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NATIONAL GEOSPATIAL-INTELLIGENCE AGENCY

7500 GEOINT Drive
Springfield, Virginia 22150

U-111-14/OIG

April 18, 2014

SUBJECT: Freedom of Information Act # 20120061F

This letter is in response to your April 4, 2012 request under the Freedom of Information Act for copies of "... NGA Management Deficiency Reports produced during the past ten years."

Attached are redacted copies of Inspector General Assessment of Management and Performance Challenges for FY 2007 to 2013 Agency Financial Reports. FY 2007 was the first year NGA IG produced this report.

Note, the identities of any individuals who may have been identified in the Reports, along with any information that might identify an organization within NGA were redacted in accordance with FOIA exemption (3) (material exempted from disclosure by statute); specifically 10 U.S.C. § 424 (limiting the release of NGA organizational and personnel information).

You may appeal these redactions in writing to the NGA Inspector General, the appellate authority, within 60 days from the date of this letter. The appeal, which should reference the above FOIA request number, may be sent to the Inspector General, National Geospatial-Intelligence Agency, Mail Stop N75-OIGC, 7500 GEOINT Drive, Springfield, VA 22150. Please include a copy of this letter with your appeal.

Fees associated with processing your FOIA request have been waived.

Sincerely,

Lenore N. Guthrie
Assistant Inspector General
for Plans and Programs
Initial Denial Authority

Enclosures as stated

cc:
SISCC

(U) Inspector General Assessment of Management and Performance Challenges for the FY 2007 NGA Agency Financial Report

Report Number OIGE-07-23

27 September 2007



Office of the Inspector General – Inspections Division

NATIONAL GEOSPATIAL-INTELLIGENCE AGENCY

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Report No. OIGE-07-23

(U) Additional Information and Copies

(U) The Office of Inspector General, Inspections Division, NGA prepared this inspection report. If you have questions on the inspection or want to obtain additional copies of the report, please contact the Office of Inspector General at (301) 227-7307 and DSN: 287-7307.

(U) Suggestions for Inspections, Evaluations, and Reviews

(U) To suggest ideas for or to request inspections of NGA programs, activities, and operations, please call (301) 227-7307, DSN: 287-7307, or Fax: (301) 227-2771/2371. Ideas and requests can also be mailed to:

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Mail Stop D-34
National Geospatial-Intelligence Agency
4600 Sangamore Road
Bethesda, Maryland 20816-5003



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Contact the NGA Inspector General Hotline by calling (800) 380-7729 or writing to the above address. The identity of each writer and caller is protected to the greatest extent possible.

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1 October 2007

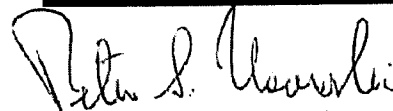
(U) MEMORANDUM FOR DIRECTOR, NATIONAL GEOSPATIAL-
INTELLIGENCE AGENCY
DIRECTOR, FINANCIAL MANAGEMENT
DIRECTORATE

(U) SUBJECT: Inspector General Assessment of Management and Performance
Challenges for the FY 2007 NGA Agency Financial Report

1. (U) We are providing this report for your information and use. This assessment was prepared in response to a request from the Financial Management Directorate. Specifically, the Financial Management Directorate requested that the Inspector General provide an assessment of the most serious management and performance challenges facing NGA to support the NGA FY 2007 Agency Financial Report.

2. (U) We prepared the assessment in accordance with 29 June 2007 Office of Management and Budget circular "Financial Reporting Requirements." The assessment discusses challenges related to NGA contracts management, financial statements, and information assurance.

3. (U) The point of contact for this matter is [REDACTED]
[REDACTED]


PETER S. USOWSKI
Inspector General

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(U) Background

(U) On 28 August 2007, the [REDACTED] of the NGA Financial Management Directorate requested that the Inspector General (IG) prepare an assessment to support the NGA FY 2007 Agency Financial Report. This report provides the IG assessment of the most serious management and performance challenges facing NGA. The appendix provides a list of prior NGA and Department of Defense (DoD) Offices of the Inspector General coverage applicable to the challenges discussed in the report.

(U) Office of Management and Budget Guidance. On 29 June 2007, the Office of Management and Budget updated Circular A-136, "Financial Reporting Requirements." The circular supersedes all previous Office of Management and Budget memoranda, bulletins, and circulars relating to financial reporting requirements. It provides guidance to the Chief Financial Officers and Inspectors General on the preparation of agency FY 2007 Agency Financial Reports, which contain the agency financial statements. The circular states the Agency Financial Report must include a statement prepared by the agency's IG summarizing what the IG considers to be the most serious management and performance challenges facing the agency, and a brief assessment of the agency's progress in addressing those challenges.

(U) Management and Performance Challenges

(U) NGA customers require reliable information with a geospatial intelligence foundation as the enabling common denominator. This information must be accurate, timely, current, detailed, easily accessible and, in relative terms, affordable. NGA's efforts across the National System for Geospatial Intelligence since 11 September 2001 clearly show progress and success in meeting the formidable challenges in supporting national security. This means capitalizing on all forms of what we have traditionally categorized as imagery, imagery intelligence, and geospatial data and information. This also means integrating imagery collected using national technical means, airborne and commercial imagery, and imagery-derived Measurement and Signatures Intelligence disciplines into the National System for Geospatial Intelligence baseline, as well as the transformation of the NGA infrastructure, source management, and training.

(U) NGA faces several challenges while it transforms. NGA's progress against these challenges is discussed in this report and includes contract management, developing auditable financial statements, and information assurance.

(U) Challenge 1: Contract Management

(U//~~FOUO~~) Efficient and effective contract management is essential to NGA's future. NGA outsources services in such areas as [REDACTED]. Reviews conducted by the NGA Office of the Inspector General (OIG), Defense Contract Management Agency (DCMA), and [REDACTED] identified specific problems related to the management of NGA contracts.

(U//~~FOUO~~) NGA OIG. In FY 2006, we conducted a review of the [REDACTED] contract and the [REDACTED] contract. Both are cost-plus award-fee contracts that cover a variety of commonly available services. We determined that NGA is not complying with Federal Acquisition Regulation (FAR) guidance that requires it to reevaluate the pricing arrangement when exercising contract options to determine if future services under the contracts can be more economically obtained on a fixed-price basis. [REDACTED]

[REDACTED]

(U//FOUO) Also in FY 06, we conducted an audit of the [REDACTED] contract because of a budget shortfall of \$ [REDACTED]. The audit determined that the [REDACTED] program management team did not track expenditures against the required budget for the entire fiscal year. We also determined key [REDACTED] program personnel were in different NGA directorates, which inhibited communication. In addition, high turnover rates of program managers, undedicated key personnel, undocumented program manager roles and responsibilities, and unfulfilled contracting officer's technical representative (COTR) responsibilities contributed to this condition. Although NGA still needs to develop a process to track expenditures and develop roles and policies for the [REDACTED] program manager, a full-time COTR responsible for the day-to-day management of the [REDACTED] program was appointed.

(U//FOUO) DCMA. DCMA performed a Procurement Management Review (PMR) on NGA's [REDACTED] in October-November 2006. The PMR report contains several recommendations identified by the review team to make the [REDACTED] office more effective. The review team revealed that the [REDACTED] serves as the head of the agency for acquisition matters, the [REDACTED] and the head of the [REDACTED]. This arrangement does not provide a reasonable level of checks and balances for high-level decisionmaking and oversight purposes. The review team also discovered numerous instances where required documents were either not included in contract files or were included but lacked signatures of required reviewers or approvers. The review team recommended that steps be taken to improve the quality of file reviews conducted prior to contract/order award. The review team also recommended that the [REDACTED] should take proactive steps to ensure that DoD policy is properly implemented, both in terms of the letter and the spirit of the requirements.

(U//FOUO) [REDACTED]
[REDACTED] contracts team
[REDACTED] which utilizes [REDACTED] and DoD contracting authorities. The scope of this review was restricted to [REDACTED] contracts. [REDACTED] is used as a management tool for highlighting opportunities for improvement and for promoting efficiencies. The review revealed many issues related to the manner in which [REDACTED] contracts are administered. It found that contract files do not explain why [REDACTED] procurement authority is being used. The review also found that contracts contained clauses that deviated from the [REDACTED] Contracting Manual and [REDACTED] was utilizing policies/procedures in its contracts and file documentation that deviated from the [REDACTED] Contracting Manual. In addition, the review found inconsistent use of

business reviews, legal reviews, and security reviews. The review discovered that contract files varied widely in format and quality; some contract files were missing funding documents; and NGA COs/COTRs had inconsistent access to [REDACTED] systems. It was also shown that [REDACTED] was lacking cleared administrative support and the certification of invoices was not accomplished in a timely manner.

NGA is taking steps to rectify these issues. The rationale for the use of [REDACTED] authorities will be included in the business reviews for the base contract and subsequent modifications. A [REDACTED] Contracting Manual, inconsistent use of business reviews, and the wide variation in the formatting and quality of contract files. Team chiefs will also review contract files prior to contract award to ensure that all funding documents are present. In addition, NGA is pursuing more administrative support for [REDACTED] and all COs now have access to a hard copy of the [REDACTED] Contracting Manual.

(U) Challenge 2: Developing Auditable Financial Statements

(U) In September 2001, the Senate Select Committee on Intelligence Report No. 107-63, accompanying S.1428, the Intelligence Authorization Act for FY 2002, directed the appropriate statutory Inspector General to perform audits of the form and content of the FY 2001 financial statements for the National Security Agency, the Defense Intelligence Agency, the [REDACTED], and NIMA.¹ The principal purpose of these audits was to determine whether the agencies were preparing their financial statements in a manner consistent with Federal financial accounting standards and appropriate Office of Management and Budget guidance. The audits were also required to specify any improvements that each agency must make to their financial management systems to enable comprehensive audits of their financial statements by 1 March 2005. Senate Select Committee on Intelligence Report No. 108-258, May 2004, extended this date to 1 March 2007. In a Senate Select Committee on Intelligence letter to the Director, National Intelligence, dated 1 December 2005, the date was further extended to 15 November 2007. On 6 September 2007, NGA met with the staff of the Senate Select Committee on Intelligence to discuss the status of NGA's effort to achieve this audit requirement. NGA informed the staff that most financial statement lines will be ready for audit in FY 2011. This supports the pursuit of an unqualified audit opinion on the FY 2012 statements.

(U//~~FOUO~~) NGA currently does not have the capability to produce auditable financial statements. NGA continued to implement the DoD Comptroller's Financial Improvement and Audit Readiness Plan, which is a strategy to identify and implement the appropriate corrective actions to prepare NGA for

¹(U) At the time of the FY 2002 Intelligence Authorization Act, NGA was the National Imagery and Mapping Agency (NIMA).

a full financial audit and an unqualified audit opinion. For FY 2007, the Director, NGA, provided a statement of reasonable assurance that internal controls were in place, in routine use, and operating effectively. The statement also stated that NGA had met the objectives of the Federal Manager's Financial Integrity Act and that the material control weaknesses that stem from NGA's reliance on DoD financial systems and processes continue.

(U//~~FOUO~~) NGA is still working at resolving issues revealed by a DoD IG assessment. The assessment found that NGA lacks sufficient procedures and control over the accuracy and completeness of property, plant, and equipment (PPE). NGA did not consistently capitalize and depreciate costs for automated data processing systems meeting DoD capitalization requirements. The PPE reported on the NGA balance sheet continued to be unsupported and unreliable. The assessment also found that NGA did not ensure that controls were in place to ensure that information in the Defense Property Accountability System was complete and accurate. This allowed NGA to purchase items that exceeded the DoD capitalization threshold using the Operations and Maintenance appropriation. To correct these issues, NGA devised a methodology for valuing and capitalizing agency systems, hardware and software. NGA expects to complete the valuation by October 2007.

(U//~~FOUO~~) An audit conducted by the DoD IG found that NGA could not demonstrate that its use of military interdepartmental purchase requests (MIPR) complied with DoD and other Federal regulations governing interagency agreements. The lack of adequate internal controls and supporting documentation significantly increased the risk that the 58 sampled MIPRs issued to acquire \$180.8 million in goods and services did not satisfy bona fide needs, were not based on best value, and did not comply with appropriation laws and, thus, could have violated the Antideficiency Act. The audit report recommended that NGA should develop and enforce procedures and controls to ensure that all required data and supporting documents are developed, approved, and retained when using an MIPR.

NGA is currently conducting an MIPR review to determine if any violated the Antideficiency Act. To rectify these issues, NGA has developed procedures to ensure all required data and supporting documents are developed and approved before an MIPR is issued. NGA has also developed procedures to ensure that documentation for all MIPRs is properly retained and can be located. In addition, NGA has established procedures for the consistent preparation of control logs to account for all MIPRs.

(U) NGA is taking steps to ensure the reliability of financial information. During FY 2007, NGA developed a standard operating procedure for capturing previously unknown inventory assets and began proper reporting of inventory on the balance sheet. NGA also analyzed business processes

involving the purchase and use of operating materials and supplies and established a firm basis for using the consumption method to account for them. To assist in identifying and implementing additional improvements in financial reporting, NGA obtained additional contractor support. NGA also initiated a quality assurance program within the Financial Management Directorate's [REDACTED] to continually assess and improve operations and evaluate the effectiveness and sustainability of processes and procedures completed under the Financial Improvement and Audit Readiness Plan.

(U//~~FOUO~~) Finally, the NGA Financial Advisory Committee meets on a regular basis and has been utilized to improve the quality of financial reporting. Continued commitment from NGA management and the Financial Advisory Committee will be critical to ensuring that NGA develops auditable financial statements and obtains an unqualified audit opinion by FY 2012.

(U) Challenge 3: Information Assurance

(U//~~FOUO~~) Disruption of services or data corruption by threats such as hackers or viruses could severely hamper the ability of NGA to provide its customers with reliable, accurate, and timely Geospatial Intelligence. An effective information assurance program is critical to ensuring that the NGA information infrastructure is protected. During the FY 2007 Federal Information Security Management Act of 2002 (FISMA) assessment of the NGA information assurance program, we determined that NGA has made significant improvements in the information assurance program, particularly in the areas of information technology disaster recovery and reliable system inventory reporting. NGA also made progress in developing an information assurance training program and a metrics program to measure information assurance initiatives. In addition, NGA refined its system inventory and ensured that computer network defense personnel had access to all NGA networks. NGA actions taken were sufficient to close nine of the 14 recommendations in Report No. OIGE06-01, "FY 2006 Federal Information Security Management Act of 2002 Assessment of the NGA Information Assurance Program," 14 July 2006.

Deficiencies still exist in several areas to include certification and accreditation, capital planning and investment control, and management of the plan of action and milestones process. NGA made significant progress in establishing plans of action and milestones for system and program weaknesses. However, management of the plan of action and milestones process needs enhancement to ensure all plans of action and milestones contain complete information and are continually updated and maintained to comply with FISMA and other reporting requirements.

(U) Appendix. Applicable Prior Coverage

(U) Inspector General, NGA

(U) Report Number OIGA07-01, "FY 2007 Federal Information Security Management Act of 2002 Assessment of the NGA Information Program," 27 July 2007.

(U) Report Number OIGA06-01, "Enterprise Engineering Budget Management Processes," 23 December 2006.

(U) Report Number OIGA06-05, "Use of Cost-Reimbursement Type Contracts to Obtain Services," 12 September 2006.

(U) Report Number OIGE06-01, "FY 2006 Federal Information Security Management Act of 2002 Assessment of the NGA Information Program," 14 July 2006.

(U) Report Number OIGA06-03, "NGA Monitoring of the Execution of the GeoScout Program – Engineering Change Proposal Process," 24 April 2006.

(U) Report Number OIGA06-02, "NGA Monitoring of the Execution of the GeoScout Program – Award Fee Process," 6 February 2005.

(U) Report Number IG04-02, "Follow-up on Recommendations on Financial Reporting for General Property, Plant, and Equipment in Office of the Inspector General, DoD, Report on the FY 2002 NIMA Financial Statements," 23 January 2004.

(U) Report Number IG03-02, "Audit of Financial Reporting for General Property, Plant, and Equipment," 30 January 2003.

(U) Inspector General, DoD

(U) Report No. D-2007-057, "Use and Controls over Military Interdepartmental Purchase Requests at the National Geospatial-Intelligence Agency," 13 February 2007.

(U) Report Number D-2006-056, "Reliability of the FY 2004 Financial Statements for the National Geospatial-Intelligence Agency," 29 April 2005.

(U) Report Number D-2006-057, "Corrective Actions for Previously Identified Deficiencies Related to the National Geospatial-Intelligence Agency Financial Statements," 28 February 2005.

(U) Other

(U) [REDACTED]

(U) Defense Contract Management Agency, "Procurement Management Review on NGA's Acquisition Contracts Office," November 2006.

(U) Inspector General Assessment of Management and Performance Challenges for the FY 2008 NGA Agency Financial Report

Report Number OIG-08-01

23 September 2008

Office of Inspector General

NATIONAL GEOSPATIAL-INTELLIGENCE AGENCY

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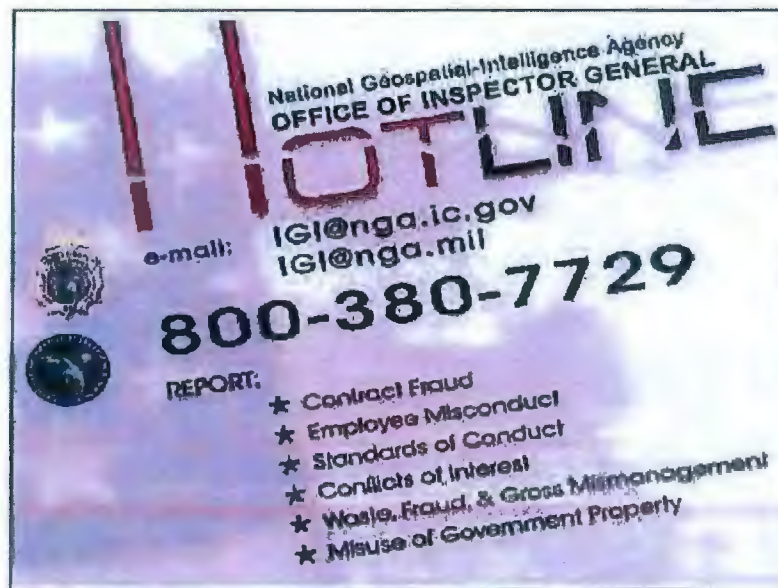
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23 September 2008

(U) MEMORANDUM FOR DIRECTOR, NATIONAL GEOSPATIAL-
INTELLIGENCE AGENCY
CHIEF FINANCIAL EXECUTIVE

(U) SUBJECT: Office of Inspector General's Assessment of
Management and Performance Challenges for the
FY 2008 NGA Agency Financial Report

1. (U) We are providing this report for your information and use. This assessment was prepared in response to a request from the Financial Management Directorate. Specifically, the Financial Management Directorate requested that the Office of Inspector General provide an assessment of the most serious management and performance challenges facing NGA to support the FY 2008 NGA Agency Financial Report.

2. (U) We prepared the assessment in accordance with Office of Management and Budget Circular A-136, "Financial Reporting Requirements," 30 June 2008. This assessment provides the projects that the NGA Office of Inspector General has completed to assist NGA leadership with addressing its management challenges. The challenges were in the areas of: financial management, acquisition processes and contract management, information security and privacy, human capital, and other (New Campus East).

3. (U) The point of contact for this matter is [REDACTED]
[REDACTED]
[REDACTED]

THOMAS J. BURTON
Inspector General

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(U) Background

(U) On 15 August 2008, the [REDACTED] in the NGA Financial Management Directorate requested that the Office of Inspector General (OIG) prepare an assessment to support the FY 2008 NGA Agency Financial Report. This report provides the IG's assessment of the most serious management and performance challenges facing NGA. The Appendix provides a list of prior Office of the IG coverage applicable to the challenges discussed in the report.

(U) Office of Management and Budget Guidance. On 30 June 2008, the Office of Management and Budget (OMB) updated Circular A-136, "Financial Reporting Requirements." The circular supersedes all previous OMB memoranda, bulletins, and circulars relating to financial reporting requirements. The circular provides guidance to the Chief Financial Officers and Inspectors General on the preparation of agency FY 2008 Performance and Accountability Reports, which contain the agency financial statements. The circular states the Performance and Accountability Report must include a statement prepared by the agency's IG summarizing what the IG considers to be the most serious management and performance challenges facing the agency, and a brief assessment of the agency's progress in addressing those challenges. NGA is producing an alternative to the consolidated Performance and Accountability Report called an Agency Financial Report.

(U) DoD Management Challenges. The Office of the Inspector General (OIG), DoD, identified the following six DoD management challenges:

- (U) Financial Management
- (U) Acquisition Processes and Contract Management
- (U) Information Security and Privacy
- (U) Human Capital
- (U) Joint Warfighting and Readiness
- (U) Other

(U) Scope and Methodology. The OIG used four of the six categories above to assess NGA's management and performance challenges. That assessment is depicted in the next section.

~~(U//FOUO)~~ The assessments were based on work completed by the DOD Office of Inspector General, NGA Office of Inspector General, NGA Leadership, and the [REDACTED]

~~(U//FOUO)~~ The work performed by the Office of Inspectors General was completed in accordance with Generally Accepted Government Auditing Standards, July 2007; the President's Council on Integrity and Efficiency, Quality Standards of Inspections, January 2005.

(U) Management and Performance Challenges

(U) For this report, we have categorized NGA's management and performance challenges under each of the applicable DoD management challenges.

(U) Challenge Area 1: Financial Management

(U//~~FOUO~~) Financial management is critical in improving the efficiency and effectiveness of agency operations to include ensuring that the agency is making best use of resources provided for accomplishing its mission. An important element in financial management is the ability to produce complete, reliable, timely, and consistent financial information for use in the financing, management, and evaluation of agency programs. Financial statements are the method for reporting to stakeholders on the agency's stewardship of resources provided by Members of Congress. NGA currently does not have the capability to produce auditable financial statements. NGA's goal is to have an unqualified audit opinion on the FY 2012 statements. NGA continues to implement the DoD Comptroller's Financial Improvement and Audit Readiness Plan, which is a strategy to identify and implement the appropriate corrective actions to prepare NGA for a full financial audit and an unqualified audit opinion.

(U//~~FOUO~~) NGA completed several actions in FY 2008 which will move NGA closer to the goal of achieving an unqualified audit opinion on the FY 2012 statements. NGA completed documentation of internal controls related to financial reporting at the transaction level and continued testing of controls to meet requirements of Appendix A in OMB Circular A-123, "Management Accountability and Control." NGA also implemented policies and procedures to identify and track intra-governmental transactions for acquiring goods and services. It also completed standard operating procedures that will provide documentation for financial auditability and will serve as the basis for detailed desktop procedures. In addition, NGA established an NGA Audit Liaison Group to enlist stakeholder involvement in audit preparation and overall process improvement. NGA also participated in four Office of the Director of National Intelligence sponsored working groups to address issues associated with financial statements in the areas of: Plant, Property and Equipment; Intra-governmental Transactions; Fund Balance with Treasury; and Financial Management Modernization.

(U//~~FOUO~~) NGA and DoD OIG have completed work in areas that affect the auditability of financial statements. Deficiencies were found in the areas of Military Interdepartmental Purchase Requests and time and attendance (T&A) for payroll.

(U) Military Interdepartmental Purchase Requests

(U//~~FOUO~~) NGA uses Military Interdepartmental Purchase Requests (MIPRs) to transfer funding to other DoD and other agencies for acquiring goods and

services on behalf of NGA. For the period of FY 2003 through the first quarter of FY 2006, NGA issued 3,881 MIPRs valued at \$4.2 billion. An DoD OIG audit found that NGA could not demonstrate that its use of Military Interdepartmental Purchase Requests complied with DoD and other Federal regulations governing interagency agreements. The lack of adequate internal controls and supporting documentation significantly increased the risk that the 58 sampled MIPRs issued to acquire \$180.8 million in goods and services did not satisfy bona fide needs, were not based on best value, and did not comply with appropriation laws, and thus could have violated the Antideficiency Act. The Financial Management Directorate completed preliminary reviews of the 58 MIPRs and concluded that 56 were not violations and two were referred to the NGA OIG for investigation as possible Antideficiency Act violations. The investigations are currently on-going.

(U) Payroll Time and Attendance

(U//~~FOUO~~) One of NGA's biggest expenses is salaries for its employees. NGA and DoD OIG conducted projects in this area that identified deficiencies with documentation and recording of time and attendance (T&A) information for payroll. Accurate recording and documenting of payroll information is essential to achieving auditable financial statements.

(U//~~FOUO~~) NGA OIG Inspection Division conducted an inspection of T&A in the [REDACTED] which contains the [REDACTED] number of NGA employees. Only 51 percent of the timekeepers surveyed reported that employees did not routinely submitted supporting documentation, such as leave slips, with their timesheets to support deviations from their regular work schedule. Further, only 69 percent of the supervisors surveyed reported that they did not routinely required employees to submit a leave slip with their timesheet. However, for the pay periods reviewed, we determined that 76 percent of the leave hours paid were not supported by a written request or leave slip. We determined that 87 percent of the hours taken for overtime and compensatory time were not supported by written requests. In addition, we did not find any documented evidence of supervisory approval for overtime and compensatory time.

(U//~~FOUO~~) We also found that all employees did not sign their timesheets; that all approving officials did not approve T&A reports; and that all supervisors did not verify employees' Defense Civilian Payroll System records. As a result, management controls were not adequate to appropriately certify T&A reports. We did not find any evidence of detailed instructions (at the office level) for reviewing, verifying, and certifying T&A reports for each assigned employee and noted examples of 20 different timesheet formats with variations in reporting T&A information. While we know of no requirement to use one specific format, the use of various timesheet formats may be a contributing factor to the inconsistent practices used by timekeepers and supervisors to administer and provide oversight of T&A activities. We also determined that the [REDACTED]

[REDACTED] provided timekeepers with access to employee Defense Civilian Payroll System data beyond that required for administering T&A for personnel within the timekeepers' assigned T&A group. Allowing broad access to Defense Civilian Payroll System data increases the risk of fraud, waste, and abuse. The inspection memorandum made three suggestions for improving T&A administration. Management has taken corrective action on one of the three suggested actions. Management is in the process of addressing the remaining two suggested actions

(U//FOUO) NGA OIG Audit Division conducted a special review of time an attendance for a division within the [REDACTED]

[REDACTED] This review revealed that employees did not routinely submit signed time sheets and leave slips for unexpected leave to their supervisors for review and approval. Also, supervisors did not sign all timesheets to indicate review and approval of reported T&A information and did not validate and certify that the data entered into Defense Civilian Payroll System was correct. We also found that the division was not retaining copies of all T&A records. The special review report contained seven recommendations.

(U//FOUO) DoD OIG also conducted an audit of NGA T&A controls. The audit determined that NGA has not established adequate controls over T&A reporting. DoD auditors sampled the time sheets of 30 employees and identified several deficiencies: employees did not include all the required data on their timesheets; supervisors had not approved some timesheets; employees worked overtime or compensatory time without proper approval; and most employees had hours on their T&A report that differed from the hours reported in Defense Civilian Payroll System. In addition, NGA had not established controls related to overtime and premium pay. The audit revealed that NGA did not document employee work schedules to substantiate pay entitlements. NGA did not identify proper overtime and premium pay disbursements, including duplicate payments to personnel ineligible for premium payments and did not monitor the overtime hours reported by deployed NGA employees. The report contained six recommendations. Management is in the process of addressing the recommendations.

Challenge Area 2: Acquisition Processes and Contract Management

(U) Contracting Officer Representatives

(U//FOUO) In FY 2008, the NGA OIG published a report on a self-initiated audit of the Effectiveness of Contracting Officer's Representatives' (CORs') Oversight of NGA Contracts. We reviewed whether CORs were adequately trained to monitor contractor performance and adequately documented their surveillance of contractor performance for their assigned contracts. We determined that improvements are needed in several areas to strengthen NGA CORs' oversight of contracts. Specifically, improvements are needed in procedures for tracking CORs, evaluations of COR performance, and COR initial and refresher training. Improvements are also needed in surveillance of contractor performance to include issuance of COR appointment memorandums, preparation of written quality assurance surveillance plans, submission of performance assessment reports, standardization of a filing system for surveillance documentation, and written designation of technical monitors' duties. The report made 18 recommendations to correct identified deficiencies. Management is in the process of addressing the recommendations.

(U//FOUO) In FY 2008, the NGA OIG and [REDACTED] OIG jointly published a report on a joint audit on the use of special authorities in support of NGA. The 1996 NIMA Act authorizes the [REDACTED] to provide administrative and contract services to NGA as if it were an organizational element of [REDACTED]. A memorandum of agreement was signed by the [REDACTED], and the Director, NGA, stating that contracting activities will be conducted in accordance with the [REDACTED] Contracting Manual and authorized deviations from the manual. The audit determined that contracting officers were not always requesting that [REDACTED] and NGA attorneys conduct legal reviews of contract documents in accordance with the memorandum of agreement. In addition, NGA contracting officers were assigning contracting officer technical representatives who were not properly certified in accordance with the [REDACTED] contracting officer technical representative certification procedures to administer contracts awarded using [REDACTED] procurement authority. The report contained two recommendations. Management is in the process of addressing the recommendations.

(U) Purchase Cards

(U//FOUO) In FY 2007, the NGA OIG Audit Division published a report on an audit of the NGA purchase card program. We found that NGA procedures for processing potential Antideficiency Act (ADA) violations did not comply with DoD policy and need to be revised. We also discovered that purchase cardholders and approving officials were not properly trained. Training for purchase cardholders and approving officials was not timely, and training for approving officials was incomplete. We determined that Agency Program Coordinators did

not conduct annual reviews of the biennial refresher training requirements, and purchase cardholders and approving officials did not always complete the required biennial refresher training on time. In addition, the current NGA initial training required for approving officials does not provide the level of appropriations law training required by the OMB Circular A-123, "Management's Responsibility for Internal Control," February 2006, and Volume 5, "Disbursing Policy and Procedures," November 2006, of the DoD Financial Management Regulation. The audit also revealed that NGA Purchase Card Program personnel did not adequately monitor NGA's purchase card activity. Improvements are also needed in the following five areas: staffing of Agency Program Coordinator positions; inclusion of purchase card duties in the critical job elements of purchase cardholders and approving officials; surveillance by approving officials; procedures for processing ADA violations; and separation of duties between purchase cardholders and hand receipt holders. The report made 14 recommendations. Management has taken corrective actions to address 11 of the 14 recommendations. Management is in the process of addressing the remaining 3 recommendations.

Challenge Area 3: Information Security and Privacy

(U) Privacy

(U//~~FOUO~~) During the FY 2008 Federal Information Security Management Act of 2002 assessment, the NGA OIG Audits Division determined that the NGA Privacy Program needs improvement. OMB Memorandum M-03-22, "OMB Guidance for Implementing the Privacy Provisions of the E-Government Act of 2002," 26 September 2003, requires agencies to conduct and submit privacy impact assessments of all systems and applications that collect, store, maintain, transmit, or use personally identifiable information. The NGA [REDACTED] is continuing its efforts to provide enhanced outreach and awareness, implementation guidance, training, and monitoring of privacy compliance activities. Although the Privacy Program is progressing, work remains to be done. The documents that the Privacy Program developed last year, including the Privacy Impact Assessment Process, have been updated, but they are still in draft.

(U//~~FOUO~~) The [REDACTED] is also working to integrate the Privacy Impact Assessment Process into the certification and accreditation process to help ensure that privacy and security are incorporated into all phases of the system development lifecycle and that security controls are in place to protect systems which contain personally identifiable information. [REDACTED] management still needs to approve the draft privacy documents and issue surveys NGA-wide to begin obtaining information on NGA systems that may contain personally identifiable information. A pilot project will be initiated to obtain the necessary information regarding privacy information contained in information systems. NGA reported that privacy impact assessments will be performed on 20 previously identified systems that contain Privacy Act information. System of records notices for the 20 systems identified were completed from 1993 through 2006. [REDACTED] plans to conduct privacy impact assessments for all NGA systems that are found to contain personally identifiable information.

(U//~~FOUO~~) Due to heightened awareness throughout the government to prevent employees from identity theft, NGA implemented the use of unique employee identifier numbers versus social security numbers in December 2007. NGA is working stringently to maintain control of access to employees' social security numbers and no longer displays full social security numbers in the PeopleSoft system or in reports. In March 2008, the [REDACTED] provided a mandatory Privacy Awareness training course to all NGA employees. From March to May 2008, 53.3 percent of all NGA employees had completed the course. The course provides an overview of fundamental concepts and federal privacy regulations and laws related to the protection of privacy information that NGA collects and maintains. The review report made one recommendation to strengthen the NGA Privacy Program. Management is in the process of addressing the recommendation.

(U) Personal Electronic Devices (PEDs)

(U//~~FOUO~~) During the assessment of the FY 2008 Federal Information Security Management Act of 2002, [REDACTED] personnel reported that 99.1 percent of all PEDs were registered and accredited. To track the certification and accreditation of PEDs, [REDACTED] personnel use multiple spreadsheets and the XACTA Information Assurance Manager tool. Only one spreadsheet is used to maintain and update the current certification and accreditation of PEDs. [REDACTED] personnel could not provide any documentation to support that 99.1 percent of all PEDs were registered and accredited. We attempted to validate the reported 99.1 percentage spreadsheet but were unable to do so.

(U//~~FOUO~~) NGA has certified and accredited more than 1,500 PEDs since 1 March 2007; however, NGA's efforts over the last year have focused mainly on the PEDs that were unaccredited as of April 2007. As a result, accreditations for numerous PEDs have since expired, and some of the new PEDs have not been accredited and included on an approved security plan. The [REDACTED] does not have an accurate accounting of the certification and accreditation of all PEDs. The review report contained three recommendations to correct this situation. Management is in the process of addressing the recommendations.

(U) Intelligence Oversight

(U//~~FOUO~~) Intelligence oversight (IO) is a policy, established through a series of Executive Orders, (such as E.O. 12333), directives, regulations and instructions, which enable DoD intelligence components involved with foreign intelligence activities to carry out their authorized missions and functions. IO is extremely important to NGA because it was established to ensure that all activities of an intelligence component, that affect U.S. persons, are carried out in a manner that protects the Constitutional and privacy rights of such persons. All employees of NGA, regardless of status -- civilians, military, contractors, affiliates, temporary or permanent, on assignment or detail -- are required to have IO training, unless specifically exempted in writing.

(U//~~FOUO~~) The NGA OIG Inspections Division conducts IO inspections of NGA organizations. The objectives of these inspections are to determine whether employees are familiar with the IO program, including procedures for recognizing and reporting questionable activities, and whether they had completed initial and annual IO training as required. The results of the inspections show that NGA employees are generally aware of their IO responsibilities. However, opportunities exist to improve employee training and program management. The program management responsibilities for IO will soon move from the [REDACTED] [REDACTED] to the [REDACTED]. Once the [REDACTED] officially becomes the program manager, it plans to review the entire program to include training, to determine what elements of the program need to be enhanced.

Challenge Area 4: Human Capital

(U) Diversity

(U//~~FOUO~~) Diversity and inclusion is a mindset in which we appreciate and respect individuals and leverage their similarities and unique differences through diverse thoughts, backgrounds, attributes, experiences, and perspectives to perform as one NGA Team. One of the Director's 12 focus areas is to "invest in our people with a commitment to diversity, to preserve our nation's GEOINT [geospatial intelligence] advantage." Diversity is critical to mission success at NGA. The NGA OIG Inspections Division conducts component inspections of NGA organizations. Over the past two years, we have conducted component inspections of some of NGA's largest organizations. One element that is always addressed in these inspections is diversity. To assess an organization's diversity, we ask for statistics from the NGA [REDACTED]

[REDACTED] The statistics reveal that although NGA is making great strides to become more diverse, more needs to be done through recruitment and retention efforts.

(U//~~FOUO~~) NGA senior leadership is committed to increasing diversity within NGA. [REDACTED] is engaged in many initiatives to increase diversity and diversity awareness throughout NGA. Each Key Component (major office or directorate) has a diversity representative who serves as liaison between their office and [REDACTED]. These representatives serve as a conduit for information about NGA's diversity events, activities and initiatives. They assist in identifying organizational processes and procedures that may negatively impact diversity, and recommend solutions. They participate in working groups to help lead change and champion people-oriented issues. Diversity representatives assist [REDACTED] in integrating diversity initiatives into Key Component planning and bring diversity issues, challenges, and best practices from their Key Component to [REDACTED]. Each of the 15 Key Components also has an equality executive which is all at the senior executive level. Besides having developed a diversity strategic plan, [REDACTED] also provides diversity training and holds numerous events throughout the year to educate the NGA workforce about diversity.

(U) Recruitment and Retention

(U) New technologies, a global economy, the spread of weapons of mass destruction, the long war on violent extremism, and the emergence of elusive adversaries require a technically superior workforce that is more agile and more empowered than ever before. During the NGA OIG Inspections Divisions' component inspections of NGA organizations, we evaluated managements' efforts concerning hiring and retention and found that management said that they do not have a major problem within attrition. However, they do have challenges with hiring employees with the appropriate skill sets for the future to meet the expanding mission requirements and technological demands, due to lack of

funding for additional staff. NGA leadership recognized that they cannot succeed without a workforce equipped with the skills necessary to meet evolving mission needs. To meet such challenges, NGA must strengthen its ability to attract, develop, motivate, and retain a mission-ready workforce that is highly skilled, results-focused, and flexible. Therefore, NGA created Workforce Excellence at NGA, which is a strategy to meet personnel goals now and in the future. This strategy provides objectives that will assist NGA with meeting the goals of the NSG Statement of Strategic Intent through attention to the workforce. The level of experience is declining in some key skill areas, a decline brought on by normal attrition, increased competition for technical skills, and the nationwide shortage of job candidates with scientific, engineering, and foreign language abilities. While NGA has several programs to engage and encourage potential candidates with the desired competencies to seek employment opportunities, NGA must continue expanding these programs and develop new ones. NGA must take advantage of diverse recruitment sources, opportunities, and networks, including existing academic and industry partnerships. In addition, NGA must understand and plan for the new skills and development strategies that future technologies will require of the workforce.

Challenge Area 5: Other

(U) New Campus East

(U//~~FOUO~~) This initiative is in this section because it encompasses all of the management challenges facing NGA. The Base Realignment and Closure review process ended on 8 November 2005 when it became law. Congress did not overturn the DoD's recommendations, and President Bush had approved the list in September 2005. Base Realignment and Closure includes provisions for the closure of 22 major bases and the restructuring of 33 others. As part of Base Realignment and Closure, many NGA East locations will be consolidated into a new 2.4 million square foot facility of general administrative space located at the engineering proving grounds at Ft. Belvoir, Virginia, and is referred to as the New Campus East. This move will vacate about 1 million square feet of existing leased space, create more synergy within the agency, reduce operations and maintenance costs, improve site management efficiency, address antiterrorism and force protection issues, accommodate actual and programmed growth at NGA, and address NGA capacity issues.

(U//~~FOUO~~) The consolidation replaces five NGA substandard facilities that are not economically repairable within the National Capital Region and provides the opportunity to increase synergy between functional and geographic analysts. This consolidation will also support close coordination required between the National Reconnaissance Office and NGA in research and development and acquisition, and collocates NGA operations in the east with the NGA College. Finally, the NCE ensures access to adequate communications infrastructure needed for moving imagery files. To oversee the NCE, NGA created the NCE Program Management Office. The mission of this office is to deliver NGA to the New Campus East. This is a massive challenge because it involves building a new building considering security, space, communications, time, funding, and design. After the NCE is built, people, equipment, and processes must be moved from several NGA East locations to the NCE. The move must be completed by 15 September 2011. The NCE project is on schedule and a phased 18 month move will begin in 2010.

(U) Applicable Prior Coverage

(U) NGA OIG

1. (U) Inspection Memorandum on the Analysis and Production Directorate's Time and Attendance Administration; U-292-07/OIG, 21 November 2007
2. (U) Inspection Reports on Intelligence Oversight: Various Report Numbers (from 1 October 2007 through 30 September 2008)
3. (U) Report Number. OIGA08-A02, "Audit of the Effectiveness of Contracting Officer's Representatives' Oversight of NGA Contracts," 1 August 2008
4. (U) Report Number OIGA08-01, "FY 2008 Federal Information Security Management Act of 2002 Assessment of the NGA Information Assurance Program," 17 July 2008
5. (U) Draft Report Number 08-A01, "Special Review of Time and Attendance Administration in Geospatial Operations East Division," 10 July 2008
6. (U) [REDACTED]
[REDACTED]
7. (U) Report Number OIGA07-02, "Audit Report on the NGA Purchase Card Program," 28 August 2007

(U) DoD OIG

1. (U) Draft Report D2007-D000FA-0247.000, "Controls Over Time and Attendance Reporting at the National Geospatial-Intelligence Agency," 27 August 2008.
2. (U) Report No. D-2007-057, "Use and Controls over Military Interdepartmental Purchase Requests at the National Geospatial-Intelligence Agency," 13 February 2007.

(U) Inspector General's Assessment of Management and Performance Challenges for the FY 2009 NGA Agency Financial Report

23 September 2009

Office of Inspector General

NATIONAL GEOSPATIAL-INTELLIGENCE AGENCY

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(U) Additional Information and Copies

(U) The NGA Office of Inspector General prepared this report. If you have questions or want to obtain additional copies, please contact the Office of Inspector General at 301-227-7307; DSN: 287-7307.

(U) Suggestions for Audits, Inspections, Evaluations, and Reviews

(U) To suggest ideas for or to request an audit or inspection of NGA programs, activities, and operations, please call 301-227-7307, DSN: 287-7307, or fax 301-227-2771/2371. Ideas and requests can also be mailed to:

Office of Inspector General (ATTN: Inspector General)
Mail Stop D-34
National Geospatial-Intelligence Agency
4600 Sangamore Road
Bethesda, Maryland 20816-5003



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23 September 2009

(U) MEMORANDUM FOR DIRECTOR, NATIONAL GEOSPATIAL-
INTELLIGENCE AGENCY
CHIEF FINANCIAL EXECUTIVE

(U) SUBJECT: Inspector General's Assessment of Management and
Performance Challenges for the FY 2009 NGA
Agency Financial Report

1. (U) I am providing this report for your information and use. This report was prepared for the NGA Chief Financial Executive to provide our assessment of NGA's most serious management challenges as required by Office of Management and Budget Circular A-136, "Financial Reporting Requirements," revised 10 June 2009. This report highlights NGA's most serious challenges in the areas of financial management; acquisition processes and contract management; information assurance, security and privacy; and human capital. We also included a watch list of areas that warrant continued attention by NGA management.

2. (U) The points of contact for this matter are [REDACTED]
[REDACTED]
[REDACTED]

THOMAS J. BURTON
Inspector General

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(U) Management and Performance Challenges

(U) Challenge 1: Financial Management

(U) Financial management is critical in improving the efficiency and effectiveness of agency operations, to include ensuring that the agency is making the best use of resources provided for accomplishing its mission. An important element in financial management is the ability to produce complete, reliable, timely, and consistent financial information for use in the financing, managing, and evaluating of agency programs. NGA also needs to ensure that it uses and obligates appropriated funds in accordance with applicable laws and regulations.

(U) Auditable Financial Statements

(U//FOUO) Financial statements are the method used for reporting to stakeholders on the agency's stewardship of resources provided by Congress. Producing auditable financial statements continues to be a challenge for NGA. NGA planned to move to a new accounting system, the [REDACTED]. However, because of several issues with this system, the Office of the Director of National Intelligence (ODNI) directed NGA to suspend implementation until ODNI completes its own evaluation of [REDACTED].

(U//FOUO) NGA continues to move forward to obtaining auditable financial statements and has a goal of achieving an unqualified audit opinion on its FY 2012 statements. NGA is implementing the Financial Improvement and Audit Readiness Plan, which is a strategy to identify and implement the appropriate corrective actions to prepare NGA for a full financial audit and an unqualified audit opinion. In FY 2009, NGA completed several actions that bring it nearer to the goal of achieving an unqualified opinion on its FY 2012 statements:

- Actively participated in ODNI-sponsored working groups to address property, plant, and equipment; intra-governmental transactions; and fund balance with Treasury.
- Drafted a Concept of Operations for a Central Property Management Office and anticipates standing up this function in FY 2010.
- For personal and real property, completed risk assessments and internal control testing, and finalized business process narratives and flow charts for reporting.
- Implemented reporting requirements on Military Interdepartmental Purchase Requests used to acquire personal property.

- Established a process for correctly reporting the status of funds advanced to other governmental agencies to meet NGA requirements.
- Developed a Request for Change for issuance to NGA contractors to obtain information on the impact of implementing property, plant, and equipment-related financial reporting on existing contracts.
- Developed standard intergovernmental transfer procedures with the Defense Finance and Accounting Service.

(U) Obligation of Funds

(U//~~FOUO~~) This year, the auditors found instances where NGA was not obligating funds in accordance Title 31, Money and Finance, of the U.S. Code, and with DoD regulations.

(U//~~FOUO~~) During an audit of the [REDACTED] contract award fee, we found that NGA was prematurely obligating funds for award fees. We found that NGA obligated award fees for the [REDACTED] contract before the fee-determining official decided the actual award fee that the contractor earned. In addition, NGA did not deobligate unearned award fees. The practice of obligating available amounts in the award fee pool prior to a determination of the actual amount to be paid to the contractor is not in compliance with federal law, DoD and NGA regulations. Furthermore, NGA was prematurely obligating award fees for other NGA award fee contracts. Management agreed to take corrective action and discontinue the practice.

(U//~~FOUO~~) This year, we completed an Antideficiency Act investigation that concluded that there is a \$9.63 million Antideficiency Act violation related to the recapitalization of [REDACTED] for an NGA system. There were [REDACTED] violations. [REDACTED]

[REDACTED] NGA senior management agreed to take corrective actions.

(U) Challenge 2: Acquisition Processes and Contract Management

(U//~~FOUO~~) Evaluating and monitoring the performance of contractors continues to be a challenge for NGA. This year we completed projects that addressed the [REDACTED] contract and the contractors [REDACTED]

(U) [REDACTED]

(U//~~FOUO~~) We recently completed an audit on the award fee for the [REDACTED] contract, which is one of NGA's [REDACTED] contracts with an estimated value of [REDACTED]. We found that NGA followed several sound practices in establishing the [REDACTED] award-fee plan for period [REDACTED] and in evaluating the [REDACTED] contractor's performance for that period. However, we also found that:

- (U//~~FOUO~~) [REDACTED]

- (U//~~FOUO~~) [REDACTED]

(U) [REDACTED]

(U//~~FOUO~~) In FY 2009, the OIG conducted an inspection to assess the accuracy and quality of [REDACTED] and [REDACTED]. The inspection focused on the [REDACTED] and its contractors that support them. To its credit, the [REDACTED] became [REDACTED] certified to ensure the quality of its products and consistency of processes across the organization. That said, for [REDACTED] we found that NGA needed to improve its quality assurance and quality control processes for monitoring contractors as well as improve the rating criteria for evaluating the [REDACTED] products produced by contractors.

(U) Challenge 3: Information Assurance, Security and Privacy

(U) Ensuring a robust information assurance, security and privacy program is in place continues to be a challenge. Such a program includes periodic risk assessments; security awareness training; security policies, procedures, and practices, as well as tests of their effectiveness, procedures for addressing deficiencies and for detecting, reporting, and responding to security incidents and privacy data breaches; and, ensuring the continuity of operations. As an Intelligence Community member, NGA has an additional responsibility to ensure NGA only collects, retains, or disseminates domestic imagery in accordance with Executive Order 12333, United States Intelligence Activities.

(U) Information Assurance Program

(U//~~FOUO~~) This year, we conducted our annual assessment of the NGA Information Assurance Program in accordance with the Federal Information Security Management Act of 2002, as well as an audit on the management of portable electronic devices (PEDs). We found that NGA made significant improvements in its Information Assurance Program, including the management of plans of action and milestones, accounting for its unclassified PEDs, and development of an information technology strategic plan. However, deficiencies still exist in several areas, to include certification and accreditation as well as privacy.

(U//~~FOUO~~) We identified issues associated with certification and accreditation of PEDs and systems. NGA has thousands of PEDs, that given the sensitivity of agency data, pose significant security risks. We found that NGA has not fully implemented an enterprise-wide process to centralize the purchase and issuance of PEDs. Accordingly, NGA cannot be assured that there are adequate controls over PEDs. In addition, NGA does not have an accurate accounting of the certification and accreditation for all PEDs. Numerous PEDs were not properly certified and accredited in accordance with NGA policy. For systems, we found that NGA generally adhered to the certification and accreditation policy and processes; however, NGA reported that 35 of the 376 systems (9 percent) were not accredited at the time of our review.

(U//~~FOUO~~) Since last year's assessment, NGA has made progress in implementing a privacy program. NGA developed a process for performing privacy impact assessments, which has been used since August 2008. Also, NGA identified the systems that contained personally identifiable information and conducted assessments on all of them. However, at the time of our review, the privacy impact assessment documents outlining the process had not been finalized, including the NGA [REDACTED] Directive, System of Records Notice and Privacy Impact Assessment, and the NGA [REDACTED] Procedure, Privacy Impact Assessment and System of Records Notice Process.

(U) Intelligence Oversight

(U) Executive Order 12333, United States Intelligence Activities, provides policy on collection, retention, or dissemination of information, including imagery, concerning U.S. persons. The Executive Order states that the U.S. Government has a solemn obligation, and shall continue in the conduct of intelligence activities, to protect fully the legal rights of all U.S. persons, including freedoms, civil liberties, and privacy rights guaranteed by Federal law.

(U//~~FOUO~~) Intelligence Oversight (IO) was established to ensure that all activities of an intelligence component that affect U.S. persons are carried out in a manner that protects constitutional and privacy rights. All NGA employees, regardless of status—civilians, military, contractors, affiliates, temporary or permanent, on assignment or on detail—are required to take IO training, unless exempted in writing.

(U//~~FOUO~~) This year, we conducted several IO inspections of NGA organizations. The results of these inspections showed that NGA employees are generally aware of their IO responsibilities, but training and Key Component implementation continues to be a challenge. During FY 2009, the [REDACTED] became the program manager and is currently revamping the program.

(U//~~FOUO~~) This year, we completed an inspection of the Proper Use Memorandum (PUM) process, which is used for collection of domestic imagery. NGA is the program manager for all Federal Government requests for domestic imagery, which is managed by the NGA [REDACTED]. NGA analysts and customers must submit a PUM to collect and use domestic imagery. The imagery user organization will annually submit a PUM that defines their requirements and intended use, and contains a proper use statement which acknowledges their awareness of the legal and policy restrictions regarding domestic imagery. During our inspection, we found that NGA established comprehensive and collaborative guidance for disclosure and release of geospatial intelligence; however, ODNI guidance has hindered NGA's ability to establish community-wide policy for disclosure and release of geospatial intelligence. NGA is working to resolve these issues.

(U) Challenge 4: Human Capital

(U//FOUO) People are the most important asset of an organization. NGA must recruit, train, and retain a highly-skilled workforce that is flexible and meets future changing and expanding mission requirements and technology demands. Challenges to NGA include attrition, competition for talent, and the optimal workforce mix to meet current and future mission requirements.

(U) Diversity

(U) Diversity and inclusion is a mindset in which NGA personnel appreciate and respect one another. We leverage their similarities and unique differences through diverse thoughts, backgrounds, attributes, experiences, and perspective to perform as an effective NGA team. Diversity is critical to mission success at NGA.

(U//FOUO) In FY 2009, we conducted an inspection of the NGA [REDACTED]. The objective of the inspection was to provide an assessment of the [REDACTED] performance against its mission objectives as well as to determine the effectiveness of its management of diversity and Equal Employment Opportunity (EEO) strategies to assist NGA in meeting its diversity and EEO goals. We found that [REDACTED] developed the NGA Diversity and Inclusion Strategic Plan that identifies the primary goals for diversity within NGA. NGA needs to develop an overall EEO Strategic Plan as well as a business plan and related performance measures that is aligned with the Diversity and Inclusion Strategic Plan. Each NGA Key Component has a diversity representative who serves as liaison between their office and [REDACTED]. Finally, [REDACTED] developed a Diversity Score Card, provided diversity training, hosted an annual NGA Diversity Summit, and held numerous events throughout the year to educate the workforce about diversity. Over the past three years, we conducted component inspections of some of NGA's largest organizations. Although [REDACTED] statistics show that NGA is making great strides to become more diverse, we found that more needs to be done in the area of recruitment and retention.

(U) Recruitment and Retention

(U) Over the next several years, many of NGA's experienced employees will retire leaving a predominately junior, less experienced workforce. Because of a constantly changing global environment and limited resources, NGA will need a workforce that can meet future requirements, respond more effectively to dynamic threats, and evolve new capabilities. During component inspections, we evaluated hiring and retention efforts. We found that management, due to lack of funding, is challenged with hiring employees who have the appropriate skill sets to meet future expanding mission requirements and technological demands.

(U//~~FOUO~~) To meet such challenges, NGA must strengthen its ability to attract, develop, motivate, and retain a mission-ready workforce that is highly skilled, results-focused, and flexible. As a strategy to meet personnel goals now and in the future, NGA created Workforce Excellence at NGA. This strategy establishes objectives that will assist NGA in meeting the goals of the National System for Geospatial Intelligence Statement of Strategic Intent through attention to the workforce. NGA must take advantage of diverse recruitment sources, opportunities, and networks, including existing academic and industry partnerships. In addition, NGA must understand and plan for the new skills and strategies to develop skills that future technologies will require of the workforce. To establish a cadre of qualified employees, NGA has been holding hiring blitzes, visiting college campuses, and recruiting at conferences to select potential candidates to fill vacancies as employees attrit.

(U) Reliance on Contractors

(U//~~FOUO~~) In addition to recruiting and retaining government personnel, NGA needs to determine the optimal workforce mix of government and contractor personnel to effectively meet NGA's current and future mission requirements. Contractors have become an integral part of the Intelligence Community and provide the government with the capability to expand its workforce to meet surges in work demands, as well as flexibility and expertise that complement military and civilian personnel. An audit by the U.S. Senate Select Committee on Intelligence of the significant increase in Intelligence Community personnel found, however, that most agencies cannot account for the number of contractors that work for them or provide projections regarding the number of contractors they will need to hire in the future.

(U) We initiated an audit based on Congressional interest in the size and functions performed by the Intelligence Community contractor workforce. The degree of reliance on contractors varies across NGA organizations. As of December 2008, the PeopleSoft database showed that the contractor workforce represented about [REDACTED] percent of NGA's workforce. In the 14 directorates and offices with a workforce of [REDACTED] or more NGA employees and contractors, contractors ranged from 19 percent [REDACTED] to 85 percent [REDACTED].

(U//~~FOUO~~) We found that NGA has yet to identify the optimal workforce mix of contractors and government personnel necessary to perform its mission. Specifically, NGA needs to define "contractor," quantify the size of its contractor workforce, establish a process to collect key information on contractors to respond to information requests from NGA management and oversight organizations, and establish a corporate-level process to identify and implement the optimal mix of contractor and government personnel.

(U) Watch List

(U//FOUO) In addition to the aforementioned management and performance challenges, we are including this "watch list" of issues that warrant continued attention by NGA managers.

(U) Time and Attendance Administration

(U//FOUO) The Office of Inspector General, DoD, and our office conducted reviews of NGA time and attendance, and found issues related to preparation, review, approval, verification, and retention of time and attendance records, as well as adequacy of agency policies and procedures. NGA management is currently updating their policies and procedures in this area, but as of September 2009, they have not been implemented. We will continue to monitor and have a future audit in this area to validate that management has corrected the findings.

(U) New Campus East

(U) As a result of the congressionally mandated Base Realignment and Closure 2005, NGA must relocate its eastern operations to Ft. Belvoir (New Campus East) by 11 September 2011. To meet this challenge, management needs to continue to carefully monitor activities necessary to meet the mandated relocation date.

(U) Records and Information Management

(U//FOUO) An NGA Records Storage Study, dated September 2006, found that NGA was not ensuring employees take records management training, NGA did not have an electronic records management system, and that there is a greater potential for mishandling or inadvertently destroying records as organizations attempt to fit into new spaces at New Campus East. We completed an inspection in FY 2009 of the [REDACTED] and found that these issues still exist. We also found that New Campus East may not have adequate record storage and the record storage may not be compliant with National Archives and Records Administration guidelines.

(U) Safety of Navigation

(U//FOUO) In FY 2009, the OIG conducted an inspection to assess the accuracy and quality of maritime products specific to the Digital Nautical Chart Program and Notices to Mariners. In addition to the [REDACTED] we found that there were issues with communication with customers and there was a significant Notice to Mariners backlog that could adversely affect navigation safety because information is not being provided to customers in a timely manner.

(U) Appendix: Applicable Prior Coverage

(U) Office of Inspector General, DoD

- (U) Controls Over Time and Attendance Reporting at the National Geospatial-Intelligence Agency; Report No. D-2009-051, 9 February 2009.

(U) Office of Inspector General, NGA

1. (U) Inspection Memorandum on the Analysis and Production Directorate's Time and Attendance Administration; memorandum U-292-07/OIG, 21 November 2007
2. (U) Report on the Intelligence Oversight Inspection of the Security and Installation Operations Directorate, Counter Intelligence office; Report No. OIGE-08-IO-01; 29 October 2008.
3. (U) Report on the Intelligence Oversight Inspection of the Office of International Affairs and Policy; Report No. OIGE-08-IO-08; 19 August 2008.
4. (U) Inspection Report on the Mission Management Division (EGM); Report No. OIGE09-01; 10 October 2008.
5. (U) Special Review of Time and Attendance Administration in Geospatial Operations East Division; Report No. OIGA09-01; 22 December 2008.
6. (U) Inspection of the Office of International Affairs and Policy; Report No. OIGE09-02; 02 March 2009.
7. (U) Issue Inspection of the Office Global Navigation, Maritime Services Domain, PVM; Report No. OIGE09-03; 27 May 2009.
8. (U) Audit of the Management of NGA Portable Electronic Devices; Report No. OIGA09-02; 17 June 2009.
9. (U) Interim Report on Obligation of Award Fees, [REDACTED] Contract Award Fee; Report No. OIGA09-03; 19 June 2009.
10. (U) Draft Inspection Report on the Office of Diversity Management and Equal Employment Opportunity; Report No. CI-09-01, 26 June 2009.
11. (U) FY 2009 Federal Information Security Management Act of 2002 Assessment of the NGA Information Assurance Program; Report No. OIGA 09-04; 10 July 2009.
12. (U) Audit of NGA's Reliance on Contractors; Report No. OIGA09-04; 21 August 2009.
13. (U) Draft Audit Report on the Audit of [REDACTED] Contract Award Fee, Project. 09-A01, 16 September 2009

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**(U) Inspector General's Assessment
of Management and Performance
Challenges for the FY 2010 NGA
Agency Financial Report**

13 September 2010

NATIONAL GEOSPATIAL-INTELLIGENCE AGENCY



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13 September 2010

MEMORANDUM FOR DIRECTOR, NATIONAL GEOSPATIAL-INTELLIGENCE
AGENCY
CHIEF FINANCIAL EXECUTIVE

SUBJECT: (U) Inspector General's Assessment of Management and
Performance Challenges for the FY 2010 NGA Annual
Financial Report

1. (U) I am providing this report for your information and use. This report was prepared for the NGA Chief Financial Executive to provide our assessment of NGA's most serious management challenges, as required by Office of Management and Budget Circular A-136, "Financial Reporting Requirements," rev. 10 June 2009. This report highlights NGA's most serious challenges in the areas of financial management, acquisition processes and contract management, information assurance, human capital, and safety of navigation. We also included a watch list of areas that warrant continued attention by NGA management.

2. (U) The points of contact for this matter are [REDACTED]


THOMAS J. BURTON
Inspector General

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(U) Abbreviations

(U) FAST Forensics Analysis Support Team

(U) FM Financial Management Directorate

[REDACTED]

(U) PED portable electronic device

[REDACTED]

(U) Management and Performance Challenges

(U) Challenge 1: Financial Management

(U) Financial management is critical in improving the efficiency and effectiveness of agency operations, to include ensuring that the agency is making the best use of resources provided for accomplishing its mission. An important element in financial management is the ability to produce complete, reliable, timely, and consistent financial information for use in the financing, managing, and evaluating of agency programs. NGA also needs to ensure that it uses and obligates appropriated funds in accordance with applicable laws and regulations.

(U) Auditable Financial Statements

(U//~~FOUO~~) Producing auditable financial statements continues to be a challenge for NGA. Currently, NGA relies on Defense Finance and Accounting Service systems and labor-intensive manual processes to record financial transactions and to produce financial statements. NGA does not have a primary system of records that NGA managers and decision makers can access to obtain real-time financial information needed to manage programs, portfolios, and projects to achieve the NGA mission.

(U//~~FOUO~~) In FY 2010, we completed an audit of financial reporting for real property in St. Louis. We found that baseline values were not well documented and were incomplete and that NGA should have chosen a more appropriate method for establishing the values. NGA needs to adjust asset values for buildings at the St. Louis 2nd Street facility to comply with DoD policy effective for FY 2011 financial reporting. We also found improvements are needed to ensure that NGA is in compliance with federal and DoD guidance and that reported costs are complete and accurate.

(U//~~FOUO~~) Specifically, the audit found that NGA did not maintain adequate documentation to support the values reported on financial statements for real property; reported costs for construction in progress were not accurate and complete on NGA financial statements; and capitalization and depreciation for the St. Louis Buildings, Structures, and Facilities did not comply with DoD guidance. In addition, we found significant delays in transferring costs for completed St. Louis construction-in-progress projects to the Buildings, Structures, and Facilities, thereby causing construction in progress; Buildings, Structures, and Facilities; and depreciation values to be inaccurate on NGA financial statements. Based on the results of this audit, we believe that the Buildings, Structures, and Facilities value on the NGA financial statements is not auditable.

(U//~~FOUO~~) NGA continues to move forward in its pursuit to obtain auditable financial statements and has a goal of achieving an unqualified audit opinion on its financial statements. NGA will begin migration to the National Reconnaissance Office's core financial system where National Reconnaissance Office will become NGA's application service provider. This partnership will enable efficient migration from Defense Finance and Accounting Service accounting systems to the National Reconnaissance Office core financial system.

(U//~~FOUO~~) NGA is implementing a Corrective Action Plan, which is a strategy to identify and implement the appropriate corrective actions that will prepare NGA for a full financial audit and to obtain an unqualified audit opinion. In FY 2010, NGA's [REDACTED] accomplishments included:

- (U//~~FOUO~~) Developing a comprehensive Corrective Action Plan for the Statement of Budgetary Resources.
- (U//~~FOUO~~) Establishing a dedicated function to address property, plant, and equipment issues.
- (U//~~FOUO~~) Developing a comprehensive end-to-end Property, Plant, and Equipment concept of operations, which includes creating an NGA-wide cost accumulation policy.
- (U//~~FOUO~~) Facilitating the NGA Financial Audit Committee, which provides a forum for discussing financial improvement policy issues with NGA senior management and representatives of oversight organizations.
- (U//~~FOUO~~) Participating in Intelligence Community Special Emphasis Groups of the Office of the Director of National Intelligence to address process improvements and audit readiness for Property, Plant, and Equipment assets, Intragovernmental Transactions, and the Fund Balance with Treasury.
- (U//~~FOUO~~) Actively contributing to the Procure to Pay, Acquire to Retire, and Budget to Report Integrated Process Teams of the Office of the Director of National Intelligence. These teams are tasked with the development of standard processes and data models within the Intelligence Community.

(U) Obligation of Funds

(U//~~FOUO~~) We found instances where NGA was not obligating funds in accordance with Title 31, Money and Finance, of the U.S. Code and with DoD regulations.

(U//FOUO) During an audit of the [REDACTED] contract award fee, we found that NGA was prematurely obligating funds for award fees. We found that NGA obligated award fees for the [REDACTED] contract before the fee-determining official decided the actual award fee that the contractor earned. In addition, NGA did not deobligate unearned award fees. The practice of obligating available amounts in the award-fee pool prior to a determination of the actual amount to be paid to the contractor is not in compliance with federal, DoD, and NGA regulations. Furthermore, NGA was prematurely obligating award fees for other NGA award-fee contracts. Management agreed to take corrective action and discontinue the practice. We plan to do an audit in FY 2011 to verify whether this weakness has been corrected.

(U//FOUO) During an audit of financial reporting for real property in the St. Louis area, we identified a potential Antideficiency Act violation involving the expansion of the NGA Data Center-West facility. Our review of contract documents for the project showed that NGA used a combination of Operation and Maintenance; Procurement Defense-Wide; and Research, Development, Test, and Evaluation appropriations to fund the project instead of a Military Construction appropriation. In accordance with the DoD Financial Management Regulation, we referred the potential violation to [REDACTED] to conduct a preliminary review. [REDACTED] completed the preliminary review and concluded that there was a potential violation. On 30 March 2010, [REDACTED] referred the matter to the Office of Inspector General for formal investigation. As of the publication of this report, the formal investigation is ongoing, with a planned completion date of December 2010.

(U) Travel

(U//FOUO) We found NGA travelers and approving officials generally did not comply with federal, DoD, and NGA regulations for travel.

(U//FOUO) In FY 2010, we completed an audit of temporary duty travel costs. We randomly selected 377 vouchers from July through December 2008 and found that 56 percent contained errors. We also found that NGA travelers were overpaid a net amount of \$6,226 for the sampled vouchers, and we projected that NGA overpaid a net amount of \$180,918 for the vouchers in our population. We also identified additional opportunities for NGA to reduce travel costs from payment of state taxes on lodging, fuel for rental cars, and lodging expenses over per diem rates. For our population, we projected a cost savings of \$256,899. We also determined that there was no consistency within NGA in filing travel vouchers for off-site conferences, nor was there consistency in obtaining cost proposals from vendors when requesting off-site conference package prices. Subsequent to the report, [REDACTED] published its January 2010 "Travel Newsletter," which featured many of these issues. [REDACTED] also is updating applicable policies and procedures and implementing a postpayment review process for travel vouchers as a supplement to the audits done by the Defense Finance and Accounting Service.

(U//~~FOUO~~) In FY 2010, the NGA Office of Inspector General's Forensics Analysis Support Team (FAST) began reviewing government travel charge card transactions for misuse. Thus far, they have reviewed transactions for CY 2009 and the first two quarters of CY 2010. Tests include looking for unusual merchant category codes and transactions in the same city as the cardholder's mailing address. FAST has not yet identified any systemic issues and is referring for investigation any travelers who made unauthorized purchases. FAST plans to continue to review government travel charge card transactions on a semiannual basis.

(U) Challenge 2: Acquisition Processes and Contract Management

(U//~~FOUO~~) Evaluating and monitoring the performance of contractors continues to be a challenge for NGA.

(U) Contract Award Fees

(U//~~FOUO~~) We audited the award fee process for the [REDACTED] contract, which is one of NGA's [REDACTED] contracts. During the audit, we found that NGA followed several sound practices in establishing the [REDACTED] award-fee plan for period [REDACTED] and in evaluating the [REDACTED] contractor's performance for that period. We also found that:

- (U//~~FOUO~~) [REDACTED]

- (U//~~FOUO~~) [REDACTED]

(U//~~FOUO~~) NGA made progress in implementing the recommendations in this report. Nonetheless, the agency still needs to update NGA policy to include additional guidance on award fees and improve training for evaluating contractor performance and determining award fees. The [REDACTED] still needs to complete a review of the service-level agreements, further revise the award-fee plan to better measure contractor performance, and fully implement the NGA technical monitor program for this contract.

(U) Monitoring Contractors

(U//~~FOUO~~) During inspections of the [REDACTED] we examined the quality control and quality assurance process for four key products:

(U) Use of Government Purchase Cards

(U//~~FOUO~~) In FY 2009, FAST began conducting reviews of government purchase card transactions. Thus far, they have reviewed CYs 2008 and 2009 transactions based on a number of "red flags" such as purchases of prohibited items and weekend purchases. FAST found examples of split purchases made to avoid purchase card limits and improper payments of sales taxes on purchases. During the review of the CY 2009 transactions, the team found some significant issues related to payments for the commercial imagery contracts and referred the matter to the Audit Division for further review. An audit is scheduled to begin in October 2010. FAST plans to continue to monitor government purchase card transactions.

(U) Challenge 3: Information Assurance

(U) Ensuring that an effective information assurance program is in place continues to be a challenge. Such a program includes periodic risk assessments; security awareness training; security policies, procedures, and practices, as well as tests of their effectiveness, procedures for addressing deficiencies and for detecting, reporting, and responding to security incidents; and ensuring the continuity of operations.

(U//~~FOUO~~) This year, we conducted our annual assessment of the NGA Information Assurance Program in accordance with the Federal Information Security Management Act of 2002. We also completed an audit of the management of NGA portable electronic devices (PEDs) in 2009. We found that significant improvements were needed in security training, plans of action and milestones, contingency planning, and PEDs.

(U//~~FOUO~~) Specifically, we found that NGA security training content was generally compliant with federal, DoD, and Intelligence Community guidance. During the assessment, we focused on the two primary relevant training courses. NGA Information Assurance Awareness training is required annually for NGA civilian, military, and contractor personnel who have network or automated workstation access. We found that from 1 July 2009 through 5 August 2010, only 64 percent of users on NGANet had taken this training.¹ We also found that during the same period, only 66 percent of personnel in PeopleSoft, NGA's personnel system, had taken the NGA Annual Security Refresher Training, that is required for all personnel. Of NGA personnel with significant information security responsibilities, 97 percent had completed required specialized training. Additionally, of government personnel who need to meet the certification requirements in DoD Manual 8570.01-M, Information Assurance Workforce Improvement, only 62 percent had met the requirements as of July 2010.

(U//~~FOUO~~) During our assessment, we also found that NGA had documented procedures for plans of action and milestones; however, the procedures were not consistently implemented for system-level plans of action and milestones. Based on our review, the system-level plans of action and milestones were not completed in accordance with Office of Management and Budget guidance, were outdated, and most likely did not contain all security weaknesses as they should have.

(U//~~FOUO~~) Additionally, we found that NGA does have extensive documented procedures for contingency planning. However, several of the information technology disaster recovery plans for systems have not been fully developed and approximately 42 percent of the systems have not had the required annual testing.

¹ (U) NGANet is NGA's corporate enterprise-wide network for Top Secret/Sensitive Compartmented Information.

(U//~~FOUO~~) We found that NGA has not fully implemented an enterprise-wide process to centralize the purchase and issuance of PEDs. NGA has more than 3,500 PEDs which, given the sensitivity of agency data, pose significant security risks. Accordingly, NGA cannot be assured that there are adequate controls over PEDs. We also found that problems persist with certification and accreditation of PEDs. NGA still does not have a process which ensures that PEDs are included in approved security plans; as of July 2010, 623 laptops were not yet included in approved security plans, so they are not considered certified and accredited.

(U) Challenge 4: Human Capital

(U//~~FOUO~~) People are the most important asset of an organization. NGA must recruit, train, and retain a highly skilled work force that is flexible and meets future changing and expanding mission requirements and technology demands. Challenges to NGA include attrition, competition for talent, and the optimal work force mix of government and contractor employees to meet current and future mission requirements.

(U) Recruitment and Retention

(U) Over the next several years, many of NGA's experienced employees will retire, leaving a predominately junior, less experienced work force. Because of a constantly changing global environment and limited resources, NGA will need a work force that can meet future requirements, respond more effectively to dynamic threats, and develop new capabilities. Because of the move to the NGA Campus East over the next year, there probably will be an increase in the number of employees leaving NGA. Based on the fall 2009 Intelligence Community Employee Client Survey, NGA may lose up to 31 percent of the employees who responded to the survey (6 percent are leaving, 7 percent are probably leaving, and 18 percent are undecided). NGA has been holding hiring blitzes, visiting college campuses, and recruiting at conferences to select potential candidates to fill vacancies as employees leave. Because of the importance of this area, we began an inspection of recruitment and retention this year.

(U) Reliance on Contractors

(U//~~FOUO~~) In addition to recruiting and retaining government personnel, NGA needs to determine the optimal work force mix of government and contractor personnel to effectively meet NGA's current and future mission requirements. Contractors have become an integral part of the Intelligence Community and provide the government with the capability to expand its work force to meet surges in work demands, as well as flexibility and expertise that complement military and civilian personnel. As of 5 August 2010, the PeopleSoft database showed that the contractor work force represented about [REDACTED] percent of NGA's work force.

(U//~~FOUO~~) During an audit of based on NGA's reliance on contractors, we found that NGA has yet to identify the optimal work force mix of contractors and government personnel necessary to perform its mission. Specifically, NGA needed to define "contractor," quantify the size of its contractor work force, establish a process to collect key information on contractors to respond to information inquiries from NGA management and oversight organizations, and establish a corporate-level process to identify and implement the optimal mix of contractor and government personnel.

(U//~~FOUO~~) NGA has made progress in resolving these issues. Management has determined which contractors it will track. NGA has also developed the contracts module within PeopleSoft that provides NGA with a single database for the accurate maintenance and accountability of contractor data. NGA has a guide to assist in entering the required information in the module. Challenges that management continues to face include ensuring that all contractor information is entered in the PeopleSoft contracts module and establishing a corporate-level process to identify and implement the optimal mix of contractor and government personnel.

(U) Challenge 5: Safety of Navigation

(U//~~FOUO~~) We conducted inspections to assess the quality control processes for updating certain products of the [REDACTED]. We identified opportunities to improve quality control processes, contracting oversight, and customer interface. [REDACTED]

(U) [REDACTED]

(U//~~FOUO~~) [REDACTED] is responsible for analyzing, evaluating, and compiling worldwide navigational safety data. Its mission is to provide global maritime geospatial intelligence in support of national security objectives, including safety of navigation, international obligations, and joint military operations. During an inspection, we examined whether [REDACTED] and its supporting contractors had a good quality control process for updating Digital Navigation Charts and Notices to Mariners. We found that the [REDACTED] quality control and assurance process is limited in its effectiveness because the process is dissimilar across sites and focuses on checklists rather than standards. In addition, although [REDACTED] management is responsible for communicating hazards internally and to its contractors, [REDACTED] and its contractors differ on what critical features that pose imminent dangers to navigation should be included in Digital Navigation Charts. Additionally, while [REDACTED] is addressing a backlog of Notices to Mariners, the magnitude of the backlog could cause accidents because the information may not have been disseminated to customers. Finally, [REDACTED] needs to improve its communication with customers.

(U) [REDACTED]

(U//~~FOUO~~) The [REDACTED] is responsible for providing DoD and other national customers, such as the Federal Aviation Administration, with aeronautical information and services. [REDACTED] personnel compile and maintain worldwide flight safety data and products. During an inspection, we examined whether [REDACTED] and its supporting contractors had a good quality control process for updating Flight Information Publications and the Digital Vertical Obstruction File. We found that the [REDACTED] quality control process is limited in its effectiveness because [REDACTED] is not measuring data-entry errors during production cycles nor does [REDACTED] use error rates to measure analysts' performance. In addition, [REDACTED] ability to effectively engage its customers is undermined by the lack of a customer relationship program to track and organize customer outreach and feedback. [REDACTED] is currently developing a customer outreach program.

(U) Watch List

~~(U//FOUO)~~ In addition to the aforementioned management and performance challenges, we included this watch list of issues that warrant continued attention by NGA managers.

(U) Time and Attendance Administration

~~(U//FOUO)~~ The DoD Office of Inspector General and our office address time and attendance through investigations, audits, and inspections. We found issues related to preparation, review, approval, verification, and retention of time and attendance records, as well as adequacy of agency policies and procedures. NGA management is currently updating the policies and procedures in this area, but as of September 2010, they had not yet published those. NGA is also planning to move to an automated timekeeping system, which should strengthen controls over time and attendance. We will continue to monitor this area and will undertake a future audit to validate that management has corrected process weaknesses.

(U) NGA Campus East

(U) As a result of the congressionally mandated Base Realignment and Closure 2005, NGA must relocate its eastern operations to Ft. Belvoir (NGA Campus East) by 11 September 2011. Successful deployment to the NGA Campus East, while ensuring critical mission continuity, presents a myriad of challenges. Management needs to actively monitor the agency move; make timely decisions on NGA's information technology requirements; and adhere to physical security requirements, as well as address several logistical concerns such as transportation and work schedules. Another key concern associated with this move is records and information management, because of a greater potential for mishandling or inadvertently destroying records as organizations attempt to fit into new spaces. The success of this move depends relies on effective communication and engaged management across all NGA stakeholders. NGA management and its oversight organizations are closely monitoring the activities associated with this move to ensure that NGA is successful.

(U) Appendix: Applicable Prior Coverage

(U) Office of Inspector General, DoD

- (U) Controls Over Time and Attendance Reporting at the National Geospatial-Intelligence Agency, Report No. D-2009-051, 9 February 2009

(U) Office of Inspector General, NGA

1. (U) Special Review of Time and Attendance Administration in Geospatial Operations East Division, Report No. OIGA09-01, 22 December 2008
2. (U) Issue Inspection of the Office of Global Navigation, Maritime Services Domain, PVM, Report No. OIGE09-03, 27 May 2009
3. (U) Audit of the Management of NGA Portable Electronic Devices, Report No. OIGA09-02, 17 June 2009
4. (U) Interim Report on Obligation of Award Fees, Audit of [REDACTED] Contract Award Fee, Report No. OIGA09-03, 19 June 2009
5. (U) Audit of NGA's Reliance on Contractors, Report No. OIGA09-04, 21 August 2009
6. (U) Audit of [REDACTED] Contract Award Fee, Report No. OIGA10-01, 23 December 2009
7. (U) Audit of Temporary Duty Travel Costs, Report No. OIGA10-02, 3 March 2010
8. (U) Issue Inspection of the Office of Global Navigation, Aeronautical Services Domain, Report No. OIGE10-02, 28 May 2010
9. (U) Draft Report of Audit of Financial Reporting for Real Property in the St. Louis Area, Project No. 08-A05, 13 August 2010
10. (U) Draft Report FY 2010 Federal Information Security Management Act of 2002 Assessment of the NGA Information Assurance Program, Project No. 10-A01, 26 August 2010

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(U) Inspector General's Assessment of Management and Performance Challenges for the FY 2011 NGA Agency Financial Report

16 September 2011

Office of Inspector General

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16 September 2011

MEMORANDUM FOR DIRECTOR, NATIONAL GEOSPATIAL-INTELLIGENCE
AGENCY
CHIEF FINANCIAL EXECUTIVE

SUBJECT: (U) Inspector General's Assessment of Management and
Performance Challenges for the FY 2011 NGA Agency
Financial Report

1. (U) I am providing this report for your information and use. The report was prepared for the NGA Chief Financial Executive to provide our assessment of NGA's most serious management challenges, as required by Office of Management and Budget Circular A-136, "Financial Reporting Requirements," 29 September 2010.
2. (U//~~FOUO~~) NGA has adopted a new vision, "Putting the Power of Geospatial Intelligence in Your Hands." To achieve the vision, NGA plans to provide online, on-demand access to geospatial intelligence, enabling customers to serve themselves by giving them access to our content, services, expertise, support, and tools. NGA also plans to create new value by broadening and deepening analytic expertise.
3. (U//~~FOUO~~) The most serious management and performance challenges that OIG reviews identified were in the areas of financial management, acquisition processes and contract management, information assurance, human capital, intelligence oversight, and emergency management. These challenges, if not addressed, could prevent NGA from fully realizing its new vision. I have also included a watch list of areas that warrant continued attention by NGA management.
4. (U//~~FOUO~~) The points of contact for this matter are [REDACTED]

Dawn R Eilenberger
DAWN R. EILENBERGER
Inspector General

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(U) Abbreviations

(U) DFAS	Defense Finance and Accounting Service
(U) IO	intelligence oversight
(U) JDAC	Joint Defense Accounting Center
(U) NRO	National Reconnaissance Office

(U) Management and Performance Challenges

(U) Challenge 1: Financial Management

(U) Sound financial management is critical to improve the efficiency and effectiveness of agency operations and to ensure that NGA makes the best use of its resources to accomplish its mission. An important element of financial management is the ability to produce complete, reliable, timely, and consistent financial information for use in managing and evaluating agency programs. NGA also needs to ensure that it uses and obligates appropriated funds in accordance with applicable laws and regulations. As NGA strives to improve mission effectiveness with fewer resources, good financial management is key to successful implementation of the new vision.

(U) Auditable Financial Statements

(U//~~FOUO~~) Producing auditable financial statements continues to be a challenge for NGA. Currently, NGA relies on Defense Finance and Accounting Service (DFAS) systems and labor-intensive manual processes to record financial transactions and produce financial statements. NGA does not have a primary system that NGA managers and decision makers can access to obtain the real-time financial information needed to manage programs, portfolios, and projects to achieve the NGA mission.

(U//~~FOUO~~) During FY 2011, NGA continued to make progress in its efforts to obtain auditable financial statements. NGA is migrating to use of the National Reconnaissance Office's (NRO) core financial system. NRO will become NGA's application service provider through a partnership called the "NGA/NRO Application Service Provider" project. As part of this migration and to leverage NRO's experience, NGA will adopt, to the greatest extent possible, NRO's proven business processes. NGA expects to achieve initial operating capability by the end of FY 2012 and continue adding functionality through FY 2013.

(U//~~FOUO~~) In August 2011, NGA issued its corrective action plan for achieving an unqualified audit opinion on the agency's financial statements. The plan includes major milestones to prepare NGA for an audit of the FY 2014 financial statements, with the goal of achieving an unqualified audit opinion on the FY 2016 financial statements. The plan addresses material weaknesses associated with NGA's current financial management system. The plan contains critical milestones and control objectives for achieving audit readiness and includes detailed tasks for areas for developed "to-be" processes. NGA will add tasks to achieves the milestones and control objectives as "to-be" processes for other areas are developed. NGA anticipates having a detailed plan for the additional areas by the end of the calendar year.

(U//~~FOUO~~) The NGA Office of Inspector General (OIG) is also preparing for the financial statement audits. We plan to contract with an independent public accounting firm to conduct the audit. We requested and received funding for the audits starting in FY 2013 when we will be began auditing the agency's FY 2014 beginning balances. We also requested government auditors to oversee the contractors and to do additional audit work to assist the agency in achieving an unqualified opinion on its financial statements. We are in the process of hiring some of the government auditors.

(U//~~FOUO~~) In FY 2011, OIG completed an audit of financial reporting for real property in the St. Louis area. During the audit, we reviewed the methodology that NGA used to establish baseline values for the property and the financial reporting process for real property. We commended NGA for attempting to establish baseline asset values for real property at its St. Louis area facilities; however, we concluded that these values were not well documented and were incomplete and that NGA should have chosen a more appropriate method for establishing the baseline values. We also found that the NGA process for financial reporting of St. Louis area real property did not ensure compliance with Federal and DoD accounting standards and guidance. We made 13 recommendations to strengthen controls over accounting for real property costs, which should improve NGA processes for financial reporting for real property and help NGA in its efforts to achieve auditable financial statements.

(U//~~FOUO~~) Management concurred with nine of the 13 recommendations, and we found their proposed actions responsive. Management nonconcurred on the remaining four recommendations. Management plans to wait to take action on these four recommendations until they receive clarification from the Office of the Secretary of Defense (Comptroller) on the proper interpretation and application of the DoD Financial Management Regulation provisions for FY 2011 real property reporting requirements and for capitalization thresholds.

(U) Obligation of Funds

(U//~~FOUO~~) We found instances where NGA was not obligating funds in accordance with Title 31, Money and Finance, of the U.S. Code and with DoD regulations. In August 2011, we completed our investigation and issued the final report on an Antideficiency Act violation involving the NGA Data Center-West expansion construction project. The investigation disclosed that NGA violated the Antideficiency Act when it used a combination of Operation and Maintenance; Procurement Defense-Wide; and Research, Development, Test, and Evaluation funds for the project instead of Military Construction funds. Because NGA did not request and Congress did not appropriate Military Construction funds for the project, the violation cannot be corrected without Congressional action. Management disciplined the employees held responsible for the violation. We also referred a separate potential Antideficiency Act violation related to another NGA construction project for preliminary review by management.

(U) Vendor Payments

(U//~~FOUO~~) The NGA OIG Forensic Analysis Support Team electronically analyzed more than 24,000 vendor payments made in FY 2008 and FY 2009 that were processed by the Joint Defense Accounting Center (JDAC). The JDAC is a DFAS activity that processes approximately \$2 billion per year in NGA vendor payments. We found the JDAC lacks documented internal controls and procedures which address separation of duties and responsibilities in the NGA vendor payment process. NGA vendor payment data is not being reconciled against monitoring software that would prevent or identify improper payments. DFAS uses an analytical tool, Business Activity Monitoring software, to identify potential improper payments before funds are disbursed; however, this tool has not been implemented at JDAC. Since 2008, the software has helped prevent more than \$700 million in improper payments to vendors. In addition, DFAS and NGA have no formal agreements outlining JDAC's responsibilities, expectations, products, reporting procedures, and other requirements as they relate to NGA vendor payments.

(U//~~FOUO~~) We recommended that NGA (1) develop internal controls to reduce the risk of error or fraud in contract vendor payments; (2) work with DFAS and JDAC officials to incorporate Business Activity Monitoring into the NGA vendor payment process to help prevent improper payments and protect NGA's resources; and (3) work with DFAS to prepare a memorandum of agreement outlining responsibilities, expectations, products, reporting procedures, and other requirements as they relate to JDAC and NGA vendor payment processes.

(U) The [REDACTED] concurred with all three recommendations in the NGA Vendor Payments Review Report.

(U) Challenge 2: Acquisition Processes and Contract Management

(U//~~FOUO~~) Effective evaluation and monitoring of the performance of contractors continues to be a challenge for NGA. Because contractors will be heavily involved in the implementation of the agency's new vision, strong oversight is essential for successful implementation efforts.

(U) Contractor Award Fees

(U//~~FOUO~~) In 2010, we audited the award-fee process for the [REDACTED] contract, one of NGA's [REDACTED] contracts. During the audit, we found that NGA followed several sound practices in establishing the contract award-fee plan for period [REDACTED] and in evaluating the contractor's performance for that period. We also found that:

- (U//~~FOUO~~) [REDACTED]

- (U//~~FOUO~~) [REDACTED]

(U//~~FOUO~~) Management concurred or partially concurred with all recommendations. Management's proposed actions were only partially responsive to three recommendations and nonresponsive to three recommendations and part of a fourth recommendation. While management has taken actions to improve controls over contract award fees, all of our recommendations have not been implemented to date. Management needs to take corrective actions to ensure effective controls over contract award-fee payments.

(U) Challenge 3: Information Assurance

(U) Ensuring that an effective information assurance program is in place continues to be a challenge. An effective information assurance program is essential to the NGA vision because the agency needs to provide reliable, accurate, and secure information to customers.

(U//~~FOUO~~) This year, we conducted our annual assessment of the NGA Information Assurance Program in accordance with the Federal Information Security Management Act of 2002. We found that NGA was maintaining programs for certification and accreditation, security configuration management, incident response and reporting, continuous monitoring, and oversight of contractor systems generally consistent with applicable guidance. However, we found that:

- (U//~~FOUO~~) NGA had not established a clearly defined account and identity management program.
- (U//~~FOUO~~) The required process for taking and tracking employee attendance at security awareness and information assurance training was inadequate. As a result, attendance rates reported in previous years may be inaccurate.
- (U//~~FOUO~~) NGA did not have agency-level plans of action and milestones for all known information assurance program weaknesses and a significant number of system-level plans of action and milestones were not prepared, or were incomplete or outdated.
- (U//~~FOUO~~) NGA did not have written, centralized, agency-level policies and procedures for its remote access program.
- (U//~~FOUO~~) Some NGA systems were not undergoing necessary planning and testing for contingencies; therefore, the restoration of mission-critical operations may be at risk.

(U) We found that NGA's actions were sufficient to close one of the 12 recommendations from the FY 2010 assessment. The remaining 11 recommendations have been replaced by the recommendations in this report. This report contains 18 recommendations.

(U//~~FOUO~~) We revised one recommendation based on comments from one directorate, and we requested management's comments on the revision. Management of one directorate nonconcurred with two recommendations. Management did not address two recommendations; we asked them to comment on the final report.

(U) Challenge 4: Human Capital

(U//~~FOUO~~) To implement the new vision, NGA must recruit, train, and retain a highly skilled, flexible work force that meets future changing and expanding mission requirements and technology demands. Challenges to NGA include attrition, competition for talent, and the optimal work force mix of government and contractor employees to meet current and future mission requirements. Over the next several years, many of NGA's experienced employees will retire, leaving a predominately junior, less experienced work force. In a constantly changing global environment and with limited resources, NGA will need a work force that can meet future requirements, respond effectively to dynamic threats, and develop new capabilities.

(U) Recruitment and Retention

(U) On 11 May 2010, President Obama issued a Presidential memorandum, Improving Recruitment and Hiring Process, which called for (1) improving the quality and speed of agency hiring, (2) eliminating essay-style questions tied to initial application materials, and (3) providing every hiring manager training on effective and timely ways to recruit. According to the Office of Personnel Management, reforming the Federal hiring process is the "top human capital" priority for President Obama and OPM. We conducted an inspection of NGA's hiring process due to the importance of this core activity. The hiring process is a complicated, cross-functional endeavor composed of many parts. NGA held multiple hiring blitzes (both onsite and virtual), visited college campuses, and staffed tradecraft conferences to recruit potential candidates to fill vacancies.

(U//~~FOUO~~) We found that over the last several years NGA demonstrated remarkable adaptability in response to changing mission requirements. The expansion of hiring has put great stress on NGA and forced it to become more adaptable in its hiring practices. The average time-to-hire for external applicants during FY 2010 was 238 days and over the last year that time has improved. However, we found that opportunities for further improvement exist in the areas of internal controls, determining applicants' qualifications, hiring manager and hiring adviser training, division of labor between the recruiting and staffing functions and business systems modernization.

(U) Management concurred with all recommendations in the report. The actions taken or in progress by the NGA functional offices met the intent of our recommendations. We are waiting for management to provide documentation to validate implementation of the recommendations.

(U) Reliance on Contractors

(U//FOUO) In addition to recruiting and retaining government personnel, NGA needs to determine the optimal work force mix of government and contractor personnel to effectively meet current and future mission requirements. Contractors have become an integral part of the Intelligence Community and enable the government to expand its work force to meet surges in work demands, as well as offering flexibility and expertise to complement military and civilian personnel. As of 5 August 2010, the PeopleSoft database showed that the contractor work force represented about [REDACTED] percent of NGA's work force.

(U//FOUO) We conducted an audit of NGA's reliance on contractors and found that NGA had not identified the optimal work force mix of contractors and government personnel necessary to perform its mission. Specifically, NGA needs to define "contractor," quantify the size of its contractor work force, establish a process to collect key information on contractors to respond to information inquiries from NGA management and oversight organizations, and establish a corporate-level process to identify and implement the optimal mix of contractor and government personnel.

(U//FOUO) Management concurred with all recommendations. NGA has made progress in resolving these issues, including defining "contractor" for tracking purposes, developing a contracts module in PeopleSoft to collect contractor data, and implementing a strategic work force planning process. Challenges that management continues to face include ensuring that all contractor information is entered into PeopleSoft and establishing a documented corporate-level process, with clearly defined organizational roles, responsibilities, and authorities, that provides a reliable means of identifying and collecting data on contractors.

(U) Tuition Assistance Program

(U//FOUO) We also conducted an inspection on NGA's Tuition Assistance Program (TAP). We found that TAP provides funding for more than 500 employees a year who take nearly 2,000 courses at a cost of more than \$3 million. We also found that the program (1) expanded beyond its intended scope; (2) lacked sufficient controls to protect NGA's interests; and (3) outpaced its resourcing.

(U//FOUO) NGA needs to rescope and limit its policy on TAP so that the program better aligns with the agency's needs and its legal mandates, while ensuring that it can be effectively and efficiently operated, managed, and evaluated. NGA also needs to establish a system of balanced internal controls (compliance and performance based) to ensure the U.S. Government's interests are protected. Management concurred with the recommendations. We are waiting for management to provide documentation to validate implementation of the recommendations.

(U) Challenge 5: Intelligence Oversight

(U//~~FOUO~~) The OIG is responsible for providing oversight of NGA's Intelligence Oversight (IO) Program. To facilitate the IO program, in May 2011, the Inspections Division conducted inspections of the [REDACTED] and in August 2011, the division conducted an inspection of the [REDACTED]. The objective of the inspections was to determine whether the inspected organization was in compliance with applicable IO policies and procedures. In addition, the inspections assessed the efficiency and effectiveness of NGA's IO program in these three offices. A strong IO program will be critical as NGA implements its new vision, because geospatial intelligence will be more widely available to customers, thereby increasing the chance of mishandling intelligence related to U.S. citizens.

(U//~~FOUO~~) The inspections disclosed no violations of IO laws, rules, or regulations. In the first two inspections, there was no evidence of questionable intelligence activities. The inspections did, however, identify findings and made recommendations in the areas of Intelligence Oversight Officers' program management and employee training and knowledge. The third inspection found evidence of a possible questionable intelligence activity involving another office in the directorate. The information pertaining to the questionable intelligence activity was referred to the OIG Investigations Division. Another area of concern was also identified during the inspection; it was referred to the Office of General Counsel.

(U//~~FOUO~~) Management concurred with all recommendations in the first two inspections. We are waiting for management to provide documentation to validate implementation of the recommendations. We are waiting for management comments to the recommendations from the third inspection.

(U) Challenge 6: Emergency Management Program

(U//~~FOUO~~) We conducted an inspection of NGA's emergency management program to examine the effectiveness and efficiency of NGA's process for preparing and responding to emergencies. This is a critical program to ensure continued geospatial intelligence support across the government during an emergency. We reviewed three areas of concern: (1) NGA's process and procedures for responding to emergencies; (2) NGA's ability to execute its emergency preparedness program; and (3) NGA's ability to conduct recovery operations, including the incorporation of lessons learned into its emergency plans. This review examined all phases of the emergency management program, including mitigation, preparedness, response, and recovery.

(U//~~FOUO~~) We found issues related to the organizational structure, processes, and application of emergency management within the agency. NGA currently lacks a comprehensive emergency management program and requires program alignment and clear roles, responsibilities, and reporting during an emergency management event. At the time of the inspection, agency functions were split between two offices of the [REDACTED] and the [REDACTED]. After release of the report, the continuity of operations function was moved to the [REDACTED]. The agency also lacked a single defined and documented emergency management process and procedures. Management concurred with the recommendations. We are waiting for management to provide documentation to validate implementation of the recommendation.

(U) Watch List

(U//~~FOUO~~) In addition to the management and performance challenges, this watch list identifies issues that also warrant continued emphasis by NGA managers.

(U) Time and Attendance

(U//~~FOUO~~) **Administration of Time and Attendance.** The DoD OIG and our office reviewed time and attendance procedures during investigations, audits, and inspections. We found issues related to preparation, review, approval, verification, and retention of records, as well as adequacy of agency policies and procedures. The recently published NGA Instruction 1422.1, Civilian Work Hours, July 2011, and a new instruction on leave and other absences to be published in the near future, will address many of the issues identified during the reviews. NGA is moving to an automated timekeeping system, which should strengthen controls over time and attendance. We will continue to monitor this area and will undertake a future audit to validate that management has corrected process weaknesses.

(U//~~FOUO~~) **Investigation of Time and Attendance Fraud.** The OIG Investigations Division investigated 198 complaints and issues from 1 October 2008 through 30 June 2011, and found that 53 involved alleged time and attendance fraud by NGA government employees and contractors. Using every possible record source on each investigation, including access control, payroll, computer log-on and log-off, travel, and training records, we found that NGA employees and contractors claimed more than 3,000 hours that they did not work. The value of this lost time based on hourly wages and contractor labor charges is \$193,086.94.

(U) Investigations of time and attendance fraud have increased significantly over the last three years (table 1). The increase can be attributed to many factors,

Table 1. Time and Attendance Investigations,
FYs 2009–2011

Year	No. of T&A Cases	Value of Time Claimed But Not Worked
FY 2009	9	\$ 9,550.14
FY 2010	8	\$ 2,276.75
FY 2011	36	\$181,260.05

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which include greater awareness by the NGA work force that we investigate time and attendance fraud, accuracy of the records used for investigations, and the apparent lack of proper oversight by many supervisors.

(U) After receiving an allegation of time and attendance fraud, we conduct an analysis of records to determine the value of the time in question. If the value is less than \$5,000, we provide our analysis to management for their review and action. If the value is more than \$5 000, we conduct an investigation. Increased oversight by supervisors and adherence to policy could help decrease the number of time and attendance complaints.

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(U) Appendix: Applicable Prior Coverage

(U) Office of Inspector General, DoD

- (U) Controls Over Time and Attendance Reporting at the National Geospatial-Intelligence Agency, Report No. D-2009-051, 9 February 2009

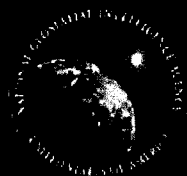
(U) Office of Inspector General, NGA

- (U) Special Review of Time and Attendance Administration in Geospatial Operations East Division, Report No. OIGA09-01, 22 December 2008
- (U) Interim Report on Obligation of Award Fees [REDACTED] Contract Award Fee, Report No. OIGA09-03, 19 June 2009
- (U) Audit of NGA's Reliance on Contractors, Report No. OIGA09-04, 21 August 2009
- (U) [REDACTED] Contract Award Fee, Report No. OIGA10-01, 23 December 2009
- (U) Audit of Financial Reporting for Real Property in the St. Louis Area, Report No. OIGA11-01, 30 November 2010
- (U) Intelligence Oversight Inspection of the Source Operations Group, Report No. OIGE IO-11-03, 28 June 2011
- (U) Intelligence Oversight Inspection of the Office of Time-Dominant Operations, Report No. OIGE IO-11-02, 13 July 2011
- (U) Issue Inspection of NGA's Emergency Management Program, Report No. OIGE11-01, 8 August 2011
- (U) Final Inspection Report of the Hiring Process, Report No. OIGE10-02, 1 July 2011.
- (U) Quick Look Inspection of NGA's Tuition Assistance Program, Report No. OIGE II-11-02, 24 August 2011
- (U) FY 2011 Federal Information Security Management Act of 2002 Assessment of the NGA Information Assurance Program, Report No. OIGA11-03, 15 September 2011
- (U) Intelligence Oversight Inspection of the Office of Americas, Report No. OIGE IO-11-04, 15 September 2011

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NATIONAL GEOSPATIAL-INTELLIGENCE AGENCY

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SPRINGFIELD, VA 22150



U-203-12/OIG

7 September 2012

**MEMORANDUM FOR DIRECTOR, NATIONAL GEOSPATIAL-INTELLIGENCE AGENCY
CHIEF FINANCIAL EXECUTIVE**

SUBJECT: (U) Inspector General's Assessment of Management and Performance Challenges for the FY 2012 Agency Financial Report

REFERENCES: a. (U) Reports Consolidation Act of 2000, Public Law 106-531, 22 November 2000
b. (U) Office of Management and Budget Circular A-136, "Financial Reporting Requirements," 3 August 2012

1. (U) I am providing this assessment of NGA's most serious management and performance challenges for the NGA Director's review and comment. This assessment will also be included in the NGA Agency Financial Report prepared by the Chief Financial Executive and adheres to the requirements established in references a and b.

2. (U//~~FOUO~~) The most serious NGA management and performance challenges identified in OIG reviews were in the areas of financial management, acquisition processes, information assurance, time and attendance, intelligence oversight, and the continuity of operations and intelligence readiness programs. For each challenge, the OIG offered recommendations to correct agency deficiencies. This assessment provides insight into areas that have the potential to hinder achievement of NGA's mission and vision. Because serious challenges often cannot be resolved within a year, some of the challenges were identified in the OIG's FY 2011 Assessment of Management and Performance Challenges and other prior-year assessments. One challenge of note that could adversely impact financial audit readiness is the potential for conflicts between DoD and Intelligence Community financial management policy. I have also included a watch list of areas that warrant attention by NGA management to prevent further deficiencies.

3. (U//~~FOUO~~) The points of contact for this report are [REDACTED]

Dawn R. Eilenberger
Inspector General

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(U) Inspector General's Assessment of NGA Management and Performance Challenges

(U) Challenge 1: Financial Management

~~(U//FOUO)~~ Financial management has been a long-standing challenge for NGA, and the agency is facing a critical transition over the next several months. To meet the challenge of a Congressionally mandated clean audit opinion on its FY 2016 financial statements, NGA is making major changes in the financial management area. The changes include revamping all of its financial management processes, implementing a new financial system, and reorganizing financial management functions across the agency. The success of this transition is critical, as NGA needs good financial management processes to ensure that it achieves its mission with fewer resources.

(U) Auditable Financial Statements

~~(U//FOUO)~~ Producing auditable financial statements continues to be a challenge for NGA. Currently, NGA relies on Defense Finance and Accounting Service systems and labor-intensive manual processes to record financial transactions and produce financial statements. NGA does not have an integrated financial management system that its managers and decisionmakers can use to obtain the timely financial information necessary to manage programs, portfolios, and projects. NGA relies on DoD financial systems that do not provide an auditable, transaction-driven general ledger for material line items in the financial statements. During FY 2012, NGA continued to make progress in its efforts to obtain auditable financial statements.

~~(U//FOUO)~~ **Financial Audit Readiness Corrective Action Plan.** In September 2011, NGA issued its first Financial Audit Readiness Corrective Action Plan (CAP) to Congress. The CAP included major milestones to prepare NGA for an audit of its FY 2014 financial statements, with the goal of achieving an unqualified audit opinion on the FY 2016 financial statements. The Intelligence Community Inspector General (IC IG) reviewed the CAPs of NGA and four other IC agencies and found that they were not cohesive and did not provide a clear roadmap of how the agencies would achieve an unqualified opinion.¹

~~(U//FOUO)~~ In January 2012, NGA provided an updated CAP to Congress. We reviewed the January 2012 CAP to determine if it addressed the findings of the IC IG, covered all major areas of the financial statements, properly incorporated

1. (U) 2011 Congressionally Directed Action (CDA) to Assess the Auditability Plans for CIA, DIA, NSA, NGA, and ODNI (ICIG-AUD-2011-005).

the NGA/NRO Application Service Provider (NNASP) team project schedule, and included dates, resources, and dependencies.² We found that NGA had made significant improvements to its CAP, but further improvements were required. Specifically, we found the CAP now includes the NNASP program plan. Since the NNASP is implementing GEOINT-Financials (NGA's new financial system), the success of implementing the CAP is highly dependent on the success of NNASP. Furthermore, the CAP is a dynamic document that NGA needs to continually update in order for it to be effective as a roadmap to improving NGA financial processes and achieving an unqualified opinion on future financial statements.

~~(U//FOUO)~~ **Implementation of GEOINT-Financials.** Over the last several months, NGA has been working with the National Reconnaissance Office (NRO) to implement GEOINT-Financials, a system based on NRO's financial management system. Initial operating capability is planned for October 2012, and NGA believes it is on track to meet this date. The focus in FY 2012 was to ensure that the system, work force, and processes were in place for initial operating capability. Major accomplishments included system configuration, mock data conversions, interface and reports development, testing, and training. NGA also developed new financial processes, policies, and standard operating procedures. The NGA [REDACTED] reconfigured its organizational structure to include new functions for accounts payable and Treasury operations. In FY 2013, NGA will focus on refining business processes, adding system functionality, and validating system and process controls.

~~(U//FOUO)~~ **Property, Plant, and Equipment.** Property, Plant, and Equipment is a focus area for NGA, as it is with other Federal agencies. Since FY 2008, NGA has had two material weaknesses related to property in its Annual Statement of Assurance. The weakness in the Property Management Program concerns asset management, and the weakness in Personal Property concerns the valuation of personal property, plant, and equipment. Correction of both of these weaknesses is critical to achieving reliable and auditable financial statements. NGA developed a comprehensive audit remediation plan to address known material weaknesses with the financial management system and associated business processes, property program management, and real and personal property valuations. The target completion date for beginning balances is 30 November 2013. Activities include (1) designing a cost-accumulation framework and a supporting agency instruction; (2) establishing business procedures, a technical environment, and a supporting property administrator function; and (3) conducting a wall-to-wall property inventory by 30 June 2013.

~~(U//FOUO)~~ **Follow Up on Financial-Related Recommendations.** The OIG continues to follow up on NGA's implementation of financial statement-related recommendations. In FY 2012, we performed follow-up work on a FY 2011 audit on real property in the St. Louis area to determine if management's action was

² (U) The NNASP is responsible for implementing NGA's new financial system, GEOINT-Financials.

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sufficient to close the 13 recommendations to improve the financial reporting over real property. Based on our analyses, which included inquiries with management and review of supporting documentation, we closed nine recommendations and left four recommendations open. The open recommendations relate to (1) monitoring contractors performing the real property accountability function; (2) management's estimated baseline asset values for St. Louis-area real property; and (3) application of capitalization thresholds to NGA projects. We noted that management has been responsive to our recommendations, but for management to consistently apply accounting principles, clarity is needed regarding DoD and Office of Director of National Intelligence roles to prescribe governing accounting policy for NGA since potential conflicts may develop in any guidance that will be issued.

(U) Obligation of Funds

~~(U//FOUO)~~ In FY 2011, we issued our report on a \$64 million Antideficiency Act violation related to construction of the NGA Data Center-West. NGA has made improvements in controls over funds, but more improvements are needed. NGA has not implemented all of the planned actions to prevent recurrences. In addition, we identified other potential Antideficiency Act violations during the year.

~~(U//FOUO)~~ **Funding of Construction Projects.** In FY 2012, we initiated an audit of NGA's process for funding construction projects based on the findings of the NGA Office of Inspector General Report of Antideficiency Act Violation, NGA Case Number 10-04, NGA Data Center-West, 1 August 2011. That investigation found that NGA violated the Antideficiency Act by using a combination of Operation and Maintenance; Procurement Defense-Wide; and Research, Development, Test and Evaluation appropriations to fund the NGA Data Center-West project, instead of a Military Construction appropriation. The amount of the violation was approximately \$64 million. As a result of the investigation, NGA established a corrective action plan which identified actions that the agency would take to improve policies, procedures, and training to prevent use of an incorrect appropriation for construction projects in the future. We found that NGA had fully implemented only three of the 10 corrective action plan items. The items that were not fully implemented were related to critical reviews of financial and requisition documents, fiscal law training by the [REDACTED] and necessary agency policy updates.

~~(U//FOUO)~~ **Commercial Imagery.** During our audit of the NGA payment process for commercial imagery ordered under the [REDACTED] contracts, we identified two potential Antideficiency Act violations. NGA assesses penalties against payments to [REDACTED] contractors for commercial imagery in accordance with the contract holdback process when contractor performance does not meet the performance metrics in the contracts. Instead of deducting the contractor holdback assessments from contractor monthly billings and payments, NGA treated the contract holdbacks as credits for future imagery or products. For

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one contract, NGA applied holdback "credits" from FY 2010 to a special project and settlement of an equitable adjustment claim in FY 2011. For the same contract, NGA also applied holdback "credits" from FY 2011 to reduce the price for an option-year contract renewal in FY 2012. Management conducted a preliminary review and concluded that the application of the holdback credits were a probable violation of the Bona Fide Need rule. Management is correcting the violations, and when they have finished, we will verify that the violations have been corrected.

(U) Improper Payment Elimination and Recovery Act

(U//~~FOUO~~) On 22 July 2010, the President signed the Improper Payment Elimination and Recovery Act (IPERA) into law, which amended the Improper Payments Information Act of 2002. Under IPERA, the head of each agency must periodically review and identify all programs and activities it administers that may be susceptible to significant improper payments based on guidance provided by the Director of the Office of Management and Budget. OMB guidance specifies that each agency's Inspector General should review agency improper payment reporting in the agency's annual Performance Accountability Report or Annual Financial Report, as well as accompanying materials, to determine whether the agency complied with the Improper Payments Information Act of 2002. Our review disclosed that NGA made a concerted effort to comply with IPERA but was unable to comply fully. NGA could not complete a review of its sample of payments because it could not access supporting documentation in DoD systems and was, therefore, unable to establish a baseline of NGA's improper payments or derive an estimated improper payment rate. Subsequently, NGA has gained access to the DoD systems containing the supporting documentation and is currently conducting this year's review.

(U) Challenge 2: Acquisition Processes

(U//~~FOUO~~) Effective implementation of impending, Congressionally mandated DoD reforms in processes for acquiring information technology (IT) and software will be a challenge for NGA. From December 2011 through April 2012, the OIG assessed whether the structure and resourcing of NGA's Agile Acquisition Strategic Initiative (AASI) were effectively aligned for improving the effectiveness and deftness of NGA acquisitions. During the inspection, we found that at least six NGA programs, projects, or initiatives had been using Agile methods, some for many years. We also found that:

- (U//~~FOUO~~) The AASI should exploit opportunities to proactively anticipate forthcoming DoD Agile procedures related to IT acquisition. Although some members of the AASI leadership team were aware of "Agile" software development methods, there had been little effort within the AASI to systematically promote Agile development of IT systems and software as defined by DoD and industry. While the AASI's focus is justifiably wider than IT development alone, NGA's IT acquisitions are significant, and the

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initiative should exploit opportunities to help NGA keep pace with DoD in applying Agile IT acquisition practices.

- (U//~~FOUO~~) The need remains for an "overarching acquisition strategy to rapidly acquire and deliver support" to Integrated Working Groups and IT initiatives. A key intent expressed early in the development of the AASI, namely, *"to develop an overarching acquisition strategy to rapidly acquire and deliver support to Open IT, analytic capabilities, customers, and content,"* remained valid. Although this intent was embodied in one of the AASI's 25 outcomes, effective implementation was lacking.

(U) Challenge 3: Information Assurance

(U) An effective information assurance program is essential to the NGA vision. The agency needs to provide reliable, accurate, and secure information to customers. Ensuring that an effective information assurance program is in place continues as a challenge.

(U//~~FOUO~~) In our annual assessment of the NGA Information Assurance Program in accordance with the Federal Information Security Management Act of 2002, we found that NGA was maintaining programs generally consistent with applicable guidance. These programs included certification and accreditation, security configuration management, incident response and reporting, continuous monitoring, and oversight of contractor system. Concerns we identified included the following:

- (U//~~FOUO~~) Lack of development and annual testing of IT Disaster Recovery Plans for all systems that require such plans.
- (U//~~FOUO~~) An inadequate process for identifying employees who are required to take security refresher and information assurance awareness training and for tracking training completion. As a result, completion rates reported in previous years are unreliable.
- (U//~~FOUO~~) As-yet unpublished updates of agency-level policies and procedures for the capital-planning and investment-control process, privacy, remote access program, and account and identity management program.
- (U//~~FOUO~~) Inadequate access to systems for continuous monitoring by the [REDACTED]
- (U//~~FOUO~~) Incidences of noncompliance with established procedures for data retention and offsite backup storage.

(U) Challenge 4: Time and Attendance

(U//~~FOUO~~) During FY 2012, our office conducted numerous investigations of alleged time and attendance (T&A) fraud. The OIG Investigations Division opened 52 cases of alleged T&A fraud by NGA government employees (25 cases) and contractors (27 cases). As shown in the table below, this is almost as many T&A fraud cases as the OIG opened during the previous three years. The increase can be attributed to many factors, including greater awareness by the NGA work force that we investigate T&A fraud, OIG access to building entry and exit data, better availability and accuracy of the records used for investigations, and an apparent lack of proper oversight by many supervisors and contracting officer's representatives. During FY 2012, the Investigations Division closed 15 T&A fraud cases at a value of \$235,195.23, based on hourly wages and contractor labor charges.

(U) Time and Attendance Investigations, FYs 2009–2012

Year	No. of T&A Cases		Value of Time Claimed But Not Worked
	Opened	Closed	
FY 2009	9	8	\$ 85,521.44
FY 2010	8	3	\$ 2,385.77
FY 2011	36	8	\$ 96,753.56
FY 2012	52	15	\$235,195.23

(Table is U//~~FOUO~~)

(U//~~FOUO~~) Disciplinary actions for T&A fraud have included letters of reprimand, recoupment of monies and leave owed, and termination of employment. Increased oversight by supervisors and contracting officer's representatives and adherence to policy could help decrease the number of T&A complaints submitted to the OIG.

(U) Challenge 5: Intelligence Oversight

(U//~~FOUO~~) The OIG is responsible for providing oversight of NGA's Intelligence Oversight (IO) Program. In FY 2012, the OIG performed IO inspections of the following organizations:

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(U) The objective of IO inspections is to determine whether the inspected organizations were in compliance with applicable IO policies and procedures. The inspections also assess the efficiency and effectiveness of NGA's IO Program. As NGA implements its vision, a strong IO program is critical in that geospatial intelligence will be more widely available to customers, thereby increasing the chance of mishandling intelligence related to U.S. persons.

(U//~~FOUO~~) The inspections disclosed one possible violation of IO law, rule, or regulation, which was referred to the OIG Investigations Division as a questionable intelligence activity. This incident and another questionable intelligence activity under investigation by the OIG have raised intelligence oversight concerns regarding NGA's development and use of mobile geospatial intelligence applications. As a result, the OIG will incorporate inspections of the organizations responsible for mobile application development into the FY 2013 Audit and Inspection Plan.

(U//~~FOUO~~) The inspections most often identified findings and issued recommendations in the areas of Intelligence Oversight Officers' program management, employee training and knowledge, and IO program records management (that is, the labeling and retention of IO intelligence information).

(U//~~FOUO~~) The intelligence oversight inspections resulted in an information paper that OIG staff wrote to inform the NGA [REDACTED] of a systemic issue regarding improper labeling and retention of U.S. person information in domestic imagery intelligence. This situation presents an IO risk to the agency and should be addressed at the programmatic level. NGA Instruction 8900.4R6, The Intelligence Oversight Compliance and Awareness Program, provides guidance for properly marking physical and electronic records with U.S. person information and states that the information must be kept separate from administrative files. Since July 2011, the OIG has documented numerous instances where production elements did not adhere to IO documentation and retention standards.

(U) Challenge 6: Continuity and Intelligence Readiness Programs

(U//~~FOUO~~) In January 2010, the Assistant Inspectors General for Inspections Working Group of the Intelligence Community Inspectors General Forum agreed to conduct concurrent evaluations of continuity of operations (COOP) and intelligence readiness within their organizations. In FY 2011, we conducted an inspection of NGA's Continuity and Intelligence Readiness Programs to determine NGA's ability to accomplish its mission during a crisis. The inspection also focused on the extent that the NGA's continuity program met DoD and NGA

standards. The review focused on four areas: (1) COOP definition, (2) COOP planning, (3) COOP training and exercises, and (4) COOP as an agency priority. The review also examined ways to enhance effectiveness and efficiency and improve performance and capacity of the NGA continuity program.

(U//~~FOUO~~) NGA's program as a whole meets Federal and DoD guidance and has the necessary components for successful execution of key agency functions. The OIG made one commendation regarding NGA's Continuity Planning Tool, which is used to facilitate a standardized approach to continuity requirements. However, there are opportunities for improvement. Not all NGA Support Teams have Business Continuity Plans, NGA's vital records procedures are disjointed and do not support a comprehensive agency vital records program, and NGA does not have a comprehensive personnel accountability program. We are awaiting documentation to validate full implementation of the outstanding recommendations.

(U) Watch List

(U//~~FOUO~~) This watch list identifies issues that warrant continued emphasis by NGA management in addition to the management and performance challenges. Although deficiencies have not been identified in any of the areas below, the intent of the areas listed, which are slated for review, is to better position NGA to respond to potential external assessment of related policies and procedures, while recommending opportunities for improvement.

(U) Conferences, Travel, and Awards

(U//~~FOUO~~) Recently, the General Services Administration made news because of extravagant travel and conference-related expenses. The reports have raised the concern of the House Permanent Select Committee on Intelligence regarding misuse of taxpayer funds for inappropriate conferences and activities. The committee has included a directive in the Intelligence Authorization Act that certain Intelligence Community Inspectors General report to the committee the procedures that are in place to ensure compliance with all applicable Federal laws and regulations on nonoperational travel, conferences, and employee awards programs and assess the effectiveness of those procedures. While the committee did not place this requirement on the NGA OIG, we are including this area in our FY 2013 Audit and Inspection Plan to address this area of concern.

(U) Fleet Vehicle Management

(U//~~FOUO~~) In keeping with OIGs' objective to prevent and detect fraud, waste, and abuse, the OIG is conducting an inspection of NGA vehicle fleet management. The inspection will review (1) the overall management and oversight of the "taxi service" vehicles (formerly NGA's executive vehicle fleet),

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U-drive vehicles, and fuel cards; (2) NGA's compliance with policies and directives associated with vehicle programs; (3) validation of management internal controls; and (4) costs and funding of the programs.

(U) Public Media Leaks

~~(U//FOUO)~~ Government concern over media leaks rose to an especially high level when classified diplomatic cables were disclosed on WikiLeaks beginning in February 2010. More attention came in early June 2012, when the Senate Armed Services Committee announced hearings "pertaining to recent public reports of classified information." The Director of National Intelligence (DNI) responded to the media leaks and Congressional concerns with three initiatives announced to the Intelligence Community on 25 June 2012: (1) the addition of a question on media leaks to the IC's counterintelligence polygraph examination; (2) establishment of a task force of IC IGs to conduct independent investigations of leaks in select cases; and (3) a DNI staff review of IC policies on media contacts.

~~(U//FOUO)~~ Due to the heightened ODN and Congressional interest, we initiated an inspection to assess the effectiveness of NGA processes in preventing public media leaks, as well as compliance with IC and DoD policies and directives. The inspection will also focus on the detection, reporting, and investigation of media leaks. In discussing this project with NGA stakeholders, the prepublication review process was identified as an additional subtopic.

(U) Reducing Overclassification

(U) The OIG is conducting a Congressionally mandated evaluation on overclassification per Public Law 111-258, Reducing Over-Classification Act, which the President signed into law on 7 October 2010. The act addresses issues highlighted by the 9/11 Commission regarding overclassification of national security information and promotes information sharing across the Federal Government and with state, local, tribal, and private-sector entities. The act also set forth that the IG of each Federal department or agency with an officer or employee authorized to make original classifications (1) assess whether applicable classification policies, procedures, rules, and regulations have been adopted, followed, and effectively administered within such department, agency, or component, and (2) identify policies, procedures, rules, regulations, or management practices that may contribute to persistent misclassification of material within such department, agency, or component. The act states that the IGs must complete the first evaluation by 30 September 2013 and a second evaluation by 30 September 2016.

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NATIONAL GEOSPATIAL-INTELLIGENCE AGENCY

7600 GEOINT DRIVE
SPRINGFIELD, VA 22150



U-201-13/OIG

19 August 2013

MEMORANDUM FOR DIRECTOR, NATIONAL GEOSPATIAL-INTELLIGENCE AGENCY
CHIEF FINANCIAL EXECUTIVE

SUBJECT: (U) Inspector General's Assessment of Management and Performance
Challenges for the FY 2013 Agency Financial Report

REFERENCES: a. (U) Public Law 106-531, Reports Consolidation Act of 2000,
22 November 2000
b. (U) Office of Management and Budget Circular A-136, "Financial
Reporting Requirements," 3 August 2012

1. (U) I am providing this assessment of NGA's most serious management and performance challenges for the NGA Director's review and comment. This assessment will also be included in the NGA Agency Financial Report prepared by the Chief Financial Executive and adheres to the requirements established in references a and b.

2. (U//~~FOUO~~) The most serious NGA management and performance challenges identified in OIG reviews were in the areas of financial management, information assurance, and time and attendance. For each challenge, the OIG offered recommendations to correct agency deficiencies. This assessment provides insight into areas that have the potential to hinder achievement of NGA's mission and vision. Because serious challenges often cannot be resolved within a year, we identified this year's challenges in the OIG's FY 2012 Assessment of Management and Performance Challenges and other prior-year assessments. I have also included a watch list of areas that warrant attention by NGA management to prevent further deficiencies. NGA has improved in various areas previously identified as challenges or watch list issues, and as a result, we no longer consider them as challenges or issues.

3. (U//~~FOUO~~) The points of contact for this report are [REDACTED]
[REDACTED]

Dawn R. Eilenberger
Inspector General

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(U) Inspector General's Assessment of NGA Management and Performance Challenges

(U) Challenge 1: Financial Management

~~(U//FOUO)~~ Sound financial management is critical to improve the efficiency and effectiveness of an agency's operations and to ensure that management remains good stewards of its resources to accomplish its mission. The output of sound financial management is the agency's ability to produce reliable and complete financial statements that managers and decision makers can use to better understand how resources are spent. Producing such statements continues to be a challenge for NGA even as it prepares for its first full-scope financial statement audit in FY 2014. The NGA Office of Inspector General (OIG) has identified four specific areas that contribute to and affect the agency's ability to produce auditable financial statements and successfully undergo the full-scope financial statement audit. These areas are: (1) Multiyear Corrective Action Plan (MCAP), (2) GEOINT-Financials (GEO-F), (3) property, plant and equipment (PP&E), and (4) processes and controls over intragovernmental activities.

~~(U//FOUO)~~ *Multiyear Corrective Action Plan.* The MCAP is NGA's detailed plan of process analysis and internal control validation procedures that will enable the agency to achieve auditability. This plan is measured against the FY 2014 and FY 2016 auditability goals for the Intelligence Community (IC). The MCAP was built upon the Financial Audit Readiness Corrective Action Plan previously reviewed by the Intelligence Community Inspector General (IC IG) and the NGA OIG during FY 2012. The challenges for NGA relative to the MCAP are multifaceted. First, MCAP progress is strongly linked to the maturation and stabilization of the new GEO-F business environment. Second, subject matter experts of NGA's legacy and current processes who can effectively design internal controls are a limited resource within the [REDACTED]

[REDACTED] Because the subject matter experts continue to be diverted from MCAP and other audit readiness activities to address GEO-F activities, management could not make meaningful progress on MCAP initiatives that require control remediation or process redesign. Finally, MCAP progress depends on further engagement with NGA key components outside of the [REDACTED] because of the key components' roles in the agency's processes that the audit will validate. Management's audit-readiness efforts became more cohesive in 2013 as demonstrated by the progress summarized below. However, for NGA to achieve its auditability goals within the stated time frames in the MCAP, management will have to demonstrate meaningful progress against the initiatives in the plan.

~~(U//FOUO)~~ During 2013, management evaluated internal controls at the entity and business process levels by documenting the key business processes and

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assessing internal control design. Management established the NGA Audit Committee, whose responsibilities include implementing the enterprise audit readiness plan. In addition, the [REDACTED] was established and it became the centralized organization charged with developing and reviewing financial management policy for NGA. Management closed eight of the 12 recommendations that were identified in the IC IG's FY 2012 review of NGA's MCAP by modifying the plan to include additional information such as critical paths, planned and actual finish dates, and personnel responsible for completing MCAP tasks and writing the overarching strategy document that links the agency's financial audit readiness efforts to NGA's Strategic Plan.

(U//~~FOUO~~) Management continuously assesses risk to MCAP progress related to audit readiness and ultimate auditability. In spite of the progress, we observed, management categorized overall MCAP progress as high risk, because it primarily depends on the success of the new GEO-F business environment implementation. The system impacts NGA's enterprise environment that encompasses the agency's business processes and financial reporting activities. The impact is two-fold. First, certain business processes and their related controls rely on GEO-F functionality and processing. As the business environment continues to mature and stabilize, NGA can make only minimal progress on affected business processes because new controls and reports are still in development. Second, management has made progress in evaluating other business processes, and has identified control deficiencies have been identified that require remediation and/or process redesign. The MCAP has already anticipated and has incorporated these types of activities. The challenge stems from the lack of subject matter experts who can accomplish MCAP progress. We recognize that both the NGA Director and the Chief Operating Officer strongly advocated for protecting audit-readiness funding in a time of continued budget constraints. Even so, the resources responsible for NGA's financial reporting and accounting operations are, in many cases, the same ones responsible for MCAP and GEO-F activities. This scenario is contributing to the high risk assessment of overall progress because management must constantly choose where to focus their workforce.

(U//~~FOUO~~) MCAP progress also depends on increased participation of NGA key components other than the [REDACTED] which is essential to NGA's auditability. For example, during the second of half of FY 2013, the [REDACTED] successfully engaged the [REDACTED] in [REDACTED] contributing to further MCAP development. These key components represent the business operations of two crucial financial reporting areas: property, plant and equipment (PP&E) and funds obligated through contracts. One reason the NGA Audit Committee includes members from other key components is to help achieve enterprisewide accountability for MCAP progress or the lack thereof. It is absolutely necessary for key components, including [REDACTED] and [REDACTED] to actively contribute to MCAP development and progress because they will also play key roles during the upcoming financial statement audit process.

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~~(U//FOUO)~~ **GEOINT-Financials System.** GEO-F reached initial operating capability (IOC) on 1 October 2012, and we applaud management for achieving this important milestone. As a result, NGA was able to enhance controls over funds management by linking budgetary activity to the general ledger in an automated environment for the first time. NGA and the National Reconnaissance Office (NRO), the application service provider, have continued to collaborate closely to manage and monitor GEO-F post-IOC operations. During 2013, NGA added additional functionality to the system as planned, which included: certain feeder system interface updates, specific payment and journal voucher automation, and system reports. In addition, system users continued to receive training, and management continued to update and refine standard operating procedures. However, management is also faced with the prospect of insufficient funding for developing future GEO-F capability and addressing the technical difficulties of developing system interfaces with NGA's feeder systems. Also, while GEO-F appears to be operating properly, full reconciliation of certain legacy data, including the posting of current activity on legacy funding, prevents GEO-F from functioning as the fully integrated financial reporting system that it is intended to be. Management must efficiently resolve these reconciling issues while ensuring that system controls are designed properly as additional functionality is developed. During the second half of FY 2013, management focused on fully reconciling NGA's legacy-funded activity in GEO-F and re-directed staff to support this effort. Certain GEO-F reports incorporate legacy funding data and, currently, users cannot rely on the accuracy of these reports for operations and decisionmaking. Certain financial statements (such as Balance Sheet and Statement of Budgetary Resources) report balances that include legacy funding and activity. However, these financial statements cannot be accurately generated from GEO-F until the legacy data is fully reconciled and validated.

(U) We again emphasize that the successful implementation of GEO-F should not be overlooked in light of what still needs to be accomplished. Implementation was the beginning, not the culmination, of the long-term process of NGA centralizing several disparate financial reporting functions. Management remains confident in the fundamental design of GEO-F to become the integrated system that will ultimately produce auditable financial statements.

~~(U//FOUO)~~ **Property, Plant and Equipment.** Accounting for and accountability of PP&E continues to challenge NGA as demonstrated by related recurring material weaknesses reported in NGA's *Annual Statement of Assurance* since FY 2008. However, NGA has improved in this area. During 2013, NGA's actions were sufficient to close the remaining two OIG recommendations related to accounting for real property in the St. Louis, Missouri, area. Concurrent with the GEO-F implementation, NGA also established a Cost Accumulation Framework to improve how agency program and financial managers capture, record, and monitor costs so that asset balances and expenses are properly stated. In addition, the [REDACTED] coordinated to perform wall-to-wall inventories of real and personal property at

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NGA locations. The purpose of these inventories was for NGA to review, reconcile, and validate its PP&E records and balances—crucial steps in preparing for the financial statement audit. Finally, management continues to move forward with Total Asset Management, the initiative to design and implement an enterprisewide asset management capability for NGA through business process assessment, requirements validation, and implementation of the solution that addresses the full property acquisition and management lifecycle.

(U//~~FOUO~~) Because of the materiality of PP&E to NGA's overall financial position and the agency financial statements, it is critical for management to continue improving its accounting practices and related internal controls and remain focused on establishing an enterprise-level asset management system for NGA. Management must be cognizant of the risks and challenges to data input and conversion of property records. Management must apply lessons learned from the GEO-F implementation to the greatest extent possible. To assist the agency in their efforts, the OIG initiated an audit of the NGA Personal Property Program. The objectives of this audit were to determine the adequacy of processes used to ensure appropriate control over NGA personal property and to value and record personal property in the NGA financial statements.

(U//~~FOUO~~) ***Processes and Internal Controls over Intragovernmental Activities.*** As a result of its audit of the FY 2012 consolidated financial statements of the US Government (CFS), the Government Accountability Office identified material weaknesses in internal controls related to the preparation of the CFS. One material weakness was the Federal Government's inability to adequately account for intragovernmental activity and balances. We believe that NGA also faces this challenge relative to its interaction and activity with other agencies and mission partners. As a result, the OIG initiated a joint audit with a mission partner to determine whether effective controls exist over the recording, reporting, and monitoring of funds associated with the related interagency contracts and agreements.

(U) NGA continues to make progress in its audit-readiness activities, and in turn, further improve its financial management practices. However, the true test and measurement of management's efforts will be the financial statement audit in FY 2014. Only then will NGA gain a full understanding of the state of its control environment and ability to produce reliable and complete financial statements. Management from across the agency needs to remain fully engaged in their respective roles to assist NGA in achieving its auditability goals.

(U) Challenge 2: Information Assurance

(U//~~FOUO~~) An effective information assurance program is essential to achieving the NGA mission. The agency needs to provide timely, reliable, accurate, and secure information to customers. Ensuring that an effective information assurance program is in place continues to be a challenge for NGA. In our

Federal Information Security Management Act of 2002 assessments of the program over the last several years, we have identified several weaknesses in the program. In addition, over the next few years, NGA must participate in two endeavors that will affect its information assurance program. First, NGA will have to transition from a certification and accreditation framework to a risk management framework for protecting its information systems. Second, NGA, along with the other IC members, is moving to an integrated cloud environment, the Intelligence Community Information Technology Enterprise (IC ITE).

~~(U//FOUO)~~ **Risk Management Framework.** In September 2008, the Director of National Intelligence (DNI) released Intelligence Community Directive (ICD) Number 503, *Intelligence Community Information Technology System Security Risk Management, Certification and Accreditation*. The policy caused a paradigm shift from policy-based compliance to risk-based, mission focused protection. In further guidance, the DNI established the Committee on National Security Systems (CNSS) and the National Institute of Standards and Technology (NIST) guidance as the basis for the security controls that the IC will implement. This brings the IC in line with the approach that the rest of the Federal Government uses and implements a more robust secure control environment. CNSS and NIST have more comprehensive requirements than what was required under the Director of Central Intelligence Directive 6/3, *Protecting Sensitive Compartmented Information within Information Systems*, which will make implementation difficult. While the DNI has not set a deadline for full implementation of ICD 503, the Intelligence Community Chief Information Officer (IC CIO) has recommended in a manual completing transition by the end of calendar year 2014.

~~(U//FOUO)~~ NGA has not made meaningful progress in transitioning to compliance with ICD 503. NGA developed a transition plan, which will be further expanded over the next several months. To date, only two systems have started undergoing ICD 503 compliance. NGA has many legacy systems that will be difficult to transition to ICD 503. NGA needs to place more emphasis on becoming compliant with ICD 503, especially as it moves toward a shared environment with other agencies.

~~(U//FOUO)~~ **Intelligence Community IT Enterprise (IC ITE).** In March 2012, the Office of Director of National Intelligence (ODNI) published the *Intelligence Community Information Technology Enterprise Strategy 2012-2017*. IC ITE moves the IC from agency-centric information technology (IT) infrastructure to a common, cloud-based platform where the IC may easily and securely share technology, information, and resources across the community. If successfully implemented, IC ITE will enable the IC to realize cost savings and to effectively share information and capabilities in a way that will enhance the ability of the IC to fulfill its mission. Moving to a new environment poses many challenges. The infrastructure will be different from our current infrastructure and will be shared with other IC agencies. How the new infrastructure, including individual systems, is secured and who will be responsible for that security highly depends on how

the IC ITE is implemented. NGA may depend on others, at least in part, for securing its information and systems so NGA's information assurance program will have to adapt to the new environment. NGA needs to be actively engaged in determining how security for IC ITE will be implemented.

~~(U//FOUO)~~ **IT Governance.** The OIG conducted a Quick Look inspection of NGA's IT Governance to assess its overall management and effectiveness. We evaluated NGA's IT Governance against the Clinger-Cohen Act, other Public Laws, DoD and IC policy. This inspection also considered how effective NGA's IT Governance is compared to other like organizations. We determined that some of NGA's IT Governance structures, processes, and procedures need improvement and could hinder the agency's compliance with legal mandates.

~~(U//FOUO)~~ There are five deficient IT Governance areas where the [REDACTED] has a statutory role:

1. NGA lacks IT strategic planning, which hinders effective IT governance.
2. The NGA [REDACTED] has inadequate oversight and governance over IT and IT security.
3. NGA lacks strategic IT workforce planning.
4. The NGA [REDACTED] does not have adequate capital planning and investment oversight to ensure that funds spent on agency investments will fulfill long-term strategies and IC mission needs.
5. NGA does not adequately define, develop, maintain, and govern enterprise architecture to fulfill long-term strategies and IC mission needs.

~~(U//FOUO)~~ NGA lacks a single strategy and leadership authority, which results in short-term, stove-piped program objectives. This absence creates risk of an unsustainable approach to enterprise IT management that cannot meet the agency's long-term objectives. The lack of an effective framework for IT governance has resulted in gaps in IT strategy development, cybersecurity oversight, human capital management, IT portfolio decision making and enterprise architecture development.

(U) Challenge 3: Time and Attendance

~~(U//FOUO)~~ Time and attendance (T&A) fraud by NGA employees and contractors continues to be a challenge. The OIG Investigations Division completed 221 cases during FY 2012 through 31 July 2013, and nearly one-third of those involved alleged T&A fraud. Using access control, payroll, computer log-on and log-off, travel, and training records, we found that NGA employees and contractors claimed more than 10,790 hours that they did not work during the period. This is equivalent to more than five years of unworked time, a value of \$667,756, based on hourly wages and contractor labor charges.

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(U) Table. T&A Investigations, FYs 2011–31 July 2013

Year	No. of T&A Cases		Costs Identified	Recoveries
	Opened	Closed		
FY 2011	15	12	\$ 87,421.26	\$ 6,493.06
FY 2012	54	19	\$182,587.41	\$ 82,415.12
FY 2013	46	28	\$485,168.52	\$375,772.63

Table is U//FOUO

(U) The OIG is investigating 44 cases of alleged T&A and labor-mischarging fraud—the largest number of open investigations so far. Why are there so many? For one reason, the workforce is aware that OIG is investigating T&A fraud and, as a result, is reporting allegations of fraud to the OIG Hotline. In addition, because of the availability of better records, OIG is now able to electronically review T&A records for possible fraud.

(U) After receiving an allegation of T&A fraud, OIG conducts an analysis of records. If the value of the unworked time is less than \$10,000, we provide our analysis to management for review and action. If we find a shortage worth more than \$10,000, we conduct an investigation that includes interviews of witnesses and the subject. We report the results to NGA management for action or refer to the Defense Criminal Investigative Service for further investigation. Disciplinary actions have included letters of reprimand, recoupment of monies and leave owed, and termination from employment.

(U) Supervisors need to ensure that each of their employee's time is accurate before certifying time sheets. Knowingly submitting an inaccurate time sheet is considered time-reporting fraud, which is subject to disciplinary action, including removal. Better oversight by supervisors and contract officer's representatives will decrease T&A fraud and labor mischarges.

(U) Watch List

(U) This watch list identifies issues that warrant NGA management's attention and continued emphasis, in addition to the management and performance challenges. The intent of the list is to better position NGA to respond to potential external assessment of the identified issues and any related policies and procedures, while recommending opportunities for improvement.

(U) Agile Acquisition

~~(U//FOUO)~~ In its final inspection report on the *Agile Acquisition Strategic Initiative (AASI)* on 2 November 2012, the OIG determined two things: the initiative should exploit opportunities to proactively anticipate DoD agile procedures and NGA still needed an overarching acquisition strategy to rapidly acquire and deliver support to various agency initiatives. A Senior Advisor was to modify the AASI plan by incorporating the OIG recommendations, but we have not received a modified AASI plan for review. We noted that three documents: *The Defense Science Board 2009 Report*, the *DoD Section 804 (of the FY 2010 National Defense Authorization Act) Report*, and the *DoD CIO 10-Point Plan* provide excellent resources for working this issue.

(U) National System for Geospatial-Intelligence (NSG) Expeditionary Architecture (NEA) Integrated Program Office (IPO)

~~(U//FOUO)~~ The inspection began in March 2013. The objectives are to review the charter, mission, authorities, and responsibilities of the program and review the NEA IPO organization, resource management, program management, and oversight. The inspection included a site visit to the U.S. Central Command area of responsibility to inspect facilities and operational systems such as: (1) NSG Video Services, (2) Cross-Domain Enterprise All-Source User Repository, (3) Geospatial Representation Integrated Dataspace (a light detection and ranging database), and (4) the South West Asia Strategic Node. We also reviewed the Tactical Edge Network (TEN) system, which never achieved IOC before being terminated. The OIG report will be published in the first quarter of FY 2014.

(U) Reducing Over-Classification

(U) In July 2013, we announced a Congressionally mandated inspection per Public Law 111-258, *Reducing Over-Classification Act*, 7 October 2010. The act addresses issues highlighted by the 9/11 Commission regarding the over-classification of national security information and promotes information sharing across the Federal Government and with state, local, tribal, and private-sector entities. The act states that the IG of each Federal department or agency with an officer or employee authorized to make original classifications:

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(A) Assess whether applicable classification policies, procedures, rules, and regulations have been adopted, followed, and effectively administered; and

(B) Identify policies, procedures, rules, regulations, or management practices that may contribute to persistent misclassification of material within such department, agency, or component.

(U) In addition, the act states that the IGs must complete the first evaluation by 30 September 2013 and a second evaluation by 30 September 2016.

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(U) Status of Prior Challenges and Watch List Issues

(U) During the last year, we found that NGA has made great improvements in areas previously identified as management challenges or watch list issues. Considering the findings issued in inspections, we decided to remove the following issues as a challenge or watch list issue.

~~(U//FOUO)~~ **Intelligence Oversight.** During the September-October 2012 period, the Office of the Assistant to the Secretary of Defense for Intelligence Oversight (ATSD IO) conducted an Intelligence Oversight (IO) inspection of intelligence activities at NGA headquarters in Springfield, Virginia, and NGA facilities in St. Louis, Missouri. The purpose of this inspection was to assess compliance with the provisions of DoD Regulation 5240.1-R, *Procedures Governing the Activities of DoD Intelligence Components that Affect United States Persons*, December 1982. The inspection found no violations of IO regulations or policies, provided one commendation and recognition for four best practices, and included three recommendations for incorporation into the NGA IO Program.

~~(U//FOUO)~~ The ATSD IO commended NGA for a well-organized and managed IO program that proactively stresses accountability, awareness, compliance, and training. NGA was also commended for implementing a training and certification program for more than 300 IO officers. In addition, the ATSD IO highlighted four best practices instituted by NGA.

(U) The ATSD IO made two recommendations for the IO Program and one recommendation for the NGA OIG:

- ~~(U//FOUO)~~ IO program manager periodically review the content of the daily intelligence briefing books and implement a written standard operating procedure for the delivery, handling, and retention of these documents.
- ~~(U//FOUO)~~ Develop and implement a self-inspection process by the IO Officers in their respective offices.
- ~~(U//FOUO)~~ As resources allow, NGA OIG expand IO compliance inspections to NGA support teams embedded in the Unified Commands.

(U) As a result of the ATSD IO's recommendation, the OIG will have conducted IO inspections at ~~██████~~ of the ~~██████~~ NGA Support Teams to the Combatant Commands by the end of FY 2013.

(U) Public Media Leaks. The OIG included public media leaks on the FY 2013 watch list because of heightened ODNI and Congressional interest spurred by *WikiLeaks* and other high-profile disclosures. We followed up by inspecting NGA processes for the detection, reporting, and investigation of unauthorized disclosures of classified information in the media, as well as the agency's clearance process for public release. Although these inspections identified several programmatic shortcomings currently being addressed by management,

we found no material weaknesses. The OIG is, therefore, removing public media leaks from the watch list while continuing to follow up on management's corrective actions.

(U) Conferences and Travel. The OIG included conferences and nonoperational travel on the FY 2013 watch list because of Congressional concerns that arose in response to IG investigations of extravagant conference expenditures by Federal agencies. In anticipation of a Congressionally directed action (CDA), the NGA OIG inspected NGA's procedures governing conferences and nonoperational travel. Although the CDA did not carry through, we completed the inspection and are currently working on the draft report. While we noted a need for additional documentation and pointed out several process risks, the inspection found no material weaknesses with policies and procedures (the inspection did not include a review of actual conference expenditures). On the basis of the procedural review, the OIG is removing conferences and nonoperational travel from the watch list while continuing to follow up on management's corrective actions.

(U) Fleet Vehicle Management. NGA's vehicle fleet management was placed on the FY 2013 watch list in support of the OIG's objective to prevent and detect fraud, waste, and abuse. The review of NGA's vehicle fleet management assessed the overall effectiveness and management oversight of the NGA Taxi Service, U-Drive-It vehicles, and fuel card programs. Although we identified some process improvement areas, we detected no fraud, waste, or abuse. Therefore, we are removing vehicle fleet management from the watch list while continuing to follow up on management's corrective actions.