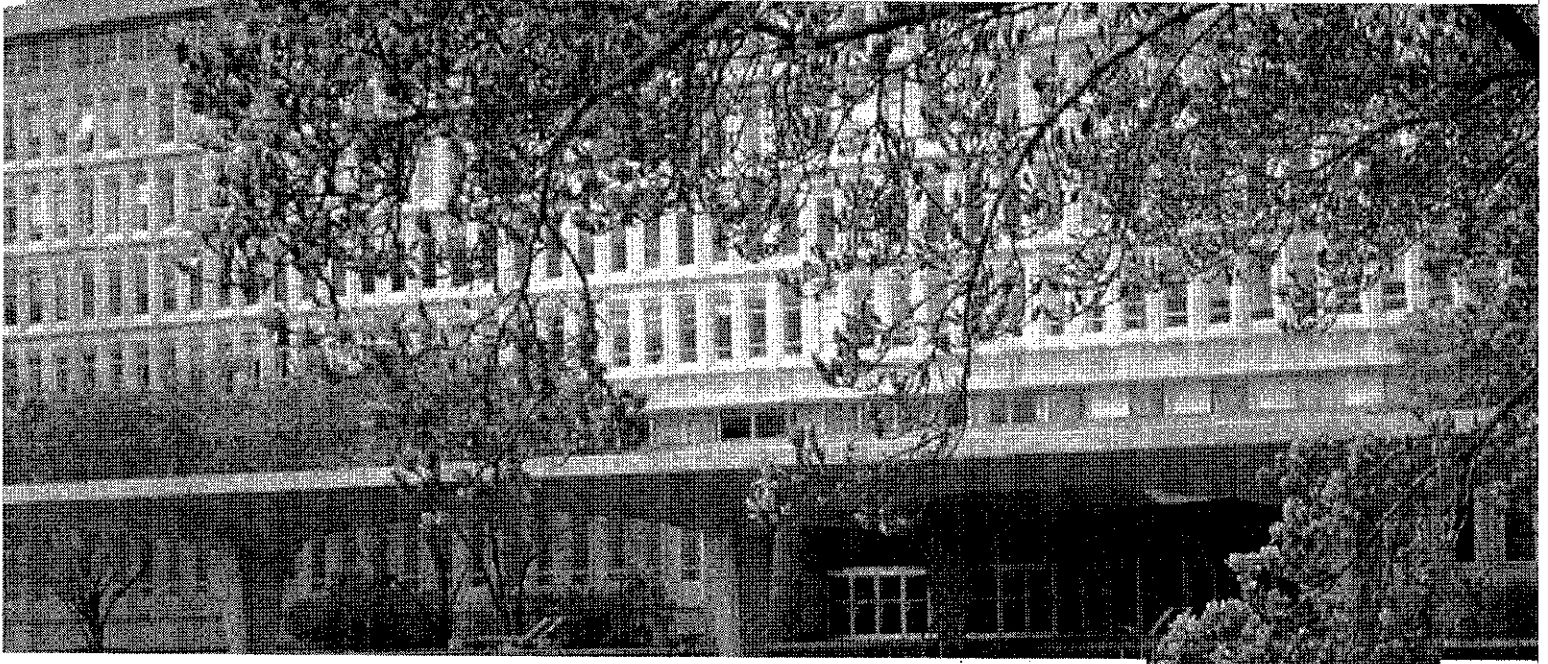


OFFICE OF INSPECTOR GENERAL

SEMIANNUAL REPORT

TO THE DIRECTOR, CENTRAL INTELLIGENCE AGENCY

JANUARY-JUNE 2008



John L. Helgerson  
Inspector General

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## (U) A MESSAGE FROM THE INSPECTOR GENERAL

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(U//~~FOUO~~) The Investigations Staff, during this reporting period, continued its efforts to close several ongoing investigations while addressing new allegations of wrongdoing in Agency operations and programs. The Staff is supporting the Department of Justice (DoJ) on a number of cases ranging from a high-profile public corruption case to an investigation into the destruction of tapes related to the CIA's interrogation program, and has addressed a broad scope of internal administrative violations. The Staff also has taken steps to introduce new technologies and improve its processes for conducting and reporting investigations.

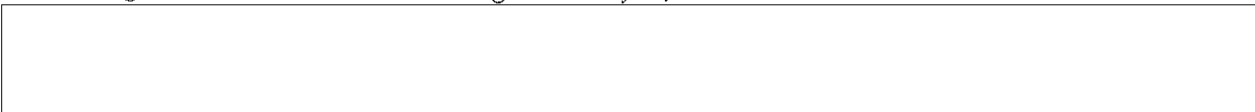
(U//~~FOUO~~) The Staff continues to address allegations of abuse of individuals who have been captured and detained pursuant to the global war on terrorism and the conflicts in Afghanistan and Iraq. In particular, the Staff continues to work with the DoJ and the FBI on allegations of abuse involving the 16 "high value" detainees now being held at Guantanamo Bay.

(U//~~FOUO~~) Two cases investigated by the Office of Inspector General (OIG) resulted in guilty pleas and sentencing by the US District Court for the Eastern District of Virginia. A former Agency employee was sentenced to incarceration of 14 months and three years of supervised probation for embezzlement of approximately \$60,000 of Agency funds. A former Agency contractor was sentenced to incarceration of eight years and 20 years of supervised probation for the importation of child pornography. In the US District Court for the Northern District of Florida, a former Agency contractor was sentenced to incarceration of three months, one year of supervised probation, and a \$1,000 fine for theft of government property from a war zone location.

(U//~~FOUO~~) The Investigations Staff also continues to devote considerable investigative resources in support of the DoJ prosecution of a former high-ranking Agency official on Conspiracy to Commit Unlawful Monetary Transactions, Unlawful Monetary Transactions, Wire Fraud, Mail Fraud, Conflict of Interest, False Statements, Aiding and Abetting, and Criminal Forfeiture. The trial is set for November 2008.

(U//~~FOUO~~) Reviews completed by the Inspection Staff during this period continued to focus on key issues that involve multiple directorates, including training for new National Clandestine Service (NCS) officers, employee onboarding at CIA, and managing the administrative support work force, as well as on major Agency components, including the Office of Medical Services (OMS), the Office of Special Activities (OSA), and the Special Activities Division (SAD).

(S//~~NP~~) The inspection of Training for New NCS Officers, a corollary to the December 2007 inspection of Training for New Directorate of Intelligence Analysts, found that the Field Tradecraft Course for new



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~~(S//NF)~~ The Staff completed inspection reports on three components whose missions are unique in the Agency and, to some extent, in the Intelligence Community.

- The breakthrough technologies and creative applications of the OSA provide outstanding technical support to clandestine operations. [redacted]

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- The SAD, which came under new leadership at the outset of the inspection, is doing a good job meeting the heavy demands of its customers and the needs of its employees. The Division's efforts to enhance the skills of its paramilitary officers and attend to the possible negative impact on employees of their frequent deployment to war zones are particularly noteworthy. [redacted]

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- [redacted]

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~~(U//FOUO)~~ In response to a request from the Director, CIA, the Audit Staff performed a review of the Agency's practices in handling employees with security and suitability problems. [redacted]

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[redacted] The report, which is pending publication, will provide several recommendations to improve CIA practices for assessing, documenting, and communicating security and suitability issues.

~~(S)~~ The Audit Staff continues to conduct joint audits with its Intelligence Community counterparts in coordination with the Office of the Director of National Intelligence Inspector General. During the reporting period, the Audit Staff completed a joint audit [redacted]

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[redacted] The Staff also completed one audit related to covert action activities in keeping with the standing request of the Congress that the OIG audit each covert action program no less frequently than every three years.

~~(S//NF)~~ The Staff completed an audit of the [redacted]—an ambitious program to integrate key NCS applications and systems. The audit found that the Agency did not employ sound project management practices in the early stages of the program, which as a result is significantly behind the original schedule and facing a number of challenges. Estimates now are that the program will cost [redacted] at completion; including transformational costs and the ongoing cost of essential legacy systems that will become part of the new system. [redacted]

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~~(S)~~ The Staff also published audit reports of the Domestic Living Quarters Allowance Program, continuity of operations planning, and the CIA's use of biometric technology. The Staff completed audits of four field activities.

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~~(S//NF)~~ During this reporting period, I continued my personal efforts to highlight the findings of the OIG work to selected Agency components and employees. I addressed three classes of outgoing chiefs of station or base on lessons learned from the OIG audits, inspections, and investigations, and traveled   to discuss with employees in those locations the findings and recommendations of the OIG's component inspection of the Near East and South Asia Division and certain other ongoing work.

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John L. Helgerson  
15 July 2008

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## (U) STATUTORY REQUIREMENTS

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(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 (D/CIA), 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 did not issue any subpoenas.

## (U) LEGISLATIVE PROPOSALS

(U) The OIG has carefully reviewed the status of legislative proposals pending during this reporting period that would, if enacted, impact on the authorities of most Inspectors General in the federal government. Some of the provisions would apply to the CIA IG, although others would not. In the event the pending legislation is enacted, the OIG will review the need for revisions to Section 17 of the Central Intelligence Agency Act of 1949 and will make appropriate recommendations.

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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 10 audit reports containing 23 recommendations that addressed contracting, covert action, financial management, information technology, and field activities administration. The Audit Staff also significantly contributed to a report issued by the Office of the Director of National Intelligence (ODNI) Office of Inspector General (OIG) which contained two recommendations.

~~(S)~~ The Audit Staff participated in quarterly meetings attended by its Intelligence Community (IC) counterparts and Chief Financial Officers (CFOs) in an ODNI initiative to collaborate on achieving 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. During this reporting period, the Audit Staff completed a joint audit [redacted] and a joint audit of the use of CIA special authorities in support of the National Geospatial-Intelligence Agency (NGA). A joint audit of the [redacted] is ongoing.

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~~(C)~~ 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 [redacted]

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~~(C)~~ The Staff completed audits of the Domestic Living Quarters Allowance Program (DLQA), the [redacted] continuity of operations planning, and the CIA's use of biometric technology. The Staff also completed audits of four field activities.

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(U) During the reporting period, the Audit Staff implemented several significant technology initiatives that provided new and enhanced capabilities to the auditors. The Staff adopted an electronic working paper system, which makes use of existing features in the Microsoft software package, streamlines the workpaper review process, improves workpaper referencing, and facilitates the quality control review process. The Audit Staff brought three high-speed scanners online to convert hard copy documentation to an electronic format that is compatible with the electronic working paper system. Lastly, the Audit Staff upgraded its software applications to provide the auditors with new capabilities to document and prepare flowcharts of business processes; view, manipulate, and manage electronic files; and track the progress of audits and develop individual audit work plans.

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**(U) COMPLETED AUDITS**

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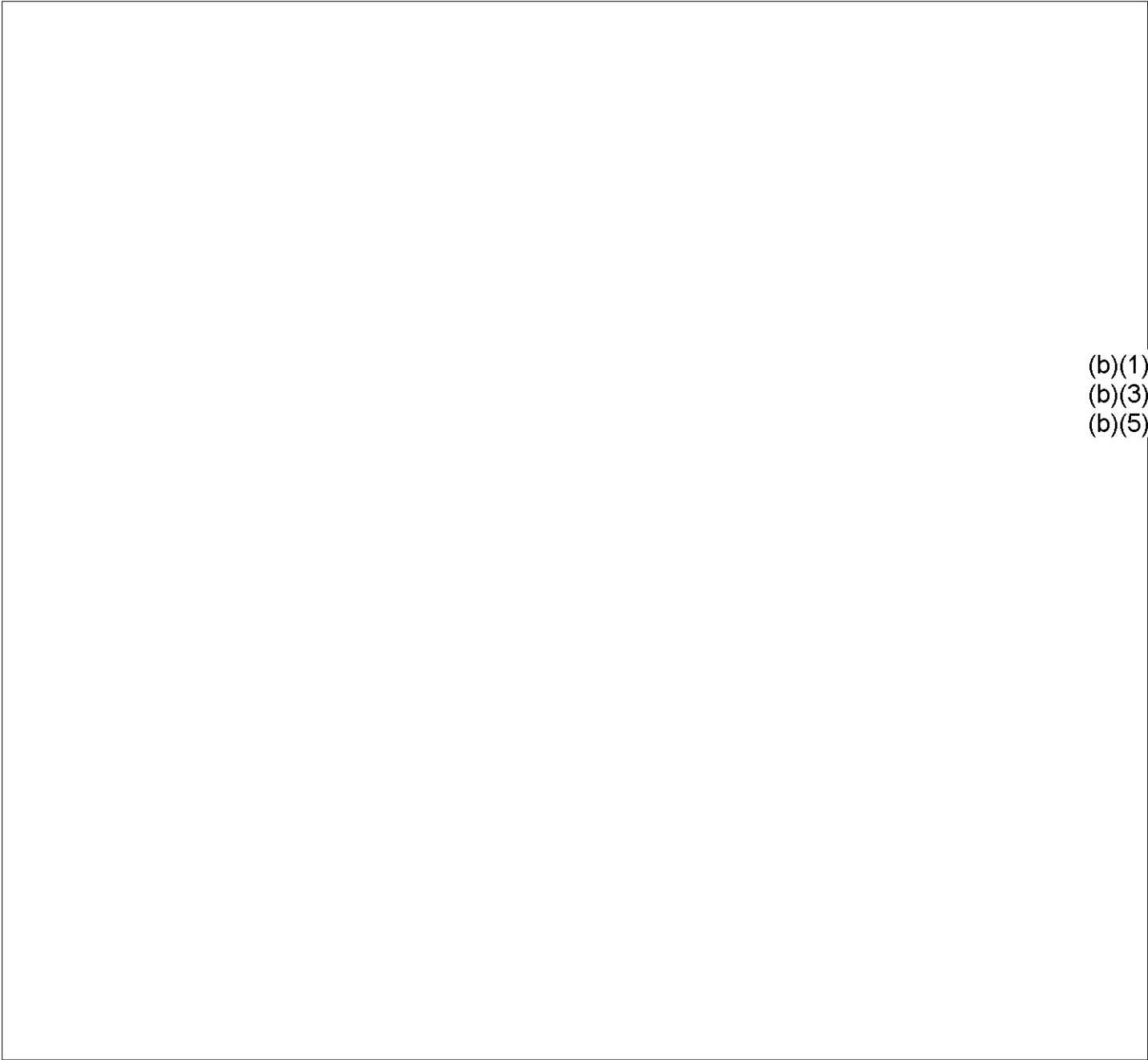
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~~(S)~~ COVERT ACTION ACTIVITIES AUTHORIZED BY THE   
PRESIDENTIAL FINDING (2006-0029-AS, FEBRUARY 2008)

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



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~~(U//FOUO)~~ **JOINT AUDIT OF THE USE OF CIA SPECIAL AUTHORITIES IN SUPPORT OF THE NATIONAL GEOSPATIAL-INTELLIGENCE AGENCY (2007-0011-AS, MAY 2008)**

~~(U//FOUO)~~ The NGA, formerly known as the National Imagery and Mapping Agency (NIMA), was established by the NIMA Act of 1996. The Act authorizes the CIA to provide administrative and contract services to the NGA as if it were an organizational element of the CIA. This joint audit, conducted by the CIA and the NGA Offices of Inspector General, evaluated the effectiveness of the policies, procedures, and

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controls over the use of CIA procurement authority by the NGA Acquisition and Source Directorates Support Division (commonly referred to by its organizational code ACA), formerly known as the National Contracting Cell.

(U//~~FOUO~~) The ACA was chartered under its former title—National Contracting Cell—to exercise CIA procurement authority for certain, specific NGA procurements. NGA officials prepared a National Contracting Cell Concept of Operation document that established the criteria for determining when it is appropriate for ACA contracting officers to exercise CIA procurement authority.

(U//~~FOUO~~) The policies, procedures, and controls contained within the multiple agreements and policies executed between the CIA and the NGA generally provided effective guidance to ACA contracting officers, who award contracts using CIA procurement authority. However, ACA contracting officers were not always requesting the CIA and the NGA Offices of General Counsel to conduct legal reviews of contract documents, when appropriate. In addition, ACA contracting officers were assigning COTR duties and responsibilities to NGA employees who were not properly certified in accordance with CIA COTR certification procedures.

[Redacted]

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(U) [Redacted] FOR THE NATIONAL CLANDESTINE SERVICE (2006-0014-AS, JUNE 2008)

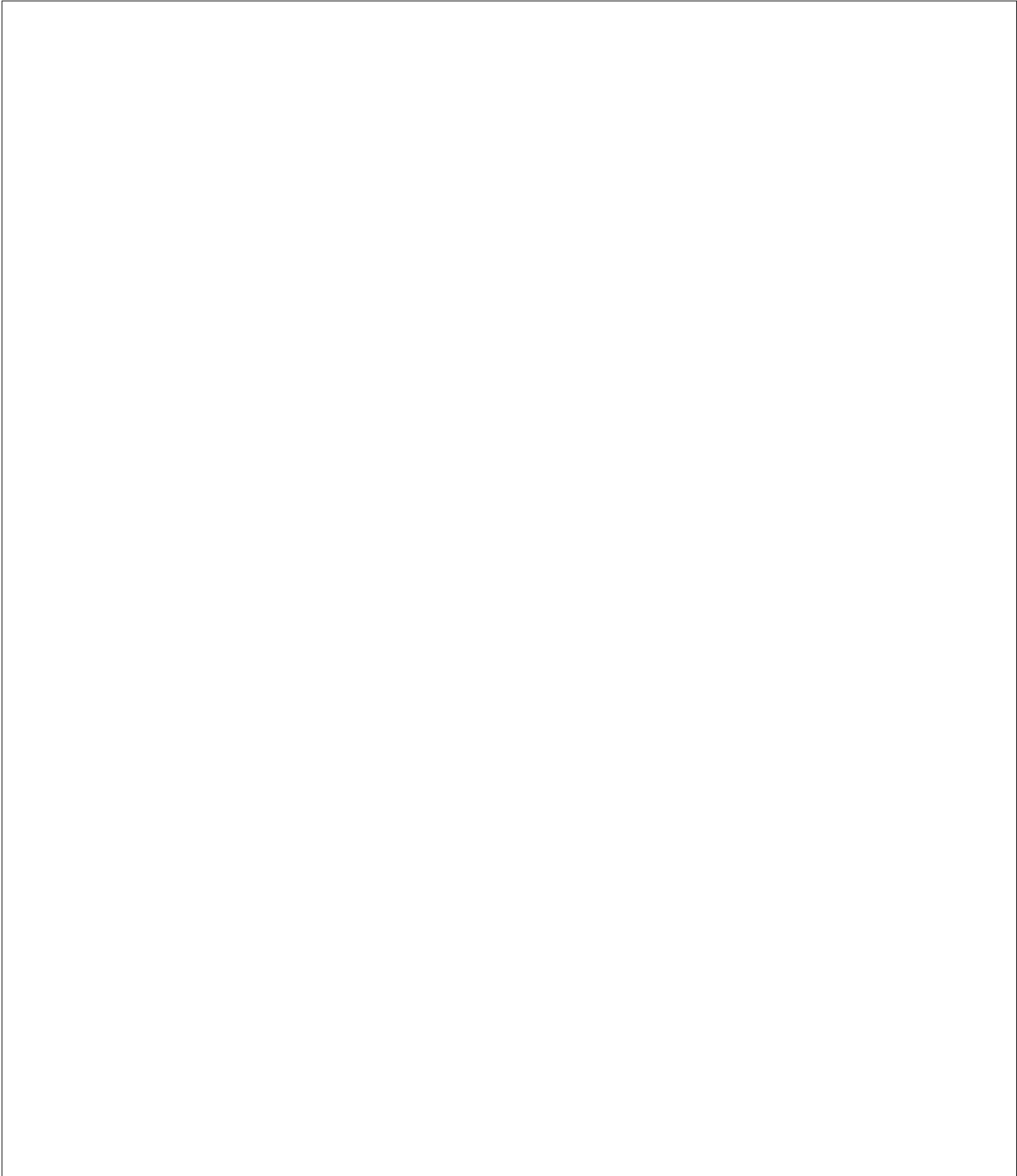
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**(U) CONTINUITY AND CONTINGENCY PLANNING FOR CRITICAL CIA  
INFORMATION SYSTEMS (2006-0023-AS, JUNE 2008)**



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

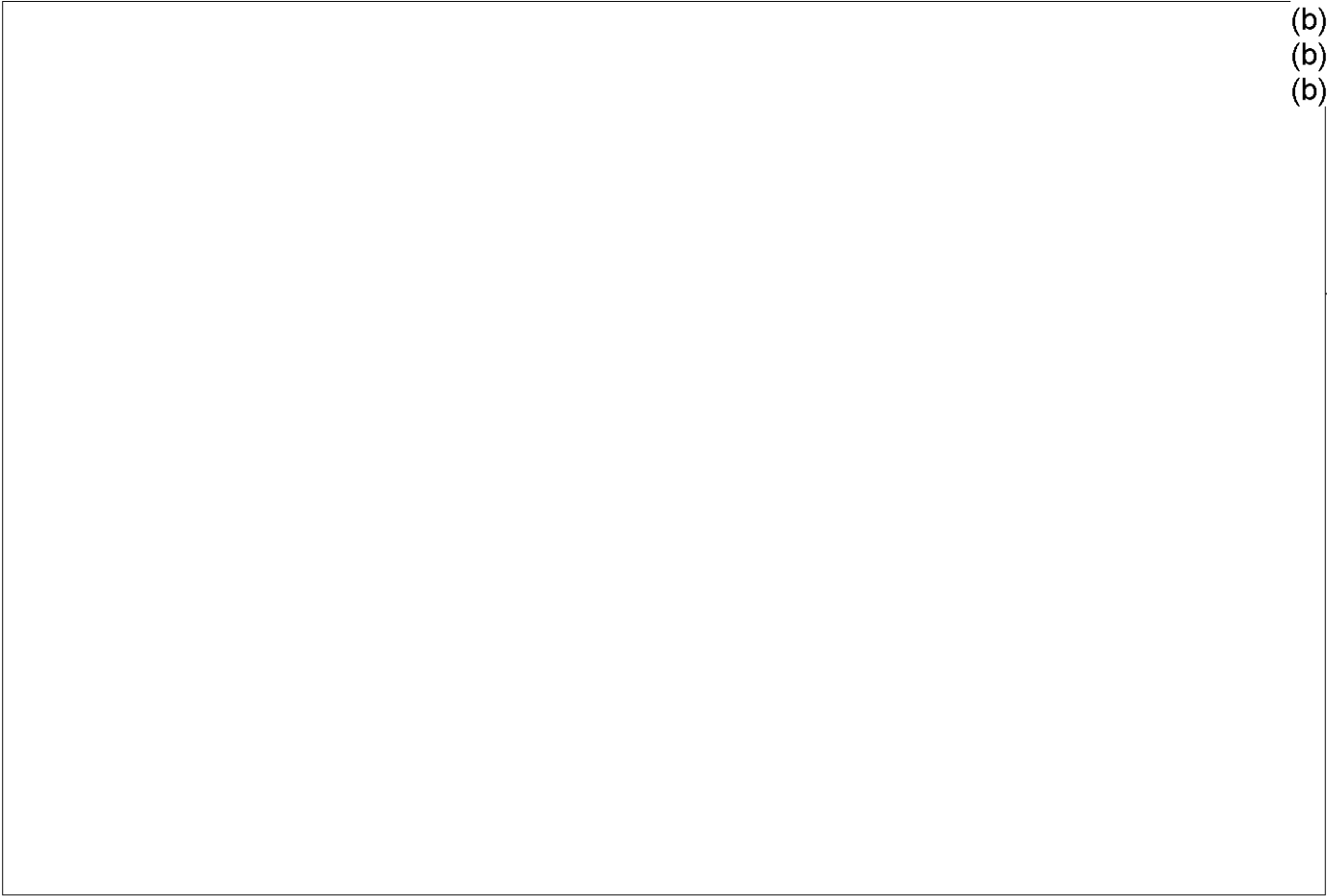


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~~(S//NF)~~ AUDITS OF FIELD ACTIVITIES (JANUARY - JUNE 2008)

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~~(S//NF)~~ The Audit Staff issued final reports for four field activities: [redacted] The results of the audits, and the areas that needed improvement, were discussed with Chiefs of Station and the Chief of Base, [redacted] all of whom took the necessary steps to address the OIG's findings.

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

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(2005-0011-AS, MAY 2006)

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**~~(S//NF)~~ COMPARTMENTED COVERT ACTION ACTIVITIES UNDERTAKEN BY THE  
CIA COUNTERTERRORISM CENTER (2005-0017-AS, JUNE 2006)**

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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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[Redacted]

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

[Redacted]

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

[Redacted]

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

[Redacted]

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[Redacted] (2005-0032-AS, APRIL 2007)

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[Redacted]

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

[Redacted]

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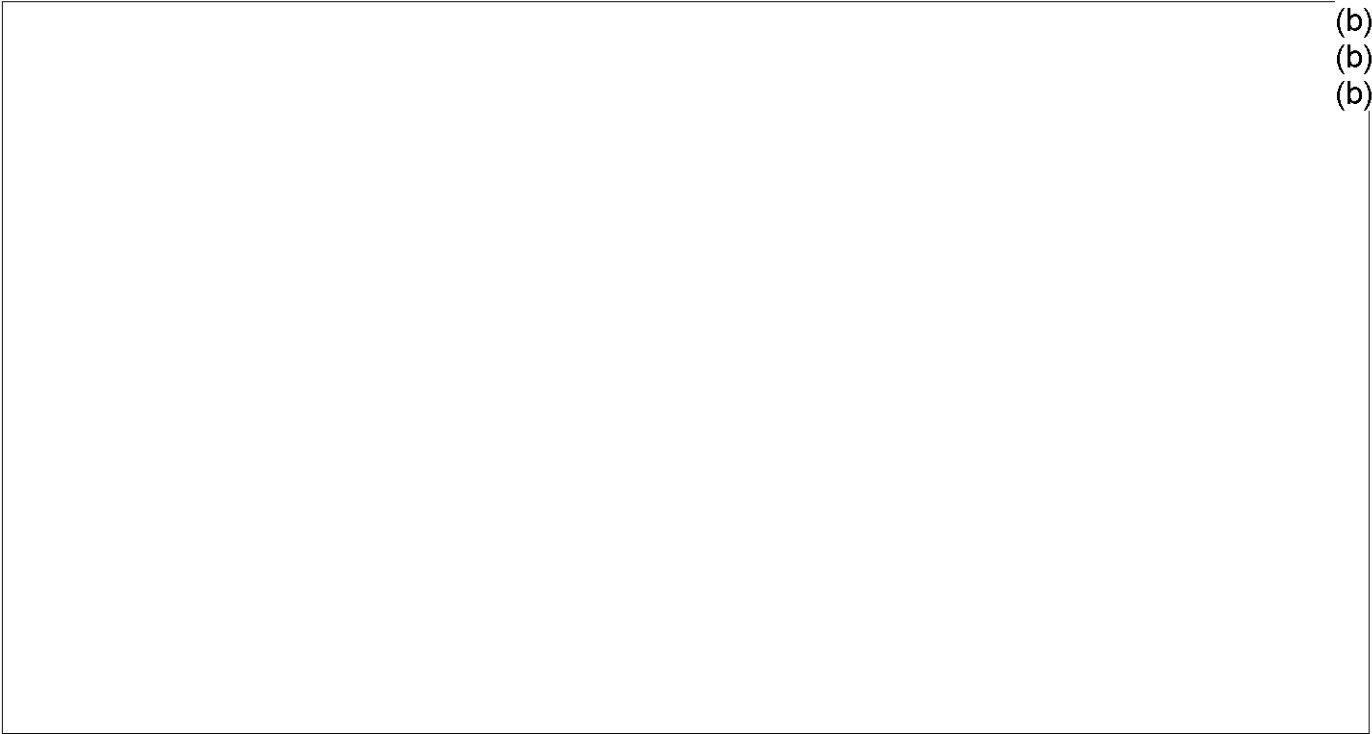
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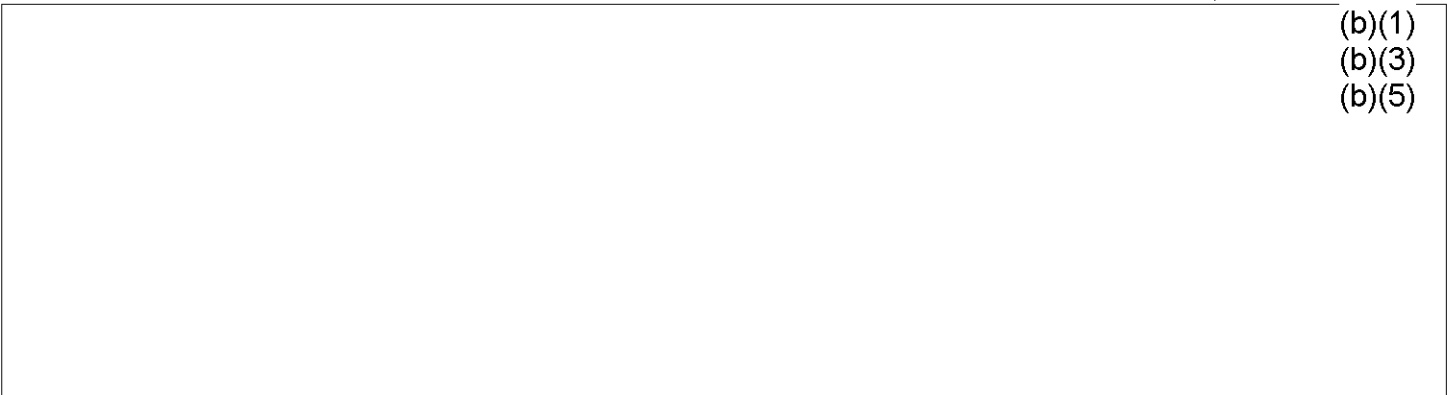
(U) INFORMATION OPERATIONS NETWORK (2006-0001-AS, JUNE 2007)



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~~(S)~~ (2006-0009-AS, AUGUST 2007)



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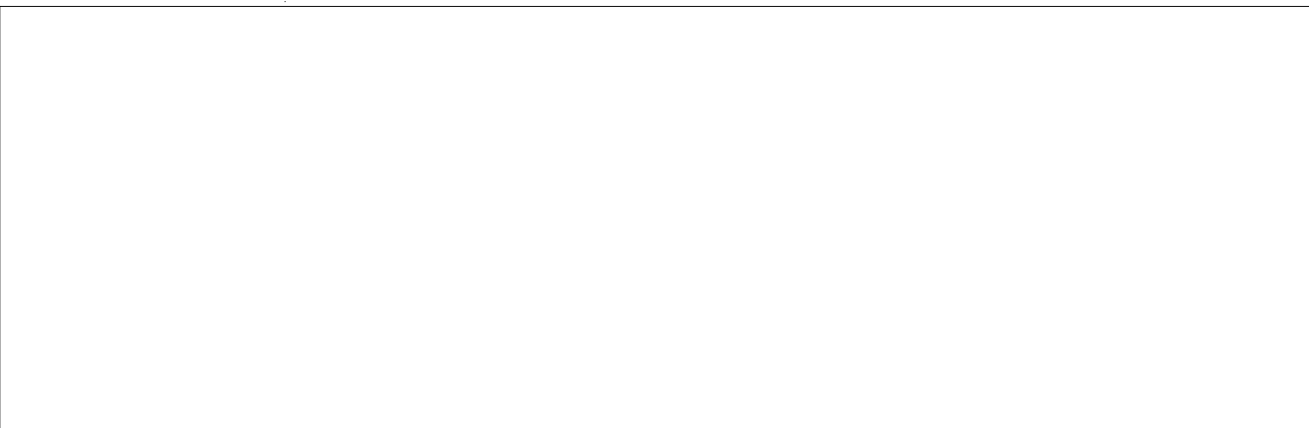
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~~(S)~~ [REDACTED] CONSTRUCTION AND RENOVATION PROJECT  
MANAGEMENT (2006-0021-AS, OCTOBER 2007)

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~~(U//FOUO)~~ INDEPENDENT AUDITS OF THE FINANCIAL STATEMENTS OF THE CIA  
(2003-0022-AS, 2005-0001-AS, 2005-0033-AS, AND 2007-0002-AS)

~~(U//FOUO)~~ The OIG issued disclaimers of opinion on the CIA's financial statements for fiscal years 2004 through 2007 because of significant internal control weaknesses and significant unexplained differences on the financial statements.



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## (U) SUMMARIES OF SELECTED CURRENT AUDITS



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(U//~~FOUO~~) The audit was requested by the Senate Select Committee on Intelligence 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  is administered effectively and in accordance with applicable laws and regulations. Specific objectives include the evaluation of:

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### (U//~~FOUO~~) SERVICES OBTAINED UNDER MEMORANDA OF ORAL COMMITMENT (MOC), MEMORANDA OF FORMAL AGREEMENT (MOFA), MEMORANDA OF UNDERSTANDING, AND LETTERS OF AGREEMENT (LOA)

(U//~~FOUO~~) The objectives of the audit are to determine: (1) the extent to which the CIA uses MOCs, MOFAs, MOUs, and LOAs to acquire the services of individuals, acting in their personal capacity or on behalf of a private entity, (2) whether the CIA is administering MOCs, MOFAs, MOUs, and LOAs in accordance with applicable laws and regulations, and (3) the major control points in the approval processes and ascertain whether or not the control points are operating effectively.

### (U//~~FOUO~~) INDEPENDENT QUALITY CONTROL REVIEW OF FINANCIAL AUDIT SERVICES

(U//~~FOUO~~) The objective of the review is to determine whether the internal quality control system established by Financial Audit Services within Finance provides reasonable assurance that established policies, procedures, and Government Auditing Standards promulgated by the US Government Accountability Office are being followed.

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~~(U//FOUO)~~ **GENERAL AND APPLICATION CONTROLS OVER THE CIA'S PAYROLL SYSTEM**

(U) The objectives of the audit are to determine whether automated controls have been implemented to provide reasonable assurance that payroll data processed by [redacted] the CIA's payroll system, is complete, accurate, valid, and protected from unauthorized disclosure and modification, and whether [redacted] accurately and completely transfers transactions [redacted]

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## (U) INSPECTIONS

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

(U//~~FOUO~~) During the current reporting period, the Staff completed inspections of training for new National Clandestine Service (NCS) officers, managing the administrative support work force, employee onboarding at CIA, the Office of Medical Services (OMS) in the Directorate of Support (DS), the Office of Special Activities (OSA) in the Directorate of Science and Technology (DS&T), and the Special Activities Division (SAD) in the NCS. In addition, the Staff commenced inspections of [redacted] [redacted], personnel protection contractors, Finance in the DS, and East Asia Division and [redacted] in the NCS.

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

(U//~~FOUO~~) In addition, the Staff closed four inspections—[redacted] [redacted] in the NCS, Information Management Services (IMS) in the Office of the Chief Information Officer (CIO), the Office of Iraq Analysis (OIA) in the Directorate of Intelligence (DI), and Training for New DI Analysts—that were open as of 1 January 2008.

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## (U) COMPLETED INSPECTIONS

### (U) TRAINING FOR NEW NCS OFFICERS (2007-0007-IN, JANUARY 2008)

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~~(S//NF)~~ Within their first three years of employment, most new hires into the NCS attend a certification program at [redacted] the Directorate's [redacted] training facilities, [redacted] and the Helms Center (HC). The majority of the new hires are brought in as core collectors; they are trained and operationally certified in the NCS's three-part Field Tradecraft Course (FTC), which provides them with tradecraft, reporting, counterintelligence (CI), and technical skills. Other courses available to new hires include the Hostile Area Preparatory Course—a mandatory program for core collectors assigned to a hostile or war environment—and certification courses for Staff Operations Officers (SOOs) and Collection Management Officer-Specialists (CMO-Ss), the majority of whom are Headquarters-based.

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~~(S//NF)~~ Overall, the inspection found FTC to be an effective program, due, in large part, to its experienced and dedicated instructor cadre and a 2:1 student-to-instructor ratio. FTC is particularly strong in areas related to agent management skills and the acquisition and reporting of information.

~~(S//NF)~~ That said, the inspection found that a number of FTC graduates who are core collectors are lacking some skills needed to perform successfully in today's operational environment. These include dealing with liaison, commercial operations and commercial cover, writing, targeting analysis, CI and asset validation, and technology and covert communications. [redacted]

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~~(S//NF)~~ The inspection also found that, because FTC is operationally focused, some Collection Management Officers (CMOs) felt inadequately prepared to perform the full range of their duties once deployed to the field. The Core Collector CMO Tradecraft Course (C4), which CMOs take after completing FTC, is primarily Headquarters-focused and too short to cover in any depth the full range of CMO field responsibilities. [redacted]

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~~(S//NF)~~ Challenges also exist in the SOO Certification Course (SCC); evaluations have varied widely from class to class, and ratings have declined since the initial running. Instruction in specialized areas, such as using targeting studies, supporting commercial operations, or maintaining relationships with other government agencies, received the most critical assessments. [redacted]

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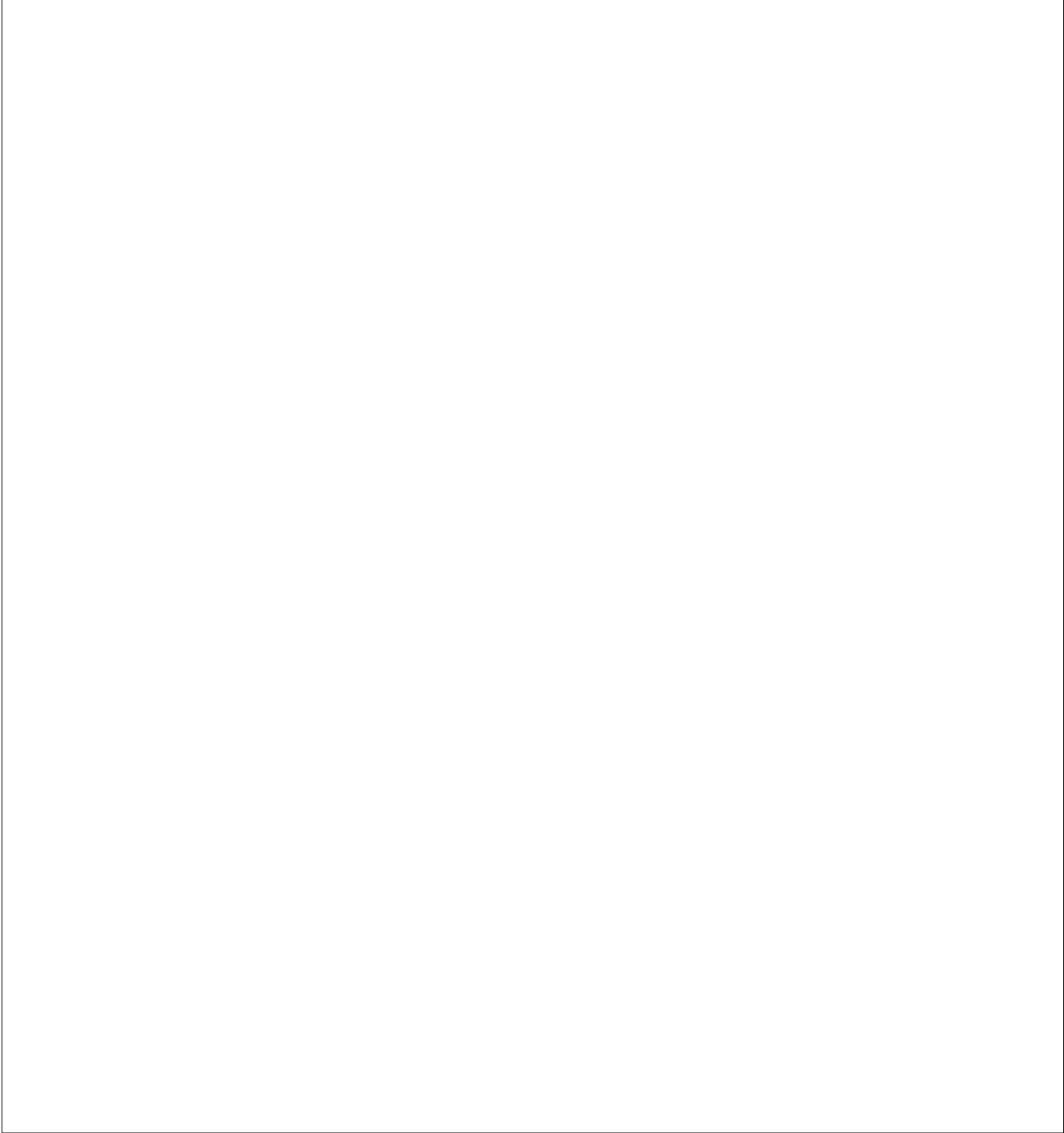
~~(U//FOUO)~~ CMO-Ss take [redacted] CMO-S Certification Course (C3). The inspection team found that pilot runnings of C3 were completed to near universal approval, with graduates praising both the instructors and the course content. [redacted]

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(U) MANAGING THE ADMINISTRATIVE SUPPORT WORK FORCE (2007-0008-IN, MAY 2008)



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[Redacted]

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

(U//~~FOUO~~) The Agency does a generally effective job in bringing new employees into the organization; most have a positive prehire processing experience, view [redacted]—the orientation course for all new hires—positively, and appreciate the Director, Central Intelligence Agency's (D/CIA's) receptions for new employees.

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(U//~~FOUO~~) The inspection found that the most common complaint of new employees regarding their onboarding experience is insufficient communication with the Recruitment and Retention Center (RRC) during the application process. In part to address this issue, the RRC plans to deploy a new electronic system for applicant processing, [redacted]. Although [redacted] call center feature will be part of the initial implementation in October 2008, the e-mail and online account functions, which are key to improving communication with applicants, cannot be included in the first deployment because of unresolved security and counterintelligence issues. [redacted]

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(U//~~FOUO~~) The inspection also found that the CIA does not provide adequate guidance and support for dealing with cover issues during the recruitment and hiring process. [redacted]

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(U//~~FOUO~~) The Agency has no generally recognized best practices or minimum standards for directorate- and office-level communication with applicants and orientation of new employees. [redacted]

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

[Redacted]

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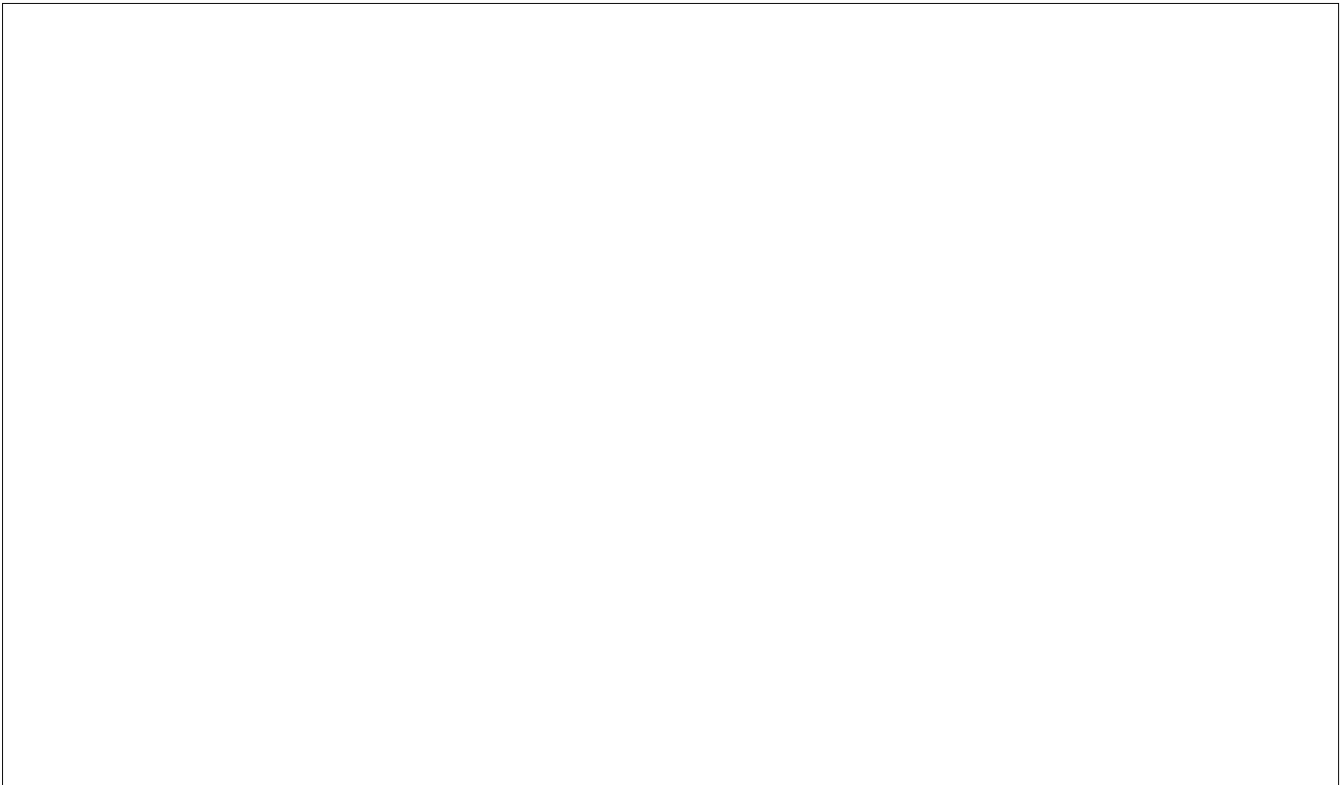
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(U) OFFICE OF SPECIAL ACTIVITIES (2007-0011-IN, JUNE 2008)



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

~~(S//NF)~~ The SAD in the NCS is responsible for [redacted]

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

[redacted] The inspection found that, in general, the Division, which came under new leadership at the outset of the inspection, is doing a good job meeting the needs of its Agency customers and partners, both at Headquarters and in the field. It is also doing a commendable job of meeting many of the needs of its employees. For example, together with senior NCS management, SAD management has taken steps to expand the skill set of its paramilitary officers to ensure competitiveness with other NCS operations officers. SAD management has also been attentive to the possible negative impact on its employees of their frequent deployment to war zones and other operational theatres. Overall, SAD employees believe their front office management has a good understanding of what their work unit does and has set and communicated clear standards for employee conduct and office practices.

~~(S//NF)~~ That said, a number of areas for improvement exist. SAD's [redacted] is challenged to meet the high demand for paramilitary capabilities at current staffing levels, and many [redacted] officers are not getting enough training or conducting exercises to be adequately prepared for certain paramilitary missions. The inspection report recommends that the Chief, SAD establish mechanisms for ensuring that [redacted] paramilitary work force can maintain the skills it needs to carry out the range of paramilitary operations the Division offers.

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

~~(S//NF)~~ SAD also faces a number of challenges regarding its [redacted]. For example, while SAD's [redacted] SAD Headquarters elements and other NCS components do not take advantage of their expertise when making decisions, [redacted]

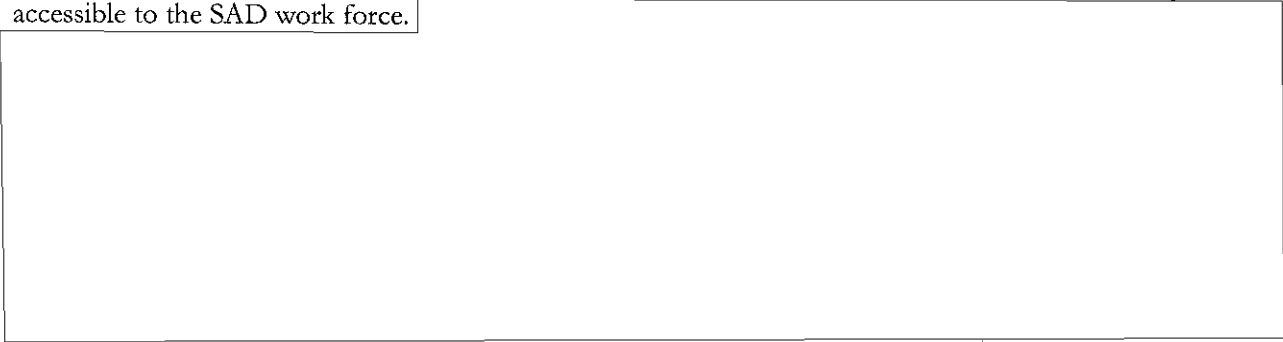
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~~(S//NF)~~ Some personnel management issues also exist. While the Division does a good job of setting a vision, performing strategic planning, and meeting its strategic goals, it does not make its plans easily accessible to the SAD work force.



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

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### **(U) INFORMATION MANAGEMENT SERVICES (2005-0013-IN, JUNE 2006)**

(U//~~FOUO~~) Two of the report's three significant recommendations were open at the beginning of the reporting period. One requested that the Chief, IMS and the CIO produce a development and implementation plan for an effective corporate electronic records management system. IMS has produced such a plan and has designed a records management approach for the largest set of Agency electronic records, electronic mail (Lotus Notes). A second significant recommendation requested that the Associate Deputy Director, CIA (ADD/CIA) review the plan for the electronic records management system and facilitate a decision on if and how it should be funded and mandated. IMS has documented its efforts to find available sources of funding. These actions satisfy the two remaining open significant recommendations, and the inspection is closed.

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

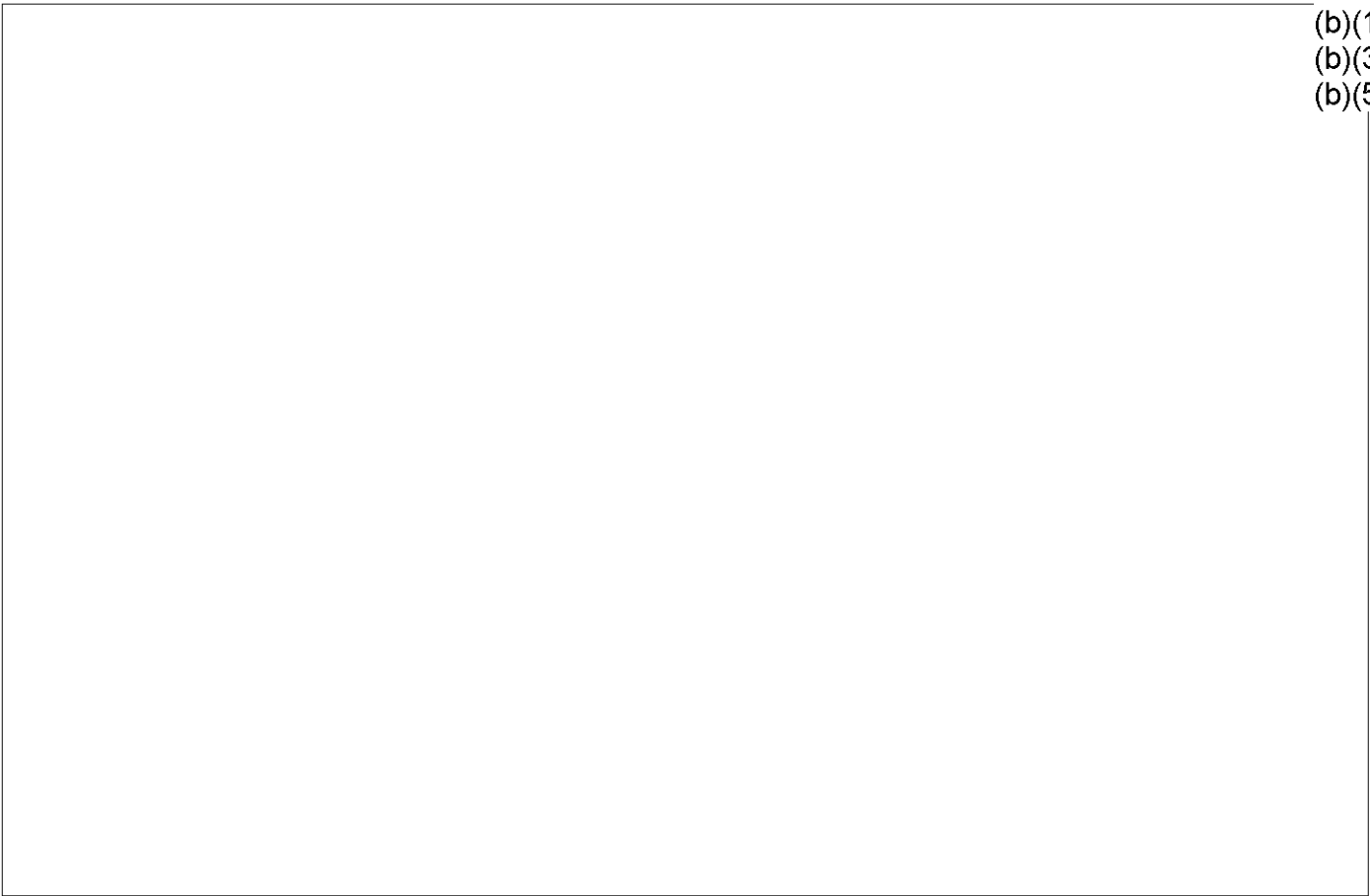
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### **(U) AGENCY-WIDE PERFORMANCE ON RUSSIA (2005-0011-IN, OCTOBER 2006)**

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



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

(U) OFFICE OF IRAQ ANALYSIS (2006-0005-IN, DECEMBER 2006)



(b)(3)

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



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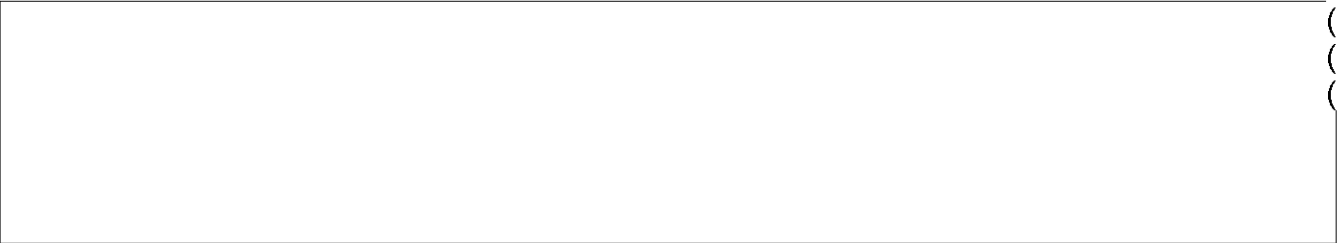
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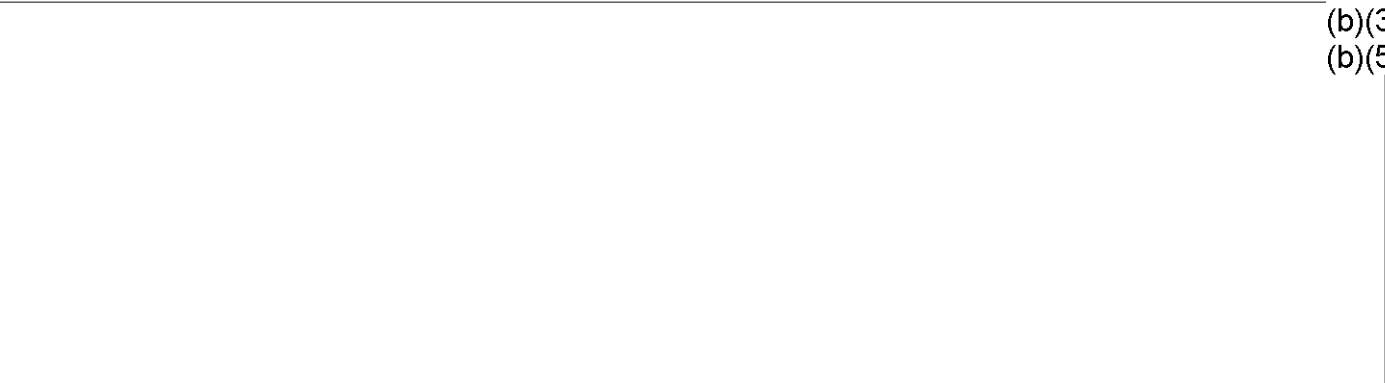
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**(U) CIA COUNTERINTELLIGENCE CENTER (2006-0004-IN, MARCH 2007)**



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

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



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**(U) SENSITIVE PROGRAMS IN THE INFORMATION OPERATIONS CENTER  
(2006-0007-IN, MAY 2007)**

[Redacted]

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(b)(3)

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

[Redacted]

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

**(U) HUMAN RESOURCES (2006-0006-IN, JUNE 2007)**

(U//FOUO) The report contains one significant recommendation that is now closed. The Chief, HR and the Director, DS/Office of Personnel Resources have developed a strategic vision for HR that spells out the roles and responsibilities of the various HR elements.

[Redacted]

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

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

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

[Redacted]

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

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

[Redacted]

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

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(b)(5)

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(b)(3)

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

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

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

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

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

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(b)(5)

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## (U) SUMMARIES OF CURRENT INSPECTIONS

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

### (U) FINANCE

(U//~~FOUO~~) The inspection focuses on mission fulfillment, customer and partner relationship management, and personnel and resource management of the Directorate of Support's Finance component.

### (U) PERSONNEL PROTECTION CONTRACTORS

(U//~~FOUO~~)

(b)(3)

### (U) EAST ASIA DIVISION

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

(U)

(b)(3)

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

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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~~) The Staff continued to focus its investigative efforts on detainee abuse, conflict of interest and illegal gratuities, procurement fraud and other contracting irregularities, theft and embezzlement, false claims and false statements, and time and attendance abuse. Furthermore, the Staff has been supporting a special Department of Justice (DoJ) investigation and has recently begun an inquiry into possible criminal conduct [redacted] While working to complete its ongoing investigations, the Staff has also taken steps to enhance its business practices through technology upgrades and process improvements. To keep up with its ever-increasing workload, management continues to recruit and hire to fill gaps in staffing.

(b)(3)

(U//~~FOUO~~) The DoJ resolved three of the Staff's previously reported investigations. A former Agency employee was sentenced in US District Court for the Eastern District of Virginia to incarceration of 14 months and three years of supervised probation for Embezzlement of Public Money. The Staff's investigation determined that the former employee embezzled approximately [redacted] of Agency funds between 1999 and 2006. In another matter, a former Agency contractor was sentenced in US District Court for the Eastern District of Virginia to incarceration of eight months and 20 years of supervised probation for Importation of Child Pornography. The Staff's investigation, with the assistance of the FBI and the Department of Homeland Security, led to the then contractor being caught in the act of importing child pornography at Dulles Airport. To acquaint Agency employees with the serious consequences of such criminal violations, the Staff issued Employee Bulletins on each of these cases. In a third case, a former Agency contractor was sentenced in US District Court for the Northern District of Florida to incarceration of three months, one year of supervised probation, and a \$1,000 fine for theft of government property. As part of an ongoing OIG investigation, the contractor was identified as having stolen [redacted]

(b)(3)

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

(U//~~FOUO~~) To enhance its ability to conduct thorough and timely investigations, the Staff began the implementation of a two-phase information technology systems upgrade. [redacted] Phase 1 of the systems upgrade will extend the lab environment [redacted] This capability will support a better workflow and provide better protection and tracking of case information and activities. In Phase 2, the Staff will replace its outdated and inefficient Case Management System and procure a commercial off-the-shelf system that will be easier to use, will reduce the time to complete an investigation and deliver a report, and will better protect sensitive case information.

(b)(3)  
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(U//~~FOUO~~) The Investigations Staff has collaborated with the Audit Staff in creating a joint procurement fraud team. The team's immediate task is to examine the lessons learned from the Staff's procurement fraud investigations and draw upon the best practices that other federal Offices of Inspector General have taken to identify procurement fraud in their agencies. [REDACTED]

(b)(3)

[REDACTED] The team has just begun its research.

(U//~~FOUO~~) The recruitment of qualified applicants remains a high priority. The Staff continues to seek qualified applicants with broad skills and significant investigative experience with the commitment to identify qualified minority candidates. In order to better identify such candidates, in early June 2008, the Staff was successful in placing its vacancy notice in a prominent position on the official Web site of the federal IG community, the "IG Net." The vacancy notice is linked to the specific page of the CIA Recruitment Center's Web site where the applicant can apply online. Within the first month of this arrangement, the Staff has seen an increase in applications from qualified applicants who have applied via the IG Net. [REDACTED]

(b)(3)

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

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~~SECRET//NOFORN~~**(U) COMPLETED INVESTIGATIONS****(U) FALSE STATEMENTS (2006-8315-IG)**

(U//~~FOUO~~) After an OIG investigation, a former contractor acknowledged he had not interviewed some of the sources he cited in his interview reports for security background investigations he conducted for the Agency. He pled guilty to having made false statements. Sentencing is pending.

**(U) THEFT OF US GOVERNMENT PROPERTY (2006-8369-IG)**

(U//~~FOUO~~) Following the OIG's completion of an investigation of the theft of CIA property, including [redacted] as previously reported, one of the three Subjects pled guilty to two counts of theft and was sentenced to five months in prison, five months home confinement, and three years probation; he also must make restitution of [redacted] to the US Government. The second Subject pled guilty to theft and conspiracy and was sentenced to incarceration of three months in prison, one year of supervised probation, and a \$1,000 fine. The DoJ declined prosecution of the third Subject.

(b)(3)

(b)(3)

**(U) EMBEZZLEMENT OF AGENCY FUNDS (2006-8377-IG)**

(U//~~FOUO~~) After pleading guilty to having embezzled approximately [redacted] of Agency funds, a former Agency finance officer was sentenced in US District Court to 14 months of confinement and three years of supervised probation, and will be required to make restitution upon release. The court expressly directed the CIA to promulgate the outcome of the case throughout its work force, which was accomplished in an Employee Bulletin and newsletter available to all employees, internal e-mail to finance officers, a posting to an internal Web site, and inclusion in a training course.

(b)(3)

**(U) IMPORTATION OF CHILD PORNOGRAPHY (2007-8592-IG)**

(U//~~FOUO~~) A former Agency contractor pled guilty to having imported child pornography and was sentenced in US District Court to incarceration of eight years and 20 years of supervised probation with several conditions, including registering as a sex offender and enrolling in a sex offender treatment program.

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

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

~~(S//NF)~~ The Staff issued a Report of Investigation about the circumstances concerning the January 2004 rendition and detention of German citizen Khalid al-Masri. The OIG made four recommendations; one was reported as closed in the last Semiannual Report.

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

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## (U) STATISTICAL OVERVIEW

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### (U) Audit Staff

(U//~~FOUO~~) During the period 1 January to 30 June 2008, the Audit Staff issued 10 reports containing 23 recommendations to strengthen internal controls over contracting, program management, covert action, financial management, information technology, and field station administration. The Audit Staff also significantly contributed to a report issued by the Office of the Director of National Intelligence Office of Inspector General that contained two recommendations.

(U) The Audit Staff had 20 audits ongoing at the end of the reporting period.

### (U) Inspection Staff

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

### (U) Investigations Staff

(U//~~FOUO~~) The Investigations Staff completed work on 101 matters of various types during this reporting period. Of this number, 15 cases were of sufficient significance to be the subject of a final report.

(U//~~FOUO~~) During this period, the IG formally referred 20 matters to the DoJ based upon a reasonable belief that violations of federal criminal law may have been committed.

(U//~~FOUO~~) As of 30 June 2008, 164 matters were in various stages of review by the Investigations Staff.

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### (U) COMPLETED AUDITS 1 JANUARY – 30 JUNE 2008

(U) **Information Technology**

(U) [redacted] for the National Clandestine Service (b)(3)  
(2006-0014-AS, June 2008)

(U) Continuity and Contingency Planning for Critical CIA Information Systems (2006-0023-AS, June 2008)

(U//~~FOUO~~) The CIA's Operational Use of Biometric Technology (2007-0003-AS, June 2008)

(U) **Operations**

(~~S~~) [redacted] (2006-0029-AS, (b)(1)  
February 2008) (b)(3)

(U) **Procurement**

[redacted] (b)(1)  
(b)(3)

(~~S~~) Domestic Living Quarters Allowance Program (2006-0012-AS, February 2008)

(U//~~FOUO~~) Joint Audit of the Use of CIA Special Authorities in Support of the National Geospatial-Intelligence Agency (2007-0011-AS, May 2008)

(U) **Field Activities**

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

(~~S~~) [redacted] (2007-0005-AS, February 2008)

(~~S~~) [redacted] (2007-0006-AS, March 2008) (b)(1)  
(b)(3)

(~~S~~) [redacted] (2006-0030-AS, April 2008) (b)(1)

(~~S~~) [redacted] (2006-0017-AS, April 2008) (b)(3)  
(b)(1)  
(b)(3)

\* (U) The Office of the Director of National Intelligence Office of Inspector General issued the report in January 2008.

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**(U) CURRENT AUDITS**  
**30 JUNE 2008**

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**(U) Financial Management**

~~(S)~~

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

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

(U//~~FOUO~~) Process for Recording Financial Transactions with Other Government Agencies

(U//~~FOUO~~) Independent Audit of the CIA Fiscal Year 2008 Financial Statements

**(U) Information Technology**

(U) CIA's Hardware and Software Implementation Process

(U) 2008 Independent Evaluation of the CIA's Information Security Program and Practices Required by the Federal Information Security Management Act (FISMA)

~~(S)~~

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

**(U) Operations**

~~(S)~~

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

~~(S//NF)~~

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

(U//~~FOUO~~)

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

**(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)

~~(S)~~

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

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

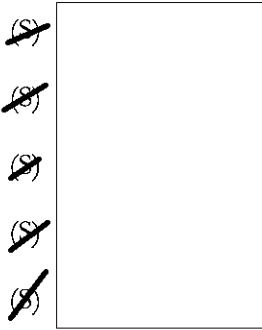
(U) Office of Technical Collection Contract Team

(U//~~FOUO~~) Audit of Overseas Construction and Renovation Project Management

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(U) Field Activities



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

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**(U) COMPLETED INSPECTIONS**  
**1 JANUARY – 30 JUNE 2008**

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- (U) Training for New NCS Officers (2007-0007-IN)
- (U) Managing the Administrative Support Work Force (2007-0008-IN)
- (U) Employee Onboarding at CIA (2007-0009-IN)
- (U) Office of Medical Services (2007-0010-IN)
- (U) Office of Special Activities (2007-0011-IN)
- (U) Special Activities Division (2007-0012-IN)

**(U) CURRENT INSPECTIONS**  
**30 JUNE 2008**

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(U)

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

(U) Finance

(U) Personnel Protection Contractors

(U) East Asia Division

(U)

(b)(3)

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**(U) COMPLETED INVESTIGATIONS  
1 JANUARY – 30 JUNE 2008**

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- (U) Alleged Social Security Fraud (2003-7346-IG\*)
- (U) Child Pornography (2005-7858-IG\*)
- (U) Possible Contract Fraud (2005-8068-IG\*)
- ~~(S)~~ Alleged Detainee Abuse (2005-8160-IG\*)
- (U) Possible Money Laundering (2006-8258-IG\*)
- (U) Alleged Contract Improprieties (2006-8270-IG\*)
- (U) Contractor's Possible Misuse of Agency Systems (2006-8365-IG\*)
- (U) Potential Improper Handling of Alcohol Issues (2006-8448-IG\*)
- (U) Violation of Hatch Act (2006-8452-IG\*)
- (U) Alleged T&A Abuse (2006-8473-IG\*, 2007-8609-IG\*)
- (U) Alleged Ethical and Regulatory Violations (2006-8486-IG\*)
- (U) Alleged Use of Government Funds to Support Sales (2007-8590-IG\*)
- (U) Misuse of Government Property (2008-8820-IG\*)

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

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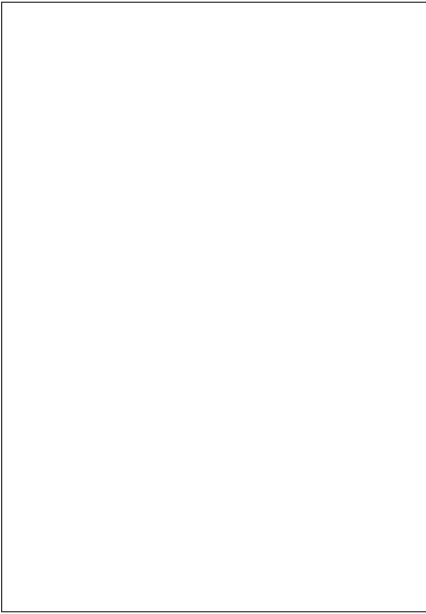
**(U) CURRENT INVESTIGATIONS  
AS OF 30 JUNE 2008**

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<b>(U) Category</b>	<b>Number of cases</b>
<b>(U//<del>FOUO</del>) Grievances</b>	
Management and Supervision - Grievance	2
Other - Grievance	3
<b>(U//<del>FOUO</del>) General Investigations</b>	
<b>Criminal and Prohibited Acts</b>	
Conflicts of Interest	18
Embezzlement	4
False Claims - Other	8
False Claims/Statements/Vouchers	4
False Claims - Time & Attendance	22
False Claims - TBD	2
Firearms	1
Management and Supervision - Administrative	3
Megaprojects	3
Misconduct - Employee	3
Misconduct - Management	3
Procurement Fraud	20
Regulatory Violations	5
Retaliation	4
Theft/Misuse of Government Property	10
Other - Administrative/Criminal	32
Unauthorized Operation	1
Unsubstantiated Allegations	16
<b>(U//<del>FOUO</del>) Total Ongoing Cases</b>	<b>164</b>

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Central Intelligence Agency  
Inspector General

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