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Central Intelligence Agency
Inspector General

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SEMIANNUAL REPORT
TO THE DIRECTOR OF CENTRAL INTELLIGENCE
JANUARY – JUNE 2002

APPROVED FOR RELEASE
DATE: 25-Feb-2010

John L. Helgerson
Inspector General

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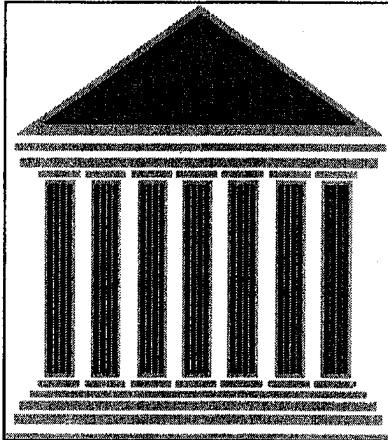




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(U) A Message from the Inspector General



(U) During this semiannual reporting period, the President nominated me to be the Central Intelligence Agency's (CIA's) third statutory Inspector General (IG) and the Senate confirmed the appointment by unanimous consent. I am grateful for the honor and confidence extended by the President and the Director of Central Intelligence (DCI) and for the support of the nomination shown by the Senate, especially members and staff of the Senate Select Committee on Intelligence. I shall do my best to carry out my responsibilities with initiative, integrity, and independence.

(U) For some months during this period, [redacted] served with distinction as Acting Deputy Inspector General and as de facto IG. I thank him sincerely for carrying this extra burden and look forward to working with him in the future as Counsel to the IG.

[redacted] Other key vacancies in the leadership of the Office of Inspector General (OIG) have been filled. [redacted] a veteran CIA operations officer now completing a tour [redacted] will become Deputy Inspector General in September. [redacted] an attorney whose career has been equally divided between the Department of Justice and CIA, will become Assistant IG for Investigations in early August. Vigorous recruitment efforts are underway to fill a few remaining vacancies for auditors and investigators, drawing on candidates from within and from outside the Intelligence Community.

(U) Looking to the longer term, OIG personnel and financial resource needs are being addressed to prepare for Congressionally-mandated auditable financial statements. To take best advantage of our existing audit

personnel, we will seek legislative relief from the current obligation to conduct annual audits of the financial statements of the Agency's Central Services Working Capital Fund, as discussed elsewhere in this report. We will begin hiring and training additional auditors during Fiscal Year (FY) 2003 to prepare for expanded financial statement audit work during FY 2004. In the budget process leading to FY 2004, we will seek to incorporate permanently into the CIA budget the additional personnel and related financial resources necessary to meet this requirement.

(U) In my first months on the job, I have introduced myself to fellow IGs and contacts at the US Attorney's Office for the Eastern District of Virginia, as a fair proportion of our work is performed in collaboration with other agencies and the US Attorney's Office. The Intelligence Community IG Forum has met twice during this reporting period, primarily to focus on information sharing among agencies and departments in the wake of the 9/11 tragedy. I have also involved myself in the broader undertakings of the President's Council on Integrity and Efficiency, the body made up of all Federal statutory IGs. This has included a visit to the Inspector General Academy at the Federal Law Enforcement Training Center in Georgia, where many CIA OIG investigators are trained.

(U) Concerning information systems and technology, to which a large proportion of CIA resources are devoted, we have underway a review of OIG's recent production and the capabilities of our personnel to conduct appropriate audits, investigations, and inspections. Our findings will help guide future recruitment, training, and work programs related to this important business activity. In fact, the office has done considerable work in this area, but we will strive to increase its impact by making our reviews more focused and systematic.

[REDACTED] High priority, substantive work underway during this period has included ongoing audits of the Agency's covert action programs and of overseas stations. Investigations have included two that are focused on current or former senior officers and were, therefore, reported to the Congressional oversight committees pursuant to the CIA statute. Inspections completed included one addressing promotions to the Senior

Intelligence Service, as requested by the Congress, and another on the

[redacted]

(U) In the early months of my tenure, I have been gratified that the DCI, CIA's Executive Director and the Congress have shown continuing close interest in the activities of the OIG and have actively encouraged our work. We will seek to repay that support with useful deliverables that further the oversight process: audits, investigations, and inspections that demonstrate unassailable fact-finding; thoughtful, well-documented conclusions; and concrete, actionable recommendations.

[redacted]

John L. Helgeson

31 July 2002

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

(U) Legislative Proposals

(U) Requirement for a Separate 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: "Not later than January 31 each year, the Inspector General of the Central Intelligence Agency shall conduct an audit of the activities under the [Central Services] program during the preceding fiscal year." We have conducted four annual audits since this requirement was levied on the CIA OIG in 1998. Since that time, the Agency has made significant progress in managing the

Central Services Program. In fact, the most recent audit resulted in the issuance of unqualified opinions for all of the Program's fiscal year 2001 financial statements.

(U) The Senate Report 107-63 to accompany S. 1428, Intelligence Authorization Act for Fiscal Year 2002, directed the DCI, in consultation with the Secretary of Defense, to ensure that all agencies in the Department of Defense-National Foreign Intelligence Program aggregation, including the CIA, receive an audit of their financial statements by 1 March 2005. The audits are to be performed by a statutory Inspector General or a qualified Independent Public Accountant, at the discretion and under the direction of the appropriate Inspector General.

[redacted] Currently, OIG does not have the staff resources necessary to perform an audit of the Agency's financial statements, maintain sufficient oversight of Agency programs and activities, and meet other mandatory audit requirements. In order to continue essential programs and meet the requirement to audit the Agency's fiscal year 2004 financial statements, the OIG will need to augment its staffing level. This will require an increase to the OIG's authorized personnel ceiling and additional funding for nonpersonal service costs, such as office space, computers, and training.

(U) A portion of the needed personnel resources could be made available if OIG were relieved of the statutory obligation to conduct a separate audit of the Central Services Working Capital Fund. The activities of the Working Capital Fund are included in the Agency's financial statements, and they would be subject to review during the annual audit of those statements. In order to achieve the most effective use of resources and avoid redundancies in our audit work, the OIG requests a legislative change to remove the requirement for a separate annual audit of the financial statements of the Working Capital Fund.

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

Sec. ___ SEPARATE FINANCIAL STATEMENT AUDIT OF CENTRAL SERVICES PROGRAM—Section 21(g) of the Central Intelligence Agency Act of 1949 (50 U.S.C. 403u(g)) is stricken in its entirety.

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(U) AUDITS

(U) AUDIT STAFF OVERVIEW

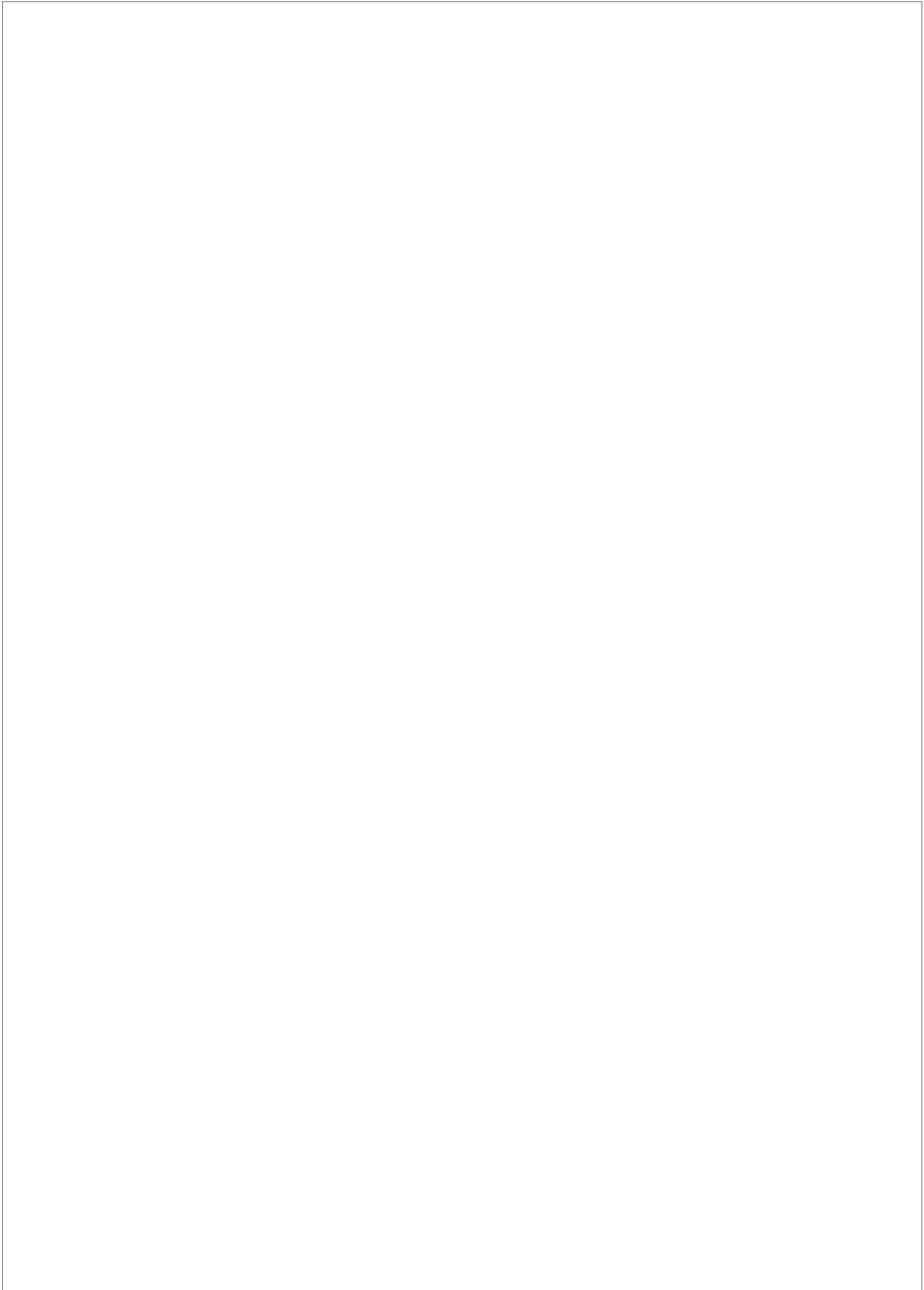
(U) The Audit Staff conducts performance, financial-related, and financial statement audits of Agency programs and activities. In addition, the Audit Staff provides oversight of Agency interests through its participation in reviews sponsored by the Intelligence Community Inspectors General Forum and responds to requests for audits or reviews from Congressional and Executive Branch officials.

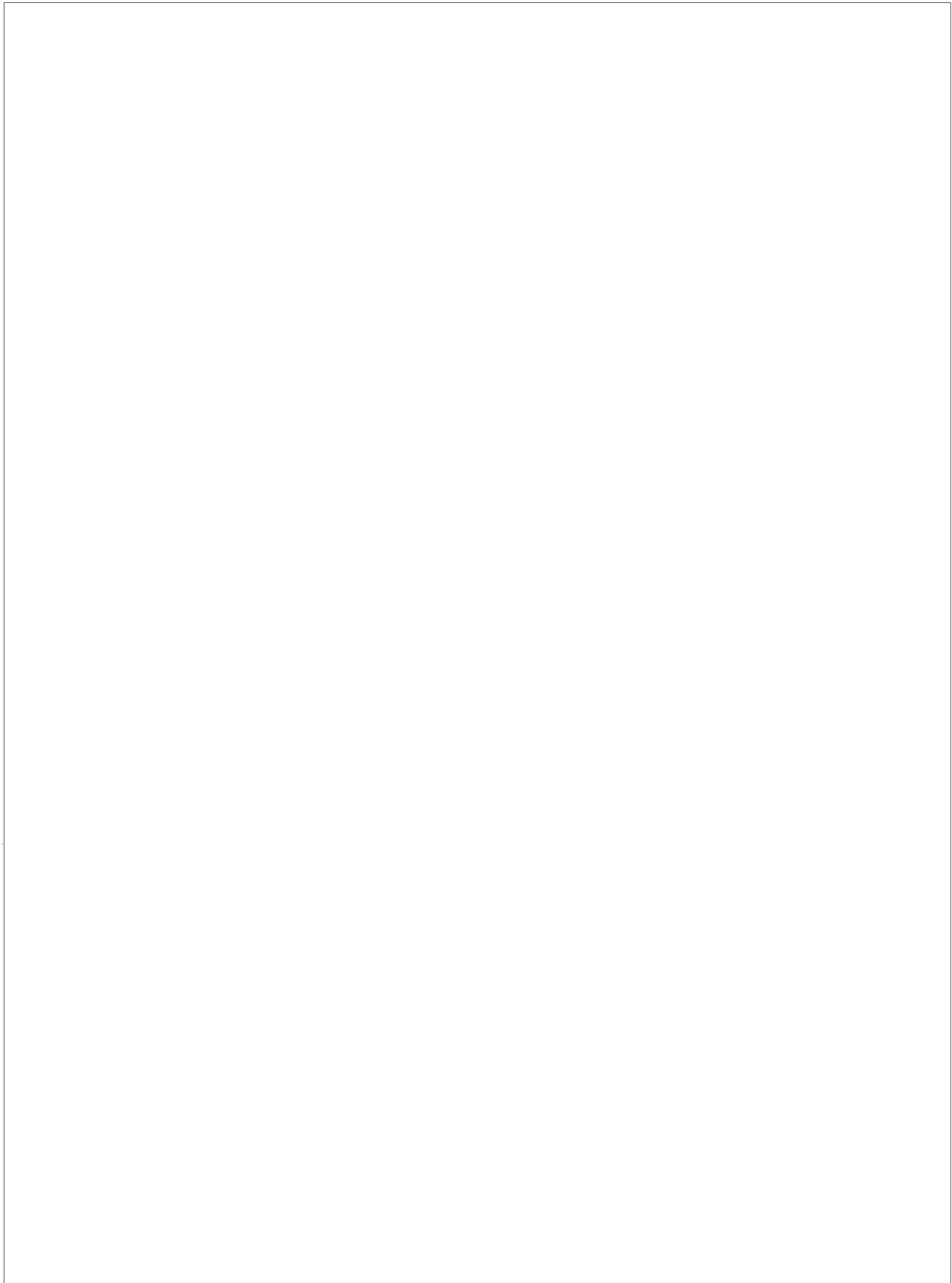
[redacted] In the last six months, the Audit Staff has focused its efforts on Agency covert action programs, financial management and information technology issues, and evaluations of Agency programs and activities. For the remainder of 2002, the Staff plans to continue its oversight of covert actions and field stations, review information technology systems that affect the Agency's financial statements, and conduct a joint inventory of the assets of the [redacted]

(U) [redacted] In response to direction from the Senate Select Committee on Intelligence in the Senate Report 107-63 to accompany the Intelligence Authorization Act for Fiscal Year 2002, the Staff completed an audit of the form and content of the Agency's fiscal year (FY) 2001 financial statements in preparation for an audit of the Agency's FY 2004 financial statements. In response to that same direction, the Staff provided the Community Management Staff an estimate of the audit resources that will be required to conduct the audit of the Agency's FY 2004 financial statements. The audit of the FY 2004 financial statements will be a significant undertaking for the Staff, and the resource requirements will be substantial.

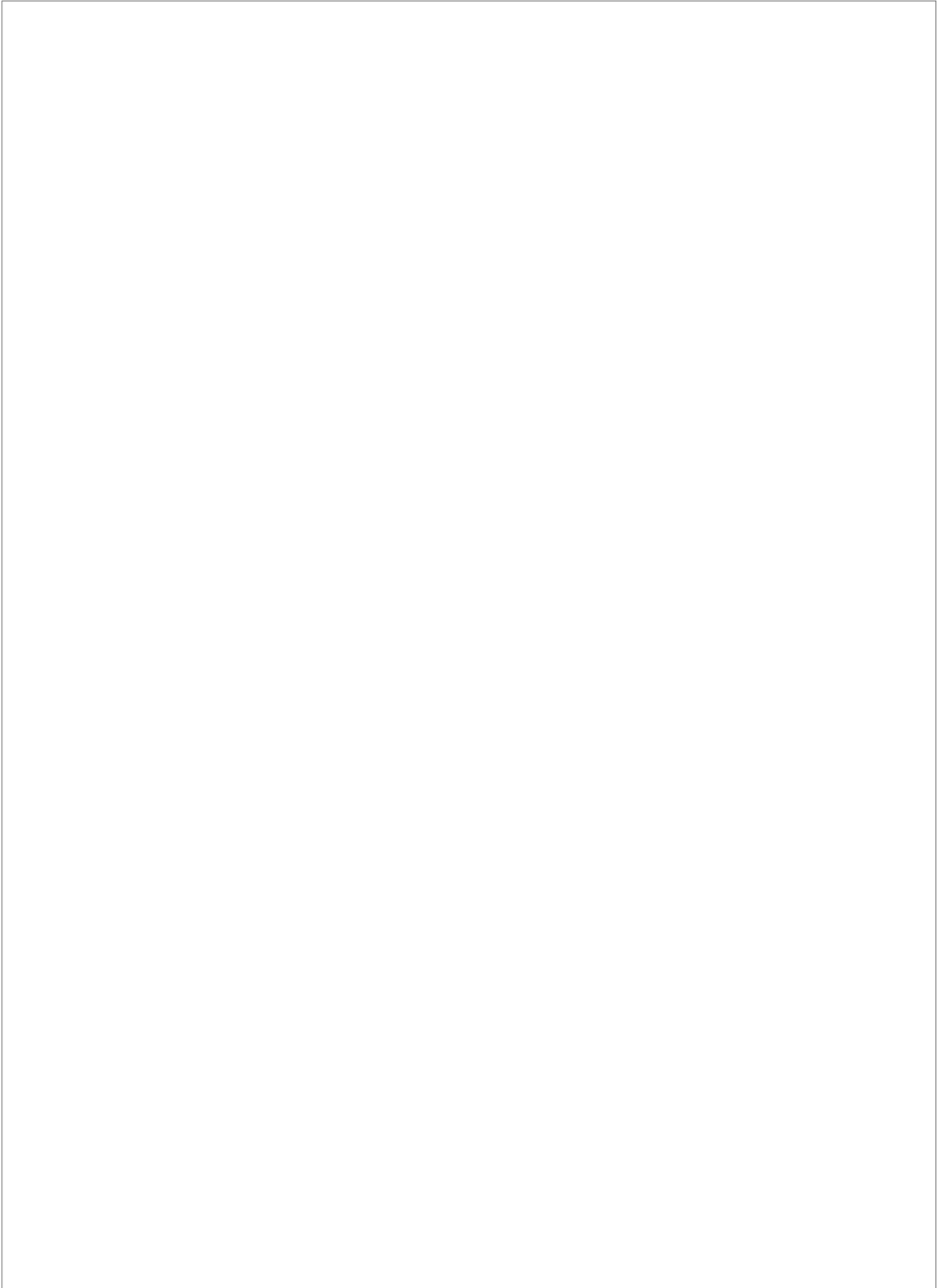
(U) SIGNIFICANT COMPLETED AUDITS OR OTHER REVIEWS

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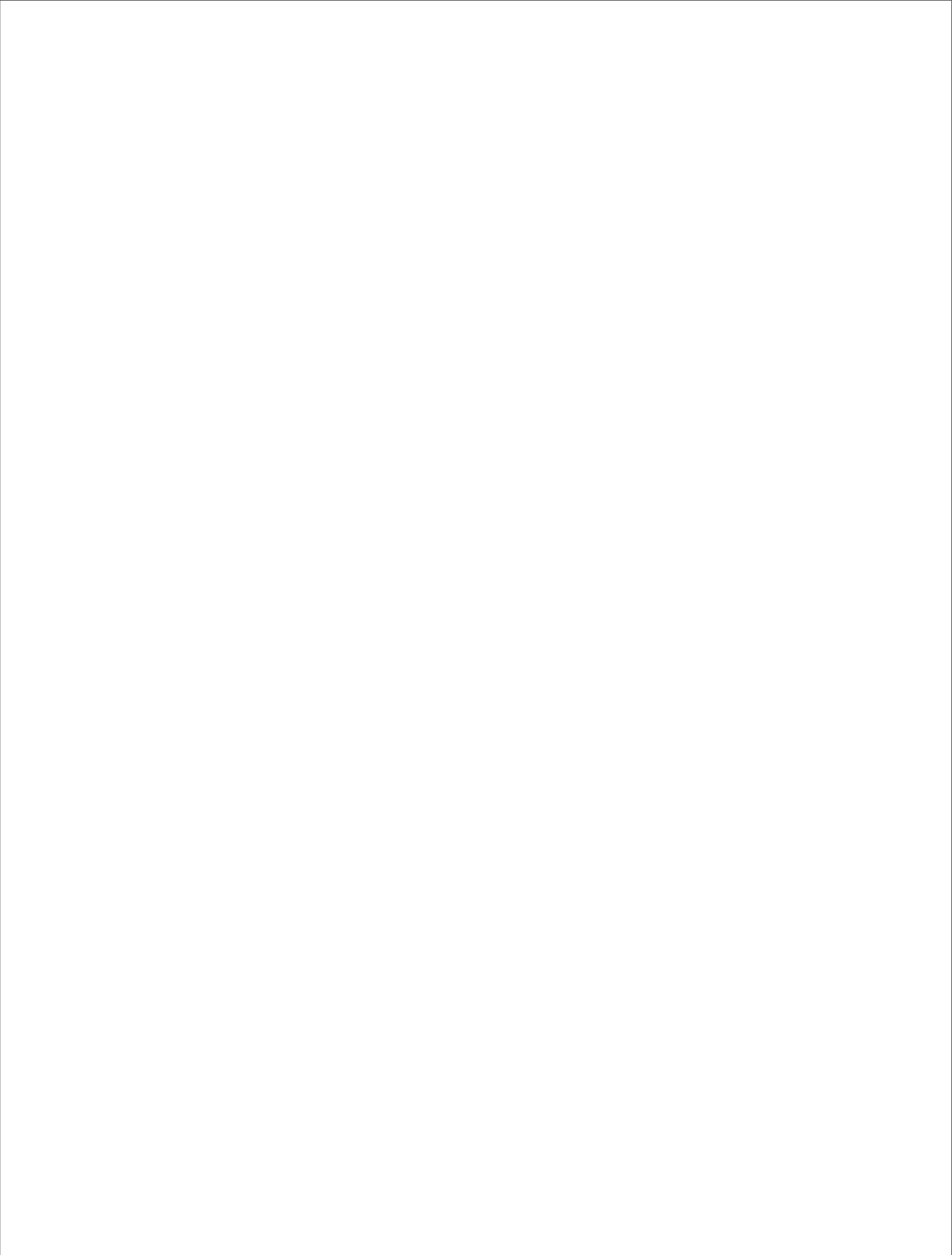


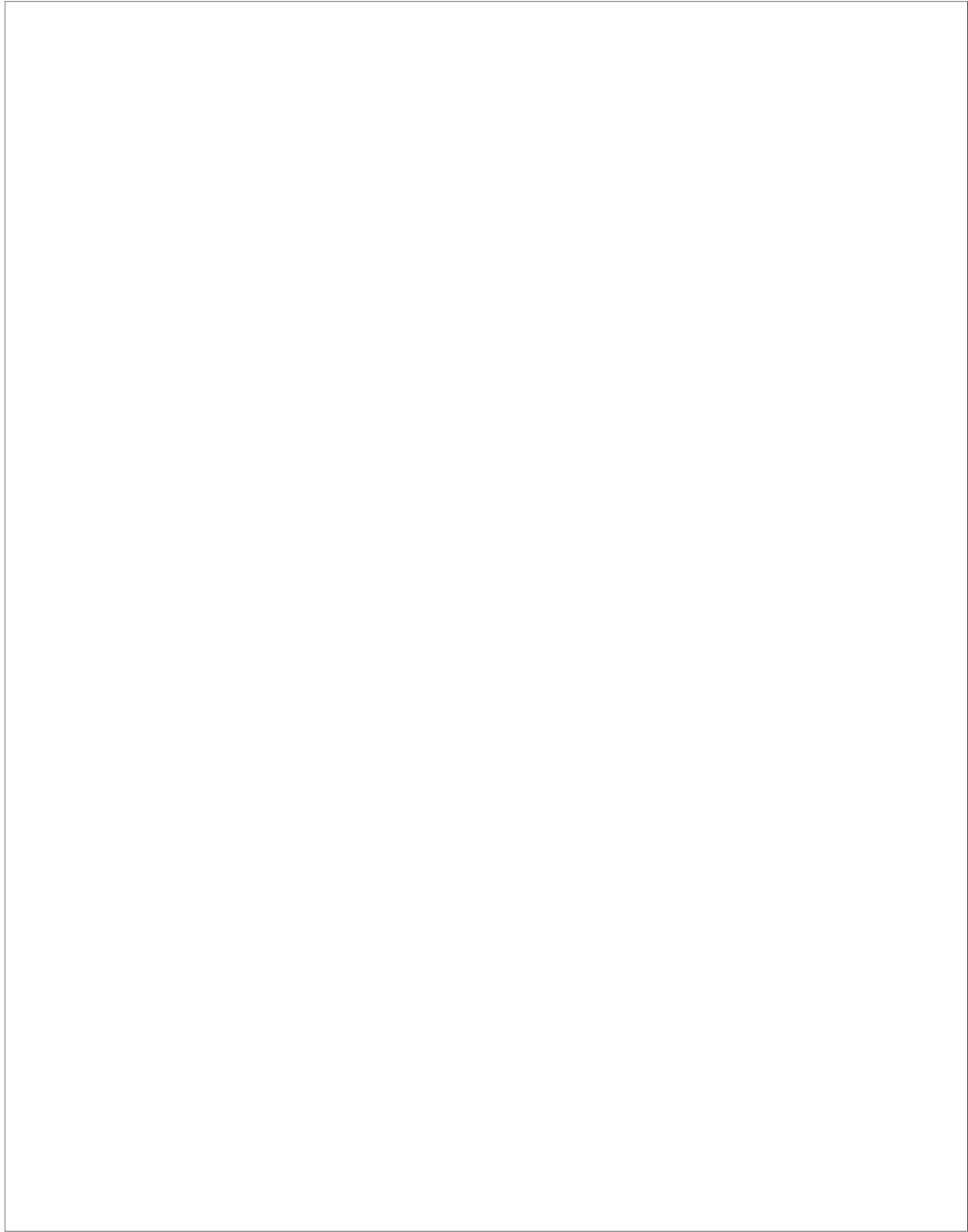






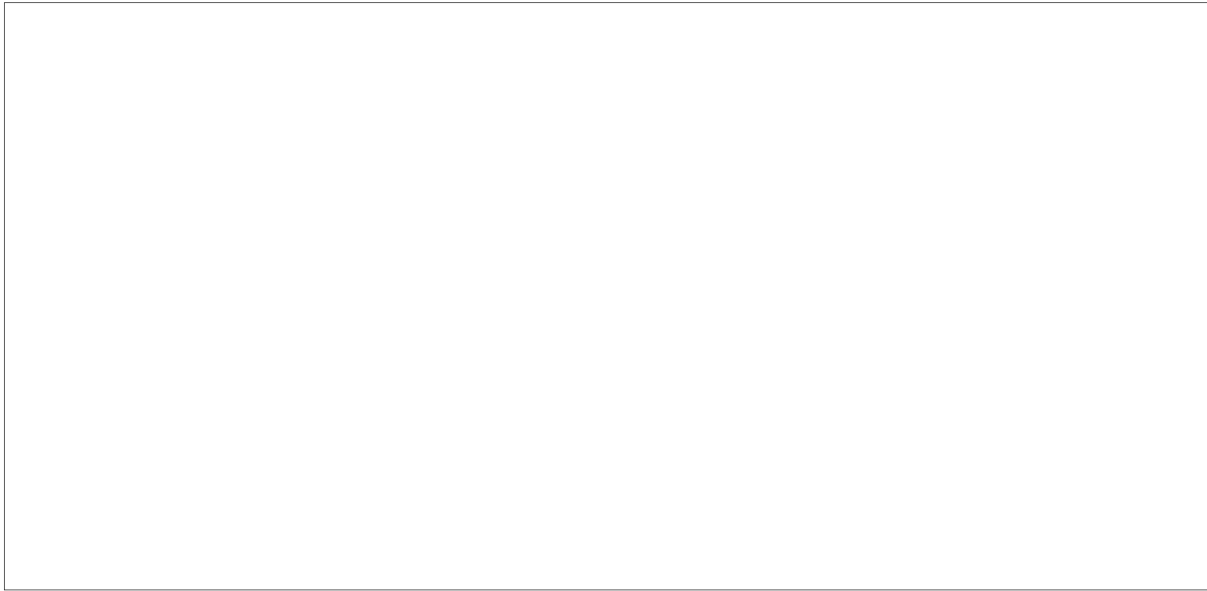




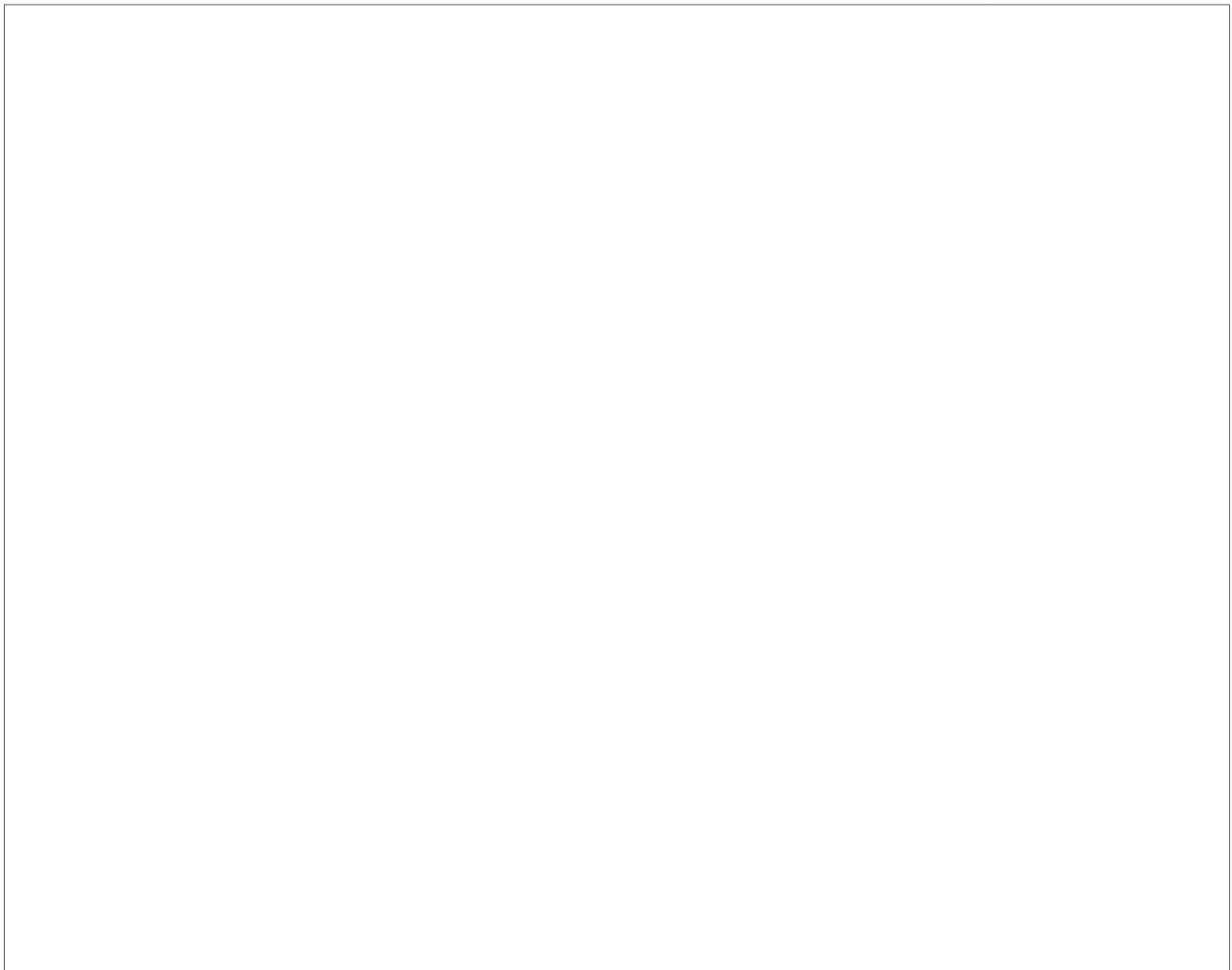




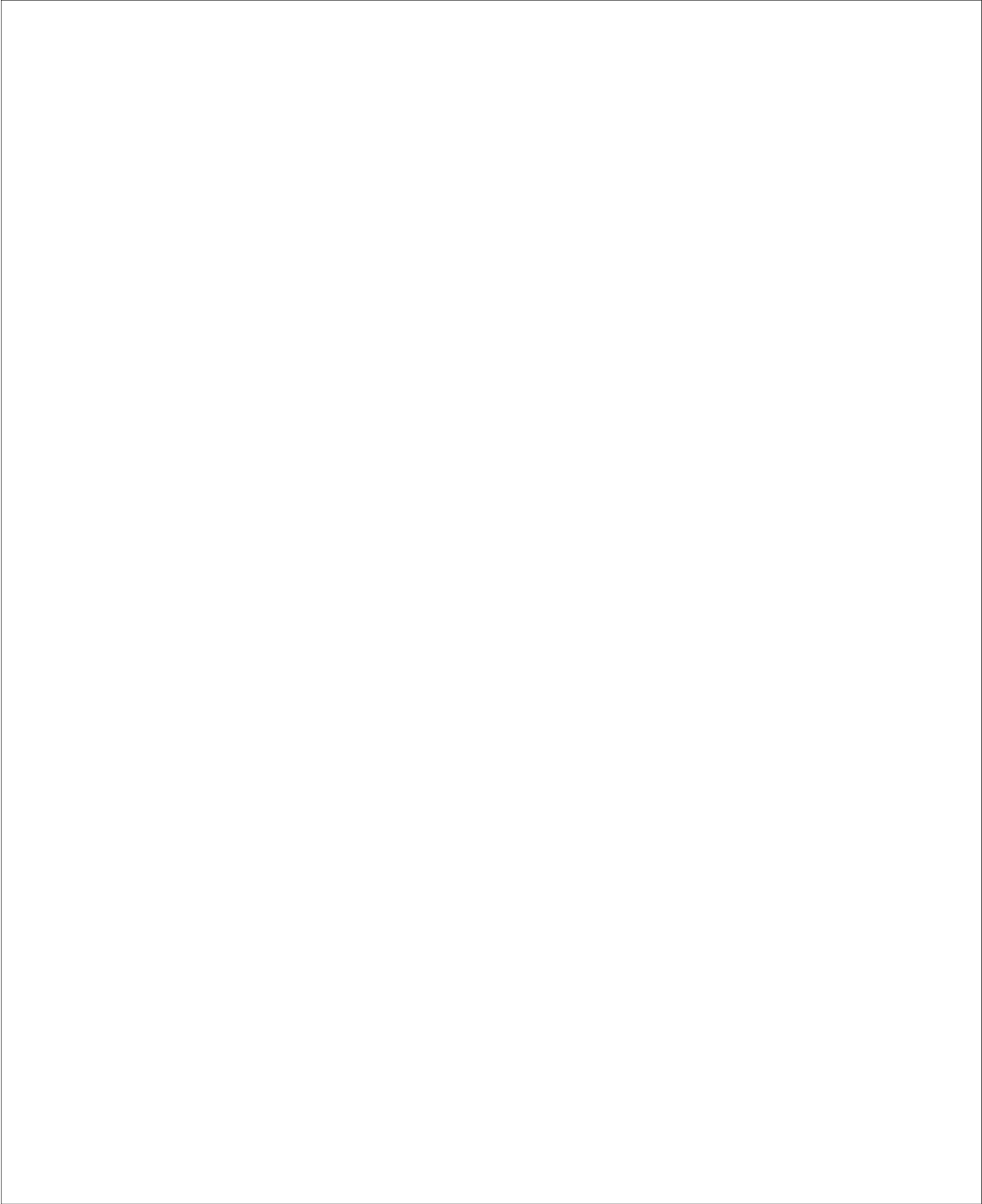




***(U) STATUS OF SIGNIFICANT RECOMMENDED ACTIONS OUTSTANDING
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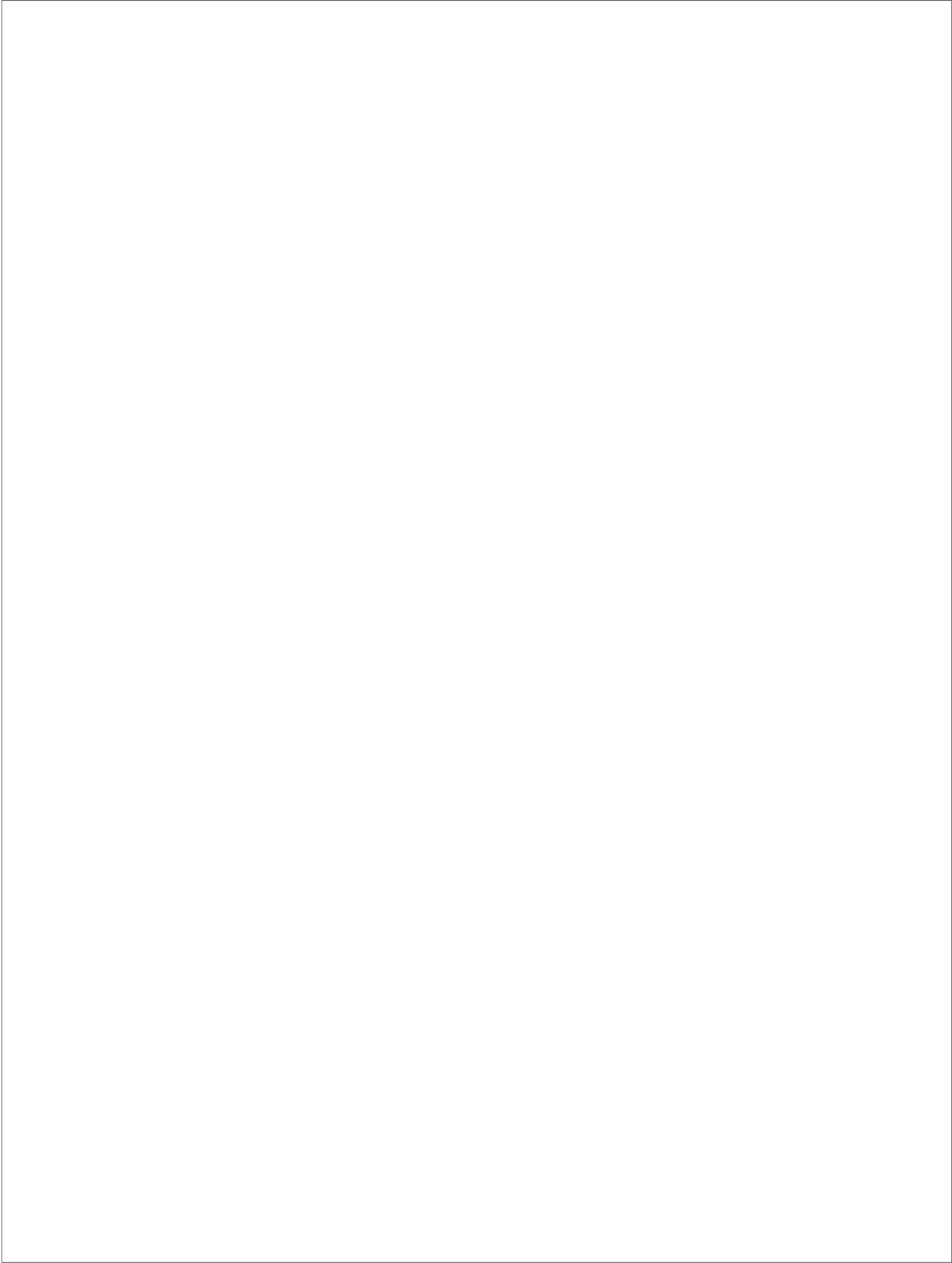


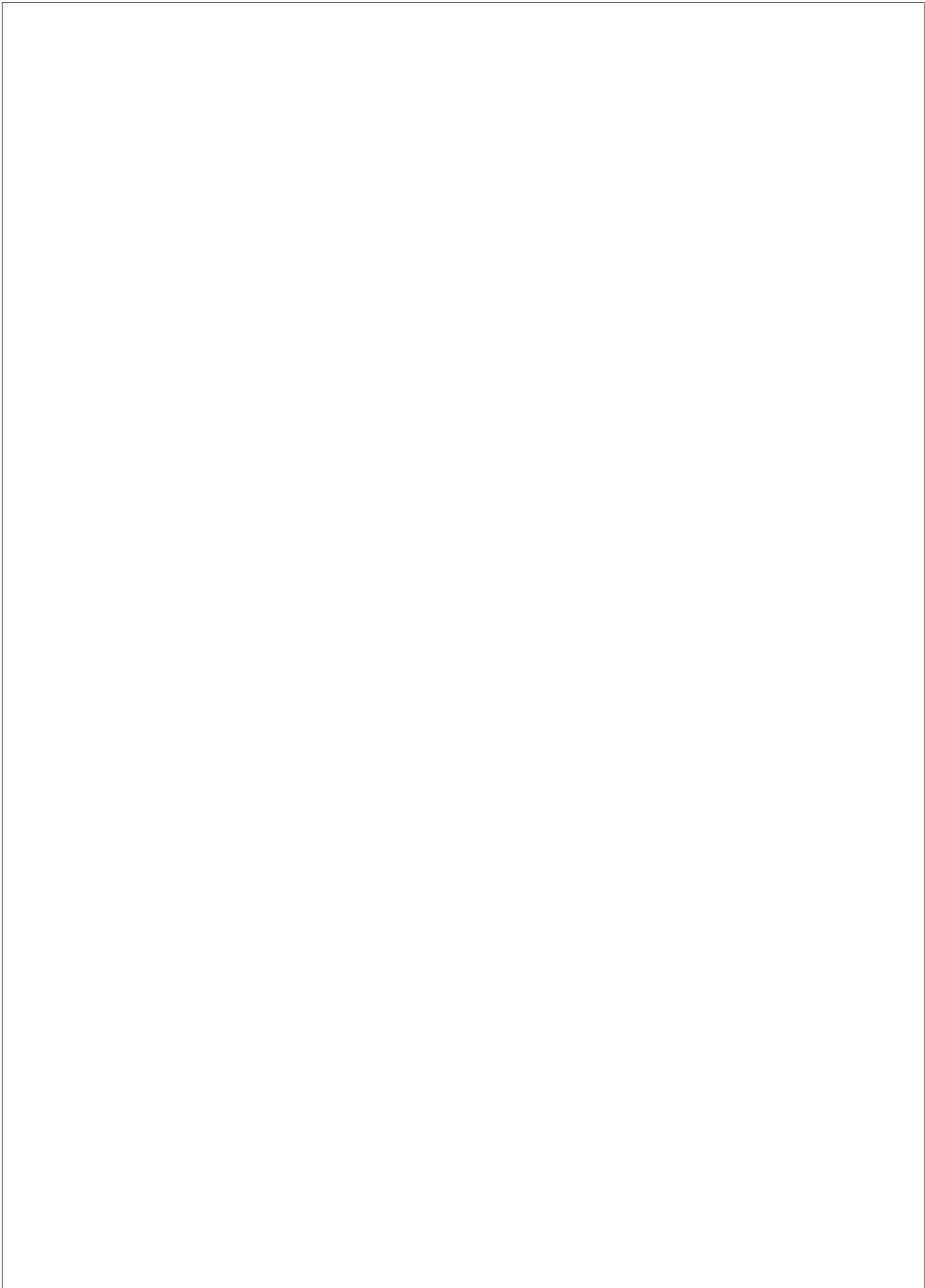




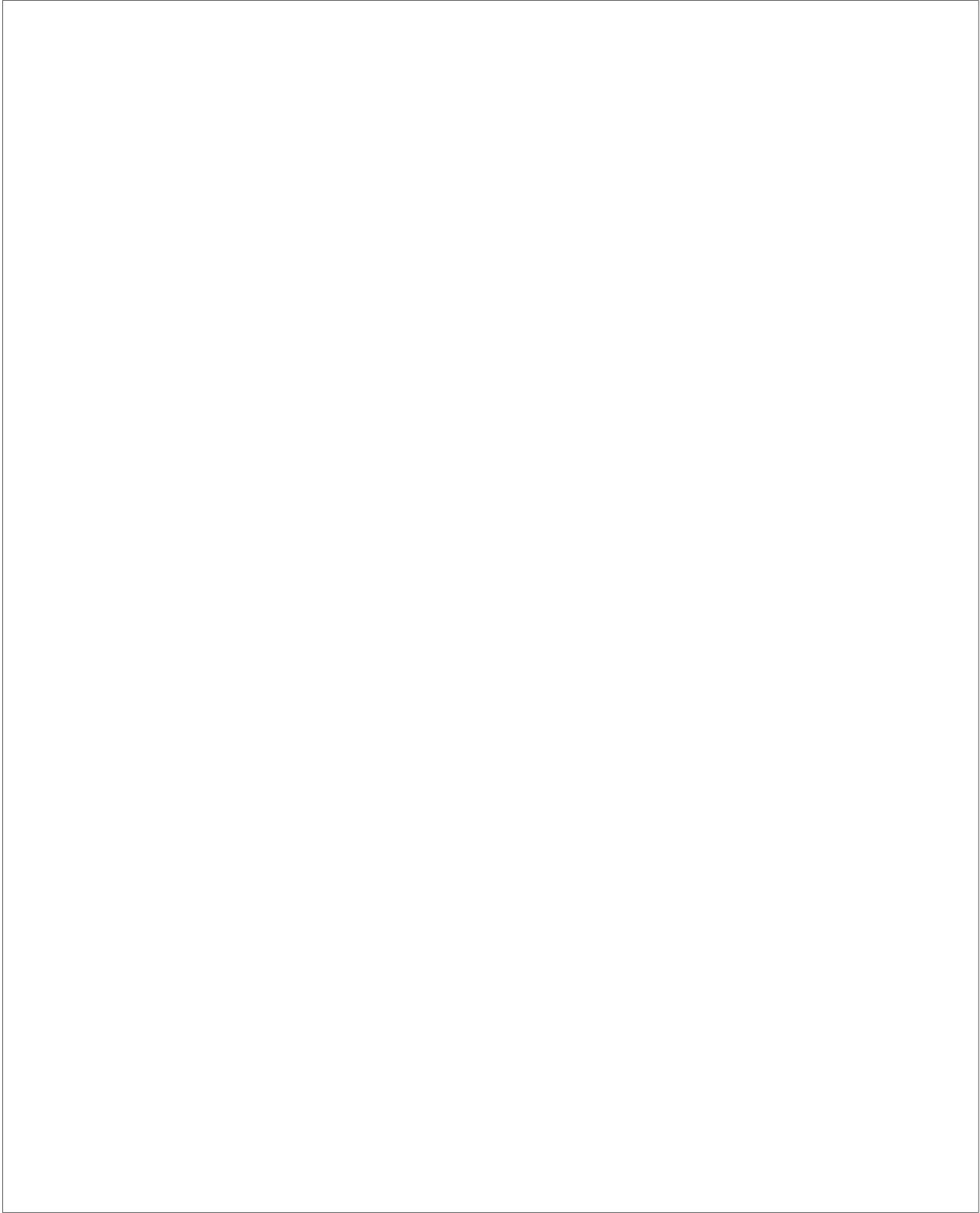


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(U) SUMMARIES OF SELECTED CURRENT AUDITS



(U) INSPECTIONS

(U) INSPECTION STAFF OVERVIEW

(U/[redacted]) 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.

[redacted] The Inspection Staff has continued its flexible approach to scheduling, which has enabled us to schedule more effectively and work more productively. During a seven-month cycle (February-August), inspection teams conduct either a single major inspection or several more focused, less wide-ranging inspections. The second cycle (September-January) remains five months in length. During the current cycle, the Staff is working on or has completed six inspections: The Agency's Response to the Attacks of 11 September, Counterintelligence (CI), Counterespionage, the Exploitation of Technical Tools, the Directorate of Operations' East Asia Division, and Promotions Into and Within the Senior Intelligence Service (SIS). In addition, we intend to conduct follow-up inspections of the Foreign Broadcast Information Service and the [redacted]

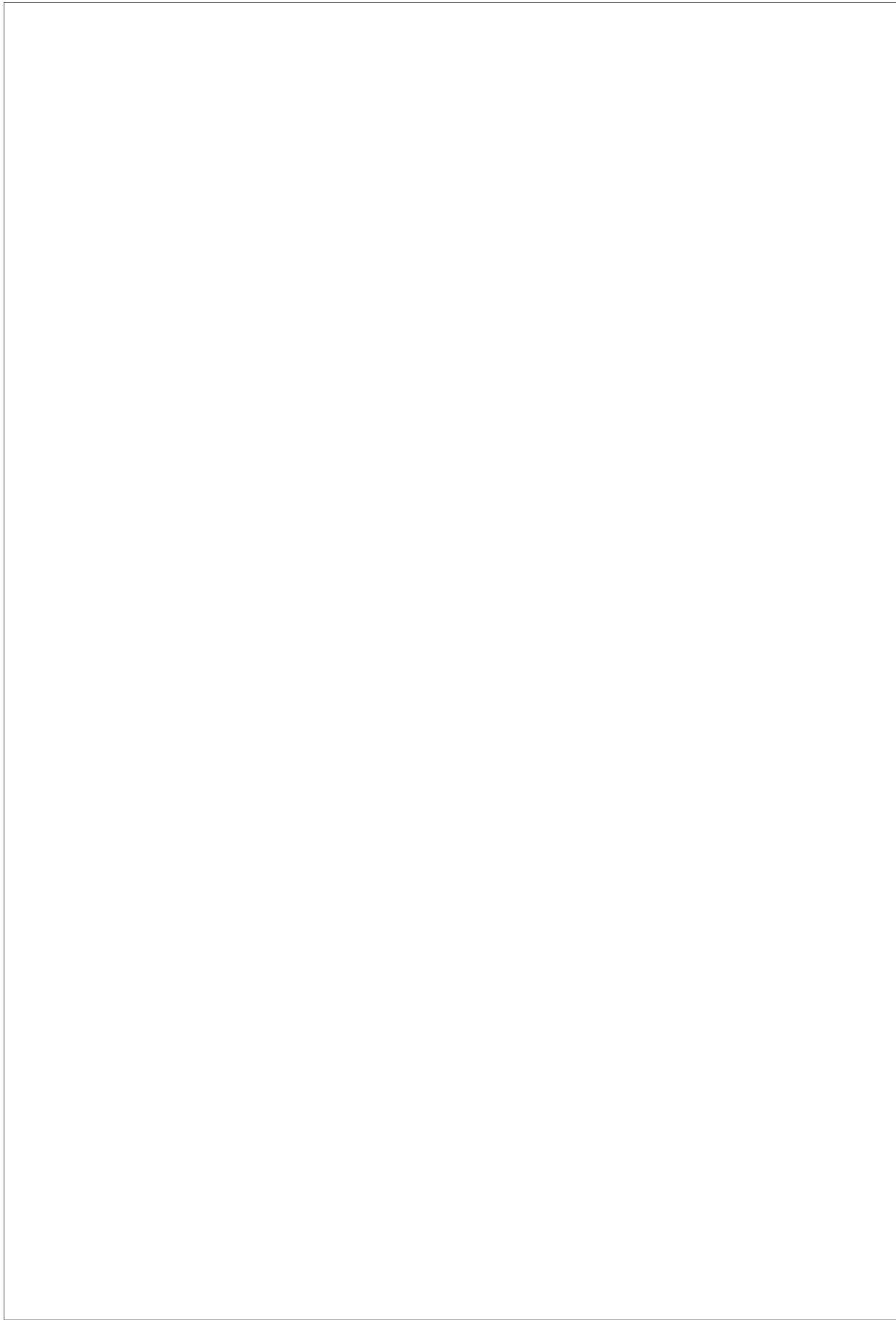
(U/[redacted]) The Inspection Staff continues to conduct a two-week New Inspectors' Training Course and a seminar for team leaders before the start of each inspection cycle. The Staff also conducts seminars for OIG inspectors and research assistants during the course of each cycle, instituted in response 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.



(U) SIGNIFICANT COMPLETED INSPECTIONS OR OTHER REVIEWS



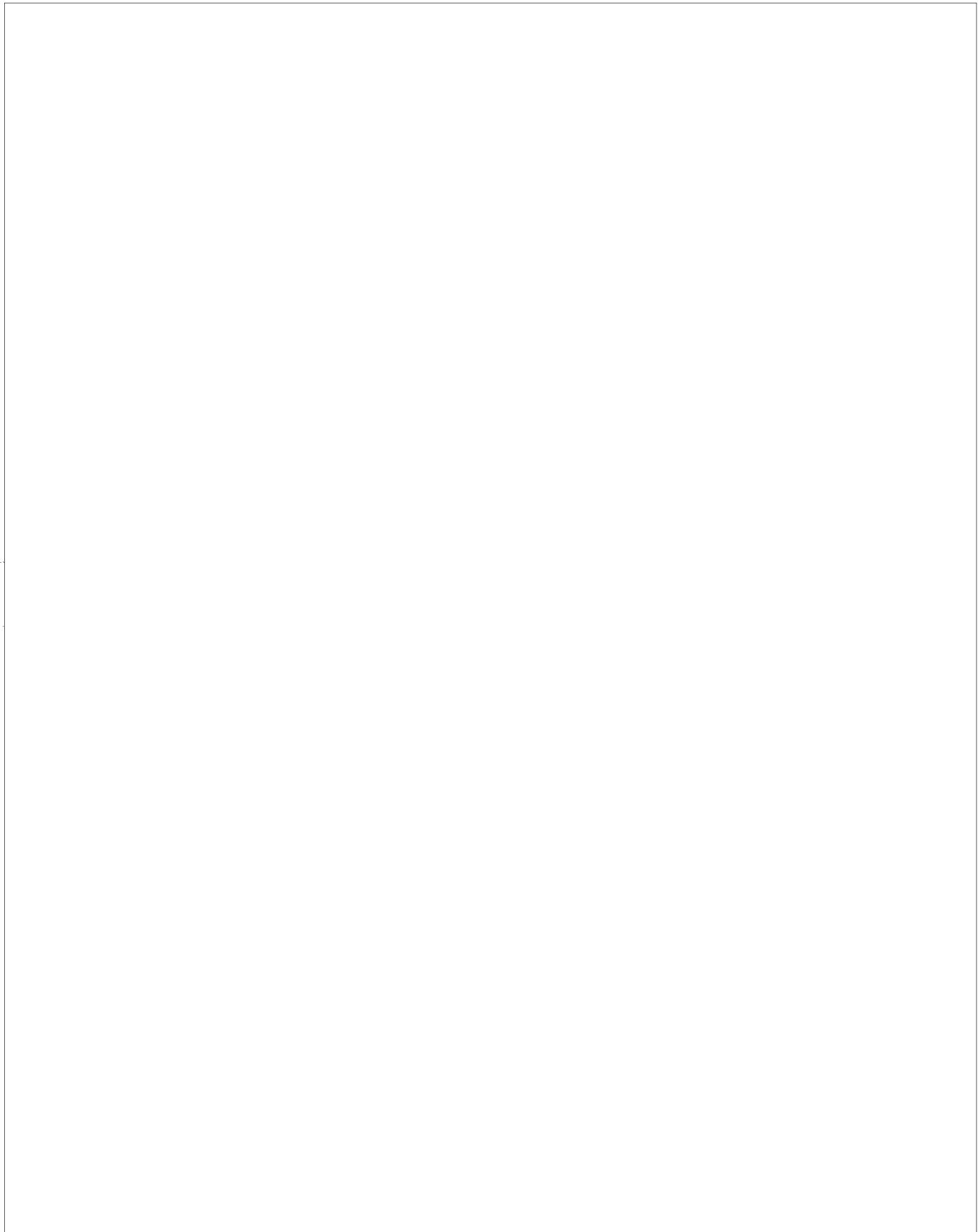
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**(U) STATUS OF SIGNIFICANT RECOMMENDED ACTIONS OUTSTANDING
FROM PREVIOUS SEMIANNUAL REPORTS**

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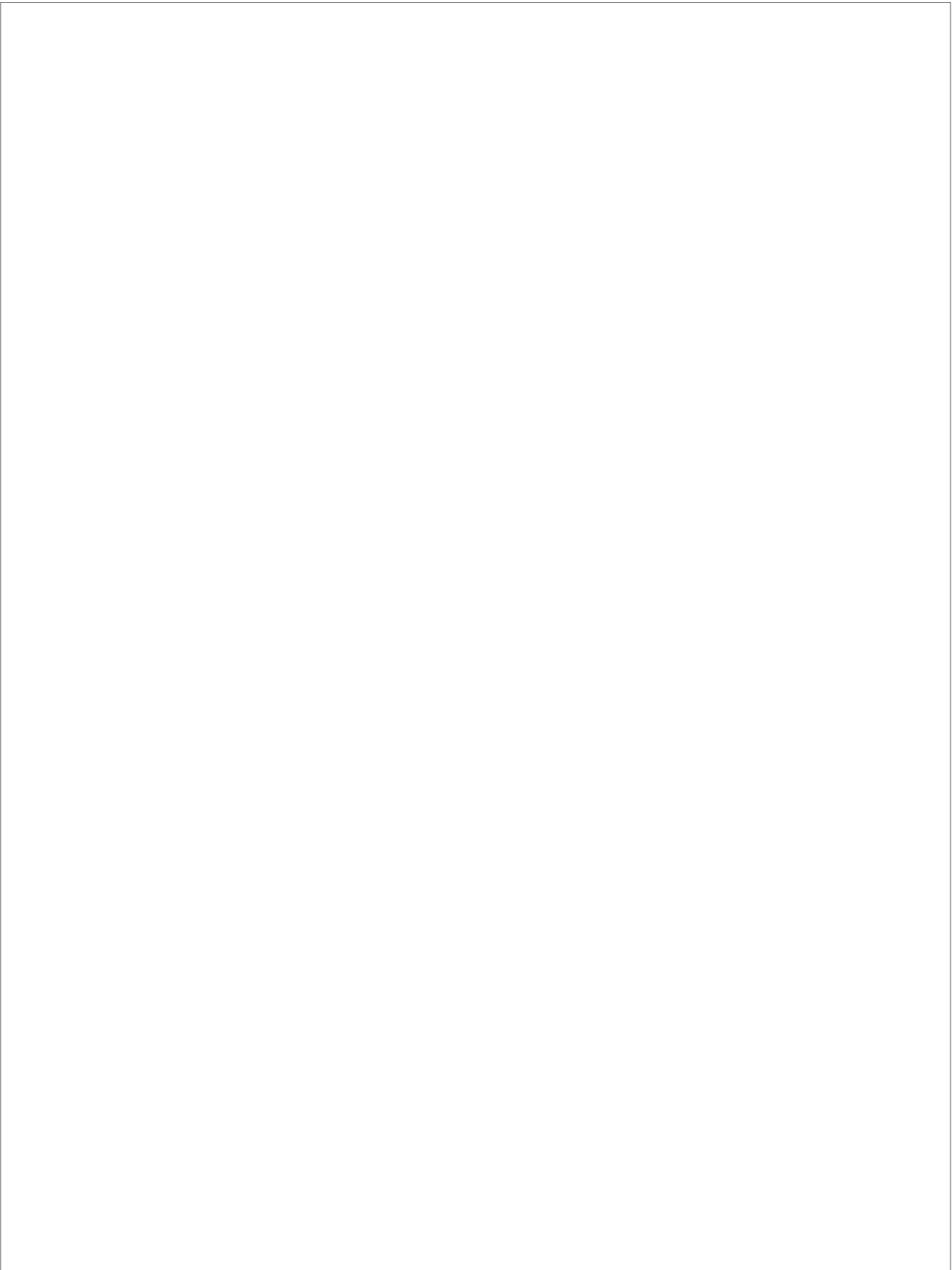


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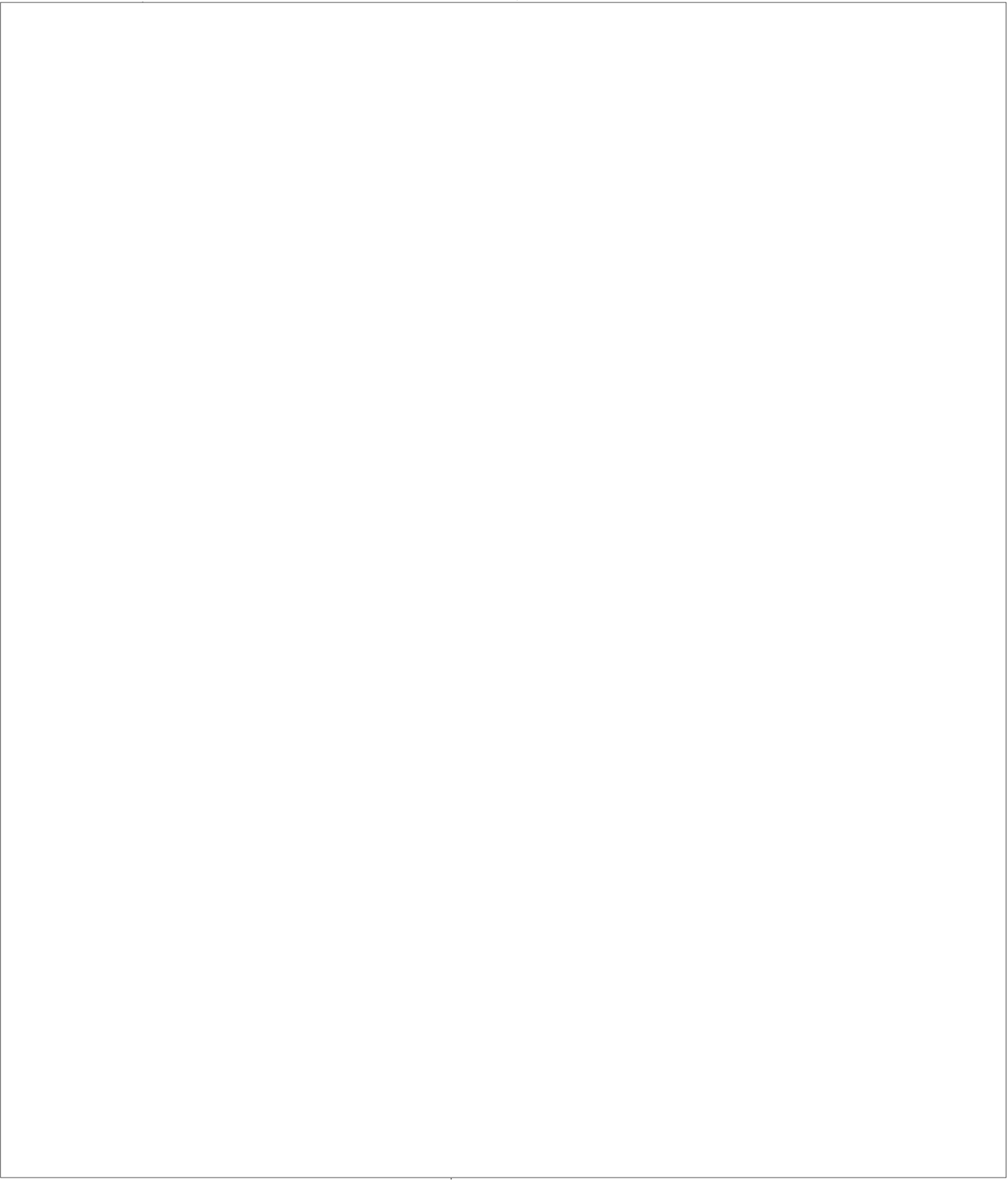


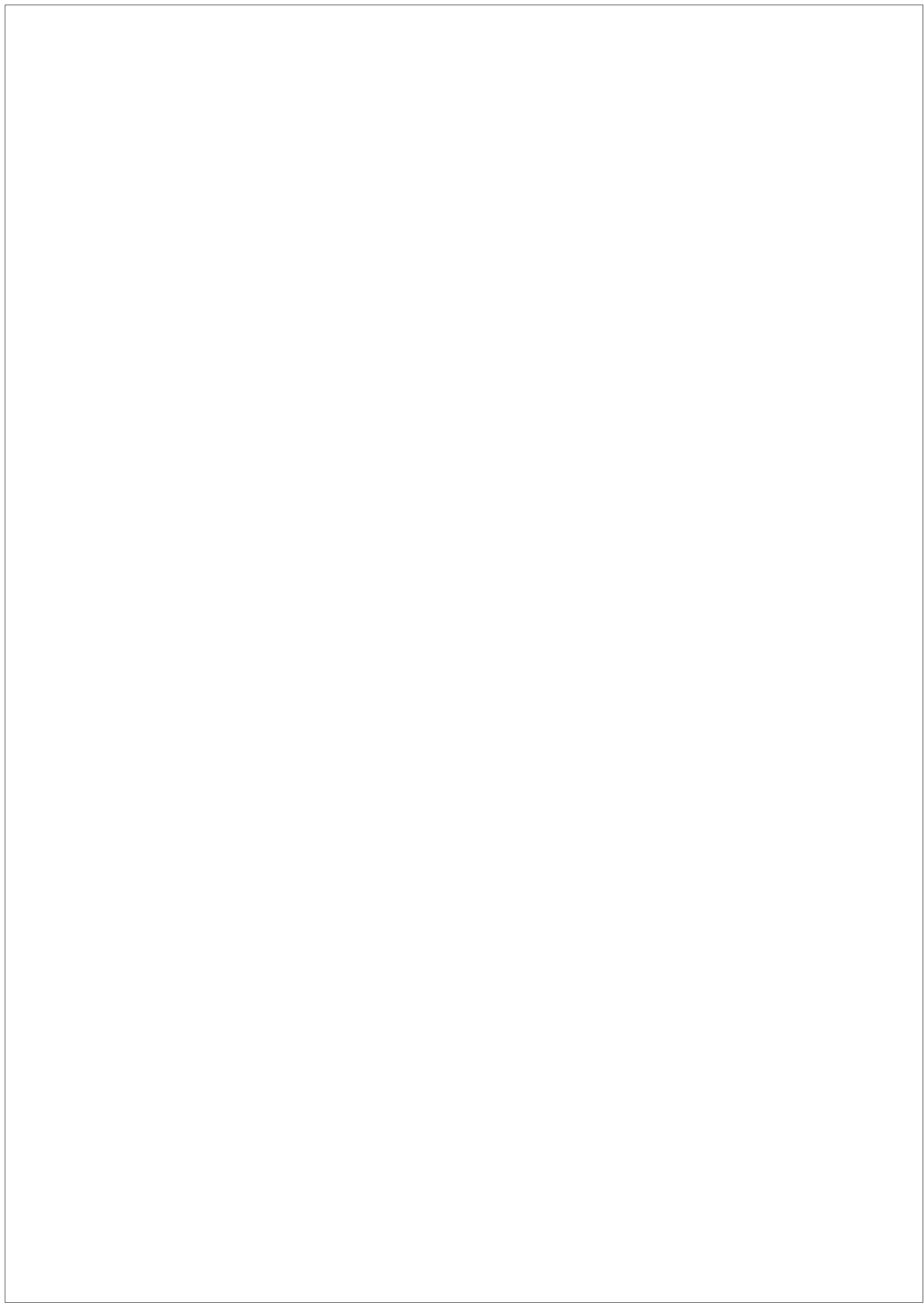
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(U) INVESTIGATIONS

(U) INVESTIGATIONS STAFF OVERVIEW

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

(U/[redacted]) In addition to completing a number of routine criminal and administrative investigations, two major investigations were initiated during the reporting period, and work continues on two other substantial investigations that require considerable investigative resources.

(U/[redacted]) A significant number of personnel assignments were made in INV Staff management, including an Assistant IG for Investigations who will join the staff in the near future, a Deputy Assistant IG for Investigations, and two Supervisory Special Investigators. Additionally, seven investigators were hired, many of whom have extensive investigative experience. These investigators completed five weeks of formal instruction sponsored by the Federal Law Enforcement Training Center and OIG's Investigations Staff. They are currently under the tutelage of a senior investigator who is serving as their mentor. It is anticipated that the formal mentoring program implemented recently will enhance the career development of the new investigators.

(U/[redacted]) OIG continues to provide grievance resolution training to component and directorate grievance officers. Three individualized training sessions were conducted in February and May 2002, providing eight new component grievance counselors with the skills necessary to successfully resolve issues. OIG's grievance unit also provided advice and guidance to employees with

various concerns. Fifteen employees sought advice from OIG during this reporting period, and 14 of these were referred directly to the management level appropriate for their complaint, or to a directorate grievance officer. OIG received one grievance appeal for review during this reporting period.

(U) SIGNIFICANT COMPLETED INVESTIGATIONS OR OTHER REVIEWS



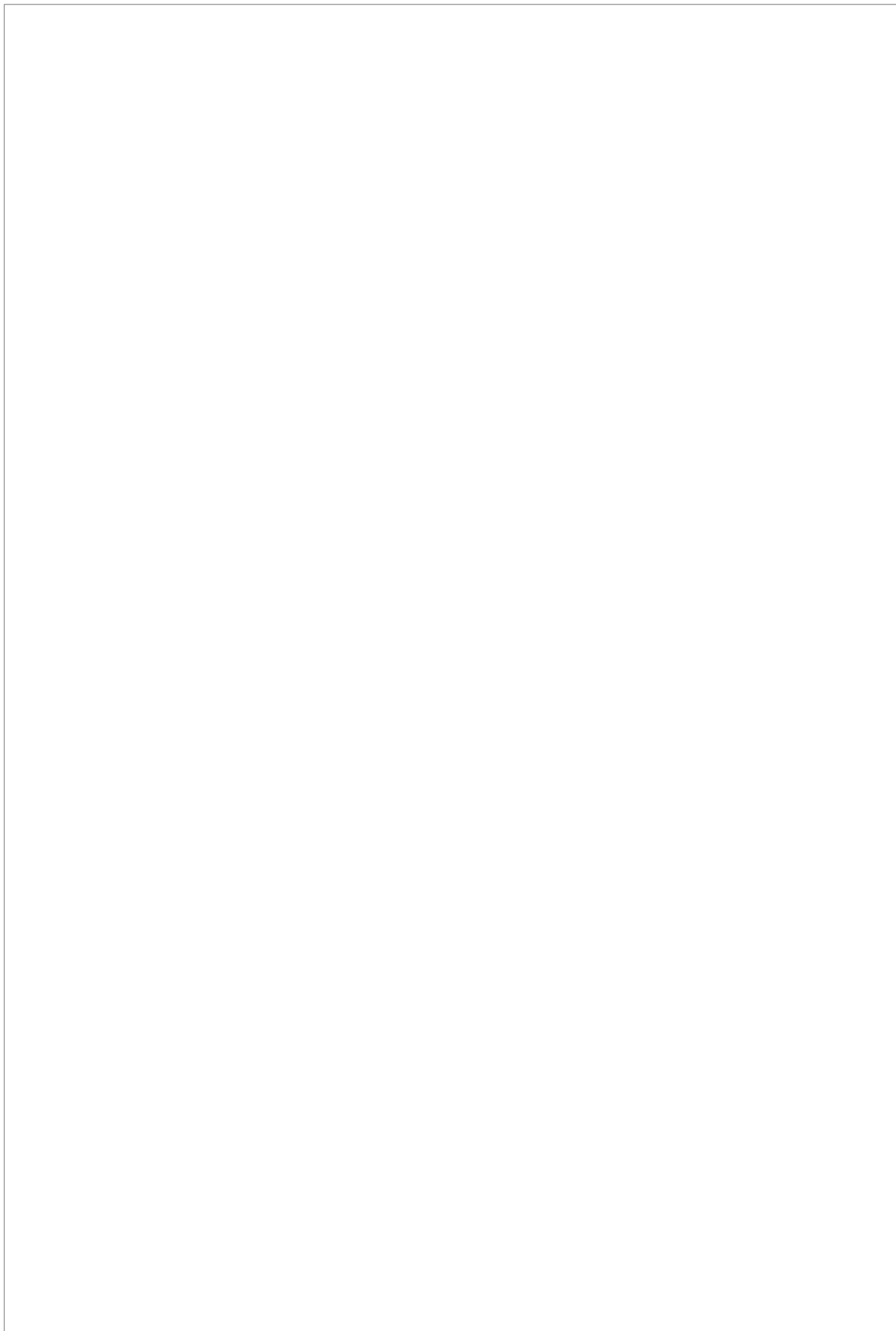


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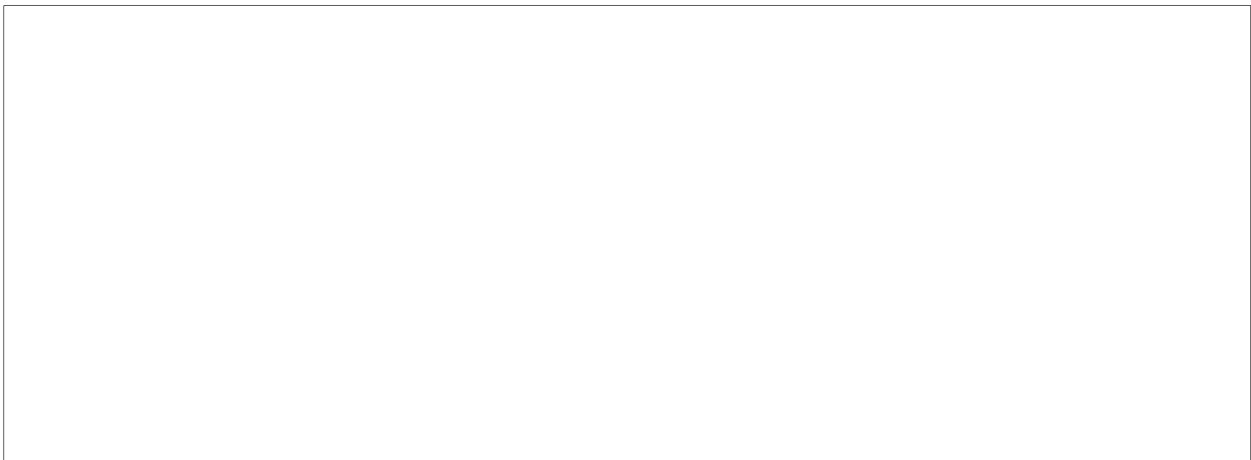








***(U) STATUS OF SIGNIFICANT RECOMMENDED ACTIONS OUTSTANDING
FROM PREVIOUS SEMIANNUAL REPORTS***



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(U) SUMMARIES OF SELECTED CURRENT INVESTIGATIONS



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(U) STATISTICAL OVERVIEW

(U) Audit Staff

(U/[REDACTED]) During the period 1 January to 30 June 2002, the Audit Staff issued 14 reports and memoranda and made 35 recommendations to improve accounting and financial management; supply, property, and personnel management; information systems; general management; and procurement management.

[REDACTED] The Audit Staff had 25 audits and reviews ongoing at the end of the reporting period. Four of the audits involve Agency financial management issues. The remaining efforts address topics such as the Agency's information systems certification and accreditation program, surveillance detection training, and the defector resettlement program.

(U) Inspection Staff

[REDACTED] During the first six months of 2002, the Inspection Staff completed six inspections, including one that was Congressionally directed. The Staff also had seven ongoing inspections at the end of the reporting period that include two compliance inspections to determine the effectiveness of recommendations made in 2000 to improve the [REDACTED] and the Foreign Broadcast Information Service. Other ongoing inspections include reviews of the East Asia Division/DO, the Agency's response to 11 September and evaluations of the Agency's counterespionage and operational counterintelligence postures, as well as an evaluation of the Agency's exploitation of technical tools in improving "speed, connectivity and volume" problems as they pertain to data collection, analysis and sharing.

(U) Investigations Staff

(U/[redacted]) The Investigations Staff completed work on 169 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/[redacted]) During this period, six 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]) Recoveries on behalf of the US Government during this reporting period, as a result of the Investigations Staff's efforts, totaled approximately \$48,829.

(U/[redacted]) As of 30 June 2002, 71 matters were in various stages of review by the Investigations Staff.

(U) COMPLETED AUDITS OR REVIEWS

1 January – 30 June 2002

(U) Financial Management

[redacted]

(U) Assessment of the Financial Condition of the Langley Children's Center

[redacted]

(U) Fiscal Year 2001 Financial Statements of the Central Services Working Capital Fund

[redacted]

(U) Form and Content of the Agency's Fiscal Year 2001 Financial Statements

[redacted]

(U) Emergency Supplemental Funds

(U) Operations

Covert Action Activities in Response to the [redacted]
[redacted]

Covert Action Activities Initiated in Response to the 11 September 2001 Terrorist Attacks Against the United States

(U) Personnel and Security

(U) Administration of the Security Protective Service

(U) Administration of Corporate Development Training
Courses Provided by the Office of Training and
Development

(U) Procurement and Technology

(U) Outsourcing of Agency Activities

(U) Travel Reengineering, Integration, Automation, and
Development (TRIAD) System

(U) CURRENT AUDITS OR REVIEWS

30 June 2002

(U) Financial Management

(U) Cash and Other Monetary Assets

[redacted]

[redacted]

Financial Management Within European Division

(U) Agency-Controlled Bank Accounts

(U) Internal Quality Control Review of the Audit Staff

(U) Payroll Expense Processing and Reporting

(U) Operations

[redacted]

[redacted]

Counterproliferation Covert Action Activities

(U) Personnel and Security

The Agency's Surveillance Detection Training

(U) Thrift Savings Plan for Calendar Years 1997-2000

(U) Personnel and Security (continued)

(U) Survey of the Agency's Security Clearance Process

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

Review of Sentry Program

(U) Procurement and Technology

(U) Information System Certification and Accreditation Process

(U) Automated Time and Attendance Systems

(U) Compliance with Foreign Ownership, Control, or Influence Policies in Acquisition

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

(U) Review of Contract Invoicing Allegations

Efficiency of the Covert Procurement Process



(U) Procurement and Technology (continued)

(U) Audit of the COMMO 21 Program



(U) COMPLETED INSPECTIONS OR REVIEWS

1 January – 30 June 2002

- (U) [redacted] Directorate of Operations
- (U) Collection Requirements and Evaluation Staff, Directorate of Intelligence
- (U) [redacted] Directorate of Operations
- (U) Promotions into and within the Senior Intelligence Service (SIS)
- (U) CIA's Approach to Warning

(U) CURRENT INSPECTIONS OR REVIEWS

30 June 2002

- (U/ [redacted] East Asia Division, DO
- (U/ [redacted] The Agency's Response to the September 11 Attacks
- (U/ [redacted] Counterintelligence
- (U/ [redacted] Counterespionage
- (U/ [redacted] Exploitation of Technical Tools
- (U/ [redacted] Foreign Broadcast Information Service, DS&T
- (U// [redacted]

**(U) COMPLETED INVESTIGATIONS
OR REVIEWS**

1 January – 30 June 2002

[redacted] Allegations of Unauthorized Disclosure or Release of
Satellite Imagery to a Foreign Government

[redacted]

(U) Alleged Conflict of Interest

[redacted]

(U) Alleged Contract and Ethics Improprieties

[redacted]

(U) Alleged Contract Fraud

[redacted]

(U) Alleged Improper Authorization of Compensatory Time

[redacted]

(U) Alleged Privacy Act Violation

[redacted]

(U) Alleged Regulatory Violations

[redacted]

(U) Briefing of US Congressman on Perm 35 Labor Camp

[redacted]

(U) Conversion of US Government Property

[redacted]

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



(U) Management Misconduct



(U) Procurement Fraud



(U) Theft and Misuse of Government Property



(U) Time and Attendance Fraud



(U) CURRENT INVESTIGATIONS OR REVIEWS
As of 30 June 2002

Category	Number of cases
Grievances	
Board Appeals	1
Management and Supervision	5
General Investigations	
Criminal and Prohibited Acts	
Conflicts of Interest	3
Embezzlement	1
False Claims - Other	3
False Claims - Time & Attendance	22
Megaprojects	1
Misconduct - Employee	2
Misconduct - Management	4
Procurement Fraud	11
Regulatory Violations	2
Theft and Misuse of Government Property	5
Waste	3
Other - Administrative/Criminal	8
Total Ongoing Cases	71