



# NAVIGATING THE FEDS:

The Risks and Rewards of  
Federal Contracting &  
Subcontracting in Cybersecurity

# AGENDA

- Federal Market Overview
- The Federal Government as Regulator
- The Federal Government as Customer
- Key Compliance Risk Areas

# \$200 BILLION LEFT TO OBLIGATE BY SEPT 30

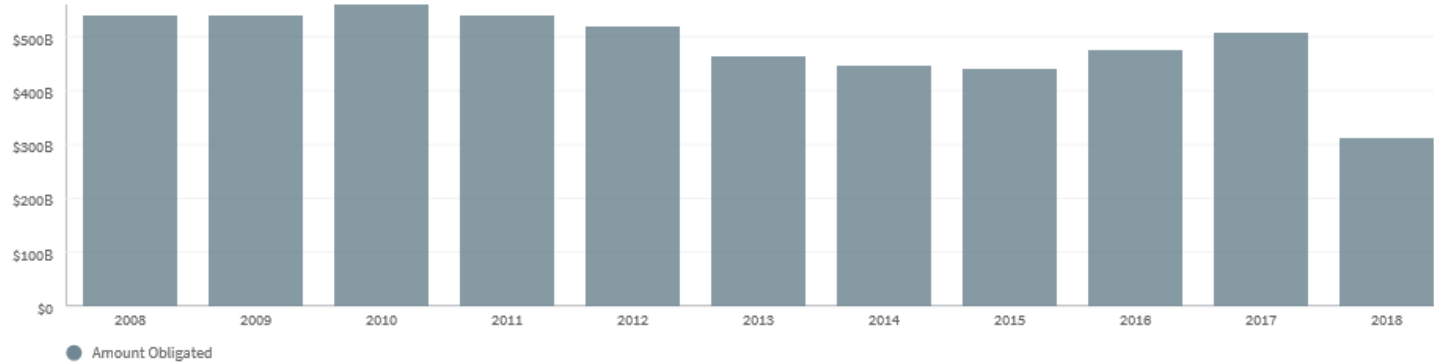
## Spending Over Time

Spot trends in spending over your chosen time period. Break down your results by years, quarters, or months, and hover over the bars for more detailed information.

Years

Quarters

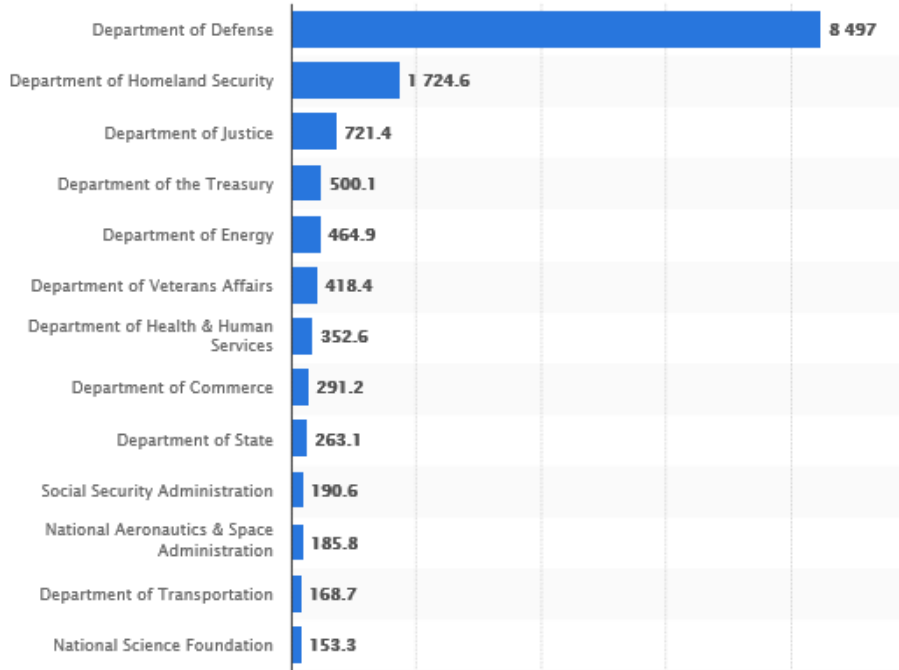
Months



## PRESIDENT'S 2019 BUDGET - CYBERSECURITY

- Total - \$15 Billion
  - 4% Increase Across the Government
  - 23% Increase at Department of Energy
  - 33% Increase at Nuclear Regulatory Commission
  - 16% Increase at Veterans Affairs
  - DoD -- \$8.5 Billion
- Homeland Security Cybersecurity Research and Development
  - \$41 million
  - Moves from Science & Technology Directorate to National Protection and Programs Directorate

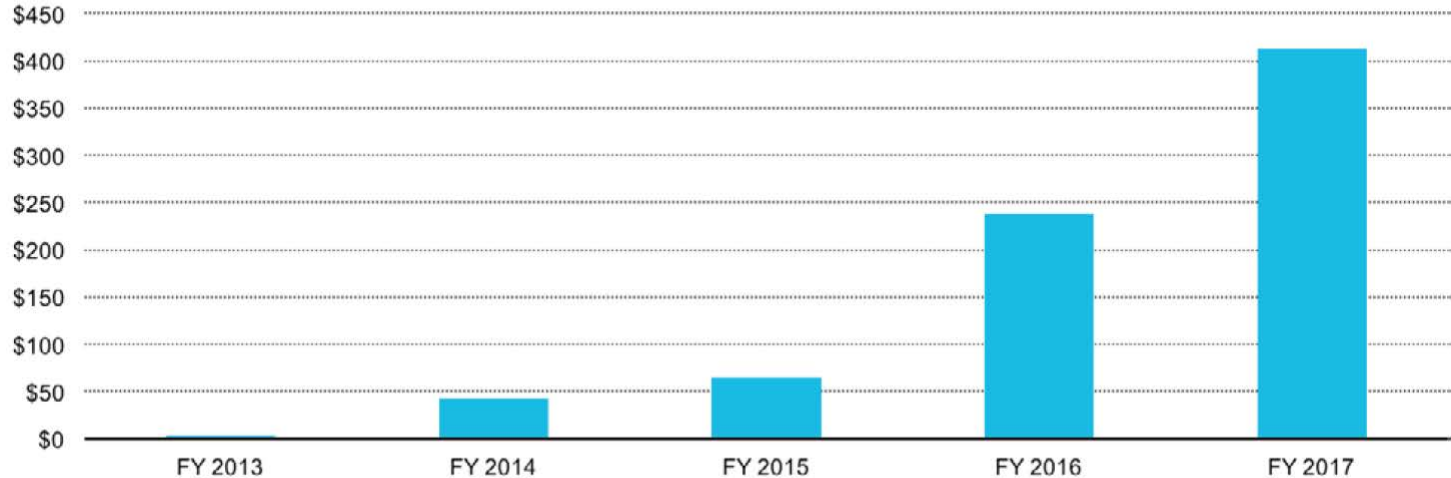
# PRESIDENT'S 2019 BUDGET - CYBERSECURITY



# DOD OTHER TRANSACTION AUTHORITY

## DOD 'Other Transaction Authority' Obligations

Dollars obligated in millions



Notes: OTA spending based on government definition of "other transaction IDV"  
Source: Bloomberg Government data

# FEDERAL GOVERNMENT AS REGULATOR

- Everyone wants a piece of the action
  - Department of Justice
  - Securities and Exchange Commission
  - Federal Trade Commission
  - Department of Health and Human Services
  - Federal Communications Commission
  - Consumer Financial Protection Bureau

... and the States, too!

# REGULATORY PRONOUNCEMENT THEMES

- Preparation
  - Public company disclosures
  - Training and compliance
  - Data mapping
  - Incident response
- Protection
  - Communication encryption
  - Consumer consent



# FEDERAL ENFORCEMENT THEMES

- Data breaches and customer information
  - Financial
  - Medical
- Vendor liability
- Cryptocurrency
  - Initial Coin Offerings
  - Open investigations

# FEDERAL GOVERNMENT AS CUSTOMER

- Federal Information Modernization Act (FISMA) of 2014
- Federal Government Systems
  - NIST SP 800-53
- Non-Federal Government Systems
  - NIST SP 800-171

# GOVERNMENT-WIDE REQUIREMENTS

- Federal Acquisition Regulation (FAR) 52.204-21
- Applies to all acquisitions, including commercial items (but not COTS) when a contractor's information system may contain “Federal contract information”
  - “Federal contract information” means information, not intended for public release, that is provided by or generated for the Government under a contract to develop or deliver a product or service to the Government
- Requires contractors to implement fifteen specific “safeguarding” measures

## DEPARTMENT OF DEFENSE CONTRACTS

- Defense Federal Acquisition Regulation Supplement (DFARS) 252.204-7012
- Required in all DoD contracts including commercial items (but not for COTS items)
- Requires handling of –
  - “Controlled technical information”
  - “Controlled defense information” (Controlled Unclassified Information (CUI))
- Mandatory flowdown to subcontractors
- Required compliance starting December 31, 2017

# IMPLEMENTATION OF NIST 800-171

- System Security Plans (SSP)
- Plans of Action and Milestones (POA&M)

# GUIDANCE

- Guidance to Contractors -- January 27, 2017 FAQs – Updated April 2, 2018
  - 109 Q&As
- Guidance to Agencies -- April 24, 2018
  - 83 Fed. Reg 17807 (April 24, 2018)
- Executive Order 13800

# POTENTIAL PITFALLS

- Bid Protests
- False Claims Act
- Systems Audits

## KEY COMPLIANCE RISK AREAS

- Protecting Intellectual Property
- Business Courtesies
- Conflicts of Interest
- Improper Small Business Designation
- Procurement Integrity – Inside Information
- Accounting
  - CAS
  - TINA



# CONTACTS



**ANGELA B. STYLES**

**Partner, Washington, DC**

T [+1.202.828.5863](tel:+12028285863)

[angela.styles@bracewell.com](mailto:angela.styles@bracewell.com)



**PHILIP J. BEZANSON**

**Managing Partner, Seattle**

T [+1.206.204.6206](tel:+12062046206)

[philip.bezanson@bracewell.com](mailto:philip.bezanson@bracewell.com)



**ROBERT J. WAGMAN JR.**

**Partner, Washington, DC**

T [+1.202.828.5872](tel:+12028285872)

[robert.wagman@bracewell.com](mailto:robert.wagman@bracewell.com)