

***(U) Office of the Director of National
Intelligence***

Office of the Inspector General



***(U) Annual Report
January 30, 2009***



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(U) Overview

(U) The mission of the Office of the Inspector General (OIG) is to strengthen national security and improve Intelligence Community (IC) performance through: (1) conducting oversight of Office of the Director of National Intelligence (ODNI) and IC programs and operations that fall within the authorities and responsibilities of the Director of National Intelligence (DNI), (2) exercising a unique cross-agency focus and leadership, and (3) marshalling the capabilities of IC Inspector General (IG) partners. The office conducts audits, investigations, inspections, and reviews of ODNI and IC performance to detect and deter waste, fraud, and abuse; and to promote efficiency, effectiveness, and accountability. The completed and ongoing projects of the office are described in the next two sections of this report.

(U) In addition, the OIG makes recommendations to the DNI for improving the performance of IC programs and activities. The last section of this report includes an update of the status of the recommendations from our reports.

(U) The OIG also focuses on identifying the critical challenges facing the ODNI and the IC. We reviewed the management and performance challenges from most of the IC agencies, and together with the results of our reviews, we reported to the DNI the top IC management challenges. A summary of those challenges is provided on page 4 of this report.

(U) During this reporting period, the Inspector General Reform Act of 2008 (IG Reform Act) was passed and expressly named the ODNI IG as a member of the newly constituted Council of the Inspectors General on Integrity and Efficiency (CIGIE). The CIGIE: (1) addresses integrity, economy, and effectiveness issues that transcend individual Government agencies, and (2) increases the professionalism and effectiveness of personnel by developing policies, standards, and approaches to aid in the establishment of a well-trained and highly skilled workforce in the OIGs. As members of the CIGIE, the OIG shall adhere to professional standards developed by and participate in the plans, programs, and projects of the CIGIE, which may include peer reviews. The OIG also must refer any allegation of wrongdoing against an OIG staff member to the CIGIE Integrity Committee, which has the authority to investigate such allegations. In addition, as a member of the CIGIE, we will be preparing this report of our activities semiannually, beginning in June 2009.

(U) OIG Organization

(U) The OIG consists of the following divisions:

(U) Audit Division. Executes independent program and financial audits of ODNI and IC programs, information technology, internal controls, financial statements, and financial management.

(U) Inspections Division. Conducts independent and objective capacity-building inspections, reviews, and evaluations to improve IC-wide performance. Examines information access, collaboration, intelligence collection and analysis, and compliance with laws and regulations.

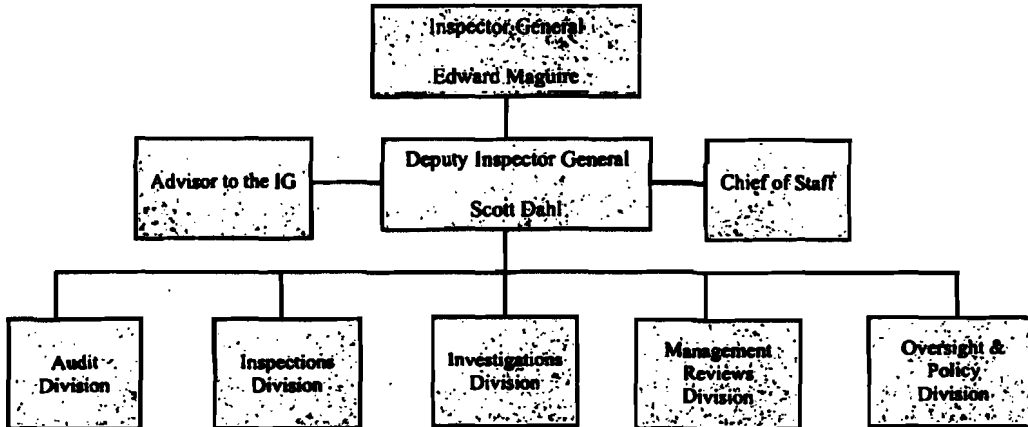
(U) Investigations Division. Investigates allegations of violations of criminal laws and administrative regulations arising from the conduct of ODNI and IC employees and contractors.

(U) Management Reviews Division. Conducts management and programmatic reviews of the ODNI, its centers, and the IC. Evaluates management and processes to assist the IC in developing and implementing processes and procedures to improve both effectiveness and efficiency.

(U) Oversight and Policy Division (O&P). Monitors and analyzes trends and patterns concerning intelligence oversight activities across the IC, maintains liaison with the President's Intelligence Advisory Board's Intelligence Oversight Board (IOB) and congressional oversight committees, and conducts policy studies on behalf of the IG.

(U) An organization chart delineating the OIG's front office and division structure is below.

(U) Figure 1. OIG Organization Chart 2008



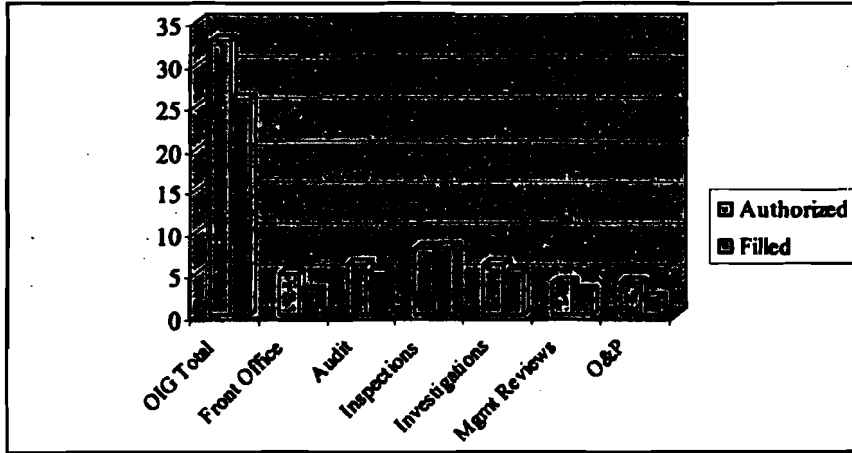
(U) OIG Personnel

(U) The OIG authorized workforce level for fiscal year (FY) 2008 was 33. In FY 2007, the OIG had an authorized workforce level of 21. However, in the 2008 Defense Appropriation Act that was passed in November 2007, \$2 million (M) was appropriated specifically for the OIG to hire 12 additional staff. In April 2008, the ODNI front office lifted a hiring freeze that existed at that time and authorized the OIG to hire against those appropriated positions.

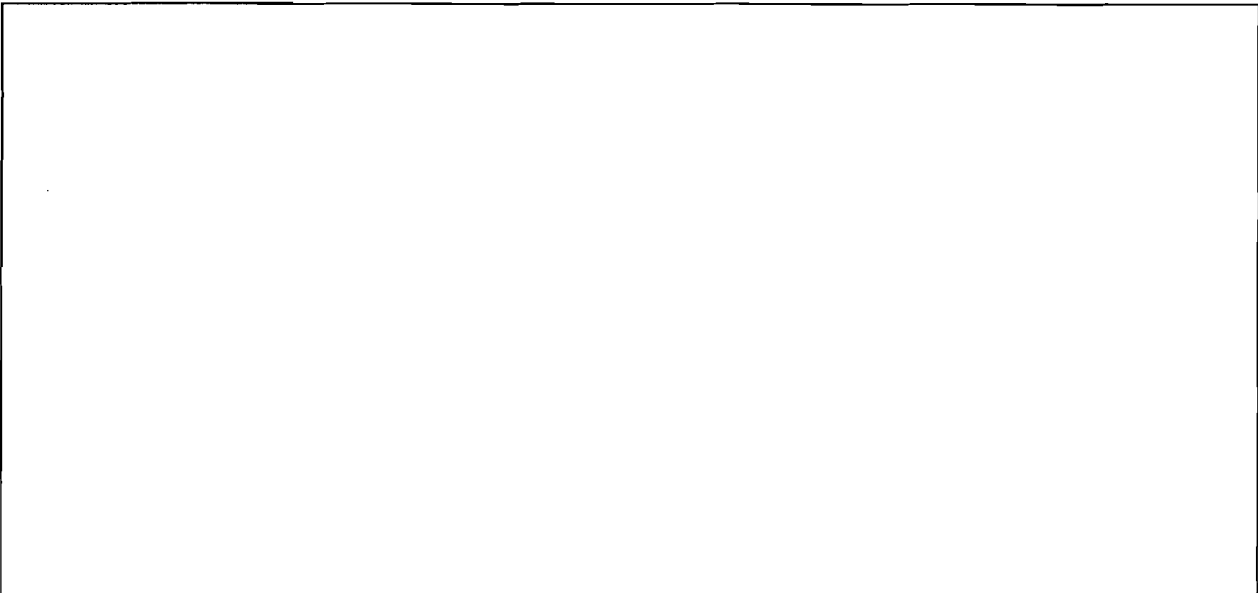
(U) As of January 30, 2009, the OIG had 26 staff on board (78% capacity). Due to a second hiring freeze that was implemented across the ODNI in September 2008, the OIG has been unable to fill the remaining 7 positions. As a result, the OIG has been unable to provide the level of oversight intended by Congress when it appropriated 12 additional staff to the OIG.

(U) Below is a chart depicting OIG staff positions – authorized and filled – by division.

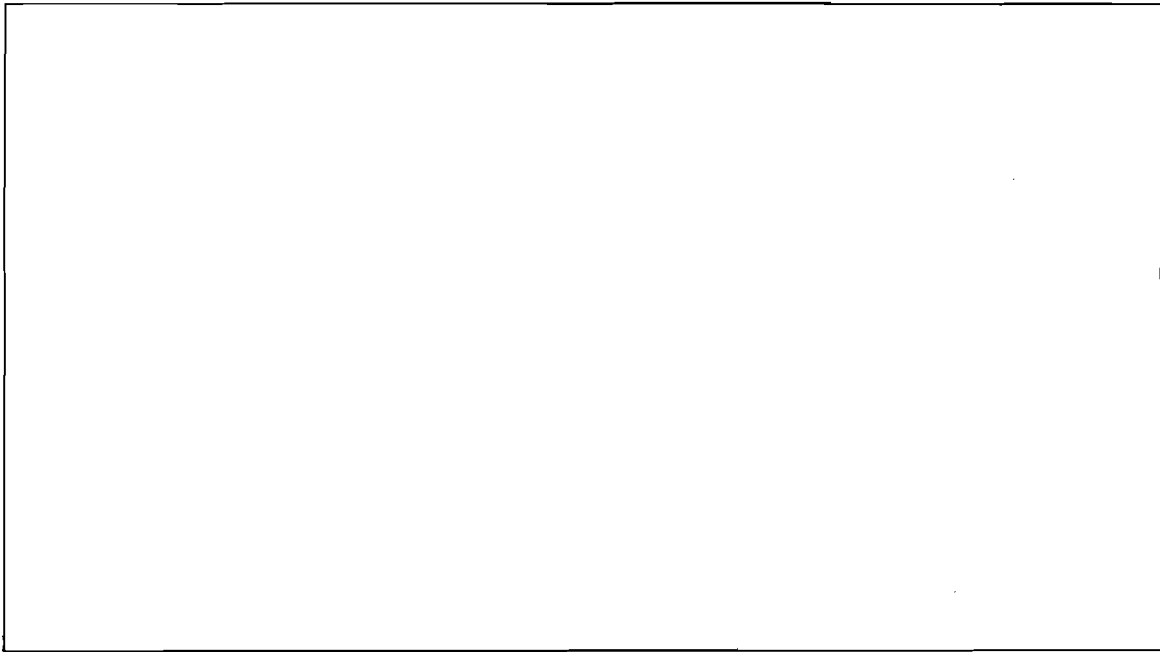
(U) Figure 2. OIG Staffing Levels 2008



(U) OIG Resources



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(U) Completed Projects

(U) Critical IC Management Challenges

[redacted] As part of this effort, we reviewed the current Management Challenges reports of the OIGs of most IC entities. While each IC entity has its own particular management challenges, many are common to and connected with challenges encountered throughout the IC. [redacted]

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1. Strengthening leadership and governance.
2. Accelerating progress in driving IC information sharing.
3. Removing impediments to IC collaboration and integration.
4. Improving financial management and acquisition oversight.
5. Resolving major legal issues.

(U//FOUO) The OIG provided ODNI management with a copy of the Management Challenges report on November 12, 2008. On January 15, 2009, ODNI management provided preliminary responses from many of the ODNI components and provided the Management Challenges report and preliminary responses to the congressional oversight committees.

(U//FOUO) Below is a summary of the challenges we identified, as well as our recommendations for corrective action:

1. (U//FOUO) Strengthening Leadership and Governance

(U//FOUO) Since inception of the ODNI in April 2005, the DNI has devoted much of his time to providing intelligence support to the President and senior policymakers. IG reports have identified the need for the DNI to place stronger emphasis on management – defining and executing DNI authorities; imposing accountability for compliance with DNI directives; and communicating a clear statement of the respective roles, responsibilities, and authorities of ODNI staff and the IC agencies. IG findings regarding governance and communication challenges have been previously provided to ODNI senior leadership. Full engagement by the DNI in the management of the ODNI and the IC is a fundamental precondition to fulfilling the DNI's mission.

(U) Recommendations

(U//FOUO) The DNI should proceed without delay to:

- Create a clear and succinct mission statement for the ODNI and disseminate it throughout the IC.
- Communicate a transparent governance model to the IC identifying the roles, responsibilities, and authorities of the ODNI staff relative to the IC agencies.
- Define the relative internal authorities of the DNI, the Principal Deputy Director for National Intelligence (PDDNI), and other ODNI senior staff.
- Finalize and publish critical Intelligence Community Directives (ICDs), including:
 - ICD 101 – “Policy System”
 - ICD 303 – “MASINT”
 - ICD 306 – “GEOINT,” and
- Develop a formal process for timely responding to OIG recommendations and for tracking implementation of recommendations that are accepted by management.

2. (U//~~FOUO~~) Accelerating Progress in Driving IC Information Sharing

(U//~~FOUO~~) Inadequate information sharing is a major impediment to effective IC performance. IG inspections, audits, and reviews from across the IC indicate that the ODNI has not fully implemented the policies and procedures needed to achieve the level of information sharing contemplated by IRTPA and Executive Order (EO) 12333. While the ODNI has made some improvements in this area, the IC’s information sharing problems will persist as long as the ODNI fails to implement and enforce critical IC-level policies and processes for information sharing.

(U) Recommendations

(U//~~FOUO~~) Driving IC information sharing will require the DNI to:

- Publish additional directives providing IC-level policies that expand and improve information access for the analytic community.
- Implement recommendations in the OIG’s Review of IC-Wide Dissemination of Sensitive Reporting (November 2007) and FY 2007 Federal Information Security Management Act (FISMA) audit.
- Create sensitive reporting review boards.
- Develop and implement an IC plan for standardizing communication systems and streamlining the IC data sharing and storage architecture to reduce redundancy and simplify data access and retrieval.

3. (U//~~FOUO~~) Removing Impediments to IC Collaboration and Integration

(U//~~FOUO~~) IG audits from across the IC, inspections, and reviews have found that IC elements do not consistently and effectively collaborate and integrate their program efforts, resources, and talents. This impairs the IC’s ability to develop intelligence collection and analysis capabilities and deliver actionable intelligence to consumers.

(U) Recommendations

~~(U//FOUO)~~ We recommended that the DNI:

- Require collaboration among the national agencies on programs, systems, and acquisitions in accordance with functional management authorities and responsibilities.
- Define "collaboration" for the IC to include agency compliance with DNI decisions.
- Appoint a senior ODNI official responsible for improving collaboration and integration between and among 'traditional' intelligence agencies

[Redacted]

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4. ~~(U//FOUO)~~ Improving Financial Management and Acquisition Oversight

~~(U//FOUO)~~ In October 2008, the IC agreed on a phased approach to transform IC business systems around the two core financial management system environments and to establish a business transformation office (BTO) to oversee these efforts.

[Redacted]

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~~(U//FOUO)~~ Neither the ODNI IG nor the other IC IGs have conducted a review or audit of the new ICBT initiative.

[Redacted]

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(U) Recommendations

~~(U//FOUO)~~ In order for the business transformation, financial management, and auditability initiatives to succeed, we recommended that the DNI:

- Revise the auditability strategy with target dates for achieving auditability based on standard financial systems and ICBT initiatives and monitor progress towards auditability.

- Complete and submit to Congress the remaining financial plans and architectures that were due to the Senate Select Committee on Intelligence (SSCI) in 2005.
- Lead the effort to define what constitutes a “system” for consistent IC application for both auditability and business transformation.
- Develop Memoranda of Understanding for IC elements that are accountable to both ODNI and another government agency to delineate financial-related roles and responsibilities.

(U//FOUO) In addition to the challenges the ODNI faces with financial management, the IC OIGs also have identified a widespread need for improved management oversight in the

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(U) Recommendations

[Redacted]

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5. (U//FOUO) Resolving Major Legal Issues

(U//FOUO) Legal issues and confusion about what the law actually requires can pose some of the greatest impediments to the IC’s national security mission. While the ODNI has made progress with respect to addressing legal issues that impede the IC (e.g., Foreign Intelligence Surveillance Act (FISA) Amendments Act of 2008 (FISA Amendments Act) and revised EO 12333), it must increase its efforts in this area.

(U) Recommendations

(U//FOUO) We urged the DNI to move forward to:

- Expedite the finalization and issuance of common U.S. persons (USP) rules, principles, or presumptions.
- Ensure prompt and complete implementation of the recommendations of the FISA Panel.
- Engage the Department of Justice (DoJ) at its highest levels in order to communicate national intelligence interests to the DoJ and to implement appropriate legal and policy changes throughout the IC.

- Continue to focus efforts on finalizing the ODNI's guidelines implementing EO 12333.

(U) Inspections and Reviews

(U) Intelligence Integration and Collaboration Diagnostic (Diagnostic)

(U) In early 2008, the OIG conducted a Diagnostic to assess the IC's progress in the six focus areas identified in the 100 and 500-Day Plans: (1) create a culture of collaboration; (2) accelerate information sharing; (3) foster collection and analytic transformation; (4) build acquisition excellence and technology leadership; (5) modernize business practices; and (6) clarify and align the DNI's authorities. The Diagnostic was designed to establish a baseline against which to assess future IC integration and collaboration progress.

(U) In conducting the study, the OIG interviewed over 80 senior leaders from across the entire IC, conducted focus groups and a survey, and interviewed a sampling of senior IC customers. The OIG provided the Diagnostic report to the DNI in September 2008 and subsequently briefed the findings to the Transition Team for President-elect Obama.

(U//FOUO) [REDACTED]

[REDACTED] The results of the Diagnostic also revealed that the IC is largely supportive of the establishment of the ODNI and acknowledges favorable progress in some areas such as Mission Management and Community badges. Members of the IC [REDACTED]

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(U//FOUO) The OIG made 29 separate recommendations in 10 major categories, many of which were similar to recommendations previously made to ODNI leadership in the 2007 Organizational and Cultural Diagnostic and Design Study. The OIG requested that the DNI report to the OIG whether he accepted the recommendations within 45 days of report receipt. To date, the DNI has not advised the OIG whether he has accepted any of the recommendations. While the OIG is aware that a few of the recommendations have been implemented (or that some ODNI measures have been taken to address concerns raised in the Diagnostic), and that ODNI efforts are underway to implement others, the majority of the recommendations in the Diagnostic have not been implemented. The major categories are:

1. Unclear ODNI mission, vision, roles, and responsibilities
2. Perceived invisibility of smaller IC elements
3. Inadequate leveraging of IC technology buying power
4. Lack of a definition for collaboration
5. Impediments to Joint Duty implementation
6. Insufficient use of web-based tools
7. Lack of implementation of recommendations from previous studies on collaboration
8. Disconnected and incompatible IC information technology (IT) systems
9. Inconsistent application of IC security standard and process integration
10. Uneven flow of information from the ODNI to the IC

(U) IC-wide Review of the Terrorist Watchlist Nomination Process: Findings and Recommendations for Action

(U//FOUO) The OIGs of the [redacted] worked together to conduct a review of the processes across the IC for nominating individuals to the consolidated terrorism Watchlist.

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(U//FOUO) The ODNI OIG based its findings on the findings of the respective IC OIGs and on its own examination of the watchlisting nomination process within the National Counterterrorism Center (NCTC).

[redacted]

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(U//FOUO) The OIG made several recommendations for corrective action. By the end of this reporting period, every recommendation had been implemented, except for one:

[redacted] The ODNI is still developing

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this process.

(U) Review of the NCTC, Phase II: Effectiveness of Community Relations

(U//FOUO) In 2006, the OIG conducted the first of a two-phase inspection of the NCTC, which focused on the overall performance of the NCTC and its mission. In March 2007, the OIG began Phase II of the inspection of the NCTC. Phase Two examined the state of relations between the NCTC and its federal and non-federal partners, including activities that are complementary, overlapping, competing, or counterproductive among the counterterrorism (CT) organizations; the effectiveness of the NCTC's external collaboration; and the quality, utility, and accessibility of NCTC products.

(U//FOUO) The OIG found that generally, the NCTC has been responsive to the needs of its [redacted]. In addition, NCTC customers are satisfied with the quality, utility, and accessibility of the NCTC's products, and NCTC external collaboration has been effective. The OIG also found, however, that a gap exists between the perceived and actual authorities of the Director of the NCTC, and duplication of analytic effort still exists in the CT community. Finally [redacted]

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(U//FOUO) The OIG made five recommendations to address the above findings:

- The NCTC expand its Domestic Outreach Program and document progress in its annual report to the DNI.
- All entry-level analyst education programs for CT intelligence analysts across the IC include a block of instruction on the NCTC and its statutory role in the CT community,

and that the NCTC work with other intelligence agencies to have this training in place by January 1, 2009.

- The NCTC continue its program to broker access requests and document the progress of this program in their annual report to the DNI.
- The NCTC Directorate of Mission Management review the current CT analysis and production workload in the IC in order to identify overlap and reduce redundancy. We recommended the Analytical Framework for Counterterrorism be updated by October 1, 2009 with specific analysis and production responsibilities based upon the results of this review.
- The NCTC establish and implement a training and certification program for all new users of NCTC On-Line to be in place by January 1, 2009.

(U//FOUO) The NCTC concurred with the recommendations, and the OIG is monitoring recommendation implementation.

(U) Review of Overtime and Spot Awards

(U) The OIG conducted a review of procedures and policies concerning the use of overtime and spot awards within the ODNI. The OIG made recommendations to improve internal controls and management reporting in the use of overtime and spot awards.

(U) Pay for Performance

(U) In 2008, the Director of the Intelligence Staff (DIS) requested that the OIG conduct a best practices study on Pay for Performance (PFP) because the ODNI is scheduled to transition to PFP in October 2009. To complete this project, the OIG researched and reviewed PFP documentation and lessons learned from both the private sector and other non-IC government agencies, researched articles relating to PFP, and identified best practices and areas of potential concern when implementing PFP programs. The OIG provided its findings to the DIS.

(U) Investigations

(U//FOUO) The OIG conducted 23 investigations during this reporting period, including misuse of position, improper use of government resources, disparate hiring practices, contract irregularities, time and attendance abuse, voucher fraud, policy and procedure adherence, and ethics violations. Select cases representing the breadth of investigations conducted over this reporting period are highlighted below:

(U//FOUO) Destruction of CIA Detainee Tapes

The OIG assisted the FBI and the DoJ with a federal Grand Jury investigation into the CIA destruction of video tapes of detainee interrogations. This investigation is ongoing and the OIG continues to assist the FBI and DoJ.

(U//FOUO) Falsification of Contractor Billing Records

The OIG investigated falsification of billing records by a BAH contract employee. The ODNI is working with BAH to obtain full reimbursement.

(U//FOUO) Improper Use of Government Databases

The OIG worked with the State OIG on a criminal investigation involving State employees improperly accessing sensitive government databases. Although the subjects had access to NCTC's Terrorist Identities Datamart Environment (TIDE) database, no improper accessing of TIDE was found.

(U//FOUO) Improper Release of Information

The OIG investigated the improper declassification and release of information by the NCTC concerning a report that was critical of a U.S. ally. The OIG made several recommendations to NCTC for better internal controls, which should improve procedures for the proper release of information.

(U//FOUO) Post-employment Ethics Violation

The OIG investigated a former ODNI official for a possible criminal violation of post-employment ethics laws. Within a period of 1 year of ODNI termination, this former official allegedly attempted to influence an active ODNI employee on a matter which the former official reasonably should have known was pending under the employee's official responsibility. The United States Attorney's Office declined prosecution in this matter.

(U//FOUO) Improper Use of an Independent Contractor

The OIG conducted a review of activities leading to the renewal of contract for an ODNI independent contractor. The OIG found no irregularities in the awarding or renewal of the contract.

(U) Whistleblower Allegation

The OIG conducted an investigation into an allegation by an ODNI employee that his employment was terminated as the result of supervisory retaliation in violation of the Intelligence Community Whistleblower Protection Act. The allegation was not substantiated.

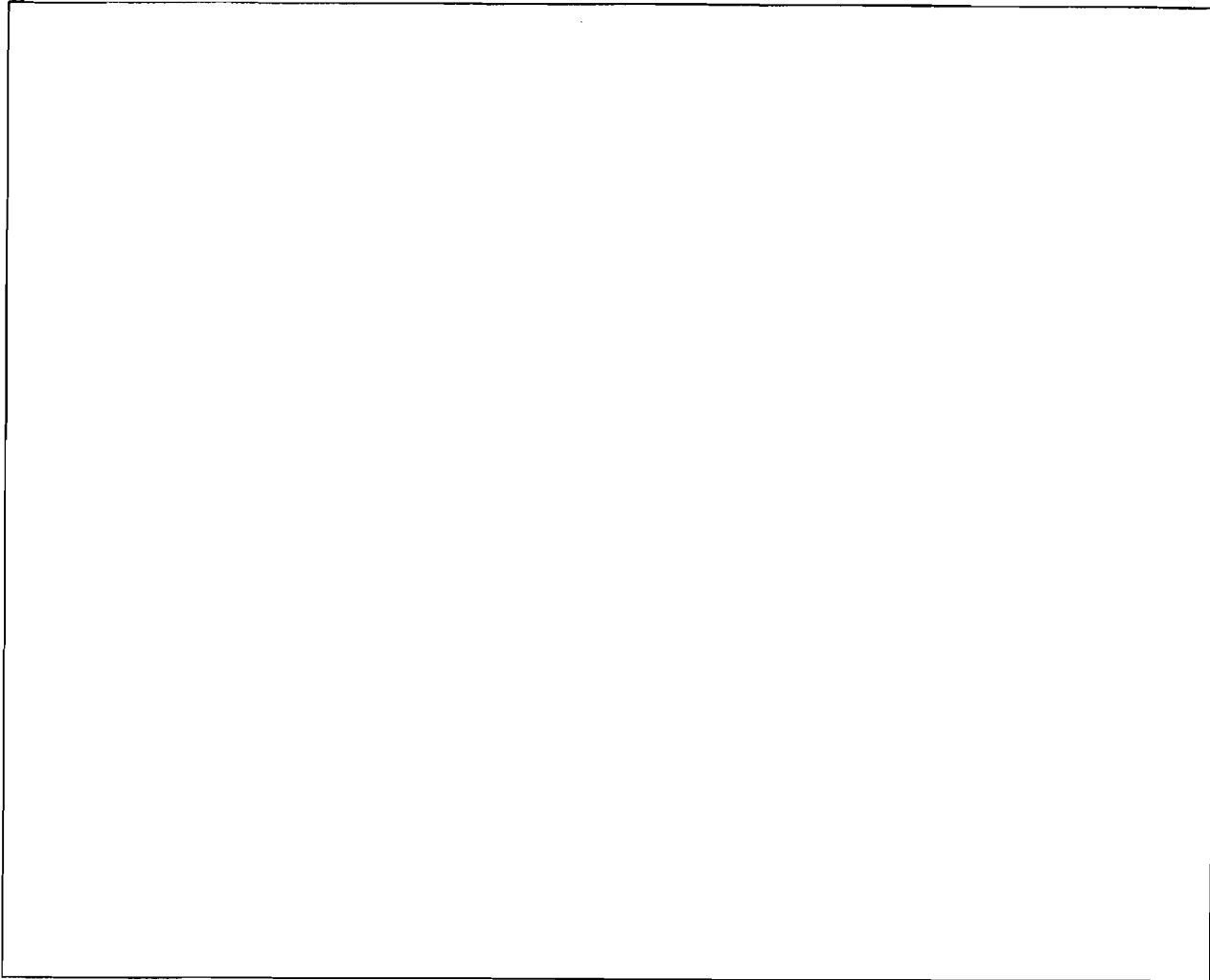
(U//FOUO) Use of Subpoena Authority

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

(U//FOUO) Civil Rights and Civil Liberties Complaints

During this reporting period, the OIG did not receive any allegations from the ODNI Civil Liberties and Privacy Office (CLPO) of individual misconduct regarding possible civil liberties or privacy abuse in the administration of the programs and operations of the ODNI.

(U) Audits



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(U) FY 2008 Federal Information Security Management Act (FISMA) Review

(U) The FISMA requires the IG for each agency to conduct an annual independent evaluation of the agency's information security programs and practices. The evaluation includes testing the effectiveness of information security policies, procedures, and practices of a subset of agency systems.

(U) This review followed up on our FY 2007 FISMA review, which determined that while the ODNI has elements of an information security program and is making efforts to put a comprehensive plan in place, it has not yet implemented a comprehensive information security program for either internal ODNI operations or for the IC's information systems. We recommended that the CIO and ODNI Security continue to work on establishing a

comprehensive and effective information security program and developing information security strategic plans.

(U) During this review, we found that the Associate Director of National Intelligence and Chief Information Officer (ADNI/CIO) has begun to establish a comprehensive information security program at the IC-wide level, and the ODNI has initiated plans to divest ownership of internal use IT systems. However, we also found that the ODNI has not fully implemented our FY 2007 FISMA recommendations that the ODNI establish a comprehensive information security program for internal ODNI operations and for the IC's systems, designate a senior official with systems security responsibility, and complete the inventory of ODNI systems.

(U) We recommended that the ADNI/CIO establish milestones and complete the security plans. We recommended that the Director of Mission Support establish milestones and complete plans and programs, designate a senior official with systems security responsibility, and finalize system inventories. Management concurred with the recommendations and, to date, has designated an ODNI senior official with systems security responsibility.

(U) Intelligence Community Inspectors General Activities

(U) Intelligence Community Inspectors General Forum

(U) The ODNI IG chairs the Intelligence Community Inspectors General (IC IG) Forum, a quarterly meeting of all IC IGs, or their designees. The ODNI OIG also fulfills the Executive Secretariat function for the IC IG Forum by performing functions such as hosting the meetings, consulting on topics of interest in developing the agenda, distributing documents, and sending out minutes.

(U) The IC IG Forum is designed to promote and further collaboration, cooperation, and coordination among the IGs of the IC, with the purpose of strengthening the collective role and effectiveness of IGs throughout the IC, enhancing the value of OIG activities in support of the National Intelligence Strategy, and increasing efficiency by avoiding duplication of effort among the IGs of the IC. Throughout 2008, the IC IG Forum provided the IGs a venue in which to share information, educate one another, and discuss and collaborate on matters of common concern. We brought in speakers to address important issues, such as the Director of NCTC, who presented an overview of NCTC's operations and challenges; the Director of the ODNI BTO, to discuss the business transformation efforts; and the Assistant Director of the FBI Inspection Division, to discuss the impact of the FBI's inspections on OIG work.

(U) One of the reviews coordinated through the IC IG Forum this reporting period was the IC-wide review of the Terrorist Watchlist Screening Process, discussed previously at page 8.

(U) 14th Annual IC IGs Conference

(U) The ODNI OIG hosted the 14th Annual IC IGs Conference, "Successes and Challenges in Intelligence Community Collaboration." The conference featured panels and sessions on issues such as IG and DoJ collaboration, IG Joint Duty Exchange Program, IC collaborative projects, intelligence oversight, auditability, and civil liberties. Over 250 IGs and staff from 15 OIGs attended the conference, as did the Honorable Donald Kerr, the Principal Deputy Director of National Intelligence, who delivered the keynote address in the place of the DNI.

(U) Assessment of Agency Heads' Authority Over IGs

(U) By letter dated December 18, 2007, the Oversight and Investigations Subcommittee of the House Permanent Select Committee on Intelligence requested that the OIG review, assess, and evaluate the rules and procedures governing each of the IC heads with respect to their authority to investigate the activities of their respective IGs.

(U) With respect to statutory IGs, the IG found that an IG is an employee of an executive branch agency, over which the agency head has administrative and management responsibility and authority. However, that responsibility and authority must be exercised in a way that preserves the objective of the IG Act of 1978 that IGs shall be independent. Moreover, the IG Reform Act of 2008 provides a statutory mechanism for investigating an IG through the CIGIE Integrity Committee. The Integrity Committee previously existed under EO 12993; by making it statutory, Congress established the Integrity Committee as the appropriate mechanism for investigating the activities of IGs.

(U) With respect to the administrative IGs, on the other hand, the IG found that agency heads would appear to have the legal and administrative authority to investigate their respective IG's activities.

(U) Intelligence Oversight Activities

(U) The OIG participated in the drafting and review of the new EO 13462 and the revised EO 12333, which set forth the DNI's role in conducting intelligence oversight. In close coordination, the OIG, Office of General Counsel, and the IOB developed policy guidance to implement the reporting of intelligence oversight matters by the IC pursuant to the requirements established by EO 13462. The OIG analyzed intelligence oversight reporting submitted to the DNI and IOB by the IC IGs.

(U) In addition, the OIG conducted periodic liaison meetings with IC IG intelligence oversight offices, engaged in outreach efforts to communicate the intelligence oversight reporting standards to the community members, and assisted the CLPO with on-site reviews relating to electronic surveillance conducted pursuant to the Protect America Act and the FISA Amendments Act.

(U) The OIG will continue to monitor and assess the intelligence oversight reporting submitted to the DNI and the IOB. The OIG holds regular meetings with the IOB staff to discuss and

evaluate oversight reporting. In response to oversight reporting changes resulting from the recent issuance of EO 13462, the OIG will undertake an enhanced outreach and education program to ensure IC awareness of the current oversight reporting requirements.

(U) Ongoing Projects

(U) Inspections and Reviews

(U) Review of the President's Surveillance Program (PSP)

(U) Title III of the FISA Amendments Act requires the IGs of the IC elements that participated in the PSP to conduct a comprehensive review of the PSP. The IGs of the ODNI, DoJ, and the other IC components that participated in the PSP are conducting the review required under the Act. The participating IGs have discussed their individual and collective responsibilities in conducting the review, relevant ongoing and completed reviews, and the scope of additional work that needs to be accomplished to fully meet Title III requirements.

(U) The ODNI OIG is examining the involvement of ODNI senior leadership in the PSP and ODNI communication with private sector entities concerning the PSP. The ODNI IG also is examining the role of the NCTC in drafting and coordinating the threat assessments and legal certifications supporting periodic reauthorization of the PSP; NCTC's role in identifying targets and tasking PSP collection; and NCTC's use of the product to support counterterrorism analysis.

(U) Representatives from each of the participating IGs meet regularly to discuss the status of our work, avoid unnecessary duplication of effort, and ensure that the full scope of the review prescribed in the Act is being addressed. Each of the IG teams will be alert to other matters not specifically identified in the Act that should be examined as part of a comprehensive review of the PSP. The findings of each respective IG review will be compiled into a comprehensive final report that will be submitted to Congress by July 2009.

(U) Inspection of Advanced Geospatial Intelligence (AGI) Capabilities

(U//~~FOUO~~) AGI is technically sophisticated geospatial intelligence (GEOINT) that has been useful in answering critical intelligence questions related to CT, counter-proliferation, and special and conventional military operations.

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(U//~~FOUO~~) During this reporting period, the OIG completed its draft report and briefed its findings and recommendations to IC senior leadership. Following a briefing in May 2008, the Director of NGA accepted the OIG's recommendations and began to implement them, in part by publishing a new AGI Implementation Plan that embraces key findings and recommendations included in the OIG report. The draft report was disseminated for comment to the relevant IC organizations in August, and on 15 January 2009, the OIG briefed the findings and

recommendations to the DNI and senior IC leaders. The OIG is awaiting formal response from the DNI and will issue its final report.

(U) Review of Acquisition Oversight Policies, Processes, and Strategies

(U) In 2008, the OIG initiated an inspection to determine the degree to which the execution of acquisition oversight policies, processes, and strategies reflects the DNI's IRTPA acquisition authorities. This inspection will also assess whether acquisition oversight decisions are applied uniformly across the IC, and whether these decisions support other oversight mechanisms at the ODNI, with a focus on requirements validation.

(U) The OIG briefed preliminary findings and recommendations to the DNI on January 7, 2009, and the DNI immediately implemented our recommendation to have the Deputy Director of National Intelligence (DDNI) for Acquisition, now Future Capabilities (FC), ensure programs executed within the Community Management Account are subjected to IC acquisition policy and oversight. The DNI also requested the OIG brief the next DNI within 30 days of taking office to consider the remaining recommendations.

(U) Review of Implementation of the Joint Duty Program (JDP)

(U) During the IG's Diagnostic (discussed above at page 7), IC leaders and staff indicated that there were issues and concerns with the JDP. The ODNI Chief Human Capital Officer (CHCO) subsequently requested that the OIG conduct an interim implementation review to explore the factors affecting JDP participation.

(U) The OIG conducted interviews and focus groups of IC senior leaders, CHCO council members, and JDP managers, and is presently analyzing the information and data collected. The OIG will provide recommendations to the ODNI CHCO to improve JDP implementation and identify JDP best practices which can be replicated and implemented to increase JDP participation throughout the IC. The OIG intends to issue its final report by the end of March 2009.

(U) Congressional Request for Information on NCTC's Information Sharing Initiative ("RAILHEAD")

(U) On August 21, 2008, the OIG received a request from the House Committee on Science and Technology to evaluate aspects of the NCTC's RAILHEAD program and answer specific questions about the program's execution and oversight. The OIG is conducting an evaluation of the program to explore the allegations and concerns identified in the committee's request, and will provide a report to the House Permanent Select Committee on Intelligence (HPSCI).

(U) Collection, Analysis, and Mission Manager Diagnostic

(U) In April 2008, the OIG initiated a review of the relationship between and the roles and responsibilities of the office of the DDNI for Collection, the office of the DDNI for Analysis, and the Mission Managers. The OIG has interviewed numerous leaders and employees in these

offices, as well as some of the customers of the products generated by Analysis and the regional Mission Managers.

(U) The OIG currently is drafting a report for the DNI that details the results of our review. The report will be presented in two phases. The first phase will focus specifically on the relationship between the National Intelligence Council (NIC) within the office of the DDNI for Analysis and the regional Mission Managers to evaluate the positive and negative aspects of a proposed merger of the two. The second phase will address broader concerns, identified by interviewees, that impact the organizational effectiveness of the office of the DDNI for Collection, the office of the DDNI for Analysis, and the Mission Managers.

(U) Counterintelligence Community Review

(U) At the request of the HPSCI, the OIG is reviewing the counterintelligence community's ability to adequately coordinate operational and investigative activities across the entire community. The OIG has conducted interviews of counterintelligence officials throughout the IC and is in the process of drafting its response.

(U) Audits

(U//~~FOUO~~) National Intelligence Program Funds at the DHS Office of Intelligence and Analysis (I&A)

(U//~~FOUO~~) The objective of the audit is to examine the adequacy and effectiveness of the internal controls over the budgeting, accounting, and expending of National Intelligence Program (NIP) funds provided to the DHS I&A. In addition, the audit will assess the roles and responsibilities of the ODNI as they relate to the NIP. The audit is being performed in

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(U//~~FOUO~~) Upon completion of the audit, the OIG will provide specific recommendations to improve internal controls and oversight of DHS I&A fiscal management by both the DHS I&A and the ODNI.

(U) Audits of Special Access Programs

(U//~~FOUO~~) The OIG is currently participating in two joint audits involving Special Access Programs.

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(U) Intelligence Community Auditable Financial Statements

(U) The DNI established the goal of achieving sustainable unqualified audit opinions for all IC agencies and elements. In April 2008, the ODNI issued the *Intelligence Community Financial*

Management Systems Report, outlining the ICs plan to standardize and consolidate its financial management systems and accounting practices as well as increase overall financial integrity, auditability, and accountability. In October 2008, with congressional support, the ODNI established a formal comprehensive business transformation initiative that will eliminate redundant and non-interoperable systems and infrastructures, poor access to data, and obstacles to achieving complete and accurate financial reports for management. Several IC IGs in their management challenges expressed concern that the shift in focus to business transformation may further delay financial accountability in the IC.

(U) The ODNI OIG is collaborating with the ODNI CFO to monitor and assist IC CFOs and IGs in their efforts to reach the auditability goals. Specifically, the ODNI OIG is participating in joint CFO/IG councils and working groups that address critical accounting issues and is serving as the liaison between the IC and the Federal Accounting Standards Advisory Board. In addition, the ODNI OIG established a Joint Audit Working Group that is collaborating to identify audit opportunities related to auditable financial statements. The ODNI OIG also is collaborating with the ODNI Business Transformation Office, as well as monitoring impacts on auditability.

(U) The ODNI CFO and OIG continue to work together with agency staff to monitor progress and provide support in the auditability initiatives.

(U) Intelligence Community Inspectors General Activities

(U) IC IG Forum

(U) The ODNI IG continues to co-chair the quarterly IC IG Forum meetings. This year, the IC IG Forum anticipates addressing issues such as business transformation and auditability, joint duty, and collaboration across the IG and IC communities.

(U) 15th Annual IC IGs Conference

(U) The OIG will be co-hosting the 15th Annual IC IGs Conference on May 29, 2009 at the NRO. This year, topics and panels will be determined by the recently established IC IG Working Groups (see below).

(U) IC IG Working Groups

(U) This reporting period, the OIG initiated an IC-wide Deputy Inspector General Working Group and IC-wide AIG Working Groups for Audit, Inspections, and Investigations. The purpose of these working groups is to further expand the role of the IC IG Forum in integrating the IC IG community by exchanging ideas, reducing redundancy, identifying IC systemic issues, sharing best practices, and identifying future IC-wide joint projects. The Working Groups will meet quarterly.

(U) National Procurement Fraud Task Force (NPFTF)

(U) The OIG Investigations Division has partnered with the DoJ NPFTF and other federal IGs to assist in the prevention, detection, and prosecution of procurement fraud associated with the increase in federal contracting expenditures, particularly in the areas of intelligence and national security support activities since September 11, 2001.

(U) In addition, the ODNI IG chairs the NPFTF Intelligence Committee, which addresses the unique aspects of detecting, investigating, and prosecuting procurement fraud in a classified environment.

(U) IC IG Joint Duty Exchange Program

(U) In 2007, the DIA and ODNI OIGs led efforts to implement a joint duty exchange program for the IC IGs. Through this program, personnel in the offices of the IC IGs may acquire joint duty certification by serving on other IC IG staffs in accordance with ICD 601, "Human Capital Joint Intelligence Community Duty Assignments."

(U) The IC IG joint duty program is designed to enhance IG staff's joint IG experience, foster communication and professional relations, and share best practices. The IG joint duty program operates like an exchange program: when an OIG details a staff member for an IG joint duty rotation, that OIG also will gain a staff member from another IC OIG for the duration of the rotation. The IG joint duty program is intended to complement, and not compete with, other joint duty programs, such as the Leadership Exchange and Assignment Pilot. IC IG members may participate in any or all of these joint duty programs.

(U) This year, the IC IGs successfully exchanged a DIA OIG employee with an NGA OIG employee. This exchange will provide valuable lessons for the IC IGs in accomplishing future joint duty exchanges.

(U) Status of Recommendations for Previously Completed Projects

(U) Organizational and Cultural Diagnostic and Design Study (Organizational Study)

(U) At the request of the DNI, the OIG conducted an Organizational Study of the ODNI, which was completed in 2007. The OIG made 17 recommendations to the DNI for corrective action regarding the issues identified in this study. Implementation status for each recommendation is noted below:

- Clearly and succinctly articulate the ODNI's mission and vision.
 - The ODNI has published Vision 2015, but the OIG does not believe it sufficiently addresses the issues underlying this recommendation.
- Determine and articulate what role the ODNI should play.
 - Not implemented.
- Clarify the roles and responsibilities within the ODNI.
 - Intelligence Community Directives (ICDs) such as ICD 207 defining the role of the National Intelligence Council demonstrate that the ODNI has made some progress in this area. However, the OIG report identified that all areas within the ODNI need clarification and thus the ODNI should continue to clarify organizational roles and responsibilities through additional ICDs.
- Limit the ODNI's priorities.
 - Not implemented.
- Review communication processes and consider establishing a data call office.
 - The ODNI Office of Executive Secretariat is reviewing the issuance of ODNI data calls to the CIA.
- Identify barriers to information flow, emphasize the importance of clear communication, and evaluate senior managers on information flow.
 - The "Movers and Shakers" luncheon series has been initiated, but the issues underlying this recommendation have not been sufficiently addressed.
- Increase ODNI staffs' awareness and participation in EXCOM meetings.
 - Minutes from the EXCOM meetings were disseminated for several months, but then inexplicably stopped.
- Increase visibility and accessibility to leadership (clarify roles and responsibilities of the front office, meet monthly with direct reports, address concerns with the "vault").
 - Not implemented.
- Clarify and delegate decision making authority.
 - Not implemented.
- Determine which ODNI processes are inefficient.
 - Not implemented.
- Frequently reward high performers and address poor performance regularly.
 - Not implemented.

- **Revise ODNI performance review process to ensure consistency in evaluations.**
 - Efforts have been made to standardize the performance review process across the ODNI. It is unclear whether those efforts have been successful, and the current performance review process soon will be revised again when Pay For Performance is implemented.
- **Manage senior staffs' expectations and give junior level employees leadership opportunities.**
 - Not implemented.
- **Develop independent information systems and policies, and increase frequency of communication with staff.**
 - Some improvement has been made. However, the internal communication of the ODNI continues to need improvement.
- **Regularly communicate with the workforce about location related issues.**
 - Implemented through regular updates regarding LX-2 facilities.
- **Hold social events, implement awards ceremonies, operate a gift shop, and display organizational photos.**
 - The recent ODNI Holiday Party, ODNI Ice Cream Social, and Galileo Awards, to name a few, are examples where the ODNI has successfully hosted social events and awards ceremonies. Further, since the move to the LX-2 building, ODNI merchandise is available for purchase and ODNI organizational photos are displayed throughout the building. These actions indicate progress on this recommendation. We encourage the ODNI to continue to sponsor and promote these types of activities to enhance morale within the ODNI.
- **Designate an implementing officer to implement OIG recommendations.**
 - Not implemented.

(U) Review of Dissemination of Sensitive Reporting

(U) The OIG conducted and previously reported on a review of the dissemination of sensitive reporting across the IC. The OIG found that in a number of cases, intelligence consumers do not receive, or do not receive in a timely manner, relevant sensitive reporting, and that current processes for resolving requests for dissemination do not adequately address the needs of analysts.

(U//FOUO) The OIG recommended that the DNI:

1. **Establish an office to promulgate and monitor implementation of policies and procedures for dissemination and access.**
2. **Establish an objective process for arbitrating disputes regarding the dissemination of sensitive intelligence.**
3. **Establish and promulgate IC standards for the dissemination of sensitive reporting to ensure that customer requirements are met.**
4. **Assess the current compartmentation policies constraining the use and release of Analysis Integration Center (now the Integrated Operations Center for Special Projects) reporting.**

(U//FOUO) The DNI concurred with the recommendations and steps have been taken to implement them. For example, the DNI has created the position of Associate Deputy DNI for Information Integration to bring together not just technology, but also the policies, processes, people and risk management and security aspects necessary to achieve true information sharing across the IC. While the DNI has established the office we recommended, the roles and responsibilities of this office and the office of the DDNI/PPR overlap and need to be clarified so it is clear who is responsible for promulgating and monitoring the implementation of policies and procedures for dissemination and access.

(U//FOUO) In addition, the DNI recently implemented a policy (ICD 501) that will address recommendations 2 and 3. The OIG plans to assess how effectively ICD 501 addresses the issues underlying these recommendations.

(U//FOUO) Finally, our fourth recommendation has not yet been implemented, but the ODNI Senior Review Group has been focusing on it.

(U) Organizational and Cultural Diagnostic of the office of the DDNI for FC

(U) The OIG conducted a study of the office of the DDNI for FC to determine whether some of the conditions identified in the Organizational Study existed in FC. The OIG provided its recommendations to the DDNI for FC, and they have been implemented.

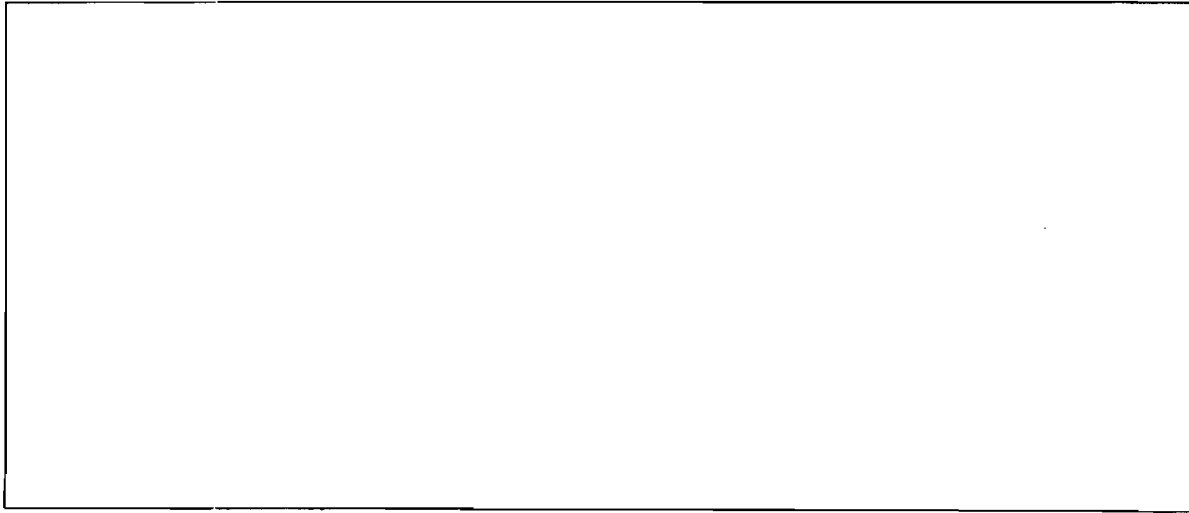
(U) Emphasis on Law Enforcement in the ODNI

(U) After noting the absence of any high-level law enforcement or domestic intelligence official in the ODNI, the OIG recommended that the DNI add a law enforcement official to the senior staff to advise the DNI on domestic intelligence issues. This recommendation was accepted and immediately implemented with the addition of a senior FBI official designated as the Associate Director of National Intelligence, which is an ODNI front office position.

(U) Audit of the Contract Award Process for the CASES Program

(U) The OIG, in conjunction with the CIA OIG as the lead auditor, evaluated the process used to award the Indefinite Delivery/Indefinite Quantity contracts under the Contract Advisory and Assistance Services/Systems Engineering and Technical Assistance and External Analysis and Conferencing Support (CASES) Program. The audit found that the acquisition planning did not address performance-based acquisitions as required by the Federal Acquisition Regulation (FAR). As a result, we recommended that the Chief, ODNI Contracts, amend the CASES acquisition plan to address the FAR requirements for performance-based acquisitions, provide training to the contracting officers and contracting officer technical representatives on performance-based acquisitions, and issue a policy to implement performance-based acquisitions in the ODNI.

(U) The Chief, ODNI Contracts, concurred with the recommendations. The acquisition plan has been modified, a training plan has been developed, and an implementation plan for performance-based acquisitions will be completed soon.



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(U) Report Waste, Fraud, Abuse, or Misconduct

**(U) To report allegations of waste, fraud, abuse, or misconduct in the ODNI or
IC agencies, contact:**

**Office of the Inspector General
Office of the Director of National Intelligence
Investigations Division
Washington, DC 20511**

(703) 482-4955

or



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