

Central Intelligence Agency
Inspector General

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SEMIANNUAL REPORT
TO THE DIRECTOR, CENTRAL INTELLIGENCE AGENCY
JULY - DECEMBER 2005

APPROVED FOR RELEASE DATE:
25-Feb-2010

John L. Helgerson
Inspector General

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(U) ANNEX SECTION

(U) STATISTICAL OVERVIEW

(U) COMPLETED AUDITS

(U) CURRENT AUDITS

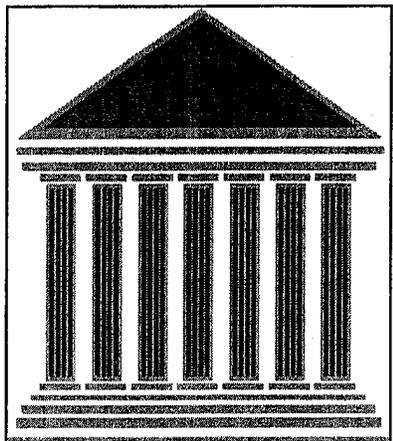
(U) COMPLETED INSPECTIONS

(U) CURRENT INSPECTIONS

(U) COMPLETED INVESTIGATIONS

(U) CURRENT INVESTIGATIONS

(U) A Message From the Inspector General



[] The work of the Office of Inspector General (OIG) during this reporting period continued to concentrate on Agency activities in Iraq and the war on terrorism. Ongoing Iraq investigations focus on the circumstances surrounding the movement, confinement, and in some cases, alleged mistreatment of detainees.

[] OIG also is investigating a number of incidents concerning the extraterritorial transfers of individuals and alleged abuse during detentions outside Iraq. As a result of an investigation of a case in Afghanistan, a former Agency contractor has been indicted on four felony charges of assault of a detainee, who died. The trial, which has been rescheduled for early 2006, will represent the first US prosecution of a civilian for abuses committed in Afghanistan. OIG continues to work closely with the Departments of Justice and Defense, as appropriate, and has briefed the intelligence oversight committees regularly on developments in these inquiries.

[] OIG is working with relevant Agency components to ensure implementation of recommendations stemming from several counterterrorism-related inquiries. In May 2004, OIG completed a special review of management practices associated with a [] covert action program [] Ten significant recommendations concerning review, revalidation, or

modification of the program resulted. Action has been completed on most of the recommendations, and Agency managers continue to work to complete action on the two outstanding recommendations.

[]
[]
A second recommendation has been satisfied with issuance of updated guidelines on medical care for detainees. One other recommendation remains outstanding. As a result of a separate investigation into the circumstances surrounding []

[] Two recommendations have been closed.

(U/[] As a result of investigations, an employee reimbursed the government \$8,800 for embezzlement of funds after the Department of Justice declined prosecution. Another employee reimbursed \$4,500 for receipt of duplicate funds for training. In a third case involving civil service annuity fraud investigated in conjunction with the Inspector General of the Office of Personnel Management, the government recovered \$107,958. In a fourth case, the government recovered \$45,045 for unauthorized cell phone use. In two other cases, a contractor reimbursed the government \$11,217 for hours mischarged by an employee and an independent contractor made reimbursement of \$10,724 for mischarged hours. The Investigations Staff is conducting a variety of other investigations, including possession of child pornography, unauthorized shipments of firearms, misappropriation of funds, fraud, and false statements and claims.

(U/[] Personnel recruitment for the Investigations Staff remains a priority, owing to Staff turnover and the continually expanding workload. Three experienced Agency officers have been hired as investigators, and employment offers have been extended to six other individuals with Federal law enforcement experience.

(U/[] As reported in the previous Semiannual Report, in late June the OIG completed a special review of accountability issues identified in the findings and recommendations of the Congressional Joint Inquiry

Report on 9/11. While that review found that Agency officers worked hard against the al-Qa'ida target, it concluded that, with respect to certain matters, the Agency and its officers did not discharge their responsibilities in a satisfactory manner. It recommended that the Director, CIA establish an Accountability Board to review the performance of some individuals in regard to these failures. In September, the IG briefed the report's findings to the Senate Select Committee on Intelligence, the House Permanent Select Committee on Intelligence, and the House Minority Leader.

(U/ [redacted] In October, the Director, CIA announced that he would not convene an Accountability Board as the IG had recommended. The Director expressed appreciation for OIG's work, crediting in particular, its assessment of pre-9/11 systemic problems within the Agency. Agency Information Review Officers are currently reviewing the report in response to several Freedom of Information Act requests.

[redacted] During this reporting cycle, the Inspection Staff completed inspections of three components and four issues. The Staff issued reports on Europe Division in the National Clandestine Service; the Office of Asian Pacific, Latin American, and African Analysis in the Directorate of Intelligence (DI); and CIA University. It also completed inspections on Research and Development in the Agency, Leadership Analysis in the DI, and the DI's Senior Analytic Service, as well as a "Review of CIA's Pre-9/11 Reporting on the Relationship Between Saddam's Regime and al-Qa'ida," which Congress had requested. In the latter case, the review found that relevant CIA reporting in the decade before 9/11 was limited to 66 reports and generally involved isolated occurrences that do not establish patterns suggesting an organized or centrally managed relationship.

(U/ [redacted] The Inspection Staff continued its outreach program to inspection and evaluation staffs in other agencies. Inspectors from the Defense Intelligence Agency and the Department of Defense completed the Staff's New Inspector Training Course in August. In addition, the Inspection Staff has met several times with the Office of the Director of National Intelligence IG to discuss inspection practices and procedures.

[REDACTED] The Audit Staff completed the first audit that is a part of an initiative started during the last reporting period to provide more oversight on the effectiveness of project management throughout the Agency. The audit evaluated Facilities Support's project management practices at the [REDACTED]

(U) The Staff completed its second annual audit of the CIA's financial statements (for fiscal year 2005). The Staff is currently performing audits of four covert action programs. In the information technology area, the Staff completed an audit of the Agency's management of laptop computers, and is performing a review of information security at field stations.

[REDACTED]
John L. Heigerson
17 January 2006

(U) STATUTORY REQUIREMENTS

(U) 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 Director, CIA, 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/[] 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/[REDACTED]) The Audit Staff conducts performance and financial statement audits of Agency programs and activities, and participates with other agencies in joint reviews of Intelligence Community (IC) programs and activities. During this period, the Audit Staff completed 11 audits of Agency facilities management, financial management, information technology, field stations, and other CIA activities.

[REDACTED] The Audit Staff completed the first audit that is a part of an initiative started during the last reporting period to provide more oversight of the effectiveness of project management throughout the Agency. The audit evaluated Facilities Support's project management practices at [REDACTED]. While Facilities Support's management requested the audit, the Staff is proactively performing and planning additional audits that focus on project management.

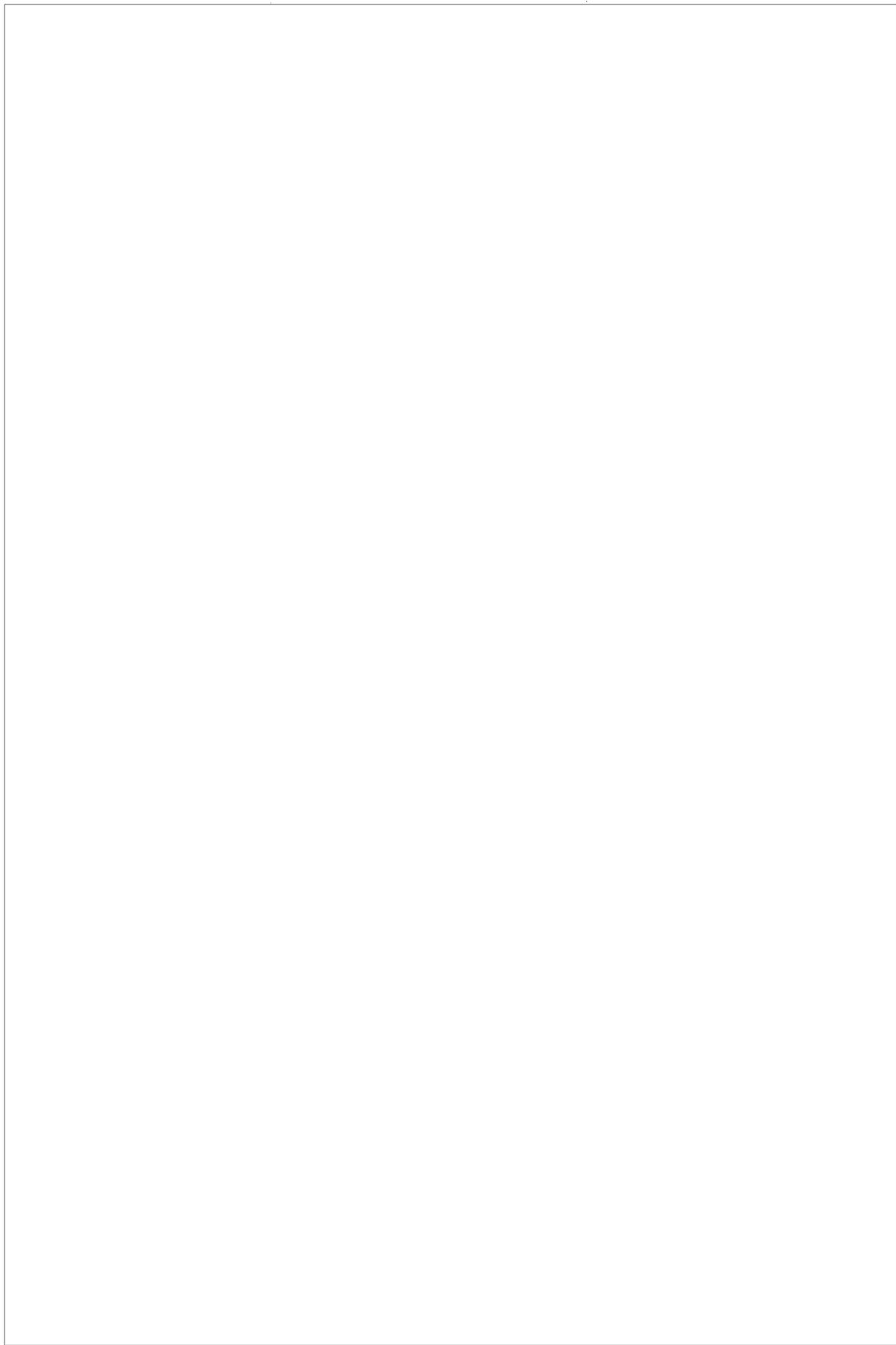
(U) The Staff completed work on the statutory audit of the CIA's financial statements for fiscal year (FY) 2005. The Staff completed the second audit of this annual requirement on schedule in November 2005. The report contains 18 recommendations, and it encompasses the status of management's progress on recommendations from the FY 2004 audit.

(U) The Audit Staff also continues to pursue its program, as requested by Congress, to audit each covert action program (or an aspect of each program) at least every third year. The Staff is currently performing audits of four covert action programs. In the information technology area, the Staff completed an audit of the Agency's management of laptop computers and is performing a review of information security at field stations.

(U) SIGNIFICANT COMPLETED AUDITS



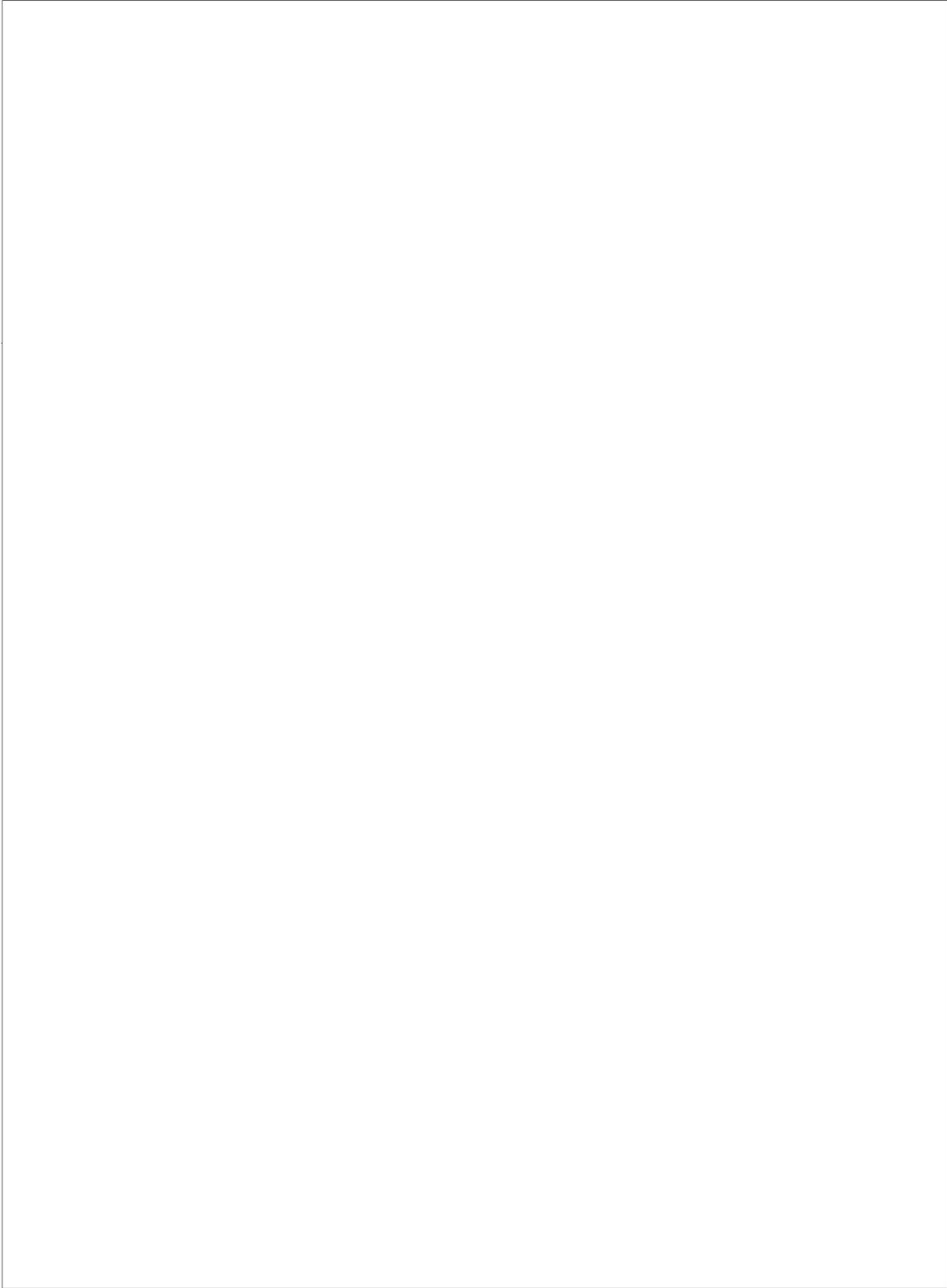










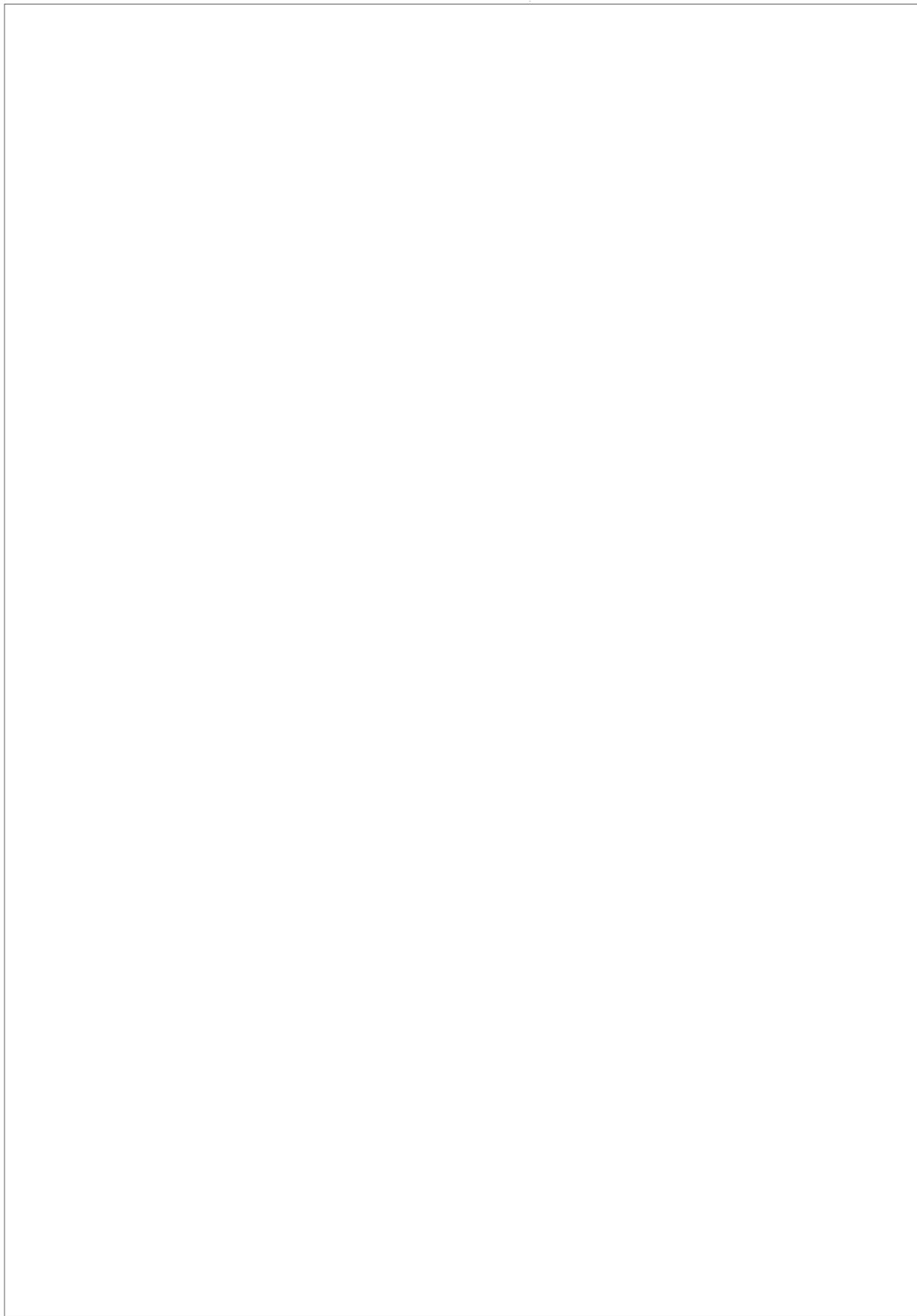


**(U) STATUS OF SIGNIFICANT RECOMMENDED ACTIONS OUTSTANDING
FROM PREVIOUS SEMIANNUAL REPORTS**

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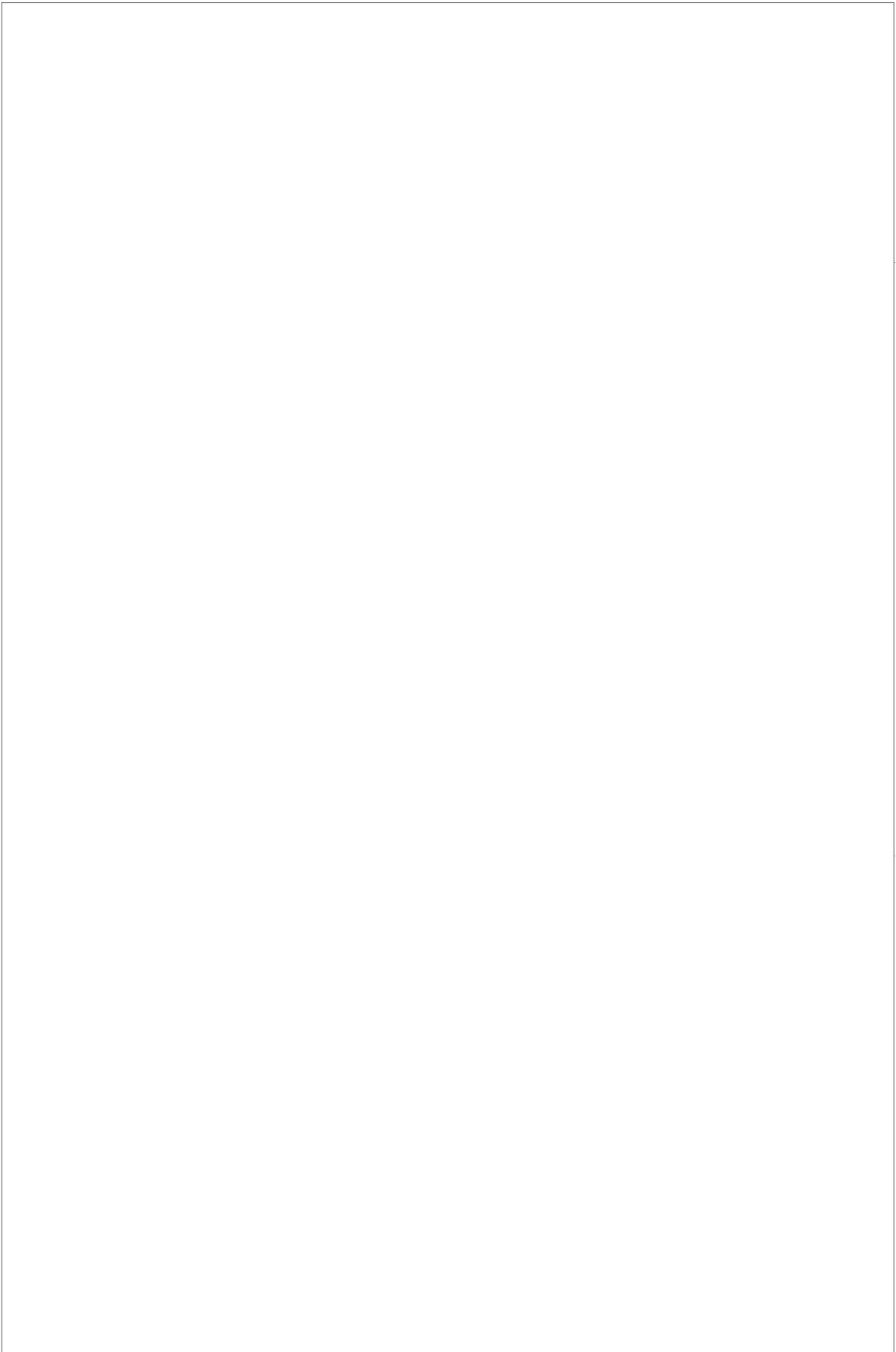


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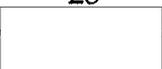
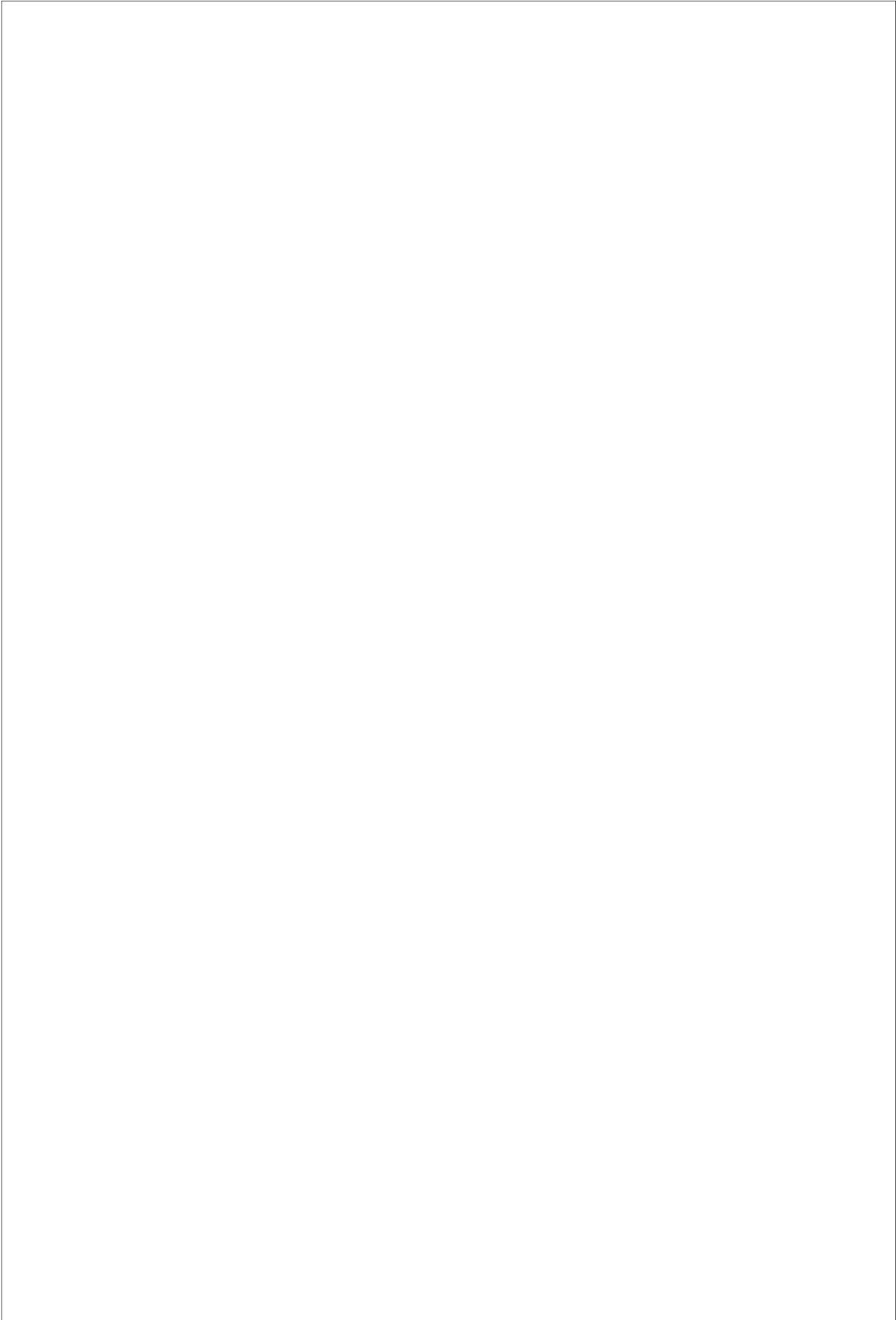














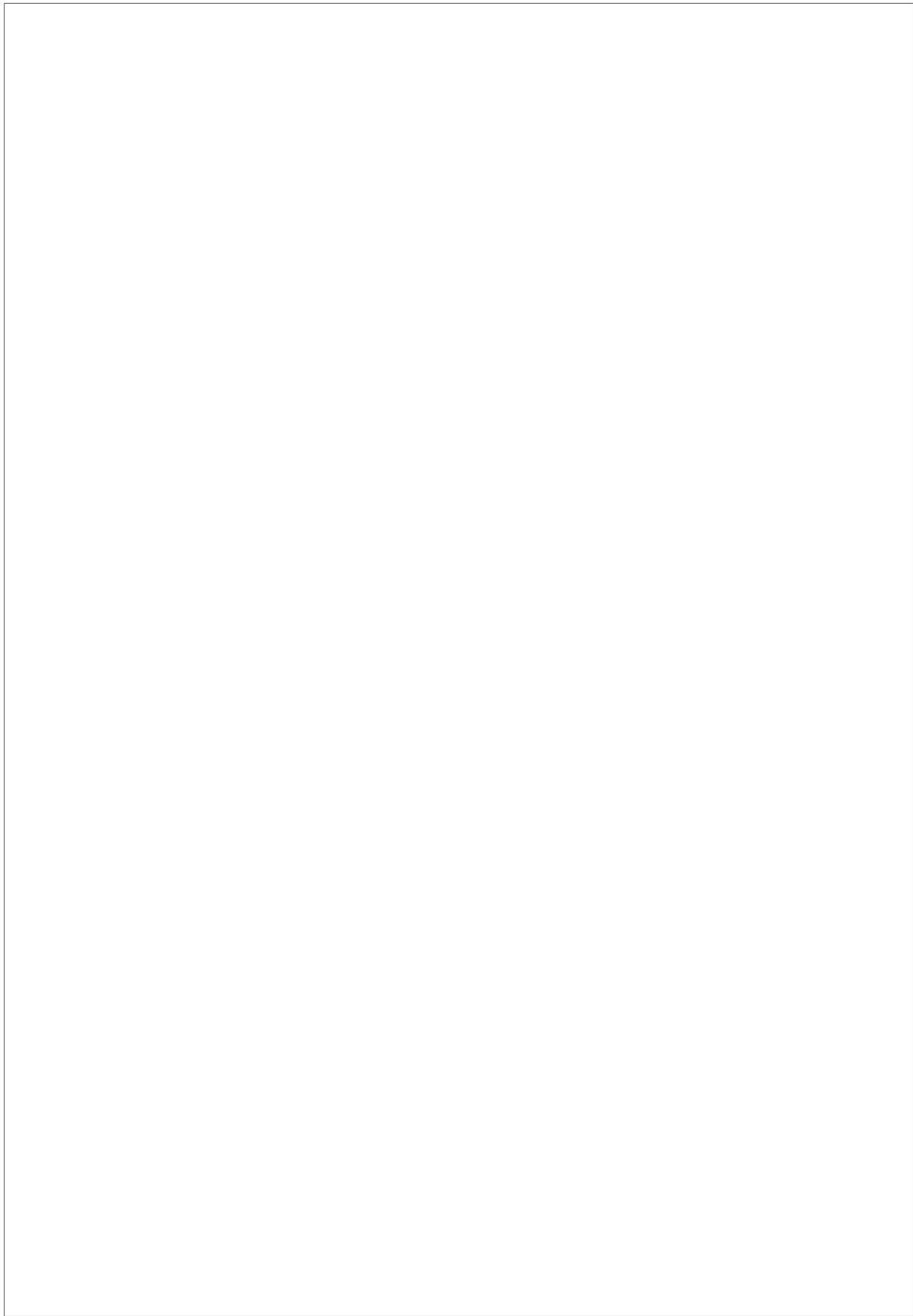


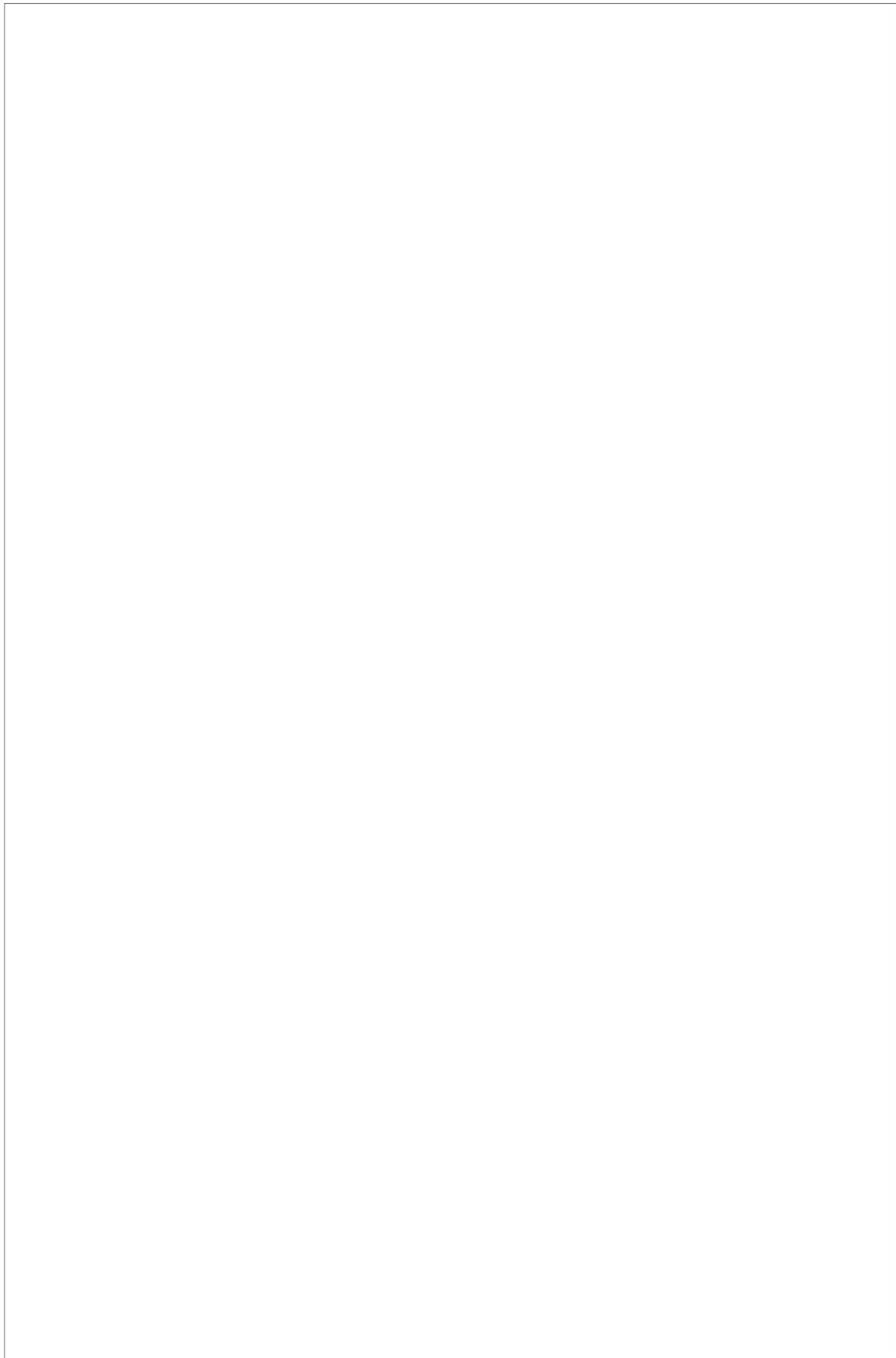


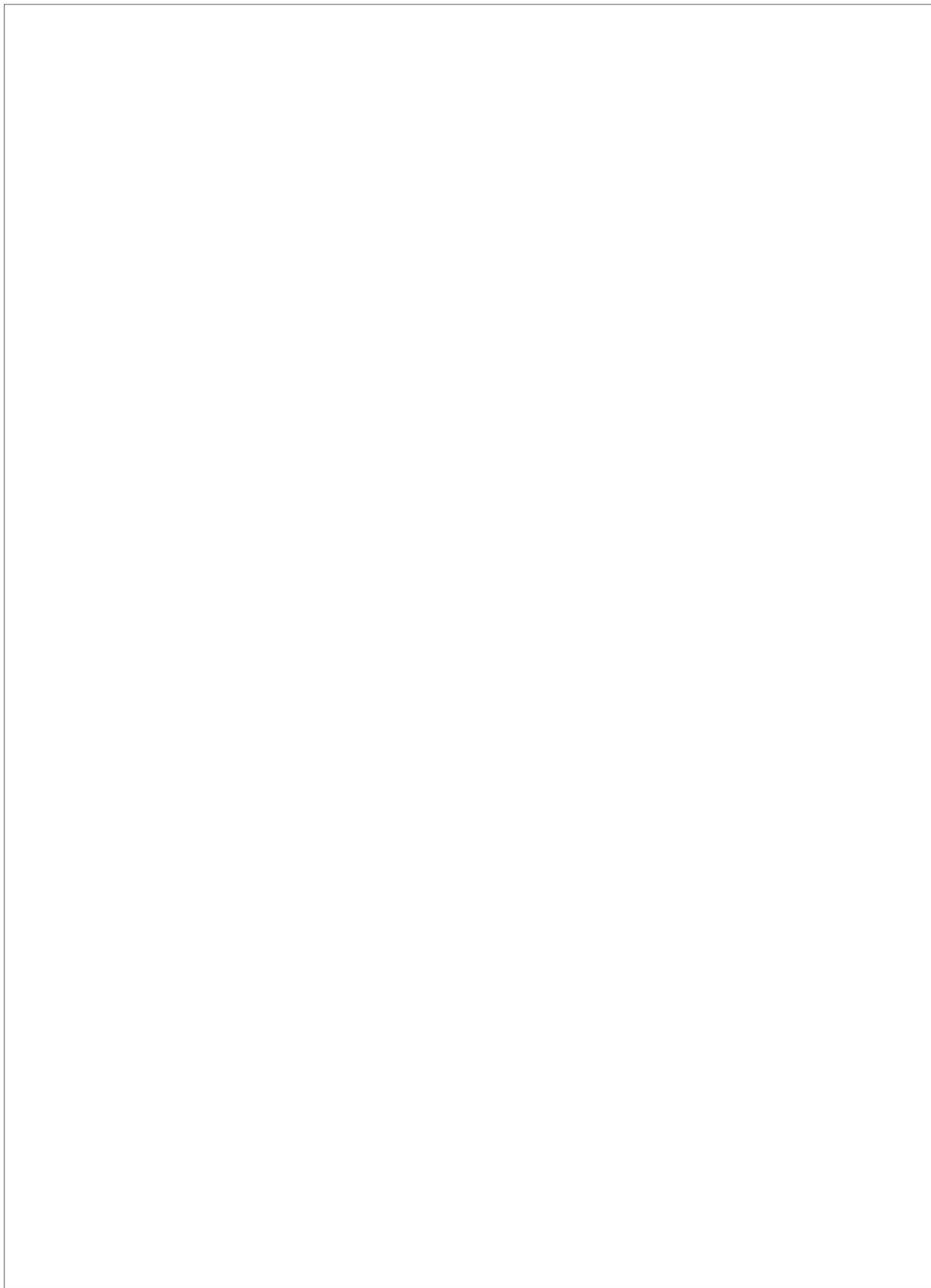


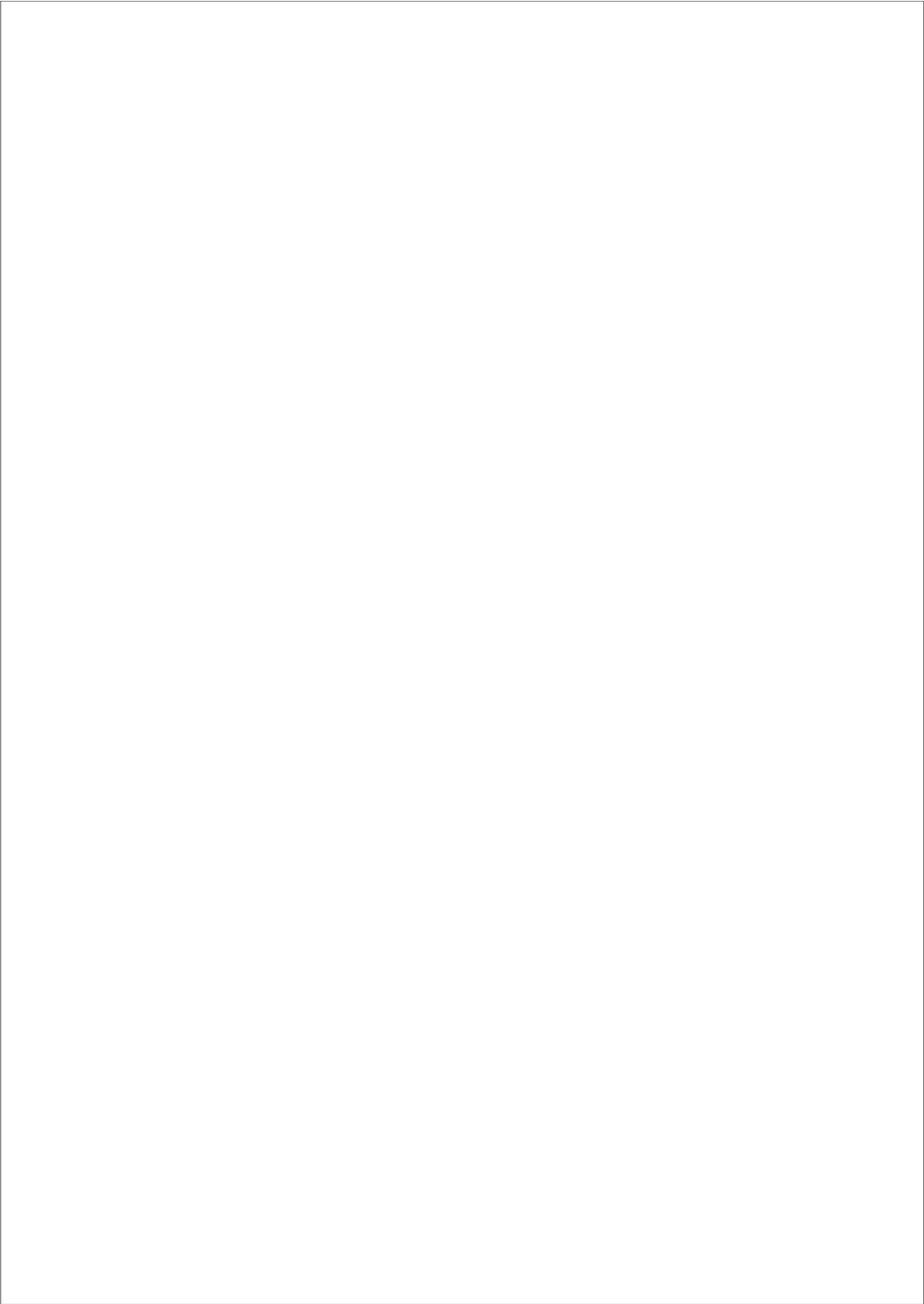












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(U) SUMMARIES OF SELECTED CURRENT AUDITS



(U) INSPECTIONS

(U) INSPECTION STAFF OVERVIEW

(U/ []) The Inspection (INS) 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.

(U/ []) During the current reporting period, the Staff completed inspections of the Office of Asian Pacific, Latin American, and African Analysis (APLAA) in the Directorate of Intelligence (DI); CIA University (CIAU); Europe (EUR) Division in the Directorate of Operations (DO);⁴ Research and Development (R&D) in the CIA; Leadership Analysis in the DI (a follow-up to the Staff's inspection of that issue in 2001); the DI's Senior Analytic Service; and a *Review of CIA's Pre-9/11 Reporting on the Relationship Between Saddam's Regime and al-Qa'ida*, which was mandated by Congress. In addition, the Staff continued its inspection on Agency Performance on North Korea and began inspections of the CounterTerrorism Center (CTC) in the National Clandestine Service (NCS), the DI's Office of Near East and South Asian Analysis, Information Management Services in the Directorate of Support (DS), and Agency Performance on Russia.

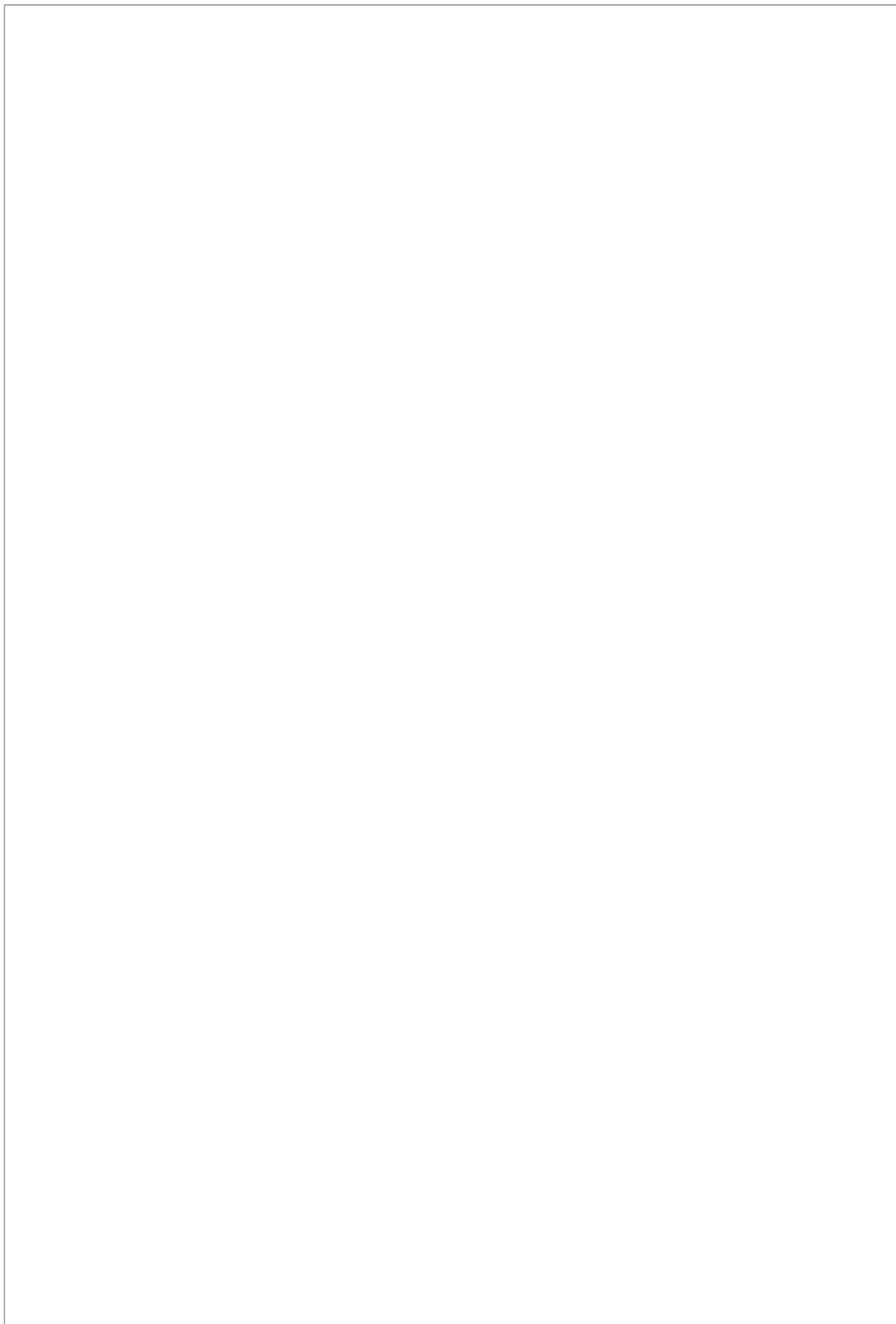
(U/ []) The Inspection Staff continues to conduct a two-week course for new inspectors and a seminar for team leaders before the start of each inspection cycle. The Staff also provides instructional seminars for OIG inspectors and research assistants during the course of each cycle, instituted in response to the increasing sophistication of the Staff's methodology.

⁴ (U) While the titles of CIA's directorates and directorate heads recently changed, this section of the report uses the titles in effect at the time that the inspections took place.

(U) [redacted] In addition, the Inspection Staff continues to utilize an independent contractor to track, monitor, and pursue compliance with recommendations. The Staff has closed five inspections—Global Support; [redacted] the Office of Transnational Issues in the DI; Director of Central Intelligence (DCI) Center for Weapons Intelligence, Nonproliferation, and Arms Control (WINPAC); and Latin America (LA) Division in the DO — that were open as of 1 July 2005. INS closed the Global Support inspection because the period covered by five semiannual reports has elapsed and several recommendations—none of which are significant—remain unsatisfied.

(U) SIGNIFICANT COMPLETED INSPECTIONS



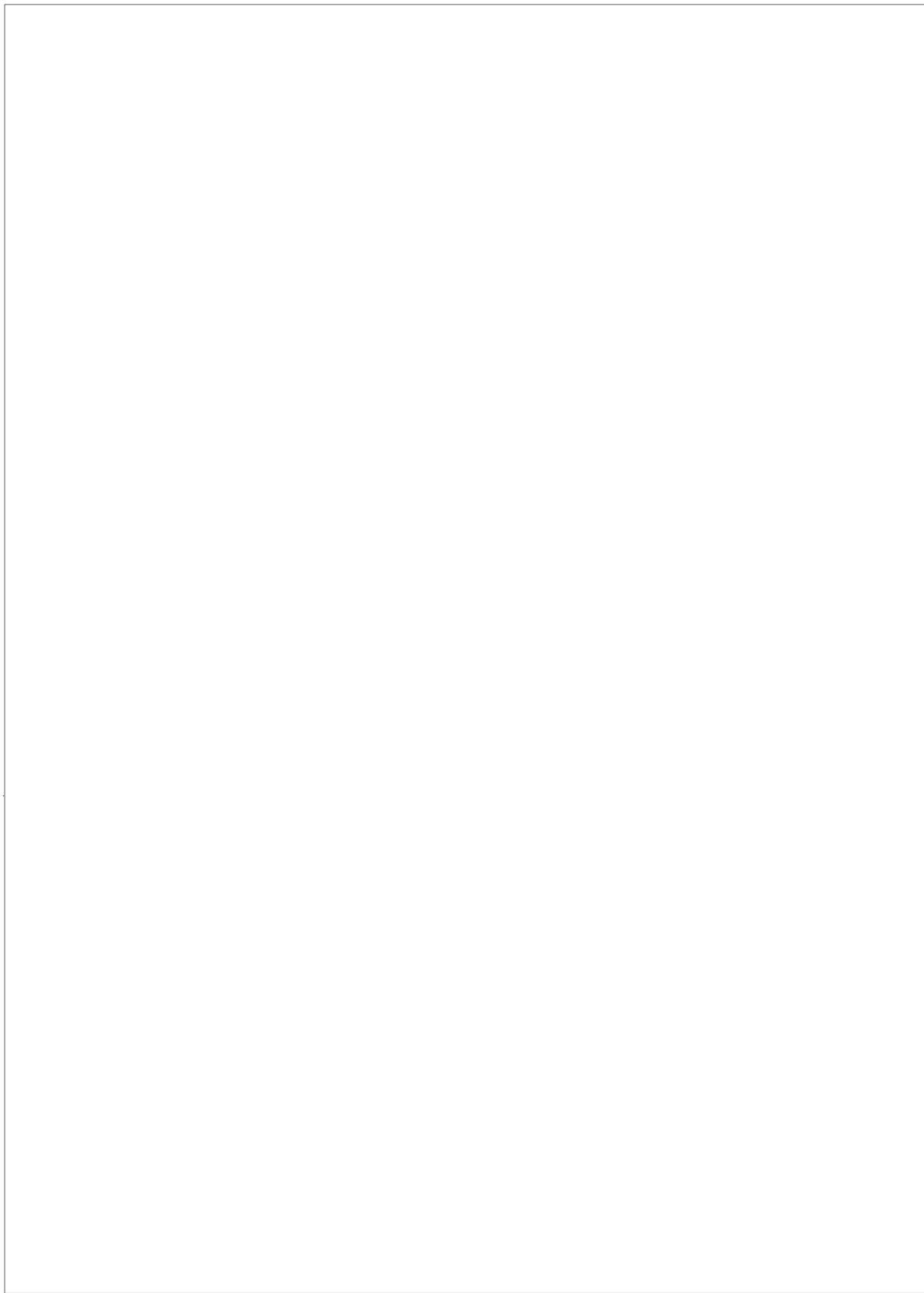


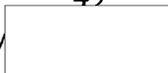


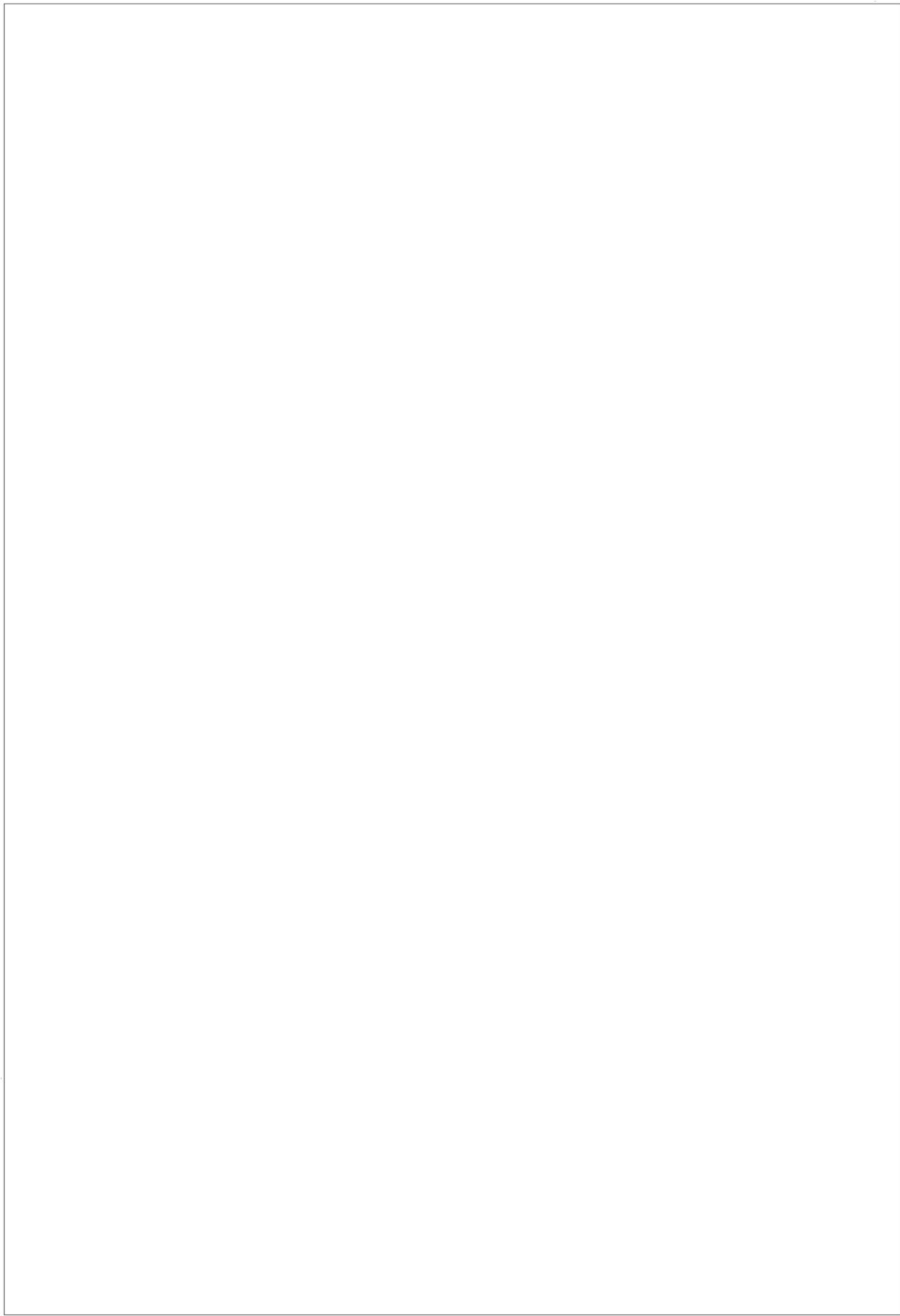










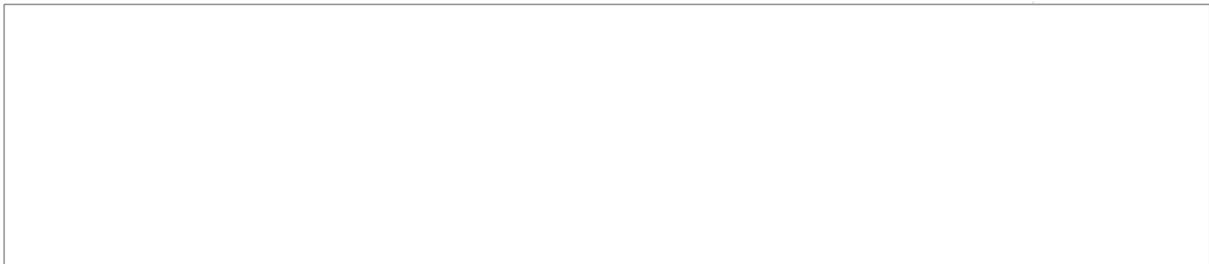




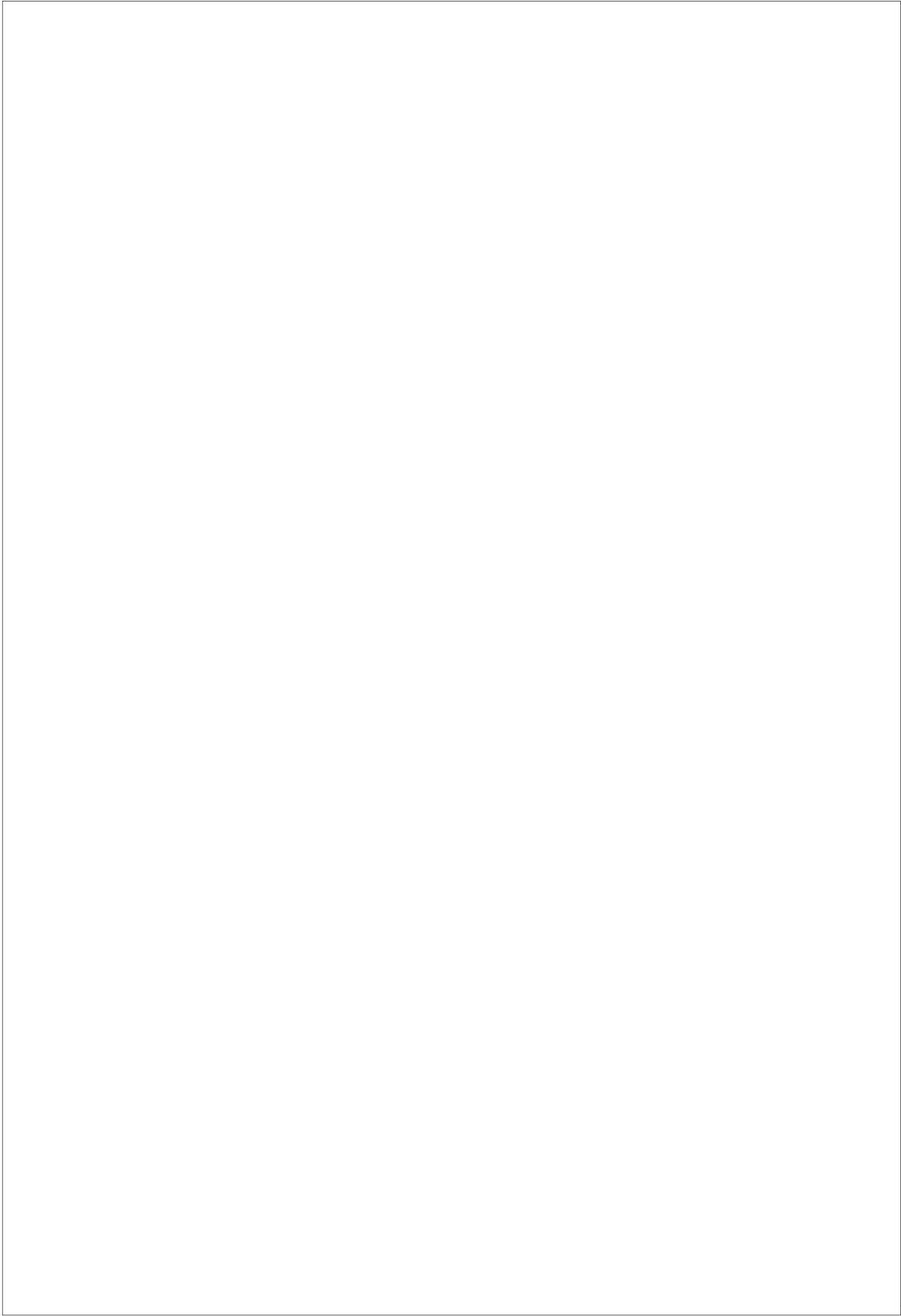




***(U) STATUS OF SIGNIFICANT RECOMMENDED ACTIONS OUTSTANDING
FROM PREVIOUS SEMIANNUAL REPORTS***

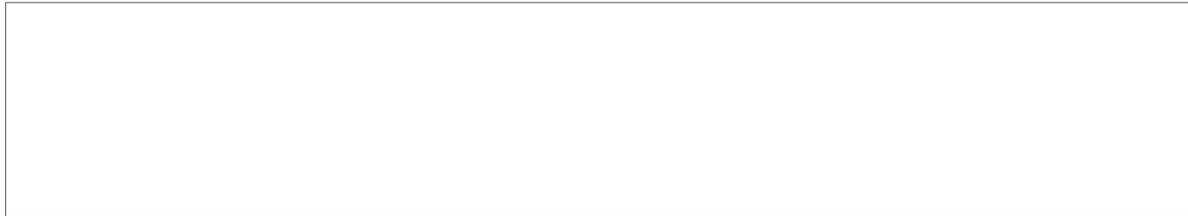


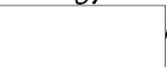






(U) SUMMARIES OF CURRENT INSPECTIONS





(U) INVESTIGATIONS

(U) INVESTIGATIONS STAFF OVERVIEW

(U/[REDACTED]) The Investigations 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 Staff oversees the Agency's grievance system and conducts proactive initiatives aimed at detecting and preventing fraud, waste, and abuse.

[REDACTED] A majority of the Staff's personnel continue to be devoted to resource-intensive investigations concerning detention and interrogation activities in Iraq, Afghanistan, and elsewhere. These investigations focus on the circumstances surrounding the detention, movement, confinement, and alleged abuse of detainees.

Two investigations completed in this period concerned the

[REDACTED] Other ongoing investigations are being conducted in conjunction with the Departments of Defense and Justice, as appropriate. The trial of a former Agency contractor indicted on four felony counts of assault of a detainee, who died, has been rescheduled for early 2006. This matter is the first US prosecution of a civilian for abuses committed in Afghanistan. The Inspector General regularly informed the Congressional oversight committees of progress in these investigations.

(U/[REDACTED]) The Staff conducted a range of other investigations, including allegations of fraud by employees and contractors, possession of child pornography, misuse of a government intelligence collection system, unauthorized shipments of firearms, misappropriation of funds, and false statements and claims. Judicial proceedings are under way in several cases. The

Staff, additionally, tracks the progress by Agency components in fulfilling outstanding recommendations from completed investigations.

(U/[] As a result of Staff investigations, one employee reimbursed the government \$8,800 for embezzlement of funds after the Department of Justice (DoJ) declined prosecution. Another employee reimbursed \$4,500 for receipt of duplicate funds for academic training. In a third case involving civil service annuity fraud investigated in conjunction with the Office of Personnel Management (OPM) OIG, the government recovered \$107,958. In a fourth case, the government recovered \$45,045 for unauthorized cell phone calls. In two other cases, a contractor reimbursed the government \$11,217 for hours mischarged by an employee and an independent contractor made reimbursement of \$10,724 for mischarged hours.

(U/[] As the Staff's workload continues to expand, it has hired three experienced Agency officers as investigators and has issued conditional offers of employment to six other individuals with Federal law enforcement experience. Staff recruitment remains a priority. Advancing the information technology arena remains an equally critical priority for the Staff, as it seeks to identify and deploy software to manage its workflow and organize and search the voluminous records received in investigations. Outreach efforts—in the form of regularly scheduled lectures at CIA and Intelligence Community courses and liaison with other Federal Assistant Inspectors General for Investigation—continued to reap positive benefits.

(U/[] The Staff continues to oversee the Agency-wide grievance system, which seeks to resolve grievances at the lowest possible level in the organization. In addition to sponsoring a yearly grievance counselor workshop for component and directorate grievance officers, the Staff hosts quarterly meetings of grievance officers to share issues of common interest, and it conducts mandatory training for all new grievance officers. This training,

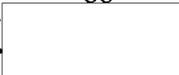
together with the emphasis on resolution at the lowest possible level, continues to contribute to effective and timely grievance resolution.

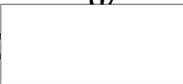
(U) SIGNIFICANT COMPLETED INVESTIGATIONS









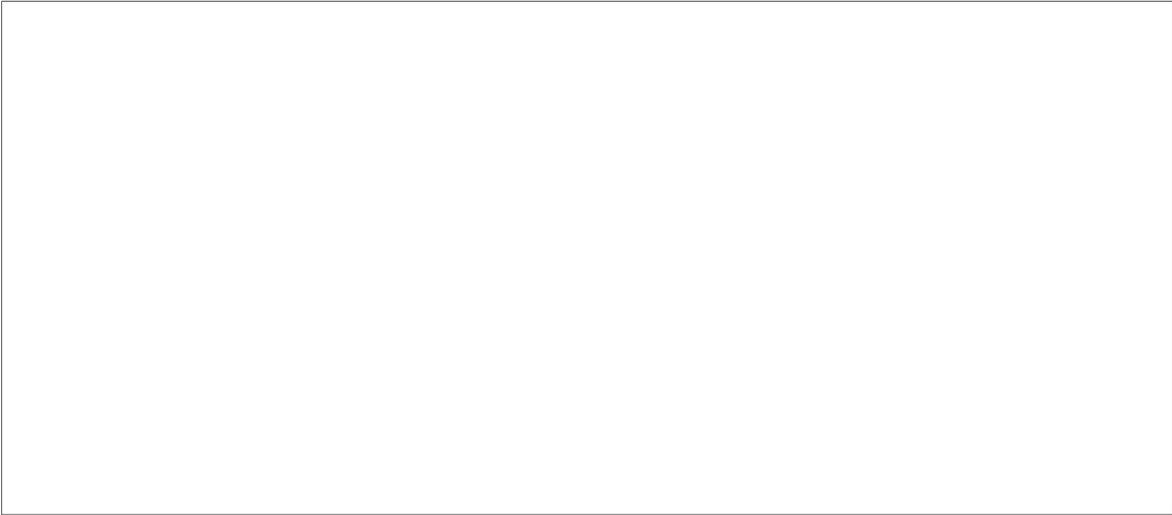


(U) SPECIAL REVIEWS

(U/[]) Special reviews are undertaken by ad hoc teams under the leadership of a senior OIG officer to address issues of special concern identified by the Congress, senior CIA leaders, or the Inspector General.

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





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(U) STATISTICAL OVERVIEW

(U) Audit Staff

(U/ []) During the period 1 July to 31 December 2005, the Audit Staff issued 11 reports and made 48 recommendations to improve accounting and financial management, facilities management, and general management.

(U) The Audit Staff had 18 audits and reviews ongoing at the end of the reporting period.

(U) Inspection Staff

(U) During the last six months of 2005, the Inspection Staff completed seven inspections. At the end of the reporting period, the Staff also had five ongoing inspections. In addition, the Staff closed five inspections.

(U) Investigations Staff

(U/ []) The Investigations Staff completed work on 139 matters of various types during this reporting period. Of this number, 21 cases were of sufficient significance to be the subject of a final report—7 Reports of Investigation and 14 Disposition Memoranda.

(U/ []) During this period, the IG formally referred 10 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 \$188,343.

(U) As of 31 December 2005, 153 matters were in various stages of review by the Investigations Staff.

(U) Special Reviews

(U) During the period, the office closed two special reviews.

(U) COMPLETED AUDITS
1 July - 31 December 2005

(U) Financial Management

(U) Central Intelligence Agency Fiscal Year 2005 Financial Statements

(U) Information Technology

(U) CIA Management of Laptop Computers

(U) Procurement

[redacted] Facilities Support Project Management Practices at the
[redacted]

(U) Field Activities

[redacted]

(U) COMPLETED INSPECTIONS**1 July – 31 December 2005**

- (U) Office of Asian Pacific, Latin American, and African Analysis
- (U) CIA University
- (U) Europe Division
- (U) Research and Development in the CIA
- (U) Leadership Analysis Follow-Up
- (U) The DI's Senior Analytic Service
- (U) Review of CIA's Pre-9/11 Reporting on the Relationship
Between Saddam's Regime and al-Qa'ida

(U) CURRENT INSPECTIONS**31 December 2005**

- (U) Agency Performance on North Korea
- (U) CounterTerrorism Center
- (U) Office of Near East and South Asian Analysis
- (U) Information Management Services
- (U) Agency Performance on Russia

(U) COMPLETED INVESTIGATIONS

1 July – 31 December 2005

(U) Conversion of Government Funds

[Redacted]

(U) Alleged Contract Improprieties

[Redacted]

(U) Potential False Claims – False Statements

[Redacted]

[Redacted]

(U) Fraudulent Reimbursement for Academic Training

[Redacted]

(U) Possible Conflict of Interest

[Redacted]

(U) Alleged Fraud Concerning Separate Maintenance Allowance

[Redacted]

(U) Alleged Conflict of Interest – Contract Improprieties

[Redacted]

(U) Allegations of Time and Attendance (T&A) Abuse

[Redacted]

[Redacted]

[Redacted]

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

(U) Board Appeal – FERS Special

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(U) Agency Internet Personal Use for Adult Pornography

[]

(U) Counterfeit Goods

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(U// [] Embezzlement of Government Funds and False Statements

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(U) Alleged Contract Improprieties

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[] Alleged Abuse of Iraqi Prisoners

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(U) Alleged Medical Leave Bank Abuse

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(U) Potential False Claims and False Statements

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(U) Theft of Government Funds

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(U// [] Misuse of a Government Intelligence Collection System

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(U// [] T&A Abuse by [] Contractor

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(U) CURRENT INVESTIGATIONS

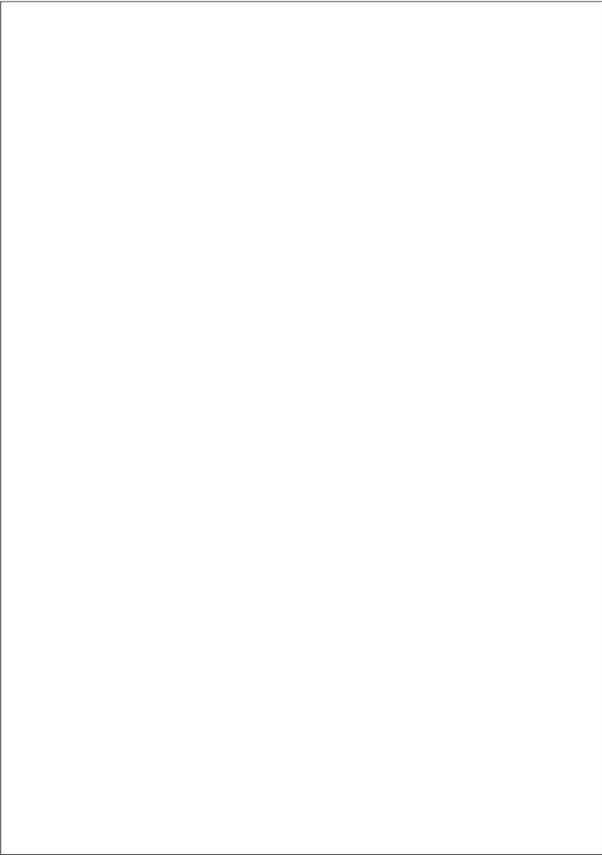
As of 31 December 2005

| Category | Number of cases |
|-------------------------------------|------------------------|
| Grievances | |
| Assignment | 2 |
| Promotion | 1 |
| Other – Grievance | 5 |
| Board Appeals | 2 |
| General Investigations | |
| Criminal and Prohibited Acts | |
| Conflicts of Interest | 8 |
| Embezzlement | 4 |
| False Claims – Other | 10 |
| False Claims/Statements/Vouchers | 8 |
| False Claims - Time & Attendance | 13 |
| False Claims – Visa/Passports | 1 |
| Firearms | 3 |
| Megaprojects | 5 |
| Misconduct – Employee | 6 |
| Misconduct – Management | 6 |
| Obstruction of Justice | 2 |
| Procurement Fraud | 16 |
| Theft/Misuse of Government Property | 4 |
| Waste | 2 |
| Other - Administrative/Criminal | 38 |
| Unsubstantiated Allegations | 17 |
| Total Ongoing Cases | 153 |

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