

~~SECRET//NOFORN~~July-Dec 2008
Semiannual Report

(U) A MESSAGE FROM THE INSPECTOR GENERAL

(U) During this reporting period, the Investigations Staff completed a number of investigations, including criminal cases undertaken in collaboration with the Department of Justice (DoJ) and internal administrative investigations.

(U) The Staff's work in support of the DoJ prosecution of a former high-ranking Agency official on Conspiracy to Commit Unlawful Monetary Transactions, Wire Fraud, Mail Fraud, Conflicts of Interest, False Statements, Aiding and Abetting, and Criminal Forfeiture is coming to a close. The official pled guilty to one felony charge and will be sentenced in February 2009. The Staff also continued to support DoJ's ongoing criminal investigation into the destruction of videotapes related to CIA's interrogations program.

(U//~~FOUO~~) The Staff completed a comprehensive investigation of the Agency's role in the narcotics airbridge denial program in Peru. The report of this investigation, which concluded that certain Agency personnel did not carry out their responsibilities properly and that there were systematic weaknesses in the oversight of the program, was provided to the Director, CIA for action. The Staff also completed an investigation into alleged financial irregularities by a senior Agency official. The report of this investigation, which found that the official submitted false expense certifications, was also forwarded to the Director for action.

(U//~~FOUO~~) The Staff continues to devote considerable resources to completing its investigations into allegations of abuse against individuals detained by the Agency as part of the global war on terrorism. In addition to reviewing the alleged actions taken by specific Agency officers, the Staff has been investigating claims of abuse made by the 16 high value detainees being held at Guantanamo Bay. The Staff's work on the high value detainees is in support of a DoJ-led Task Force in which the FBI also participates.

(U//~~FOUO~~) During the past six months, the Office of Inspector General (OIG) received, in response to a number of its crime referrals, DoJ declinations to prosecute in favor of administrative action by the Agency. These cases involved conflicts of interest, time and attendance abuse, labor mischarging, and false claims and false statements by Agency employees and contractors. The Investigations Staff has closed certain of these cases and referred them to appropriate Agency components for action. New allegations of wrongdoing have been brought to the attention of the Staff, to include contracting irregularities, theft, child pornography, and false statements.

(U//~~FOUO~~) During the reporting period, the Inspection Staff continued to focus on major Agency components. These included East Asia Division and [redacted] in the National Clandestine Service, and Finance in the Directorate of Support. In all of these, the inspections found management teams dedicated to accomplishing their respective missions, and some aspects of personnel management requiring attention.

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~~(S//NF)~~ The Staff also completed reviews of two important, specific issues—Personnel Protection Contractors and [redacted]

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(U//~~FOUO~~) The Audit Staff continues to be heavily involved in joint oversight of Intelligence Community programs. A joint audit, requested by the Senate Select Committee on Intelligence, of the [redacted]

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(U) As required by Title III of the Foreign Intelligence Surveillance Act (FISA) Amendments Act of 2008, which was signed into law on 10 July 2008, the Inspectors General (IGs) of the DoD, the Office of the Director of National Intelligence, the National Security Agency, DoJ, and CIA are conducting a comprehensive review of the President's Surveillance Program. The CIA OIG is coordinating the conduct of the review and the preparation of the interim and final reports. In accordance with the Act, the IGs submitted to the pertinent Congressional committees an interim report that described the planned scope of the review.

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

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(U//~~FOUO~~) The Audit Staff completed the annual independent audit of the CIA's financial statements (for FY 2008). Although the auditors identified a number of material weaknesses in internal control and disclaimed an opinion on the financial statements, the audit found that the CIA continues efforts to improve its reporting of financial information in accordance with federal requirements, and steps are being taken to strengthen key internal controls. The Staff also completed its FY 2008 annual independent evaluation of the CIA's information security program and practices as required by the Federal Information Security Management Act.

~~(S)~~ The Audit Staff published an extensive report on the project management of overseas construction and renovation projects. [redacted]

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[redacted] The Staff also completed audits of six field activities during this period.

~~(S)~~ Audit reports published during this period made recommendations for strengthening internal controls over contracting, program management, covert actions, financial management, information technology, and administration of field activities. Agency senior managers concurred with almost all of the recommendations.

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John L. Helgerson
15 January 2009

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(U) STATUTORY REQUIREMENTS

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

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

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

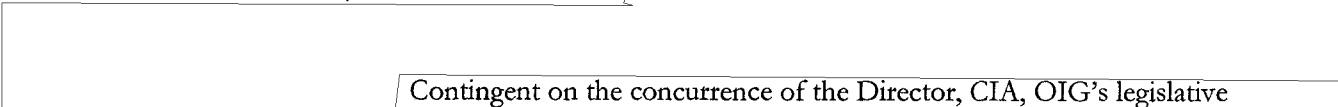
(U) SUBPOENA AUTHORITY

(U/~~FOUO~~) During this reporting period, the IG issued two subpoenas relating to an investigation of potential fraud involving a government contract.

(U) LEGISLATIVE PROPOSALS

(U) In general, to ensure its independence and effectiveness, CIA's statutory Inspector General needs to possess all authorities provided other US Government statutory Inspectors General. Accordingly, the OIG has reviewed the provisions of the Inspector General Reform Act of 2008, which was enacted during this reporting period, and the provisions of the Inspector General Act of 1978 (IG Act), and has identified provisions of law contained therein that are not applicable to the CIA OIG, but are generally applicable to Inspectors General covered by the IG Act, as amended.

(U) In conjunction with the process, and in response to the CIA Office of Congressional Affairs (OCA) request for proposed legislation for consideration by the Director, CIA, the OIG submitted a legislative proposal to OCA that would more closely conform the CIA IG authorities, which are set forth in Section 17 of the CIA Act of 1949, to those in the IG Act.

 Contingent on the concurrence of the Director, CIA, OIG's legislative proposal will be included in the CIA's legislative submission to the Office of the Director of National Intelligence.

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(U) The Inspector General strongly recommends that the Director, CIA and the intelligence oversight committees of Congress support amendments to the CIA Act, or other appropriate legislation, that would accomplish the goals of the language that is set forth at Annex B.

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(U) AUDITS

(U//~~FOUO~~) The Audit Staff conducts performance and financial audits of CIA programs and activities. During this reporting period, the Audit Staff issued 12 audit reports containing 57 recommendations that addressed contracting, covert action, financial management, information technology, and administration of field activities. The Audit Staff also performed a review, at the request of the Director, CIA, and issued a report on CIA's personnel management practices in addressing security and suitability issues of employees; the report contained [] recommendations. The Audit Staff also completed the annual review of the security of the CIA's information systems as required by the Federal Information Security Management Act (FISMA).

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(S) This reporting period, the Audit Staff completed audits of overseas construction and renovation project management, the Office of Technical Collection (OTC) contract team, [] and controls over proprietaries. The Staff also completed audits of six field activities.

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(U//~~FOUO~~) The Staff completed work on the statutory annual audit of the CIA's financial statements and issued its report in November 2008. []

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(S) As requested by the Congress, the Audit Staff continues to pursue its program to audit each covert action program (or an aspect of each program) at least every third year and to provide the results of each audit to the Congress. This reporting period, the Staff completed an audit of a [] []. Three additional covert action audits are underway.

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(U//~~FOUO~~) The Audit Staff participated in quarterly meetings attended by its Intelligence Community (IC) counterparts and Chief Financial Officers (CFOs) in an Office of the Director of National Intelligence (ODNI) initiative to achieve sustainable unqualified audit opinions on financial statements of all IC agencies. The Audit Staff has continued to pursue involvement in joint oversight of IC programs; a joint audit of [] is ongoing, as well as a joint audit [] []. In addition, as required by Title III of the Foreign Intelligence Surveillance Act (FISA) Amendments Act of 2008, which was signed into law on 10 July 2008, the Inspectors General (IGs) of the DoD, ODNI, National Security Agency, Department of Justice, and CIA are conducting a comprehensive review of the President's Surveillance Program. The CIA OIG is coordinating the conduct of the review and the preparation of the interim and final reports. In accordance with the Act, the IGs submitted an interim report to pertinent Congressional committees that described the planned scope of the review.

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(U) COMPLETED AUDITS

(U//~~FOUO~~) REVIEW OF CIA'S PERSONNEL MANAGEMENT PRACTICES ADDRESSING SECURITY OR SUITABILITY ISSUES OF EMPLOYEES (2007-0019-AS, JULY 2008)

(U//~~FOUO~~) The review was conducted at the request of the Director, CIA to determine whether systemic weaknesses exist in the CIA's personnel management practices and to recommend remedial actions as appropriate.

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(U//~~FOUO~~) 2008 INDEPENDENT EVALUATION OF THE CENTRAL INTELLIGENCE AGENCY INFORMATION SECURITY PROGRAM AND PRACTICES REQUIRED BY THE FEDERAL INFORMATION SECURITY MANAGEMENT ACT (FISMA) (2008-0013-AS, JULY 2008)

(U//~~FOUO~~) FISMA requires federal agencies to establish agency-wide, risk-based information security programs that include comprehensive information security policies and procedures; periodic risk assessments; information security training; periodic system testing and evaluation; and plans for remedial action, security incident response, and continuity of operations. In addition, FISMA requires an annual process of self-assessment and independent evaluation of an agency's information security program and practices.

(U//~~FOUO~~) Since March 2003, the Audit Staff has issued six FISMA reports and 15 audit reports that contain recommendations to strengthen information security policy and practices. The CIA had addressed all of the recommendations cited in prior FISMA reports concerning system inventories, certification and accreditation compliance, information security training, and developing a plan of action and milestones process. Because of previous coverage, the 2008 evaluation focused primarily on the status of compliance with our prior recommendations.

(U//~~FOUO~~) The Audit Staff tested the CIA's system inventory database and found numerous inaccuracies. The CIA's Chief Information Officer (CIO) is working with Information System Security Managers to improve the data integrity of the inventory database by reviewing and updating each entry in the database. Also, the Staff reported in past FISMA evaluations that in calendar year 2005, the CIA was not enforcing mandatory training requirements for staff and contractors who use the Agency Data Network and, in calendar year 2006, the compliance rate for the mandatory Agency Information Security Course had not substantially changed. For calendar year 2007, CIA made a substantial improvement in the compliance rate for officers in both domestic and foreign field locations and officers with significant information technology security responsibilities. The 2008 evaluation made no new recommendations.

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(2006-0026-AS, AUGUST 2008)

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~~(U//FOUO)~~ **THE OFFICE OF TECHNICAL COLLECTION CONTRACT TEAM**
(2007-0010-AS, SEPTEMBER 2008)

~~(U//FOUO)~~ The OTC contract team generally complies with federal regulations and CIA policies and procedures in awarding and administering OTC contracts. A review of 20 contracts indicates that the OTC contract team generally prepares acquisition plans, requests audits and legal reviews, and seeks Agency Acquisition Review Board approval, when required. However, the OTC contract team and designated COTRs do not always prepare or adequately document key pre-award analyses required or recommended by the FAR, CIA policies and procedures, and acquisition best practices. In addition, the OTC contract team does not effectively maintain accountability for government property in the possession of contractors. Specifically, contract files do not always contain adequate documentation of government property in the possession of contractors.

~~(U//FOUO)~~ Finally, an ongoing disagreement between the CIA and the Defense Contract Audit Agency is impeding the free exchange of contract audit information between the two organizations for contractors of

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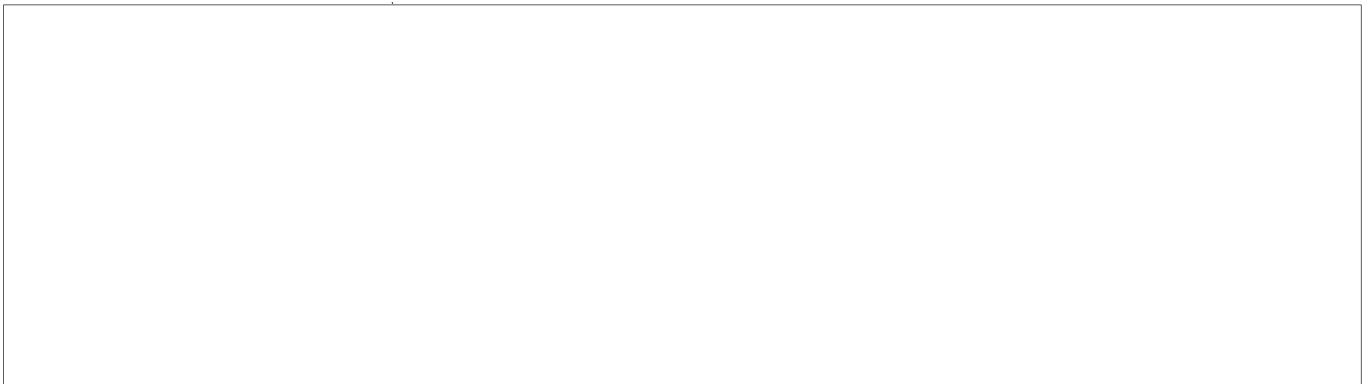
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mutual interest. The reduced sharing of contract audit information diminishes the efficiency of government oversight by inhibiting the CIA's contract audit function from rendering opinions on the reasonableness of contractor-proposed costs in a timely manner.

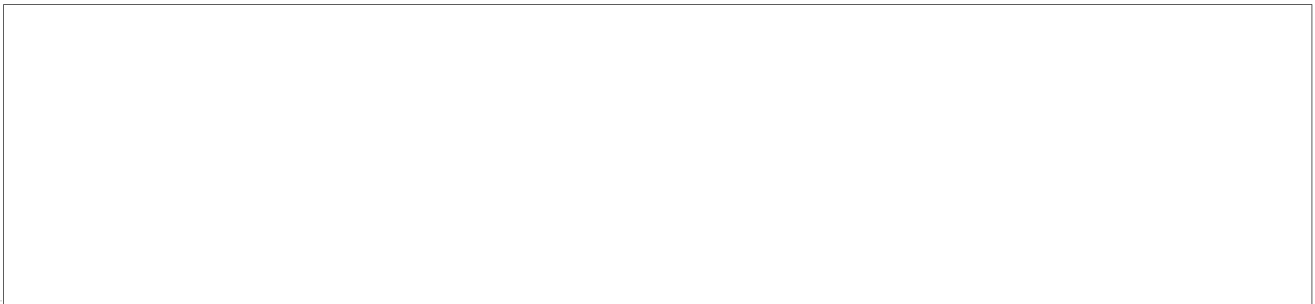
(U//~~FOUO~~) The report contains five recommendations; none of which are considered significant. Two recommendations called for the Procurement Executive to: (1) develop a cost-estimating template and make it available to COTRs on the Office of the Procurement Executive Web site; and (2) revise the Acquisition Plan and Business Review templates to instruct contracting officers to identify whether government property will be managed on the individual task orders or the base contract for indefinite-delivery, indefinite-quantity contracts. The Procurement Executive implemented both recommendations, and they are closed.

(U//~~FOUO~~) Three additional recommendations are directed to the OTC Contract Team Chief.

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- A second recommendation called for the OTC Contract Team Chief to educate contracting officers and COTRs on their responsibilities regarding government property in accordance with existing federal regulations and CIA policies and procedures. The OTC Contract Team Chief arranged for the Contract Property team to conduct a government property seminar for OTC contracting officers and COTRs. In addition, some OTC contracting officers attended a Directorate of Science and Technology Contracts Group-sponsored government property seminar. Further, the OTC Contract Team Chief reported that OTC COTRs have been encouraged to take Web-based training, *Property Management for COTRs*, as a refresher course. These actions satisfy the recommendation, and it is closed.



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(S) [REDACTED] (2008-0008-AS,
OCTOBER 2008)

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(U//~~FOUO~~) OVERSEAS CONSTRUCTION AND RENOVATION PROJECT
MANAGEMENT (2007-0016-AS, NOVEMBER 2008)



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(U) INDEPENDENT AUDITOR'S REPORT ON THE CENTRAL INTELLIGENCE AGENCY FISCAL YEAR 2008 FINANCIAL STATEMENTS (2008-0002-AS, NOVEMBER 2008)

(U) The Accountability of Tax Dollars Act of 2002 requires that the CIA prepare and submit audited financial statements to the Congress and the Director, Office of Management and Budget (OMB). The audit determined whether the CIA's financial statements fairly presented, in all material respects, the financial position, results of operations, changes in net position, and status of budgetary resources in accordance with US generally accepted accounting principles. The audit considered the CIA's internal control over financial reporting and the CIA's compliance with certain provisions of applicable laws and regulations that could have a direct and material effect on the financial statements. The audit determined the status of prior years' audit recommendations and management's actions to resolve them.

(U//~~FOUO~~) The Audit Staff disclaimed an opinion on the CIA's FY 2008 Consolidated Financial Statements due to significant limitations on the scope of the OIG's audit. Material internal control weaknesses precluded the audit team from obtaining reasonable assurance about the reliability of the statements. In addition, the audit noted three departures from US generally accepted accounting principles. As a result of these limitations, the team could not apply all necessary auditing procedures to conduct an audit in accordance with generally accepted government auditing standards.

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(U//~~FOUO~~) With regard to compliance with laws and regulations, the CIA is not fully in compliance with implementing guidance for the Federal Managers' Financial Integrity Act. The CIA has not implemented processes to identify, test, monitor, and correct internal control deficiencies as called for in OMB Circular No. A-123, revised, *Management's Responsibility for Internal Control*. In addition, the CIA is not fully in compliance with OMB Circular No. A-127, revised, *Financial Management Systems*, and OMB Circular No. A-130, *Management of Federal Information Resources*.

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~~(S)~~ **CONTROLS OVER PROPRIETARIES (2007-002A-AS, DECEMBER 2008)**

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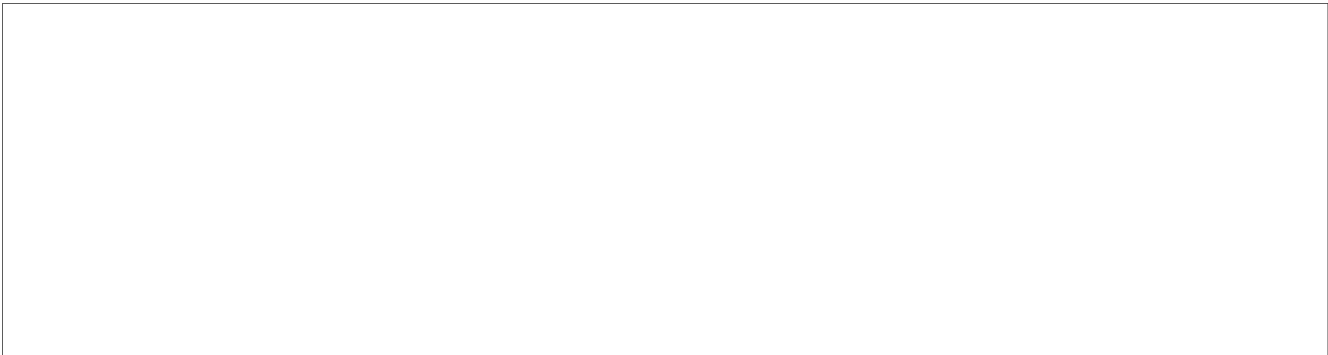
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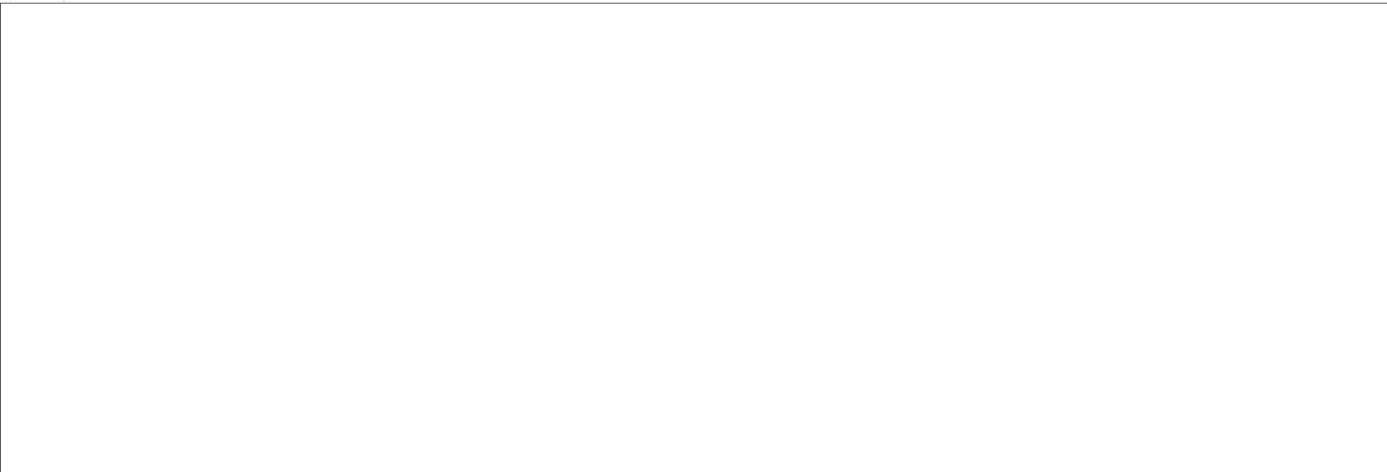
(U) AUDITS OF FIELD ACTIVITIES (JULY - DECEMBER 2008)



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

**(U//~~FOUO~~) INFORMATION SECURITY PRACTICES IN THE FIELD (2005-0014-AS,
DECEMBER 2006)**

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(U//~~FOUO~~) IMPREST FUND CREDIT CARD PROGRAM (2005-0031-AS, MARCH 2007)

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* (U) When a recommendation remains unsatisfied for five consecutive semiannual reporting periods, the OIG ceases efforts to track its implementation. If the recommendation is significant, the fifth report contains a statement setting forth the IG's view of the impact of the recommendation remaining unsatisfied.

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(U//~~FOUO~~) THE AGENCY'S PROCESS FOR OBTAINING REFUNDS OR CREDITS FOR UNUSED AIRLINE TICKETS (2005-0030-AS, APRIL 2007)

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(U) INFORMATION OPERATIONS NETWORK (2006-0001-AS, JUNE 2007)

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~~(S//NF)~~ TERRORIST WATCHLISTING (2005-0016-AS, JUNE 2007)

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~~(C)~~ CRIME AND NARCOTICS CENTER [REDACTED]
[REDACTED] (2006-0009-AS, AUGUST 2007)

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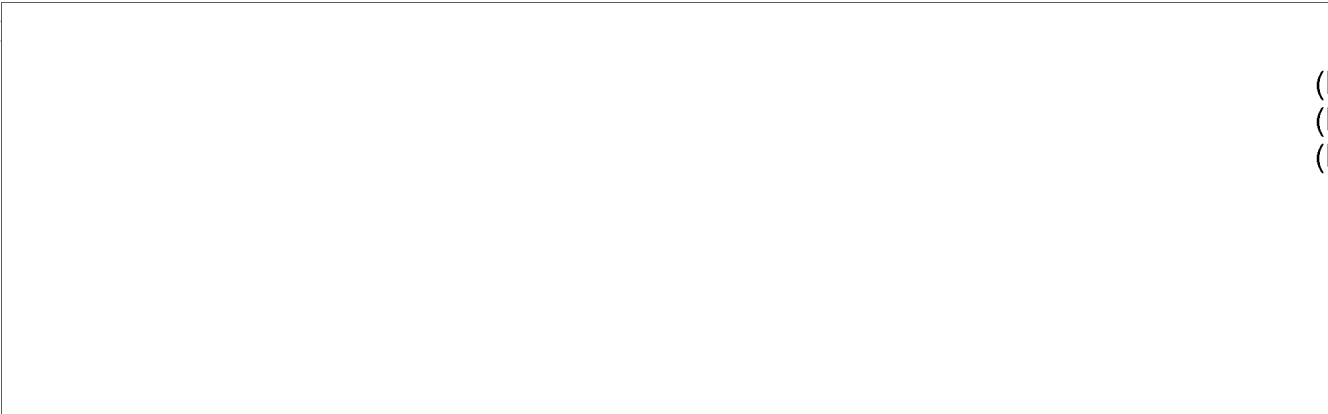
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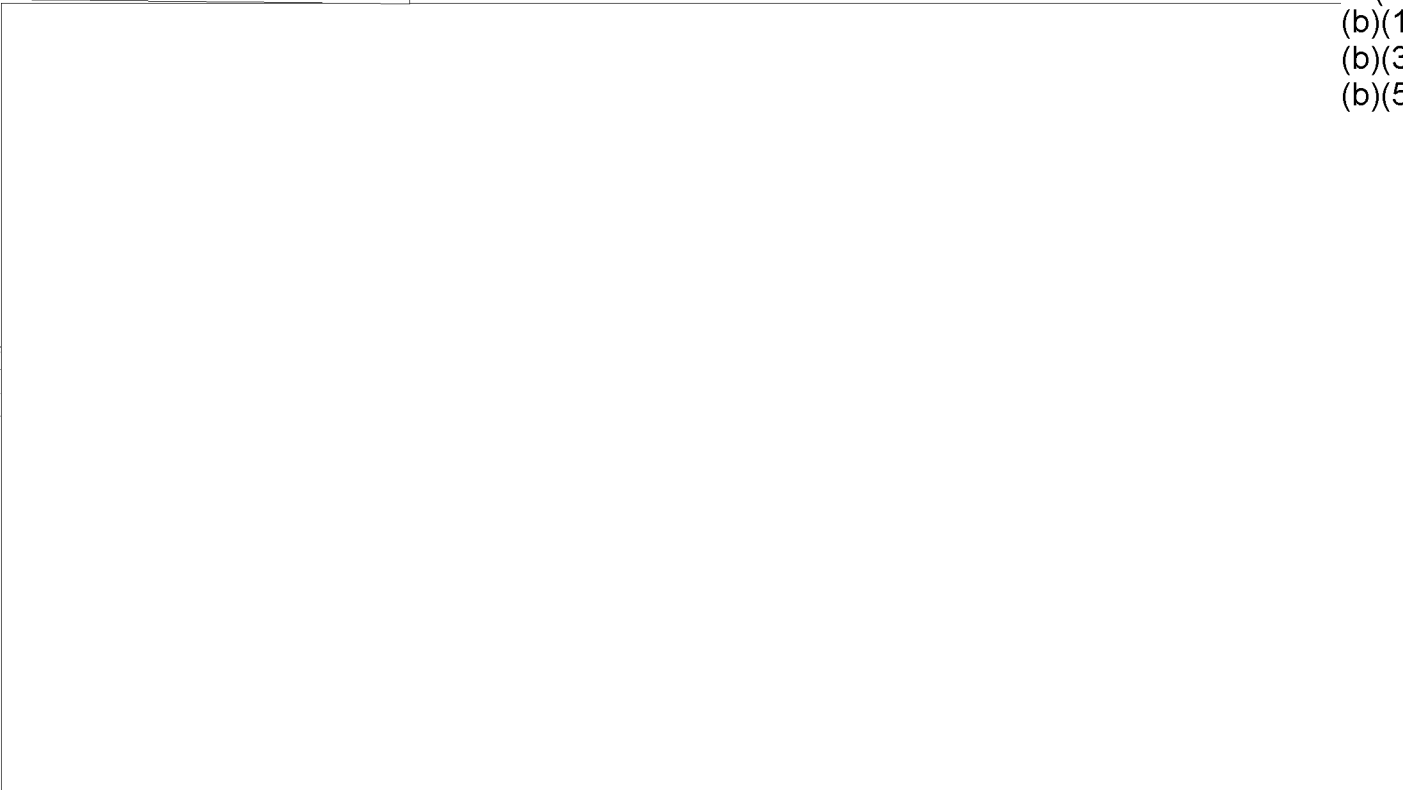
~~(S)~~ DOMESTIC LIVING QUARTERS ALLOWANCE PROGRAM (2006-0012-AS,
FEBRUARY 2008)



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(2006-0029-AS, FEBRUARY 2008)



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[REDACTED] NATIONAL CLANDESTINE SERVICE (2006-0014-AS, JUNE 2008)

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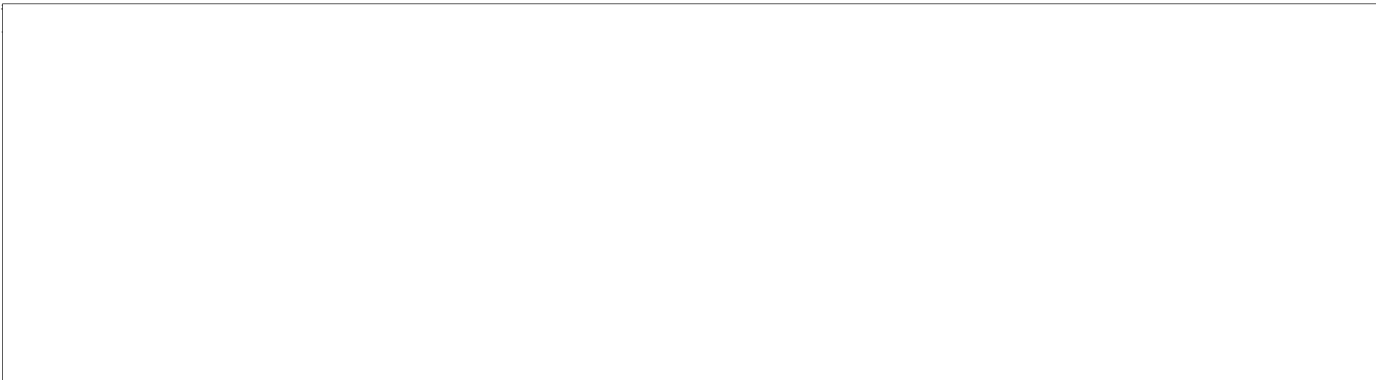
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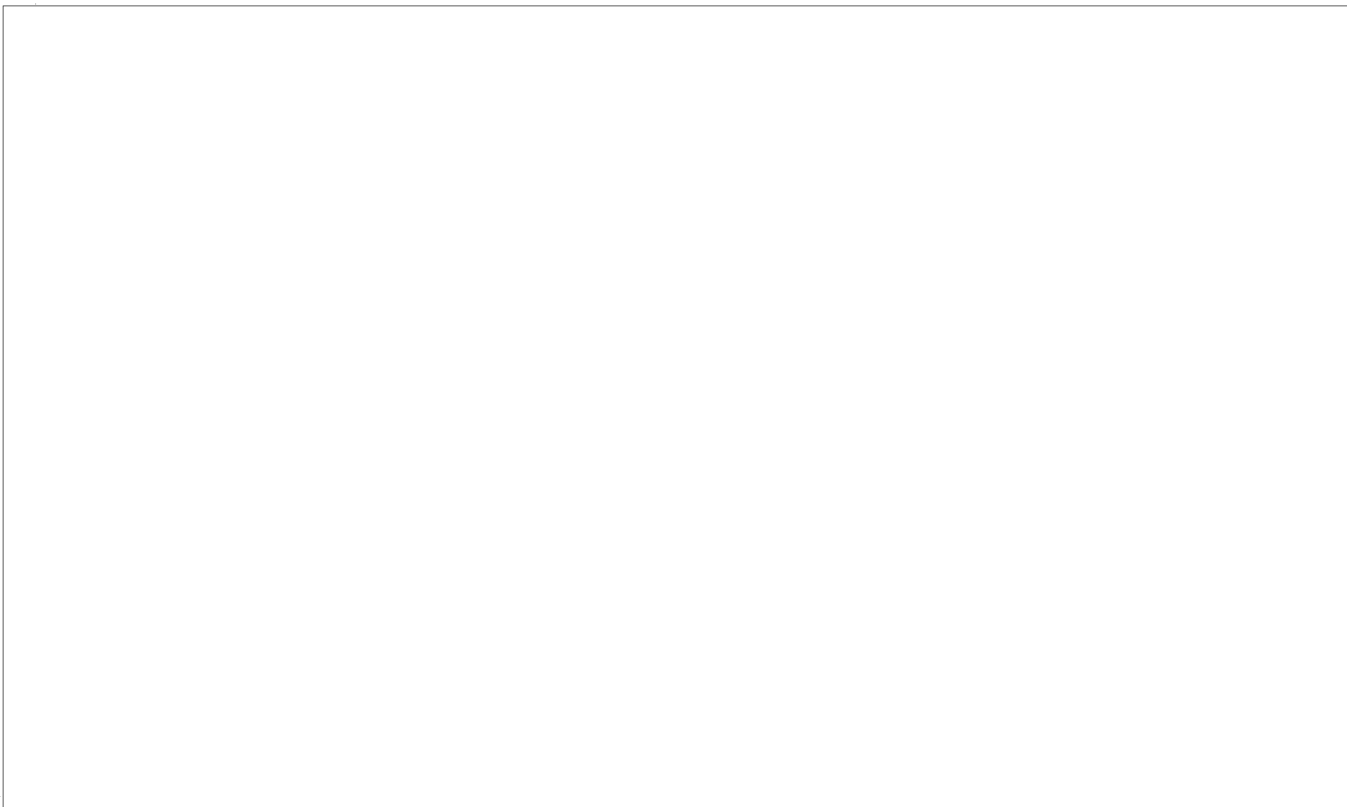
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(U) CONTINUITY AND CONTINGENCY PLANNING FOR CRITICAL CIA INFORMATION SYSTEMS (2006-0023-AS, JUNE 2008)



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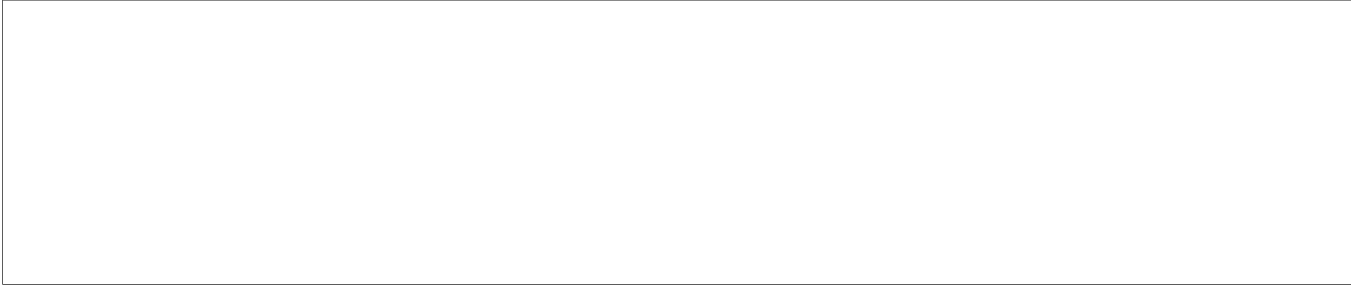
(U//~~FOUO~~) THE CIA'S OPERATIONAL USE OF BIOMETRIC TECHNOLOGY (2007-0003-AS, JUNE 2008)



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(U) SUMMARIES OF SELECTED CURRENT AUDITS

(U//~~FOUO~~) REVIEW OF CIA PARTICIPATION IN THE PRESIDENT'S SURVEILLANCE PROGRAM

(U//~~FOUO~~) Title III of the FISA Amendments Act of 2008 requires the inspectors general of all of the Intelligence Community elements that participated in the President's Surveillance Program to conduct a comprehensive review of:

- All of the facts necessary to describe the establishment, implementation, product, and use of the product of the Program.
- Access to legal reviews of the program and to information about the Program.
- Communications with, and participation of, individuals and entities in the private sector related to the Program.
- Interaction with the Foreign Intelligence Surveillance Court and transition to court orders related to the Program.
- Any other matters that would enable the inspector general to complete a review of the Program.

(U//~~FOUO~~) [Redacted]

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(U//~~FOUO~~) The audit was requested by the Senate Select Committee on Intelligence (SSCI) and is being conducted jointly by the Inspectors General of the ODNI, the Department of the Treasury, and the CIA. The overall objective of the audit is to determine if [Redacted] is administered effectively and in accordance with applicable laws and regulations. Audit field work has been completed, and a draft report is being reviewed by management of the participating organizations.

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(U//~~FOUO~~) CONTRACT QUALITY ASSURANCE ACTIVITIES FOR THE SSI SERVICES, INC. OPERATIONS AND MAINTENANCE CONTRACT

(U//~~FOUO~~) The objectives of the audit are to determine whether: (1) the CIA's contract quality assurance activities are effective in ensuring that the supplies and services provided by SSI Services, Inc. conform to contract requirements, and (2) the CIA has developed meaningful metrics and standards to enable the performance-based acquisition of follow-on services.

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(U//~~FOUO~~) The objectives of the audit are to determine whether: (1) the program's management office has the appropriate organizational structure, authority, policies, procedures, and controls in place to manage new systems development projects, and (2) the program's management office has access to timely, accurate, and reliable information to support decisionmaking on systems development projects.

(U) CIA'S HARDWARE AND SOFTWARE IMPLEMENTATION PROCESS

(U//~~FOUO~~) The objectives of the audit are to determine whether: (1) the processes by which CIA orders, distributes, and implements hardware and software are timely, cost effective, and performed in an efficient manner, and (2) the systems and processes used to order, distribute, and implement hardware and software are in compliance with applicable regulations and guidelines.

(U) WORKING CAPITAL FUND COST AND PRICING MODELS FOR FACILITIES SUPPORT

(U) The objectives of the audit are to determine whether: (1) costing methodologies used by the WCF for Facilities Support are accurate and reliable to support pricing decisions, and (2) prices charged by the WCF for FS are in compliance with applicable laws and regulations.

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(U//~~FOUO~~) The objectives of the audit are to determine whether: (1) the installation's financial and logistical transactions are properly documented and consistent with approved operational objectives, and (2) the resources allotted to the installation are utilized and safeguarded in compliance with laws and regulations.

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(U) COVERT ACTION ACTIVITIES

~~(S//NF)~~ Audits of covert action activities authorized under the Presidential Findings dated [redacted] were initiated in September 2008. The objectives of the audits are to determine whether:

(1) the covert action programs address the objectives and adhere to the authorities set forth in the respective Presidential Findings and related Memoranda of Notification and are accomplished in an effective and efficient manner; (2) resources allocated to the covert action activities are properly managed and used for authorized purposes; and (3) covert action activities are administered in compliance with applicable CIA regulations and US laws.

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~~(S)~~ **SELECTED CIA PROPRIETARIES**

~~(S)~~ During this reporting period, the Audit Staff has initiated an effort to perform financial statement audits of CIA proprietaries. Four audits are underway. The objectives of these audits are to: (1) determine whether the proprietary's financial statements fairly present, in all material respects, the financial position and results of operations in conformity with generally accepted accounting principles; (2) determine whether the proprietary's financial transactions are reflected accurately and timely in the CIA's general ledger; and (3) evaluate whether the proprietary's financial activities are consistent with CIA regulations and guidance and with applicable federal statutes.

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(U) INSPECTIONS

(U//~~FOUO~~) The Inspection Staff is responsible for conducting inspections of CIA components to evaluate their mission performance, leadership and management effectiveness, and customer and partner relationships. The Staff also assesses major, crosscutting Agency issues to identify their efficiency and effectiveness and their compliance with law, Executive Orders, and regulations.

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(b)(3)

(U//~~FOUO~~) During the current reporting period, the Staff completed inspections of [redacted] Personnel Protection Contractors, Finance in the Directorate of Support (DS), and East Asia (EA) Division and [redacted] in the National Clandestine Service (NCS). In addition, the Staff commenced inspections of [redacted], Leadership Training, Returning from External Rotations, the Office of Congressional Affairs, Africa Division in the NCS, the Publications Review Board, and [redacted] Directorate of Science and Technology (DS&T).

(b)(3)

(b)(3)

(U//~~FOUO~~) The Staff closed nine inspections that were open at the beginning of this reporting period: the Office of the Associate Director for Military Affairs; the CIA CounterTerrorism Center, NCS; Near East and South Asia Division, NCS; the Office of Russian and European Analysis, Directorate of Intelligence (DI); the Office of Technical Collection, DS&T; Agency-Wide Performance on Russia; the Agency's Targeting Discipline; Training for New NCS Officers; and the Agency's Reliance on Contractors.

(b)(3)

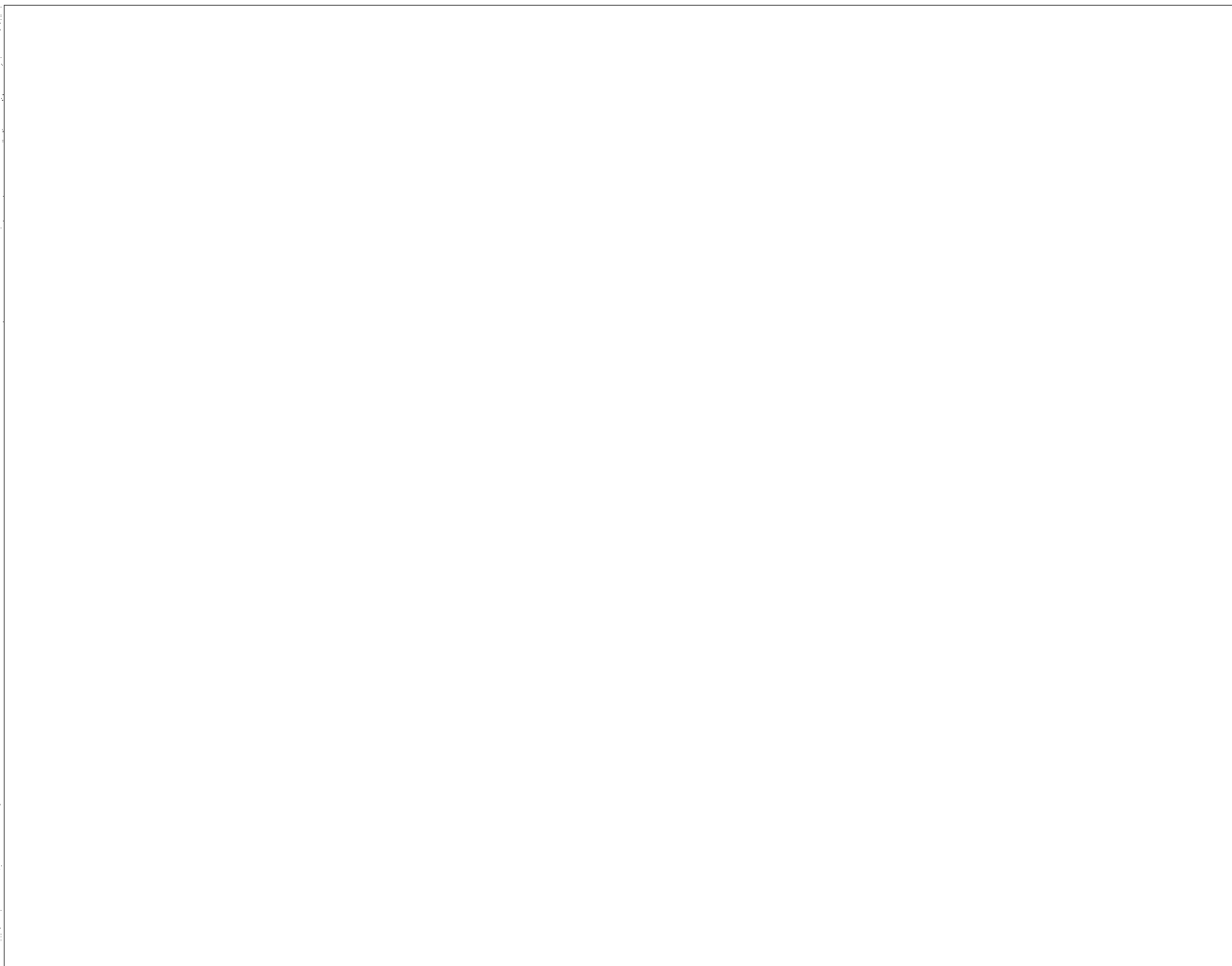
(U//~~FOUO~~) The Inspection Staff continues to conduct a two-week course for new inspectors; members of other government agency inspection and evaluation staffs are invited to attend on a space-available basis. The Staff also provides an instructional seminar for team leaders before the start of each inspection cycle and seminars for Office of Inspector General (OIG) inspectors and research assistants during the course of each cycle.

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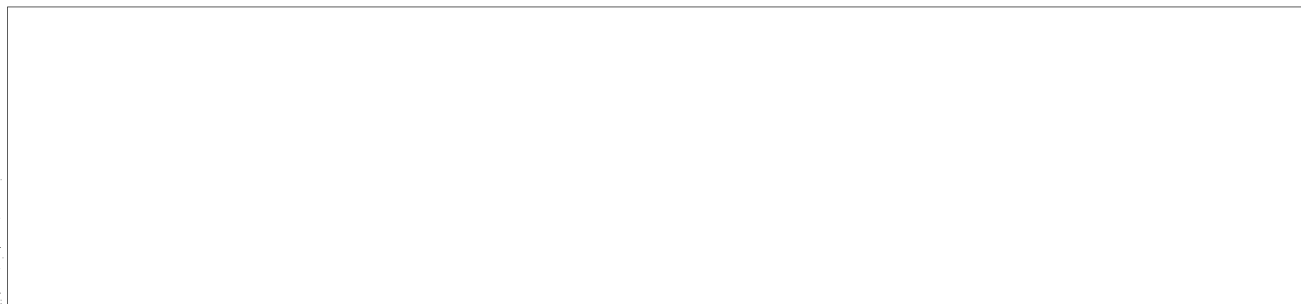
(U) COMPLETED INSPECTIONS

(U) PERSONNEL PROTECTION CONTRACTORS (2008-0003-IN, OCTOBER 2008)



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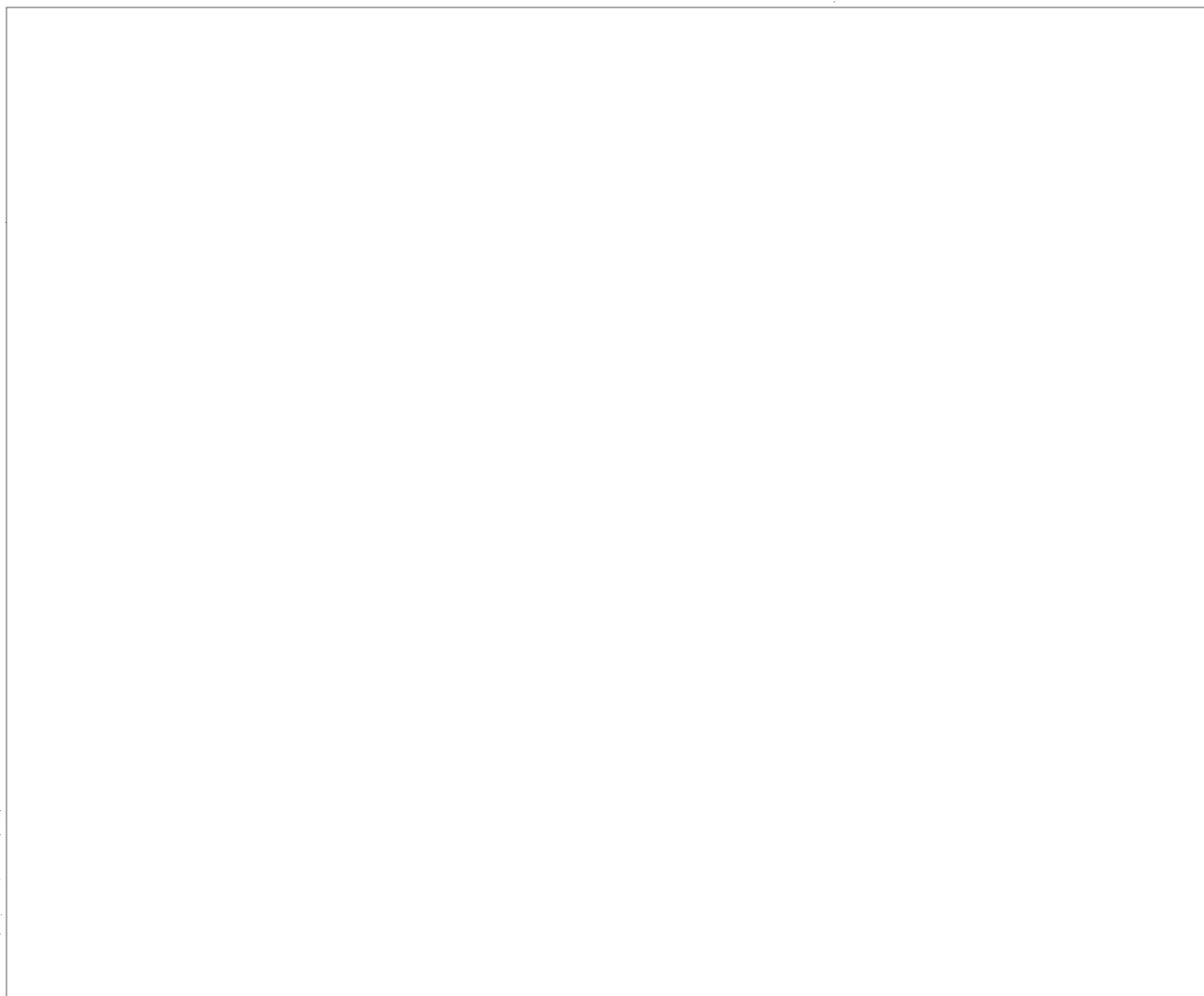
(U) EAST ASIA DIVISION, NCS (2008-0004-IN, OCTOBER 2008)



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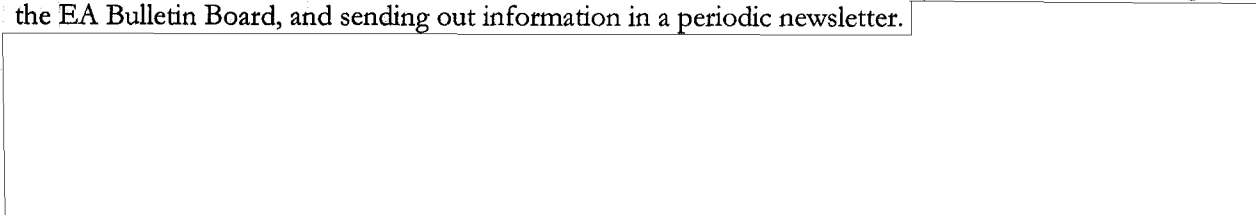
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~~(C//NF)~~ Most EA employees believe that Division management is doing a good job of managing the operational work of the Division, but the inspection surfaced some concerns about Front Office communications, career guidance, and promotion and assignments processes. EA management has proactively dealt with these issues by traveling to EA stations to hold career development discussions in the field, holding all-hands meetings at Headquarters, posting minutes of its weekly Division staff meetings on the EA Bulletin Board, and sending out information in a periodic newsletter.



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(U) FINANCE, DS (2008-0002-IN, NOVEMBER 2008)

(U//~~FOUO~~) Finance, whose officers are deployed into every directorate and most offices throughout the Agency, is successfully accomplishing its mission and satisfying its customers with the services it provides. The Finance Front Office is respected by both CIA senior managers and the Finance work force, and most Finance officers feel positive about the support they provide.



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(2008-0001-IN, DECEMBER 2008)

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[Redacted]

(2008-0005-IN, DECEMBER 2008)

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

(U) CIA COUNTERTERRORISM CENTER (2005-0006-IN, OCTOBER 2006)

(b)(1)
(b)(3)
(b)(5)

(U) AGENCY-WIDE PERFORMANCE ON RUSSIA (2005-0011-IN, OCTOBER 2006)

(b)(1)
(b)(3)
(b)(5)

(U) OFFICE OF TECHNICAL COLLECTION (2006-0001-IN, DECEMBER 2006)

~~(C//NF)~~ The report's one significant recommendation remained open at the beginning of this reporting period. It requested that the Director for Science and Technology and the Director of the National Clandestine Service identify minimum operational and tradecraft training requirements that must be completed by technical operations officers (TOOs) before they are granted an exception to the required training for temporary duty or permanent change of station assignment. The DS&T has reported on an ongoing study team, comprised of DS&T and NCS officers, that is reviewing TOO training. The study team's recommendations are due in early 2009. These actions satisfy the recommendation. Information provided by the DS&T also indicates progress has been made toward satisfying aspects of the report's six nonsignificant recommendations. The inspection is closed.

(U) AGENCY'S RELIANCE ON CONTRACTORS (2006-0003-IN, DECEMBER 2006)

~~(U//FOUO)~~ The report contains five significant recommendations, all of which have been satisfied during this reporting period. The Associate Deputy Director, CIA and the Chief Financial Officer have provided the OIG a summary of initiatives planned or under way as part of the Director, CIA's recent Contractor Work Force Improvement Initiative. This improvement initiative evolved, in part, from the findings

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documented in the inspection. It creates structures to ensure senior-level attention on improving management of the contractor work force, and includes plans relevant to the report's recommendations, including tools for measuring contractor performance, pooling of requirements for consolidation in fewer contracts, and developing an outsourcing strategy. These plans will be implemented when additional resources are identified and made available. The inspection is closed.

(U) OFFICE OF THE ASSOCIATE DIRECTOR FOR MILITARY AFFAIRS (2006-0010-IN, APRIL 2007)

(U//~~FOUO~~) The report contains six significant recommendations, two of which remained open at the beginning of the reporting period. The Associate Director for Military Affairs has submitted a training implementation schedule, reported on training accomplished thus far, and completed a study of staffing needs and personnel in his office. These actions satisfy the last two remaining recommendations. The inspection is closed.

(U) AGENCY LANGUAGE CAPABILITIES (2006-0008-IN, MAY 2007)

[Redacted]

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

(b)(3)

(U) [Redacted] (2006-0009-IN, JUNE 2007)

[Redacted]

(b)(1)
(b)(3)
(b)(5)

(U) APPLICATIONS SERVICES (2007-0001-IN, DECEMBER 2007)

(U//~~FOUO~~) The report contains five significant recommendations, three of which remain open. One requests the Chief, Applications Services (APPS) to develop an implementation plan with actions and a schedule to achieve a strategic vision. The plan has been completed, and a progress report will be provided in the next reporting period.

[Redacted]

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**(U) AGENCY-WIDE PERFORMANCE AGAINST [REDACTED]
(2007-0002-IN, DECEMBER 2007)**

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[REDACTED]

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(U) NEAR EAST AND SOUTH ASIA DIVISION (2007-0003-IN, NOVEMBER 2007)

[REDACTED]

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

(U) THE AGENCY'S TARGETING DISCIPLINE (2007-0005-IN, DECEMBER 2007)

[REDACTED]

(b)(3)

(U) EMPLOYEE ONBOARDING AT CIA (2007-0009-IN, JUNE 2008)

[REDACTED]

(b)(1)
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(U) OFFICE OF MEDICAL SERVICES (2007-0010-IN, JUNE 2008)

[REDACTED]

(b)(1)
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(U) OFFICE OF SPECIAL ACTIVITIES (2007-0011-IN, JUNE 2008)



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(b)(5)

(U) SPECIAL ACTIVITIES DIVISION (2007-0012-IN, JUNE 2008)



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(U) SUMMARIES OF CURRENT INSPECTIONS

(U) AFRICA DIVISION

(U//~~FOUO~~) The inspection focuses on mission fulfillment, customer and partner relationship management, and personnel and resource management effectiveness.

(U)



(b)(3)

(U//~~FOUO~~) The inspection focuses on mission fulfillment, customer and partner relationship management, and personnel and resource management effectiveness.



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(U) RETURNING FROM EXTERNAL ROTATIONS

(U//~~FOUO~~) The inspection examines the effectiveness of the Agency's reintegration and onward assignment of officers returning from rotations outside CIA.

(U) LEADERSHIP TRAINING

(U//~~FOUO~~) The inspection evaluates the impact of leadership training offered by the Agency and the roles that the CIA University's Leadership Academy, the Leadership Development Program, and Agency directorate training efforts play in leadership training.

(U) OFFICE OF CONGRESSIONAL AFFAIRS

(U//~~FOUO~~) The inspection focuses on mission fulfillment, customer and partner relationship management, and personnel and resource management effectiveness.

(U) PUBLICATIONS REVIEW BOARD

(U//~~FOUO~~) Initiated at the SSCI's request, the inspection evaluates the effectiveness and efficiency of selected Publications Review Board processes.

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(U) INVESTIGATIONS

(U//~~FOUO~~) The Investigations Staff is statutorily authorized to receive and investigate complaints from any person concerning possible violations of laws, regulations, policies, and procedures, as well as allegations of waste, fraud, mismanagement, abuse of authority, and substantial dangers to public health and safety related to Agency programs and operations. Investigations are normally conducted unilaterally by Office of Inspector General (OIG) Special Agents, but other federal investigative components, such as the FBI, can be called upon when law enforcement authorities are necessary. The Staff also oversees the Agency's grievance system and conducts proactive initiatives aimed at detecting and preventing fraud, waste, and abuse.

(U//~~FOUO~~) During the past six months, the Staff has completed a number of investigations that have resulted in successful prosecutions by the Department of Justice (DoJ) or have been referred to the Director, CIA or Agency components for administrative action. The scope of the Staff's completed investigations has ranged from simple conflicts of interest to a complicated matter involving the mistreatment of a detainee. The most noteworthy resolution to an investigation in support of the DoJ was the guilty plea on 29 September 2008 by a former Agency executive to a one count felony of Honest Services Fraud and False Statements. On the administrative side, the Staff completed an exhaustive multi-year investigation into the Agency's role in the narcotics air interdiction program in Peru. The Staff continues to use employee bulletins to acquaint Agency employees with the serious consequences of violations of laws, regulations, and policies. In November, for example, the Staff issued an Employee Bulletin on labor mischarging by a contractor that emphasized that the contractor's employer summarily terminated the individual's employment.

(U//~~FOUO~~) The Staff has continued to receive new allegations of wrongdoing from a variety of sources and has taken proactive efforts to identify violations of laws, rules, and regulations. Having received from DoJ declinations to prosecute in favor of administrative action, the Staff has been finishing its work on a number of conflict of interest and time and attendance fraud cases. Among the important new allegations for this reporting period are theft of multiple government credit cards, mistreatment of a [] detainee, and possession of child pornography. Also, following its support of a Secret Service case on fraudulent college degrees, the Staff initiated its own review to determine whether any Agency employees claimed to have degrees from fraudulent or unaccredited institutions. This has led to a series of investigations of Agency employees. (b)(3)

(U//~~FOUO~~) Since the last Semiannual Report, the Investigations Staff was restructured to better align investigative resources against the highest priorities and most challenging cases. The Staff is now organized into three functional divisions—Financial, Intelligence, and Integrity. The Financial Division's focus is on such matters as embezzlement, travel fraud, false claims, labor mischarging, defective pricing, and other forms of contract irregularities. The Financial Division will take the lead on proactive procurement fraud initiatives and work with the Audit Staff on joint procurement fraud projects. The Intelligence Division will work cases directly related to the Agency's intelligence operations. The Integrity Division will be responsible for investigating misconduct on the part of Agency employees. This will include such violations as time and attendance fraud, property theft, conflict of interest, false statements, reprisal, child pornography, and misuse of position.

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(U//~~FOUO~~) Improvements in the information technology available to the Staff have begun to be implemented, enabling the Staff to more efficiently handle its expanding workload. Hardware and software have enabled better management of the voluminous records received in investigations. Deployment of a new case management system in 2009 is on schedule; the new system will use a commercially available product to replace the current outdated and inefficient system.

(b)(3)

(U//~~FOUO~~) Staff training and career development remain high priorities. The Staff is at full strength with investigators having a broadly diverse set of skills and investigative and Agency experiences. In-service training occurs at least monthly and serves to keep investigators current with fast-moving substantive and technical developments.

(U//~~FOUO~~) The Staff continues to oversee the Agency-wide grievance system. In addition to addressing grievance appeals, the Staff hosts regular meetings of Agency grievance officers to share issues of common interest. These sessions, together with the emphasis on resolution at the lowest possible level, continue to contribute to effective and timely grievance resolution.

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~~SECRET//NOFORN~~**(U) COMPLETED INVESTIGATIONS****(U) IRREGULARITIES IN CONTRACTING (2006-8199-IG)**

(U//~~FOUO~~) The Staff completed an investigation into allegations that an Agency executive and [] influenced the award of a contract to a friend whose company had no prior experience providing the contracted services. The investigation found that the employee attempted to influence additional contracts and that he had an undeclared financial interest in his friend's company. This multi-agency investigation resulted in the indictment of the now-retired employee and his friend for Conspiracy, Wire Fraud, Mail Fraud, Conflict of Interest, Unlawful Monetary Transactions, and False Statements.

(b)(3)

(b)(3)

(U) PROCEDURES USED IN NARCOTICS AIRBRIDGE DENIAL PROGRAM IN PERU, 1995-2001 (2001-6654-IG)

(S) The Staff completed an investigation concerning the procedures used in the air interdiction program in Peru. The investigation found that violations of the required procedures to intercept and shoot down an aircraft occurred in all the shootdowns in which CIA participated. Violations of the requirement to report deviations in the conduct of the interceptions also occurred, leading to passage of inaccurate information to Congress and the National Security Council. The investigation also examined certain actions the Agency took following cessation of the program. DoJ declined prosecution in favor of administrative action by CIA. The Report of Investigation recommends that the Director, CIA convene an Agency Accountability Board to review the performance of certain individuals. It also includes systemic recommendations to ensure adequate legal and managerial oversight of Agency programs and independence in Agency internal reviews of operational failures.

(U) TRAVEL-RELATED FRAUD AND WASTE (2006-8469-IG)

(U//~~FOUO~~) The Staff completed an investigation into allegations that a senior Agency employee engaged in fraudulent and wasteful practices related to permanent change of station and temporary duty travel claims. The investigation determined that the employee submitted false certifications in claims for travel-related reimbursements, resulting in [] of improper reimbursements to the employee, and identified wasteful practices related to Agency approvals for the storage of household goods. DoJ declined prosecution in favor of administrative action. The OIG issued a Report of Investigation in August 2008 recommending that the Director, CIA review the conduct of the official and determine whether any administrative action is warranted, and that the employee reimburse the US Government [] in improper payments. These recommendations have been closed.

(b)(3)

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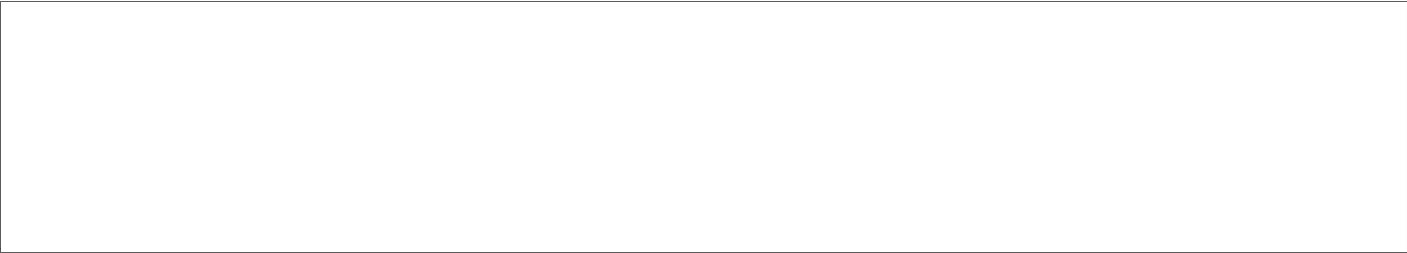
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~~(S//NF)~~ MISTREATMENT OF DETAINEE [redacted] (2004-7589-IG)



(U) TIME AND ATTENDANCE FRAUD: MISSION SUPPORT OFFICER (2007-8580-IG)

(U//~~FOUO~~) The Staff completed an investigation of time and attendance fraud that found that a staff officer was compensated for [redacted] for 216 hours for which he did not work. DoJ declined prosecution,

(b)(3)



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

(U) CONFLICT OF INTEREST: CENTRAL INTELLIGENCE AGENCY UNIVERSITY INTELLIGENCE EDUCATOR (2007-8737-IG)

(U//~~FOUO~~) An Agency employee, on approved leave-without-pay status, performed specific contract duties for an employer that caused the employee to interact with a federal agency in a manner proscribed by federal conflict of interest statutes. DoJ declined prosecution. The matter has been forwarded to the employee's component for appropriate administrative action.

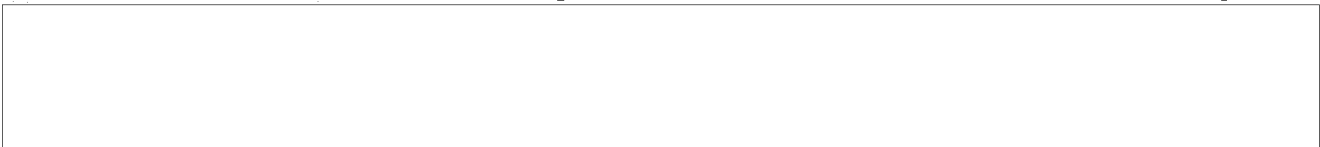
(U) CONFLICT OF INTEREST: CIA CONTRACTING OFFICER (2007-8601-IG)

(U//~~FOUO~~) The Staff investigated allegations that an Agency employee, acting in the capacity of a contracting officer and a contracting officer's technical representative, solicited employment with the owner of the company whose Agency contract the employee negotiated and oversaw. The allegations were substantiated. DoJ declined prosecution in favor of administrative action. An Agency Personnel Evaluation Board imposed a two-year letter of reprimand with no monetary awards, bonuses, or promotions during that time. Additionally, the employee will not be able to transfer or travel overseas without special review and will be suspended for 10 days without pay.

(U) CONFLICT OF INTEREST: CIA OFFICERS (2007-8784-IG)

(U//~~FOUO~~) The Staff completed an investigation of two Agency officers for accepting part-time employment with a contractor, whose Agency contract they had negotiated in the recent past. DoJ declined prosecution, and administrative action was imposed. Each individual received written letters of warning.

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(b)(5)



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(U) ACCEPTANCE OF GRATUITIES (2007-8654-IG)

[Redacted]

(b)(3)

(U) EMBEZZLEMENT AT OVERSEAS LOCATION (2007-8508-IG)

[Redacted]

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

(U) FALSE STATEMENTS (2006-8315-IG)

(b)(3)

[Redacted]

(U) TIME AND ATTENDANCE FRAUD (2006-8451-IG)

(U//~~FOUO~~) The Staff completed an investigation of time and attendance fraud that found that a staff officer was compensated [Redacted] for 512 hours for which he did not work. DoJ declined prosecution, and

(b)(3)

[Redacted]

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

(U) LABOR MISCHARGING BY AGENCY CONTRACTOR (2007-8813-IG)

(U//~~FOUO~~) The Staff substantiated an allegation that an Agency contractor falsely claimed pay for hours he did not work. DoJ declined prosecution in favor of administrative action. The Agency contractor's employment was terminated, full restitution was made to the Agency for [Redacted] and OIG issued an Employee Bulletin to all employees to acquaint them with the consequences of this wrongdoing.

(b)(3)

(U) PUBLICATIONS REVIEW BOARD COMPLAINT (2006-8372-IG)

(U//~~FOUO~~) The OIG reviewed a complaint that the Agency acted improperly in denying an employee's manuscript for publication. The review determined that, although some confusion and delay resulted from the review process due to overlapping versions of the relevant Agency regulation, the process by which pre-publication review was conducted was appropriate.

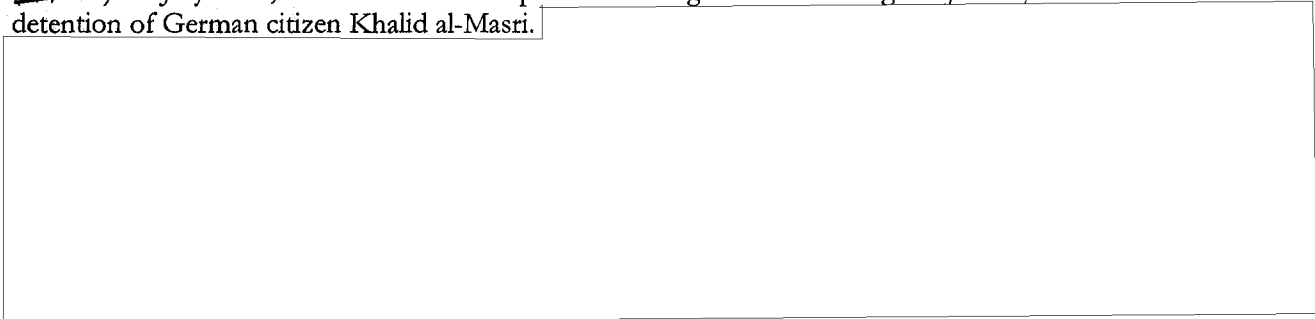
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**(U) STATUS OF SIGNIFICANT RECOMMENDED ACTIONS
OUTSTANDING FROM PREVIOUS SEMIANNUAL REPORTS**

~~(S//NF)~~ **THE RENDITION AND DETENTION OF KHALID AL-MASRI (2004-7601-IG)**

~~(S//NF)~~ In July 2007, the Staff issued a Report of Investigation concerning the January 2004 rendition and detention of German citizen Khalid al-Masri.



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(b)(5)

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(U) STATISTICAL OVERVIEW

(U) Audit Staff

(U//~~FOUO~~) During the period 1 July to 31 December 2008, the Audit Staff performed 12 audits and issued reports containing 57 recommendations to strengthen internal controls over contracting, program management, covert action, financial management, information technology, and administration of field activities. The Audit Staff also performed two reviews and issued reports containing six additional recommendations.

(U) The Audit Staff had 19 audits and one review ongoing at the end of the reporting period.

(U) Inspection Staff

(U//~~FOUO~~) During the last six months of 2008, the Inspection Staff completed five inspections. At the end of the reporting period, the Staff also had seven ongoing inspections. In addition, the Staff closed nine inspections.

(U) Investigations Staff

(U//~~FOUO~~) The Investigations Staff completed work on 139 matters of various types during this reporting period. Of this number, 24 cases were of sufficient significance to be the subject of a final report: nine Reports of Investigation and 15 Disposition Memoranda.

(U//~~FOUO~~) During this period, the IG formally referred seven matters to the DoJ based upon a reasonable belief that violations of federal criminal law may have been committed.

(U//~~FOUO~~) Recoveries on behalf of the US Government during this reporting period, as a result of the Investigations Staff's efforts, totaled \$114,327.89.

(U//~~FOUO~~) As of 31 December 2008, 164 matters were in various stages of review by the Investigations Staff.

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**(U) COMPLETED AUDITS
1 JULY - 31 DECEMBER 2008**

(U) Information Technology

(U//~~FOUO~~) Review of CIA's Personnel Management Practices Addressing Security or Suitability Issues of Employees (2007-0019-AS, July 2008)

(U//~~FOUO~~) 2008 Independent Evaluation of the Central Intelligence Agency Information Security Program and Practices Required by the Federal Information Security Management Act (2008-0013-AS, July 2008)

(U) Operations

(~~S~~//NF) [redacted] (2006-0026-AS, August 2008) (b)(1)
(b)(3)

(U) Procurement

(~~S~~) [redacted] (2008-0008-AS, October 2008) (b)(1)
(b)(3)

(U//~~FOUO~~) Overseas Construction and Renovation Project Management (2007-0016-AS, November 2008)

(U//~~FOUO~~) The Office of Technical Collection Contract Team (2007-0010-AS, September 2008)

(U) Financial Management

(U) Independent Auditor's Report on the Central Intelligence Agency Fiscal Year 2008 Financial Statements (2008-0002-AS, November 2008)

(~~S~~) Controls Over Proprietaries (2007-002A-AS, December 2008)

(U) Field Activities

(~~S~~) [redacted] (2008-0005-AS, October 2008) (b)(1)
(b)(3)

(~~S~~) [redacted] (2006-0031-AS, August 2008) (b)(1)
(b)(3)

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~~(S)~~ [redacted] (2008-0006-AS, October 2008)

(b)(1)

~~(S)~~ [redacted] (2008-0012-AS, December 2008)

(b)(3)

~~(S)~~ [redacted] (2008-0011-AS, November 2008)

(b)(1)

~~(S)~~ [redacted] (2006-0017-AS, August 2008)

(b)(3)

(b)(1)

(b)(3)

(b)(1)

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**(U) CURRENT AUDITS
31 DECEMBER 2008**

(U) Financial Management

(U) Working Capital Fund Cost and Pricing Models for Facilities Support

~~(S)~~ Four Selected CIA Proprietaries

(U//FOUO) General Controls Over the CIA's Payroll System

(U) Information Technology

(U) CIA's Hardware and Software Implementation Process

[Redacted]

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

~~(S)~~ Common Workgroup Environment 2

(U) Operations

~~(S//NF)~~ [Redacted]

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

(U//~~FOUO~~) [Redacted]

(b)(3)

~~(S//NF)~~ [Redacted]

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

~~(S//NF)~~ [Redacted]

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

~~(S//NF)~~ [Redacted]

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

(U//~~FOUO~~) Review of CIA Participation in the President's Surveillance Program

(U) Procurement

(U//~~FOUO~~) Services Obtained Under Memoranda of Oral Commitment (MOC), Memoranda of Formal Agreement (MOFA), Memoranda of Understanding (MOU), and Letters of Agreement (LOA)

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

(U//~~FOUO~~) Independent Quality Control Review of Financial Audit Services

~~SECRET//NOFORN~~

~~SECRET//NOFORN~~

(U//~~FOUO~~) Contract Quality Assurance Activities for the SSI Services, Inc. Operations and Maintenance Contract

(U//~~FOUO~~)

(b)(3)

(U) Field Activities

(S)

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(b)(3)

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~~SECRET//NOFORN~~

**(U) COMPLETED INSPECTIONS
1 JULY - 31 DECEMBER 2008**

(U) [redacted] (2008-0001-IN, December 2008)

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

(U) Finance (2008-0002-IN, November 2008)

(U) Personnel Protection Contractors (2008-0003-IN, October 2008)

(U) East Asia Division (2008-0004-IN, October 2008)

(U) [redacted] (2008-0005-IN, December 2008)

(b)(3)

**(U) CURRENT INSPECTIONS
31 DECEMBER 2008**

(U) Africa Division

(U) [redacted]

(b)(3)

(U) Leadership Training

(U) Office of Congressional Affairs

~~(S)~~ [redacted]

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

(U) Publications Review Board

(U) Returning from External Rotations

~~SECRET//NOFORN~~

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**(U) COMPLETED INVESTIGATIONS
1 JULY - 31 DECEMBER 2008**

(U) Procedures Used In Narcotics Airbridge Denial Program In Peru, 1995-2001 (2001-6654-IG)

~~(S)~~ Contractual Improprieties [redacted] (2002-6653-IG)*

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

~~(S//NF)~~ Mistreatment of Detainee [redacted] (2004-7589-IG)

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

(U) Alleged Contractor Misuse of Agency Systems (2006-8232-IG)*

(U) Publications Review Board Complaint (2006-8372-IG)

~~(S)~~ Safety Concerns With [redacted] (2006-8421-IG)*

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

(U) Inquiry Into Issues Surrounding Investigation (2006-8441-IG)*

(U) Time and Attendance Fraud (2006-8451-IG)

(U) Travel-Related Fraud and Waste (2006-8469-IG)

(U) Alleged Embezzlement at Overseas Location (2007-8508-IG)

(U) Allegation of Undue Influence in Award of a Contract (2007-8545-IG)*

(U) Time and Attendance Fraud: Mission Support Officer (2007-8580-IG)

(U) Conflict of Interest: CIA Contracting Officer (2007-8601-IG)

(U) Acceptance of Gratuities (2007-8654-IG)*

(U) Allegation of Contract Improprieties (2007-8667-IG)*

(U) Conflict of Interest (2007-8684-IG)*

(U) Conflict of Interest: Central Intelligence Agency University Intelligence Instructor (2007-8737-IG)

(U) Alleged Violation of Restrictions on Former Employees (2007-8782-IG)*

(U) Time and Attendance Fraud (2007-8799-IG)*

(U) Allegation of Improprieties Regarding [redacted] Program Competition (2008-8867-IG)*

(b)(3)

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

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- (U) Alleged Criminal Misconduct (2008-8916-IG)*
- (U) Allegation of Travel Voucher Fraud (2008-9016-IG)*
- (U) Contractor Abuse of Privileges (2008-9031-IG)*
- (U) Allegation of Fraud – Cost Mischarging (2008-9058-IG)*

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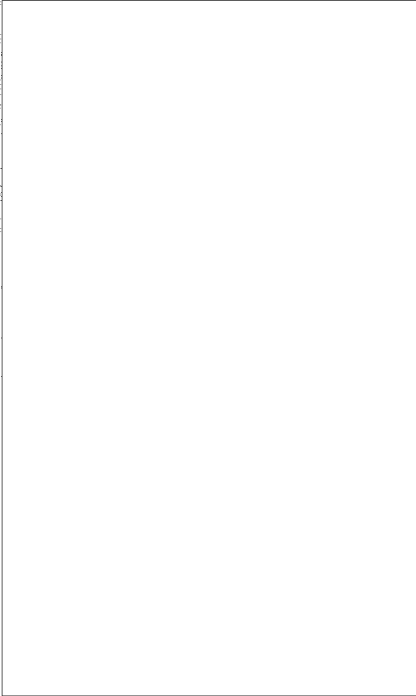
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**(U) CURRENT INVESTIGATIONS
31 DECEMBER 2008**

(U) Category	Number of cases
(U//FOUO) Grievances	
Management and Supervision - Grievance	1
Other - Grievance	2
(U//FOUO) General Investigations	
Criminal and Prohibited Acts	
Conflicts of Interest	13
Embezzlement	6
False Claims - Other	4
False Claims/Statements/Vouchers	8
False Claims - Time & Attendance	22
False Claims - TBD	1
Firearms	1
Management and Supervision - Administrative	3
Megaprojects	2
Misconduct - Employee	9
Misconduct - Management	4
Procurement Fraud	14
Regulatory Violations	2
Retaliation	1
Theft/Misuse of Government Property	14
Other - Administrative/Criminal	38
Unauthorized Operation	1
Unsubstantiated Allegations	18
(U//FOUO) Total Ongoing Cases	164

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