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*Central Intelligence Agency  
Inspector General*



**SEMIANNUAL REPORT  
TO THE DIRECTOR OF CENTRAL INTELLIGENCE**

**JANUARY - JUNE 2003**

*John L. Helgerson  
Inspector General*

APPROVED FOR RELEASE  DATE:  
25-Feb-2010

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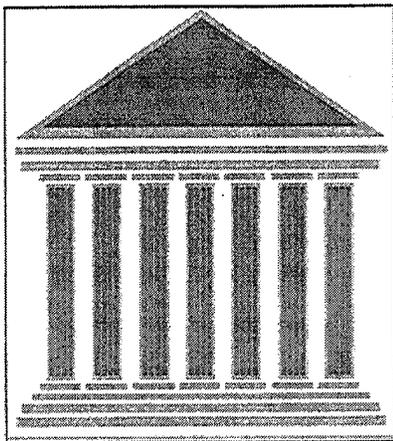


**(U) ANNEX SECTION**

- (U) STATISTICAL OVERVIEW**
- (U) COMPLETED AUDITS**
- (U) CURRENT AUDITS**
- (U) COMPLETED INSPECTIONS**
- (U) CURRENT INSPECTIONS**
- (U) COMPLETED INVESTIGATIONS**
- (U) CURRENT INVESTIGATIONS**



## *(U) A Message from the Inspector General*



*(U) [redacted] The heightened pace of Agency operational, analytical, and support activity over the past two years is having an increasing impact on the pace and focus of work undertaken by the Office of Inspector General (OIG). A significant proportion of our workforce—sometimes operating in teams drawn from all three Office staffs—is now involved with projects that relate in one way or another to the Agency's efforts on terrorism, Afghanistan, and Iraq. Not surprisingly, these priority missions have taxed all of the Agency capabilities on which the OIG has been concentrating in its 2003 workplan. These include covert action and other operations, as well as information, communications, financial, procurement, and logistic support systems.*

*[redacted] Inspection Staff has taken the lead in responding to two Congressionally directed reviews. The more involved of these is the special review of accountability issues regarding the Agency's handling of developments related to the events of 9/11. The second is a review of Agency actions concerning the reported effort by Iraq to secure uranium from Niger. Work on both these projects is well underway. During this period, the Staff completed inspections of two components that have contributed heavily and successfully to the Agency's intensified operations: [redacted]*

*[redacted] Other major inspections completed included those of the East Asia and Africa Divisions, both of which have redirected their efforts to focus on terrorism, and of the Agency's counterintelligence and counterespionage programs.*

*(U) Audit Staff has continued its series of audits of covert action programs, challenged by the increasing number and scope of such programs but committed to look at each program, or one major aspect of each, no less frequently than every third year. In addition, the Staff has undertaken a*

number of financial audits, almost all designed to help the Agency and the OIG prepare for the Congressionally required audit of Agency financial statements beginning with FY 2004. In the information technology area, our audits have addressed the survivability and security from intrusion of the Agency's systems. These audits provide a baseline of information that will be of use in our upcoming independent audit of the Agency's information security program and practices required by the Federal Information Security Management Act (FISMA).

[redacted] Investigations Staff is leading special reviews to determine whether appropriate guidance was provided to field personnel in the performance of their duties overseas in the aftermath of 9/11. An investigation is also underway regarding the circumstances surrounding an overseas training exercise in which a staff officer was killed. During this period, the OIG received and forwarded to the DCI and the Congress a "whistleblower" complaint related to alleged retaliation, which is under investigation. The Staff continues to devote substantial resources to a joint investigation with the Department of Justice [redacted]

[redacted] In a longstanding case that has concluded, a former Agency officer was convicted and sentenced to a 15-month prison term for accepting illegal gratuities from a contractor. Finally, proactive anti-fraud efforts by the Staff have identified misconduct and illegal activities associated with the receipt of compensation payments.

[redacted] Interagency efforts completed or underway during this period include the previously mentioned project on Iraq and Niger, which is being pursued with the Department of State. Also with State, we are concluding one audit of the [redacted]

[redacted] With the Department of Defense OIG, we are co-chairing a multi-agency peer review of the National Reconnaissance Office (NRO) OIG. The Intelligence Community (IC) IG Forum is preparing for a multi-agency review of the National HUMINT Requirements Tasking Center. During this period, an inter-agency team completed and published the audit of Federal export enforcement efforts.

*(U) In May 2003, the CIA and NRO IGs hosted the ninth annual IC Audit Conference, attended by nearly 200 auditors from across the Community. Speakers from the General Accounting Office, Department of Homeland Security, and the Terrorist Threat Integration Center provided unique insights into the challenges faced by the IC in meeting the nation's security requirements.*

*(U) In addition to our substantive work, we continue efforts to improve our management and operations. The OIG is working with senior Agency management to formulate a multi-year budget that will ensure OIG resources are sufficient to meet the Office's commitments to the DCI and the Congress. Our rigorous effort to hire new auditors is continuing. All three staffs have completed reviews of their production processes to enable us to produce our reports in as expeditious a manner as possible. We are in the midst of an office-wide upward feedback program to strengthen management and leadership. Other efforts by individual staffs have improved our oversight of the Agency's grievance process and our ability to track and pursue compliance with outstanding OIG recommendations by Agency components.*

*(U) We have no new legislative proposals. We understand action is underway in the Congress to implement a technical correction to the Homeland Security Act, as we requested in our last semiannual report. This action will resolve any ambiguity about the role of the CIA IG in performing independent evaluations of information security programs and practices, making clear that the CIA's statutory IG has the same responsibilities under the FISMA as do statutory IGs appointed under the 1978 IG Act.*

*John L. Heigerson*

*15 July 2003*



## (U) STATUTORY REQUIREMENTS

(U/ [redacted]) This report is submitted pursuant to section 17 of the CIA Act of 1949, as amended, which requires the Inspector General to provide to the DCI, not later than 31 January and 31 July of each year, a semiannual report summarizing the activities of the OIG for the immediately preceding six-month periods, ending 31 December and 30 June, respectively.

(U) All audit activities of the OIG are carried out in accordance with generally accepted government auditing standards. All OIG inspection and investigation activities conform to standards promulgated by the President's Council on Integrity and Efficiency.

(U) The OIG has had full and direct access to all Agency information relevant to the performance of its duties.

### (U) Subpoena Authority

(U/ [redacted]) During this reporting period, the IG did not issue any subpoenas.

### (U) Legislative Proposals

(U) OIG has no proposals for legislative changes.

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## (U) AUDITS

### (U) *AUDIT STAFF OVERVIEW*

(U) The Audit Staff conducts performance, financial-related, and financial statement audits of Agency programs and activities. In addition, the Audit Staff provides oversight of Agency interests through its participation in joint reviews of Intelligence Community (IC) programs and activities and responds to requests for audits or reviews from Congressional and Executive Branch officials. In the last six months, the Audit Staff has focused its efforts on evaluations of Agency programs and activities, field stations in the National Resources Division, financial management, and information technology issues.

(U) The Audit Staff continues to prepare for the Congressionally mandated audit of the Agency's fiscal year (FY) 2004 financial statements. This will be a significant undertaking for the Staff, and the resource requirements will be substantial. A robust recruitment effort is underway to attract highly qualified auditors to assist the Staff in meeting this important requirement.

(U) The Audit Staff continues to respond to a Congressional recommendation contained in the legislative history accompanying the Intelligence Authorization Act for FY 2002 to audit each covert action program every three years. The Staff has implemented a strategy to review at least one major covert action activity under each Presidential Finding every three years. The order in which the Staff reviews these activities is based on the activities' resource allocations and sensitivity, Staff availability, and when a particular activity was last audited.

### (U) *SIGNIFICANT COMPLETED AUDITS*













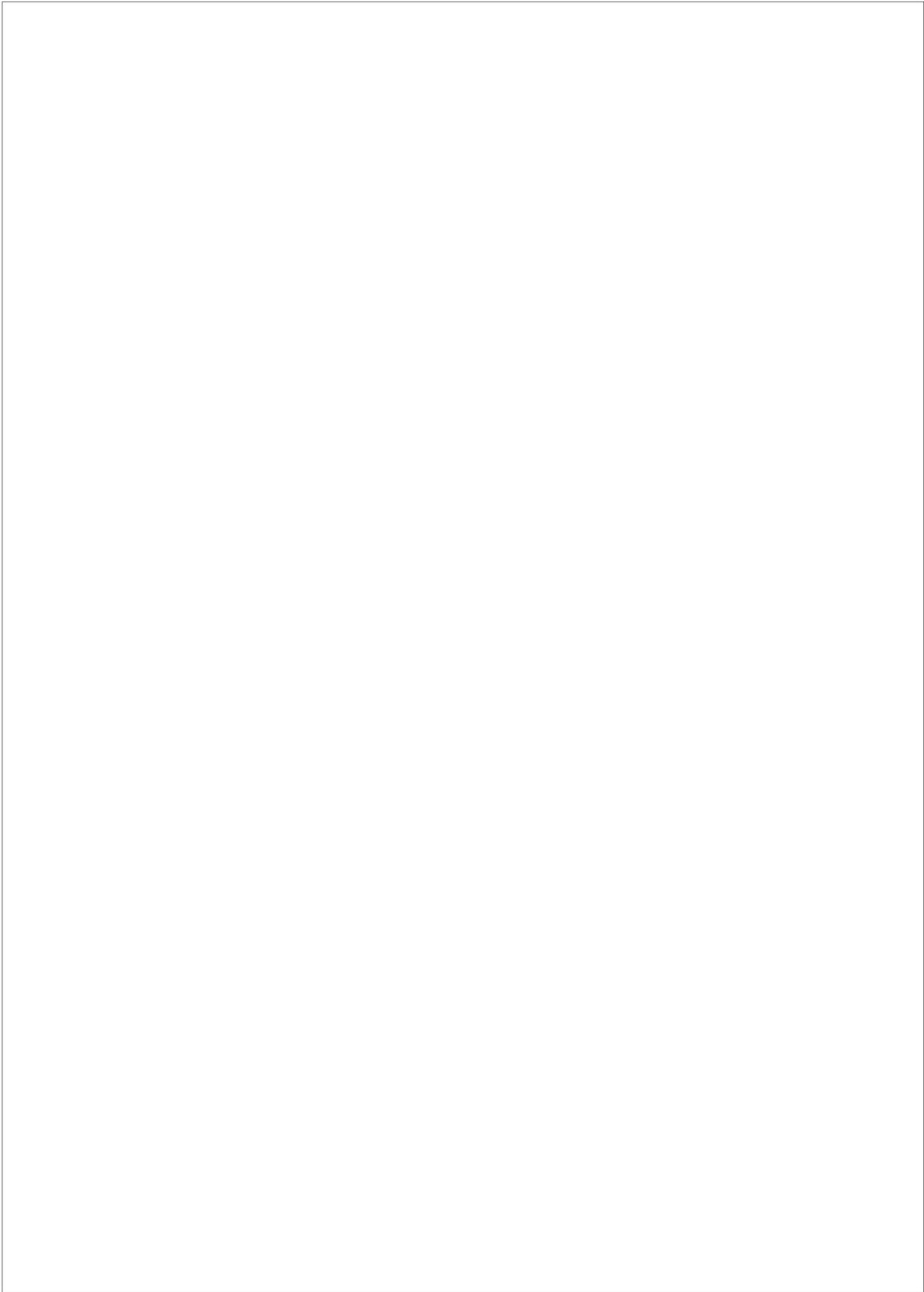


***(U) STATUS OF SIGNIFICANT RECOMMENDED ACTIONS OUTSTANDING  
FROM PREVIOUS SEMIANNUAL REPORTS***





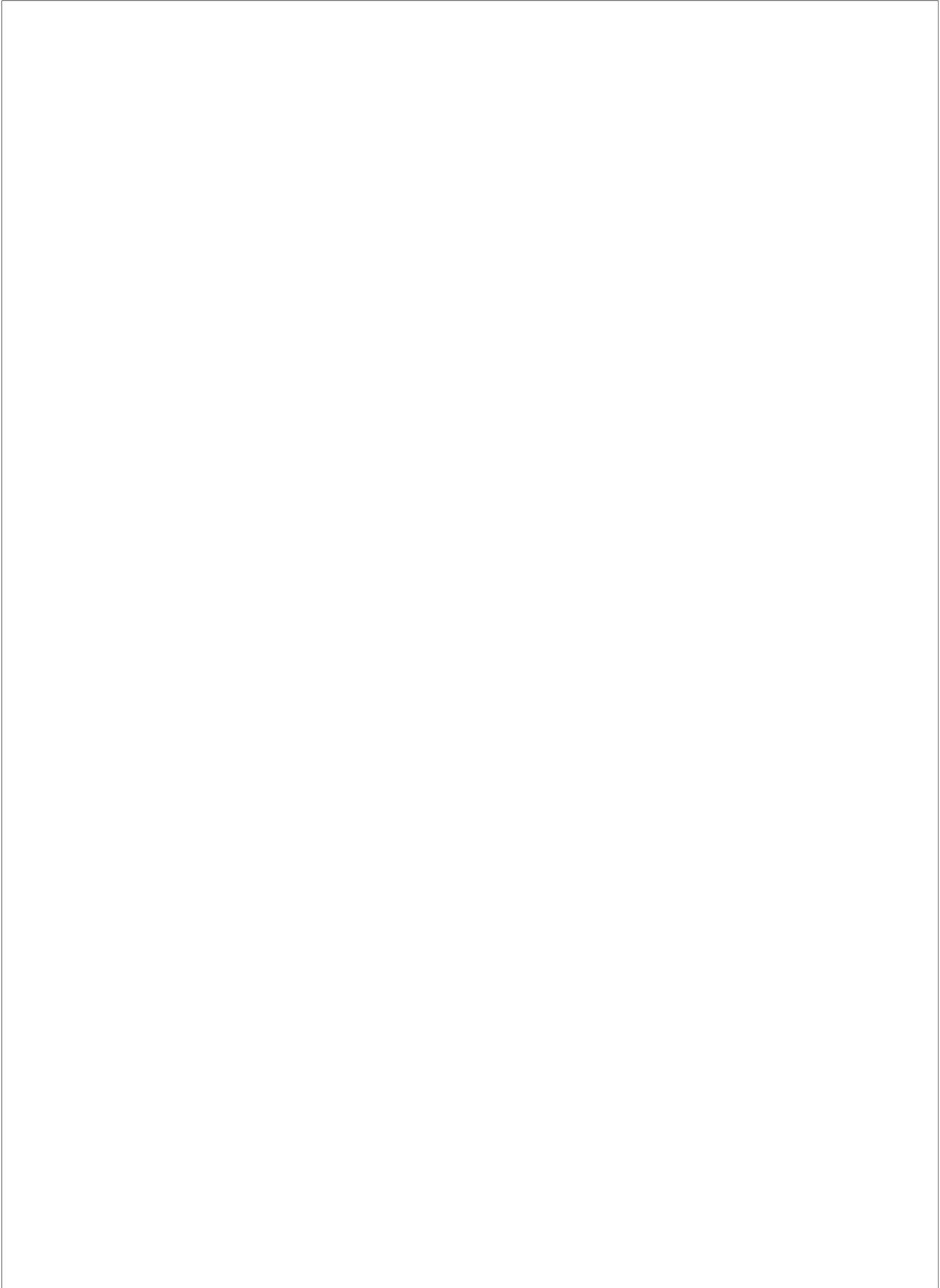




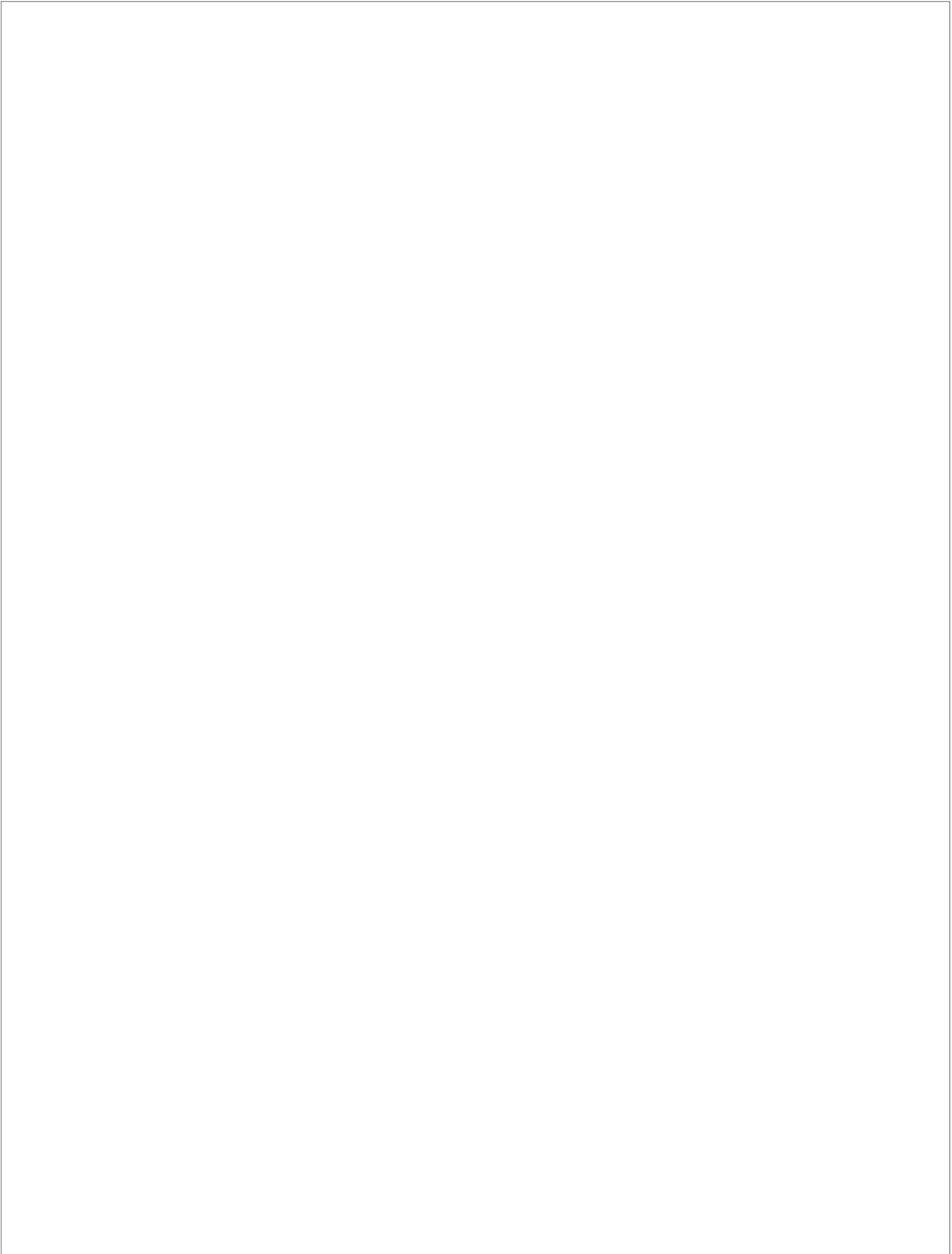
















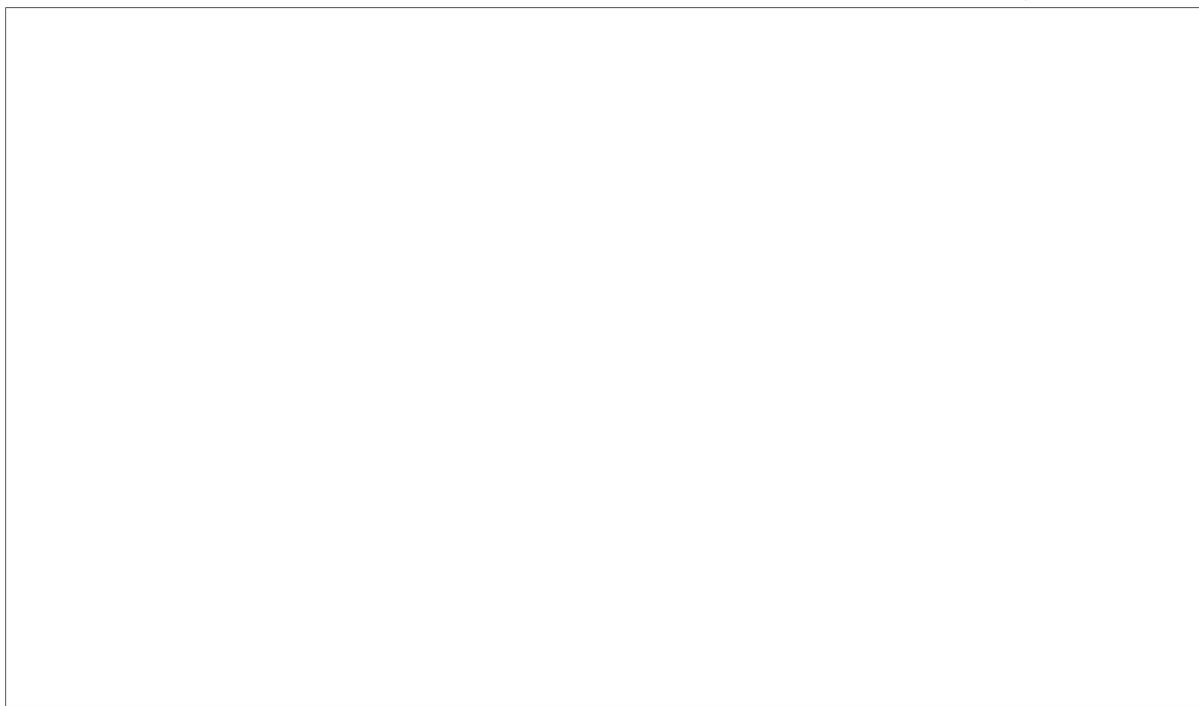
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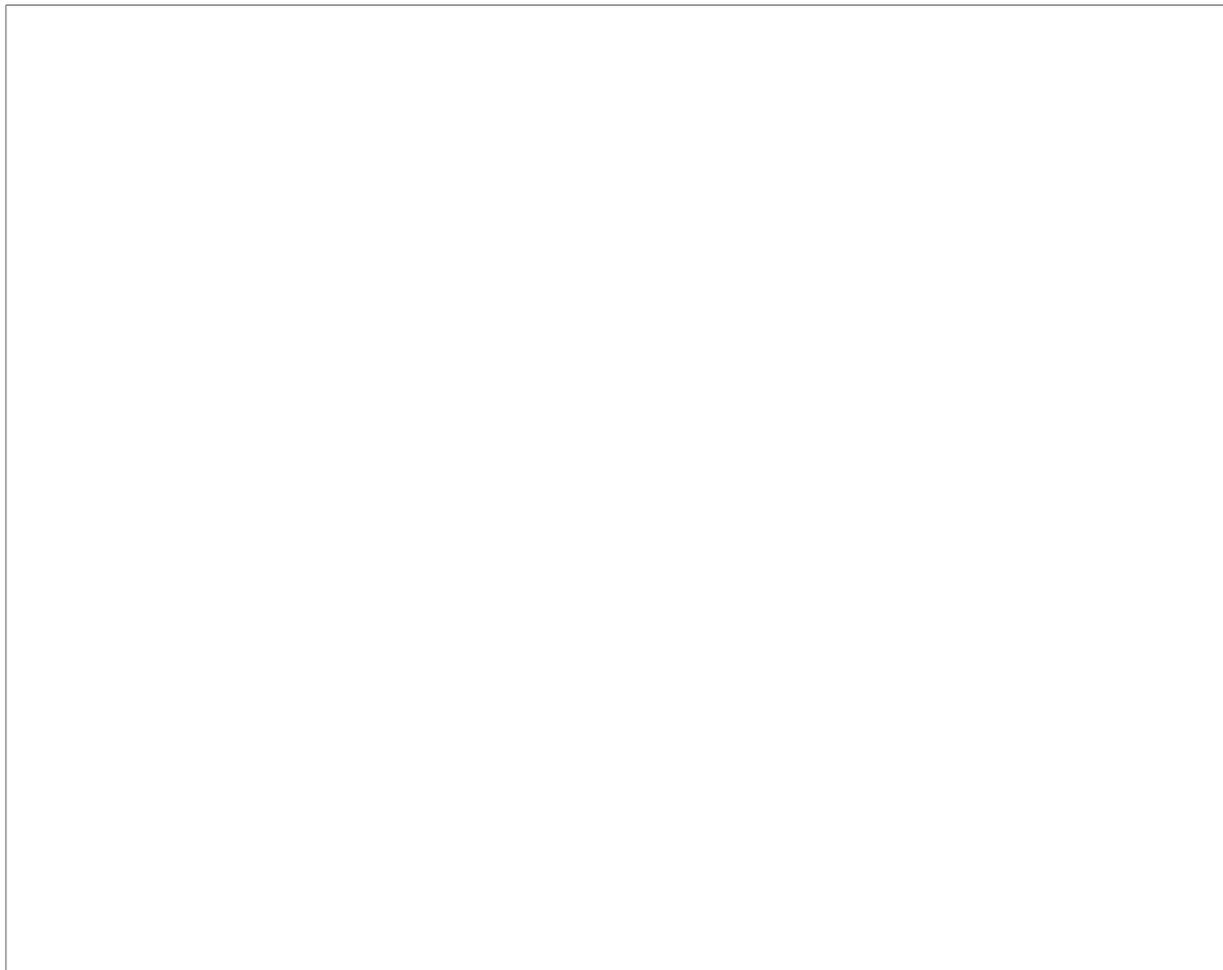
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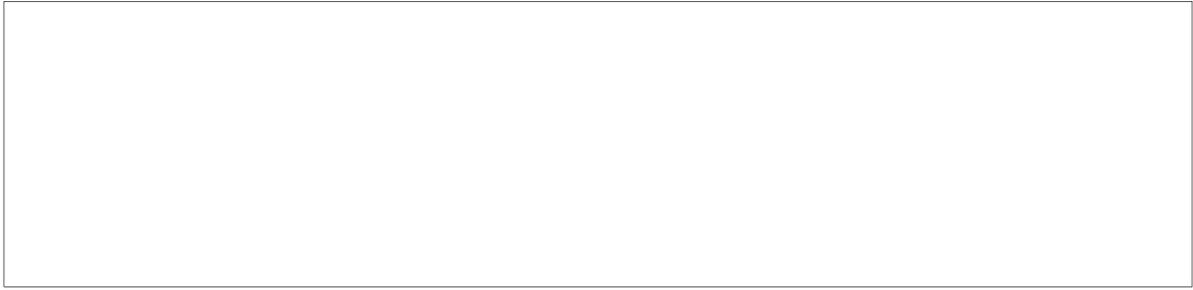






**(U) SUMMARIES OF SELECTED CURRENT AUDITS**





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## (U) INSPECTIONS

### (U) INSPECTION STAFF OVERVIEW

(U/ [ ]) The Inspection Staff is responsible for conducting inspections of Agency programs and operations to evaluate their efficiency and effectiveness and their compliance with law, Executive orders, and regulations.

[ ] The Inspection Staff continues to use its flexible approach to scheduling, which utilizes a seven-month cycle (February-August) to conduct either a single major inspection or several more focused, less wide-ranging inspections and the traditional five-month cycle (September-January). During the current cycle, the Staff is working on four inspections: the Directorate of Operations' (DO) Central Eurasia Division, Information Security (the final segment of our overall review of counterintelligence), Target Analysis, and Cover Issues. The Staff is also nearing completion of the final review of its report on the inspection of the Global Support Mission Support Office (MSO), which was begun during the previous cycle.

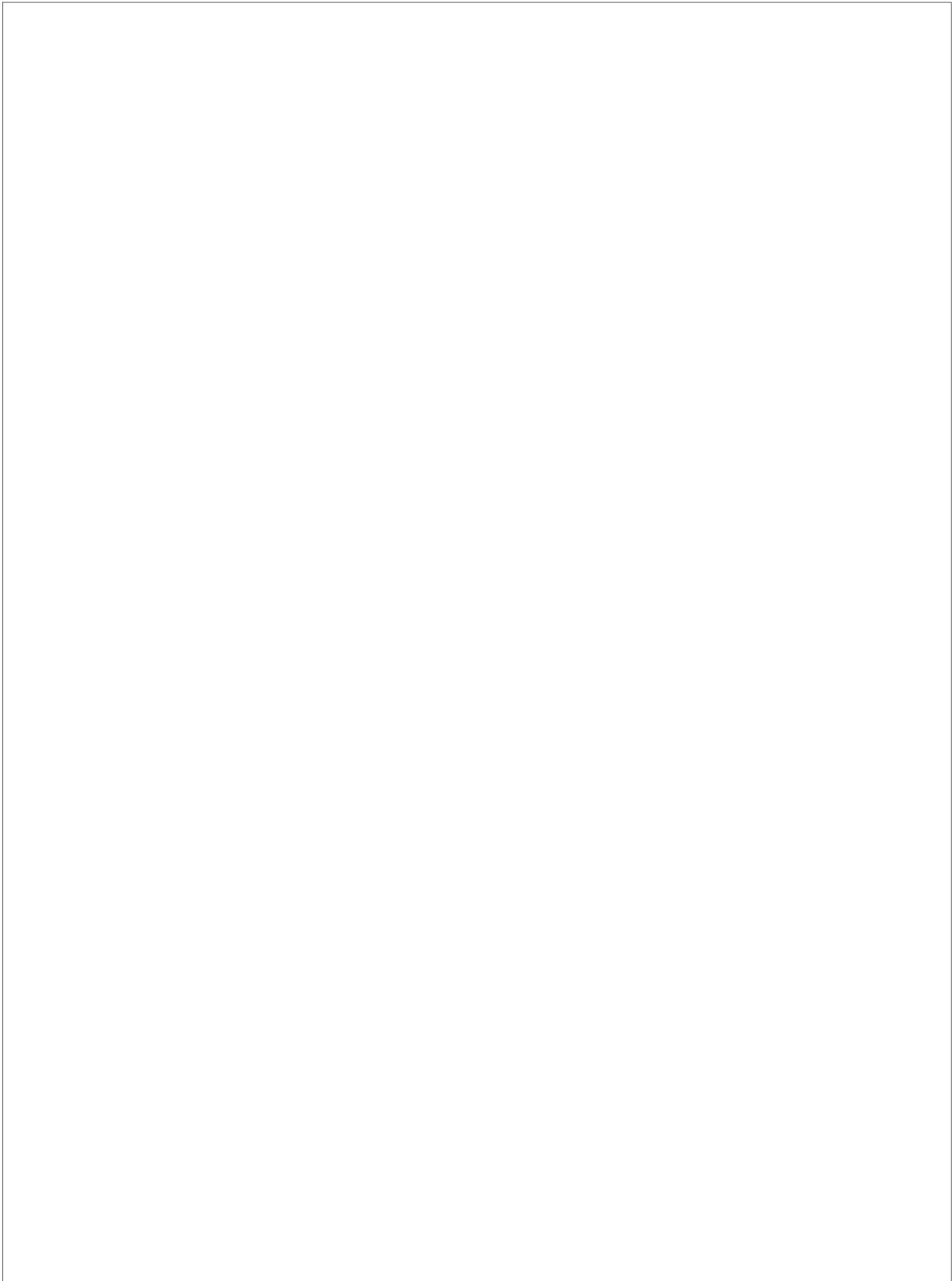
(U/ [ ]) The Inspection Staff continues to conduct a two-week course for new inspectors and a seminar for team leaders before the start of each inspection cycle. The Staff also conducts seminars for OIG inspectors and research assistants during the course of each cycle, instituted in response to the increasing sophistication of our methodology. These seminars build on the New Inspectors' Training Course and address topics such as interview strategy, the exploitation of databases, electronic focus group methodology, research and analysis, process mapping, and drafting. We have included two new seminars during this cycle: one on the production of graphics and the other on constructing sound, consistent "Findings and Recommendations."

(U/ [ ]) In addition, the Inspection Staff has retained an independent contractor to track, monitor, and pursue compliance

with recommendations. As a result, we have closed 42 of 71 recommendations that were open as of 1 January 2003. Of the 42 recommendations closed, 22 were significant.

**(U) SIGNIFICANT COMPLETED INSPECTIONS**













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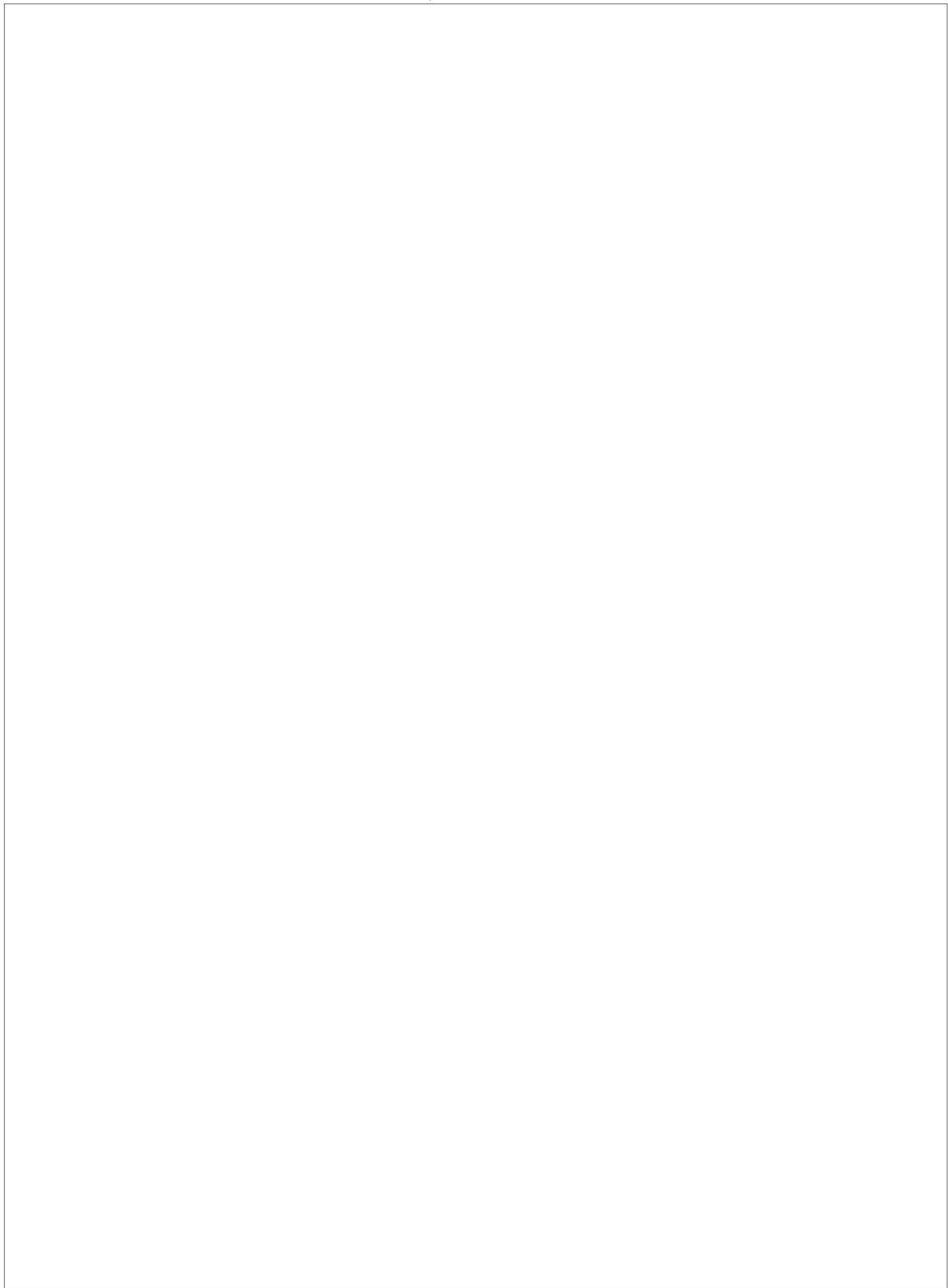






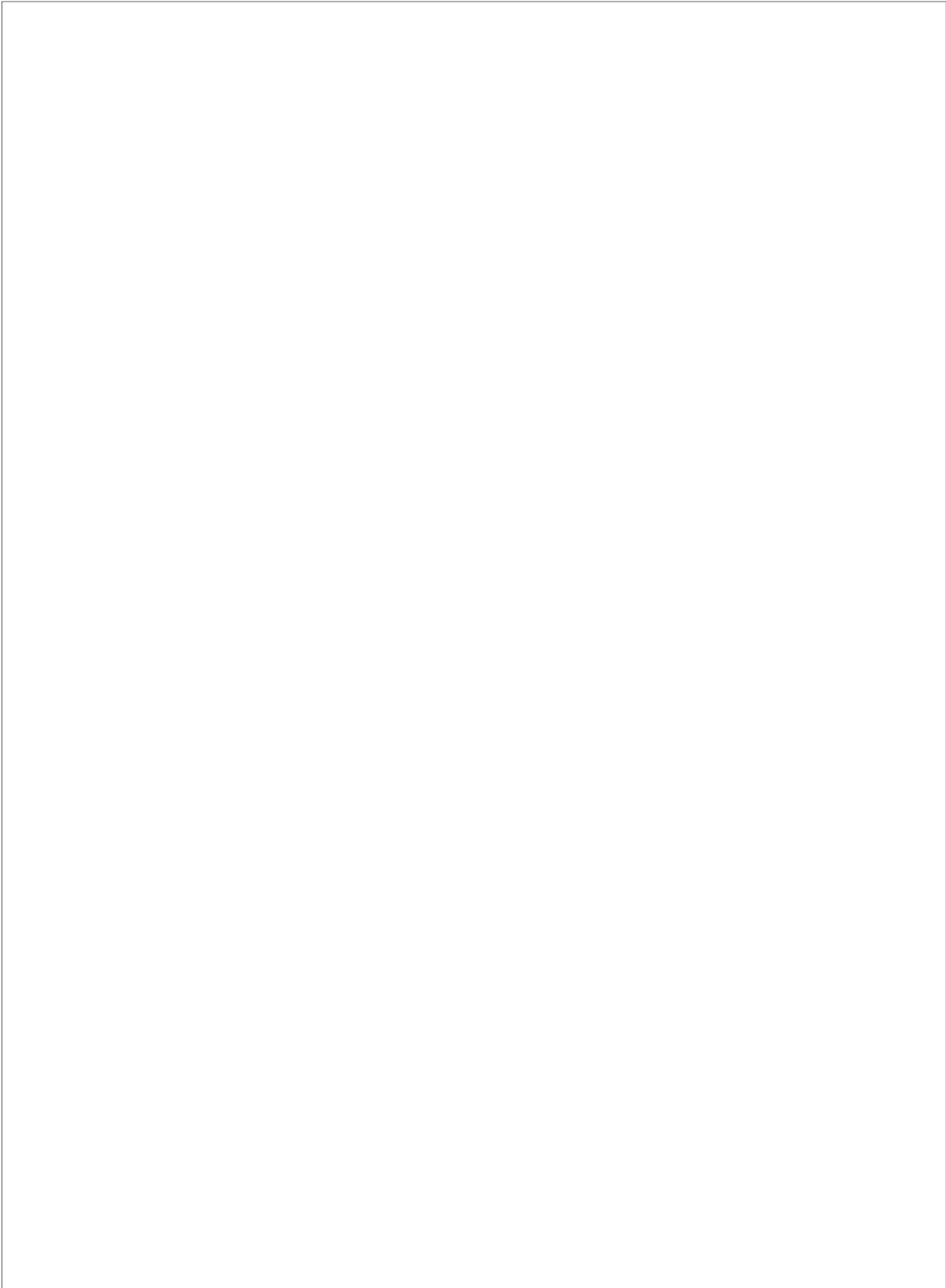
**(U) STATUS OF SIGNIFICANT RECOMMENDED ACTIONS OUTSTANDING  
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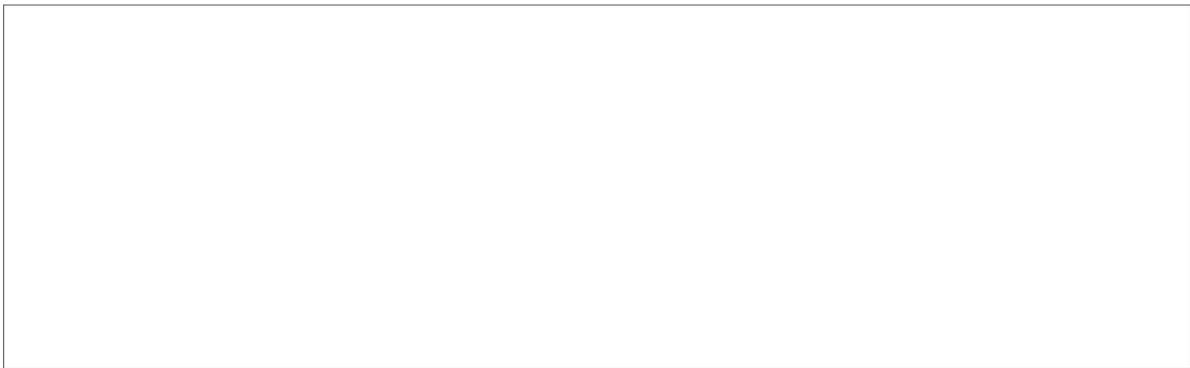




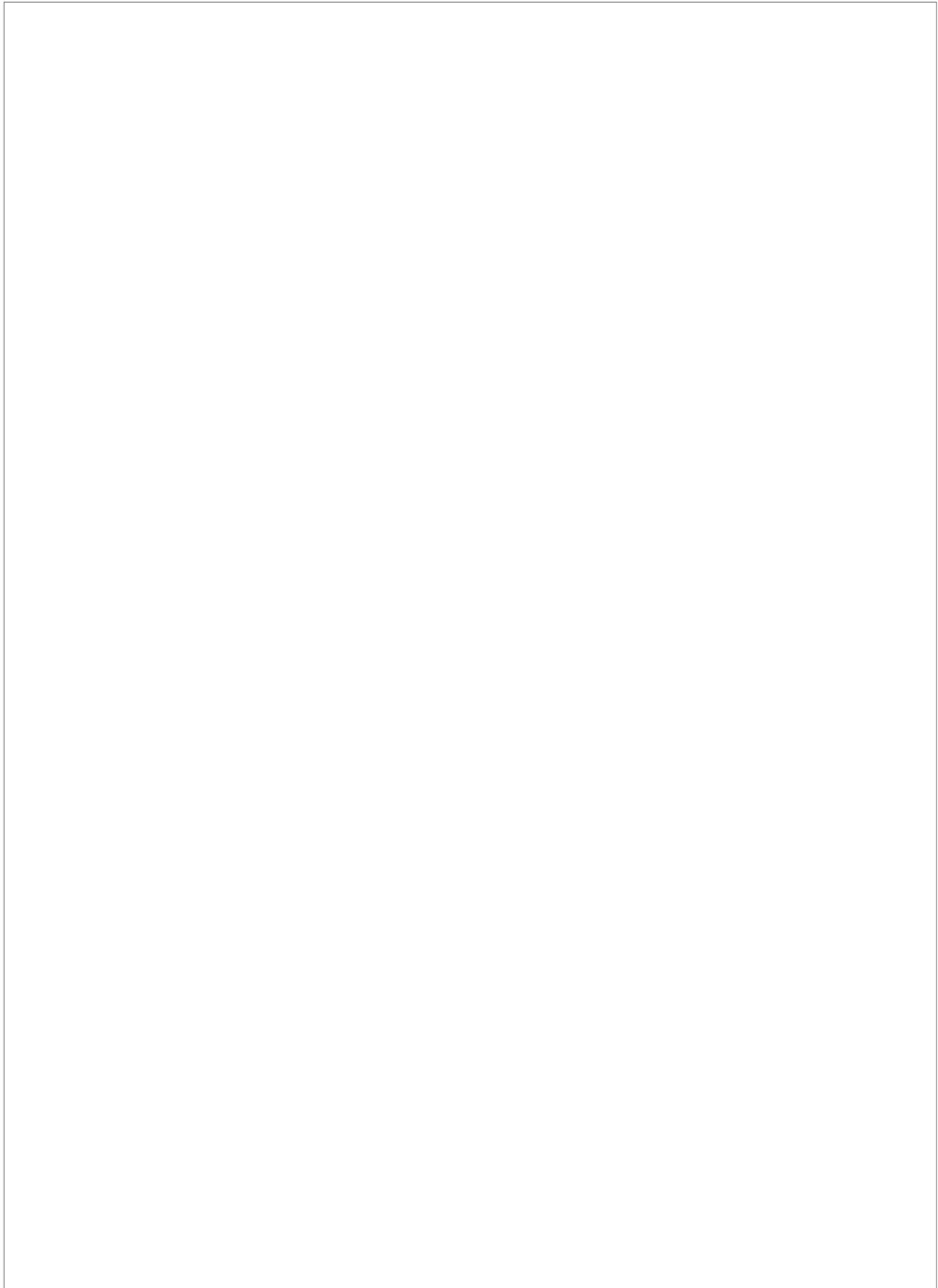




**(U) SUMMARIES OF SELECTED CURRENT INSPECTIONS**









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## (U) INVESTIGATIONS

### (U) INVESTIGATIONS STAFF OVERVIEW

(U/[redacted]) The Investigations (INV) Staff investigates possible violations of statutes, regulations, policies, and procedures, as well as allegations of waste, fraud, mismanagement, abuse of authority, and substantial dangers to public health and safety related to Agency programs and operations. The INV Staff also oversees the Agency's grievance system and conducts proactive initiatives aimed at detecting and preventing fraud, waste, and abuse.

[redacted] The Staff is involved in several resource-intensive investigations. These include a review of certain post-9/11 counterterrorism responsibilities [redacted]

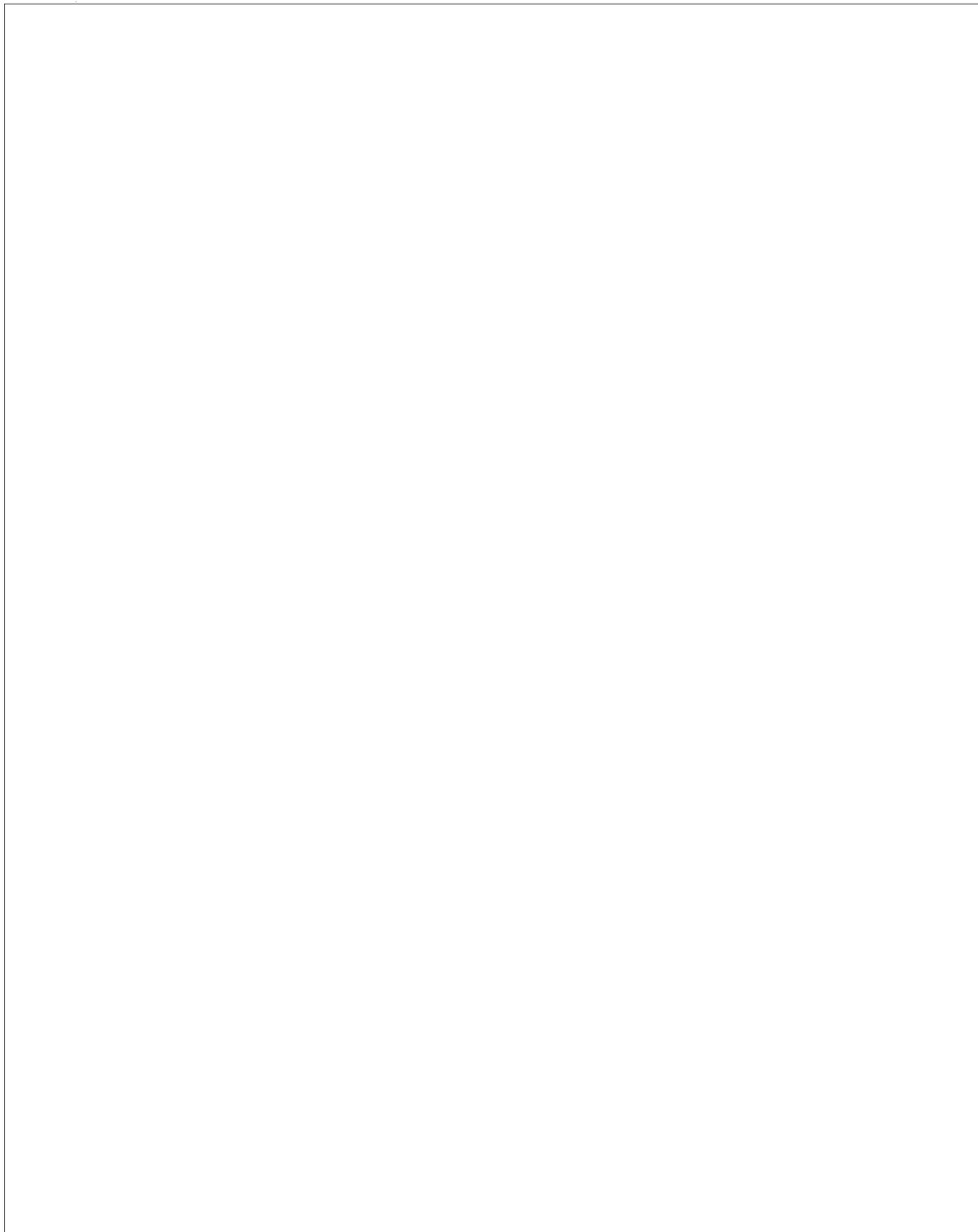
[redacted] An "Urgent Concern" filed under section 17(d)(5) of the CIA Act of 1949, as amended, alleging retaliation against a whistleblower, is another current priority. A new initiative to review Agency-administered Federal Employment Compensation Act payments for potential fraud has yielded two cases and is ongoing. The Staff is completing reviews of the Agency-administered retirement benefit program and imprest fund credit card programs.

(U/[redacted]) The Staff concluded two process improvement endeavors: validating the investigative assignments process and streamlining the report review process. We continue to assess the report structure to determine whether it meets the needs of our customers.

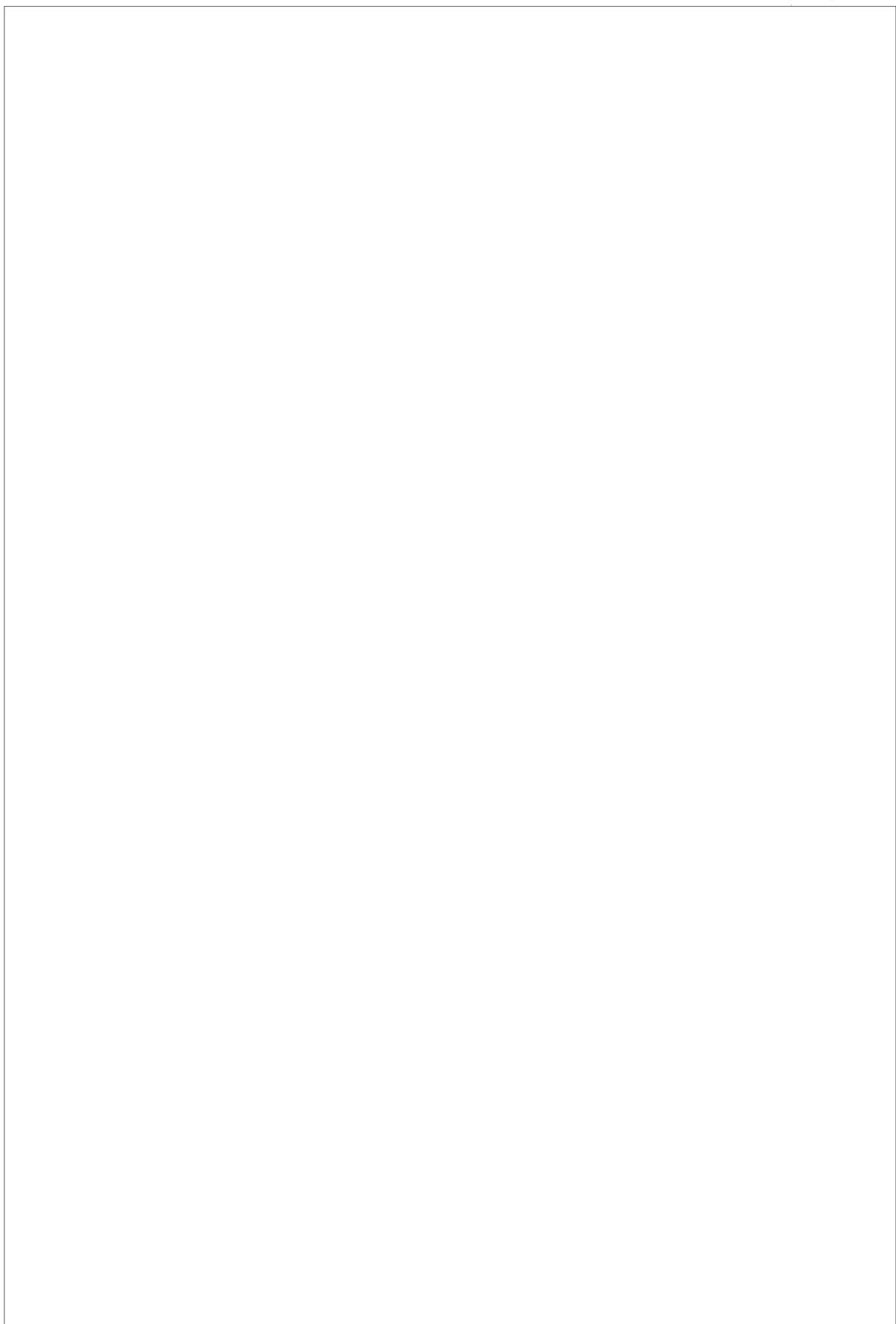
(U/[redacted]) An outreach effort in the form of greater interaction with other Federal Assistant Inspectors General for Investigations and their staffs has been beneficial. We anticipate that

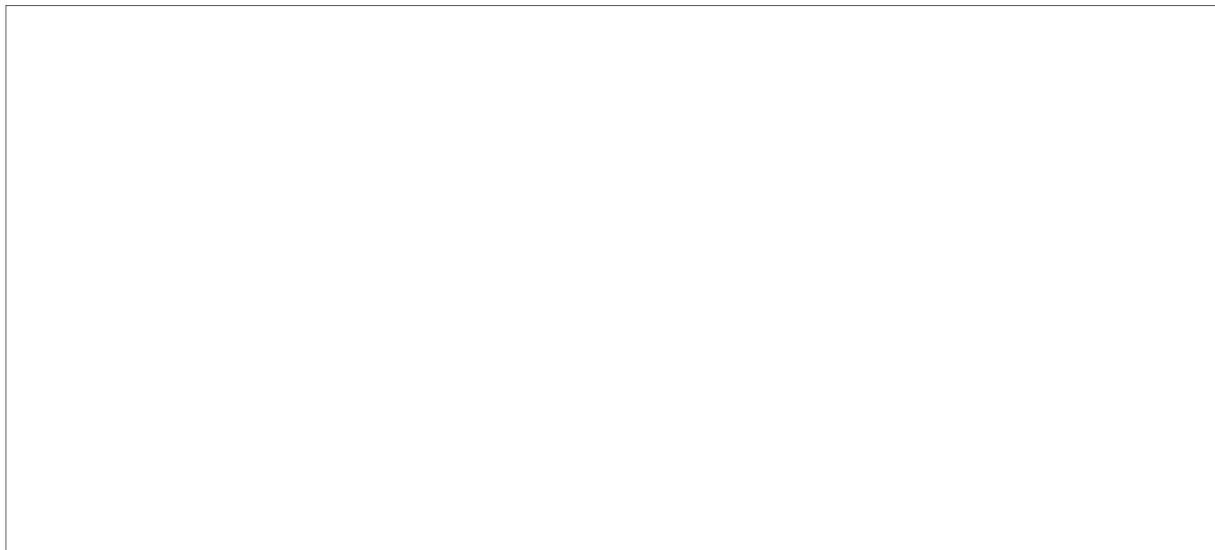
advertising the work of OIG to Agency employees via recently-developed posters and newsletter articles also will be productive.

**(U) SIGNIFICANT COMPLETED INVESTIGATIONS**

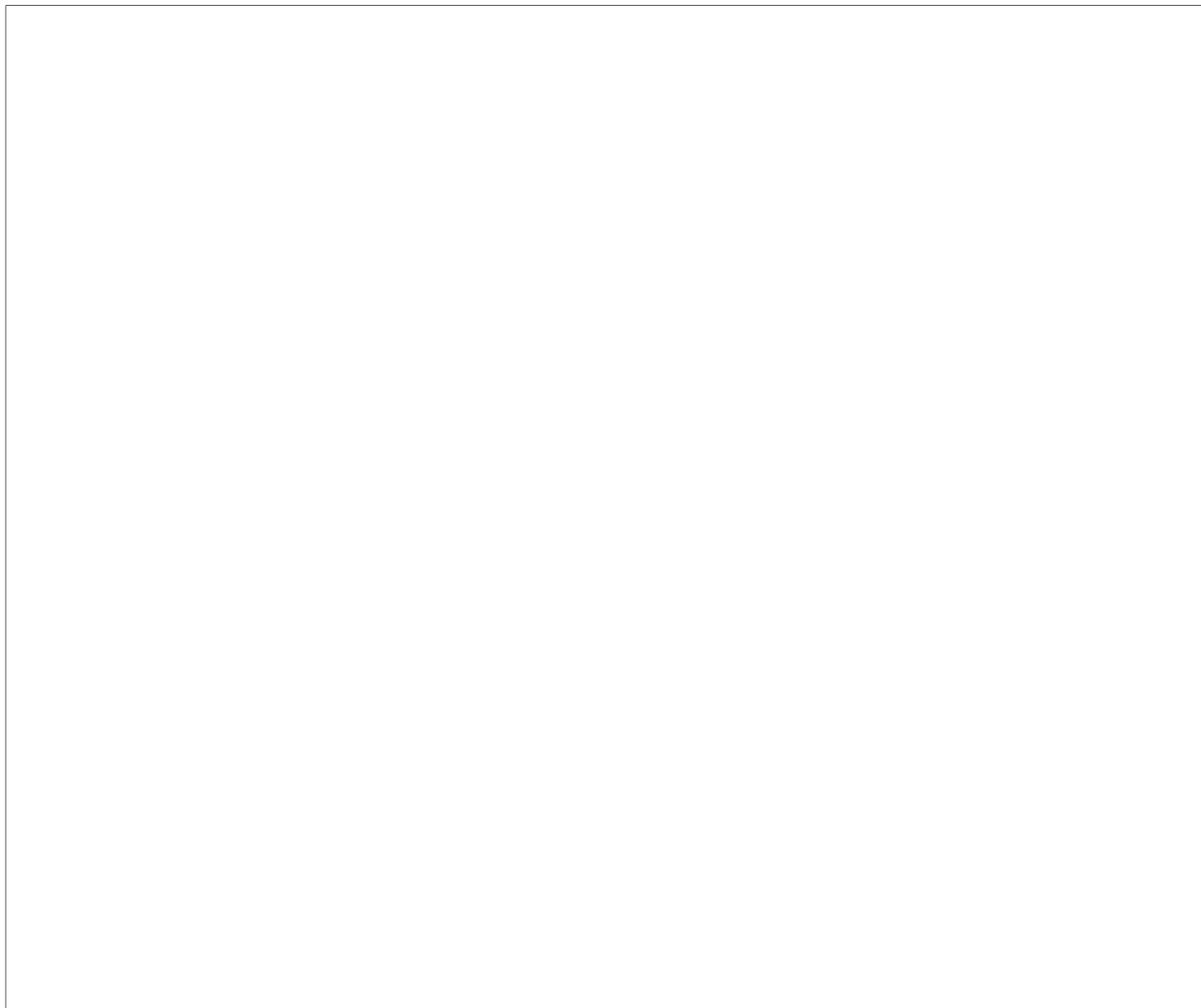








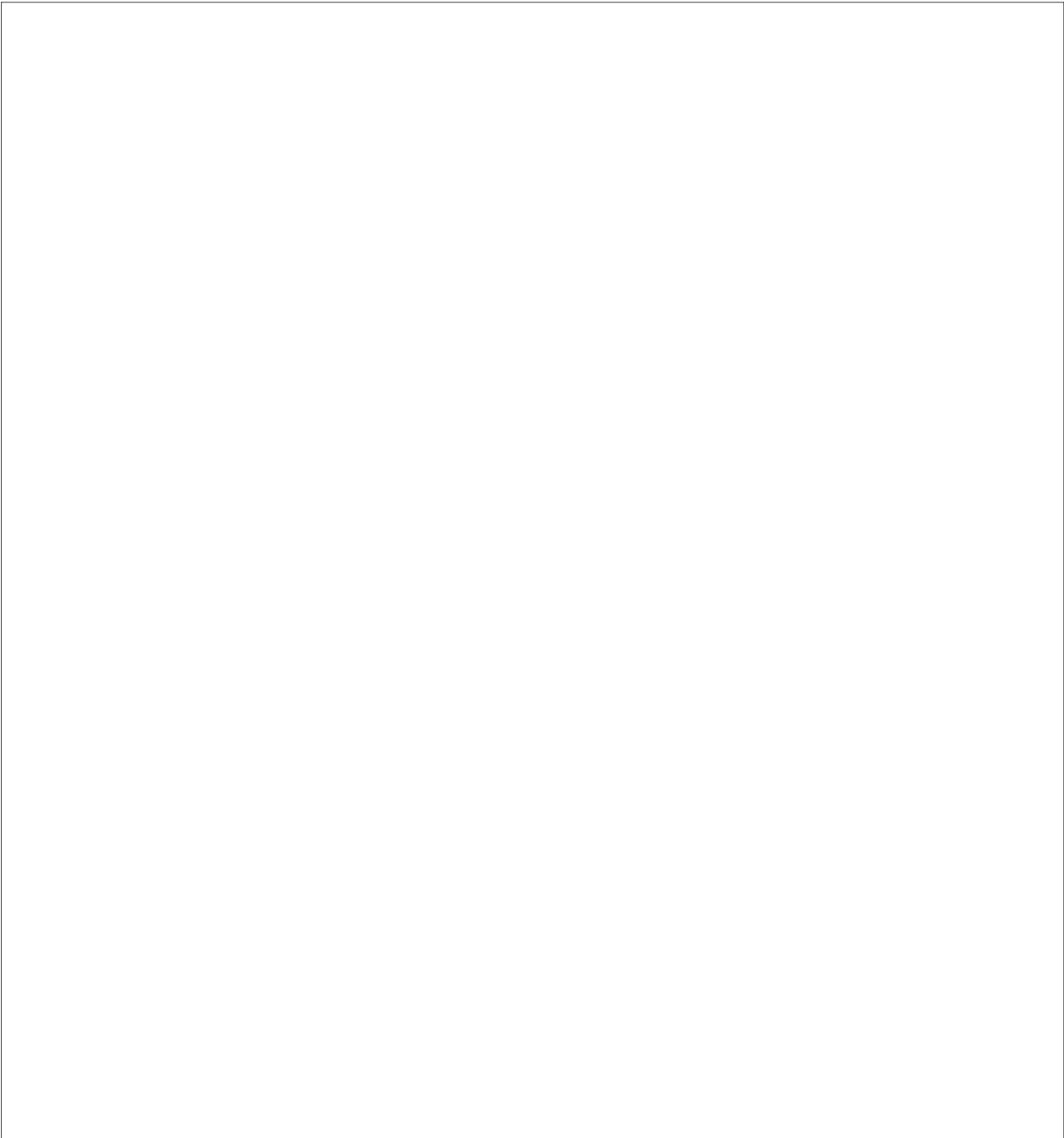
***(U) STATUS OF SIGNIFICANT RECOMMENDED ACTIONS OUTSTANDING  
FROM PREVIOUS SEMIANNUAL REPORTS***



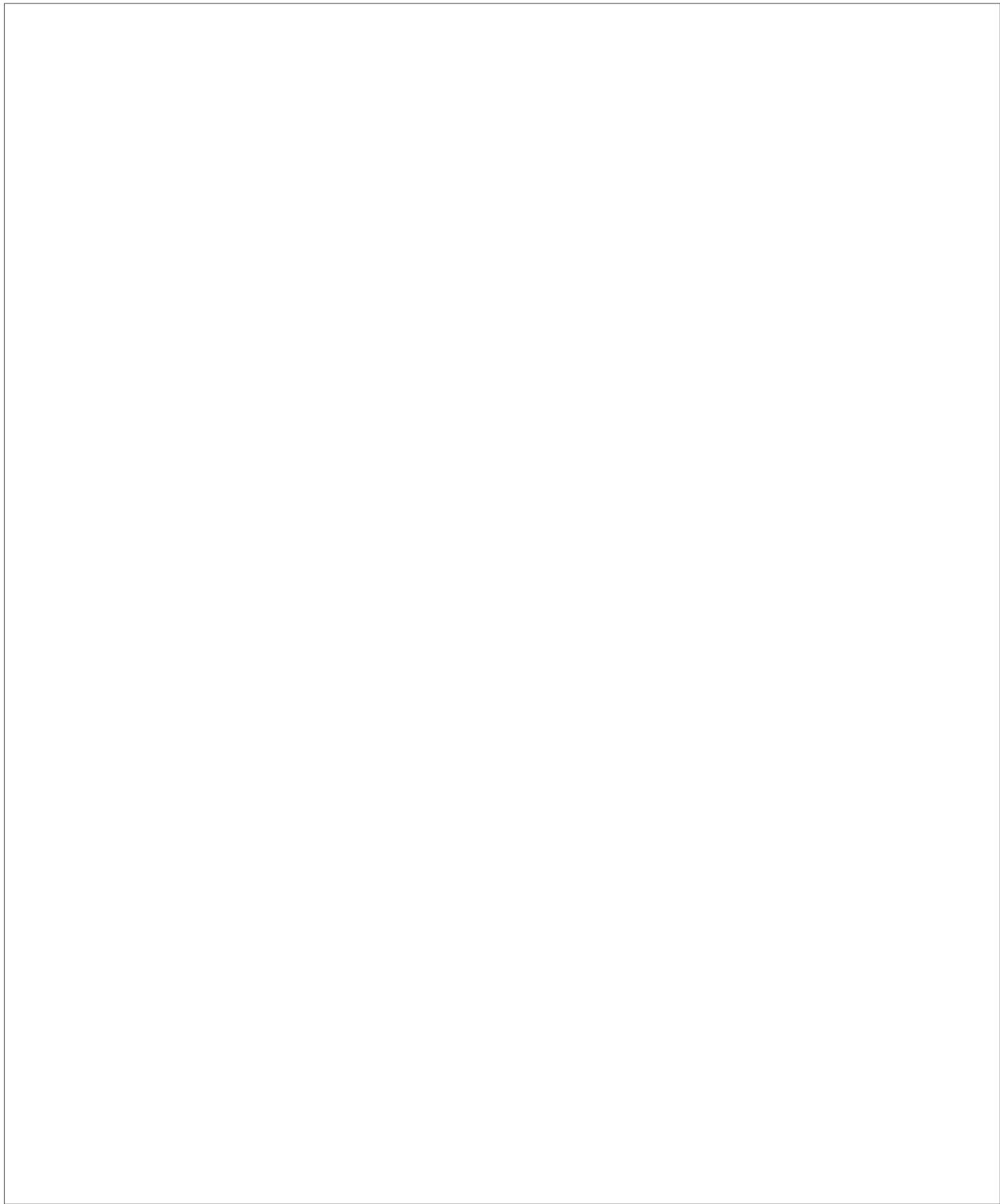




**(U) SUMMARIES OF SELECTED CURRENT INVESTIGATIONS**









## (U) SPECIAL REVIEWS

[redacted] Special reviews are undertaken by ad hoc teams under the leadership of a senior OIG officer to address issues of special concern identified by Congress, senior CIA leaders, or the Inspector General. During this period, the OIG initiated three special reviews which remain underway as follows:

- ◆ One team, led by the Deputy Inspector General, is conducting a special review of management practices associated with a program undertaken in the aftermath of 11 September pursuant to the counterterrorism covert action program.
- ◆ A second team, led by the Assistant Inspector General for Inspection, is conducting a special review to assess accountability issues resulting from the findings and recommendations of the Joint Commission Report on 9/11.
- ◆ A third team, led by the Deputy Assistant Inspector General for Inspection, is conducting a special review into the handling and use of information relative to the alleged attempt by Iraq to acquire yellowcake from the Republic of Niger.

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## (U) STATISTICAL OVERVIEW

### (U) Audit Staff

(U/[redacted]) During the period 1 January to 30 June 2003, the Audit Staff issued 14 reports and memoranda and made 29 recommendations to improve accounting and financial management, information systems security, supply management and program effectiveness, and general management.

[redacted] The Audit Staff had 17 audits and reviews ongoing at the end of the reporting period. Three of the financial management audits are a continuation of the OIG's efforts to prepare the Agency for the audit of the Agency's FY 2004 financial statements, while two ongoing covert action audits respond to the Congressional tasking accompanying the FY 2002 Intelligence Authorization Act. The remaining audits address topics such as information systems and security, financial accountability at field installations and joint programs, and Agency financial management.

### (U) Inspection Staff

(U/[redacted]) During the first six months of 2003, the Inspection Staff completed five inspections. The Staff also had five ongoing inspections at the end of the reporting period. Ongoing inspections are evaluating our Information Security program—the final chapter in our review of counterintelligence—the Central Eurasia Division/DO, the Cover Program, Target Analysis, and Global Support.

**(U) Investigations Staff**

(U/ ) The Investigations Staff completed work on 148 matters of various types during this reporting period. Of this number, 30 cases were of sufficient significance to be the subject of a final report—16 Reports of Investigation and 14 Disposition Memoranda.

(U/ ) During this period, OIG formally referred 13 matters to DoJ based upon a reasonable belief that violations of Federal criminal law may have been committed.

(U/ ) Recoveries on behalf of the US Government during this reporting period, as a result of the Investigations Staff's efforts, totaled \$285,650.

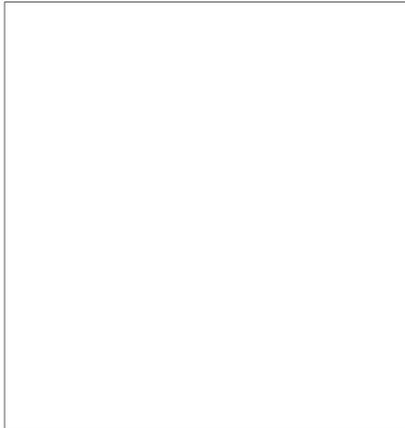
(U/ ) As of 30 June 2003, 79 matters were in various stages of review by the Investigations Staff.

**(U) COMPLETED AUDITS**

1 January – 30 June 2003

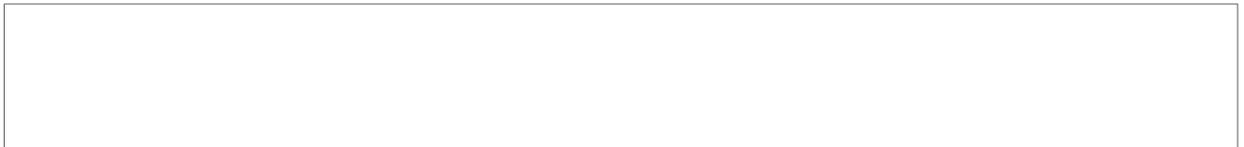
**(U) Financial Management**

(U) Fiscal Year 2002 Financial Statements of the Central Services Working Capital Fund



Financial Management Within the Europe Division

**(U) Operations**



(U) CIA Support to Agencies Responsible for the Enforcement of Export Licensing for Dual-Use Commodities and Munitions

(U) Assets and Reserves of the Agency's Insurance Proprietary Activity

Covert Action Activities Conducted by the DCI Crime and Narcotics Center



**(U) Personnel and Security**

(U) The Agency's Security Clearance Process

**(U) Procurement and Technology**

(U) Continuity and Contingency Planning for Critical Agency Information Systems

(U) Agency Information Systems Certification and Accreditation Process



# (U) CURRENT AUDITS

30 June 2003

## (U) Financial Management

(U) Payroll Expense Processing and Reporting

(U) Agency Controlled Bank Accounts

(U) Central Intelligence Agency Retirement and Disability System (CIARDS)

(U) Agency's Fund Balance With Treasury

(U) Environmental Liabilities, Other Liabilities, and Commitments and Contingencies

[redacted] Financial Management Review of the [redacted]

(U) FBIS - [redacted]

## (U) Operations

(U) Support Provided to a Sensitive Project [redacted]  
[redacted]

(U) Covert Action Program Conducted Under [redacted]  
[redacted]

(U) Covert Action Program Conducted Under the [redacted]  
[redacted]



**(U) Procurement and Technology**

(U) Directorate of Operations Operational Records System-



(U) Security of External Connections to the ADSN

(U) Commo 21 Program

(U) Independent Evaluation of the Central Intelligence Agency  
Information Security Program and Practices Required by the  
Federal Information Security Management Act



**(U) Other**

(U) External Peer Review – Intelligence and Security Oversight,  
Department of State Office of Inspector General



## (U) COMPLETED INSPECTIONS

1 January - 30 June 2003

- (U) The Agency's Counterintelligence and Counterespionage Programs
- (U) East Asia Division, Directorate of Operations
- (U) Africa Division, Directorate of Operations
- (U/ [redacted] Directorate of Operations
- (U) Office of Technical Service, Directorate of Science and Technology

## (U) CURRENT INSPECTIONS

30 June 2003

- (U) Global Support Mission Support Office
- (U/ [redacted] ) Cover
- (U/ [redacted] ) Target Analysis
- (U/ [redacted] ) Central Eurasia Division, Directorate of Operations
- (U/ [redacted] ) Information Security

## (U) COMPLETED INVESTIGATIONS

1 January - 30 June 2003

(U// [redacted]) Acceptance of Gratuities from Agency Contractors

[redacted]

[redacted] Alleged Failure to Exploit in a Timely Manner Terrorist-Related Information

[redacted]

(U// [redacted]) Alleged Time and Attendance Fraud

[redacted]

(U) Alleged Violation of Post-employment Restrictions

[redacted]

(U) Alleged Wasteful Contract Practices

[redacted]

(U) Contracting Violations

[redacted]

(U) Falsified Travel Orders

[redacted]

(U) Fraudulent Financial Accountings

[redacted]

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\* (U) These investigations resulted in a Disposition Memorandum rather than a Report of Investigation.



(U// Improper Pay Schedule Conversion



(U// Mischarging of Government Contract



(U// Mischarging of Labor Hours



(U) Potential Misuse of Position



(U) Potential Violations of an Agency Regulation Regarding Retaining and Reporting Gifts



(U) Procurement Fraud



(U) Theft/Misuse of Government Property



**(U) CURRENT INVESTIGATIONS**

As of 30 June 2003

<b>Category</b>	<b>Number of cases</b>
<b>Grievances</b>	
Compensation	1
<b>General Investigations</b>	
<b>Criminal and Prohibited Acts</b>	
Conflicts of Interest	5
Embezzlement	4
False Claims – Other	8
False Claims/Statements/Vouchers	3
False Claims - Time & Attendance	12
Management and Supervision – Administrative	1
Megaprojects	1
Misconduct – Employee	2
Misconduct – Management	1
Obstruction of Justice	1
Procurement Fraud	11
Retaliation	1
Regulatory Violations	5
Safety and Environment	1
Theft and Misuse of Government Property	9
Waste	1
Other - Administrative/Criminal	12
<b>Total Ongoing Cases</b>	<b>79</b>