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*Central Intelligence Agency  
Inspector General*



**SEMIANNUAL REPORT**  
**TO THE DIRECTOR OF CENTRAL INTELLIGENCE**  
**JULY - DECEMBER 2001**

APPROVED FOR RELEASE DATE:  
25-Feb-2010



*Acting Deputy Inspector General*

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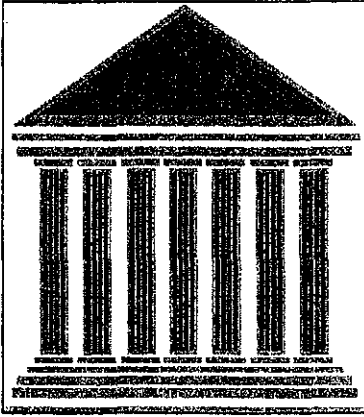


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## (U) A Message from the Acting Deputy Inspector General



(U) The catastrophic events of 11 September have provided unprecedented challenges for the entire nation and the Agency. While the Agency's surge in support of the war on terrorism has rightly consumed the lion's share of Agency resources and attention, it has had little impact on the work of the Office of Inspector General (OIG). During the last six months, OIG continued its efforts under the superb leadership of Deputy

Inspector General [REDACTED]

[REDACTED] The OIG and the Agency owe [REDACTED] a debt of gratitude for her efforts to maintain the high quality and relevance of OIG's work in the full year since the departure of our statutory Inspector General (IG). She will be missed, and we wish her well in her future endeavors.

(U) Although some adjustments to the OIG audit and inspection schedule became necessary as a result of 11 September, and travel was curtailed for a short period of time, we have since resumed all activities. We continue to have regular access to senior Agency leadership, including the DCI, and support for and interest in our work from the Agency's Executive Director has never been greater. In fact, the Executive Director has regularly emphasized the need to continue the full range of business activities of the Agency amidst the counterterrorism surge. He has made it known that those activities include a rigorous program of OIG oversight and continuous evaluation of the Agency's mission and mission support activities.

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*(U) The OIG has continued to focus its efforts on evaluating how the Agency manages its resources and all three of its Staffs—Audit, Inspection and Investigations—are engaged in activities designed to help the Agency improve its efficiency and effectiveness. Those activities, and managements' responses, are described in detail in this Report.*

*During this reporting period, the OIG worked on projects that are relevant to the Agency's post-11 September challenges. For example, an inspection of the DCI Counterterrorist Center (CTC), issued prior to 11 September, found that CTC's analytic element was understaffed and unable to perform long-term analysis that could identify trends; that the reporting threshold was too low to allow consumers to distinguish threat levels; and that CTC employees were working "burnout" hours and struggling with a volume of information collected that was too large to exploit. Changes since 11 September have addressed many of these issues: CTC's analytic corps has been quadrupled; supplemental funding has offset resource shortfalls; and staffing increases have permitted 24/7 coverage.*

*(U) The Agency's counterterrorist activities and related funding will most certainly drive a significant portion of OIG work planned for calendar year 2002. Senior Agency leadership has expressed an interest in the OIG becoming actively engaged in assessing how well the Agency is managing the increased resources provided by the Congress; how the Agency has managed major shifts in its workload; and the impact that the overall surge has had on other Agency activities. These efforts and others will require that we plan our reviews carefully to minimize their impact on critical Agency operations.*

*(U) Finally, the OIG has experienced significant turnover at its senior levels since our last report. In addition to the retirement of the Deputy Inspector General and my designation to serve in that position on an acting basis, we have a new Assistant IG for Audit and an Acting Deputy Assistant IG for Investigations. We are quite fortunate to have these experienced officers to take over these positions at this critical*

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*junction, and I am certain that their energy and commitment to the work of the OIG will be great assets as we face new challenges in the year ahead. Nevertheless, we continue to look forward to the selection of a Presidentially-appointed, Senate-confirmed IG to ensure continued, long-term success of our independent oversight function at the Agency.*

31 January 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. That section requires the Inspector General to provide to the Director of Central Intelligence (DCI), 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//) During this reporting period, the IG did not issue any subpoenas.

### (U) Legislative Proposals

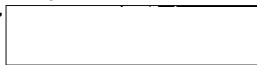
(U) OIG has no proposals for legislative changes.

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## (U) AUDITS

(U) 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.

(U/ [REDACTED]) In the last six months, the Audit Staff has focused its efforts on a wide range of financial management and information technology subjects, evaluations of Agency programs and activities, and oversight of field stations. The Staff continued to assist the Chief Financial Officer (CFO) in moving toward the preparation of auditable financial statements by completing an audit of the Agency's Fund Balance with Treasury and conducting an audit of Cash and Other Monetary Assets. Audits planned for the coming year will focus on other financial statement areas, with a goal of preparing the Agency for an audit of its fiscal year 2004 financial statements.

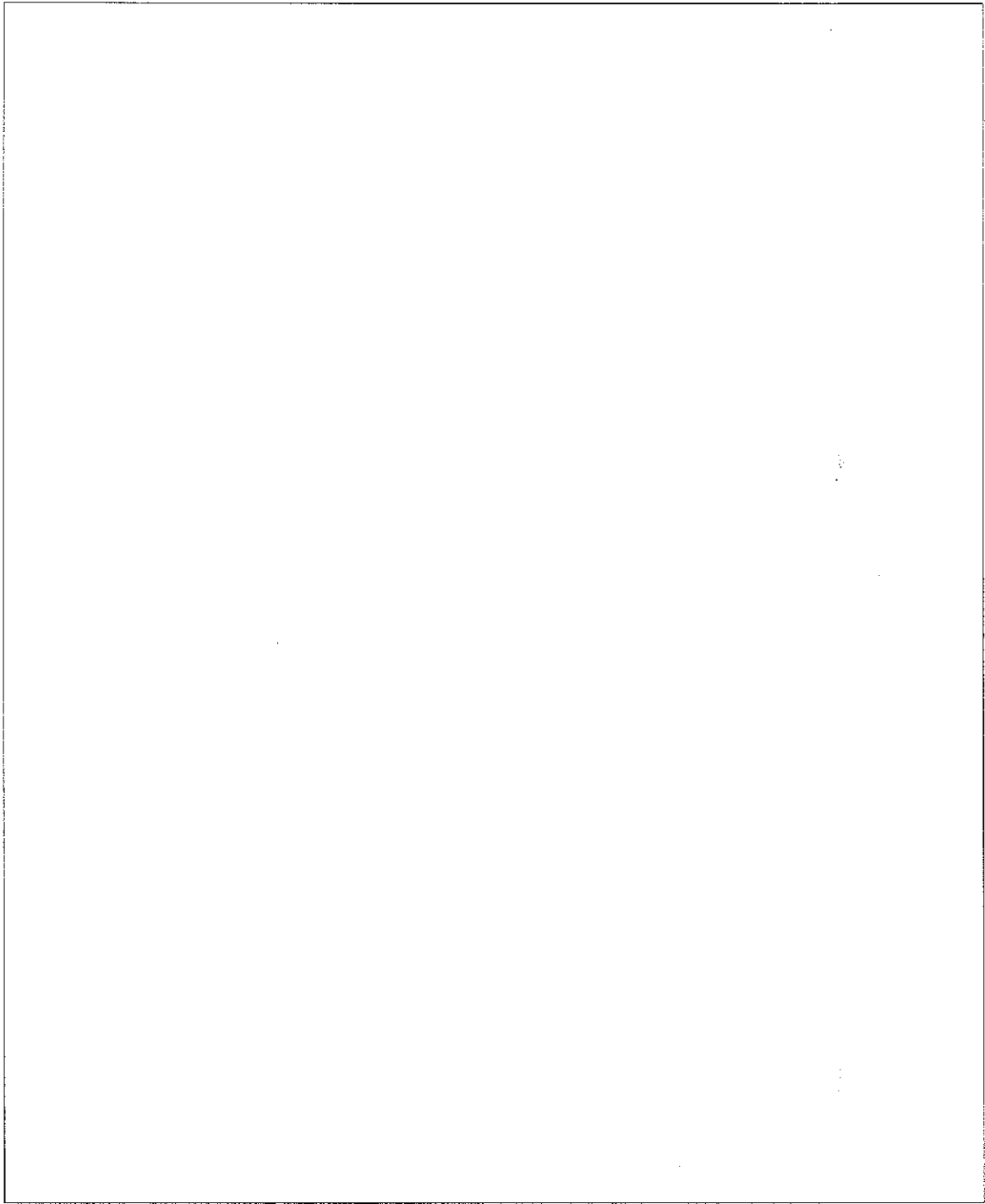
(U/ [REDACTED]) In the information technology area, the Staff completed the first audit required by the Government Information Security Reform Act, which mandates that government agencies perform an annual independent evaluation of their information security program and practices. For national security systems, the evaluation must be audited by the Inspector General. In addition to that review, the Staff is currently involved in two systems audits as well as an audit of the Agency's system certification and accreditation process. The Audit Staff plans to continue expanding its expertise in the information technology area through focused training and recruitment.

[REDACTED] Recently, additional requirements have been levied on the Audit Staff by Congressional oversight committees. The Staff has been tasked with stepping up its oversight of Agency covert action programs, especially in light of the events of 11 September 2001. The

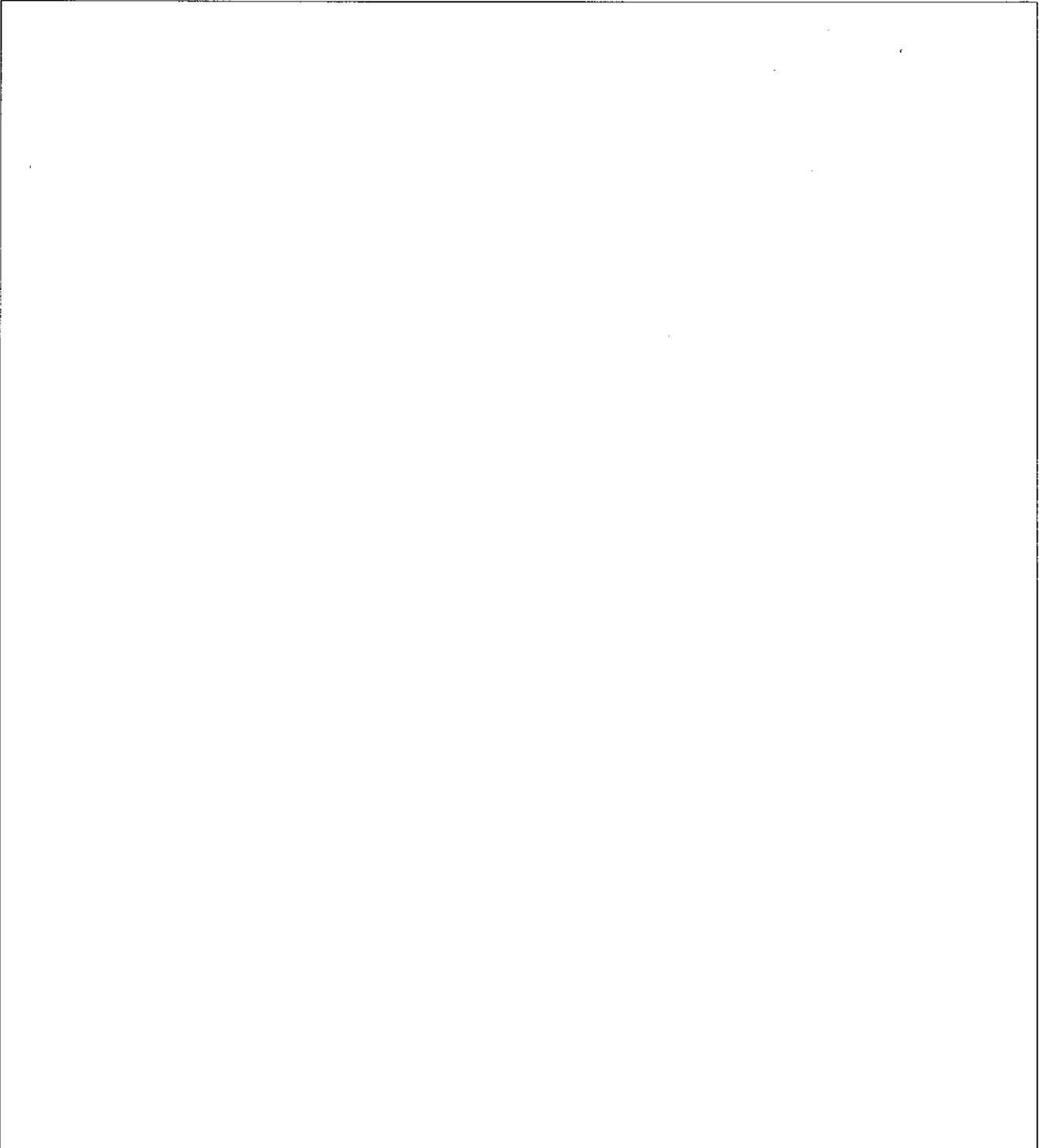
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Agency has also been directed to obtain an audit of its financial statements by March 2005, which the OIG must either conduct or direct.

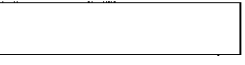
***(U) SIGNIFICANT COMPLETED AUDITS AND OTHER REVIEWS***

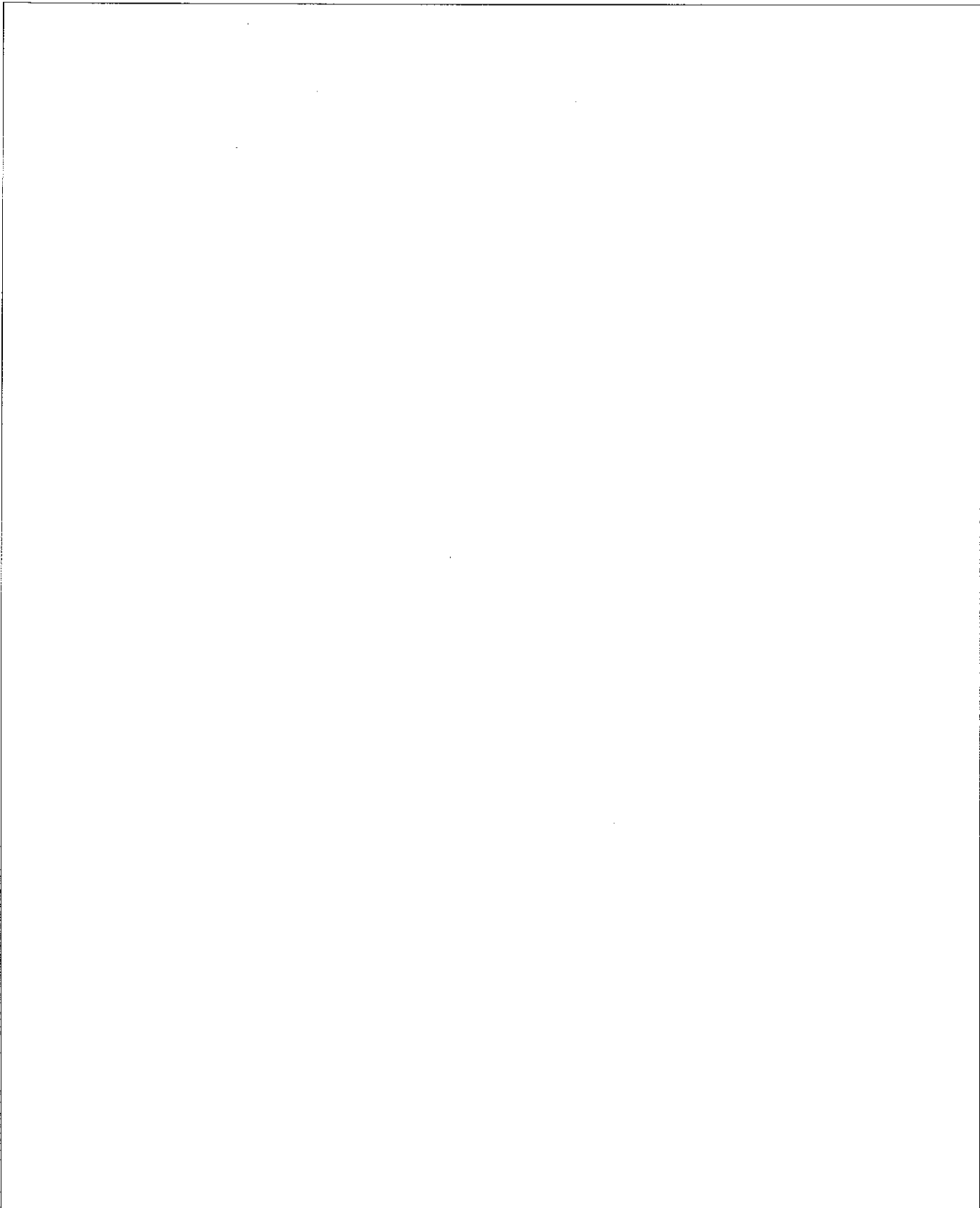


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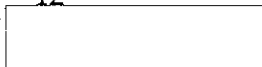
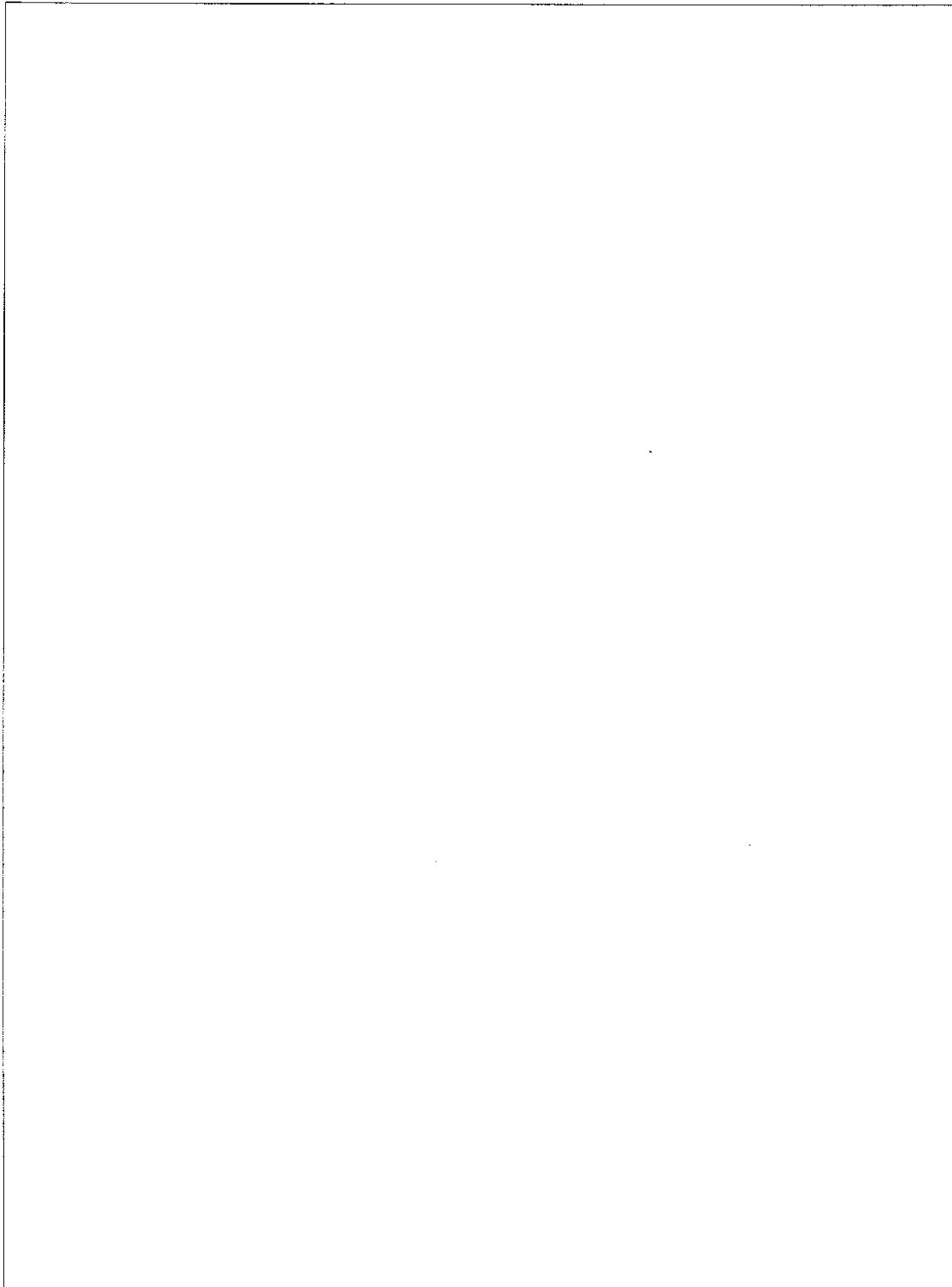




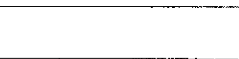
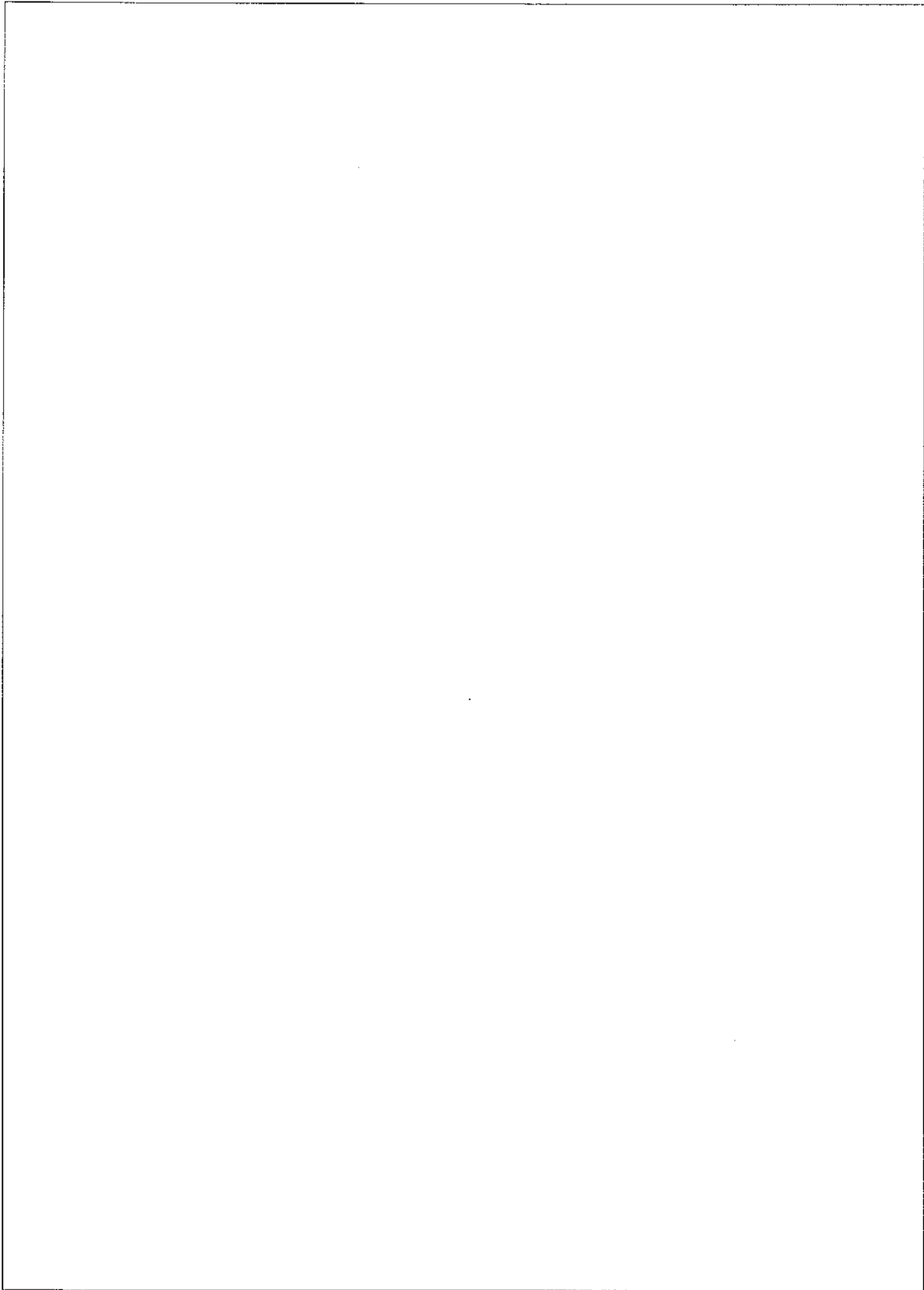
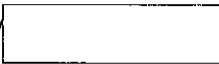
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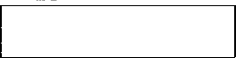
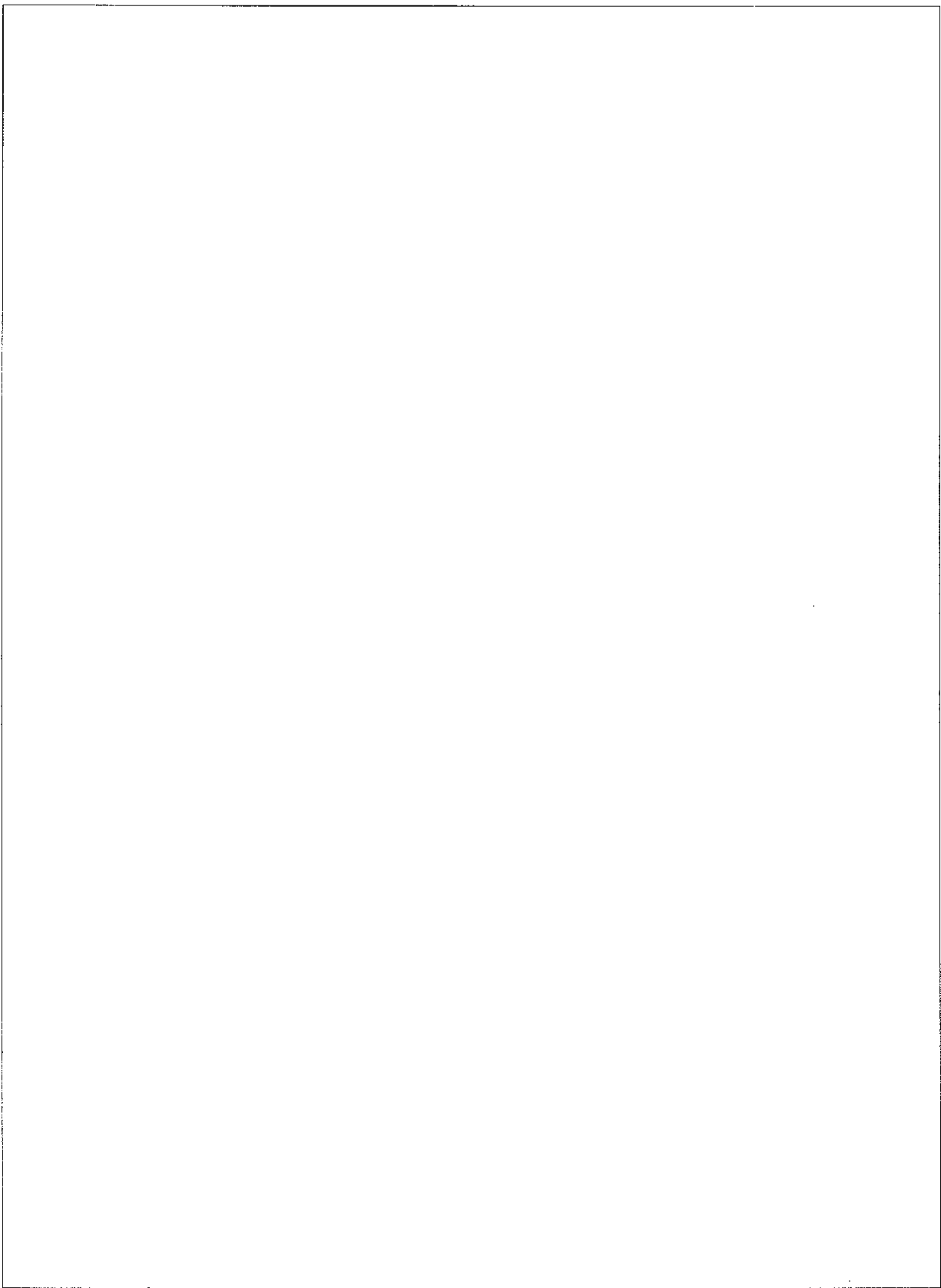
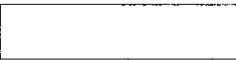
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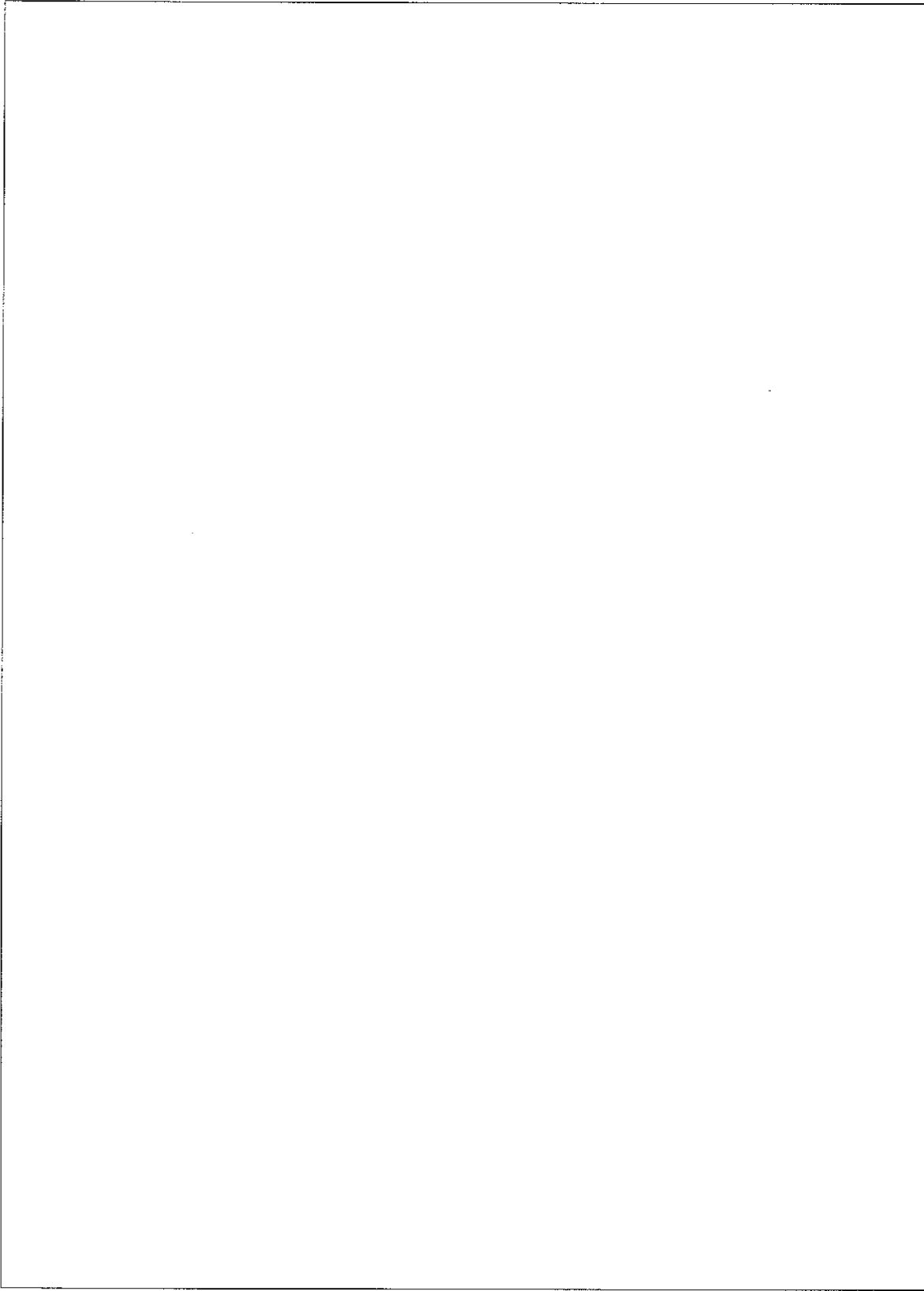




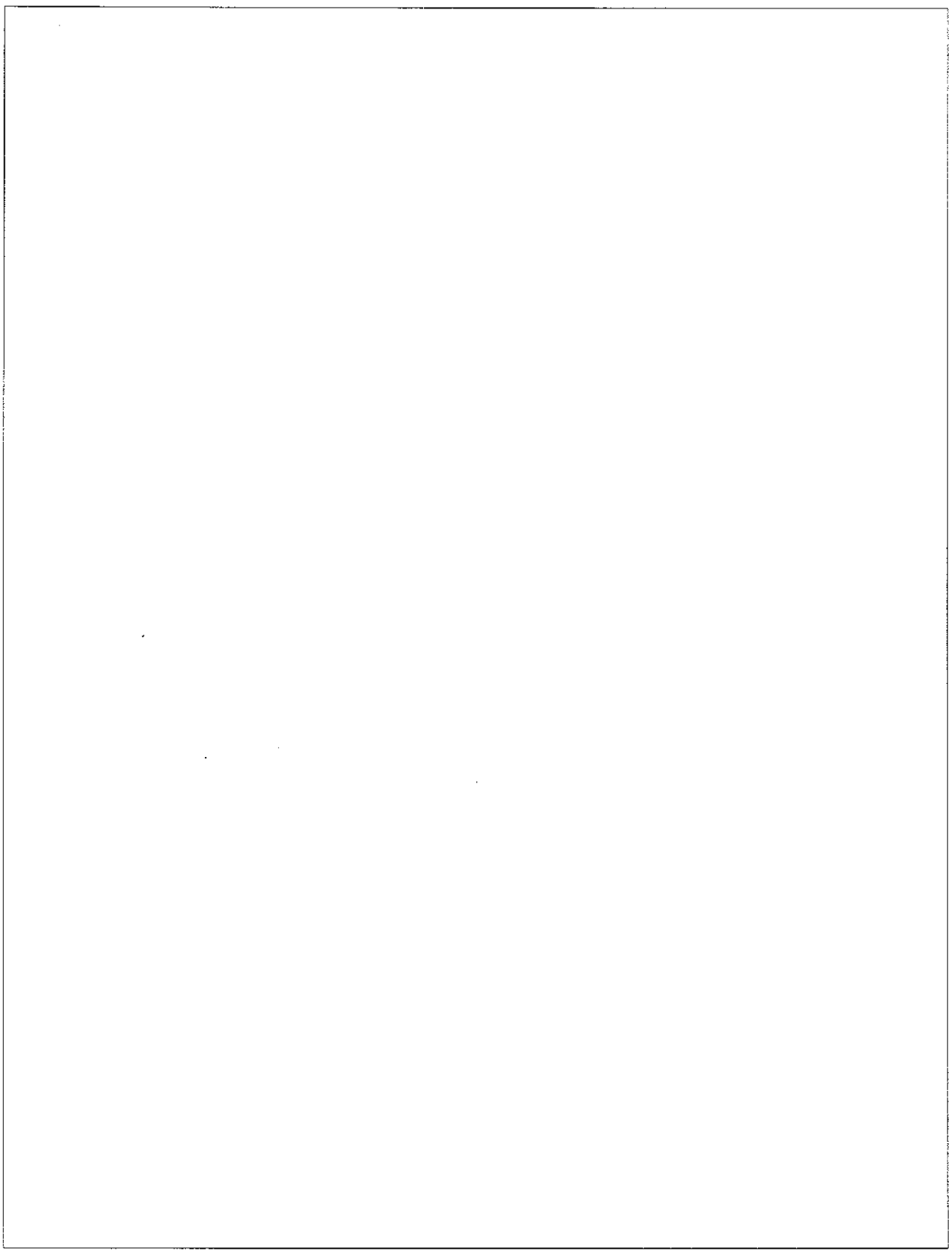






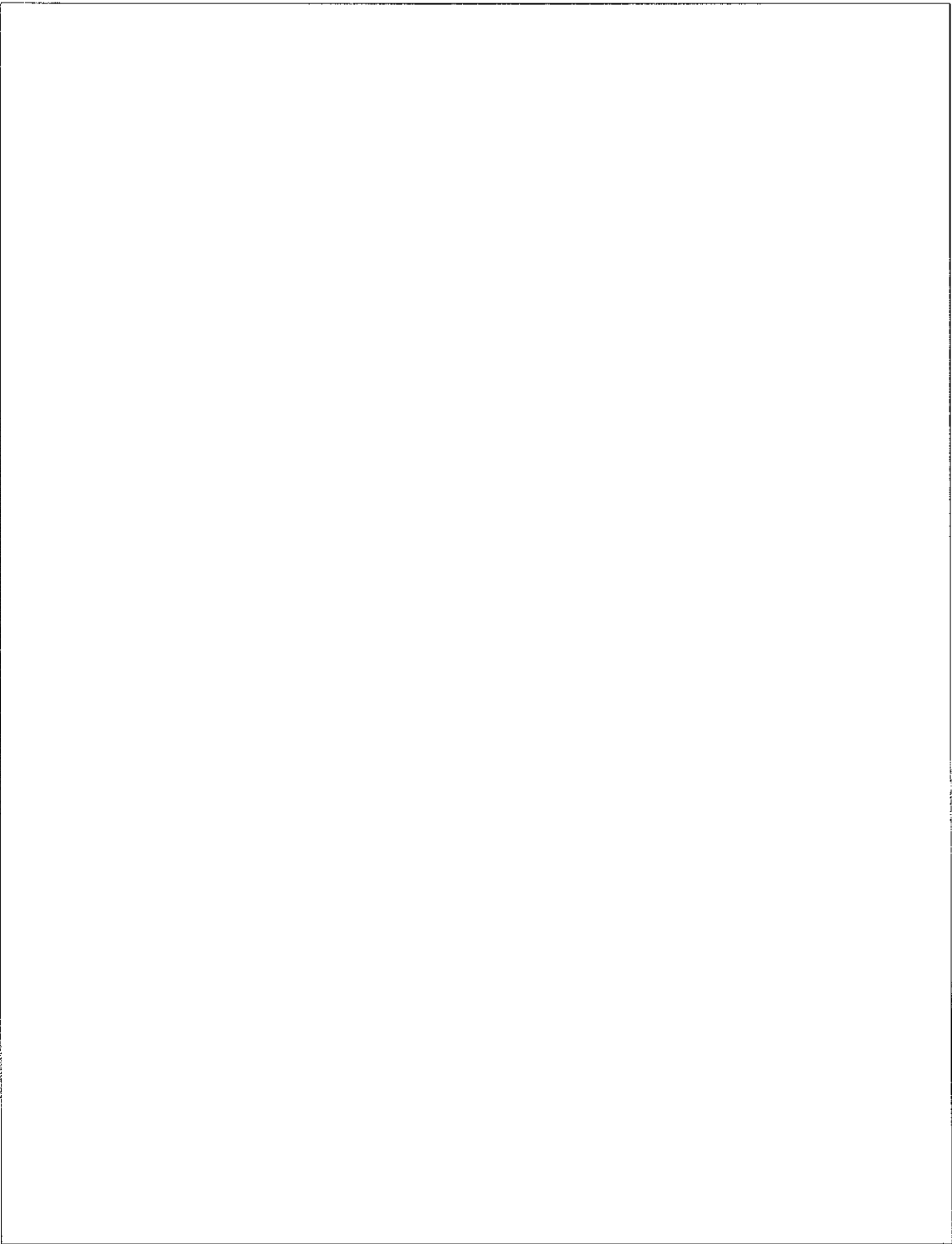


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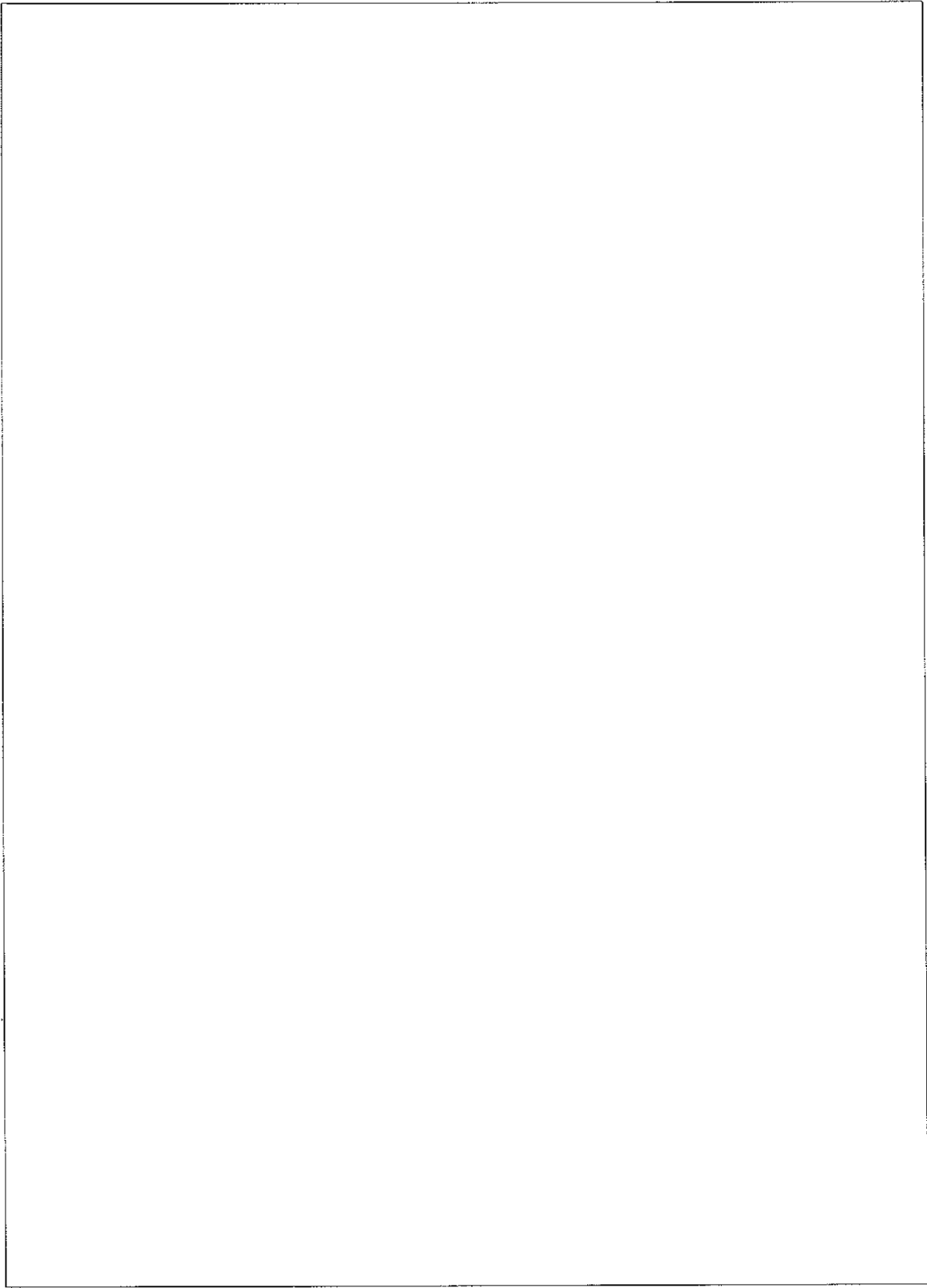
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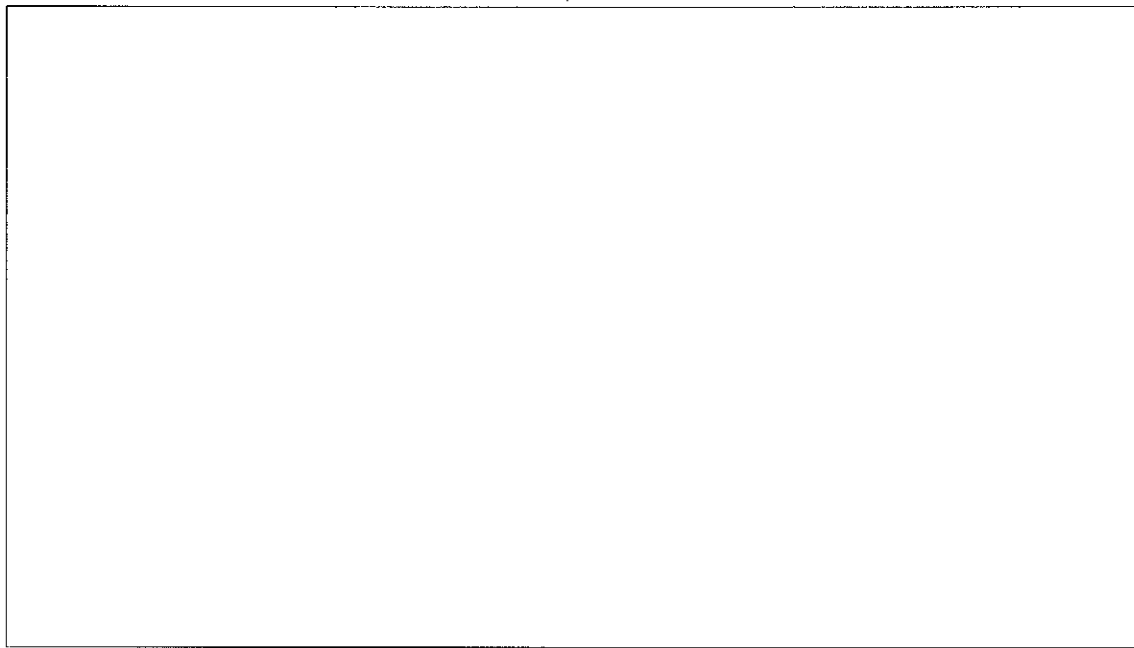


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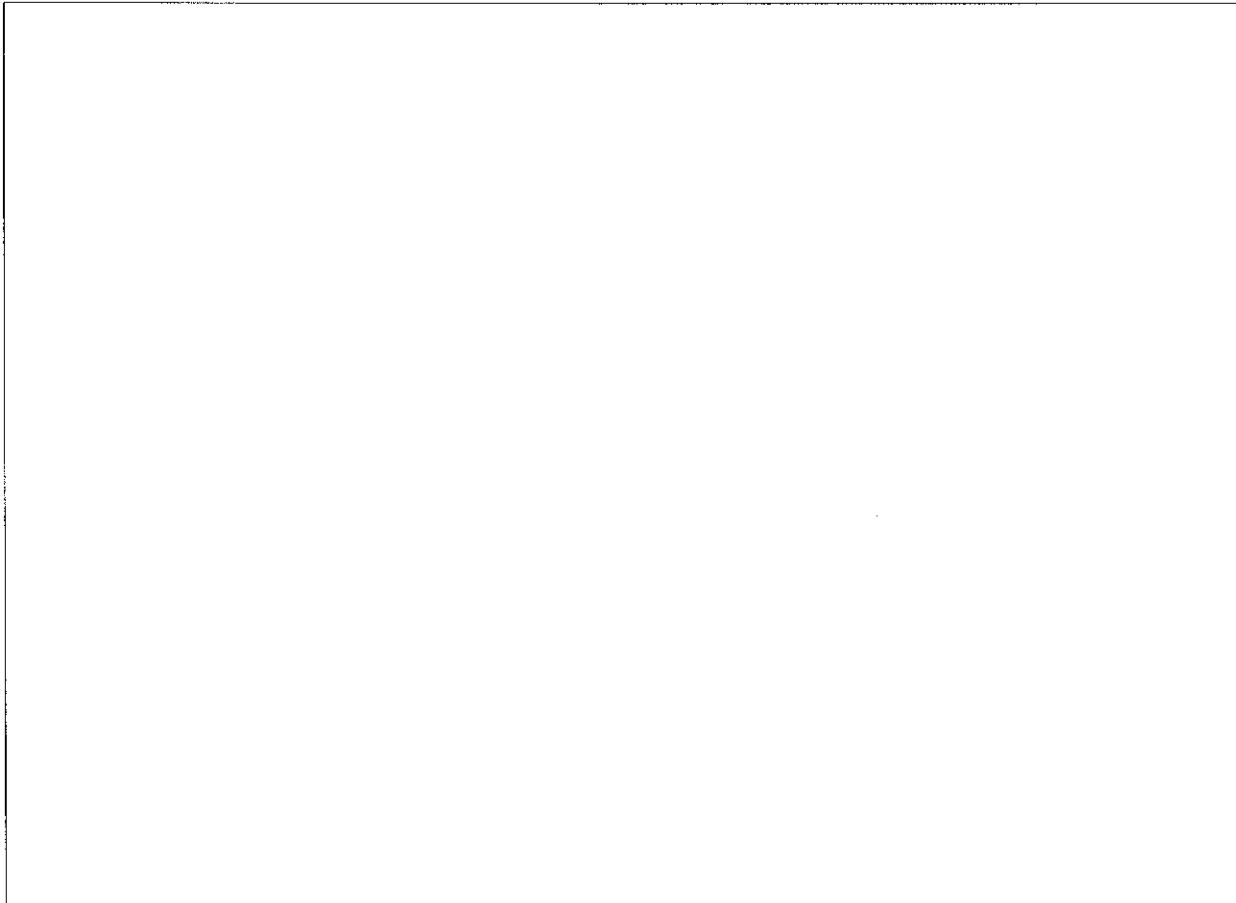


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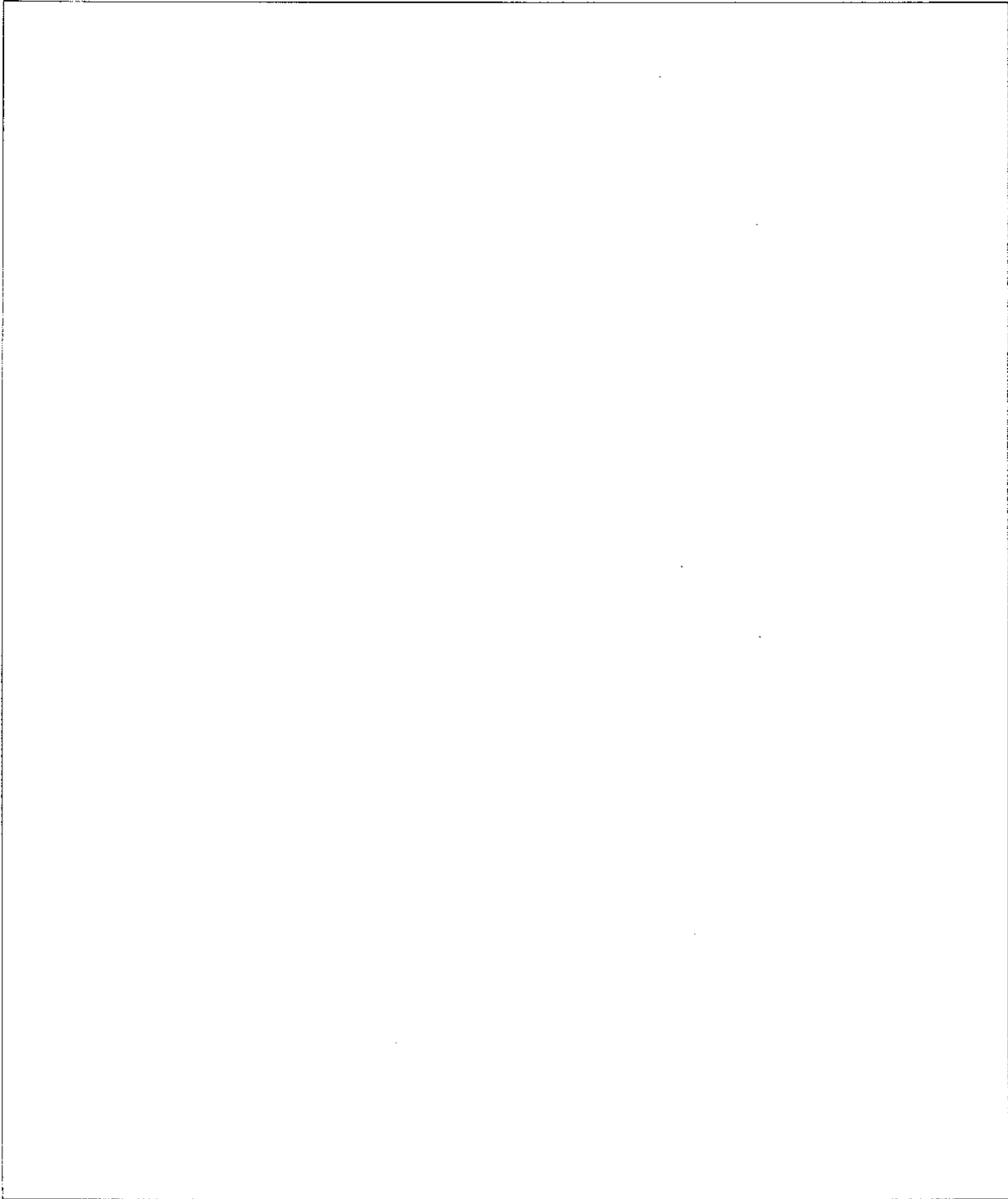




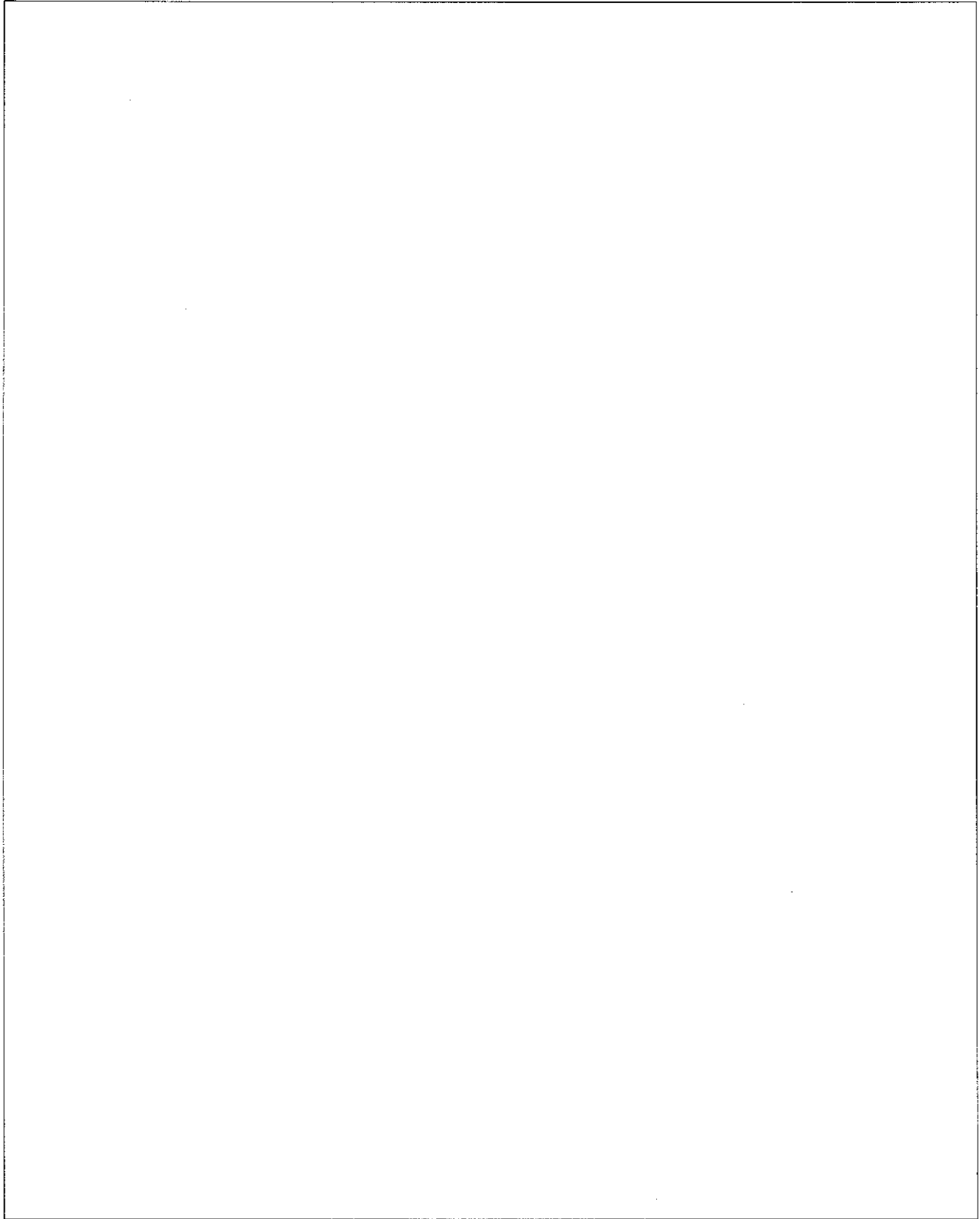
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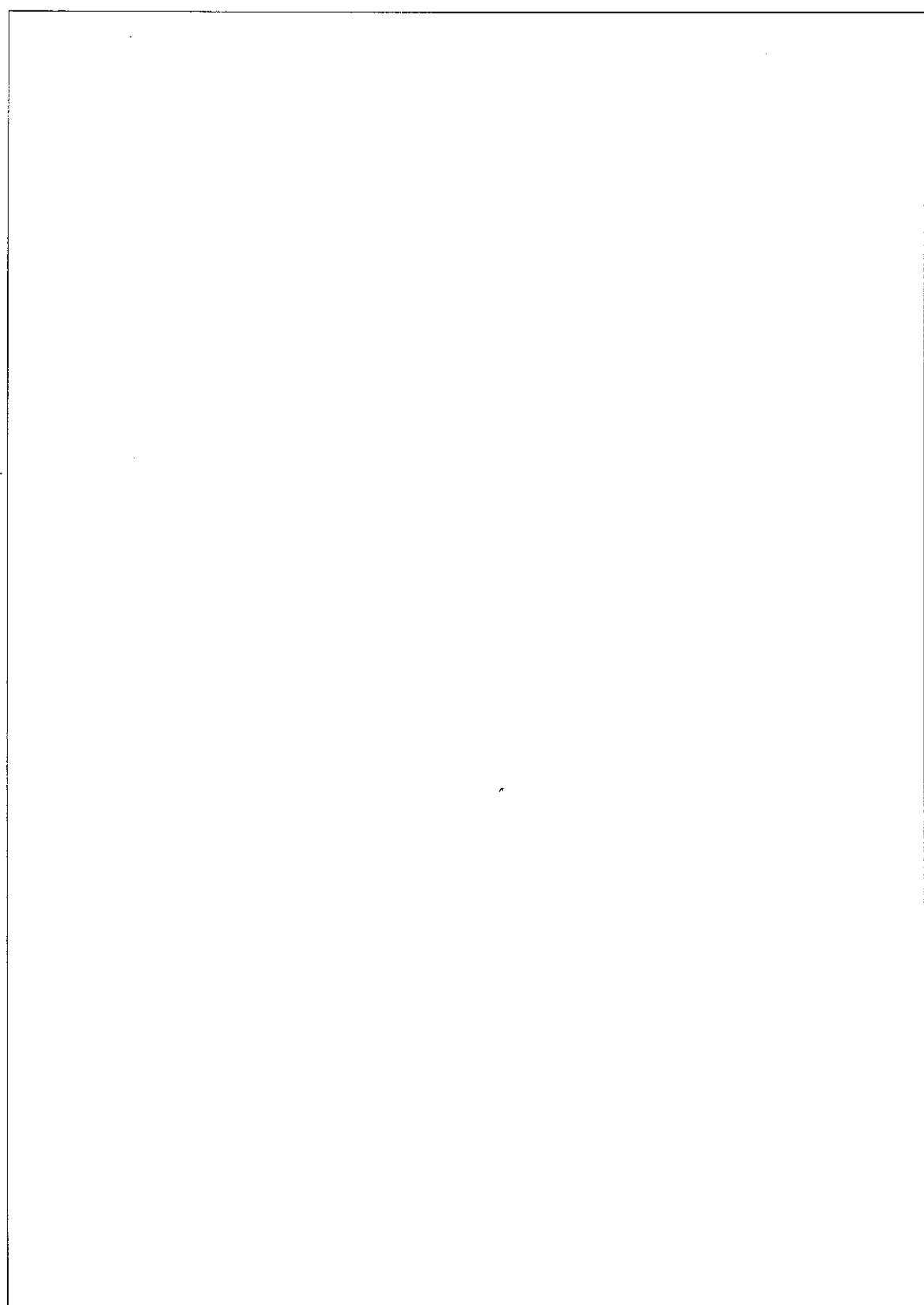


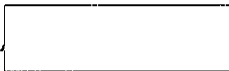
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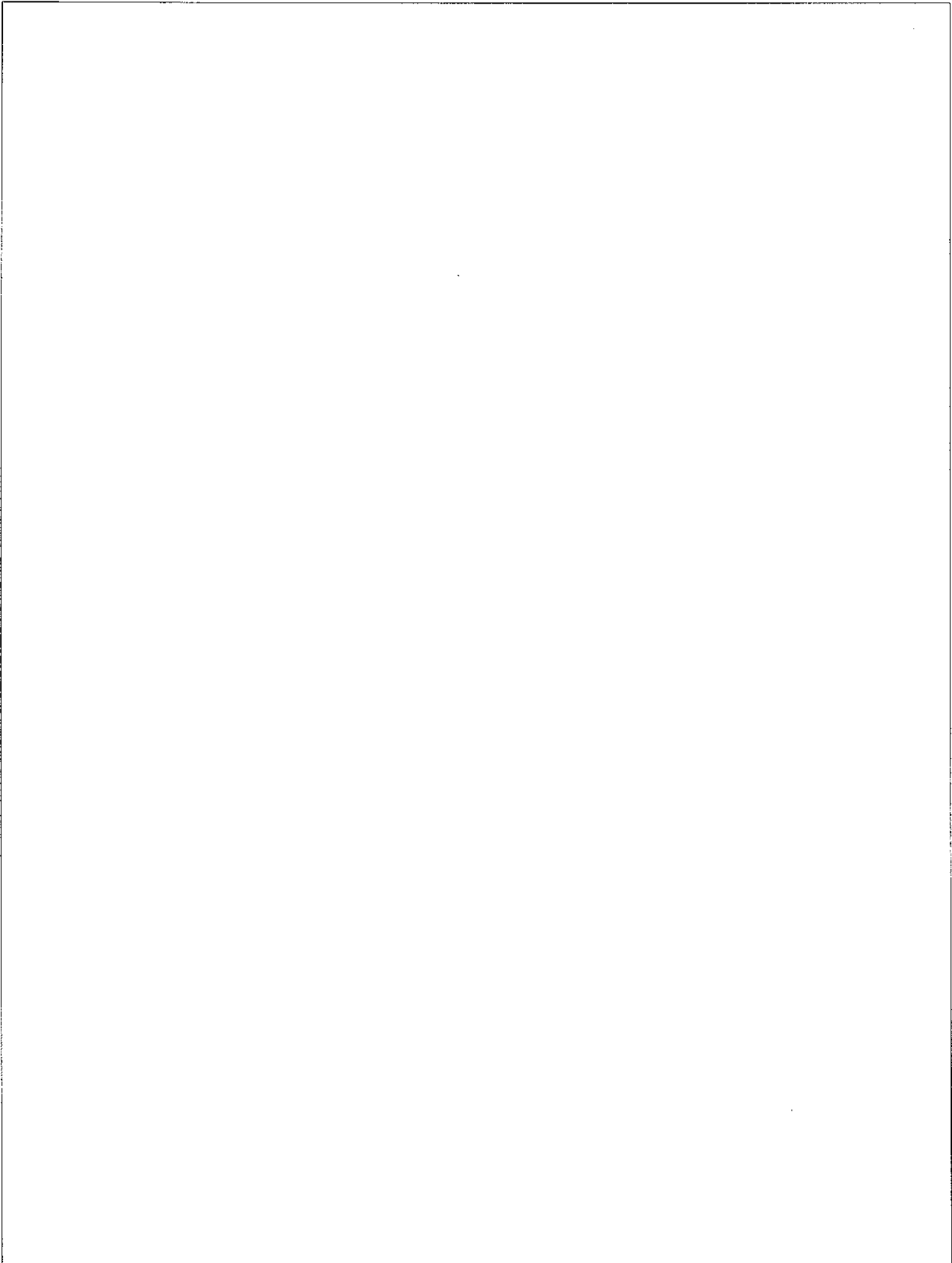


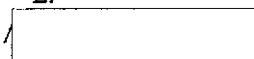
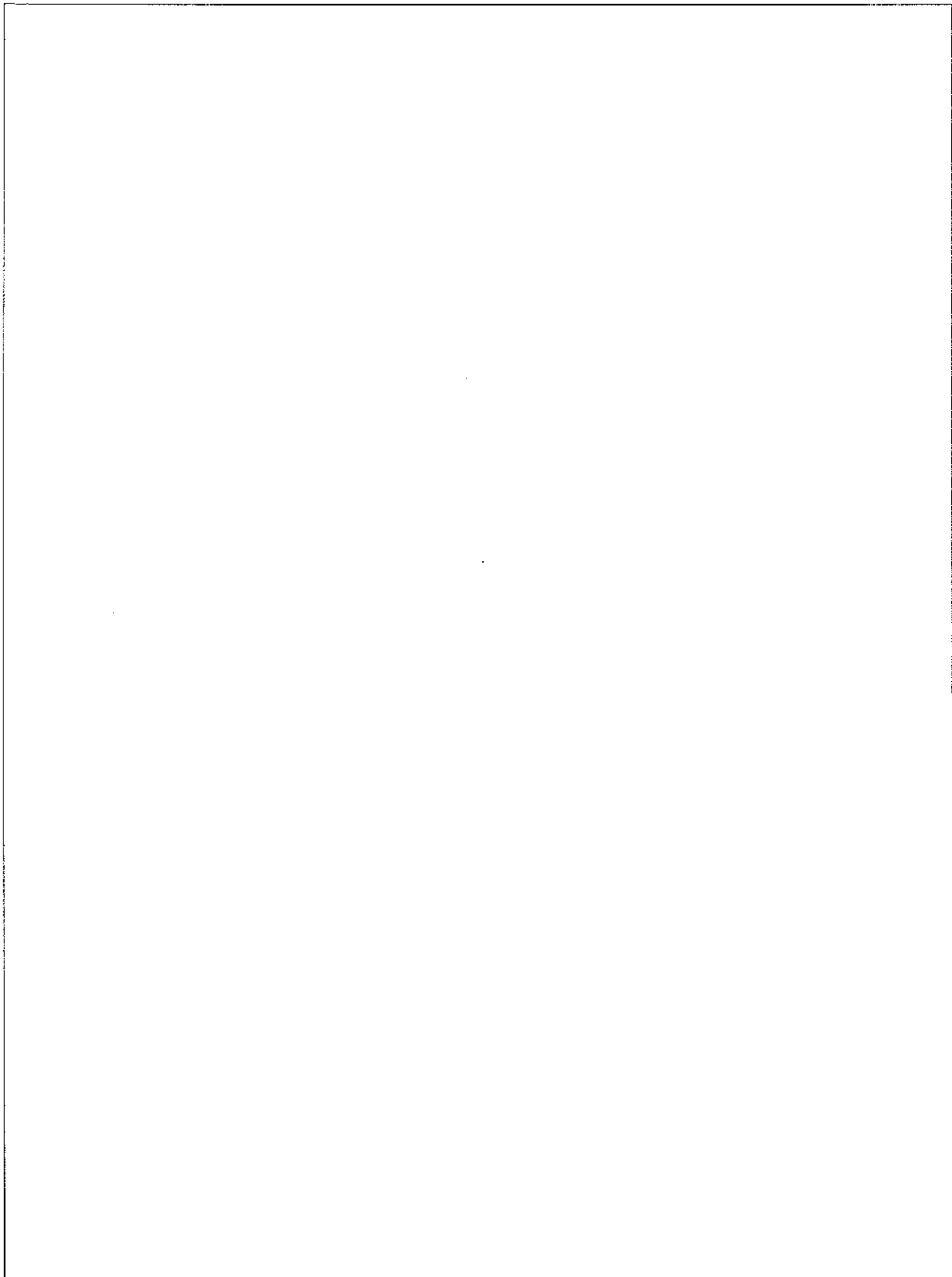


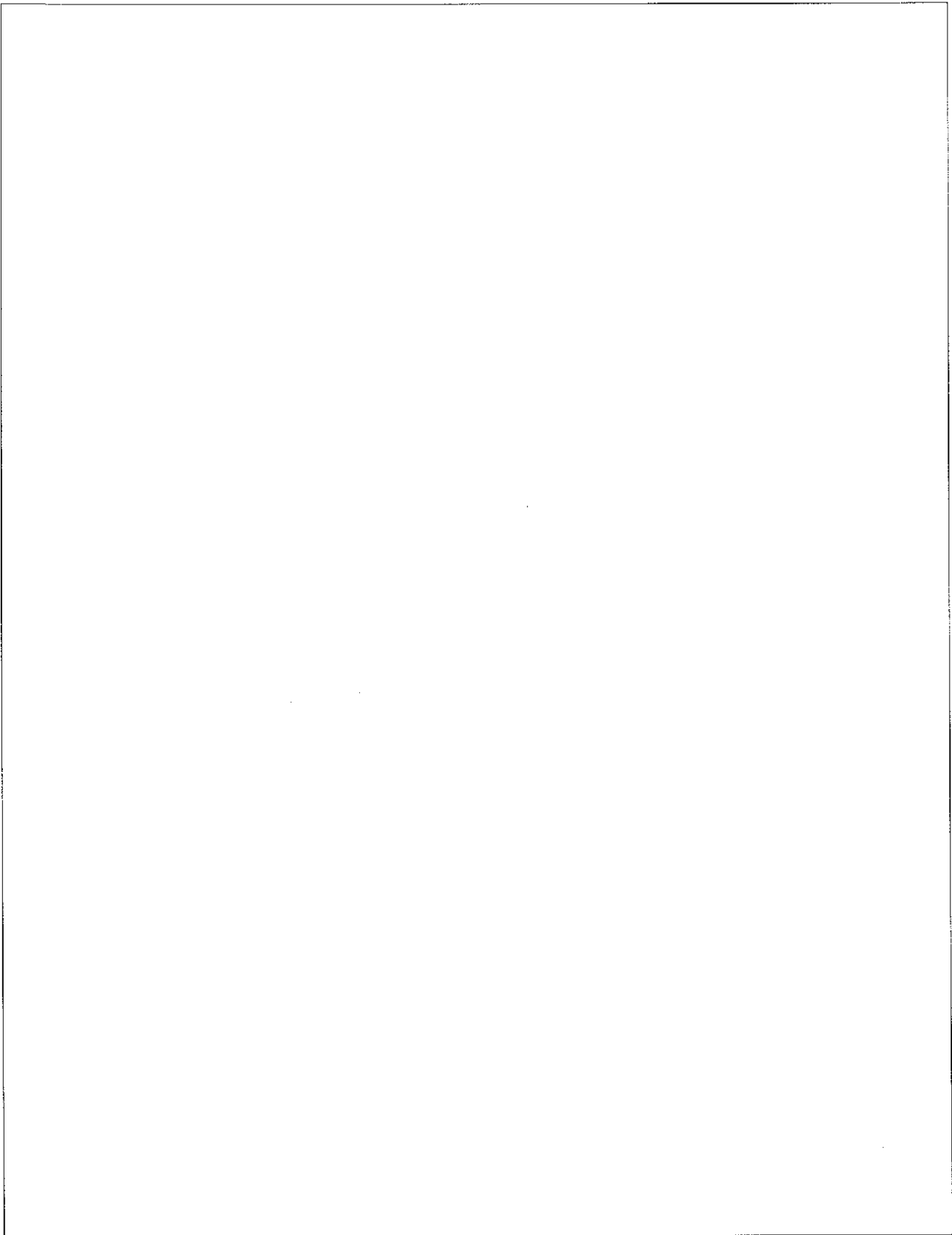




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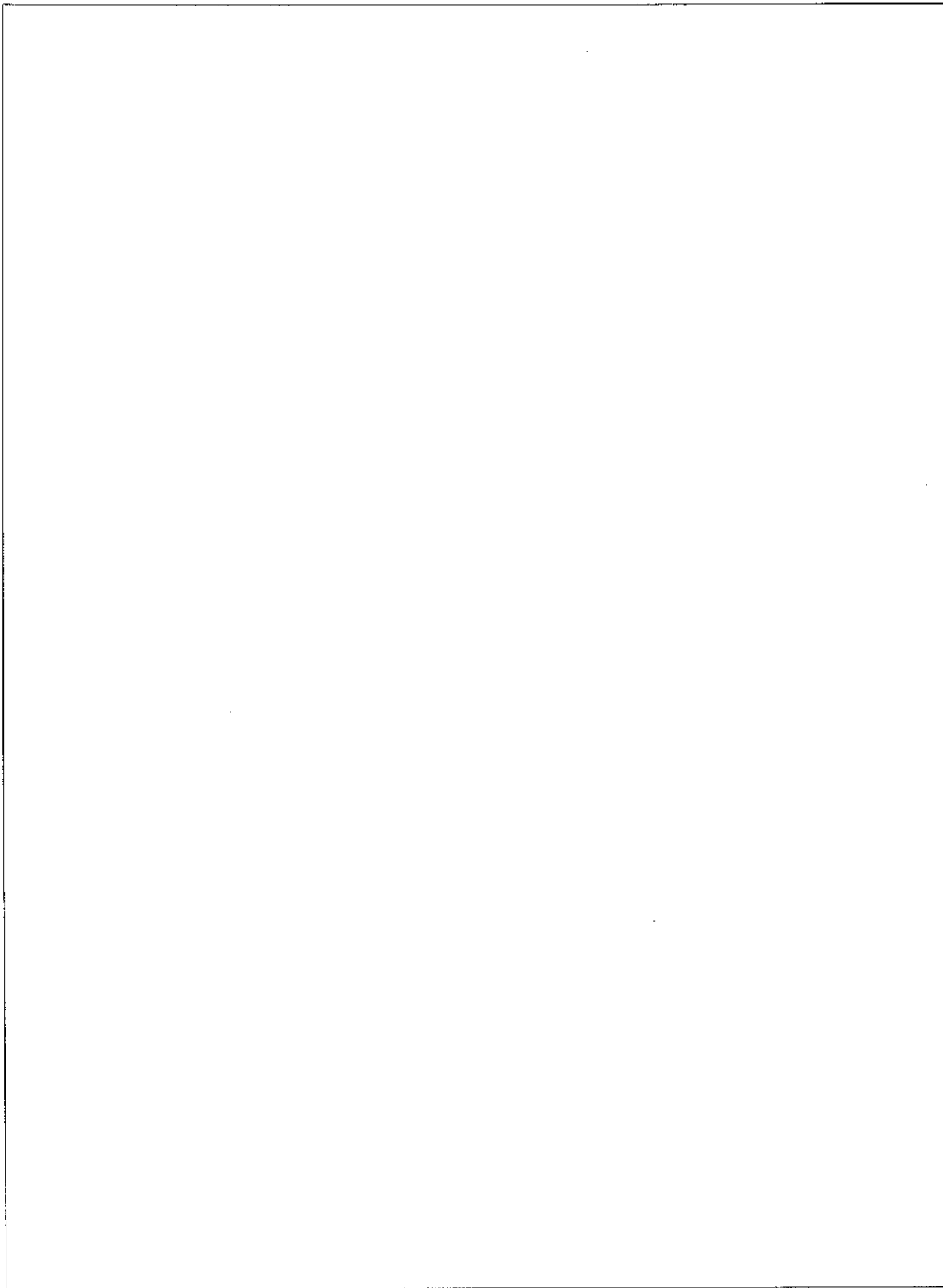


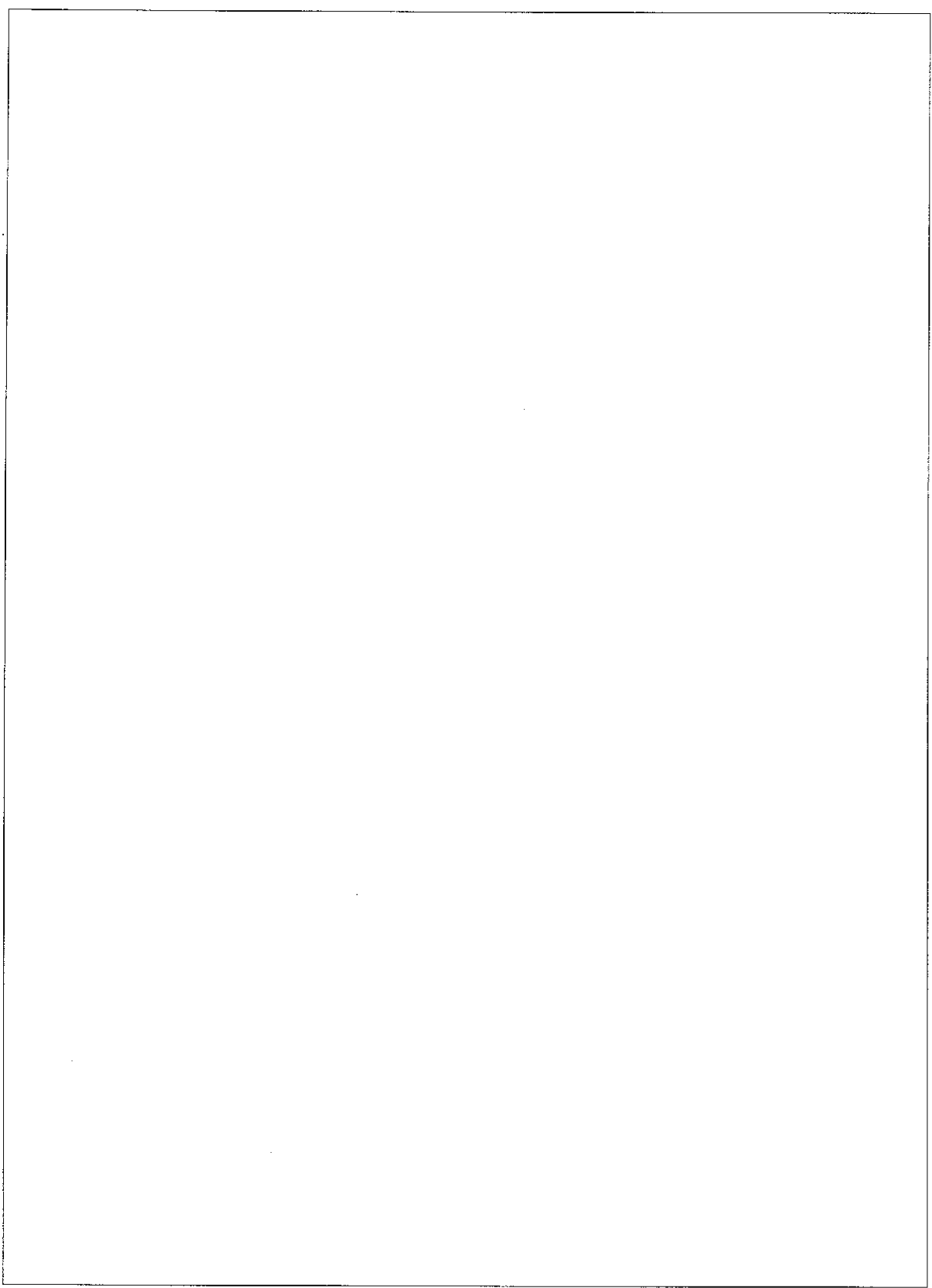




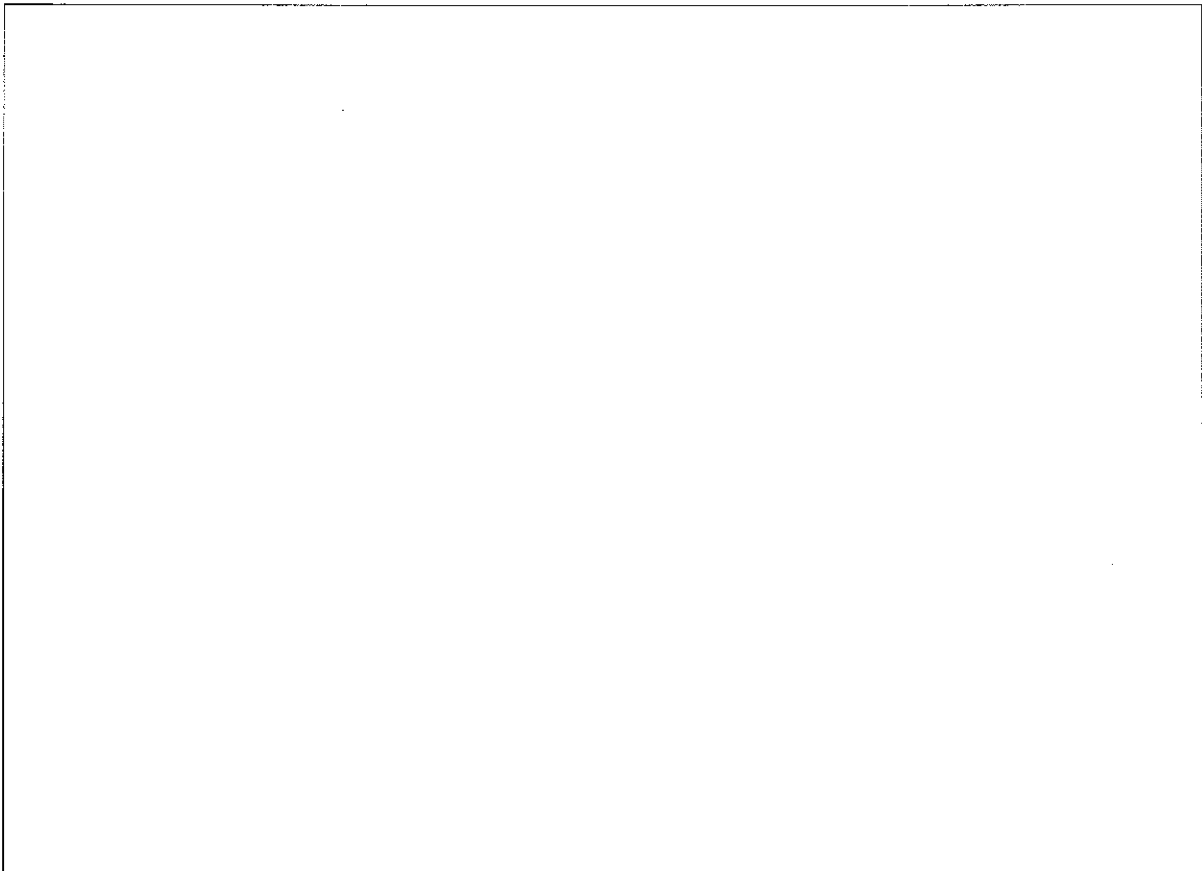
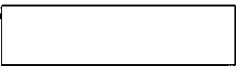
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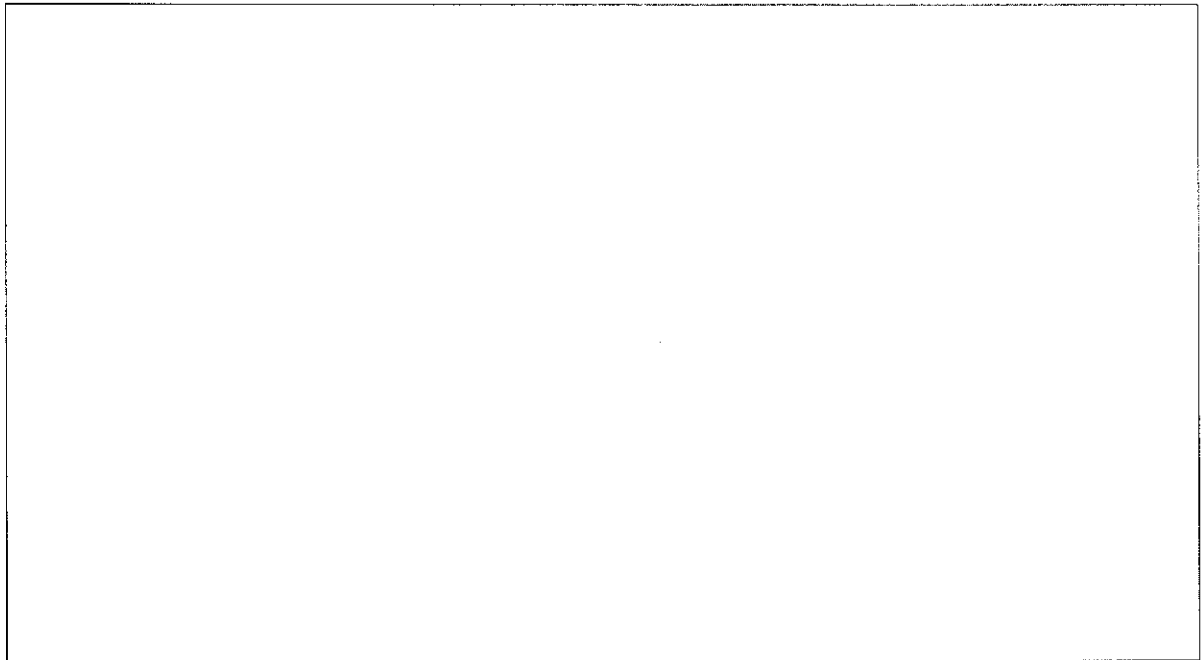




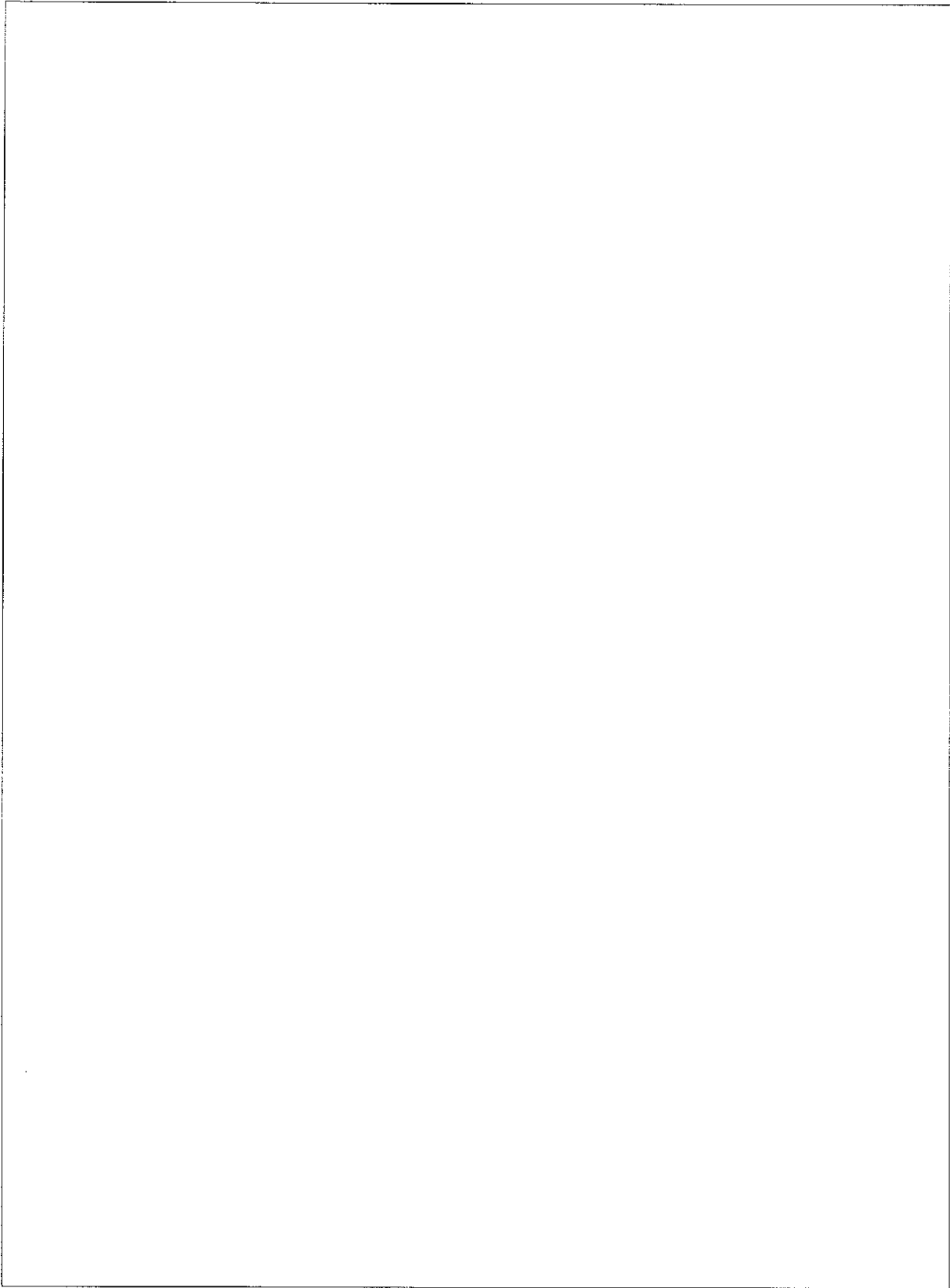
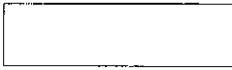




**(U) SUMMARIES OF SELECTED CURRENT AUDITS**



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## (U) INSPECTIONS

(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.

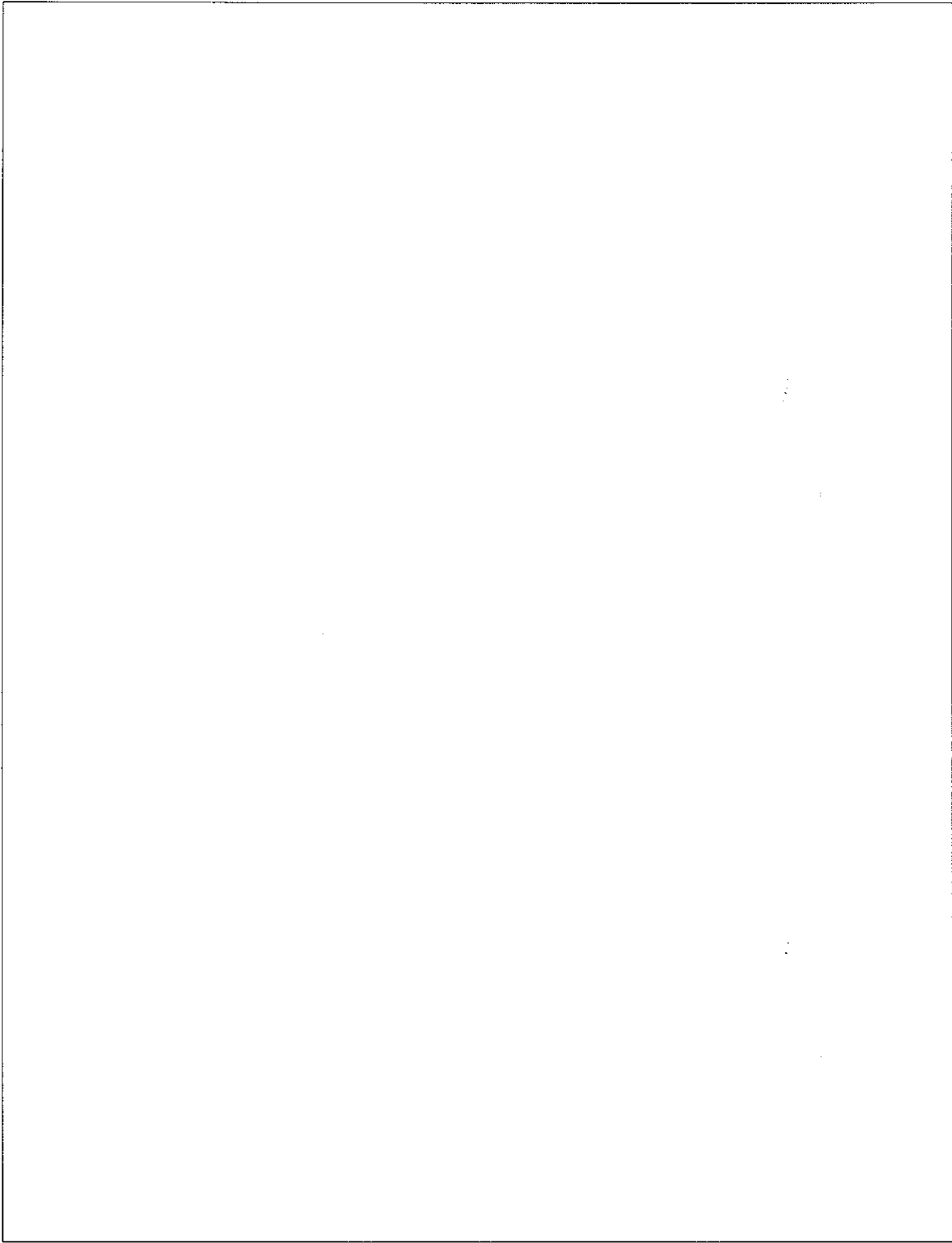
[REDACTED] The Inspection Staff has adopted a new, more flexible approach to scheduling its work. During a seven-month cycle (February-August), inspection teams conduct either a single major inspection or several smaller, less time-consuming inspections; the second cycle (September-January) remains five months in length. During the most recent cycle, the Staff has been working on five inspections: the Agency's Warning Capability; Collection Requirements and Evaluation Staff; [REDACTED] and SIS Promotion Policy. A study to determine the scope of the next cycle's major inspection of counterintelligence was also completed.

(U/[REDACTED]) 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. In addition, in order to increase the sophistication of its methodology, the Staff has instituted a series of functional seminars for all OIG inspectors and research assistants. These seminars build on the new inspectors' course and address topics such as interview methodology, techniques for scoping an inspection, information technology, research and analysis, and report drafting.

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

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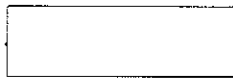
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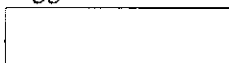
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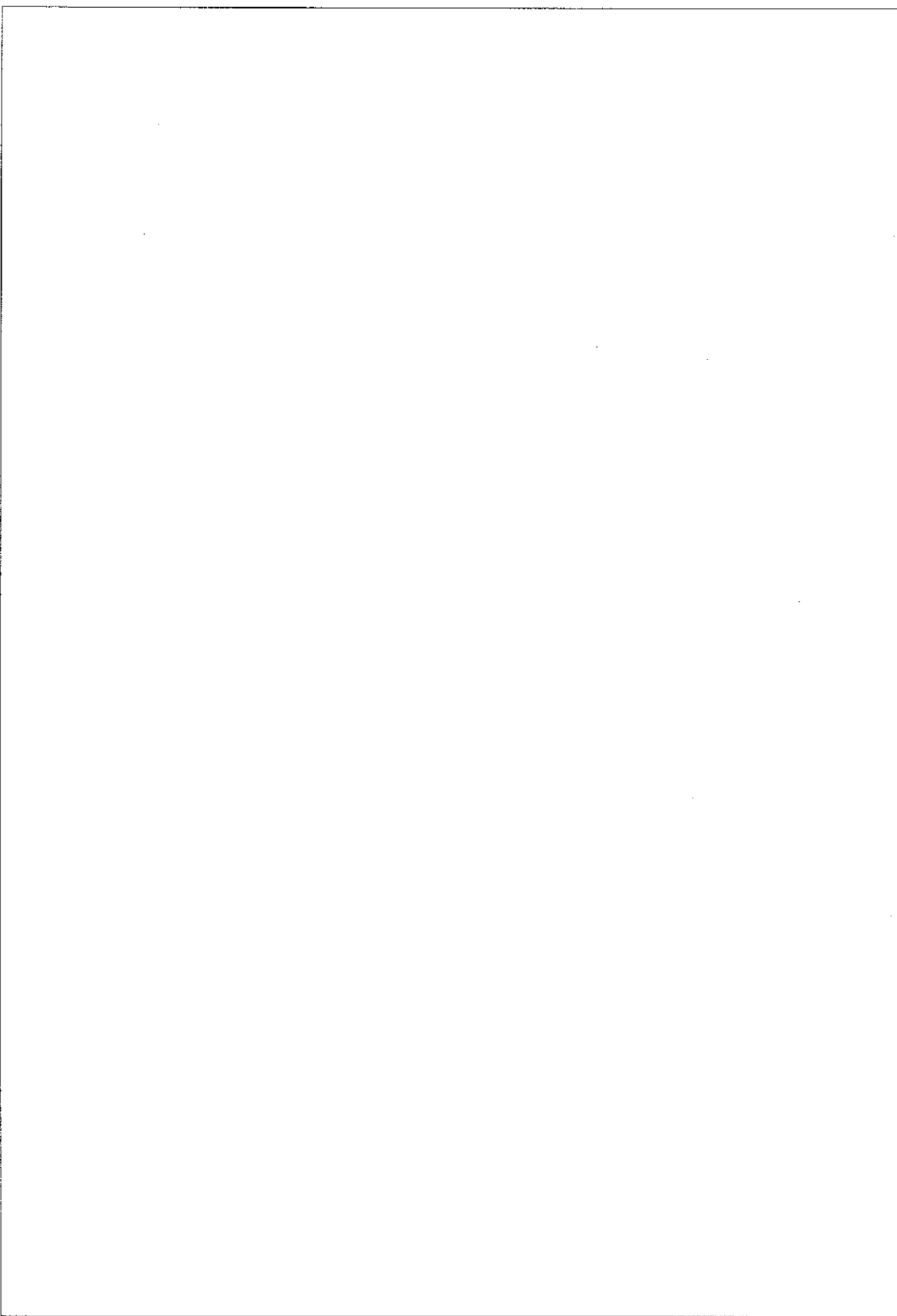
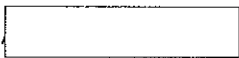
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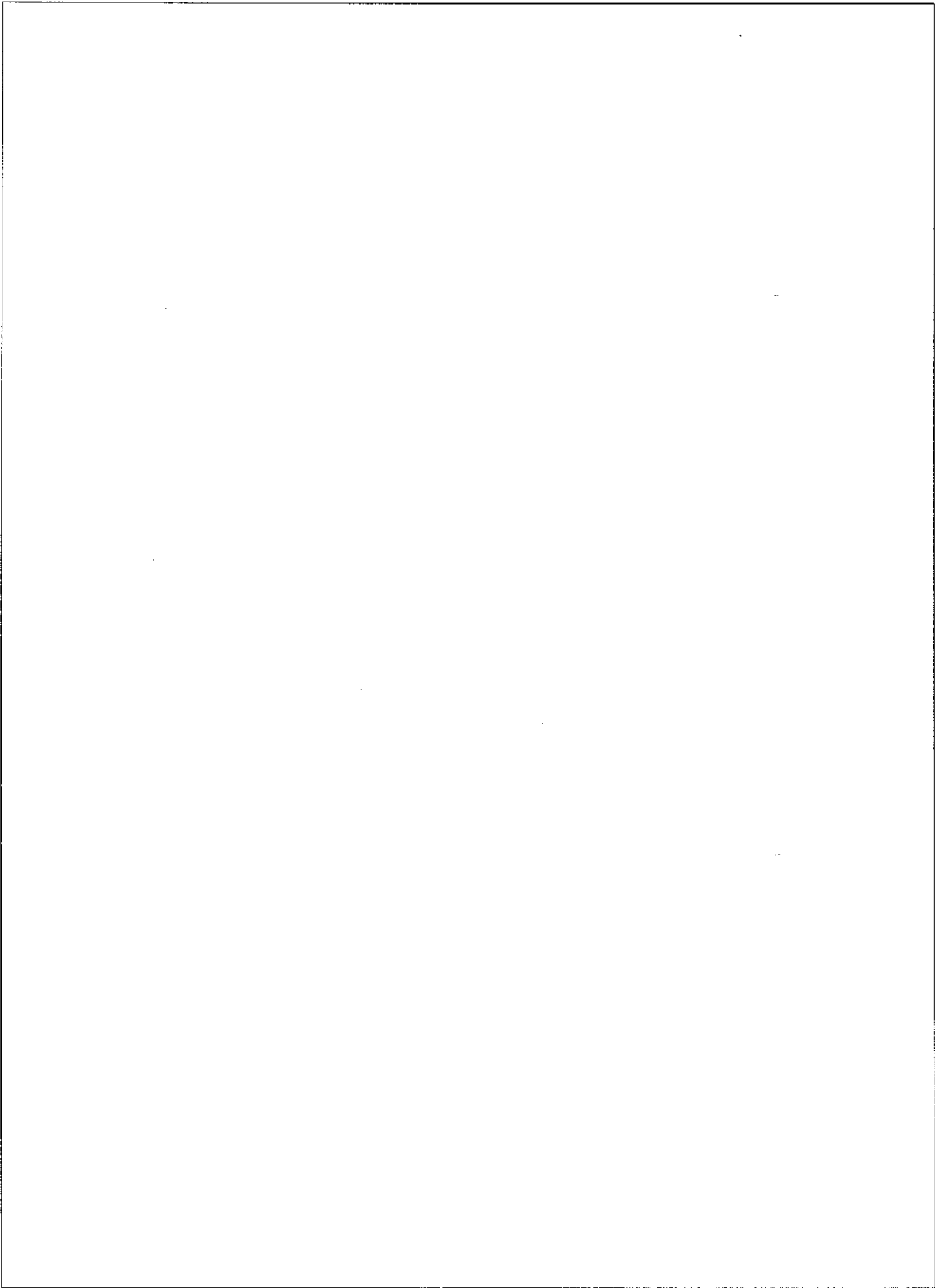


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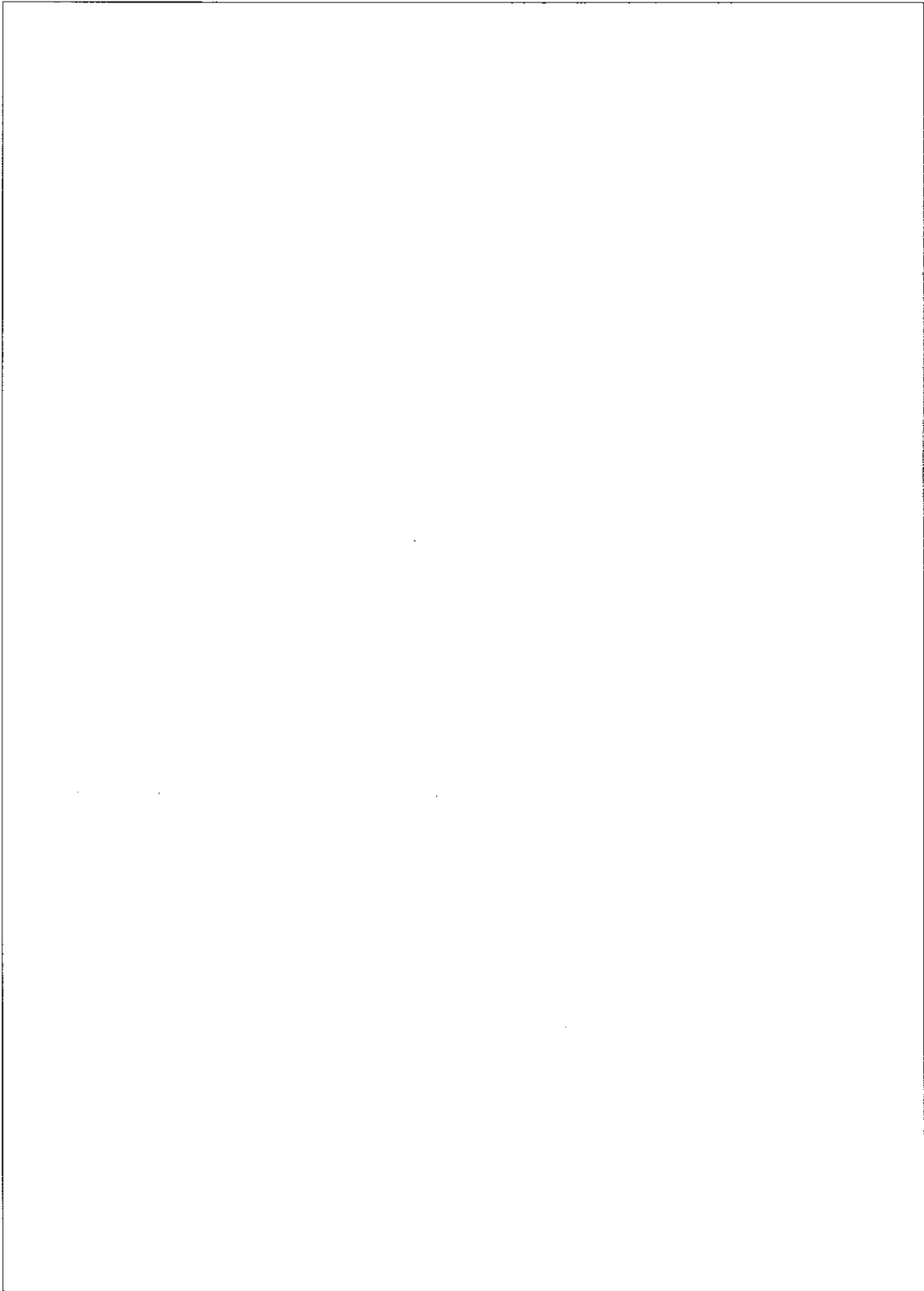


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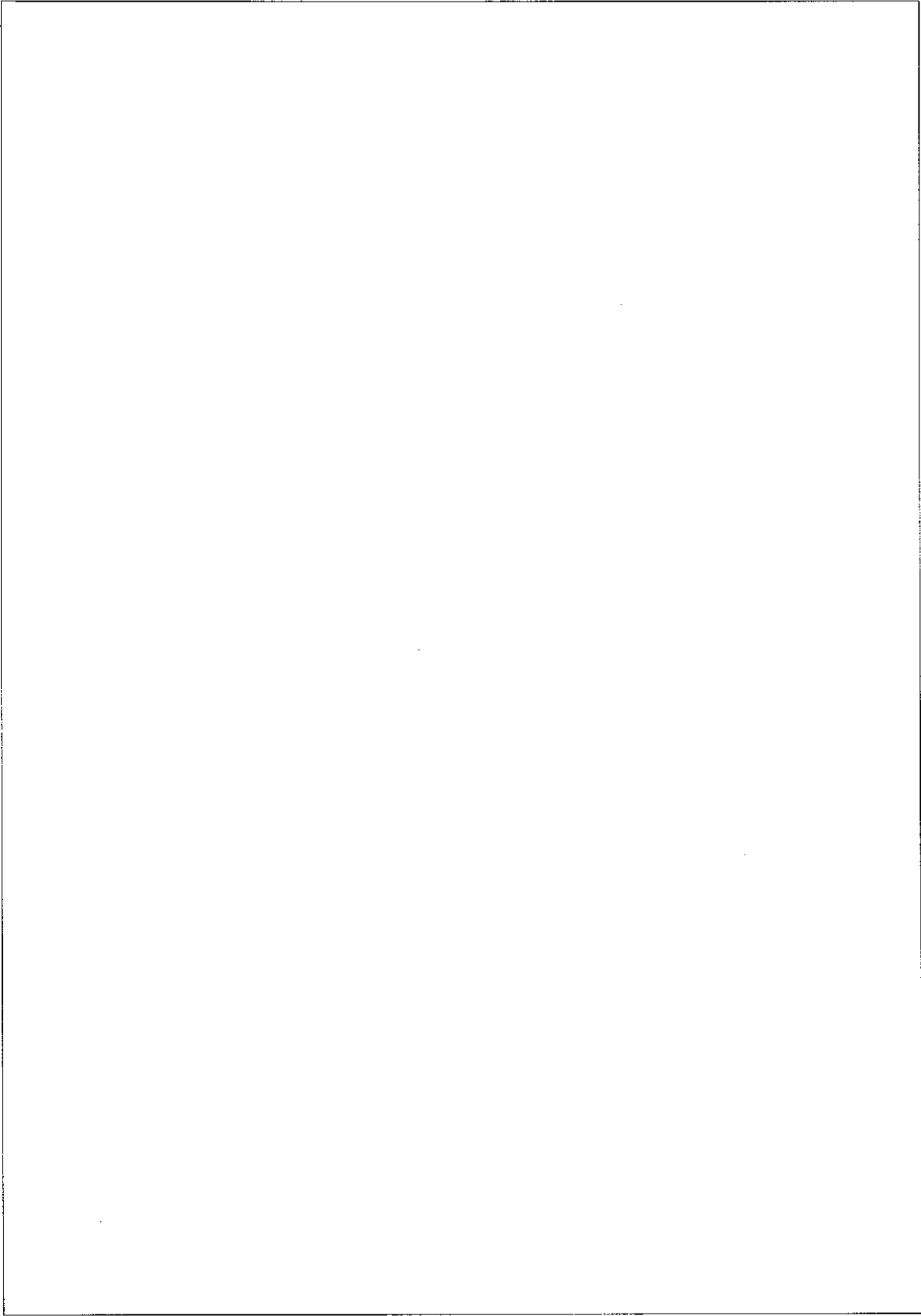
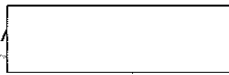




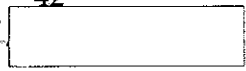
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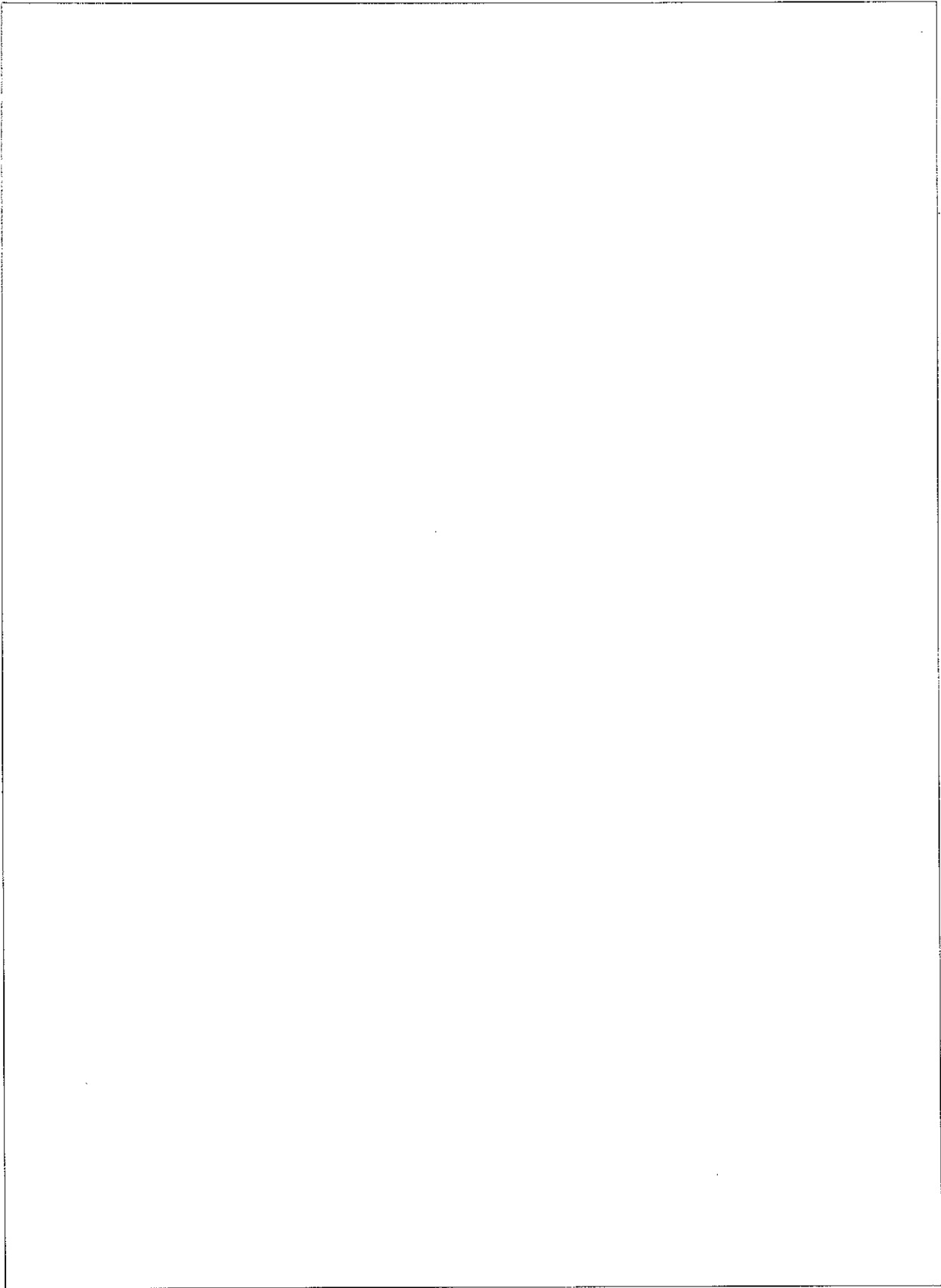
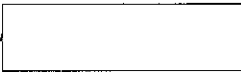


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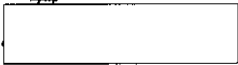


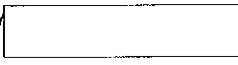
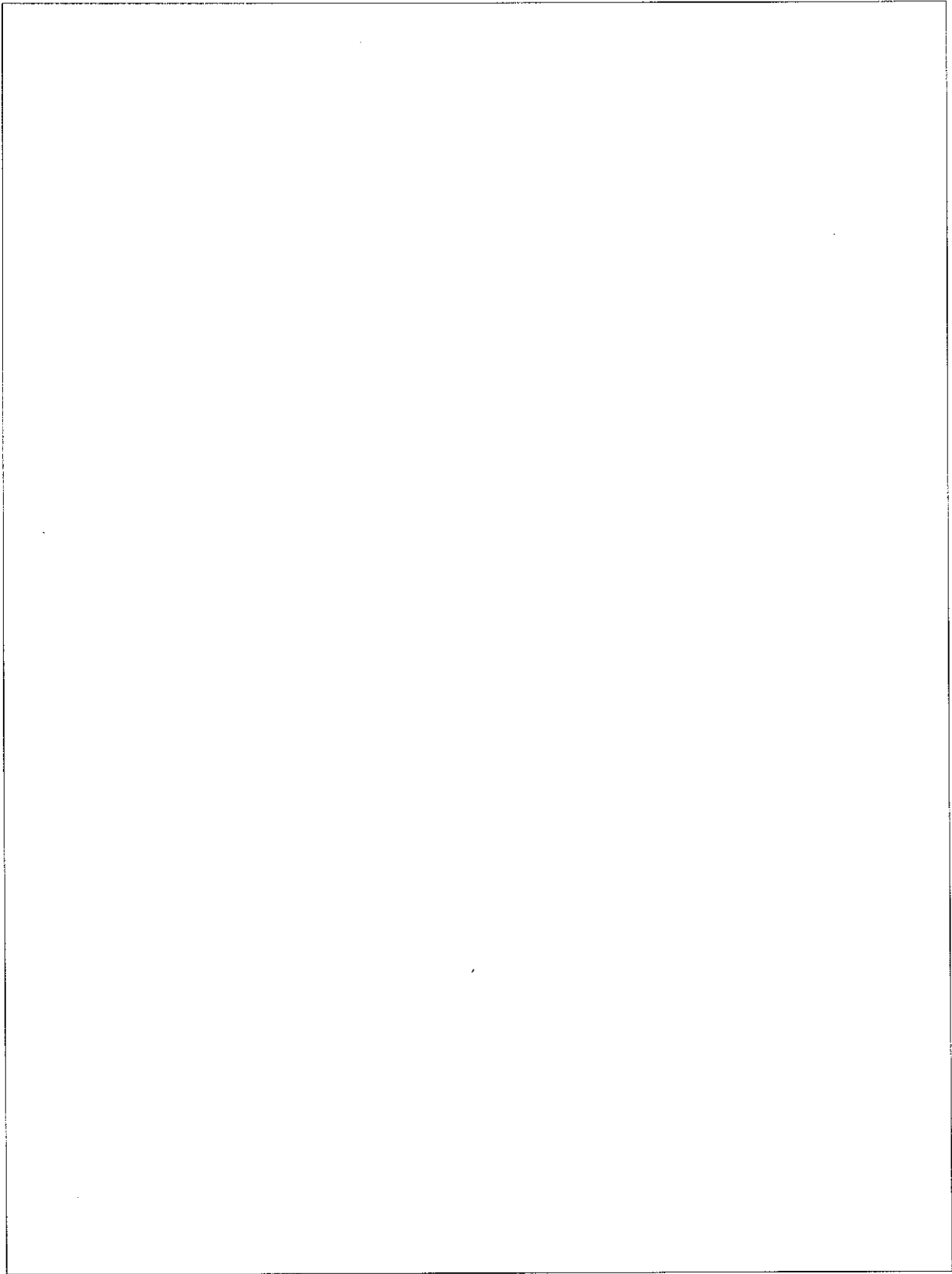
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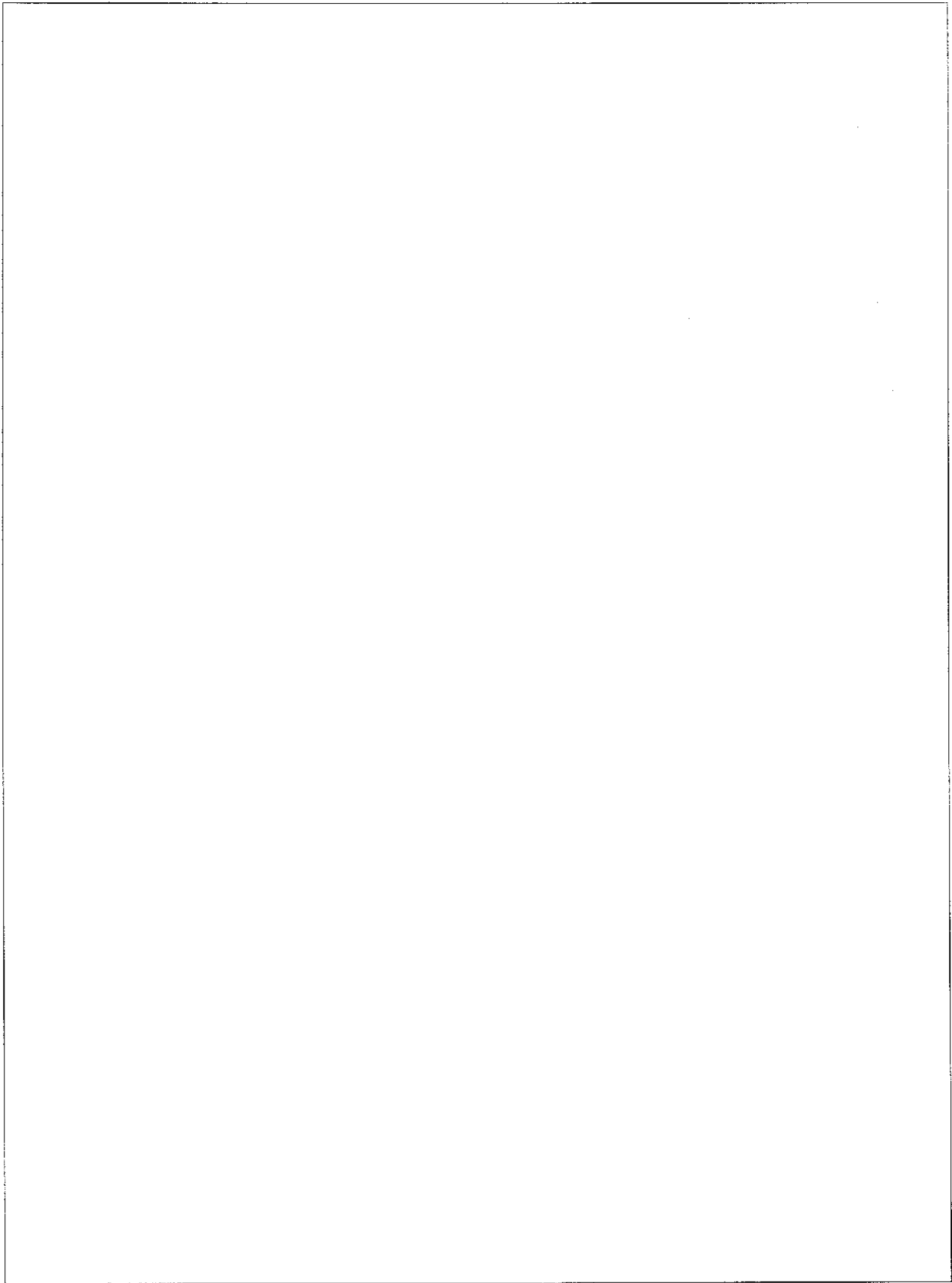
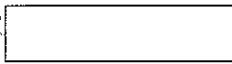
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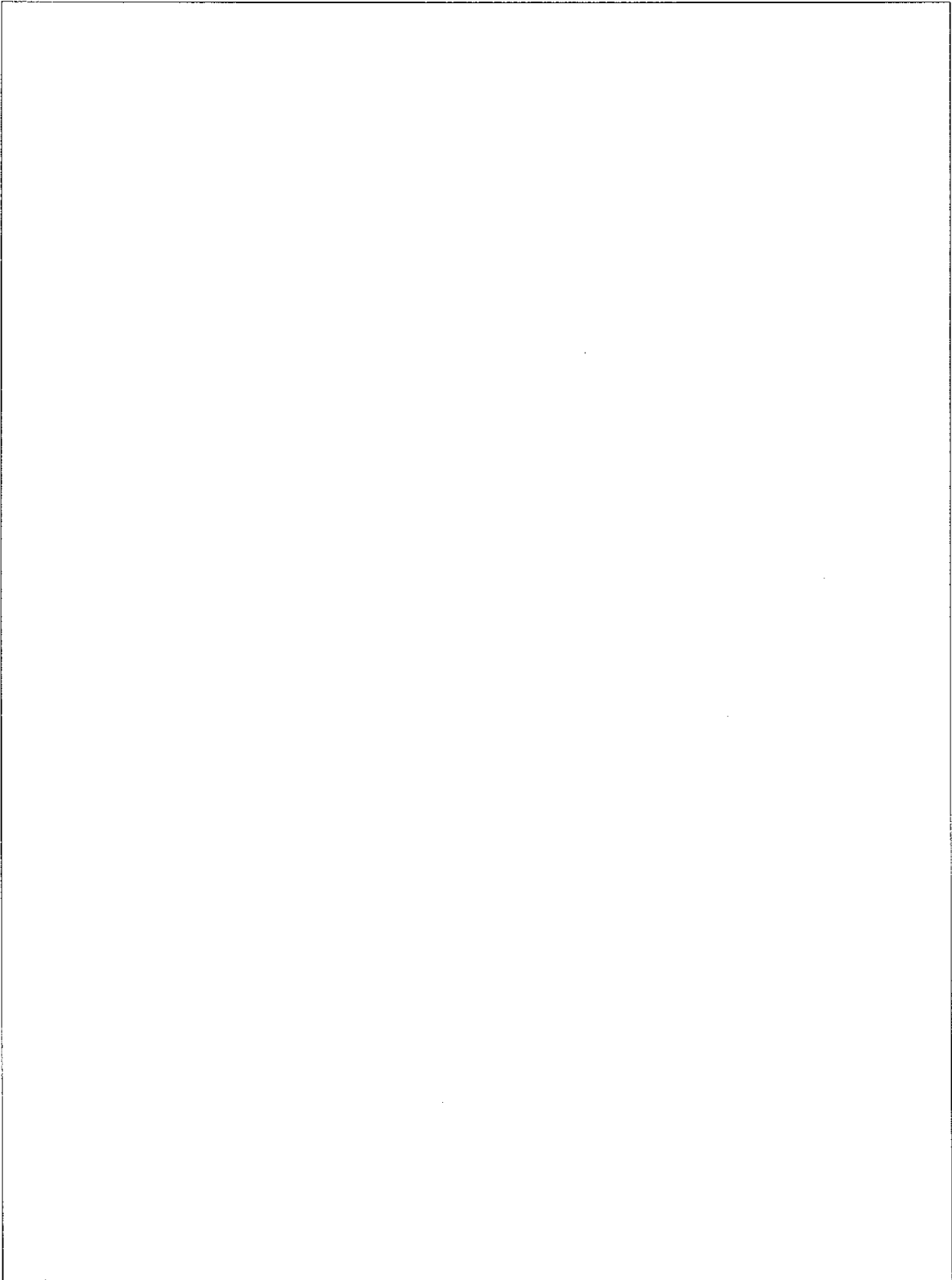


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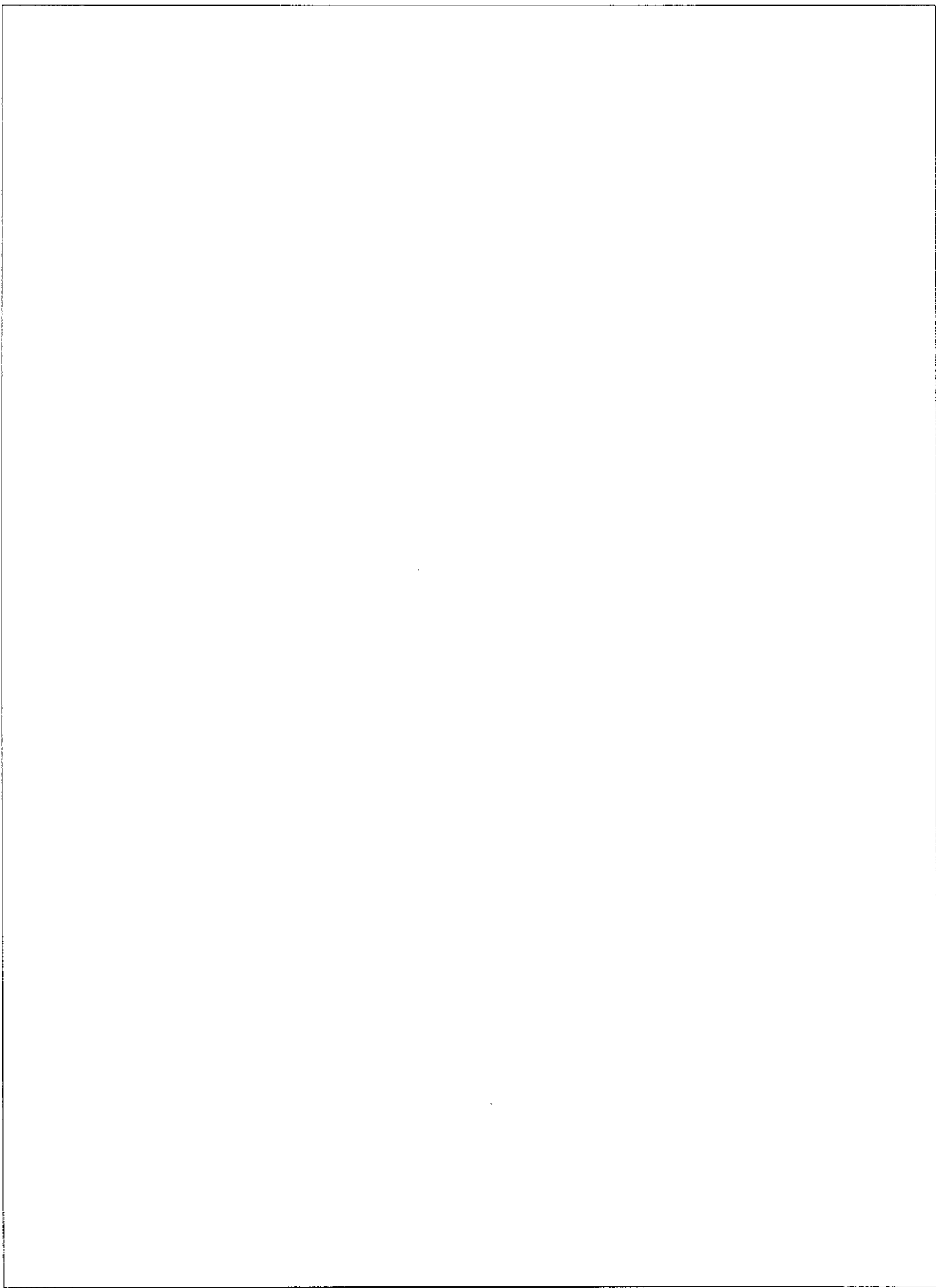


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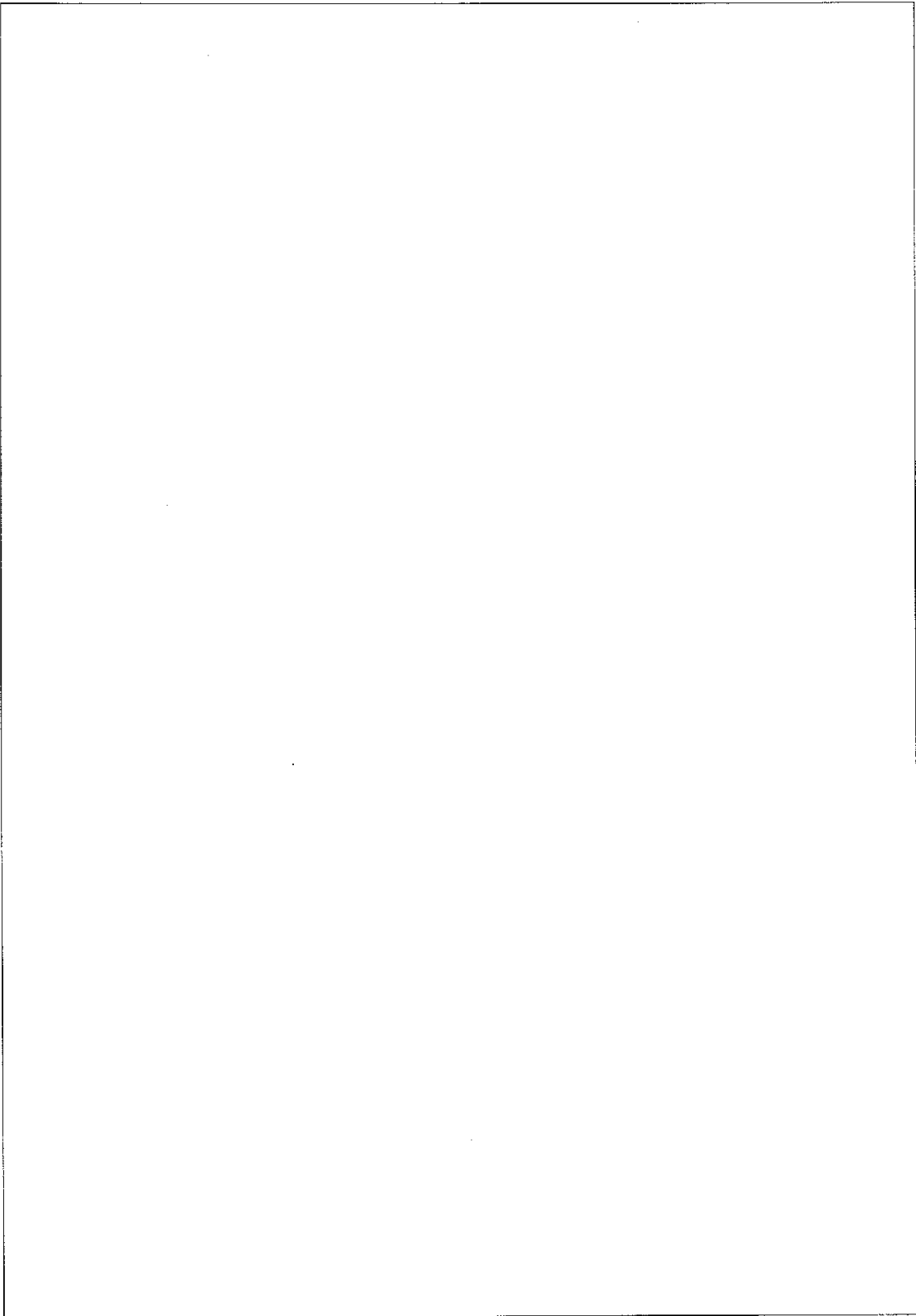
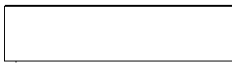
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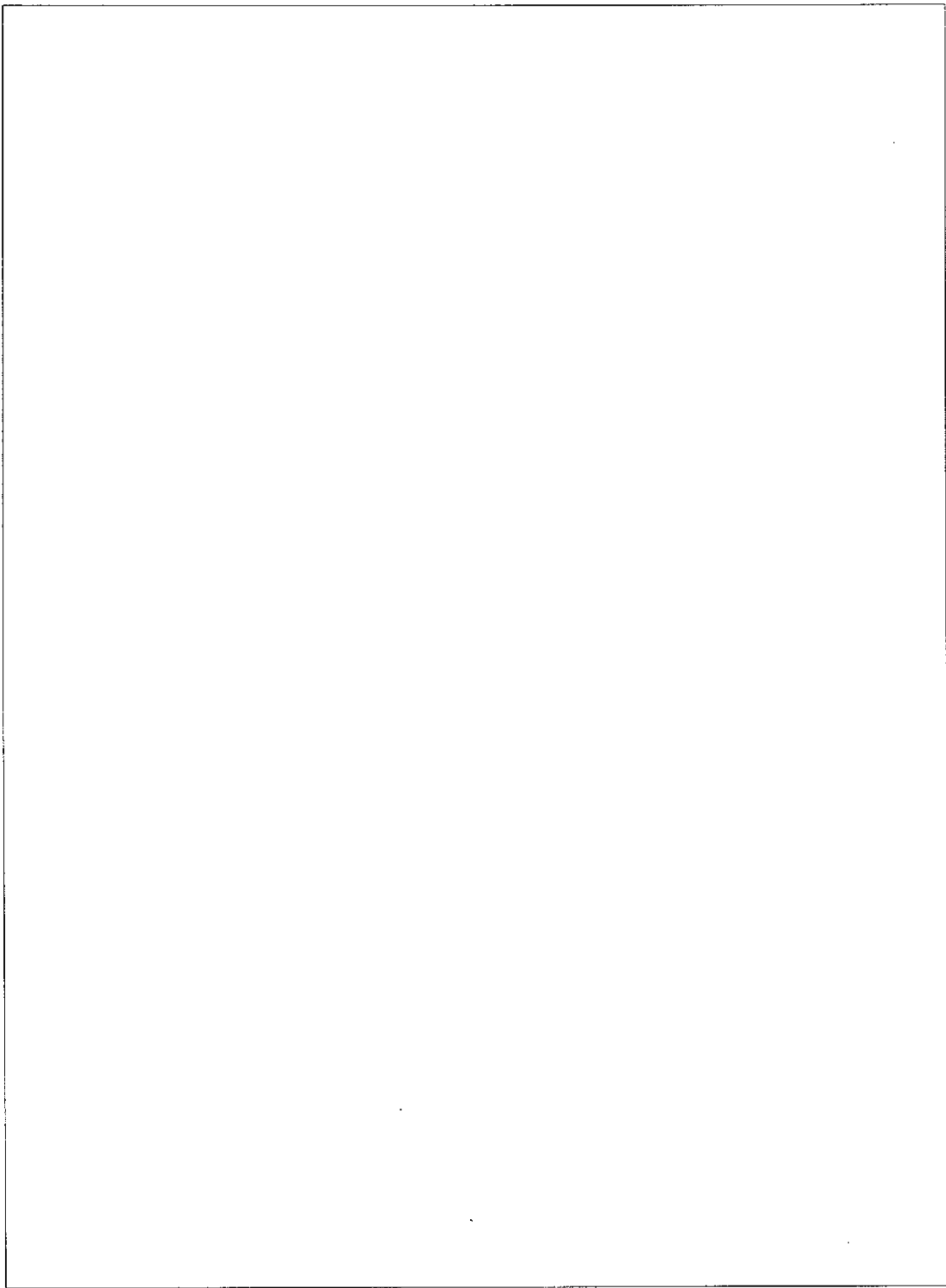


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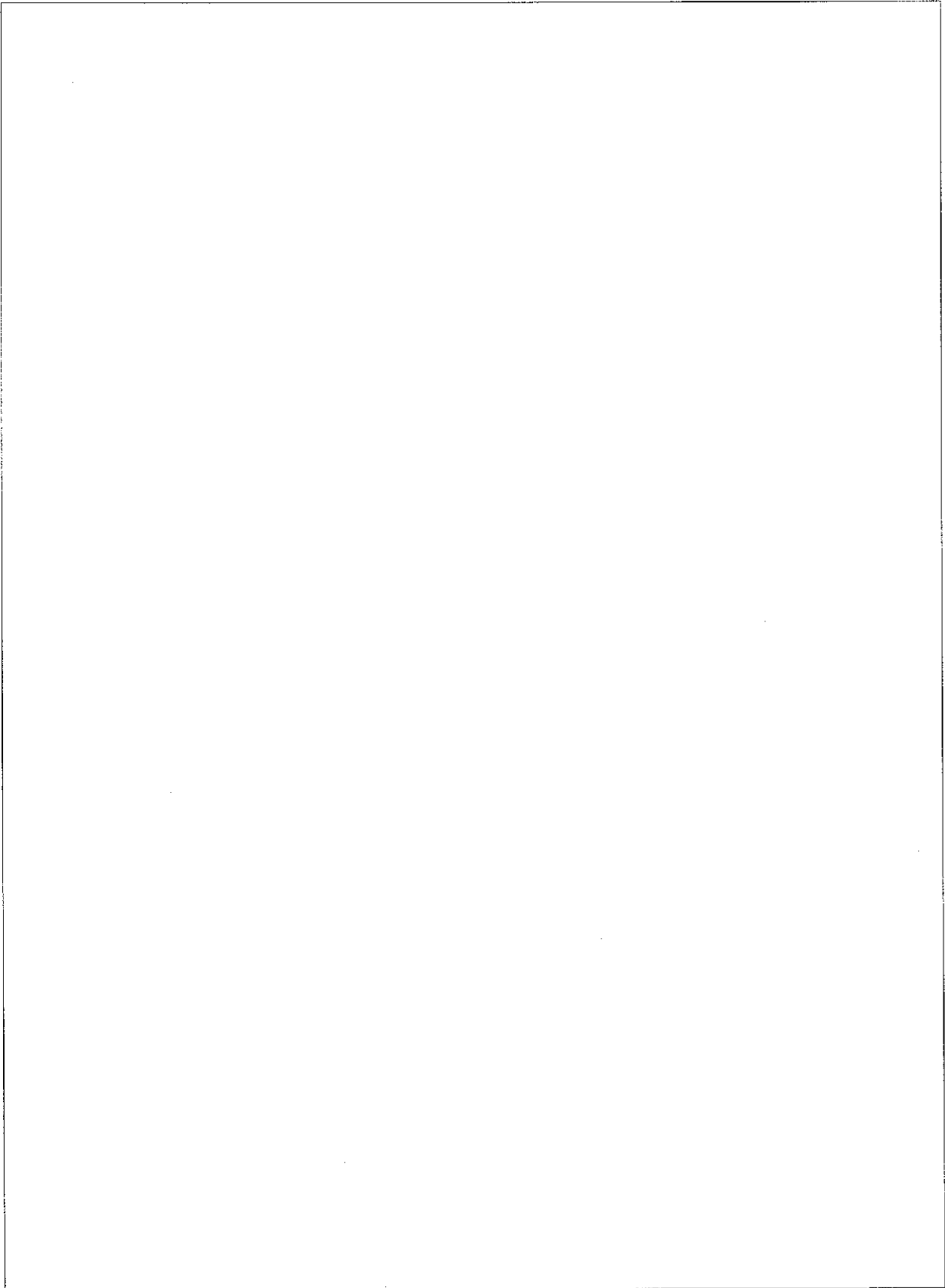
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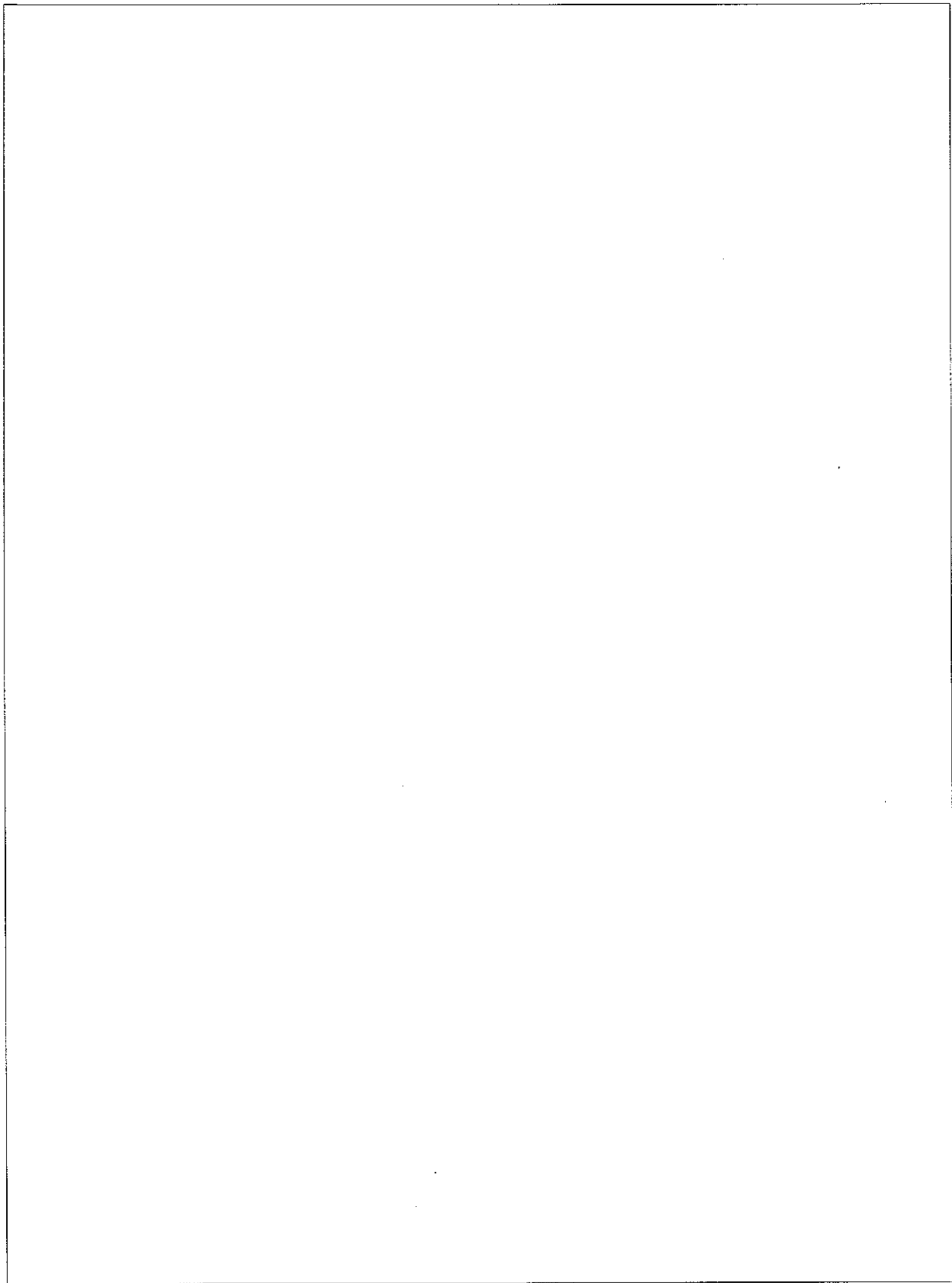


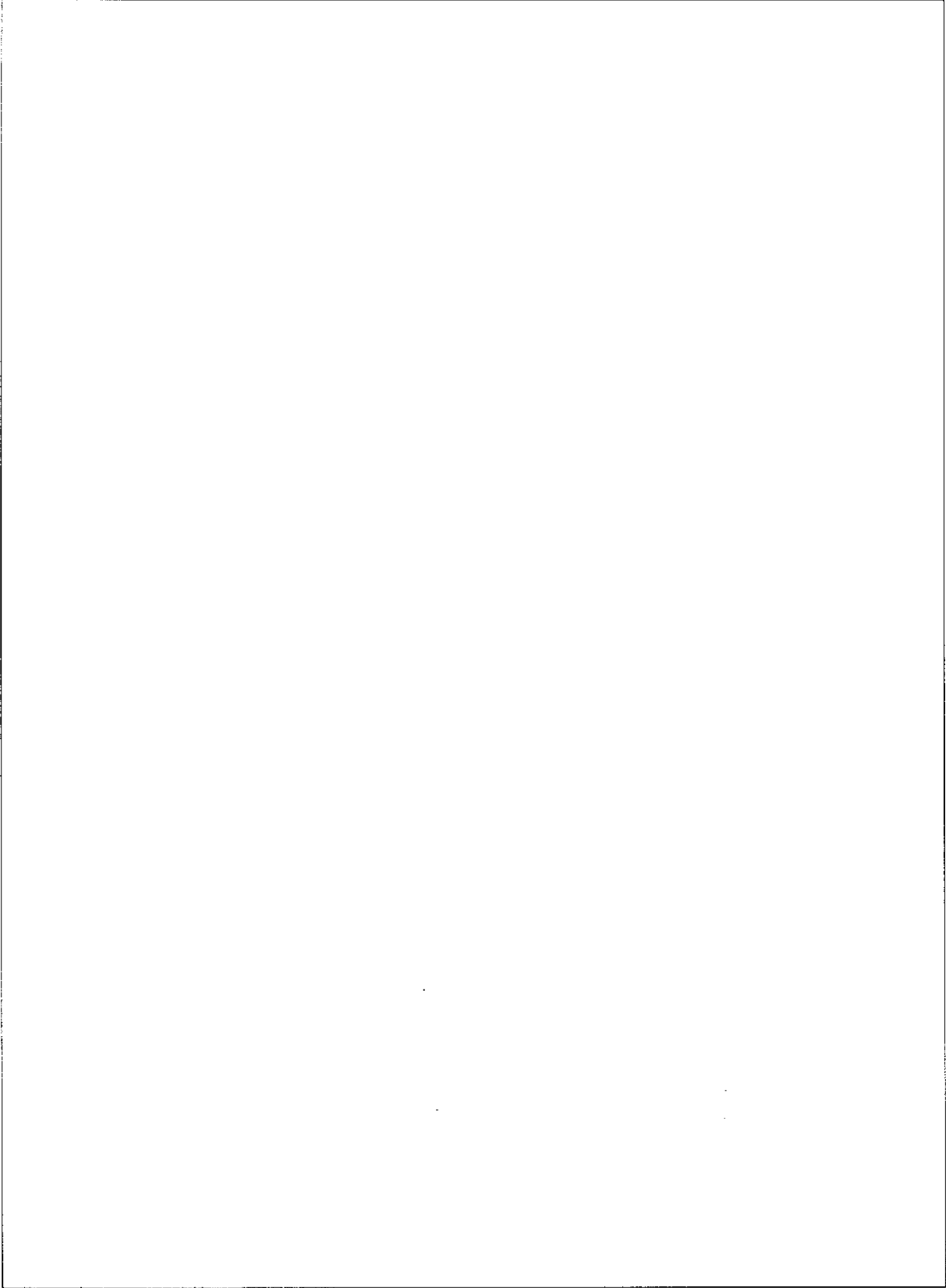
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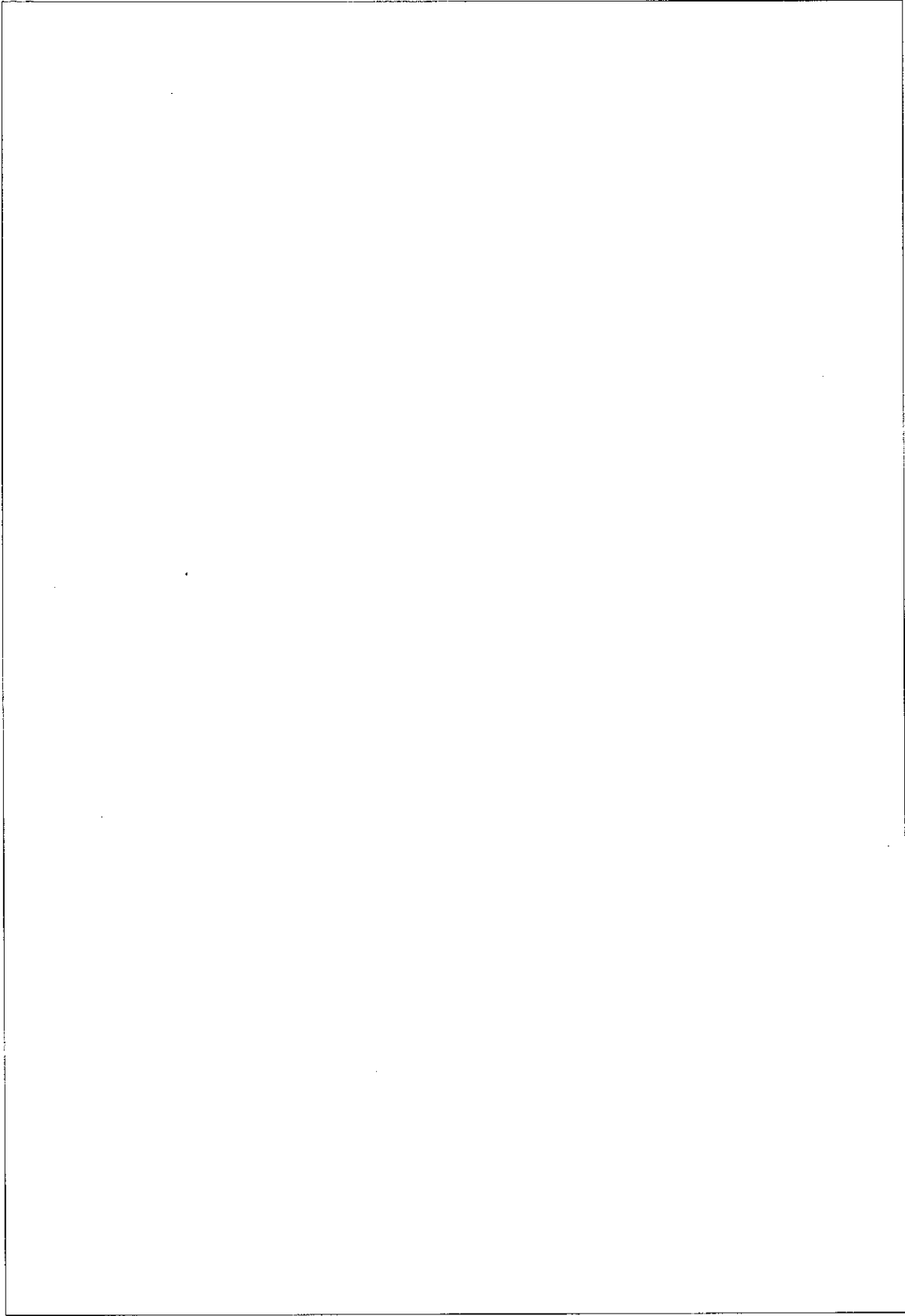


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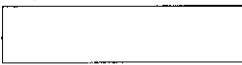




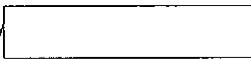
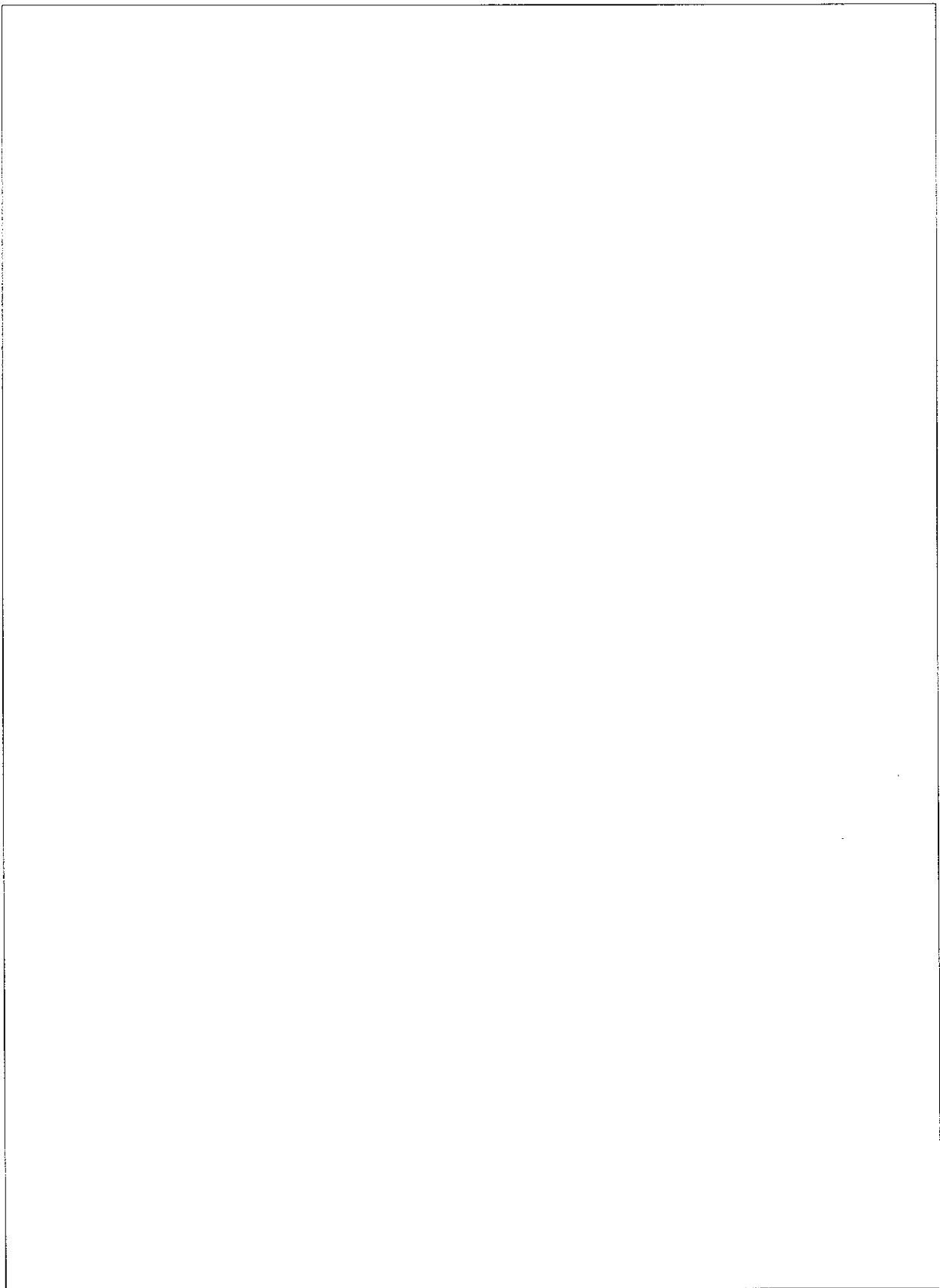




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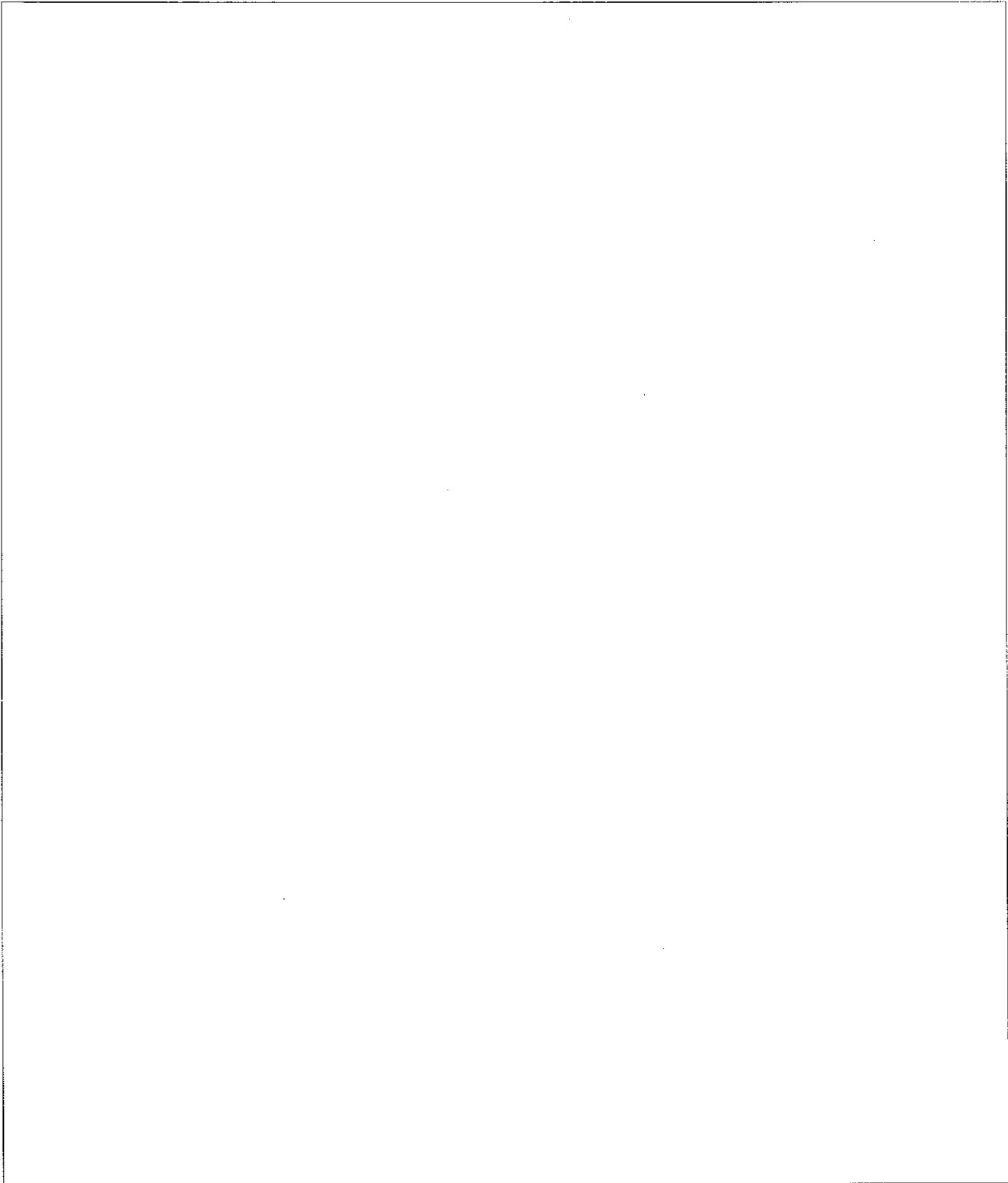


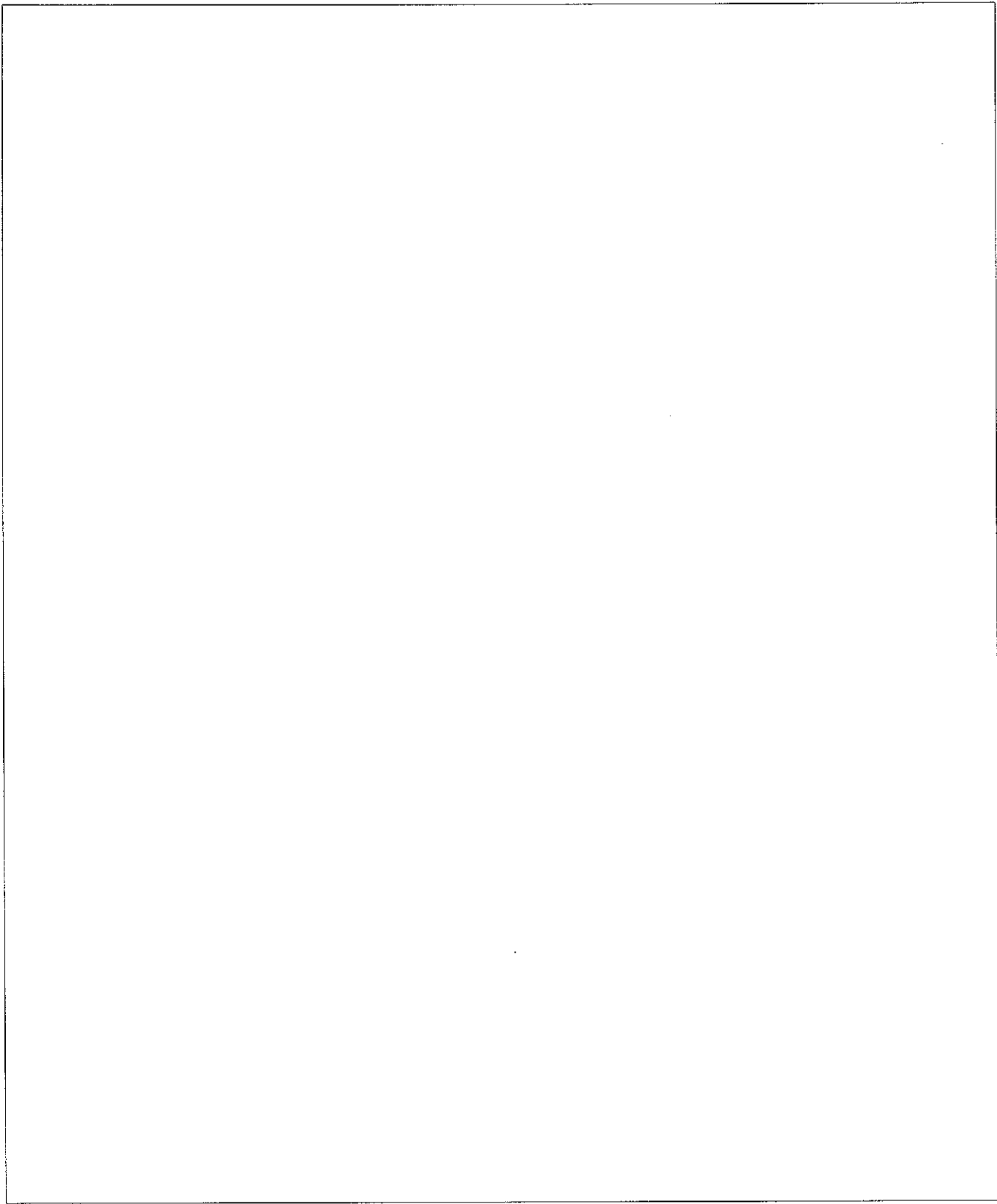


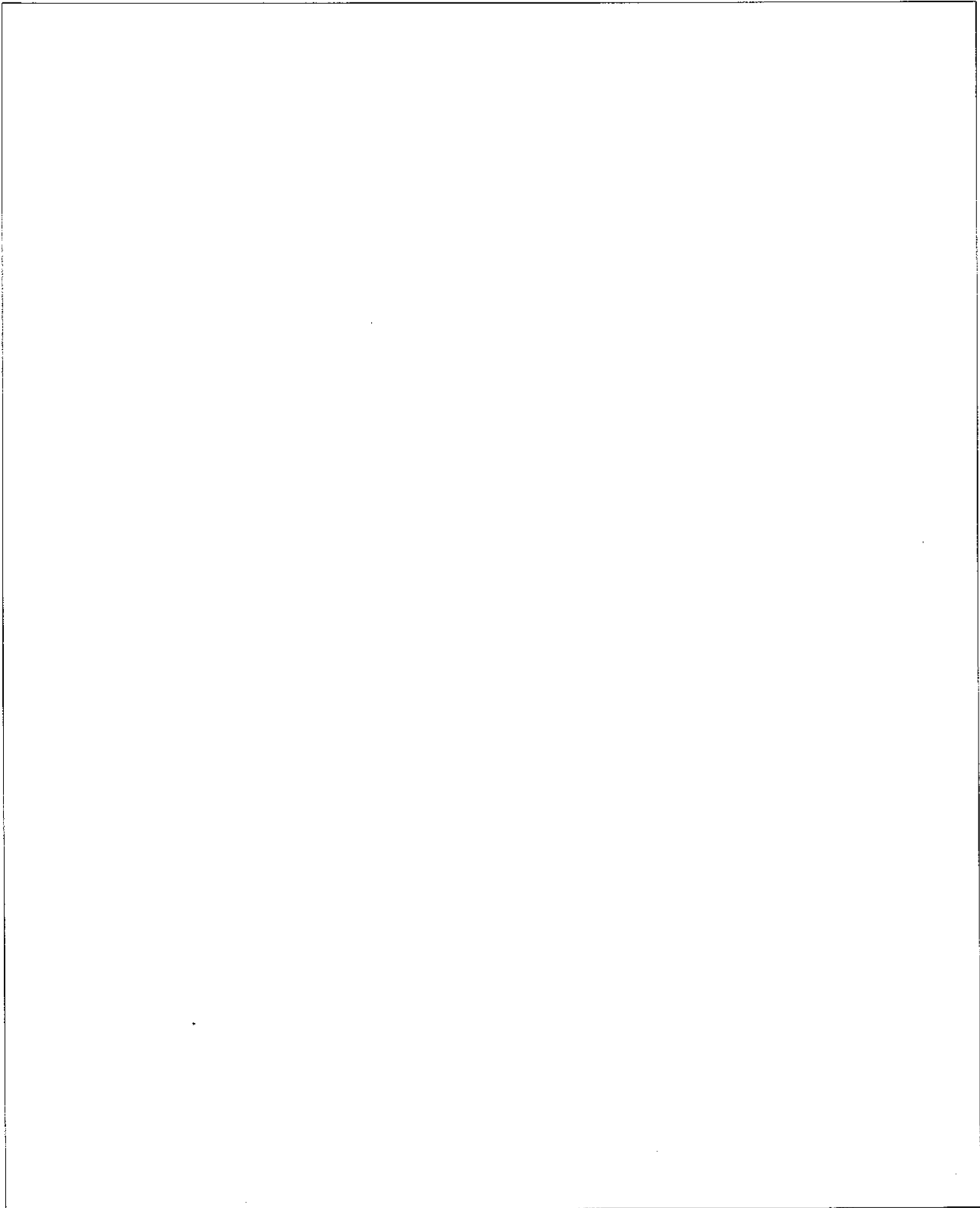


**(U) STATUS OF SIGNIFICANT RECOMMENDED ACTIONS OUTSTANDING  
FROM PREVIOUS SEMIANNUAL REPORTS**

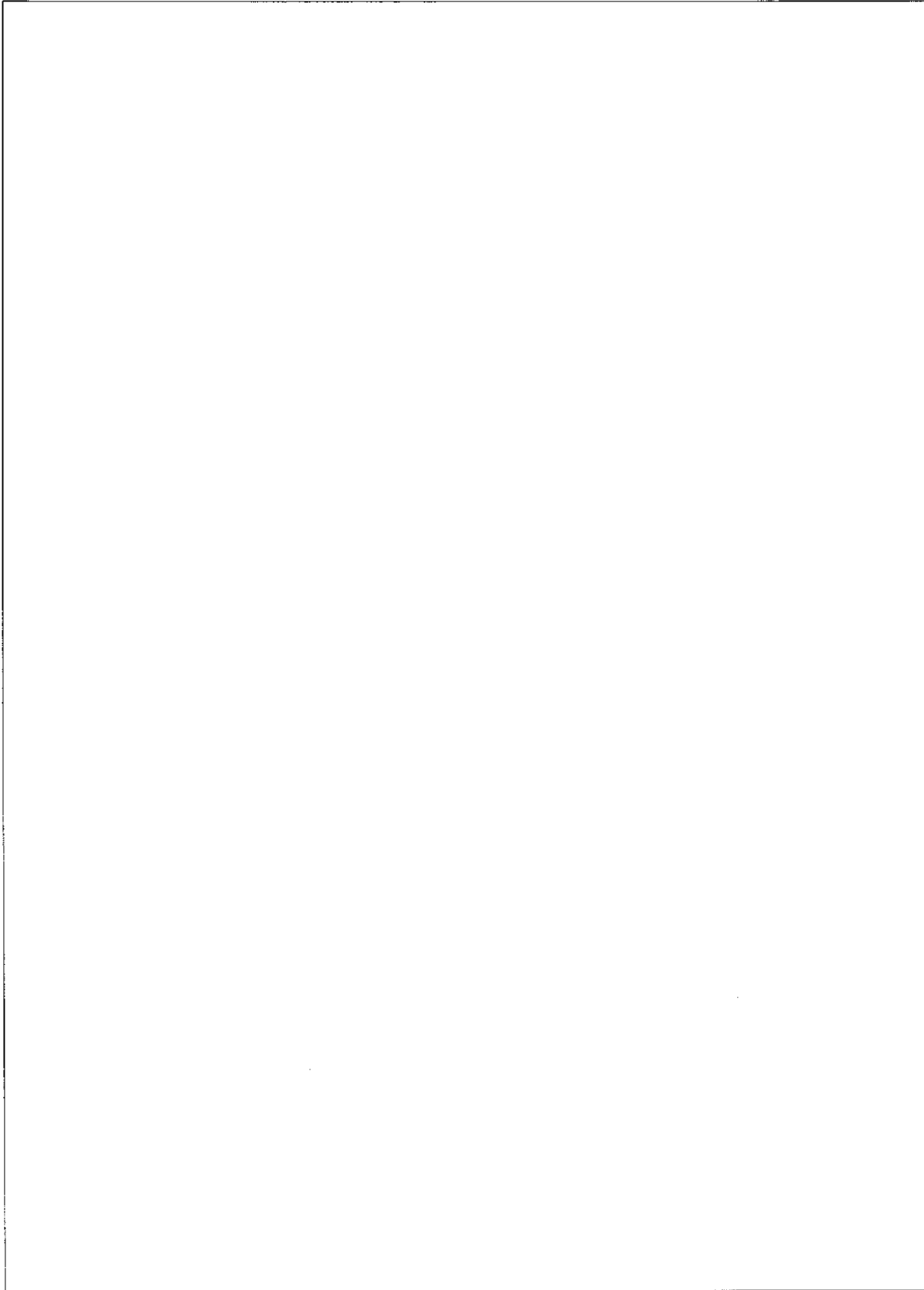




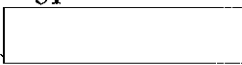
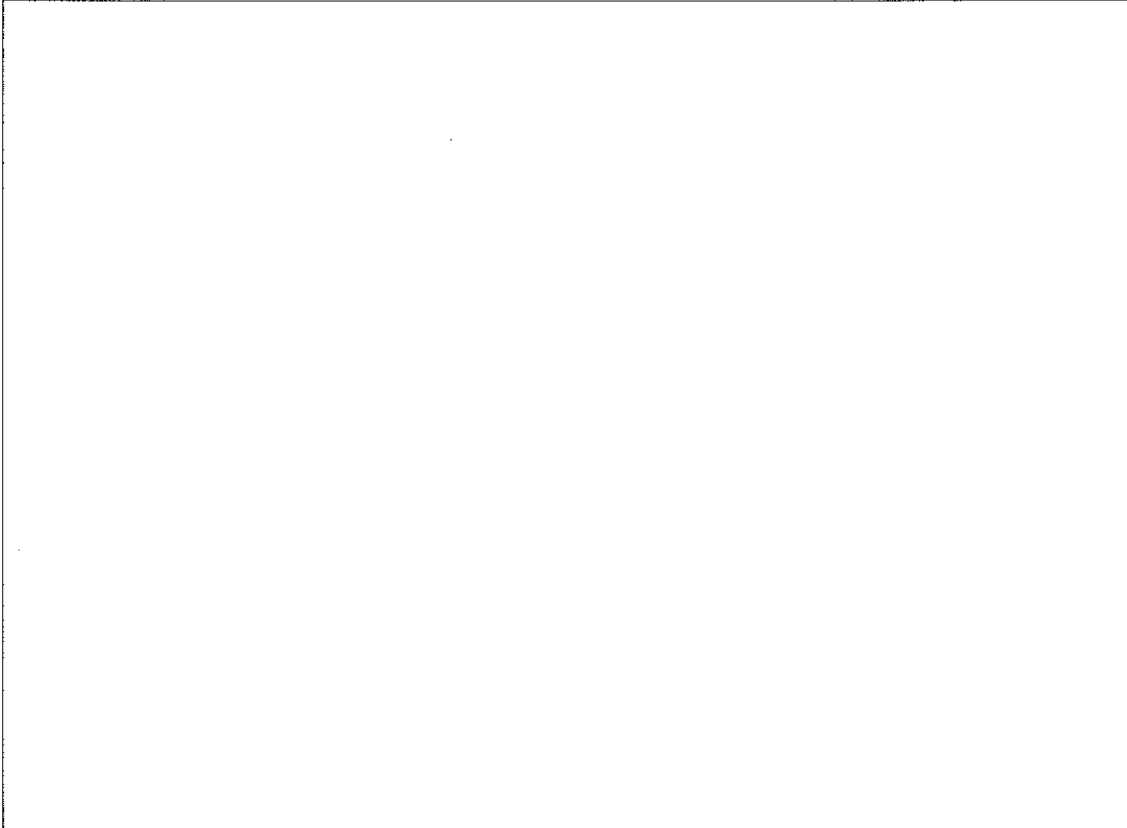
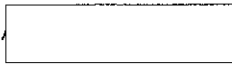




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## (U) INVESTIGATIONS

(U/ ) The Investigations Staff is responsible for investigating possible violations of statutes, regulations, policies, and procedures, as well as potential waste, mismanagement, abuse of authority, or 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 for making recommendations regarding appeals of decisions of various Agency boards.

(U/ ) In addition to its focus on criminal and administrative investigations, the Investigations Staff has worked on internal process improvements during this reporting period. The Investigators Manual has been updated and there is an ongoing effort to revise policies and procedures. A training group has been established to identify core training requirements and to plan and facilitate mandatory training. There is also a concerted effort to identify, document, and track best management practices, and couple diversity initiatives with continuous improvement principles.

(U/ ) With respect to proactive initiatives, the Investigations Staff has launched a review to assess the prevalence of time and attendance abuse in the Agency. In addition, the Staff's proactive approach to contract fraud issues is paying dividends as evidenced by recent felony plea agreements and the identification of potential new cases.

(U/ ) The Staff's grievance unit continues to oversee the Agency-wide grievance system, which is designed to resolve grievances at the lowest possible level in the organization. The grievance team conducts one-day grievance resolution training workshops for component grievance counselors and directorate grievance officers at least once a year. In March and October 2001, workshops were presented for approximately 40 officers. Additional training in interviewing techniques and in dealing with difficult or angry employees was also sponsored by OIG. This training, together

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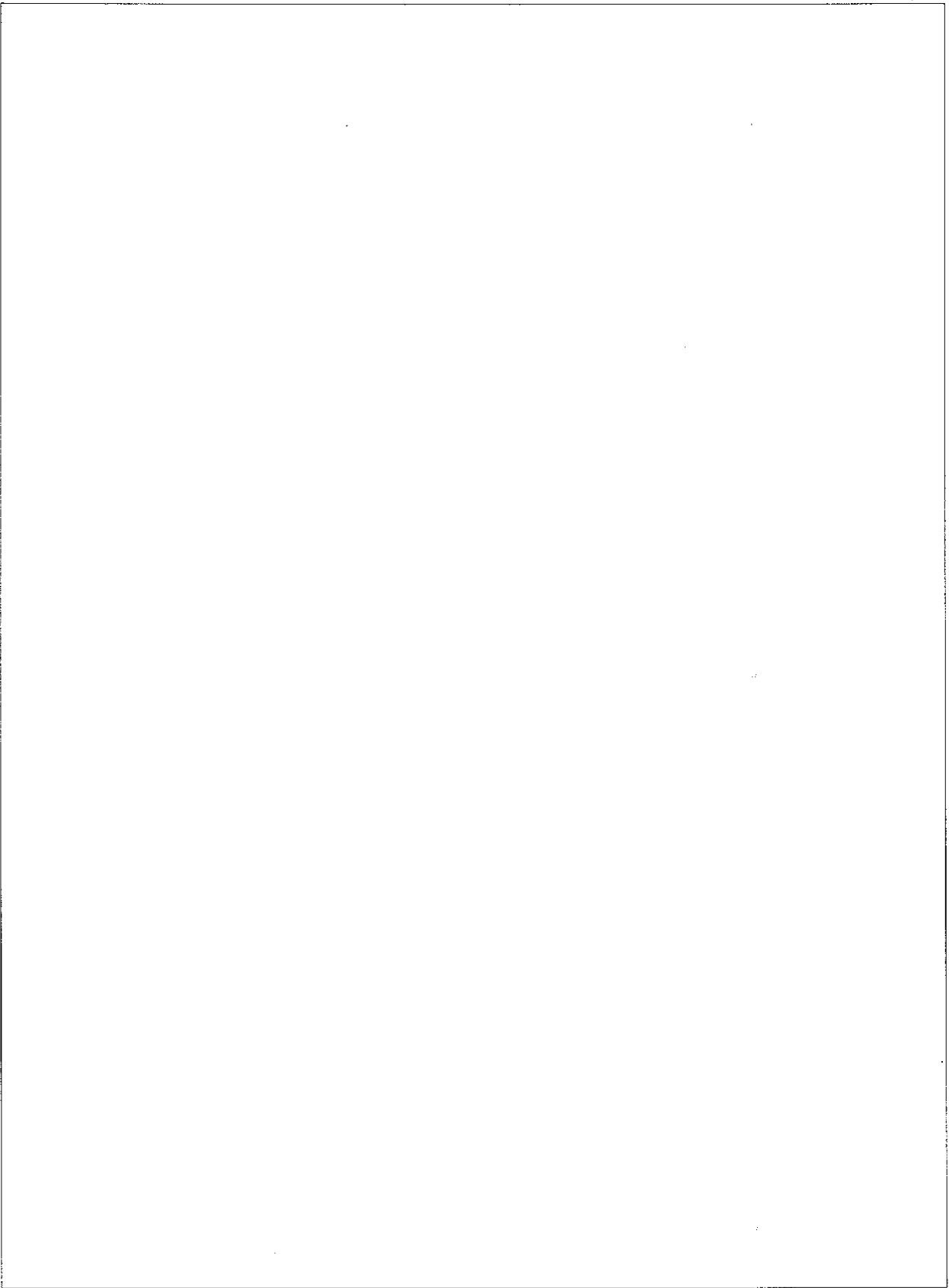


with the emphasis on informal resolution at the lowest possible level, has contributed to a significant reduction in the number of formal grievances filed by employees.

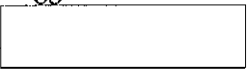
**(U) SIGNIFICANT COMPLETED INVESTIGATIONS AND OTHER REVIEWS**

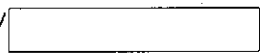
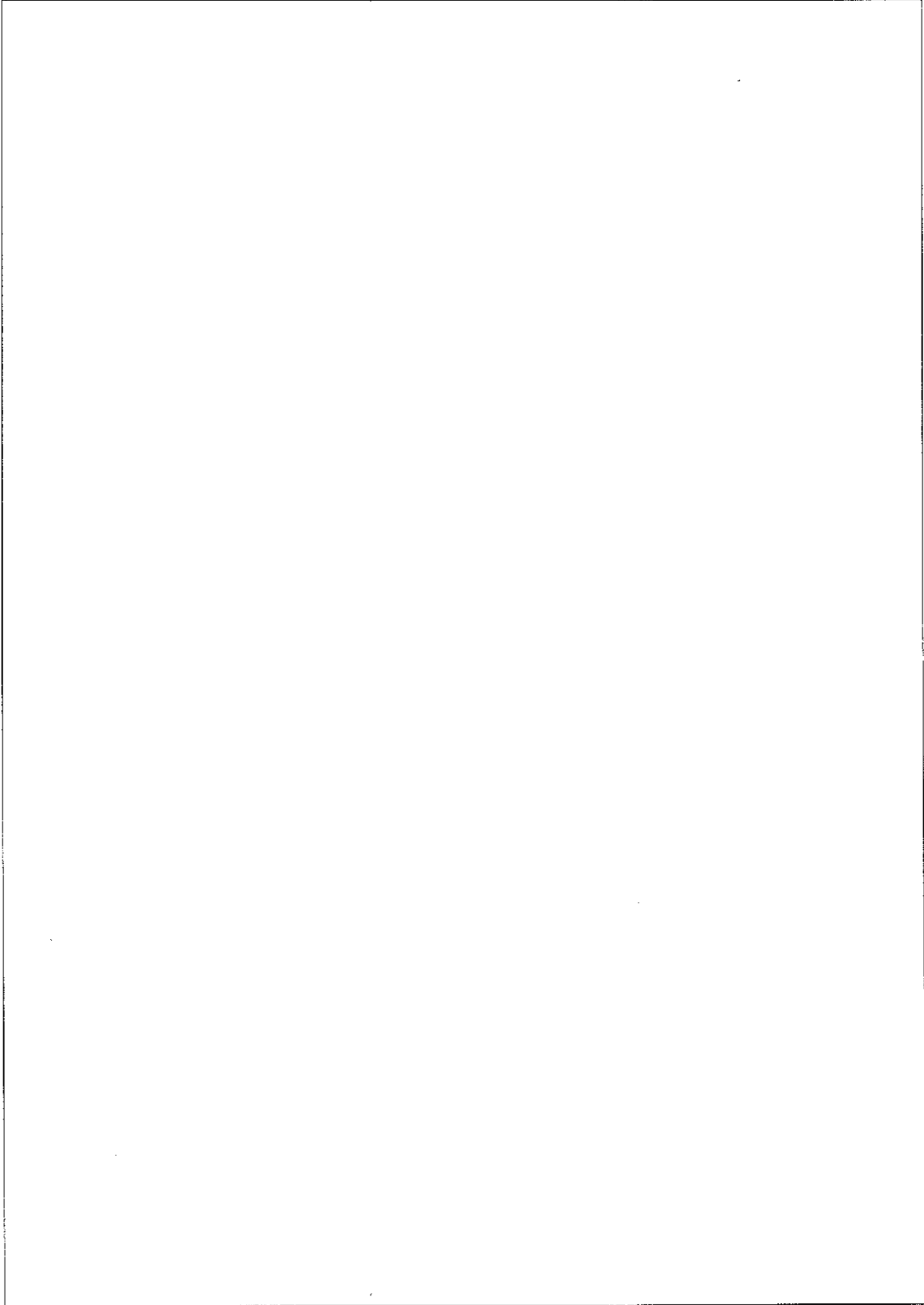


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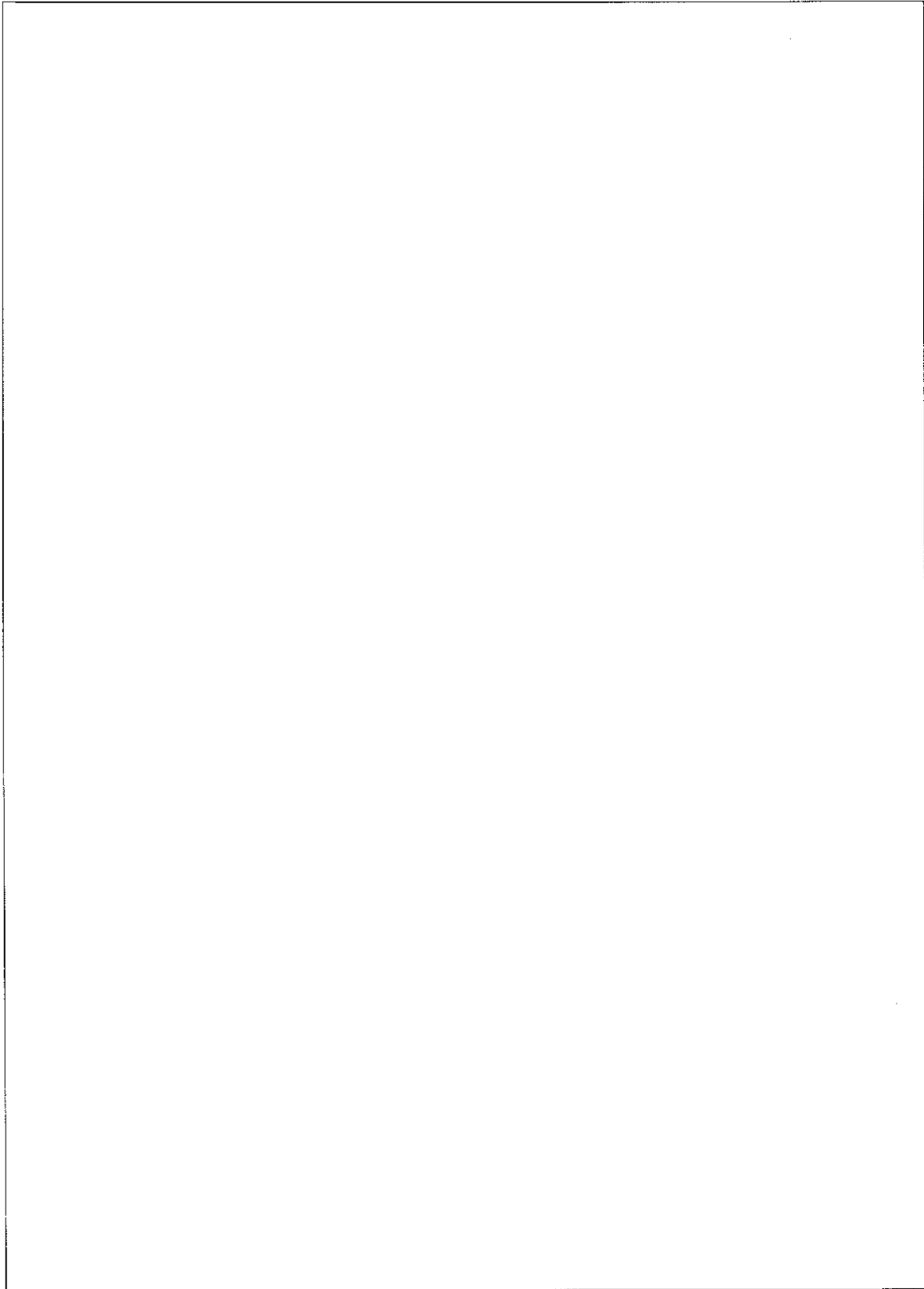


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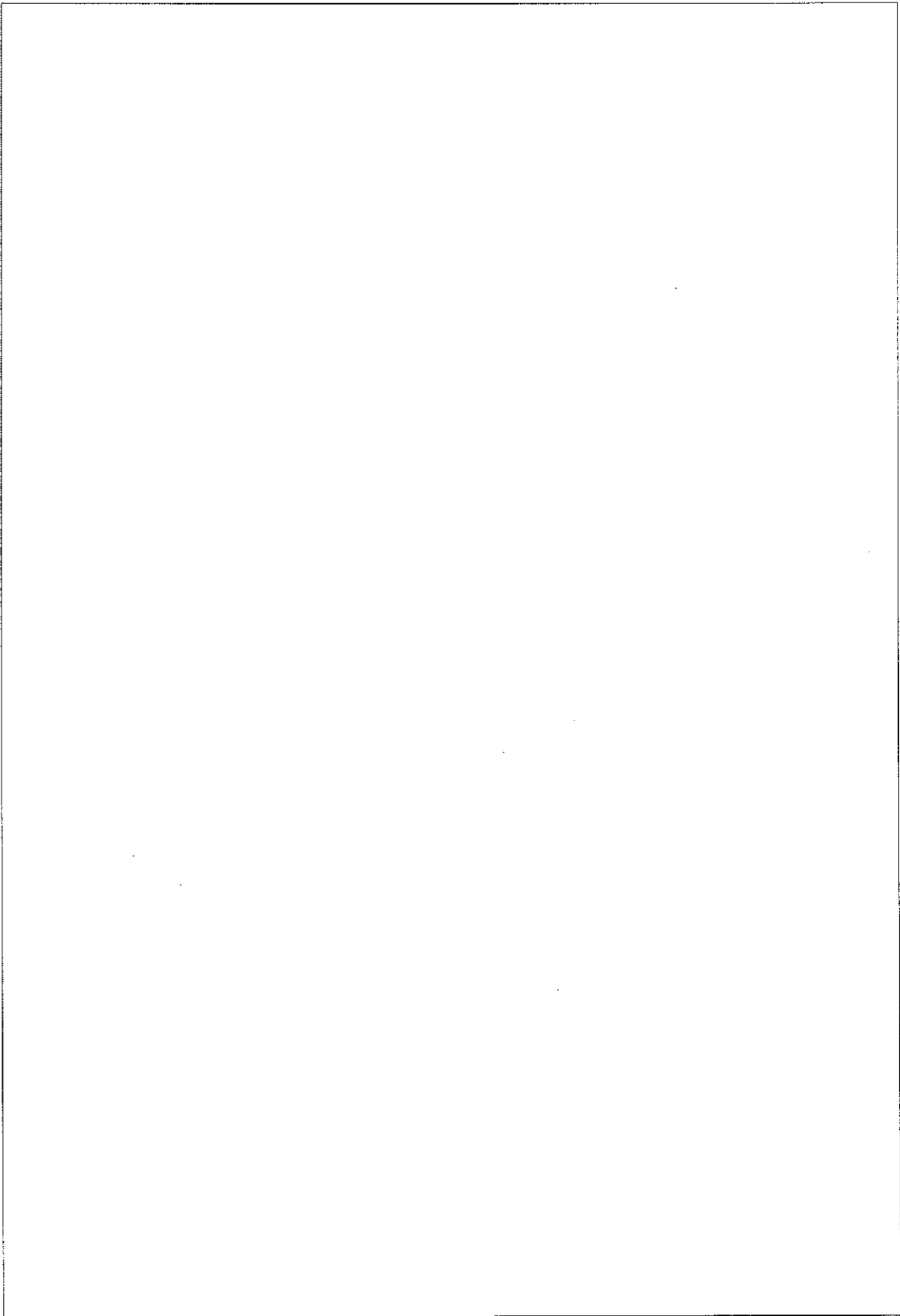






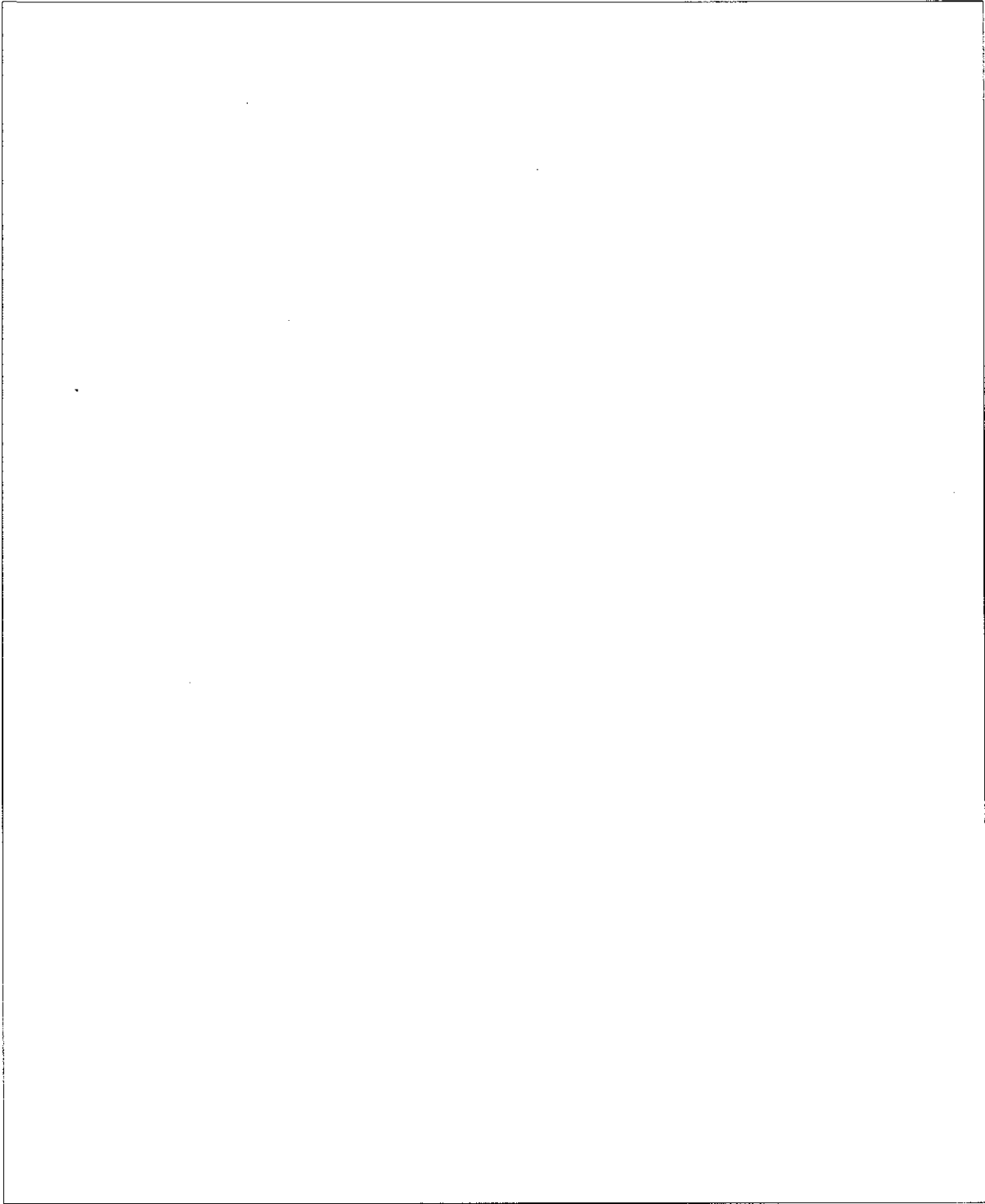
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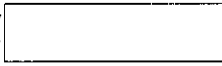
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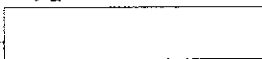
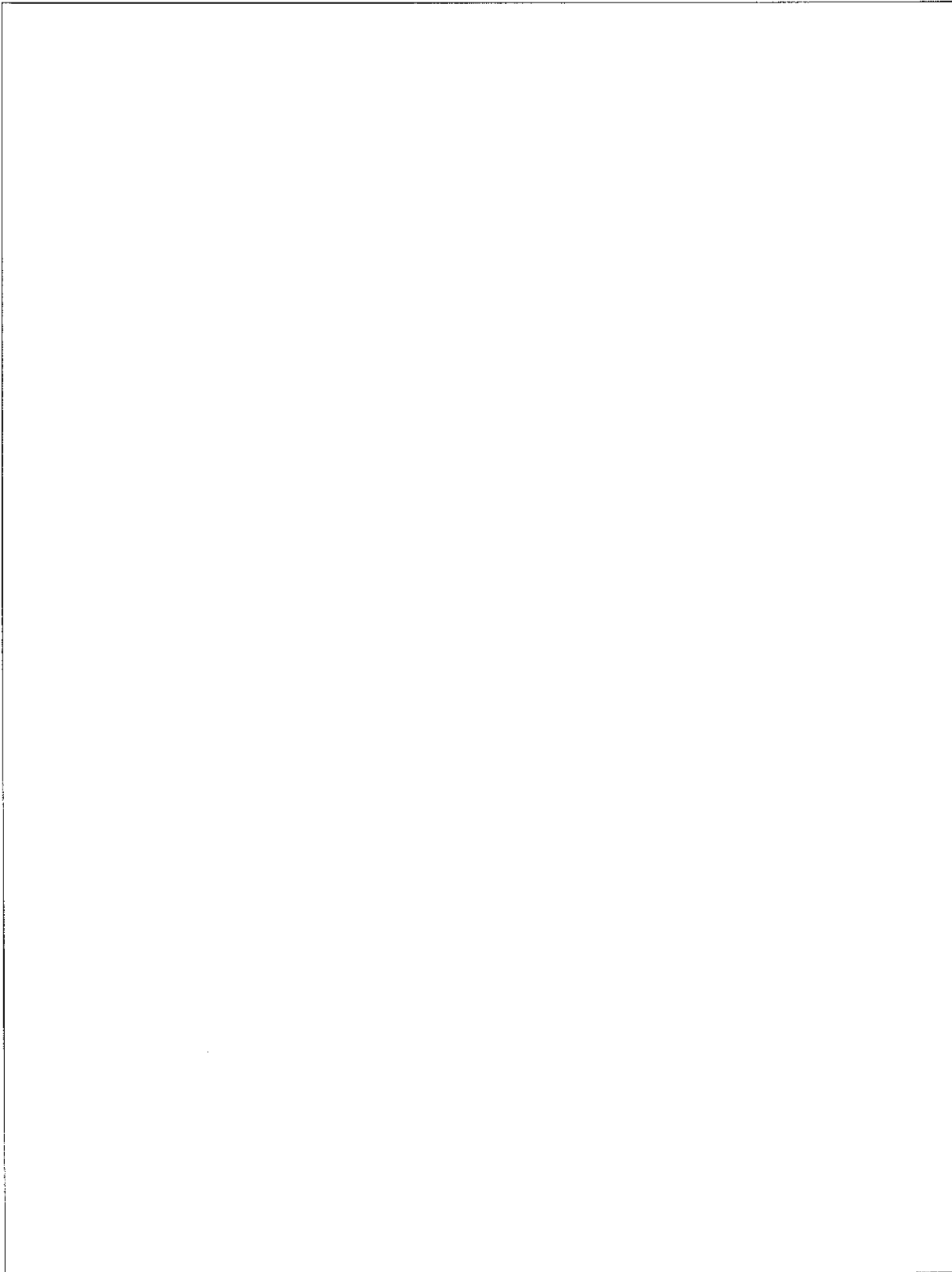


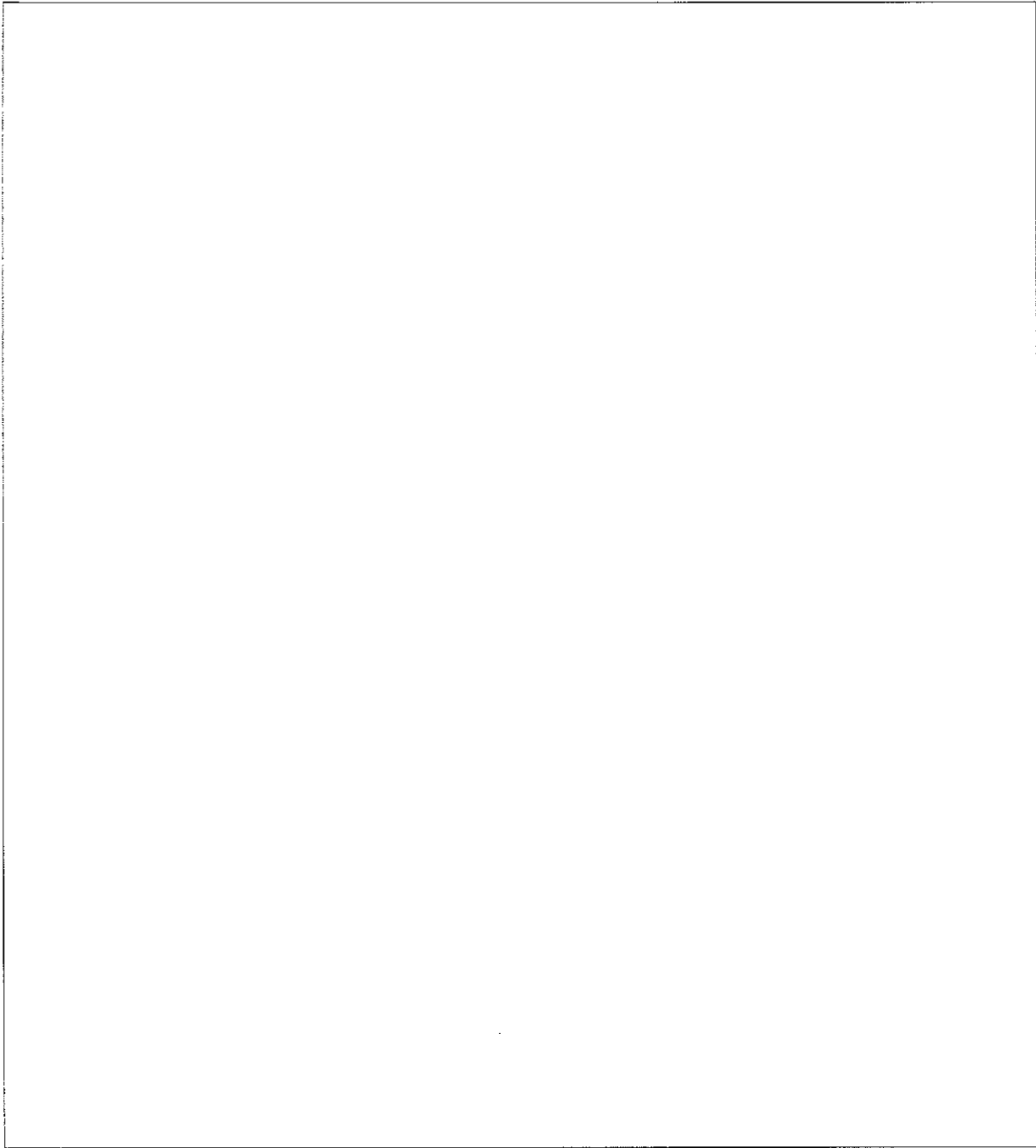
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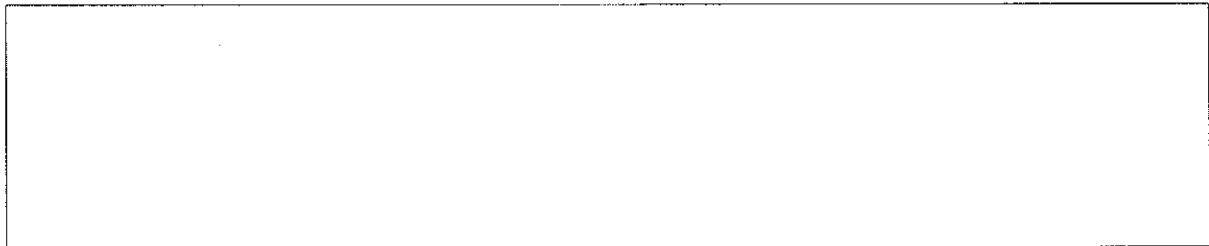


**(U) STATUS OF SIGNIFICANT RECOMMENDED ACTIONS OUTSTANDING  
FROM PREVIOUS SEMIANNUAL REPORTS**





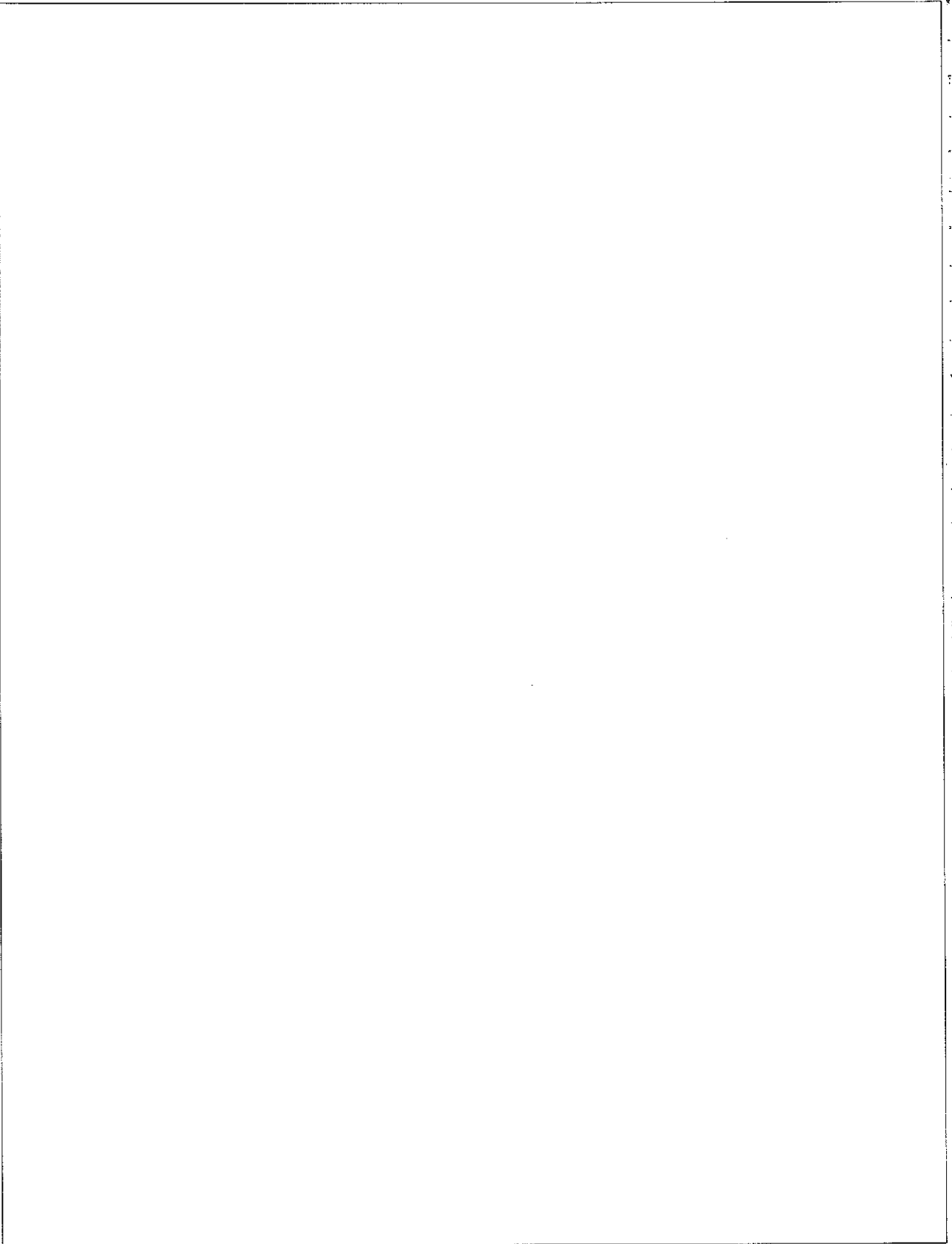
**(U) SUMMARIES OF SELECTED CURRENT INVESTIGATIONS**



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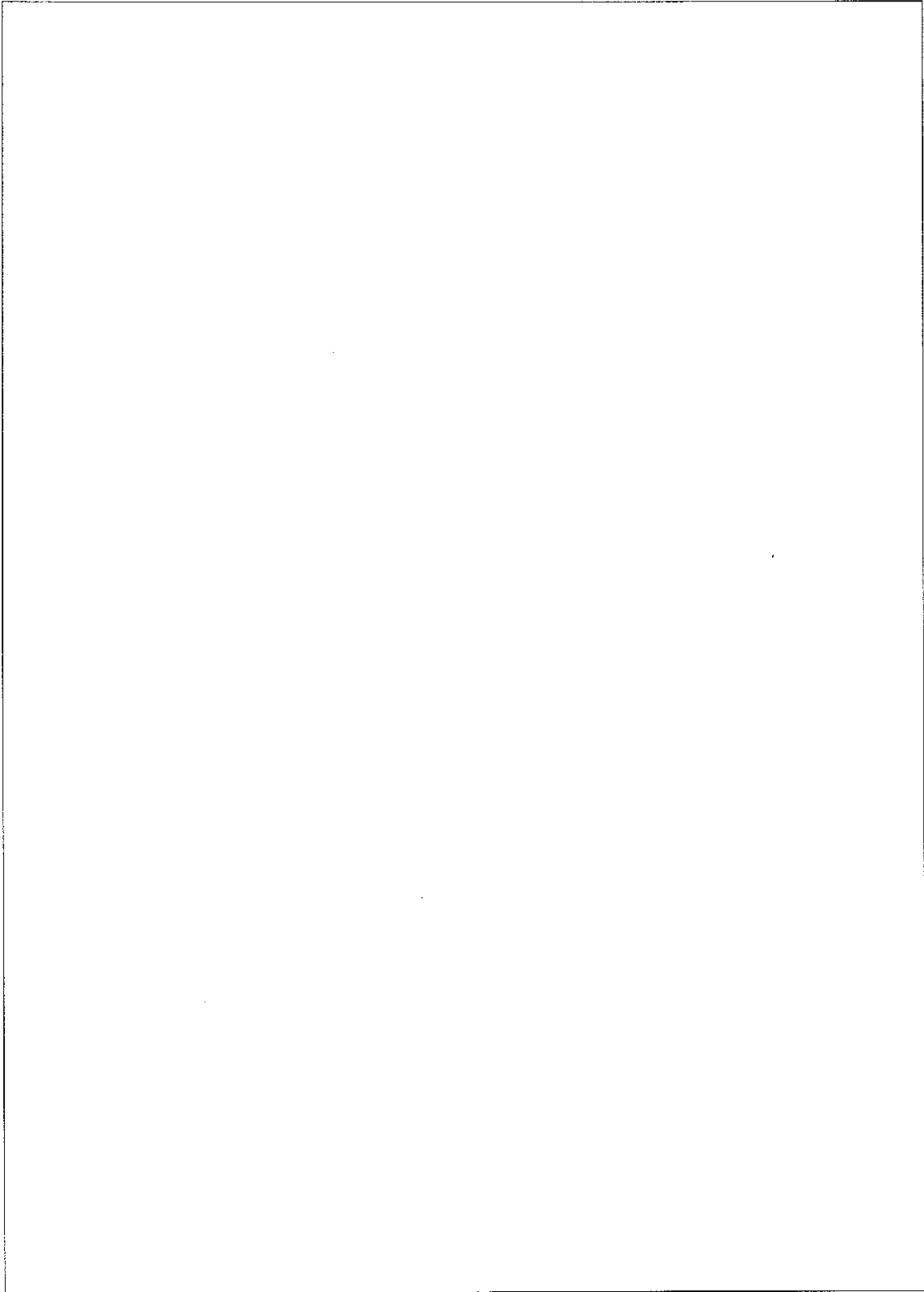


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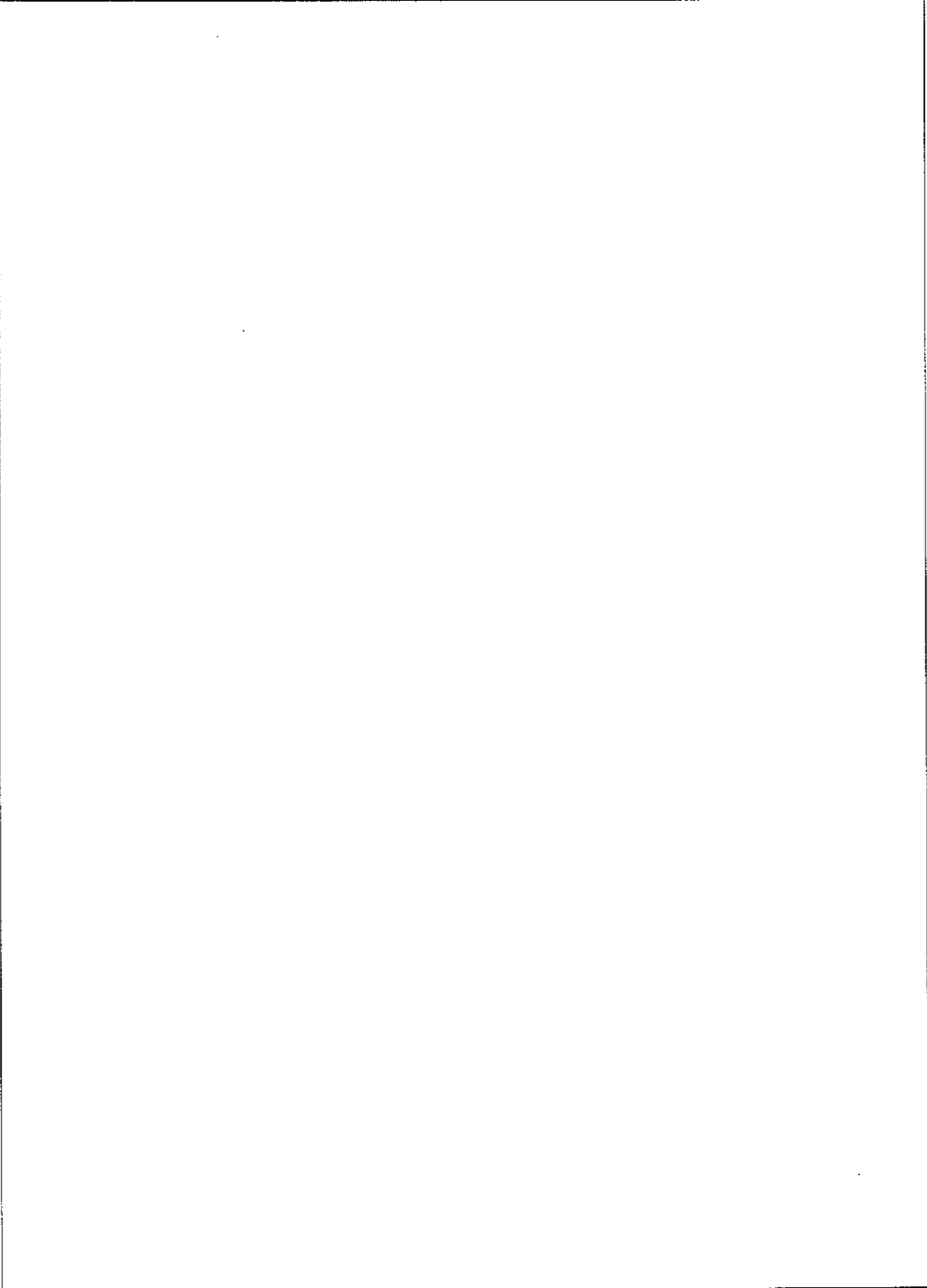


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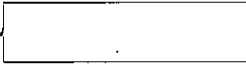


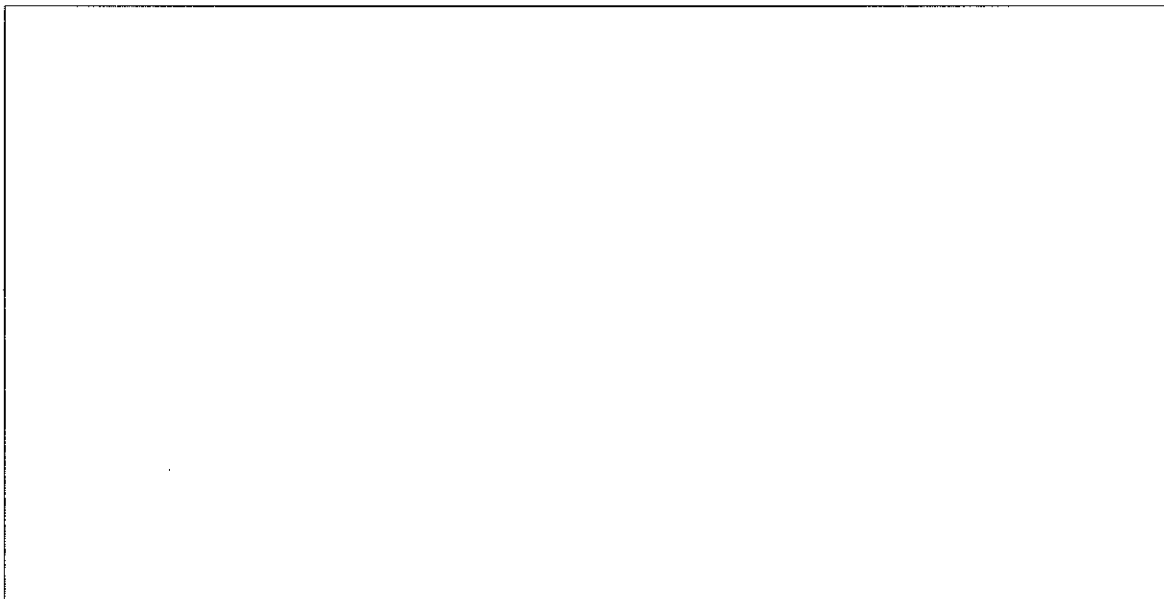
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## STATISTICAL OVERVIEW

### (U) Audit Staff

(U/ [REDACTED]) During the period 1 July to 31 December 2001, the Audit Staff issued 16 reports and memoranda and made 39 recommendations to improve accounting and financial management, supply and property management, information systems, general management, and procurement management.

[REDACTED] The Audit Staff had 24 audits ongoing at the end of the reporting period. Seven of the audits involve Agency field stations. The remaining efforts address topics such as the Agency's corporate development training program, covert procurement activities, form and content of Agency financial statements, and the defector resettlement program.

### (U) Inspection Staff

During the last six months of 2001, the Inspection Staff completed eight inspections and two scoping studies—one of which led to a decision to postpone an inspection of the [REDACTED] [REDACTED] and the other as a precursor to a full inspection of [REDACTED] which will be done in the spring.

### (U) Investigations Staff

(U/ [REDACTED]) The Investigations Staff completed work on 105 matters of various types during this reporting period. Of this number, 17 cases were of sufficient significance to be the subject of a final report—12 Reports of Investigation and 5 Disposition Memoranda.



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(U/[REDACTED]) Recoveries on behalf of the US Government during this reporting period, as a result of the Investigations Staff's efforts, totaled approximately \$35,250. This figure is the result of cases closed during this reporting period. An ongoing case has resulted in the recovery of \$159,957.30.

(U/[REDACTED]) During this period, two 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 2001, 79 matters were in various stages of review by the Investigations Staff.

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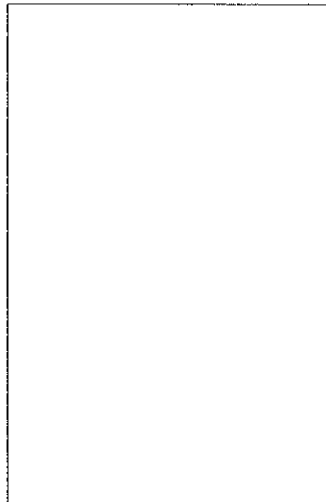
**(U) COMPLETED AUDITS AND REVIEWS**

1 July - 31 December 2001

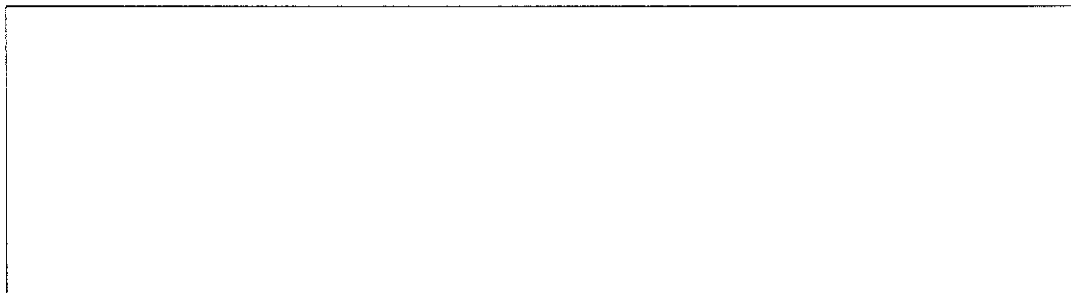
**(U) Financial Management**

(U) Survey of the Oversight of Field Station Financial Administration

(U) The Agency's Fund Balance With Treasury



**(U) Operations**



**(U) Personnel and Security**

(U) Survey of the Administrative Resources Center

(U) Administration of Personnel Overtime Compensation

**(U) Procurement and Technology**

(U) Contracting With Independent Contractors

(U) Survey of Internet Requirements and Implementation

(U) Intelligence Community Chief Information Officer's  
Independent Evaluation of the Central Intelligence Agency  
Security Program and Practices Required by the  
Government Information Security Reform Act



**(U) CURRENT AUDITS AND REVIEWS**

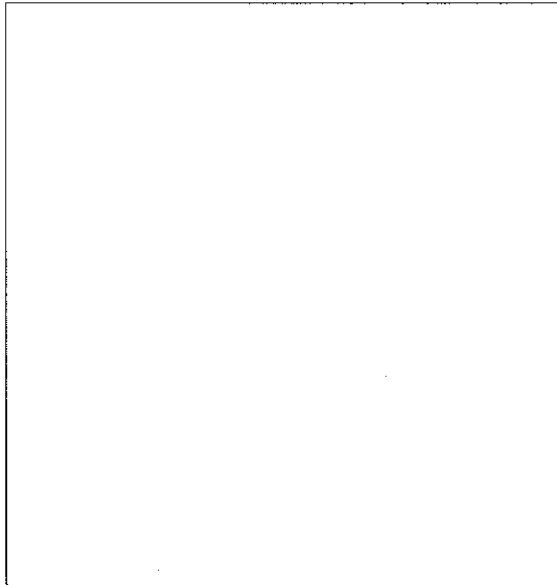
31 December 2001

**(U) Financial Management**

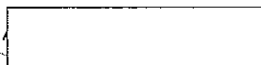
(U) Audit of Cash and Other Monetary Assets

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

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



**(U) Operations**



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**(U) Operations (continued)**[REDACTED] Covert Action Activities Conducted Under the [REDACTED]  
[REDACTED]**(U) Personnel and Security****(U) Corporate Development Training Courses Provided by the Office of Training and Development****(U) Administration of the Security Protective Service**

[REDACTED] Administration of the Agency's Surveillance Detection Training

**(U) Thrift Savings Plan for Calendar Years 1997 - 2001****(U) Procurement and Technology****(U) Outsourcing of Agency Processes and Functions**

[REDACTED]

[REDACTED]

**(U) Travel Reengineering, Integration, Automation, and Development System (TRIAD)****(U) Agency Information Systems Certification and Accreditation Process****(U) Review of the Agency's Time and Attendance Systems**

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~~SECRET~~ **(U) COMPLETED INSPECTIONS AND REVIEWS****1 July - 31 December 2001**

- (U) Counterterrorist Center (CTC)/DO
- (U) Budget Formulation and Execution
- (U) Information Management Staff/DO
- (U) Near East and South Asia Division/DO
- (U) Office of Russian and European Analysis/DI
- (U) Scientific, Technical, and Weapons Analysis
- (U) Office of Congressional Affairs
- (U) Leadership Analysis in the Directorate of Intelligence

**(U) CURRENT INSPECTIONS****31 December 2001**

- (U/ ) Agency's Warning Capability
- (U/ ) Collection Requirements and Evaluation Staff, DI
- (U/ ) Asset Validation
- (U/ )
- (U/ ) SIS Promotion Policies

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**(U) INVESTIGATIONS COMPLETED**

**1 July - 31 December 2001**

(U/ [redacted] Allegation of Operations Conducted in Conflict with Executive Order 12333

[redacted]

(U) Alleged Agency Policy Violation

[redacted]

(U) Alleged Contract Improprieties

[redacted]

(U/ [redacted] Alleged Improper Applicant Processing of Senior Agency Officials

[redacted]

(U) Alleged Post Employment Conflict of Interest

[redacted]

(U) Alleged Mischarging of Contract Costs

[redacted]

(U) Alleged Theft of Government Property

[redacted]

(U) Alleged Violation of Law While Serving at Another Federal Agency

[redacted]

(U) Conversion of Government Funds

[redacted]

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

(U) Misuse of Agency Vehicle

[redacted]

(U) Misuse of Government Property

[redacted]

(U) Time and Attendance Abuse

[redacted]



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**(U) CURRENT INVESTIGATIONS**  
**As of 31 December 2001**

<b>Category</b>	<b>Number of cases</b>
<b>Grievances</b>	
Board Appeals	3
Management and Supervision	3
Retirement/Separation	1
Other	1
<b>General Investigations</b>	
<b>Criminal and Prohibited Acts</b>	
Conflicts of Interest	7
Embezzlement	1
False Claims/Statements/Vouchers	1
False Claims - Frequent Flyer Misuse	1
False Claims - Other	4
False Claims - Time & Attendance	13
Megaprojects	2
Misconduct - Employee	1
Misconduct - Management	2
Procurement Fraud	22
Regulatory Violations	1
Theft and Misuse of Government Property	7
Unsubstantiated Allegations	3
Waste	2
Other - Administrative/Criminal	4
<b>Total Ongoing Cases</b>	<b>79</b>

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