

Office of the Director of National Intelligence  
Washington, DC 20511

Mr. Steven Aftergood  
Federation of American Scientists  
1725 DeSales Street NW, Suite 600  
Washington, DC 20036

NOV 20 2013

Reference: ODNI Case # DF-2013-00128

Dear Mr. Aftergood:

This is in response to your email dated 12 June 2013, received in the Information Management Division of the Office of the Director of National Intelligence (ODNI) on 14 June 2013. Pursuant to the Freedom of Information Act (FOIA), you are requesting a copy of **“the latest Semi-Annual or Annual Report of the Intelligence Community Inspector General.”**

Your request was processed in accordance with the FOIA, 5 U.S.C. § 552, as amended. A thorough search of our records and databases located one document responsive to your request. Upon review, it is determined that the document may be released in segregable form with deletions made pursuant to FOIA exemptions (b)(1), (b)(3), (b)(5) and (b)(6).

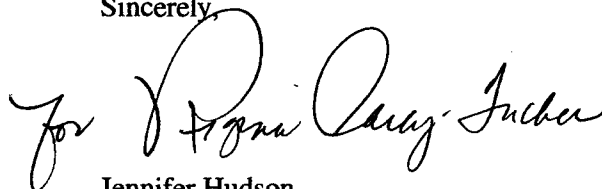
Exemption (b)(1) applies to information properly classified under Executive Order 13526, Section 1.4(g). Exemption (b)(3) applies to information exempt from disclosure by statute. The relevant withholding statutes are the National Security Act of 1947, as amended, 50 U.S.C. § 3024(i)(1), which protects information pertaining to intelligence sources and methods and 50 U.S.C. § 3024(m)(1), which protects , among other things, the names and identifying information of ODNI personnel. Exemption (b)(6) applies to records which, if released, would constitute a clearly unwarranted invasion of the personal privacy of individuals.

You have the right to appeal this determination within 45 days of the date of this letter to:

Office of the Director of National Intelligence  
Information Management Office  
Washington, DC 20511

Should you decide to do this, please explain the basis of your appeal. If you have any questions, please call the Requester Service Center at (703) 874-8500.

Sincerely,

A handwritten signature in black ink, appearing to read "for Jennifer Hudson". The signature is written in a cursive style.

Jennifer Hudson  
Director, Information Management Division

*Enclosure*

~~SECRET//NOFORN~~



(U) 1 July 2012 - 31 March 2013

# (U) SEMIANNUAL REPORT TO THE DIRECTOR OF NATIONAL INTELLIGENCE

(U) OFFICE OF THE INSPECTOR GENERAL  
OF THE INTELLIGENCE COMMUNITY

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I. Charles McCullough, III  
Inspector General of the Intelligence Community

b3 50 USC 3024  
(m)(1),b6

CLASSIFIED BY: [REDACTED]  
DERIVED FROM: ODNI CG v2.03 JULY 2012  
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⊕ (U) Mission

(U) We conduct independent and objective audits, inspections, investigations, and reviews to promote economy, efficiency, effectiveness, and integration across the Intelligence Community.

⊕ (U) Vision

(U) Speak truth; enable excellence in management and accountability.

⊕ (U) Core Values

(U) *Integrity*: We are honest, trustworthy, accountable for our actions, and committed to fulfilling our mission.

(U) *Professionalism*: We hold ourselves to the highest standards of technical proficiency and treat others with courtesy and respect.

(U) *Independence*: We conduct our mission free of external influence and provide objective assessments, advice, and conclusions regardless of political or personal consequence.

⊕ (U) Diversity

(U) The IC IG promotes diversity in all aspects of our mission as a key to our success. Our professional and innovative culture demonstrates the value we place in having a diverse workforce. This is true with our hiring and promotion practices, as well as our efforts to support current IC IG staff who wish to develop or enhance their current skill sets by learning a new IG discipline or participating in a Joint Duty assignment. Our commitment to diversity ensures that we maintain an equitable working environment and can fully leverage the varied IG expertise and IC backgrounds of our staff.

# (U) A Message from the Inspector General



(U//FOUO) I am pleased to provide this summary of the activities of the Office of the Inspector General of the Intelligence Community (IC IG) for the period of 1 July 2012 through 31 March 2013.

This report covers an extended reporting period due to a recent

statutory change in our semiannual reporting cycle. This report is submitted pursuant to Section 103H of the National Security Act of 1947, as amended.

(U//FOUO) During this reporting period we:

- solidified our foundation by completing our Concept of Operations, Strategic Plan, and Workplan for CY 2013;
- issued our first compilation of IC-wide Management Challenges;
- completed three audits: the Audit of Intelligence Community Security Clearance Reciprocity, the FY2012 ODNI FISMA Review, and the FY 2012 FISMA Capstone;
- completed four inspections of ODNI components: the Office of Partner Engagement, the Office of Legislative Affairs, the National Counterterrorism Center, and the Office of the Chief Financial Officer;
- completed work on 46 investigative matters, 16 of which were substantiated; and
- initiated an anti-fraud program focusing on contract labor mischarging.

(U//FOUO) We are currently performing the ODNI's Improper Payments Elimination and Recovery Act audit, a study of Electronic Waste Disposal Practices in the IC, an evaluation of the implementation of the Reducing Over-Classification

Act at the ODNI, an audit of the ODNI's payroll systems, and a follow-up study on audit readiness across the IC. In addition, we are also performing an inspection of the Office of the Information Sharing Environment and evaluating the NCTC TIDE Program and the criminal referral aspect of the National Reconnaissance Office's polygraph program.

(U//FOUO) We continue to foster integration and collaboration among the IC Offices of Inspector General (IC OIGs) by:

- leading the statutory IC IG Forum and the Forum's Audit, Inspections, Investigations, and Counsel committees;
- pursuing the implementation of Presidential Policy Directive-19, *Protecting Whistleblowers with Access to Classified Information*;
- hiring a Special Advisor for IG Community Standards to create and implement a Peer Review program among and in coordination with the IC OIGs;
- hosting an IC-wide training seminar for IG professionals on FOIA and Privacy Act matters; and
- liaising with the Council of Inspectors General on Integrity and Efficiency (CIGIE), co-hosting the 14th Annual CIGIE Awards Ceremony.

(U//FOUO) I credit our hard-working personnel for these accomplishments and ongoing efforts. I very much appreciate the steadfast support I have received from the DNI, the Administration, and the Congressional Intelligence Committees and remain committed to the highest standards of professionalism, objectivity, independence, and integrity.

**I. Charles McCullough, III**

*Inspector General of the Intelligence Community*

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# I. (U) Statutory Reporting Requirements

(U) On January 14, 2013, the President signed into law the Intelligence Authorization Act for Fiscal Year (FY) 2013. Section 309 of this Act changed the IC IG's semiannual reporting schedule from the calendar year (CY) to the FY. In view of that change, this semiannual report covers a 9 month period (1 July to 31 March), rather than 6.

## A. (U) Standards

(U) All audits are carried out in accordance with generally accepted government auditing standards. All inspection and investigation activities conform to standards adopted by the Council of the Inspectors General on Integrity and Efficiency (CIGIE).

## B. (U) Certification of Full and Direct Access

(U) The IC IG has had full and direct access to all information relevant to the performance of his duties.

## C. (U) Subpoena Authority

(U) During this reporting period the IC IG issued one subpoena.

## D. (U) Legislative Proposals

(U) During this reporting period, the IG reviewed several proposals for enhancement to the IC IG statutory authorities including personnel authorities, budget authorities, and protection of IG materials. Those proposals are being refined and may be included in legislation under the current Congress.

## E. (U) Status of Recommendations

(U) Appendix C provides an update on the status of IC IG recommendations.<sup>1</sup> Each recommendation listed outlines the Office of the Director of National Intelligence (ODNI) component or Intelligence Community (IC) element responsible for the necessary corrective actions and whether or not the corrective action has been fully implemented. Where corrective action has been completed, a description of that corrective action is provided.

## F. (U) IC-Wide Management Challenges

(U) In accordance with the Reports Consolidation Act of 2000, the IC IG assessed the most serious management and performance challenges impacting the DNI's management of the IC enterprise. We reviewed IG management challenges reports from each IC element, as well as our own recent IC IG Capstones, to identify the following four broad and systemic challenges:

- Financial Management and Auditability
- Acquisitions and Contract Management
- Information Assurance
- Continuity of Operations

Those challenges are detailed in Appendix F.

<sup>1</sup> (U//FOUO) All remaining open recommendations from the ODNI OIG were closed during this reporting period.

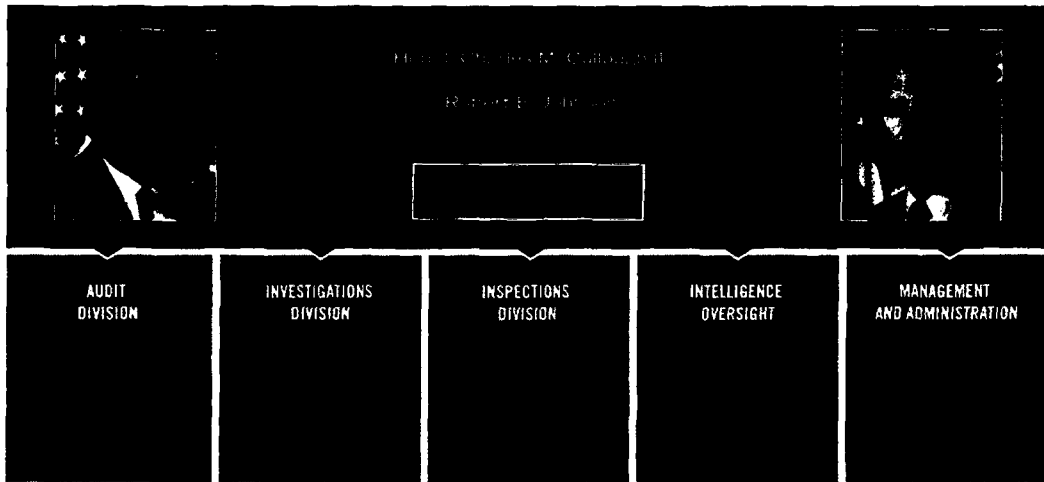
## II. (U) Overview

### A. (U) Organization

(U) The Intelligence Authorization Act (IAA) for FY 2010 established the IC IG with the authority to initiate and conduct independent audits, inspections, investigations, and reviews of programs and activities within the responsibility and authority of the DNI. IC IG promotes economy, efficiency, and effectiveness in the administration and implementation of such programs and activities and prevents and detects fraud, waste, and abuse. The broad authority of the IAA allows the IC IG to identify and investigate systemic IC issues that impact the DNI's ability to achieve intelligence integration. In addition, the IC IG provides leadership and coordination to other IC Inspectors General through the Intelligence Community

Inspectors General Forum (IC IG Forum), which was also established by the IAA for FY 2010.

(U//FOUO) The IC IG is composed of the IG, the Deputy IG, the Counsel to the IG, and the Assistant Inspectors General (AIGs) for Audit, Investigations, Inspections, Management and Administration (M&A), and a Senior Advisor on Intelligence Oversight (IO). The office's principal operating divisions are Audit, Inspections, and Investigations. The Senior Advisor on IO provides reviews of intelligence activities, either within the ODNI or across IC organizations, to ensure that such activities are authorized and conducted lawfully. The M&A Division and the Counsel's Office provide enabling support to the operational divisions and the IC IG Front Office.



b3 50 USC 3024  
(m)(1), b6

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USC 3024 (m)(1)

**B. (U) Personnel**

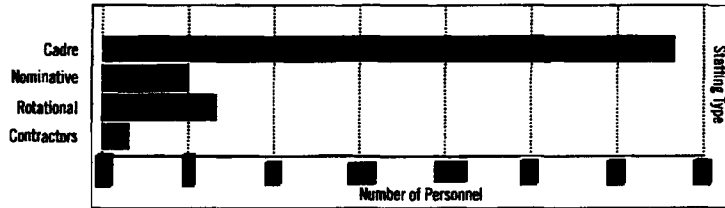
(U//FOUO) The IC IG is authorized a total staffing complement of [redacted] with [redacted] appropriated. Those positions consist of full-time and part-time civilian positions. The table below shows positions by division and office. Filled positions, as of 31 March 2013, reflect [redacted] full-time, [redacted] part-time, [redacted] contractors, and [redacted] vacancies.

(U//FOUO) The IC IG is composed of a mixture of DNI cadre, rotational employees on Joint Duty Assignments, and contractors who provide subject matter expertise. The following figures summarize the breakdown of the IC IG staff by category.

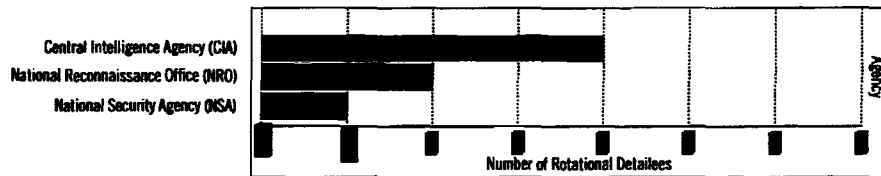
(U//FOUO) IC IG Position Allocation

	Audit	Investigations	Inspections	IG	MEA	Counsel	Leadership	Total
Full-time	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Part-time	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Total	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Vacancies	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Contractor	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

(U//FOUO) Figure A: Current IC IG Membership



(U//FOUO) Figure B: Rotational Detailee Organization





**C. (U) Funding**

(U//FOUO) The ODNI provided adequate funding for the IC IG mission during this reporting period. Our budget covered personnel services and general support requirements such as travel, training, equipment, supplies, information technology support, and office automation requirements.

b3 50 USC 3024(m)(1), b6

**(U//FOUO) IC IG Employee Spotlight**

Name: [REDACTED]  
 Position: Senior Investigator  
 Years with IC: 27 [REDACTED]

**(U//FOUO) Background**

(U//FOUO) Since joining the IC, [REDACTED] has held positions [REDACTED]. She is currently a Special Investigator [REDACTED], and since November 2011 she has served as a Senior Investigator on a rotational assignment with the IC IG. [REDACTED] unwavering dedication to the IC IG mission is integral to our success and greatly contributed to the stable transition from an administrative IG, serving only the ODNI, to a statutory IG, serving the entire IC.

**(U//FOUO) Significant Accomplishments**

(U//FOUO) [REDACTED] led a cross-agency effort to ensure internal coordination and information-sharing related to Unauthorized Disclosures of information that could be detrimental to national security. [REDACTED] went on to identify and implement strategies that led to [REDACTED] successfully working with multiple agencies and conducting follow-up investigations.

(U//FOUO) [REDACTED] also took on a significant caseload of labor mischarging investigations. [REDACTED] conducted multiple interviews and reviewed hundreds of pages

[REDACTED]

of data over a several month period to identify false billings of over [REDACTED] hours, representing approximately \$[REDACTED] in potential recoveries for the Government.

(U//FOUO) [REDACTED] accomplishments and professionalism reflect the highest credit upon [REDACTED] and the IC. [REDACTED] personifies the standard for cross-agency integration.

### III. (U) Planning

#### A. (U) Strategic Planning

(U) The IC IG has three strategic goals:

1. To establish an organizational foundation.
2. To implement and fulfill the ODNI mission.
3. To implement our IC-wide mission.

(U) Those goals and associated objectives reflect our mission, vision, and core values of promoting economy, efficiency, effectiveness, and integration across the IC, while enabling excellence in management and accountability. We have established timelines to achieve those goals, updated our work planning process to ensure the most efficient and effective allocation of IC IG resources to best meet mission requirements, and required all IC IG officers to create performance plans to meet the needs of both the individual and the IC IG.

#### B. (U) Annual Planning

(U) We published our work plan for Audits and Inspections for CY 2013. The plan provides for broad coverage of issues of continuing importance to the DNI and IC as a whole.

(U) To identify topics that were both relevant and timely, we obtained input from ODNI leadership and senior staff as well as fellow IGs from the IC IG Forum. We also considered the National Intelligence Strategy, congressional reports, and the results of our IC-wide and component efforts.

(U) In CY 2013, we are focusing our efforts on improving efficiency and effectiveness in critical areas for the ODNI and the IC, such as:

- Continuity of Operations
- Financial Management and Administration
- Procurement and Contracting
- Information Management and Technology

## IV. (U) Congressional Engagements

### A. (U) Briefings

(U) Pursuant to section 103H of the National Security Act of 1947, as amended, the IG has a statutory obligation to ensure that the congressional oversight committees are kept fully and currently informed of significant problems and deficiencies within the programs and activities of the DNI. During this reporting period, the IC IG Counsel, through the Legislative Counsel, facilitated several congressional engagements with the IG, Deputy IG, and each of the AIGs on a variety of topics of interest to the congressional oversight committees. The IC IG staff provided staff briefings on congressionally directed actions (CDAs), IC IG initiatives on performing administrative investigations with regard to leaks of classified information, the IC IG's Joint Accountability Review, IC IG budget and resource planning, and recent IC IG investigations of congressional interest.

### B. (U) Legislation Impacting the IC IG

(U//FOUO) During this reporting period, the IC IG reviewed several proposals for the Intelligence Authorization Act for FY 2014, to include proposals relating to IC IG personnel authorities, law enforcement retirement benefits, budget authorities, and protections for sensitive IG materials. The IC IG will ensure that any such proposals are submitted to the congressional committees for consideration in the IAA FY 2014 bill.

(U//FOUO) In addition, the IC IG engaged with congressional committees on enacted legislation and other reviews of interest, including the Improper Payments Elimination and Recovery Act of 2010, the Foreign Intelligence Surveillance Act of 1978 Amendments Act of 2008, and the Reducing Over-Classification Act of 2010.

b3 50 USC 3042  
(m)(1), b6

## V. (U) Audit Division

(U) The IC IG Audit Division (Audit) conducts program, compliance, and financial audits and evaluations of ODNI and IC programs related to information technology, procurement, acquisitions, internal controls, financial statements, and financial management.

(U) During this reporting period, Audit completed 3 projects and issued reports containing 12 recommendations to strengthen internal controls over information technology and 2 recommendations to standardize reciprocity of security clearances within the IC. As of 31 March 2013, the Audit staff had six on-going audits.

### A. (U) Completed Audits

#### 1. (U//FOUO) Fiscal Year 2012 Consolidated Federal Information Security Management Act (FISMA) of 2002 Capstone Report for the Intelligence Community Elements' Inspectors General (AUD-2013-002, November 2012).

(U//FOUO) The objective of this evaluation was to collect and summarize the FY 2012 FISMA report submissions from the IC element OIGs operating or exercising control of National Security Systems. Based on those submissions, all OIGs noted that a Risk Management program had been established that met the FY 2012 IG FISMA metric requirements. Of the remaining 11 information security program (ISP) areas, 10 OIGs noted that the Incident Response and Reporting and System Inventory programs also met the FY 2012 IG FISMA metric requirements.

(U//FOUO) OIGs identified weaknesses in all ISP areas. The majority of weaknesses were in: Continuous Monitoring, Plans of Action and Milestones, Contingency Planning, and Security Capital Planning. The causes for the program weaknesses or the lack of a program varied by security program area but some of the most commonly noted reasons included: assessments of security controls; identifying costs for remediating weaknesses; development and documentation of information technology infrastructure recovery strategies, plans, and procedures; and documentation of policies and procedures for a

### (U) [REDACTED] AIG Audits

(U) [REDACTED] is the Assistant Inspection General for Audits, a position [REDACTED] has held since the inception of the IC IG. [REDACTED] joined the ODNI OIG, Audit Division in February of 2007. Prior to joining ODNI OIG, he served [REDACTED] for 20 years in several leadership roles, from Team Leader to Audit Program Director for Financial and Accounting Systems. As a member of the DoD IG [REDACTED] managed large DoD-wide multi-faceted program and operational audits and directed large and complex audits of financial and accounting systems. [REDACTED] holds a Master of Science degree in Information Management [REDACTED], a Bachelors degree in Accounting [REDACTED], and is a graduate of the Advanced Management Program [REDACTED]

security capital planning and investment control process.

#### 2. (U) Fiscal Year 2012 Independent Evaluation of ODNI Compliance with the Federal Information Security Management Act (FISMA) of 2002 (AUD-2012-008, December 2012).

(U//FOUO) The objective of this evaluation was to provide an independent review of the ODNI's information security program and practices as required by FISMA. Specifically, the purpose was to determine the adequacy of the ISPs for the Mission Support Division (MSD) and the IC Chief Information Officer (IC CIO).

(U//FOUO) Two metric ISP areas, Identity and Access Management and Security Training, were not applicable to our evaluation because ODNI followed the Central Intelligence Agency (CIA) processes and those metrics were reviewed during the CIA IG's evaluation. A third metric category, Remote Access Management, was not evaluated because ODNI did not have a remote access requirement in FY 2012. Of the remaining 9 metric categories, Incident Response and Reporting and Contractor Systems had an established program that

met the Department of Homeland Security (DHS) program attribute requirements.

(U//FOUO) Consequently, for the remaining 7 metric categories, Audit identified areas for improvement and produced 12 recommendations for ODNI ISPs as follows:

1. Continuous Monitoring Management
2. Security Configuration Management
3. Risk Management
4. Plan of Action and Milestones
5. Contingency Planning
6. Security Capital Planning
7. Systems Inventory

**3. (U) Audit of Intelligence Community Security Clearance Reciprocity (AUD-2012-005, December 2012).**

(U//FOUO) The IC IG initiated this audit in response to a CDA in the IAA for FY 2010. This audit examined whether there were policies and processes within the IC that facilitated timely reciprocity of personnel security clearances. Specifically, Audit assessed the time required to obtain a reciprocal security clearance for three categories of IC personnel:

1. An employee of the IC who was detailed or assigned to another element of the IC (detailees and assignees);
2. An employee of the IC who was seeking permanent employment with another element of the IC (Government transfers); and
3. A contractor seeking permanent employment with an element of the IC (contractor conversions).

(U) Suitability considerations are critical for employment decisions within the IC. Therefore, Audit also examined the impact of suitability on hiring actions for those personnel.

(U) The report contained two recommendations addressed to the ODNI Assistant Director for the Special Security Directorate (SSD). The recommendations focused on developing policies to ensure security clearance reciprocity occurred in a timely manner and that IC elements followed consistent practices when requiring applicants to complete or update the Questionnaire for National Security Positions. The Assistant Director for SSD concurred with the recommendations.

**B. (U) Ongoing Audits**

**1. (U) Review of the Office of the Director of National Intelligence's Fiscal Year 2012 Compliance with the Improper Payments Elimination and Recovery Act (IPERA) of 2010.**

(U) IPERA requires agencies to identify and estimate improper payments and to take into account those risk factors that are likely to contribute to significant improper payments. In addition, IPERA requires agencies to conduct payment recapture audits with respect to each program and activity that expends \$1 million or more annually, if conducting such audits would be cost-effective, and it requires agencies to report on the actions taken to recover improper payments.

(U) IPERA requires the IG of the agency to perform an annual "compliance review" to determine whether or not the agency is in compliance with IPERA. Pursuant to this statutory requirement, Audit is conducting the IPERA review for ODNI. To that end, Audit is following Office of Management and Budget (OMB) Circular No. A-123 guidance to review the ODNI's improper payment reporting contained in the FY 2012 Annual Financial Report and accompanying materials to determine if ODNI is in compliance with IPERA.

(U) This report will be issued in April 2013.

**2. (U) Study of Electronic Waste Disposal Practices in the Intelligence Community.**

(U//FOUO) Pursuant to section 340 of the IAA for FY 2010, Audit initiated a study of the electronic

waste disposal practices of the largest IC elements with exclusively intelligence-related missions. This study is a joint effort with participation from CIA, DIA, NGA, NRO, and NSA OIGs. The study has two objectives:

1. To identify and assess the security of electronic waste disposal practices in the IC, including the potential for counterintelligence exploitation; and
2. To identify methods to improve the security of disposal practices, including steps to prevent the forensic exploitation of electronic waste.

Audit will submit its study to the Intelligence Oversight Committees in May 2013.

**3. (U) Evaluation of the Implementation of the "Reducing Over-Classification Act" by the ODNI.**

(U) The Reducing Over-Classification Act (the Act) of 2010 requires the IG of each U.S. Government department or agency with an officer or employee who is authorized to make original classification decisions to conduct two evaluations of that department, agency, or component. The first evaluation is due by 30 September 2013, and the second is due in 2016. Specific objectives identified by the Act are to:

- Assess whether applicable classification policies, procedures, rules, and regulations have been adopted, followed, and effectively administered; and
- Identify policies, procedures, rules, regulations, or management practices that may be contributing to persistent misclassification of material.

(U) Audit is conducting this evaluation in conjunction with a Government-wide effort led by the DoD OIG. The evaluation focuses on implementation of the Act by the ODNI.

(U) Audit will issue its report by the end of FY 2013.

**4. (U) Fiscal Year 2013 Independent Evaluation of ODNI Compliance with the Federal Information Security Management Act (FISMA) of 2002.**

(U) FISMA, which is Title III of the E-Government Act of 2002, requires the agency or an independent external auditor to perform an annual independent evaluation of the agency's ISP and practices.<sup>2</sup>

(U) The objective of this evaluation is to determine the adequacy of the ISP and practices for ODNI internal operations. In addition, Audit will follow-up on steps taken to address the recommendations made in the FY 2012 FISMA Report.

(U) Audit will issue its report by the end of FY 2013.

**5. (U) 2013 Congressionally Directed Action (CDA) to Perform a Follow-up Assessment of the Auditability Plans for CIA, DIA, NSA, NGA, and ODNI.**

(U) The IC IG initiated this assessment in response to a CDA in the Classified Annex of the Intelligence Authorization Act for FY 2013 that required the IC IG to perform a follow-up review using the same terms of reference required in the FY 2011 Act for an auditability strategy review. The IC IG reviewed IC elements' FY 2011 plans and provided recommended improvements in a report delivered to the committees in February 2012.

(U//FOUO) This follow-up review has the following objectives:

- a) to assess whether recommended improvements from the 2012 Auditability Review were implemented;
- b) to determine if the IC Chief Financial Officer completed the steps to improve agencies' corrective action plans as outlined in the 12 February 2012 Management Response letter;
- c) to assess whether current auditability plans address known agency audit impediments and implement appropriate internal controls;

<sup>2</sup> (U) FISMA § 301, PUB. L. 107-347, 116 Stat. 2952 (Dec. 17, 2002), 44 U.S.C. §3545 et seq.

- d) to evaluate resources allocated by the agencies to implement their auditability plans; and
- e) to assess the likelihood that the auditability plans can be executed whereby an Independent Auditor can render an unqualified opinion on the FY 2016 Financial Statements.

(U) Audit will submit its report to the committees by July 2013.

**6. (U) Audit of the Internal Controls over the Office of the Director of National Intelligence's Payroll**

(U) The IC IG initiated this audit in response to the ODNI Chief Management Officer's (CMO) request for the IC IG to conduct financial-related audits in preparation for audits of the ODNI's financial statements. The internal controls over payroll are key in the preparation of the ODNI's financial statements and related note disclosures.

(U//FOUO) This audit has the following objectives:

- a) to determine whether the ODNI has designed and implemented internal controls to provide reasonable assurance that payroll activity is completely and accurately recorded in the accounting system.
- b) to determine whether the ODNI has designed and implemented internal controls to provide reasonable assurance that payroll activity and related disclosures are presented in the ODNI's financial statements in accordance with Department of Treasury and OMB form and content requirements.
- c) to determine whether the ODNI has designed and implemented internal controls to provide reasonable assurance that the ODNI is in compliance with relevant laws and regulations.

(U) Audit will submit its report in September 2013.

b3 50 USC 3024  
(m)(1), b6

## VI. (U) Inspections Division

(U//~~FOUO~~) The IC IG Inspections Division (INSP) conducts inspections, reviews, and evaluations to improve ODNI and IC-wide performance and integration. The division examines information access, collaboration, collection, and analysis; IC programs and issues; and compliance with laws and regulations.

(U//~~FOUO~~) INSP also encourages the use of the IC IG Complaint Intake Process, or Hotline, as a confidential and reliable source for IC employees and contractors to report fraud, waste, and abuse.

(U//~~FOUO~~) During this reporting period, INSP completed one Component Inspection and three Special Reviews. The Component Inspection covered four primary areas:

1. Mission performance
2. Management effectiveness
3. Resource management
4. Enterprise oversight

(U//~~FOUO~~) During this reporting period INSP initiated Special Review inspections. Special Reviews are accelerated assessments that use questionnaires and data call responses with limited interviews of component staff.

(U//~~FOUO~~) As of 31 March 2013, INSP had one ongoing Special Review and one CDA-related issue inspection that was being planned concurrently with five partner OIG offices, contingent upon passage of the FY 2013 Defense Appropriations bill.

### A. (U) Completed Inspections

#### 1. (U) Office of Partner Engagement (PE) (INS-2012-002, August 2012).

(U//~~FOUO~~) This Special Review occurred during June and July 2012. It was conducted to support the transition of PE office leadership to ensure timely and relevant input to the incoming Director.

### (U) [REDACTED] AIG Inspections

(U) [REDACTED] currently serves as Assistant Inspector General for Inspections. In [REDACTED] 16 years as a CIA officer in the Directorate of Intelligence, [REDACTED] performed and managed a variety of activities ranging from all-source intelligence analysis and targeting to imagery analysis. In 2005, [REDACTED] joined the Office of the Deputy Director of National Intelligence for Collection as a Senior Advisor working on multi-source collection capabilities [REDACTED]. In his last duty assignment before joining the IC IG, [REDACTED] served as Program Manager [REDACTED].

[REDACTED] This [REDACTED] holds a Master of Science degree [REDACTED] and a Bachelor of Science degree [REDACTED].

(U//~~FOUO~~) As part of this review, we noted observational challenges in the following areas: personnel concerns regarding organizational structure and PE direction; morale; PE leadership effectiveness, communications, and transparency; human capital policy; and professional development issues.

(U//~~FOUO~~) We noted the following commendables: workforce perception of effective mission fulfillment; immediate supervisor's effectiveness; quality work-life balance; and PE compliance with Executive Orders, regulations, statutory requirements, and directives.

#### 2. (U) Office of Legislative Affairs (OLA) (INS-2012-003, October 2012).

(U//~~FOUO~~) This Component Inspection occurred in May through September 2012. Completion coincided with a change in OLA office leadership, thereby affording timely and relevant input to the incoming Director. We validated challenges in the



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following areas: [REDACTED]

[REDACTED]

(U) We noted the following commendables: workforce morale and skills and ODNI Intelligence Planning, Programming, Budgeting, and Evaluation collaboration.

(U//FOUO) We noted the following commendables: issue adjudication and congressional response coordination, responsiveness facilitated by immediate access to the DNI and ODNI leadership, and ODNI staff Senate confirmation support.

**B. (U) Ongoing Inspections**

(U) *Information Sharing Environment Office (ISE) (INS-2013-003, March 2013).*

(U//FOUO) INSP is currently conducting a Special Review of the ODNI ISE Office. We will issue our report by the end of FY 2013.

**3. (U) National Counterterrorism Center (NCTC) (INS-2012-004, November 2012).**

(S//NF) This Special Review inspection was conducted during August and October 2012.

We validated one challenge: [REDACTED]

We reported the following observational challenges: [REDACTED]

**C. (U) Other Inspection Activity**

**(U) Management Referral**

(U//FOUO) At the end of the previous reporting period, we issued a management referral to the IC CIO regarding an allegation of potential conflict or an unnecessary redundancy between two information technology initiatives—CIA's QUANTUM LEAP and NCTC's INITIATE programs. During the current reporting period, the IC CIO assessed the two systems and determined that redundant capabilities and data existed. According to the IC CIO, that redundancy was warranted in order to satisfy the mission needs of both CIA and NCTC and their differing legal authorities to collect, process, exploit, and store U.S. Persons and law enforcement-related data. The IC CIO endorsed this finding to the IC IG in December.

(U//FOUO) We noted commendables in the following areas: mission-focused workforce, measurement of mission performance, and NCTC's internal training program.

**4. (U) Office of the Chief Financial Officer (CFO) of the IC (INS-2013-001, March 2013).**

(S//NF) This Special Review was conducted during January and March 2013. Completion of the review coincided with a planned succession in CFO leadership. We validated challenges in the following areas: [REDACTED]

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## VII. (U) Investigations Division

(U//FOUO) The IC IG Investigations Division (INV) investigates allegations of violations of criminal laws and administrative regulations arising from the conduct of IC and ODNI employees and contractors. INV has unique authority to investigate programs and activities across the IC within the responsibility and authority of the DNI. INV also plays a principal role in conducting IC-wide administrative investigations into unauthorized disclosures of classified information.

(U//FOUO) During this reporting period, INV handled 75 investigations (67 new and 8 legacy ODNI OIG) of which 46 were closed. Of the 46 closed investigations, 26 were substantiated and involved violations, such as labor mischarging, employee misconduct, and misuse of Government equipment. Of the 26 substantiated investigations, 23 were labor mischarging cases that resulted in an estimated \$1,007,532 in potential recoveries for the Government. As of 31 March 2013, INV had 29 open investigations.

#### A. (U) Select Completed Investigations

(U//FOUO) INV investigated the following cases and obtained declinations of criminal prosecution from the U.S. Attorney's Office, Eastern District of Virginia.

##### 1. (U//FOUO) Improper Use of Government Resources (INV-2012-0001, November 2012).

(U//FOUO) An ODNI Senior Official allegedly misused Government resources for personal benefit, engaged in unauthorized contacts with foreign nationals, and attempted to improperly obtain a security clearance for a private citizen through the use of a no-cost contract. The employee resigned for reasons unrelated to the investigation before it was completed. INV substantiated the allegations and referred the completed investigation to ODNI Security.

##### 2. (U) Misuse of Government Equipment, Violation of ODNI and CIA Policy (INV-2012-0006, October 2012).

(U//FOUO) An ODNI Government employee allegedly made false claims; misused Government equipment;

#### (U) [REDACTED] AIG Investigations

(U) [REDACTED] is the Assistant IG for Investigations for the IC IG. [REDACTED] has almost three decades of Federal and military service that include a wide range of operational and legal duties. [REDACTED] served at various times as an attorney in three independent IC agencies for over 10 years before joining the IC IG in November 2011. [REDACTED] has also deployed to serve in combat operations as a mobilized Army Reserve Officer.

[REDACTED] holds a Bachelors and a Juris Doctor degree [REDACTED] and a Masters of Strategic Studies [REDACTED]

and violated ODNI regulations governing prepublication review, outside activities, and media contacts. Investigators discovered that the subject was operating a personal website on Government time using Government systems through which he solicited and received donations. In addition, the subject used Government systems to contact several media outlets for personal gain and to communicate with foreign nationals. INV substantiated the allegations and referred the completed investigation to ODNI Security and ODNI's CMO. The employee's management issued him a letter of reprimand that restricts him from receiving a promotion, bonus, award, or step increase for three years.

##### 3. (U) Labor Mischarging (INV-2012-0051, November 2012).

(U//FOUO) INV substantiated allegations that a contractor allegedly billed the Government for over 700 hours of labor that was not performed during a 14-month period. In addition to billing the Government for hours the contractor was not present at the principal place of performance, investigators discovered that the subject used Government systems for personal use 4 to 6 hours

## VII. (U) Investigations Division

per day, to include the administration of a distance education course being taught for a local university. INV referred the matter to the Head of Contracting Activity for appropriate recovery.

### 4. (U//FOUO) Labor Mischarging (INV-2012-0044, November 2012).

(U//FOUO) INV substantiated allegations that a contractor billed the Government over 200 hours of labor performed outside of the scope of the contract during a 5-month period. In addition to mischarging, INV determined that the experience documented in the subject's resume did not meet the minimum requirements of the task order of the contract and that the subject was using Government systems and billed time to write a novel. INV referred the matter to the Head of Contracting Activity for appropriate recovery.

### 5. (U) Labor Mischarging (INV-2012-0060, March 2013).

(U//FOUO) INV substantiated allegations that a contractor billed the Government for nearly 300 hours of labor performed outside of the scope of the contract during a 5-month period. Investigators discovered that the subject routinely took extended lunches and worked from home without COTR approval. INV referred the matter to the Head of Contracting Activity for appropriate recovery.

### 6. (U) Labor Mischarging (INV-2012-0065, March 2013).

(U//FOUO) INV substantiated allegations that a contractor billed the Government for over 400 hours of labor that was performed outside of the scope of the contract (working from home) during a 1-year period. INV referred the matter to the Head of Contracting Activity for appropriate recovery.

### 7. (U) Labor Mischarging (INV-2012-0068 and INV-2012-0069, March 2013).

(U//FOUO) INV substantiated allegations that two employees who are the owners and only employees of a subcontracting firm mischarged 1,691 hours combined. The subjects admitted to all of the hours in question. The subjects engaged in a business enterprise while charging the Government for non-

work related matters to include running a business for horse saddle padding. Further review found several questionable financial practices by the subjects and their company to include leasing three BMWs for personal use and thousands of dollars in artwork. After the case was closed, the matter was referred to the Head of Contracting Activity for appropriate recovery and to the IRS.

## B. (U) Other Investigative Activities

### 1. (U) Unauthorized Disclosure Cases.

(U) INV performed a cursory review of a group of "cold" ONCIX unauthorized disclosure files dating from 2004 to 2012. The purpose of this review was to identify the character, scope, and common procedures used in the former cases to determine where any supplemental IC IG administrative inquiries might be incorporated into existing processes. On the basis of that review, INV established internal standard operating procedures for the administration of any supplemental inquiries. While conducting that file review, IC IG investigators noted two recent cases that warranted further inquiry. Neither case was substantiated.

### 2. (U) Joint IC IG/DoD IG Accountability Review.

(U) In response to the Senate Select Committee on Intelligence concerns regarding employee accountability for misconduct, we partnered with DoD IG to conduct a joint review on the disciplinary actions taken in response to misconduct substantiated by the IG. This review commenced in July 2012 and the report is in final draft.

### 3. (U) IC IG Counter Fraud Investigations Program.

(U) INV undertook an initiative to proactively identify false billings by ODNI contractors. This involved running a data interrogation program and conducting investigations to identify and address falsely billed costs. INV successfully orchestrated a substantial increase in the scope and amount of recurring data available for analysis through this program. An added benefit was the establishment of a single source for the information, thereby achieving significant process improvement.

**4. (U) IC IG Hotline.**

(U) The IC IG Hotline and intake process provides a confidential means for IC employees, contractors, and the public to report fraud, waste, and abuse. The intake process includes secure and commercial Hotline phone numbers, U.S. mail, anonymous secure Web application submissions, and walk-ins.

(U) During this reporting period, the IC IG internal Hotline received 70 contacts from IC personnel. The IC IG external Hotline received 77 contacts from the general public.

**5. (U) Subpoena Use.**

(U) INV obtained extensive corporate records, using its newly acquired administrative subpoena power, from an ODNI sub-contractor whose employees engaged in labor mischarging.

## VIII. (U) IC IG Counsel

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(U//FOUO) In accordance with Section 103H of the National Security Act of 1947, as amended, the IC IG has a separate Counsel who reports directly to the IG. The IC IG Counsel provides independent, objective, and confidential legal advice on a variety of legal and policy issues that impact the IC IG mission. The Counsel manages three main portfolios: Legal and Policy Reviews, Legislative Reviews, and Congressional Engagements.

### A. (U//FOUO) Legal and Policy Reviews

(U) During this reporting period, the Counsel continued outreach efforts to the IC IG staff, ODNI components, and other IG Counsel counterparts to educate them on the establishment of the IC IG. Because the IC IG has broad statutory authority to identify and review IC-wide issues, the IC IG Counsel continued to foster working relationships with the Counsels to other IC IGs on cross-jurisdictional issues arising from IC IG projects, including the Security Clearance Reciprocity Review, the Study of IC Elements Electronic-Waste Disposal Practices, and the Review of IC Discipline and Accountability Practices.

(U//FOUO) Counsel also worked closely with ODNI's Office of General Counsel (OGC) on pertinent Freedom of Information Act and Privacy Act litigation involving IC IG investigative materials. This close collaboration allowed OGC to present a balanced litigation strategy that protected sensitive IG sources while ensuring that public-interest equities were considered. Counsel worked closely with the Office of Civil Liberties and Privacy on developing records management policies for IC IG records to ensure that Privacy Act systems of records were updated.

(U//FOUO) To ensure legal sufficiency, the IC IG Counsel worked with the IG, the Deputy IG, and the AIGs to review plans, projects, and reports.

### B. (U//FOUO) Legislative Reviews

(U) The IC IG has a statutory obligation to make appropriate recommendations for legislation that promote economy, efficiency, and effectiveness in

### (U) [REDACTED] Counsel to the IC IG

(U) [REDACTED] has served as the Counsel to the IC IG since it was established in 2011. Prior to that, she served as a Senior Advisor to the former ODNI OIG and worked on the legislation establishing the Office of the IC IG. As Counsel, [REDACTED] conducts legal and policy reviews, provides legal guidance on pertinent IG matters, serves as liaison to congressional staff and members, and chairs the IC IG Forum Counsels Committee. In addition, [REDACTED] supports CIGIE efforts by representing the IC IG on the Council of Counsels to IGs, as well as teaching legal classes for the Federal Law Enforcement Training Center. [REDACTED] has served in the IC since 2000 in several support and advisory positions including the NCTC, where [REDACTED] analyzed the legal and regulatory aspects of strategic counterterrorism plans and the CIA, where [REDACTED] served as an Assistant General Counsel, assisting with the stand-up of the ODNI. [REDACTED] has expertise in National Security Law, as well as laws impacting the mission of IGs, including the Inspector General Act of 1978, the Inspector General Reform Act of 2008, and the Intelligence Community Whistleblower Protection Act.

the administration and implementation of programs and activities within the responsibility and authority of the DNI. To meet that obligation, IC IG Counsel oversees a dedicated Legislative Counsel that works with the ODNI OGC and the OLA to review legislative proposals that impact the DNI's mission. Moreover, the Legislative Counsel works with the Council of Counsels to Inspectors General (CCIG) as well as the CIGIE Legislative Committee to ensure that the IC IG and staff are aware of legislative proposals impacting the Federal IG mission.

(U//FOUO) During this reporting period, the IC IG reviewed several proposals for the IAA for FY 2014. Those proposals included enhancements to the IC IG statutory authorities that included protection of IG materials and IC employees. Working through the IC IG Legislative Counsel, the IC IG Counsel was

able to ensure that IC IG equities were considered in proposed legislation as well as other critical congressional engagements such as the Freedom of Information Amendments Act of 2012 and the manner by which oversight committees bring potential investigative matters to the attention of the IC IG.

### **C. (U//FOUO) Congressional Engagements**

(U) The IC IG has an obligation to ensure that the congressional oversight committees are kept fully and currently informed of significant problems and deficiencies within the programs and activities of the ODNI. Accordingly, the IG tasked the IC IG Counsel to create a robust congressional outreach program. Section IV of this report, highlights several engagements with congressional oversight committees during this reporting period.

### **D. (U//FOUO) Special Counsel Projects**

(U) During this reporting period, the President tasked the DNI with implementing Presidential Policy Directive-19 (PPD-19), *Protecting Whistleblowers with Access to Classified Information* (10 October 2012), which protects IC and Federal Government employees with access to classified information from reprisal actions for making protected disclosures. Given the investigative expertise and experience with whistleblower issues, the DNI asked the IC IG to serve as the point-of-contact for IC elements and Federal agencies throughout the PPD-19 implementation process. The IC IG has tasked the Counsel to hold information sessions, work with IC IG Counsel Committee members, and CCIG members to ensure that all elements and agencies are aware of the PPD-19 requirements. The IC IG Counsel is working with ODNI internal stakeholders, including the OGC, Human Resources, and Security, to ensure that IG equities are protected in the implementation process. The IC IG Counsel's efforts will assist the DNI in certifying to the President that all IC elements and agencies have whistleblower policies and processes that are consistent with PPD-19 requirements.

# IX. (U) Intelligence Oversight

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(U//FOUO) The IC IG has established a position of Senior Advisor on Intelligence Oversight (IO) to assess the need for expanding the IC IG IO portfolio. To further this assessment, the Senior Advisor on IO will serve as the principal advisor to the IC IG for the independent oversight of intelligence, counterintelligence, and intelligence related activities in the IC; represent the IC IG, with the assistance of Counsel, to the President's Intelligence Oversight Board (IOB); provide advice and guidance on IO to other IC element OIGs and ensure that intelligence activities performed by IC elements are conducted in compliance with Executive Order 12333, as amended, and other related Federal laws, Executive Orders, and policies or directives. The Senior Advisor on IO will accomplish these objectives by maintaining liaison and coordination with appropriate IC oversight organizations and engaging in IC wide or ODNI specific IO projects and evaluations.

(U//FOUO) Pursuant to Executive Order 13462, the DNI designated the IC IG as a responsible office for reporting IO matters arising within the ODNI to the IOB. During this reporting period, the IO staff submitted two quarterly reports to the IOB. As of 31 March 2013, IO had two ongoing evaluations.

## A. (U) Completed Reports

### 1. (U) Third Quarter Calendar Year 2012 Report to the IOB.

(U) For the third quarter of CY 2012, IO had no reports from within the ODNI of intelligence activities that we had reason to believe were unlawful or contrary to Executive Order or Presidential Directive.

### 2. (U) Fourth Quarter Calendar year 2012 Report to the IOB.

(U) For the fourth quarter of calendar year 2012, IO had no reports from within the ODNI of intelligence activities that we had reason to believe were unlawful or contrary to Executive Order or Presidential Directive.

## (U) [REDACTED] Senior Advisor on Intelligence Oversight

(U) [REDACTED] is the Senior Advisor to the IC IG on Intelligence Oversight. On a Joint Duty Assignment [REDACTED] is establishing a capability to evaluate whether intelligence data is handled in accordance with Executive Order 12333 restrictions designed to protect privacy. [REDACTED] has 30 years of IC experience in analytic, staff, and management assignments, including work on National Intelligence Estimates, an American Political Science Association Congressional fellowship [REDACTED] and most recently as [REDACTED] Assistant Inspector General for Intelligence Oversight. [REDACTED] holds an A.B., [REDACTED] and an M.A., M.Phil., and Ph.D. [REDACTED]

## B. (U) Ongoing Evaluations

### 1. (U//FOUO) Evaluation of the National Counterterrorism Center Quality Assurance Process to Nominate U.S. Persons to TIDE. (IO-2013-001).

(U//FOUO) As a follow-up to the 2012 IC IG Inspection of the NCTC, IO is conducting a limited, focused evaluation of the NCTC quality assurance process to ascertain whether nominations contained sufficient information for watchlisting of U.S. Persons.

### 2. (U//FOUO) Special Review of NRO Crimes Reporting Process. (IO-2013-002).

(U//FOUO) On behalf of the NRO OIG, IO is conducting a special review of NRO compliance with laws, policies, and procedures to identify and report admissions of crimes made by NRO contractors, Government civilians, and military personnel during polygraph sessions. The NRO OIG recused themselves due to their role in the crimes reporting process.

## X. (U) IC Inspectors General Activities

### A. (U) IC IG Forum

(U//FOUO) The statutory IC IG Forum was established by the IAA for FY 2010. The IG chairs the Forum, which is composed of IGs with oversight responsibilities for IC elements. The IC IG Assistant Inspectors General (AIGs) chair the Forum committees. Forum members collaborate on IC-wide projects; share information and best practices; resolve jurisdictional issues; and facilitate access to employees, contractors, and other materials that may be of assistance to Forum members. The IG uses the Forum to understand and prioritize IC-wide projects, to seek key IG stakeholder buy-in on projects, and to develop strategies on how to best leverage limited IG resources across the community.

(U//FOUO) IC IG senior managers lead the IC IG Forum Committees. The Committees engaged in the following activities during this reporting period:

- **Deputies Committee.** The Deputies met to collaborate on issues impacting the IGs from both an IG and an IC perspective. The Deputies focused on CIGIE standards, data calls, training opportunities, IC IG Conference planning, and the IC IG Awards Program.
- **Audit Committee.** The Audit Committee met three times and members discussed on-going audit projects, the development of work plans, status of IC-wide CDAs, and preparation for auditability. Dr. Ron Ross briefed committee members on Managing Information Security Risk.
- **Investigations Committee.** The Investigations Committee met to discuss investigative best practices, joint investigation procedures, retirement benefits for criminal investigators, and training opportunities for investigators. Substantive discussions relative to the Counter Fraud Investigations and Recoveries Program revealed that several IC OIG's were running similar programs, prompting the creation of a subcommittee that is exploring opportunities for information sharing (common database), consistent policies, and joint investigations.
- **Inspections Committee.** The Inspections Committee met and discussed work plans; agreed to establish a community of interest site for inspector training opportunities; planned for a possible FY 2013 CDA-related Inspection of Conferences; discussed IG qualitative data analysis tools; and discussed 2012 management challenges.
- **Counsels Committee.** The Counsels Committee met several times and discussed jurisdictional issues for IC-wide projects, legislative impacts to the IC IG community mission, congressional correspondence, and training opportunities to better educate the IG workforce.

### B. (U) The Council of the Inspectors General On Integrity and Efficiency (CIGIE)

(U) The IC IG is a statutory member of the CIGIE. The IC IG actively participates in CIGIE meetings and has representatives who materially participate in each of the six CIGIE committees: Information Technology, Inspections and Evaluations, Investigations, Legislation, Professional Development, and Audit.

(U) The IC IG co-hosted this year's 14th Annual CIGIE Awards Ceremony, which recognized the work of OIG employees across the Federal Government.

### C. (U) Conferences and Awards

(U//FOUO) The IC IG hosts an Annual IC IG Conference and Awards program to provide an opportunity for members of the IC IG community to collaborate on pressing IC-wide issues, discuss common concerns, share best practices to improve IG operations across the community, and recognize IG professionals throughout the IC who have made extraordinary contributions to the missions and objectives set forth in the U.S. National Intelligence Strategy and those of their respective IG offices. This year's conference and awards program was scheduled for 30 October, but was cancelled due to



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hurricane Sandy, FY 2013 awardees were:

- IC IG Lifetime Achievement Award – [REDACTED]
- IC IG Leadership Award – [REDACTED]
- IC IG Audit Award – Rules of Engagement Team (CIA)
- IC IG Inspections Award – *Assessment of Security Within the Department of Defense Team (DoD)*
- IC IG Investigations Award – [REDACTED]
- IC IG Collaboration Award – IC OIG Collaboration Team (multiple agencies)

**E. (U) IC IG Peer Review Activities**

(U//FOUO) During this reporting period, the NRO OIG Inspections Division completed a peer review of the NGA OIG Inspections Division.

(U//FOUO) [REDACTED] joined the IC IG as the Executive Director for IG Community Standards. [REDACTED] brings over three decades of intelligence experience to the IC IG. [REDACTED] primary role is to work closely with the IC IG Forum, the DoD IG, and CIGIE to establish and implement a comprehensive peer review program for members of the IC IG forum.

**D. (U) IC-Wide Training**

(U) The IC IG actively participated in a wide range of coordination and collaboration activities designed to increase its knowledge of and contribution to IG oversight within the Federal Government.

(U//FOUO) The IC IG hosted an IC-wide training seminar for IG professionals on FOIA and Privacy Act. This one-day training featured briefings from the Department of Justice Office of Information Policy and ODNI's Civil Liberties and Privacy Office. Those briefings were tailored for IG Investigators, attorneys, and information management professionals. Participants learned how basic FOIA and Privacy Act principles impact the IG mission in an IC environment.

(U//FOUO) The IC IG and his Counsel provided legal training to criminal and administrative investigators at CIGIE's IG Academy. That training covered workplace searches, employee rights, and administrative investigations.

(U//FOUO) The Investigations Division is leading a joint initiative with CIGIE to examine the feasibility of conducting an IC centric Basic Non-Criminal Investigator Training Program. CIGIE would tailor the course for investigators from IC OIGs.

## (U) Appendix A: Statistical Overview

### **(U) Audit Staff**

(U//FOUO) The Audit Staff completed three projects and issued reports containing 12 recommendations to strengthen internal controls over information technology and 2 recommendations to standardize reciprocity of security clearances within the IC. At the end of the reporting period, the Audit staff had six on-going audits.

### **(U) Inspection Staff**

(U//FOUO) The Inspection Staff completed four inspections. At the end of the reporting period, the inspection staff had two ongoing inspections.

### **(U) Investigations Staff**

(U//FOUO) The Investigations Division completed work on 46 cases. At the end of the reporting period, the Investigations Division had 29 open cases.

### **(U) Intelligence Oversight Staff**

(U//FOUO) The Intelligence Oversight staff completed two reports to the Intelligence Oversight Board. At the end of the reporting period, IO had two ongoing special evaluations.

**(U) Appendix B: Summary of Audits**

1 JULY 2012 – 31 March 2013

(U) Audit Number	(U) Audit Title
<b>(U) Completed Audits</b>	
IC-Wide	AUD-2012-005 (U) Audit of Intelligence Community Security Clearance Reciprocity
Information Technology	AUD-2012-008 (U) Fiscal Year 2012 Independent Evaluation of ODNI Compliance with the Federal Information Security Management Act (FISMA) of 2002
Information Technology	AUD-2013-002 (U) Fiscal Year 2012 Consolidated Federal Information Security Management Act of 2002 Capstone Report for the Intelligence Agencies' Inspectors General
<b>(U) Ongoing Audits</b>	
Financial Management	(U) Review of the Office of the Director of National Intelligence's FY 2012 Compliance With the Improper Payments Elimination and Recovery Act (IPERA) of 2010
IC-Wide	<del>(U//FOUO)</del> Study of Electronic Waste Disposal Practices in the Intelligence Community
Compliance	(U) Evaluation of the Implementation of the "Reducing Over-Classification Act" by the ODNI
Information Technology	(U) Fiscal Year 2013 Independent Evaluation of ODNI Compliance with the Federal Information Security Management Act (FISMA) of 2002
Financial Management	(U) Auditability follow-up: 2013 Congressional Directed Action (CDA) to Perform a follow-up Assessment of the Auditability Plans for CIA, DIA, NSA, NGA, and ODNI
Financial Management	(U) Audit of the Internal Controls over the Office of the Director of National Intelligence's Payroll

# (U) Appendix C: Summary of Inspections

1 JULY 2012 – 31 March 2013

(U) Inspection Number	(U) Inspection Title
<b>(U) Completed Inspections</b>	
<b>Component Inspections</b>	
<b>INSP 2012-002</b>	<b>(U) Office of Partner Engagement</b>
<b>INSP 2012-003</b>	<b>(U) Office of Legislative Affairs</b>
<b>INSP 2012-004</b>	<b>(U) National Counterterrorism Center</b>
<b>INSP 2013-001</b>	<b>(U) Office of the Chief Financial Officer of the IC</b>
<b>(U) Ongoing Inspections</b>	
<b>Component Inspections</b>	
<b>INSP 2013-002</b>	<b>(U) Information Sharing Environment Office</b>

# (U) Appendix D: Summary of Investigations

1 JULY 2012 - 31 March 2013

(U) Case Number	(U) CLOSED Investigations	(U) Case Number	(U) CLOSED Investigations
2011-0029	Unauthorized Commitment of Government Funds (Substantiated)	2012-0053	Labor Mischarging (Unsubstantiated)
2011-0038	Contract Fraud (Unsubstantiated)	2012-0054	Labor Mischarging (Substantiated)
2011-0052	Medical Leave Abuse (Unsubstantiated)	2012-0055	Labor Mischarging (Substantiated)
2012-0001	Misuse of Government Resources (Substantiated)	2012-0056	Labor Mischarging (Substantiated)
2012-0005	Ratification & Acquisition Improprieties (Unsubstantiated)	2012-0058	Labor Mischarging (Substantiated)
2012-0006	Misuse of Government Equipment, T&A Fraud (Substantiated)	2012-0059	Labor Mischarging (Unsubstantiated)
2012-0010	Contract Fraud (Unsubstantiated)	2012-0060	Labor Mischarging (Substantiated)
2012-0018	Reprisal (Unsubstantiated)	2012-0081	Labor Mischarging (Substantiated)
2012-0019	Ratification & Acquisition Dispute (Unsubstantiated)	2012-0085	Labor Mischarging (Substantiated)
2012-0030	Unauthorized Disclosure (Unsubstantiated)	2012-0066	Labor Mischarging (Substantiated)
2012-0033	Unauthorized Disclosure (Unsubstantiated)	2012-0067	Labor Mischarging (Substantiated)
2012-0038	Unauthorized Disclosure (Unsubstantiated)	2012-0068	Labor Mischarging (Substantiated)
2012-0039	Intelligence Oversight Matter (Unsubstantiated)	2012-0069	Labor Mischarging (Substantiated)
2012-0043	Labor Mischarging (Substantiated)	2013-0008	Labor Mischarging (Unsubstantiated)
2012-0044	Labor Mischarging (Substantiated)	2013-0012	Labor Mischarging (Referral)
2012-0045	Labor Mischarging (Unsubstantiated)	2013-0013	Labor Mischarging (Referral)
2012-0046	Labor Mischarging (Unsubstantiated)	2013-0017	Labor Mischarging (Substantiated)
2012-0047	Labor Mischarging (Unsubstantiated)	2013-0018	Labor Mischarging (Substantiated)
2012-0048	Labor Mischarging (Substantiated)	2013-0019	Labor Mischarging (Substantiated)
2012-0049	Labor Mischarging (Substantiated)	2013-0020	Labor Mischarging (Substantiated)
2012-0050	Labor Mischarging (Unsubstantiated)	2013-0021	Labor Mischarging (Substantiated)
2012-0051	Labor Mischarging (Substantiated)	2013-0022	Labor Mischarging (Substantiated)
		2013-0023	Labor Mischarging (Substantiated)

# (U) Appendix E: Ongoing Investigations

As of 31 March 2013

(U) OPEN Investigations	(U) Number of Cases
<b>(U) Criminal and Prohibited Acts</b>	
False Claims - Overtime Fraud	1
False Claims - Time and Attendance	25
Misconduct - Employee	1
Unauthorized Disclosure	2
<b>(U) Total Ongoing Investigations</b>	<b>29</b>

# (U) Appendix F: Management Challenges

(U) The following information is taken from the IC IG Report No. ICIG-MA-2013-001, *2012 Management and Performance Challenges for the Intelligence Community*. To identify IC challenges, the IC IG reviewed each IC element's specific management challenges, as identified by their respective OIG.

The tables below reflect the categories those OIGs cited, as well as those categories supported by our office's previously published Capstone Reports, including the Federal Information Security Management Act of 2002 (FISMA) and Continuity of Operations (COOP) Capstone reports.

## (U) FINANCIAL MANAGEMENT

Agency	(S//NF) Specific Challenge
■	[REDACTED]
■	[REDACTED]
■	[REDACTED]
■	[REDACTED]
■	[REDACTED]
■	[REDACTED]
■	[REDACTED]
■	[REDACTED]
■	[REDACTED]
■	[REDACTED]
■	[REDACTED]
■	[REDACTED]
■	[REDACTED]
■	[REDACTED]
■	[REDACTED]
■	[REDACTED]
■	[REDACTED]
■	[REDACTED]
■	[REDACTED]

b1.4g

(U) INFORMATION ASSURANCE

Agency	(S//NF) Specific Challenge
■	[REDACTED]
■	[REDACTED]
■	[REDACTED]
■	[REDACTED]
■	[REDACTED]
■	[REDACTED]
■	[REDACTED]
■	[REDACTED]
■	[REDACTED]
■	[REDACTED]
■	[REDACTED]
■	[REDACTED]
■	[REDACTED]
■	[REDACTED]
■	[REDACTED]
■	[REDACTED]
■	[REDACTED]

b1.4g



(U) ACQUISITIONS AND CONTRACT MANAGEMENT

Agency	(S//NF) Specific Challenge
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

b1.4g

(U) CONTINUITY OF OPERATIONS

Agency	(S//NF) Specific Challenge
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

(U) LEADERSHIP MANAGEMENT AND ACCOUNTABILITY

Agency	(S//NF) Specific Challenge
█	████████████████████
█	████████████████████
█	████████████████████
█	████████████████████
█	████████████████████
█	████████████████████
█	████████████████████

b1.4g



(U) INFRASTRUCTURE

Agency	(S//NF) Specific Challenge
█	████████████████████
█	████████████████████
█	████████████████████
█	████████████████████
█	████████████████████
█	████████████████████

b1.4g

(U) INTELLIGENCE OVERSIGHT

Agency	(S//NF) Specific Challenge
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

(U) HUMAN CAPITAL

Agency	(S//NF) Specific Challenge
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

(U) NUCLEAR

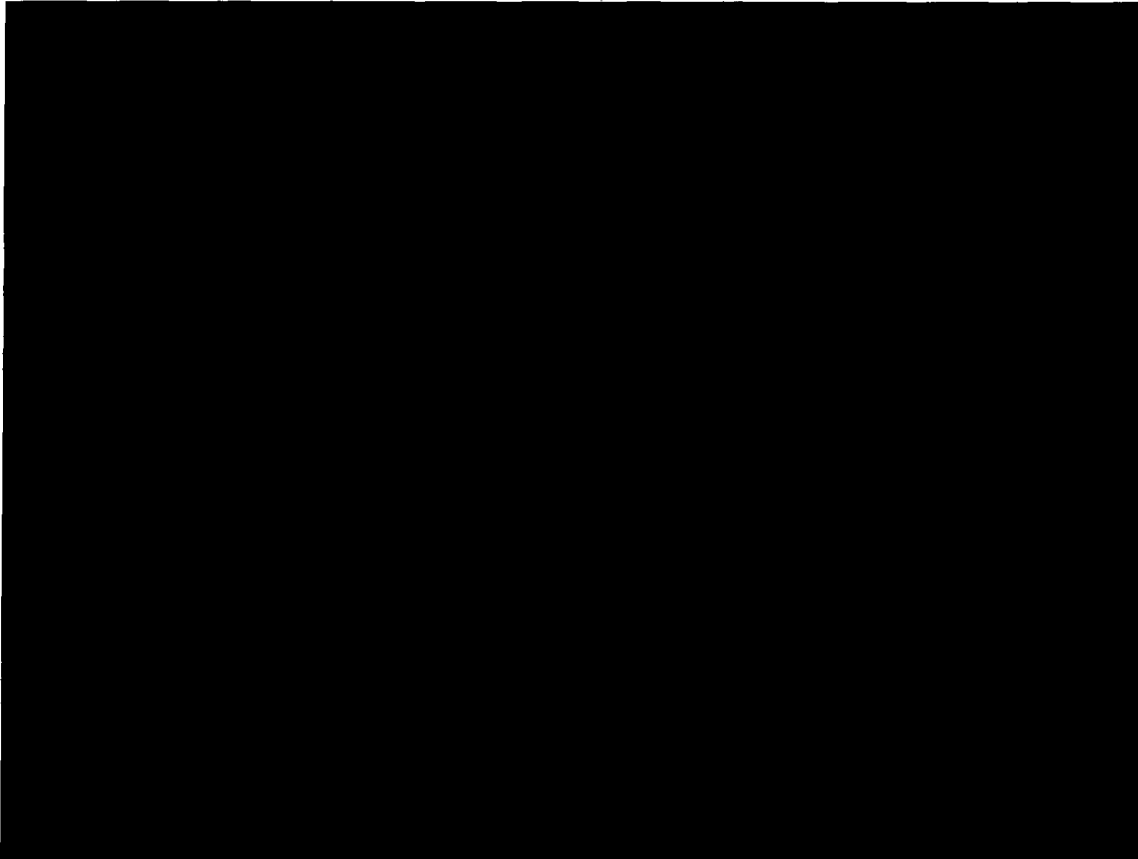
Agency	(S//NF) Specific Challenge
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

# (U) Appendix G: Status of Recommendations

(U) FISCAL YEAR 2011 INDEPENDENT EVALUATION OF ODNI COMPLIANCE WITH FISMA (ISSUED DEC 2011)

## Summary of CLOSED Recommendations

<b>Recommendation</b>	<b>Rec #</b>	<b>Responsible Office</b>	<b>Corrective Action</b>
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b3 50 USC 3024(i)(1), b5

EU FISCAL YEAR 2011 INDEPENDENT EVALUATION OF ODNI COMPLIANCE WITH FISMA (ISSUED DEC 2011) *continued*

Summary of CLOSED Recommendations

Recommendation	Rec #	Responsible Office	Corrective Action
[REDACTED]			

b3 50 USC 3024(i)(1), b5

(U) FISCAL YEAR 2011 INDEPENDENT EVALUATION OF ODNI COMPLIANCE WITH FISMA (ISSUED DEC 2011) *continued*

Summary of CLOSED Recommendations

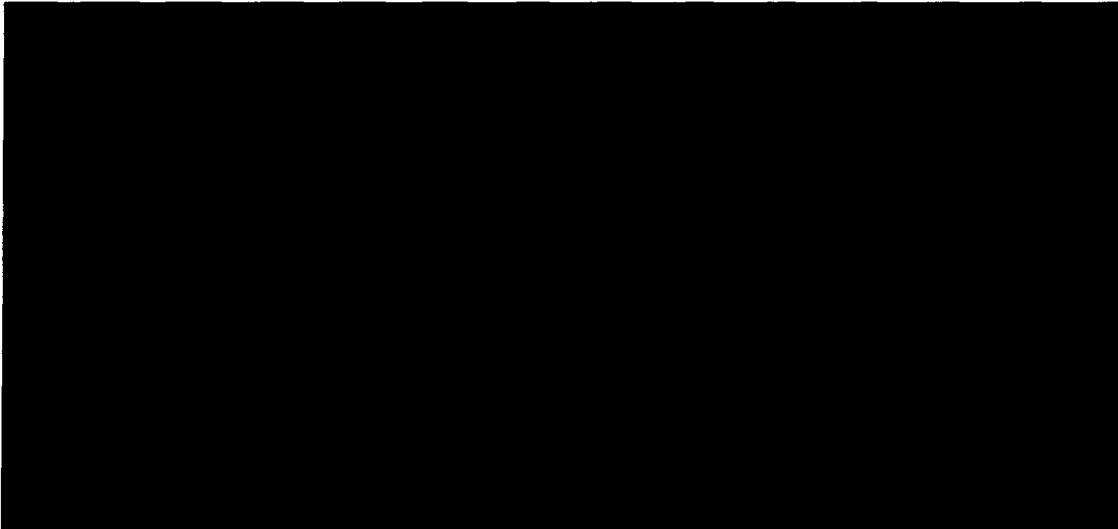
Recommendation	Rec #	Responsible Office	Corrective Action
[REDACTED]			

b3 50 USC 3024(i)  
(1), b5

(U) CAPSTONE REPORT PHASE I: INTELLIGENCE COMMUNITY CONTINUITY OF OPERATIONS (COOP) PLANNING  
(ISSUED JAN 2012)

*Summary of CLOSED Recommendations*

<b>Recommendation</b>	<b>Rec #</b>	<b>Responsible Office</b>	<b>Corrective Action</b>
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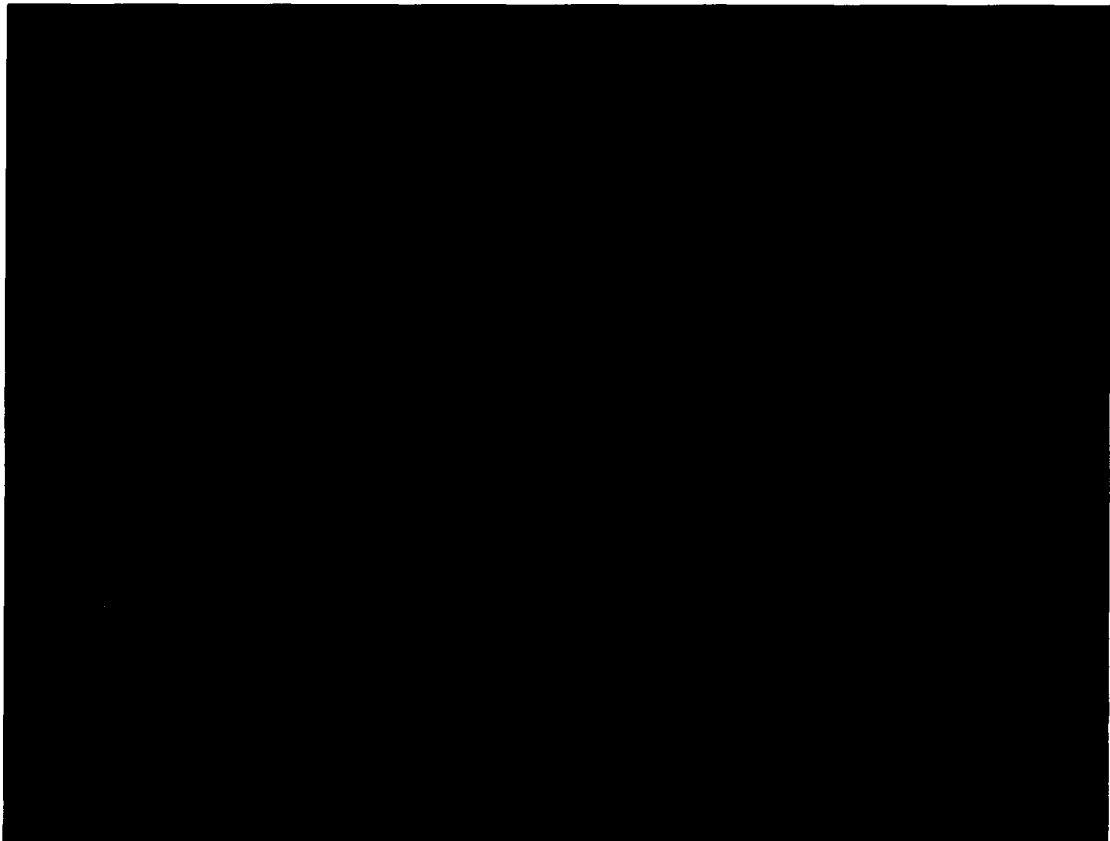


b3 50 USC 3024(i)  
(1), b5

(U) REPORT OF INSPECTION, INTELLIGENCE COMMUNITY OFFICE OF EQUAL EMPLOYMENT  
OPPORTUNITY AND DIVERSITY (EEOD)  
ISSUED JAN 2012

Summary of CLOSED Recommendations

<b>Recommendation</b>	<b>Rec #</b>	<b>Responsible Office</b>	<b>Corrective Action</b>
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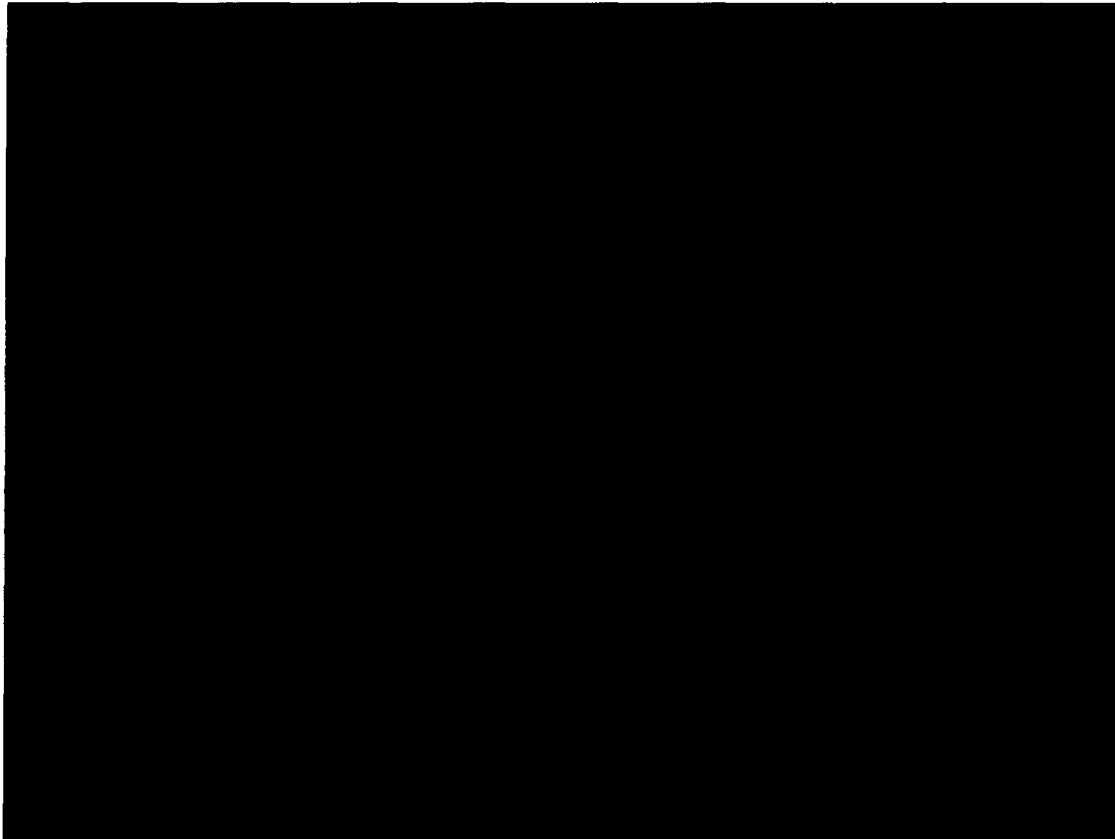
b3 50 USC 3024(i)  
(1), b5



(U) REPORT OF INSPECTION INTELLIGENCE COMMUNITY OFFICE OF EQUAL EMPLOYMENT  
OPPORTUNITY AND DIVERSITY (EEO) *continued*  
(SSD) (JAN 2012)

Summary of CLOSED Recommendations *continued*

<b>Recommendation</b>	<b>Rec #</b>	<b>Responsible Office</b>	<b>Corrective Action</b>
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b3 50 USC 3024(i)  
(1), b5

(U) REPORT OF INSPECTION: INTELLIGENCE COMMUNITY OFFICE OF EQUAL EMPLOYMENT OPPORTUNITY AND DIVERSITY: EEOG. *continued*  
(ISSUED JAN 2012)

Summary of CLOSED Recommendations *continued*

Recommendation	Rec #	Responsible Office	Corrective Action
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

(U) REVIEW OF THE OFFICE OF THE DIRECTOR OF NATIONAL INTELLIGENCE'S COMPLIANCE WITH THE IMPROPER PAYMENTS ELIMINATION AND RECOVERY ACT OF 2010  
(ISSUED MAY 2012)

Summary of OPEN Recommendations

Recommendation	Rec #	Responsible Office	Corrective Action
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

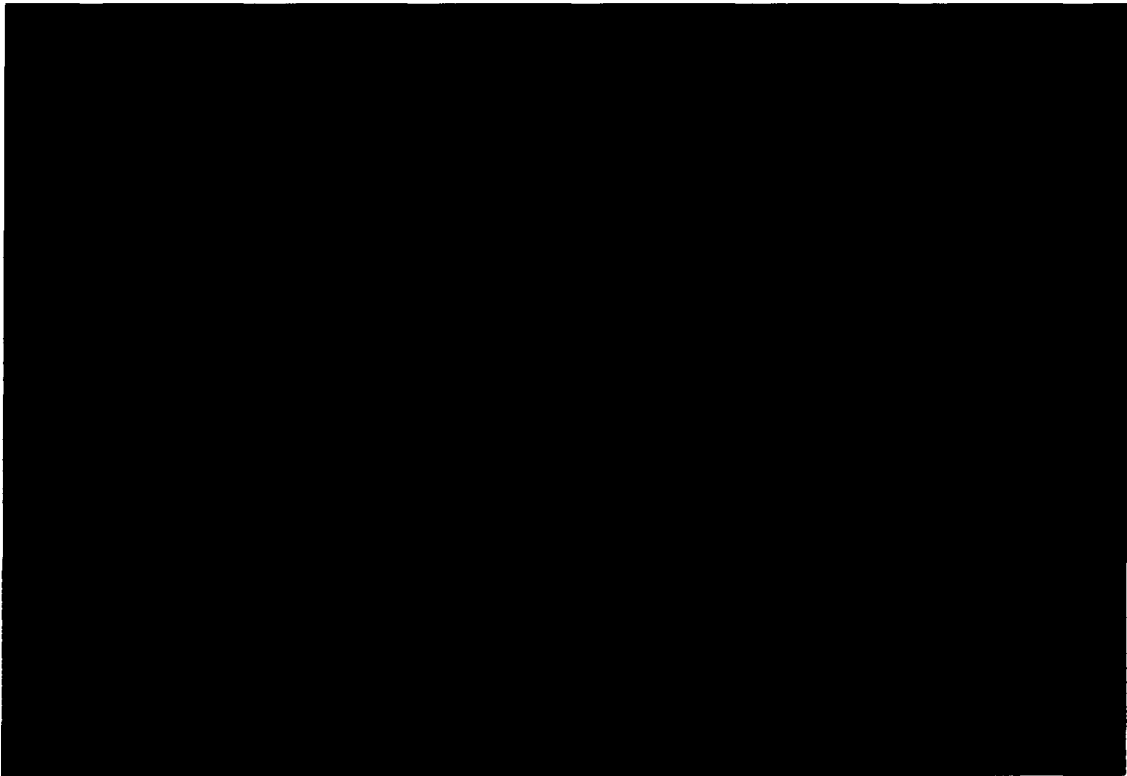
b3 50 USC 3024(i)  
(1), b5



(U) REVIEW OF THE OFFICE OF THE DIRECTOR OF NATIONAL INTELLIGENCE'S COMPLIANCE WITH THE IMPROPER PAYMENTS ELIMINATION AND RECOVERY ACT OF 2010 *continued*  
(ISSUED MAY 2012)

Summary of CLOSED Recommendations

<b>Recommendation</b>	<b>Rec #</b>	<b>Responsible Office</b>	<b>Corrective Action</b>
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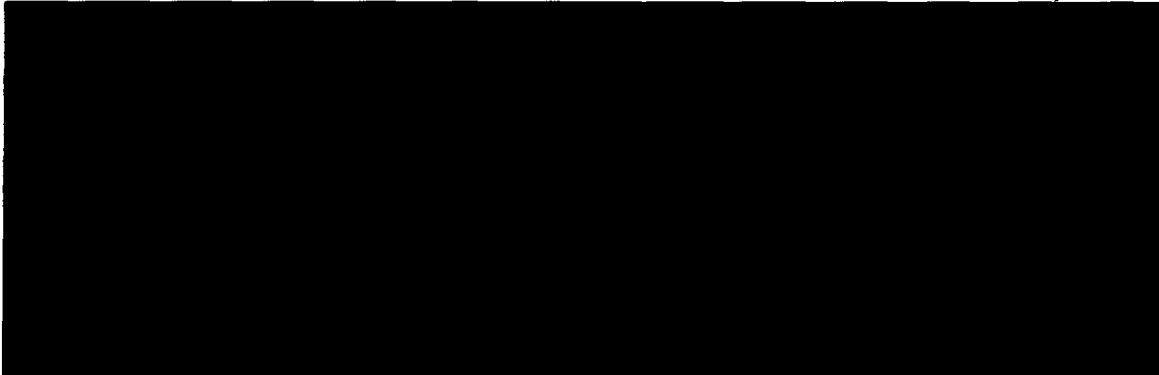


b3 50 USC 3024(i)  
(1), b5

(U) REPORT OF INSPECTION: OFFICE OF THE CHIEF FINANCIAL OFFICER OF THE IC  
(ISSUED MARCH 2013)

Summary of OPEN Recommendations

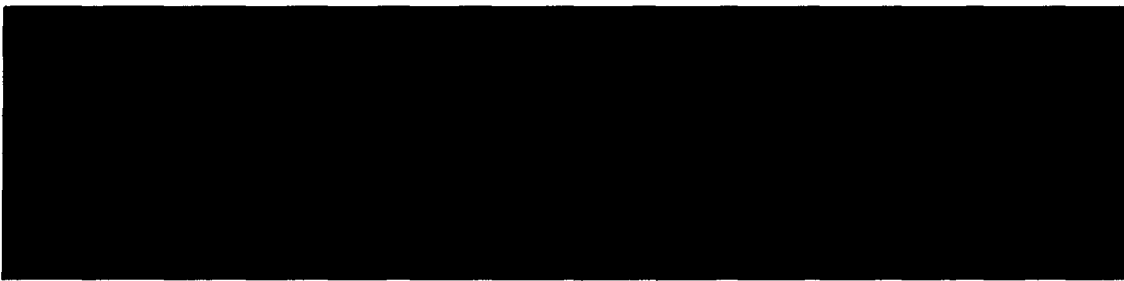
Recommendation	Rec #	Responsible Office	Corrective Action
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(U) REPORT OF INSPECTION: NATIONAL COUNTER TERRORISM CENTER  
(ISSUED November 2012)

Summary of OPEN Recommendations

Recommendation	Rec #	Responsible Office	Corrective Action
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b3 50 USC 3024(i)  
(1), b5

(U) REPORT OF INSPECTION: OFFICE OF LEGISLATIVE AFFAIRS  
(ISSUED October 2012)

Summary of OPEN Recommendations

Recommendation	Rec #	Responsible Office	Corrective Action
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Summary of CLOSED Recommendations

Recommendation	Rec #	Responsible Office	Corrective Action
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

b3 50 USC 3024(i)  
(1), b5

(U) REPORT OF INSPECTION, OFFICE OF LEGISLATIVE AFFAIRS *continued*  
(ISSUED October 2012)

Summary of CLOSED Recommendations *continued*

Recommendation	Rec #	Responsible Office	Corrective Action
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

b3 50 USC 3024(i)  
(1), b5

(U//FOUO) AUDIT REPORT OF INTELLIGENCE COMMUNITY SECURITY CLEARANCE RECIPROCITY  
(ISSUED December 2012)

Summary of OPEN Recommendations

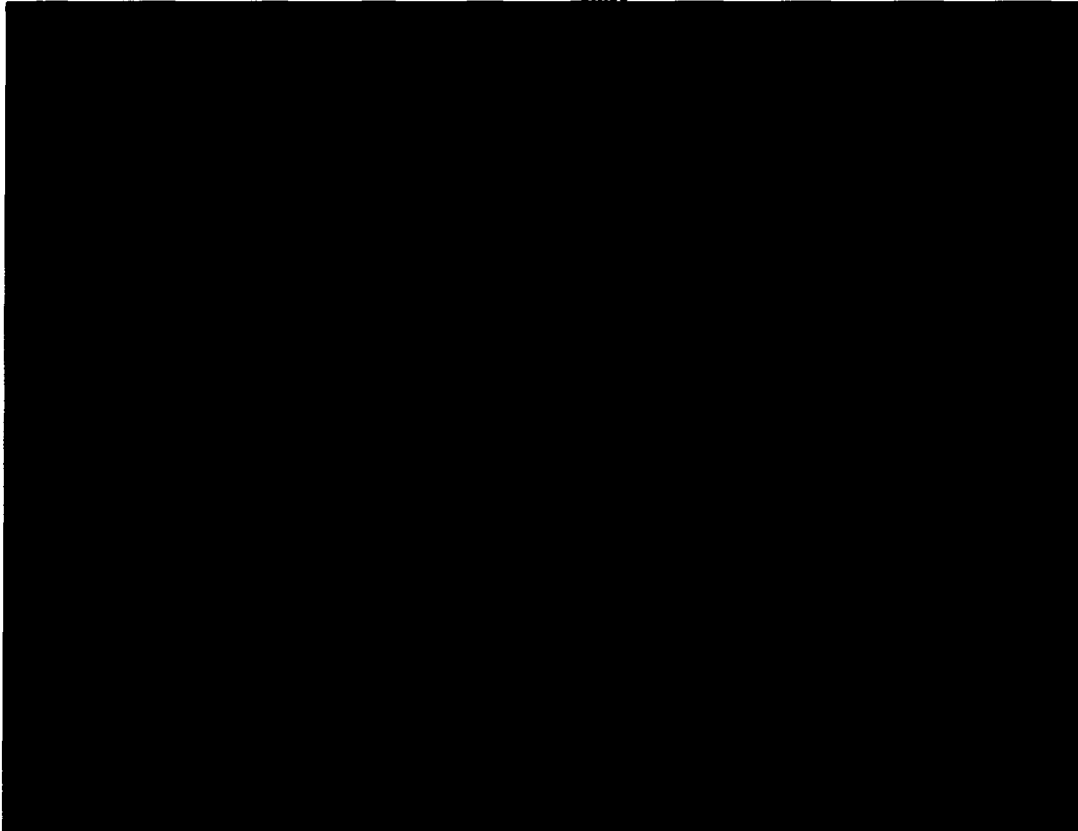
Recommendation	Rec #	Responsible Office	Corrective Action
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

b3 50 USC 3024(i)  
(1), b5

(U//FOUO) FISCAL YEAR 2012 INDEPENDENT EVALUATION OF ODNI COMPLIANCE WITH THE FEDERAL INFORMATION SECURITY MANAGEMENT ACT OF 2002 (ISSUED December 2012)

Summary of OPEN Recommendations

<b>Recommendation</b>	<b>Rec #</b>	<b>Responsible Office</b>	<b>Corrective Action</b>
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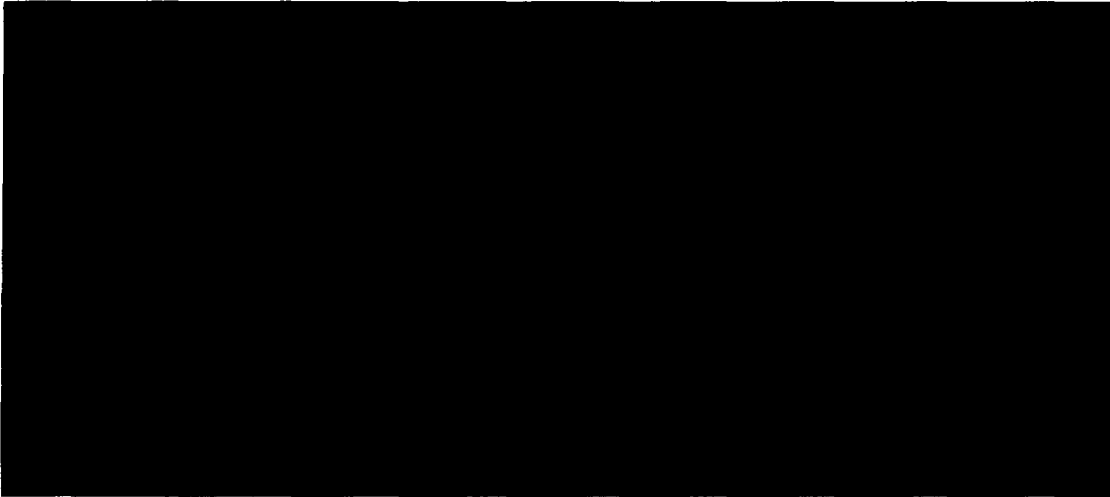
b3 50 USC 3024(i)  
(1), b5



(U//FOUO) FISCAL YEAR 2012 INDEPENDENT EVALUATION OF DDNI COMPLIANCE WITH THE FEDERAL INFORMATION SECURITY MANAGEMENT ACT OF 2002 (ISSUED December 2012) *continued*

Summary of OPEN Recommendations *continued*

<b>Recommendation</b>	<b>Rec #</b>	<b>Responsible Office</b>	<b>Corrective Action</b>
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Summary of CLOSED Recommendations

<b>Recommendation</b>	<b>Rec #</b>	<b>Responsible Office</b>	<b>Corrective Action</b>
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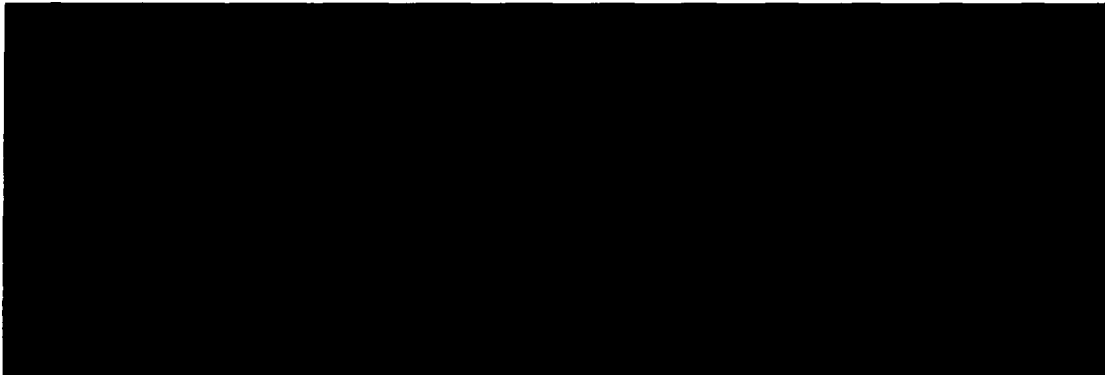


b3 50 USC 3024(i)  
(1), b5

(U//FOUO) FISCAL YEAR 2012 INDEPENDENT EVALUATION OF ODNI COMPLIANCE WITH THE FEDERAL INFORMATION SECURITY MANAGEMENT ACT OF 2002 (ISSUED December 2012) *continued*

*Summary of CLOSED Recommendations continued*

<b>Recommendation</b>	<b>Rec #</b>	<b>Responsible Office</b>	<b>Corrective Action</b>
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b3 50 USC 3024(i)(1), b5

## (U) Strategic Goals and Objectives

### ★ (U) GOAL #1: Establish IC IG Foundation

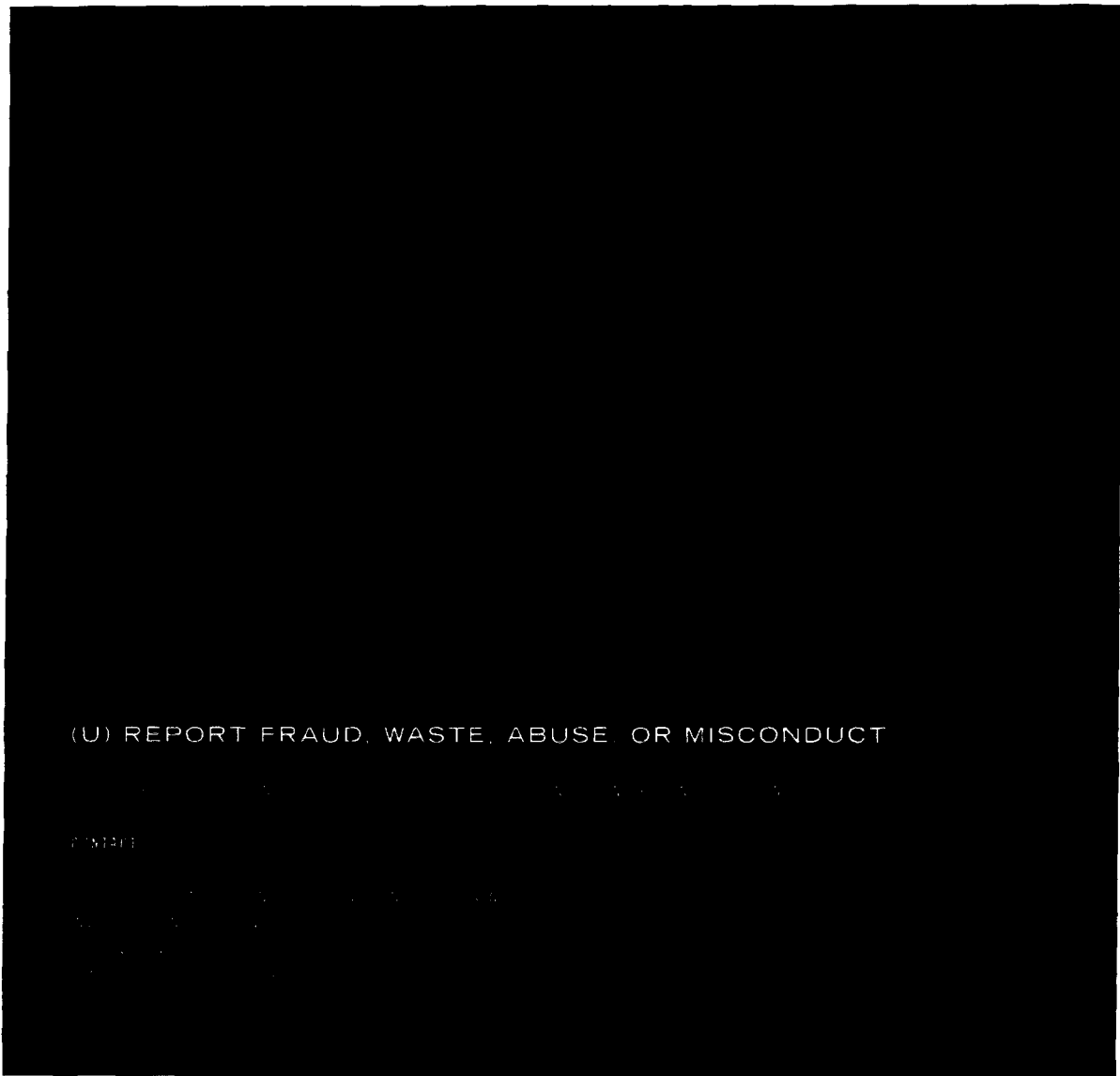
- (U) Develop policy, staffing, and training documentation.
- (U) Publish an IC IG Strategic Plan and a Concept of Operations.

### ★ (U) GOAL #2: Implement and Fulfill IC IG's ODNI Mission

- (U) Prepare, plan, develop, and implement a solid foundation for the sustainment of ODNI focused inspections, audits, and investigations
- (U) Develop a communication and outreach plan.
- (U) Incorporate continuous improvement of economy, efficiency, effectiveness, and integration into ODNI operations.

### ★ (U) GOAL #3: Implement IC IG's IC-Wide Mission

- (U) Lead and leverage the IC IG Forum to develop a foundation and the procedures for IC-wide inspections, audits, and investigations.
- (U) Establish a comprehensive IC-wide peer review program.
- (U) Develop a communication and outreach plan for IC-wide efforts.



(U) REPORT FRAUD, WASTE, ABUSE, OR MISCONDUCT

03/14/13



SECRET

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