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Office of the Director of National Intelligence
Washington, DC 20511

Mr. John Greenewald
[REDACTED]

NOV 28 2014

Reference: ODNI Case # DF-2014-00145

Dear Mr. Greenewald:

This is in response to your 15 March 2014 email to the Office of the Director of National Intelligence (ODNI) (Enclosure 1), in which you requested, under the Freedom of Information Act (FOIA), **"...a copy of all ODNI OIG Semi-Annual Reports that were issued/published in the calendar year 2013."**

Your request was processed in accordance with the FOIA, 5 U.S.C. § 552, as amended. A thorough search of our records and databases located documents responsive to your request (Enclosure 2). Certain information has been deleted from the enclosure.

Some of the withheld information has been found to be currently and properly classified in accordance with Executive Order 13526, Section 1.4(c), and is exempt from disclosure pursuant to FOIA exemption (b)(1). Additional information has been withheld pursuant to the following FOIA exemptions:

- (b)(3), which applies to information exempt by statutes, specifically, 50 U.S.C. § 3024(m)(1), which protects, among other things, the names and identifying information of ODNI personnel; and
- (b)(5) which protects privileged interagency or intra-agency information.

If you wish to appeal our determination on this request, please explain the basis of your appeal and forward to the address below within 45 days of the date of this letter.

Office of the Director of National Intelligence
Information Management Office
Washington, DC 20511

If you have any questions, please email our Requester Service Center at DNI-FOIA@dni.gov or call us at (703) 874-8500.

Sincerely,

for Sally Nicholson
Jennifer Hudson
Director, Information Management Division

Enclosures

ENCLOSURE

1

DNI-FOIA

DF-8014-00145

From: John Greenewald, Jr. <john@greenewald.com>
Sent: Saturday, March 15, 2014 5:10 PM
To: DNI-FOIA
Subject: FOIA REQUEST

MAR 18 2014
1:00 PM

To whom it may concern,

This is a non-commercial request made under the provisions of the Freedom of Information Act 5 U.S.C. § 552. My FOIA requester status as a "representative of the news media." I am a freelance television producer often working on documentaries related to my FOIA requests, my work is commonly featured throughout major news organizations, and I freelance writer for news sites as well. Examples can be given, if needed.

I prefer electronic delivery of the requested material either via email to john@greenewald.com or via CD-ROM or DVD via postal mail. Please contact me should this FOIA request should incur a charge.

I respectfully request a copy of all ODNI OIG Semi-Annual Reports that were issues / published in the calendar year 2013.

Thank you so much for your time, and I am very much looking forward to your response.

Sincerely,

John Greenewald, Jr.
[REDACTED]
[REDACTED]

Sincerely,

John Greenewald, Jr.
The Black Vault
<http://www.theblackvault.com>

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ENCLOSURE

2



(U) IC IG FY2014 - 001

(U) 1 April 2013 - 30 September 2013

(U) SEMIANNUAL REPORT TO THE DIRECTOR OF NATIONAL INTELLIGENCE

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

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

(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 Office of the Inspector General of the Intelligence Community (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 Intelligence Community backgrounds of our staff.

(U) A Message from the Inspector General



(U) I am pleased to provide this summary of the activities of the Office of the Inspector General of the Intelligence Community (IC IG) for the period of 1 April 2013 through 30 September 2013. This report is submitted pursuant to Section 103H of the National

Security Act of 1947, as amended.

(U) On September 9, 2013, we moved from CIA's Headquarters to a facility in Reston, VA. This move significantly increased our available workspaces and brought our organization together in one office suite for the very first time. We are extremely pleased with our new environment.

(U//FOUO) During this reporting period we:

- completed four audits: the Study of Electronic Waste Practices within the IC, the Fiscal Year 2012 Improper Payments Elimination and Recovery Act (IPERA) review, a follow-up Assessment of the Auditability Plans for the CIA, DIA, NSA, NGA and ODNI, and an Audit of Internal Controls over the ODNI payroll;
- completed two inspections of ODNI components: the Office of Program Manager, Information Sharing Environment; and the Office of the Assistant Director of National Intelligence for Policy and Strategy;
- completed work on 37 investigation cases of which 19 were substantiated;
- completed a joint IG review of the disciplinary processes and the disciplinary actions taken in response to Intelligence Community Office of Inspector General Reports from FY 2009 through FY 2012; and

- completed a limited, focused evaluation of the NCTC quality assurance process to ascertain whether nominations contain sufficient information for watchlisting of United States Persons.

(U//FOUO) We are currently drafting the ODNI's FY 2013 Federal Information Security Management Act of 2002 (FISMA) Capstone and ODNI reports, and we are performing the ODNI's FY 2013 IPERA review; 2 component inspections; and 3 Intelligence Oversight reviews.

(U//FOUO) We continue to foster integration and collaboration among the IC Offices of Inspector General (IC OIGs) by:

- leading the statutory IC IG Forum and the Forum's Audit, Inspections, Investigations, Counsel and the newly established Management and Administration committees;
- hiring an Executive Director for Intelligence Community Whistleblowing and Source Protection;
- implementing a Peer Review program among and in coordination with the IC OIGs; and
- liaising with the Council of Inspectors General on Integrity and Efficiency.

(U) I credit our hard-working personnel for these accomplishments and ongoing efforts. I very much appreciate the steadfast support I have received from the DNI, the Administration, and the Congressional Intelligence Committees and remain committed to the highest standards of professionalism, objectivity, independence, and integrity.

I. Charles McCullough, III

Inspector General of the Intelligence Community

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I. (U) Statutory Reporting Requirements

A. (U) Standards

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

B. (U) Certification of Full and Direct Access

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

C. (U) Subpoena Authority

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

D. (U) Legislative Proposals

(U) During this reporting period, the IG did not make any additional legislative proposals. However, the IG remained engaged with the congressional oversight committees on previous IC IG proposals to enhance IC IG personnel authorities, budget authorities, and protection of IG materials.

E. (U) Status of Recommendations

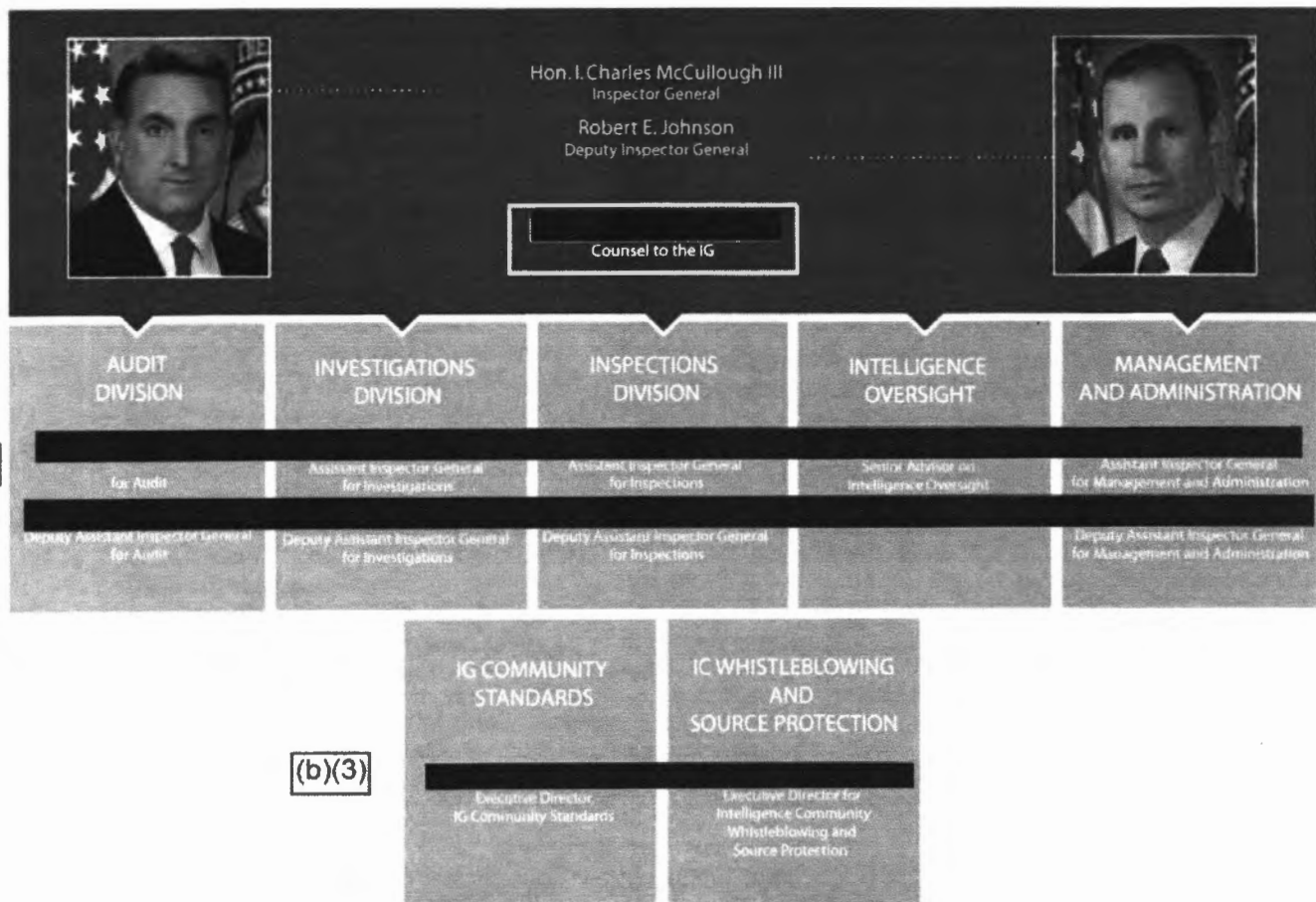
(U) Appendix G provides an update on the status of IC IG recommendations. Each recommendation listed outlines the Office of the Director of National Intelligence (ODNI) component or Intelligence Community (IC) element responsible for the necessary corrective actions and whether or not the corrective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

II. (U) Overview

A. (U) Organization

(U) The Intelligence Authorization Act (IAA) for FY 2010 established the IC IG with the authority to initiate and conduct independent audits, inspections, investigations, and reviews of 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. The broad authority of the IAA 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) 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, Management and Administration (M&A), a Senior Advisor on Intelligence Oversight (IO) and program managers for Whistleblowing and Source Protection and IG Community Standards. The office's principal operating divisions are Audit, Investigations, and Inspections. The Senior Advisor on IO provides reviews of intelligence activities, either within the ODNI or across IC organizations, to ensure that such activities are authorized and conducted lawfully. The M&A Division and the Counsel's Office provide enabling support to the operational divisions and the IC IG Front Office. The Executive Directors for Intelligence Community Whistleblowing and Source Protection and IG Community Standards support the IC IG Forum.



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B. (U) Personnel

(U//~~FOUO~~) The IC IG is authorized a total staffing complement of [REDACTED] positions. The table below shows positions by division and office. Filled positions, as of 30 September 2013, reflect [REDACTED] full-time, [REDACTED].

(U) The IC IG is composed of a mixture of ODNI cadre, rotational employees on Joint Duty Assignments, and contractors who provide subject matter expertise. The following figures summarize the breakdown of the IC IG staff by category.

(U//~~FOUO~~) IC IG Position Allocation

	Audit	Investigations	Inspections	IO	M&A	Counsel	Forum	Leadership	Total
Full-time	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Part-time	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Vacancies	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Contractor	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

CHART IS UNCLASSIFIED // ~~FOR OFFICIAL USE ONLY~~**(U//~~FOUO~~) Figure A: Current IC IG Membership**

Cadre
Rotational
Contractors

FIGURE IS UNCLASSIFIED // ~~FOR OFFICIAL USE ONLY~~**(U//~~FOUO~~) Figure B: Rotational Detailee Organization**FIGURE IS UNCLASSIFIED // ~~FOR OFFICIAL USE ONLY~~

C. (U) Funding

(U//~~FOUO~~) The ODNI provided adequate funding for the IC IG mission during this reporting period. Our budget covered personnel services and general support requirements such as travel, training, equipment, supplies, information technology support, and office automation requirements.

The IC IG requested and the DNI supported an increase in IC IG personnel for Fiscal Year 2014. The requested increase in staffing will assist the IC IG in keeping pace with increasing mission requirements.

(b)(3)



III. (U) Planning

A. (U) Strategic Planning

(U) The IC IG's main goal is to implement our IC-wide mission of integration. Specifically identifying cross-IC best practices, collaborating on IC-wide audits and reviews, and establishing Peer Review and Whistleblowing and Source Protection programs.

(U) This goal and associated objectives reflect our mission, vision, and integration across the IC, while enabling excellence in management and accountability. We have established timelines to achieve those goals, updated our work planning process to ensure the most efficient and effective allocation of IC IG resources to best meet mission requirements, and required all IC IG officers to create performance plans to meet the needs of both the individual and the IC IG.

B. (U) Annual Planning

(U) We published our work plan for Audits and Inspections for FY 2014. The plan provides for broad coverage of issues of continuing importance to the DNI and IC as a whole.

(U) To identify relevant and timely topics, we obtained input from ODNI leadership and senior staff as well as fellow IGs from the IC IG Forum. We also considered the National Intelligence Strategy, congressional reports, and the results of our IC-wide and component efforts.

(U) In FY 2014, we are focusing our efforts on improving efficiency and effectiveness in critical areas for the ODNI and the IC, such as:

- Financial Management and Administration
- Procurement and Contracting
- Information Management and Technology

IV. (U) Congressional Engagements

A. (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 IG, Deputy IG, and each of the AIGs briefed the congressional oversight committees on several critical IC IG investigations, reviews, and audits regarding crimes reporting, IC financial auditability, and IC IG budget and resource planning.

(U) In addition, the IC IG was joined by the IGs from the Department of Justice, Department of Homeland Security, and the Central Intelligence Agency in examining the information available to the U.S. Government before the Boston bombings and the information sharing protocols and procedures followed between and among the intelligence and law enforcement agencies. The IC IG Counsel facilitated several joint congressional briefings and congressional notifications related to this matter. These engagements and notifications ensured that the congressional oversight committees for each of the IGs were well informed of the progress of this critical review.

B. (U) Legislation Impacting the IC IG

(U) During this reporting period, the IC IG reviewed several congressional proposals impacting the IC IG mission including enhanced oversight of Foreign Intelligence Surveillance Act (FISA) and USA PATRIOT Act authorities, Cyber information sharing, and IG authorities. The IC IG Legislative Counsel tracked each proposed bill and analyzed the impact to the IC IG mission and statutory authorities. In addition, the IC IG Legislative Counsel engaged with congressional committees on enacted legislation and other reviews of interest, including the Improper Payments Elimination and Recovery Act of 2010, the FISA Amendments Act of 2008, and the Reducing Over-Classification Act of 2010.

V. (U) Audit Division

(U) The IC IG Audit Division (Audit) 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) During this reporting period, Audit completed 4 projects and issued reports containing 16 recommendations to strengthen internal controls over financial management and payroll, and 5 recommendations to address electronic waste within the IC. As of 31 March 2013, the Audit staff had four on-going audits.

A. (U) Completed Audits

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

(AUD-2012-004, April 2013)

(U//~~FOUO~~) Pursuant to section 340 of the IAA for FY 2010, Audit 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, NSA, NRO, and NSA OIGs. The study had two objectives:

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

(U) The report contained five recommendations addressed to the Intelligence Community Chief Information Officer (IC CIO) and the National Counterintelligence Executive (NCIX). The recommendations focused on developing policies to ensure Intelligence Community elements uniformly implement National Institute of Standards and Technology (NIST) and Committee on National Security Systems (CNSS) best practices for the disposal of electronic waste. The IC CIO and NCIX concurred with the recommendations.

2. (U) *Review of the Office of the Director of National Intelligence's Fiscal Year 2012 Compliance with the Improper Payments Elimination and Recovery Act (IPERA) of 2010*

(AUD-2013-001, April 2013)

(U) The objective of this review was to determine whether ODNI complied with IPERA requirements for FY 2012. According to Section 3 (a)(3) of IPERA and consistent with Office of Management and Budget (OMB) Circular No. A-123, "compliance" with IPERA means that the agency has:

- Published a Performance and Accountability Report (PAR) or Agency Financial Report (AFR) for the most recent fiscal year and posted that

report and any accompanying materials required by OMB on the agency website.

- Conducted a program-specific risk assessment for each program or activity (if required).
- Published improper payment estimates for all programs and activities identified as susceptible to significant improper payments under its risk assessment (if required).
- Published programmatic corrective action plans in the PAR or AFR (if required).
- Published, and has met, annual reduction targets for each program assessed to be at risk and measured for improper payments.
- Reported a gross improper payment rate of less than 10 percent for each program and activity for which an improper payment estimate was obtained and published in the PAR or AFR.
- Reported information on its efforts to recapture improper payments.

(U//~~FOUO~~) We found the ODNI has taken actions to improve compliance with IPERA. However, we determined that ODNI improper payments exceeded the \$10 million threshold in FY 2012. As a result, ODNI did not follow OMB guidance on IPERA reporting and was not in compliance with IPERA.

(U) We recommended the Chief Management Officer develop and implement a corrective action plan. In addition, we recommended that the Chief Financial Executive develop a process, policy, and training program to ensure that invoices approved for payment are supported properly with sufficient documentation.

3. (U) 2013 Congressionally Directed Action (CDA) to Perform a Follow-up Assessment of the Auditability Plans for CIA, DIA, NSA, NGA, and ODNI

(AUD-2013-004, September 2013)

(U) The IC IG conducted this assessment in response to a CDA in the Classified Annex of the Intelligence Authorization Act for FY 2013. The CDA required

the IC IG to perform a follow-up review using the same terms of reference specified in the FY 2011 Act: to assess the soundness and likely success of each auditability plan to achieve full auditability by FY 2016.

(U//~~FOUO~~) We found that IC elements have shown some progress in improving their corrective action plans (CAPs) and audit readiness strategies to achieve an unqualified opinion on their FY 2016 financial statements. While the current CAPs and audit strategies incorporate project management elements and strategic focus the Government Accountability Office (GAO) recommends as vital for entities to achieve an unqualified opinion, IC elements continued to report long-standing weaknesses in the areas of Fund Balance with Treasury, Property, Plant & Equipment, and Financial Systems. As a result, we still have no reasonable assurance that these IC elements will achieve an unqualified opinion on their FY 2016 financial statements.

4. (U) Audit of the Internal Controls over the Office of the Director of National Intelligence's Payroll

(AUD-2013-005, September 2013)

(U//~~FOUO~~) The objectives of this audit were to determine whether:

- ODNI has designed and implemented internal controls to provide reasonable assurance that payroll activity is completely and accurately recorded in the accounting system.
- ODNI has designed and implemented internal controls to provide reasonable assurance that payroll activity and related disclosures are presented in the ODNI's financial statements in accordance with Department of Treasury and Office of Management and Budget form and content requirements.
- ODNI has designed and implemented internal controls to provide reasonable assurance that the ODNI is in compliance with relevant laws and regulations.

(U) We did not find any instances of non-compliance with select provisions of relevant laws and regulations. However, ODNI did not have internal controls in place to provide reasonable assurance that payroll activity was completely and accurately recorded in the accounting system or fairly presented in financial statements. We found that:

- ODNI did not maintain adequate supporting documentation for the compensation rates of CIA employees detailed into ODNI.
- ODNI did not maintain adequate supporting documentation for deductions related to the Federal Employees' Group Life Insurance (FGLI) Program for ODNI Cadre employees.
- ODNI was not seeking prompt reimbursement of salary and benefits paid for ODNI employees detailed out to other agencies.
- ODNI made payments for the reimbursement of salaries and benefits of employees detailed into ODNI without obtaining and reviewing sufficient supporting documentation.

(U) We made eight recommendations to enhance internal controls over supporting, recording, and reporting ODNI payroll activity. ODNI management concurred with our recommendations.

B. (U) Ongoing Audits

1. (U) Fiscal Year 2013 Independent Evaluation of ODNI Compliance with the Federal Information Security Management Act (FISMA) of 2002

(AUD-2013-003)

(U) The Federal Information Security Management Act of 2002 (FISMA), which is Title III of the E-Government Act of 2002, requires the agency OIG, or an independent external auditor, perform an annual independent evaluation of the agency's information security program and practices.

(U) The objective of this evaluation is to determine

the adequacy of the information security program and practices for the ODNI's internal operations. In addition, we will follow-up on steps taken to address recommendations made in the FY 2012 FISMA Report.

(U) We will issue our report by the end of calendar year (CY) 2013.

2. (U) Review of the Office of the Director of National Intelligence's Fiscal Year 2013 Compliance with the Improper Payments Elimination and Recovery Act (IPERA) of 2010.

(AUD-2013-006)

(U) IPERA requires agencies to identify and estimate improper payments and to take into account those risk factors that are likely to contribute to significant improper payments. In addition, IPERA requires agencies to conduct payment recapture audits with respect to each program and activity that expends \$1 million or more annually, if conducting such audits would be cost-effective, and it requires agencies to report on the actions taken to recover improper payments.

(U) IPERA requires the IG of the agency to perform an annual "compliance review" to determine whether or not the agency is in compliance with IPERA. Pursuant to this statutory requirement, Audit is conducting the IPERA review for ODNI. To that end, Audit is following OMB Circular No. A-123 guidance to review the ODNI's improper payment reporting contained in the FY 2012 Annual Financial Report and accompanying materials to determine if ODNI is in compliance with IPERA.

(U) We will issue our report by the March 2014 due date.

3. (U) *Fiscal Year 2013 Consolidated Federal Information Security Management Act (FISMA) of 2002 Capstone Report for the Intelligence Community Elements' Inspectors General*

(AUD-2013-007)

(U//~~FOUO~~) The objective of this evaluation is to collect and summarize the FY 2013 FISMA report submissions from the OIGs for the IC elements operating or exercising control of national security systems. This evaluation will summarize 11 IC elements' information security program strengths and weaknesses, identify the cause of the weaknesses in these programs, if noted by the respective OIGs, and provide a brief summary of the recommendations made for IC information security programs based on our review of the OIG reports. To perform this evaluation, we will apply the Department of Homeland Security FY 2013 IG FISMA metrics for 11 information security program areas. These 11 information security program areas include:

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

(U) We will issue our report by the end of CY 2013.

4. (U) *Evaluation of the Implementation of the "Reducing Over-Classification Act" by the ODN*

(AUD-2012-009)

(U) This evaluation has been temporarily suspended pending the availability of audit staff.

(U) The reducing Over-Classification Act (the Act) of 2010 requires the IG of each U.S. Government department or agency with an officer or employee who is authorized to make original classification decisions to conduct two evaluations of that department, agency, or component. The first evaluation was due by 30 September 2013, and the second is due in 2016. Specific objectives identified by the act are to:

- Assess whether applicable classification policies, procedures, rules and regulations have been adopted, followed and effectively administered; and
- Identify policies, procedures, rules, regulations, or management practices that may be contributing to persistent misclassification of material.

(U) The evaluation focuses on implementation of the Act by the ODN.

VI. (U) Inspections Division

(U) The IC IG Inspections Division (INS) 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) INS also encourages the use of the IC IG Complaint Intake Process, or Hotline, as a confidential and reliable source for IC employees and contractors to report fraud, waste, and abuse.

(U//~~FOUO~~) During this reporting period, INS completed two Special Review Inspections. Special Reviews are accelerated assessments that use questionnaires and data call responses with limited interviews of component staff.

The inspections covered four primary areas:

1. Mission performance
2. Management effectiveness
3. Resource management
4. Enterprise oversight

(U//~~FOUO~~) As of 30 September 2013, INS had two ongoing Special Reviews

A. (U) Completed Inspections

1. (U) Office of the Program Manager, Information Sharing Environment (PM-ISE)

(INS-2013-002, June 2013)

(U//~~FOUO~~) This Special Review inspection occurred during the period of February-April 2013. We validated challenges in the following areas:

- PM-ISE's contract oversight process required modification to fully comply with Federal requirements,
- there was a lack of technical support to install a

customer relationship management software tool acquired in 2012, and

- an implementation fund supporting information sharing projects to accelerate government-wide information sharing was not adequately addressed in the Community Management Account (CMA) Congressional Budget Justification Book for proper transparency and oversight.

We observed and reported the following:

- PM-ISE's focus appeared overly broad;
- there was a lack of full compliance with ODNI policies and procedures;
- some existing contracts might not ensure best value for the Government;
- contractor activities may fall within functions

(b)(3)

defined in OMB (OFPP) Policy Letter 11-01;

- some participants perceived aspects of the work environment were not conducive to a positive, effective, and efficient work place (PM-ISE was implementing corrective actions during our review);
- there were fewer detailees than ODNI staffing policy recommends; and
- there was a relatively high number of Senior National Intelligence Service officers.

(U) We noted as commendable PM-ISE's relatively high number of assigned Wounded Warrior Internship Program interns.

2. (U) Office of the Assistant Director of National Intelligence for Policy & Strategy (P&S)

(INS-2013-003, August 2013)

(U//~~FOUO~~) This Special Review inspection was conducted during the period of April through May 2013. The review coincided with a change in P&S office leadership, thereby affording timely and relevant input to the incoming Director of P&S. We validated challenges regarding out-of-date IC policies and ODNI temporary duty spending policy needing clarification for officers on Joint Duty Assignment. We observed and reported the following:

- a cost advantageous alternative to P&S local transportation practices may exist;
- P&S oversight of Sensitive Compartmented Information below the compartment level should be considered;
- some functions performed by contractors require enhanced controls;
- internal IT improvements should be considered to aid P&S's use of a network maintained by the National Security Council;
- the P&S website can be further improved;

- the workforce had concerns about IT reliability; and
- there was one instance of non-compliance with Leave Without Pay policy.

(U) We noted as commendable the following:

- P&S' effective administration of the Galileo Awards and Galileo Pilot Programs that promote IC innovation,
- the positive work environment, and
- P&S' role in the efficient transition of the National Intelligence Emergency Management Agency (NIEMA) from P&S to the ODNI Mission Support Division.

B. (U) Ongoing Inspections

1. (U) Office of the Assistant Director of National Intelligence for Acquisition, Technology & Facilities (AT&F)

(INS-2013-004)

(U//~~FOUO~~) INS is currently conducting a Special Review of the ODNI AT&F Office. We will issue our report during the first quarter of FY 2014.

2. (U) Intelligence Community Equal Employment Opportunity & Diversity Office (EEOD)

(INS-2013-005)

(U//~~FOUO~~) INS is currently conducting a Special Review of the ODNI EEOD Office. We will issue our report during the second quarter of FY 2014.

VII. (U) Investigations Division

(b)(3)

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

(U//FOUO) During this reporting period, INV conducted 49 investigations (24 new and 25 carried over) of which 37 were closed. Of the 37 closed investigations, 19 were substantiated and involved violations such as labor mischarging, employee misconduct and misuse of government equipment. Of the 19 substantiated investigations, 18 were labor mischarging cases that resulted in an estimated \$1,106,703 in potential recoveries for the Government. As of 30 September 2013, INV had 12 open investigations

A. (U) Completed Reports

Intelligence Community Accountability Review (Project No. 2012C017, May 2013)

(U) At the request of the Senate Select Committee on Intelligence, we conducted a joint IG review with the Department of Defense Inspector General of the disciplinary processes and the disciplinary actions taken in response to Intelligence Community Office of Inspector General Reports from FY 2009 through FY 2012. The Intelligence Community agencies and elements reviewed included ODNI, DIA, NSA, NRO, NSA. The review addressed the following objectives:

1. Review and report on the disciplinary actions taken in response to substantiated misconduct in Intelligence Community OIG reports from FY 2009 through FY 2012.
2. Review and report on the disciplinary processes in the Intelligence Community Agencies and elements.

(U) We found that the IC Agencies and elements have processes and systems in place to hold intelligence personnel accountable for committing acts of fraud, waste, and abuse, and other acts of misconduct. We also found that the IC Agencies and elements have established governance policies which are generally consistent with the procedural rights established for adverse actions under Title 5 and Title 10, United States Code. However, we identified weaknesses in IC Agency and element policies and/or internal controls

and made specific recommendations for each IG Agency or element to update and strengthen governance policies consistent with law and regulation, and to ensure thorough and accurate documentation of disciplinary actions.

(U) We made a total of 13 recommendations: ODNI - 4; DIA - 1; NSA - 1; NRO - 2; NSA-5; all of which focused on updating respective agency/element directives to reflect the recent changes in OIG statutory authorities and improving agency policies governing the disciplinary processes. For example, the ODNI has closed all four recommendations including issuing an implementing instruction for the IC IG, which establishes in internal policy IC IG authorities and responsibilities. The NSA IG has hired an independent IG counsel in accordance with IG statutory authorities. Finally, Director NRO opted to reconsider our recommendation to establish an internal NRO governance policy and plan to clearly define the roles and responsibilities of NRO management officials in the disciplinary process.

B. (U) Select Completed Investigations

(U//~~FOUO~~) INV investigated the following cases and obtained declinations of criminal prosecution from the U.S. Attorney's Office, Eastern District of Virginia.

1. (U) Labor Mischarging

(INV-2011-0021, September 2013)

(U//~~FOUO~~) A contract labor mischarging investigation substantiated that a contractor billed the Government for approximately 8,320 hours of labor that was performed outside of the scope of the contract during an approximate six year period. INV referred the matter to the Head of Contracting Activity for appropriate recovery.

2. (U) Labor Mischarging

(INV-2012-0042, June 2013)

(U//~~FOUO~~) A contract labor mischarging investigation substantiated that a contractor billed the Government for approximately 3,282 hours of labor that was performed outside of the scope of the contract during an approximate seven year period. INV referred the matter to the Head of Contracting Activity for appropriate recovery.

3. (U) Labor Mischarging

(INV-2012-0044, November 2012)

(U//~~FOUO~~) A contract labor mischarging investigation substantiated that a contractor billed the Government for approximately 496 hours of labor that was performed outside of the scope of the contract. INV referred the matter to the Head of Contracting Activity for appropriate recovery.

4. (U) Labor Mischarging

(INV-2012-0062, June 2013)

(U//~~FOUO~~) A contract labor mischarging investigation substantiated that a contractor billed the Government for approximately 455 hours of labor that was performed outside of the scope of the contract during a one year period. INV referred the matter to the Head of Contracting Activity for appropriate recovery.

5. (U) Labor Mischarging

(INV-2013-0010, June 2013)

(U//~~FOUO~~) A contract labor mischarging investigation substantiated that a contractor billed the Government for approximately 1,771 hours of labor that was performed outside of the scope of the contract during a four year period. INV referred the matter to the Head of Contracting Activity for appropriate recovery.

6. (U) Labor Mischarging

(INV-2013-0029, July 2013)

(U//~~FOUO~~) A contract labor mischarging investigation substantiated that a contractor billed the Government for approximately 739 hours of labor that was performed outside of the scope of the contract during a 17 month period. INV referred the matter to the Head of Contracting Activity for appropriate recovery.

7. (U) USERRA Investigation.

(INV-2013-0044, September 2013)

(U) An allegation of violation of the Uniform Services Employment and Reemployment Rights Act (USERRA) was brought against an ODNI supervisor for investigation. An employee alleged that the supervisor harassed and took adverse personnel actions against the complainant in reprisal for serving as an activated member of the Uniformed Services Reserve Component. Upon the completion of the investigation, the IC IG found no violation of USERRA. The case is closed.

8. (U) Labor Mischarging

(INV-2013-0046, June 2013)

(U//~~FOUO~~) A contract labor mischarging investigation substantiated that a contractor billed the Government for approximately 510 hours of labor that was performed outside of the scope of the contract during a one year period. INV referred the matter to the Head of Contracting Activity for appropriate recovery.

9. (U) Employee Misconduct

(INV-2013-0056, June 2013)

(U//~~FOUO~~) INV substantiated that an ODNI Senior Official engaged in Conduct Unbecoming a Federal Employee while on TDY conducting official ODNI

Business. The Senior Official exhibited poor personal judgment that created circumstances which reflected poorly on the ODNI and potentially impaired his ability to perform his duties. INV referred the matter to the ODNI Chief Management Officer.

10. (U) Failure to Timely Report a Crime
(INV-2013-0060, September 2013)

(U) We investigated an allegation that a former NRO employee failed to timely report a case of suspected child abuse in late 2009 and early 2010 as required by 42 U.S.C. § 13031; inappropriately closed an ethics investigation in 2010; and, that the process for selecting and re-hiring this former employee was improper. Upon completion of the investigation, the IC IG concluded that these allegations were unsubstantiated.

C. (U) Other Investigative Activities

(U//~~FOUO~~) During this reporting period the Department of Energy OIG contacted INV regarding a contractor employee suspected of producing falsified research results at a national laboratory using IARPA funds. As a result of the DOE OIG investigation in which the IC IG coordinated and facilitated negotiations, IARPA received a credit for \$756,533 fraudulently obtained by the contractor employee. INV is now working with the DOE IG to suspend and debar the contractor employee.

(U//~~FOUO~~) A contractor misconduct investigation substantiated that a contractor employee routinely misused government equipment and systems to engage in inappropriate and prurient Internet chat over an extended period of time. New evidence emerged during the investigation indicating the contractor was attempting to engage in an inappropriate relationship with a minor. INV notified the FBI and coordinated with another Intelligence Community security office to file a crimes report with the appropriate local authorities while simultaneously suspending the contractor employee's clearances and access. The local authorities ensured the safety of the minor, the contractor was subsequently removed from the facility, and the company terminated the employee. INV continues to liaise with and support local officials in their investigation.

D. (U) IC IG Hotline

(U) The Hotline and intake processes provide confidential means for IC employees, contractors, and the public to report fraud, waste, and abuse. The intake process includes secure and commercial Hotline phone numbers, U.S. mail, anonymous secure Web application submissions, and walk-ins. Since the last Semiannual Report to Congress on 31 March 2013, the Hotline received 135 contacts (66 internal contacts and 69 external contacts).

VIII. (U) IC IG Counsel

(b)(3)

(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.

A. (U) Legal and Policy Reviews

(U) During this reporting period, the Counsel continued outreach efforts to the IC IG staff, ODNI components, and other IG Counsel counterparts. Because the IC IG has broad statutory authority to identify and review IC-wide issues, the IC IG Counsel worked closely with the respective IG Counsels from the Department of Justice, Department of Homeland Security, and the Central Intelligence Agency regarding the joint review of the Boston Marathon Bombing. This joint review examines the information available to the U.S. Government (USG) before the bombings and the information sharing protocols and procedures followed between and among the intelligence and law enforcement agencies. As such, the IG counsels reviewed the scope and methodology of the review to address any cross-jurisdictional legal issues. In addition, the IC IG Counsel reviewed information requests pertinent to the Boston Review to ensure that the IC IG's access to data was in keeping with its legal authorities.

(U) The IC IG Counsel developed several internal policy instructions that had significant impact on the IC IG mission. For example, the IC IG Counsel worked closely with the ODNI Office of General Counsel (OGC) on the ODNI's internal policy for implementing Presidential Policy Directive-19 (PPD-19), *Protecting Whistleblowers with Access to Classified Information* (10 October 2012), which protects IC employees and USG personnel with access to classified information from reprisal actions for making protected disclosures. Further, the IC IG Counsel developed the IC IG External Review Procedures to support Section C of PPD-19, which allows IC employees and USG personnel to seek a review by a three-IG panel of their reprisal allegations. The IC IG Counsel is coordinating on these policy efforts to ensure that IG equities are protected.

(U) In addition to the PPD-19 IG policy development efforts, the IC IG Counsel developed an ODNI internal

policy instruction to ensure that the statutory provisions of the IC IG were fully implemented in ODNI policy. An IG implementing instruction provides pertinent policy guidance to the managers, employees, contractors, and other personnel within an organization on how to interact with the IG. The IC IG Counsel worked closely with ODNI OGC and ODNI Senior Policy Officials to ensure that the IC IG had the necessary DNI delegations of authority, access to pertinent information, and policy authorities to manage IG personnel and resources effectively. These efforts resulted in the DNI signing the IC IG implementing policy instruction on 22 September 2013, which also closes an IC IG and DOD IG recommendation from the joint IC Accountability Review.

(U) To ensure legal sufficiency, the IC IG Counsel worked with the IG, the Deputy IG, the AIGs, and IC IG personnel to review plans, projects, and reports.

B. (U) Legislative Reviews

(U//~~FOUO~~) 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. During this reporting period, the IC IG reviewed several proposals for the IAA for FY 2014 that were submitted to the intelligence oversight committees for consideration. Working through the IC IG Legislative Counsel, the IC IG Counsel was able to ensure that IC IG equities were considered in proposed legislation.

C. (U) 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. Section IV of this report highlights several engagements with congressional oversight committees during this reporting period.

D. (U) Counsel Special Projects

(U) During this reporting period, the IC IG counsel continued the support of the Presidential Policy Directive-19 (PPD-19), *Protecting Whistleblowers with Access to Classified Information* (10 October 2012), which protects IC and Federal Government employees with access to classified information from reprisal actions for making protected disclosures. In support of PPD-19, the IC IG Counsel facilitated a working group of IG personnel on the legal requirements of the directive. Specifically, PPD-19 requires each agency to develop a policy that allows IC personnel to receive an IG review of personnel actions alleged to have been taken in reprisal for making a protected disclosure. Further, the directive requires each USG agency with personnel that are eligible for access to classified information to include in their respective policies an IG review of any action impacting eligibility

for access to classified information that is alleged to have been taken in reprisal for making a protected disclosure. PPD-19 allows IC personnel and employees with access to classified information to appeal to the IC IG for an external review of the allegations after exhausting the applicable agency review process. Finally, the directive requires the DNI to issue IC-wide policy to ensure that IC personnel are aware of the enhanced protections from reprisal for properly reporting fraud, waste, and abuse.

(U) Through the working group, the IC IG Counsel identified potential issues with PPD-19 implementation including potential infringement on IG independence, conflicts of interest, and IG jurisdictional issues. For example, the IC IG Counsel developed the IC IG External Review Procedures that will allow IC employees and USG personnel to request a panel of three IGs to review their allegations. Further, the IC IG Counsel worked with the National Security Staff Counsel and the ODNI Office of General Counsel on legal issues regarding or related to the overall applicability of PPD-19. These efforts helped to ensure that the required PPD-19 policy changes were implemented within proscribed PPD-19 timeframes. By the end of this reporting period, the majority of agency heads had certified to the DNI that their policies included the necessary IG reviews and were consistent with the requirements of PPD-19.

(U) As PPD-19 implementation proceeds, legal issues will arise surrounding the role of IGs and the policy and statutory protections afforded whistleblowers. The IC IG Counsel will continue to support PPD-19 efforts by working with the IC IG Forum Counsels Committee and the newly established IC IG Executive Director for Intelligence Community Whistleblowing & Source Protection.

IX. (U) Intelligence Oversight

(b)(3)

(U) The IC IG has established a position of Senior Advisor on Intelligence Oversight (IO) to assess the need for expanding the IC IG IO portfolio. To further this assessment, the Senior Advisor on IO serves as the principal advisor to the IC IG for the independent oversight of intelligence, counterintelligence, and intelligence-related activities in the IC; represents the IC IG, with the assistance of Counsel, to the President's Intelligence Oversight Board; provides advice and guidance on intelligence oversight to other IC IG elements and other IC IO elements; and ensures that intelligence activities performed by IC elements are conducted in compliance with Executive Order 12333, as amended, and with other related Federal laws, Executive Orders, and policies or directives. The Senior Advisor on IO will accomplish these objectives by maintaining liaison and coordination with appropriate IC element oversight organizations and engaging in IC-wide or ODNI-specific IO projects and evaluations.

(U//~~FOUO~~) Pursuant to Executive Order 13462, the DNI designated the IC IG as a responsible office for reporting intelligence oversight matters arising within the ODNI to the Intelligence Oversight Board (IOB). During this reporting period, the IO staff submitted two quarterly reports to the IOB and issued one evaluation report. As of 30 September 2013, the IO office had three ongoing evaluations.

A. (U) Completed Reports

1. (U) First Quarter Calendar Year 2013 Report to the IOB.

(IO-2013-006, May 2013)

(U) For the first quarter of calendar year 2013, we had no reports from within the ODNI of intelligence activities that we had reason to believe may be unlawful or contrary to Executive Order or Presidential Directive.

2. (U) Second Quarter Calendar Year 2013 Report to the IOB.

(IO-2013-008, August 2013)

(U) For the second quarter of calendar year 2013, we had no reports from within the ODNI of intelligence

activities that we had reason to believe may be unlawful or contrary to Executive Order or Presidential Directive.

3. (U//~~FOUO~~) Evaluation of the National Counterterrorism Center Quality Assurance Process to Nominate U.S. Persons to Terrorist Intelligence Datamart Environment (TIDE)

(IO-2013-001, April 2013)

(U//~~FOUO~~) As a follow-up to the 2012 IC IG Inspection of the National Counterterrorism Center (NCTC), we conducted a limited, focused evaluation of the NCTC quality assurance process to ascertain whether nominations contain sufficient information for watchlisting of United States Persons.

(U//~~FOUO~~) We found that NCTC had implemented a quality assurance process that provided reasonable

assurance that nominations of U.S. Persons for inclusion or removal from TIDE during FY 2012 complied with watchlisting guidance.

that the NRO did not report to the DOJ and appropriate investigative authorities admissions of two potential crimes made by a contractor and a military officer in 2010. We anticipate reporting our findings in 2013.

B. (U) Ongoing Evaluations

1. (U//~~FOUO~~) *Special Review of NRO Crimes Reporting Process.*

(IO-2013-002/007)

(U//~~FOUO~~) On behalf of the NRO Office of Inspector General, we are conducting a special review of NRO compliance with laws, policies, and procedures to identify and report admissions of reportable crimes made by NRO contractors, government civilians, and military personnel during polygraph sessions. The NRO OIG recused itself due to its role in the crimes reporting process.

2. (U//~~FOUO~~) *Evaluation of Intelligence Community Information Sharing Prior to the April 15, 2013 Boston Marathon Bombing*

(IO-2013-005)

(U//~~FOUO~~) The Inspectors General of the IC, CIA, DOJ and DHS initiated a coordinated and independent review into the U.S. Government's handling of intelligence information leading up to the Boston Marathon Bombings. The review will examine the information available to the U.S. Government before the bombings and the information sharing protocols and procedures followed between and among the intelligence and law enforcement agencies.

3. (U) *Evaluation of Media Claims Regarding Non-Reporting by the National Reconnaissance Office of Certain 2010 Admissions of Potential Crimes*

(IO-2013-007)

(U) At the request of the NRO OIG, the IC IG is conducting a limited scope review to determine the accuracy of claims made by the McClatchy Newspaper

X. (U) IC Inspectors General Activities

A. (U) IC IG Forum

(U) The statutory IC IG Forum was established by the IAA for FY 2010. The IG chairs the Forum, which is composed of IGs with oversight responsibilities for IC elements. The IC IG Assistant Inspectors General (AIGs) chair the Forum committees. 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~~) IC IG senior managers lead the IC IG Forum Committees. The Committees engaged in the following activities during this reporting period:

- **Deputies Committee.** The Deputies met to collaborate on issues impacting the IGs from both an IG and an IC perspective. The Deputies focused on whistleblowing, peer review, IC IG Conference planning, and the IC IG Awards Program.
- **Audit Committee.** The Audit Committee met two times and discussed audit software, on-going audit projects, the development of FISMA metrics, workplans, status of IC-wide CDAs and preparation for auditability. Mr. Tom Hall from the IC CIO office, briefed the ICITE Enterprise Architecture. Mr. Matt Grote, Senior Staffer for Senator Carper, spoke on cybersecurity legislation.
- **Investigations Committee.** The Investigations Committee met to discuss investigative best practices, joint investigation procedures, retirement benefits for criminal investigators, and training opportunities for investigators. Substantive discussions relative to the Counter Fraud Investigations and Recoveries Program revealed that several IC OIG's were running similar programs, prompting the creation of a subcommittee that is exploring opportunities for information sharing (common database), consistent policies, and joint investigations.
- **Inspections Committee.** The Inspections Committee met twice during this reporting period. Committee members discussed the Peer Review concept proposed by the IC IG Forum, inspection-derived referrals to OIG hotlines, contractor cooperation with inspections, accelerated inspection methodologies and abbreviated product lines, and best practices in inspection annual planning and product lines. The committee received briefings from the NGA and NRO members regarding the planning, methodology, results and lessons learned from a voluntary Peer Review of NGA OIG Inspections by NRO OIG Inspections. The committee also received a briefing from the Director of the National Intelligence Emergency Management Activity office, ODNI, regarding current and anticipated IC Continuity of Operations Planning activities.
- **Counsels Committee.** The Counsels Committee met several times and discussed jurisdictional issues for IC-wide projects, legislative impacts to the IC IG community mission, Congressional correspondence, and training opportunities to better educate the IG workforce. In addition, the IG Counsels to the DOJ, DHS and CIA worked closely to support the joint IC IG Forum review of the Boston Marathon Bombing.
- **Management and Administration (M&A) Committee.** The M&A committee held its inaugural meeting this reporting period. The committee addressed numerous issues concerning standardization between the offices, and shared best practices for administration of IG matters.

B. (U) The Council of the Inspectors General On Integrity and Efficiency (CIGIE)

(U) The IC IG is a statutory member of the CIGIE. The IC IG actively participates in CIGIE meetings and has representatives who participate in each of the six CIGIE committees: Information Technology, Inspections and Evaluations, Investigations, Legislation, Professional Development, and Audit.

C. (U) IC IG Peer Review Activities

(U//~~FOUO~~) During this reporting period, the NRO OIG Inspections Division completed a peer review of the NGA OIG Inspections Division.

(b)(3)

(U//~~FOUO~~) [REDACTED] joined the IC IG as the Executive Director for IG Community Standards. Mr. [REDACTED] brings over three decades of intelligence experience to the IC IG. His primary role is to work closely with the IC IG Forum, the DoD IG, and CIGIE to establish and implement a comprehensive Peer Review Program for members of the IC IG forum.

(U//~~FOUO~~) The IC IG Forum received a decision briefing on the Peer Review Program at the Forum's 26 September 2013 meeting. Discussion by the Inspectors General led to consensus on approach, and will be codified in a jointly-signed memorandum formally establishing the IC IG Forum Peer Review Program. Roll-out to the staffs of the Offices of the Inspectors General will occur at the Annual Intelligence Community Inspectors General Conference following coordination among the IC OIGs as well as CIGIE.

D. (U) Whistleblowing and Source Protection

(b)(3)

(U) [REDACTED] joined the IC IG as the Executive Director for Intelligence Community Whistleblowing and Source Protection (ED-ICW & SP). Mr. [REDACTED] conducted and oversaw reprisal investigations at the Department of Defense from 2004 to 2013. He brings extensive experience to the Community in the area of investigating use of the security clearance process as a means of whistleblower reprisal. His primary role is to work closely with the IC IG Forum, the DoD IG, and CIGIE to establish and implement a comprehensive whistleblower and source protection program for members of the IC IG forum.

(U) Appendix A: Statistical Overview

(U) Audit Division

(U//~~FOUO~~) The Audit Division completed and issued 4 reports containing 21 recommendations to strengthen internal controls over financial management and to address issues concerning E-Waste within the IC. At the end of the reporting period, the Audit staff had 4 on-going audits.

(U) Inspection Division

(U//~~FOUO~~) The Inspection Division completed 2 inspections. At the end of the reporting period, the inspection staff had 2 on-going inspections.

(U) Investigations Division

(U//~~FOUO~~) The Investigations Division completed work on 37 cases and a joint IG review of the disciplinary processes and the disciplinary actions taken in response to Intelligence Community Office of Inspector General Reports from FY 2009 through FY 2012. At the end of the reporting period, the Investigations Division had 12 open cases.

(U) Intelligence Oversight Division

(U//~~FOUO~~) The Intelligence Oversight Division completed 2 quarterly reports to the Intelligence Oversight Board and a limited, focused evaluation of the NCTC quality assurance process to ascertain whether nominations of U.S. Persons for inclusion or removal from TIDE complied with watchlisting guidance. At the end of the reporting period, the Intelligence Oversight Division had 3 on-going special evaluations.

(U) Appendix B: Summary of Audits

1 April 2013 – 30 September 2013

(U) Audit Number		(U) Audit Title
(U) Completed Audits		
IC-Wide	AUD-2012-004	(U// FOUO) Study of Electronic Waste Disposal Practices in the Intelligence Community
Financial Management	AUD-2013-001	(U) Review of the Office of the Director of National Intelligence's FY 2012 Compliance With the Improper Payments Elimination and Recovery Act (IPERA) of 2010
Financial Management	AUD-2013-004	(U) Auditability follow-up: 2013 Congressional Directed Action (CDA) to Perform a follow-up Assessment of the Auditability Plans for CIA, DIA, NSA, NGA, and ODNI
Financial Management	AUD-2013-005	(U) Audit of the Internal Controls over the Office of the Director of National Intelligence's Payroll
(U) Ongoing Audits		
IC-Wide	AUD-2012-009	(U) Evaluation of the Implementation of the "Reducing Over-Classification Act" by the ODNI
Information Technology	AUD-2013-003	(U) Fiscal Year 2013 Independent Evaluation of ODNI Compliance with the Federal Information Security Management Act (FISMA) of 2002
Financial Management	AUD-2013-006	(U) Review of the Office of the Director of National Intelligence's Fiscal Year 2013 Compliance with the Improper Payments Elimination and Recovery Act (IPERA) of 2010
Information Technology	AUD-2013-007	(U// FOUO) Fiscal Year 2013 Consolidated Federal Information Security Management Act (FISMA) of 2002 Capstone Report for the Intelligence Community Elements' Inspectors General

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(U) Appendix C: Summary of Inspections

1 April 2013 – 30 September 2013

(U) Inspection Number		(U) Inspection Title
(U) Completed Inspections		
Component Inspections	INS 2013-002	(U) Office of the Program Manager, Information Sharing Environment (PM-ISE)
	INS 2013-003	(U) Office of the Assistant Director of National Intelligence for Policy & Strategy (P&S)
(U) Ongoing Inspections		
Component Inspections	INS 2013-004	(U) Office of the Assistant Director of National Intelligence for Acquisition, Technology & Facilities (AT&F)
	INS 2013-005	(U) Intelligence Community Equal Employment Opportunity & Diversity Office (EEOD)

(U) Appendix D: Summary of Additional Reporting

1 April 2013 – 30 September 2013

(U) Report Number		(U) Report Title
(U) Completed Reports		
Intelligence Oversight	IO-2013-001	(U// FOUO) Evaluation of the National Counterterrorism Center Quality Assurance Process to Nominate U.S. Persons to TIDE
	IO-2013-006	(U) First Quarter Calendar Year 2013 Report to the IOB
	IO-2013-008	(U) Second Quarter Calendar Year 2013 Report to the IOB
IC-wide Review	Project No. 2012C017	(U) Intelligence Community Accountability Review
(U) Ongoing Activities		
Special Review	IO-2013-002	(U// FOUO) Special Review of NRO Crimes Reporting Process
	IO-2013-005	(U// FOUO) Evaluation of Intelligence Community Information Sharing Prior to the April 15, 2013 Boston Marathon Bombing
	IO-2013-007	(U) Evaluation of Media Claims Regarding Non-Reporting by the National Reconnaissance Office of Certain 2010 Admissions of Potential Crimes

(U) Appendix E: Summary of Investigations

1 April 2013 - 30 September 2013

(U) Case Number	(U) CLOSED Investigations	(U) Case Number	(U) CLOSED Investigations
2013-0062	Labor Mischarging (Unsubstantiated)	2013-0014	Labor Mischarging (Substantiated)
2013-0060	Failure to comply with statutory reporting requirements (Unsubstantiated)	2013-0010	Labor Mischarging (Substantiated)
2013-0059	Special Review (Referral)	2013-0007	Labor Mischarging (Substantiated)
2013-0058	Special Review (Referral)	2013-0006	Labor Mischarging (Substantiated)
2013-0057	Special Review (Referral)	2013-0005	Labor Mischarging (Substantiated)
2013-0056	Misconduct of Senior Official (Substantiated)	2013-0003	Labor Mischarging (Substantiated)
2013-0051	Labor Mischarging (Unsubstantiated)	2013-0002	Labor Mischarging (Unsubstantiated)
2013-0046	Labor Mischarging (Substantiated)	2013-0001	Labor Mischarging (Substantiated)
2013-0044	USERRA (Unsubstantiated)	2012-0064	Labor Mischarging (Substantiated)
2013-0041	Labor Mischarging (Unsubstantiated)	2012-0063	Labor Mischarging (Substantiated)
2013-0036	Labor Mischarging (Substantiated)	2012-0062	Labor Mischarging (Substantiated)
2013-0035	Labor Mischarging (Unsubstantiated)	2012-0057	Labor Mischarging (Unsubstantiated)
2013-0033	Unauthorized Disclosure (Unsubstantiated)	2012-0052	18 U.S.C. § 205 Violation (Unsubstantiated)
2013-0032	Unauthorized Disclosure (Unsubstantiated)	2012-0042	Labor Mischarging (Substantiated)
2013-0031	Labor Mischarging (Unsubstantiated)	2011-0021	Labor Mischarging (Substantiated)
2013-0030	Labor Mischarging (Unsubstantiated)		
2013-0029	Labor Mischarging (Substantiated)		
2013-0028	Labor Mischarging (Unsubstantiated)		
2013-0026	Labor Mischarging (Substantiated)		
2013-0024	Labor Mischarging (Substantiated)		
2013-0016	Labor Mischarging (Unsubstantiated)		
2013-0015	Labor Mischarging (Substantiated)		

(U) Appendix F: Ongoing Investigations

As of 30 September 2013

(U) OPEN Investigations	(U) Number of Cases
(U) Criminal and Prohibited Acts	
Time and Attendance	9
Fraud	1
Ethics Violation	1
Computer Misuse	1
(U) Total Ongoing Investigations	12

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(b)(3) (U) Appendix G: Status of Recommendations
(b)(5)

(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)

Report Total: 7 Recommendations: 2 Open 5 Closed

Summary of OPEN Recommendations

Recommendation	Rec #	Responsible Office	Corrective Action
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[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Summary of CLOSED Recommendations

[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

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(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)*(continued)**Report Total: 7 Recommendations: 2 Open 5 Closed***Summary of Closed Recommendations (continued)**

Recommendation	Rec #	Responsible Office	Corrective Action
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(b)(3)			
(b)(5)			

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(U) REPORT OF INSPECTION: OFFICE OF THE CHIEF FINANCIAL OFFICER OF THE IC (ISSUED MARCH 2013)*Report Total: 3 Recommendations: 0 Open 3 Closed***Summary of Closed Recommendations**

Recommendation	Rec #	Responsible Office	Corrective Action
----------------	-------	--------------------	-------------------

[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

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**(U) REPORT OF INSPECTION: NATIONAL COUNTER TERRORISM CENTER
(ISSUED November 2012)**

Report Total: 2 Recommendations: 0 Open 2 Closed

Summary of Closed Recommendations

Recommendation	Rec #	Responsible Office	Corrective Action
----------------	-------	--------------------	-------------------

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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**(U//FOUO) AUDIT REPORT OF INTELLIGENCE COMMUNITY SECURITY CLEARANCE RECIPROCITY
(ISSUED December 2012)**

Report Total: 2 Recommendations: 2 Open 0 Closed

Summary of OPEN Recommendations

Recommendation	Rec #	Responsible Office	Corrective Action
----------------	-------	--------------------	-------------------

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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**(U) REPORT OF INSPECTION: OFFICE OF LEGISLATIVE AFFAIRS
(ISSUED October 2012)**

Report Total: 7 Recommendations: 0 Open 7 Closed

Summary of Closed Recommendations

Recommendation	Rec #	Responsible Office	Corrective Action
(U) Within 60 days, the Director of OLA, in [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

**(U//FOUO) FISCAL YEAR 2012 INDEPENDENT EVALUATION OF ODNI COMPLIANCE WITH THE
FEDERAL INFORMATION SECURITY MANAGEMENT ACT OF 2002 (ISSUED December 2012)**

Report Total: 12 Recommendations: 4 Open 8 Closed

Summary of OPEN Recommendations

Recommendation	Rec #	Responsible Office	Corrective Action
----------------	-------	-----------------------	-------------------

(b)(3) (b)(5)			
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[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Summary of CLOSED Recommendations

[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Recommendation	Rec #	Responsible Office	Corrective Action
----------------	-------	--------------------	-------------------

[illegible]

**(U) REPORT OF INSPECTION: OFFICE OF THE ASSISTANT DIRECTOR OF NATIONAL INTELLIGENCE
FOR POLICY AND STRATEGY (P&S) (ISSUED August 2013)***Report Total: 3 Recommendations: 2 Open 1 Closed***Summary of OPEN Recommendations**

Recommendation	Rec #	Responsible Office	Corrective Action
----------------	-------	-----------------------	-------------------

(b)(3)

(b)(5)

[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
------------	------------	------------	------------

[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
------------	------------	------------	------------

Summary of CLOSED Recommendations

[REDACTED]	[REDACTED]	[REDACTED]
------------	------------	------------

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(U) REPORT OF INSPECTION: OFFICE OF THE PROGRAM MANAGER, INFORMATION SHARING ENVIRONMENT OFFICE (PM-ISE) (ISSUED June 2013)*Report Total: 4 Recommendations: 2 Open 2 Closed***Summary of OPEN Recommendations**

Recommendation	Rec #	Responsible Office	Corrective Action
----------------	-------	--------------------	-------------------

[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
------------	------------	------------	------------

Summary of CLOSED Recommendations

[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
------------	------------	------------	------------

[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
------------	------------	------------	------------

[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
------------	------------	------------	------------

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Summary of OPEN Recommendations

Recommendation

Rec #**Responsible Office**

Corrective Action

[illegible]

**(U)STUDY OF INTELLIGENCE COMMUNITY ELECTRONIC WASTE DISPOSAL PRACTICES
(ISSUED May 2013)***Report Total: 5 Recommendations: 5 Open 0 Closed***Summary of OPEN Recommendations**

Recommendation	Rec #	Responsible Office	Corrective Action
-----------------------	--------------	-------------------------------	--------------------------

(b)(3) (b)(5)			
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[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

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(U) INTELLIGENCE COMMUNITY ACCOUNTABILITY REVIEW
(ISSUED May 2013)

Report Total: 13 Recommendations: 8 Open 5 Closed

Summary of OPEN Recommendations

Recommendation	Rec #	Responsible Office	Corrective Action
(b)(3) (b)(5)	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

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(U) INTELLIGENCE COMMUNITY ACCOUNTABILITY REVIEW *continued*
(ISSUED May 2013)

Report Total: 13 Recommendations: 8 Open 5 Closed

Summary of OPEN Recommendations *continued*

Recommendation	Rec #	Responsible Office	Corrective Action
-----------------------	--------------	---------------------------	--------------------------

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Summary of CLOSED Recommendations

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

[REDACTED]

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[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]



(U) IC IG FY2013 - 033

(U) 1 July 2012 - 31 March 2013

(U) SEMIANNUAL REPORT TO THE DIRECTOR OF NATIONAL INTELLIGENCE

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

I. Charles McCullough, III

Inspector General of the Intelligence Community

(b)(3)

CLASSIFIED BY: [REDACTED]

DERIVED FROM: ODNI CG v2.03 JULY 2012

DECLASSIFY ON: 20380430

★ (U) Mission

inspections, investigations,
economy, and integration

★ (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.

(U) A Message from the Inspector General



This report covers an extended reporting period due to a recent statutory change in our semiannual reporting cycle. This report is submitted pursuant to Section 103H of the National Security Act of 1947, as amended.

(U//~~FOUO~~) During this reporting period we:

- solidified our foundation by completing our Concept of Operations, Strategic Plan, and Workplan for CY 2013;
- issued our first compilation of IC-wide Management Challenges;
- completed three audits: the Audit of Intelligence Community Security Clearance Reciprocity, the FY2012 ODNI FISMA Review, and the FY 2012 FISMA Capstone;
- completed four inspections of ODNI components: the Office of Partner Engagement, the Office of Legislative Affairs, the National Counterterrorism Center, and the Office of the Chief Financial Officer;
- completed work on 46 investigative matters, 16 of which were substantiated; and
- initiated an anti-fraud program focusing on contract labor mischarging.

(U//~~FOUO~~) We are currently performing the ODNI's Improper Payments Elimination and Recovery Act audit, a study of Electronic Waste Disposal Practices in the IC, an evaluation of the implementation of the Reducing Over-Classification

(U//~~FOUO~~) I am pleased to provide this summary of the activities of the Office of the Inspector General of the Intelligence Community (IC IG) for the period of 1 July 2012 through 31 March 2013.

This report covers an extended reporting period due to a recent

Act at the ODNI, an audit of the ODNI's payroll systems, and a follow-up study on audit readiness across the IC. In addition, we are also performing an inspection of the Office of the Information Sharing Environment and evaluating the NCTC TIDE Program and the criminal referral aspect of the National Reconnaissance Office's polygraph program.

(U//~~FOUO~~) We continue to foster integration and collaboration among the IC Offices of Inspector General (IC OIGs) by:

- leading the statutory IC IG Forum and the Forum's Audit, Inspections, Investigations, and Counsel committees;
- pursuing the implementation of Presidential Policy Directive-19, *Protecting Whistleblowers with Access to Classified Information*;
- hiring a Special Advisor for IG Community Standards to create and implement a Peer Review program among and in coordination with the IC OIGs;
- hosting an IC-wide training seminar for IG professionals on FOIA and Privacy Act matters; and
- liaising with the Council of Inspectors General on Integrity and Efficiency (CIGIE), co-hosting the 14th Annual CIGIE Awards Ceremony.

(U//~~FOUO~~) I credit our hard-working personnel for these accomplishments and ongoing efforts. I very much appreciate the steadfast support I have received from the DNI, the Administration, and the Congressional Intelligence Committees and remain committed to the highest standards of professionalism, objectivity, independence, and integrity.

A handwritten signature in dark ink, appearing to read "I. C. McCullough III".

I. Charles McCullough, III

Inspector General of the Intelligence Community

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I. (U) Statutory Reporting Requirements

(U) On January 14, 2013, the President signed into law the Intelligence Authorization Act for Fiscal Year (FY) 2013. Section 309 of this Act changed the IC IG's semiannual reporting schedule from the calendar year (CY) to the FY. In view of that change, this semiannual report covers a 9 month period (1 July to 31 March), rather than 6.

A. (U) Standards

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

B. (U) Certification of Full and Direct Access

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

C. (U) Subpoena Authority

(U) During this reporting period the IC IG issued one subpoena.

D. (U) Legislative Proposals

(U) During this reporting period, the IG reviewed several proposals for enhancement to the IC IG statutory authorities including personnel authorities, budget authorities, and protection of IG materials. Those proposals are being refined and may be included in legislation under the current Congress.

E. (U) Status of Recommendations

(U) Appendix C provides an update on the status of IC IG recommendations.¹ Each recommendation listed outlines the Office of the Director of National Intelligence (ODNI) component or Intelligence Community (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 that corrective action is provided.

F. (U) IC-Wide Management Challenges

(U) In accordance with the Reports Consolidation Act of 2000, the IC IG assessed the most serious management and performance challenges impacting the DNI's management of the IC enterprise. We reviewed IG management challenges reports from each IC element, as well as our own recent IC IG Capstones, to identify the following four broad and systemic challenges:

- Financial Management and Auditability
- Acquisitions and Contract Management
- Information Assurance
- Continuity of Operations

Those challenges are detailed in Appendix F.

¹ (U//FOUO) All remaining open recommendations from the ODNI OIG were closed during this reporting period.

II. (U) Overview

A. (U) Organization

of the DNI. 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. The broad authority of the IAA 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

Forum (IC IG Forum), which
by the IAA for FY 2010.
composed of the IG, the
to the IG, and the Assistant
Gs) for Audit, Investigations,
ent and Administration
(M&A), and a Senior Advisor on Intelligence
Oversight (IO). The office's principal operating
divisions are Audit, Inspections, and Investigations.
The Senior Advisor on IO provides reviews of
intelligence activities, either within the ODNI
or across IC organizations, to ensure that such
activities are authorized and conducted lawfully.
The M&A Division and the Counsel's Office provide
enabling support to the operational divisions and
the IC IG Front Office.

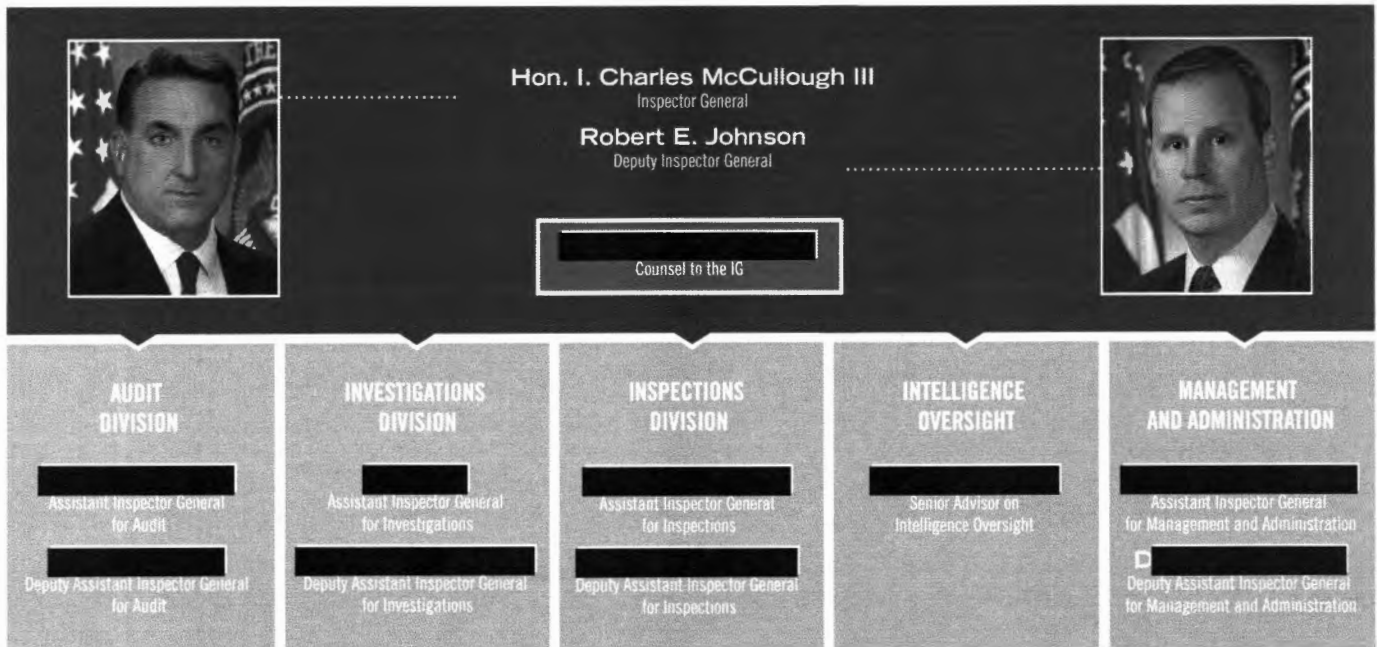


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B. (U) Personnel

(U//~~FOUO~~) The IC IG is authorized a total staffing complement of [REDACTED] with [REDACTED] appropriated. Those positions consist of full-time and part-time civilian positions. The table below shows positions by division and office. Filled positions, as of 31 March 2013, [REDACTED] and [REDACTED] vacancies.

(U//~~FOUO~~) The IC IG is composed of a mixture of DNI cadre, rotational employees on Joint Duty Assignments, and contractors who provide subject matter expertise. The following figures summarize the breakdown of the IC IG staff by category.

(U//~~FOUO~~) IC IG Position Allocation

	Audit	Investigations	Inspections	IO	M&A	Counsel	Leadership	Total
Full-time	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Part-time	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Vacancies	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Contractor	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

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(U//~~FOUO~~) Figure A: Current IC IG Membership

Cadre
Nominative
Rotational
Contractors



(U//~~FOUO~~) Figure B: Rotational Detailee Organization



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(U) Funding



support, and office automation requirements.

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III. (U) Planning

A. (U) Strategic Planning

(U) The IC IG has three strategic goals:

1. To establish an organizational foundation.
2. To implement and fulfill the ODNI mission.
3. To implement our IC-wide mission.

(U) Those goals and associated objectives reflect our mission, vision, and core values of promoting economy, efficiency, effectiveness, and integration across the IC, while enabling excellence in management and accountability. We have established timelines to achieve those goals, updated our work planning process to ensure the most efficient and effective allocation of IC IG resources to best meet mission requirements, and required all IC IG officers to create performance plans to meet the needs of both the individual and the IC IG.

B. (U) Annual Planning

(U) We published our work plan for Audits and Inspections for CY 2013. The plan provides for broad coverage of issues of continuing importance to the DNI and IC as a whole.

(U) To identify topics that were both relevant and timely, we obtained input from ODNI leadership and senior staff as well as fellow IGs from the IC IG Forum. We also considered the National Intelligence Strategy, congressional reports, and the results of our IC-wide and component efforts.

(U) In CY 2013, we are focusing our efforts on improving efficiency and effectiveness in critical areas for the ODNI and the IC, such as:

- Continuity of Operations
- Financial Management and Administration
- Procurement and Contracting
- Information Management and Technology

IV. (U) Congressional Engagements

A. (U) Briefings

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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. The IC IG staff provided staff briefings on congressionally directed actions (CDAs), IC IG initiatives on performing administrative investigations with regard to leaks of classified information, the IC IG's Joint Accountability Review, IC IG budget and resource planning, and recent IC IG investigations of congressional interest.

B. (U) Legislation Impacting the IC IG

[REDACTED]

[REDACTED] reporting period, the [REDACTED] proposals for the Intelligence [REDACTED] Y 2014, to include proposals [REDACTED] nel authorities, law [REDACTED] t benefits, budget authorities, and protections for sensitive IG materials. The IC IG will ensure that any such proposals are submitted to the congressional committees for consideration in the IAA FY 2014 bill.

(U//~~FOUO~~) In addition, the IC IG engaged with congressional committees on enacted legislation and other reviews of interest, including the Improper Payments Elimination and Recovery Act of 2010, the Foreign Intelligence Surveillance Act of 1978 Amendments Act of 2008, and the Reducing Over-Classification Act of 2010.

V. (U) Audit Division

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(U) The IC IG Audit Division (Audit) 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) During this reporting period, Audit completed 3 projects and issued reports containing 12 recommendations to strengthen internal controls over information technology and 2 recommendations to standardize reciprocity of security clearances within the IC. As of 31 March 2013, the Audit staff had six on-going audits.

A. (U) Completed Audits

1. (U//~~FOUO~~) *Fiscal Year 2012 Consolidated Federal Information Security Management Act (FISMA) of 2002 Capstone Report for the Intelligence Community Elements' Inspectors General (AUD-2013-002, November 2012).*

(U//~~FOUO~~) The objective of this evaluation was to collect and summarize the FY 2012 FISMA report submissions from the IC element OIGs operating or exercising control of National Security Systems. Based on those submissions, all OIGs noted that a **Risk Management** program had been established that met the FY 2012 IG FISMA metric requirements. Of the remaining 11 information security program (ISP) areas, 10 OIGs noted that the **Incident Response and Reporting** and **System Inventory** programs also met the FY 2012 IG FISMA metric requirements.

(U//~~FOUO~~) OIGs identified weaknesses in all ISP areas. The majority of weaknesses were in: **Continuous Monitoring, Plans of Action and Milestones, Contingency Planning, and Security Capital Planning**. The causes for the program weaknesses or the lack of a program varied by security program area but some of the most commonly noted reasons included: assessments of security controls; identifying costs for remediating weaknesses; development and documentation of information technology infrastructure recovery strategies, plans, and procedures; and documentation of policies and procedures for a

security capital planning and investment control process.

2. (U) *Fiscal Year 2012 Independent Evaluation of ODNI Compliance with the Federal Information Security Management Act (FISMA) of 2002 (AUD-2012-008, December 2012).*

(U//~~FOUO~~) The objective of this evaluation was to provide an independent review of the ODNI's information security program and practices as required by FISMA. Specifically, the purpose was to determine the adequacy of the ISPs for the Mission Support Division (MSD) and the IC Chief Information Officer (IC CIO).

(U//~~FOUO~~) Two metric ISP areas, **Identity and Access Management** and **Security Training**, were not applicable to our evaluation because ODNI followed the Central Intelligence Agency (CIA) processes and those metrics were reviewed during the CIA IG's evaluation. A third metric category, **Remote Access Management**, was not evaluated because ODNI did not have a remote access requirement in FY 2012. Of the remaining 9 metric categories, **Incident Response and Reporting** and **Contractor Systems** had an established program that

[REDACTED] made two recommendations to the Assistant Director for the Security Directorate (SSD). The [REDACTED] focused on developing policies for clearance reciprocity occurred [REDACTED] that IC elements followed [REDACTED] when requiring applicants to complete or update the Questionnaire for National Security Positions. The Assistant Director for SSD concurred with the recommendations.

1. Continuous Monitoring Management
2. Security Configuration Management
3. Risk Management
4. Plan of Action and Milestones
5. Contingency Planning
6. Security Capital Planning
7. Systems Inventory

3. (U) Audit of Intelligence Community Security Clearance Reciprocity (AUD-2012-005, December 2012).

(U//~~FOUO~~) The IC IG initiated this audit in response to a CDA 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, 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, Audit also examined the impact of suitability on hiring actions for those personnel.

B. (U) Ongoing Audits

1. (U) Review of the Office of the Director of National Intelligence's Fiscal Year 2012 Compliance with the Improper Payments Elimination and Recovery Act (IPERA) of 2010.

(U) IPERA requires agencies to identify and estimate improper payments and to take into account those risk factors that are likely to contribute to significant improper payments. In addition, IPERA requires agencies to conduct payment recapture audits with respect to each program and activity that expends \$1 million or more annually, if conducting such audits would be cost-effective, and it requires agencies to report on the actions taken to recover improper payments.

(U) IPERA requires the IG of the agency to perform an annual "compliance review" to determine whether or not the agency is in compliance with IPERA. Pursuant to this statutory requirement, Audit is conducting the IPERA review for ODNI. To that end, Audit is following Office of Management and Budget (OMB) Circular No. A-123 guidance to review the ODNI's improper payment reporting contained in the FY 2012 Annual Financial Report and accompanying materials to determine if ODNI is in compliance with IPERA.

(U) This report will be issued in April 2013.

2. (U) Study of Electronic Waste Disposal Practices in the Intelligence Community.

(U//~~FOUO~~) Pursuant to section 340 of the IAA for FY 2010, Audit initiated a study of the electronic

waste disposal practices of the largest IC elements with exclusively intelligence-related missions. This study is a joint effort with participation from CIA, DIA, NSA, NRO, and NSA OIGs. The study has two objectives:

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

Audit will submit its study to the Intelligence Oversight Committees in May 2013.

3. (U) Evaluation of the Implementation of the "Reducing Over-Classification Act" by the ODNI.

(U) The Reducing Over-Classification Act (the Act) of 2010 requires the IG of each U.S. Government department or agency with an officer or employee who is authorized to make original classification decisions to conduct two evaluations of that department, agency, or component. The first evaluation is due by 30 September 2013, and the second is due in 2016. Specific objectives identified by the Act are to:

- Assess whether applicable classification policies, procedures, rules, and regulations have been adopted, followed, and effectively administered; and
- Identify policies, procedures, rules, regulations, or management practices that may be contributing to persistent misclassification of material.

(U) Audit is conducting this evaluation in conjunction with a Government-wide effort led by the DoD OIG. The evaluation focuses on implementation of the Act by the ODNI.

(U) Audit will issue its report by the end of FY 2013.

4. (U) Fiscal Year 2013 Independent Evaluation of ODNI Compliance with the Federal Information Security Management Act (FISMA) of 2002.

(U) FISMA, which is Title III of the E-Government Act of 2002, requires the agency or an independent external auditor to perform an annual independent evaluation of the agency's ISP and practices.²

(U) The objective of this evaluation is to determine the adequacy of the ISP and practices for ODNI internal operations. In addition, Audit will follow-up on steps taken to address the recommendations made in the FY 2012 FISMA Report.

(U) Audit will issue its report by the end of FY 2013.

5. (U) 2013 Congressionally Directed Action (CDA) to Perform a Follow-up Assessment of the Auditability Plans for CIA, DIA, NSA, NGA, and ODNI.

(U) The IC IG initiated this assessment in response to a CDA in the Classified Annex of the Intelligence Authorization Act for FY 2013 that required the IC IG to perform a follow-up review using the same terms of reference required in the FY 2011 Act for an auditability strategy review. The IC IG reviewed IC elements' FY 2011 plans and provided recommended improvements in a report delivered to the committees in February 2012.

(U//FOUO) This follow-up review has the following objectives:

- a) to assess whether recommended improvements from the 2012 Auditability Review were implemented;
- b) to determine if the IC Chief Financial Officer completed the steps to improve agencies' corrective action plans as outlined in the 12 February 2012 Management Response letter;
- c) to assess whether current auditability plans address known agency audit impediments and implement appropriate internal controls;

² (U) FISMA § 301, PUB. L. 107-347, 116 Stat. 2952 (Dec. 17, 2002); 44 U.S.C. § 3545 et seq.

can render an unqualified opinion on the FY 2016 Financial Statements.

(U) Audit will submit its report to the committees by July 2013.

6. (U) *Audit of the Internal Controls over the Office of the Director of National Intelligence's Payroll*

(U) The IC IG initiated this audit in response to the ODNI Chief Management Officer's (CMO) request for the IC IG to conduct financial-related audits in preparation for audits of the ODNI's financial statements. The internal controls over payroll are key in the preparation of the ODNI's financial statements and related note disclosures.

(U//~~FOUO~~) This audit has the following objectives:

- a) to determine whether the ODNI has designed and implemented internal controls to provide reasonable assurance that payroll activity is completely and accurately recorded in the accounting system.
- b) to determine whether the ODNI has designed and implemented internal controls to provide reasonable assurance that payroll activity and related disclosures are presented in the ODNI's financial statements in accordance with Department of Treasury and OMB form and content requirements.
- c) to determine whether the ODNI has designed and implemented internal controls to provide reasonable assurance that the ODNI is in compliance with relevant laws and regulations.

(U) Audit will submit its report in September 2013.

VI. (U) Inspections Division

(b)(3)

(U//~~FOUO~~) The IC IG Inspections Division (INSP) 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~~) INSP also encourages the use of the IC IG Complaint Intake Process, or Hotline, as a confidential and reliable source for IC employees and contractors to report fraud, waste, and abuse.

(U//~~FOUO~~) During this reporting period, INSP completed one Component Inspection and three Special Reviews. The Component Inspection covered four primary areas:

1. Mission performance
2. Management effectiveness
3. Resource management
4. Enterprise oversight

(U//~~FOUO~~) During this reporting period INSP initiated Special Review inspections. Special Reviews are accelerated assessments that use questionnaires and data call responses with limited interviews of component staff.

(U//~~FOUO~~) As of 31 March 2013, INSP had one ongoing Special Review and one CDA-related issue inspection that was being planned concurrently with five partner OIG offices, contingent upon passage of the FY 2013 Defense Appropriations bill.

A. (U) Completed Inspections

1. (U) Office of Partner Engagement (PE) (INS-2012-002, August 2012).

(U//~~FOUO~~) This Special Review occurred during June and July 2012. It was conducted to support the transition of PE office leadership to ensure timely and relevant input to the incoming Director.

(U//~~FOUO~~) As part of this review, we noted observational challenges in the following areas: personnel concerns regarding organizational structure and PE direction; morale; PE leadership effectiveness, communications, and transparency; human capital policy; and professional development issues.

(U//~~FOUO~~) We noted the following commendables: workforce perception of effective mission fulfillment; immediate supervisor's effectiveness; quality work-life balance; and PE compliance with Executive Orders, regulations, statutory requirements, and directives.

2. (U) Office of Legislative Affairs (OLA) (INS-2012-003, October 2012).

(C//NF)

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(b)(3)

(b)(1)
(b)(3)

...ing commendables:
...skills and ODNI Intelligence
...g, Budgeting, and Evaluation

collaboration.

(U//FOUO) We noted the following commendables:
issue adjudication and congressional response
coordination, responsiveness facilitated by
immediate access to the DNI and ODNI leadership,
and ODNI staff Senate confirmation support.

3. (U) National Counterterrorism Center (NCTC) (INS-2012-004, November 2012). (b)(7)(C)

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B. (U) Ongoing Inspections

(U) Information Sharing Environment Office (ISE)
(INS-2013-003, March 2013).

(U//FOUO) INSP is currently conducting a Special Review of the ODNI ISE Office. We will issue our report by the end of FY 2013.

C. (U) Other Inspection Activity

(U) Management Referral

(U//FOUO) At the end of the previous reporting period, we issued a management referral to the IC CIO regarding an allegation of potential conflict or an unnecessary redundancy between two information technology initiatives—CIA's QUANTUM LEAP and NCTC's INITIATE programs. During the current reporting period, the IC CIO assessed the two systems and determined that redundant capabilities and data existed. According to the IC CIO, that redundancy was warranted in order to satisfy the mission needs of both CIA and NCTC and their differing legal authorities to collect, process, exploit, and store U.S. Persons and law enforcement-related data. The IC CIO endorsed this finding to the IC IG in December.

(U//FOUO) We noted commendables in the following areas: mission-focused workforce, measurement of mission performance, and NCTC's internal training program.

4. (U) Office of the Chief Financial Officer (CFO) of the IC (INS-2013-001, March 2013).

(S//NF)

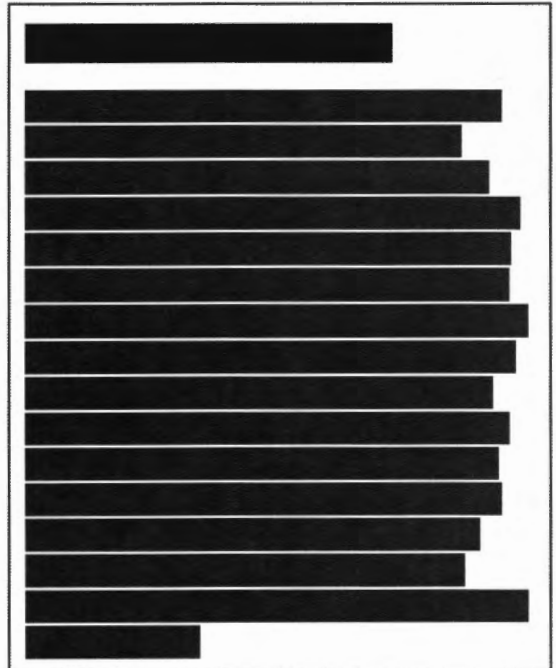
(b)(1)
(b)(3)

VII. (U) Investigations Division

(b)(3)

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

(U//~~FOUO~~) During this reporting period, INV handled 75 investigations (67 new and 8 legacy ODNI OIG) of which 46 were closed. Of the 46 closed investigations, 26 were substantiated and involved violations, such as labor mischarging, employee misconduct, and misuse of Government equipment. Of the 26 substantiated investigations, 23 were labor mischarging cases that resulted in an estimated \$1,007,532 in potential recoveries for the Government. As of 31 March 2013, INV had 29 open investigations.



A. (U) Select Completed Investigations

(U//~~FOUO~~) INV investigated the following cases and obtained declinations of criminal prosecution from the U.S. Attorney's Office, Eastern District of Virginia.

1. (U//~~FOUO~~) *Improper Use of Government Resources (INV-2012-0001, November 2012).*

(U//~~FOUO~~) An ODNI Senior Official allegedly misused Government resources for personal benefit, engaged in unauthorized contacts with foreign nationals, and attempted to improperly obtain a security clearance for a private citizen through the use of a no-cost contract. The employee resigned for reasons unrelated to the investigation before it was completed. INV substantiated the allegations and referred the completed investigation to ODNI Security.

2. (U) *Misuse of Government Equipment, Violation of ODNI and CIA Policy (INV-2012-0006, October 2012).*

(U//~~FOUO~~) An ODNI Government employee allegedly made false claims; misused Government equipment;

and violated ODNI regulations governing prepublication review, outside activities, and media contacts. Investigators discovered that the subject was operating a personal website on Government time using Government systems through which he solicited and received donations. In addition, the subject used Government systems to contact several media outlets for personal gain and to communicate with foreign nationals. INV substantiated the allegations and referred the completed investigation to ODNI Security and ODNI's CMO. The employee's management issued him a letter of reprimand that restricts him from receiving a promotion, bonus, award, or step increase for three years.

3. (U) *Labor Mischarging (INV-2012-0051, November 2012).*

(U//~~FOUO~~) INV substantiated allegations that a contractor allegedly billed the Government for over 700 hours of labor that was not performed during a 14-month period. In addition to billing the Government for hours the contractor was not present at the principal place of performance, investigators discovered that the subject used Government systems for personal use 4 to 6 hours

VII. (U) Investigations Division

4. (U//FOUO) Labor Mischarging (INV-2012-0044, November 2012).

(U//FOUO) INV substantiated allegations that a contractor billed the Government over 200 hours of labor performed outside of the scope of the contract during a 5-month period. In addition to mischarging, INV determined that the experience documented in the subject's resume did not meet the minimum requirements of the task order of the contract and that the subject was using Government systems and billed time to write a novel. INV referred the matter to the Head of Contracting Activity for appropriate recovery.

5. (U) Labor Mischarging (INV-2012-0060, March 2013).

(U//FOUO) INV substantiated allegations that a contractor billed the Government for nearly 300 hours of labor performed outside of the scope of the contract during a 5-month period. Investigators discovered that the subject routinely took extended lunches and worked from home without COTR approval. INV referred the matter to the Head of Contracting Activity for appropriate recovery.

6. (U) Labor Mischarging (INV-2012-0065, March 2013).

(U//FOUO) INV substantiated allegations that a contractor billed the Government for over 400 hours of labor that was performed outside of the scope of the contract (working from home) during a 1-year period. INV referred the matter to the Head of Contracting Activity for appropriate recovery.

7. (U) Labor Mischarging (INV-2012-0068 and INV-2012-0069, March 2013).

(U//FOUO) INV substantiated allegations that two employees who are the owners and only employees of a subcontracting firm mischarged 1,691 hours combined. The subjects admitted to all of the hours in question. The subjects engaged in a business enterprise while charging the Government for non-

include running a business. Further review found financial practices by the company to include leasing three and thousands of dollars. When the case was closed, the matter was referred to the Head of Contracting Activity for

appropriate recovery and to the IRS.

B. (U) Other Investigative Activities

1. (U) Unauthorized Disclosure Cases.

(U) INV performed a cursory review of a group of "cold" ONCIX unauthorized disclosure files dating from 2004 to 2012. The purpose of this review was to identify the character, scope, and common procedures used in the former cases to determine where any supplemental IC IG administrative inquiries might be incorporated into existing processes. On the basis of that review, INV established internal standard operating procedures for the administration of any supplemental inquiries. While conducting that file review, IC IG investigators noted two recent cases that warranted further inquiry. Neither case was substantiated.

2. (U) Joint IC IG/DoD IG Accountability Review.

(U) In response to the Senate Select Committee on Intelligence concerns regarding employee accountability for misconduct, we partnered with DoD IG to conduct a joint review on the disciplinary actions taken in response to misconduct substantiated by the IG. This review commenced in July 2012 and the report is in final draft.

3. (U) IC IG Counter Fraud Investigations Program.

(U) INV undertook an initiative to proactively identify false billings by ODNI contractors. This involved running a data interrogation program and conducting investigations to identify and address falsely billed costs. INV successfully orchestrated a substantial increase in the scope and amount of recurring data available for analysis through this program. An added benefit was the establishment of a single source for the information, thereby achieving significant process improvement.

4. (U) IC IG Hotline.

(U) The IC IG Hotline and intake process provides a confidential means for IC employees, contractors, and the public to report fraud, waste, and abuse. The intake process includes secure and commercial Hotline phone numbers, U.S. mail, anonymous secure Web application submissions, and walk-ins.

(U) During this reporting period, the IC IG internal Hotline received 70 contacts from IC personnel. The IC IG external Hotline received 77 contacts from the general public.

5. (U) Subpoena Use.

(U) INV obtained extensive corporate records, using its newly acquired administrative subpoena power, from an ODNI sub-contractor whose employees engaged in labor mischarging.

VIII. (U) IC IG Counsel

(b)(3)

portfolios: Legal and Policy Reviews, Legislative Reviews, and Congressional Engagements.

A. (U//FOUO) Legal and Policy Reviews

(U) During this reporting period, the Counsel continued outreach efforts 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 continued to foster working relationships with the Counsels to other IC IGs on cross-jurisdictional issues arising from IC IG projects, including the Security Clearance Reciprocity Review, the Study of IC Elements Electronic-Waste Disposal Practices, and the Review of IC Discipline and Accountability Practices.

(U//FOUO) Counsel also worked closely with ODNI's Office of General Counsel (OGC) on pertinent Freedom of Information Act and Privacy Act litigation involving IC IG investigative materials. This close collaboration allowed OGC to present a balanced litigation strategy that protected sensitive IG sources while ensuring that public-interest equities were considered. Counsel worked closely with the Office of Civil Liberties and Privacy on developing records management policies for IC IG records to ensure that Privacy Act systems of records were updated.

(U//FOUO) To ensure legal sufficiency, the IC IG Counsel worked with the IG, the Deputy IG, and the AIGs to review plans, projects, and reports.

B. (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, IC IG Counsel oversees a dedicated Legislative Counsel that works with the ODNI OGC and the OLA to review legislative proposals that impact the DNI's mission. Moreover, the Legislative Counsel works with the Council of Counsels to Inspectors General (CCIG) as well as the CIGIE Legislative Committee to ensure that the IC IG and staff are aware of legislative proposals impacting the Federal IG mission.

(U//FOUO) During this reporting period, the IC IG reviewed several proposals for the IAA for FY 2014. Those proposals included enhancements to the IC IG statutory authorities that included protection of IG materials and IC employees. Working through the IC IG Legislative Counsel, the IC IG Counsel was

able to ensure that IC IG equities were considered in proposed legislation as well as other critical congressional engagements such as the Freedom of Information Amendments Act of 2012 and the manner by which oversight committees bring potential investigative matters to the attention of the IC IG.

C. (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. Section IV of this report, highlights several engagements with congressional oversight committees during this reporting period.

D. (U//~~FOUO~~) Special Counsel Projects

(U) During this reporting period, the President tasked the DNI with implementing Presidential Policy Directive-19 (PPD-19), *Protecting Whistleblowers with Access to Classified Information* (10 October 2012), which protects IC and Federal Government employees with access to classified information from reprisal actions for making protected disclosures. Given the investigative expertise and experience with whistleblower issues, the DNI asked the IC IG to serve as the point-of-contact for IC elements and Federal agencies throughout the PPD-19 implementation process. The IC IG has tasked the Counsel to hold information sessions, work with IC IG Counsel Committee members, and CCIG members to ensure that all elements and agencies are aware of the PPD-19 requirements. The IC IG Counsel is working with ODNI internal stakeholders, including the OGC, Human Resources, and Security, to ensure that IG equities are protected in the implementation process. The IC IG Counsel's efforts will assist the DNI in certifying to the President that all IC elements and agencies have whistleblower policies and processes that are consistent with PPD-19 requirements.

IX. (U) Intelligence Oversight

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[REDACTED]

activities in the IC; represent the IC IG, with the assistance of Counsel, to the President's Intelligence Oversight Board (IOB); provide advice and guidance on IO to other IC element OIGs and ensure that intelligence activities performed by IC elements are conducted in compliance with Executive Order 12333, as amended, and other related Federal laws, Executive Orders, and policies or directives. The Senior Advisor on IO will accomplish these objectives by maintaining liaison and coordination with appropriate IC oversight organizations and engaging in IC wide or ODNI specific IO projects and evaluations.

(U//~~FOUO~~) Pursuant to Executive Order 13462, the DNI designated the IC IG as a responsible office for reporting IO matters arising within the ODNI to the IOB. During this reporting period, the IO staff submitted two quarterly reports to the IOB. As of 31 March 2013, IO had two ongoing evaluations.

A. (U) Completed Reports

1. (U) Third Quarter Calendar Year 2012 Report to the IOB.

(U) For the third quarter of CY 2012, IO had no reports from within the ODNI of intelligence activities that we had reason to believe were unlawful or contrary to Executive Order or Presidential Directive.

2. (U) Fourth Quarter Calendar year 2012 Report to the IOB.

(U) For the fourth quarter of calendar year 2012, IO had no reports from within the ODNI of intelligence activities that we had reason to believe were unlawful or contrary to Executive Order or Presidential Directive.

B. (U) Ongoing Evaluations

1. (U//~~FOUO~~) Evaluation of the National Counterterrorism Center Quality Assurance Process to Nominate U.S. Persons to TIDE. (IO-2013-001).

(U//~~FOUO~~) As a follow-up to the 2012 IC IG Inspection of the NCTC, IO is conducting a limited, focused evaluation of the NCTC quality assurance process to ascertain whether nominations contained sufficient information for watchlisting of U.S. Persons.

2. (U//~~FOUO~~) Special Review of NRO Crimes Reporting Process. (IO-2013-002).

(U//~~FOUO~~) On behalf of the NRO OIG, IO is conducting a special review of NRO compliance with laws, policies, and procedures to identify and report admissions of crimes made by NRO contractors, Government civilians, and military personnel during polygraph sessions. The NRO OIG recused themselves due to their role in the crimes reporting process.

X. (U) IC Inspectors General Activities

A. (U) IC IG Forum

(U//~~FOUO~~) The statutory IC IG Forum was established by the IAA for FY 2010. The IG chairs the Forum, which is composed of IGs with oversight responsibilities for IC elements. The IC IG Assistant Inspectors General (AIGs) chair the Forum committees. 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~~) IC IG senior managers lead the IC IG Forum Committees. The Committees engaged in the following activities during this reporting period:

- **Deputies Committee.** The Deputies met to collaborate on issues impacting the IGs 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.
- **Audit Committee.** The Audit Committee met three times and members discussed on-going audit projects, the development of work plans, status of IC-wide CDAs, and preparation for auditability. Dr. Ron Ross briefed committee members on Managing Information Security Risk.
- **Investigations Committee.** The Investigations Committee met to discuss investigative best practices, joint investigation procedures, retirement benefits for criminal investigators, and training opportunities for investigators. Substantive discussions relative to the Counter Fraud Investigations and Recoveries Program revealed that several IC OIG's were running similar programs, prompting the creation of a subcommittee that is exploring opportunities for information sharing (common database), consistent policies, and joint investigations.
- **Inspections Committee.** The Inspections Committee met and discussed work plans; agreed to establish a community of interest site for inspector training opportunities; planned for a possible FY 2013 CDA-related Inspection of Conferences; discussed IG qualitative data analysis tools; and discussed 2012 management challenges.
- **Counsels Committee.** The Counsels Committee met several times and discussed jurisdictional issues for IC-wide projects, legislative impacts to the IC IG community mission, congressional correspondence, and training opportunities to better educate the IG workforce.

B. (U) The Council of the Inspectors General On Integrity and Efficiency (CIGIE)

(U) The IC IG is a statutory member of the CIGIE. The IC IG actively participates in CIGIE meetings and has representatives who materially participate in each of the six CIGIE committees: Information Technology, Inspections and Evaluations, Investigations, Legislation, Professional Development, and Audit.

(U) The IC IG co-hosted this year's 14th Annual CIGIE Awards Ceremony, which recognized the work of OIG employees across the Federal Government.

C. (U) Conferences and Awards

(U//~~FOUO~~) The IC IG hosts an Annual IC IG Conference and Awards program to provide an opportunity for members of the IC IG community to collaborate on pressing IC-wide issues, discuss common concerns, share best practices to improve IG operations across the community, and recognize IG professionals throughout the IC who have made extraordinary contributions to the missions and objectives set forth in the U.S. National Intelligence Strategy and those of their respective IG offices. This year's conference and awards program was scheduled for 30 October, but was cancelled due to

E. (U) IC IG Peer Review Activities

reporting period, the Division completed a peer Inspections Division.

son joined the IC IG as the Executive Director for IG Community Standards. Mr. Johanson brings over three decades of intelligence experience to the IC IG. His primary role is to work closely with the IC IG Forum, the DoD IG, and CIGIE to establish and implement a comprehensive peer review program for members of the IC IG forum.

- IC IG Audit Award –
[REDACTED]
- IC IG Inspections Award –
[REDACTED]
- IC IG Investigations Award –
[REDACTED]
- IC IG Collaboration Award –
[REDACTED]

D. (U) IC-Wide Training

(U) 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.

(U//~~FOUO~~) The IC IG hosted an IC-wide training seminar for IG professionals on FOIA and Privacy Act. This one-day training featured briefings from the Department of Justice Office of Information Policy and ODNI's Civil Liberties and Privacy Office. Those briefings were tailored for IG investigators, attorneys, and information management professionals. Participants learned how basic FOIA and Privacy Act principles impact the IG mission in an IC environment.

(U//~~FOUO~~) The IC IG and his Counsel provided legal training to criminal and administrative investigators at CIGIE's IG Academy. That training covered workplace searches, employee rights, and administrative investigations.

(U//~~FOUO~~) The Investigations Division is leading a joint initiative with CIGIE to examine the feasibility of conducting an IC centric Basic Non-Criminal Investigator Training Program. CIGIE would tailor the course for investigators from IC OIGs.

(U) Appendix A: Statistical Overview

(U) Audit Staff

(U//~~FOUO~~) The Audit Staff completed three projects and issued reports containing 12 recommendations to strengthen internal controls over information technology and 2 recommendations to standardize reciprocity of security clearances within the IC. At the end of the reporting period, the Audit staff had six on-going audits.

(U) Inspection Staff

(U//~~FOUO~~) The Inspection Staff completed four 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 46 cases. At the end of the reporting period, the Investigations Division had 29 open cases.

(U) Intelligence Oversight Staff

(U//~~FOUO~~) The Intelligence Oversight staff completed two reports to the Intelligence Oversight Board. At the end of the reporting period, IO had two ongoing special evaluations.

(U) Appendix B: Summary of Audits

1 JULY 2012 – 31 March 2013

(U) Audit Number		(U) Audit Title
(U) Completed Audits		
IC-Wide	AUD-2012-005	(U) Audit of Intelligence Community Security Clearance Reciprocity
Information Technology	AUD-2012-008	(U) Fiscal Year 2012 Independent Evaluation of ODNI Compliance with the Federal Information Security Management Act (FISMA) of 2002
Information Technology	AUD-2013-002	(U) Fiscal Year 2012 Consolidated Federal Information Security Management Act of 2002 Capstone Report for the Intelligence Agencies' Inspectors General
(U) Ongoing Audits		
Financial Management		(U) Review of the Office of the Director of National Intelligence's FY 2012 Compliance With the Improper Payments Elimination and Recovery Act (IPERA) of 2010
IC-Wide		(U//FOUO) Study of Electronic Waste Disposal Practices in the Intelligence Community
Compliance		(U) Evaluation of the Implementation of the "Reducing Over-Classification Act" by the ODNI
Information Technology		(U) Fiscal Year 2013 Independent Evaluation of ODNI Compliance with the Federal Information Security Management Act (FISMA) of 2002
Financial Management		(U) Auditability follow-up: 2013 Congressional Directed Action (CDA) to Perform a follow-up Assessment of the Auditability Plans for CIA, DIA, NSA, NGA, and ODNI
Financial Management		(U) Audit of the Internal Controls over the Office of the Director of National Intelligence's Payroll

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(U) Appendix C: Summary of Inspections

1 JULY 2012 – 31 March 2013

(U) Inspection Number		(U) Inspection Title
(U) Completed Inspections		
Component Inspections	INSP 2012-002	(U) Office of Partner Engagement
	INSP 2012-003	(U) Office of Legislative Affairs
	INSP 2012-004	(U) National Counterterrorism Center
	INSP 2013-001	(U) Office of the Chief Financial Officer of the IC
(U) Ongoing Inspections		
Component Inspections	INSP 2013-002	(U) Information Sharing Environment Office

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(U) Appendix D: Summary of Investigations

1 JULY 2012 - 31 March 2013

(U) Case Number	(U) CLOSED Investigations	(U) Case Number	(U) CLOSED Investigations
2011-0029	Unauthorized Commitment of Government Funds (Substantiated)	2012-0053	Labor Mischarging (Unsubstantiated)
2011-0038	Contract Fraud (Unsubstantiated)	2012-0054	Labor Mischarging (Substantiated)
2011-0052	Medical Leave Abuse (Unsubstantiated)	2012-0055	Labor Mischarging (Substantiated)
2012-0001	Misuse of Government Resources (Substantiated)	2012-0056	Labor Mischarging (Substantiated)
2012-0005	Ratification & Acquisition Improprieties (Unsubstantiated)	2012-0058	Labor Mischarging (Substantiated)
2012-0006	Misuse of Government Equipment, T&A Fraud (Substantiated)	2012-0059	Labor Mischarging (Unsubstantiated)
2012-0010	Contract Fraud (Unsubstantiated)	2012-0060	Labor Mischarging (Substantiated)
2012-0018	Reprisal (Unsubstantiated)	2012-0061	Labor Mischarging (Substantiated)
2012-0019	Ratification & Acquisition Dispute (Unsubstantiated)	2012-0065	Labor Mischarging (Substantiated)
2012-0030	Unauthorized Disclosure (Unsubstantiated)	2012-0066	Labor Mischarging (Substantiated)
2012-0033	Unauthorized Disclosure (Unsubstantiated)	2012-0067	Labor Mischarging (Substantiated)
2012-0038	Unauthorized Disclosure (Unsubstantiated)	2012-0068	Labor Mischarging (Substantiated)
2012-0039	Intelligence Oversight Matter (Unsubstantiated)	2012-0069	Labor Mischarging (Substantiated)
2012-0043	Labor Mischarging (Substantiated)	2013-0008	Labor Mischarging (Unsubstantiated)
2012-0044	Labor Mischarging (Substantiated)	2013-0012	Labor Mischarging (Referral)
2012-0045	Labor Mischarging (Unsubstantiated)	2013-0013	Labor Mischarging (Referral)
2012-0046	Labor Mischarging (Unsubstantiated)	2013-0017	Labor Mischarging (Substantiated)
2012-0047	Labor Mischarging (Unsubstantiated)	2013-0018	Labor Mischarging (Substantiated)
2012-0048	Labor Mischarging (Substantiated)	2013-0019	Labor Mischarging (Substantiated)
2012-0049	Labor Mischarging (Substantiated)	2013-0020	Labor Mischarging (Substantiated)
2012-0050	Labor Mischarging (Unsubstantiated)	2013-0021	Labor Mischarging (Substantiated)
2012-0051	Labor Mischarging (Substantiated)	2013-0022	Labor Mischarging (Substantiated)
		2013-0023	Labor Mischarging (Substantiated)

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(U) Appendix E: Ongoing Investigations

As of 31 March 2013

(b)(3)

(U) OPEN Investigations	(U) Number of Cases
(U) Criminal and Prohibited Acts	
False Claims - Overtime Fraud	█
False Claims - Time and Attendance	█
Misconduct - Employee	█
Unauthorized Disclosure	█
(U) Total Ongoing Investigations	█

TABLE IS UNCLASSIFIED

(U) Appendix F: Management Challenges

(U) The following information is taken from the IC IG Report No. ICIG-MA-2013-001, *2012 Management and Performance Challenges for the Intelligence Community*. To identify IC challenges, the IC IG

The tables below reflect the categories those OIGs cited, as well as those categories supported by our office's previously published Capstone Reports, including the Federal Information Security [redacted] 02 (FISMA) and Continuity of [redacted] Capstone reports.

(b)(1)
(b)(3)

(U) FINANCIAL MANAGEMENT

Report Total: 20 Identified Challenges

Agency

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(U) INFORMATION ASSURANCE

Report Total: 15 Identified Challenges

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(b)(3)

Agency

(S//NF)

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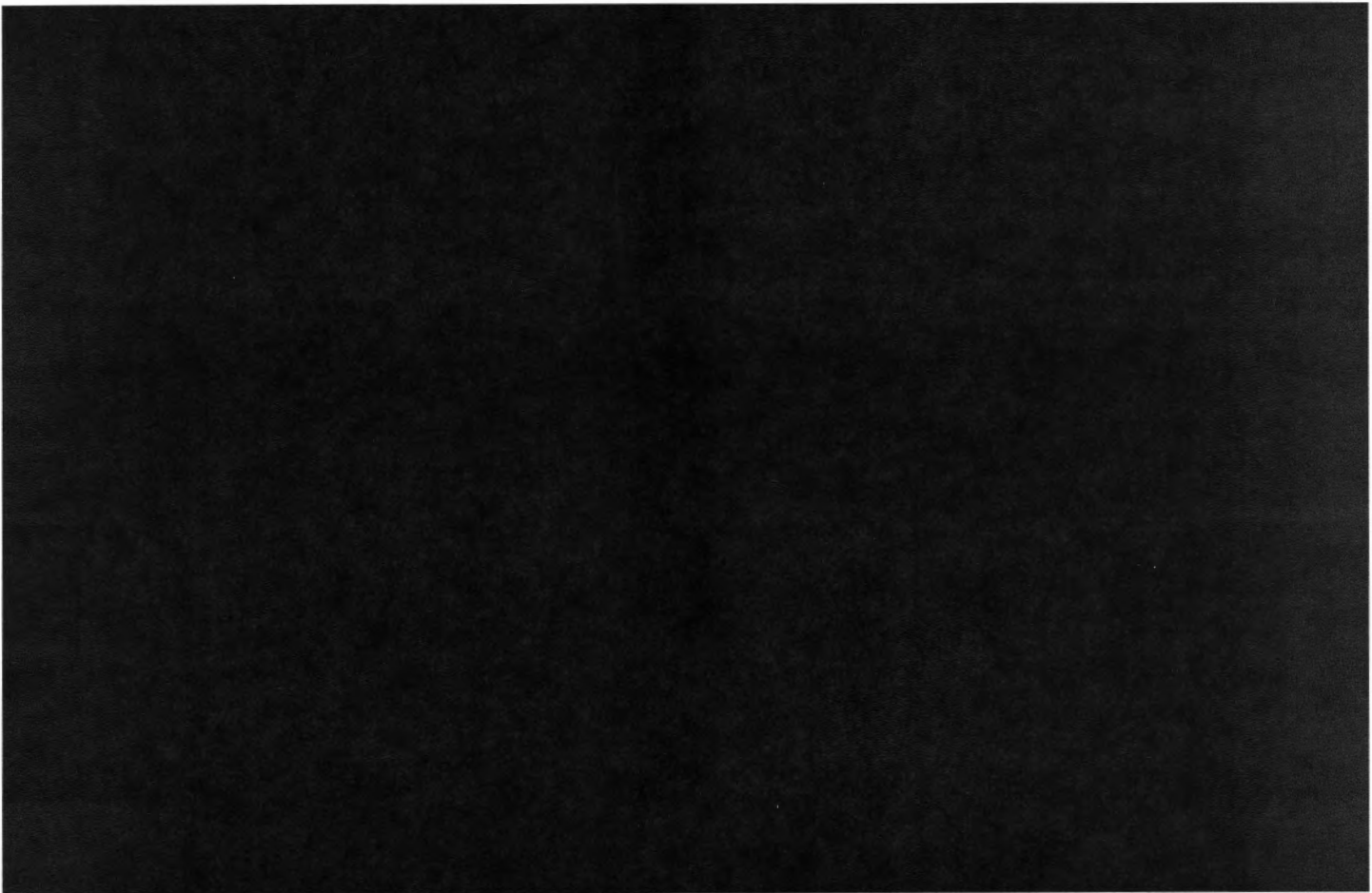


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(U) ACQUISITIONS AND CONTRACT MANAGEMENT
Report Total: 10 Identified Challenges

Agency

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(b)(3)

(U) CONTINUITY OF OPERATIONS
Report Total: 5 Identified Challenges

Agency

(S//NF)

TABLE IS ~~SECRET//NOFORN~~

(b)(1)
(b)(3)

(U) LEADERSHIP MANAGEMENT AND ACCOUNTABILITY

Report Total: 7 Identified Challenges

Agency

(S//NF)

TABLE IS ~~SECRET//NOFORN~~

(U) INFRASTRUCTURE

Report Total: 6 Identified Challenges

Agency

(S//NF) Specific Challenge

TABLE IS ~~SECRET//NOFORN~~

(b)(1)
(b)(3)

(U) INTELLIGENCE OVERSIGHT

Report Total: 5 Identified Challenges

Agency

(S//NF)

TABLE IS ~~SECRET//NOFORN~~

(U) HUMAN CAPITAL

Report Total: 3 Identified Challenges

Agency

(S//NF)

TABLE IS ~~SECRET//NOFORN~~

(U) NUCLEAR

Report Total: 2 Identified Challenges

Agency

(S//NF)

TABLE IS ~~SECRET//NOFORN~~

(U) Appendix G: Status of Recommendations

(b)(3)
(b)(5)

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

Report Total: 20 Recommendations: 20 Closed

Summary of CLOSED Recommendations

Recommendation	Rec #	Responsible Office	Corrective Action
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TABLE IS UNCLASSIFIED

(b)(3)
(b)(5)

(U) FISCAL YEAR 2011 INDEPENDENT EVALUATION OF ODNI COMPLIANCE WITH FISMA (ISSUED DEC 2011) *continued*
Report Total: 20 Recommendations: 20 Closed

Summary of CLOSED Recommendations

Recommendation	Rec #	Responsible Office	Corrective Action
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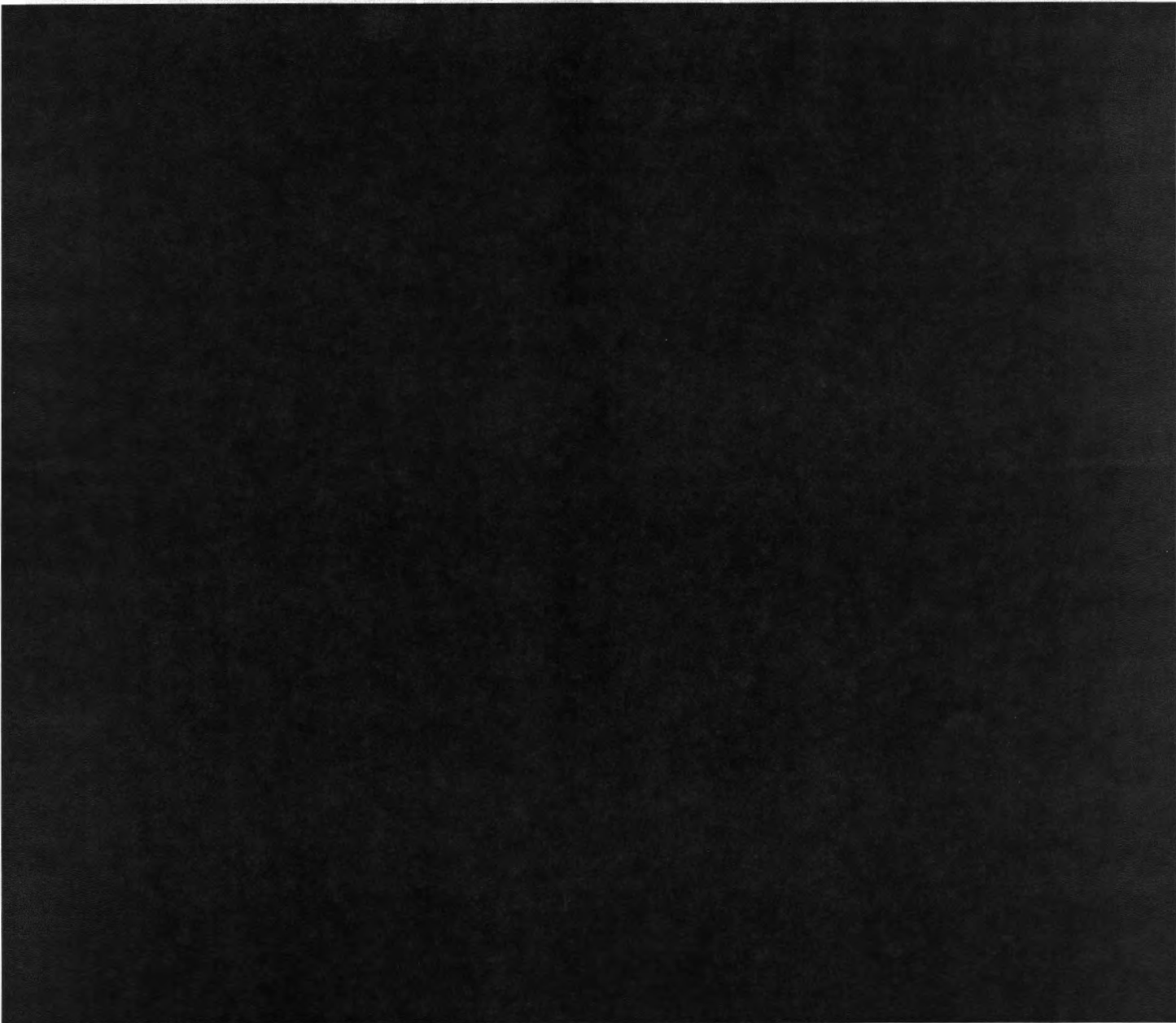


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(b)(3)
(b)(5)

(U) FISCAL YEAR 2011 INDEPENDENT EVALUATION OF ODNI COMPLIANCE WITH FISMA (ISSUED DEC 2011) *continued*
Report Total: 20 Recommendations: 20 Closed

Summary of CLOSED Recommendations

Recommendation	Rec #	Responsible Office	Corrective Action
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(b)(3)
(b)(5)

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

Report Total: 1 Recommendation: 1 Closed

Summary of CLOSED Recommendations

Recommendation	Rec #	Responsible Office	Corrective Action
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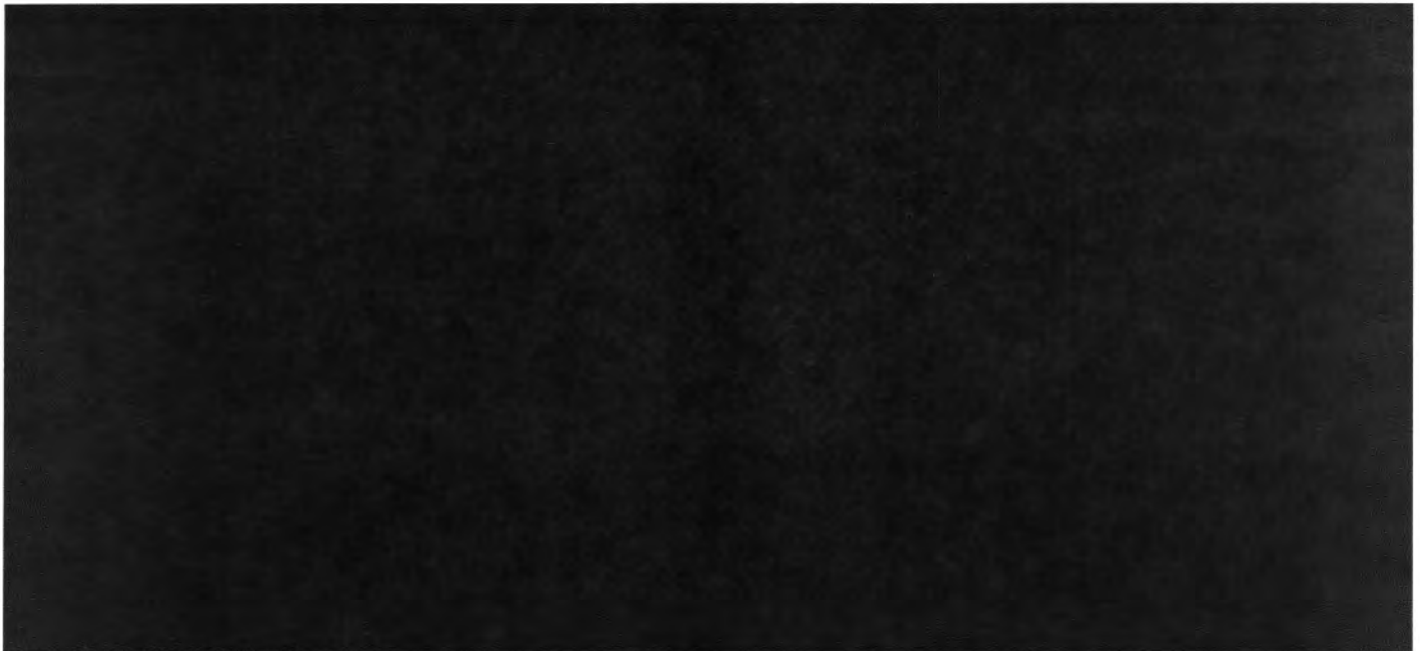


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(b)(3)
(b)(5)

**(U) REPORT OF INSPECTION: INTELLIGENCE COMMUNITY OFFICE OF EQUAL EMPLOYMENT
OPPORTUNITY AND DIVERSITY (EEOD)
(ISSUED JAN 2012)**

Report Total: 13 Recommendations: 13 Closed

Summary of CLOSED Recommendations

Recommendation	Rec #	Responsible Office	Corrective Action
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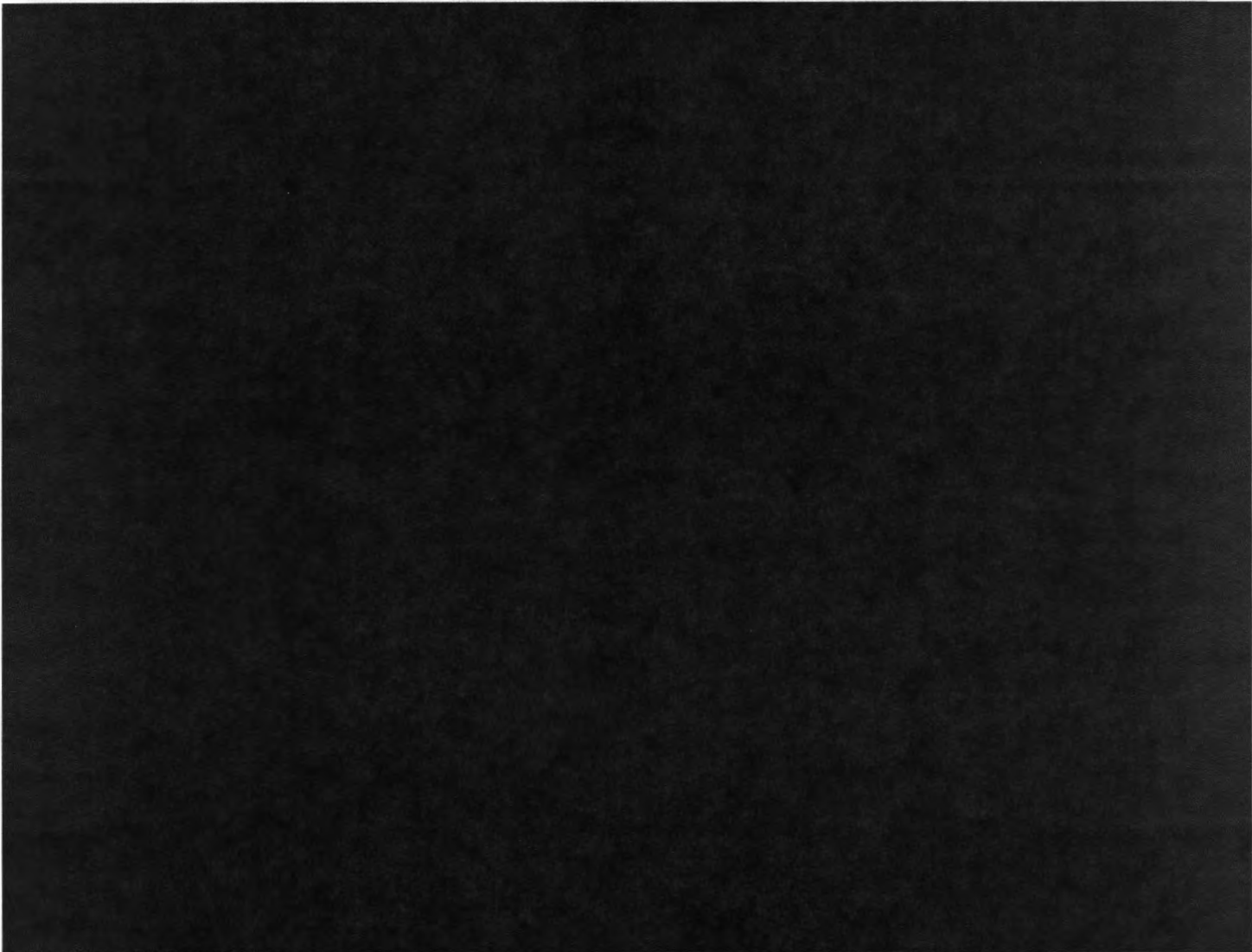


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(b)(3)
(b)(5)

**(U) REPORT OF INSPECTION: INTELLIGENCE COMMUNITY OFFICE OF EQUAL EMPLOYMENT
OPPORTUNITY AND DIVERSITY (EEOD) *continued*
(ISSUED JAN 2012)**

Report Total: 13 Recommendations: 13 Closed

Summary of CLOSED Recommendations *continued*

Recommendation	Rec #	Responsible Office	Corrective Action
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TABLE IS UNCLASSIFIED

(b)(3)
(b)(5)

**(U) REPORT OF INSPECTION: INTELLIGENCE COMMUNITY OFFICE OF EQUAL EMPLOYMENT
OPPORTUNITY AND DIVERSITY (EEOD) *continued***
(ISSUED JAN 2012)

Report Total: 13 Recommendations: 13 Closed

Summary of CLOSED Recommendations *continued*

Recommendation	Rec #	Responsible Office	Corrective Action

TABLE IS UNCLASSIFIED

**(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)

Report Total: 7 Recommendations: 3 Open 4 Closed

(b)(3)
(b)(5) **Summary of OPEN Recommendations**

Recommendation	Rec #	Responsible Office	Corrective Action
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(b)(3)
(b)(5)

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

Report Total: 7 Recommendations: 3 Open 4 Closed

Summary of CLOSED Recommendations

Recommendation	Rec #	Responsible Office	Corrective Action
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TABLE IS UNCLASSIFIED

(b)(3)
(b)(5)

**(U) REPORT OF INSPECTION: OFFICE OF THE CHIEF FINANCIAL OFFICER OF THE IC
(ISSUED MARCH 2013)**

Report Total: 3 Recommendations: 3 Open 0 Closed

Summary of OPEN Recommendations

Recommendation	Rec #	Responsible Office	Corrective Action
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TABLE IS UNCLASSIFIED

**(U) REPORT OF INSPECTION: NATIONAL COUNTER TERRORISM CENTER
(ISSUED November 2012)**

Report Total: 2 Recommendations: 2 Open 0 Closed

Summary of OPEN Recommendations

Recommendation	Rec #	Responsible Office	Corrective Action
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(b)(3)

(b)(5)

**(U) REPORT OF INSPECTION: OFFICE OF LEGISLATIVE AFFAIRS
(ISSUED October 2012)**

Report Total: 7 Recommendations: 1 Open 6 Closed

Summary of OPEN Recommendations

Recommendation	Rec #	Responsible Office	Corrective Action
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Summary of CLOSED Recommendations

Recommendation	Rec #	Responsible Office	Corrective Action
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(b)(3)
(b)(5)

(U) REPORT OF INSPECTION: OFFICE OF LEGISLATIVE AFFAIRS *continued*
(ISSUED October 2012)

Report Total: 7 Recommendations: 1 Open 6 Closed

Summary of CLOSED Recommendations *continued*

Recommendation	Rec #	Responsible Office	Corrective Action
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(b)(3)
(b)(5)

**(U//FOUO) AUDIT REPORT OF INTELLIGENCE COMMUNITY SECURITY CLEARANCE RECIPROCITY
(ISSUED December 2012)**

Report Total: 2 Recommendations: 2 Open 0 Closed

Summary of OPEN Recommendations

Recommendation	Rec #	Responsible Office	Corrective Action
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(b)(3)
(b)(5)

(U//FOUO) FISCAL YEAR 2012 INDEPENDENT EVALUATION OF ODNI COMPLIANCE WITH THE FEDERAL INFORMATION SECURITY MANAGEMENT ACT OF 2002 (ISSUED December 2012)

Report Total: 12 Recommendations: 8 Open 4 Closed

Summary of OPEN Recommendations

Recommendation	Rec #	Responsible Office	Corrective Action
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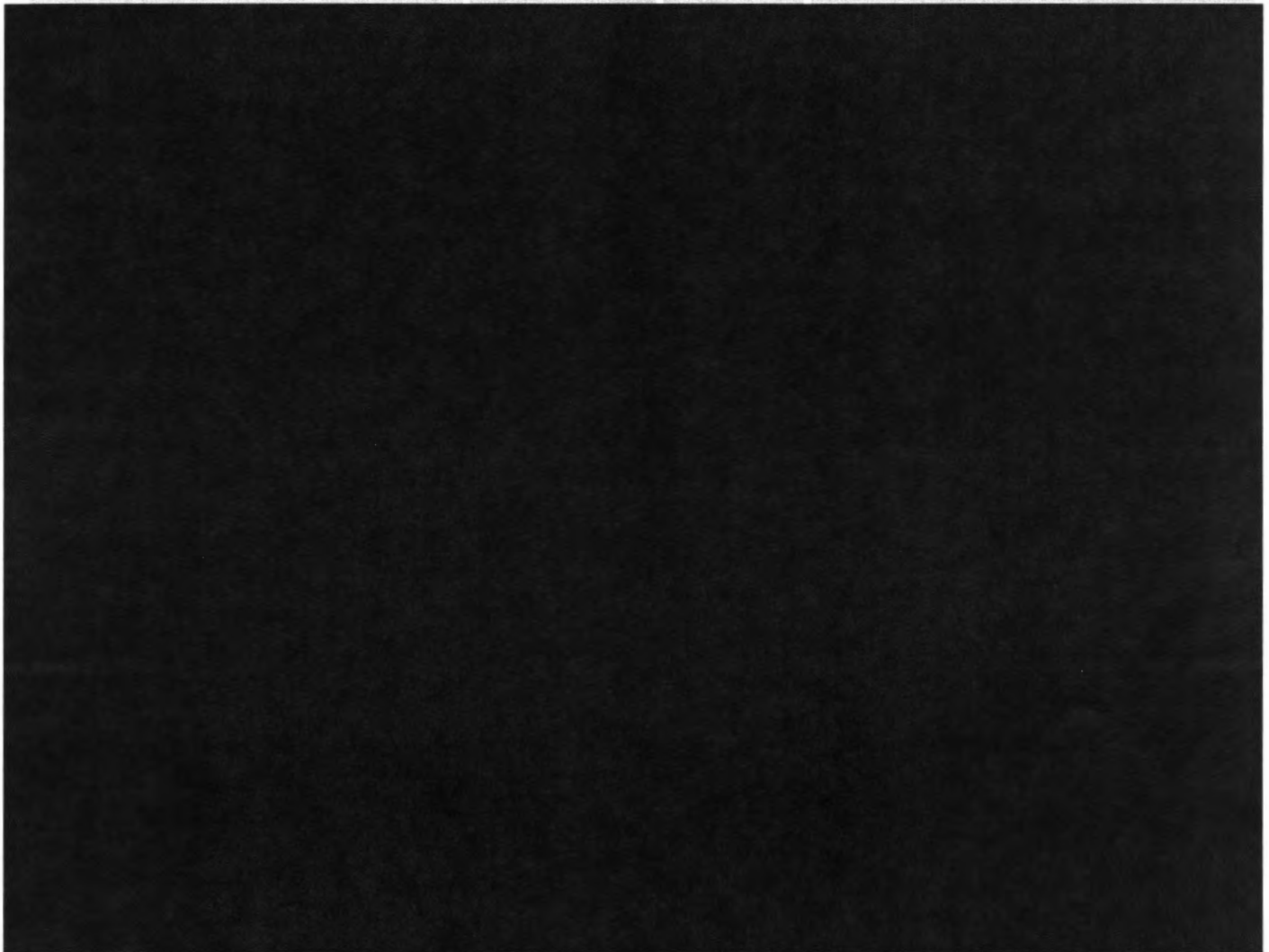


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(b)(3)
(b)(5)

(U//FOUO) FISCAL YEAR 2012 INDEPENDENT EVALUATION OF ODNI COMPLIANCE WITH THE FEDERAL INFORMATION SECURITY MANAGEMENT ACT OF 2002 (ISSUED December 2012) *continued*

Report Total: 12 Recommendations: 8 Open 4 Closed

Summary of OPEN Recommendations *continued*

Recommendation	Rec #	Responsible Office	Corrective Action
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Summary of CLOSED Recommendations

Recommendation	Rec #	Responsible Office	Corrective Action
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TABLE IS UNCLASSIFIED

(b)(3)

(b)(5)

(U//FOUO) FISCAL YEAR 2012 INDEPENDENT EVALUATION OF ODNI COMPLIANCE WITH THE FEDERAL INFORMATION SECURITY MANAGEMENT ACT OF 2002 (ISSUED December 2012) *continued*

Report Total: 12 Recommendations: 8 Open 4 Closed

Summary of CLOSED Recommendations *continued*

Recommendation	Rec #	Responsible Office	Corrective Action
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(U) Strategic Goals and Objectives

⊙ (U) GOAL #1: Establish IC IG Foundation

[REDACTED] ing, a [REDACTED] ion.
[REDACTED] Operations.

★ (U) GOAL #2: 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) GOAL #3: 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:

OFFICE OF THE INTELLIGENCE COMMUNITY INSPECTOR GENERAL
INVESTIGATIONS DIVISION
WASHINGTON, DC 20511
COMMERCIAL: (703) 482-1300

(b)(3)

IPSI11404



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