



(U) OFFICE OF THE INSPECTOR GENERAL OF THE INTELLIGENCE COMMUNITY

# **SEMIANNUAL REPORT TO THE DIRECTOR OF NATIONAL INTELLIGENCE**

(U) FOR THE PERIOD OF 8 NOVEMBER 2011 TO 30 JUNE 2012

I. CHARLES MCCULLOUGH, III

~~TOP SECRET // NOFORN~~

★ (U) Mission

(U) We conduct independent and objective audits, inspections, investigations and reviews to promote economy, efficiency, effectiveness, and integration across the Intelligence Community.

★ (U) Vision

(U) Speak truth; enable excellence in management and accountability.

★ (U) Core Values

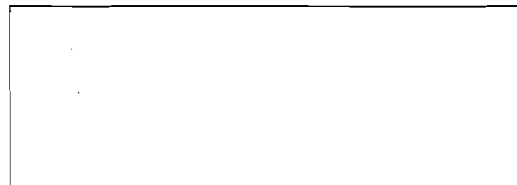
(U) *Integrity:* We are honest, trustworthy, accountable for our actions, and committed to fulfilling our mission.

(U) *Professionalism:* We hold ourselves to the highest standards of technical proficiency and treat others with courtesy and respect.

(U) *Independence:* We conduct our mission free of external influence and provide objective assessments, advice, and conclusions regardless of political or personal consequence.

★ (U) Diversity

(U) The IC IG promotes diversity in all aspects of our mission as a key to our success. Our professional and innovative culture demonstrates the value we place in having a diverse workforce. This is true with our hiring and promotion practices, as well as our efforts to support current IC IG staff who wish to develop or enhance their current skill sets by learning a new IG discipline or participating in a Joint Duty assignment. Our commitment to diversity ensures that we maintain an equitable working environment and can fully leverage the varied IG expertise and IC backgrounds of our staff.



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# (U) A Message from the Inspector General



(U//FOUO) I am pleased to provide this summary report of the activities of the Office of the Inspector General of the Intelligence Community (IC IG) for the period of 8 November 2011, through 30 June 2012. This report is submitted pursuant to Section

103H of the National Security Act of 1947, as amended.

(U//FOUO) I was nominated by the President for this position on 2 August 2011, and I was confirmed by the Senate Select Committee on Intelligence (SSCI) on 7 November 2011. I greatly appreciate the attention and strong support the Director of National Intelligence has provided over the course of the reporting period. I have also received a great deal of support in my initial endeavors from members of the SSCI and House Permanent Select Committee on Intelligence, and the Inspectors General from the IC IG Forum.

(U//FOUO) During the reporting period, our nascent office has focused on establishment efforts as well as conducting audits, inspections, and investigations. We completed our first two component inspections within the ODNI, covering the Office of the National Counterintelligence Executive and the Office of Equal Employment Opportunity & Diversity. Additionally, we issued an evaluation report summarizing the results of "Phase I" of a review of Intelligence Community (IC) Continuity of Operations Planning, and we completed several administrative investigations, including a senior official matter referred to us by another IC agency. Finally, we began to implement a program to lead IC-wide administrative

investigations into unauthorized disclosures of classified information (i.e., "leak") matters.

(U//FOUO) As Chair of the statutory Intelligence Community Inspectors General Forum, I met with member IGs to learn more about their various priorities, visions, and missions, and to gain insight into their expectations for the Forum. I am pleased to report that, through the IC IG Forum, we are currently collaborating on several IC-wide reviews, to include a study of the counterintelligence aspects of IC electronic waste destruction practices in the IC; an audit of IC security clearance reciprocity within the IC; and a review of employee accountability in the IC. We also plan to undertake future IC-wide reviews involving the performance of inherently governmental functions by IC contractors and the state of information sharing within the IC.

(U//FOUO) These initial project accomplishments and ongoing efforts were possible because of the hard-working and dedicated men and women of the IC IG, who have worked tirelessly to assist me in building a solid foundation. Since our stand-up in November of 2011, we have hired [redacted]

of our authorized billets. Recognizing our increased statutory responsibilities, the DNI adjusted our funded staffing level from [redacted] positions, and we appreciate these much needed resources.

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(U//FOUO) I am humbled and honored to serve as the first Inspector General of the Intelligence Community. We have already reached several significant milestones, but much more work remains to achieve a full operational capacity with respect to audits, investigations, and inspections within the ODNI and across the IC. We are committed to performing our work in accordance with the highest standards of professionalism, objectivity, independence, and integrity.

**I. Charles McCullough, III**  
*Inspector General of the Intelligence Community*

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# (U) Statutory Reporting Requirements

(U) This report is submitted pursuant to Section 103H of the National Security Act of 1947, as amended, requiring the Inspector General of the Intelligence Community (IG) to prepare and submit to the Director of National Intelligence (DNI), not later than 31 January and 31 July of each year, a semiannual report summarizing the activities of the Office of the Inspector General of the Intelligence Community (IC IG) during the immediately preceding six-month period ending 31 December (of the preceding year) and 30 June, respectively.<sup>1</sup>

## (U) Standards

(U) All audit activities of the IC IG are carried out in accordance with generally accepted government auditing standards. All IC IG inspection and investigation activities conform to standards adopted by the Council of the Inspectors General on Integrity and Efficiency (CIGIE).

## (U) Certification of Full and Direct Access

(U) The IG has had full and direct access to all information relevant to the performance of his duties.

## (U) Subpoena Authority

(U) During this reporting period the IG issued no subpoenas.

## (U) Legislative Proposals

(U) During this reporting period the IG proposed no new legislation.

## (U) Status of Recommendations

(U) Appendix B provides an update on the status of IC IG recommendations.<sup>2</sup> Each recommendation listed outlines the Office of the Director of National Intelligence (ODNI) component or IC element responsible for the necessary corrective actions, and whether or not the corrective action has been fully implemented. Where corrective action has been completed, a description of such corrective action is provided.

<sup>1</sup> (U//FOUO) Since the IC IG existed for less than two months of the reporting period ending 31 December 2011, this initial IC IG Semiannual Report covers a period of 8 November 2011 – 30 June 2012.

<sup>2</sup> (U//FOUO) We continue to track the final 11 open recommendations from the ODNI OIG. We will report on the disposition of these ODNI OIG recommendations in a separate communication.

## (U) Focus Areas

(U) The IC IG will review the IC element management challenges identified for Fiscal Year (FY) 2012 from the other IC Inspectors General and will develop and submit significant IC challenges for the FY 2012 reporting period.

(U//FOUO) During this initial reporting period, the IC IG ensured that its resources to conduct audits, inspections, investigations, and reviews were used judiciously by focusing on critical IC-wide areas. That strategic focus allowed the IC IG to have a positive impact on the IC mission while at the same time establishing the office's core capabilities. Some of those focus areas included:

- Financial management
- Cyber threat information sharing
- Security clearance reciprocity
- Unauthorized disclosure
- Accountability for IC official misconduct.

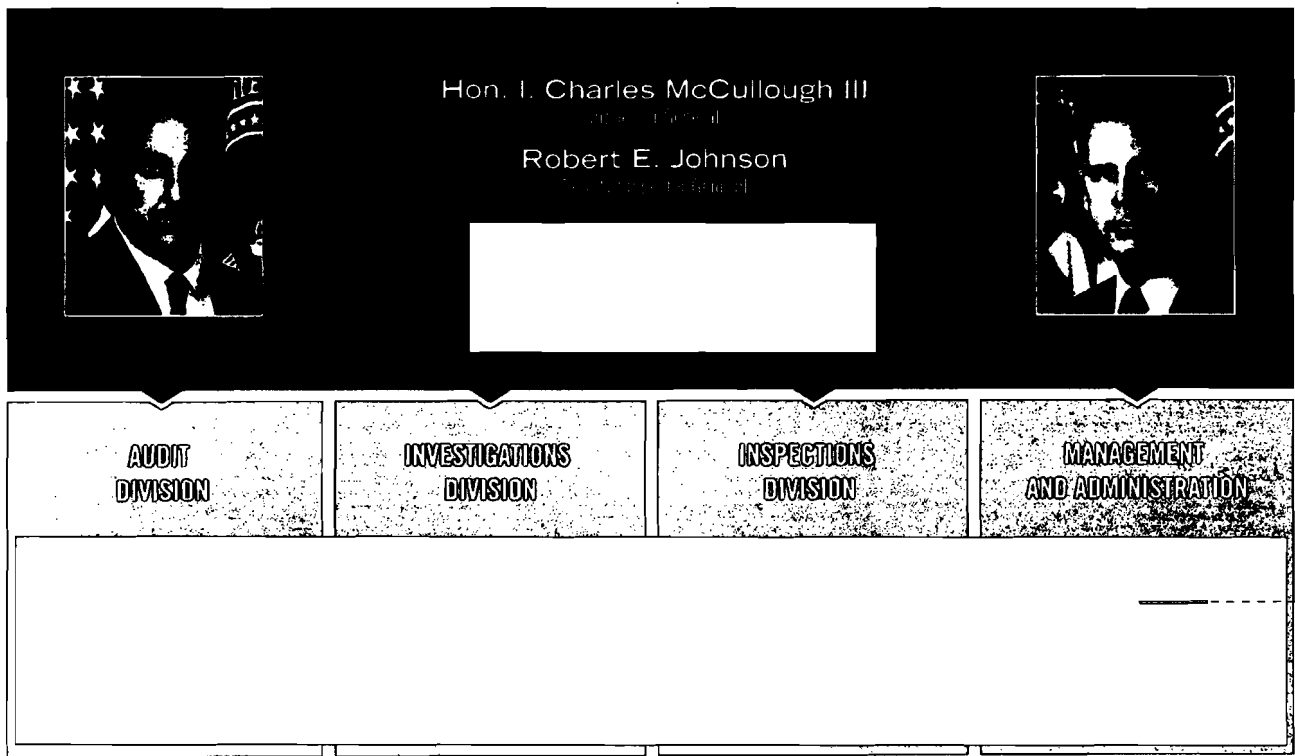
# (U) Overview

## (U) Organization

(U) The Intelligence Authorization Act (IAA) for Fiscal Year 2010 established the IC IG with the authority to initiate and conduct independent audits, inspections, investigations, and reviews on programs and activities within the responsibility and authority of the DNI. The IC IG promotes economy, efficiency, and effectiveness in the administration and implementation of such programs and activities and prevents and detects fraud, waste, and abuse. That broad authority allows the IC IG to identify and investigate systemic IC issues that impact the DNI's ability to achieve intelligence integration. In addition, the IC IG provides leadership and

coordination to other IC Inspectors General through the Intelligence Community Inspectors General Forum (IC IG Forum), which was also established by the IAA for FY 2010.

~~(U//FOUO)~~ The IC IG is composed of the IG, the Deputy IG, the Counsel to the IG, and the Assistant Inspectors General (AIGs) for Audit, Investigations, Inspections, and Management and Administration (M&A). The IC IG principal operating divisions are Audit, Investigations, and Inspections. The M&A Division and the Counsel's Office provide enabling support to the operational divisions and the IC IG Front Office.



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**(U) Personnel**

(U//FOUO) The IC IG is authorized a total staffing complement of [ ] consisting of full-time and part-time civilian positions. The table below shows approved staffing billets by division and office. Filled positions, as of 30 June 2012, reflect

[ ]  
vacancies. One individual is currently in process to fill one of the existing vacancies.

(U//FOUO) The IC IG is composed of qualified degreed and certified personnel. Their experience reflects a wide range of backgrounds, skills, and professional certifications relevant to their work and consistent with desired areas of demonstrated experience. The following figures summarize the IC IG staff's professional and academic backgrounds.

**(U) Funding**

(U//FOUO) The ODNI has provided adequate funding for the IC IG mission to date. Our budget covered personnel services and general support requirements such as travel, training, equipment, supplies, information technology support, and office automation requirements to include hardware, software purchases, and license renewals.

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Number of Degrees

# (U) Congressional Engagements

## (U) Briefings

(U) Pursuant to section 103H of the National Security Act of 1947, as amended, the IG has a statutory obligation to ensure that the congressional oversight committees are kept fully and currently informed of significant problems and deficiencies within the programs and activities of the DNI. During this reporting period, the IC IG Counsel, through the Legislative Counsel, facilitated several congressional engagements with the IG, Deputy IG, and each of the AIGs on a variety of topics of interest to the congressional oversight committees, including establishment of the IC IG, addressing congressionally directed actions, IC IG reports on Cyberthreat Information Sharing and IC Continuity of Operations (COOP) efforts, IC IG budget and resource planning, and IC IG authorities to conduct IC-wide reviews.

## (U) Hearings and Testimony

(U//FOUO) In addition to those congressional engagements, on 5 June 2012, the Senate Select Committee on Intelligence (SSCI) held a hearing on the state of the IC from the perspective of the IC elements' Inspectors General. During this hearing, the IG led a panel of IGs from the Central Intelligence Agency (CIA), the Defense Intelligence Agency (DIA), the National Geospatial-Intelligence Agency (NGA), the National Reconnaissance Agency (NRO), and the National Security Agency (NSA) in answering SSCI members' questions on current IC issues. The Members were most interested in IG budgets, retirement benefits for criminal investigators, management responses to IG investigation reports that substantiate employee misconduct, enhanced whistleblower protections for IC civilian employees, and "leaks" of classified information. The SSCI Chairman expressed appreciation for the insights shared by the IGs.

## (U) Legislation Impacting the IC IG

(U//FOUO) The IG did not make any legislative proposals this reporting period. However, the IG engaged with congressional committees on enacted legislation and provided input to the IAA for FY 2013, the FAA Sunsets Extension Act of 2012, the Whistleblower Enhancement Act of 2012, and the Reducing Over-classification Act of 2010.



## (U) Audit Division

(U//FOUO) The IC IG Audit Division conducts program, compliance, and financial audits and evaluations of ODNI and IC programs related to information technology, procurement, acquisitions, internal controls, financial statements, and financial management.

(U//FOUO) During this reporting period, the IC IG Audit Staff completed 5 audits and issued reports containing 27 recommendations to strengthen internal controls over financial management and information technology. As of 30 June 2012, the Audit staff had three on-going audits.

### (U) Completed Audits

*(U) Joint Audit of the Status of the Sharing of Cyber Threat Information - Classified Annex (AUD-2012-001, Completed November 2011)*

(U) We found that cyber centers, IC agencies, and cybersecurity stakeholders across the IC were actively sharing or supporting the sharing of information about cyber threats, threat sources, and system and network vulnerabilities. Information was exchanged through both formal channels and informal communications, using a wide variety of communication mechanisms. However, despite such sharing, our work identified two issues that, left unaddressed, may decrease the effectiveness and efficiency of the IC's cybersecurity efforts and increase the cybersecurity risks to the community and the Federal Government. First, to support cyber threat information sharing, a number of mandates, strategies, and programs had been established to provide frameworks and tools needed to implement and facilitate cybersecurity and cyber threat sharing across the IC. However, those multiple actions taken by different organizations across the government to achieve similar sharing goals have resulted in duplication of efforts or gaps in areas of responsibility. Second, despite the significant amounts of cyber threat information being shared across the community, IC cybersecurity officials identified multiple impediments that were hindering their efforts. Impediments included classification issues, a lack of common sharing guidelines, and the volume of unfiltered data.

(U) Cybersecurity officials we interviewed identified additional issues that they encountered in the course of their work that may hinder the efficiency or effectiveness of IC cybersecurity programs. Those issues included training and career flexibility to retain personnel with the required skill sets, no obligation for Federal contractors to report internal cybersecurity incidents to Federal authorities, and the lengthy process for acquiring or developing cybersecurity systems and tools that is not keeping pace with rapid cybersecurity technology changes.

*(U//FOUO) Fiscal Year 2011 Consolidated Federal Information Security Management Act (FISMA) of 2002 Capstone Report for the Intelligence Agencies' Inspectors General (AUD-2012-002, Completed November 2011)*

(U//FOUO) The objective of this evaluation was to collect and summarize the FY 2011 FISMA report submissions from the OIGs for the federal agencies operating or exercising control of National Security Systems. Based on the results of the 11 OIG reports, we found that incident response and reporting ranks the strongest among the 11 information security programs, with 9 OIGs noting that an incident response and reporting program had been established that met Office of Management and Budget (OMB) and National Institute of Standards and Technology (NIST) requirements. None of the agencies failed to establish a program. The remaining two OIGs reported that a program had been established but needed to make improvements to meet OMB and NIST requirements.

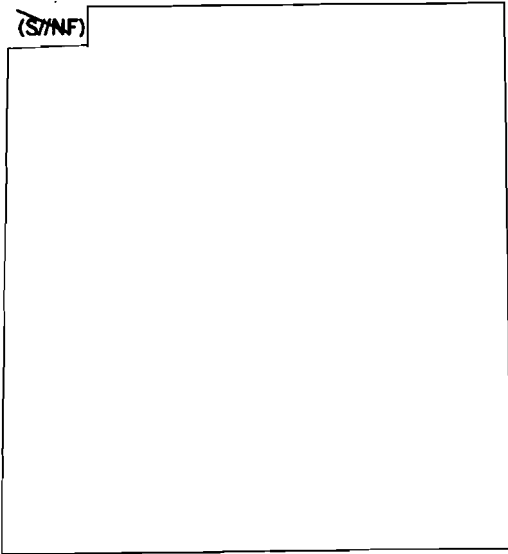
(U//FOUO) We identified two areas where more than one agency reported the absence of an established security program for continuous monitoring and remote access. Although most of the security programs for continuous monitoring and remote access had been established, agency OIGs identified weaknesses in all 11 program areas. Of those 11 program areas, the majority of weaknesses were found in 4 areas: Contingency Planning, Plans of Action and Milestones, Security Configuration Management, and Certification and Accreditation.

# (U) Audit Division

***(U) Fiscal Year 2011 Independent Evaluation of ODNI Compliance with the Federal Information Security Management Act (FISMA) of 2002 (AUD-2012-003, Completed December 2011)***

(U) The objective of this evaluation was to provide an independent review of the ODNI's information security program and practices as required by FISMA. The specific purpose of this evaluation was to determine the adequacy of the information security programs for ODNI's Mission Support Directorate (MSD) and Intelink.

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***(U) Congressionally Directed Action to Assess the Auditability Plans for CIA, DIA, NSA, NGA, and ODNI (AUD-2011-005, Completed January 2012)***

(U//FOUO) We conducted an assessment of the auditability plans submitted to Congress in September 2011 by CIA, DIA, NSA, NGA, and ODNI. We assessed the auditability plans' soundness and likely success, and any recommended improvements or changes to the plans.

(U//FOUO) We found no reasonable assurance that based on the plans we reviewed, any of the five entities would be able to achieve an unqualified opinion on their FY 2015 or FY 2016 financial statements.

***(U) Review of the Office of the Director of National Intelligence's Compliance With the Improper Payments Elimination and Recovery Act (IPERA) of 2010 (AUD-2012-006, Completed May 2012)***

(U) IPERA is an annual statutory requirement that requires each agency IG to perform a compliance review. The objective of our review was to determine whether or not ODNI was in compliance with IPERA. The results of the review revealed that although ODNI reported improper payment information in its Annual Financial Report (AFR), ODNI was not in compliance with IPERA.

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## (U) Audit Division

### (U) Ongoing Audits

#### *(U) Audit of Intelligence Community Security Clearance Reciprocity*

~~(U//FOUO)~~ The IC IG initiated this audit in response to a congressionally directed action in the IAA for FY 2010. This audit examined whether there were policies and processes within the IC that facilitated timely reciprocity of personnel security clearances. Specifically, the audit assessed the time required to obtain a reciprocal security clearance for three categories of IC personnel:

1. An employee of the IC who was detailed or assigned to another element of the IC (detailees and assignees);
2. An employee of the IC who was seeking permanent employment with another element of the IC (government transfers); and
3. A contractor seeking permanent employment with an element of the IC (contractor conversions).

(U) Suitability considerations are critical for employment decisions within the IC. Therefore, we also examined the impact of suitability on hiring actions for those personnel. We will issue our report by the end of FY 2012.

#### *(U) Study of Electronic Waste Disposal Practices in the Intelligence Community*

~~(U//FOUO)~~ Per section 340 of the IAA for FY 2010, the IC IG initiated a study of the electronic waste disposal practices of the largest IC elements with exclusively intelligence related missions. This study was a joint effort with participation from CIA, DIA, NGA, NRO, and NSA IGs. The study had two objectives:

1. Identify and assess the security of electronic waste disposal practices in the IC, including the potential for counterintelligence exploitation; and
2. Identify methods to improve the security of disposal practices, including steps to prevent the forensic exploitation of electronic waste.

(U) We will submit our study to the Intelligence Committees by 7 November 2012.

#### *(U) Fiscal Year 2012 Independent Evaluation of ODNI Compliance with the Federal Information Security Management Act (FISMA) of 2002 Report*

(U) FISMA requires Federal agencies to establish security measures for information systems that support their operations and report annually on those measures. FISMA also requires that an annual independent evaluation be performed by the agencies' OIG. The objective of this evaluation is to provide an independent review of the ODNI's information security program and practices. The FY 2012 FISMA metrics require that OIGs report on their agencies' performances in 12 program areas, including:

1. Continuous Monitoring
2. Security Configuration Management
3. Identity and Access Management
4. Incident Response and Reporting
5. Risk Management
6. Security Training
7. Plans of Action and Milestones
8. Remote Access
9. Contingency Planning
10. Contractor Systems
11. Security Capital Planning
12. System Inventory

(U) We will issue our report by the end of FY 2012.

# (U) Inspections Division

(U//FOUO) The IC IG Inspections Division conducts inspections, reviews, and evaluations to improve ODNi and IC-wide performance and integration. The division examines information access, collaboration, collection and analysis, IC programs and issues, and compliance with laws and regulations.

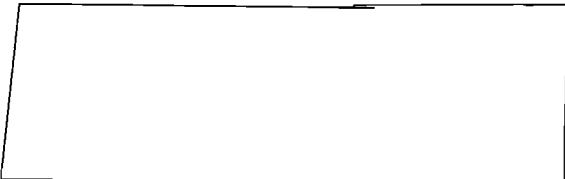
(U//FOUO) During this reporting period, the Inspections Division developed and implemented "Component Inspections" within the ODNi. Each Component Inspection covered four primary areas: 1) mission performance, 2) management effectiveness, 3) resource management, and 4) enterprise oversight. The results of each inspection were briefed to the component head, element employees, and the ODNi front office.

(U//FOUO) During this reporting period, the inspection staff completed three inspections. As of 30 June 2012, the inspection staff had two ongoing inspections.

## (U) Completed Inspections

*(U) Intelligence Community Equal Employment Opportunity and Diversity (IC EEOD) Office (INSP-2012-0002, Completed January 2012).*

(U//FOUO) This inspection occurred during November and December 2011. We noted

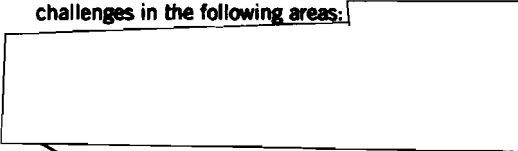


(U//FOUO) We noted the following commendables: IC-wide EEOD strategic and operational planning activities; task to budget linkage; oversight of IC enterprise EEOD activities; office workforce initiatives to improve staff performance; and a family-friendly work environment.

*(U) Office of the National Counterintelligence Executive (INSP-2012-0001, Completed April 2012)*

(U//FOUO) This inspection occurred during January and February 2012. The objective was to provide the incoming Director of National Counterintelligence with information on workplace challenges upon his arrival. Given the allotted time, we did not conduct a full-scope inspection.

(U//FOUO) As part of this review, we noted challenges in the following areas:



(U//FOUO) We noted the following commendables: a dedicated workforce; wide-ranging mission authorities; strong support from the DNI; highly-respected products; increased stature within the IC and CI communities; and an effective internal tasking system.

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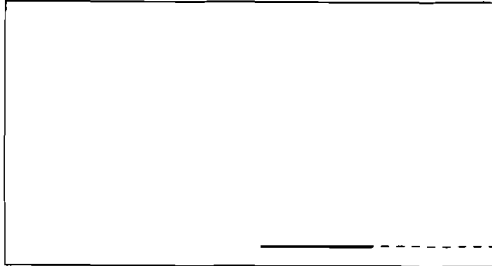
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## (U) Inspections Division

*(U) Capstone Report – Phase I: Intelligence Community Continuity of Operations Planning (COOP) (INSP-2011-003, Completed January 2012)*

(U//FOUO) Members of the Inspections Committee of the IC IG Forum agreed to participate in a two-phased assessment of IC agency COOP programs. During Phase I, participant IC OIGs conducted intelligence readiness and COOP inspections at their agencies, and the IC IG assessed those reports to identify any commonalities.

(TS//NF) Our review of the participants' OIG reports revealed the following commonalities:



(U//FOUO) Phase II will entail an IC IG evaluation of the ODNI COOP program, including ODNI compliance with Federal Continuity Directive 1, and a review of the National Intelligence Emergency Management Activity. Phase II will begin in FY 2014.

### (U) Ongoing Inspections

*(U) Office of Legislative Affairs.*

(U//FOUO) We are currently conducting a component inspection of the ODNI Office of Legislative Affairs.

*(U) Office of Partner Engagement (PE)*

(U//FOUO) We are currently conducting a Special Review within the ODNI PE Office. We are using an abridged scope and methodology to ensure timely and relevant input to the incoming PE Director.

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## (U) Investigations Division

(U//FOUO) The IC IG Investigations Division investigates allegations of violations of criminal laws and administrative regulations arising from the conduct of IC and ODNI employees and contractors. The division has unique authority to investigate matters related to the DNI's programs and activities across the IC. The division also plays a principal role in conducting IC-wide administrative investigations into unauthorized disclosures of classified information.

(U//FOUO) During this reporting period, the division opened 20 new investigations, and closed 21. Of the 21 cases closed during the reporting period, 7 were substantiated and involved violations such as time and attendance fraud, employee misconduct, and theft of government property. As of 30 June 2012, the division had nine ongoing investigations.

### (U) Select Completed Investigations:

*(U//FOUO) Alleged Unauthorized Commitment of Government Funds (INV-2011-0029A & INV-2011-0029B, June 2012)*

(U//FOUO) We completed two investigations that substantiated that an ODNI Senior Official and a GS-15 employee improperly committed over \$300,000 of government funds on seven different ODNI contracts. We also found that over \$20,000 was used for the purchase of prohibited items. Final ODNI executive management disciplinary and restitution decisions are pending.

*(U) Labor Mischarging (INV-2009-0013, December 2011)*

(U//FOUO) We completed a contract labor mischarging investigation that substantiated a contractor billed the Government for over 140 hours of labor that was not performed during a 9-month period. The United States Attorney's Office for the Eastern District of Virginia declined prosecution, and the contractor made restitution to the Government for \$11,117.87.

*(U//FOUO) Alleged Misuse of Government Equipment, Classified and Unclassified Systems, and Food Services Catering (INV-2012-0007, May 2012)*

(S) We completed a preliminary inquiry, referred from another agency, of a senior official alleged to have misused Government equipment, information systems, and catering services. The allegations were determined to be without merit and the matter was closed.

### (U) Other Investigative Activities

#### *(U) Leaks Investigations*

(U) The Investigations Division reviewed hundreds of closed cases from across the IC. Going forward, the division will engage in gap mitigation for those cases where an agency does not have the authority to investigate (multiple agencies or programs) or where DOJ declined criminal prosecution. The division will conduct administrative investigations with IG Investigators from affected IC elements to maximize efficiencies, expedite investigations, and enhance partnerships.

#### *(U) Joint IC IG/DoD IG Accountability Review*

(U) In response to the SSCI's concerns regarding employee accountability for misconduct, we are partnering with the DoD IG to conduct a joint review on the disciplinary actions taken in response to substantiated misconduct. This review will commence in July 2012.

#### *(U) IC IG Contract Fraud Investigations and Recoveries Program*

(U) The IC IG has undertaken an initiative to proactively identify false billings by ODNI contractors. This involves running a data interrogation program and conducting investigations to identify and address falsely billed costs. This program will also be used to identify overstaffed fixed price contracts, resulting in potential future contract savings.

#### *(U) IC IG Complaint Intake Process (Hotline)*

(U) The IC IG Complaint Intake Process, or Hotline, provides a confidential and reliable source for IC employees and contractors and the public to report fraud, waste, and abuse.

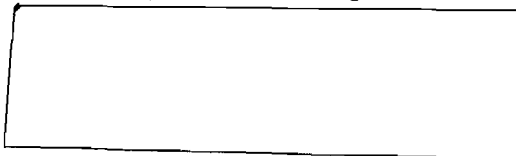
(U) Since the stand up of the IC IG in November 2011, the Hotline has received 105 contacts from the IC and the general public.

## (U) Management and Administration

(U//FOUO) In April 2012, the IC IG established the M&A Division. M&A provides expertise in financial management, procurement, human capital management, facilities management, continuity of operations, administration, information technology, and communications to support IC IG operations. M&A also manages the Inspector General's IC IG Forum responsibilities. The M&A Division is composed of two support branches – Administrative Services and Strategic Communications and Outreach.

### (U) Administrative Services

(U//FOUO) During the reporting period, the branch built a foundation capable of executing its statutory responsibilities, which included identifying and hiring a new leadership team, establishing office goals and objectives, and recruiting a new workforce.



(U) During this reporting period, M&A staff also began development of a new IC IG case management system. The staff captured topical requirements and initiated parallel efforts to enhance the office's IT infrastructure. The IT infrastructure improvement effort is composed of two phases: Phase 1 integrates existing software to manage both investigative cases and audits for the IC IG enterprise; Phase 2 is system development for real-time monitoring of IC IG status of efforts through an automated dashboard.

### (U) Strategic Communications and Outreach

(U) The IC IG outreach activities for this reporting period included chairing and participating in the IC IG Forum and IC IG Forum Committees, planning for the annual IC IG Conference and Awards program, developing the IC IG Strategic Plan and Management Framework, establishing an IC IG Quality Assurance Program, instituting a new records management system, and developing the IC IG's web presence.

(U) IC IG Forum. To facilitate collaboration, information sharing, and strategic planning among the IC OIGs, M&A staff supported three meetings of the IC IG Forum this reporting period.

(U) IC IG Conference and Awards. In an effort to improve efficiencies in FY 2012, we combined the Annual IC IG Conference with the Annual IC IG Awards Program. The M&A staff is overseeing planning and execution of this all-day event scheduled for 30 October 2012. The NGA OIG will host the conference, which will take place at the NGA Campus East in Springfield. Conference participants will have an opportunity to earn Certified Professional Education credits and to network, exchange ideas, and honor colleagues for their outstanding work.

As specified in ICD 655, IC IG Awards Program, Section VI, the Review Board will receive, review, and recommend nominations for the following award categories:

- IC IG Lifetime Achievement Award
- IC IG Leadership Award
- IC IG Audit Award
- IC IG Inspections Award
- IC IG Investigations Award
- IC IG Collaboration Award

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(U) IC IG Strategic Plan and Management Framework. Concurrent with the stand-up of the IC IG, the M&A staff authored foundational documents establishing the managerial framework for the IC IG. Specifically, the IC IG authored a Concept of Operations delineating roles and responsibilities and organization of the IC IG office. The M&A staff also authored a Strategic Plan detailing the office's short-term, medium-term, and long-term goals along with associated objectives, timelines, and metrics creating a way ahead for the IC IG. The staff also facilitated the development of other core processes and documentation, such as annual work plans and standard operating procedures.

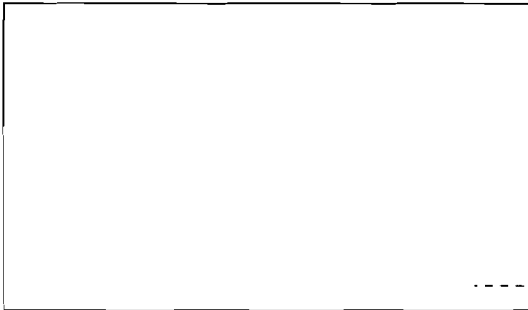
# (U) Management and Administration

(U) IC IG Quality Assurance Program. The M&A Division established a Quality Assurance (QA) Program to ensure appropriate officials are kept informed of the IC IG's activities, findings, recommendations, and accomplishments as consistent with the IC IG's mission, statutory authority, and confidentiality requirements. As of this reporting period, we have retained a QA program manager and are in the process of establishing the foundation for a QA program.

(U) Website Restructuring and Enhancement. As part of the IC IG outreach initiative to improve the reporting of fraud, waste, abuse, and mismanagement and to increase awareness of the IC IG, the M&A staff initiated a series of web presence improvements. Currently the IC IG maintains

(U) Also, the ODNI's unclassified website, DNI.gov, informs the public about IC IG activities and provides contact information. Upgrades to the classified websites are underway beginning with the ODNI/IC Employee website. We subsequently intend to apply these improvements to the other websites to ensure a common experience and for those seeking to report fraud, waste, abuse, or misconduct, a reliable, user friendly interface.

(U) IC IG Records Management. During this reporting period the M&A staff worked with the ODNI Information Management Office to restructure its electronic records system to ensure compliance with ODNI policy and Archivist of the United States requirements concerning official government records. The office is employing Microsoft SharePoint to manage records during creation and has created a compliant, electronic records system using the ODNI's shared drives.



An unclassified website for IC-wide collaboration between Inspectors General.

(b)(3)



## (U) IC IG Counsel

~~(U//FOUO)~~ In accordance with Section 103H of the National Security Act of 1947, as amended, the IC IG has a separate Counsel who reports directly to the IG. The IC IG Counsel provides independent, objective, and confidential legal advice on a variety of legal and policy issues that impact the IC IG mission. The Counsel manages three main portfolios: Legal and Policy Reviews; Legislative Reviews and Congressional Engagements; and Intelligence Oversight.

### ~~(U//FOUO)~~ Legal and Policy Reviews

(U) During this reporting period, the Counsel was engaged in a robust outreach effort to the IC IG staff, ODNI components, and other IG Counsel counterparts to educate them on the establishment of the IC IG. Because the IC IG has broad statutory authority to identify and review IC-wide issues, the IC IG Counsel worked to ensure that this authority was understood by IC, ODNI, and IG stakeholders. That required collaborating with other IC IG Counsel on cross-jurisdictional issues that arose in conducting IC IG audits, inspections, and reviews. The Counsel fostered working relationships with ODNI's Office of General Counsel, Office of Civil Liberties and Privacy, Office of Equal Employment and Diversity, and other policy and compliance offices on ODNI policy matters that impact the IC IG Mission. To ensure legal sufficiency, the IC IG Counsel worked with the IG, the Deputy IG, and the AIGs to review all plans, projects, and reports. Finally, the Counsel participated in CIGIE and Federal Law Enforcement Training Center legal training for criminal and civil investigators, covering such issues as workplace searches, employee rights, and administrative investigations.

### ~~(U//FOUO)~~ Legislative Reviews

(U) The IC IG has a statutory obligation to make appropriate recommendations for legislation that promote economy, efficiency, and effectiveness in the administration and implementation of programs and activities within the responsibility and authority of the DNI. To meet that obligation, the IC IG Counsel oversees a dedicated Legislative Counsel that works with the ODNI Office of General Counsel and the Office of Legislative Affairs to review

legislative proposals that impact the DNI's mission. Moreover, the Legislative Counsel works with the Council of Counsels to Inspectors General to ensure that the IC IG and staff are aware of legislative proposals impacting the Federal IG mission. The IC IG did not make any legislative proposals during this reporting period. However, working through the Legislative Counsel, the IC IG Counsel was able to ensure that IC IG equities were considered in several critical pieces of legislation.

### ~~(U//FOUO)~~ Congressional Engagements

(U) The IC IG has an obligation to ensure that the congressional oversight committees are kept fully and currently informed of significant problems and deficiencies within the programs and activities of the ODNI. Accordingly, the IG tasked the IC IG Counsel to create a robust congressional outreach program. Under that program, the IC IG Counsel, through the Legislative Counsel, developed a strategy for meeting congressional reporting requirements; responding in a timely manner to congressional requests for meetings, briefings, hearings, and information; and ensuring appropriate coordination with IC IG Forum members as well as ODNI components. As highlighted previously in this report, the IC IG has had several engagements with congressional oversight committees during this reporting period.

### ~~(U//FOUO)~~ Intelligence Oversight (IO) Capability

(U) The IC IG's broad statutory authority to review systemic IC-wide deficiencies and make appropriate recommendations for corrective actions was envisioned to address the most critical problems facing the IC today. Information sharing, implementation of intelligence collection authorities under the USA PATRIOT Act and FISA Amendments Act, IC contractor fraud schemes, and unauthorized disclosures are just a few of the IC-wide issues that the IC IG will address under this authority. Recognizing that these reviews have cross-jurisdictional issues, the IG tasked the IC IG Counsel to establish a working group to determine options for developing a full IO capability. The working group is charged with defining the requirements, resources,

## (U) IC IG Counsel

and parameters for an IO capability and will make recommendations to the IG by the end of the next semiannual reporting period on how best to proceed.

### (U) Intelligence Oversight Board (IOB) Reporting

(U) The IC IG Counsel serves as the primary point of contact for IOB matters as part of the broader IC IG IO mission. Pursuant to Section 8(b)(ii) of Executive Order 13462: President's Intelligence Advisory Board and Intelligence Oversight Board, the DNI designated the IC IG as one of the entities within the ODNI responsible for submitting reports to the IOB. During the reporting period, the IC IG

Counsel worked diligently to update the ODNI IOB designations to reflect the IC IG statutory status.

~~(U//FOUO)~~ The IC IG Counsel works closely with the IOB Counsel to ensure that IOB reportable matters within the responsibility and authority of the IC IG are reported to the IOB in a timely and consistent manner. Moreover, the IC IG Counsel works with the ODNI Office of General Counsel and Civil Liberties and Protection Office on IOB reportable matters referred to the IC IG for additional review and follow-up. The new reporting construct allows the DNI and the IOB greater insight into matters reported within the ODNI and the IC and will allow the IC IG to conduct objective reviews of IOB reportable matters.

# (U) IC Inspectors General Activities

## (U) IC IG Forum

(U//FOUO) The statutory IC IG Forum was established by the Intelligence Authorization Act for FY 2010. The IG chairs the Forum, which is composed of IC Inspectors General with oversight responsibilities for IC elements. The IC IG Assistant Inspectors General chair the Forum subcommittees. Forum members collaborate on IC-wide projects; share information and best practices; resolve jurisdictional issues; and facilitate access to employees, contractors, and other materials that may be of assistance to Forum members. The IG uses the Forum to understand and prioritize IC-wide projects, to seek key IG stakeholder buy-in on projects, and to develop strategies on how to best leverage limited IG resources across the community.

(U//FOUO) During this reporting period, the IG met individually with Inspectors General with intelligence oversight responsibilities to foster Forum collaboration. Those interactions assisted the IG in developing a strategy and an implementation plan for the statutory IC IG Forum. The Forum held its inaugural meeting on 19 January 2012, and held productive meetings in March and June.

(U//FOUO) The Forum members created the following five committees: Deputies Committee (Chair: Deputy IC IG; Members: Forum Deputy IGs); Audit Committee (Chair: IC IG AIG for Audit; Members: Forum AIGs for Audit); Inspections Committee (Chair: IC IG AIG for Inspections; Members: Forum AIGs for Inspections); Investigations Committee (Chair: IC IG AIG for Investigations; Members: Forum AIGs for Investigations); and Counsels Committee (Chair: Counsel to the IC IG; Members: Forum IG Counsels).

(U//FOUO) **Deputies Committee.** During the reporting period, the Deputies met to collaborate on issues impacting the Inspectors General from both an IG and an IC perspective. The Deputies focused on CIGIE standards, data calls, training opportunities, IC IG Conference planning, and the IC IG Awards Program.

(U//FOUO) **Audit Committee.** The Audit Committee met several times during the reporting period.

Committee members discussed on-going audit projects, the development of work plans, and the status of IC-wide congressionally directed actions.

### (U//FOUO) Investigations Committee.

The Investigations Committee met several times during the reporting period and discussed investigative best practices, joint investigation procedures, retirement benefits for criminal investigators, and training opportunities for investigators.

(U//FOUO) **Inspections Committee.** The Inspections Committee met twice this reporting period and discussed inspector training requirements, status of voluntary Peer Review activities, and plans for the first IC-wide inspections. Committee members shared and discussed their respective work plans.

(U//FOUO) **Counsels Committee.** The Counsels Committee met several times during the reporting period and discussed jurisdictional issues for IC-wide projects, legislative impacts to the IC IG community mission, and training opportunities to better educate the IG workforce. In addition, the Counsels coordinated on several IG congressional engagements, including the SSCI Hearing on 5 June 2012.

## (U) IC-Wide Training

(U) The Office of the IC IG actively participated in a wide range of coordination and collaboration activities designed to increase its knowledge of and contribution to IG oversight within the Federal Government. An example of this collaboration was the IC IG-hosted Suspension and Debarment training seminar, which was provided to IC IG Forum investigators and attorneys.

(U//FOUO) The IC IG routinely supports CIGIE-sponsored training courses provided by the Federal Law Enforcement Training Center. By teaching the legal segments of those training courses, the IC IG assists CIGIE in meeting its training mission.

## (U) IC IG Peer Review Activities

(U) During this reporting period the IC IG did not participate in any peer review activities.

## (U) Appendix A: Statistical Overview

### (U) Audit Staff

~~(U//FOUO)~~ The Audit Staff completed 5 audits and issued reports containing 27 recommendations to strengthen internal controls over financial management and information technology. At the end of the reporting period, the Audit staff had three on-going audits.

### (U) Inspection Staff

~~(U//FOUO)~~ The Inspection Staff completed three inspections. At the end of the reporting period, the inspection staff had two ongoing inspections.

### (U) Investigations Staff

~~(U//FOUO)~~ The Investigations Division completed work on 12 legacy ODNI OIG matters of various types. Of the 12 cases, 6 were of sufficient significance to be the subject of a report of investigation.

~~(U//FOUO)~~ During the reporting period, the IC IG did not refer any criminal matters to DOJ.

~~(U//FOUO)~~ During the reporting period, the Investigation Staff identified approximately \$11,000 in recoverable funds.

~~(U//FOUO)~~ As of 30 June 2012, the Investigations Division had 9 open investigations (not including unauthorized disclosure matters).

~~(U//FOUO)~~ The Investigations Division is reviewing 375 unauthorized disclosure case files.

**(U) Appendix B: Summary of Audits**

8 November 2011 – 30 June 2012

	(U) Audit Number	(U) Audit Title
<b>(U) Completed Audits</b>		
<b>Financial Management</b>	<b>AUD-2011-005</b>	<b>(U) 2011 Congressionally Directed Action (CDA) to Assess the Auditability Plans for CIA, DIA, NSA, NGA, and ODNI</b>
	<b>AUD-2012-006</b>	<b>(U) Review of the Office of the Director of National Intelligence's Compliance With the Improper Payments Elimination and Recovery Act (IPERA) of 2010</b>
	<b>AUD-2012-001</b>	<b>(U) Joint Audit of the Status of the Sharing of Cyber Threat Information - Classified Annex</b>
<b>Information Technology</b>	<b>AUD-2012-002</b>	<b>(U) Fiscal Year 2011 Consolidated Federal Information Security Management Act of 2002 Capstone Report for the Intelligence Agencies' Inspectors General</b>
	<b>AUD-2012-003</b>	<b>(U) Fiscal Year 2011 Independent Evaluation of ODNI Compliance with the Federal Information Security Management Act (FISMA) of 2002</b>

<b>(U) Ongoing Audits</b>		
<b>IC-wide Audits</b>		<b>(U) Audit of Intelligence Community Security Clearance Reciprocity</b>
		<b>(U//FOUO) Study of Electronic Waste Disposal Practices in the Intelligence Community</b>
<b>Information Technology</b>		<b>(U) Federal Information Security Management Act of 2002 (FISMA) 2012 Report</b>

# (U) Appendix C: Summary of Inspections

8 November 2011 – 30 June 2012

(U) Inspection Number	(U) Inspection Title
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(U) Completed Inspections

<b>Component Inspections</b>	<b>INSP 2012-0001</b>	<b>(U) Office of the National Counterintelligence Executive.</b>
	<b>INSP 2012-0002</b>	<b>(U) Intelligence Community Equal Employment Opportunity and Diversity (IC EEO) Office</b>
<b>IC-wide Inspections</b>	<b>INSP 2011-0003</b>	<b>(U) Capstone Report – Phase I: Intelligence Community Continuity of Operations Planning</b>



(b)(3)

# (U) Appendix D: Summary of Investigations

8 November 2011 – 30 June 2012

(U) Case Number	(U) CLOSED Investigations
INV-2009-0013	Time and Attendance Fraud
INV-2009-0028	Misconduct
INV-2010-0001	Alleged Ethics Violation
INV-2010-0006	Alleged Augmentation
INV-2011-0017	Misconduct
INV-2011-0018	Time and Attendance, Theft, and False Statements
INV-2011-0029a	Unauthorized Commitment of Government Funds
INV-2011-0029b	Unauthorized Commitment of Government Funds
INV-2011-0032	Misuse of Government Property
INV-2011-0035	Misconduct
INV-2011-0037	Misconduct and Contract Mismanagement
INV-2011-0041	FISA Amendments Act (FAA) Oversight Project
INV-2011-0043	Computer Misuse
INV-2011-0045	Misconduct
INV-2011-0046	Misconduct
INV-2011-0048	Misconduct
INV-2011-0049	Misconduct
INV-2011-0051	Misconduct
INV-2012-0004	Retaliation
INV-2012-0005	Unauthorized Commitment of Government Funds
INV-2012-0008	Misconduct

# (U) Appendix E: Ongoing Investigations

As of 30 June 2012

(U) Case Number

(U) OPEN Investigations

(U) Criminal and Prohibited Acts

**False Claims/Statements/Vouchers**

**False Claims – Time and Attendance**

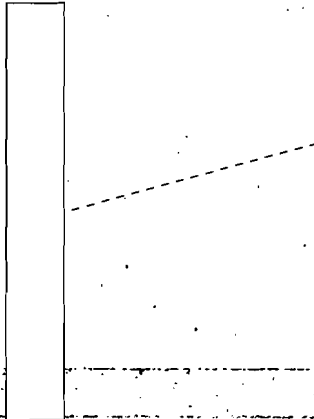
**Misconduct – Employee**

**Misconduct – Management**

**Procurement Fraud**

**Reprisal**

**(U) Total Ongoing Investigations**



(b)(3)

(b)(5)



# (U) Appendix F: Status of Recommendations

(U) FISCAL YEAR (FY) 2011 INDEPENDENT EVALUATION OF ODNI COMPLIANCE WITH FISMA (ISSUED DEC 2011)

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## Summary of OPEN Recommendations

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# (U) Appendix F: Status of Recommendations

(U) CAPSTONE REPORT PHASE I: INTELLIGENCE COMMUNITY CONTINUITY OF OPERATIONS PLANNING (ISSUED JAN 2012)

## Summary of OPEN Recommendations

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# (U) Appendix F: Status of Recommendations

Summary of OPEN Recommendations (continued)

Recommendation	Responsible Office	Corrective Action
[Redacted]		[Redacted] (b)(3)
[Redacted]		
[Redacted]		
[Redacted]		
[Redacted]		

# (U) Appendix F: Status of Recommendations

(U) REVIEW OF THE OFFICE OF THE DIRECTOR OF NATIONAL INTELLIGENCE'S COMPLIANCE WITH THE IMPROPER PAYMENTS ELIMINATION AND RECOVERY ACT OF 2010 (ISSUED MAY 2012)

Summary of OPEN Recommendations

Recommendation	Responsible Office	Corrective Action
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(b)(3)

## (U) Strategic Goals and Objectives

### ⊕ (U) Establish IC IG Foundation

- (U) Develop policy, staffing, and training documentation.
- (U) Publish an IC IG Strategic Plan and a Concept of Operations.

### ⊕ (U) Implement and Fulfill IC IG's ODNI Mission

- (U) Prepare, plan, develop, and implement a solid foundation for the sustainment of ODNI focused inspections, audits, and investigations.
- (U) Develop a communication and outreach plan.
- (U) Incorporate continuous improvement of economy, efficiency, effectiveness, and integration into ODNI operations.

### ⊕ (U) Implement IC IG's IC-Wide Mission

- (U) Lead and leverage the IC IG Forum to develop a foundation and the procedures for IC-wide inspections, audits and investigations.
- (U) Establish a comprehensive IC-wide peer review program.
- (U) Develop a communication and outreach plan for IC-wide efforts.

**(U) REPORT FRAUD, WASTE, ABUSE, OR MISCONDUCT**

**(U) TO REPORT ALLEGATIONS OF FRAUD, WASTE, ABUSE, OR MISCONDUCT IN THE ODNI OR IC AGENCIES.**

**CONTACT:**

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WASHINGTON, DC 20511  
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**FOR THE PERIOD OF 8 NOVEMBER 2011 TO 30 JUNE 2012**

**IMPORTANT NOTICE**

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