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*Central Intelligence Agency
Inspector General*



SEMIANNUAL REPORT
TO THE DIRECTOR, CENTRAL INTELLIGENCE AGENCY

JULY - DECEMBER 2006

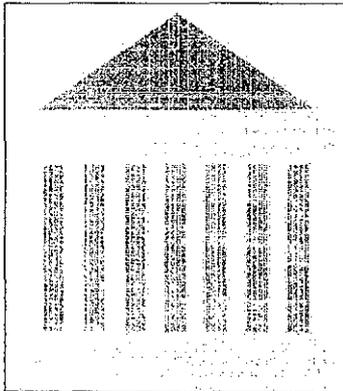
*John L. Helgerson
Inspector General*

APPROVED FOR RELEASE
DATE: 25-Feb-2010

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*(U) A Message From the
Inspector General*



(U/[]) In the area of investigations, the work of the Office of Inspector General (OIG) during this reporting period has been devoted, in large measure, to fraud and corruption matters. Inquiries are underway involving cases of embezzlement, theft, contract fraud, conflicts of interest, acceptance of gratuities, conspiracy, and obstructing justice. One of these investigations involves a former high-ranking official. The significance of the matters under investigation is evidenced by the fact that the OIG is working with Federal prosecutors from four different United

States Attorneys' offices and two sections within the Department of Justice's Criminal Division.

[] The OIG also continues to devote investigative resources to reviewing the Agency's detention and interrogation activities associated with the conflicts in Iraq and Afghanistan and the international war on terrorism. This work, undertaken with the cooperation of the Departments of Justice and Defense, as appropriate, is examining the circumstances surrounding the movement, confinement, and, in some cases, alleged abuse of detainees.

[] Three matters involving deaths of detainees remain significant. []

[] In another matter, the OIG completed an investigation examining the events surrounding the death of a former Iraqi Major General while in custody of the US military in Iraq. The investigation found that CIA personnel were not involved in the specific actions that directly caused the General's death, []

[] In a third matter involving a former Agency contractor, the trial in the Eastern District of North Carolina on four counts of assault of a detainee, who died, resulted in a guilty verdict. Sentencing is pending.

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(U) [] The Investigations Staff is conducting a number of investigations involving child pornography. Two cases of former Agency employees, one a senior officer, involved in child pornography were resolved with guilty pleas and substantial prison sentences for each.

(U) [] The Investigations Staff has grown and evolved significantly since this Office became statutory over 16 years ago. Our Special Agents are well-trained professionals who are capable of conducting virtually any type of investigation. As set forth elsewhere in this Report, I am asking for some expanded authorities that will enable our Special Agents to better serve the Agency.

[] During this reporting period, the Office published a comprehensive inspection report on the Agency's performance [] Similar to the inspection [] reported in the January-June 2006 Semiannual Report, this effort documented and assessed the success of the Agency's aggregate performance [] over the period of the past three years. []

[] The Office also published an inspection report on CIA's CounterTerrorism Center (CTC). The report described an organization of highly motivated officers committed to ensuring there is not another devastating attack on US territory. []

(U) [] During this reporting period, the Inspection Staff also completed reviews of two major Agency components and a comprehensive analysis of the Agency's reliance on contractors. Finally, at the end of the year, the Staff produced a Historical Review of Lessons Learned from the past five years' of OIG inspections. This report was sent to the managers of all major Agency components, hopefully helping them to avoid the mistakes of others and learn from best practices.

(U) [] The OIG continued its outreach to counterpart organizations throughout the Intelligence Community. In August, three inspectors from the newly created Inspections Staff in the National Geospatial-Intelligence Agency participated in the OIG's New Inspector Training Course.

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(U []) The Audit Staff completed its annual independent audit of the CIA's financial statements (for fiscal year 2006). Although the auditors disclaimed an opinion on the financial statements, the audit report found that the CIA continues efforts to improve reporting financial information in accordance with Federal requirements, and steps are being taken to strengthen key internal controls.

(U []) In 2005, the OIG undertook an initiative to provide more oversight of the effectiveness of project management throughout the Agency. During the current reporting period, a third audit in this series was completed. This was an audit of the [] which found that, overall, the program was well managed. CIA managers accepted the recommendations made in the report and are taking steps to implement them.

[] The Office continues to meet the standing request of the Congress that the OIG audit each covert action program no less frequently than every three years. The Audit Staff completed an audit of a covert action program []

(U []) The Audit Staff completed an audit of information security at field stations and of the CIA's Corporate Information Retrieval and Storage System. It also completed the annual Independent Evaluation of the CIA's Information Security Program and Practices Required by the Federal Information Security Management Act for FY 2006. In response to a tasking from the President's Council on Integrity and Efficiency, the Staff completed an evaluation of CIA's compliance with an Office of Management and Budget Memorandum on protecting sensitive Agency Information, as well as compliance with four recommended action items from the Deputy Director of the Office of Management and Budget.

(U []) The Office continues to experience turnover of personnel in its Audit Staff, especially to other components of the CIA, but I am pleased to report that during the current reporting period, a longstanding, vigorous hiring program brought the Staff up to its full, authorized strength.

(U []) In October 2006, the Inspector General participated in the proceedings of the International Intelligence Review Agencies conference in Cape Town, South Africa. The conference was attended by inspectors general, members of parliamentary oversight committees, and various executive branch officials involved in the oversight of intelligence services from 14 countries. This biennial conference, which was hosted by the US in 2004, allows attendees to hear of alternative ways of dealing with common challenges and to share best practices. In recent years, the group has played an

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indirect role in helping to strengthen the oversight of intelligence services in emerging democracies of the former Eastern Europe and Africa.

*John L. Helgerson
11 January 2007*

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~~SECRET~~/[]/20311231**(U) STATUTORY REQUIREMENTS**

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

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

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

(U) Subpoena Authority

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

(U) Legislative Proposals

(U) Proposed Amendment to Section 17 of the Central Intelligence Agency Act of 1949, as amended (50 U.S.C. §403q):

(U) The OIG has requested inclusion in the CIA Fiscal Year 2008 Intelligence Authorization Act legislative submission to the Office of Management and Budget limited authority for searches by specified OIG officers. Specifically, the CIA Inspector General, the Assistant Inspector General for Investigations, and any Special Agent supervised by the Assistant Inspector General for Investigations would be granted authority to seek and execute warrants, issued under the authority of the United States and authorized by the Attorney General, for the search of specified premises and seizure of evidence, upon probable cause to believe that a violation has been committed. Execution of the authority would be limited to defined premises that are owned or under the control of the CIA.

(U) Congress enacted Section 17 of the Central Intelligence Agency Act (50 U.S.C. §403q) in 1989 to create an effective and independent Office of Inspector General for the CIA similar to the statutory Offices of Inspector

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General created by the Inspector General Act of 1978, 5 U.S.C. App. 3. The proposed legislation would provide the CIA OIG with a limited version of the authority that has been granted to the OIGs of 25 departments, agencies, and organizations by 5 U.S.C. App. 3 §6(e) relating to seeking and executing warrants. The Inspector General for the Department of Agriculture is granted similar authority by agency-specific statute, 7 U.S.C.A. §2270.

(U) The current process for executing criminal searches of CIA-controlled spaces requires the CIA OIG to enlist the assistance of a Federal law enforcement agent (traditionally from the FBI) with the appropriate security clearances who will request and execute a search warrant based on information provided by the OIG and using OIG investigators and resources.

(U) This process requires considerable coordination and cooperation that delay – at times significantly – the OIG's efforts to acquire criminal evidence located on CIA-controlled property. Additionally, the current search warrant process raises concerns regarding disclosure of national security information to individuals who would not otherwise possess the requisite security clearance and need-to-know, which increases the potential of compromising covert facilities, persons, or operations. This amendment enables the CIA OIG to be both more effective in accomplishing its mandate to investigate criminal violations and more efficient in freeing the resources currently used to coordinate search warrant requests and executions with the FBI or another Federal law enforcement partner.

(U) The Senate Report accompanying the legislation adding search warrant authority to the Inspector General Act of 1978 identified, among other issues, the FBI's recent measures to refocus its efforts on counterterrorism. The Report explained that the OIGs are now called on to play an increasing role in handling certain law enforcement matters in place of the FBI. Similarly, by allowing the CIA OIG to independently request and execute search warrants on CIA-controlled property, this amendment reduces the demands this office now puts on the FBI's resources.

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~~SECRET~~ / [] / 20311231**(U) AUDITS****(U) AUDIT STAFF OVERVIEW**

(U/ []) The Audit Staff conducts performance and financial statement audits of CIA programs and activities, and participates with other agencies in joint reviews of Intelligence Community programs and activities. During this period, the Audit Staff completed 10 audits that addressed project management, covert action, financial management, information technology, and field station administration.

[] The Audit Staff continues to pursue its program, as requested by Congress, to audit each covert action program (or an aspect of each program) at least every third year. This reporting period, the Staff completed an audit of a covert action program []

(U/ []) In the information technology area, the Staff completed the annual review of the security of the CIA's information systems as required by the Federal Information Security Management Act, and audits of information security practices in the field and the Corporate Information Retrieval and Storage System.

(U/ []) The Audit Staff completed an audit of []

(U) The Staff completed work on the statutory audit of the CIA's financial statements for fiscal year (FY) 2006 and issued the report in November 2006. The report contains 18 reportable conditions of which 12 are considered material weaknesses, and encompasses the status of management's progress on recommendations from the FY 2004 and FY 2005 audits.

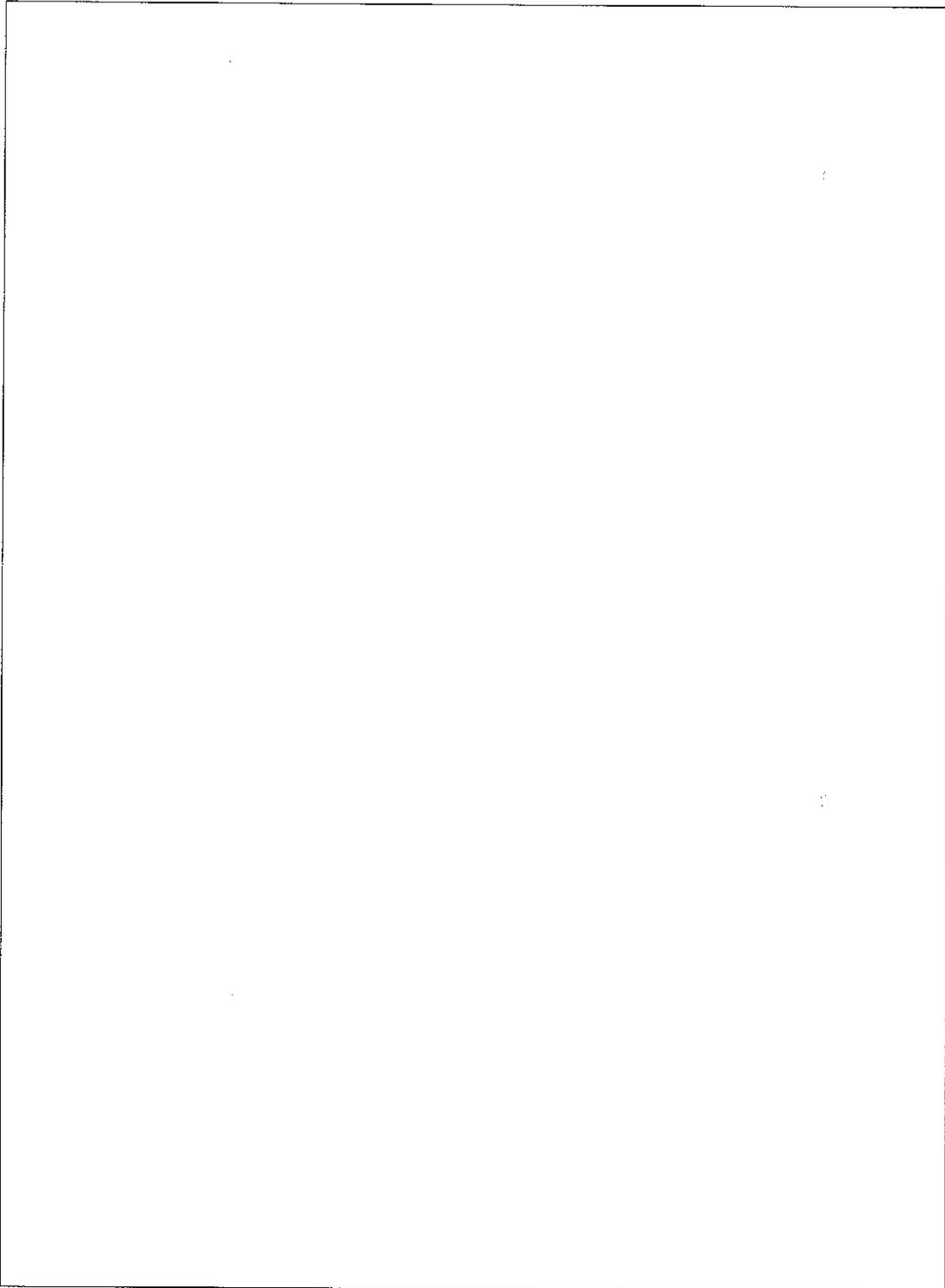
(U) During this period, the Audit Staff responded to a tasking from the President's Council on Integrity and Efficiency to assess Federal agencies' compliance with Office of Management and Budget (OMB) Memorandum M-06-16, *Protection of Sensitive Agency Information*. The Staff completed its assessment and sent a classified response to the OMB in September 2006.

(U) During the reporting period, the Staff's recruiting effort brought the Audit Staff to the fully-staffed level. At times during the past year, the Staff has been under strength by as many as 13 auditors. The recruiting effort has been

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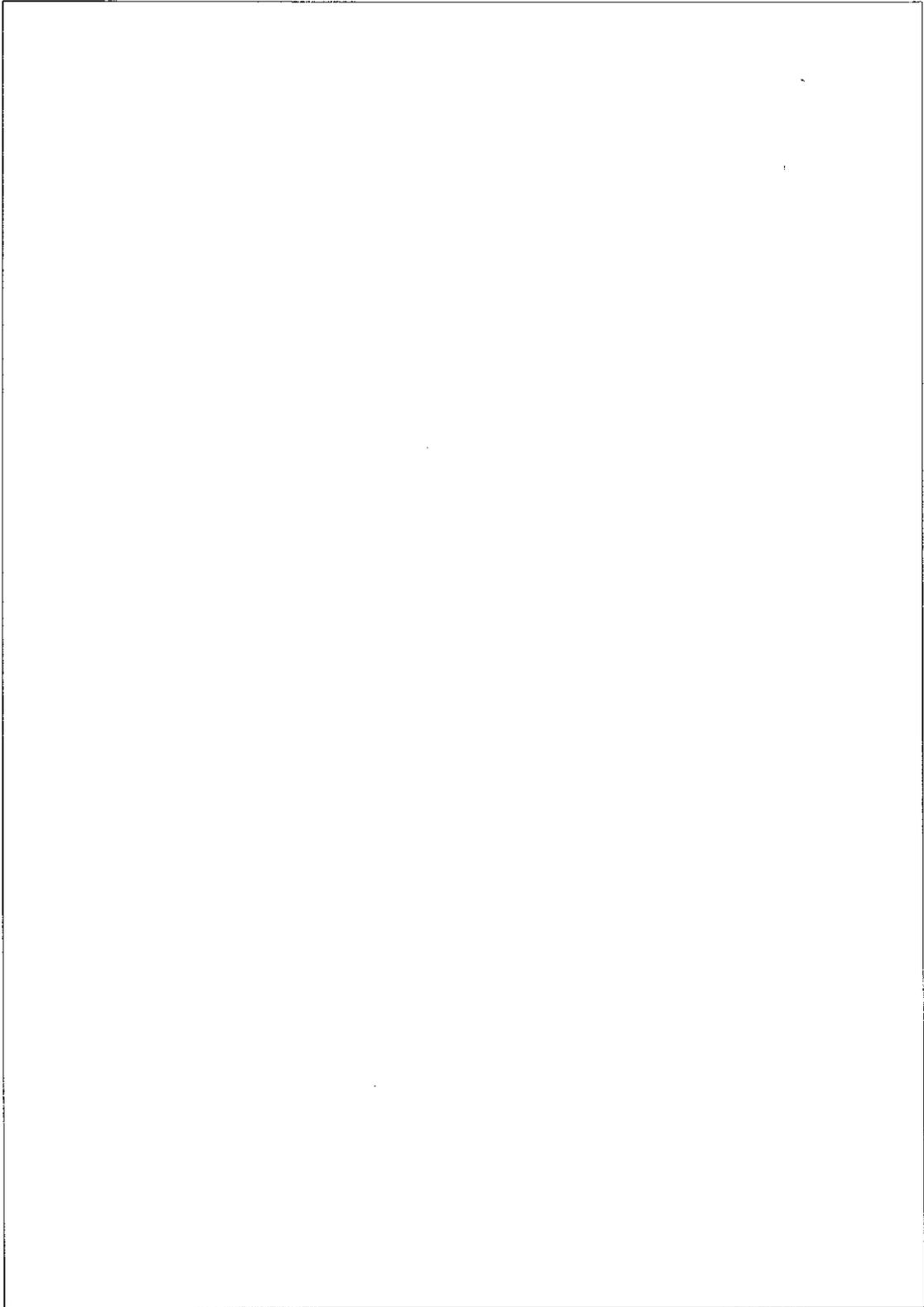
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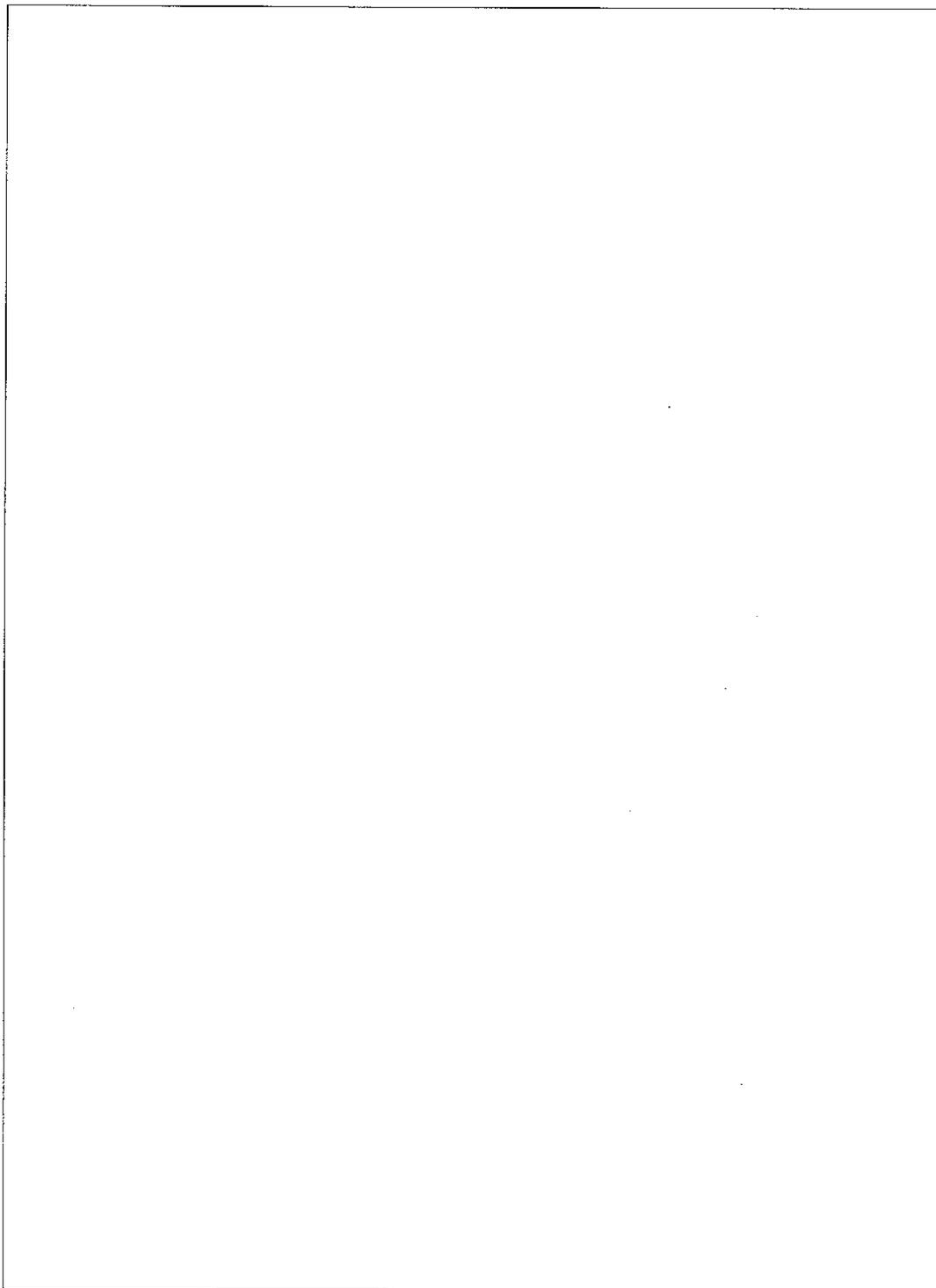
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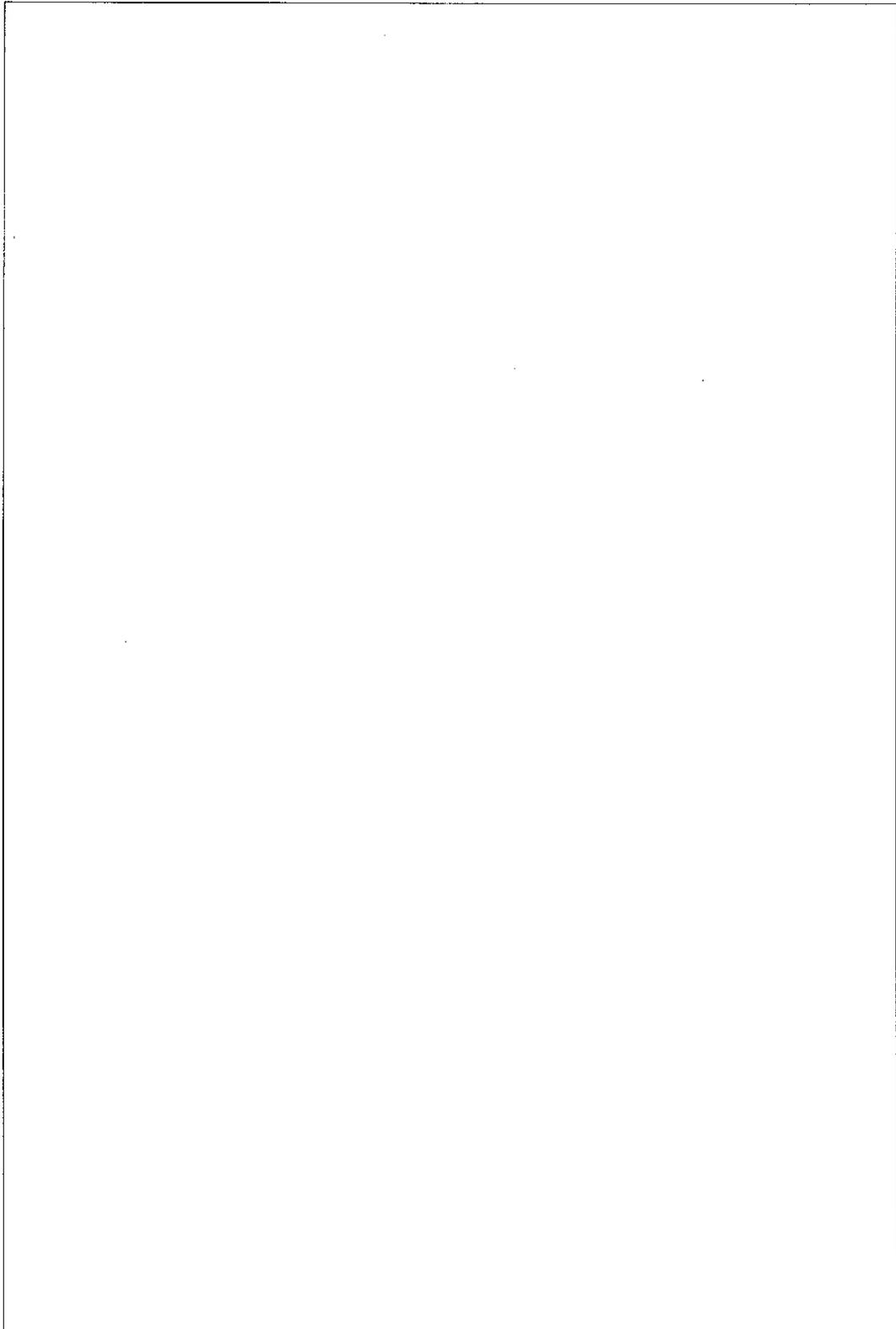
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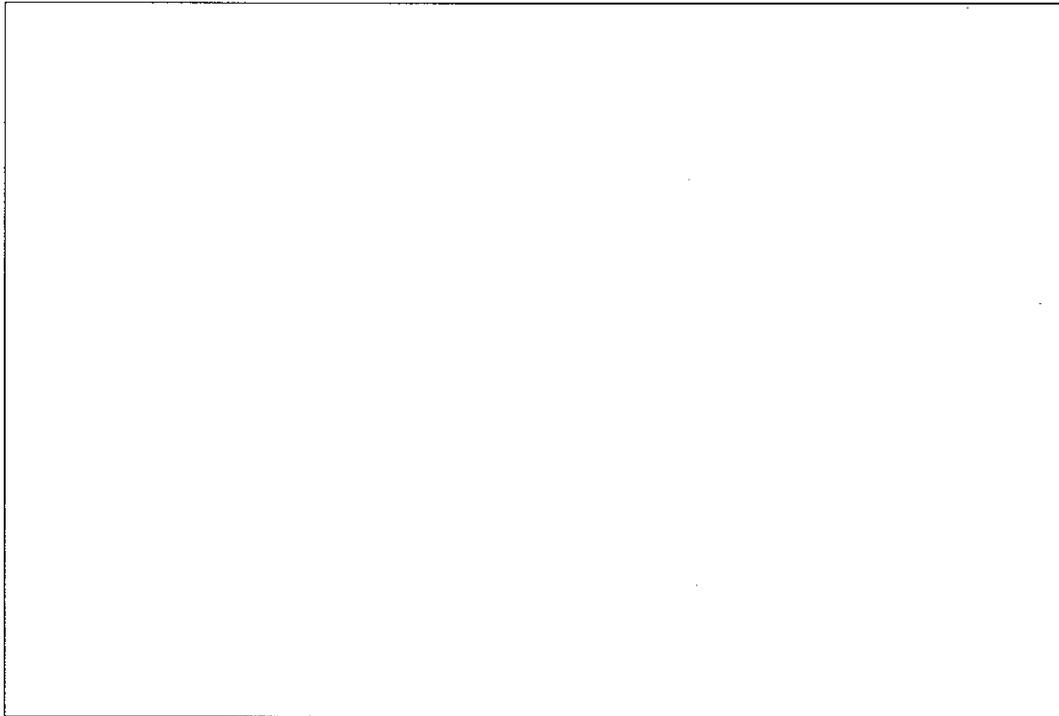
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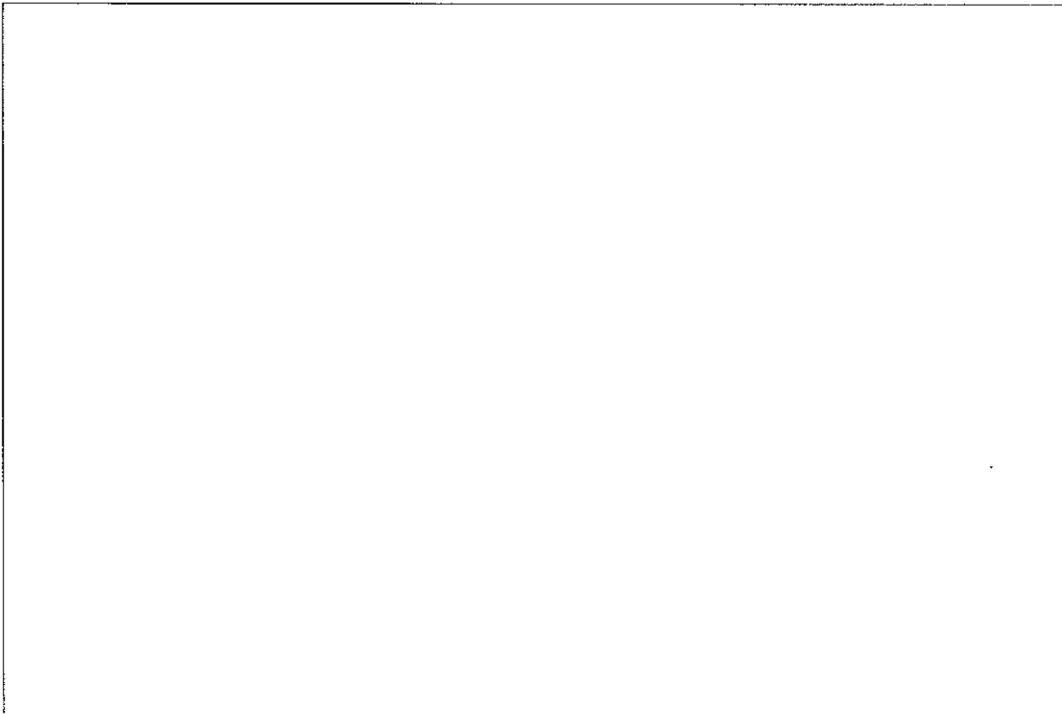


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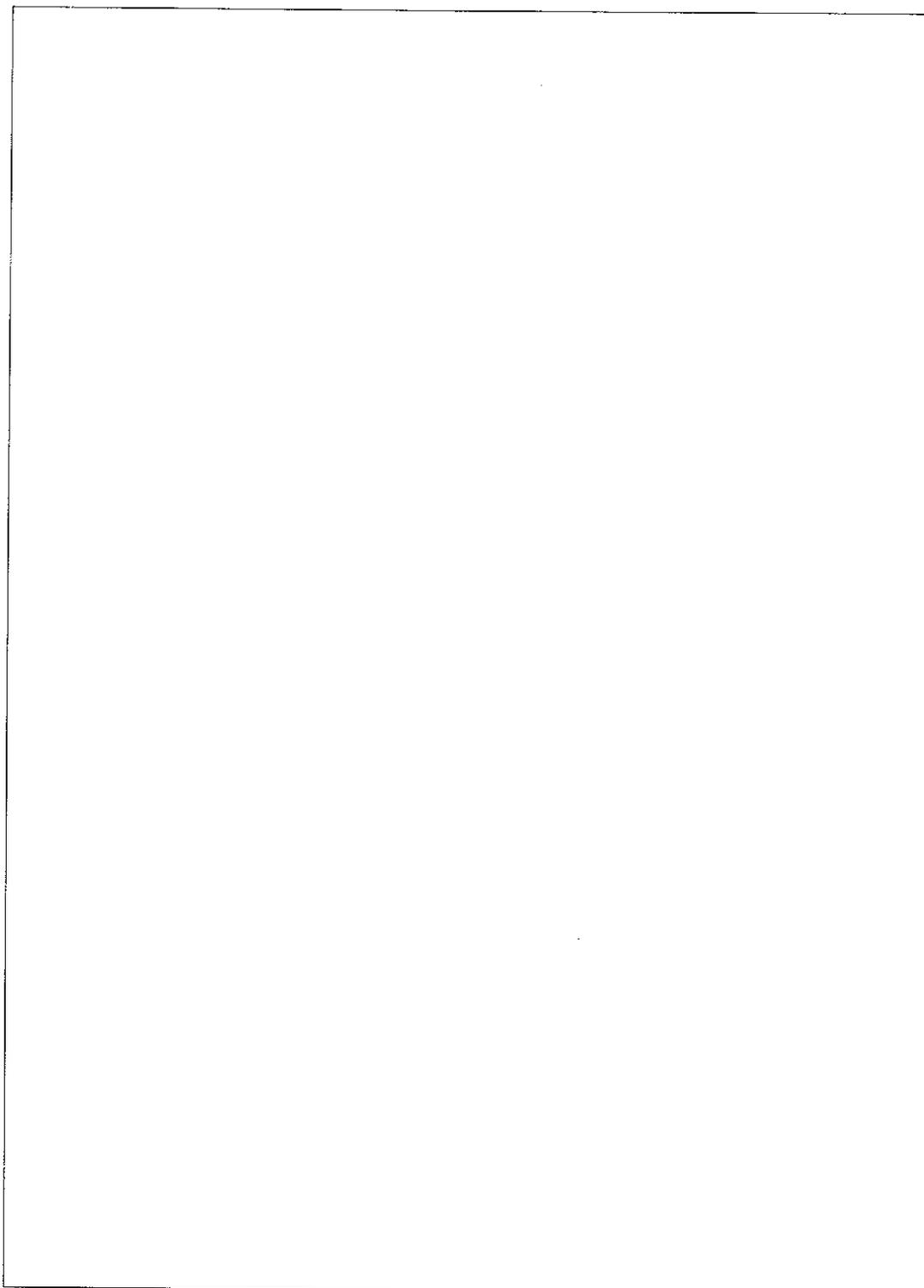
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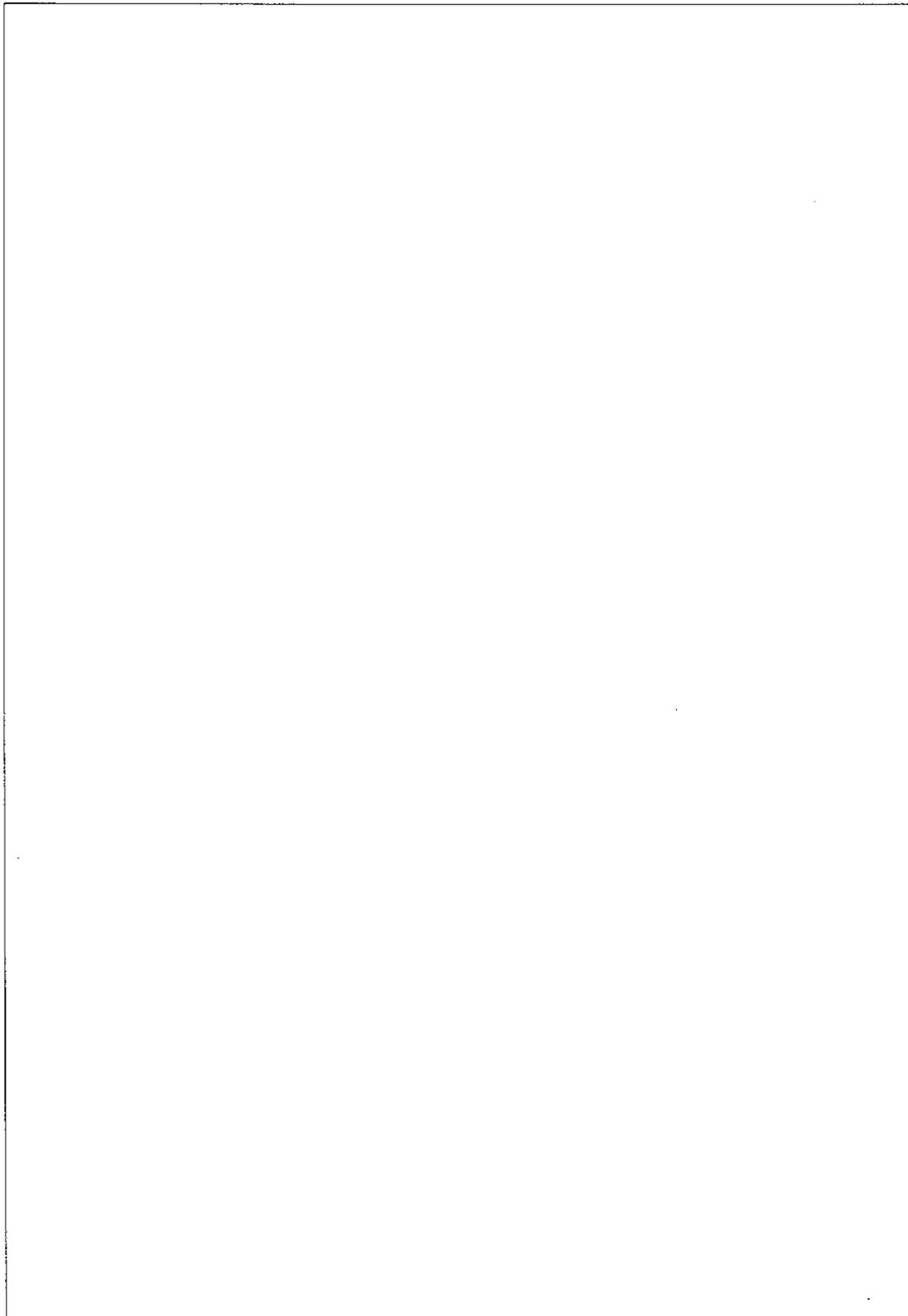
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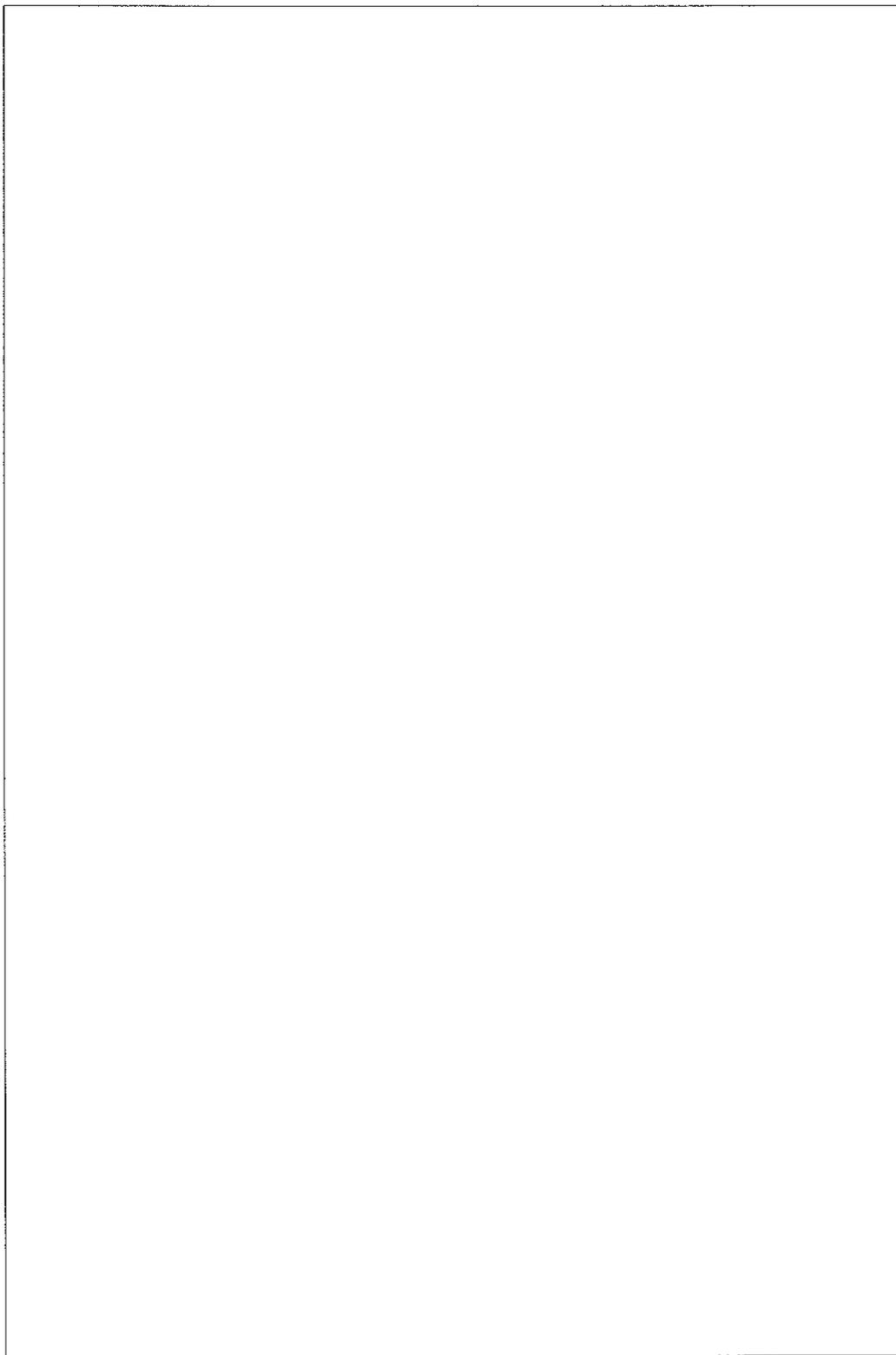
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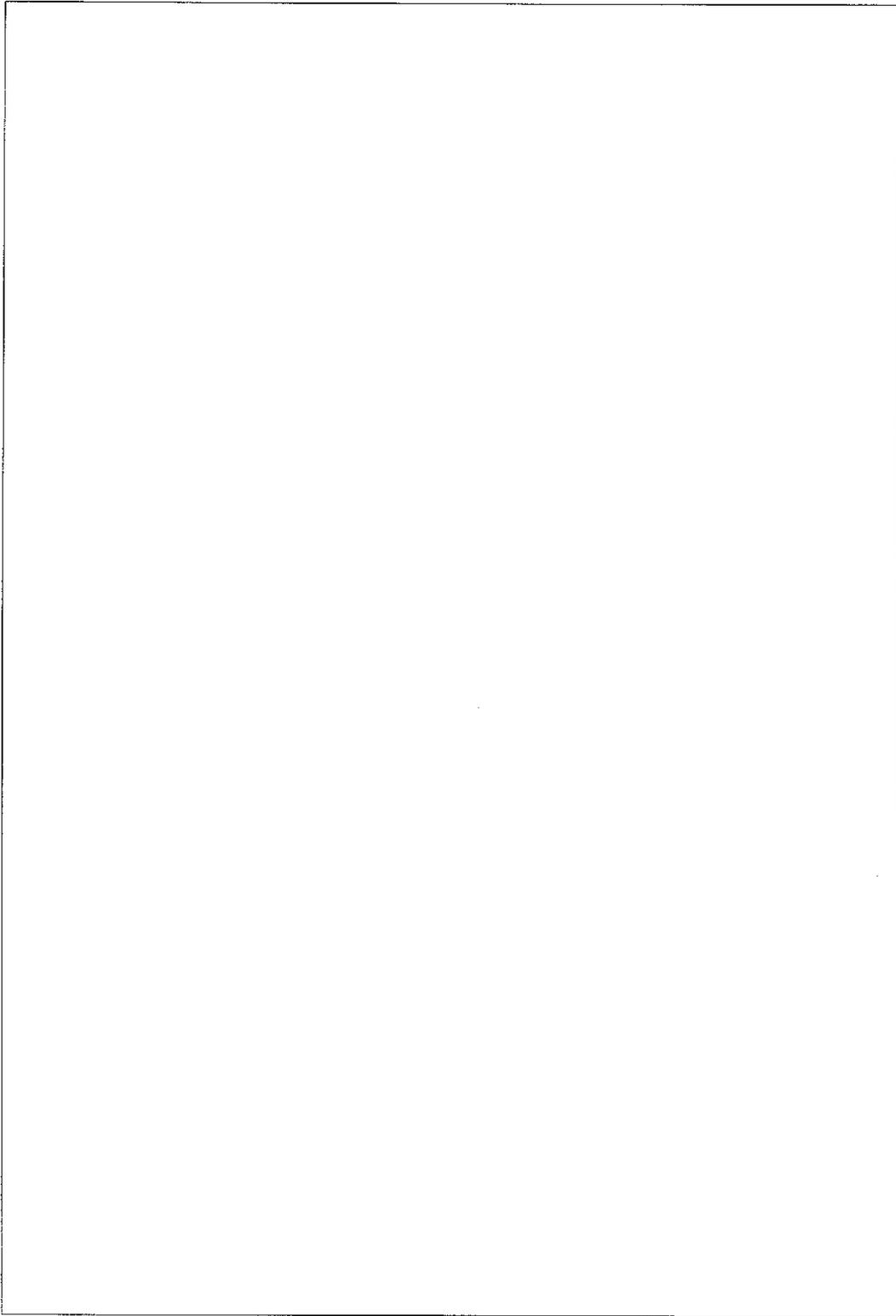
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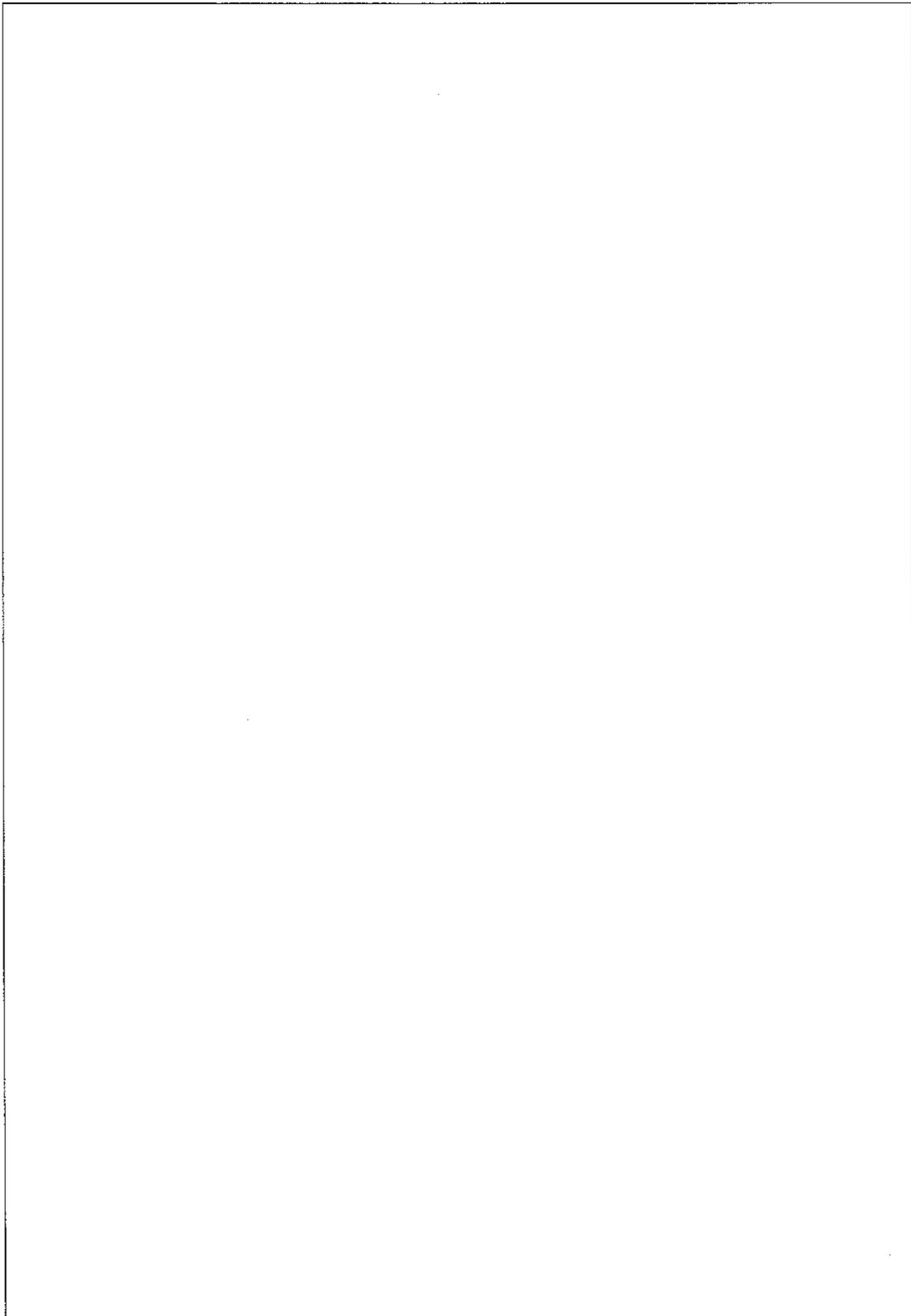
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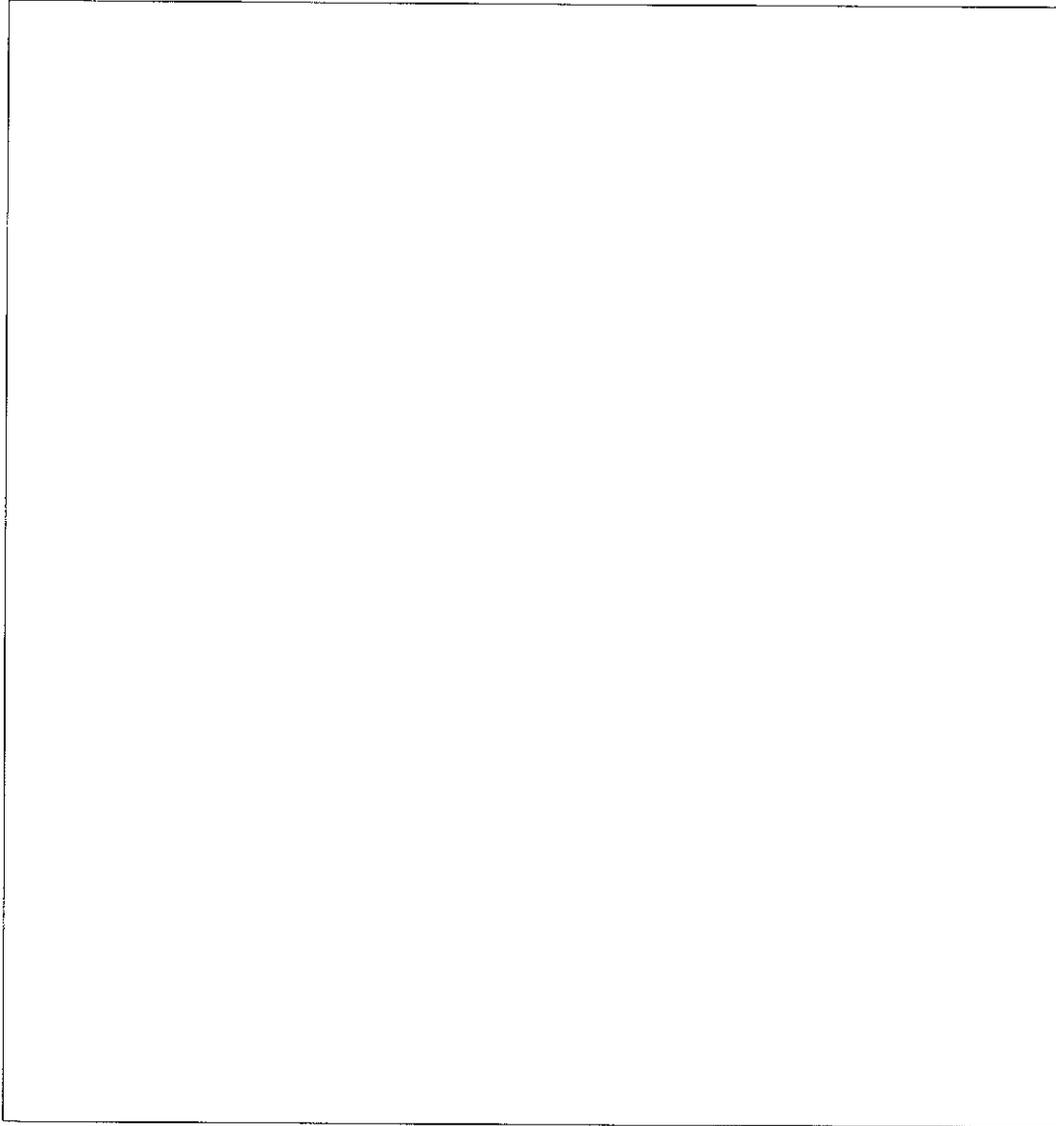


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(U) SUMMARIES OF SELECTED CURRENT AUDITS



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~~SECRET~~ / [] / 20311231**(U) INSPECTIONS****(U) INSPECTION STAFF OVERVIEW**

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

(U/[]) During the current reporting period, the Staff completed inspections of the CounterTerrorism Center (CTC) in the National Clandestine Service (NCS), the Office of Iraq Analysis (OIA) in the Directorate of Intelligence (DI), [] the Directorate of Science and Technology (DS&T), Agency-Wide Performance [] and the Agency's Reliance on Contractors. INS also completed a Historical Review of Lessons Learned from Five Years of Inspections (2002-2006). INS is completing its reports on the inspections of the [] and of the Counterintelligence Center (CIC) in the NCS. In addition, the Staff commenced inspections of the office of the Associate Director for Military Affairs, various compartmented programs [] in the NCS, [] and Human Resources.

(U/[]) The Inspection Staff continues to conduct a two-week course for new inspectors and a seminar for team leaders before the start of each inspection cycle. The Staff also provides instructional seminars for OIG inspectors and research assistants during the course of each cycle. During this period, the Staff initiated new seminars on focus groups and on presentation of survey results.

(U/[]) In addition, the Inspection Staff continues to utilize an independent contractor to track, monitor, and pursue compliance with recommendations. The Staff closed four inspections -- the Chief Information Officer's (CIO's) Information Services Infrastructure (ISI); the DI's Office of Asian Pacific, Latin American, and African Analysis; the Office of Security; and [] [] -- that were open as of 1 July 2006. OIG is closing the [] [] inspection because the one nonsignificant recommendation has remained unsatisfied for five semiannual reporting periods.

(U) COMPLETED INSPECTIONS

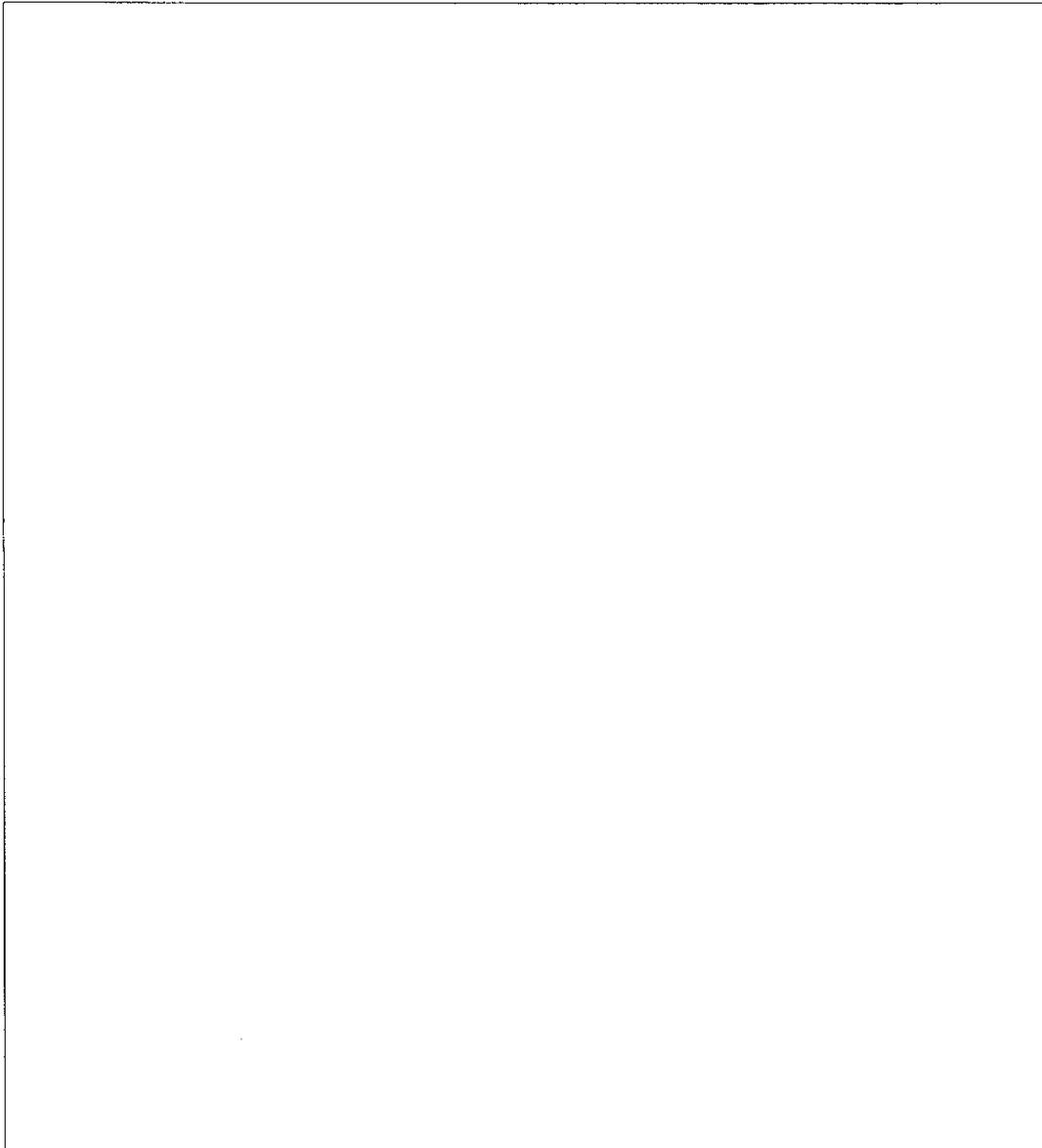
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very successful in hiring entry- and developmental-level employees with excellent academic credentials and full performance auditors with relevant work experience. The new employees coming aboard during this reporting period include representation from the five following governmental auditing organizations: the Government Accountability Office, the Offices of Inspectors General of the District of Columbia, the Departments of Defense and State, and the Defense Contract Audit Agency. The employees bring a wealth of experience in the areas of accounting, business, finance, and information technology.

(U) COMPLETED AUDITS

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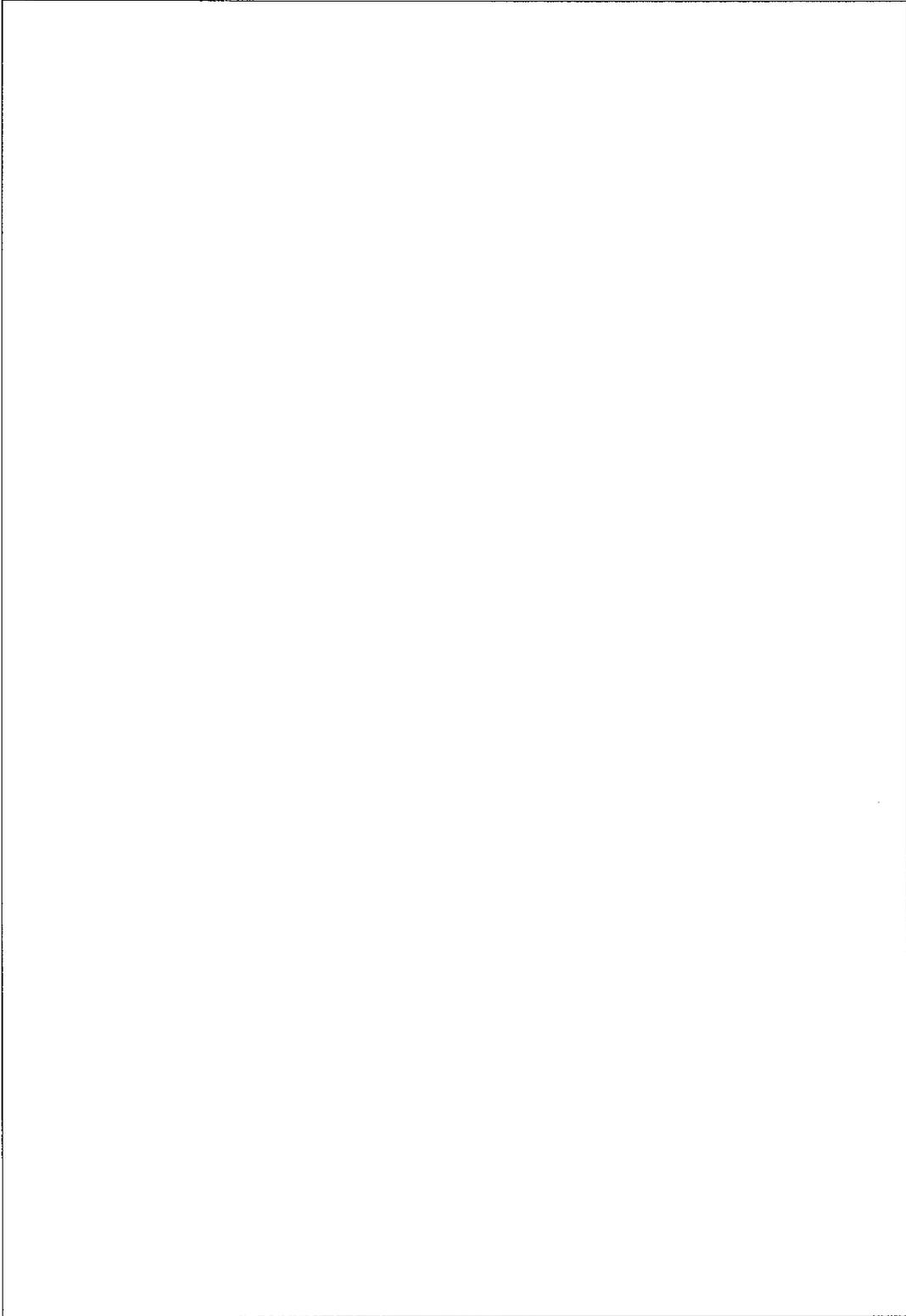
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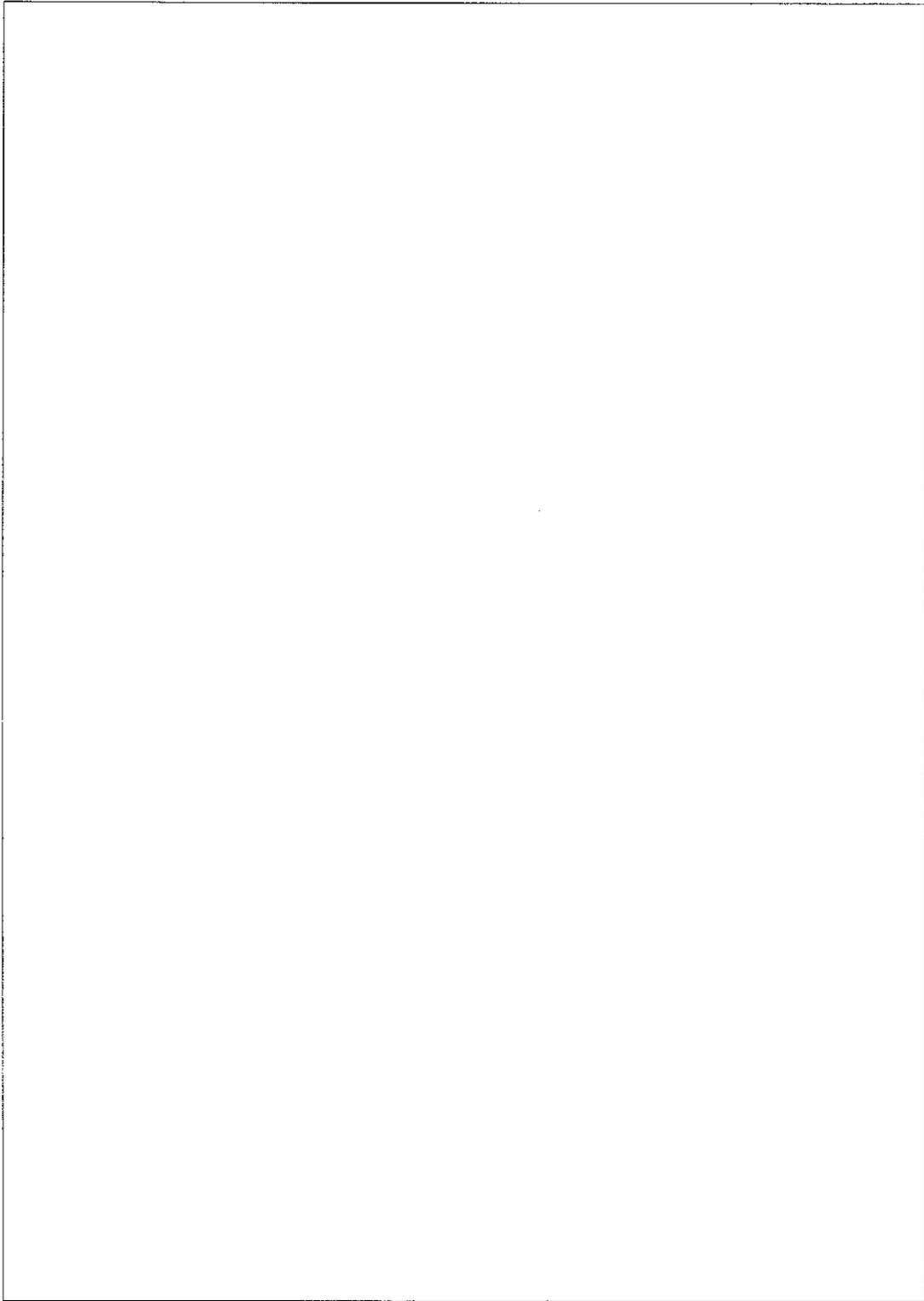
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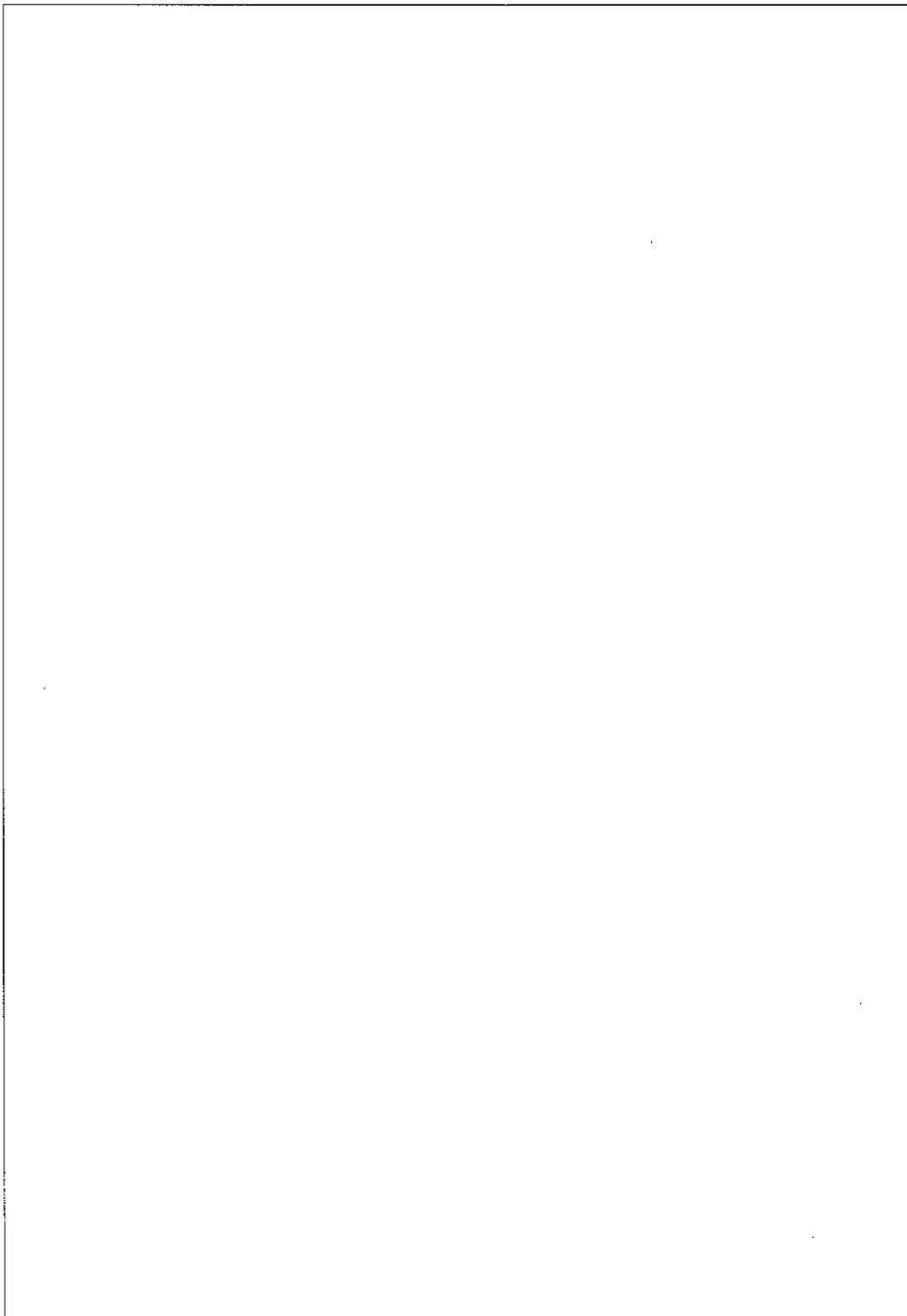
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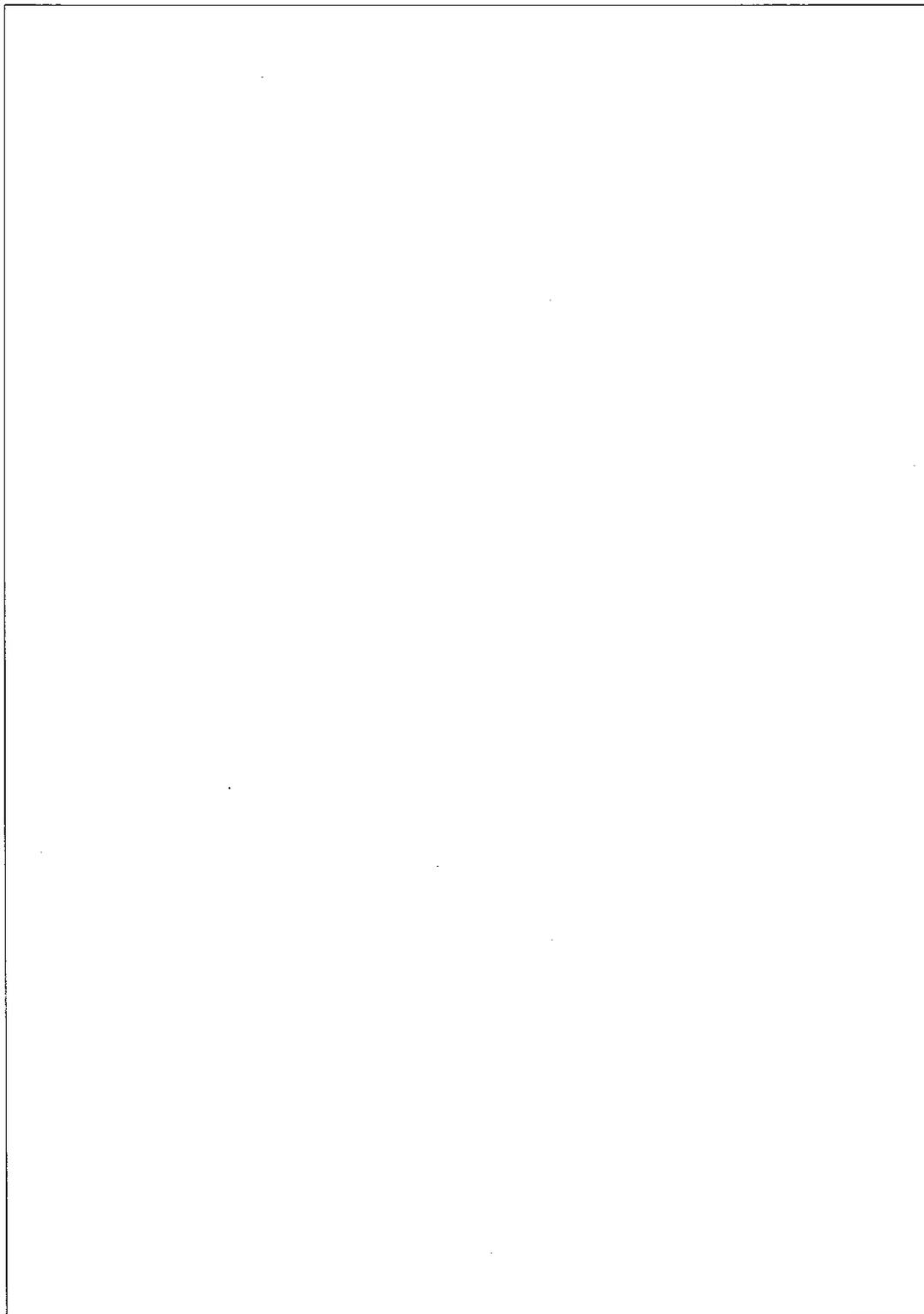
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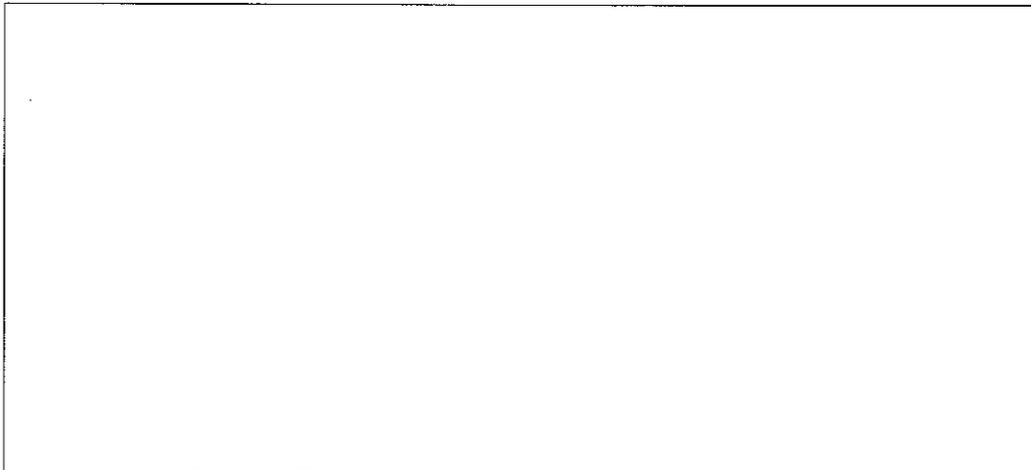


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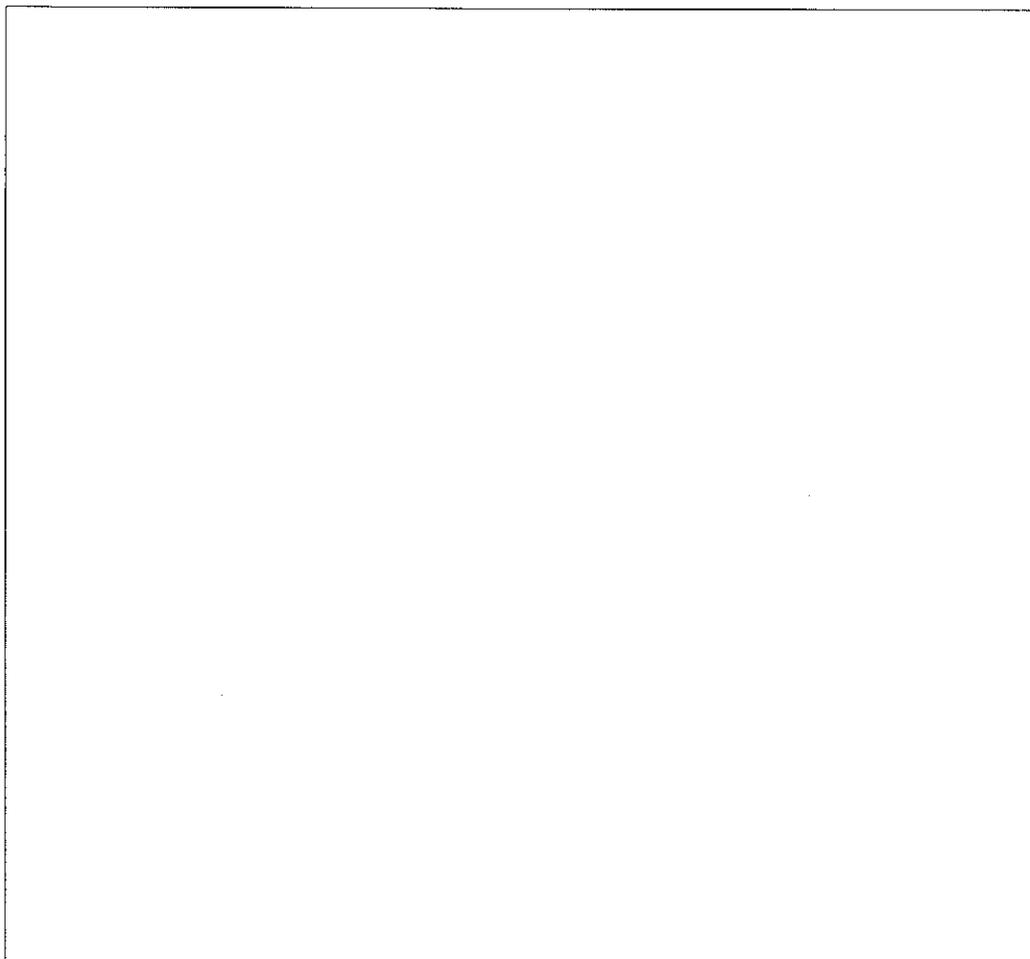
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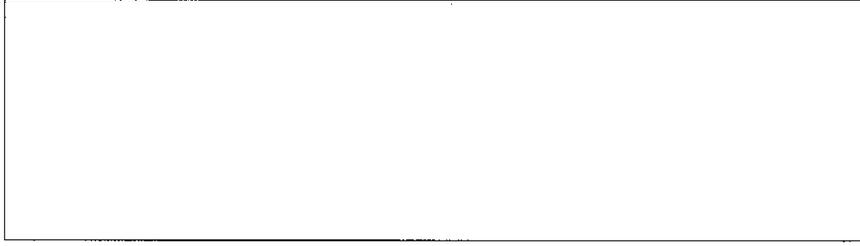
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(U) OTHER COMPLETED WORK



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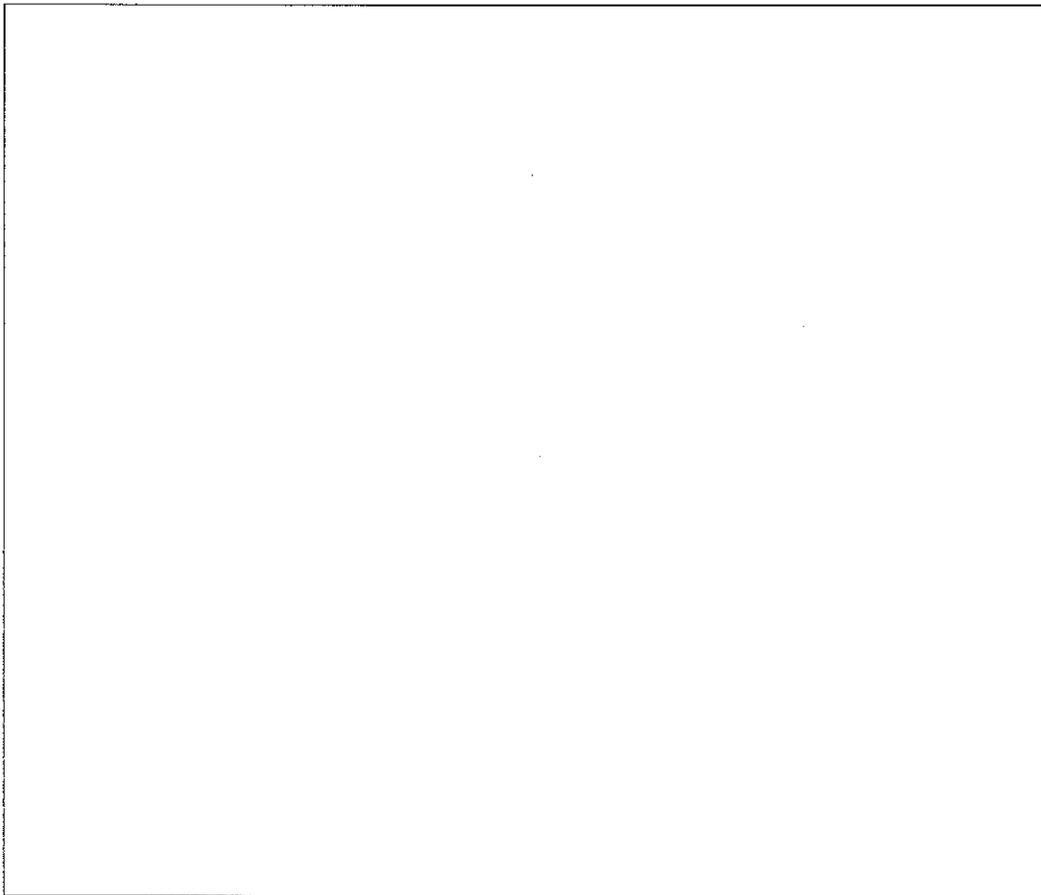
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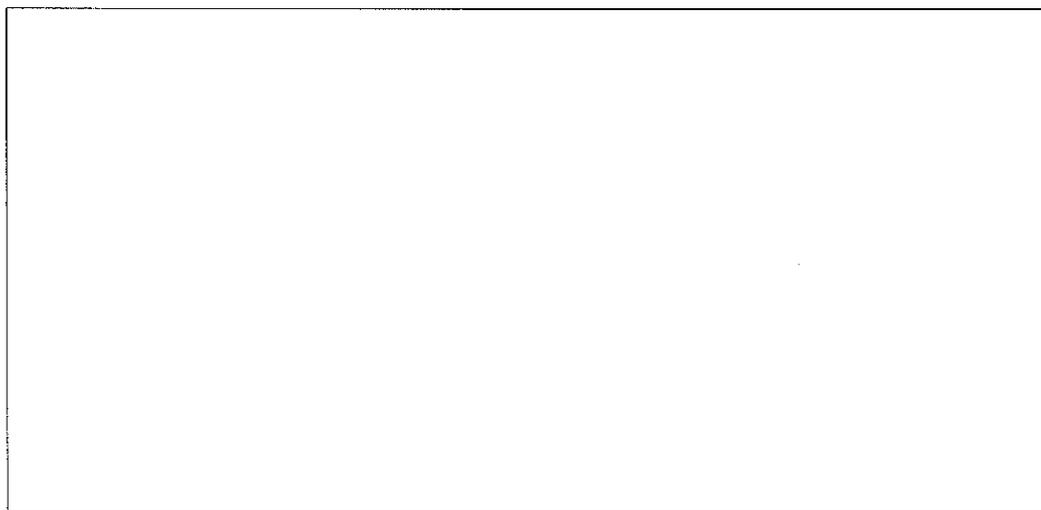


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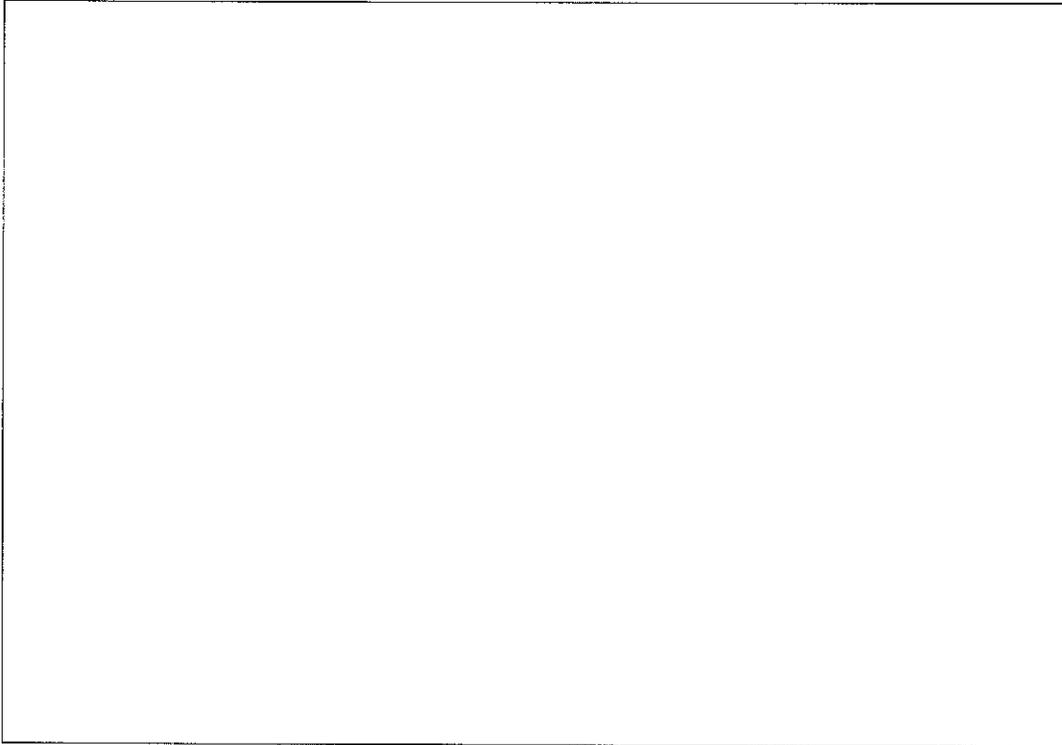


(U) SUMMARIES OF CURRENT INSPECTIONS



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~~SECRET~~/ [] //20311231**(U) INVESTIGATIONS****(U) INVESTIGATIONS STAFF OVERVIEW**

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

(U/[]) The Staff conducted a range of other investigations, including allegations of fraud by employees and contractors, possession of child pornography, theft of US Government property, misappropriation of funds, and false statements and claims. Judicial proceedings in two child pornography investigations involving two former Agency employees each resulted in the former employees receiving significant prison terms.

[] The Staff continued its resource-intensive investigations concerning detention and interrogation activities in Iraq and Afghanistan. []

[]
events surrounding the death of a former Iraqi Major General while in custody of the US military in Iraq. []

[] Finally, in a [] matter involving a former Agency contractor, the trial in the Eastern District of North Carolina on four counts of assault of a detainee, who died, resulted in a guilty verdict. Sentencing is pending. Congressional oversight committees are regularly informed of progress in these investigations.

(U/[]) As the Staff's workload continues to expand, four new investigators have joined the Staff, drawn from within the Agency and the Federal law enforcement community. Several other external recruits remain in process. The Staff's remaining four vacancies will be filled from a large number of internal applicants. Staff recruitment and training remain priorities.

(U/[]) Advancing the information technology arena remains a critical priority for the Staff, as it seeks to identify and deploy software to

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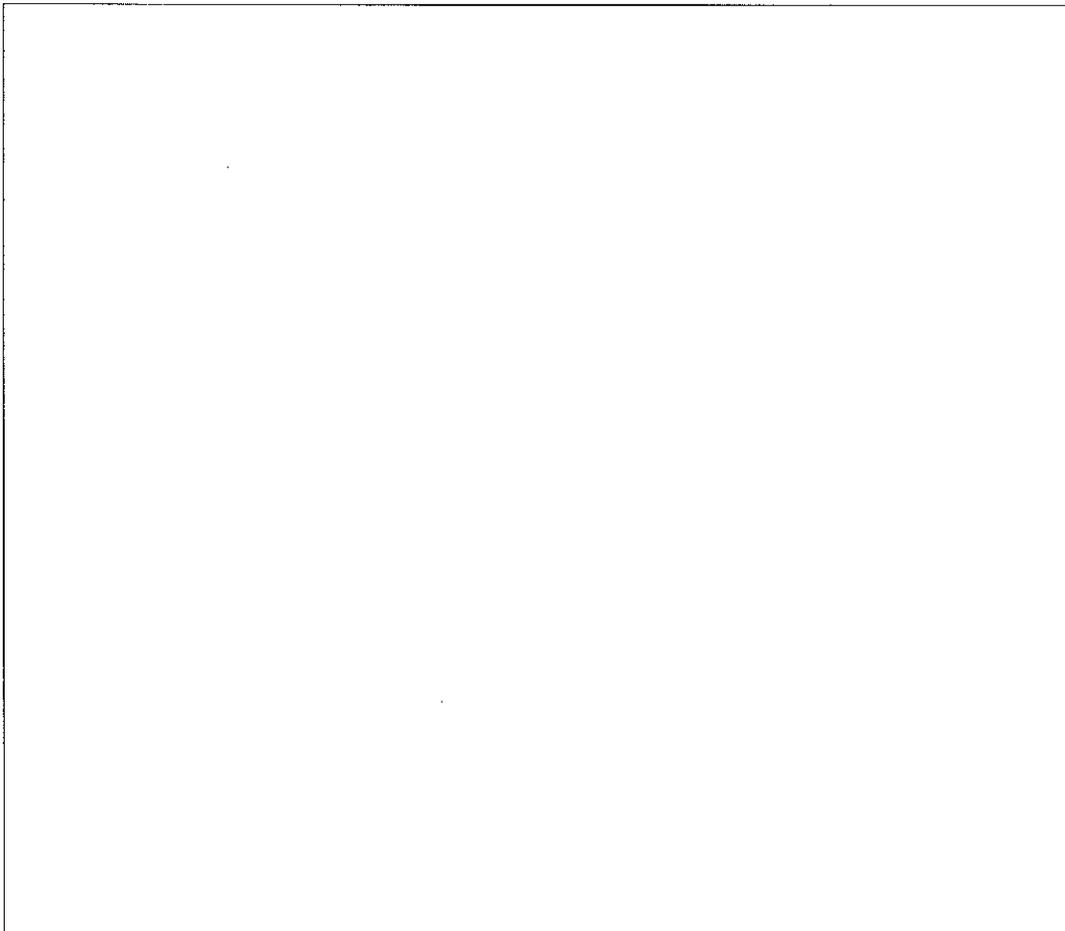
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manage its workflow and organize and search the voluminous records received in investigations. A number of equipment upgrades of software and hardware took place during the past six months. Two Special Agents have extensive experience in computer forensic investigations and another three are approaching that level. A position for a Forensic Laboratory Manager has been created and will be filled in the near term.

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

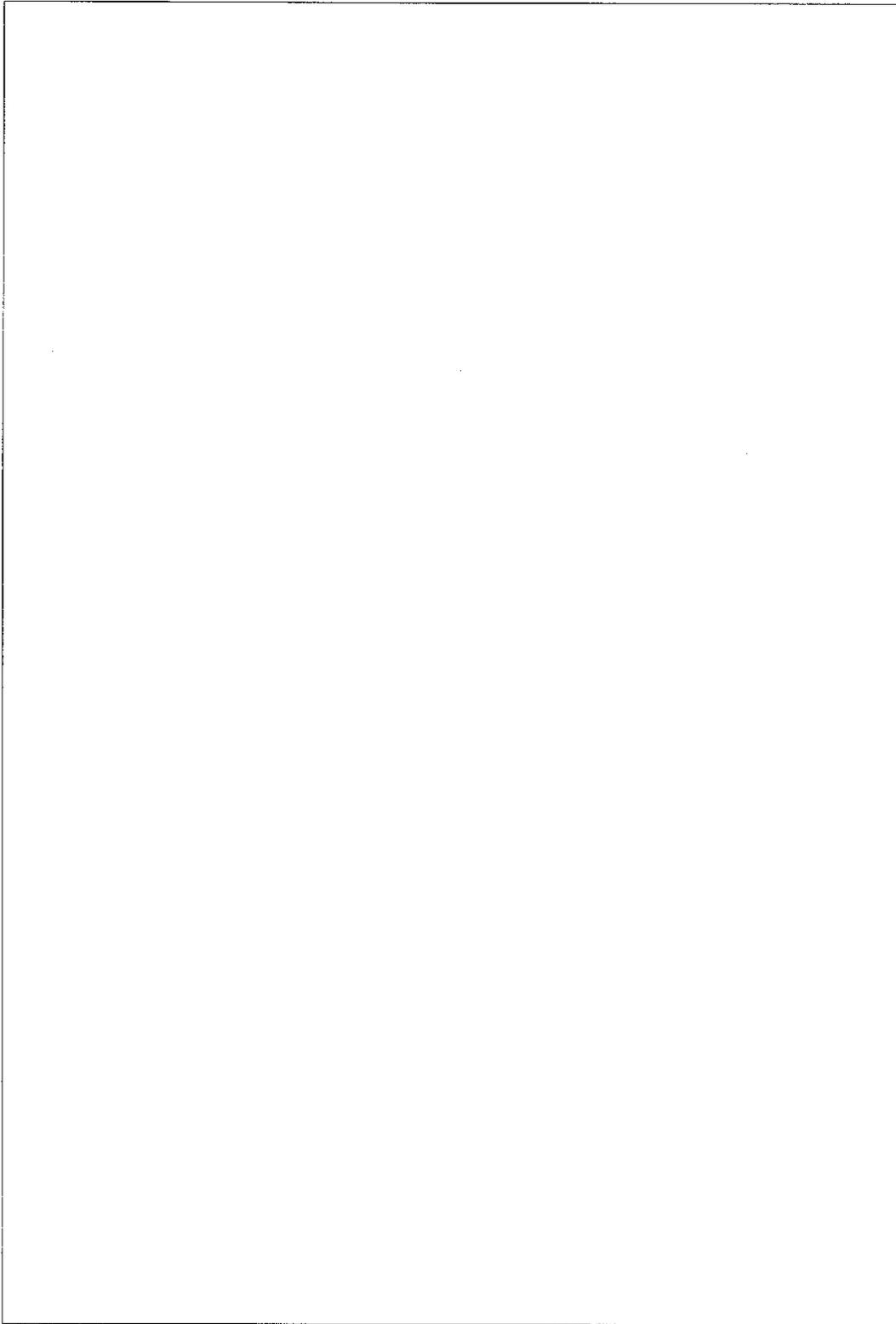
(U) COMPLETED INVESTIGATIONS



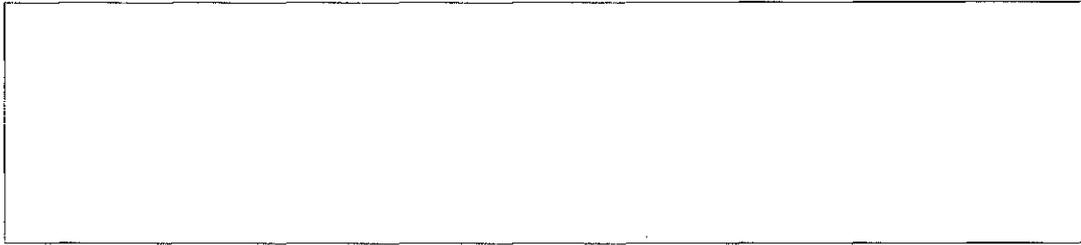
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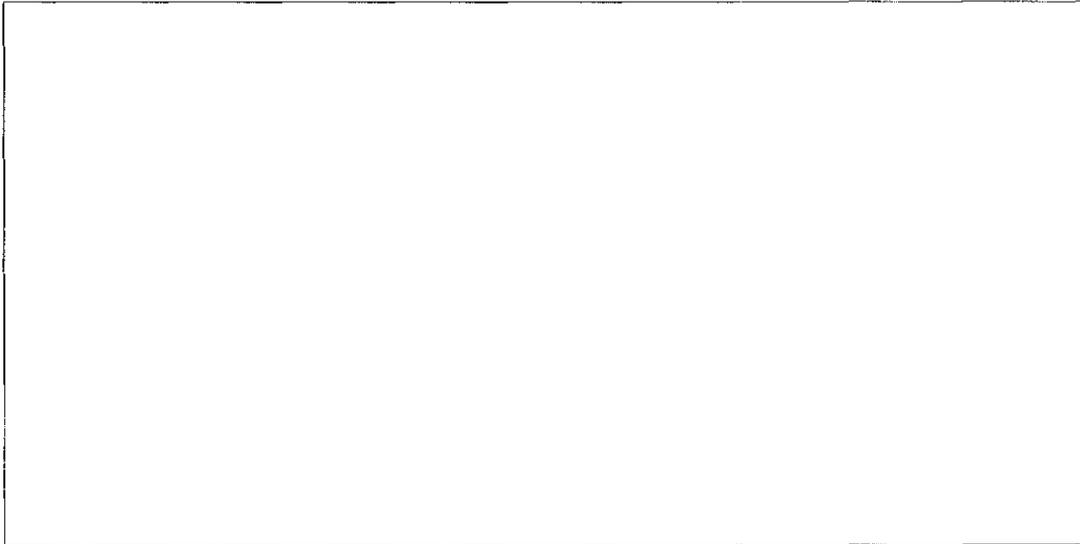
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*(U) STATUS OF SIGNIFICANT RECOMMENDED ACTIONS OUTSTANDING FROM
PREVIOUS SEMIANNUAL REPORTS*



~~SECRET~~/ [] /20311231**(U) STATISTICAL OVERVIEW****(U) Audit Staff**

(U/[]) During the period 1 July to 31 December 2006, the Audit Staff issued 10 reports and made 34 recommendations to improve accounting and financial management, facilities management, and general management.

(U/[]) The Audit Staff had 22 audits and reviews ongoing at the end of the reporting period.

(U) Inspection Staff

(U/[]) During the last six months of 2006, the Inspection Staff completed 5 inspections and 1 review. At the end of the reporting period, the Staff also had 7 ongoing inspections. In addition, the Staff closed 4 inspections.

(U) Investigations Staff

(U/[]) The Investigations Staff completed work on 135 matters of various types during this reporting period. Of this number, 19 cases were of sufficient significance to be the subject of a final report—4 Reports of Investigation and 15 Disposition Memoranda.

(U/[]) During this period, the IG formally referred 3 matters to DoJ based upon a reasonable belief that violations of Federal criminal law may have been committed.

(U/[]) As of 31 December 2006, 134 matters were in various stages of review by the Investigations Staff.

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(U) COMPLETED AUDITS
1 July - 31 December 2006

(U) Financial Management

(U) Independent Auditor's Report on the Central Intelligence Agency
Fiscal Year 2006 Financial Statements

(U) Information Technology

(U) 2006 Independent Evaluation of the Central Intelligence Agency
Information Security Program and Practices Required by the Federal
Information Security Management Act (FISMA)

(U/ []) The Corporate Information Retrieval and Storage (CIRAS)
System

(U) Assessment of the Agency's Compliance with Properly Safeguarding
Sensitive Information

[]

(U) Operations

[]

(U) Procurement

[]

(U) Field Activities

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(U) CURRENT AUDITS
31 December 2006

(U) Financial Management

(U) Independent Auditor's Report on the Central Intelligence Agency
Fiscal Year 2007 Financial Statements

(U) Unused Airline Tickets

(U) Imprest Fund Credit Cards

(U) Information Technology

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(U) Operations

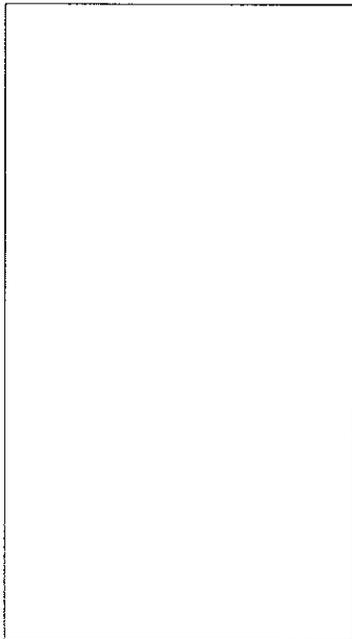
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(U) Procurement

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(U) Field Activities



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(U) COMPLETED INSPECTIONS
1 July - 31 December 2006

(U/ []) CIA Counterterrorism Center

(U/ []) Agency-Wide Performance []

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(U/ []) Agency's Reliance on Contractors

(U) CURRENT INSPECTIONS
31 December 2006

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(U/ []) Counterintelligence Center

(U/ []) Human Resources

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(U/ []) Office of the Associate Director for Military Affairs

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(U) COMPLETED INVESTIGATIONS
1 July - 31 December 2006

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(U/[] Allegation of Nepotism

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(U/[] Alleged Contract Fraud

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(U/[] Alleged Contracting Irregularities

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(U/[] Alleged Improprieties in the PISCES Program

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(U/[] Alleged Time and Attendance Abuse

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(U/[] CIA Retirement and Disability System Appeal

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

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[redacted]

(U/[redacted] Ethics Complaint

[redacted]*)

[redacted]

[redacted]

(U/[redacted] Time and Attendance Fraud

[redacted]

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(U) CURRENT INVESTIGATIONS
As of 31 December 2006

(U) Category	Number of cases
(U) [] Grievances	
Assignment	2
Compensation	1
Management and Supervision - Grievance	3
Other - Grievance	1
(U) [] General Investigations	
Criminal and Prohibited Acts	
Conflicts of Interest	9
Embezzlement	2
False Claims - Other	8
False Claims/Statements/Vouchers	2
False Claims - Time & Attendance	12
False Claims - []	1
False Claims - TBD	1
Firearms	3
Management and Supervision - Administrative	2
Megaprojects	4
Misconduct - Employee	5
Misconduct - Management	4
Procurement Fraud	14
Regulatory Violations	3
Retaliation	3
Theft/Misuse of Government Property	7
Waste	3
Other - Administrative/Criminal	32
Unauthorized Operation	1
Unsubstantiated Allegations	11
(U) [] Total Ongoing Cases	134

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