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*Central Intelligence Agency  
Inspector General*



**SEMIANNUAL REPORT**

**TO THE DIRECTOR, CENTRAL INTELLIGENCE AGENCY**

**JULY - DECEMBER 2007**

**JOHN L. HELGERSON**  
*Inspector General*

**APPROVED FOR RELEASE  
DATE: 25-Feb-2010**

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## (U) A Message From the Inspector General



(U) [ ] During this semiannual reporting period, inspections undertaken by the Office of Inspector General (OIG) continued to focus on key issues that involved multiple directorates, as well as on major Agency components. The Inspection Staff completed six such reports.

[ ] A report on Agency-Wide Performance [ ] was the third in a series of examinations of major, cross-cutting issues facing the CIA; the Staff had completed inspections of Agency-wide performance [ ] in June 2006 and [ ] in October 2006. The report contained positive findings regarding the performance of the National Clandestine Service (NCS) and Directorate of Science and Technology [ ] the analysis of the Directorate of Intelligence (DI) and the work of the Director of National Intelligence Open Source Center [ ]

[ ]

[ ] The Staff also published an inspection report on Near East and South Asia (NE) Division in the NCS. The inspection found the Division is performing well in discharging an array of responsibilities associated with the [ ] in its area of operations, customers are largely satisfied

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(U) [ ] In addition, the Staff published an inspection report on Application Services (APPS) in the Office of the Chief Information Officer. Among the strengths highlighted in the report are APPS' vision and strategy for improving the speed of product delivery and increasing customer satisfaction, and its productive relationship with its DI partner. [ ]

[ ] The Staff's inspection report on the Office of Russian and European Analysis found an organization performing admirably [ ] It also found an effective, highly-regarded leadership team and a generally well-staffed work force with high morale. Initiatives for addressing areas for improvement uncovered in the inspection [ ] are already underway in the Office.

[ ] The inspection report on [ ] is a follow-up to a 2003 inspection. This report found that significant progress has been made since 2003 in developing [ ]

[ ] Finally, the Staff's inspection of Training for New DI Analysts found that the DI - [ ] makes available to new employees a wide array of training that is effectively preparing them for their duties. The Staff is in the process of wrapping up an inspection of Training for New NCS Officers as well.

(U) [ ] During this reporting period, the Inspection Staff began disseminating final inspection reports in electronic format to expedite their distribution and enhance their accessibility.

(U) [ ] The Audit Staff completed the annual independent audit of the CIA's financial statements (for FY 2007). Although the auditors identified a number of material weaknesses in internal control and disclaimed an opinion on the financial statements, the audit found that the CIA continues efforts to improve reporting financial information in accordance with Federal requirements, and steps are being taken to strengthen key

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internal controls. The Staff also completed its FY 2007 annual independent evaluation of the CIA's information security program and practices required by the Federal Information Security Management Act.

[ ] In keeping with the standing request of the Congress that the OIG audit each covert action program no less frequently than every three years, the Office completed an audit of a [ ] covert action program [ ]

(U) [ ] The Office participated in an Office of the Director of National Intelligence (ODNI) OIG audit to evaluate the process used to award [ ] contracts under the [ ]

[ ] The Audit Staff determined that the CIA acquisition process used to award the [ ] contracts under the ODNI [ ] Program was fair and impartial.

[ ] The Audit Staff published an extensive report on project and contract management of construction and renovation projects [ ]

[ ] The report offers several significant recommendations to improve [ ]

[ ] The Audit Staff also completed audits of [ ] during this period.

(U) [ ] Audit reports during this period made recommendations to strengthen internal controls over program and project management, covert actions, information technology, financial management, and [ ] administration. Agency senior managers concurred in virtually all of the recommendations.

(U) [ ] The Investigations Staff continued to focus largely on investigating fraud and corruption matters during this reporting period. Such cases involved embezzlement, theft, contract fraud, conflicts of interest, acceptance of gratuities, money laundering, or conspiracy. One of these

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investigations involves a former high-ranking official who is the subject of a 30-count indictment. [redacted]

(U [redacted]) A number of OIG investigations involved embezzlement of Agency funds by finance officers. In one case, a now former employee who pled guilty to theft of approximately [redacted] was sentenced to two years of confinement and three years of probation, and was ordered to make restitution upon release from confinement. A second case, involving another now former employee, involves some [redacted] and is nearing resolution in concert with the Department of Justice. Three other investigations are underway.

(U [redacted]) The OIG also continues to devote considerable investigative resources to reviewing the Agency's [redacted]

[redacted] 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.

[redacted]

[redacted]

[ ]

(U) [ ] At the conclusion of the reporting period, the Investigations Staff worked with the National Security Division of the Department of Justice to conduct a preliminary inquiry into the circumstances surrounding [ ]

[ ]

because I was involved in the preparation and review of the OIG report of May 2004 that described [ ] observations, as well as having discussed the findings with US Government officials, I have recused myself from any involvement with the follow-on investigation.

/s/

John L. Helgerson  
15 January 2008

## (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, Central Intelligence Agency (D/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 issued [ ] subpoenas [ ] issued in the course of an investigation of an allegation of time and attendance fraud, [ ] issued in furtherance of an investigation of allegations of voucher fraud and the theft of government property, and [ ] issued in conjunction with the joint CIA/Department of Justice preliminary inquiry [ ]

### (U) Legislative Proposals

(U) The OIG has no proposals for legislative changes.

**(U) AUDITS****(U) AUDIT STAFF OVERVIEW**

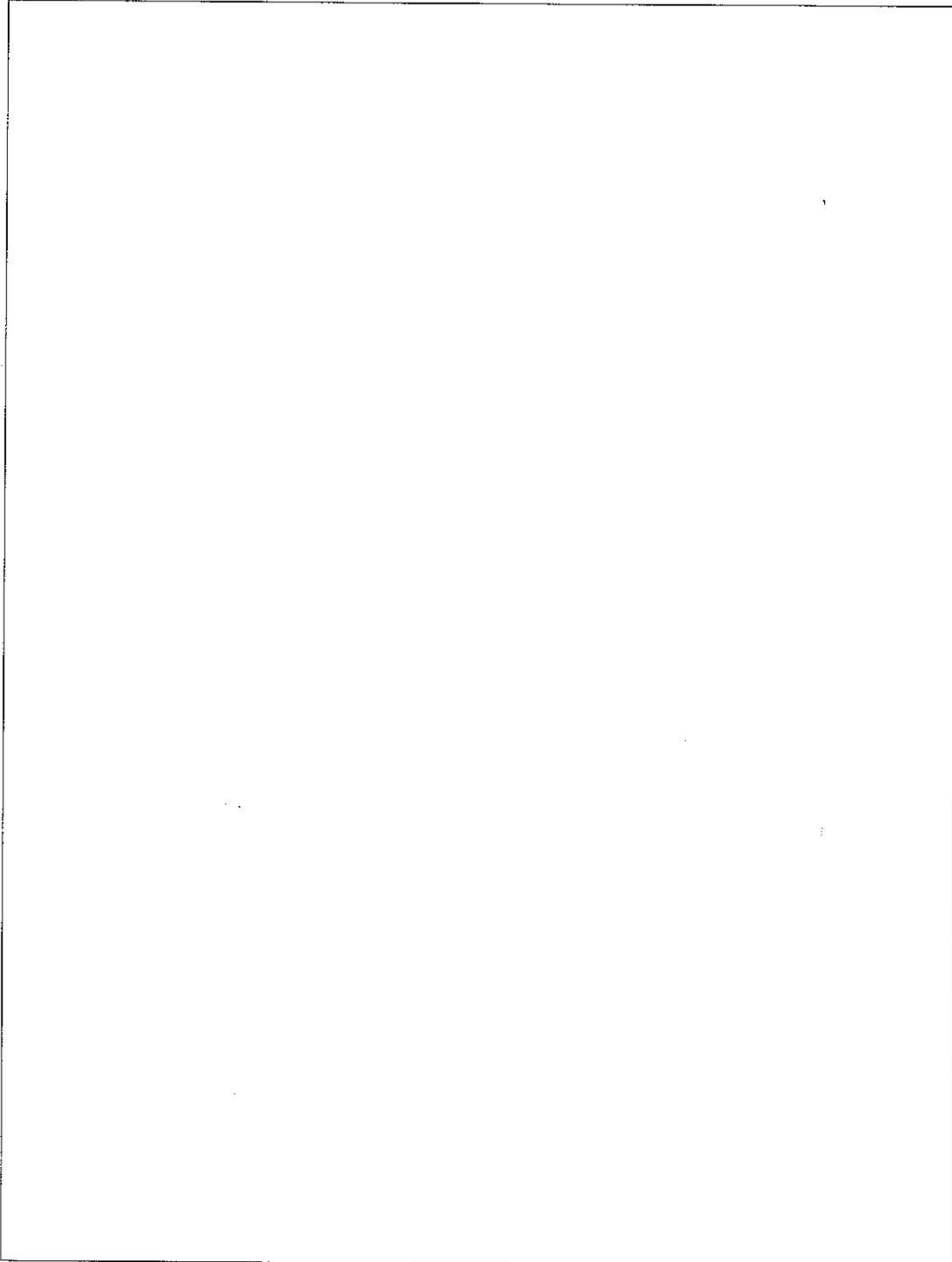
(U/[ ]) The Audit Staff conducts performance and financial audits of CIA programs and activities. During this reporting period, the Audit Staff issued 14 audit reports containing 46 recommendations that addressed program and project management, covert action, financial management, information technology, and [ ] administration.

[ ] The Audit Staff continues to pursue its program, as requested by the Congress, to audit each covert action (CA) program (or an aspect of each program) at least every third year and to provide the results of each audit to the Congress. This reporting period, the Staff completed one CA audit to determine the effectiveness of a [ ] CA program [ ].  
[ ] The Staff will complete two additional CA audits in early 2008.

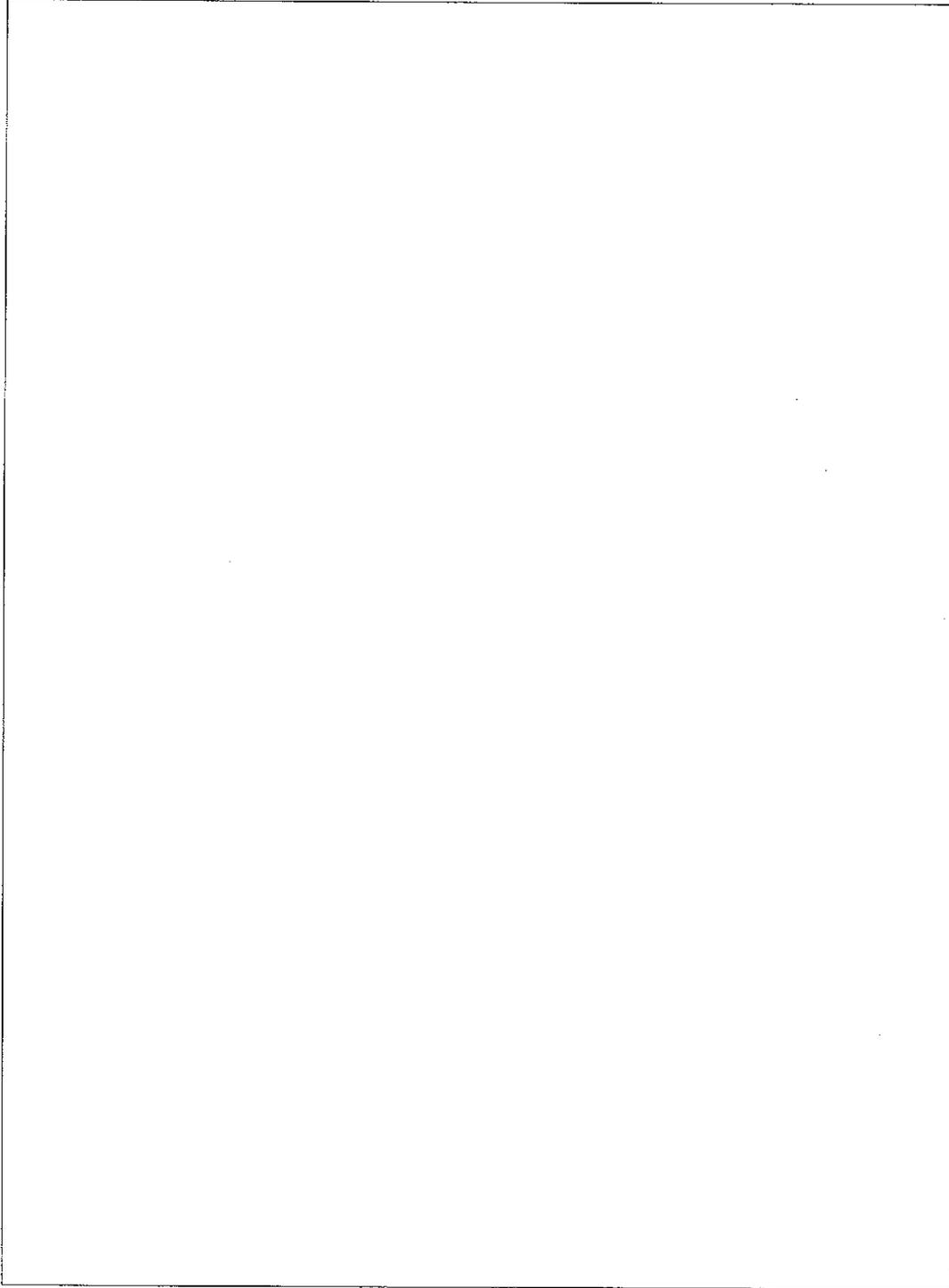
[ ] The Staff completed audits of construction and renovation project management at [ ] and the annual review of the security of the CIA's information systems as required by the Federal Information Security Management Act. The Staff also completed audits of [ ]

(U/[ ]) The Staff completed work on the statutory audit of the CIA's financial statements for FY 2007 and issued its report in November 2007. [ ]  
[ ] The report also determined the status of prior years' audit recommendations and management's actions to resolve them.

**(U) COMPLETED AUDITS**

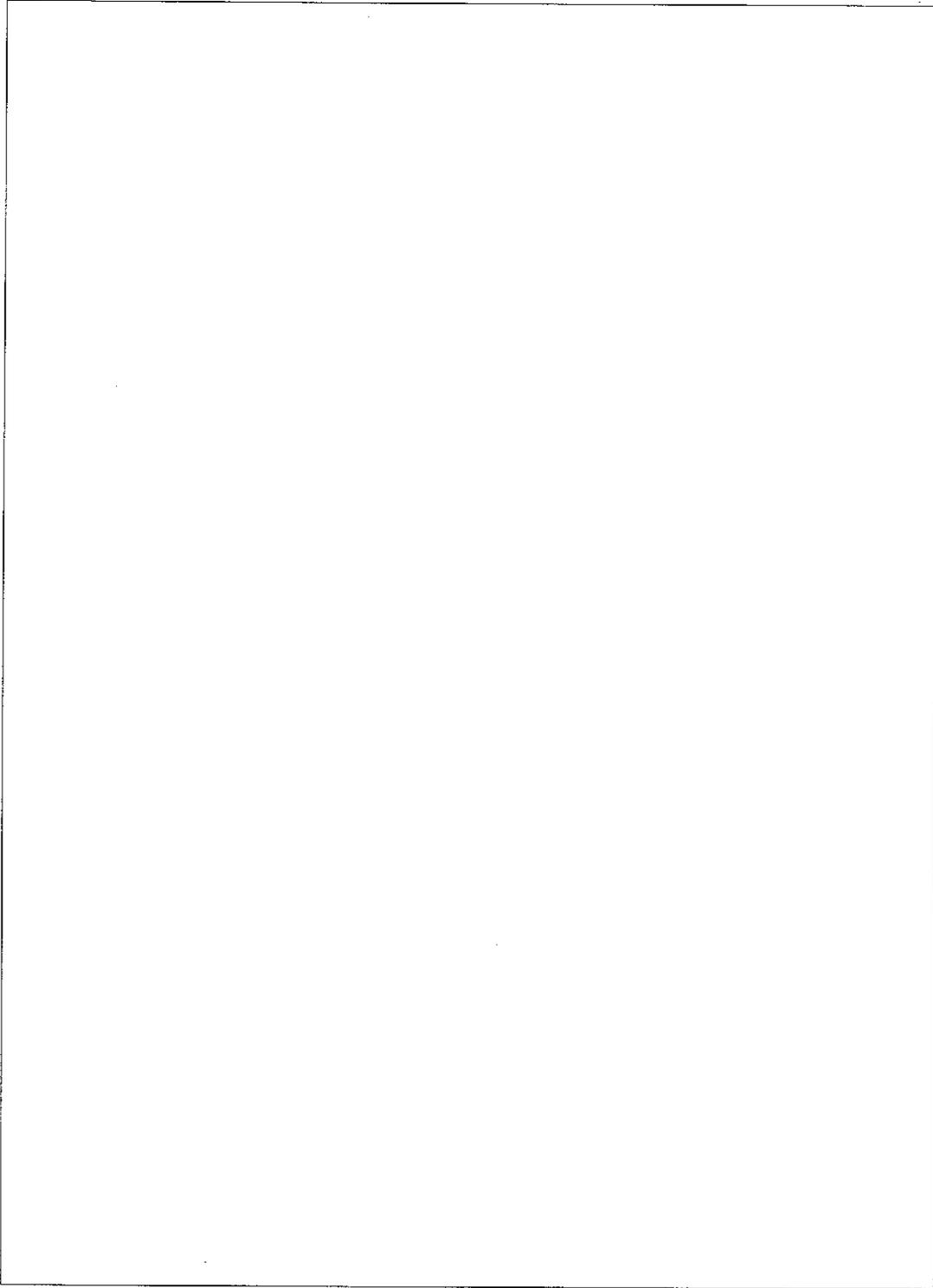


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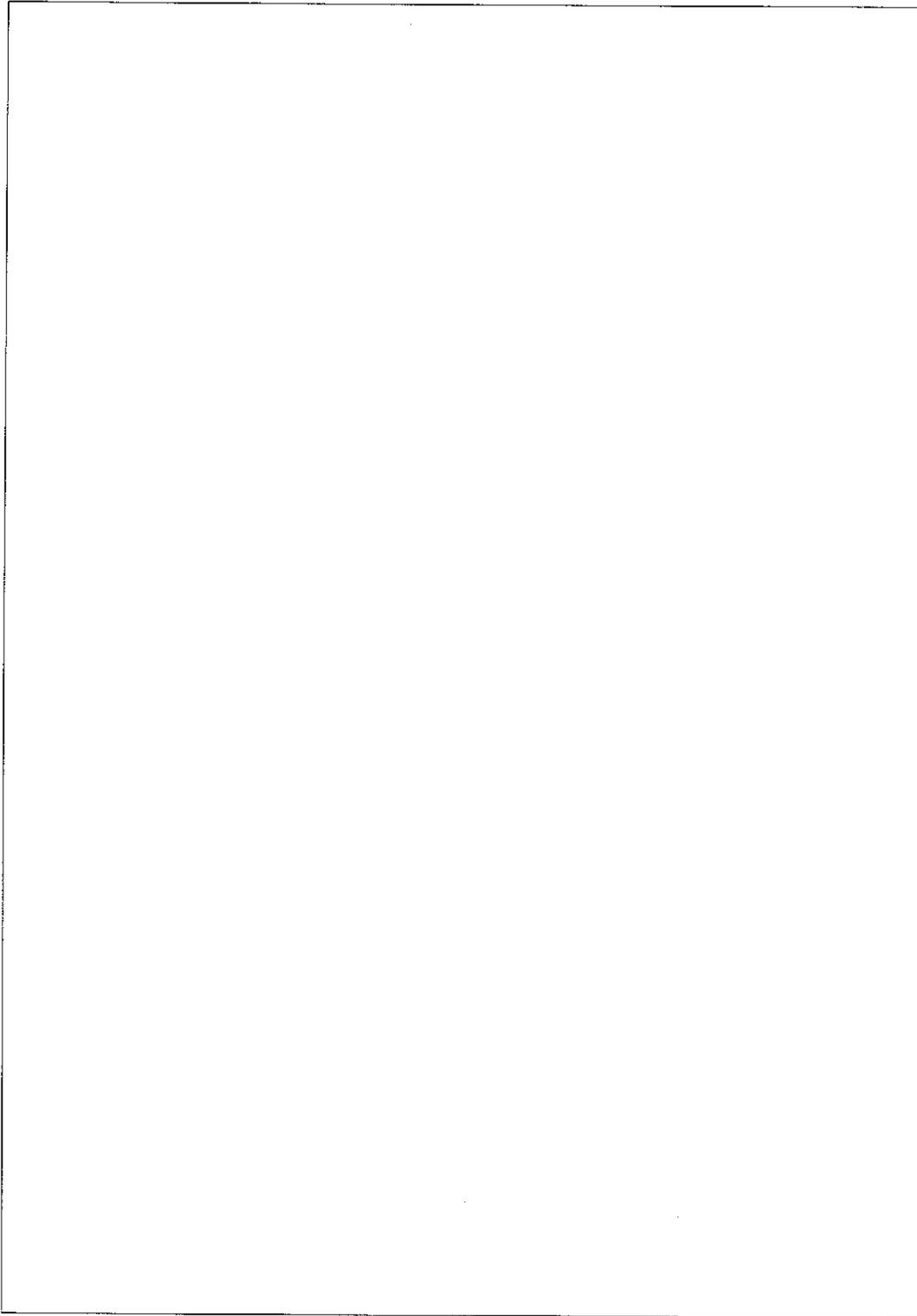
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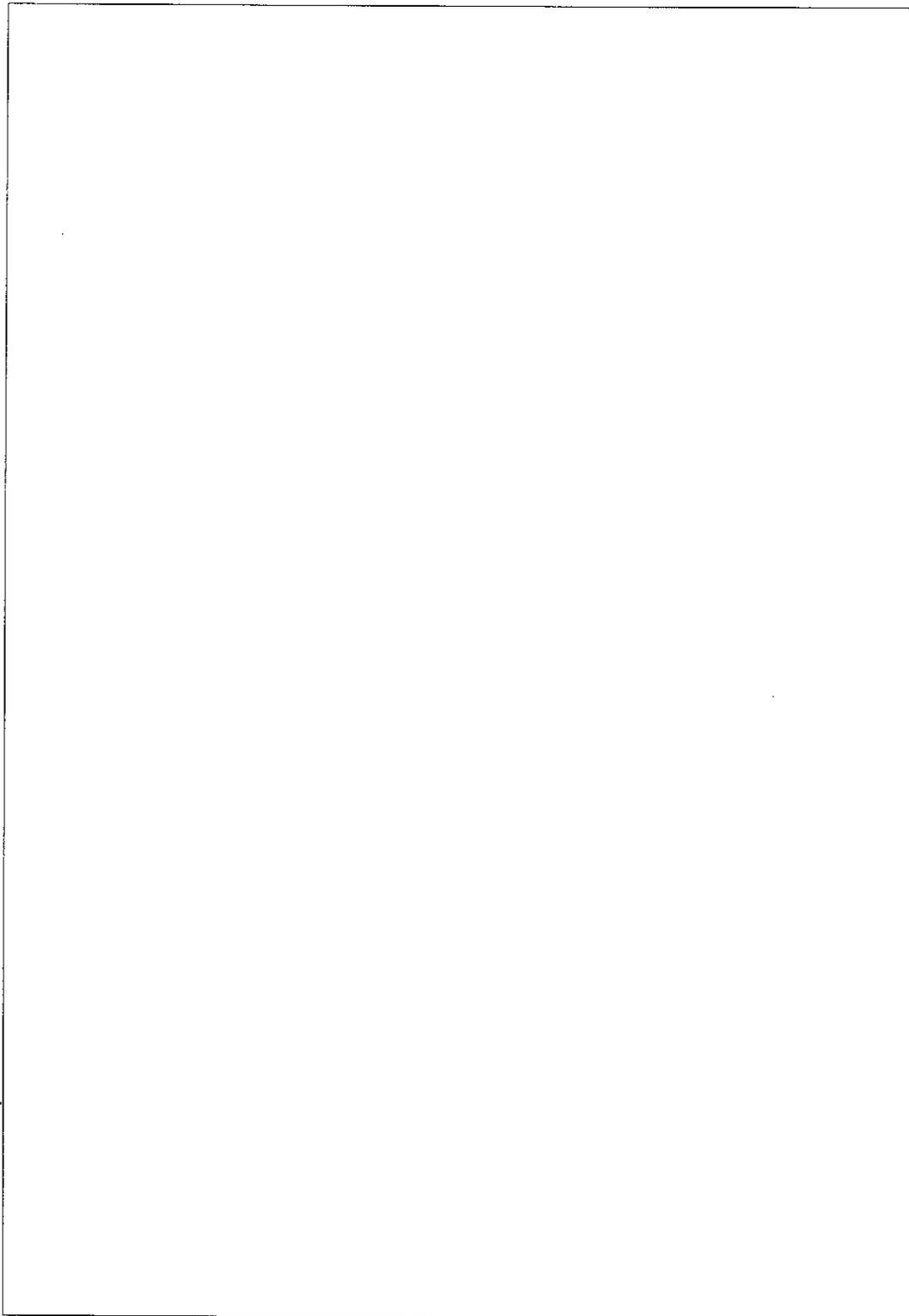
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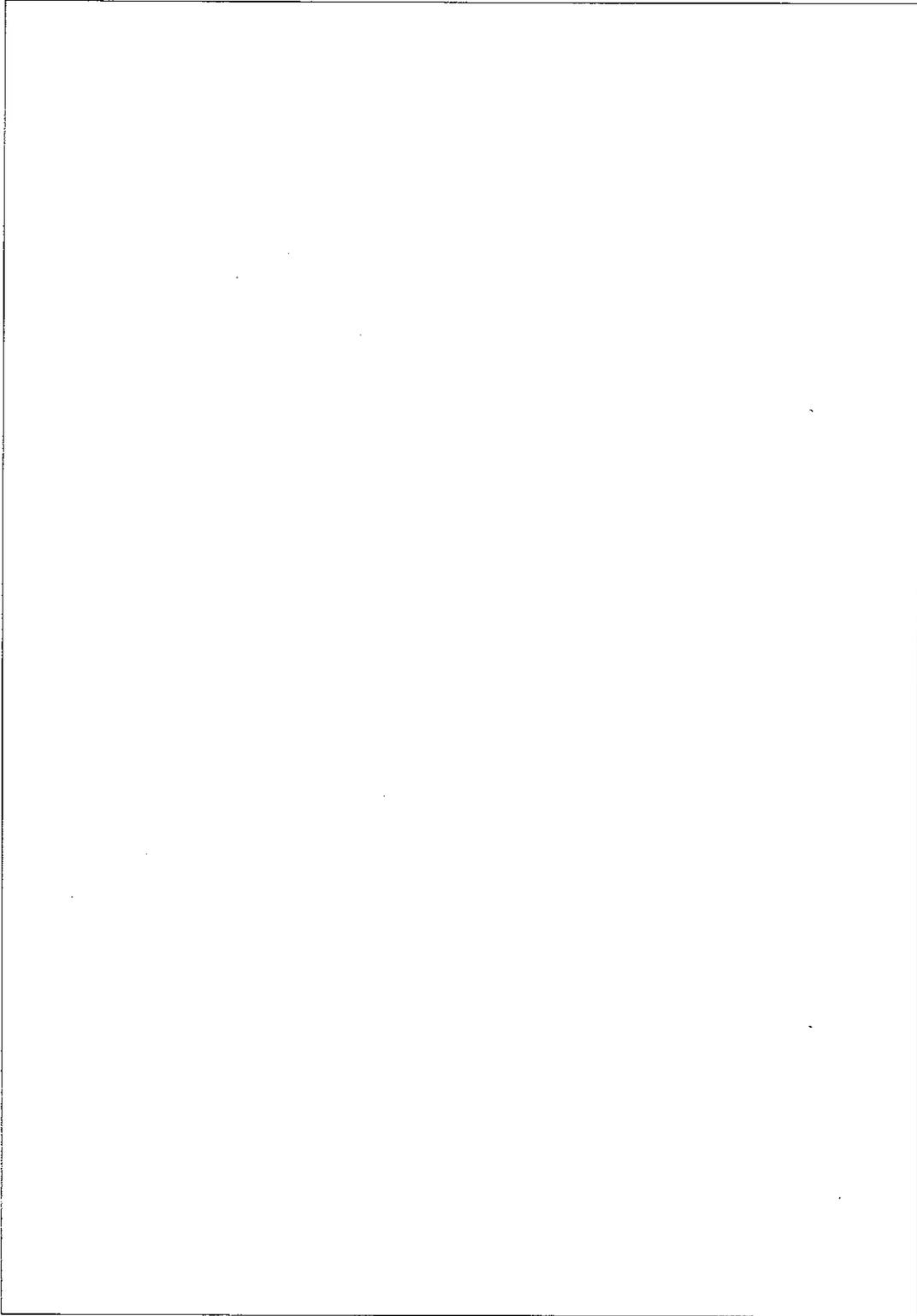
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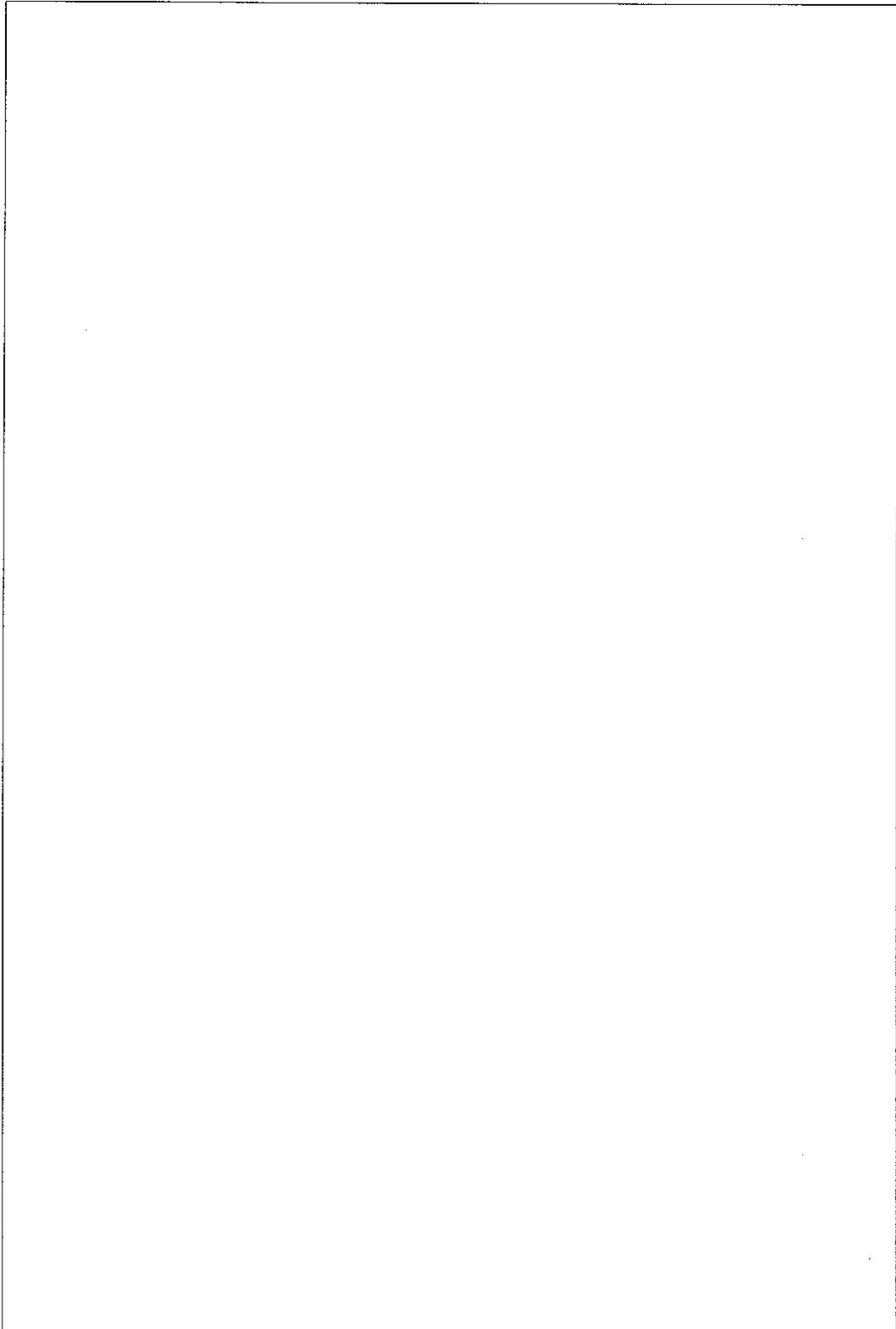
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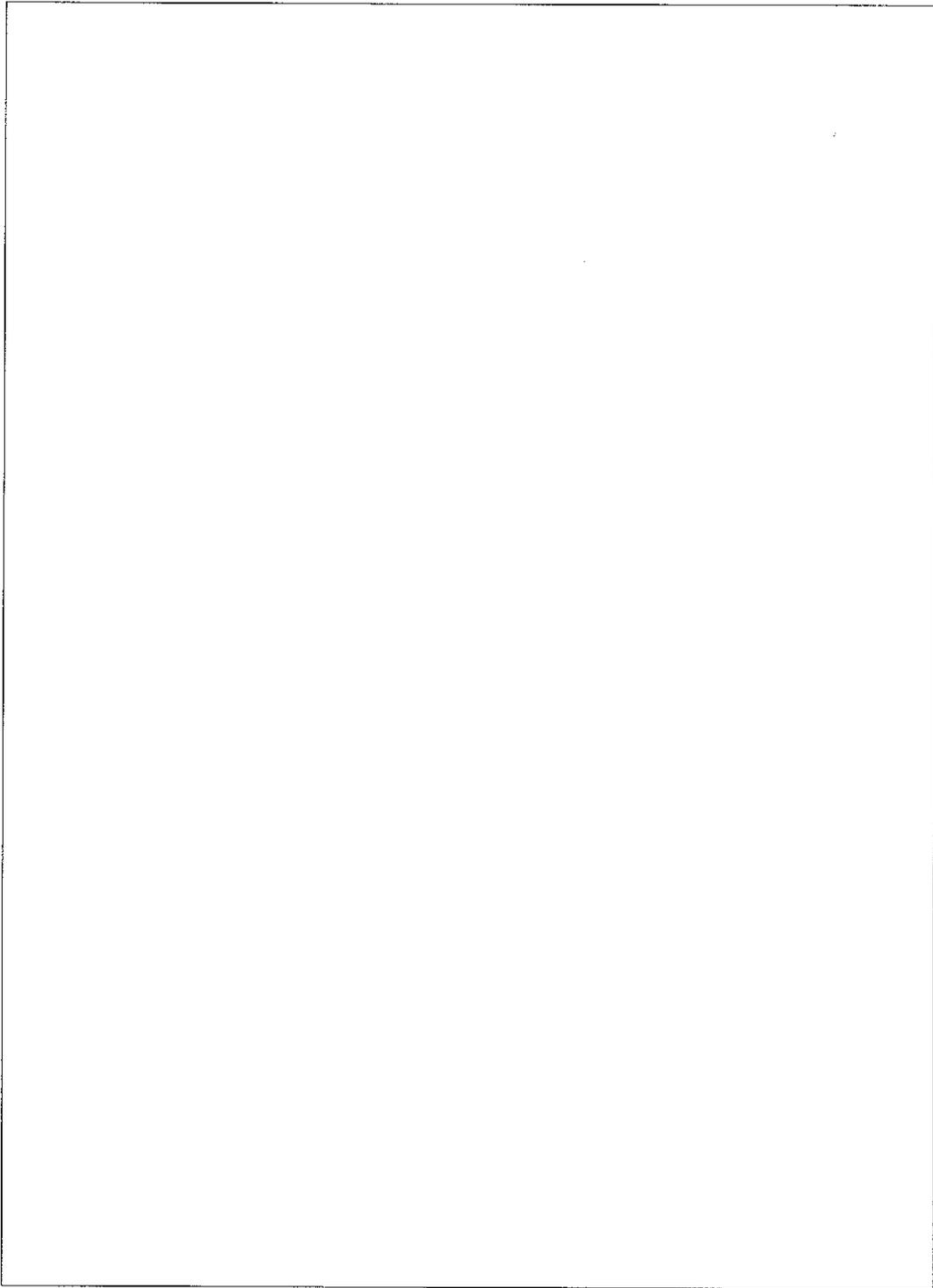
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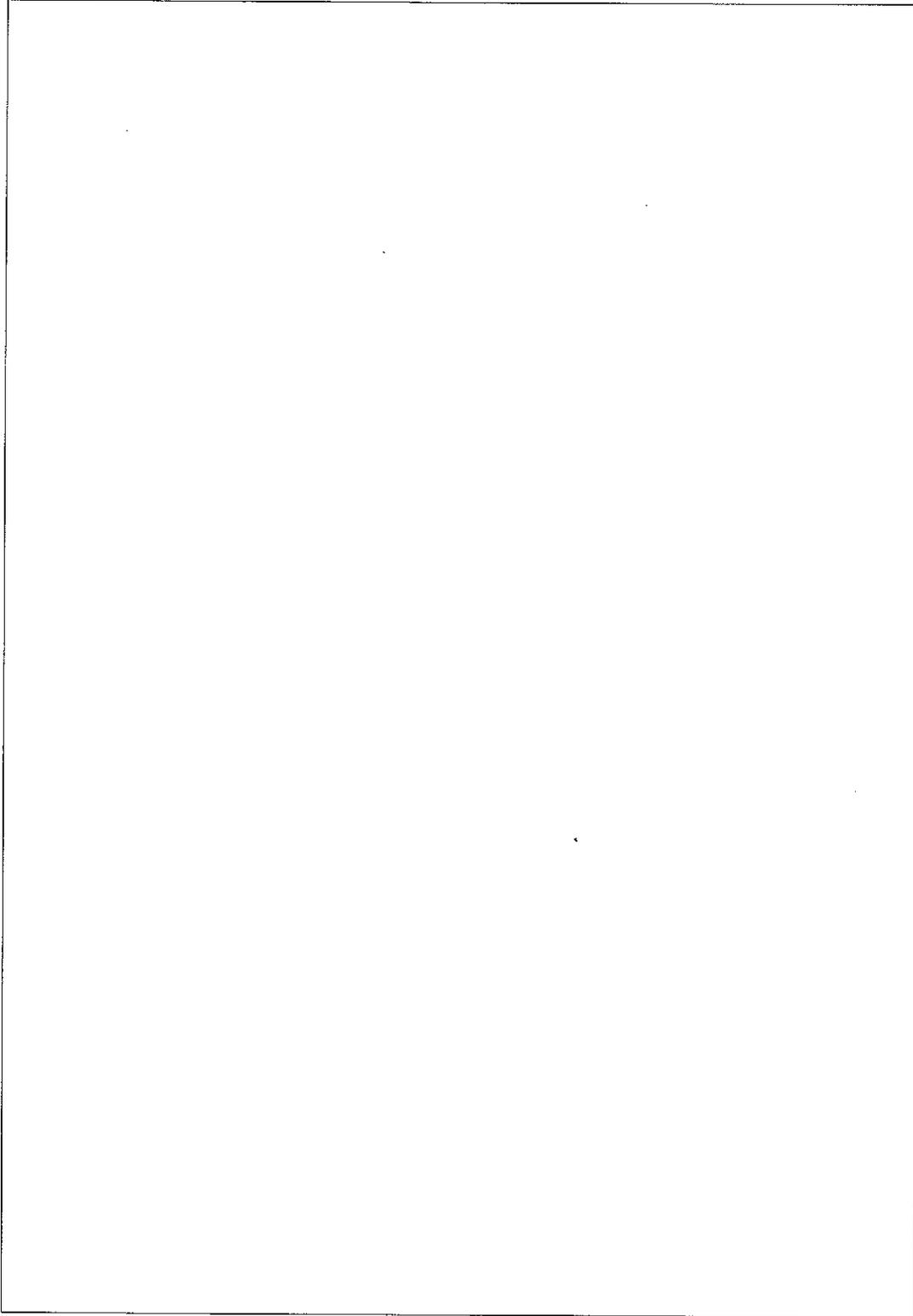
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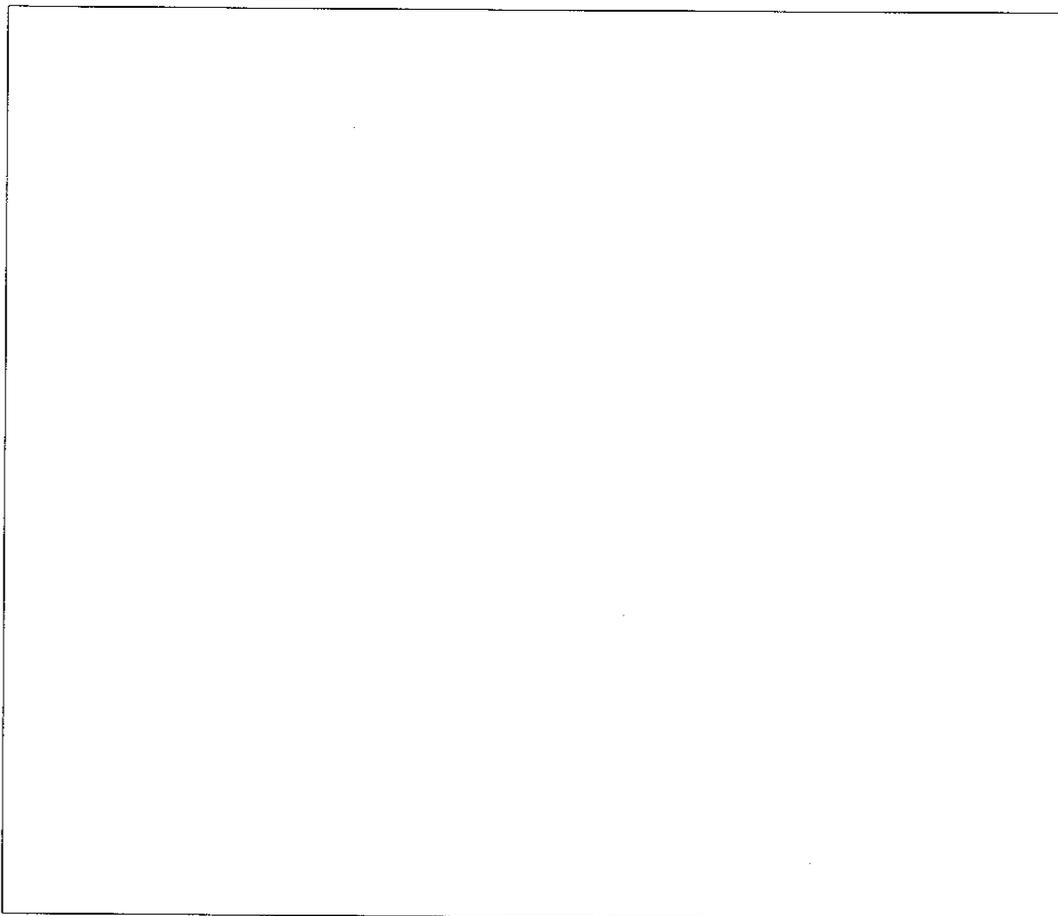


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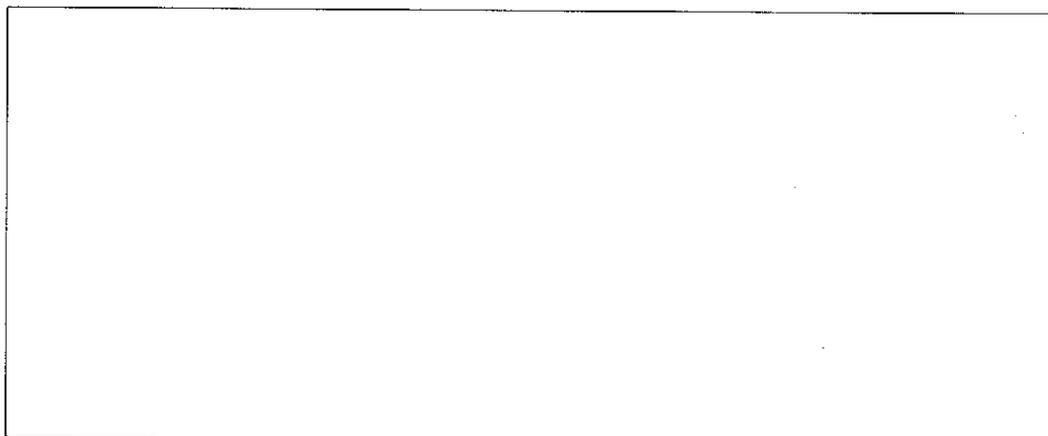
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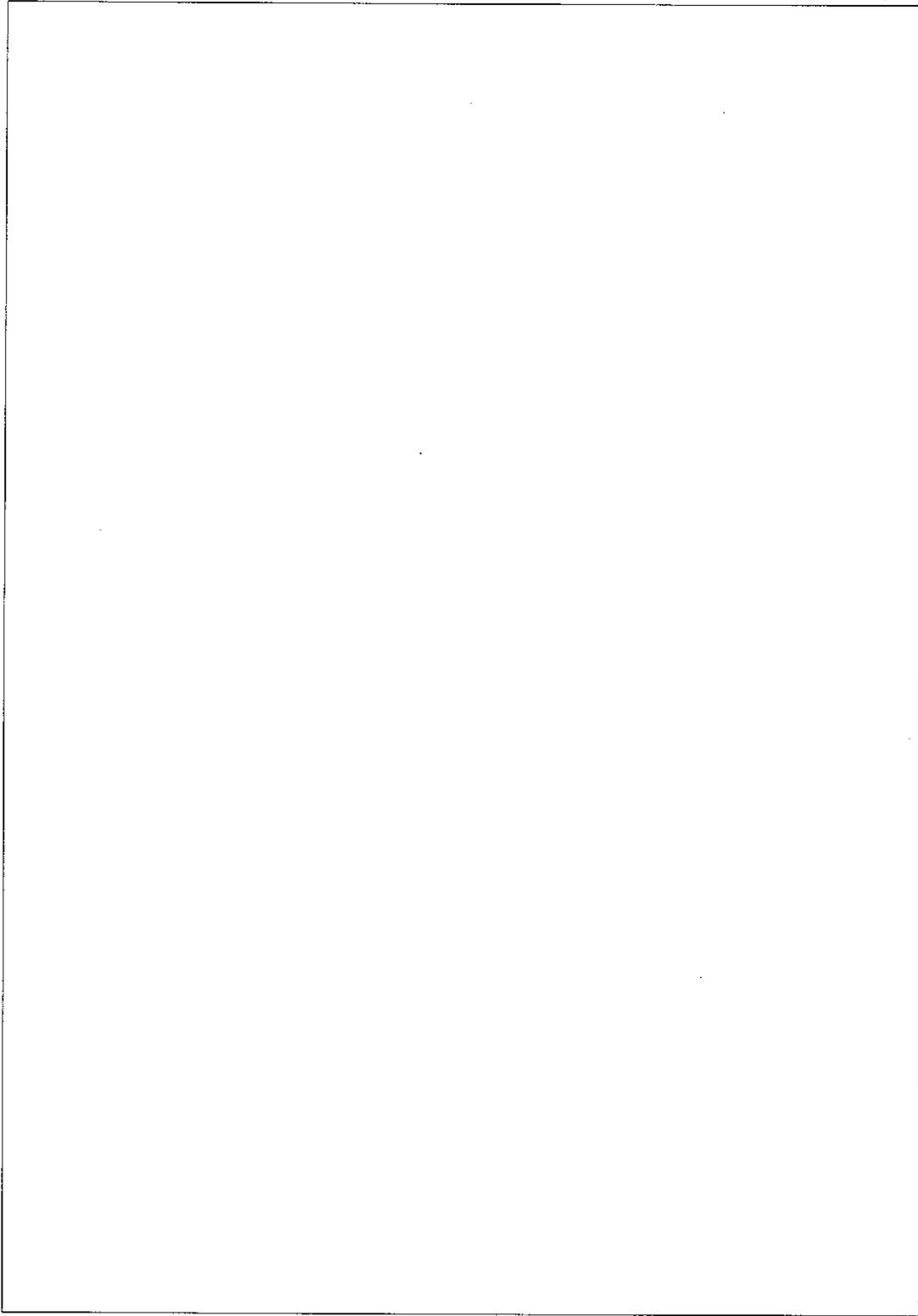
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***(U) STATUS OF SIGNIFICANT RECOMMENDED ACTIONS OUTSTANDING  
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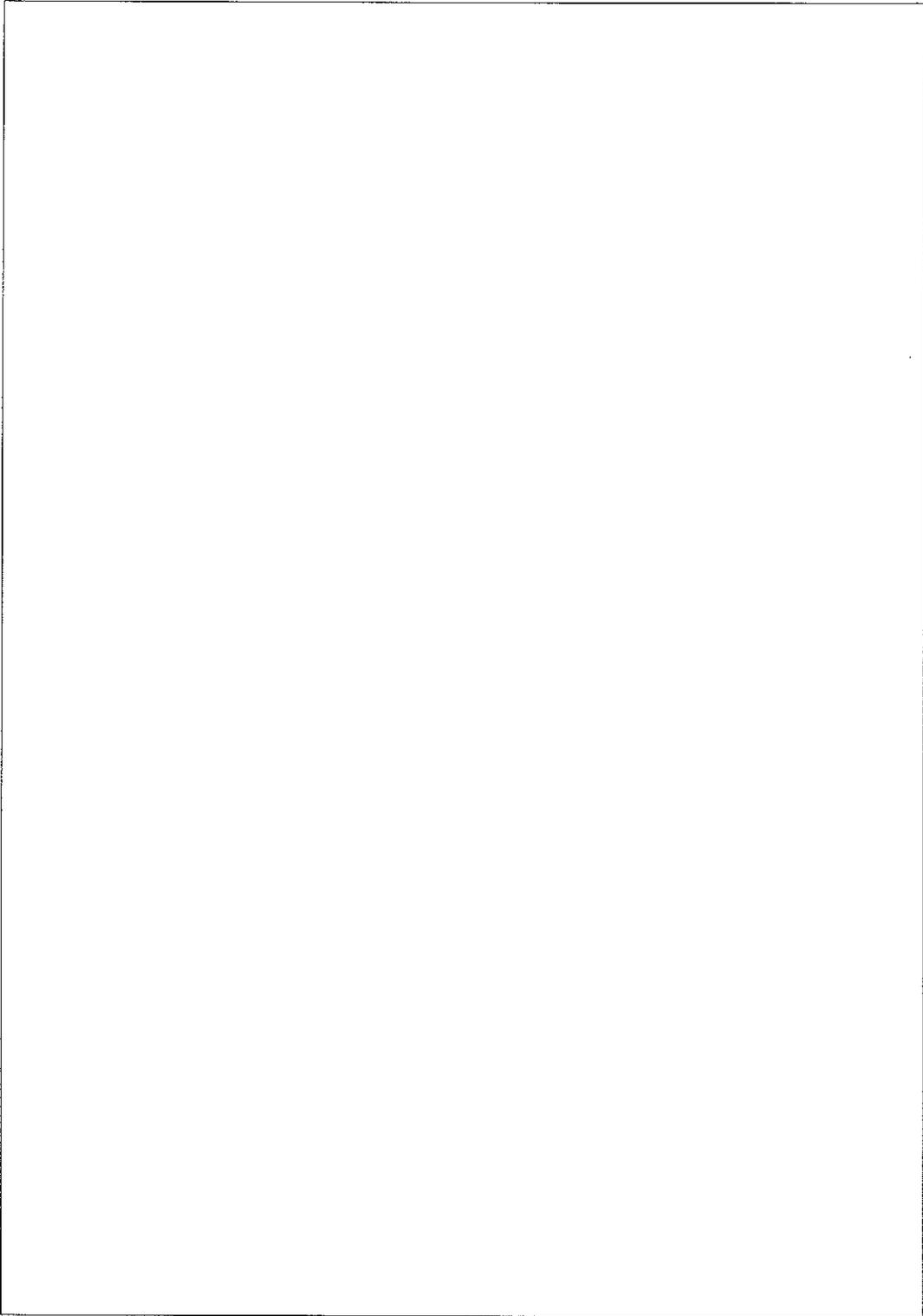


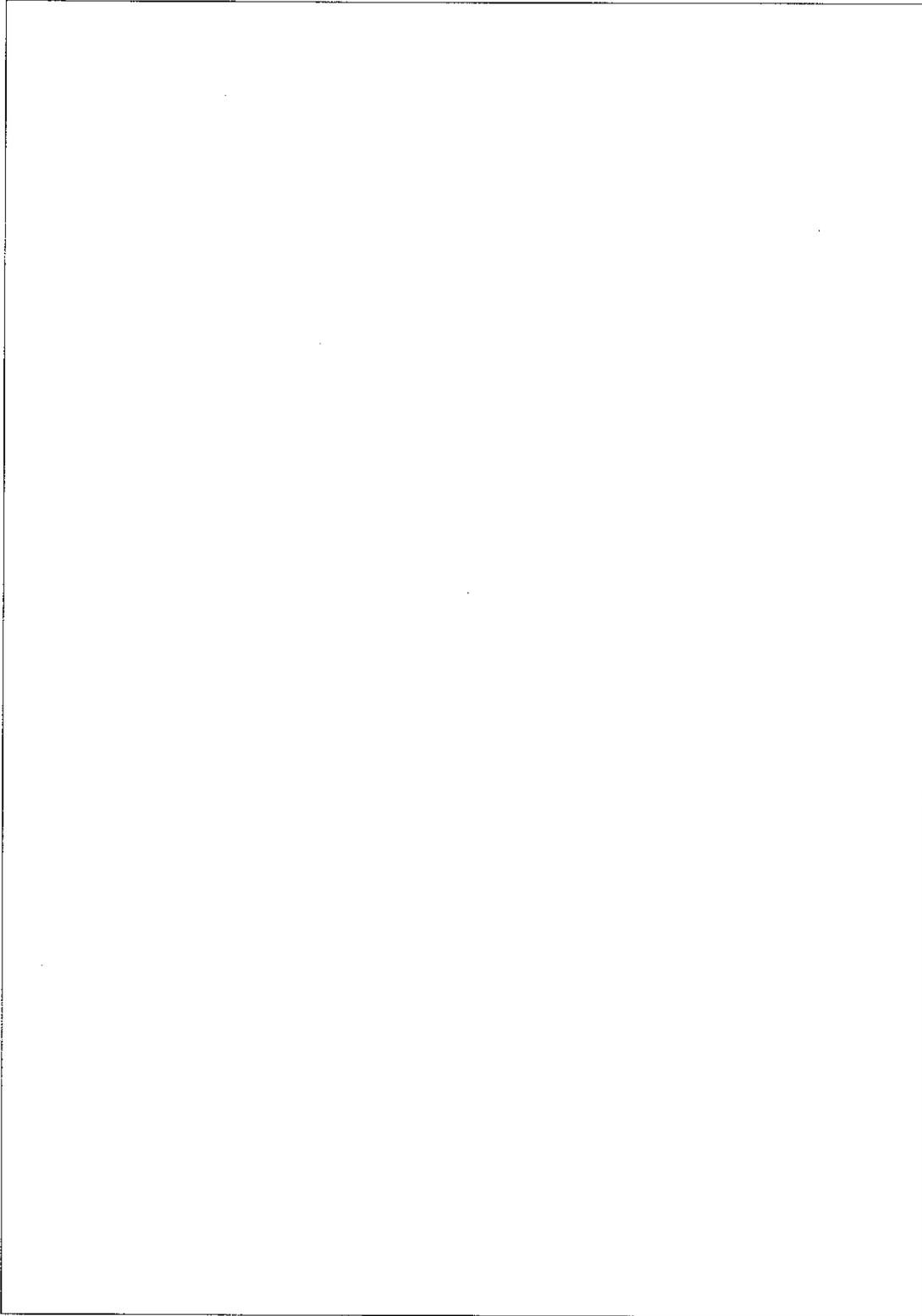
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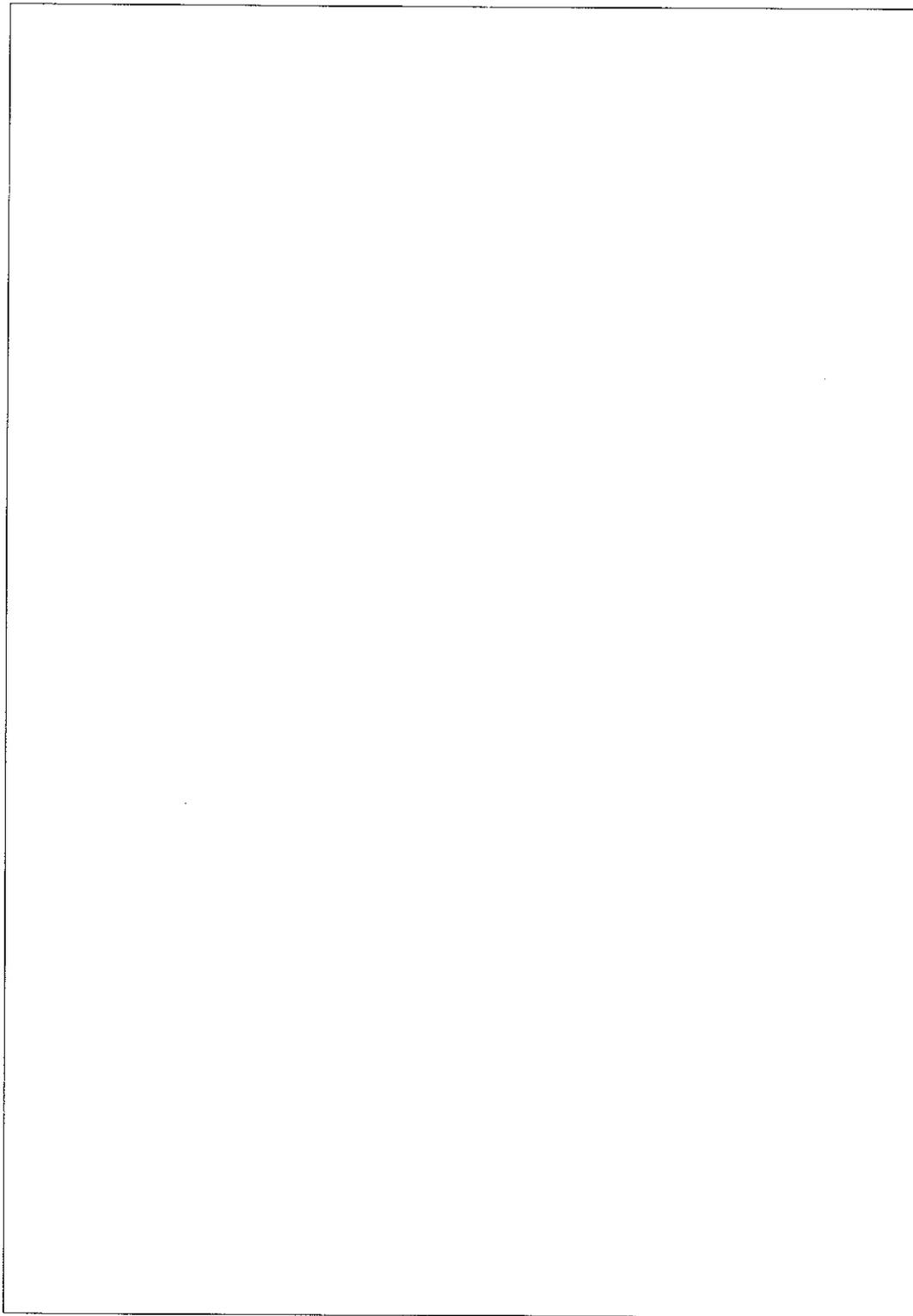
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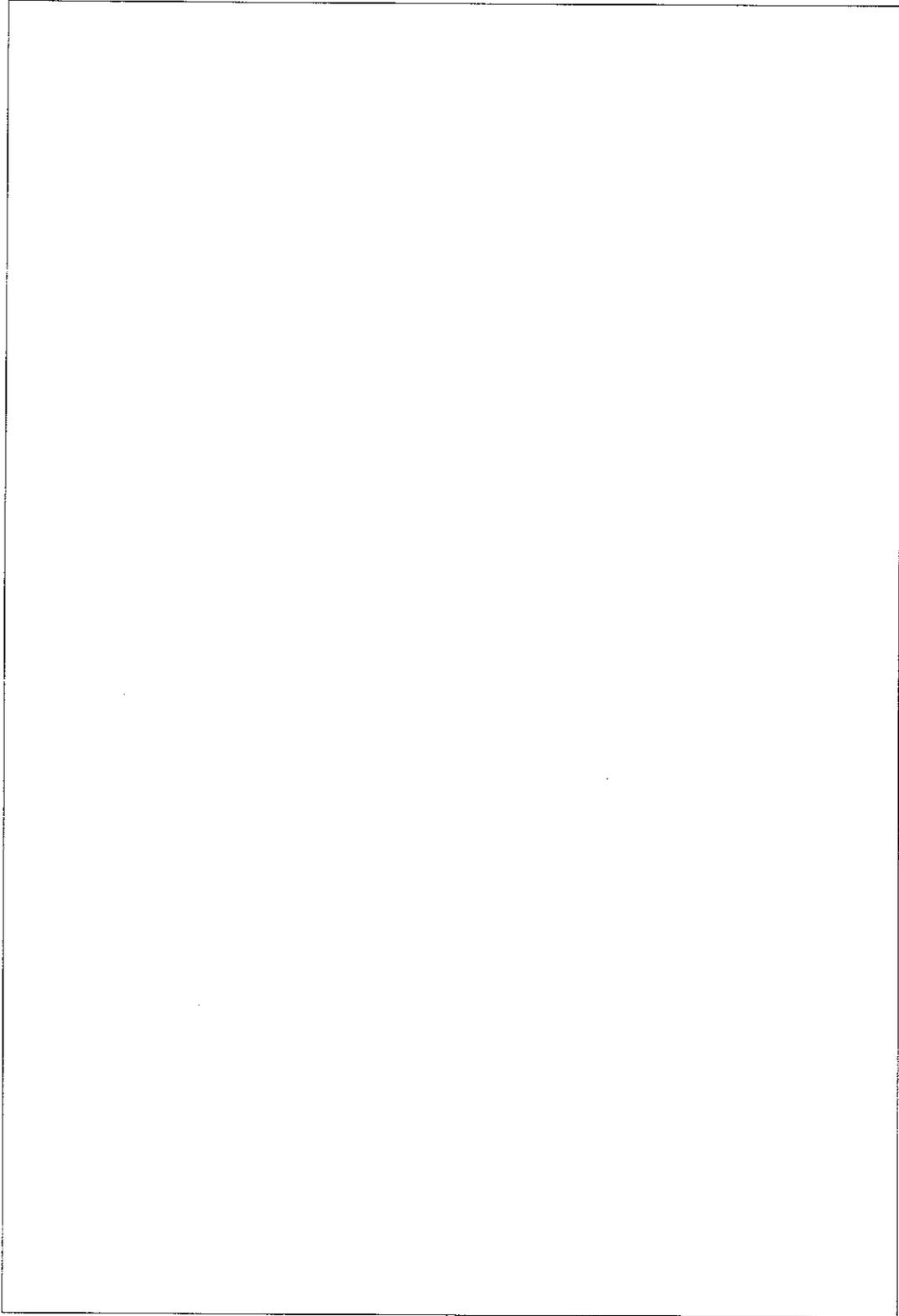




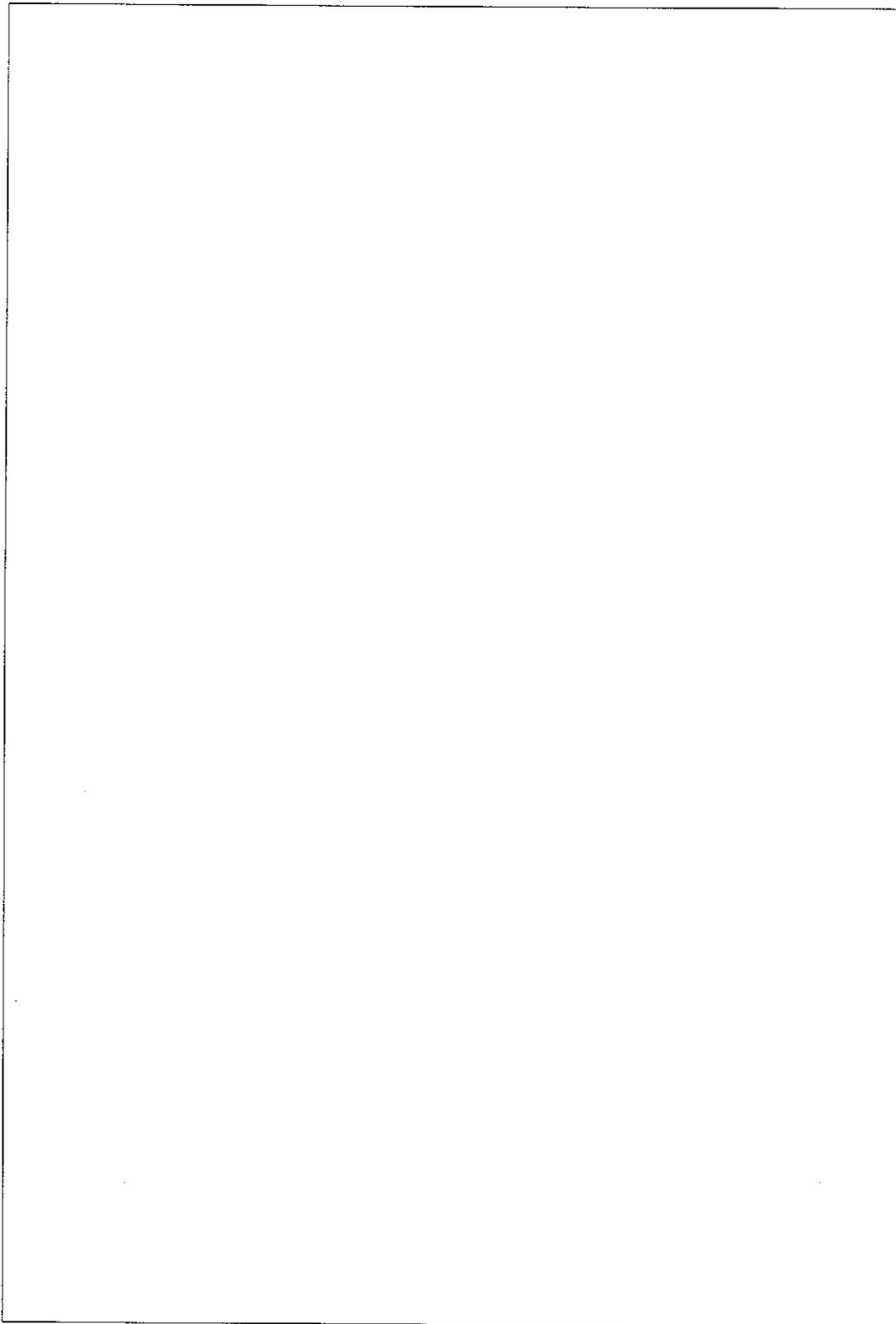
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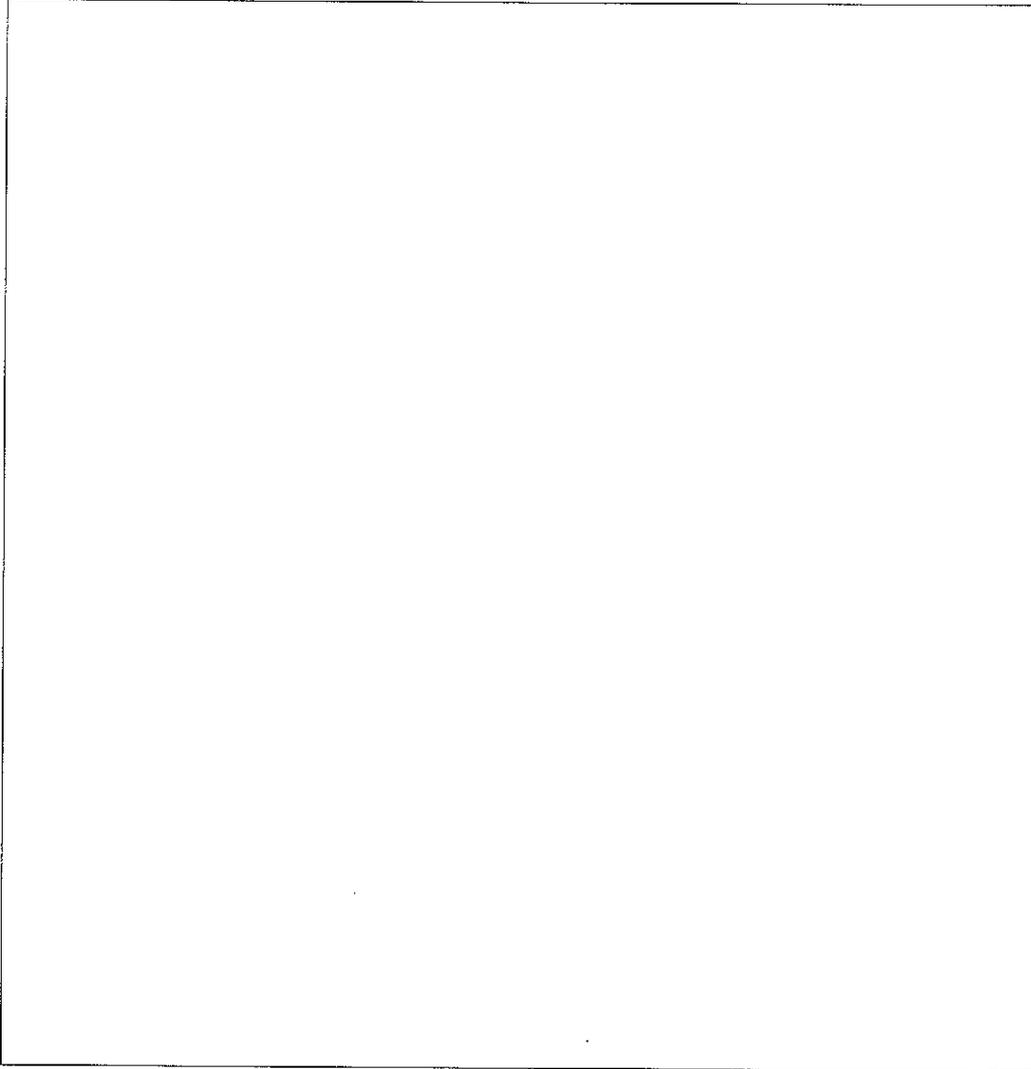
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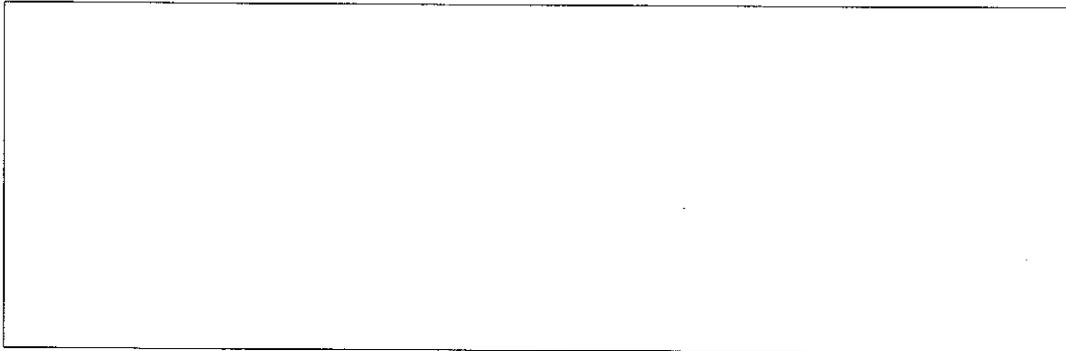
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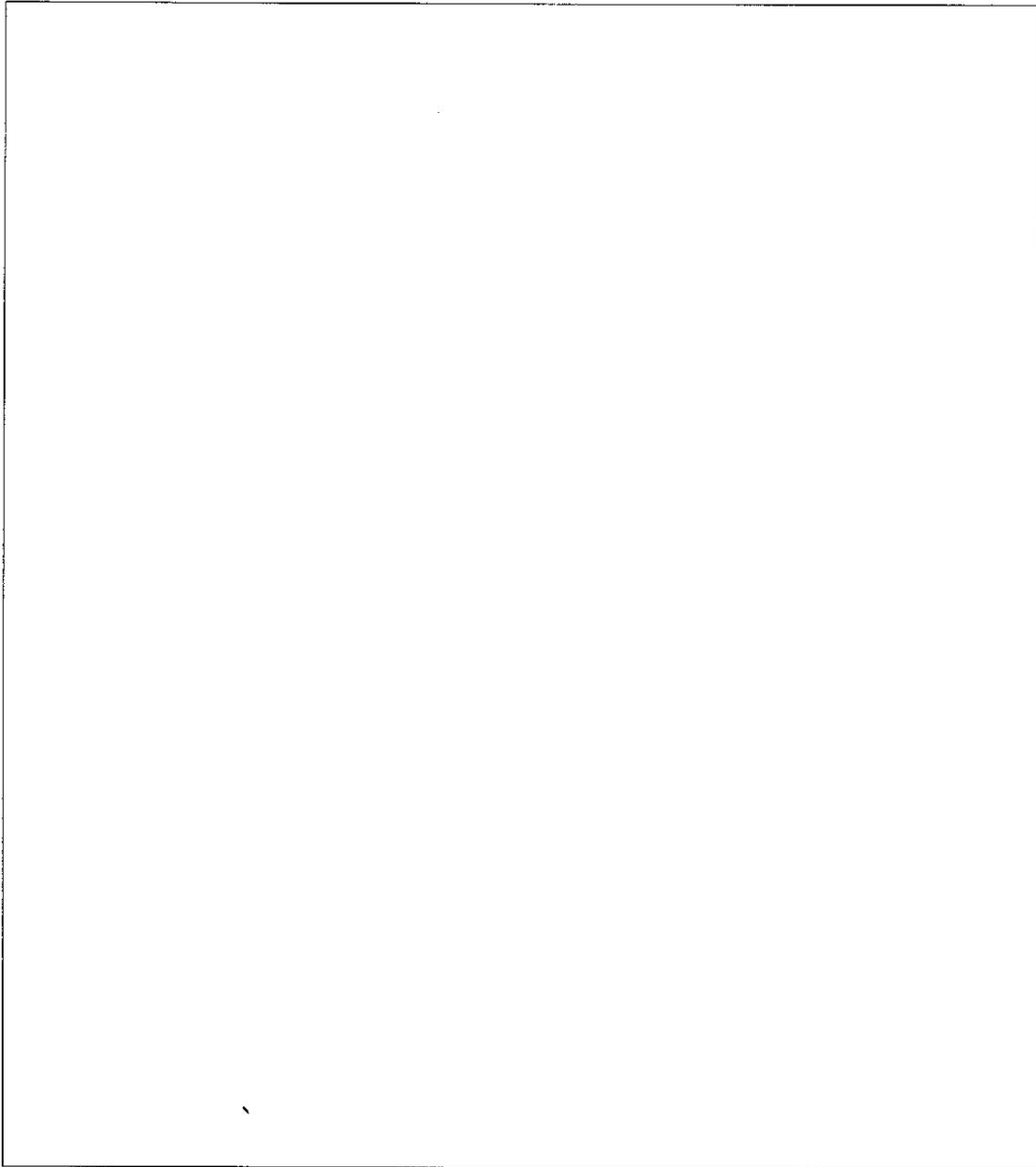
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*(U) SUMMARIES OF SELECTED CURRENT AUDITS*



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**(U) INSPECTIONS****(U) INSPECTION STAFF OVERVIEW**

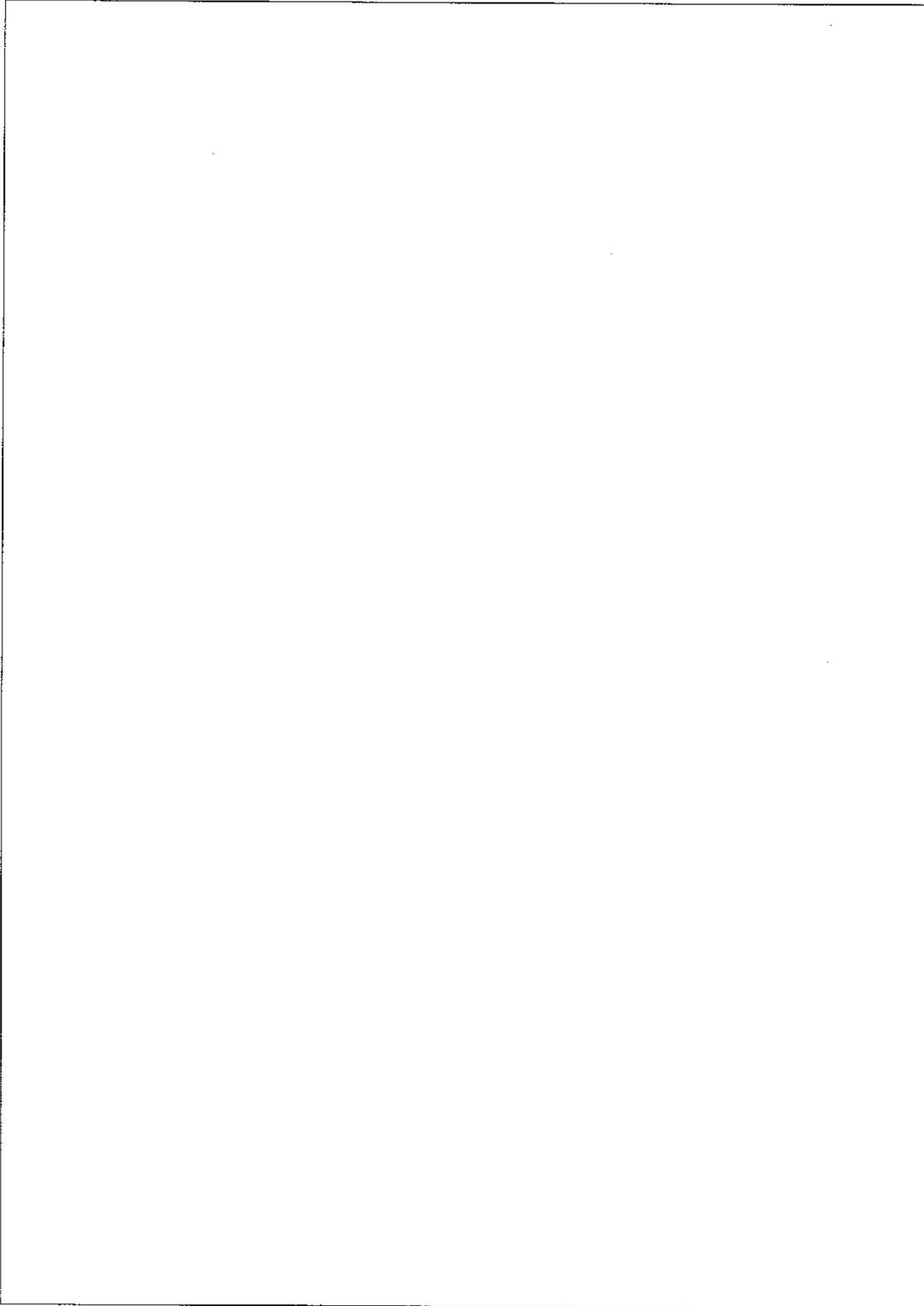
(U/[ ]) The Inspection Staff is responsible for conducting inspections of CIA programs and operations to evaluate their efficiency and effectiveness and their compliance with law, Executive Orders, and regulations.

(U/[ ]) During the current reporting period, the Staff completed inspections of Applications Services in the Office of the Chief Information Officer (CIO), [ ] the Near East and South Asia Division in the National Clandestine Service (NCS), the Office of Russian and European Analysis (OREA) in the Directorate of Intelligence (DI), the [ ] and Training for New DI Analysts. The Staff is continuing its inspection of Training for New NCS Officers. In addition, the Staff commenced inspections of Administrative Support, Employee Onboarding, the Office of Medical Services in the Directorate of Support (DS), [ ] [ ] the Directorate of Science and Technology (DS&T), and [ ] the NCS.

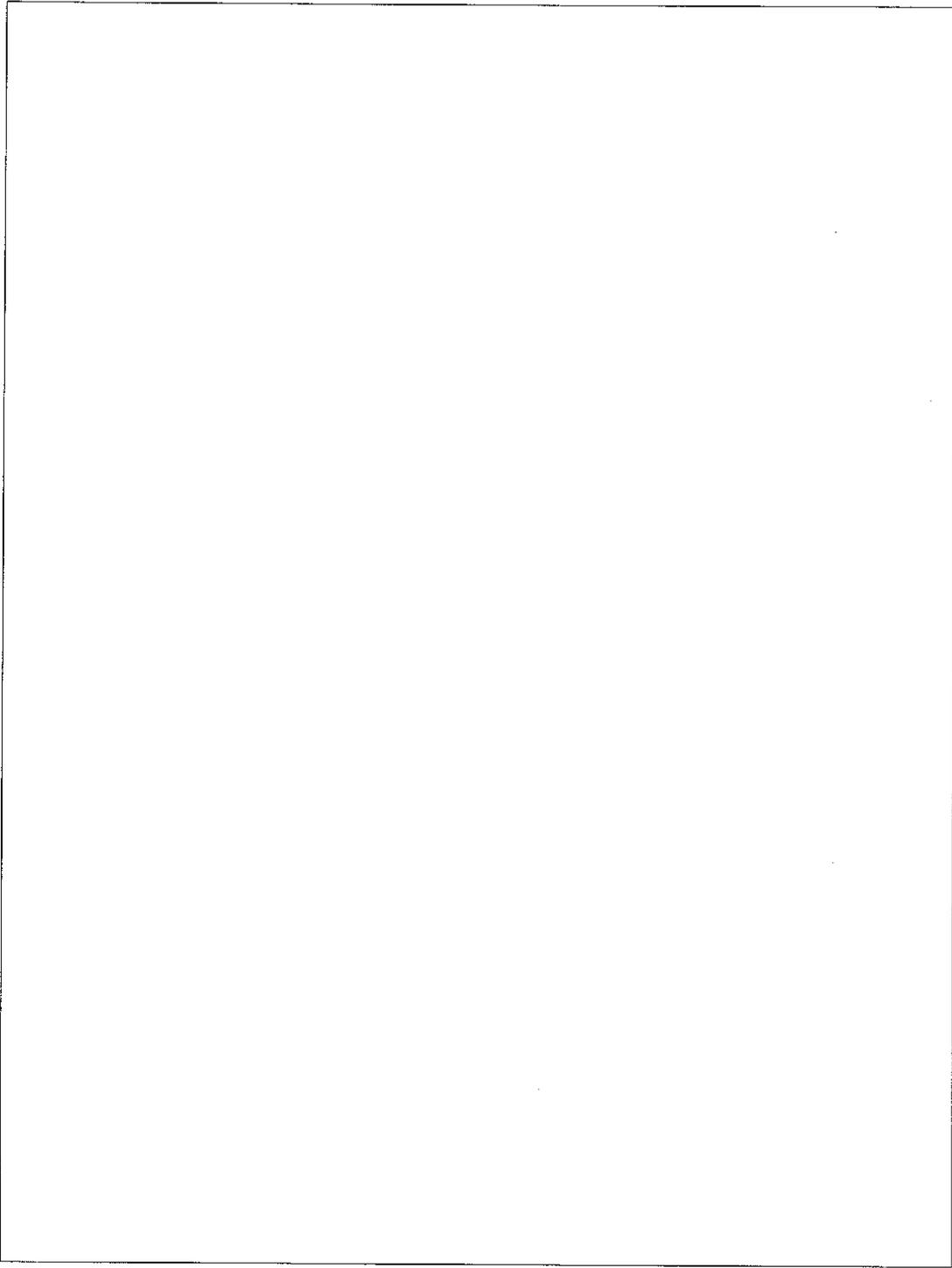
(U/[ ]) The Inspection Staff continues to conduct a two-week course for new inspectors and a seminar for team leaders before the start of each inspection cycle. The Staff also provides instructional seminars for OIG inspectors and research assistants during the course of each cycle.

(U/[ ]) In addition, the Staff closed six inspections – Europe Division in the NCS, [ ] the Office of Near Eastern and South Asian Analysis in the DI, [ ] [ ] the Senior Analytic Service, and [ ] – that were open as of 1 July 2007.

**(U) COMPLETED INSPECTIONS**

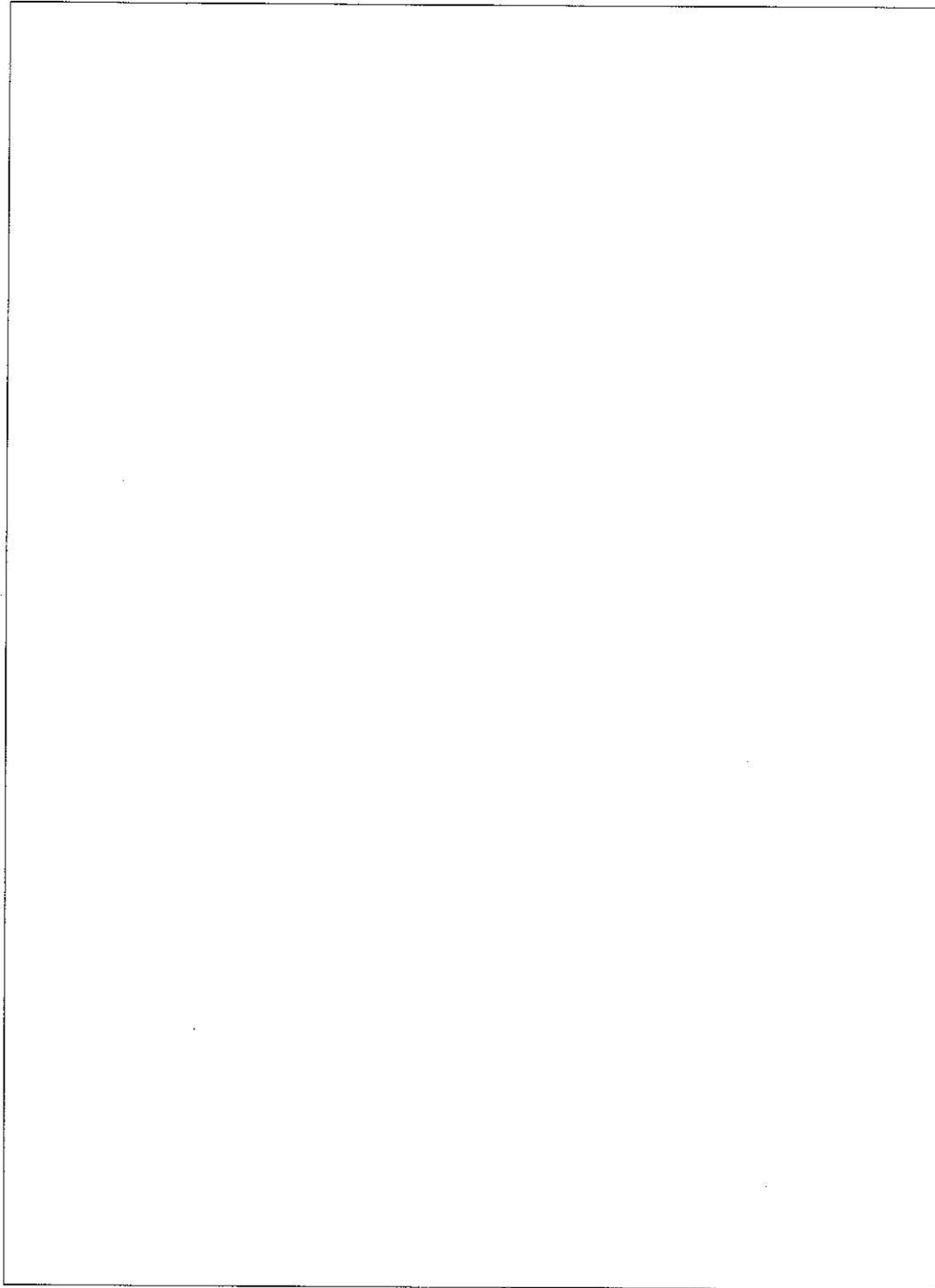


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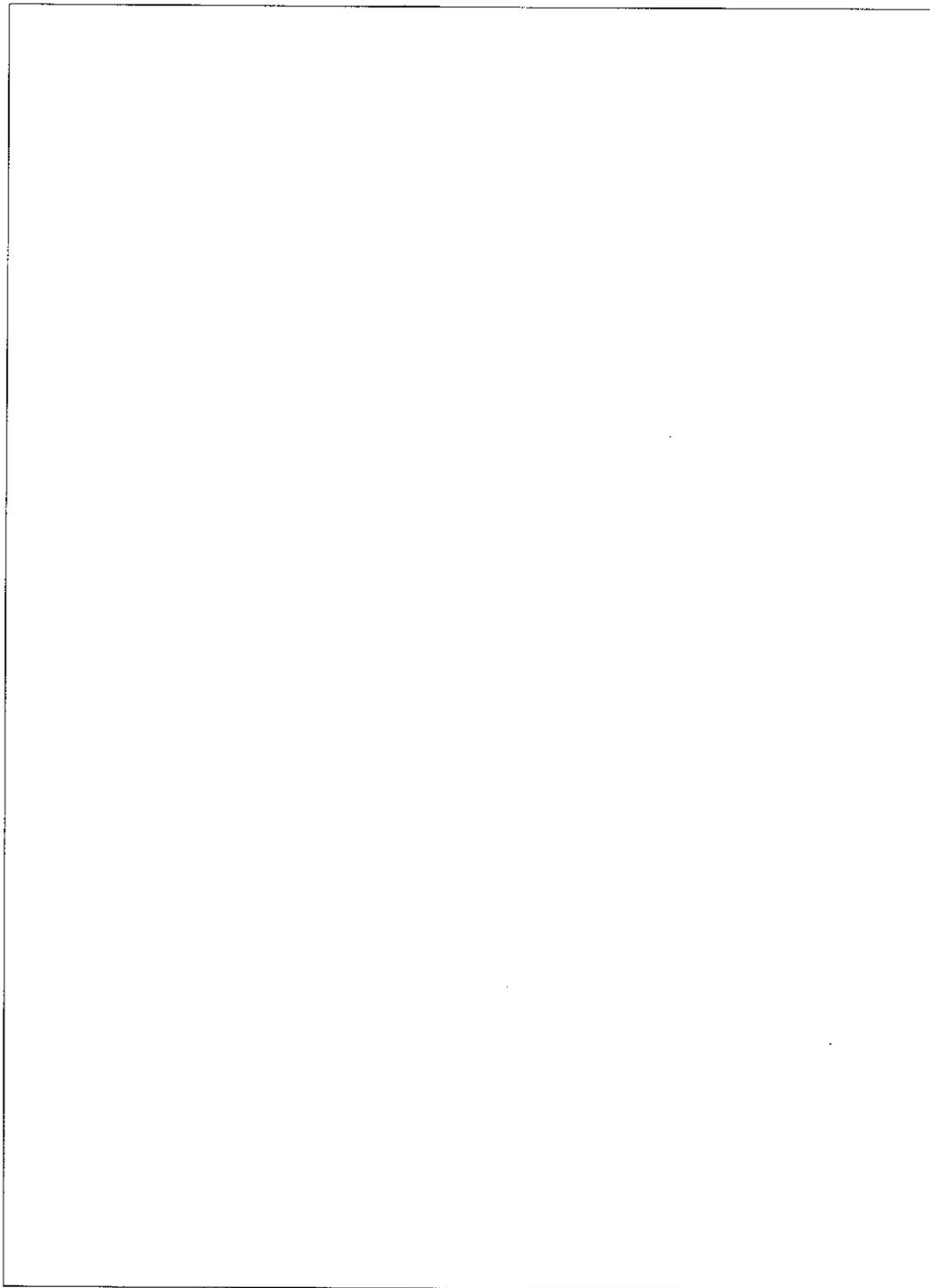


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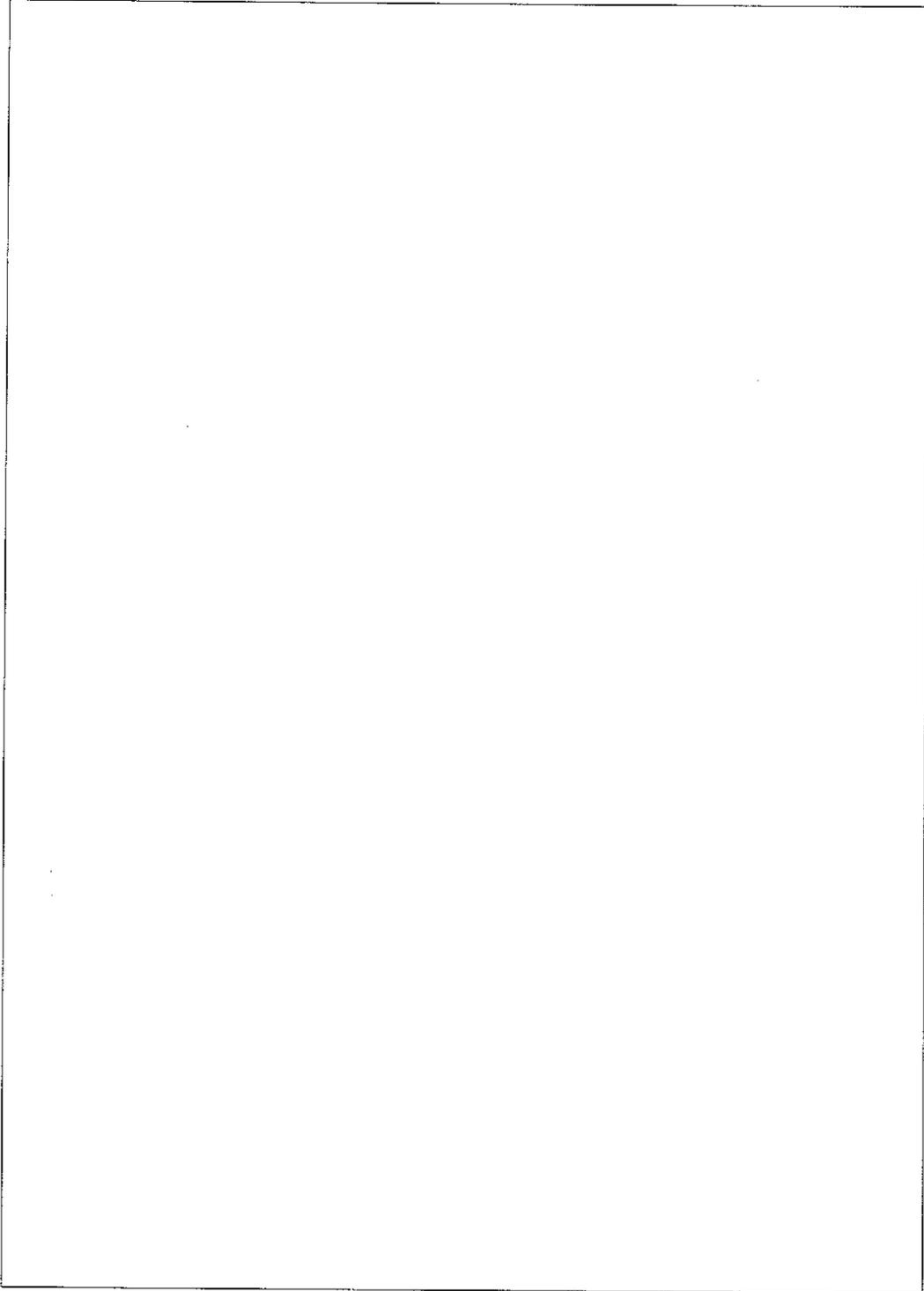
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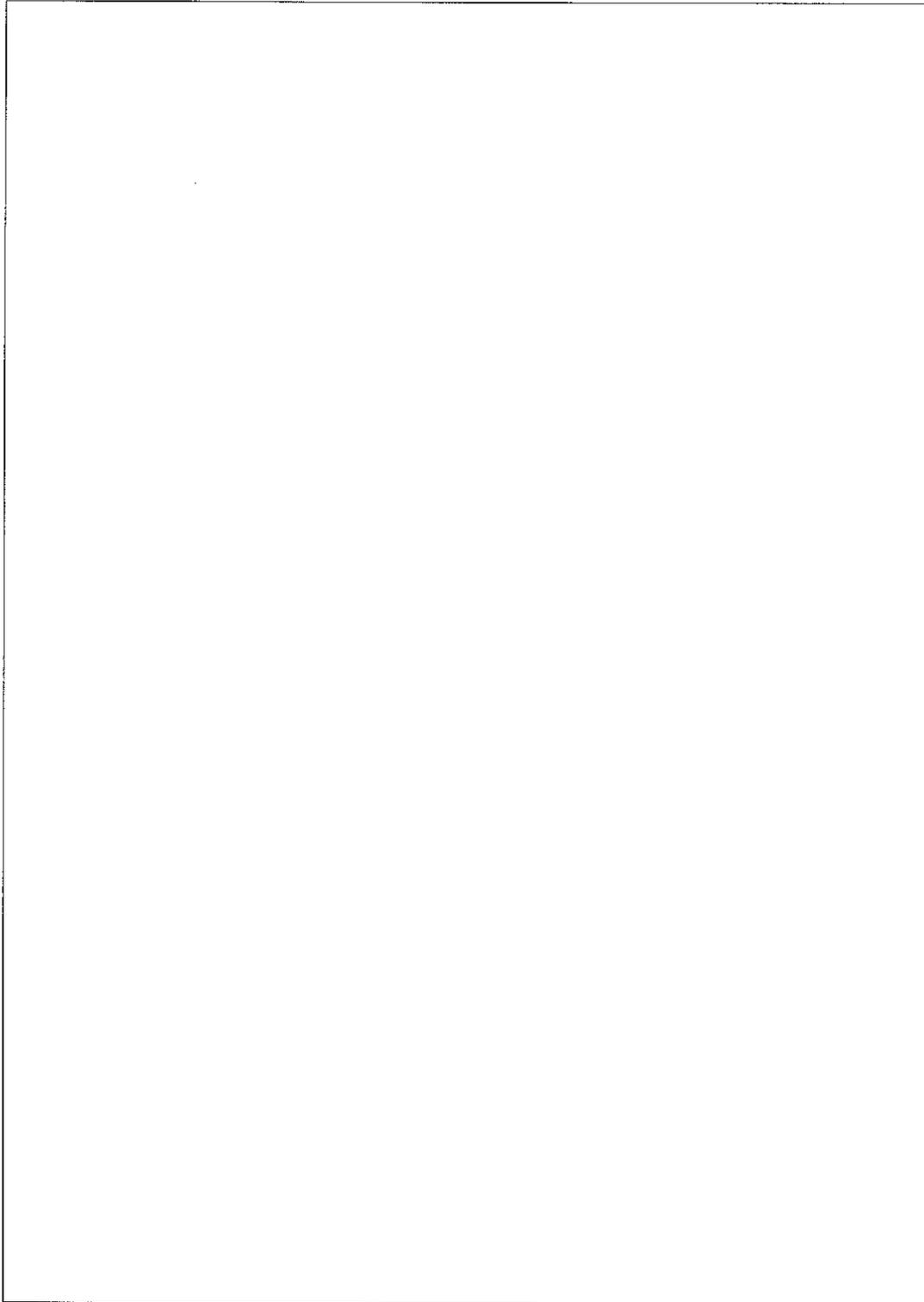
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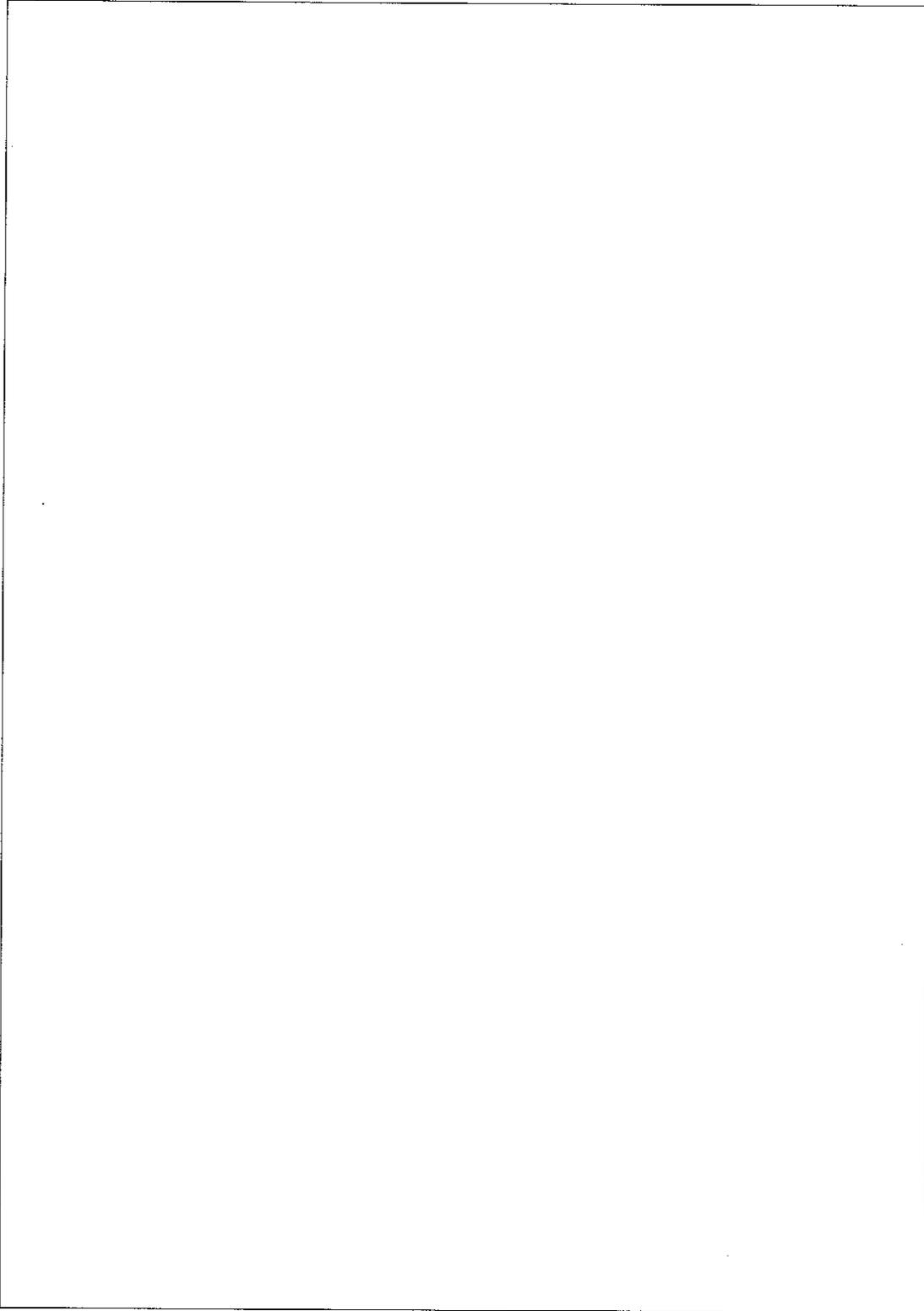
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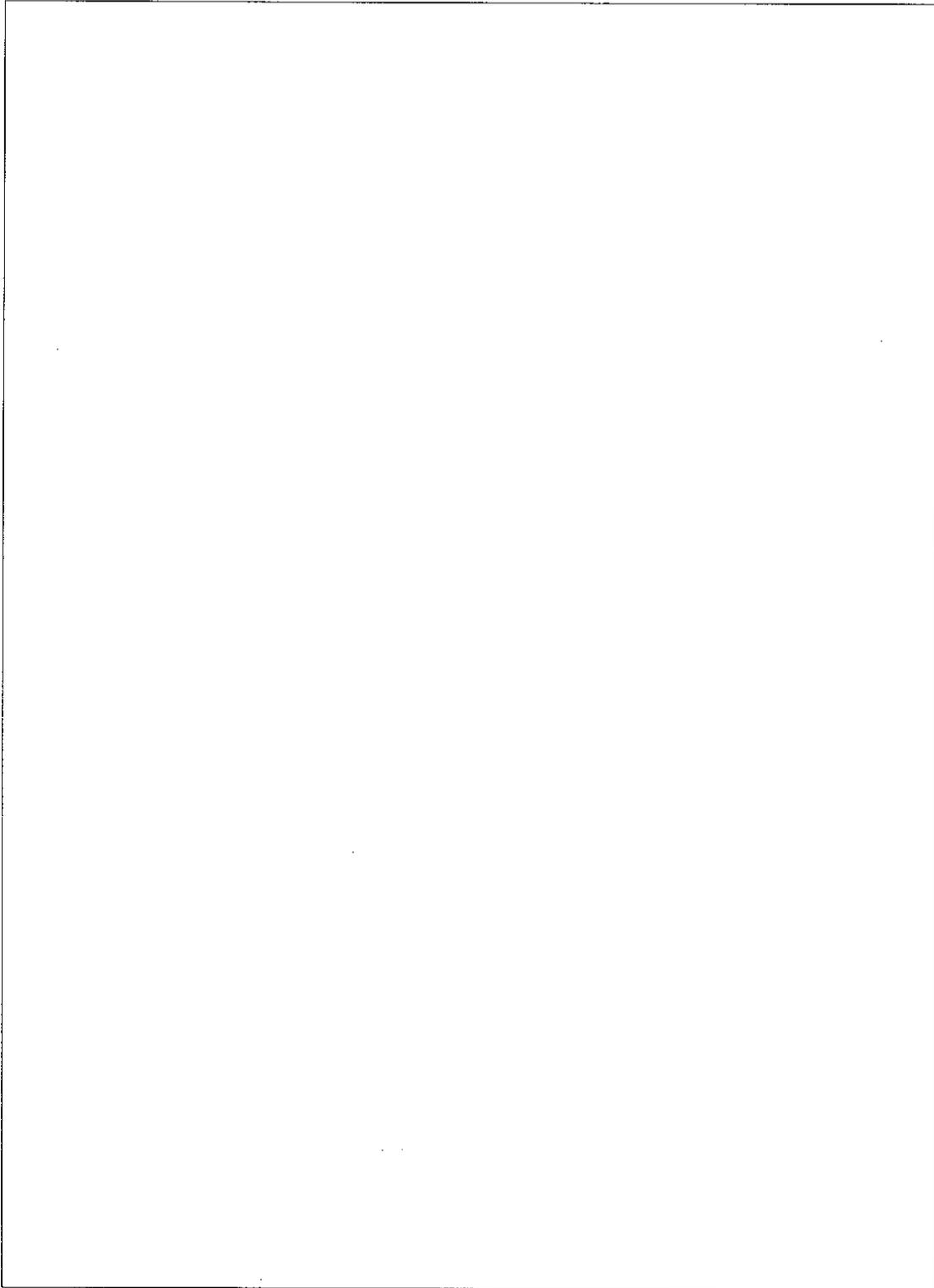
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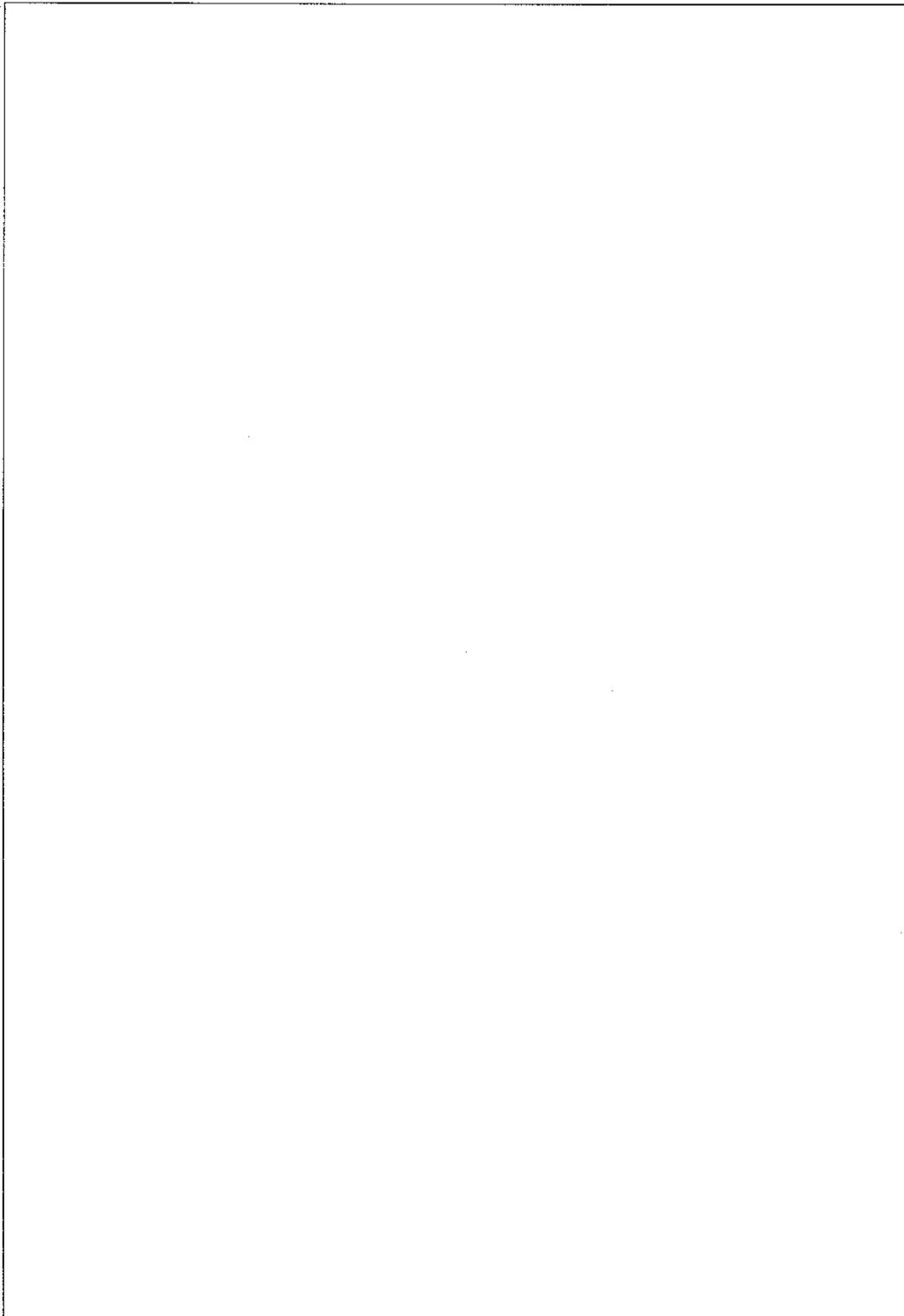
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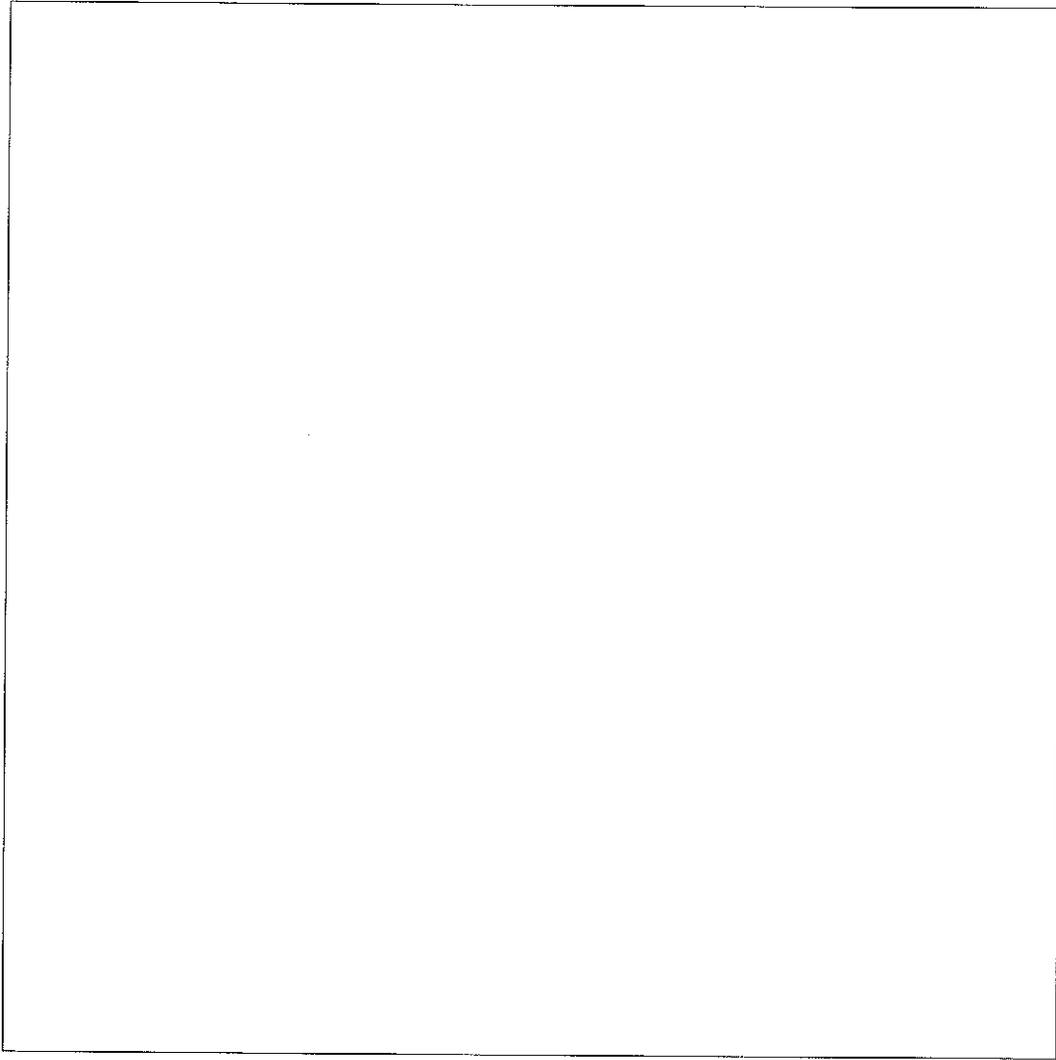
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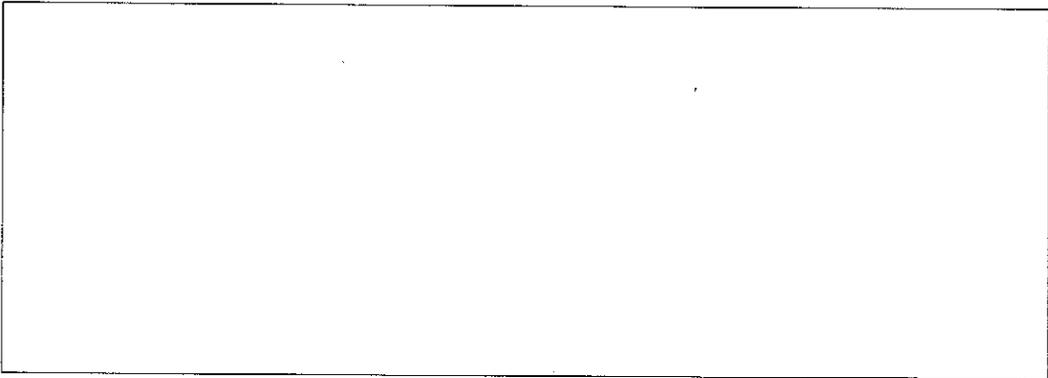
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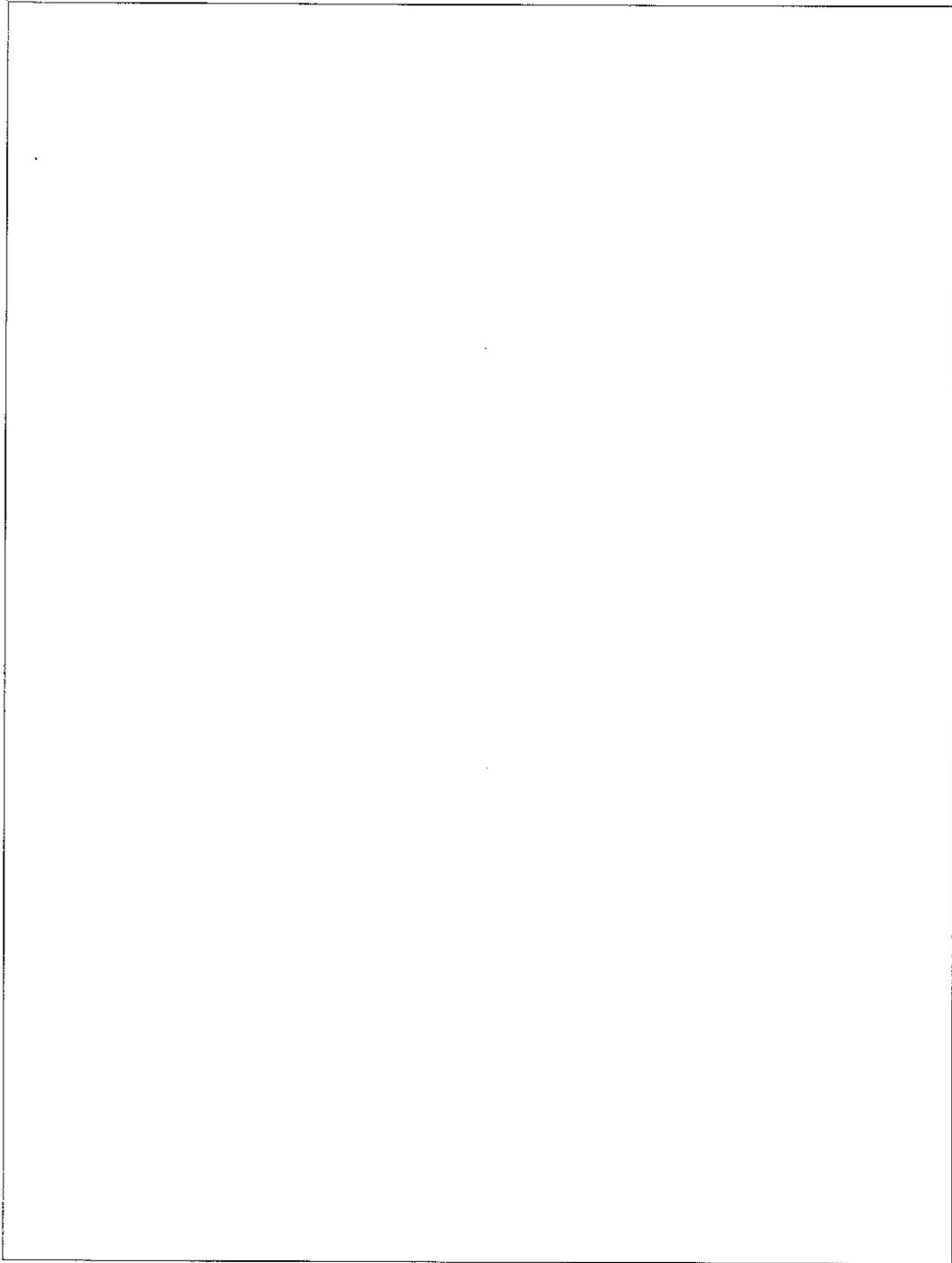
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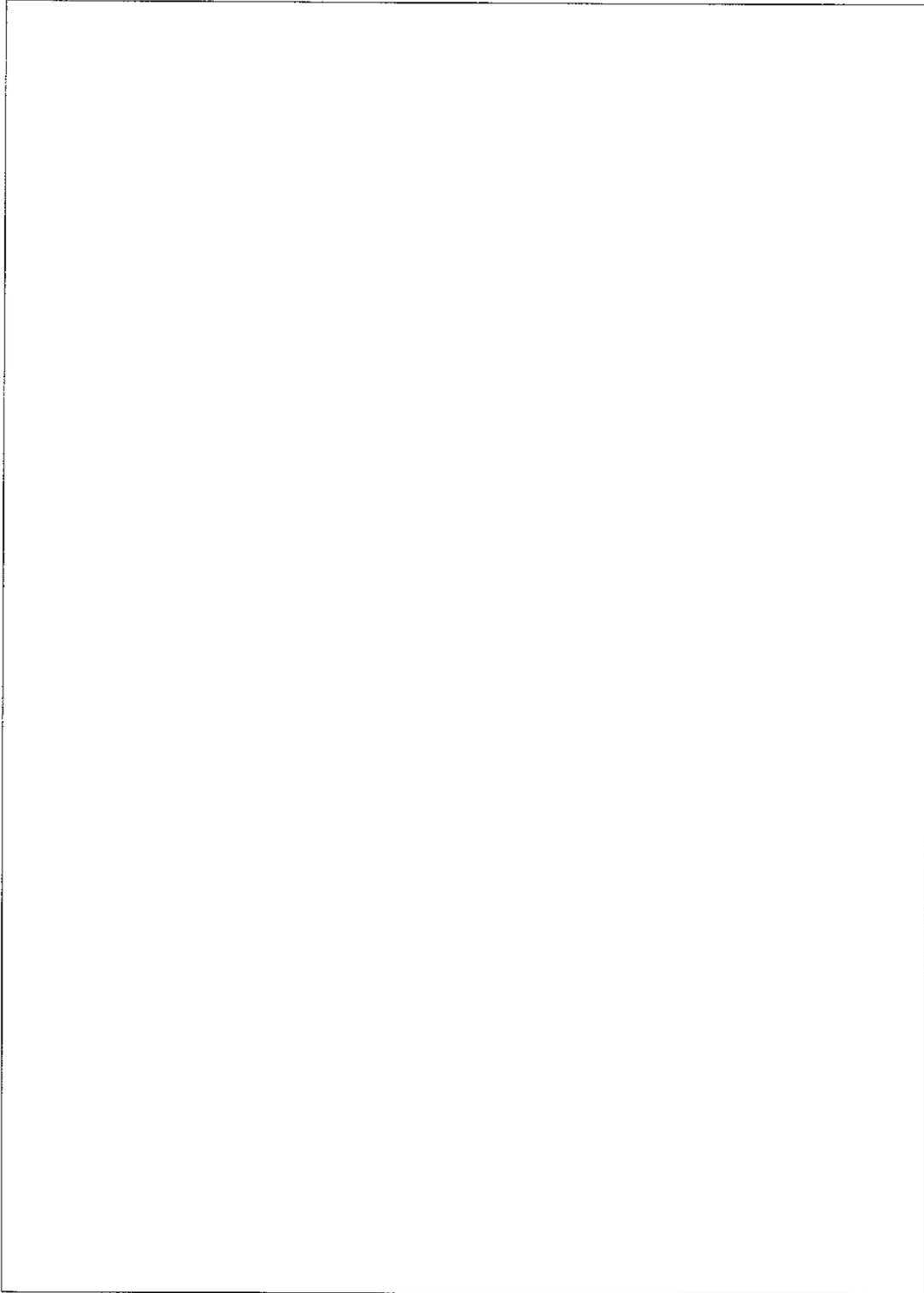


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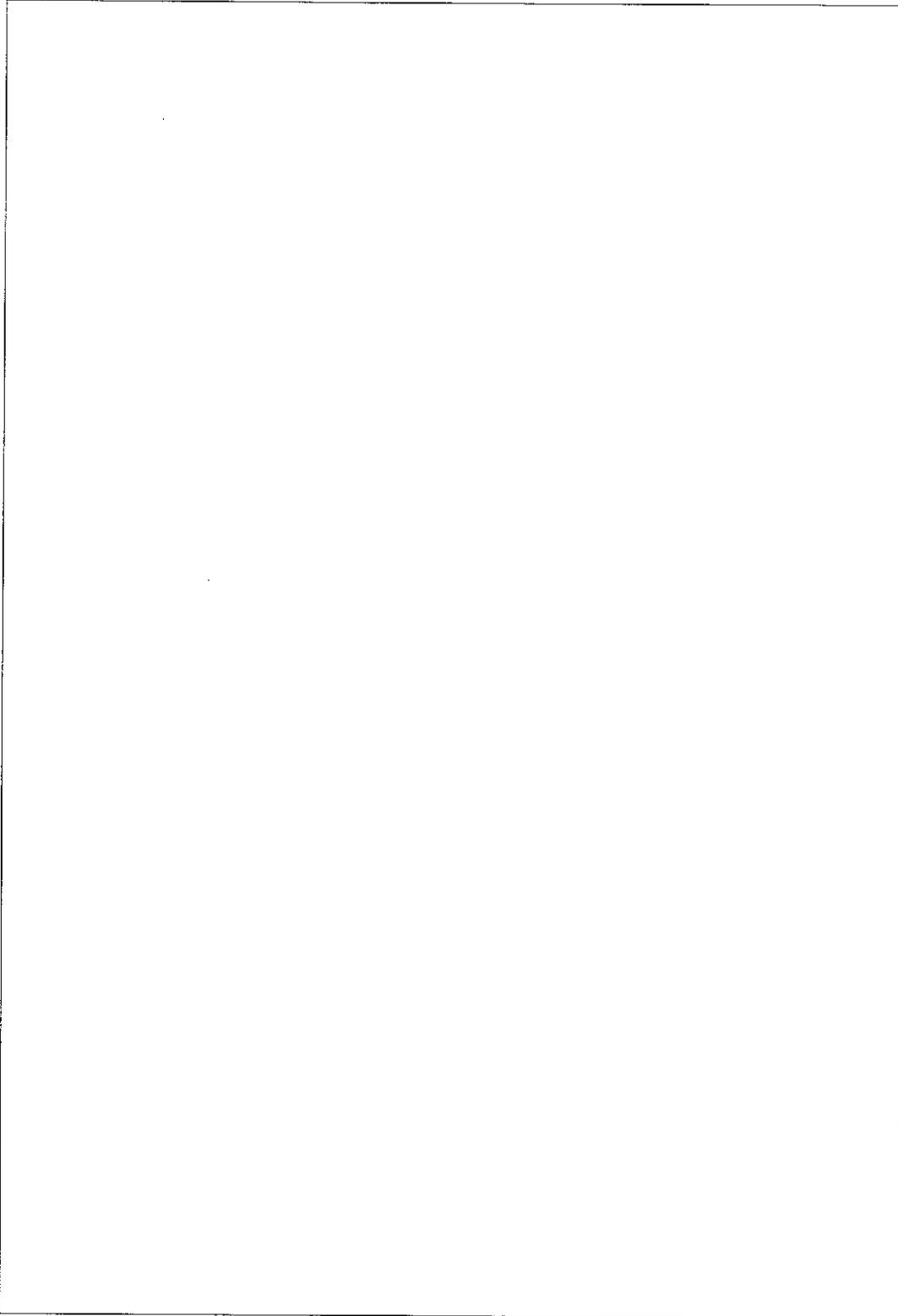


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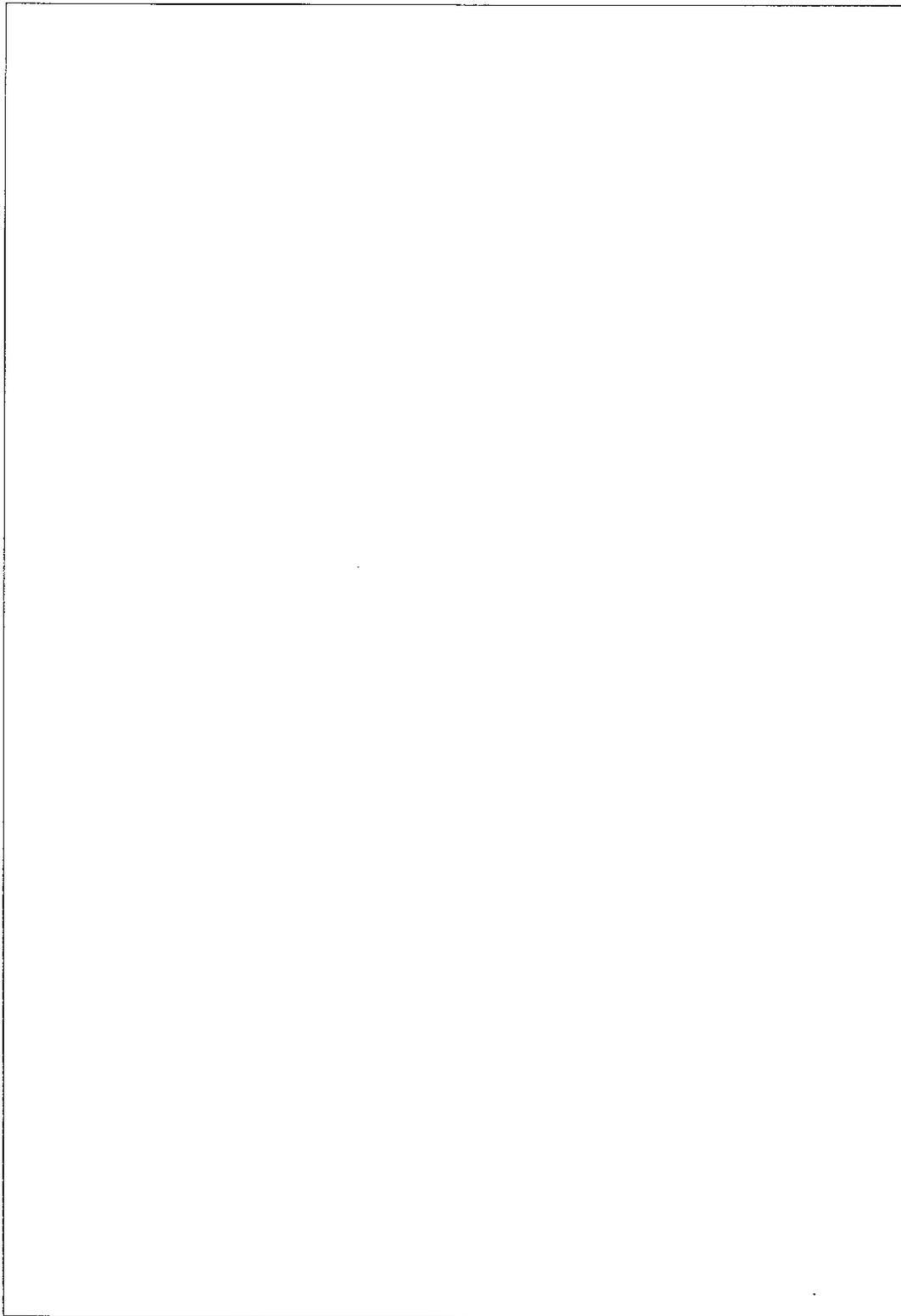
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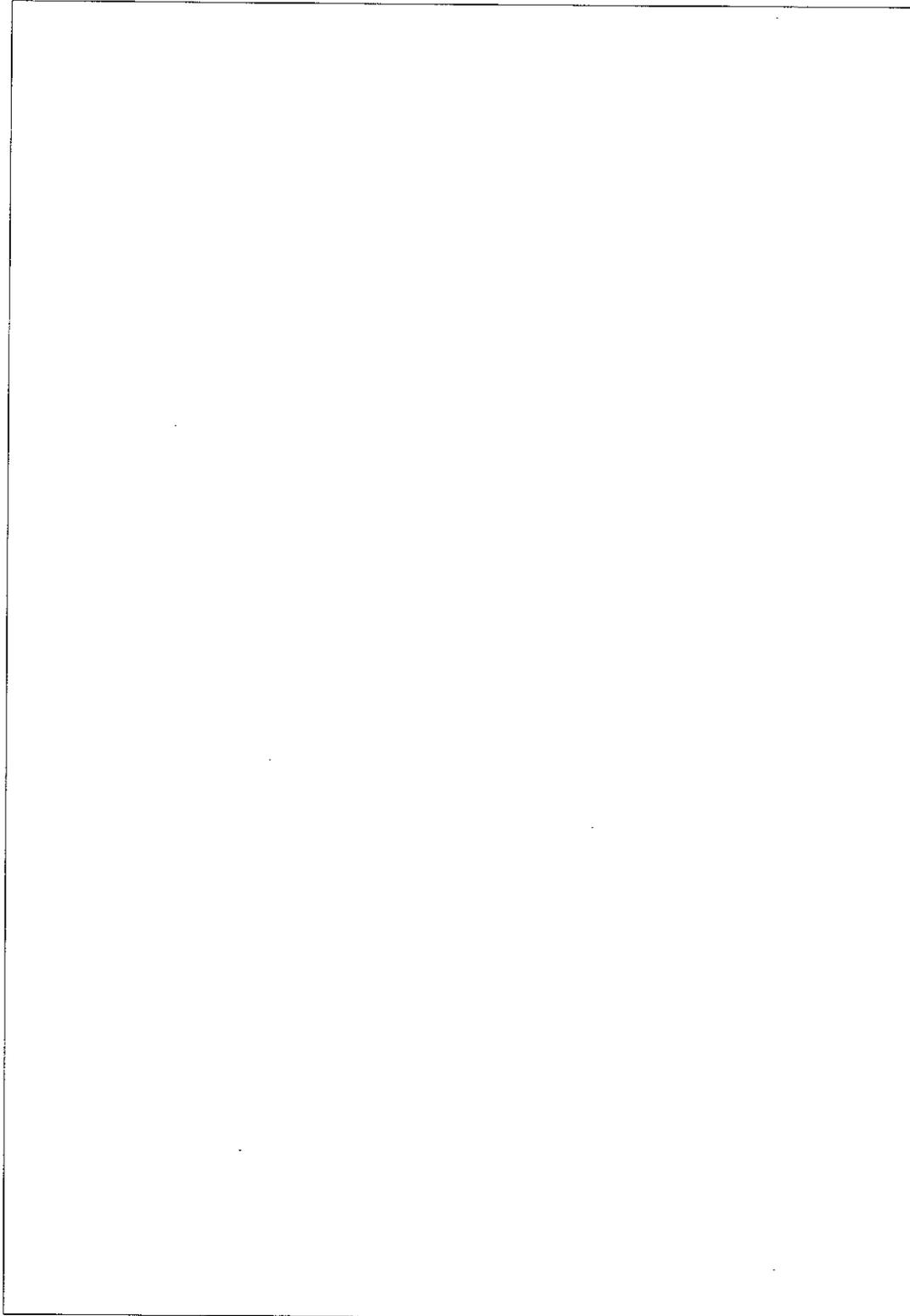


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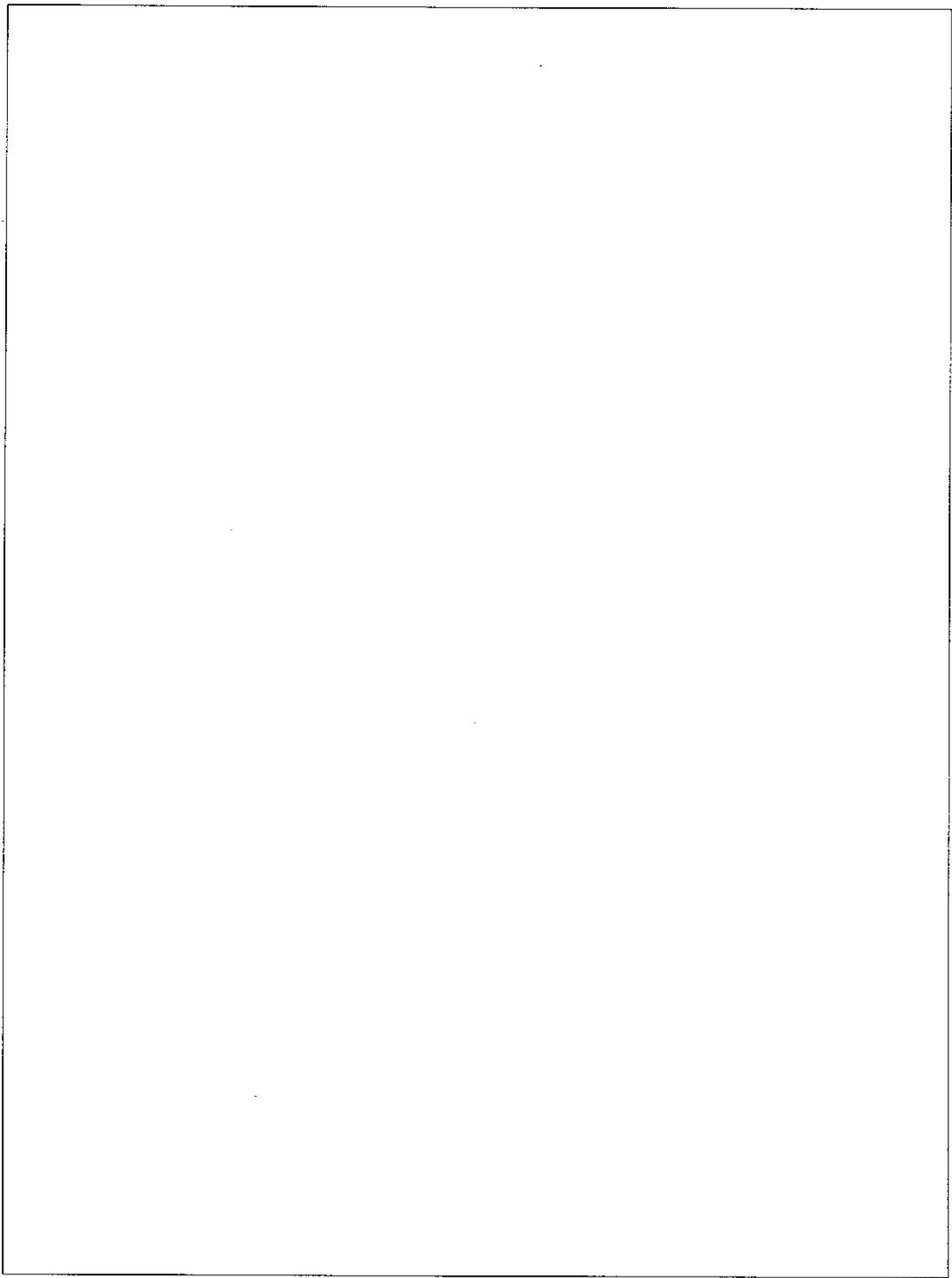
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**(U) SUMMARIES OF CURRENT INSPECTIONS**

(U/[ ]) **Training for New NCS Officers:** The inspection examines aspects of NCS's certification training for [ ] [ ] officers, and the impact of the training on the performance of NCS officers.

(U/[ ]) **Administrative Support:** The inspection focuses specifically on administrative support provided to the Agency by Mission Support Administrators and Special Assistants and examines factors that are critical to creating, sustaining, and overseeing an effective, productive administrative support capability.

(U/[ ]) **Employee Onboarding:** The inspection assesses how well the CIA integrates new officers and prepares them to succeed at their jobs and become fully engaged, productive employees of the Agency.

(U/[ ]) **Office of Medical Services:** The inspection focuses on mission fulfillment, customer and partner relationship management, and personnel and resource management.

[ ]

[ ]

**(U) INVESTIGATIONS****(U) INVESTIGATIONS STAFF OVERVIEW**

(U/[ ]) The Investigations Staff is statutorily authorized to receive and investigate complaints from any person concerning possible violations of laws, 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. Investigations are normally conducted unilaterally by OIG Special Agents, but other Federal investigative elements can be called upon when law enforcement authorities are necessary. The Staff also oversees the Agency's grievance system and conducts proactive initiatives aimed at detecting and preventing fraud, waste, and abuse.

(U/[ ]) The Staff continued a number of resource-intensive investigations concerning irregularities in contracting and [ ]. At the same time, the Staff conducted a range of other investigations, including allegations of fraud by employees and contractors, conflicts of interest, theft of US Government property, misappropriation of funds, and false statements and claims. Advancing the information technology arena remains a critical priority for the Staff, as it seeks to deploy hardware and software to organize, search, and [ ] voluminous records.

(U/[ ]) As a result of Staff investigations, three matters previously reported as referred to the Department of Justice (DoJ) for potential prosecution have been resolved. In a matter regarding the embezzlement of approximately [ ] of Agency funds, the former officer responsible for the embezzlement was sentenced in US District Court to 24 months of confinement, three years of supervised probation, and ordered to make restitution upon release from confinement. In another matter, regarding the theft of government property [ ] by an Agency contractor, the now-former contractor was sentenced to five months of incarceration,

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five months of house arrest, three years of supervised release, and was ordered to pay [ ] in restitution. In a related matter, a co-defendant has entered a guilty plea in the Northern District of Florida and awaits sentencing. Finally, a former independent contractor, who entered a guilty plea in the Northern District of California for falsifying background investigation reports on potential employees, was sentenced to make restitution of more than [ ] and to serve two years probation. As appropriate, the Staff issues Employee Bulletins to keep the Agency population alert to the issues, and consequences, of such activities.

(U/ [ ]) The Staff's workload continues to expand. The nature of investigations faced by the Staff has broadened significantly in the past several years and includes, among other subjects, investigations of deaths, child pornography, significant thefts of money and property, contracting irregularities, and conflicts of interest. To keep pace with the growing breadth of demands, the Staff is using a broad range of investigative techniques.

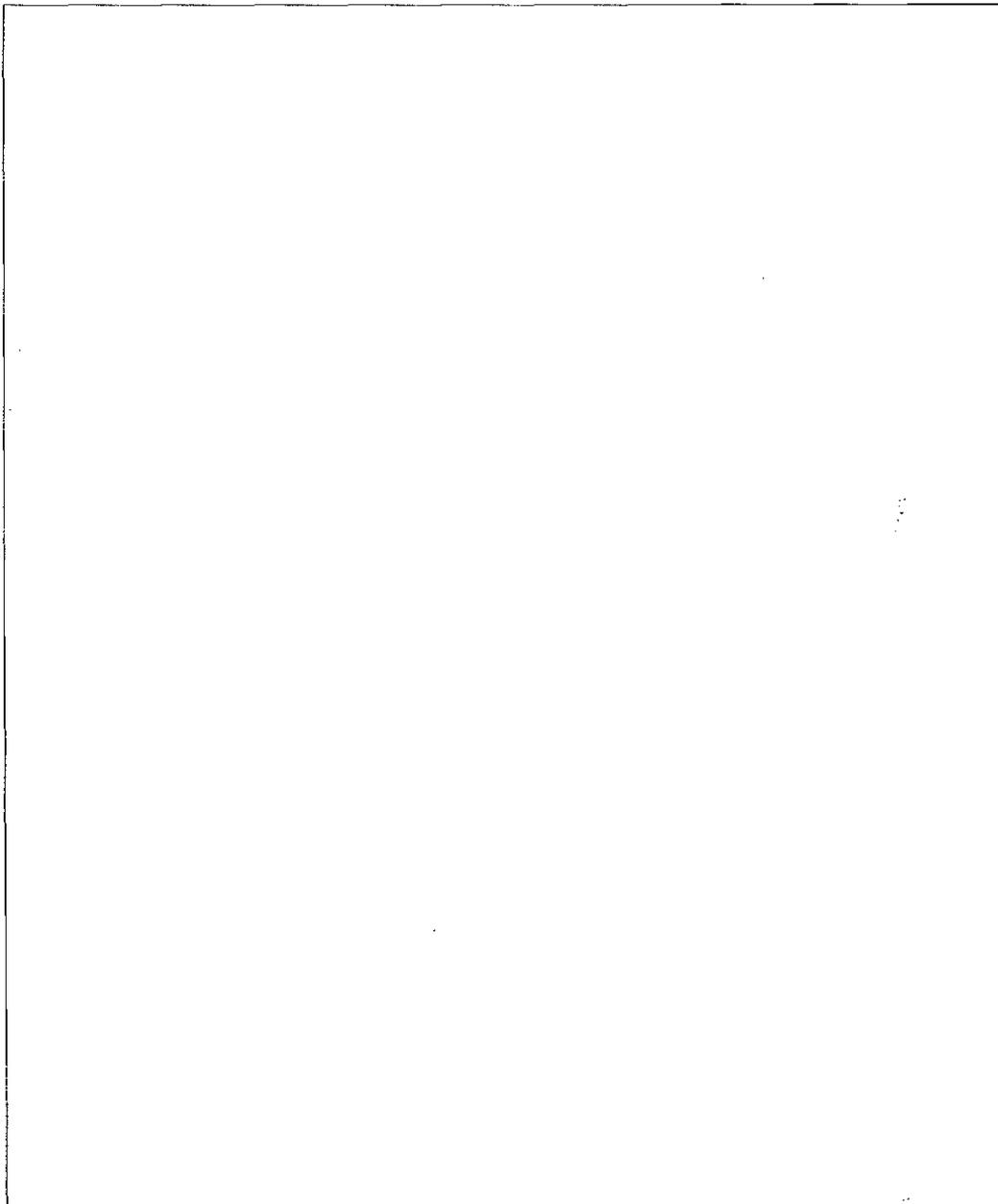
(U/ [ ]) Members of the Staff received the President's Council on Integrity and Efficiency Group Achievement Award for Excellence in Investigations, as a result of their investigative contributions to the successful prosecutive efforts by the US Attorney's Office in San Diego concerning public corruption. Additionally, the Inspector General presented Agency Seal Medals to two Assistant US Attorneys who prosecuted the case of former Agency independent contractor David Passaro for the unauthorized and brutal assault that contributed to the death of a detainee in Afghanistan.

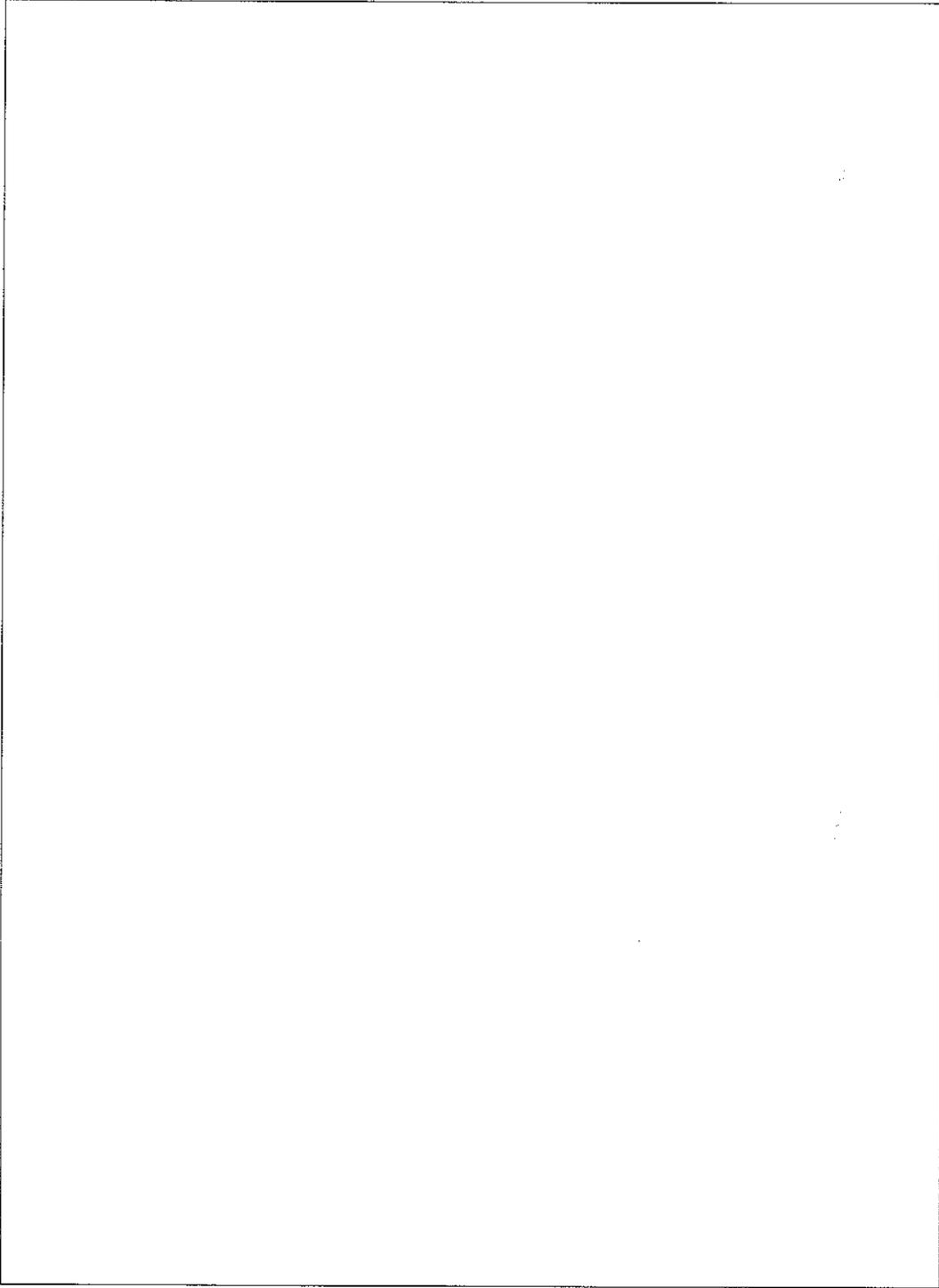
(U/ [ ]) The Staff continues to oversee the Agency-wide grievance system, which seeks to resolve grievances at the lowest possible level in the organization. In addition to sponsoring a yearly grievance counselor workshop for component and directorate grievance officers, the Staff hosts regular meetings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

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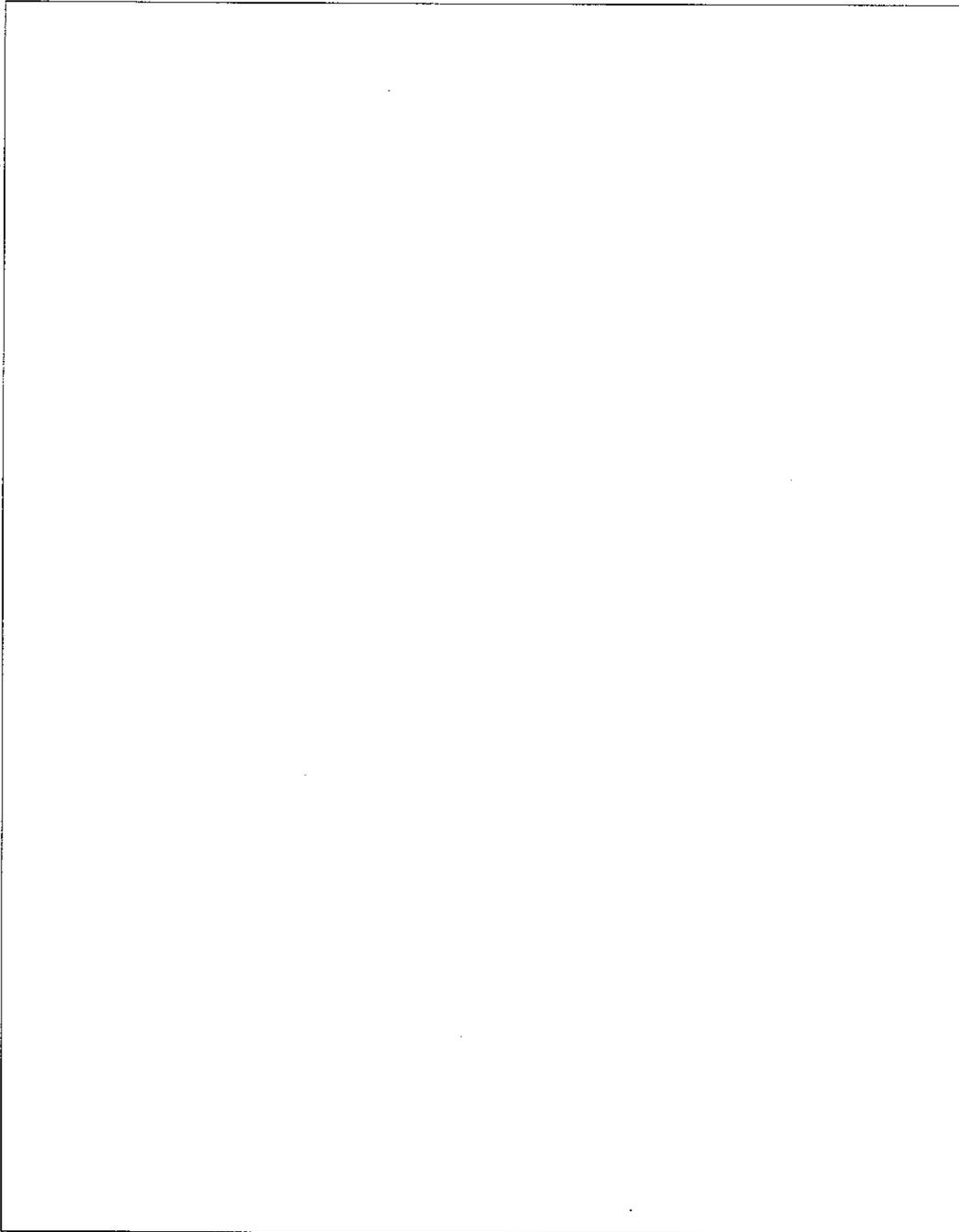
mandatory training for all new grievance officers. This training, together with the emphasis on resolution at the lowest possible level, continues to contribute to effective and timely grievance resolution.

**(U) COMPLETED INVESTIGATIONS**





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## (U) STATISTICAL OVERVIEW

### (U) Audit Staff

(U/[ ]) During the period 1 July to 31 December 2007, the Audit Staff issued 14 reports containing 46 recommendations to strengthen internal controls over program management, covert actions, financial management, information technology, and field station administration.

(U/[ ]) The Audit Staff had 17 audits ongoing at the end of the reporting period.

### (U) Inspection Staff

(U/[ ]) During the last six months of 2007, the Inspection Staff completed six inspections. At the end of the reporting period, the Staff also had six ongoing inspections. In addition, the Staff closed six inspections.

### (U) Investigations Staff

(U/[ ]) The Investigations Staff completed work on 22 matters of various types during this reporting period. Of this number [ ] cases were of sufficient significance to be the subject of a final report.

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

(U/[ ]) As of 31 December 2007, 166 matters were in various stages of review by the Investigations Staff.

**(U) COMPLETED AUDITS**  
1 July - 31 December 2007

**(U) Financial Management**

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

**(U) Information Technology**

(U) [ ] 2007 Independent Evaluation of the CIA's Information Security Program and Practices Required by the Federal Information Security Management Act (FISMA)  
[ ]

**(U) Operations**

[ ]

[ ]

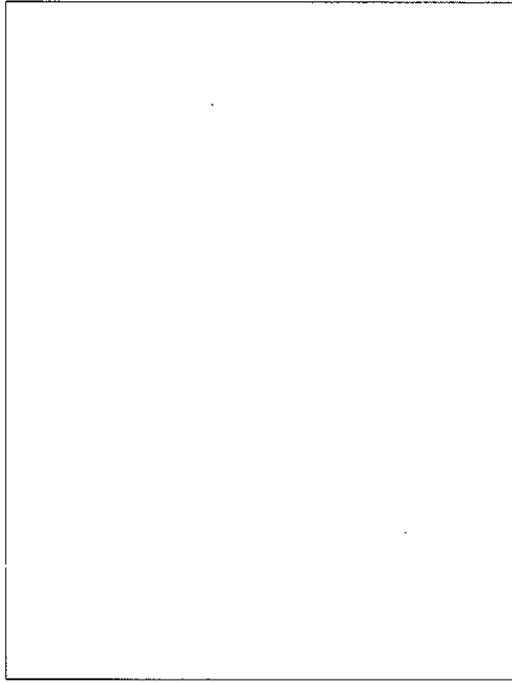
**(U) Procurement**

[ ]

[ ]

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(U) [ ] **Activities**



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**(U) CURRENT AUDITS**  
31 December 2007

**(U) Information Technology**

[ ]

(U/[ ] The National Clandestine Service Desktop  
Application

[ ]

**(U) Operations**

[ ]

**(U) Procurement**

[ ]

[ ]

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[ ]

(U) [ ] Activities

[ ]

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**(U) COMPLETED INSPECTIONS**

1 July - 31 December 2007

(U/[ ]) Applications Services [ ]

[ ]

(U/[ ] Near East and South Asia Division [ ]

(U/[ ] Office of Russian and European Analysis  
[ ]

[ ]

(U/[ ] Training for New DI Analysts [ ]

**(U) CURRENT INSPECTIONS**

31 December 2007

(U/[ ] Training for New NCS Officers

(U/[ ] Administrative Support

(U/[ ] Employee Onboarding

(U/[ ] Office of Medical Services

[ ]

[ ]

**(U) COMPLETED INVESTIGATIONS**

**1 July - 31 December 2007**

[redacted]

[redacted]

[redacted]

(U/[redacted] Alleged Extortion/Embezzlement

[redacted]\*)

[redacted]

[redacted]

(U/[redacted] Theft of US Government Property

[redacted]

(U/[redacted] Possible Hatch Act Violation

[redacted]\*)

[redacted]

(U/[redacted] Alleged Illegal Transportation of Firearms

[redacted]\*)

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

(U/[redacted] Alleged Inaccurate Medical Report and Care  
[redacted]\*)

(U/[redacted] Possible Conflict of Interest  
[redacted]\*)

(U/[redacted] Allegations of Contract Irregularities  
[redacted]\*)

(U/[redacted] Alleged Conflict of Interest  
[redacted]\*)

(U/[redacted] Allegation of Ethical Violations in Contracting  
[redacted]\*)

(U/[redacted] Alleged Time and Attendance Abuse  
[redacted]\*)

(U/[redacted] Alleged Conflict of Interest and Nepotism  
[redacted]\*)

(U/[redacted] Alleged Purchase of Gifts for Staff [redacted]  
[redacted]\*)

**(U) CURRENT INVESTIGATIONS**

As of 31 December 2007

(U) Category	Number of cases
<b>(U) [ ] Grievances</b>	
Management and Supervision - Grievance	2
Other - Grievance	3
Retirement/Separation	1
<b>(U) [ ] General Investigations</b>	
<b>Criminal and Prohibited Acts</b>	
Conflicts of Interest	18
Embezzlement	2
False Claims - Other	9
False Claims/Statements/Vouchers	8
False Claims - Time & Attendance	24
False Claims - TBD	4
Firearms	2
Megaprojects	3
Misconduct - Employee	4
Misconduct - Management	3
Procurement Fraud	19
Regulatory Violations	6
Retaliation	2
Theft/Misuse of Government Property	8
Other - Administrative/Criminal	34
Unauthorized Operation	1
Unsubstantiated Allegations	13
<b>(U) [ ] Total Ongoing Cases</b>	<b>166</b>

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