

~~SECRET~~ [redacted] [redacted]

(b)(1)  
(b)(2)  
(b)(3)  
(b)(5)  
(b)(6)

*Central Intelligence Agency*  
*Inspector General*



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

**JULY - DECEMBER 2000**

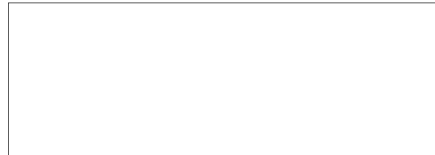
*L. Britt Snider*  
*Inspector General*

APPROVED FOR RELEASE   
DATE: 25-Feb-2010

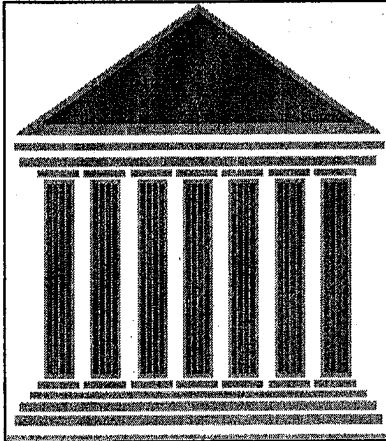
~~SECRET~~ [redacted]

# (U) TABLE OF CONTENTS

	PAGE
(U) A MESSAGE FROM THE INSPECTOR GENERAL .....	1
(U) STATUTORY REQUIREMENTS .....	11
(U) AUDITS .....	15
<i>SIGNIFICANT COMPLETED AUDITS AND OTHER REVIEWS</i> .....	16
<i>STATUS OF SIGNIFICANT RECOMMENDED ACTIONS</i>	
<i>OUTSTANDING FROM PREVIOUS SEMIANNUAL REPORTS</i> .....	27
<i>SUMMARIES OF SELECTED CURRENT AUDITS AND SPECIAL</i>	
<i>REVIEWS</i> .....	33
(U) INSPECTIONS .....	37
<i>SIGNIFICANT COMPLETED INSPECTIONS AND OTHER REVIEWS</i> .....	38
<i>STATUS OF SIGNIFICANT RECOMMENDED ACTIONS</i>	
<i>OUTSTANDING FROM PREVIOUS SEMIANNUAL REPORTS</i> .....	51
(U) INVESTIGATIONS .....	55
<i>SIGNIFICANT COMPLETED INVESTIGATIONS AND OTHER</i>	
<i>REVIEWS</i> .....	56
<i>STATUS OF SIGNIFICANT RECOMMENDED ACTIONS FROM</i>	
<i>PREVIOUS SEMIANNUAL REPORTS</i> .....	61
<i>SUMMARIES OF SELECTED CURRENT INVESTIGATIONS</i> .....	65
(U) ANNEX SECTION	
STATISTICAL OVERVIEW	
COMPLETED AUDITS AND REVIEWS	
CURRENT AUDITS AND REVIEWS	
COMPLETED INSPECTIONS AND REVIEWS	
CURRENT INSPECTIONS	
COMPLETED INVESTIGATIONS	
CURRENT INVESTIGATIONS	



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



*(U) Inasmuch as this is my last "message from the IG," I have decided to depart from my usual practice of highlighting the work of the office over the past six months, and instead offer a few personal observations — first about the Agency itself and then about the evolution of the Office of Inspector General over the past two and a half years.*

*(U) Overall, at this juncture, I think the Agency is in good shape. Whatever uncertainty of purpose may have existed following the end of the Cold War has long since disappeared. The focus on the Soviet Union has given way to a diverse set of targets and issues that are in some ways more challenging to attack and analyze. Yet, the Agency continues to have significant success against them. Agency managers and employees understand what they are about. For the most part, they are deeply engaged in their work. Whenever events around the world require it, they do what it takes—often at great personal sacrifice—to get the job done. Despite the demands placed upon the workforce, employee surveys taken by our office over the last three years generally show high morale compared with the recent past and with the federal government as a whole.*

*(U) The Agency has also become less insular in recent years, both in terms of relating to its customers and seeking to involve the outside world in its work. It has also made significant progress towards openness and explaining itself to the public. All of this is to the good.*

*(U) In important ways, the future also looks bright. The Agency continues to attract top-notch recruits. Even in an era of stiff competition*

*from the private sector, interest in employment with the Agency remains high, allowing us to be quite selective in those we bring aboard. Retention is more of a problem, but the Agency's attrition rate still compares favorably with the private sector.*

*(U) I also believe the Agency has set the right course for itself. To my mind, the Strategic Direction promulgated two years ago by the DCI focused on the right issues and set the right goals. It provided a reasonably clear road map for managers and employees alike in terms of where the Agency was heading. In the interim, much has been done to advance the Agency towards these objectives, but much remains to be done.*

*(U) Not surprisingly, what remains to be done will be difficult to achieve, requiring management commitment and adequate resourcing over a long period of time. While I believe this is possible, it will require the DCI, whoever he or she might be, to make decisions that are apt to be unpopular. Unless the difficult issues are tackled, however, I worry that the Agency could see its usefulness diminish over time. And no one who works here wants that.*

*(U) Putting the situation in simple terms, the Agency, whose mission is to collect and analyze information, finds itself in the middle of an information revolution that churns on relentlessly in the private sector. There are more sources of information becoming available than ever before, and more ways of sorting and manipulating it. We are not in the situation we were in during the Cold War when often we were "the only game in town" in terms of understanding what was happening in the Soviet Union and other countries that were effectively closed to the outside world. Unless the Agency can continue to add value to what customers are increasingly able to do for themselves, their reliance upon the Agency's output is going to diminish. Customers will undoubtedly continue to take what we produce (after all, it is free to them), but unless we are able to provide unique and important information from clandestine sources, and unless we can gather, sort, and analyze information in a way that provides customers with timely and unique information and insights bearing on the problems they face, our ability to influence the decision-making process is apt to erode over time.*

(U) [redacted] I believe the continued ability of the Agency to add value will be largely a function of its ability to harness the technological advances being made in the private sector to its tasks, which cannot be done without involving knowledgeable outsiders in its work and without substantial and continuing investment in its infrastructure.

(U) With the creation of In-Q-Tel, the first significant step was taken to involve knowledgeable outsiders in the Agency's work, but this effort is still in its infancy and the probability of success uncertain. When I was staff director for the Aspin/Brown Commission several years ago, I came to realize that the world of information technology does not relate very well to the world of intelligence. It thrives on transparency; we thrive on secrecy. It does not want to be tied up by government contracts and classification stamps; we know nothing else. A way thus must be found to identify and harness the capabilities of this world to the Agency's purposes without (for them) the downsides. That is why I believe In-Q-Tel simply has to succeed. Agency managers and overseers must find a way to make it work.

[redacted] Connecting with the world of information technology will mean little, however, if the funds are not available to invest in the technologies that would make a difference to us from the standpoint of collection, analysis, and administration. Given the budget levels envisioned for the near term, however, I am not confident that the Agency will have the wherewithal to carry on at its current level of activity, much less keep itself at the forefront of technological change. It does seem clear, though, if we continue doing all of the things we are currently doing in the way we are currently doing them, there will not be enough money left over to sustain the level of investment that will be needed.

(U) The time may soon be approaching when a DCI will have to seek more money for the Agency either from within the National Foreign Intelligence Program (NFIP) budget or by appealing to the Administration and Congress. But making the case for a greater share of the appropriations pie will be difficult if the Agency cannot demonstrate that it has done all it can on its own to manage and conserve its resources. And, at this juncture, I think it is a long way from being able to do so.

(U) *The principal obstacle in my view is the relative lack of centralized management and control over resources. While the creation of a Chief Financial Officer (CFO) and Chief Information Officer (CIO) as part of the Agency's Strategic Direction were important steps in bringing a more corporate approach to financial management, procurement, and information services, the directorates retain a great deal of autonomy in terms of how they invest and control their resources. Moreover, in many cases, the data needed by the CFO and CIO to manage "corporately" simply haven't been there. It is often impossible to know where money is and how it is actually being spent. While steps are being taken to address this situation, e.g., budget restructuring, freeing up obligated-but-unexpended funds, the lack of uniform and reliable data continues to hamper progress.*

(U) *It won't be easy but I think additional funds could be identified and freed up for investment and other mission-critical purposes if management truly put its mind to it.*

(U) *A key aspect of such an effort would be taking a hard look at personnel costs as well as the costs of the Agency's personnel policies. For example, the Agency lacks a uniform job classification system which allows "grade creep," and thus personal services costs, to escalate quickly relative to the rest of government. It has a relatively unstructured assignment process which seems tilted more towards satisfying the preferences of employees than mission needs. It has a personnel evaluation process that defies any effort to weed out poor performers. While this is not an uncommon phenomenon in the federal government, one would expect more rigor given the sensitivity of the Agency's mission. While early-out authority has been a useful tool for retiring employees whose skills are no longer needed and reducing personnel costs, the Agency still has a workforce that is not altogether matched to its needs. While it has special authorities that seemingly could be used to shape its workforce, it has shied away from using them for fear of criticism, lawsuits, and/or adverse Congressional reaction.*

(U) *In my view, there are also possible savings—and not inconsequential ones—to be found in what the Agency now spends on employees as well as what it now requires of employees. For example, the*

*Agency provides certain benefits to employees that are not available to federal employees generally, e.g., domestic relocation expenses upon retirement, as well as "perks" intended to promote their "quality of life," e.g., summer jobs for the children of employees, medical services, three-month "transition" programs to prepare employees for retirement, personal counseling and training, and day-care facilities. I'm not suggesting all of these things be eliminated, but they should be looked at objectively in light of the Agency's current fiscal needs. Similarly, the numerous requirements placed upon employees for security or suitability reasons, e.g., recurring polygraph examinations, psychological testing, annual financial disclosures, medical examinations for new employees and travelers, and annual security training, also ought to be reconsidered. While these requirements may still make sense for the clandestine service or employees otherwise posted overseas, continuing to apply them indiscriminately to the Agency population as a whole (many of whom never leave the Washington area) seems debatable to me. While I have no doubt that taking steps to deal with any of these topics would be overwhelmingly unpopular, the fiscal health of the Agency has reached the point that I believe they should be put on the table.*

*(U) Money could also be saved if managers paid greater attention to conserving resources and getting more "bang-for-the-buck." Although significant progress has been made in reducing administrative costs in some areas, my impression is that the emphasis of most managers is on getting the job done; the costs of doing so are secondary if they are considered at all. Rarely does the OIG see managers looking for cost savings or efficiencies in their operations, and there is too little concern about the quality of goods and services that the Agency is contracting for. What is prized and rewarded is accomplishing the mission, not saving money along the way. I don't see these things as mutually exclusive.*

*(U) But even if greater efficiency could be brought to the Agency's operations, it would still be necessary for the Agency to look hard at what it is doing and whether it needs to keep doing it. For example, do we need to continue doing this or that kind of collection when the costs are high and the payoff small? Can we at least scale back unproductive efforts? Do we need to continue to publish analysis on country x or topic y when there is little*

*interest on the outside? Are some areas being overemphasized at the expense of others? Can we afford to eliminate management layers in certain components? Are we continuing to spend money on cumbersome, outdated administrative systems and controls? Are we spending too much on security measures that have relatively little payoff?*

[redacted] *These are tough questions. And, frankly, based upon my time here, I don't think the existing corporate structure provides an adequate mechanism for addressing them. There is no office within the Agency, for example, currently dedicated to planning for the future. There is a small program analysis and evaluation staff within the CFO's office, but with nowhere near the capability that is needed to assess cross-directorate or cross-program needs and tradeoffs. The staff in the immediate office of the DCI is there to ensure the demands of the schedule are met, not to support the DCI as head of the Agency. For this, the DCI relies on the Executive Director to coordinate the positions of the directorates on various issues and to arrive at a "corporate" position for the DCI's approval. The immediate staff of the Executive Director, in turn, is composed of people on rotation from the directorates who often have no or little experience in the particular area they are asked to handle. Moreover, they typically return to their respective directorates at the end of two or three years which limits their ability to track the implementation over time of decisions that are taken. While it is not my intent to disparage the efforts of those who currently hold these positions, the system they administer is not a strong one.*

*(U) The staffing arrangements are somewhat better in the offices of the CFO and CIO, but neither office is in a position to dictate to the directorates. They can recommend actions to the Executive Director, but if the directorates should disagree with them, the Executive Director is left with choosing between what a directorate says it needs to do, and what the CFO's or CIO's staff says it needs to do in the broader, corporate interest; and maintaining harmony with the directorates often looms as large as satisfying the broader corporate interest.*

*(U) Whatever may have been the justification in the past, I think the Agency can no longer afford a decentralized approach to resource management. It needs to find efficiencies, set priorities, and capitalize on its*



*investments; and a decentralized approach makes each of these objectives more difficult.*

*(U) For an organization that has operated without effective top-down corporate management for over half a century, this transition will not be easy. But I am heartened to find that many senior managers have come to the same conclusion I have. When faced with the need to find additional funds within the Agency's budget to carry out their respective missions, they realize it cannot be done under the current decentralized system. I think it's important that others see it as well. As an agency, we need to regard a corporate approach to resource management not as a threat to the directorates but as a benefit to them.*

*(U) One way of going about this would be to replace the existing Executive Director and his staff with an "Office of the Director" and staff it principally with permanent, rather than rotational, positions. The Chief of Staff to the Director would serve as an administrative focal point, ensuring that the issues coming to the Director for decision had been appropriately staffed and all the relevant viewpoints represented. In addition to the various offices that support the DCI in his external role (e.g., OCA, PAS), the "Office of the Director" would include a CFO, CIO, and COO (Chief Operating Officer), each of whom would report to the Director. The CFO would be the Agency focal point for resource management; the CIO, for the acquisition and administration of information services; and the COO, for long-term planning and improving the efficiency and effectiveness of the Agency's business operations (i.e., collection, analysis, covert action) across the board. I would give each of these senior officials authority to develop policy and procedure in their respective areas of responsibility (coordinating with the others as appropriate) and oversee the implementation of such policy within the directorates. The Chief of Staff would ensure that appropriate coordination had occurred within the Office of the Director and that the views of affected components were reflected in any decision memoranda going to the DCI. Policy approval would rest with the DCI or DDCI.*

*(U) This is merely one way of doing it. There are any number of organizational constructs that would provide stronger corporate*

*management than the Agency has today. Typically, though, DCIs are so swamped with the other demands of their office that they shy away from taking on the bureaucratic arrangements within the Agency, especially if they see any effort to change them as meeting resistance from the Agency bureaucracy. While their reluctance is understandable, until a DCI as well as the Agency bureaucracy itself discerns the urgency in doing so, I see the road to the future as long and winding.*

*(U) Finally, I want to make a few parting comments about the evolution of the Office of Inspector General over the last two and a half years.*

*(U) I think we have become more professional. Whether recruiting auditors, investigators, or inspectors, we are able to attract top-notch people for both career and rotational positions. We also are paying greater attention to their development once on board, so that they receive the training and career experiences they need to make them the kind of professionals our mission demands.*

*(U) I also think our work has greater relevance. We spend a great deal of time deciding where to put our discretionary resources to illuminate the problems that the Agency itself is facing. We also spend more time working with management to come up with recommendations that are feasible and desirable. While there are occasional differences that cannot be reconciled, the vast majority of our recommendations are agreed to and acted upon.*

*(U) I think our work is on a sounder footing. We now have an Agency Regulation that not only reflects our statutory authorities and responsibilities but sets out our operating policies and procedures. These policies and procedures, in turn, help ensure fairness and thoroughness in every aspect of our work.*

*(U) We are doing things more quickly than we used to. The backlog of pending investigations has been sharply reduced in the last three years, and we are now able to obtain declinations from the Justice Department in potential criminal cases more quickly, enabling us to handle cases*

*administratively. Audits and inspections are being issued on an average of five months from start-up, a marked improvement over the past. When the situation demands it, we drop what we're doing to satisfy higher priority requests. The investigation of the bombing of the Chinese Embassy in Belgrade, for example, was furnished to the DCI exactly three weeks from the day he asked for it.*

*(U) We are also more flexible. If the situation we are looking at changes in midstream, we adjust. On occasion, we have abandoned projects altogether rather than continuing on when it no longer made sense. If we become aware of problems that need addressing immediately, we advise management forthwith. If corrective action is taken, we either drop the issue from consideration or recognize the corrective action taken in our report.*

*(U) In sum, I believe the OIG has matured over the last two and a half years and its capabilities have been strengthened—not because of me but because of those who have served the OIG with integrity and dedication during this period. The OIG is not an easy place to work. The functions assigned to it necessarily create tension and conflict which our employees have to contend with day after day. And yet it is a place where people come in to work every morning with one objective in mind—doing the right thing for the Agency and its employees. They have no other ax to grind; no other agenda to pursue. We are not perfect, by any means. We make mistakes like anyone else. But we try our best to gather the facts relevant to the issue at hand and evaluate them fairly and objectively, letting the chips fall where they may. We may not always get it right but what we produce at least has the virtue of being an honest opinion.*

*(U) During my tenure as IG, we issued approximately 25 inspection reports, conducted 65 audits, and resolved several hundred investigative matters. We also issued a number of "special assessments" which did not precisely fit the mold of an inspection, audit, or investigation.*

*(U) I'm particularly proud of the investigations we did of the Deutch case, the Agency's involvement in the bombing of the Chinese Embassy in Belgrade, and of allegations that a particular covert action had exceeded its*

*mandate. I also think our inspections of the DO divisions and the health of certain types of analysis within the DI were particularly illuminating. I'm also pleased that we reinstated the practice of auditing field stations and were able to identify several places where the Agency could save money. I also believe our special assessments of the Agency's relations with the national labs and the alleged politicization of a National Intelligence Estimate were models of IG work.*

*(U) Obviously, what any IG is able to accomplish depends upon the efforts of a great many people. It has been a distinct honor and privilege for me to have led this group over the last two and a half years. My time here has been a satisfying conclusion to a government career that has lasted almost thirty years. While each of the jobs I've held has been different, all have had one thing in common: they have been like endless relay races where you are continually running towards the finish line but never reach it. While the baton is in your hands, you do the best you can to make headway. Then you pass it off to someone else for the next lap who will hopefully build upon your progress. My experience as Inspector General has been no different. While I would like to think we made headway while the baton was in my hands, the finish line remains nowhere in sight.*

[REDACTED]

*L. Britt Snider  
January 19, 2001*

## (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 Director of Central Intelligence, not later than 31 January and 31 July of each year, a semiannual report summarizing the activities of the Office of Inspector General (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 issued one subpoena to a contractor of the Agency. This subpoena was issued in the course of an investigation into allegations of labor overcharging on a cost plus fixed fee contract involving a compartmented program.

### (U) Legislative Proposals

#### (U) *OIG Authority to Request Assistance*

(U) In section 402(b) of the Intelligence Authorization Act for Fiscal Year 2001, the Congress changed the words "Federal agency" in section 17(e)(8) of the CIA Act of 1949 (50 USC 403q(e)(8)) to "Government agency" in each of three places that "Federal agency" appeared. OIG did not request these changes and the reason for them is unclear.

(U/ [ ]) The effect of the changed wording of the section appears to now mean that the IG must seek the DCI's concurrence to request information or assistance from all government entities, such as state and local authorities. This requirement would unnecessarily burden the DCI with routine OIG requests for various types of assistance and information from non-Federal entities. In addition, to the extent that the change in language makes it unclear whether the section now applies to Federal agencies, it eliminates the section's previous command that such agencies cooperate with the CIA IG "insofar as is practicable."

(U) It is recommended that section 17(e)(8) of the CIA Act be changed through the Intelligence Authorization Act to read as originally enacted. Suggested legislative language is as follows:

Sec. \_\_ TERMINOLOGY WITH RESPECT TO FEDERAL AGENCIES - Section 17(e)(8) of the Central Intelligence Agency Act of 1949 (50 U.S.C. 403q(e)(8)) is amended by striking "Government" each place it appears and inserting "Federal."

*(U) Period to Complete the Financial Statement Audit of the Central Services Program*

(U) Section 21(g)(1) of the CIA Act of 1949 (50 U.S.C. 403u(g)(1)) provides that "Not later than December 31 each year, the Inspector General of the Central Intelligence Agency shall conduct an audit of the activities under the program during the preceding fiscal year."

(U) We recommend that section 21(g)(1) be changed to provide that the Inspector General complete such audits required under the section no later than January 31. This change would give the Working Capital Fund Business Office and Finance's Accounting Operations more time to prepare fiscal year financial statements, and provide OIG auditors with the necessary time to test the accuracy and reliability of the financial information.

(U) Changing the date in section 21(g)(1) will also change the date the audit report will be due to the Office of Management and Budget, the Director of Central Intelligence, and the two Congressional oversight committees, as section 21(G)(3) requires the Inspector General to distribute the audit report within 30 days of completion of the audit. This requested change would bring the financial audit requirements of the CIA Inspector General in line with similar requirements placed on other Inspectors General in the Federal government.

(U) It is recommended that section 21(g)(1) of the CIA Act be amended through the Intelligence Authorization Act to reflect this change. Suggested legislative language is as follows:

Sec. \_\_ ADDITIONAL TIME FOR AUDITS - Section 21(g)(1) of the Central Intelligence Agency Act of 1949 (50 U.S.C. 403u(g)(1)) is amended by striking "December 31" and inserting "January 31" and by striking the word "conduct" and inserting the word "complete."

~~SECRET~~



~~SECRET~~





## (U) AUDITS

(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 reviews sponsored by the Intelligence Community Inspectors General Forum and responds to special requests from Congressional and Executive Branch officials. The Audit Staff conducts its audits in accordance with generally accepted government auditing standards.

(U) In the last six months, the Audit Staff has focused its efforts on a wide range of financial management issues, evaluations of Agency programs and activities, and oversight of field stations. Two reports issued during this period—Accounting for Research and Development Activities and Agency Reprogramming Practices—highlighted the continuing challenge of the Agency's financial management systems to provide accurate, timely, and comprehensive financial data to senior Agency managers. A report on the administration of medical examinations conducted by the Office of Medical Services recommended several cost-saving changes to the Agency's employee medical examination program. The Audit Staff also completed a Community-wide review of foreign liaison relationships. The resulting joint report with nine other Intelligence Community Inspectors General focused on the need for more specific DCI guidance and policies to better coordinate its foreign intelligence liaison relationships.

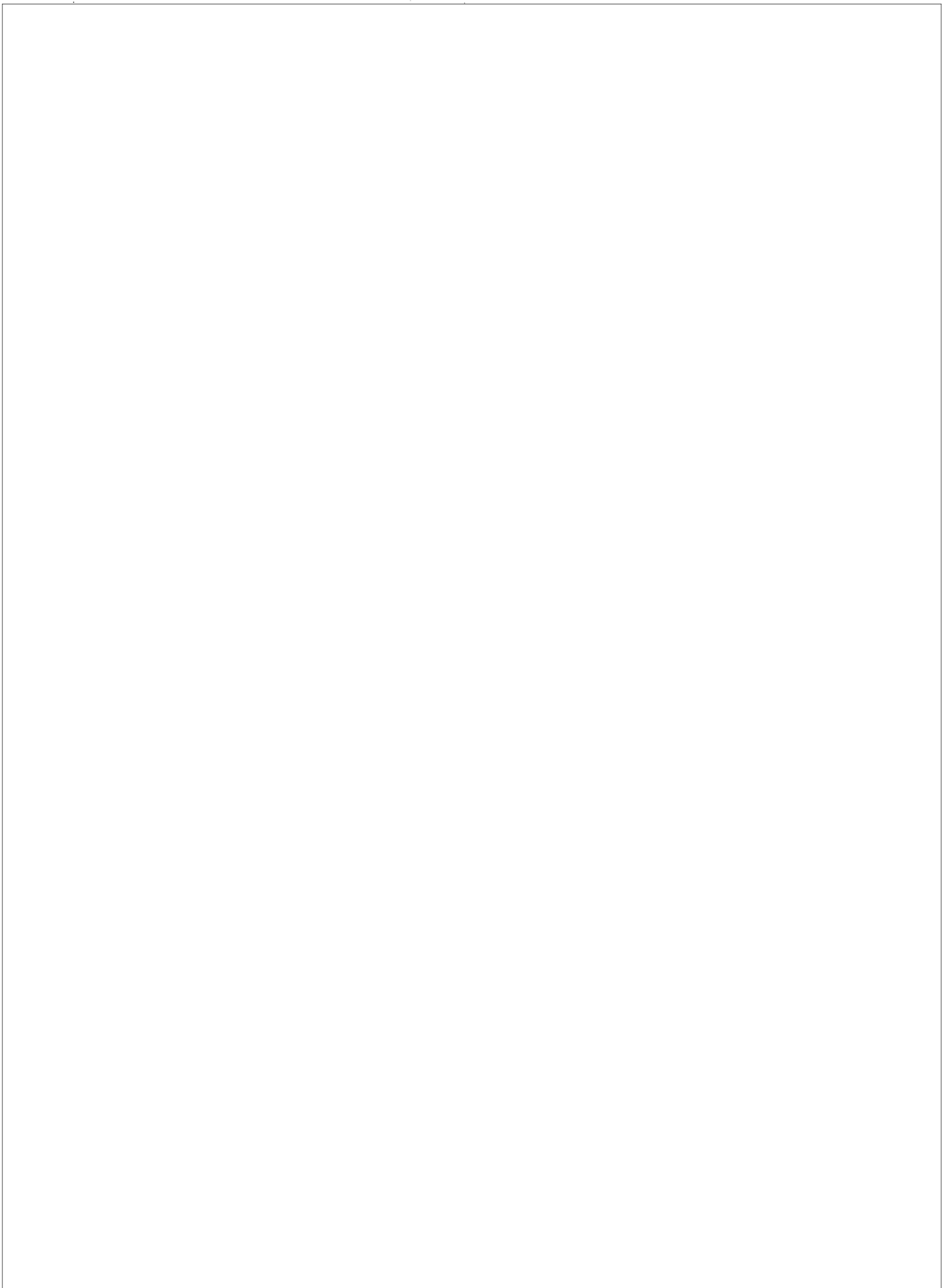
(U) The Audit Staff has also been engaged in a number of other activities. The Staff has been successful in recruiting highly qualified personnel to maintain a full complement of auditors, including specialized personnel, to staff the information technology audit team. The Audit Staff will continue to apply audit resources to assist the Agency in moving toward fuller compliance with Federal financial accounting standards and the preparation of auditable financial statements. Lastly, the Audit Staff is embarking on a pilot program

to evaluate the benefits of electronic workpapers and a paperless audit environment. In the coming year, two audits will be conducted using an automated workpaper application. At the completion of the pilot, the Audit Staff will assess the merits of this technology and decide on a course of action.

***(U) SIGNIFICANT COMPLETED AUDITS AND OTHER REVIEWS***









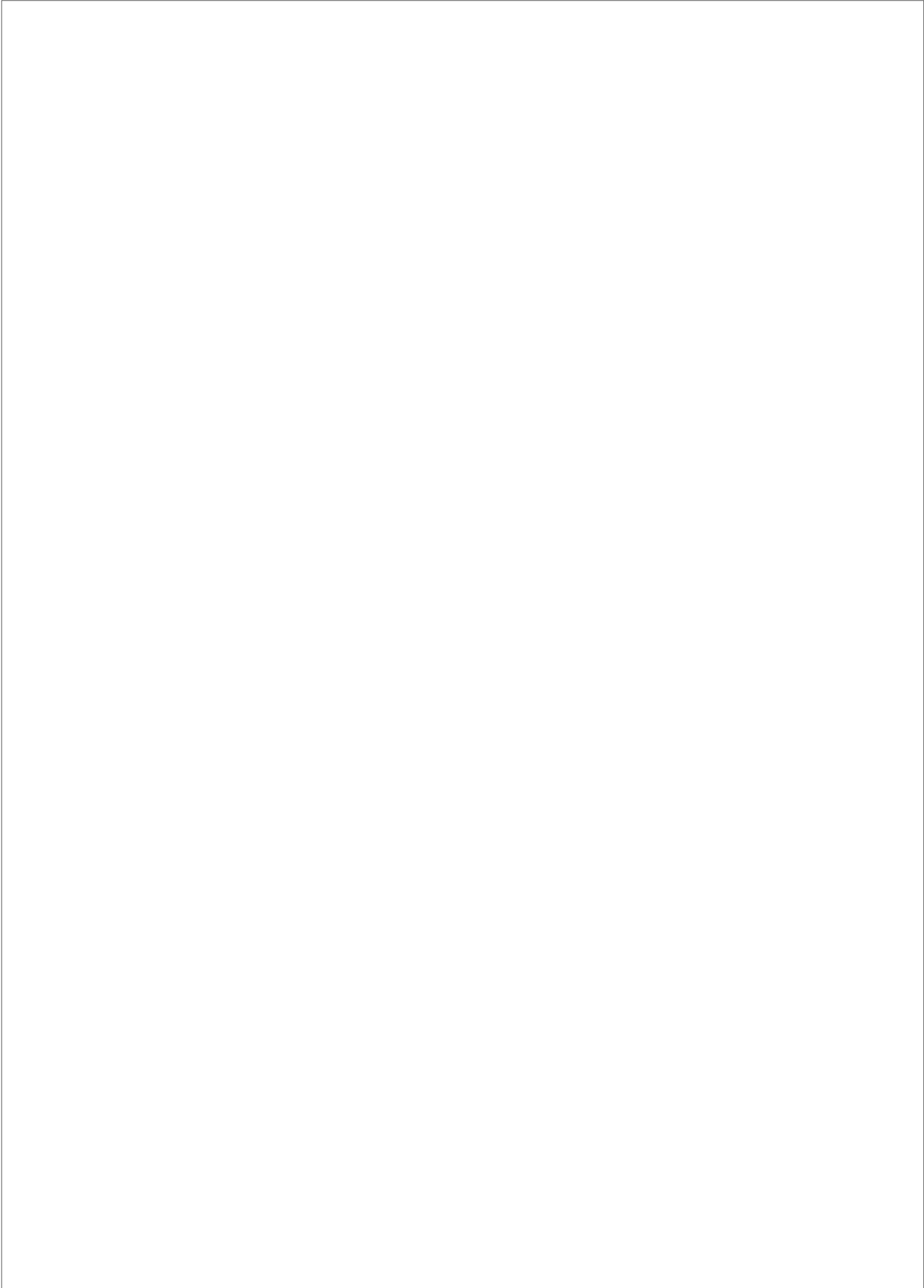






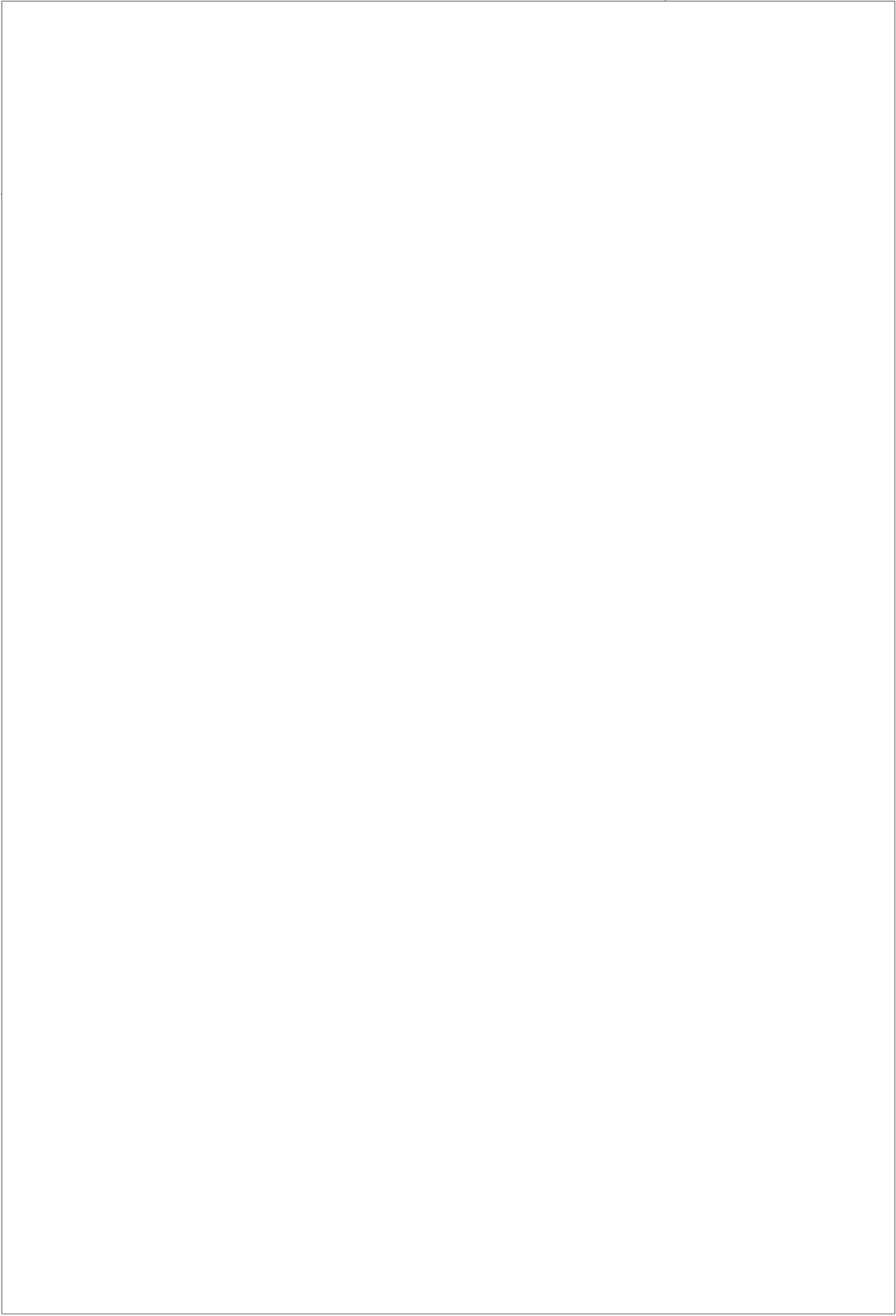








~~SECRET~~

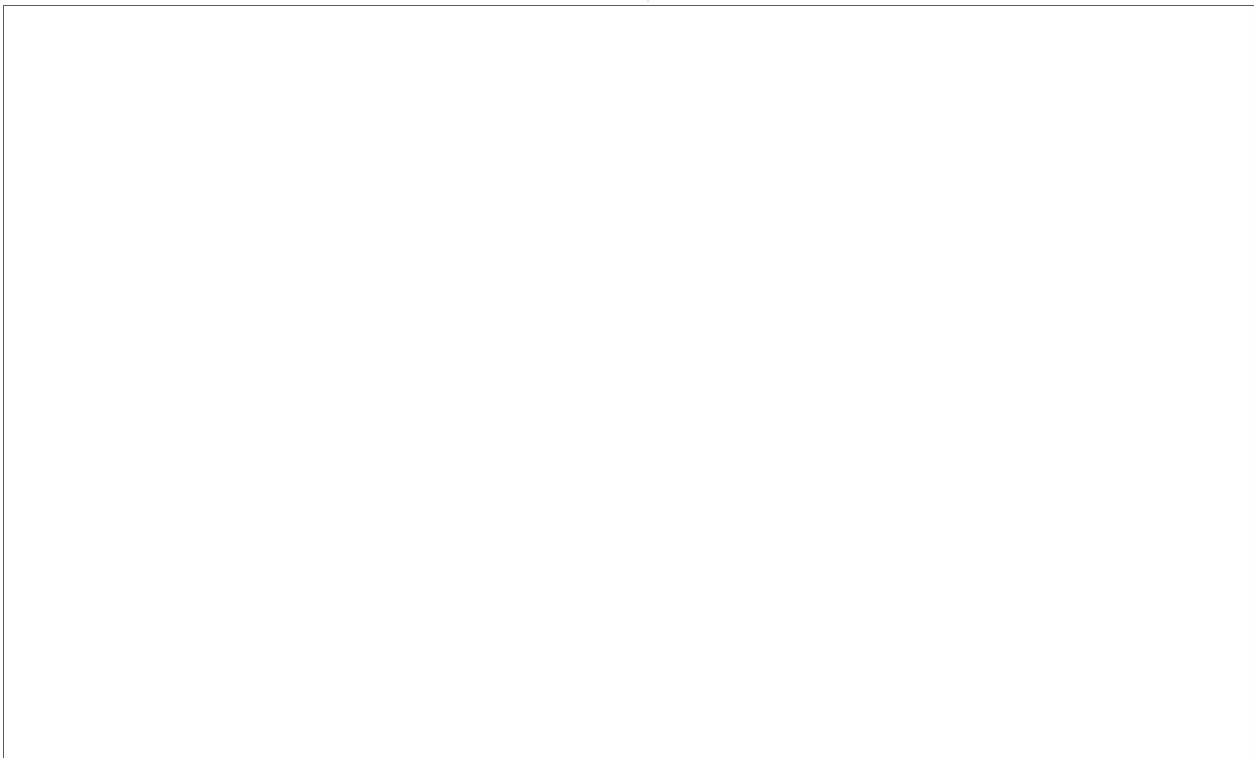


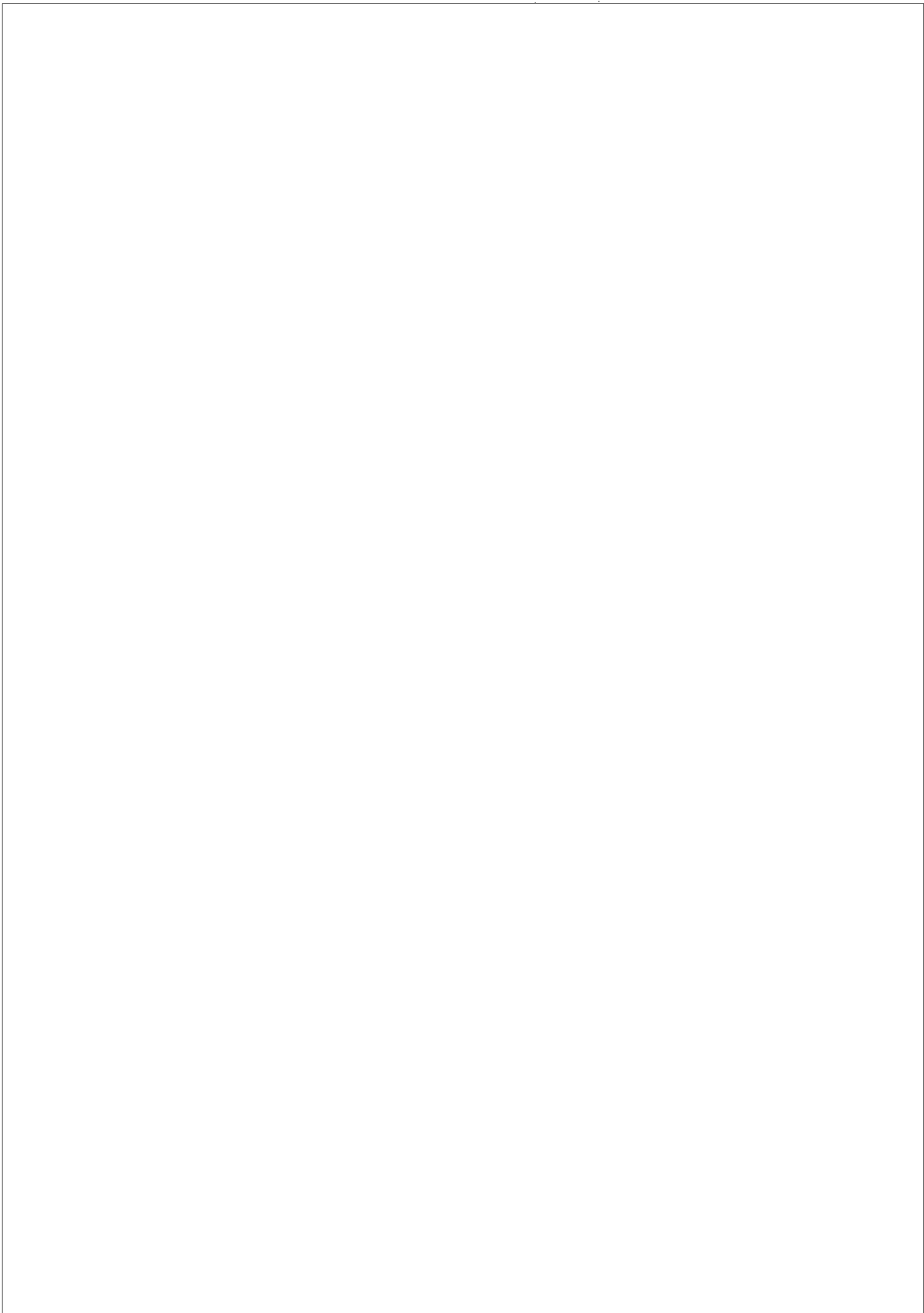
~~SECRET~~



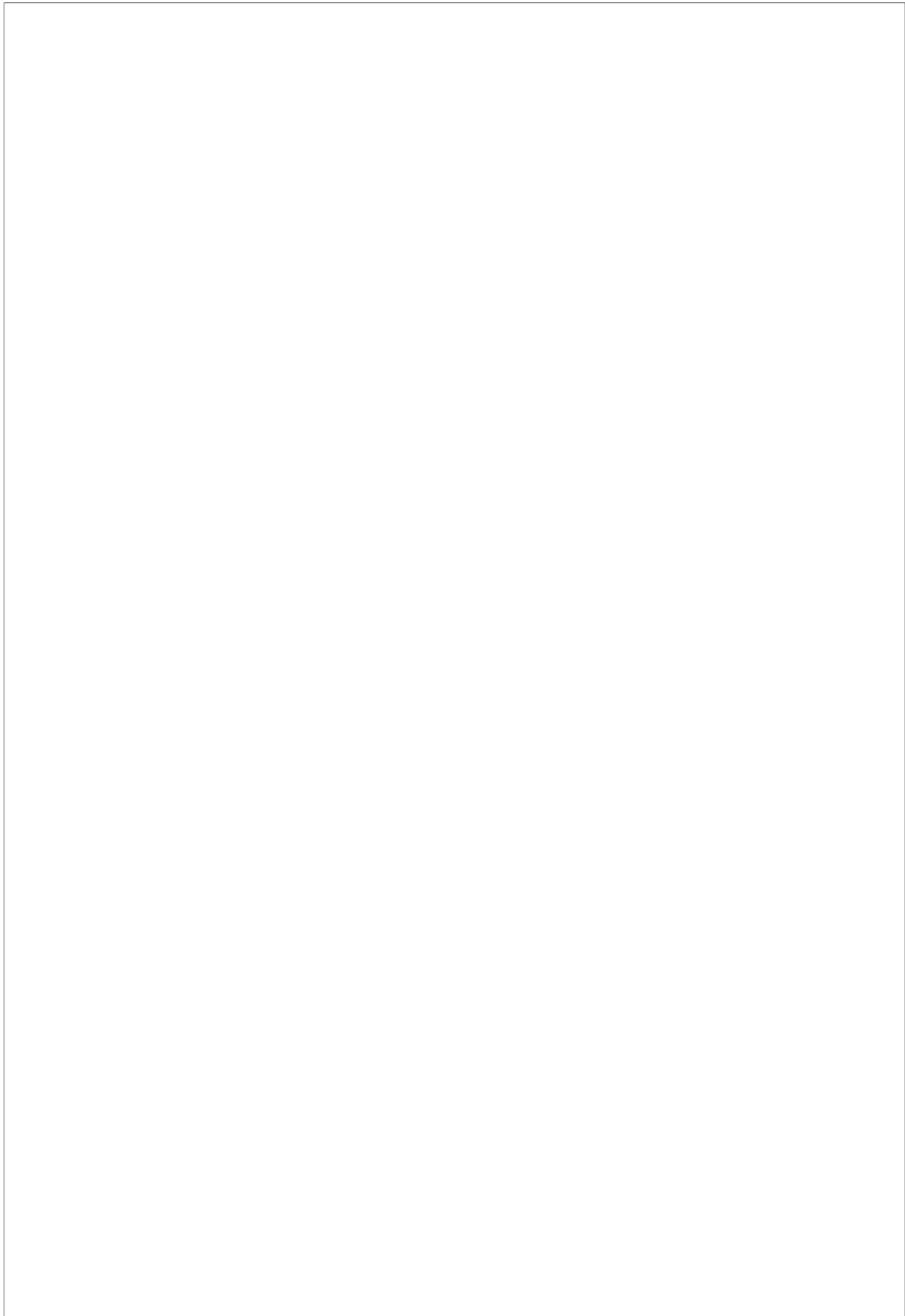


***(U) STATUS OF SIGNIFICANT RECOMMENDED ACTIONS OUTSTANDING  
FROM PREVIOUS SEMIANNUAL REPORTS***

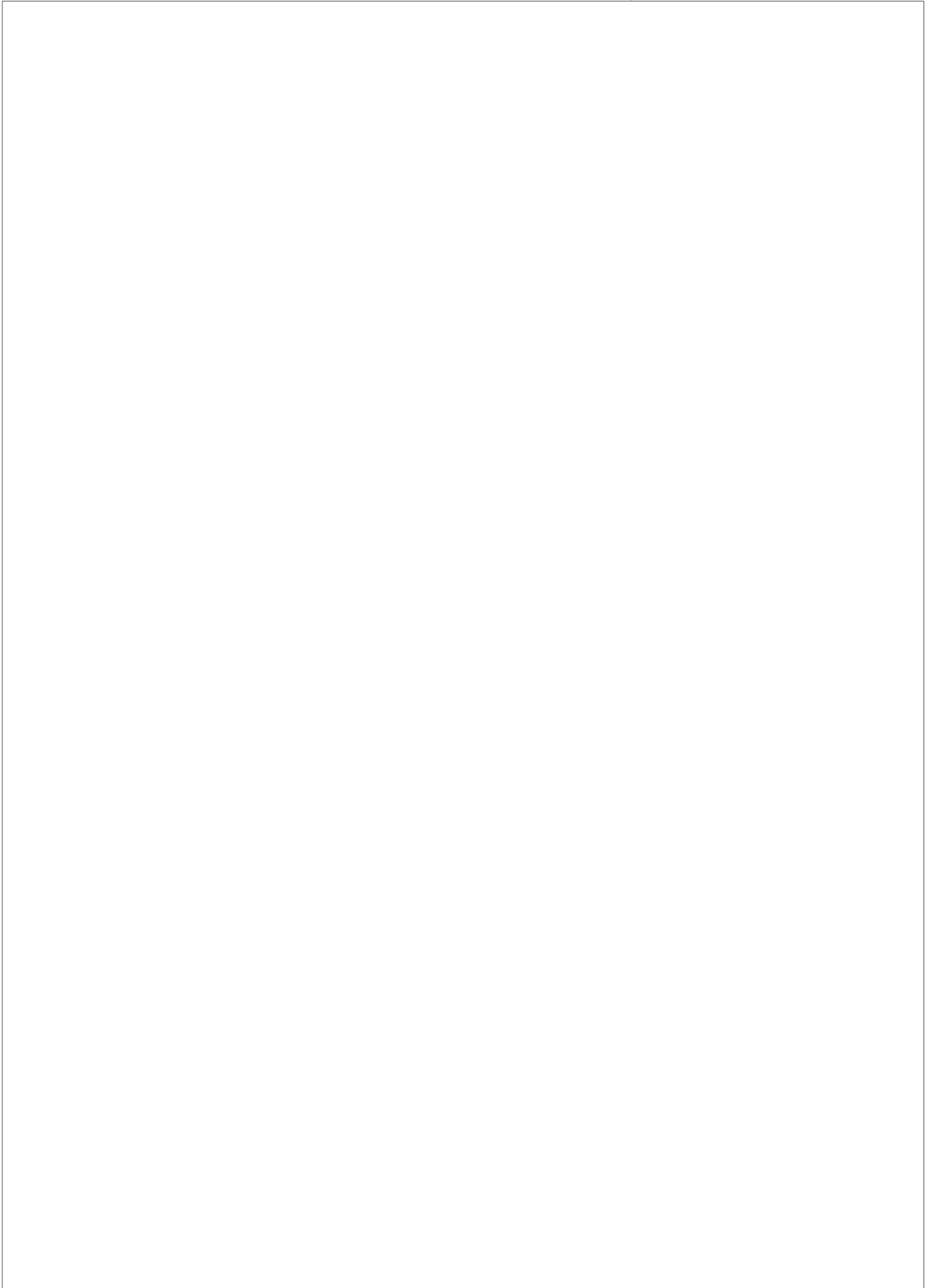




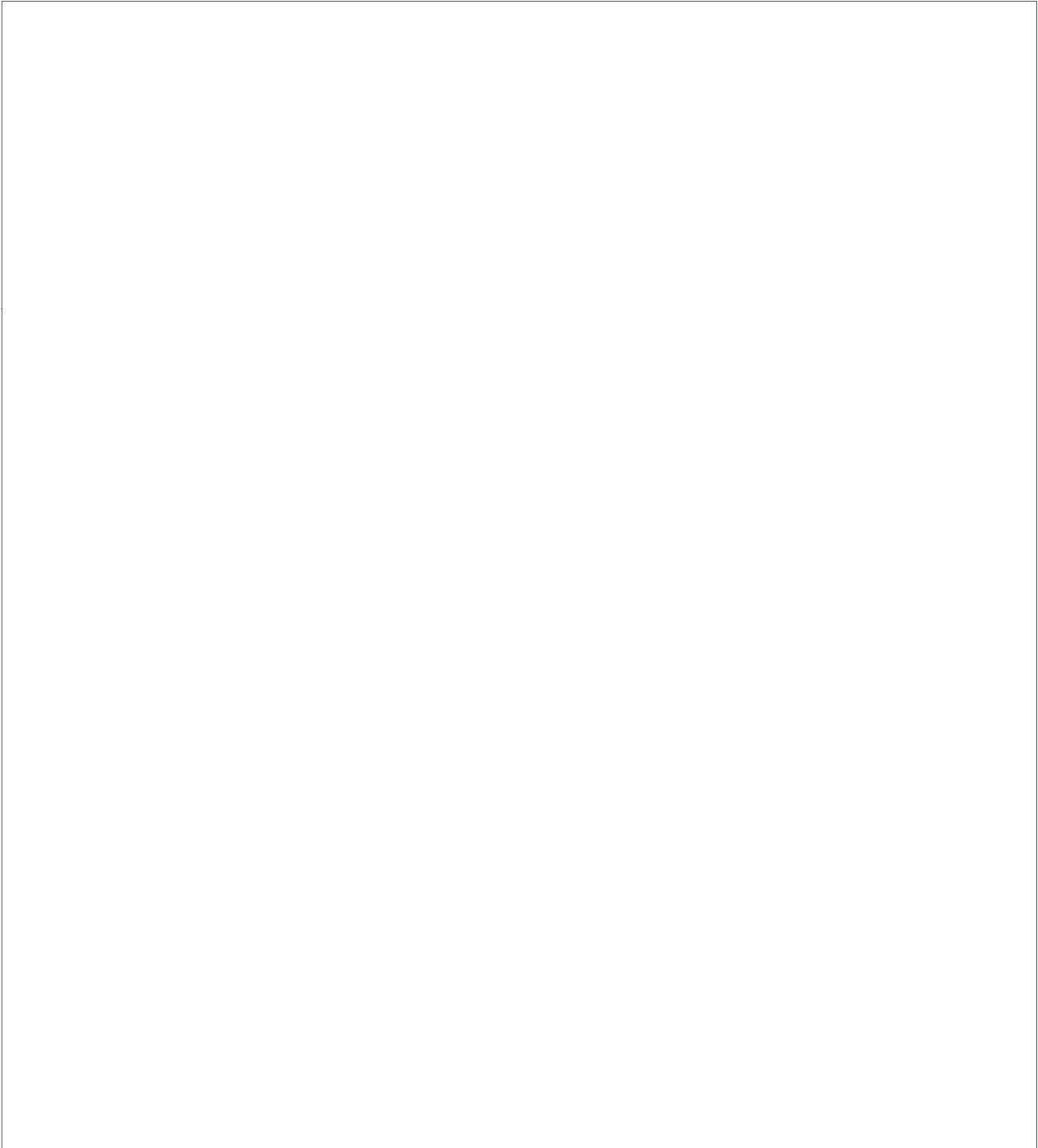




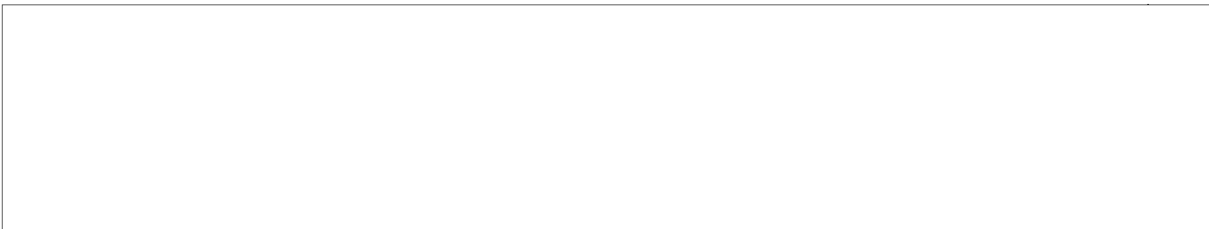








***(U) SUMMARIES OF SELECTED CURRENT AUDITS AND SPECIAL REVIEWS***





~~SECRET~~ /



~~SECRET~~ /



~~SECRET~~



~~SECRET~~



## (U) INSPECTIONS

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

[REDACTED] During the summer of 2000, the Inspection Staff conducted a scoping study for a possible inspection of the [REDACTED]  
[REDACTED]

In October, a joint review with the Department of Defense Office of Inspector General of Intelligence Community Support for Determining the Fate of Commander Speicher was completed. During the last five months of the year, five inspections were in progress: Language Capabilities in the DI, DO, and Foreign Broadcast Information Service (FBIS)/DST; Working Capital Fund: Impact on Mission; Agency Student Programs; Counterterrorist Center (CTC)/DO; and Agency Declassification Programs.

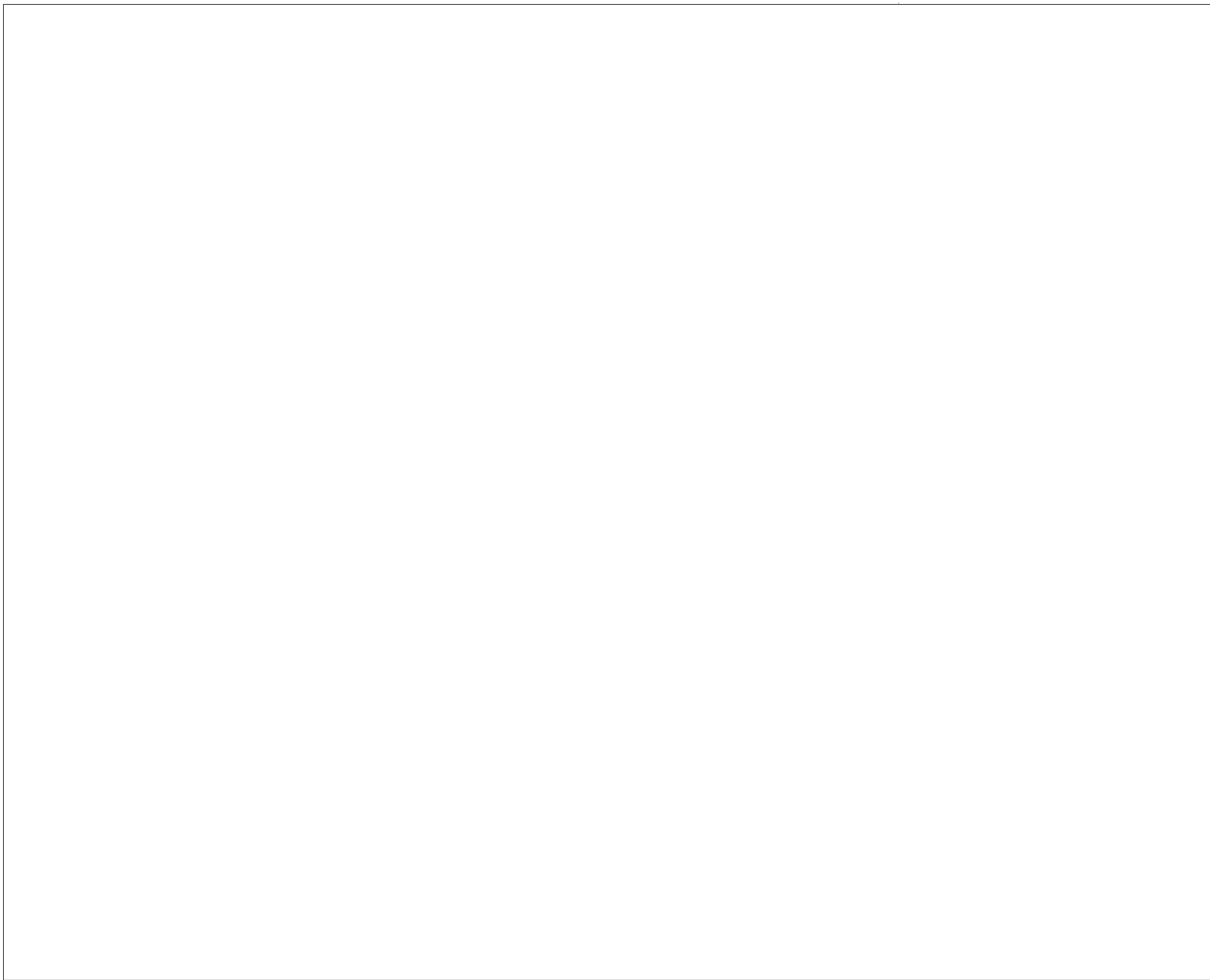
(U) During the current and previous inspection cycles, the Staff used two innovative data collection methods. First, several inspection teams conducted focus group sessions using a technology-based "groupware" setup, which provides more complete, less biased data than traditional focus groups while preserving most of the synergy. The inspectors facilitating the focus group ask a series of open-ended questions related to the inspection topic. Focus group participants respond by simultaneously entering information and opinions into a set of networked personal computers. Their input is projected onto a screen so that group members can observe the entries of other participants while preserving anonymity. All entries are saved in electronic format for subsequent reference by the team.

(U) Second, building on the employee opinion survey capability developed over the last decade, the teams inspecting

Language Capabilities and Working Capital Fund used an innovative survey technique, developed by the Staff's resident survey assistant, that allowed them to use the same survey questionnaire, disseminated via Lotus Notes, for a large segment of the Agency population. Depending on each respondent's answers to key items, the respondent was presented with follow-on items tailored to his/her particular situation. To survey broadly across the Agency and effectively elicit opinions from diverse subpopulations would have been impossible without this technique.

(U) The Inspection Staff continues to conduct its two-week course for new inspectors and its seminar for team leaders before the start of each inspection cycle.

**(U) SIGNIFICANT COMPLETED INSPECTIONS AND OTHER REVIEWS**



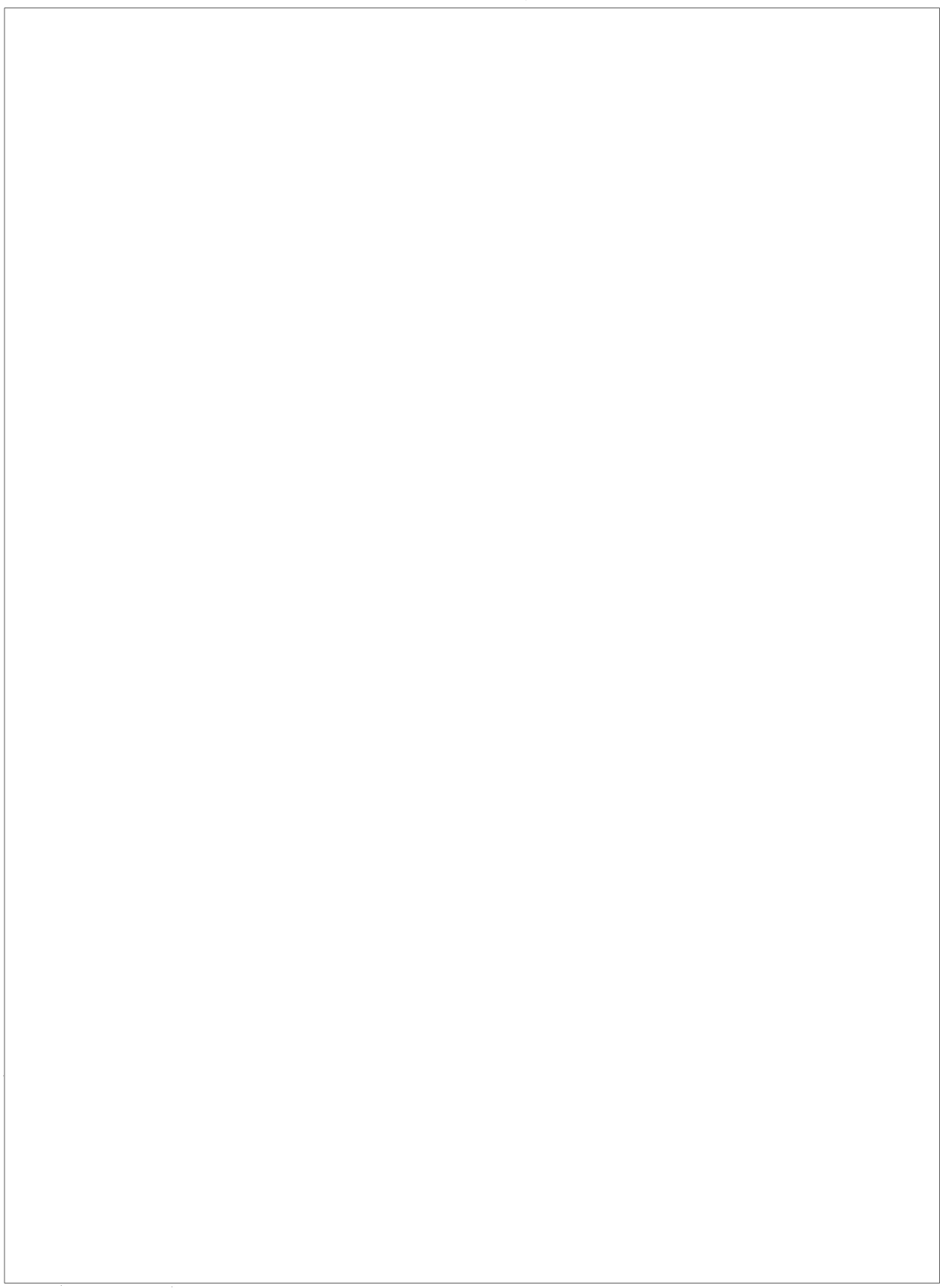




















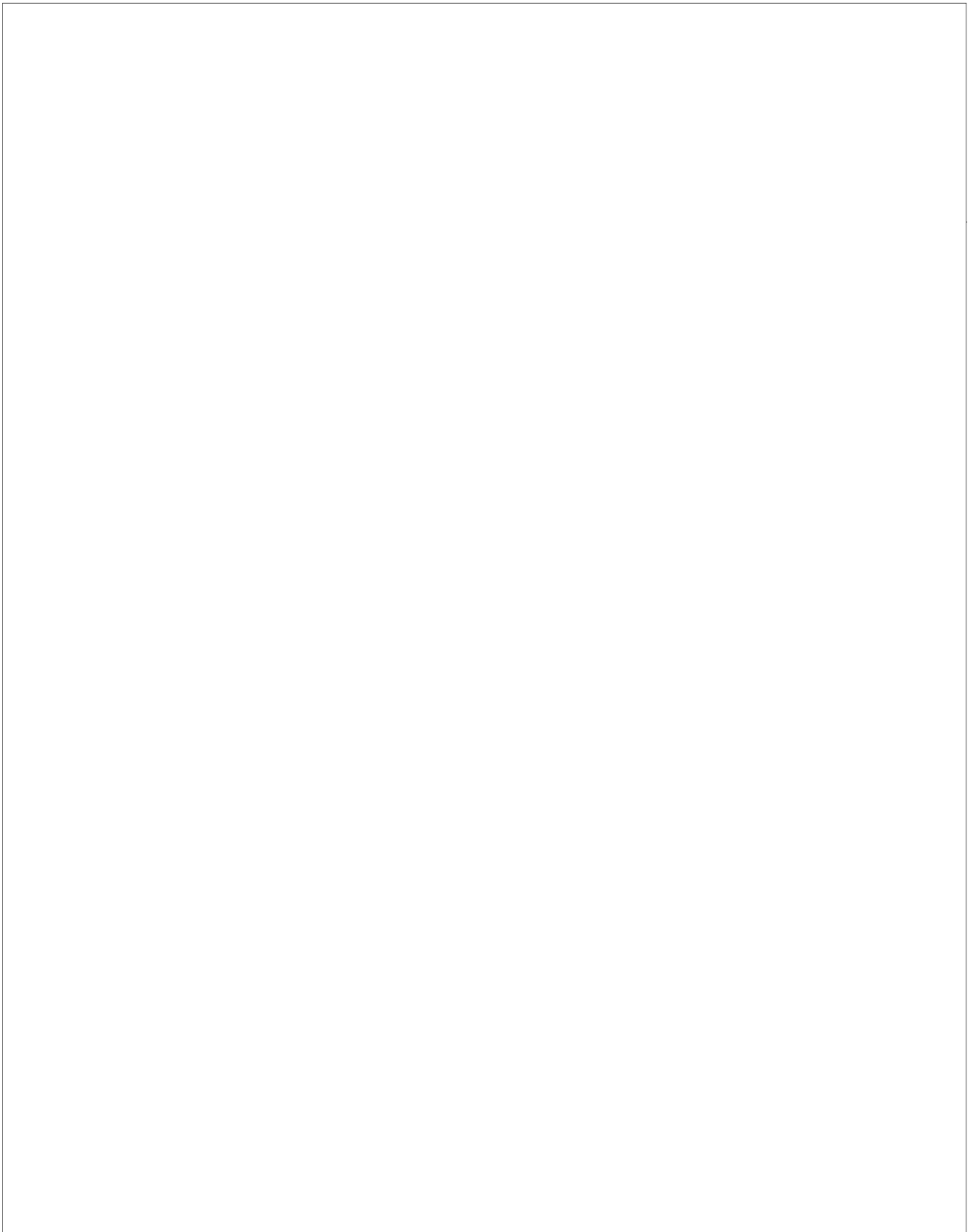
~~SECRET~~



~~SECRET~~



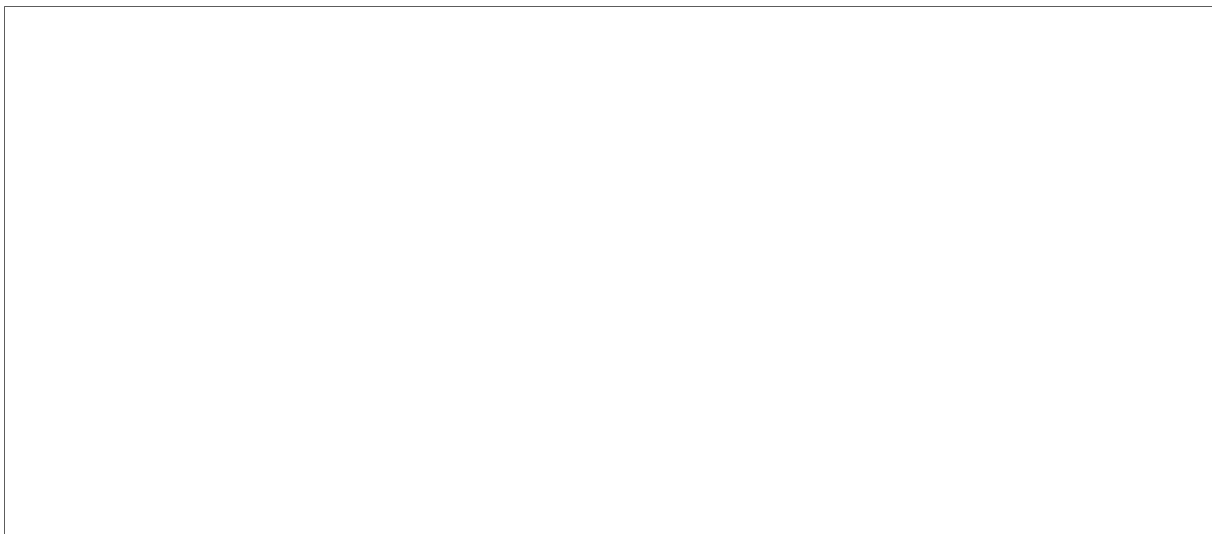






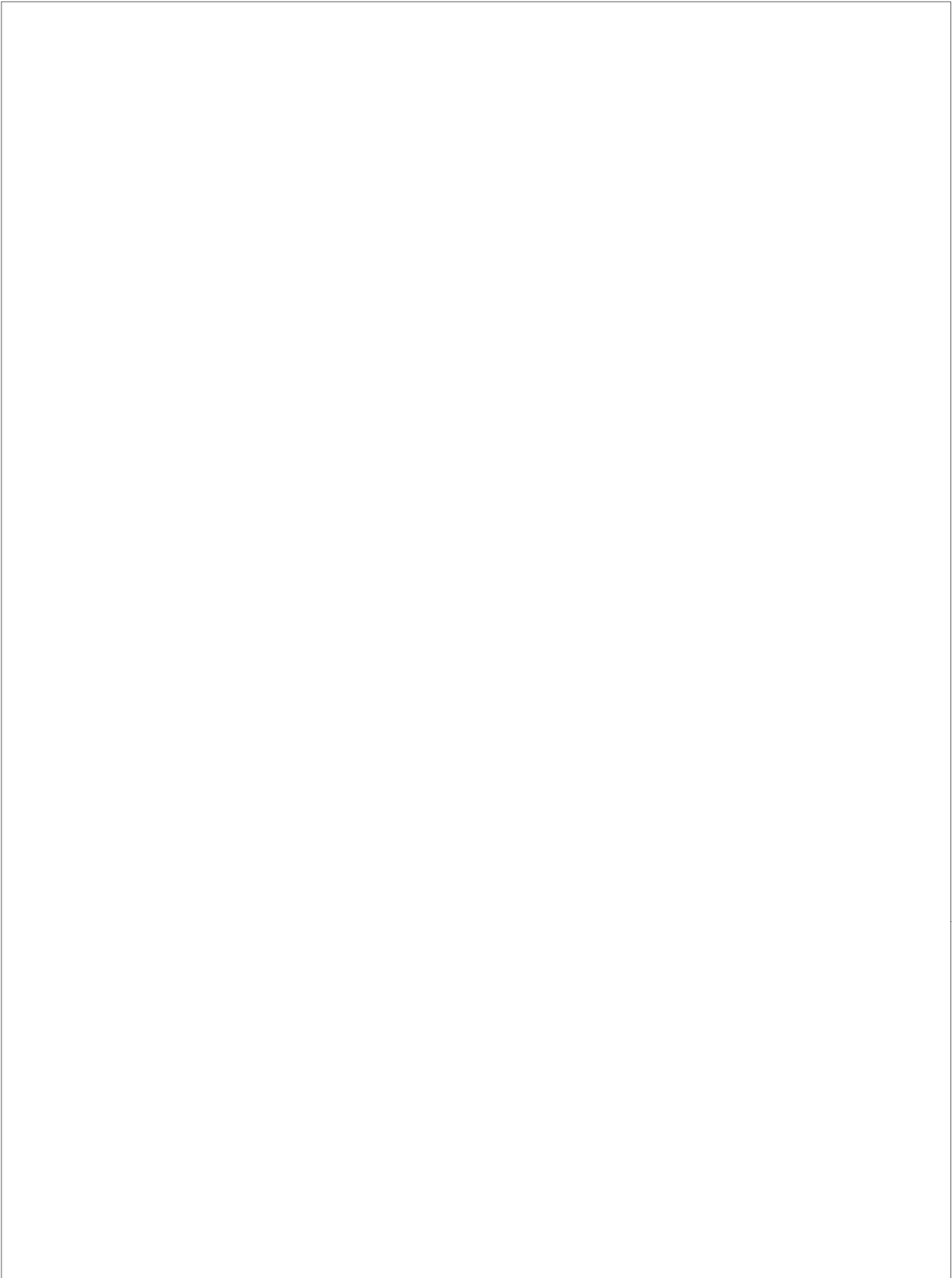


***(U) STATUS OF SIGNIFICANT RECOMMENDED ACTIONS OUTSTANDING  
FROM PREVIOUS SEMIANNUAL REPORTS***











## (U) INVESTIGATIONS

(U/ [redacted]) The Investigations Staff is responsible for investigating possible violations of statutes, regulations, policies, and procedures, as well as potential waste, mismanagement, abuse of authority, and substantial dangers to public health and safety connected with Agency programs and operations. The Investigations Staff is also responsible for general oversight of the employee grievance system and appeals of decisions of various Agency boards.

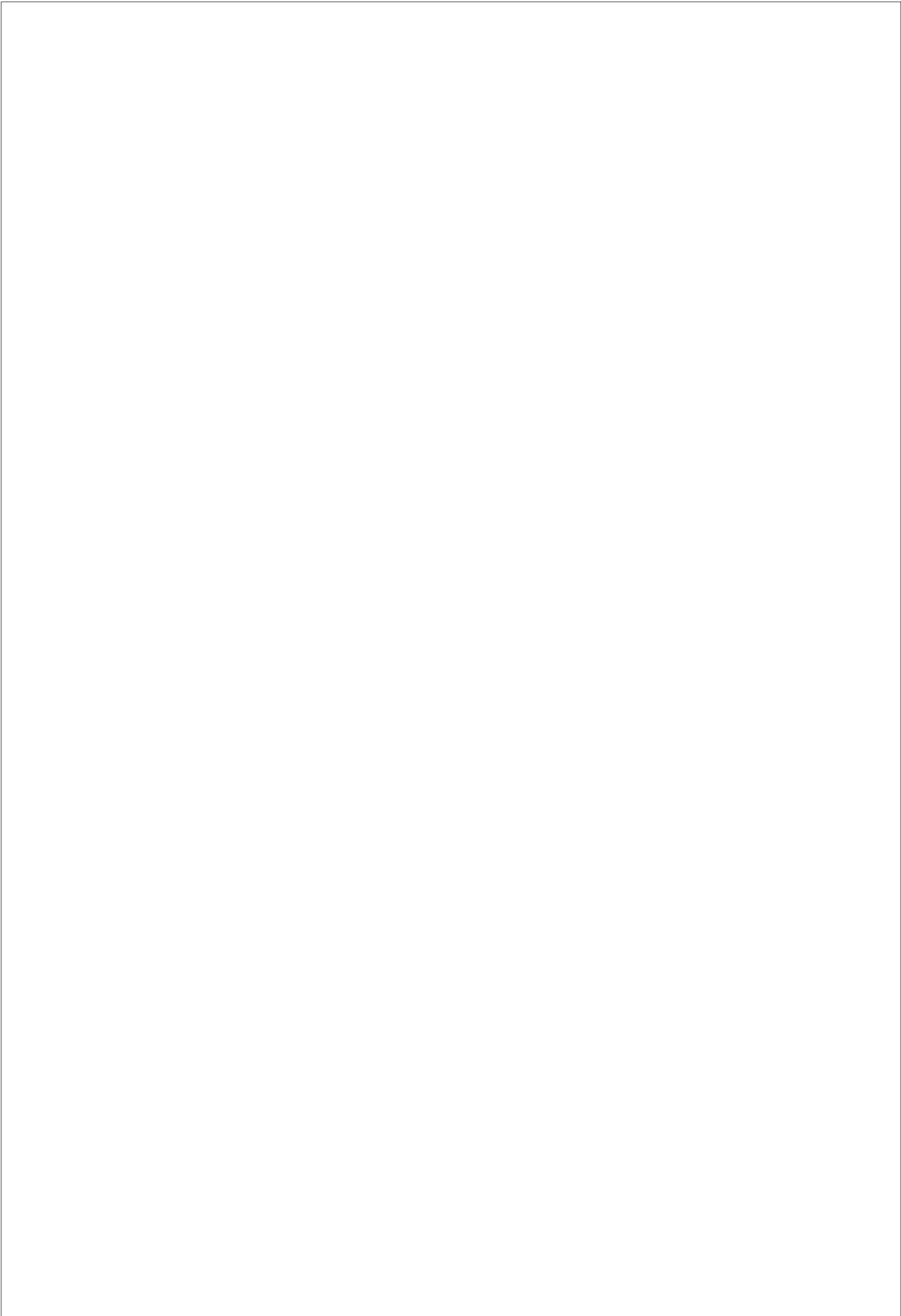
(U/ [redacted]) During the last six months of 2000, the Investigations Staff continued to reduce its inventory of older cases and has seen a steady decline in the average age of cases. The average case age has decreased by 43 percent in the last 18 months and 24 percent since the last semiannual submission. This steady improvement in case currency has enabled the Staff to conduct proactive efforts, such as an ongoing project that is reviewing certain CIA activities that fall under the auspices of Executive Order 12333. This project is designed to determine whether technical collection conducted by CIA, or on CIA's behalf, has been consistent with legal and policy requirements and to identify problem areas, if any, in order that Agency management may take effective preemptive actions.

(U/ [redacted]) The Investigations Staff's grievance unit has continued to oversee the Agency-wide grievance system and has enjoyed great success in facilitating the resolution of grievance matters at the lowest appropriate level within the Agency. One-day training workshops are presented at least annually for new Agency grievance personnel with approximately 30 officers attending this training in April 2000. The grievance unit has also supported additional grievance-related training to include interviewing techniques and strategies for dealing with difficult or angry employees.

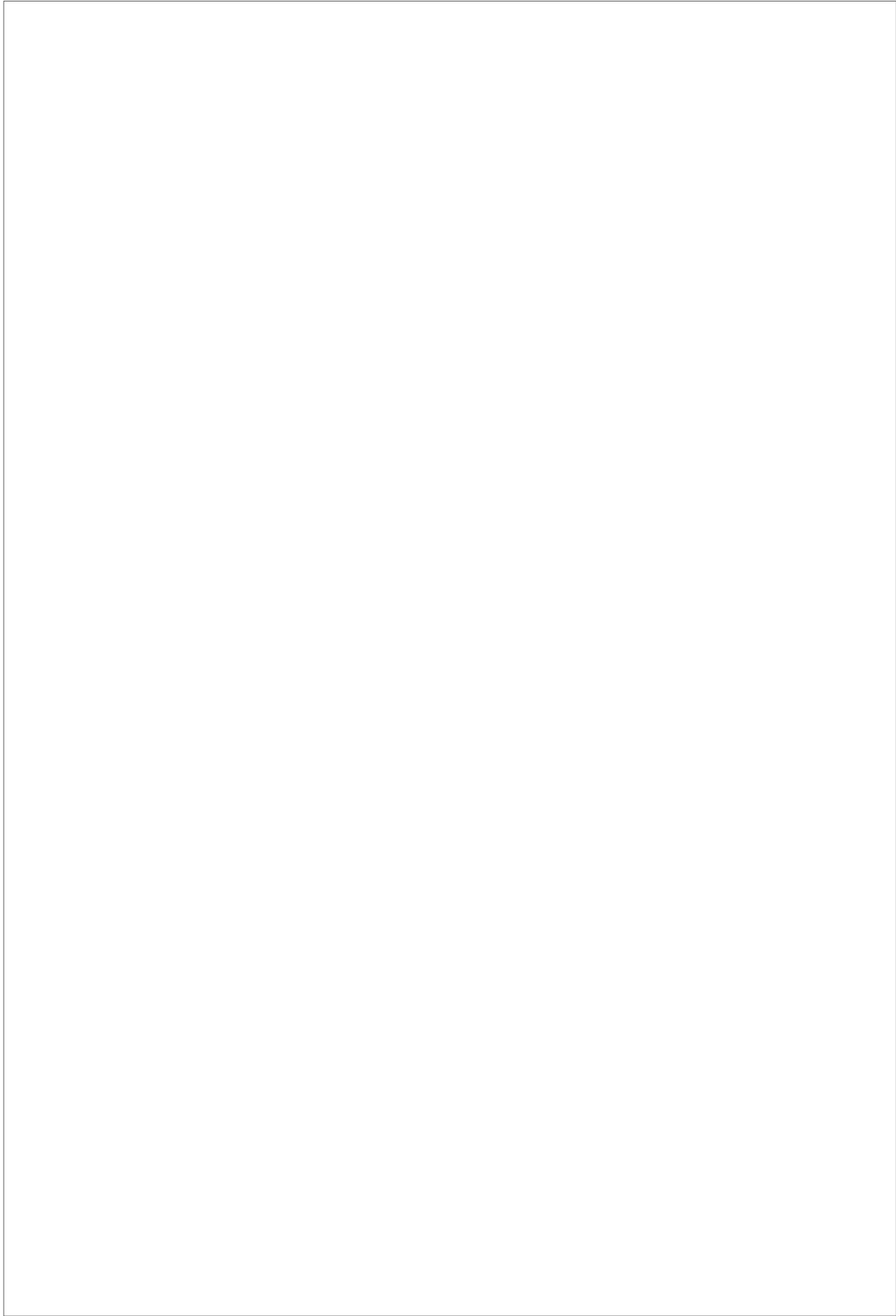
(U/ [redacted]) In the months ahead, the Investigations Staff will continue to focus on the timelines of investigative products and will remain alert to opportunities for proactive projects.

***(U) Significant Completed Investigations and Other Reviews***





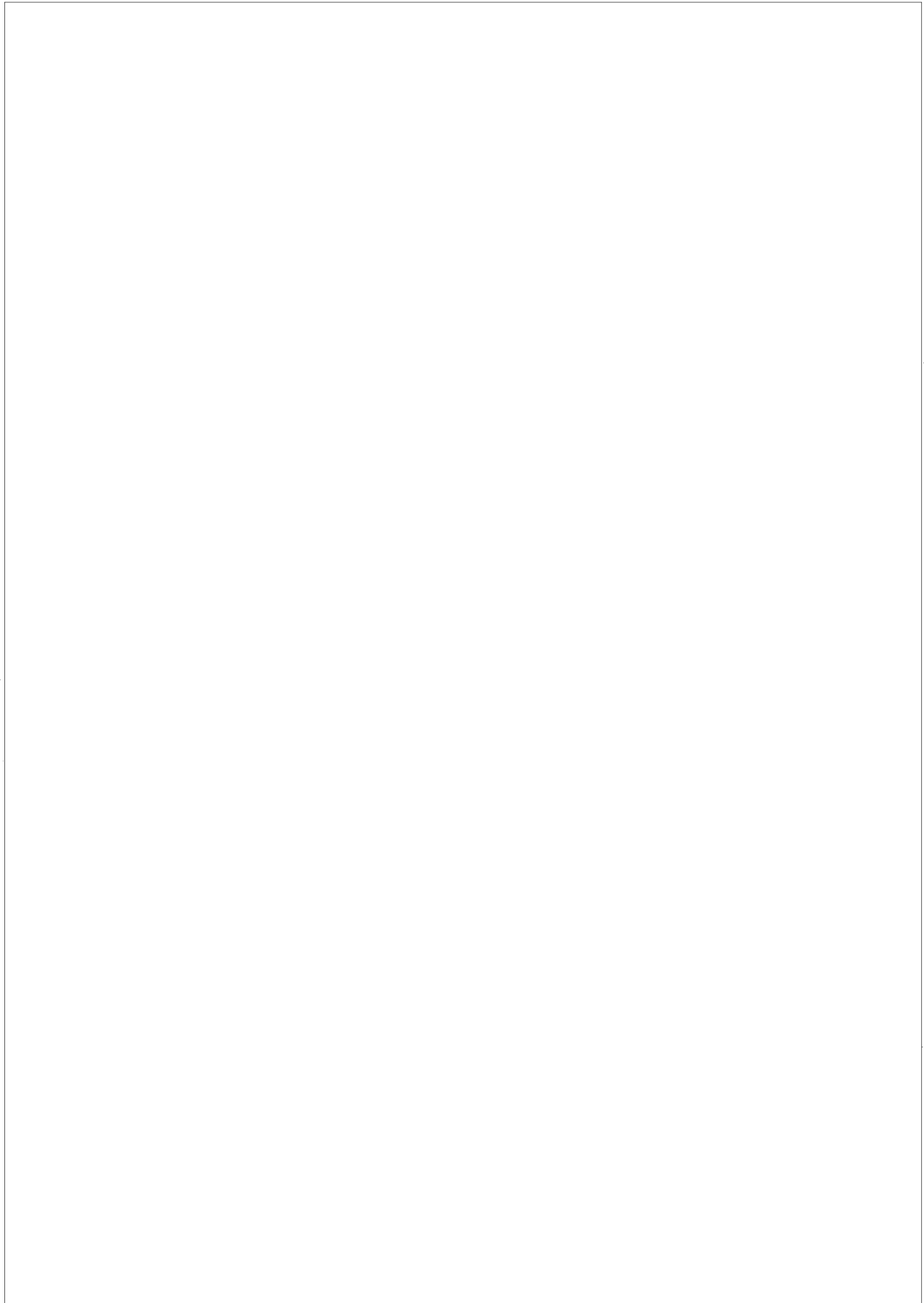




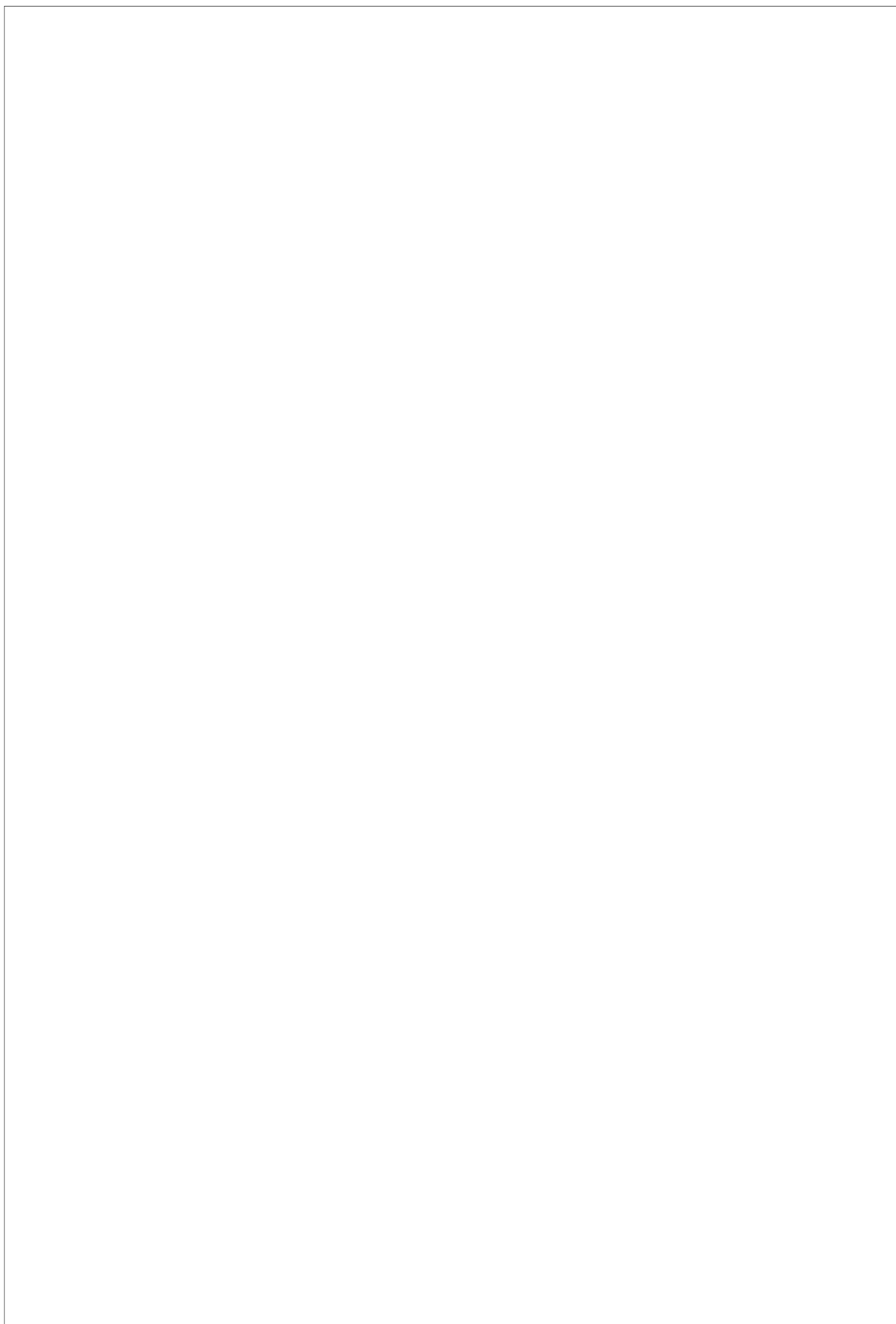


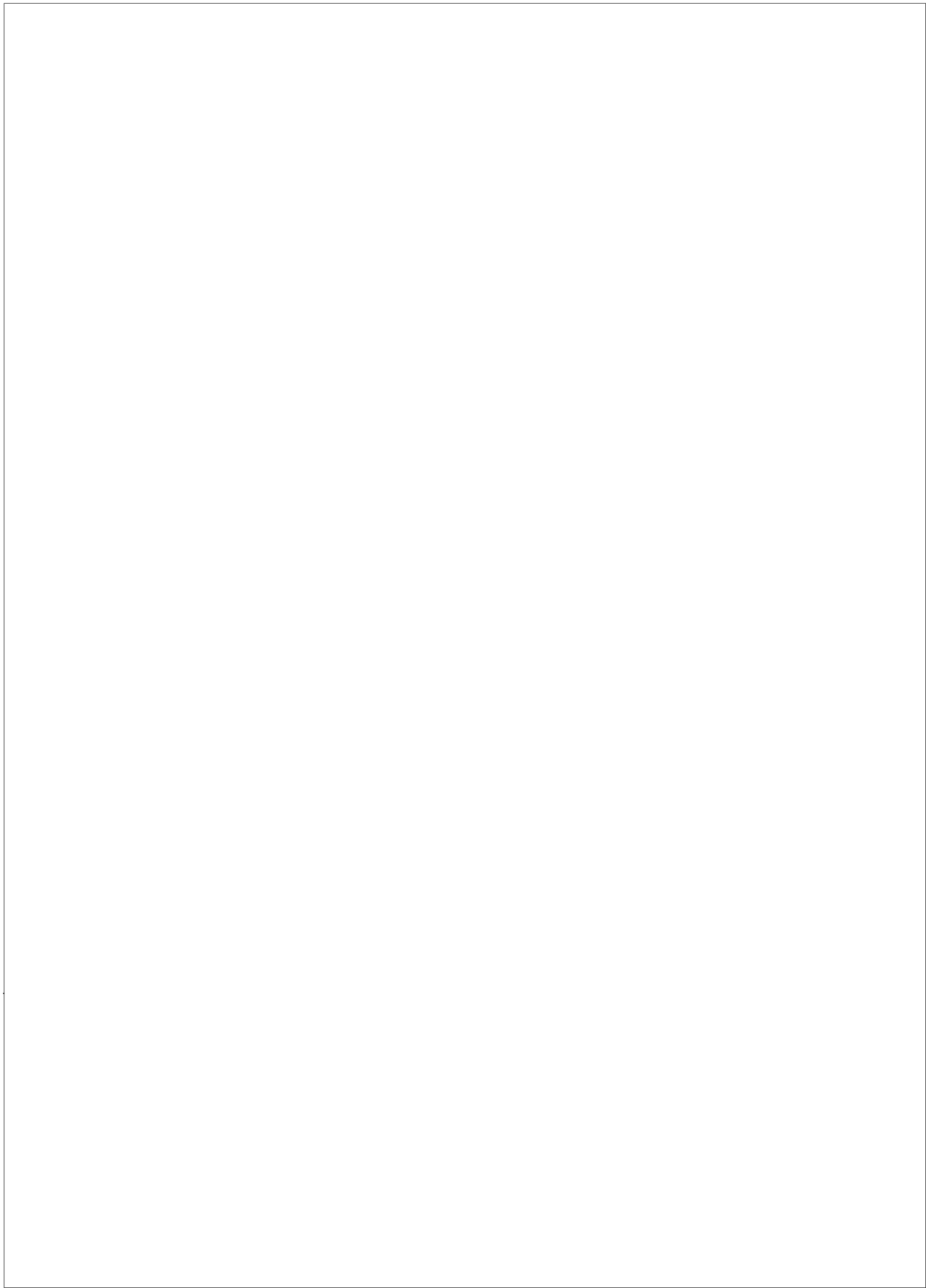
**(U) STATUS OF SIGNIFICANT RECOMMENDED ACTIONS FROM PREVIOUS SEMIANNUAL REPORTS**

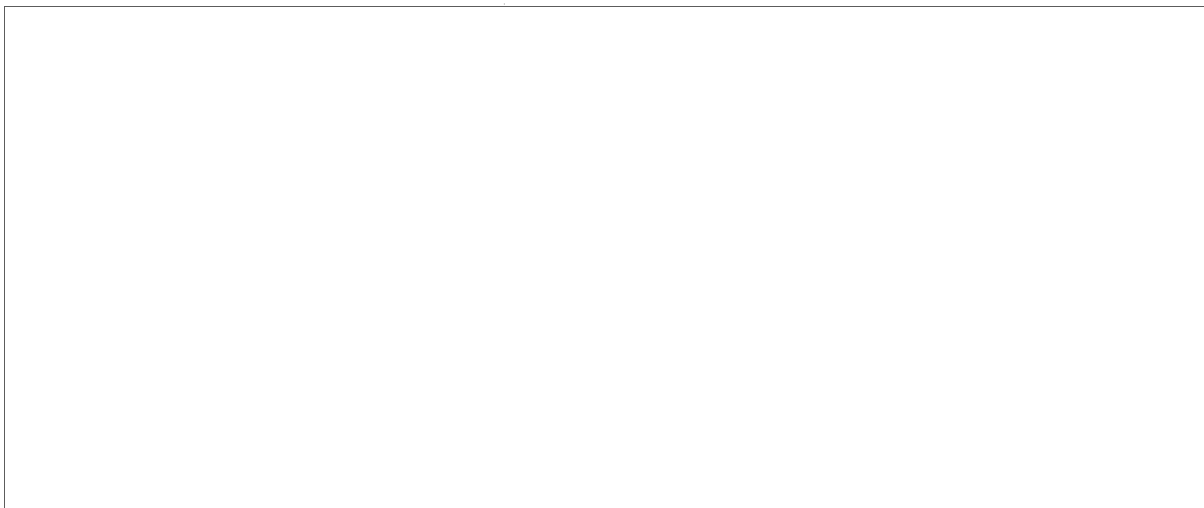
--



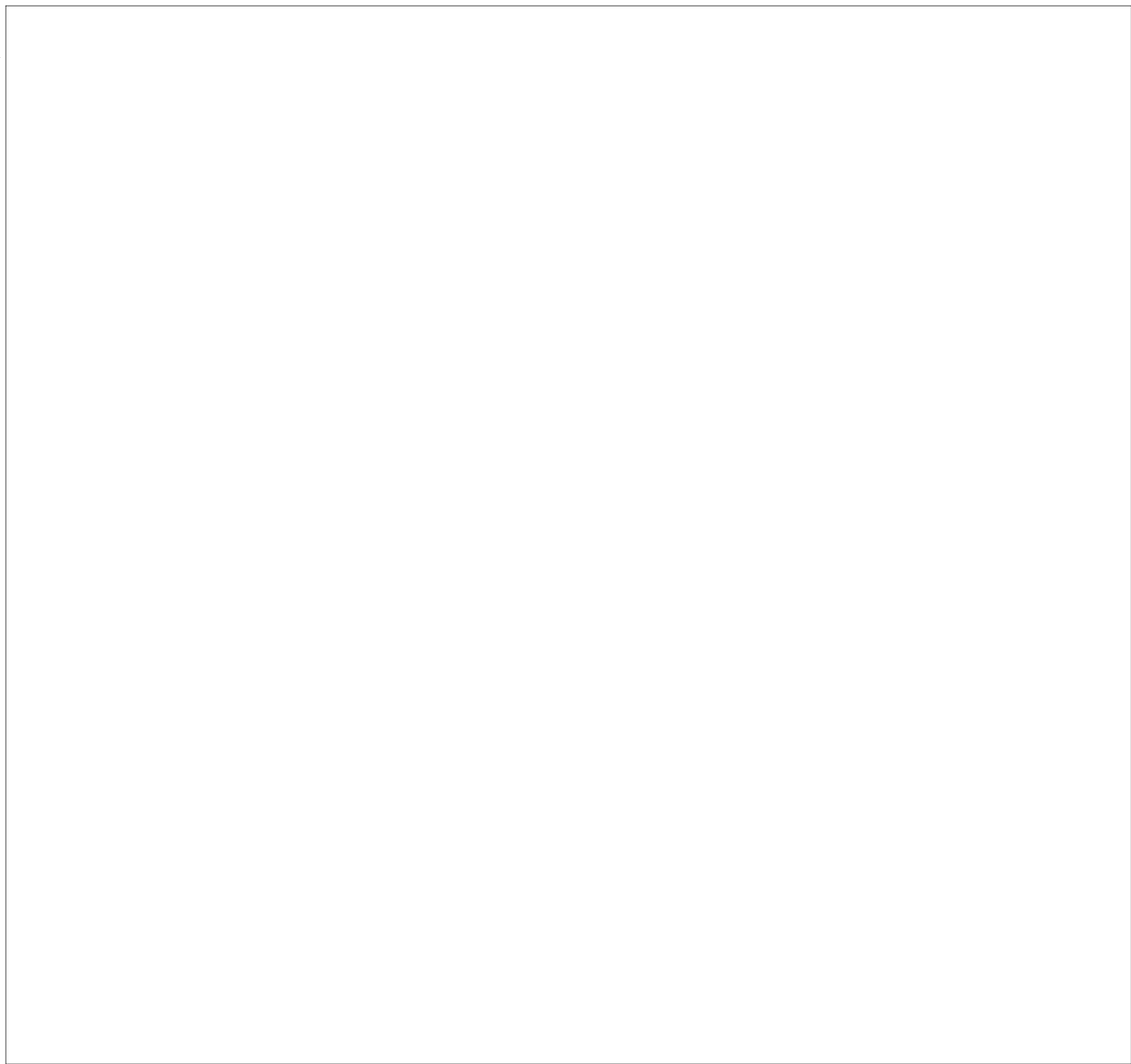






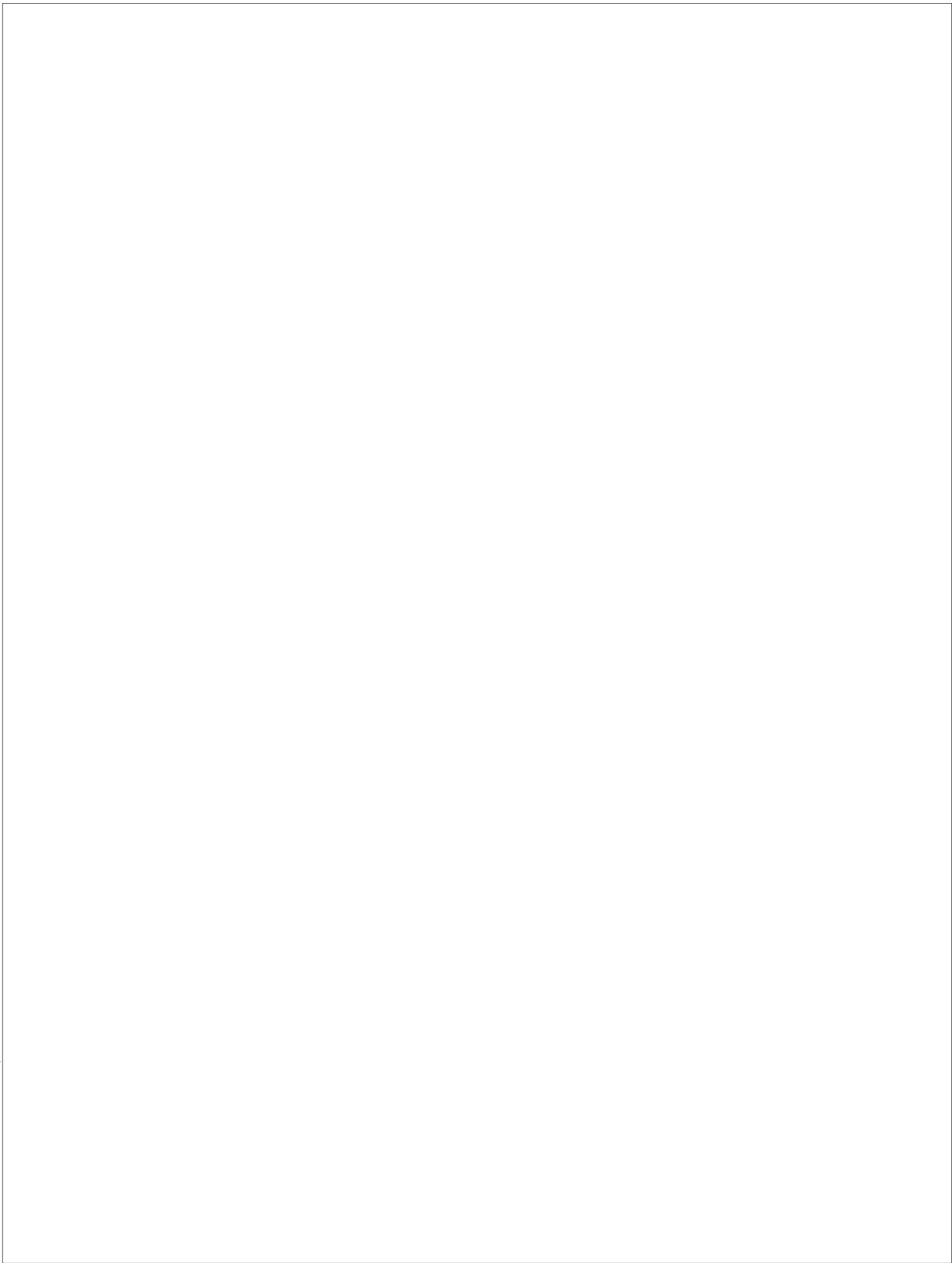


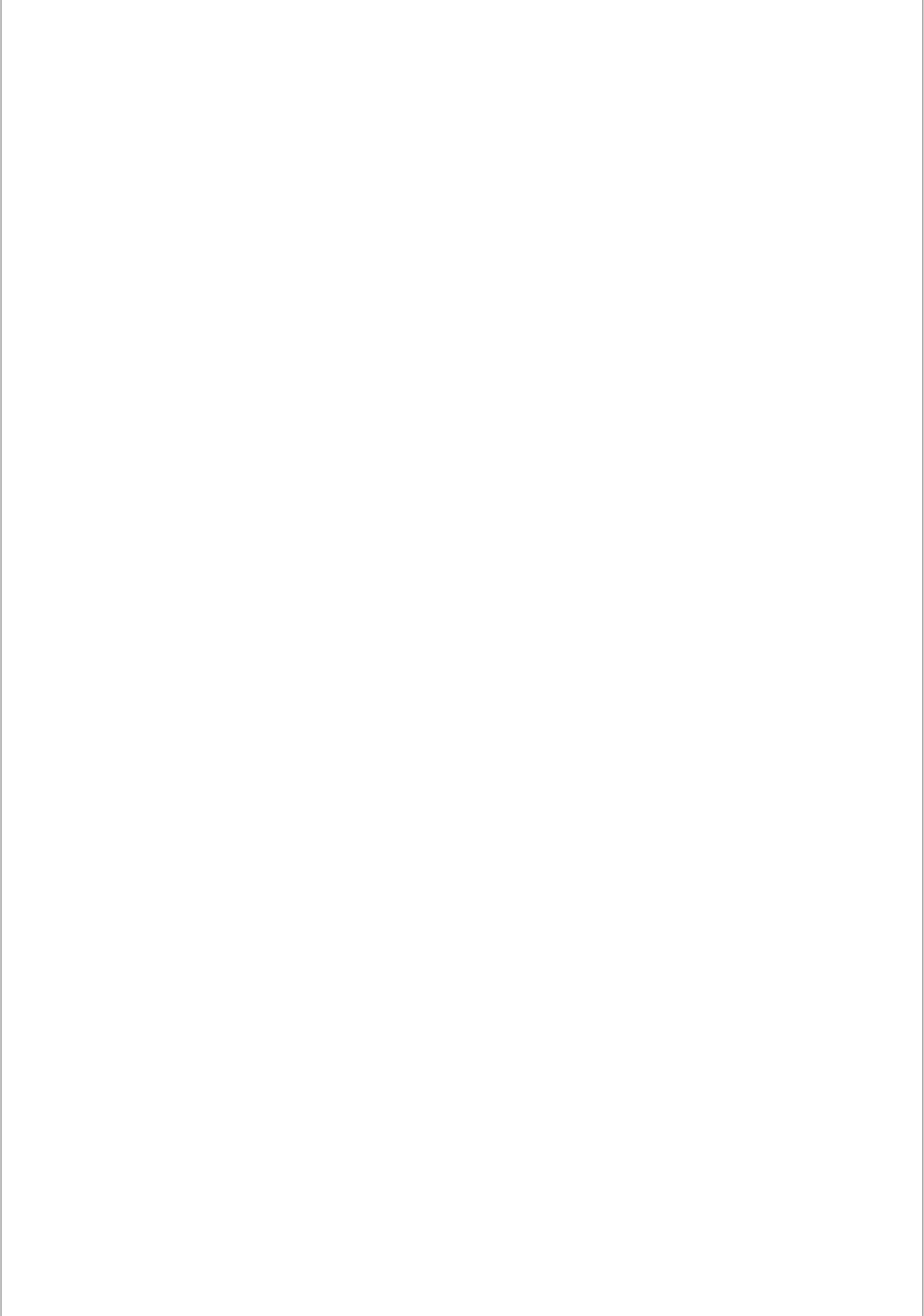
**(U) SUMMARIES OF SELECTED CURRENT INVESTIGATIONS**











## (U) STATISTICAL OVERVIEW

### (U) Audit Staff

[redacted] During the period 1 July to 31 December 2000, the Audit Staff issued nine audit reports and two special assessments. In addition, the Staff addressed financial management at an Agency field station and completed a survey of the Agency's financial management systems. The Audit Staff made 31 recommendations to improve accounting and financial management, program effectiveness, procurement and property management, general management, and information systems.

[redacted] The Audit Staff had 20 audits ongoing at the end of the reporting period. Eight of the audits involve Agency field stations. The remainder of the efforts address topics such as Agency contracting practices associated with independent contractors, mechanisms for oversight of proprietary activities, the audit of the FY 2000 financial statements of the Central Services Program, and administration of overtime compensation.

### (U) Inspection Staff

(U) During the last six months of 2000, the Inspection Staff completed five inspections, a compliance mini-inspection, a scoping study, and a joint review with the Department of Defense. The Inspection Staff had five inspections ongoing at the end of the reporting period.

### (U) Investigations Staff

(U/[redacted]) The Investigations Staff (INV) completed work on 124 matters of various types during this reporting period. Of this number, 25 cases were of sufficient significance to be the subject of a



final report—eight Reports of Investigation and 17 Disposition Memoranda.

(U// [redacted]) Recoveries on behalf of the US Government during this reporting period, as a result of the Investigations Staff's efforts, totaled approximately \$45,000.

(U// [redacted]) During this period, three matters were referred formally to the Department of Justice based upon a reasonable belief that violations of Federal criminal law may have been committed.

(U// [redacted]) As of 31 December 2000, 72 matters were in various stages of review by the Investigations Staff.

## **(U) COMPLETED AUDITS AND REVIEWS**

**1 July - 31 December 2000**

### **(U) Financial and Information Management**

- (U) Accounting for Research and Development Activities
- (U) Survey of the Agency's Financial Management Systems
- (U) Agency Reprogramming Practices
- (U) Form and Content of Agency Financial Statements

### **(U) General Administration**

- (U) Administration of Medical Examinations by the Office of Medical Services
- (U) Government Employees' Health Association, Inc.  
1 January 1995 - 31 December 1999

### **(U) Procurement and Property Management**

- (U) Price Analysis Performed on Fixed-Price Contracts

**(U) Operational Functions and Activities**

Review of Financial Administration  
at [redacted]

[redacted]

**(U) Sensitive Covert Action Program**

[redacted]

[redacted]

**(U) Intelligence Community Coordination of Foreign  
Intelligence Liaison Relationships and Intelligence  
Disclosures to Other Countries**

## **(U) CURRENT AUDITS AND REVIEWS**

31 December 2000

### **(U) Financial and Information Management**

- (U) Audit of the Agency's Debt Collection Process
- (U) Cost Impact of the Central Services Program on Agency Operations
- (U) Audit of the Fiscal Year 2000 Financial Statements of the Central Services Working Capital Fund
- (U) Review of the Chief Information Officer's Impact on Agency Information Technology Issues

### **(U) General Administration**

- (U) Administration of Personnel Overtime Compensation
- (U) Audit of the Administrative Resources Center in the Directorate of Science & Technology

### **(U) Procurement and Property Management**

- (U) Agency Contracting Practices Associated with Independent Contractors
- (U) The Agency's Vendor Payment Process
- (U) Financial and Managerial Control Over In-Q-Tel

**(U) Operational Functions and Activities**

Sensitive Covert Action Program

**(U) Survey of the Mechanisms for Oversight  
of Proprietary Activities**

**(U) COMPLETED INSPECTIONS AND REVIEWS**

**1 July - 31 December 2000**

(U) External Rotations

(U) Economic Analysis and Collection

(U) Foreign Broadcast Information Service (FBIS)/DS&T

(U) European Division/DO

[redacted] /DA

(U) Office of Technical Collection (OTC)/DS&T

[redacted]

(U) Intelligence Community Support for Determining the Fate of Commander Speicher (Joint review with Department of Defense IG)

**(U) CURRENT INSPECTIONS**

**31 December 2000**

(U) Language Capabilities in the DI, DO, and DST/FBIS

(U) Working Capital Fund: Impact on Mission

(U) Agency Student Programs

(U) Counterterrorist Center (CTC)/DO

(U) Agency Declassification Programs

**(U) INVESTIGATIONS COMPLETED**

**1 July - 31 December 2000**

(U) Alleged Conflict of Interest

[redacted]

(U) Alleged Environmental Hazard

[redacted] \*)

(U) Alleged False Statements

[redacted]

(U) Fabrication of Background Investigations

[redacted] \*)

(U) Illegal Importation of Carpets by Agency Employee

[redacted] \*)

(U) Illegal Importation of Weapons and Voucher Fraud

[redacted]

(U) Operation of Personal Business From a Government Office

[redacted]

(U) Procurement Fraud

[redacted] \*)

(U) Regulatory Violations

[redacted]

(U) Theft/Misuse of Government Property

[redacted] \*)

---

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

(U) Theft/Misuse of Government Property - Telephones

[redacted] \*)

(U) Time and Attendance Fraud

[redacted] \*



**(U) CURRENT INVESTIGATIONS**  
**As of 31 December 2000**

<b>Category</b>	<b>Number of cases</b>
<b>Grievances</b>	
Assignment	1
Compensation	1
Management and Supervision	3
Board Appeals	2
Other	2
<b>General Investigations</b>	
<b>Criminal and Prohibited Acts</b>	
Conflict of Interest	8
Embezzlement	1
False Claims/Statements/Vouchers	4
False Claims - Other	2
False Claims - Time & Attendance	13
Megaprojects	1
Misconduct - Employee	3
Misconduct - Management	4
Procurement Fraud	10
Theft and Misuse of Government Property	7
Regulatory Violations	3
Unsubstantiated Allegations	1
Waste	1
Other - Administrative/Criminal	5
<b>Total Ongoing Cases</b>	<b>72</b>