf of, DoD in support of the performance of the contract; OR
  2) Collected, developed, received, transmitted, used, or stored by, or on behalf of, the contractor in support of the performance of the contract²

¹ Referenced only to point to information that requires safeguarding or dissemination controls pursuant to and consistent with law, regulations, government-wide policies

² “In support of the performance of the contract” is not meant to include the contractor’s internal information (e.g., human resource or financial) that is incidental to contract performance
Government/Requiring Activity is required to:

- Use DoDM 5200.01 Vol 4, DoD Information Security Program: CUI and DoDI 5230.24, Distribution Statements on Technical Documents to **identify and mark covered defense information**
- Use Section C, e.g., Statement of Work, of the contract to require development and delivery of covered defense information from the contractor
- **Direct appropriate marking and dissemination for covered defense information in the contract** (e.g., Block 9 of Contract Data Requirements List (CDRL) DD Form 1423). Additional markings (e.g., Export Control) can be placed in Block 16.
- Verify that covered defense information is appropriately marked when provided to the contractor as Government Furnished Information

The contractor is responsible for:

- Following the terms of the contract, which includes the requirements in the Statement of Work
Dissemination Limitation

| Distribution A: Public Release* |
| Distribution B: U.S. Govt Only |
| Distribution C: U.S. Govt & Contractors |
| Distribution D: DoD & US DoD Contractors |
| Distribution E: DoD only |
| Distribution F: Further dissemination only as directed by controlling office |

Reason

- Administrative or Operational Use
- Contractor Performance Evaluation
- Critical Technology
- Direct Military Support
- Export Controlled
- Foreign Government Information
- Operations Security
- Premature Dissemination
- Proprietary Information
- Software Documentation
- Specific Authority
- Test and Evaluation
- Vulnerability Information

Date

Note: Reason Determination Date

Controlling Org

Note: Controlling Org can be different than the Authoring Org

* Distro A: Public Release – NO Dissemination limitation

Example of Marking for Distribution Statement E

Distribution authorized to DoD only; Proprietary Information; 15 Apr 2017. Other requests for this document shall be referred to AFRL/VSSE, 3550 Aberdeen Ave. SE, Kirtland AFB, NM 87117-5776. REL TO UK

Example of Marking for Export Control Warning (Also requires separate distribution statement)

WARNING - This document contains technical data whose export is restricted by the Arms Export Control Act (Title 22, U.S.C., Sec 2751, et seq.) or the Export Administration Act of 1979 (Title 50, U.S.C., App. 2401 et seq.), as amended. Violations of these export laws are subject to severe criminal penalties. Disseminate in accordance with provisions of DoD Directive 5230.25.
When should DFARS Clause 252.204-7012 flow down to subcontractors?

• The clause is required to flow down to subcontractors only when performance will involve operationally critical support or covered defense information.

• The contractor shall determine if the information required for subcontractor performance is, or retains its identity as, covered defense information and requires safeguarding.

• Flowdown is a requirement of the terms of the contract with the Government, which must be enforced by the prime contractor as a result of compliance with these terms.
  - If a subcontractor does not agree to comply with the terms of DFARS Clause 252.204–7012, then covered defense information shall not be shared with the subcontractor or otherwise reside on it’s information system.

The Department’s emphasis is on the deliberate management of information requiring protection. Prime contractors should minimize the flowdown of information requiring protection.
To provide adequate security to safeguard covered defense information:

**DFARS 252.204-7012 (b) Adequate Security.** ... the contractor shall implement, at a minimum, the following information security protections:

***(b)(2)(ii)(A):** The contractor shall implement NIST SP 800-171, Protecting CUI in Nonfederal Systems and Organizations, as soon as practical, but not later than December 31, 2017

***(b)(3):** Apply other information systems security measures when the Contractor reasonably determines that information systems security measures, in addition to those identified in paragraphs (b)(1) and (2) of this clause, may be required

**DFARS 252.204-7012 directs how the contractor shall protect covered defense information; The requirement to protect it is based in law, regulation, or Government wide policy.**
Implementing NIST SP 800-171 Security Requirements

Most requirements in NIST SP 800-171 are about policy, process, and configuring IT securely, but some may require security-related software or hardware. For companies new to the requirements, a reasonable approach would be to:

1. Examine each of the requirements to determine
   - Policy or process requirements
   - Policy/process requirements that require an implementation in IT (typically by either configuring the IT in a certain way or through use of specific software)
   - IT configuration requirements
   - Any additional software or hardware required
   
   The complexity of the company IT system may determine whether additional software or tools are required

2. Determine which requirements can readily be accomplished by in-house IT personnel and which require additional research or assistance

3. Develop a plan of action and milestones to implement the requirements
## Approach to Implementing NIST SP 800-171 Requirements

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- **AC**: Access Control
- **AT**: Authentication and Accountability
- **AU**: Authorization and Auditing
- **CM**: Confidentiality Management
- **IA**: Integrity Assurance
- **IR**: Incidence Response
- **MA**: Media Access
- **MP**: Media Protection
- **PS**: Personnel Security
- **PE**: Physical Security
- **RA**: Risk Assessment
- **CA**: Configuration Assurance
- **SC**: System Configuration
- **SI**: System Integrity

**Note:** The table reflects the hierarchical and procedural approach to implementing NIST SP 800-171 requirements, with separate sections for Basic (FIPS 200) and Derived (800-53) controls. Each requirement is color-coded to indicate its functional category and is linked to related sections within the standard.
To document implementation of NIST SP 800-171, companies should have a system security plan in place, in addition to any associated plans of action:

- **Security Requirement 3.12.4 (System Security Plan):** Requires the contractor to develop, document, and periodically update, system security plans that describe system boundaries, system environments of operation, how security requirements are implemented, and the relationships with or connections to other systems.

- **Security Requirement 3.12.2 (Plans of Action):** Requires the contractor to develop and implement plans of action designed to correct deficiencies and reduce or eliminate vulnerabilities in their systems, and to describe how and when any unimplemented security requirements will be met.
Alternative but Equally Effective Security Measures

• Per DFARS Clause 252.205-7012(b)(2)(ii)(B), if the offeror proposes to vary from NIST SP 800-171, the Offeror shall submit to the Contracting Officer, for consideration by the DoD CIO, a written explanation of -
  - Why security requirement is not applicable; OR
  - How an alternative but equally effective security measure is used to achieve equivalent protection

• When DoD CIO receives a request from a contracting officer, representatives in DoD CIO review the request to determine if the proposed alternative satisfies the security requirement, or if the requirement for non-applicability is acceptable
  - The assessment is documented and provided to the contracting officer, generally within 5 working days
  - If request is favorably adjudicated, the assessment should be included in the contractor’s system security plan

See FAQ 59 - 62
Cyber Incident Reporting

What is a cyber incident?

A “Cyber incident” is an action(s) taken through the use of computer networks that result in a compromise or an actual or potentially adverse effect on an information system and/or the information residing therein.

“Compromise” means disclosure of information to unauthorized persons, or a violation of the security policy of a system, in which unauthorized intentional or unintentional disclosure, modification, destruction, or loss of an object, or the copying of information to unauthorized media may have occurred.

DFARS 204.7302 (d)

A cyber incident that is reported by a contractor or subcontractor shall not, by itself, be interpreted as evidence that the contractor or subcontractor has failed to provide adequate security on their covered contractor information systems, or has otherwise failed to meet the requirements of the clause at 252.204-7012, Safeguarding Covered Defense Information and Cyber Incident Reporting.
Cyber Incident Reporting

When a cyber incident occurs, the contractor/subcontractor shall:

• Review contractor network(s) for evidence of compromise of covered defense information using contractor’s available tools, including, but not limited to, identifying compromised computers, servers, specific data, and user accounts

• Identify covered defense information that may have been affected in the cyber incident

• If contract contains requirement for operationally critical support, determine if the incident affects the contractor’s ability to provide operationally critical support

• Rapidly report (within 72 hours of the discovery of an incident) directly to DoD
  – Subcontractors provide the incident report number, automatically assigned by DoD, to the prime Contractor (or next higher-tier subcontractor) as soon as practicable

DFARS Clause 252.204-7012(c)(1)
Cyber Incident Reporting

When reporting a cyber incident, contractors/subcontractors submit to DoD—

- Malicious software if detected and isolated
- Media or access to covered contractor information systems and equipment when requested by the requiring activity/contracting officer

Upon receipt of a cyber incident report —

- The DoD Cyber Crime Center (DC3) sends the report to the contracting officer(s) identified on the Incident Collection Format (ICF) via encrypted email; the contracting officer(s) provide the ICF to the requiring activity(ies)
- DC3 analyzes the report to identify cyber threat vectors and adversary trends
- DC3 contacts the reporting company if the report is incomplete (e.g., no contract numbers, no contracting officer listed)
Cyber Incident Reporting

The cyber incident report – contractors shall report as much of the following information as can be obtained within 72 hours of discovery of a cyber incident:

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<th>Company name and point of contact information</th>
<th>Date incident discovered</th>
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<tr>
<td>Data Universal Numbering System (DUNS) Number</td>
<td>Incident/Compromise narrative</td>
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<tr>
<td>Contract number(s) or other type of agreement affected or potentially affected</td>
<td>Type of compromise (unauthorized access, unauthorized release, unknown, not applicable)</td>
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<tr>
<td>Contact or other type of agreement clearance level</td>
<td>Description of technique or method used in cyber incident</td>
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<tr>
<td>Contracting Officer or other agreement contact</td>
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<tr>
<td>USG Program Manager point of contact (address, position, telephone, email)</td>
<td>Incident outcome (successful compromise, failed attempt, unknown)</td>
</tr>
<tr>
<td>Facility Clearance Level (Unclassified, Confidential, Secret, Top Secret, Not applicable)</td>
<td>Impact to Covered Defense Information</td>
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<td>Facility CAGE code</td>
<td>Impact on ability to provide operationally critical support</td>
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<tr>
<td>Incident location CAGE code</td>
<td>DoD programs, platforms or systems involved</td>
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<tr>
<td>Location(s) of compromise</td>
<td>Any additional information relevant to incident</td>
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https://www.DIBNet.dod.mil
Purpose of the cyber incident damage assessment —

- Determine impact of compromised information on U.S. military capability underpinned by the technology
- Consider how the compromised information may enable an adversary to counter, defeat, or reverse engineer U.S. capabilities
- Focus on the compromised intellectual property impacted by the cyber incident – not on the compromise mechanism

DoD decision to conduct a cyber incident damage assessment —

- Contracting officer verifies clause is included in the contract
- The Requiring Activity and the DoD Component damage assessment office (DAMO) will determine if a cyber incident damage assessment is warranted
- Decision to request media must be made within 90 days of the cyber incident report
Cloud Computing

Safeguarding Covered Defense Information and Cyber Incident Reporting
48 CFR Parts 202, 204, 212, and 252, DFARS Clause 252.204-7012

- Applies when a contractor uses an external cloud service provider to store, process, or transmit Covered Defense Information on the contractor’s behalf
- Ensures that the cloud service provider:
  - Meets requirements equivalent to those established for the Federal Risk and Authorization Management Program (FedRAMP) Moderate baseline
  - Complies with requirements for cyber incident reporting and damage assessment

Cloud Computing Services
48 CFR Parts 239 and 252, DFARS Clause 252.239-7010

- Applies when a cloud solution is being used to process data on the DoD's behalf or DoD is contracting with Cloud Service Provider to host/process data in a cloud
- Requires the cloud service provider to:
  - Comply with the DoD Cloud Computing Security Requirements Guide
  - Comply with requirements for cyber incident reporting and damage assessment
Compliance

- Compliance with DFARS Clause 252.204-7012
- Demonstrating Implementation of the Security Requirements in NIST SP 800-171
- Considering a Contractor’s Internal Information System in Source Selection
By signing the contract, the contractor agrees to comply with the terms of the contract and all requirements of the DFARS Clause 252.204-7012.

It is the contractor’s responsibility to determine whether it is has implemented the NIST SP 800-171 (as well as any other security measures necessary to provide adequate security for covered defense information).

- DoD will not certify that a contractor is compliant with the NIST SP 800-171 security requirements.
- Third party assessments or certifications of compliance are not required, authorized, or recognized by DoD.

Per NIST SP 800-171, federal agencies may consider the submitted system security plan and plans of action as critical inputs to an overall risk management decision to process, store, or transmit CUI on a nonfederal organization.
<table>
<thead>
<tr>
<th>OBJECTIVE</th>
<th>SOLICITATION</th>
<th>SOURCE SELECTION</th>
<th>CONTRACT</th>
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<tr>
<td>Pre-Award (Solicitation and Source Selection)</td>
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<tr>
<td>1. Contractor ‘self-attests’ to compliance with DFARS 252.204-7012 (Status Quo)</td>
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<td>2. Require enhanced cybersecurity measures in addition to NIST SP 800-171</td>
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<td>3. Establish measures to assess/affirm contractor compliance with cybersecurity requirements</td>
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<td>a. ‘Go/No Go’ evaluation criteria/threshold</td>
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<td>b. Compliance as a separate technical evaluation factor</td>
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<tr>
<td>c. On-site government assessment of Contractor’s internal unclassified information system</td>
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<td>d. Request Contractor’s plan to track flow down of information requiring protection and assess suppliers</td>
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<tr>
<td>Post-Award</td>
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<tr>
<td>e. Assess/track Contractor’s system security plan and associated plans of action</td>
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<tr>
<td>f. On-site government assessment of Contractor’s internal unclassified information system</td>
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<td>4. Government/Contractor identification of information requiring protection</td>
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Actions DCMA will take in response to DFARS Clause 252.204-7012:

• Encourage industry to adopt corporate, segment, or facility-level system security plans as may be appropriate in order to ensure more consistent implementations and to reduce costs

• Verify that system security plans and any associated plans of action are in place (DCMA will not assess plans against the NIST 800-171 requirements)

• If potential cybersecurity issue is detected – notify contractor, DoD program office, and DoD CIO

• During the normal Contract Receipt and Review process - verify that DFARS Clause 252.204-7012 is flowed down to sub-contractors/suppliers as appropriate

• For contracts awarded before October 2017 - verify that contractor submitted to DoD CIO notification of security requirements not yet implemented

• Verify contractor possesses DoD-approved medium assurance certificate to report cyber incidents

• When required, facilitate entry of government assessment team into contractor facilities via coordination with cognizant government and contractor stakeholders
## Resources — Frequently Asked Questions (FAQs)

<table>
<thead>
<tr>
<th>Quick Look for FAQ Topics</th>
<th>NIST SP 800-171</th>
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</table>
| Safeguarding Covered Defense Information and Cyber Incident Reporting (DFARS 252.204-7008 and 252.204-7012) | **General Implementation Issues**  
Q49 – Q67  
**Specific Security Requirements**  
Q68 – Q98 |
| • General  
Q1 – Q18  
• Covered Defense Information  
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• Operationally Critical Support  
Q31  
• Safeguarding Covered Defense Information  
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• Cyber Incidents and Reporting  
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• Submission of Malicious Software  
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• Cyber Incident Damage Assessment  
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| Cloud Computing |  |
| • General  
Q99 – 101  
• Cloud solution being used to store data on DoD’s behalf (DFARS 252.239-7009 and 252.204-7010, Cloud Computing Services)  
Q102  
• Contractor using cloud solution to store covered defense information (DFARS 252.204-7008 and 252.204-7012 apply)  
Q103 – Q109 |  |
| Basic Safeguarding of Contractor Information Systems (FAR Clause 52.204.21)  
Q48 | Limitations on the use or disclosure of third-party contractor reported cyber incident information (DFARS Clause 252.204-7009)  
Q47 |
Resources

- NIST Manufacturing Extension Partnership (MEP)
  - Public-private partnership with Centers in all 50 states and Puerto Rico dedicated to serving small and medium-sized manufacturers
  - Published “Cybersecurity Self-Assessment Workbook for Assessing NIST SP 800-171 Security Requirements in Response to DFARS Cybersecurity Requirements”, November 2017

- Procurement Technical Assistance Program (PTAP) and Procurement Technical Assistance Centers (PTACs)
  - Nationwide network of centers/counselors experienced in government contracting, many of which are affiliated with Small Business Development Centers and other small business programs

- Cybersecurity Evaluation Tool (CSET)
  - No-cost application, developed by DHS, provides step-by-step process to evaluate information technology network security practices
    https://ics-cert.us-cert.gov/Downloading-and-Installing-CSET
Resources

- DPAP Website (http://www.acq.osd.mil/dpap/dars/dfarspgi/current/index/index.html) for DFARS, Procedures, Guidance and Information (PGI), and Frequently Asked Questions
- NIST SP 800-171, Revision 1 (http://nvlpubs.nist.gov/nistpubs/SpecialPublications/NIST.SP.800-171r1.pdf)
- DoD’s Defense Industrial Base Cybersecurity program (DIB CS Program) (https://dibnet.dod.mil)

Questions? Submit via email at osd.dibcsia@mail.mil