



Entity Vetting and FCL Process Overview

DEFENSE COUNTERINTELLIGENCE AND SECURITY AGENCY



Agenda



- Entity Vetting Process
- General Overview of the FCL Lifecycle workflow
- Entity Vetting by the Numbers
- Most Common Business Structures
- Required Documents
- FCL Package Review
- Questions



Purpose

- The Entity Vetting (EV) aims to better serve customers by providing tailored information to increase the quality of sponsorships, as well as facility clearance packages.
 - EV receives nearly 2300 sponsorships a year.
 - 50% of sponsorships are rejected.
 - EV Issues approximately 1200 FCLs a year.
 - Average rejection rate of FCL packages is over 70%
- This briefing provides detailed information regarding the items necessary for a complete and acceptable FCL package.
 - Business Structure considerations
 - Required documents
 - KMP considerations
 - Ownership/Control
 - Required forms

DCSA Facility Clearance Lifecycle



GOVERNMENT CONTRACTING
ACTIVITY OR CLEARED
CONTRACTOR SPONSORS

Continuous Monitoring

- Contractor submitted changes or information
 - Review news and reporting
 - Automated data feeds
 - QA performed

Review & Triage

- Review sponsorship for legitimate need to access classified
- Review contractor submitted package for completeness
 - Initial identification of risk indicators w/referrals
 - Initiate key management clearances necessary

Stages

Review & Triage
Analysis
Determine Mitigation
Implement Mitigation
Oversight
CM

Analysis

- Assess risk indicators for business vulnerabilities & contractor conduct
- Assess risk indicators for threats

Oversight

- Conduct field/HQ oversight & security reviews
- Provide continuous engagement, support & outreach

ENTITY ELIGIBILITY
DETERMINATION (ADJUDICATE)

Implement Mitigation

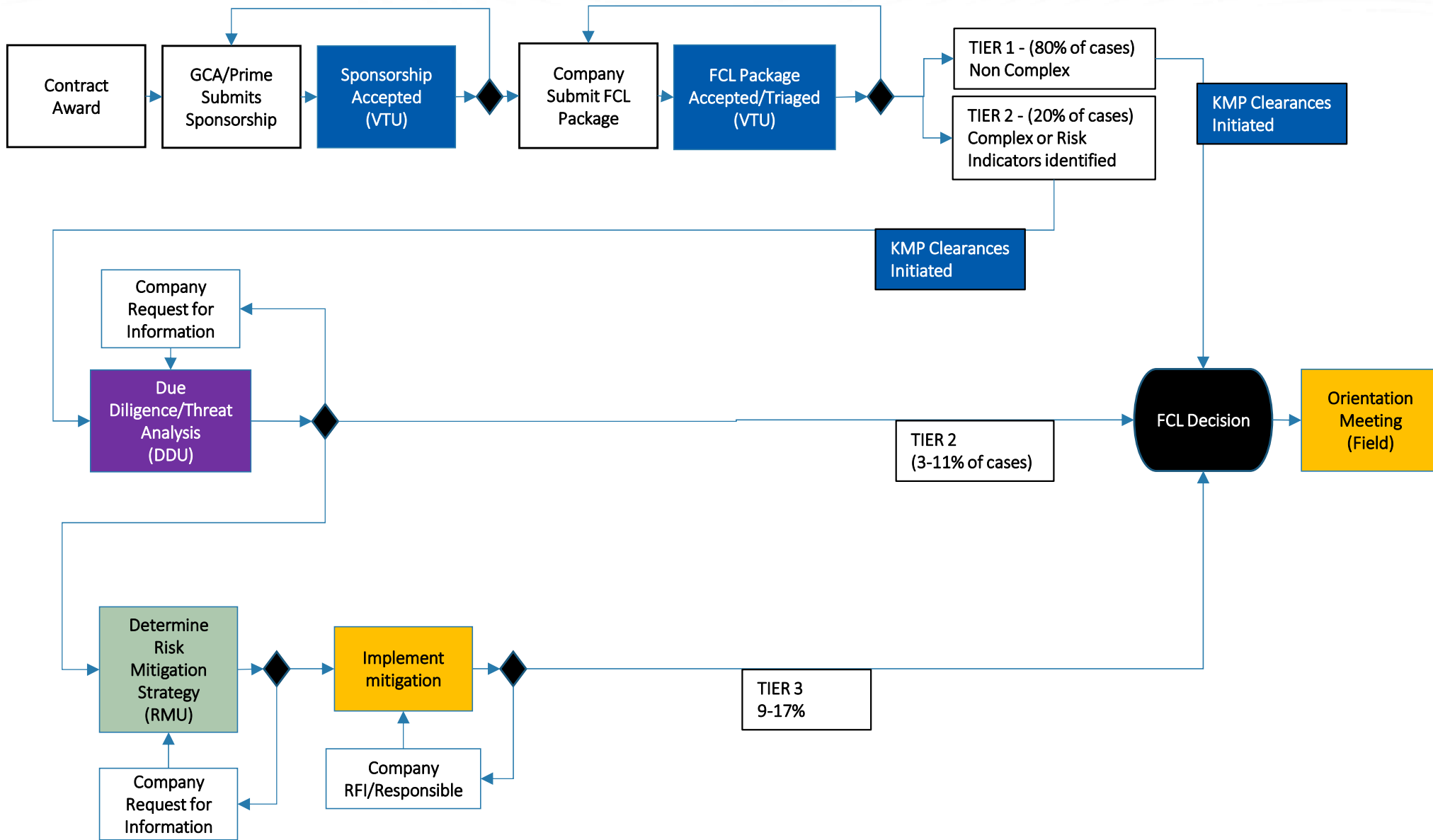
- Execute interim measures, if necessary
- Negotiate terms with contractor, as required
- Execute governance and operational mitigations
- Ensure entity eligibility requirements are met

Determine Mitigation

- Review relevant assessments
- Develop Risk Mitigation Strategy



Entity Vetting Process





FCL Lifecycle Key Performance Indicators

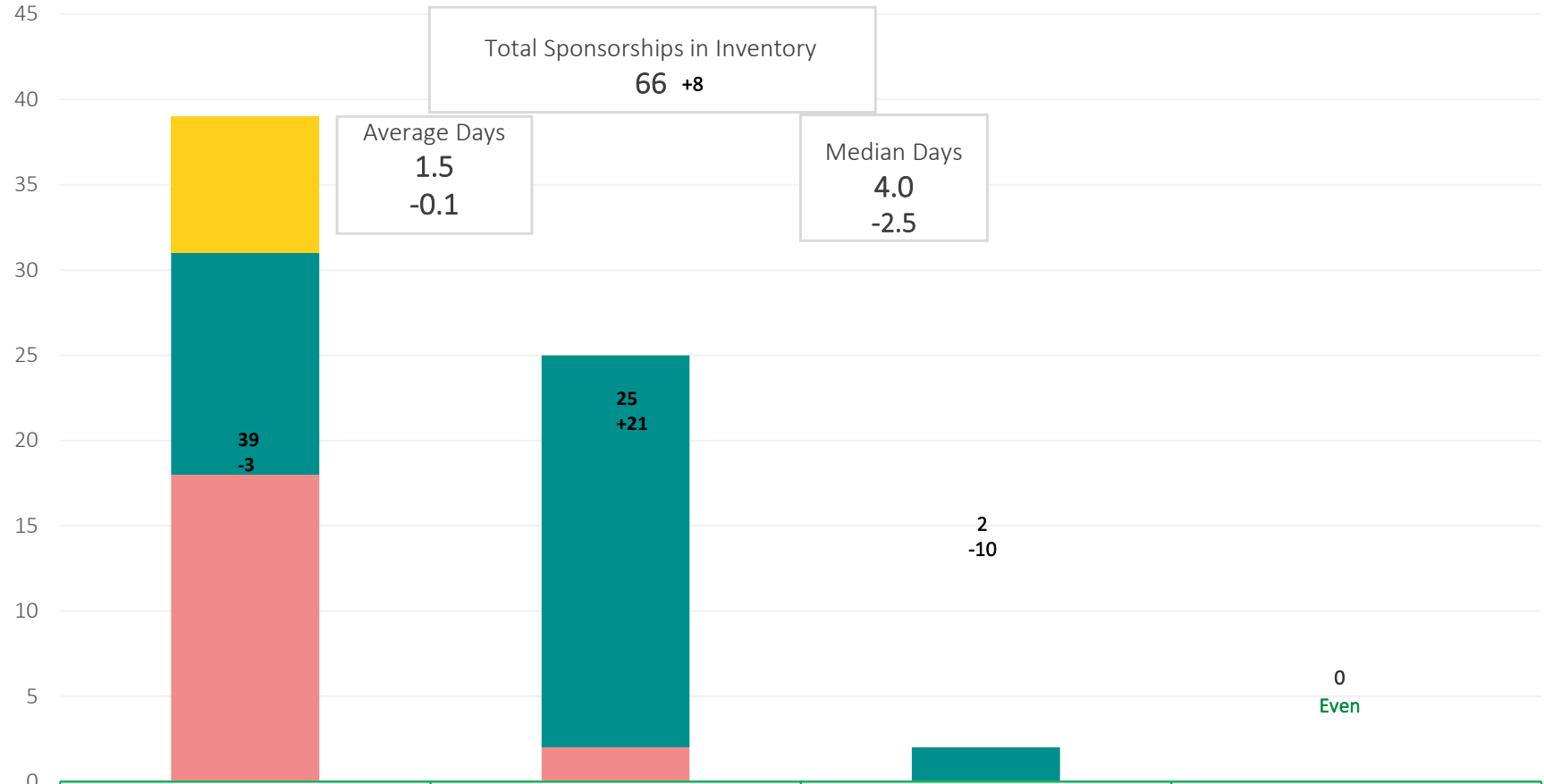
- Inventory KPIs
 - Initial/Upgrades: ≤ 300 cases
 - Changed Condition Packages: ≤ 300 cases
- Tier Timeline KPIs
 - Sponsorships: ≤ 15 days
 - Tier 1:
 - Initial/Upgrade: ≤ 60 days
 - Changed Condition: ≤ 30 days
 - Tier 2:
 - Initial/Upgrade: ≤ 90 days
 - Changed Condition: ≤ 60 days
 - Tier 3:
 - Initial/Upgrade: ≤ 180 days
 - Changed Condition: ≤ 150 days



Sponsorship Package Inventory (as of 11/06/2024)

Sponsorship Package Inventory

Pend FCB Pend Sponsor (R&R) Pend TL Review



	0-5	6-10	11-15	15+
Pend TL Review	8	0	0	0
Pend Sponsor (R&R)	13	23	2	0
Pend FCB	18	2	0	0

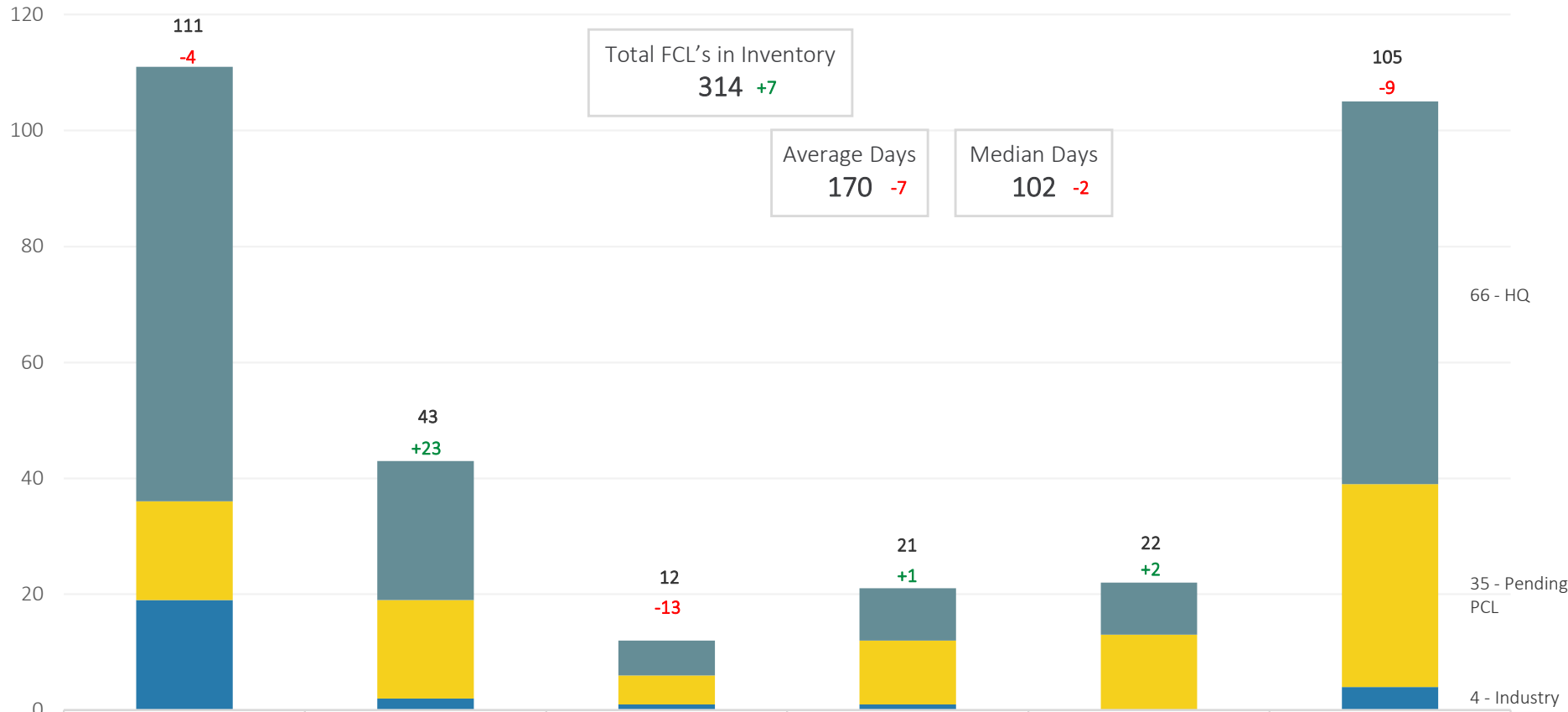
0
Even



Initial/Upgrade FCL Package Inventory (as of 10/9/24)

Initial/Upgrade FCL Package Inventory

■ Pend Industry ■ Pend PCL ■ Pend HQ ■ Pend Field



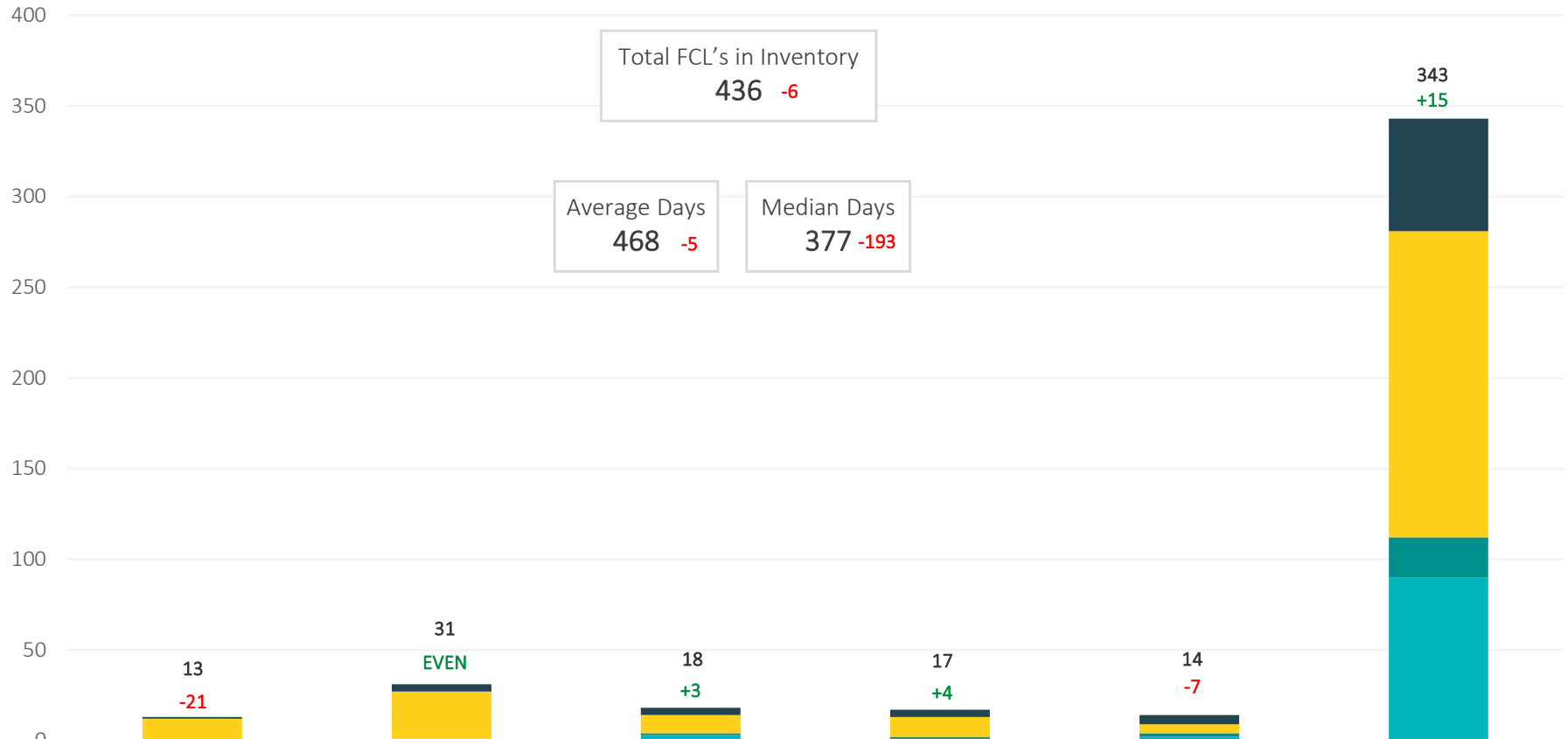
	0-60	61-90	91-120	121-150	151-180	180+
■ Pend Field	0	0	0	0	0	0
■ Pend HQ	75	24	6	9	9	66
■ Pend PCL	17	17	5	11	13	35
■ Pend Industry	19	2	1	1	0	4

Changed Condition Package Inventory (as of 10/9/24)



Initial/Upgrade FCL Package Inventory

■ Pend Industry ■ Pend Field ■ Pend VTU ■ Pend Other HQ



	0-30	31-60	61-90	91-120	121-150	150+
■ Pend Other HQ	1	4	4	4	5	62
■ Pend VTU	12	26	10	11	5	169
■ Pend Field	0	0	1	1	2	22
■ Pend Industry	0	1	3	1	2	90



Rejection Reasons

Sponsorship Packages (61.5%)

Missing or incorrect information on DD-254 (73%)

Inconsistent information on submitted materials (63%)

Missing GCA authorization, when required (13%)

Inadequate justification for access to classified (2%)

FCL Packages (Initial, Upgrade, Changed Condition) (69.2%)

Missing business structure documents (44%)

Inaccurate or missing business structure chart (41%)

Missing ownership information (38%)

Incomplete responses on the SF-328 (36%)

Missing control information (29%)

Limited Liability Company (LLC)



- Governing Document – Operating Agreement
- Management Varies
 - Member Managed
 - Ownership/Control are linked
 - Members have control (Can be person or another company)
 - Typically a smaller business structure/Company
 - Majority Member Will be the SMO due to Control
 - Manager Managed
 - Ownership/Control are separate
 - Managers have control
 - Often found with Joint Ventures, Larger Organizations, Or in Tiered business structures.
 - Manager will be the SMO due to Control



Corporation (Inc.)

- Governing Document - Bylaws
- Owned by Shareholders
- Management is controlled by Board and Officers
 - A corporation's business and affairs are managed by or under the direction of its board of directors.
 - The officers of a corporation are the agents through which the board of directors acts.
- SMO is typically the CEO/President
- Other individuals requiring a clearance:
 - Chairman of the Board (DoDM 5220.32 Vol 1 4.8c.(2))
 - Majority of Directors if no Chair is appointed.

Documentation



- DCSA Requires the following documentation for KMPs
 - FSO Appointment Letter
 - ITPSO Appointment Letter
- If no clearance is held – KMP must submit citizenship verification (Must be a U.S. citizen)
- Individuals who are key managers (Directors) may be excluded using an Exclusion Resolution.
- Meeting minutes or other documentation covering relevant changes to submitted documentation (address change, name change etc.)



FCL Package Review

K3FA17	Grizzly, LLC		Confidential FCL
No HQ FOCI Mitigation	111 FA Worflow Drive , Test, AA 12345		Active
H-RKB	Category IP - Upgrade	Daniel Tillman (ISR)	No Safeguarding

Upload Supporting Documents

Document Type ↑	Description	Actions
Articles of Organization		Edit
DD Form 441		Edit
Legal Organization Chart		Edit
Meeting Minutes		Edit
Operating Agreement		Edit
SF-328		Edit

- Review and triage begins
- Documents/notes reviewed
- Research Conducted
- Additional Questions asked

- Documents required will be driven by business structure

Required Documents Based on Business Structure



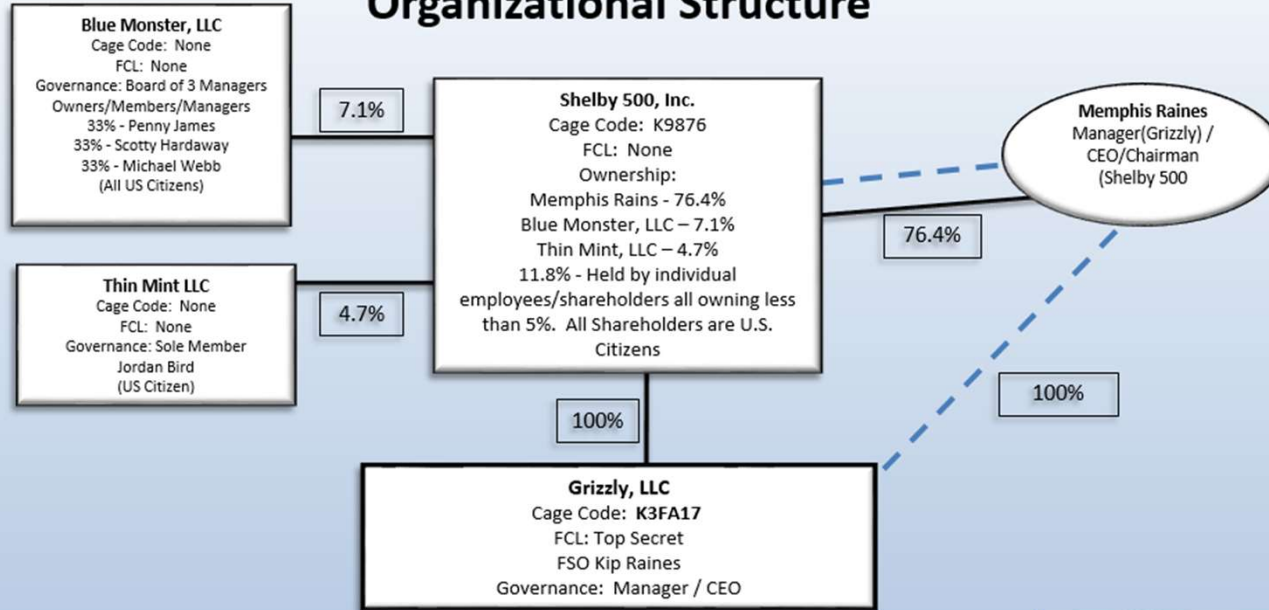
Business Structure	Business Records Required	PCLs for KMPs
Privately Held Corporation	<ul style="list-style-type: none"> ▪ Business License ▪ Fictitious Name Certificate ▪ Articles of Incorporation ▪ By-Laws ▪ Stock Ledger ▪ Legal Organization Chart ▪ Board/Company Meeting Minutes ▪ Recent changes to company structure ▪ FSO/ITPSO Appointment Letter ▪ KMP Citizenship Verification ▪ Signed undated DD Form 441 ▪ Signed SF 328 	<ul style="list-style-type: none"> ▪ SMO ▪ FSO ▪ ITPSO ▪ Chairman of the Board ▪ Vice Chair of Board, if provisions for rotating or Pro Tem duties ▪ Corporate Officials are cleared if their duties require access to classified information
Publicly Held Corporation	<ul style="list-style-type: none"> ▪ Business License ▪ Fictitious Name Certificate ▪ Articles of Incorporation ▪ By-Laws ▪ Stock Ledger ▪ Most recent SEC filings ▪ Legal Organization Chart ▪ Board/Company Meeting Minutes ▪ Recent changes to company Structure ▪ FSO/ITPSO Appointment Letter ▪ KMP Citizenship Verification ▪ Signed undated DD Form 441 ▪ Signed SF 328 	<ul style="list-style-type: none"> ▪ SMO ▪ FSO ▪ ITPSO ▪ Chairman of the Board ▪ Vice Chair of Board, if provisions for rotating or Pro Tem duties ▪ Corporate Officials are cleared if their duties require access to classified information
Limited Liability Company	<ul style="list-style-type: none"> ▪ Business License ▪ Fictitious Name Certificate ▪ Certificate of Formation or Articles of Organization ▪ Legal Organization Chart ▪ Operating Agreement ▪ LLC Meeting Minutes ▪ Recent changes to company structure ▪ FSO/ITPSO Appointment Letter ▪ KMP Citizenship Verification ▪ Signed undated DD Form 441 ▪ Signed SF 328 	<ul style="list-style-type: none"> ▪ SMO ▪ FSO ▪ ITPSO ▪ LLC Members are cleared if their duties require access to classified information ▪ Managers

- Business structure drives the FCL package composition.
- Parent Companies will need to submit ownership/control information.
- KMP will change based on business structure as well as governance documents.



Organization Chart

Grizzly, LLC Organizational Structure



Grizzly, LLC is a wholly owned subsidiary of Shelby 500, Inc.

Grizzly, LLC is a single-member LLC, and the sole member is
Shelby 500, Inc.

LEGEND

- Ownership
- - - Control
- U.S. Entity
- U.S. Person
- ▭ Foreign Entity
- ◌ Foreign Person



- An accurate and complete Org chart is essential for timely processing
- Visual depiction of what governance/ownership documents tell the analyst
- Legend is critical for complex business structures



Governance Documents

OPERATING AGREEMENT

FOR

Grizzly LLC

A MANAGER-MANAGED LIMITED LIABILITY COMPANY

ARTICLE IV

Management

- 4.1. **MANAGEMENT OF THE BUSINESS.** The members holding a majority of the capital interests in the Company, as set forth in Exhibit 2 as amended, may vote to elect a manager or managers. One manager will be elected by the members as Chief Executive Manager. The manager(s) may be a member or non-member. The name and residential address of each manager is attached as Exhibit 1 of this Agreement.
- 4.2. **MEMBERS.** The liability of the members will be limited according to state law. members that are not managers will take no part in the control, management, direction, or operation of the Company's affairs and will have no power to bind the Company in legal agreements. The managers may seek advice from the members, but need not follow such advice. No member is an agent of any other member of the Company, solely by reason of being a member.
- 4.3. **POWERS OF MANAGERS.** The managers are authorized on the Company's behalf to make all decisions as to:
- (a) the sale, development, lease, or other disposition of the Company's assets;
 - (b) the purchase or other acquisition of other assets;
 - (c) the management of all or any part of the Company's assets;
- The managers are further authorized to execute and deliver:
- (w) all contracts, conveyances, assignments leases, sub-leases, franchise agreements, licensing agreements, management contracts and maintenance contracts covering or affecting Company assets;
 - (x) all checks, drafts, and other orders for the payment of the Company's funds;
 - (y) all promissory notes, loans, security agreements, and other similar documents; and
 - (z) all other instruments of any other kind relating to the Company's affairs.
- 4.4. **CHIEF EXECUTIVE MANAGER.** The Chief Executive Manager has primary responsibility for managing the operations of the Company and for carrying out the decisions of the managers.

Governance documents provide:

- Control - whether exercised or not
- Essential KMP
 - Managers, Directors, Officers
- Powers/Authorities
- May indicate additional Entities/companies that need to be cleared w/FCL



Meeting Minutes - Accounting for Changes

FROM: Kip Raines
FSO
Grizzly, LLC
504 Garrisonville Rd
Stafford, VA 22554

March 21, 2023.

REF: Meeting Minutes, REF Grizzly FCL Package
In NISS

Dear Sir or Madam,

This document is to inform that Grizzly, LLC did not hold board meetings in 2020 nor 2021. Therefore, there are no meeting minutes to report.

There have never been changes to the original articles of incorporation (i.e. company ownership, key personnel, etc.).

The only change to note is the change of address from 102 Patriot Highway, Stafford VA, 22554 to the current address of 504 Stafford, VA 22554. The current address has not changed since 2018.

Please contact the undersigned at any time with any questions.
Respectfully,

*FSO 1 ITPSO
GrizzLy LLC
Office: 555-123-4567, Cell: 555-987-6543, Email:
KRaines60@grizzLy.com*

Changes must be accounted for if submitted documents are not up to date.

Examples:

- Name
 - Address
 - Officer Positions/Changes
-
- Changes can be Amendments or Meeting Min.



SF-328 Certificate Pertaining to Foreign Interests

CERTIFICATE PERTAINING TO FOREIGN INTERESTS <i>(Type or print all answers)</i>		OMB No. 0704-0579 OMB approval expires April 30, 2024
<p>RETURN THE CURRENT FORM AS DESCRIBED BELOW. Return the form to your respective Cognizant Security Agency/Office granting the entity's eligibility determination (e.g., facility security clearance) as referenced in 32 CFR Part 2004 under the National Industrial Security Program (NISP); to the Department of Homeland Security for the Classified Critical Infrastructure Protection Program (CCIPP); or, to the Government Contracting Activity for the DoD Enhanced Security Program (DESP). The public reporting burden for this collection of information, 0704-0579, is estimated to average 70 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding the burden estimate or burden reduction suggestions to the Department of Defense, Washington Headquarters Services, at whs.mc-alex.esd.mbx.dd-dod-information-collections@mail.mil. Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to any penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number.</p>		
<p>PENALTY NOTICE Failure to answer all questions or any misrepresentation (by omission or concealment, or by misleading, false, or partial answers) may serve as a basis for denial of clearance for access to classified information. In addition, Title 18, United States Code section 1001, makes it a criminal offense to knowingly make false statements or representations to any Department or Agency of the United States, as to any matter within the jurisdiction of any Department or Agency of the United States. This includes any statement made here in which is knowingly incorrect, incomplete, or misleading in any important particular.</p>		
<p>PROVISIONS 1. The collection of this information is authorized by the Secretary of Defense, as Executive Agent for the NISP, pursuant to Executive Order 12829, further amended by Section 6, of Executive Order 13021 to include the CCIPP. While you are not required to respond, your entity's eligibility determination cannot be adjudicated if you do not complete the form. The retention of an entity eligibility determination is contingent upon your compliance with the requirements of DoD 5220.22-M or equivalent for submission of an accurate initial or revised form, as appropriate. This collection of information is also authorized by the Secretary of Defense for use in connection with the DESP for the Department of Defense Innovation Initiative in accordance with subsection 951(c) of Public Law 114-328 (10 USC 1564 note). While you are not required to respond, your eligibility to participate in the DESP cannot be determined if you do not complete this form accurately. Participation in the DESP is contingent, among other things, upon your compliance with the requirements of the DESP for submission of an initial or revised form, as appropriate. 2. When this report is submitted in confidence and is so marked, applicable exemptions to the Freedom of Information Act (FOIA) will be invoked to withhold it from the public disclosure if it is responsive to a FOIA request. 3. Complete all questions on this form. Mark "Yes" or "No" for each question. If your answer is "Yes" furnish complete supporting documentation, to include, but not limited to, company or entity charter documents, board meeting minutes, stock or securities information, descriptions of organizational structures; contracts, sales, leases, and/or loan agreements; and revenue documents, annual reports and income statements, etc.</p>		
1. (Answer 1a. or 1b.) a. (For entities which issue stock): Do any foreign person(s), directly or indirectly, own or have beneficial ownership of 5 percent or more of the outstanding shares of any class of your organization's equity securities? b. (For entities which do not issue stock): Has any foreign person directly or indirectly subscribed 5 percent or more of your organization's total capital commitment?	YES <input type="checkbox"/>	NO <input type="checkbox"/>
2. Does your organization directly, or indirectly through your subsidiaries and/or affiliates, own 10 percent or more of any foreign interest?	YES <input type="checkbox"/>	NO <input type="checkbox"/>
3. Do any non-U.S. citizens serve as members of your organization's board of directors (or similar governing body), officers, executive personnel, general partners, regents, trustees or senior management officials?	YES <input type="checkbox"/>	NO <input type="checkbox"/>
4. Does any foreign person(s) have the power, direct or indirect, to control the election, appointment, or tenure of members of your organization's board of directors (or similar governing body) or other management positions of your organization, or have the power to control or cause the direction of other decisions or activities of your organization?	YES <input type="checkbox"/>	NO <input type="checkbox"/>
5. Does your organization have any contracts, agreements, understandings, or arrangements with a foreign person(s)?	YES <input type="checkbox"/>	NO <input type="checkbox"/>
6. Does your organization, whether as borrower, surety, guarantor or otherwise have any indebtedness, liabilities or obligations to a foreign person(s)?	YES <input type="checkbox"/>	NO <input type="checkbox"/>
7. During your last fiscal year, did your organization derive: a. 5 percent or more of its total revenues or net income from any single foreign person? b. Is the aggregate 30 percent or more of its revenues or net income from foreign persons?	YES <input type="checkbox"/>	NO <input type="checkbox"/>
8. Is 10 percent or more of any class of your organization's voting securities held in "nominee" shares, in "street names" or in some other method which does not identify the beneficial owner?	YES <input type="checkbox"/>	NO <input type="checkbox"/>
9. Do any of the members of your organization's board of directors (or similar governing body), officers, executive personnel, general partners, regents, trustees or senior management officials hold any positions with, or serve as consultants for, any foreign person(s)?	YES <input type="checkbox"/>	NO <input type="checkbox"/>
10. Is there any other factor(s) that indicates or demonstrates a capability on the part of foreign persons to control or influence the operations or management of your organization?	YES <input type="checkbox"/>	NO <input type="checkbox"/>

- Accurate and complete SF-328 is essential for timely processing.
- SF-328 is required from In-Process Company, and Ultimate Parent if one exists.
- Complete responses must be submitted for any affirmative response.



Ownership

Stakeholder I Name	Common (CS)	Series A-1 Preferred (A1)	Series A-1 Preferred (A1) 1:1 Conversion Ratio	Series A-2 Preferred (A2)	Series A-2 Preferred (A2) 1:1 Conversion Ratio	Options and RSU's Outstanding Under Shelby 500, Inc. Equity Incentive Plan	Outstanding Shares	Fully Diluted Shares	Outstanding Ownership	Fully Diluted Ownership
Memphis Raines		132,000	130,000				132,000	130,000	78.1065%	76.4459%
Blue Monster, LLC	12,000						12,000	12,000	7.1006%	7.0565%
Thin Mint, LLC		5,000	8,055				5,000	8,055	2.9586%	4.7367%
Other common holders (All US Holders)	20,000						20,000	20,000	11.8343%	11.7609%
Other option holders									.0000%	0.0000%
Options and RSU's issued and outstanding										0.0000%
Shares available for issuance under the plan										0.0000%
Fully diluted shares	32,000		138,055					170,055		100.0000%
Fully Diluted Ownership	18.8174%		81.1826%		.0000%	.0000%		100.0000%		
Total Shares Outstanding	32,000	137,000					169,000		100.0000%	
Percentage Outstanding	18.9349%	81.0651%		.0000%	.0000%		100.0000%			
Price per share	\$	1.00	\$	1.00	\$	1.00				

- Full ownership (100%) must be documented
- Must be consistent with other submitted documentation
- Citizenship/domicile information should be provided along with ownership



Parent Companies

- Parent Companies must submit the following:
 - Governance Documents (Operating Agreement/Bylaws etc.)
 - Defines control of the facility
 - KMP List w/citizenship information (Documentation such as passport not required)
 - Ownership Information (Stock Ledger, Capitalization Tables, Operating Agreement etc.)
 - Exclusion Resolutions
 - Consolidated SF-328
- When in doubt, contact the DCSA or the EV personnel handling your case
 - Helpdesk - 888-282-7682 (Option 3) / dcsa.fcb@mail.mil



FCL Orientation Handbook - Attachments

Attachments



Name

- Creating an NCAISS Account & Regist...
- DD 441 - Completion Guide.pdf
- External_How_To_Resubmit_Initial_FCL...
- Guidelines For An Accurate KMP List.p...
- Initial_FCL_Process_Industry.pdf
- Sample_Org_Chart.pdf
- SF328 - Certification Guide.pdf
- SF328_Instructions.pdf

4.4 FCL Orientation Handbook Attachments

Attached to this handbook (PDF), you will find a number of supplements that are designed to assist you throughout the FCL process. Below is a list of included attachments. Please review these attachments, as they will answer many common questions throughout the FCL process. They will assist in reducing the chances of your FCL package being returned for revision, which may extend the FCL process timelines.

1. Creating an NCAISS Account & Registering for the NISS - Guide
2. DD 441 - Completion Guide
3. External How To Resubmit Initial FCL Package NISS Guide – Guide on how to *RESUBMIT* the FCL package once it has been reviewed and returned for corrections.
4. Guidelines For An Accurate KMP List – Assist in determining KMP to clear or exclude.
5. Initial FCL Process Industry NISS Guide – Will assist in compiling and submitting your initial FCL package.
6. Sample Org Chart – An example of a legal org chart and what should be included/addressed
7. SF328 - Certification Guide – Guide on what signatures are required.
8. SF328 Instructions – Details regarding each question of the SF-328 and what detailed responses are required.

To open the Attachments panel, choose
View > Show/Hide > Navigation Panes > Attachments.

In the Attachments panel, select the attachment.

Double Click the attachment icon to open the attachment in its native application. You may also right click, and save the attachment outside of the FCL orientation handbook.

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Embedded Attachments

- Job Aids
- NISS/NCAISS account
- SF-328 Instructions
- KMP list assistance
- Sample Org Chart
 - Simple/Complex
- FCL Package Submission



Questions?

Resources



VISIT WWW.DCSA.MIL

- FCL Process Orientation Videos
- <https://www.dcsa.mil/Industrial-Security/Entity-Vetting-Facility-Clearances-FOCI/>
- FCL Orientation Handbook
- FCL Process Briefing: <https://cdse.acms.com/p4quob8vxc9o/>

POLICY

- DoDM 5220.32 Vol 1
- 32 CFR Part 117 NISPOM
- Other references depending on the contract or security requirements

DCSA Center for Development of Security Excellence (CDSE)

- www.cdse.edu
- Free training and resources
- Facility Security Officer toolkit

CONTACT ENTITY VETTING

- DCSA EV Knowledge Center
- 878-274-2000, (Option 2, Then Option 1)
- EMAIL: DCSA.FCB@MAIL.MIL