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Office of the Director of National Intelligence

Office of the Inspector General



Annual Report
January 31, 2006



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Message from the Inspector General

This Report summarizes the work of the Office of the Inspector General (OIG) of the Office of the Director of National Intelligence (ODNI) from its inception on July 5, 2005 through December 31, 2005. The inspections, investigations, and other activities highlighted in this report are guided by our commitment to promote accountability, efficiency, and effectiveness in the programs and operations of the ODNI and of the Intelligence Community as a whole.

On July 5, 2005, I was appointed by the Director of National Intelligence (DNI) to serve as the Inspector General (IG) for the ODNI.

The Intelligence Reform and Terrorism Prevention Act of 2004, section 1078, amended the Inspector General Act of 1978 to grant the DNI the authority to establish an OIG with "any of the powers and responsibilities" set forth in the Inspector General Act of 1978.

DNI Instruction 2005-10, dated September 7, 2005, set up the OIG and empowered my office to exercise the normal functions of an OIG, with additional responsibility over community-wide and cross-agency matters that are within the DNI's purview. The Instruction specifically grants my office the authority to access documents, issue subpoenas, and take testimony under oath. The Instruction also provides that the ODNI IG will chair the Intelligence Community Inspectors General Forum ("IC IG Forum"), which is made up of the Inspectors General of the 15 federal intelligence-gathering entities.

I have organized the OIG to perform audits, investigations, inspections, and consulting. The resources of my office will be dedicated primarily to projects designed to assist in the fulfillment of the DNI's primary tasks of integrating the U.S. Intelligence Community and coordinating the financial resources and operations of the 15 agencies. The ODNI OIG will also provide assistance and project leadership to the OIGs of the constituent intelligence agencies, on an as-needed basis, in the execution of cross-agency audits and inspections and will lead the development of community-wide missions. The ODNI OIG intends to leverage and not duplicate the work of the agency Inspectors General.

The ODNI OIG will investigate individual misconduct and reported problems, abuses, and deficiencies relating to the administration of programs and operations of the ODNI and throughout the Intelligence Community.

As part of our start-up effort, my team and I have met with senior officials throughout the Intelligence Community and gathered information on the key Intelligence Community policies, practices, programs and organizations. We have had meetings with all of the Intelligence Community Inspectors General, as well as staff of the Senate Select Committee on Intelligence (SSCI), and Chairman Hoekstra and staff of the House Permanent Select Committee on Intelligence (HPSCI).

I have devoted considerable time and effort to recruiting and hiring our team, securing office space, establishing office operating procedures, and preparing our budget. We currently have

eleven staff members on board and one scheduled to arrive shortly. These men and women all bring a high level of personal commitment, practical experience and technical expertise.

As described in greater detail in this Report, we have completed reviews of the three Intelligence Community entities criticized in the WMD Commission Report (NGIC, WINPAC, DIA HUMINT), two investigations, a Congressionally directed Intelligence Community data call and a consulting exercise.

We also have launched two major inspection and consulting projects in the areas of information sharing and personnel rotation.

We deeply value the strong support we have received from the DNI, other ODNI leaders, and Intelligence Community officials.

We look forward to continuing to assist the ODNI in increasing the efficiency and effectiveness of its operations and those of the entire Intelligence Community.

Edward F. Maguire
Inspector General
January 31, 2006

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Stand-Up of the Office of Inspector General

The OIG was established by the DNI to provide policy direction for, and plan, conduct, supervise, and coordinate inspections, audits, investigations, and other inquiries relating to the programs and operations of the ODNI and the authorities and responsibilities of the DNI. The OIG's mission is to detect and deter waste, fraud, abuse, and misconduct involving the ODNI and Intelligence Community programs and personnel and to promote economy, efficiency, and effectiveness in the ODNI and Intelligence Community operations.

The OIG inspects and audits programs and assists management in promoting integrity, economy, efficiency, and effectiveness. The OIG has jurisdiction to review the programs and personnel of the ODNI and all other elements of the Intelligence Community that are related to the authorities and responsibilities of the DNI. The OIG also investigates alleged violations of criminal and civil laws, regulations, and ethical standards arising from the conduct of ODNI and Intelligence Community employees in their numerous and diverse activities.

The OIG consists of:

Executive Office of the Inspector General

Inspections Division. Conducts program and management reviews that involve on-site inspection, statistical analysis, and other techniques to review ODNI and Intelligence Community programs and activities and make recommendations for improvement.

Audit Division. Conducts independent performance and financial audits of programs, computer systems and financial statements of the ODNI and the Intelligence Community.

Investigations Division. Responsible for investigating allegations of, fraud, abuse, civil rights violations, and violations of other criminal laws and administrative procedures arising from the conduct of ODNI employees and contractors and Intelligence Community employees and contractors whose conduct is related to the authorities and responsibilities of the DNI.

Consulting and Advisory Services Division (CAS). Conducts process improvement and management consulting for the ODNI, its centers and the Intelligence Community. CAS disciplines include process analysis, business process reengineering, implementation planning and support. The CAS Division will assist the Intelligence Community in developing, documenting, and implementing new and revised processes, procedures, performance measures and metrics, and process interfaces to improve both effectiveness and efficiency.

Staffing

The OIG has an authorized workforce level for Fiscal Year 2006 of 15, to be made up of inspectors, auditors, consultants, investigators, and support staff. The individuals hired to date bring a wide range of professional skills and intelligence experience to the office. Staff members have served previously in the Central Intelligence Agency (CIA), Department of Defense OIG, Department of Justice OIG, Marine Corps OIG, the Federal Bureau of Investigation (FBI), the

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Los Angeles School District OIG, the United States Office of Special Counsel, and private law, accounting, and consulting firms.

This core cadre of talented and highly motivated staff brings to the OIG a solid understanding of federal, state, county, and local law enforcement, intelligence, security, management, and fiscal and budgetary matters that will enable the OIG to move forward effectively and rapidly in the fulfillment of its mission.

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Completed Projects and Activities

The OIG initiated and completed the following reviews, activities, and investigations during its initial reporting period (July 5, 2005 – December 31, 2005).

Reviews

The OIG conducted three organizational reviews in response to a recommendation made to the DNI by the WMD Commission that the DNI “give serious consideration” to whether the Weapons Intelligence, Nonproliferation and Arms Control Center (WINPAC), the National Ground Intelligence Center (NGIC), and Defense Human Intelligence (DIA DH) should be “reconstituted, substantially reorganized, or made subject to detailed oversight.”

Report on the National Ground Intelligence Center (NGIC)

In September 2005, the OIG issued its report on NGIC. During the OIG’s inspection, NGIC acknowledged the weaknesses in the quality of its Iraq WMD analysis and assured the OIG that it is totally committed to implementing corrective action. The OIG found that NGIC has instituted new systems and rules relating to work flow processes and senior staff oversight, has instituted a formalized quality assurance program, and has developed and launched new training programs to achieve higher analytic standards within its organization.

The OIG recommended that no administrative action be taken by the DNI regarding NGIC but that its progress in maintaining and implementing new procedures and programs be reviewed by the OIG in August 2006, in coordination with the OIG of the Army.

Report on the Weapons Intelligence, Nonproliferation and Arms Control Center (WINPAC)

In October 2005, the OIG issued its report on WINPAC. During the OIG’s inspection, WINPAC also acknowledged the weaknesses in the quality of its Iraq WMD analysis. The OIG found that WINPAC had already formulated a plan for sustained improvement in the execution of its mission. The OIG did not find any existing cultural or tradecraft weaknesses at the organizational level that would warrant any direct intervention by the DNI.

The OIG recommended that it examine and report to the DNI in the near term on WINPAC’s progress in community-wide leadership, information sharing, and collaboration, and that the ODNI Inspector General, in consultation with the Assistant Deputy Director of National Intelligence for Analytic Integrity, participate in the CIA Inspector General’s next regular inspection of WINPAC.

Report on the Defense Intelligence Agency (DIA) Directorate for Human Intelligence (DH)

In December 2005, the OIG completed its report on DIA DH. The OIG inspection involved a thorough review of a previous joint inquiry conducted by the DIA Office of General Counsel (OGC) and DIA OIG to determine the facts concerning the DIA's role from 2000 to 2005 involving "Curveball," an Iraqi intelligence fabricator who provided the United States with false information regarding Iraq's weapons of mass destruction. The DIA inquiry reviewed the evidence to determine the facts and to compare them to the findings and conclusions reported by the WMD Commission. While the DIA OGC/OIG inquiry refutes several of the WMD Commission Report's findings and conclusions regarding the DIA DH, the inquiry identified several remedial actions the DIA has taken based upon lessons learned from its involvement with Curveball.

The ODNI OIG's review verified that these remedial actions had been taken and that other actions are underway at DIA DH to improve its operational effectiveness. The ODNI OIG did not find any existing cultural or tradecraft weaknesses at the organizational level that would warrant intervention by the DNI.

The OIG recommended that the ODNI take no administrative action regarding the DIA. The OIG further recommended that the OIG inquire into assertions that information barriers exist between the CIA and the DIA DH.

Congressionally Directed Activities

Intelligence Community Data Call: DOCEX

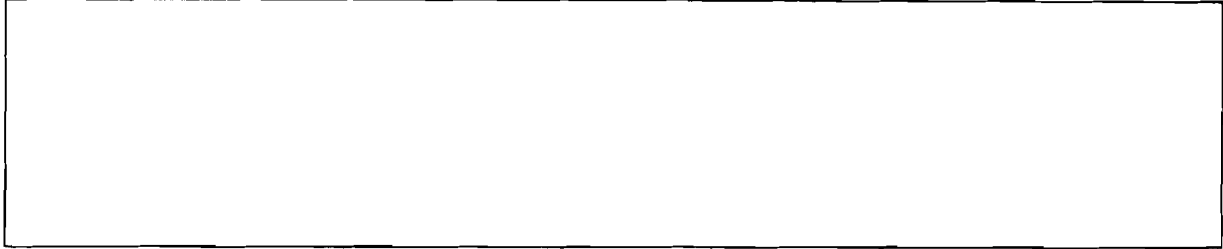
In December 2005, the OIG assisted the Office of Legislative Affairs and the Executive Secretariat in executing the first ODNI-directed data call to the entire Intelligence Community. This data call was issued pursuant to a request from the Senate Select Committee on Intelligence (SSCI) that the ODNI collect and organize information about document and media exploitation programs and technologies from each Intelligence Community component for a comprehensive audit the SSCI is planning for 2006.

In the process of conducting the inter-agency effort, the OIG identified key inefficiencies and redundancies in the data call process and assisted in filling several coverage gaps related to DOCEX management. For example, the OIG worked to de-conflict duplicative efforts of the Department of Defense Office of the Undersecretary of Defense for Intelligence (USD(I)), which serves as a coordinating body for Intelligence Community components within the Department of Defense. The OIG contacted the USD(I) and made arrangements to ensure the Department of Defense submitted complete responses from all of its relevant intelligence components.

Upon completion of the DOCEX effort, the OIG provided a written after-action report, including recommendations to help improve ODNI data call efforts. The OIG will continue to help

facilitate the involvement of appropriate ODNI offices in developing standard operating procedures for future data calls that have an OIG nexus.

Coordination of Response to Congress



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Consulting Activities

Iran Mission Manager

During this reporting period, the Iran Mission Manager was appointed to coordinate the Intelligence Community's strategies and efforts on Iran. At the request of the Iran Mission Manager, the OIG analyzed her business plan, goals, and strategies, and provided feedback to increase the efficiency and effectiveness of the operations and programs of the Iran Mission Manager. The OIG also introduced the Iran Mission Manager to the ODNI Chief Information Officer to assist in establishing and obtaining communication requirements necessary for the Iran Mission Manager to carry out her responsibilities. The OIG will continue to assist the Iran Mission Manager as needed.

Investigations

Contractor Falsifies Document and Forges Signature. The ODNI OIG took over the lead on a CIA OIG investigation of allegations that an ODNI contractor intentionally produced a false document listing a civilian on a terrorism watch-list and forged the document with a senior ODNI official's signature. The CIA OIG developed evidence that substantiated the allegations. The ODNI OIG has referred the investigation to the U.S. Attorney for the Eastern District of Virginia for possible criminal prosecution and will assist further as needed.

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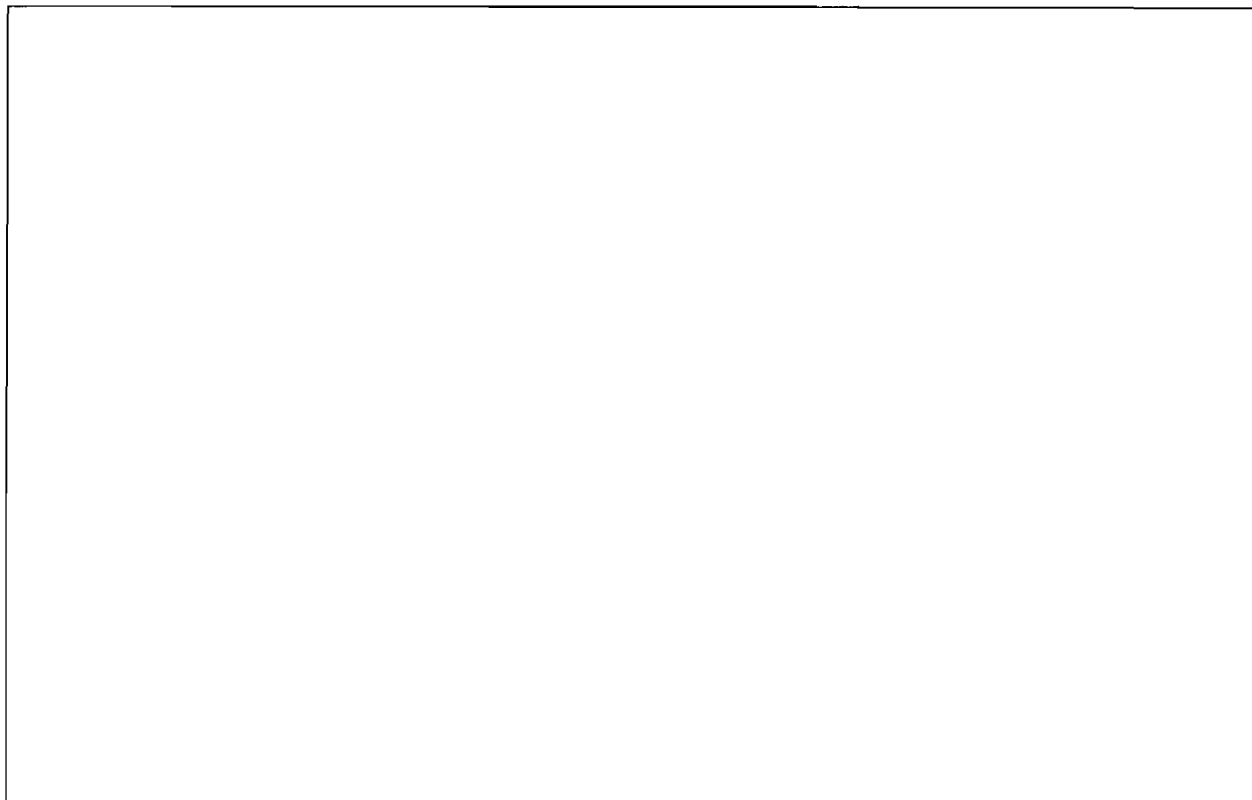
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Use of Subpoena Authority. During this reporting period, the ODNI Inspector General did not exercise subpoena authority under section 7(a)(4) of ODNI Instruction 2005-10.

Ongoing Projects and Activities

This section of our Report describes ongoing OIG reviews, projects, and activities involving important issues throughout the ODNI and Intelligence Community.

Reviews



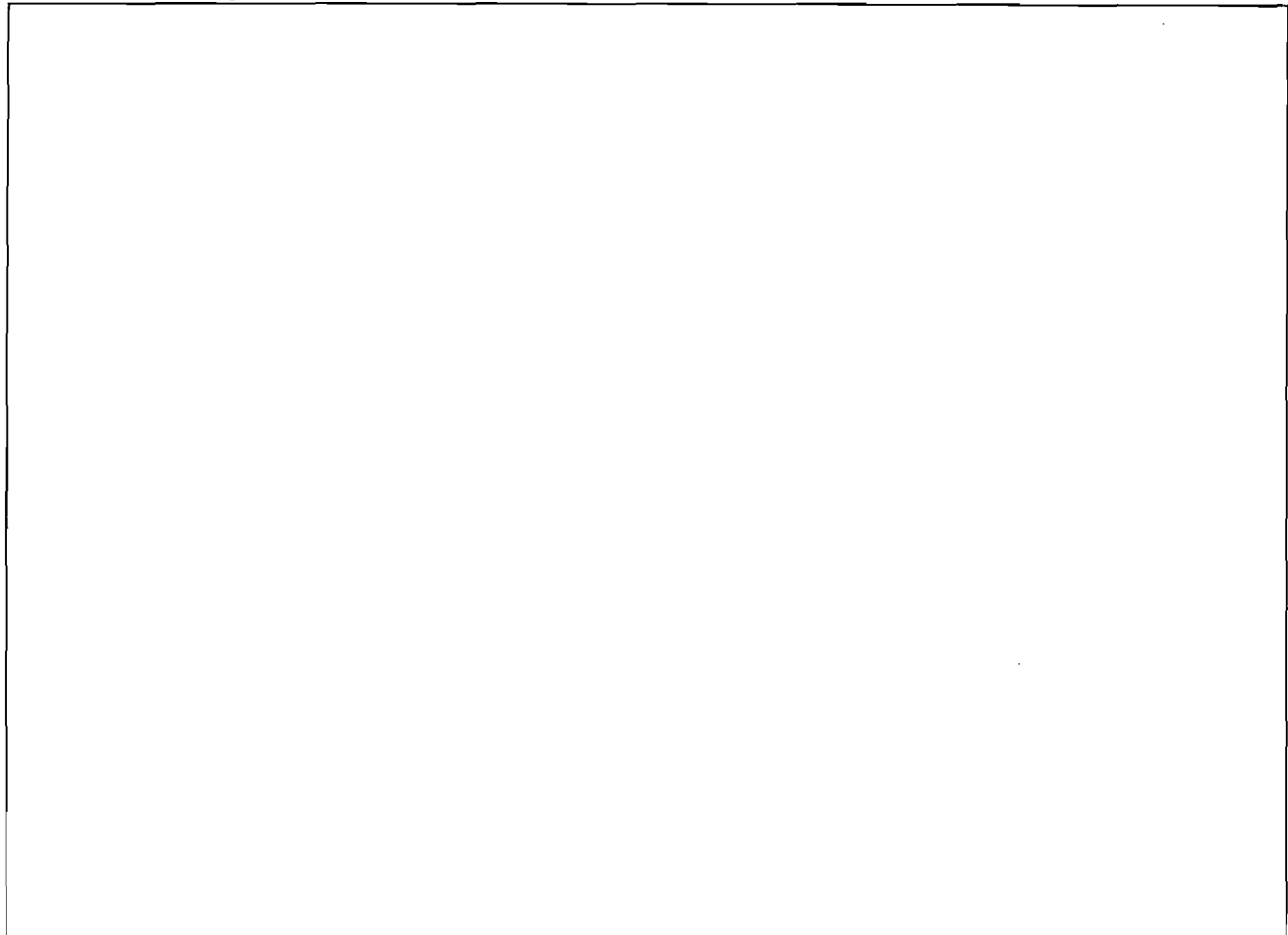
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Survey of the Interpretation and Application of “U.S. Persons” Rules in the Intelligence Community

The OIG has initiated a survey project of the interpretation and application of “U.S. Persons” rules throughout the Intelligence Community. This survey was undertaken at the request of the ODNI’s 9.4 Working Group, which was formed in response to the WMD Commission’s Recommendation 9.4 to analyze existing procedures for handling “U.S. Persons” information and to establish clear and consistent U.S. Persons rules across the Intelligence Community. The OIG plans to identify, through survey responses, how Intelligence Community analysts handle U.S. Persons information in particular situations, the processes used by analysts to obtain

minimized information necessary for analysis, and other impediments analysts experience in the collection and dissemination of U.S. Persons information.

Counterterrorism Detailee Arrangements in the Intelligence Community

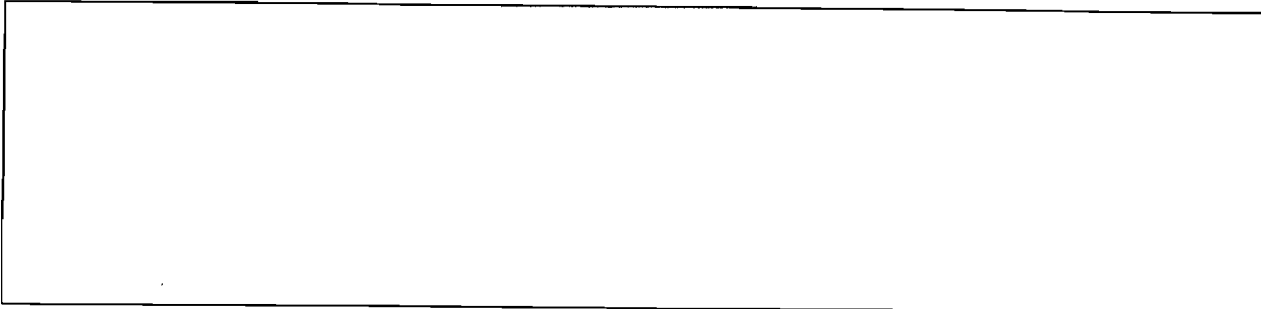


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Consulting Activities

Terrorist Screening Center

The OIG is assisting the Terrorist Screening Center (TSC) in developing metrics to measure TSC's performance, developing ways to perform strategic analysis TSC data, and building relationships with professionals in other intelligence organizations.



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Inspector General Community

Intelligence Community Inspector General Forum

The ODNI Inspector General assumed the chairmanship of the Intelligence Community Inspectors General Forum, a quarterly meeting of all Intelligence Community agency Inspectors General or their designees. The Intelligence Community Inspectors General Forum is designed to promote and further collaboration, cooperation, and coordination among the Inspectors General of the Intelligence Community with the purpose of strengthening the collective role and effectiveness of Inspectors General throughout the Intelligence Community, enhancing the value of Inspector General activities in support of the National Intelligence Strategy, and increasing efficiency by avoiding duplication of effort among the Inspectors General of the Intelligence Community.

On December 8, 2005, the ODNI OIG hosted the Intelligence Community Inspectors General Forum at CIA Headquarters. The OIG discussed several of its ongoing initiatives and presented a briefing on the Ana Montes espionage case and the need for Intelligence Community collaboration on counterespionage issues.

The OIG plans to develop and enhance Inspector General intelligence training opportunities within the community.

Investigations and Inquiries

Civil Rights and Civil Liberties Complaints

In December 2005, the OIG and the Civil Liberties Protection Officer established protocols concerning the referral of complaints and other information regarding civil liberties and privacy abuses from the Civil Liberties Protection Officer to the OIG. Through these protocols, the Civil Liberties Protection Officer will refer cases of alleged individual misconduct regarding a possible civil liberties or privacy abuse in the administration of the programs and operations of

the ODNI to the OIG, and the OIG will make a determination of whether the alleged abuse warrants investigation and how such investigation should proceed.

Allegation of Improper Use of Position. The OIG received a complaint that an Intelligence Community employee allegedly claimed affiliation with the ODNI in order to influence the official handling of a criminal investigation. The OIG coordinated with other appropriate OIGs to ascertain and verify the facts of the incident and any appropriate follow-up action. The OIGs involved in this ongoing inquiry will keep the ODNI OIG informed of any developments in this case.

Improper Hiring Practices. The OIG is overseeing a CIA OIG investigation into allegations that an office under the ODNI's authority engaged in improper hiring practices. The investigation is nearing completion.

Disparate Hiring Practices within the ODNI. The OIG received a complaint alleging that the ODNI hiring process disadvantages non-CIA government employees, benefits former private sector employees, and does not apply uniformly to government employees. This inquiry is in the preliminary stages.

Improper Procedures Related to Contract Administration. The OIG has received allegations of improper procedures related to contract administration. This inquiry is in the preliminary stages.

Contractor Engages in Improper Business Practices. The OIG is overseeing a CIA investigation of a contractor who allegedly has engaged in improper business practices.

Projects Planned for 2006

The OIG plans to initiate the following reviews, consulting activities, investigations, and audits in 2006.

Reviews

WINPAC

The OIG will examine and report to the DNI on WINPAC's progress in community-wide leadership, information sharing, and collaboration. The OIG will produce and disseminate a survey to WINPAC customers and Intelligence Community colleagues in order to assess WINPAC's progress in information sharing and collaboration. In addition, the OIG will participate in the CIA Inspector General's next regular inspection of WINPAC.

NGIC

In coordination with the OIG of the Army, the ODNI OIG plans to inspect NGIC's progress in maintaining and implementing its new procedures and programs.

DIA DH



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Financial and Performance Audits

The OIG will conduct financial and performance audits of ODNI headquarters elements and Centers, including NCIX, the National Counterterrorism Center (NCTC), and the National Counterproliferation Center (NCPC). These projects will be planned in detail after the arrival of the OIG's senior auditor in February 2006.

Consulting Activities

The National Counterproliferation Center's Processes and Information Flow

In 2006, the OIG will initiate a project to assist the NCPC in analyzing and developing the processes and information flows for the office. This will include detailed process flows and

descriptions with interfaces both internal and external to the NCPC. The project is the first of several OIG projects that will map out the processes and information flows across the ODNI and the Intelligence Community.

Intelligence Community Acquisitions

Later in 2006, the OIG will develop a plan to examine acquisitions across the Intelligence Community, with the goal of more effectively utilizing Intelligence Community resources through increased attention to good contracting practices by both government and private parties.

Legislation and Regulations

Pending Legislation

Intelligence Community IG Provision

The Senate version of the Intelligence Authorization Act for 2006 (S.1803) contains language that would create an ODNI/Intelligence Community IG to be nominated by the President and confirmed by the Senate, with direct reporting responsibilities to Congress. It is unclear at this point whether this provision will be enacted into law.

Recommended Legislation, Regulations, or Directives

Ownership of Intelligence Information

The OIG believes that in order for information sharing reform to be achieved in the Intelligence Community, the DNI will have to explicitly assert his authority over, and "ownership" of, intelligence information. This authority would include setting policy and determining how information is marked, handled, and disseminated.