Description of document:	Department of Defense (DoD) and Central Intelligence Agency (CIA) Joint Inspection of The National Reconnaissance Office (NRO), Inspection Report No. 96-014, 1996
Requested date:	12-February-2012
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Source of document:	Department of Defense Office of Inspector General DoD OIG FOIA Requester Service Center ATTN: FOIA Request Office, Suite 10B24 4800 Mark Center Drive Alexandria, VA 22350-1500 Fax: (571) 372-7498

INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
4800 MARK CENTER DRIVE
ALEXANDRIA, VIRGINIA 22350-1500

April 27, 2017
Ref: 12-00334-F (FOIA-2012-00267)

SENT VIA EMAIL

This is in response to your Freedom of Information Act (FOIA) request for a copy of the 1996 Joint Inspection of the National Reconnaissance Office, Commissioned by DCI and SECDEF, conducted by the CIA and DoD Office of Inspector General. We received your request on February 12, 2012, and assigned it case number 12-00334-F (FOIA-2012-00267).

The Office of the Deputy Inspector General for Intelligence & Special Program Assessments conducted a search and located the enclosed report. The Central Intelligence Agency, National Reconnaissance Office and the Office of Secretary of Defense reviewed the report and determined that certain portions are exempt from release pursuant to the following exemptions:

- 5 U.S.C. § 552 (b)(1), which pertains to information that is currently and properly classified pursuant to Executive Order 13526, under the following sections:
  - 1.4(c), intelligence activities (including covert action), intelligence sources or methods, or cryptology;
  - 3.3(1) reveal the identity of a confidential human source, a human intelligence source, a relationship with an intelligence or security service of a foreign government or international organization, or a nonhuman intelligence source; or impair the effectiveness of an intelligence method currently in use, available for use, or under development;

- 5 U.S.C. § 552 (b)(3), when information is specifically exempted by statute, in this case:
  - 10 U.S.C. 424, organizational and personnel information for DIA, NRO and NGA;
  - Central Intelligence Agency Act of 1949, 40 U.S.C. 403g, as amended;
  - Section 6 of 102A(i)(1) of the National Security Act of 1947, as amended;

- 5 U.S.C. § 552 (b)(5), inter-agency or intra-agency memorandums or letters that would not be available by law to a party other than an agency in litigation with the agency, provided that the deliberative process privilege shall not apply to records 25 years or more before the date on which the records were requested;

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April 27, 2017
Ref: 12-00334-F (FOIA-2012-00267)

If you have any questions regarding this matter, please contact Joseph Kasper at 703-604-9775 or via email to foiarequests@dodig.mil.

Sincerely,

Mark Dorgan
Division Chief
FOIA, Privacy and Civil Liberties Office

Enclosure(s):
As stated

~~SECRET~~

DEPARTMENT OF DEFENSE

AND

CENTRAL INTELLIGENCE AGENCY

JOINT INSPECTION OF THE

NATIONAL RECONNAISSANCE OFFICE

INSPECTION REPORT No. 96-014 (U)

~~This is a PRIVILEGED DOCUMENT that cannot be released in whole or part to persons or agencies outside the Department of Defense (DOD) or the Central Intelligence Agency (CIA), nor can it be published in whole or part in any document not containing this statement, without the express written approval of the DOD and CIA Inspectors General. (U)~~

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23 July 1996

MEMORANDUM FOR DIRECTOR, NATIONAL RECONNAISSANCE OFFICE
DIRECTOR, ADMINISTRATION AND MANAGEMENT,
OFFICE OF THE SECRETARY OF DEFENSE

SUBJECT: Final Report on the Inspection of the National Reconnaissance Office (Report No. 96-014) (U)

(U) This is the final report on the inspection of the National Reconnaissance Office (NRO) conducted jointly by the Inspectors General, Department of Defense (DoD) and Central Intelligence Agency (CIA). The goal of this inspection was to evaluate the efficiency and effectiveness of the management processes used by the NRO.

(U) The NRO management responded to our findings and recommendations in positive and constructive terms. Their comments on the draft of this report were considered and are reflected in the final report.

(U) We appreciate the efforts extended by the Director, NRO, and his staff in responding to the draft report. Management's comments appropriately addressed most of the findings and recommendations. Further response is required on Recommendations 1, 12, 13, 18, 22, 23, 25, 27, 33, 35, and 37. Director, NRO, action on Recommendation 4 is deferred until after receipt of an Office of General Counsel, DoD, response, expected by October 1, 1996. At that time, the DoD/IG and CIA/IG will assess the response and determine what actions are required.

(U) Please forward your responses to the above recommendations within 30 days of receipt of this report to the Assistant Inspector General for Policy and Oversight, Inspector General, DoD, 400 Army Navy Drive, Arlington, Virginia 22202-2884.

(U) We appreciate the courtesies extended to the inspection team. If you need additional information regarding the report, please contact (b) (6), Intelligence Review Directorate, Office of the Assistant Inspector General for Policy and Oversight, Inspector General, DoD, at (703) 604-8873, DSN 664-8873, (b)(1)(c) (b)(3) (b)(1), Office of the Inspector General, CIA, at (b)(1)(c) (b)(3) (b)(1)(c) (b)(3) 10 USC 424 (b)(5).

Frederick P. Hitz
Inspector General
Central Intelligence Agency

Eleanor Hill
Inspector General
Department of Defense

cc:

Under Secretary of Defense for Acquisition and Technology
Under Secretary of Defense (Comptroller/Chief Financial Officer)
Assistant Secretary of Defense (Command, Control, Communications, and Intelligence)
Deputy Undersecretary of Defense for Space
General Counsel of the Department of Defense
Assistant to the Secretary of Defense for Intelligence Oversight
Director, National Security Agency
Inspector General, Department of the Army
Inspector General, Department of the Navy
Inspector General, Department of the Air Force
Inspector General, National Reconnaissance Office
Inspector General, National Security Agency

Director of Central Intelligence
Deputy Director of Central Intelligence
Chief of Staff, Central Intelligence Agency
Executive Director, Central Intelligence Agency
Deputy Director for Science and Technology, Central Intelligence Agency
Comptroller, Central Intelligence Agency
General Counsel, Central Intelligence Agency
Director, (b)(1)(c) (b)(3) 10 USC 424 (b)(5) [redacted], Deputy Director for Science and Technology, Central Intelligence Agency

Executive Director, Intelligence Community Affairs

Chairman, Committee on Armed Services, United States Senate
Ranking Minority Member, Committee on Armed Services, United States Senate
Chairman, Committee on Appropriations, United States Senate
Ranking Minority Member, Committee on Appropriations, United States Senate
Chairman, Select Committee on Intelligence, United States Senate
Vice Chairman, Select Committee on Intelligence, United States Senate

Chairman, Committee on National Security, House of Representatives
Ranking Minority Member, Committee on National Security, House of Representatives
Chairman, Committee on Appropriations, House of Representatives
Ranking Minority Member, Committee on Appropriations, House of Representatives
Chairman, Permanent Select Committee on Intelligence, House of Representatives
Ranking Minority Member, Permanent Select Committee on Intelligence, House of Representatives

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EXECUTIVE SUMMARY (U)

(U) INSPECTION GOAL AND OBJECTIVES

(U) The Inspectors General, Department of Defense and Central Intelligence Agency, conducted a joint inspection of the National Reconnaissance Office (NRO) from October through December 1995. The goal of the inspection was to determine the efficiency and effectiveness of the processes and mechanisms used to manage and administer NRO resources and administrative programs. The objectives were to: evaluate the authorities and delegations of the NRO and oversight organizations; evaluate the processes used to identify mission requirements and plan and organize resources for them; evaluate internal administrative and management programs; and, evaluate internal management oversight processes.

(U) METHODOLOGY

~~(S/B)~~ The inspection team conducted interviews and collected data at the NRO headquarters facilities in the OSD - (b)(1) EO OSD - (b)(1) EO 13526 Section 3.3(1) Also, the team sent surveys to 1000 NRO employees covering topics such as: mission and organization; supervision, management, and leadership; and personnel issues. The inspection team conducted interviews and gathered data from the organizations which contribute personnel to the NRO and surveyed NRO customers and product users. Finally, the inspection team interviewed personnel at organizations having oversight responsibilities for the NRO.

(U) SYNOPSIS

(U) If a single phrase could capture the ethos of the NRO as we found it, it would be: "It's the mission that's important." The employees, management, and leadership of the NRO maintain a singular focus on the mission of development and operation of satellite reconnaissance systems. The NRO continues to transition from a federation of geographically separated, sometimes competing, program offices--each with a distinct culture and way of doing business--to an organization which has consolidated programs, a more cohesive work force, and a central headquarters facility.

(U) EFFECTIVE PROCESSES

(U) The team found the NRO is particularly effective in management of processes directly related to the development and operation of satellite reconnaissance systems, their core business. We found other effective processes: mechanisms and tools to oversee satellite systems development; mechanisms to determine and prioritize mission requirements; and procedures to acquire and manage automated information and communication systems.

(U) AREAS NEEDING SENIOR MANAGEMENT ATTENTION

~~(FOUO)~~ In contrast, the team judged senior NRO officials to be lax in the management of the support and administrative infrastructure. In these areas, policies and procedures are not well defined or communicated to employees, and employees are uncertain of their roles and responsibilities. The team

acknowledges the NRO management faces a challenge to balance mission focus with reasonable attention to oversight of administrative and support functions.

(U) AUTHORITIES AND DELEGATIONS

~~(FOUO)~~ The authorities and delegations for the NRO, the organizations providing support, and the organizations providing oversight, do not facilitate effective mission accomplishment. The charter documents are written in vague and general terms and contain five specific weaknesses. Specifically, the following points are not adequately defined:

- Responsibilities of the SECDEF, DCI, or DNRO;
- The DNRO's chain-of-command;
- Relationships between the NRO and the present external oversight structure;
- The organizational status of the NRO; and
- The DNRO's administrative authorities.

~~(FOUO)~~ While senior management of the NRO views these weaknesses as opportunities, allowing for flexibility and avoiding bureaucratic constraints, they also contribute to conflicting, inconsistent, and inadequate policies and direction.

(U) MAJOR INADEQUACIES

~~(FOUO)~~ We found four areas with major inadequacies. First, the NRO does not have adequate processes and mechanisms to account for property. While the NRO maintains well established procedures for requisition and approval of logistical needs through both government and commercial sources, the NRO does not have a property accountability program.

(U) Property Accountability

(U) Oversight

~~(FOUO)~~ Second, we found the former NRO Inspector General did not provide effective oversight of the organization. The former DNRO lacked confidence in the Inspector General to provide balance between effective oversight and the imposition of perceived additional burdensome procedures. The Inspector General did not fully utilize the staff and did not consistently follow-up to ensure audit and inspection recommendations were implemented.

(U) Infrastructure Support Monitoring

~~(FOUO)~~ Third, while the NRO maintains excellent processes to monitor direct mission related activities, they do not have equivalent monitoring mechanisms or performance measurement indicators for the infrastructure support functions. We found the Internal Management Control Program is not fully implemented due to a lack of commitment to a standardized program, incomplete training, non-standard vulnerability assessments, and inadequate documentation.

(U) Civilian Personnel System

~~(FOUO)~~ Fourth, while we found the NRO has technically adequate processes, mechanisms and management systems to

support civilian personnel, the multiple civilian personnel systems used do not support the NRO goal of a consolidated, cohesive work force. We judge a single civilian personnel system, implemented over a period of a few years, would support this organizational goal in the long term. Currently, no memoranda of agreement exist between the NRO and the agencies providing personnel services to define responsibilities. Further, the NRO internal reassignment process is inadequate because of the inherent disparity of considering DoD rank-in-position candidates and CIA rank-in-person candidates for the same positions. Differences in promotions and awards, while technically managed in accordance with parent organization regulations, do not contribute to a consolidated, cohesive work force.

(U) NOTABLE INADEQUACIES

(~~FOUO~~) In addition to the four areas with major inadequacies noted above, the team found notable inadequacies in three other areas.

(U) Security

(~~S//B~~) First, while the NRO maintains adequate processes to manage security requirements, the NRO needs significant improvement in providing basic security policy guidance. We found confusion about the currency and applicability of the NRO/NRP Directives regarding security. OSD - (b)(1) EO OSD - (b)(1) EO 13526 Section 3.3(1) [redacted] their knowledge and use of security classification requirements. The well-trained and motivated security personnel, with their superior abilities and wealth of security experience, make the system work despite the noted deficiencies.

(U) EEO

Second, the NRO does not maintain an Equal Employment Opportunity (EEO) program in accordance with DoD Directives. The NRO relies on the parent organizations of the personnel to fulfill these responsibilities. The NRO does not have a Director of EEO to bring discrimination and harassment issues to the attention of senior management nor diversity managers to publicize the contributions of minorities. We judge NRO employees do not have ready access to the required full range of EEO support.

(U) Manpower Requirements

(~~FOUO~~) Third, the NRO does not have an adequate manpower requirements process. We found the NRO lacks a well defined and documented process to determine, validate, and manage manpower needs. The NRO relies on an informal, undocumented system where senior management groups periodically address manpower needs and request adjustments through the DNRO.

(U) AREAS NEEDING IMPROVEMENT

(~~FOUO~~) There were several areas in which we found the NRO overall had adequate processes in place, but there were some inadequacies of note. These include the contract management process and the military manpower management process.

(~~S~~) The contracts management system maintains overall adequate processes and mechanisms to monitor and manage its contracts with the exception of: certifying funding documentation:

payment and invoicing procedures for cost reimbursement contracts; definition of Contracting Officer's Technical Representative responsibilities; and procedures for monitoring some aspects of the operations and maintenance contractor for the headquarters facilities. In addition, the NRO currently contends with three disparate contracting systems and is developing a single NRO Acquisition Manual.

(~~FOUO~~) There are technically adequate processes to support military personnel and meet the needs of the NRO. Like civilian personnel management, the NRO military personnel management system would benefit by establishing or updating memoranda of agreement with the Services to clearly identify roles and responsibilities of the Military Services and the NRO. The military personnel management system needs a process to monitor the support provided by both NRO and the parent Military Service.

TABLE OF CONTENTS (U)

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INTRODUCTION (U)

BACKGROUND (U)

(U) MISSION

(U) The mission of the National Reconnaissance Office (NRO) is to ensure the United States has the technology and satellite reconnaissance systems needed to acquire superior intelligence in war and peace. The NRO accomplishes this mission through development, acquisition, and operation of spaceborne data collection systems. The NRO supports the monitoring of arms agreements, indications and warning, and the planning and conduct of military operations.

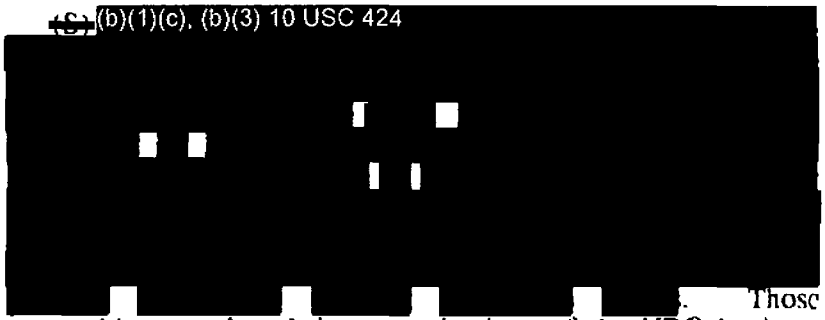
(U) Historical Background

(U) The NRO traces its origins to the late 1950s. In 1958, the National Security Council (NSC) issued a memorandum directing the Department of Defense (DoD) to develop an operational reconnaissance satellite to augment the existing aircraft reconnaissance program. In 1960, the U.S. successfully launched its first imagery and signals intelligence satellites. That same year the Reconnaissance Satellite Program was created under the Secretary of Defense (SECDEF).

~~(FOUO)~~ The Reconnaissance Satellite Program became the NRO in 1961. A series of DoD and Central Intelligence Agency (CIA) agreements between 1961 and 1965 further defined the NRO. The agreements intended a consolidated program to develop and operate satellite and air vehicle projects for intelligence, geodesy and mapping, photography, and electronic signal collection. The Director of the NRO (DNRO) was designated the manager of the National Reconnaissance Program (NRP), the single national program to meet consumer intelligence and operations support needs through satellite reconnaissance. DoD Directive TS-5105.23, "National Reconnaissance Office", 27 March 1964, serves as the DoD chartering document and designates the NRO as an operating agency within the DoD.

(U) Evolution of the NRO

~~(S)~~ (b)(1)(c), (b)(3) 10 USC 424



. Those competitive practices led to examinations of the NRO business practices by both internal and external groups.

INTRODUCTION

(U) In 1989, based on recommendations from the NRO-chartered Geiger/Kelly Study, the DNRO, SECDEF, and DCI agreed to initiate an NRO reorganization. Key elements of the study included:

- Creation of the National Reconnaissance Review Board to advise the SECDEF, DCI and DNRO;
- Establishment of a Plans and Analysis Office;
- Creation of the Deputy Director for Military Support position; and,
- Initiation of collocation activities for NRO elements.

(U) In March 1992, the DCI formed a panel led by Robert Fuhrman to assess the NRO structure, management methodology, and ability to respond to Intelligence Community needs. In mid-1992 the DNRO, in coordination with the DCI, SECDEF, and the President, implemented key recommendations of the Fuhrman Panel. Changes included consolidation of Air Force Program A, CIA Program B, and Navy Program C into the IMINT and SIGINT Directorates.

(U) This report discusses historically significant information in the section on authorities and delegations. Additional information on the historical development and a bibliography of sources can be found in Appendix B and Appendix C, respectively.

(U) STRUCTURE

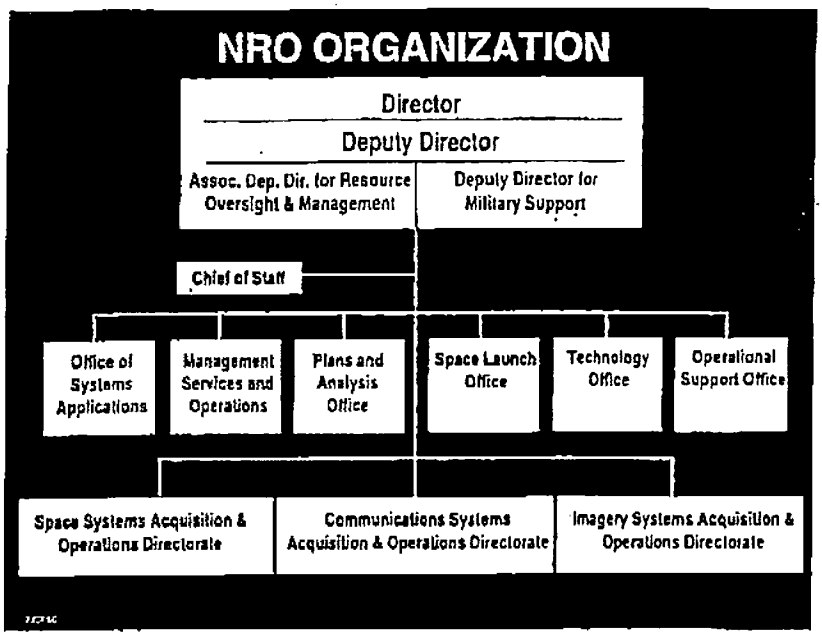
(U) The SECDEF, in concert with the DCI, is responsible for the management and operation of the NRO. The SECDEF, with the concurrence of the DCI, appoints the DNRO. The DNRO is program manager for the NRP and reports directly to the SECDEF.

(U) The DCI responsibilities include the following:

(b)(3) 10 USC 424

- Approves, in concert with the SECDEF, the NRP budget;
- Provides security policy guidance for the NRP; and,
- Guides and participates in the formulation of the NRP through the DNRO.

(U) The NRO organization consists of three line directorates, operational offices, and several supporting offices and staffs operating under the direction and management of the DNRO, the Deputy Director of the NRO, and the Deputy Director for Military Support. The chart below illustrates the NRO organization structure.



(U) INSPECTION GOAL

(U) The goal of the joint DoD-CIA inspection was to determine the efficiency and effectiveness of the processes and mechanisms used to manage and administer NRO resources and internal management and administrative programs. The scope of the inspection was an organizational management inspection of the NRO. Specifically, the inspection objectives were to:

(U) INSPECTION OBJECTIVES

- Evaluate the adequacy of the authorities and delegations of the NRO, the organizations providing support, and the organizations providing oversight to facilitate mission accomplishment.
- Evaluate the adequacy of the processes and mechanisms used to identify mission requirements, and to plan and organize resources to meet those requirements;
- Evaluate the adequacy of the NRO internal administrative and support programs; and,
- Evaluate the adequacy of the NRO internal management oversight processes and mechanisms.

(U) INSPECTION METHODOLOGY

~~(FOUO)~~ To achieve an independent, comprehensive, and objective assessment of the NRO, inspectors received briefings from the Deputy Director and senior officials of each functional area of the organization on NRO structure, policies and procedures, and roles and responsibilities. Inspectors sent surveys to 1000 NRO personnel on a wide range of issues with approximately 650 being returned. Numerous personnel requested interviews or made additional comments on the survey forms.

Inspectors collected and reviewed documentation covering all functional areas and compared the guiding directives to NRO policies and procedures as well as to what they saw being done. Further, inspectors conducted interviews at all levels of the organization to gain an appreciation for the perspective of the personnel, the tasks they perform, and the guidance they use. Inspectors compared interview results with the documented sources of policy and procedure.

(~~FOUO~~) This inspection was initially intended to include portions on budget and financial management. Because the Congressionally mandated audit report of the forward funding issue will include these topics, we will not address them in this report.

GENERAL ASSESSMENT (U)

(U) SYNOPSIS

(U) If a single phrase could capture the ethos of the NRO as we found it, it would be: "It's the mission that's important." It is a tribute to the dedication and skills of the employees of the NRO that they continue to focus on the development and operation of satellite reconnaissance systems collecting data of critical importance to the country's leadership while major changes in the nation's intelligence priorities are taking place. The NRO, no longer an organization whose existence is classified, has maintained its mission.

(U) SYSTEMS DEVELOPMENT OVERSIGHT

~~(FOUO)~~ Management oversight of satellite development and operations processes represent the strengths of the NRO. The NRO management maintains control processes and mechanisms directed at assuring collection systems are designed and built to meet intelligence requirements. These complex and interrelated processes include oversight by senior management of systems design, documentation, scheduling, contractors' achievements, and component interfaces.

~~(FOUO)~~ The NRO's continued mission focus is admirable in light of its own ongoing transition since 1992, from a federation of geographically separated, sometimes competing, program offices - each with a distinct culture and way of doing business - to an organization which has consolidated programs, a more cohesive work force, and a central headquarters facility.

(U) PRIMARY CHALLENGE

~~(FOUO)~~ One challenge facing NRO management in a post cold war environment involves balancing mission focus with reasonable attention to oversight of administrative and support functions. We found a lack of appropriate management attention to these latter areas. As a result, the NRO is deficient in meeting standards established by the DoD, DCI, or their own NRO directives in: property accountability; security policy guidance; manpower management; NRO/IG inspection and audit compliance; Equal Employment Opportunity (EEO) compliance; and internal management control program implementation.

(U) CHARTER AMBIGUITIES & IMPACT

~~(FOUO)~~ The team identified ambiguities in the DoD and DCI charter documentation defining the authorities of the NRO in the areas of procurement and civilian personnel management. We could not quantify adverse impact on the effectiveness of the NRO in accomplishing its mission in the past due to charter document inadequacies. However, a new set of charter documents that clearly and completely defined current responsibilities, relationships, and authorities would help resolve transitional problems and promote continued effective and efficient mission accomplishment.

GENERAL ASSESSMENT

(U) WORKFORCE ISSUES

~~(FOUO)~~ The NRO management maintains the goal of achieving a cohesive, consolidated work force. The current personnel management structure inhibits cohesiveness, and brings forth employee opinions of unfairness in salaries, promotions, awards, and assignments. We question whether the NRO goal is attainable under current SECDEF and DCI agreements and directives which require the NRO to be staffed from the CIA and DoD agencies. The attainment of a consolidated, cohesive NRO work force would be facilitated by a single civilian personnel system, implemented over a period of several years. This would require the DNRO to propose changes to the SECDEF and DCI.

(U) RELATION TO NEW ORGANIZATIONS

(U) The designers of jointly staffed DoD/Intelligence organizations, such as the National Imagery and Mapping Agency (NIMA), heed to consider the positive and negative aspects of the NRO model in drafting their charter documents. We identified the NRO charter documents, relevant DoD, DCI, and NRO directives, and expressed our view of the resultant organizational procedures, especially those related to procurement authorities and personnel management practices. Senior DoD and DCI management need to be fully aware of the impact on organizations such as NIMA if they adopt NRO-like charter documents in whole or in part.

ISSUES, FINDINGS, AND RECOMMENDATIONS (U)

(U) In this section, we discuss in detail the areas requiring NRO management attention. We highlight superior work as well as deficient areas. Our findings relate to four areas: Authorities and Delegations, Resource Management, Functional Management, and Internal Management Controls. We make recommendations which supply one alternative to correct deficient areas; alternative solutions may appropriately correct the situations.

AUTHORITIES AND DELEGATIONS (U)

(U) BACKGROUND

(U) Authority for the NRO originally came from a September 1961 letter to the DCI from the Deputy Secretary of Defense (DEPSECDEF) confirming his agreement with the Acting Director, CIA, to establish the NRO as a joint activity of the DoD and CIA. A series of agreements between the DoD and the DCI over the next 4 years culminated in the 11 August 1965, "Agreement for the Reorganization of the National Reconnaissance Program," which "establish[ed] the NRO as a separate operating agency of the DoD . . . jointly staffed." The SECDEF, with the concurrence of the DCI, appoints the DNRO; the DCI, with the concurrence of the SECDEF, selects the Deputy Director. The DNRO manages the NRO and executes the NRP. In addition to the 1965 agreement, DoD Directive TS-5105.23, (S) National Reconnaissance Office, was issued in 1962 and revised on 27 March 1964. The Directive established the NRO as an operating agency of the DoD, mandated the conduct of the NRP through the use of "streamlined management procedures," and exempted NRP projects from "normal staff review". Neither term is further defined.

(U) Over the past 30 years, the management oversight structure for the NRO has undergone numerous changes due to Executive Orders, Presidential Directives, National Security Decision Directives, and inputs by the President's Foreign Intelligence Advisory Board, as well as the chartering of new boards, review groups, and oversight offices. Furthermore, from 1989-1992 the NRO itself initiated several significant organizational changes, some of which are still in progress; creation of the Deputy Director for Military Support (DDMS) position and the Plans and Analysis Office (P&A); consolidation of the three separate programs into a functional ("INT") alignment; declassification of the "fact of" the NRO; and collocation of most elements of the NRO. A more detailed discussion of the evolution of the NRO's authorities and its oversight structure is found in Appendix B.

~~(FOUO)~~ We noted that functional areas follow various portions of DoD and CIA statutory and regulatory authorities, policies, and

procedures. Briefers and those we interviewed found it difficult to clearly state what authorities the NRO operated under or why they followed either DCI or DoD statutory and regulatory authorities or particular DCI or DoD policies and procedures. Reflecting this difficulty in identifying specific authorities and responsibilities, the Acting Deputy Assistant Secretary of Defense (Intelligence & Security) raised several Management Inspection Items for our assessment: the NRO's compliance with existing DoD directives and regulations; the ambiguity of the oversight and reporting relationship; and the differentiation between SECDEF and DCI policies with regard to the NRO.

(~~FOUO~~) ISSUE: The authorities and delegations for the NRO, the organizations providing support, and the organizations providing oversight do not efficiently and effectively facilitate mission accomplishment.

(U) GENERAL ASSESSMENT

(~~FOUO~~) Both of the charter documents, the 1965 SECDEF-DCI Memorandum of Agreement (MOA) and the 1964 DoD Directive (DoDD), are now more than 30 years old. The mission of the NRO--taking satellite systems from cradle to grave using streamlined management--remains unchanged, but the environment in which the NRO operates today is far different than the "world" of its original designers. The organization, management, and funding of the Intelligence Community has changed. The Intelligence Community and the DoD have significantly revised their methods of programming and budgeting. The NRO is becoming a consolidated, unitary organization rather than a headquarters directing three separate components with their own supporting infrastructure.

(~~FOUO~~) FINDING: The NRO charter documents are outdated, ambiguous, and incomplete.

(U) CHARTER WEAKNESSES

(~~FOUO~~) The charter documents are written in such vague and general terms that the NRO's responsibilities, its relationships with those providing oversight and support, and its administrative authorities are subject to varied interpretations. After 30 years of change, the documents contain obsolete or ambiguous provisions that conflict with other authorities and are inconsistent with current policies and procedures. The documents are also incomplete. The 1965 MOA constitutes the only existing DCI guidance related to the NRO. There is no DCI Directive (DCID) or CIA Headquarters Regulation comparable to the DoDD that addresses the NRO's status and responsibilities within the Intelligence Community, its use of CIA authorities, or its relationship with the CIA.

(~~FOUO~~) For those reasons, the charter documents do not clearly, completely, and accurately describe the existing responsibilities, relationships, and authorities of the NRO and those providing the NRO with oversight or support. There are five specific weak points in the documents: SECDEF, DCI, and DNRO responsibilities; the DNRO's chain of command; the NRO's external oversight structure; the NRO's organizational status; and the DNRO's administrative authorities.

(U) Roles and Responsibilities

(~~FOUO~~) The documents do not adequately define the responsibilities of the SECDEF, DCI or DNRO.

- The SECDEF and DCI responsibilities specified in the MOA are no longer consistent with those currently defined by 50 U.S.C. 403-3, 403-5, 403-6; Executive Order 12333; and SECDEF-DCI procedural agreements. For example, the SECDEF no longer has "final power" to approve the NRP budget as the MOA states, and the DCI has NRP reprogramming authority that is not addressed in the MOA.

- The DoDD makes no mention of the DCI's responsibilities regarding the NRP or the NRO, nor does it mention the DNRO's responsibilities to the Intelligence Community outside of the DoD.

- The DoDD has never been revised to address the DNRO's responsibilities to develop and implement the Defense Reconnaissance Support Program (now the Defense Space Reconnaissance Program) as the DNRO was directed to do in a September 1980 DEPSECDEF memorandum assigning those responsibilities. The DNRO does not have responsibility for "air vehicle overflight projects," as the directive states; that responsibility was transferred to the Director, Defense Airborne Reconnaissance Office, in November 1993.

(U) Chain of Command

(~~FOUO~~) The charter documents do not adequately define the DNRO's chain of command. A February 1994 DNRO memorandum states that the DNRO reports directly to both the SECDEF and DCI. The MOA says the SECDEF will choose a DNRO who will report to him and be responsive to his instructions, but it makes no mention of the DNRO reporting to the DCI. The DoDD is silent on the DNRO's chain of command, leaving the DNRO's precise relationship to the SECDEF--or the DCI--unclear.

(~~FOUO~~) By contrast, the charter directives of the other intelligence-related Defense agencies specifically define their director's chain of command. The National Security Agency (NSA) and Defense Intelligence Agency (DIA) directives--issued a few years prior to the NRO directive--state specifically that their directors report directly to the SECDEF. The Central Imagery Office (CIO) charter directive--issued in 1993--gives "overall supervision" of the CIO to the Assistant Secretary of Defense

(Command, Control, Communications and Intelligence) (ASD[C3I]): that chain of command follows 10 U.S.C. 192(a), which says the SECDEF will assign "overall supervision" of Defense agencies to an Office of the Secretary of Defense (OSD) official or to the Chairman of the Joint Chiefs of Staff, exempting only DIA and NSA. The charter directives of all three agencies--NSA, DIA and CIO--also contain provisions that define their director's relationship with the DCI.

(U) Oversight Structure

(~~FOUO~~) The charter documents do not adequately define the relationships between the NRO and the present external oversight structure. Oversight of the NRP and NRO activities by senior executives of the DoD and Intelligence Community is an area of uncertainty. Neither of the oversight mechanisms provided for in the charter documents has existed for several years.

(~~FOUO~~) The MOA established an NRP Executive Committee--the DEPSECDEF, DCI, and Special Assistant to the President for Science and Technology--"to guide and participate in the formulation of the NRP through the DNRO." However, that committee was eliminated by Executive Order 11905 in 1976. No comparable mechanism has ever replaced the NRP Executive Committee, although President Reagan did direct in a 1985 memorandum that the SECDEF, DCI, and his Assistant for National Security Affairs "periodically review the program, priorities and resources of the NRO."

(~~FOUO~~) The DoDD originally directed that the DNRO, "Keep the Director of Defense Research and Engineering and the Assistant Secretary of Defense (Comptroller) personally informed on a regular basis . . . ." That provision was replaced in an October 1979 SECDEF interim change memorandum which established a three-member Defense Space Operations Committee as "the principal advisory body to the Secretary of Defense for the (S) NRP." The change was never formally made to the DoDD, and the change memorandum was cancelled by DoDD 3500.1, Defense Space Council (DSC), in December 1988. That directive established the Defense Space Council, which replaced the Defense Space Operations Committee. The Defense Space Council, a large coordinating entity for all DoD space matters, is now moribund.

(~~FOUO~~) While the oversight mechanisms in the charter documents have disappeared, the SECDEF and DCI have created several others that presently provide some form of oversight over the NRP and NRO activities. Those mechanisms include the National Reconnaissance Review Board, the Intelligence Program Review Group, the Joint Space Management Board, the Intelligence Community Executive Committee, and the Expanded Defense Resources Board. The relationship of the NRO with those oversight mechanisms is not defined by the charter documents.

(~~FOUO~~) Day-to-day oversight of the NRO by the OSD staff is another area of uncertainty. The DoDD states that NRO "projects

will not be subject to normal Department of Defense staff review." That provision conflicts with the Under Secretary of Defense (USD) (Comptroller) and the ASD(C3I) charter directives. The Comptroller directive authorizes the Comptroller to "provide fiscal management for . . . national reconnaissance activities . . . ." while the ASD(C3I) directive authorizes the ASD(C3I) to exercise "direction, authority and control" over the NRO's Defense Support Program Office and "staff supervision" over "the Air Force and Navy Special Intelligence Programs." an unclassified reference to what were then the two separate DoD components of the NRO. The exception from normal staff review also conflicts with a March 1995 DEPSECDEF memorandum that makes the newly created Deputy Undersecretary of Defense for Space (DUSD[Space]) responsible for oversight of space acquisition programs.

(~~FOUO~~) In addition, the exception from normal staff review in the DoDD is not consistent with recent SECDEF and DCI decisions on the NRO. In October 1995, they told Congress that they intended to put increased emphasis on joint oversight of the NRO, creating a program analysis and evaluation capability in the Community Management Staff and a functional review capability in the DoD. Program Budget Decision Number 701 in November 1995 put NRO funding under the review of the DUSD(Space). The NRO was also directed to participate in the USD(Comptroller) Fiscal Year 1997 budgetary review process in the same manner as other intelligence-related Defense agencies. Those actions indicate that the NRP and NRO activities may now be subject to the normal DoD staff review.

(U) Organizational Status

(~~FOUO~~) The charter documents do not adequately define the organizational status of the NRO, making it difficult to determine the NRO's relationships with organizations that provide either oversight or support. The MOA states that the NRO will be "jointly staffed . . . from the CIA, the three military departments and other Government agencies." Elsewhere, the MOA implies that the NRO will have separate CIA and DoD components and use the authorities of the CIA and DoD, but does not clearly describe the nature of the NRO organization or the manner in which the dual authorities will be used. There is no DCID or CIA Headquarters Regulation on the NRO that amplifies the MOA.

(~~FOUO~~) The DoDD treats the NRO strictly as a Defense agency. It makes no mention of joint staffing of the NRO and does not acknowledge any authority for the NRO to use CIA policies and procedures in lieu of DoD directives.

(U) Administrative Authorities

(~~FOUO~~) The DoDD does not adequately define the DNRO's administrative authorities. There are no delegations of administrative authorities as such in the DoDD, which states only that the DNRO is "specifically delegated the authority to: 1. organize, staff and supervise the (S) National Reconnaissance Office. 2. Establish, manage and conduct the (TS) National Reconnaissance Program . . . ." Although the DNRO may legally

infer administrative authorities similar to those given to other Defense agency directors from that provision, the DoDD does not follow the precedent of other Defense agency charter directives. While the DNRO's delegations are implicit, the charter directives of other Defense agencies give the director explicit delegations of administrative authorities. The result is ambiguity for the NRO and the organizations providing oversight or support. Neither can be certain of the nature and extent of the DNRO's administrative authorities, leaving them open to interpretation or dispute. For example, the Director, Human Resources Management Group (HRMG), told us the DNRO does not have "appointment" authority for civilian personnel, while the NRO Office of General Counsel indicated the DNRO did have such authority. Furthermore, the CIA Office of General Counsel indicated because the NRO does not actually administer personnel, and has chosen not to hire a permanent cadre which would require it to do so, the NRO has no legal need to exercise any personnel authority.

(U) IMPACT OF CHARTER WEAKNESSES

(U) Effects On the NRO

~~(FOUO)~~ The weaknesses in the charter documents enumerated above affect the NRO and the organizations providing oversight or support in different ways. From the NRO perspective, many of the weaknesses in the charter documents are actually strengths. Their ambiguity increases the NRO's flexibility and enhances its freedom of action. The conflicting and inconsistent provisions permit the NRO to maintain distance from what it considers "Office of the Secretary of Defense staff bureaucracy." Most important for the NRO, the charter documents, despite their obsolescence, still support the NRO's "core values:" streamlined management procedures and management of systems from cradle to grave. However, the NRO uses the generality of the documents as justification for exercising extensive authority, not specified in any particular document or delegation.

~~(FOUO)~~ Although the list of weaknesses in the charter documents is long, the NRO has accomplished its mission under the documents. We could not quantify any mission shortfalls directly attributable to the weaknesses noted above. In the past, the NRO has operated largely in isolation from the rest of the Defense and Intelligence communities. Now, it is moving closer to the mainstream of both communities. The NRO is taking a more proactive stance in educating and meeting the needs of DoD customers. We are concerned, however, that the charter weaknesses will have an adverse impact on mission accomplishment in the future.

(U) The level of external oversight is increasing rapidly. Three OSD staff offices--USD(Comptroller), DASD(Intelligence & Security), and DUSD(Space)--now have oversight responsibilities for the NRP and various aspects of NRO activities. The OSD staff and Community Management Staff are planning new program evaluation capabilities. Congress insists on expanded executive and congressional oversight of the NRP. The effort to integrate military and intelligence space activities will impose new limits on the NRO's flexibility and freedom of action.

(U) The present charter documents leave the NRO vulnerable. Actions to move the NRO closer to the mainstream, could affect the NRO's core values. We concluded new charter documents would preserve the "core values" and limit the burdens of additional oversight.

(~~FOUO~~) We are also concerned the growing gap between the organization for which the charter documents were designed and the organization which exists today will eventually have an adverse impact on the NRO's mission accomplishment. The charter documents were designed for a covert organization with a small "joint" staff and three separate components, each with its own infrastructure, policies, and procedures. Today, the NRO is an overt organization with a unitary structure struggling to merge the three separate infrastructures of the past into a single system. As a CIA Directorate of Science and Technology official told us, "The NRO is caught on its way to being something [different]." Our findings in areas such as contract and civilian personnel management, manpower requirements determination and equal employment opportunity--discussed later in this report--illustrate the difficulties being encountered in the transition process. A new set of charter documents that clearly and completely defined current responsibilities, relationships, and authorities would help resolve transitional problems and promote continued effective and efficient mission accomplishment.

(U) Effects On Oversight or Support Organizations

(~~FOUO~~) Our interviews with senior officials in organizations providing oversight or support to the NRO indicate that the charter weaknesses are adversely affecting their relationship with the NRO and hampering their mission accomplishment. The Acting DASD(Intelligence & Security) and DUSD(Space) believe that their charter documents give them oversight responsibility for the NRO. Officials in both offices cited several examples of the NRO's lack of responsiveness, or resistance, to what they regarded as legitimate oversight efforts. The Acting DASD(Intelligence & Security) and the DUSD(Space), as well as Community Management Staff and Directorate of Science and Technology officials, expressed the need for some level of external oversight of the NRP and NRO activities.

(~~FOUO~~) The Acting DASD(Intelligence & Security), DUSD(Space), Executive Director for Intelligence Community Affairs and Directorate of Science and Technology officials advocated a new set of charter documents for the NRO to clarify responsibilities, relationships, and authorities. As one senior official stated, there is a need to institutionalize the recent changes in the NRO's oversight structure. At the same time, all expressed concern that the "unique capabilities" of the organization be preserved. A new set of charter documents would facilitate mission accomplishment by the organizations providing oversight or support to the NRO, as well as by the NRO itself.

AUTHORITIES & DELEGATIONS

(~~FOUO~~) RECOMMENDATION 1 (DRAFT): The DNRO draft and submit to the SECDEF and the DCI a new MOA that will serve as the terms of reference for a revised DoDD and a new DCID to charter the NRO. The MOA should address:

- The division of responsibilities between the SECDEF and DCI for the NRP and NRO activities;
- The nature of the DoD and CIA contributions to the NRO and the use of each agency's authorities by the NRO;
- The DNRO's chain of command and the degree of external oversight that the NRO will be subject to;
- The applicability of DoD and CIA policies and procedures to the NRO; and
- The need for a single civilian personnel system in the NRO, implemented over a period of several years.

(~~FOUO~~) DNRO COMMENTS:

(~~FOUO~~) Management concurs. The NRO will draft a new MOA for SECDEF and DCI signatures, and a DCI Directive, respectively. Given the numerous unresolved legislative packages and other Intelligence Community reform initiatives, a logical time to begin the drafting process is January 1997. Target completion date is September 1997.

(~~FOUO~~) COMMENTS OF THE DIRECTOR, ADMINISTRATION AND MANAGEMENT, OFFICE OF THE SECRETARY OF DEFENSE (DA&M(OSD)):

(~~FOUO~~) Concur, with the recommendation that Recommendation 1 be revised to accommodate the following comments.

- The NRO was and remains established as a separate operating agency within the Department of Defense. Accordingly, given the provisions of 10 U.S.C., there is no ambiguity about the fact that the Director NRO carries out his mission under the authority, direction, and control of the Secretary of Defense (SECDEF). However, the Director NRO also is subject to the policies and priorities of the Director of Central Intelligence (DCI) in matters involving national foreign intelligence. This fundamental division of responsibilities between the SECDEF and the DCI is based on statutory and Executive Order authorities, and is not subject to modification through any MOA as suggested in Recommendation 1. Accordingly, the use of such concepts as "dual chains of command," "joint endeavor," or "joint roles," as they are discussed in your report are misleading, and they are not appropriate subjects for negotiation or inclusion in a MOA. MOAs would be appropriate for details of implementation, such as staffing, procedural matters, support arrangements, exceptions to policy, etc.

- The DoD Charter Directive is based only on relevant existing statutes and Executive Orders and would not normally contain time sensitive implementation details. Accordingly, the MOA is not a prerequisite for developing the revised DoD Charter Directive.

- The implication that a DCI Directive is necessary to charter the NRO is incorrect. The DoD Charter Directive must be the establishing document if the NRO continues as a DoD agency. A DCI Directive, however, would be a useful device for providing relevant national foreign intelligence policy, program, and prioritization guidance for the Director NRO.

- The requirement for a separate civilian personnel system for the NRO would be linked to SECDEF/DCI agreements on staffing. This subject was a major issue in the Department's recent experience with the NIMA legislative package, and should provide significant insights for determining alternatives for the NRO case.

- While the Director NRO must be a major player in the development of any MOA involving the NRO, the immediate staffs of the two principals (SECDEF/DCI) must have primary responsibility for their preparation. The extent of the Director NRO's involvement in the preparation of a DCI Directive is a matter for the DCI to decide.

(~~FOUO~~) COMMENTS OF THE DEPUTY UNDERSECRETARY OF DEFENSE FOR SPACE:

(~~FOUO~~) Concur with the report findings and recommendations.

(~~FOUO~~) COMMENTS OF THE ASSISTANT SECRETARY OF DEFENSE (COMMAND, CONTROL, COMMUNICATIONS AND INTELLIGENCE):

(~~FOUO~~) Concur with the comments of DA&M(OSD).

(~~FOUO~~) EVALUATION OF MANGEMENT COMMENTS:

(~~FOUO~~) We concur with DNRO's proposed actions. We believe these actions should be targeted for completion by 1 June 1997 vice the proposed date of September 1997.

(~~FOUO~~) We concur with the comments provided by the DA&M(OSD) and have revised Recommendation 1 accordingly as follows:

(~~FOUO~~) RECOMMENDATION 1 (REVISED): The DNRO draft and submit to the SECDEF and the DCI a new MOA that will serve as the terms of reference for a revised DoDD to charter the NRO and a new DCID. The draft MOA to be completed no later than 1 June 1997. The MOA should address:

- **Clarification of responsibilities between the SECDEF and DCI for the NRP and NRO activities;**
- **The nature of the DoD and CIA contributions to the NRO and the use of each agency's authorities by the NRO;**
- **The DNRO's chain of command and the degree of external oversight that the NRO will be subject to;**

- **The applicability of DoD and CIA policies and procedures to the NRO; and**

- **The need for a single civilian personnel system in the NRO, implemented over a period of several years.**

(~~FOUO~~) RECOMMENDATION 2 (DRAFT): The Director of Administration and Management, Office of the Secretary of Defense, revise DoDD TS-5105.23, based on the approved MOA, and revise the charter directives of OSD oversight offices as necessary to agree with it. The revised DoDD should:

- Delineate the division of responsibilities between the SECDEF and DCI regarding the NRO and NRP;

- Describe the characteristics of the joint endeavor between the DoD and CIA;

- Clearly define the DNRO's chain of command and the relationship between NRO and the organizations in the OSD having oversight responsibility for the NRO;

- Specify, and differentiate between, the responsibilities of the DNRO as the DNRO and as the Program Manager of the NRP and the Defense Space Reconnaissance Program;

- Include a delegation of administrative authorities similar to the delegations given to other Defense agencies; and

- Address the applicability of DoD directives, instructions and other issuances to the NRO, stating that the NRO must comply with all DoD directives or that NRO will comply with only selected DoD directives. If the latter, include a process to identify which DoD directives apply to the NRO and which do not.

(~~FOUO~~) DNRO COMMENTS:

(~~FOUO~~) DNRO concurs. Director of Administration and Management, Office of Secretary of Defense, is tasked to revise appropriate DoD directives based on the new MOA. NRO will provide inputs as needed. Target completion date is 1 September 1997.

(~~FOUO~~) COMMENTS OF THE DIRECTOR, ADMINISTRATION AND MANAGEMENT, OFFICE OF THE SECRETARY OF DEFENSE:

(~~FOUO~~) Concur. The revised DoD Charter Directive would be prepared by my office, pursuant to responsibilities and functions assigned to the Director of Administration and Management by the Secretary of Defense, and in coordination with cognizant DoD officials and the DCI. The Directive would clearly state the NRO's mission, responsibilities, functions, relationships, authorities, and any delegated administrative authorities, based on relevant existing statutes and Executive Orders, and DoD organizational and management imperative.

(~~FOUO~~) Should the Secretary of Defense consider it appropriate to designate the NRO as a Combat Support Agency pursuant to Section 193, 10 U.S.C., as was proposed for the NIMA, then

the Chairman of the Joint Chiefs of Staff would have a statutory oversight role pertaining to the NRO's readiness to support the operational forces.

(~~FOUO~~) EVALUATION OF DNRO AND DA&M(OSD) COMMENTS:

(~~FOUO~~) We consider the proposed actions of the DNRO to be responsive to the Recommendation.

(~~FOUO~~) We concur with the comments of the DA&M(OSD) on this Recommendation and on Recommendation 1 and revise Recommendation 2 accordingly as follows:

(~~FOUO~~) RECOMMENDATION 2 (REVISED): The Director of Administration and Management, Office of the Secretary of Defense, revise DoDD TS-5105.23 and revise the charter directives of OSD oversight offices as necessary. Target date for completion is 1 September 1997. The revised DoDDs should:

- **Clarify the responsibilities between the SECDEF and DCI regarding the NRO and NRP;**
- **Describe the relationships and authorities of the DoD and CIA regarding the NRO;**
- **Clearly define the DNRO's chain of command and the relationship between NRO and the organizations in the OSD having oversight responsibility for the NRO;**
- **Specify, and differentiate between, the responsibilities of the DNRO as the DNRO and as the Program Manager of the NRP and the Defense Space Reconnaissance Program;**
- **Include a delegation of administrative authorities similar to the delegations given to other Defense agencies; and**
- **Address the applicability of DoD directives, instructions and other issuances to the NRO, stating that the NRO must comply with all DoD directives or that NRO will comply with only selected DoD directives. If the latter, include a process to identify which DoD directives apply to the NRO and which do not.**

(~~FOUO~~) RECOMMENDATION 3 (DRAFT): Based on the approved MOA, the DNRO draft and submit to the DCI a DCID on the NRO to parallel the revised DoDD. The draft DCID should:

- Delineate the division of responsibilities between the SECDEF and DCI regarding the NRO and NRP and the DNRO's relationship to both officials;
- Describe the characteristics of the joint endeavor between the DoD and CIA;

- Discuss the DNRO's responsibilities as the Program Manager of the NRP and the relationship between the NRO and the Community Management Staff and non-DoD Intelligence Community members; and

- Define the CIA's responsibilities regarding the provision of manpower, security policy guidance, personnel management, financial management, and other infrastructure support to the NRO.

(~~FOUO~~) DNRO COMMENTS:

(~~FOUO~~) Management concurs. NRO will draft a DCI Directive on the NRO.

(~~FOUO~~) COMMENTS OF THE DIRECTOR, ADMINISTRATION AND MANAGEMENT, OFFICE OF THE SECRETARY OF DEFENSE:

(~~FOUO~~) The intent of this recommendation is not clear. As we noted earlier, a dual charter concept has no legitimacy. The role of the DoD Charter Directive is to establish the NRO as a DoD agency. The role for a DCI Directive is to provide appropriate national foreign intelligence policy, program, and prioritization guidance for the Director NRO. Both are essential, but their purposes must be clearly understood and remain mutually exclusive.

(~~FOUO~~) EVALUATION OF DNRO AND DA&M(OSD) COMMENTS:

(~~FOUO~~) We consider the proposed actions of the DNRO to be responsive to the Recommendation.

(~~FOUO~~) We concur with the comments of the DA&M(OSD) and revise Recommendation 3 accordingly as follows:

(~~FOUO~~) RECOMMENDATION 3 (REVISED): The DNRO draft and submit to the DCI a DCID on the NRO to parallel the revised DoDD. The draft DCID to be completed no later than 1 September 1997. The draft DCID should:

- **Clarify the responsibilities between the SECDEF and DCI regarding the NRO and NRP and the DNRO's relationship to both officials;**

- **Describe the relationship and authorities between the DoD and CIA regarding the NRO;**

- **Discuss the DNRO's responsibilities as the Program Manager of the NRP and the relationship between the NRO and the Community Management Staff and non-DoD Intelligence Community members; and**

(b)(3) 10 USC 424 [redacted]

(U) NRO CONTRACTING MANAGEMENT

(~~FOUO~~) Contracting is the one functional area in which we found transition problems related to authorities and delegations. (b)(3) 10 USC 424 [redacted] We found no indication that the DNRO exercised his contracting authority from the SECDEF as a Defense agency director.

(~~FOUO~~) FINDING: The current and planned NRO contracting management systems include procedures which conflict with the legal constraints of the CIA Act of 1949.

(~~C~~) The historic approach to contracting began to change as the NRO restructuring process began in 1989. (b)(1)(c) (b)(3) 10 USC 424 [redacted]

(~~FOUO~~) (b)(3) 10 USC 424 [redacted]

(b)(3) 10 USC 424 [redacted]

(b)(3) 10 USC 424

(U) LIMITS ON DELEGATION OF CIA CONTRACTING AUTHORITY

~~(C)~~ (b)(1)(c) (b)(3) 10 USC 424

~~(FOUO)~~ (b)(3) 10 USC 424

~~(C)~~ (b)(1)(c) (b)(3) 10 USC 424

(U) COMPARISON OF CIA AND DOD AUTHORITIES

~~(FOUO)~~ The NRO could achieve an efficient and effective unitary contracting system based only on one set of authorities. (b)(3) 10 USC 424

(b)(3) 10 USC 424

(b)(3) 10 USC 424

In the historical documents we reviewed, we found no indication that use of those DoD authorities had impeded the NRO's use of streamlined management or slowed acquisition of a desired capability.

(~~FOUO~~) (b)(3) 10 USC 424

(~~FOUO~~) (b)(3) 10 USC 424

(b)(3) 10 USC 424

(b)(3) 10 USC 424 The deviations of importance to the NRO are all related to the full and open competition requirements of 41 U.S.C. 253. Similar authority for deviations from 41 U.S.C. 253 is given to DoD in 10 U.S.C. 2304(c)(6), which limits competition when disclosure of needs would compromise national security.

(~~FOUO~~) (b)(3) 10 USC 424

(~~FOUO~~) RECOMMENDATION 4: The DNRO prepare a decision memorandum and submit it to the SECDEF and DCI (b)(3) 10 USC 424

AUTHORITIES & DELEGATIONS

(~~FOUO~~) DNRO COMMENTS:

(~~FOUO~~) (b)(3) 10 USC 424

(~~FOUO~~) (b)(3) 10 USC 424

(~~FOUO~~) EVALUATION OF DNRO COMMENTS:

(~~FOUO~~) (b)(3) 10 USC 424
(b)(3) 10 USC 424

(~~FOUO~~) Since the NRO was established as a Defense Agency, we requested an assessment of the delegation of DCI contracting authority to personnel working at the NRO by the DoD Office of General Counsel. The DoD Office of General Counsel will provide a response by 1 October 1996, at which time the DoD/IG and CIA/IG will assess the DoD/OGC and CIA/OGC positions and determine if the issue requires further action.

(U) MISSION REQUIREMENTS DETERMINATION

(~~FOUO~~) OVERALL ISSUE: The NRO has adequate processes in place to determine and prioritize mission requirements. However, the NRO does not adequately assign responsibilities among its components for: coordinating requirements for new satellite systems, and dealing with the near-term needs of primarily military users of operational product. Moreover, NRO does not adequately coordinate with other DoD organizations in supporting military commanders with NRO products.

(U) FUTURE SATELLITE SYSTEMS

(U) Background

(~~FOUO~~) There is no simple way to describe the current processes which drive future reconnaissance satellite capabilities. That is the consensus among senior NRO officials and officials from agencies which work closely with the NRO. Guidance to the NRO on future satellite system needs results from an interactive, evolving process involving many officials and technical managers from throughout the intelligence, defense, and policy communities. Typically, as the Plans and Analysis Office (P&A), one of the principal customer interface offices, becomes aware of major concerns from military, intelligence, or policy leaders about intelligence collection needs, it becomes involved in an extensive series of discussions, task forces, study groups, etc., over a period of years to help define what new capability is needed and projected costs. Other NRO directorates and offices often contribute to the process.

(~~S~~) In the past there were more established means for the Intelligence Community to provide the NRO with coordinated and prioritized guidance on future satellite reconnaissance systems. The SIGINT Overhead Requirements Subcommittee of the National SIGINT Committee had provided NRO with requirements on overhead SIGINT collection needs for twenty eight years, and the CIO and its predecessors provided guidance on IMINT collection needs for a comparable period. These organizations continue to provide guidance; however, they are one "voice" among many.

(~~FOUO~~) The NRO's efforts to expand and strengthen the support provided to military customers and users through new reconnaissance satellite capabilities is in its initial stages. These efforts have already produced positive results. (Note: Customers are government organizations that directly provide the NRO with collection requirements, help fund NRO projects, or validate collection requirements. Users are organizations that make substantial use of NRO products.) DoD components which have been providing requirements guidance to NRO include: the Joint Requirements Oversight Council; the DIA; the Military Intelligence Board; and the Unified Commands. They have

provided useful guidance in recent years, supported by the efforts of the Defense Support Project Office (DSPO) which, along with P&A, have worked with them to translate their guidance into documentation for defining a satellite reconnaissance capability. The NRO has recently been praised by the Commander in Chief, U.S. Pacific Command, for taking the first steps to fully engage theater warfighters in the design of NRO architectures.

(~~FOUO~~) ISSUE: The NRO has an adequate process for responding to coordinated, prioritized, customer needs for future satellite systems; however, the NRO should implement formal procedures for informing customers in a timely manner of proposed design modifications to future satellite systems.

(U) Responding To Customer Needs For Future Satellite Systems

(~~FOUO~~) The NRO has formal, structured processes for acceptance of requirements for new satellite collection systems. These processes, known as the acquisition decision approach, are documented in NRO Directive 7. They are generally working well based on evidence compiled from interviews with NRO technical managers and customer officials, and from examination of NRO requirements documents. The processes include, among other things, the procedures for assessing technical risks, costs for each system option, estimates of time to develop and acquire the collection system, and continuous assurances that customer requirements remain current and valid.

(~~FOUO~~) In the acquisition decision approach, the DNRO is the acquisition decision authority at each key decision point and is advised by the NRO Acquisition Board, chaired by the DNRO. The members are: the Deputy DNRO, the DDMS, the program directors, and the Director of P&A. The key decision points in the NRO acquisition decision approach are as follows: funded concept definition studies approval; pre-acquisition approval; and new program start.

(~~FOUO~~) Our recommendation in the Authorities and Delegations section covering designation of which directives and guidance apply to the NRO should result in a decision covering application of the DoD or CIA acquisition process to NRO and the roles and responsibilities of DoD and CIA officials. Therefore, we do not make separate recommendations here with regard to this matter.

(~~FOUO~~) FINDING: The NRO does not consistently make a timely and concerted effort to fully inform customer organizations which exploit NRO collected data of future satellite system design changes.

(~~S/B~~) The NRO gets mixed reviews in interviews with senior personnel in customer organizations and in customer survey data concerning responsiveness in meeting their needs. Customers contend that NRO has done an excellent job in designing, building, and operating satellite reconnaissance systems which have continued to collect critical intelligence information. Although recently NRO has become much better in dealing with customers, they state the NRO has been somewhat difficult to work with: that NRO employees would do better to consider the needs of customers, be less arrogant, and review major issues with customers prior to making a decision which affects all participants. NRO customers claim a lack of timely feedback on system design changes which could result in major cost growth for exploitation equipment and serious delivery schedule slippages. The schedule slippages and customer dissatisfaction with the development of the Requirements Management System and the Enhanced Imaging System are examples of problems caused by, in part, lack of timely feedback to customers on proposed design changes. The NRO management has apparently made some progress with its employees on this issue as survey data indicate NRO employees overwhelmingly agree that management emphasizes service to customers. This is consistent with the reports from customers that NRO is becoming better to deal with in recent years.

(U) The customer survey data, which reinforces the interview comments, are summarized as follows:

(~~FOUO~~)

Survey Statement	Response*
Satisfied with the working relationships with the NRO.	33% agree 40% disagree
Satisfied with the NRO's timely development of new collection systems.	46% agree 39% disagree
Satisfied with access to the NRO if questions or problems arise regarding requirements.	52% agree 31% disagree
Their requirements are considered by the NRO in planning future systems.	69% agree 21% disagree
They were informed in a timely manner when alterations to original plans were being considered.	25% agree 50% disagree
Satisfied the NRO has processes in place to adjust and update it's plans for future systems as priorities change.	33% agree 48% disagree

* Neutral responses not reflected. (~~FOUO~~)

MISSION REQUIREMENTS

(~~FOUO~~) RECOMMENDATION 5: The DNRO direct development and implementation of formal procedures to inform affected customers of proposed satellite system design modifications in a timely manner. These actions to be completed by 1 October 1996.

(~~FOUO~~) DNRO COMMENTS:

(~~FOUO~~) Concur. NRO customers currently attend major contractual design reviews and participate in numerous assessment capability exercises and users' conferences worldwide. Nevertheless, we are mindful of the need to better inform customers of even minor design changes. P&A will work to better use our existing tools and to promote already available opportunities by placing the NRO's Integrated Road Map on INTELINK in May 1996. Among the NRO's existing tools is the NRO Directive 14, "NRO Customer and User Support," Implementation Plan. The DDMS, with assistance from NRO Directorates and Offices, will review the Implementation Plan and incorporate appropriate information with regard to formalizing the customer notification process by 1 October 1996.

(~~FOUO~~) EVALUATION OF DNRO COMMENTS:

(~~FOUO~~) We consider the proposed actions by DNRO to be responsive to the Recommendation.

(~~FOUO~~) ISSUE: The NRO has an adequate process for upgrading future models of currently operational satellite reconnaissance systems to better satisfy customer requirements.

(~~FOUO~~) The process employed by NRO to determine whether to expend resources on upgrades of currently operational satellite systems is the same as for determining whether to build a new satellite. This acquisition decision approach process is described in NRO Directive 7. Approval by the DNRO is required before a program manager may take any action committing to major upgrade.

(~~FOUO~~) There are a number of reasons customers, and sometimes NRO program managers, lobby for upgrades of current systems. The primary reasons include new technologies which would provide a significantly enhanced capability, and operational data which indicate that the satellite could provide enhanced quality or quantity of data with system improvements.

(~~S/B~~) The NRO made a commitment to a strong technology program through assured funding of new concepts and an organizational structure for managing technology development. The organization sets aside 5 percent of its research and procurement budget for new technology development with the

Technology Office, the directorates, and several other offices being the major managers for these funds.

~~(S)~~ Customers play an important role in assuring that NRO technology developments, which could upgrade satellite systems of importance to them, are supported. According to the NRO technical managers, customers are kept apprised of the status of the technology projects. Customer support for major upgrades to operational systems based on new technologies is sought by the NRO acquisition board as an integral input of the acquisition decision approach.

~~(S)~~ All technology projects are entered into the technology road map, a computerized graphical data base of all technology projects, as soon as they show promise that they will be important to a current upgrade or a future system. As the technology progresses and a specific satellite program is identified where it will be used, senior management approves its insertion into the NRO integrated road map where it becomes part of the formalized planning and oversight process. (Refer to the Strategic and Annual Planning section for a description of the NRO integrated road map.) Technology projects also become subject to the configuration control process which requires prior management approval and documentation of all changes and upgrades to NRO systems.

~~(S)~~ Data regularly acquired from currently operating satellites are used to identify systems and components which are in need of upgrading. (b)(1)(c) (b)(3) 10 USC 424

[redacted]

(~~FOUO~~) ISSUE: The NRO has an adequate process for responding to requests for operational tasking of reconnaissance systems.

~~(FOUO)~~ (b)(1)(c) (b)(3) 10 USC 424

[redacted] The NRO has a participant (not a member) on the working group.

~~(S/TK)~~ (b)(1)(c) (b)(3) 10 USC 424

[redacted]

(b)(1)(c) (b)(3) 10 USC 424

(b)(1)(c) (b)(3) 10 USC 424

(b)(1)(c) (b)(3) 10 USC 424

(~~FOUO~~) ISSUE: The NRO does not have an adequate delineation of responsibilities among its components for coordinating either long-term requirements for new satellite systems or for dealing with the near-term needs of (primarily) military users of operational products.

(U) Coordinating Long-term Customer Requirements

(~~FOUO~~) The NRO Directives 7 and 14, issued in January 1993 and June 1995 respectively, are the principal documents which define component responsibilities for interfacing with customers and users on their requirements for new satellite collection capabilities. Prior to the issuance of NRO Directive 14, the P&A was primarily responsible for working with the diverse Intelligence and Policy Community customer base and supporting them in crafting intelligence requirements for the NRO. The DDMS was responsible for working with the defense intelligence community.

(~~FOUO~~) The P&A Office keeps abreast of the long-term trends in collection requirements, such as found in the National Intelligence Needs Process, particularly as they relate to satellite

collection. They identify those long-term requirements needs which could be satisfied by satellite collection. The Policy and Intelligence Communities consider P&A their primary entree into the NRO.

~~(FOUO)~~ The DDMS assures that the needs of the JCS, Unified Commands, and the Military Services for new reconnaissance satellite capabilities are heard at the highest levels of the NRO. NRO Directive 7 gives the DDMS this responsibility. Subordinate to the DDMS is both the DSPO and the Operational Support Office (OSO). DSPO serves as a staff which supports the DDMS in interactions with various Pentagon staffs. OSO delivers tailored support to military operational users of NRO products and services.

(~~FOUO~~) FINDING: NRO Directive 14 conflicts with NRO Directive 7 regarding the responsibilities of P&A and DDMS for interfacing with customers and users on long-term requirements guidance.

~~(FOUO)~~ Prior to the issuance of NRO Directive 14 and the Customer Support Implementation Plan, the DDMS and P&A divided the responsibilities for interacting with the full range of customer community organizations and coordinated their activities as appropriate. Our interviews with NRO managers and officials from customer organizations did not identify any problems relating to interactions between P&A or DDMS and customer organizations and committees on long-term requirements guidance.

~~(S)~~ The customer interface responsibilities now fall most heavily on the DDMS with the issuance of NRO Directive 14 on 19 June 1995 and its accompanying Customer Support Implementation Plan, issued on 11 October 1995. NRO Directive 14 designates the DDMS as "the single manager and Executive Agent for all NRO customer and user support". According to the Customer Support Implementation Plan, the "DDMS will use information on customer requirements and satisfaction to help determine strategic direction and priorities for customer support." P&A responsibilities are now identified as "the NRO authority on requirements considered in program decisions for current and future NRO systems." We note NRO Directive 7, which identified P&A as the primary responsible component for customer interface responsibilities, has not been withdrawn or rewritten. There has been no NRO policy statement on the reasons for shifting primary responsibility to DDMS for all NRO customer and user support.

~~(FOUO)~~ It is our judgment the DDMS will not be fully capable of discharging its responsibilities as the Executive Agent for all NRO customer and user support with its current staff. The components of the DDMS, DSPO and OSO, do not have the personnel with the experience or skills to fully manage the

complex interagency and intercommunity interactions involved in long-term requirements guidance at this time.

(~~FOUO~~) RECOMMENDATION 6: The DNRO issue a directive or letter clarifying sections in Directives 7 and 14 and the Customer Support Implementation Plan relating to component responsibilities for managing intelligence collection requirements and for providing customer and user support. These actions to be completed by 1 October 1996.

(~~FOUO~~) DNRO COMMENTS:

(~~FOUO~~) Concur with caveat. As an alternative to Recommendation 6, the DNRO will direct that the NRO Directive 14 Implementation Plan be updated to eliminate duplicative and confusing language. Target completion of this action is 1 October 1996.

(~~FOUO~~) EVALUATION OF DNRO COMMENTS:

(~~FOUO~~) We accept the proposed DNRO alternative to Recommendation 6.

(U) Short-term Needs of Primarily Military Users

~~(S)~~ The OSO is the NRO component primarily responsible for interacting with the full complement of military users of data and services from operational satellites. Other elements of the NRO, including the Tactical Dissemination Group of the Communications Directorate and elements of the SIGINT and IMINT Directorates, interact with military users; however, they are expected to coordinate their efforts through OSO.

(~~S~~) OSD - (b)(1) EO 13526 Section 3.3(1)
OSD - (b)(1) EO 13526 Section 3.3(1)

~~TSI~~ OSD - (b)(1) EO 13526 Section 3.3(1)
OSD - (b)(1) EO 13526 Section 3.3(1)

OSD - (b)(1) EO 13526 Section 3.3(1)

[redacted]

~~(FOUO)~~ We found NRO components have not yet been fully successful in coordinating among themselves their interactions with military users of NRO products. NRO managers and users state there needs to be better coordination between NRO components to assure that military commanders in the field do not receive conflicting or redundant support. Managers claim that they are working to solve the problems; however, we found no evidence of actions taken. All NRO components responsible for providing products and services to military users should agree upon the terms for coordinating their efforts.

~~(FOUO)~~ There are no adequate procedures in place for NRO components to systematically obtain and use feedback from military users on the quality, quantity, and timeliness of NRO products and services received. Components which interact daily with military users receive numerous messages containing useful comments and information. No useful database containing information from these feedback messages has been created, although managers have stated that such efforts are underway. Interviews failed to surface other processes in place for managing user feedback or utilizing such information in a systematic manner to improve service. NRO components responsible for regularly interfacing with military users should implement processes to effectively manage information derived from customer feedback.

~~(FOUO)~~ FINDING: Officials in the DIA, NSA, and CIO contend that the NRO is not properly coordinating its efforts to provide NRO products and services to military users with their agencies.

~~(S)~~ Managers of DoD agencies which have extensive interactions with the NRO contend OSO has been overly aggressive in marketing NRO products and services to the military commands. In the judgment of the inspection team, the issue of the extent to which NRO's direct support to military commands infringes upon the responsibilities of other DoD agencies should be resolved by all the affected agencies. A senior manager in a customer organization stated OSO is trying to expand its charter by servicing military commanders with "single solutions", i.e., data from NRO satellites, without considering other potential intelligence sources and disciplines. Another claimed OSO engages in activities, such as helping military commanders in the field directly access NRO collected data, which, he believes, are the responsibility of the CIO and NSA. A third stated OSO fails to coordinate its contacts with the military commands with DIA.

OSO management, aware of these issues, considers it within the responsibilities of the NRO to support the commanders in the field.

(~~FOUO~~) RECOMMENDATION 7: The DNRO direct development, coordination, and implementation of a joint plan with appropriate DoD organizations for coordinating support to military commanders in the field. Coordination of the plan to occur no later than 1 November 1996.

(~~FOUO~~) DNRO COMMENTS:

(~~FOUO~~) We concur with Recommendation 7. The NRO's DDMS will initiate a process to develop, coordinate, and implement a joint plan with appropriate DoD organizations for coordinating support with military commanders in the field. This plan will be ready for coordination by 1 November 1996.

(~~FOUO~~) EVALUATION OF DNRO COMMENTS:

(~~FOUO~~) We consider the proposed actions of the DNRO to be responsive to the Recommendation.

(U) STRATEGIC AND ANNUAL PLANNING

(U) BACKGROUND

(U) Planning involves establishing objectives and goals as well as projecting resources and functional components to achieve them. Resources include manpower, facilities, equipment, material, and funds. Objectives are the general statements of intended accomplishment; goals are the specific, measurable targets. Strategic planning focuses on broad, long-term issues. The strategic plan provides the organization a foundation for managers at all levels of the organization to set priorities, allocate resources, and anticipate and incorporate future requirements. Annual planning links longer term objectives with shorter term goals.

(U) Performance indicators track an organization's status and progress regarding objectives and goals. The indicators usually take the form of charts which depict progress toward unit and organizational objectives and goals. Feedback mechanisms keep management, employees, support and oversight personnel informed on the progress achieved.

(~~FOUO~~) ISSUE: The NRO has adequate processes and mechanisms to prepare strategic and annual plans. However, there is no comprehensive, consistent system for identifying performance indicators.

(~~FOUO~~) THE NRO STRATEGIC PLAN

(~~FOUO~~) The NRO Strategic Plan, last published in 1993, documents the DNRO vision and strategic context, establishes the strategy and objectives, and provides approaches to achieving near-, mid-, and long-term goals. The strategic plan forms the foundation for NRO planning, programming, and budgeting, and is available to all NRO employees. The current plan resulted from a year-long effort to identify and respond to factors reshaping the U.S. national security interests and incorporated results from two years of internal and external reviews and analyses, including the Woolsey and Fuhrman reports. The Plans, Resources and Policy Division of the P&A Office maintains responsibility for coordinating the strategic planning process.

(~~FOUO~~) The NRO Strategic Plan recognizes the following key external influences which will directly impact the organization: new threats to U.S. security; U.S. National Security Policy; Congressional issues; Intelligence Community issues; support for military and other overseas operations; and new technology.

(~~FOUO~~) According to the plan, the macro-strategy "responds to current conditions, while enabling transition to longer term strategic objectives" to achieve the DNRO vision. The plan further

states "the macro-strategy recognizes the conflicting pressures among sunk costs, existing infrastructure, current capabilities, near-term needs, changing needs, and future investment requirements to build and maintain needed new capability." The macro-strategy consists of:

- Investing in the future while accepting near-term risk;
- Increasing emphasis on support to military operations;
- Maintaining functionality and flexibility while decreasing capacity, until prudent to decrease capability;
- Assuring a viable industrial base;
- Developing and protecting critical technology; and
- Improving overhead mission management, exploitation, and dissemination.

(U) LONG RANGE AND ANNUAL PLANNING

(~~FOUO~~) The NRO uses the Integrated Road Map, along with the NRO Master Schedule, as planning tools for both long-range and annual planning. The Integrated Road Map consists of an interactive soft copy document which is used to maintain oversight of the schedules and milestones for the numerous and complex systems development and technology programs. The Master Schedule provides on-line information on key activities for shorter specific periods of time.

(~~FOUO~~) FINDING: The NRO Strategic Plan is out-of-date.

(~~FOUO~~) The NRO Integrated Road Map should reflect the main features of the Strategic Plan. It serves as the primary tool for the scheduling of milestones in systems development to achieve the planned objectives and goals. The Integrated Road Map supports integrated planning across the directorates; development of investment strategies; decision-making at all levels; and implementation of the NRO Strategic Plan. The availability of the Integrated Road Map via the Government Wide Area Network makes it an invaluable tool to communicate to all employees the current status of all programs and long-term direction of the NRO.

(~~FOUO~~) The Integrated Road Map is updated at quarterly senior management meetings with the DNRO approving changes. As directorates and offices review and update their own road maps, the NRO Integrated Road Map reflects these changes. The end result reflects current program status and relationships between programs.

(~~FOUO~~) The NRO Master Schedule shows NRO milestones in 4-, 12-, and 36-month increments. It includes baseline program schedules, launch manifests, congressional briefing visit schedules, and other significant activities of senior management. The NRO uses it to maintain staff awareness of future activities and potential conflicts that may require resolution. Although operational, the format and structure are still undergoing development.

(~~FOUO~~) Managers used varying techniques to accomplish annual planning. Some used formal monthly planning sessions, while others used their office road map, combined with the NRO Integrated Road Map, to plan their activities. A minority did not use any annual planning mechanisms.

(~~FOUO~~) The long-term nature of development of reconnaissance satellites do not require annual review and adjustment of strategic plans; however, the organizational infrastructure supporting the major development programs needs updating more frequently than every 3 years. Changes in industry, high-technology, customer-supplier relations, are examples of external factors which occur too rapidly to allow a three or more year hiatus between strategic planning reviews.

(~~FOUO~~) RECOMMENDATION 8: The DNRO direct development and implementation of a process to update the NRO Strategic Plan annually to ensure it accurately portrays and communicates the organization future. Actions to be completed by 30 May 1997.

(~~FOUO~~) DNRO COMMENTS:

(~~FOUO~~) Concur. The Jeremiah Panel was created to define the NRO of the 21st century with final report due June 1996. This report will impact the NRO Strategic Plan. The DNRO will provide a revised Strategic Plan by 30 May 1997. In conjunction with the May 1997 revised Strategic Plan, the NRO will institute a process providing for annual review, and update if required, of its Strategic Plan.

(~~FOUO~~) EVALUATION OF DNRO COMMENTS:

(~~FOUO~~) We consider the proposed actions of the DNRO to be responsive to the Recommendation.

(U) PERFORMANCE INDICATORS AND FEEDBACK TO STAFF

(~~FOUO~~) We found various feedback mechanisms in use by the organization. The DNRO uses E-mail, called Director's Notes, to apprise the entire organization of achievements toward corporate objectives and goals as well as significant events. Senior managers use formal Quarterly Management Meetings to provide feedback

to middle managers on how well their components have performed in meeting performance objectives for further dissemination down the line. Program managers use various meeting forms to obtain and distribute performance information. The Integrated Road Map and Master Schedule serve as one form of feedback to all employees.

(~~FOUO~~) FINDING: The NRO lacks a comprehensive and consistent system for identifying performance indicators and providing performance feedback to all employees.

(~~FOUO~~) The NRO does not maintain a documented, regular, routine process of performance data gathering, presentation, and feedback covering all aspects of the organization. Satellite development, launch, and operations indicators appropriately take a pre-eminent role; however, at the corporate and directorate level there are few performance indicators for the support infrastructure of the organization.

(~~FOUO~~) Managers could verbalize the performance indicators they used and communicated to their subordinates, but few formalized them in written policy and procedure. Some managers used the obvious indicators, such as success or failure in achieving a launch and proper orbit, and raw production imagery, signals, and communications output. Managers who have responsibility for support and administrative functions usually do not have quantitative or well defined performance indicators. They often use subjective assessments to indicate progress.

(U) A well developed and documented system of corporate-wide performance indicators coupled with feedback mechanisms appropriate for various corporate levels, would provide visibility of corporate health, establish a basis for internal and external customer satisfaction, and provide a method to identify problem areas to management and employees for resolution.

(~~FOUO~~) The Government Performance and Results Act (GPRA) of 1993 will require all federal organizations to establish formal performance indicators by 1999. The NRO needs to address the complex issue of formal performance indicators and prepare itself to implement the GPRA.

(~~FOUO~~) RECOMMENDATION 9: The DNRO direct development and implementation of corporate-wide performance indicators and measures of effectiveness for managers to use in the Internal Management Control Program and to provide a basis for meeting GPRA requirements. Completion date by 31 October 1996.

(~~FOUO~~) DNRO COMMENTS:

(~~FOUO~~) Concur. The NRO Associate Director for Resource Oversight and Management will prepare a plan to develop and implement corporate-wide performance indicators and measures for managers. These measurement tools will be used in the internal management control program and will be responsive to Government Performance and Results Act (GPRA) requirements. Corrective action completion date is 31 October 1996.

(~~FOUO~~) EVALUATION OF DNRO COMMENTS:

(~~FOUO~~) We consider the proposed actions by the DNRO to be responsive to the Recommendation.

(U) MANPOWER

(U) BACKGROUND

(U) Manpower management is one of the responsibilities of every activity director. We define manpower management as the management of the organization's structure and the manpower authorizations. Personnel management is discussed later in this report.

(U) Manpower management is an essential part of the effort to improve efficiency and effectiveness. An organization's manpower requirements should be based upon processes that identify program objectives and the projected manpower needed to achieve those objectives.

(~~FOUO~~) Manpower management throughout the DoD is governed by a 30 June 1993 manpower guidance memorandum signed by the Under Secretary of Defense, Personnel and Readiness. That memorandum states it is the overall responsibility of organizational heads and program managers to ensure accomplishment of their specific mission/program responsibilities in the most efficient manner possible. (b)(3) 10 USC 424 [redacted]

(U) Three Primary Manpower Authorization Sources

(~~S~~) The NRO obtains its overall manpower authorizations or positions to support the NRP from three primary sources--the NRO itself, the DoD, and the CIA. For Fiscal Year 1996, the NRO is allocated (b)(1) positions to support the NRP. However, the NRO itself owns only (b) of the total allocations, (b) of which are government civilian and (b) are Air Force military. The other positions are authorized and funded by the parent organizations. Congress authorized the (b) positions for the NRO's restructuring needs in such support areas as logistics, Office of Inspector General, Office of General Counsel, and administration. The remaining (b)(1) positions belong to either the DoD ((b)(1) or the CIA (b)) with the individuals encumbered in those positions being assigned duties at the NRO from their parent organization.

(U) Two Other Sources of Manpower Support

(~~S~~) Besides authorized positions, the NRO has two other primary sources of manpower--borrowed and contractor. The NRO has approximately (b) full-time individuals known as "borrowed" manpower. While common in intelligence agencies, this is a source of manpower not normally available to federal organizations. These are military personnel and government civil servants not assigned to any of the (b)(1) NRP positions, and should not be confused with the (b) NRO authorizations. These individuals work in NRO offices throughout the organization, receive tasks from an NRO manager, and provide full-time support to the NRO. However, their positions are counted against the organizations from which they come. Those organizations believe they derive a benefit by providing individuals to the NRO. Some of the organizations providing the NRO such manpower are the DoD/IG, the CIA/IG, the Community Management Staff, the CIO,

the Defense Mapping Agency, the DIA, and the Air Force Space Command.

~~(S/B)~~ The NRO also uses contractor personnel throughout its headquarters and operational elements. OSD - (b)(1) EO 13526 OSD - (b)(1) EO 13526 Section 3.3(1)

(~~FOUO~~) ISSUE: The NRO does not have adequate processes and mechanisms to determine and manage manpower requirements.

(~~FOUO~~) FINDING: The NRO lacks an adequate manpower requirement determination and validation process.

(U) Determination and Validation of Requirements

~~(S)~~ We found the NRO lacks well defined and documented processes for determining, validating, and managing manpower; no system exists based on DoD or CIA guidance. Neither manpower managers at the NRO nor supporting organizations could provide a basis for the NRO's current (b)(1) authorized positions as the minimum needed for efficient and effective mission accomplishment. Senior management and HRMG personnel indicated the NRO uses an informal system in which the various management levels affected discuss their needs and then staff a request through the DNRO.

~~(S/B)~~ We did find the Information Technology Group (ITG), in the Communications Directorate, performed several studies in the area of resource planning over the past year. One of these studies produced manpower standards for application in ITG detachments. We were not informed of, and did not find any, similar resource planning studies in other NRO elements.

(U) Allocation of Authorizations

~~(FOUO)~~ Officials throughout the NRO stated they do not have a process for allocating current authorizations or any subsequent reductions or additions in authorizations. To date, the NRO has accepted significant reductions from its parent organizations without issuing reclamas. To accomplish this, the NRO uses an undocumented process to identify and eliminate vacant positions to meet manpower reductions imposed by the parent organizations. A yearly review of the vacant positions by senior NRO officials determines which ones are critical and the non-essential positions are targeted for elimination. To date, the NRO achieved required reductions through eliminating current or projected non-essential vacant positions. We noted the review process does not validate nor reallocate authorizations based on the prioritized work requirements.

(U) Multiple Causes and Impacts

~~(FOUO)~~ The lack of compliance with DoD guidance results from ambiguity in the NRO chartering documents as to what directives apply and lack of specification on the sourcing of personnel. The NRO, based on streamlined management practices and the joint nature of the organization, does not follow DoD manpower management guidance. In addition, (b)(1)(c) (b)(3) 10 USC 424 Furthermore, we found the NRO's ability to use borrowed and contractor personnel provides little incentive to institute a manpower management program.

(~~FOUO~~) Without any type of formal manpower requirements determination process, the NRO cannot substantiate its manpower needs to include both the number of personnel and the skills mix required for efficient and effective mission accomplishment. This deficiency makes any NRO manpower requests for additional manpower or directed reductions suspect.

(~~FOUO~~) RECOMMENDATION 10: The DNRO direct development and implementation of a documented standardized manpower management program using appropriate DoD and DCI guidance. The process should consider the borrowed and integrated contractor personnel. Completion date by 31 July 1997.

(~~FOUO~~) DNRO COMMENTS:

(~~FOUO~~) Concur. The NRO will initiate an external, government-led (contractor-augmented) workforce analysis to develop standardized processes to determine/validate the level of effort required to complete each functional task within the NRO's mission. This initiative will use the approved mission-related conclusions and recommendations from the Jeremiah Panel as the basis for the workforce analysis. Based on this premise, we estimate completion in July 1997.

(~~FOUO~~) EVALUATION OF DNRO COMMENTS:

(~~FOUO~~) We consider the proposed actions of the DNRO to be responsive to the Recommendation.

(U) CONTRACT MANAGEMENT

(U) BACKGROUND

(U) Contract management at the NRO involves: the determination of requirements for major systems, supplies, and services; development and execution of plans to contract for those requirements; and designation, certification, and performance of qualified personnel to manage and monitor the resulting contracts.

(~~S//B~~) The NRO Office of Contracts executes, modifies, administers, and terminates contracts to support the mission of the NRO. (b)(1)(c) (b)(3) 10 USC 424

[redacted]

(~~FOUO~~) (b)(3) 10 USC 424

[redacted]

(~~FOUO~~) The Office of Contracts is consolidating its resources, authorities, policies, and procedures based on recommendations from the 1992 Fuhrman Report (b)(3) 10 USC 424 [redacted]. The recommendations included consolidation of the contracting office personnel, with its own rules and regulations, into one contracting organization with a single NRO-specific acquisition manual. The Office of Contracts is currently developing the NRO Acquisition Manual (NAM) to accomplish this task. The NRO intends the NAM to combine and document the best procurement practices of the former programs.

(~~FOUO~~) Until the NAM is implemented, the Office of Contracts and the staffs within the individual directorates are continuing to apply the procurement regulations of the parent organizations for all current or near-completion contracts. The NRO did not alter the procedures for on-going contracts because it would have imposed unacceptable risks and added costs to the programs.

CONTRACTING

OSD - (b)(1) EO 13526 Section 3.3(1)

[redacted]

(~~FOUO~~) The NRO, however, is exempt from the governing provisions of DoD Directive 5000.1, Defense Acquisition, dated 23 February 1991, based on the Secretary of Defense letter of 27 August 1995, National Reconnaissance Office (NRO) and DoD Directive 5000.1.

(~~FOUO~~) **ISSUE: The NRO has adequate processes and mechanisms in place to monitor and manage its contracts with the exception of: certifying funding documentation; payment and invoicing procedures for cost reimbursement contracts; defining the responsibilities of the Contracting Officer's Technical Representative (COTR); and procedures for monitoring some aspects of the operations and maintenance contractor for the NRO Headquarters facilities.**

(U) POLICIES AND PROCEDURES

(~~S//B~~) We selected at random a number of high dollar value contracts covering a wide spectrum of NRO requirements to examine the processes by which contracts were awarded and managed. (b)(1)(c) (b)(3) 10 USC 424

[redacted]

(~~C~~) The procurement processes the NRO followed are both complex and highly structured. While the contracts we examined followed the specific regulation base (b)(1)(c) (b)(3) 10 USC 424

[redacted]

(~~FOUO~~) FINDING: The NRO does not have established policies requiring that NRO contracting officers receive a written certification of appropriated funds availability prior to the processing of contract actions.

(U) Funding Certification

(~~FOUO~~) We found that the acquisition procedures used by the NRO are not in compliance with 31 U.S.C. 1341, FAR 1.602(1)(b), FAR 4.803, and FAR 32.702 which require the written certification of appropriated funds availability prior to contract actions being taken. We found contract files where the contract actions pre-dated funding certification and pre-contract concurrence forms, a type of approval. Typically, contracting officers took steps to ensure that funds were, or shortly would be, available such as obtaining this information from budget personnel within each directorate; however, the contract files do not document the contracting officers' actions.

(~~FOUO~~) The current NRO procedures for providing certification of funds availability to contracting officers is not consistent, and does not ensure that the contracting officer has a written commitment in hand prior to obligating contract funds. Failure to ensure receipt of appropriated funds places the NRO and its contracting officers in fiscal jeopardy.

(~~FOUO~~) RECOMMENDATION 11: The DNRO direct development and implementation of a procedure ensuring NRO contracting officers receive a certification of funds availability prior to taking any contract action, and that the record of that certification is maintained in contract files. To be completed by 1 September 1996.

(~~FOUO~~) DNRO COMMENTS:

(~~FOUO~~) Concur with caveat. We assume the definition of "certification" implies "assurance." The NRO Acquisition Manual provides a consistent procedure for all NRO contracting officers to ensure written assurance of funds availability is received and maintained in the contract file. We consider corrective action of this Recommendation complete.

(~~FOUO~~) EVALUATION OF DNRO COMMENTS:

(~~FOUO~~) We consider the proposed actions of the DNRO to be responsive to the Recommendation.

(~~FOUO~~) FINDING: The NRO does not have adequate procedures for managing contractor payments of cost-reimbursement contracts.

(U) Payment and Invoicing Procedures

(~~FOUO~~) We determined that the NRO lacks consistent procedures for assuring interim monthly contractor payments for cost reimbursable contracts are certified for technical performance by the responsible Contracting Officer's Technical Representative (COTR). It is normally the COTR who has authority, based on technical knowledge, to certify payments are supported by performance. Contracting officers are often certifying contractor payment for technical performance without full knowledge of contractor performance.

(~~FOUO~~) Because of the large number of cost-reimbursable contracts and the magnitude of the dollars involved, the Office of Contracts should implement procedures to more closely review costs on these high risk contracts. We found the Office of Contracts relied on the Defense Contract Audit Agency for review of allowable contract costs on reimbursable contracts rather than reviewing these contracts themselves before the NRO makes payment.

(~~FOUO~~) There were inadequate procedures for assuring all of the documentation on a contractor's performance is complete and available to award fee boards. We found some instances where customer comments were not retained in the contract files. Although NRO personnel had taken many of the required steps to evaluate a contractor's performance, the briefings given to the award fee board by the COTRs presenting the government's position should be backed up with documented performance evaluations.

(~~FOUO~~) RECOMMENDATION 12: The DNRO direct development and implementation of standardized procedures for processing cost-reimbursement contractor payments, and implement an effective mechanism to ensure documented COTR review of applicable contractor invoices. Action to be completed by 31 October 1996.

(~~FOUO~~) DNRO COMMENTS:

(~~FOUO~~) Concur with caveat. The NRO does not have "standardized" procedures as suggested by Recommendation 12; however, they are adequate. We agree that the DNRO should direct development and implementation of standardized procedure for processing cost reimbursement contract payments; however, the procedures will not require documented COTR review. Instead the NRO procedures will re-emphasize FAR procedure that the Contracting Office should seek expert advice as appropriate. We believe that requiring documented COTR review would not only narrow the NRO contracting officer's latitude to exercise business judgment, but would create an extreme administrative burden. Corrective action completion date is 31 October 1996.

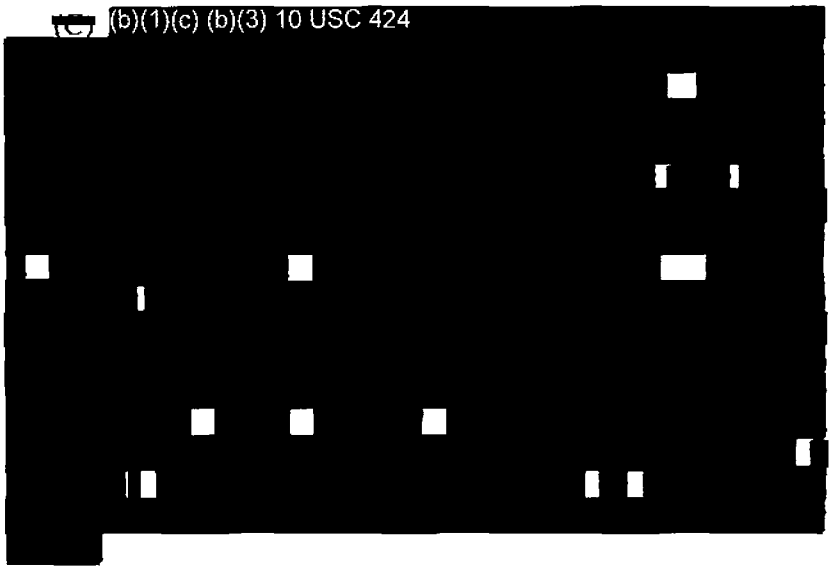
(~~FOUO~~) EVALUATION OF DNRO COMMENTS:

(~~FOUO~~) We consider the proposed actions by the DNRO to be partially responsive to the Recommendation. The Recommendation focuses on interim monthly payments for those cost reimbursement contracts which involve engineering and technical progress by a contractor. While we acknowledge the FAR does not require COTR verification of contractor's technical progress for the contracting officer to certify interim payments, it is sound business practice to require the non-technically trained contracting officer to obtain the documented concurrence of the COTR that the contractor has, in fact, made the engineering progress claimed. There is precedence in other DoD agencies for monthly or quarterly documented COTR reviews of contractor technical progress. DNRO needs to direct changes to the NAM reflecting COTR verification of contractor technical progress where appropriate as standard operating practice. NAM changes to be made by 31 October 1996.

(U) ROLES AND RESPONSIBILITIES

(~~FOUO~~) Roles and responsibilities for contract management personnel are generally well-defined. However, there are two areas the NRO must address to provide better contract management within the organization: (b)(3) 10 limitation on delegation of authority and the role of the COTR. Each directorate and office has its own dedicated contracting division and staff, following the decentralized team concept. Contracting personnel work closely, and are usually collocated, with their counterparts on the technical team. This fosters close communication and almost daily contact with members of the team, including program and budget personnel. We found the NRO contracting personnel to be vocal and informed members of the team, participating in Program Review Boards, Configuration Control Boards (CCB), negotiations, and other related meetings.

(~~C~~) (b)(1)(c) (b)(3) 10 USC 424



(~~FOUO~~) For training and certification requirements, Air Force and Navy contracting officers follow the regulations of the Defense Acquisition Workforce Improvement Act. (b) [redacted] We found that contracting officers assigned to the NRO had proper certification from their parent organizations.

(U) Contracting officers on complex technical contracts or on service contracts that require close monitoring, often appoint COTRs. While many agencies have clear guidance on the duties, responsibilities, and requirements for COTRs, the FAR itself provides little guidance and it is left up to the agencies to develop COTR policy.

(~~FOUO~~) FINDING: The NRO has not adequately defined, implemented, and communicated the roles and responsibilities for its COTRs.

(U) Role of the Contracting Officer's Technical Representative

(~~FOUO~~) We found the NRO does not provide clear, consistent guidelines on the roles and responsibilities of the COTRs. This is due, in part, to the COTRs coming from different parent organizations with variations in their roles and responsibilities. The NRO has no program to indoctrinate assigned COTRs into the complexities of the NRO's contracting environment. Of the COTRs and project officers interviewed, we found that not all had letters of delegation of authority, and about ten percent had not been formally trained. The quality and extent of COTR review varied within different sections of the NRO, largely based on the parent organization experience of the COTR. The NRO management is aware of this problem. They are reviewing issues of COTR training and delegation of responsibilities and plan to address them in the NAM.

(~~FOUO~~) The COTR is often the on-site manager of the contract, and is the main point of contact with the contractor. The COTR normally gives technical guidance to the contractor, and provides day-to-day technical advice to management. Agencies usually have a rigorous screening process to develop their COTRs and ensure that they have adequate technical background and training for the jobs they are required to perform. Because of the complex and highly technical aspects of the NRO's acquisitions, the job of the COTR is critical to the mission. COTRs must assure that contractors are performing adequately, are on track, and within targeted costs for their assigned contracts.

(~~FOUO~~) The large number and high dollar value of NRO cost-reimbursement type contracts requires prudent contract administration. The FAR recognizes cost-reimbursement contracts require close attention by management. Unless there is adequate guidance which has been communicated to the workforce, there is

risk that COTRs will act outside the scope of their authority, and that contractors will be directed to act outside the scope of the contract. It is in the NRO's best interest, as a good business practice, to establish consistent organization-specific COTR procedures and train the COTRs on them. The COTR can be a valuable tool to the NRO by ensuring that they are getting sufficient return of effort on their contracts.

(~~FOUO~~) RECOMMENDATION 13: The DNRO direct the development and implementation of consistent guidelines for the responsibilities of all NRO COTRs. The guidelines should incorporate a training program to reinforce the valuable role of the COTR. Actions to be completed by 1 April 1997.

(~~FOUO~~) DNRO COMMENTS:

(~~FOUO~~) Concur. We have completed the recommended action to develop and implement consistent guidelines. The NRO Acquisition Manual (NAM) was implemented on 31 March 1996. For the first time there is a consolidated NRO reference on a COTR's role and responsibility. The NAM contains in excess of 40 references, and we started an extensive COTR NAM familiarization training program on 23 April 1996.

(~~FOUO~~) A formal training program is needed. We will need to develop a course and then implement it. Corrective action completion date for course development: 30 September 1997. Corrective action completion date for training implementation: 31 December 1997. Resource constraints prevent earlier accomplishment of this more formal training effort.

(~~FOUO~~) EVALUATION OF DNRO COMMENTS:

(~~FOUO~~) We consider the proposed actions of the DNRO to be responsive to this Recommendation. However, actions are to be completed by 1 April 1997 vice the proposed 31 December 1997.

(U) MONITORING

(~~FOUO~~) The monitoring of contracts for major systems, supplies, and services at the NRO is adequate with the exception of the review of invoices by COTR personnel and the monitoring of some aspects of the operations and maintenance contractor for the NRO Headquarters facilities. We have already discussed the valuable role the COTR plays in contract management. The NRO has a number of processes and mechanisms in place to monitor contractor performance and to ensure that it acquires the quality systems to support its mission. These include: monitoring of contractor progress by COTRs, contracting officers, and program managers; the periodic monitoring of contractors by review boards; Defense Contract Audit Agency review of allowable contractor costs; and the review of contractor-generated contract

fund status reports, earned value reports, and cost schedule status reports.

(U) Management and Business Controls

~~(FOUO)~~ The NRO has established a series of management and business boards to monitor and control all aspects of the contractor's activities in the complex major acquisition process. Some of the boards that have been established and are working well are the CCBs, award fee boards, and program review boards. These boards impose control and structure on the entire acquisition process and ensure that the NRO internal and external customers have addressed all interface questions. They are also the venues by which budget and funding issues are discussed and resolved.

~~(FOUO)~~ The use of award fee/incentive contracts by the NRO required the creation of award fee boards to determine whether the contractor has earned a fee and what that fee should be. We found the process to be well designed, documented, and followed. The evaluation standards and criteria considered by the board are included in the contracts. The process requires that contractors are apprised on the status of their fee position before any formal presentation. The NRO also utilizes a series of program review boards to ensure that all parties to a contract are aware of and address the business and technical issues on the specific contract.

(~~FOUO~~) FINDING: The NRO does not have adequate management controls over some aspects of its operations and maintenance contractor for the NRO Headquarters facility.

(U) Management Controls for the Procurement Support Function of the Operations and Maintenance Contractor

(U) The NRO uses (b)(1)(c) (b)(3) 10 USC 424 [redacted] as its prime contractor for operations and maintenance support. (b)(1) [redacted] was awarded contracts for purchase of land and services to support the NRO facility collocation project, including all the interim buildings and Westfields facility. The work statement of one of these contracts authorizes (b)(1) [redacted] to act as the agent for the NRO for its daily procurement support. This is a "pass-through" contract, i.e., supplies and services are purchased with no added fee or general and administrative and overhead burden. Purchases for facility support and operation and maintenance are made under another contract, and are fully burdened. We did not review any aspects of the land purchase portion of the contract because it has been reviewed and audited extensively. We did, however, review the addition of a procurement support function into the "pass through" contract.

~~(S//B)~~ We determined that the mechanism for making a major modification to the operations and maintenance contract did not follow FAR guidelines as described below. (b)(1)(c) (b)(3) 10 USC [redacted] Major changes to the contract were made which increased the contract value from (b)(1) [redacted] These changes were not supported by a

determination and finding or a new justification and approval process. The NRO made a determination that a justification and approval process was not required because the changes were within the scope of the contract. Although the wording of the contract modification indicates it was a revision, the procurement function transfer was not adequately documented with a determination and finding on the reasons for the transfer. In addition, all reviews and concurrences were not obtained prior to the effective date of the modification. This is a systemic problem in the NRO as pointed out elsewhere in this report. (See Recommendation 11.)

(~~FOUO~~) We found the contracting officer who authorizes invoice payment for the (b)(1) "pass through" contract is not receiving sufficient back-up data or proof of receipt of the supplies and services ordered for the NRO by (b)(1)(c) even though it is available elsewhere within the NRO or from CISCO. The NRO contracting officer has been relying on the (b)(1) y of the contractor's receiving records, the contractor's inventory, the monthly financial status review reports, the contractor's approved invoicing procedures, and meetings between the NRO program personnel and the contractor. The contracting officer should be receiving a monthly report of an independent assessment of the invoices paid and supplies received.

(~~C~~) The NRO relies on (b)(1) to procure supplies and services for the Headquarters elements. (b)(1)(c) makes every attempt to follow FAR guidelines, but is under no contractual obligation to do so. It may be more cost efficient for the NRO to procure some or all of its supplies and services from approved government or competitive sources once salaries, competitive pricing advantages and general, administrative, and overhead cost differentials and profit are factored in. We reviewed a small portion of (b)(1) pass-through purchases and, while we did not note any major discrepancies on prices paid, we found some "purchase orders" for over (b)(1)(c), which under the FAR would normally require a contract, and a sole source order placed against a basic ordering agreement for (b)(1). The NRO should review its need to use a contractor in this manner when the contract becomes renewable in 1998.

(~~C~~) RECOMMENDATION 14: The DNRO direct an audit of the (b)(1)(c) contracts to compare procurement options, including all associated costs, for future NRO support. The audit will begin no later than 1 November 1996.

(~~FOUO~~) DNRO COMMENTS:

(~~C~~) Concur. NRO/IG will audit the (b)(1) O&M contracts by 1 November 1996.

(~~FOUO~~) EVALUATION OF DNRO COMMENTS:

(~~FOUO~~) We consider the proposed actions by the DNRO to be responsive to the Recommendation.

(~~FOUO~~) RECOMMENDATION 15: The DNRO direct development and implementation of a system to review contracts based on changes in scope or contract dollar value in accordance with appropriate contracting requirement authorities. Actions to be completed by 31 October 1996.

(~~FOUO~~) DNRO COMMENTS:

(~~FOUO~~) Concur. The NRO Office of Contacts will address this issue of contract reviews based on scope and dollar changes in an update to the NRO Acquisition Manual. This update will be applicable to the whole NRO, and its expected completion date is 31 October 1996.

(~~FOUO~~) EVALUATION OF DNRO COMMENTS:

(~~FOUO~~) We consider the proposed actions by the DNRO to be responsive to the Recommendation.

(~~FOUO~~) ISSUE: The NRO has adequate processes and mechanisms in place to manage and monitor the transition from three different contracting systems into one consolidated system.

(~~FOUO~~) The NRO Office of Contracts has maintained an aggressive schedule, with full commitment of time and resources, to complete and implement the NRO Acquisition Manual. The NRO intends the NAM to combine the elements of: the FAR; the Defense FAR Supplement, where applicable; (b)(3) 10 USC 424 [redacted] the interim contracts policy directives; and other applicable regulations under one umbrella document.

(~~FOUO~~) The creation of the NAM as a supplement to the FAR is a far-reaching and a formidable effort. The NRO intends the NAM to address every FAR section with direction and guidance for compliance with the regulation, or to contain the basis for the deviation or waiver, its justification, and alternative regulation, process, or written clause to be used as the NRO standard.

(~~FOUO~~) Since January 1995, contracting officers have operated under NRO interim contracts policy directives which defined the conditions, processes, and documentation to be used by all contracting personnel until the adoption of the NAM. These directives identify the regulations for justification and approval processes, authority, delegation and approval levels required for NRO contracting, the pre-contract role of the National Program Contracts Review Board, contract settlement and closeout, special and general exclusions, and organizational conflict of interest.

(~~FOUO~~) [redacted] (b)(3) 10 USC 424 [redacted] We found no coverage of this area in the draft NAM we saw during the course of the inspection. The "Authorities and Delegations" section of this report provides more detailed discussion of the implications.

(U) INFORMATION RESOURCES

(U) BACKGROUND

~~(FOUO)~~ Information Resources Management (IRM) is the process of managing information resources to accomplish organization missions. It encompasses the information itself and related resources, such as personnel, equipment, funds, and information technology. The Paperwork Reduction Act (44 U.S.C. Chapter 35) establishes a broad mandate for organizations to perform IRM activities and is the authority upon which federal and defense regulatory guidelines are based. Section 3502 of the Paperwork Reduction Act exempts intelligence activities from compliance. While the NRO is exempted from them, the following regulations provide a foundation of sound business practices upon which to base an effective and efficient IRM program: Office of Management and Budget (OMB) Circular A-130, "Management of Federal Information Resources", 15 July 1994; DoDD 7740.1, "DoD Information Resources Management", 20 June 1983; and, DoDD 8000.1, "Defense Information Management Program," 27 October 1992.

~~(S~~) IRM in the NRO incorporates a fully integrated network of automation and communications which encompasses the Automated Data Processing systems, the telecommunications means by which the information is moved to its internal customers, as well as the management processes to support its acquisition, operation, and maintenance. The Information Technology Group (ITG) of the Communications Directorate is the office vested with this communications and information systems infrastructure mission. The Director, ITG has budget and policy-making authority to establish and maintain the NRO communications and information systems infrastructure.

~~TS//B~~ OSD - (b)(1) EO 13526 Section 3.3(1); (b)(1) 1.4(c), (b)(3) 10 USC 424

OSD - (b)(1) EO 13526 Section 3.3(1)

(~~FOUO~~) ISSUE: The NRO does have an adequate support program to determine automated IRM requirements and to acquire and manage the Automated Information Systems (AIS) needed to accomplish its mission; however its IRM strategic planning process and monitoring programs are inadequate.

(U) POLICIES AND PROCEDURES

(~~S~~) The NRO has adequate internal policies and procedures in place to ensure they manage the IRM program using sound business practices. While the NRO does not clearly reference federal or defense guidance, their policies and procedures incorporate most of the requirements for IRM programs as stated in OMB Circular A-130 and DoD Directive 7740.1. The ITG has created and published detailed internal procedures which provide guidance in IRM areas, such as requirements determination, AIS Life-Cycle Management, and software development and data administration.

(~~S~~) The NRO bases its IRM policies on the extensive communications and automation experience of the Director, ITG, as well as the NRO's interpretation of accepted practices of the DoD and CIA. Considering that the ITG has only been active as an IRM activity for less than three years, they have achieved commendable progress in establishing and implementing policies and procedures to effectively and efficiently manage their operations.

(~~FOUO~~) The area where NRO IRM procedures deviate most significantly from federal and Defense IRM program requirements is in information systems management oversight, specifically in the incorporation of a review program. Another difference results from their exemption from compliance with DoDD 5000.1, which provides the basis for AIS Life-Cycle Management. The NRO is not required to follow specific guidance outlined in AIS Life-Cycle Management related directives, however they do have sufficient procedures established to satisfy the overarching DoD Life-Cycle Management objectives.

(~~S~~) Policy and procedure development is an ongoing process within the ITG. They make published documents available to all ITG personnel, and NRO personnel as appropriate, on the NRO NeXT-based Government Wide Area Network (GWAN). The ITG's ongoing effort to standardize operations through policy and procedure development should continue as it has a direct impact on implementation of "sound business processes", which is a stated NRO IRM leadership concern.

(U) ROLES AND RESPONSIBILITIES

(~~S~~) The NRO adequately identifies roles and responsibilities of the IRM support program so the organization can be responsive to the user's information needs. The ITG has a comprehensive Mission and Functions document which clearly defines its organization and responsibility. The NRO's internal IRM policies and procedures incorporate the identified roles and responsibilities.

IRM managers and internal customers have a thorough understanding of the ITG's roles and responsibilities and the processes used to get support. Most NRO managers (90 percent) we interviewed were satisfied with the IRM support program and its ability to meet the organization's needs.

~~(S)~~ The Director, ITG, fulfills the role of the Senior Information Resources Management Representative in the NRO and centrally controls all policy and procedures, budget authority, AIS acquisition, Life-Cycle Management, and operations and maintenance of all information resources. The Director, ITG, functions under the authority of the Director, Communications Directorate.

~~(S)~~ The centralization of the IRM function under ITG is an ongoing and evolving process. For example, the ITG has identified at least (b) non-standard LANs whose functions cannot be transferred to the standard NRO NeXt-based Management Information System until the organization migrates to a more open operating system architecture.

(U) REQUIREMENTS DETERMINATION PROCESS

~~(S)~~ The NRO has an adequate procedure in place to identify, validate, and prioritize IRM requirements to meet the collective information needs of the NRO. The ITG has a staff specifically designed to define customer requirements--the Customer Requirements Staff. This staff is the customer's primary interface with the IRM requirements process.

~~(S)~~ Customer requirements must be signed by an authorized validator, a senior manager designated on a published validator list. The Chief, Customer Requirements Staff assigns a Point of Contact to work with the requestor on technically defining the requirement. It is reviewed by the ITG's Requirements Action Board which assigns the requirement to a responsible division or detachment for project development and management. The requirement is then tasked for future action at a Senior Management Board or a CCB, where project development will be reviewed.

~~(S)~~ Requirements are validated and developed to be compatible with the NRO communications and information management baseline architecture. The baseline defines the standard information technology processes and equipment for the NRO (b)(1)(c) (b) network. If it is not possible to satisfy the customer's requirement using the baseline, an exception may be approved after review by the CCB or an alternate solution may be proposed. This process provides sufficient control to ensure standardization and interoperability within the NRO.

~~(S)~~ Requirements are prioritized based on the "required date" needed by the customer, and agreed upon by the ITG. Most customers we interviewed indicated that ITG has always met their mutually agreed upon operational date. A few customers were not satisfied with the responsiveness of ITG. They stated projects took

too long. ITG does not keep them informed of the project status, or the project was not developed to meet their technical specifications. Reviews of a sample of the mentioned project files revealed there were significant coordination problems, such as leasing lines, system compatibility requirements, or research engineering into new technologies, which made the original requested dates impractical. Our review showed that customers were either not sufficiently informed or did not concur with the circumstances surrounding the project change. Improvements in customer interaction are addressed in "Program Monitoring" later in this section.

~~(FOUO)~~ FINDING: The NRO does not have an adequate IRM strategic planning process at this time that provides a basis to address future information architecture requirements.

(U) IRM STRATEGIC PLANNING PROCESS

~~(S)~~ Although the IRM strategic planning process is currently inadequate, the NRO is well on its way to successfully incorporating previously decentralized planning efforts into a consolidated product so that IRM resources can enhance future support of the NRO mission. The Vision 2005 IRM Strategic Plan is in draft form and is ready for review by senior management. Some supporting plans, such as the ones for Asynchronous Transfer Mode technology and the MIS Modernization, are developed through the concept phase. The IRM portion of the NRO's Integrated Road Map describes some target infrastructure technologies, but is not sufficiently developed to complement the NRO's long range goals. While a good start on proper planning, these products do not yet fully define the future organization architecture by identifying specific objectives, the transition strategy to move from current to target architecture, resource requirements, and scheduled milestones.

~~(S//B)~~ OSD - (b)(1) EO 13526 Section 3.3(1)

OSD - (b)(1) EO 13526 Section 3.3(1)

~~(S)~~ Fiscal Year 1996 is the first year that the ITG has managed a consolidated budget and the linking between the budget line items, project plans, and strategic plan objectives is still progressing. The ITG has an adequate method to control funding to current projects, but is still working towards adequately resourcing defined strategic objectives. If the ITG's internal budget analysis process continues as observed, they will achieve

an adequate planning process to meet and fund identified strategic goals and objectives.

(~~S~~) There are several factors that affect the NRO's development of IRM strategic plans. One is the ITG's ongoing effort to determine IRM baseline architecture. A baseline is essential to establish the current communications and information management processes and systems so that future plans can incorporate appropriate transition strategies. All current projects are evaluated for compatibility with this baseline, and future plans reference the baseline architecture as the migration point.

(~~S//B~~) OSD - (b)(1) EO 13526 Section 3.3(1)

OSD - (b)(1) EO 13526 Section 3.3(1)

[redacted]

(~~FOUO~~) The NRO has adequate data administration and AIS program management to ensure current interoperability, cost efficiencies, and standardization within the NRO. They do not currently participate in the DoD Data Administration Program. Considering their interest in increasing interoperability with the intelligence and Defense community, participation in the Functional Data Administration-Intelligence working group would be beneficial to their planning efforts.

(~~S~~) Senior IRM managers recently instituted three programs to improve IRM strategic planning. First, they established an ITG consolidated budget and are connecting projects and activities to budget and division/detachment line items. This is a necessary step towards determining funding for future projects. Second, they initiated project management training for ITG government personnel, who come from a predominantly operations and maintenance background. This should result in more comprehensive project planning and reinforce the strategic planning process. Third, they tasked the newly staffed ITG Systems Engineering Staff with the responsibility to strengthen the IRM strategic planning processes through development of the ITG Integrated Road Map and a more explicit strategic plan.

(~~FOUO~~) One reason the NRO has not developed adequate IRM strategic plans is that its planning efforts have been focused primarily on near-term objectives, such as establishing operating procedures, supporting major organization restructuring, and determining baseline architecture. These must be accomplished before concentrating on future planning so that there is a defined

base from which to plan. Now that many of the near-term objectives are close to completion, more time must be devoted to defining and developing the NRO's information management requirements and system architecture for future years.

(~~FOUO~~) Inadequate strategic planning results in the unpreparedness of the NRO to meet future information requirements in support of the organization's mission. NRO personnel are frustrated with the slow progress towards a more open architecture. IRM managers find the lack of a well-defined future architecture impacts on their ability to execute current projects, as they are unsure of whether the project will be compatible with future NRO technologies. Lack of a well-defined IRM strategic plan also impacts on future years budgeting processes as the architecture must be defined before resourcing can be accurately projected for it.

(~~S~~) RECOMMENDATION 16: The DNRO direct development and implementation of a complete IRM Strategic Plan which identifies current and future architecture, transition strategies, objectives, milestones, and resourcing, and includes a periodic review mechanism. Guidance for IRM Strategic Plans may be found in OMB A-130 and DoDD 7740.2. IRM Strategic Plan to be completed by 1 October 1996.

(~~FOUO~~) DNRO COMMENTS:

(~~FOUO~~) Concur. The NRO will continue establishing its strategic planning process as detailed in the Inspection Report. A final Information Resource Management Strategic Plan will be in place by 1 October 1996.

(~~FOUO~~) EVALUATION OF DNRO COMMENTS:

(~~FOUO~~) We consider the proposed actions by the DNRO to be responsive to the Recommendation.

(U) MONITORING PROGRAM

(~~FOUO~~) The NRO conducts adequate monitoring of its AIS development and acquisition activities. It does not have an adequate procedure to monitor customer feedback or perform internal assessments of its programs to determine if it effectively and efficiently meets the IRM needs of the organization.

(~~S~~) Adequate processes exist to monitor the data administration program, AIS development, and systems Life-Cycle Management, including a recapitalization program. ITG uses a formal project management process which incorporates CCBs to review milestone accomplishment and ensure that the project is compatible with the baseline architecture standard.

~~(FOUO)~~ There is no formal and consistent method to monitor feedback to and from the customer, and gauge the customer's ultimate satisfaction with the IRM program. There are a variety of informal ways in which management receives feedback such as E-mail from customers, interaction at the many organization-wide working group meetings, participation in other directorate's CCBs, and an electronic survey of network customers in late 1994 with plans for a follow-up in late 1996. While these are the type of efforts that are done as part of a good monitoring program, the NRO lacks a comprehensive plan to integrate this customer feedback into process and product improvements.

~~(S)~~ The Help Desk is the one consistent customer point of contact, and the majority of customers we interviewed had high praise for the quality and responsiveness of service from the Help Desk and the local ITG detachments. The Help Desk can be a valuable source of customer feedback and information, but there is no organization-wide method to allow management to monitor historical and trend analysis from this source.

~~(S)~~ Some customers indicated that they do not feel that they are an integral part of the IRM process, that ITG "works for another master" as one person put it. Several customers expressed frustration that they were not kept informed of project evolution. One reason for this is the lack of a consistent method to keep the customer informed of requirements development.

~~(S)~~ The Customer Requirements Staff is designed to be the customer's interface with the ITG and works with the customer to initially define the technical requirements. Once the requirement is assigned to a project manager there is no uniform procedure to keep the customer apprised of progress or ensure concurrence as the project is developed or milestones are adjusted. The Customer Requirements Staff only provides updates to a customer if the customer calls to ask and they have no influence over how the project is developed since the project managers work for the ITG divisions or detachments.

~~(S)~~ The comments on project timeliness that were noted in the previously discussed "Requirements" section are also caused by insufficient interaction with customers. Since there is no consistent method of providing feedback, misunderstandings between the ITG and its customers will continue. ITG should develop and implement procedures to comprehensively monitor ITG customer support and feedback. This will aid the Internal Management Control program and help meet GPRA requirements.

~~(FOUO)~~ FINDING: The NRO IRM program lacks a consistent, comprehensive self-assessment review program to determine its effectiveness.

(~~FOUO~~) The NRO does not have an adequate method to assess the overall effectiveness and efficiency of its IRM program. Federal IRM guidance, as well as sound business practices, advocate some type of self-assessment program. One option for establishing a review program is available in the Office of the Secretary of Defense "Guide for Assessing Component Information Management Activities". A self-assessment review program should be part of the NRO's execution of its Internal Management Control (IMC) program, since both Information Technology and Telecommunications are considered assessable units with significant level of risk.

(~~S~~) Several IRM monitoring mechanisms are in use at the NRO: ITG quarterly budget reviews monitor the planning and funding process; the formal management processes of Requirements Action Boards, Senior Management Boards, and CCBs monitor the systems development process; and off-site seminars provide opportunities for development of specific management interest items. The Communications Directorate has recently completed a review aimed at streamlining the requirements development process and conducted a survey in early 1995 aimed at improving internal processes. These are all positive self-assessment efforts but lack incorporation into a comprehensive and on-going evaluation and improvement process.

(~~S~~) ITG's Detachment 7 provides a positive example of an internal process assessment which has resulted in improved business practices. Positive and enthusiastic customer feedback during on-site interviews indicate Detachment 7 was successful in restructuring its internal organization to be more customer responsive.

(U) Senior IRM management has stated that their primary efforts have been on establishing internal policies and procedures and baseline architecture, and now they can focus on improving customer interaction and monitoring processes. In our judgment, the development of an IRM program is not a sequential process of establishing one criteria at a time. The institution of all five key IRM areas of policies and procedures, roles and responsibilities, requirements determination, strategic planning, and customer and program monitoring, must develop and occur concurrently.

(~~FOUO~~) The impact of the lack of focus on customer and program monitoring is unresponsiveness to the organization's needs. Some customers do not have full confidence in the ability of the IRM program to meet their needs and circumvent the process to get what they want. The organization becomes focused on maintaining in-place procedures, rather than looking for opportunities to improve management processes to better serve the NRO's mission.

INFORMATION RESOURCES

~~(FOUO)~~ **RECOMMENDATION 17: The DNRO direct development and implementation of procedures for a comprehensive IRM self-assessment review program, incorporating applicable DoD guidance and concepts similar to the OSD "Guide for Assessing Information Management Activities" and OMB Circular A-130. Actions to be completed by 1 September 1996.**

(~~FOUO~~) DNRO COMMENTS:

(~~FOUO~~) Concur. Documents identified in the Inspection Report will be reviewed to identify internal processes which can be used in NRO self-assessment. These procedures will be in place by 1 September 1996.

(~~FOUO~~) EVALUATION OF DNRO COMMENTS:

(~~FOUO~~) We consider the proposed actions by the DNRO to be responsive to the Recommendation.

(U) CIVILIAN PERSONNEL

(U) BACKGROUND

(U) Civilian personnel management is a primary responsibility of organization managers. The organization's civilian personnel office supports management through proactive involvement, advice, and guidance and provides technical services to administer the personnel system. The personnel management system must comply with appropriate statutory, regulatory, and policy requirements, which must be clearly understood by employees, managers, and the personnel office, as well as the servicing external personnel support agencies, if applicable. An adequate personnel management system includes programs for position management and classification, recruitment and placement, management-employee relations, employee training and development, and technical support. It should also include a means to assess its overall effectiveness and its responsiveness to the needs of employees, managers, and the organization's mission as a whole.

(U) The NRO's DoD charter directive states that the DNRO has the authority to "organize, staff, and supervise the National Reconnaissance Office." However, the DoDD does not specifically delegate civilian personnel management authority to the NRO. According to legal counsel, the charter directive is sufficient to give the DNRO personnel management authority, although an NRO senior personnel manager maintains that the authority should be clarified further. The DNRO has chosen not to exercise his staffing authority and instead relies on the CIA and the DoD, specifically the Air Force and Navy civilian personnel systems, to perform all the NRO's personnel management functions. The NRO's HRMG coordinates with these external support agencies and administers the NRO's civilian personnel management system.

~~(S)~~ The NRO is staffed with civilian personnel from three parent organizations -- (b) from the Air Force, (b) from the Navy and (b) from the CIA. The NRO also has (b) full-time permanent civilian position (b)(1) 1.4(c), (b)(3) 10 USC 424 [redacted]

(U) Personnel practices for Air Force and Navy civilian employees of the NRO are administered in accordance with Title 5 U.S.C., guidelines issued by the Office of Personnel Management and DoD regulations. Personnel practices applicable to CIA employees are based on Title 50 U.S.C. and administered according to regulations which are excepted from Office of Personnel Management guidelines. HRMG considers the 1993 "NRO Restructure Guidance Document" to be the source document establishing internal NRO personnel policy guidance.

(U) NRO senior management contends that the multiple parent organization concept, while challenging, gains the NRO a diverse

internal structure and provides an external pool of resources from which to select future employees. Senior management continually emphasizes the establishment of an NRO corporate culture and their determination to get personnel from the formerly separate programs to operate as a consolidated, cohesive team.

(~~FOUO~~) ISSUE: The NRO has technically adequate processes, mechanisms, and management systems to support civilian personnel and meet NRO needs; however, these multiple personnel systems do not support the goal of a consolidated, cohesive work force.

(U) ROLES AND RESPONSIBILITIES

(U) External Support Relationships

(~~FOUO~~) The roles and responsibilities for personnel management are understood by HRMG, senior management, and external supporting agencies (parent organizations), although no formal agreements exist. The NRO depends on the parent organizations for personnel guidance and action. HRMG staff displayed thorough understanding of CIA and DoD authorities applicable to civilian personnel administration.

(~~S//B~~) The fundamental differences between the parent organizations personnel practices--based on statutes, regulations and policies--requires HRMG to maintain expertise about each personnel system. Interaction between HRMG and the Air Force and Navy parent organizations is centralized. OSD - (b)(1)

OSD - (b)(1) EO 13526 Section 3.3(1)

[redacted]

(~~FOUO~~) FINDING: There are no Memoranda of Agreement (MOAs) between the NRO and the agencies providing civilian personnel services which define their responsibilities in accordance with DODI 4000.19.

(~~FOUO~~) While the HRMG, senior NRO management, and the supporting external organizations have a positive and cooperative relationship which provides technically adequate personnel management support, there are no formal agreements which specify roles and responsibilities for those involved in providing or receiving support. This results in the inability of the NRO and its supporting agencies to provide the most effective and efficient personnel management. As we show in the following area, the HRMG and supporting agencies maintain duplicative personnel records and incompatible personnel database systems. It is difficult for the NRO to monitor the timeliness and quality of support received since there is no statement as to what support is

expected. The lack of stated responsibilities has adversely affected the quality of the NRO's employee training and development programs and the NRO's ability to administer personnel records. We identify specific inadequacies in the employee training and development area later in this section.

(~~FOUO~~) RECOMMENDATION 18: The DNRO designate and direct a Support Agreement Manager to develop and establish MOAs with the CIA, Air Force and Navy to specify roles and responsibilities for civilian personnel management in accordance with DoDI 4000.19. Actions to be completed by 31 July 1997.

(~~FOUO~~) DNRO COMMENTS:

(~~FOUO~~) Concur with caveat. CIA employees working within the NRO structure, including those who are detailed to NRP funded positions, remain CIA employees and are entitled to the requisite personnel support from the CIA. Prior to any final agreement on the creation of a single civilian personnel system for the NRO and the subsequent structure of that system, there is no need for, or benefit from, documenting the provision of personnel support to CIA employees in the NRO in an MOA with the CIA.

(~~FOUO~~) The NRO, as activity host, has no DoD official personnel authorities as defined in DoDI 4000.19. With the Air Force serving in the role of Executive Agent on the DoD side of the NRO, again there is no need to have an MOA with the Air Force since the Air Force is responsible for the Air Force people supporting the NRO.

(~~FOUO~~) An MOU with the Navy would be advantageous since the personnel providing support to the NRO are assigned to a larger Navy parent unit. A Navy MOU was signed in February 1996.

(~~FOUO~~) Therefore, appointment of a "Support Agreement Manager" and accomplishment of an MOU with the CIA (or any other MOUs which might be necessary such as one with Army or National Security Agency personnel offices) depend on resolution of the Joint Inspection Team's single personnel system recommendation (See Recommendation 22). Should resolution of the single personnel system issue require MOUs, a Support Agreement Manager will be appointed and MOUs accomplished by 31 July 1997.

(~~FOUO~~) Therefore, appointment of a "Support Agreement Manager" and accomplishment of an MOU with the CIA (or any other MOUs which might be necessary such as one with Army or National Security Agency personnel offices) depend on resolution of the Joint Inspection Team's single personnel system recommendation (See Recommendation 22). Should resolution of the single personnel system issue require MOUs, a Support Agreement Manager will be appointed and MOUs accomplished by 31 July 1997.

(~~FOUO~~) EVALUATION OF DNRO COMMENTS:

(~~FOUO~~) We consider the proposed actions by the DNRO to be partially responsive to the Recommendation. We agree with the DNRO's comments on deferring an MOA on personnel support with the CIA and with his statement that there is no need to have an MOA with the Air Force. However, MOAs/MOUs with the Navy, Army, and NSA on personnel support are needed.

The February 1996 Navy MOU, which generally establishes the relationship between the Department of the Navy and the NRO, must be supplemented by agreements to address the specific responsibilities of the Department of the Navy and the NRO regarding personnel support. Actions to be completed by 31 July 1997.

(U) Internal Management

(U) Understanding of current personnel management roles and responsibilities by NRO managers and employees is adequate. HRMG fills the role of facilitator between NRO-assigned employees and their parent organizations. They administer NRO personnel management based on the requirements and guidance of the three parent organizations.

(U) While the HRMG uses a variety of methods for releasing personnel information to NRO employees, HRMG officials noted employee concerns that they do not receive sufficient management perspectives needed for employees to make decisions, such as the career service issue. Personnel information is disseminated in multiple ways--E-mail, Director Notes, training sessions, and staff meetings. Since there is no standard method by which all personnel information is released, employees might miss something critical. Each employee interviewed noted personnel information flow as a problem in one respect or another. We found employees believe senior and mid-level managers inadvertently filter the personnel information they receive at meetings and pass on to their employees. Some employees believe managers assume since they (the manager) received the information, that it has been disseminated to all employees, and so do not pass it on. Some employees cited management's singular focus on mission-related issues as a reason why they are not cognizant of the importance of this personnel information to the employee.

(U) ADMINISTRATION OF THE PERSONNEL MANAGEMENT SYSTEM

(~~FOUO~~) We found the administration of the separate personnel systems described below to be in technical compliance with regulations. However, we found the current personnel management arrangement flawed on two counts: it does not foster a consolidated, cohesive work force and it results in perceived inequitable treatment of employees in promotion opportunities, assignments, and awards for equivalent work. As a result, this section contains several findings beyond the ability of the NRO to resolve. Depending on the SECDEF/DCI approved wording of the recommended DNRO proposed MOA, resolution of these findings would require changes to law, DoD Directives, or SECDEF and DCI agreements.

(~~FOUO~~) Senior management asserted the diversity of experience brought into the NRO by the different personnel services far outweighs the administrative disadvantages of operating multiple systems. Yet, senior managers throughout the NRO are attempting to develop an NRO consciousness in their employees. Retaining the different personnel systems does not serve to reinforce this goal.

Interviewees noted several issues. HRMG personnel noted significant duplicative efforts on their part and a lack of sufficient automated systems connected to parent organization systems as detractors. Nearly all non-management employees interviewed about the personnel system commented on difficulty understanding an organization goal of a consolidated NRO while maintaining separate personnel systems. DoD employees perceive unequal opportunity when they compare their system to the seemingly more flexible and decentralized CIA personnel system.

(~~FOUO~~) Results of our survey of NRO employees on those questions relating to human resource management issues indicate that NRO managers and CIA employees are very satisfied with the civilian personnel support received. However, DoD employees indicated dissatisfaction with some specific personnel issues. Results are tabulated below. Comparative data between DoD civilians and CIA personnel indicate DoD civilians are more dissatisfied with: personnel support; being treated fairly on promotions, assignments and awards; and training opportunities available to them.

(~~FOUO~~)

Survey	Response* DoD Civ	CIA
I am satisfied with the personnel support I receive	31% 50%	63% Agree 22% Disagree
Treated fairly regarding promotions	33% 44%	52% Agree 26% Disagree
Treated fairly regarding assignments	44% 28%	51% Agree 25% Disagree
Treated fairly regarding awards	49% 35%	51% Agree 27% Disagree
Performance appraisals fairly reflect my performance	79% 15%	82% Agree 9% Disagree
Satisfied with training opportunities available to me for professional development	59% 27%	73% Agree 15% Disagree
Sufficient time, opportunity, resources for me to fulfill my training plans	51% 29%	58% Agree 27% Disagree

* Neutral responses not reflected. (~~FOUO~~)

(U) Position Management and Classification

(~~FOUO~~) While the administration of position management and classification is adequate by the standards of the parent organizations, the effect of multiple processes does not support the NRO's goal of a consolidated, cohesive work force. The difference

between the DoD's rank-in-position practice and the CIA's rank-in-person system is the root cause of several of our findings concerning personnel management.

(~~FOUO~~) DoD requires that the position and the individual filling it have the same grade and its classification program is tightly controlled through centralized management at an external (to the NRO) headquarters. A CIA-managed employee does not have to have the same grade as the position they are filling and CIA position classification is managed at the CIA directorate level. CIA-managed employees thus have more flexibility to fill positions within the NRO. HRMG and senior management brought to our attention examples where persons of different grades under different personnel systems were filling similar jobs. This creates inequity as the employees, by nature of their personnel system, are compensated differently for doing the same work.

(U) Recruitment and Placement

(~~FOUO~~) The CIA and DoD recruitment and placement process for hiring external applicants into the NRO is adequate. NRO senior management goes through an annual succession planning exercise to assess personnel requirements for the organization. This exercise includes: identifying vacancies created by personnel separations; determining external recruitment needs; projecting internal reassignments; allocating position cuts mandated by the parent organizations; and, planning professional development for potential future program managers.

(~~S~~) Within both the Air Force and the Navy, external recruitment for NRO positions is accomplished through the respective, centralized command structures via classified and unclassified channels. (b)(1)(c) (b)(3) 10 USC 424

[redacted]

(~~FOUO~~) **FINDING: NRO's internal reassignment process is inadequate because of the inherent disparity of considering DoD rank-in-position candidates and CIA rank-in-person candidates for the same positions.**

(~~FOUO~~) The NRO's practice of announcing vacancies organization-wide is hampered by the inherent requirement to satisfy both DoD and CIA position classification and promotion procedures. Internal reassignments of DoD personnel depend on external DoD classification specialist concurrence, whereas CIA personnel, due to their rank-in-person status, are not dependent on

agreement of position classification and their grade to fill a job. In this case, the reassignment of a CIA person can be more readily effected because there are no promotion or budgetary (salary) constraints relative to the reassignment. The practice of announcing certain vacancies to DoD and CIA employees, and attempting to fill these positions by conforming to the required practices of the disparate personnel systems inherently restricts the NRO's ability to select the most capable, appropriate candidate for the vacant position.

(U) RECOMMENDATION 19: Refer to the "Overall Recommendation" at the conclusion of this section.

(~~FOUO~~) DNRO COMMENTS:

(~~FOUO~~) Concur with caveat. The NRO's internal reassignment process is also limited by civilian directives requiring positions to be filled by members of the parent organization (DoD in DoD billets, CIA in CIA billets). While the Finding is true, HRMG works diligently to overcome the identified constraints. Job announcements are opened up to all government employees assigned to the NRO when the requirements of the position allow for it. NRO leadership then works hard once the best qualified candidate is identified to work the slot issue. This means searching through the organization to find a vacant slot which can be matched to the selected person, and transferring that slot to the hiring Directorate or Office. Constraints of the various federal personnel systems and limited number of vacant positions does not ensure success in every instance. Since the "Overall Recommendation" is Recommendation 22, which says that the DNRO should establish a single NRO civilian personnel system, we must defer action on Recommendation 19 until this issue is resolved. If a single personnel system is determined the appropriate solution to the NRO Personnel issue, the Finding will be resolved. If not, another corrective action will be proposed in follow-up and in place by 31 July 1997.

(~~FOUO~~) EVALUATION OF DNRO COMMENTS:

(~~FOUO~~) We consider the proposed actions of the DNRO to be responsive to the Recommendation.

(U) Management-Employee Relations

(~~FOUO~~) Management-employee relations in the area of employee performance standards and appraisals is adequate. The Employee Opinion Survey showed that 82 percent of the respondents agreed that performance appraisals fairly and accurately reflect their performance. Managers who have subordinates belonging to different systems must be proficient in multiple appraisal systems--not only the three civilian systems, but several different military evaluation systems as well. Training on the various appraisal systems is offered by HRMG, but not all managers have attended.

(U) DoD employees and their managers mutually establish criteria, based on the position description, upon which to determine the employee's performance work plan. DoD employees have an annual, static appraisal cycle and ratings are based on performance as measured against the standards defined in the performance work plans. CIA employees are also expected to perform to the duties and responsibilities of their position description and there should be ongoing dialogue between employees and managers as to level of performance; however, there is no requirement to develop written work plans. The appraisal process for CIA is a staggered, annual cycle based on grade; ratings are based on the performance of those duties and responsibilities as defined in the position description.

(~~FOUO~~) Management-employee relations in the area of disciplinary actions is adequate. The NRO's unwritten policy concerning disciplinary actions is to encourage resolution at the lowest possible level, between employee and manager, regardless of the parent organization affiliation. However, managers within the NRO--whether Air Force, Navy or CIA--have authority to issue letters of warning and/or reprimand and in cases of adverse work performance document unacceptable actions on the part of employees and any follow-on counseling.

(~~FOUO~~) Disciplinary recommendations for DoD employees are forwarded by HRMG to the appropriate personnel management organization for action. CIA employee disciplinary issues are referred to the CIA's (b)(1)(c) (b)(3) 10 USC 424 [redacted], when the employee's conduct may impact on their security status. Otherwise, HRMG recommends the appropriate CIA counseling forum.

(~~FOUO~~) FINDING: Employee promotions and awards are correctly managed in accordance with parent organization regulations. However, separate promotions and awards systems do not contribute to a consolidated, cohesive work force.

(~~FOUO~~) The regulatory differences between the rank-in-position DoD work force and the rank-in-person CIA work force result in a disparity between the way promotions and awards are administered in the NRO. DoD employees are nominated by their NRO managers for awards, but the employee's parent organization actually approves the award. Awards are tied to the annual performance appraisal cycle and to fixed allocations and specific budget limitations. DoD promotions must be appropriately classified and approved prior to awarding the promotion, as discussed previously, and are also subject to personnel funding constraints. CIA award and promotion authorities are delegated to designated organizational management levels. Each office director has the authority to promote up through the grade of GS-15 in the

CIA system, which uses a staggered cycle for promotions. CIA awards are not tied to a performance cycle nor are they subject to the severe budgetary constraints which are imposed on DoD awards.

(U) RECOMMENDATION 20: Refer to the "Overall Recommendation" at the conclusion of this section.

(~~FOUO~~) DNRO COMMENTS:

(U) Recommendation 20 is addressed in the NRO response to Recommendation 22.

(U) Employee Training and Development

(U) The HRMG Training and Development Division provides training opportunities to all employees assigned to the NRO. The staff considers its biggest challenge to be organizational development, with a particular focus on blending the parent organization cultures. Such training initiatives as "Organization Culture" and "Team Building" are intended to bring all NRO-assigned employees (both civilian and military) to a better understanding of the cultural differences of the parent organizations.

(~~FOUO~~) FINDING: Employee training and development is inadequate to support knowledge and skills development necessary for all employees to fulfill their duties.

(~~FOUO~~) The NRO does not have a way to assess skill level and needs of their employees so they can adequately plan for future training. While some offices have developed their own tailored professional training, there is no NRO-wide management of training requirements.

(~~FOUO~~) Parent organizations control the budgets and the positions for program-related technical training and required career development courses; the NRO is only a requestor of this support. While this works adequately for some skill areas--the DoD and CIA contracting officers we interviewed all had the proper level of parent organization training--it does not provide sufficient training to all NRO employees. Only 59 percent of DoD employees agreed (and 27 percent disagreed) that there were sufficient training opportunities available, while CIA employees expressed a 73 percent agreement and a 15 percent disagreement rate. The Air Force civilians we spoke with were especially concerned about their limited opportunities for training. Because there are no

MOAs between the NRO and its parent organizations, there is no basis to determine whether each party is adequately supporting the training system requirements.

(~~FOUO~~) RECOMMENDATION 21: The DNRO direct development and implementation of an annual process to forecast, plan for, coordinate, and obtain needed training for NRO employees. Actions to be completed by 31 July 1997.

(~~FOUO~~) DNRO COMMENTS:

(~~FOUO~~) Concur. Implementation of the 1995 Training and Development Strategic Plan includes initiatives to provide a system for performing ongoing training needs assessment to fulfil the NRO mission and facilitate realization of individual performance goals. In addition, as part of an IC effort, the NRO recently identified core and supporting skills and related training required to accomplish the NRO mission. This effort, and the NRO workforce analysis to be completed in early 1997, will be used to identify NRO-wide training requirements and establish an annual systematic planning process. Full implementation of this process is expected by 31 July 1997.

(~~FOUO~~) EVALUATION OF DNRO COMMENTS:

(~~FOUO~~) We consider the proposed actions by the DNRO to be responsive to the Recommendation.

(U) Personnel Records Services

(~~FOUO~~) While the personnel records services system is meeting the needs of the organization, it is not as effective as it could be. The separate personnel management systems used by the CIA, Air Force and Navy, coupled with security restrictions, prohibit interoperability between the systems. Employees' official files are maintained at the parent organization; the HRMG maintains an employee file and a consolidated database of all its employees on its Human Resources Management Information System. While this provides centralized file management internal to the NRO, it does not interface with the parent organization systems and thus requires dual entry of data. The HRMG has no process to verify data integrity between the systems. While dual entry is inherently inefficient, the employee also must ensure that records and data are accurate at both the parent organization and at the NRO.

(~~FOUO~~) The NRO does not have an adequate records review process established to assist in maintaining records integrity. An MOA between the NRO and its parent organizations could enhance the effectiveness of these separate systems by requiring periodic review in a usable format of the parent agency's records and incorporating employee review into this cycle. While this does not resolve the database interoperability problem, it specifies

responsibilities for support and provides a mechanism to improve accuracy of personnel records.

(U) MONITOR PERSONNEL SUPPORT

(U) An adequate monitoring program provides an organization with a way to determine quality, responsiveness and accuracy of support, as well as employee satisfaction with personnel processes. It also furnishes an analysis tool to detect trends and anticipate problems so that actions can be taken to improve operations.

(~~FOUO~~) The NRO does not monitor the quality or responsiveness of support its employees receive from their external parent organizations, nor their employees' satisfaction with that support. We found the HRMG staff to be professional, technically capable and enthusiastic to provide whatever personnel support they could. In their role as facilitator between the employee and the parent organization, they do not oversee how well support is provided and cannot accurately assess when they should get involved to expedite the process. The lack of a review process for employee records, for example, results in difficulty detecting inconsistencies before they become problems.

(~~FOUO~~) As discussed in the "Training and Development" section, the NRO does not adequately monitor the training needs and requirements of its employees to ensure the right type and quantity of training is available. Without a mechanism to monitor employee development, the NRO cannot accurately determine if it has employees with the proper skills to perform its mission. The Management Services and Operations Office (MS&O) should develop and implement a process to monitor the NRO's personnel support program.

(~~FOUO~~) In our judgment, the continuation of separate civilian personnel systems does not support the NRO goal of a cohesive, consolidated work force. Comparisons between the systems is inevitable and our interviews and employee survey prove that employees perceive unfair treatment. While we found each system administered properly in its own right, perception is reality to an employee. The administration of rank-in-person and rank-in-position personnel systems is so different that it cannot be equalized. If the DNRO wishes to achieve the stated goal, the NRO must move toward a single civilian personnel system.

(~~FOUO~~) OVERALL RECOMMENDATION 22: The DNRO include provisions for establishing a single NRO civilian personnel system, implemented over a period of years, in a new SECDEF/DCI MOA, as recommended in the "Authorities and Delegations" section. Actions to be completed by 1 June 1997.

(~~FOUO~~) DNRO COMMENTS:

(~~FOUO~~) Concur with intent of Recommendation 22 to improve civilian personnel management and support. However, the NRO is not prepared to commit to a single NRO civilian personnel

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system at this time. Unresolved legislative packages and other IC reform initiatives are dynamic players in the current IC environment. Additionally, the NRO's Jeremiah Panel is reviewing this specific issue. As with the NRO charter documents, once these political and administrative issues resolve, the NRO will include its personnel system recommendation in the SECDEF-DCI MOA and corresponding DoD Directive and DCI Directive (DCID). Target completion date is 31 July 1997.

~~(FOUO)~~ (b)(3) 10 USC 424, (b)(5)

~~(FOUO)~~ (b)(3) 10 USC 424, (b)(5)

~~(FOUO)~~ (b)(3) 10 USC 424, (b)(5)

(FOUO) (b)(3) 10 USC 424, (b)(5)
(b)(3) 10 USC 424, (b)(5)

~~(FOUO)~~ *EVALUATION OF DNRO COMMENTS:*

(~~FOUO~~) *We consider the proposed actions of the DNRO to be responsive to the Recommendation. Target 1 June 1997 as the completion date vice 31 July 1997.*

(U) MILITARY PERSONNEL

(U) BACKGROUND

(U) Military personnel management programs typically include processing personnel actions such as promotions and awards; evaluating personnel performance; coordinating service directed and professional development training; and providing separation and transfer support and counseling. Many DoD components sponsor joint activities and comply with policy concerning joint duty qualification. Title 10 U.S.C., the 1300 series of DoD Directives and Instructions and governing Service regulations prescribe military personnel management.

(U) Service headquarters normally control the assignments process using various forms of skill specialty codes. To ensure proper skill development, personnel require specific training at particular points dependent on rank and skill specialty. This training is managed at Service specific levels.

~~(FOUO)~~ The original NRO Programs A, B, and C maintained their own personnel staffs and relied on the parent organizations to provide support to them. Today, the Military Personnel Division (MPD) of the HRMG, serves as the focal point for the NRO assignments process and provides tailored personnel support to the military personnel of the NRO.

~~(S)~~ As of September 1, 1995, the MPD provided service to an NRO military staff totalling (b) Air Force, (b) Navy, and (b) Army officers and enlisted personnel. The NRO maintains no Joint Duty Assignment List positions.

~~(FOUO)~~ ISSUE: The NRO has technically adequate processes, mechanisms, and management systems to support military personnel and meet the needs of the NRO; however, the NRO needs to update Memoranda of Understanding and Agreement (MOU/MOA) and monitor service provided to military personnel.

~~(FOUO)~~ FINDING: The NRO lacks adequate and current MOUs/MOAs specifying military personnel support responsibilities.

(U) ROLES AND RESPONSIBILITIES

(U) The NRO has MOUs and MOAs with the Departments of the Navy and Army covering the contribution of personnel to the NRO and functions to be performed by each organization.

(U) Memoranda of Understanding and Agreement

~~(FOUO)~~ We found the NRO has not clearly established roles and responsibilities through appropriate MOUs/MOAs and Support Agreements regarding the management and support of assigned military personnel in accordance with DoD Instruction

4000.19, Interservice and Intragovernmental Support. Without clear and current guidance on which organization provides what functional support, support systems cannot meet expectations of the organizations or people involved.

(~~S/B~~) A 9 July 1976 MOU with the Assistant Secretary of the Navy (Installations and Logistics) defines the relationship between the Navy Space Project, Program C, and the NRO. However, the MOU does not address personnel support to any degree. Another MOU from 1987, signed by the Director, Program C, and the Naval Security Group Command provides Naval support to the (b)(1)(c) program. The MOUs do not reflect the 1992 NRO restructure and consolidation or a system of periodic review. The significant changes since the original memoranda leave responsibility for Navy personnel support in question. (Note: During the course of the inspection, the NRO and the Navy were negotiating an MOU to update the responsibilities of each organization for support services.)

(~~S/B~~) An MOA with the Secretary of the Army, dated 30 June 1978, defines the interface between the Army Space Program Office and the NRO. It states the Army Deputy Chief of Staff for Operations provides personnel support, but does not specify further. While it specifically addresses officer support to NRO, it fails to address enlisted support being provided. We found no indication of periodic review of this 17-year-old document.

(~~S/B~~) NRO personnel believe they do not require an MOU/MOA with the Air Force. They believe the designation of the DNRO as Assistant Secretary of the Air Force (Space) and the Director of Launch and SIGINT as the Director, Secretary of the Air Force for Special Projects, provides adequate means of obtaining Air Force support. An MOU/MOA with the Air Force would be beneficial in covering the eventuality of these positions not being dual-hatted.

(~~FOUO~~) The NRO depends on parent Services to provide support regarding professional military education, skill specific service training, drug testing, and other programs. The NRO maintains limited expertise in some areas to help their personnel. The existing MOUs/MOAs do not address these functions and this results in duplication of responsibility similar to that identified in the civilian personnel section. These responsibilities should be clearly specified in the MOA or a separate support agreement that provides more specific information.

(~~FOUO~~) RECOMMENDATION 23: The DNRO designate and direct a Support Agreements Manager to develop a single comprehensive agreement with each supporting military organization in accordance with DoDI 4000.19. Actions to be completed by 31 December 1997.

(~~FOUO~~) DNRO COMMENTS:

(~~FOUO~~) Concur with the intent of the Finding and Recommendation 23. Reference earlier response to Recommendation 18. While the military systems are not effected by the single civilian personnel system determination, they may be effected by other on-going initiatives relative to the entire intelligence community (IC) -- legislative and otherwise. (Reference DNRO response to Recommendations 1, 2, and 3.) Pending resolution of the IC issues and appointment of a Support Agreements Manager, negotiations of military personnel agreements will be accomplished by 31 July 1997.

(~~FOUO~~) EVALUATION OF DNRO COMMENTS:

(~~FOUO~~) We consider the proposed actions by the DNRO to be responsive to the Recommendation. However, these actions are to be completed by 31 December 1996 vice the proposed 31 July 1997.

(U) External Relationships

(~~S/B~~) The MPD functions as the NRO liaison and facilitator between the Service personnel support headquarters and the NRO managers and personnel. The MPD works directly with the 11th Support Wing at Bolling AFB and the USAF Personnel Center at Randolph AFB; the Space and Naval Warfare Systems Command element; and the USAF Army Element within the Army Office of the Deputy Chief of Staff for Operations.

(~~S/B~~) The Navy does not have personnel professionals assigned and located at the NRO headquarters, unlike the Air Force and Army. Rather, the Navy consolidates this function within the Space and Naval Warfare Systems Command and maintains tighter service control of Navy filled NRO positions than the other services. We were told the planned revision of the NRO-Navy MOU may provide for integrating Navy personnel specialists into the MPD similar to that of the other services.

(U) Internal Relationships

(~~S~~) The Deputy Chief, HRMG, an Air Force officer, primarily directs service and support to military personnel through the MPD. The Chief, MPD, an Air Force civilian, with a staff of civilian and military employees, provides military personnel a centralized link into unclassified parent Services.

(~~FOUO~~) Like the civilian personnel section, the MPD uses the Human Resource Management Information System to track military personnel. The limitations of this system, as enumerated in the civilian personnel section, also exist regarding military personnel. While the system meets the needs of the organization, it is inherently inefficient due to dual entry of data. Parent organizations maintain employee official files systems, while the HRMG maintains a file system with duplicate information.

(~~FOUO~~) The NRO does not have an adequate records review process established to assist in maintaining records integrity. An

MOA between the NRO and the personnel parent organizations could enhance the effectiveness of these separate systems by requiring periodic review in a usable format of the parent agency's records and incorporating employee review into this cycle. While this would not resolve database interoperability, it would reasonably ensure personnel record accuracy.

(U) Assignments Process

(~~FOUO~~) Processes used for filling position vacancies depend on the Service designated for the position. The NRO obtains listings of personnel meeting requirements from the Service focal points and makes some by-name-requests based on information from currently assigned personnel. The NRO or the Service makes appropriate preliminary security background inquiries. The NRO then makes a selection and the Service focal point serves as the interface to get the person assigned.

(~~S/B~~) Some personnel questioned the need for Service assignment personnel to be BYEMAN cleared. While the need for BYEMAN cleared individuals at the assignments locations may be beneficial to some extent, a review of security criteria indicated establishment of personnel qualifications should not require the BYEMAN caveat.

(~~FOUO~~) We found the internal processes used by the NRO for assigning personnel within the NRO met the needs of the organization and the personnel. However, interviews indicated the Navy exerts more control over personnel position management than the other services making some moves more difficult. We found no significant impact from this; however, the NRO could clarify this issue in the recommended MOU/MOA revision.

(~~FOUO~~) The NRO elected not to implement joint officer management provisions of the Goldwater-Nichols Act because they thought the provisions would impede accession and retention of personnel in the NRO. In 1992, the NRO revised that decision and in a 14 August 1992 DNRO memorandum requested DEPSECDEF to approve 50 percent of NRO military officer positions as Joint Duty Assignment List. The Joint Chiefs of Staff imposed a moratorium before DEPSECDEF made a decision. In May 1995, the NRO addressed the issue again with a memorandum from the DDMS to the Director, Manpower and Personnel, Joint Chiefs of Staff, asking for 19 positions on the Joint Duty Assignment List. This request is being held pending further review of the Joint Duty Assignment List and processes involved. Joint duty assignments within the NRO would benefit the organization and the Services by providing superior talent to the NRO and officers with better understanding of satellite intelligence capabilities to the Services.

(U) Management Training on Military Personnel Needs

(~~FOUO~~) The HRMG makes training available to the managers and supervisors of military personnel covering the different aspects of career management, evaluations, promotion and award recommendation systems, and disciplinary systems.

(~~FOUO~~) We found the NRO does not maintain a process to ensure managers and supervisors understand the impacts of their actions regarding military personnel. The NRO does not maintain policy on, or a system to track, who receives or needs this training.

(~~FOUO~~) Interviews indicated senior management, HRMG officials, and military personnel assigned are concerned about this issue. Some civilian supervisors do not clearly understand the needs of military personnel regarding performance appraisals and awards and decorations policy and procedures, actions significantly impacting military careers and promotions. The HRMG should develop and implement a policy on and a mechanism to track training provided to supervisors of military personnel on military personnel management matters.

(U) MONITOR SERVICE

(~~FOUO~~) The NRO does not maintain a process to evaluate or monitor the quality of services provided to military personnel assigned to the NRO. Establishing such processes or methods would provide several benefits to the NRO. First, they would provide a basis for determining the staffing needs of the MPD. Second, they would provide a basis for knowing when and what changes are needed in the MOUs/MOAs with the services. Third, they would provide a basis for determining information needed by non-military supervisors or military supervisors of other services. The HRMG should develop and implement a process to monitor the quality of services provided NRO military personnel by the MPD and Military Services.

(U) LOGISTICS AND SUPPLY

(U) BACKGROUND

(U) We define logistics and supply management as the storage, distribution, procurement, maintenance, transportation, facilities, communications, data processing, property disposal, accountability, and personnel used to support or manage support to the organization. An adequate program ensures logistical and supply support requirements are fulfilled in the requested time frame and at the expected costs. It also contains a mechanism to ensure accountability for that property and equipment.

(~~S//B~~) The MS&O provides logistical support to the NRO headquarters facilities through the Facilities Support Group and the Property Management Office. The NRO (b)(1)(c) (b)(3) 10 USC 424

(~~FOUO~~) ISSUE: The NRO logistics and supply management system is generally adequate; however, it lacks a property accountability system and has some shortcomings in verification of GSA Fleet Vehicle credit card charges.

(U) ROLES AND RESPONSIBILITIES

(~~S//B~~) Roles and responsibilities are adequately defined in standard operations procedures, position descriptions, statements of work with the contractor, and staff meetings. They are also defined in publications such as Integrated Logistics Plans, Operating Instructions, Customer Support Manuals, and the (b)(1)(c) (b)(3) 10 USC 424 & Computer Supplies Manual.

(~~S//B~~) The Facilities Support Group is responsible for all logistics planning and support for NRO activities OSD - (b)(1) EO 13526 Section Most support requirements are provided through contracted services with (b)(1)(c) as the NRO's prime contractor.

(~~S//B~~) The Property Management Office controls and manages Government Furnished Equipment and Contractor Acquired Property. This responsibility includes acquisition, redistribution, and disposal authority. OSD - (b)(1) EO 13526 Section 3.3(1)

(~~S//B~~) OSD - (b)(1) EO 13526 Section 3.3(1)

OSD - (b)(1) EO 13526 Section 3.3(1)

(U) REQUIREMENTS IDENTIFICATION AND FULFILLMENT

(U) Logistical and Supply Support Requirements

~~(S//B)~~ OSD - (b)(1) EO 13526 Section 3.3(1)

~~(S//B)~~ OSD - (b)(1) EO 13526 Section 3.3(1)

~~(S//B)~~ OSD - (b)(1) EO 13526 Section 3.3(1)

(U) Transportation Requirements

~~(FOUO)~~ The need for official business ground transportation is met through a fleet of General Services Administration (GSA)-leased vehicles. Employees reserve vehicles through an on-line system. A rental agreement, the keys and a GSA Fleet Credit Card for gasoline purchases are picked up from the Logistics Officer. Current and ending odometer readings are noted, along with fuel status. Credit receipts are turned in with the keys at the completion of the trip. The credit card receipts are collected and forwarded monthly to GSA.

(~~FOUO~~) FINDING: The NRO does not have a mechanism to verify GSA Fleet Vehicle credit card charges.

(~~FOUO~~) The NRO leases approximately (b) vehicles through the GSA. Interviews with personnel in charge of NRO vehicles indicated they do not verify credit card receipts. The responsible personnel collect and forward the credit card receipts once a month and annotate the ending mileage and other information for each

vehicle into an automated database system. There is no internal control in place to verify that credit cards are used in accordance with GSA rules and guidelines.

(~~FOUO~~) RECOMMENDATION 24: The DNRO direct development and implementation of processes to verify credit card charges on GSA Fleet Vehicles. Actions to be completed by 1 October 1996.

(~~FOUO~~) DNRO COMMENTS:

(~~FOUO~~) Concur with caveat. While the NRO does not currently have a mechanism to verify GSA Fleet credit card charges, it has a comprehensive, automated database for tracking GSA Fleet Vehicle use. The NRO will review and modify as necessary its leased vehicle monitoring process, to include periodically verifying credit card use. Corrective action will be complete by 1 October 1996.

(~~FOUO~~) EVALUATION OF DNRO COMMENTS:

(~~FOUO~~) We consider the proposed actions of the DNRO to be responsive to the Recommendation.

(~~FOUO~~) RECOMMENDATION 25: The DNRO direct the NRO Inspector General to conduct an audit of the GSA Fleet Vehicle and credit card usage. The audit to be completed by 1 April 1997.

(~~FOUO~~) DNRO COMMENTS:

(~~FOUO~~) Concur. NRO/IG will audit GSA Fleet Vehicle and credit card use by 30 June 1997.

(~~FOUO~~) EVALUATION OF MANAGEMENT COMMENTS:

(~~FOUO~~) We consider the proposed actions of the DNRO to be responsive to the Recommendation. Unless constrained by resources or priorities, the NRO/IG audit should be completed no later than 1 April 1997.

(U) Responsiveness to Needs

(~~S~~) We interviewed personnel to determine if they received the required support in the requested time frames and at the expected

cost. Each person interviewed expressed a high degree of satisfaction regarding the support that is provided by the Facilities Support Group, as well as external support organizations. In addition, we reviewed a listing which contained all of the requests for logistical and supply support services in FY 95 and found the requirements were fulfilled on or before the required time frame and at the expected cost.

(~~FOUO~~) FINDING: The NRO does not have a property accountability program.

(U) PROPERTY MANAGEMENT

(~~FOUO~~) The NRO does not have a property accountability program because it lacks a published property management procedure, does not have an established property book account, and does not have a comprehensive Government Furnished Equipment and Contractor Acquired Property follow-up process. As a result of not having a precise count of NRO-owned assets, the NRO cannot accurately meet its reporting requirements to Congress.

(~~FOUO~~) Lack of Published Property Management Procedures

(~~FOUO~~) The NRO does not have a published procedure to implement a property accountability system. The March 1994 draft MS&O Property Management Procedures Document has not been finalized and implemented. This document assigns responsibilities and defines criteria for property management and accountability. Only the Reviewing Officer and the Property Manager have been appointed, and this done verbally. (b)(3) 10 USC 424

[redacted]

(U) No Property Book Account Established

(~~FOUO~~) The NRO does not have a property book account which would provide a physical record of all NRO assets. In an effort to establish a property book, the (b)(3) contractor developed a database of all accountable property on which they had a record back to FY 90. However this generally only includes property for which (b)(3) was the source of supply. There has not been a physical reconciliation of this listing and it does not include property which came under NRO's control as a result of the program consolidation. The contractor provides quarterly reports to the MS&O from this data base.

(~~S~~) The NRO excludes furniture and safes from the current database because they are not accountable property (b)(1)(c) (b)(3) [redacted]e. However, for FY 95 alone the NRO spent approximately (b)(1)(c) (b) for furniture. The database also does

not include all NRO automated data processing equipment. The ITG maintains an inventory list of automated data processing equipment and was conducting a 100 percent physical inventory at the time of this inspection. However, no process exists to integrate this information into the MS&O accountability reports.

(~~FOUO~~) Inaccurate Database Used to Report to Congress

(~~FOUO~~) The Chief Financial Officers Act and reporting requirements mandated by the OMB, the Department of Treasury, and the Congress require agencies to maintain accurate inventory records. Since the NRO does not have a property accountability system and has not conducted a 100 percent physical inventory, it cannot accurately report on NRO-owned assets and is, therefore, not satisfying its reporting requirements.

(U) Accountability for Government Furnished Equipment and Contractor Acquired Property

(~~S~~) We found the NRO Property Management Office maintains a well established process to identify and track Government Furnished Equipment and Contractor Acquired Property in accordance with the FAR, Part 45. However, we found the process to track disposition instructions for Government Furnished Equipment and Contractor Acquired Property lacks strong, timely follow-up action to ensure contractors implement instructions. We reviewed Plant Clearance Reports for FY 92, 93, and 94 to determine how many cases were still open and the dollar value of equipment and property associated with those cases. The results of our review follow:

(~~SECRET~~)

FY	Total Cases	Open Cases	Open Case Value
92	(b)(1)(c) (b)(3) 10 USC 424		
93			
94			

(~~SECRET~~)

(~~S~~) If the Property Management Office does not follow-up with contractors regarding the disposition of government equipment, the government loses active use of both the equipment and the monetary value due to depreciation of those assets. It also creates an atmosphere conducive to lost visibility which easily results in the loss of the government's property and equipment.

(~~FOUO~~) RECOMMENDATION 26: The DNRO direct development and implementation of a property accountability system including physical inventory requirements and periodic reconciliation with property records. Actions to be completed by 31 March 1997.

(~~FOUO~~) DNRO COMMENTS:

(~~FOUO~~) Concur. A draft NRO Headquarters Facility Property Accountability plan is complete, and a 100% physical inventory will be scheduled once Westfields collocation is complete. Actions regarding this Recommendation will be complete 31 March 1997.

(~~FOUO~~) EVALUATION OF DNRO COMMENTS:

(~~FOUO~~) We consider the proposed actions of the DNRO to be responsive to the Recommendation.

(~~FOUO~~) RECOMMENDATION 27: The DNRO direct development and implementation of an effective Government Furnished Equipment and Contractor Acquired Property follow-up system to ensure disposition instructions are carried out. Actions to be completed by 1 October 1996.

(~~FOUO~~) DNRO COMMENTS:

(~~FOUO~~) Concur. We judge the weakness in the follow-up system is that an inadequate number of people are available to perform follow-up actions. To better ensure property disposition instructions are carried out by its contractors, the NRO will increase the number of Plant Clearance Specialists from two to four. We expect to have new staff in place by 31 July 1996.

(~~FOUO~~) EVALUATION OF DNRO COMMENTS:

(~~FOUO~~) We consider the proposed actions of the DNRO to be partially responsive to the Recommendation. The actions proposed by DNRO to increase the number of Plant Clearance Specialists will be helpful in facilitating property disposition follow-up. However, also needed is the implementation of a system to ensure follow-up on property disposition instructions. Implementation of this system is to be accomplished by 1 October 1996.

(~~FOUO~~) RECOMMENDATION 28: The DNRO direct the NRO/IG to perform an audit of property accountability with specific focus on determining if accountable property can be located. Action to be completed by 1 October 1997.

(~~FOUO~~) DNRO COMMENTS:

(~~FOUO~~) Concur. NRO/IG will audit property accountability by 30 June 1997.

(~~FOUO~~) EVALUATION OF DNRO COMMENTS:

(~~FOUO~~) We consider the proposed actions of the DNRO to be responsive to the Recommendation. Actions to be completed by 1 October 1997.

(U) EQUAL EMPLOYMENT OPPORTUNITY PROGRAM

(U) BACKGROUND

(U) Executive Order 11478, 8 August 1969, requires the executive departments and agencies to "establish and maintain an affirmative program of equal employment opportunity for all civilian employees . . . ." It states the EEO policy must be an integral part of all aspects of personnel policy and practice in the employment, development, advancement, and treatment of all Federal Government civilians. Agencies must provide sufficient resources to administer such programs and provide training and advice to managers and supervisors to assure their understanding and implementation of the policy. Agencies also must provide an internal system for periodically evaluating the effectiveness of their program in meeting the Executive Order policy.

(U) Title 29, Code of Federal Regulations (C.F.R.), Section 1614, establishes the policy and responsibilities in federal agencies for implementing an affirmative employment program. It states each agency shall:

- Develop plans, procedures and regulations to carry out its program;
- Regularly appraise operations to assure conformity with 29 C.F.R. 1614;
- Designate an EEO Director and diversity managers;
- Make written materials available throughout the work place;
- Ensure full cooperation by employees; and
- Publicize and post names, phone numbers, and office addresses of EEO counselors.

(U) DoDD 1440.1, 21 May 1987, established the Civilian Equal Employment Opportunity Program within DoD and prescribes implementing policies to include diversity in their affirmative action programs, consistent with guidance from the U.S. Equal Employment Opportunity Commission, Office of Personnel Management, and the DoD Human Goals Charter.

(U) Likewise, DoDD 1350.2, 18 August 1995, expanded the EEO policy to military personnel and regulated the Military Equal Opportunity Program while establishing DoD-wide standards for discrimination complaint processing and resolution. It requires agencies to develop policies to prevent unlawful discrimination and sexual harassment and prominently post and enforce them, to provide qualified EEO counselors, and to establish local hot lines/advice lines to provide complaint processing information.

(~~FOUO~~) ISSUE: The NRO does not have an Equal Employment Opportunity Program.

(U) POLICIES AND PROCEDURES

(~~FOUO~~) The NRO's primary EEO role is to act as a facilitator between employees and parent organizations (CIA, Army, Navy and Air Force). Employees with EEO related issues may go directly to the parent organization or obtain information on where to go from the HRMG personnel officials.

(~~FOUO~~) FINDING: The NRO lacks an EEO program meeting employee needs in accordance with DoD and CIA requirements.

(~~FOUO~~) The NRO does not have an EEO program. Senior NRO management contends the EEO needs of all employees are adequately covered by the parent organizations and additional NRO resources in this area would be wasteful. Senior NRO managers also stated appropriate parent organization officials would be granted access into the NRO facilities to conduct any investigation or fact finding related to an EEO complaint. However, the current MOAs/MOU's do not address if or how this service would be provided or conducted.

(~~FOUO~~) The absence of an EEO program places the NRO in violation of DoDD 1440.1 and 1350.2. It is not a compelling argument to claim that NRO employees have the same opportunities as other DoD employees for EEO support. The NRO does not have a Director of EEO to bring discrimination and harassment issues to the attention of senior management nor diversity managers to publicize the contributions of minorities. We judge NRO employees do not have ready access to the appropriate full range of EEO support required.

(~~FOUO~~) Based on responses to our employee opinion survey, we found NRO employees do have EEO concerns needing NRO management attention. Survey responses indicate minorities and DoD civilians find the NRO deficient in providing a strong commitment to EEO efforts and in being treated fairly for promotions and assignments. The lack of an NRO EEO program has contributed to the employee perceptions cited below.

Interviews with NRO employees revealed they had inaccurate or incomplete information about their EEO responsibilities. We attribute this, in part, to the lack of readily available information on EEO for NRO employees. Employees interviewed were unclear if the NRO had an EEO policy as they had not seen any EEO information published or posted on bulletin boards.

~~(FOUO)~~

Survey	Response*	
Personnel practices demonstrate a strong commitment to creating and maintaining an effective culturally diverse work force.	All NRO	58% agree 21% disagree
	Minority	49% agree 29% disagree
	DoD Civ	48% agree 33% disagree
People in the NRO are treated fairly regarding promotions.	All NRO	58% agree 21% disagree
	Front Off	43% agree 33% disagree
	Minority	48% agree 27% disagree
	DoD Civ	33% agree 44% disagree
People in the NRO are treated fairly regarding assignments.	All NRO	60% agree 20% disagree
	Minority	54% agree 24% disagree
	DoD Civ	44% agree 28% disagree

* Neutral responses not reflected.

~~(FOUO)~~

We found the NRO made an effort to augment employee EEO training provided by the parent organizations. HRMG personnel stated EEO training, including sexual harassment prevention training, was accomplished NRO-wide in-house, with training meeting the guidelines of the parent organizations. However, inspection of training records showed no record of completion.

We found the NRO maintains no processes or mechanisms to monitor the effectiveness of EEO policies. HRMG officials stated the NRO has not established a mechanism to track EEO employee complaint data. While the parent organizations maintain this, they are not provided to HRMG without a specific request. Without a formal monitoring mechanism NRO management is unable to determine, assess, or report the effectiveness of the EEO support provided by the parent organizations or their internal training.

(~~FOUO~~) RECOMMENDATION 29: The DNRO direct development and implementation of an NRO EEO program in full compliance with DoD Directives 1440.1 and 1350.2 and applicable CIA requirements. Actions to be completed by 29 November 1996.

(~~FOUO~~) DNRO COMMENTS:

(~~FOUO~~) Concur. A chief for the new NRO EEO Office will be identified by 31 May 1996, and an NRO EEO Program should be fully implemented by 29 November 1996.

(~~FOUO~~) EVALUATION OF DNRO COMMENTS:

(~~FOUO~~) We consider the proposed actions of the DNRO to be responsive to the Recommendation.

(U) SECURITY

(U) BACKGROUND

(U) Organizations should base good security environments on well defined security policies and procedures, roles and responsibilities, and oversight mechanisms at each level of the organization. To be thorough the program should address core disciplines of physical security, personnel security, information security, communications security, and operations security. Depending on the organization, the disciplines of industrial security and AIS security may be added. Because of the extensive use of AIS within the NRO, we address AIS security in the following section of the report.

(U) DCI Security Policy Followed

(U) The NRO follows DCI security policy and guidance "to maintain a uniform system in the whole National Reconnaissance Program area" as stipulated in the Agreement For Reorganization of the National Reconnaissance Program, dated 11 August 1965, between the DCI and the DEPSECDEF. This agreement follows the provisions of the National Security Act of 1947, which establishes the responsibility of the DCI for protection of intelligence sources and methods. Therefore, the NRO uses the following DCIDs as the basis for security policies and guidance:

- DCID 1/7: Security Controls on the Dissemination of Intelligence Information
- DCID 1/14: Personal Security Standards and Procedures Governing Eligibility for Access to Sensitive Compartmented Information
- DCID 1/16 Security Policy for Protection of Intelligence Information Systems and Networks
- DCID 1/19 Security Policy for Sensitive Compartmented Information
- DCID 1/20 Security Policy Concerning Travel and Assignment of Personnel with Access to Sensitive Compartmented Information
- DCID 1/21 U.S. Intelligence Community Physical Security Standards for Sensitive Compartment Information Facilities
- DCID 1/22 Technical Surveillance Countermeasures

~~(S/B)~~ The NRO uses the TALENT-KEYHOLE and BYEMAN Security Control Systems. OSD - (b)(1) EO 13526 Section 3.3(1)

[redacted]

OSD - (b)(1) EO 13526 Section 3.3(1)

(U) NRO Security Staff Structure

~~(S/B)~~ The NRO security staff structure has changed significantly over the last several years. The 1989 restructure study determined security management was fragmented and uncoordinated with the separate program offices operating in a highly compartmented and segregated manner. The program security offices provided conflicting, inconsistent, and risk avoidance-based guidance. As a result of this and other security management reviews, the NRO moved away from risk avoidance, a high cost approach, to a practical, cost-saving, and cover-enhancing philosophy of risk management. In conjunction with this philosophy, the NRO reduced the multi-compartmented information access structure to a simplified BYEMAN compartment in February 1994.

~~(S/B)~~ The NRO intended the restructure to provide common security support services to all parts of the NRO, including government and contractor operations. OSD - (b)(1) EO 13526 Section 3.3(1)

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~~(S)~~ The Director of the Office of Security (DOS) provides the NRO core corporate level security services. Under the Director, the Deputy DOS supervises the Deputy Director for Security (b)(1)(c) (b)(3) 10 USC 424 The Deputy Director for Security (b)(1) (c) (b) These offices serve as NRO focal points to external government security policy makers.

~~(S)~~ The three directorates and major offices under the DNRO each maintain separate security staffs. The Program Security Chiefs of these staffs report to the head of the directorate or office

and not to the DOS. The security staffs implement the corporate level security policies and procedures, develop directorate/office level security polices and procedures, and provide primary security direction and oversight of the various programs and projects for both government and contractor personnel and facilities. They also serve as the directorate/office focal point for interfacing with the Office of Security.

(U) The NRO leadership proudly states it maintains a very close working relationship, more like a partnership, with its contractor base regarding security. The NRO involves contractor representatives in determining the impact of proposed changes to security requirements in order to manage costs while achieving necessary security.

(~~FOUO~~) ISSUE: The NRO has adequate processes to manage security requirements; however, mechanisms used to provide basic security policy guidance, establish responsibilities, and monitor performance need significant improvement.

(U) POLICIES AND PROCEDURES

~~(S//B)~~ The NRO cites several types of documents for establishing security policies and procedures as well as providing direction and guidance to government employees and contractors.

(U) Basic Policy

OSD - (b)(1) EO 13526 Section 3.3(1)

[redacted]

(~~S//B~~) BYEMAN Manual

~~(S//B)~~ OSD - (b)(1) EO 13526 Section 3.3(1)

[redacted]

(U) Flexibility Key at Sites

~~(S//B)~~ At (b)(1)(c) (b) sites, the NRO relies on some security policies and procedures, and in many cases on the services, of the local security officials which provide cover. Because of this, the NRO must be flexible in external facility security requirements. The NRO depends on MOU/MOAs, as well as close working relationships, for security arrangements at several sites jointly staffed by the NRO and (b)(1)(c) (b)(3) 10 USC 424 [redacted]

~~(S//B)~~ The NRO policy determination process incorporates input from employees, contractors, the Office of Security, and directorate and senior NRO management through the DOS Senior

OSD - (b)(1) EO 13526 Section 3.3(1)

(U) Team Perspective

~~(S/B)~~ OSD - (b)(1) EO 13526 Section 3.3(1)

(U) FINDING: Corporate security policies and procedures are not clearly defined and do not provide a sound basis on which to establish roles and responsibilities.

(U) CONFLICTING GUIDANCE

~~(S/B)~~ We found confusion about the currency and applicability of the NRO/NRP Directives regarding security. The NRO provided them as being current and we confirmed this through other offices. However, the Office of Security stated three of them were superseded by other guidance and none of them were widely available. The Directives conflicted with NRO Security Policy Directives and Notices and the BSM. Numerous classification guides in varying stages of update provide fertile ground for confusion on whether material is Sensitive Compartmented Information (SCI) or not and what level of classification applies. No clear policy or procedure exists to determine document supersession or precedence.

~~(S/B)~~ BYEMAN Manual Applicability Not Clear

~~(S/B)~~ OSD - (b)(1) EO 13526 Section 3.3(1)

(U) Complex Classification Guide System

~~(S/B)~~ The NRO moved from a system with multiple compartmented information systems to an overall single BYEMAN compartment in February 1994. The NRO should be recognized for making significant advances in reducing information compartmentation and increasing dissemination of information since that time. However, significant opportunity for further progress lies ahead.

~~(S/B)~~ The NRO publishes multiple classification guides: the NRO Classification Guide, directorate level Security Classification

Guides, and Special Classification Guides for "(b)(1)(c) (b)(1)(c) (b)(3) material. For NRO personnel and contractors with wider access, the current system is confusing, contributes to information over-classification, and lost productivity. OSD - (b)(1) EO 13526 Secti o

(U) Over-Classification and Compartmentation

(~~S/B~~) OSD - (b)(1) EO 13526 Section 3.3(1)

(~~S/B~~) OSD - (b)(1) EO 13526 Section 3.3(1)

(~~FOUO~~) The majority of documents we reviewed lacked declassification instructions. We judged this resulted from the highly sensitive nature of the information, where people inferred declassification unlikely or found it difficult to determine, and a lack of management attention. Presidential Executive Order 12958, Classification and Protection of National Security Information, requires the NRO to determine declassification needs on an extremely large amount of classified material, with a significant amount over or approaching the timelines for required review/declassification. In November 1995, the DNRO established the Information Declassification Review Center to develop a systematic method of addressing this issue.

(~~S/B~~) The over-classification and compartmentation listed above inhibits needed free flow communication between the NRO and activities needing information from the NRO. Interviews conducted with senior DoD, CIA, and NRO officials revealed indications the NRO sometimes uses security classifications as a

policy tool, rather than a protection mechanism. We found one case where the NRO inhibited information sharing on modeling and simulation systems with other DoD agencies by use of the BYEMAN caveat.

(~~S//B~~) Decisive BYEMAN Definition Needed

(~~S//B~~) A method of clearly defining BYEMAN material does not exist. In 1992, the CIA/IG and NRO/IG Joint Inspection of BYEMAN Security Management pointed out "an urgent need" for a definition of BYEMAN. The DCI directed a study and the NRO published it as "NRO Protection Review 'What is BYEMAN'" in November 1992. The study concluded less information must reside in the BYEMAN Control System, but does not provide a methodology to achieve this goal. OSD - (b)(1) EO traditionally used to define BYEMAN material. They include:

OSD - (b)(1) EO 13526 Section 3.3(1)

[redacted]

Applying these criteria to documents we reviewed, we determined a significant number did not meet the compartmentation criteria.

(U) No Systematic Document Change Process or Supersession System

(~~S//B~~) No consistent process exists for formalizing changes to NRO security documents, for communicating these changes to the NRO and contractor personnel, or to ensure changes become effective. The 1992 CIA/IG and NRO/IG Joint Inspection of BYEMAN Security Management made a similar finding. Their finding focused on establishing and staffing an office to centralize planning and coordinate security policy changes. Despite this, the NRO does not have an established supersession or precedence system in effect so personnel can determine the current, valid guidance. In November 1995, the DNRO created the Information Management Group and charged them with developing a mechanism to provide this guidance for the organization.

(U) Lack of Available Security Documentation

(~~S//B~~) OSD - (b)(1) EO 13526 Section 3.3(1)

[redacted]

OSD - (b)(1) EO 13526 Section 3.3(1)

[redacted]

(U) Memoranda of Understanding & Agreement Need Clarification

(~~FOUO~~) The NRO needs to ensure development and implementation of clear and specific MOU/MOA for security management at ground stations jointly operated with other agencies. One team member found problems previously occurred with access rights of non-NRO personnel needing to conduct required activities. The team also determined significant operational security differences arose between the NRO and another agency regarding information, facility, and equipment access at another location. To avoid such security issues, MOU/MOA documents must clearly define the policies and procedures, roles and responsibilities, and methods all involved organizations will use to ensure appropriate security.

(~~FOUO~~) RECOMMENDATION 30: The DNRO direct development and implementation of a process to provide NRO employees access to a complete and current set of security policy documents and an appropriate sub-set of these to contractors. Actions to be completed by 30 November 1996.

(~~FOUO~~) DNRO COMMENTS:

(~~FOUO~~) Concur. Recommendation 30 is accepted and has been accomplished. All security reference materials (DCIDs, Executive Orders, NRO Classification Guides, etc.) are available to NRO personnel and internal contractors on the NRO network in an application entitled STARgazer. To ensure that the STARgazer remains current, the NRO will prepare and implement a process to ensure periodic review of the security documents. This procedure will be implemented by 30 November 1996.

(~~FOUO~~) EVALUATION OF DNRO COMMENTS:

(~~FOUO~~) We consider the proposed actions by the DNRO to be responsive to the Recommendation.

(~~FOUO~~) RECOMMENDATION 31: The DNRO direct a complete review and revision of current NRP/NRO security documentation for consistency of policy and clarity of applicability. Actions to be completed by 1 September 1996.

(~~FOUO~~) DNRO COMMENTS:

(~~FOUO~~) Recommendation 31 is accepted and has been accomplished. Changes resulting from the NRO Declassification Review and Executive Orders impacting classification, declassification, and requirements for access to classified information have been incorporated into appropriate notification and training for NRO personnel. Director, NRO Security, distributed a 19 April 1996 memorandum to all NRO Security personnel highlighting current authorities that formally supersede historical security notices and procedures (identified as NRP Directives 1, 4, and 5) noted in the report.

(~~FOUO~~) EVALUATION OF DNRO COMMENTS:

(~~FOUO~~) We consider the actions taken by the DNRO to be responsive to the Recommendation.

(~~FOUO~~) RECOMMENDATION 32: The DNRO direct development and implementation of a systematic process of NRO document management. Actions to be completed by 31 August 1996.

(~~FOUO~~) DNRO COMMENTS:

(~~FOUO~~) Concur. The NRO's Management Services and Operations (MS&O) is developing a document management system. This system will be administered by MS&O's Information Management Group and will be implemented by 31 July 1996.

(~~FOUO~~) EVALUATION OF DNRO COMMENTS:

(~~FOUO~~) We consider the proposed actions by the DNRO to be responsive to the Recommendation.

(~~S//B~~) RECOMMENDATION 33: The DNRO propose, coordinate, and implement clear policy on how to distinguish BYEMAN information from other SCI and collateral classified information. Actions to be completed by 1 June 1997.

(~~FOUO~~) DNRO COMMENTS:

(~~S//B~~) Concur. A recently developed NRO sponsored classification methodology known as the Decision Tool, has become the standard for use in reaching classification guide evaluations. This Decision Tool and the resulting classification review of all NRO program information will

provide the basis for clear written policy defining what constitutes BYEMAN information. Implementation of the revised classification policy requires review and update of each NRO program's classification guide. Because these guides are contractual requirements, their change requires contractual modifications which may include contract cost increases. Because full implementation of this Recommendation cannot be claimed until appropriate contractual modifications are in place, the target completion date for this Recommendation is June 1997.

(~~FOUO~~) EVALUATION OF DNRO COMMENTS:

(~~S/B~~) We consider the proposed actions of the DNRO to be partially responsive to the Recommendation. OSD - (b)(1) EO 13526 Section 3.3(1)

[redacted]

(U) ROLES AND RESPONSIBILITIES

(U) Overall, we found well-trained and motivated security personnel. Their abilities and wealth of security experience, combined with the flexibility of NRO, make the system work despite the noted deficiencies. Similar to the other functional areas, we found personnel focused on meeting organizational mission end-goals of timely acquisition, launch, and operation of satellites.

(U) Office Of Security

(~~S~~) A DNRO memorandum, Restructure of National Reconnaissance Office Security, dated 5 September 1995, specifies the duties and reporting chain of primary Office of Security personnel as well as the divisions and branches within the office. The duties specified cover all the security disciplines mentioned above. The memorandum specifically tasks the DOS to:

- Serve as principal security advisor to the DNRO;
- Chair the NRO Security Panel;
- Represent the DNRO on the U.S. Security Policy Board's Policy Integration Committee; and
- Orchestrate, in concert with program directors, consistent security policy, planning, and implementation throughout the NRO.

(~~S~~) The memorandum also authorizes the DOS to reorganize the office as necessary, excepting for program security staffs, to better serve the NRO needs. Further, it eliminates the position of Director of the NRO Security Center in favor of the position of Deputy Director of Security. We found this action also dissolved the former NRO Security Center, but kept the divisional responsibilities as described in the background information.

(U) Program Security Staffs

~~(FOUO)~~ The DNRO memorandum specifies program security staffs report directly to their program directors and provide the programs multi-disciplinary security policy guidance and support services. In addition, it charges the program security staffs with justifying, staffing, and training their security personnel to ensure consistent NRO security policy implementation. A review of the program security staffs indicated they provide security guidance covering all the security disciplines mentioned above.

~~(S)~~ The DNRO memorandum establishes the purpose and membership of the NRO Security Panel. This panel formulates, coordinates, and promulgates security policies relevant to NRO programs. The NRO Security Panel includes observer membership from the U.S. Policy Board Staff, the NSA, the CIO, and the CIA (b)(1) 1.4(c) (b)(3) 10 USC 424 . Meetings are also open to other personnel within the NRO.

~~(S)~~ To facilitate resolution of security policy and implementation issues, the DOS formed the DOS Senior Management Group, which operates as a working group to staff security issues. It includes most of the same people of the NRO Security Panel plus representatives of the Deputy Director for Security Policy and Operational Support branches, but excludes the external organization representatives.

~~(S/B)~~ OSD - (b)(1) EO 13526 Section 3.3(1)

[redacted]

~~(S/B)~~ OSD - (b)(1) EO 13526 Section 3.3(1)

[redacted]

(U) Security Awareness Forums

(U) The Office of Security publishes a monthly newsletter to help keep employees informed of security procedures and their responsibilities. They provide employees the NRO Security Reference Guide in softcopy on the GWAN to assist them in determining where to go with security questions. This guide lists numerous subject areas along with a focal point for questions.

SECURITY

(~~FOUO~~) FINDING: The NRO security guidance is not readily available and lacks clear applicability to government employees so they can determine their roles and responsibilities.

(~~S/B~~) The BSM does not clearly apply to government personnel and facilities. Due to the lack of clarity in the BSM and conflicting guidance provided by other security documents, government personnel lack clearly documented and defined security responsibilities.

(~~FOUO~~) We found no consistent process of communicating security roles and responsibilities to the personnel of the Office of Security, program security staffs, and personnel of the NRO. While the September 1995 DNRO memorandum provided clear and consistent overarching guidance to the Office of Security and program security staffs, below this level we found varying degrees of specificity. Some elements of the Office of Security maintain extremely well-developed Operating Instructions for reference by their personnel which clearly define lower level policy, procedures, roles, and responsibilities; other elements do not maintain similar documented sources.

(S/B) OSD - (b)(1) EO 13526 Section 3.3(1) [redacted]

(~~FOUO~~) RECOMMENDATION 34: The DNRO direct development and implementation of clearly defined roles and responsibilities for NRO security personnel and NRO employees. Actions to be completed by 1 December 1996.

(~~FOUO~~) DNRO COMMENTS:

(~~S/B~~) Concur with caveat. While not formally documented, NRO personnel are taught their responsibilities in security briefings, training classes, and security awareness efforts. OSD - (b)(1) EO 13526 Section 3.3(1) [redacted]

(~~FOUO~~) EVALUATION OF DNRO COMMENTS:

(~~FOUO~~) We consider the proposed actions by the DNRO to be responsive to the Recommendation.

(U) MONITORING MECHANISMS

(~~FOUO~~) The DOS employs various mechanisms to monitor the security provided so that security practices remain current, achieve the desired goals and objectives, and focus on meeting the NRO mission.

(~~FOUO~~) The September 1995 DNRO Memorandum charges the DOS with reviewing and assessing security procedures and personnel resources necessary to implement security policies throughout the NRO. It further charges the DOS with providing NRO program Directors with annual assessments of security programs implemented by their security chiefs. As this is a recent requirement, we could not determine the effectiveness of this mechanism.

(~~FOUO~~) The DOS established a schedule of semi-annual formal reviews of the directorate security plans developed, implemented, and maintained for their programs and projects. These include accomplishments, specific goals and initiatives for the following year, security enhancements, cost-saving proposals and pertinent management issues. In addition, the DOS initiated presentations by the various prime contractor security representatives to brief program specific activities from the contractor perspective.

(~~S//B~~) OSD - (b)(1) EO 13526 Section 3.3(1)

[redacted]

(~~FOUO~~) **FINDING: The DOS and Directorates do not routinely use a system of performance measures on which to base decisions and changes to security policy.**

(~~S~~) Corporate security managers indicated they provide oversight of their respective areas by exception. Nearly all managers interviewed stated they empower their employees to perform and employees inform them if a problem exists. Outside of the Personnel Security Division, we found very few managers use performance indicator data from subordinate work centers on which to base decisions. The security personnel at all levels lack the type of performance measures necessary to fulfill an adequate IMC program, adequate oversight program, or future organizational needs to meet GPRA requirements.

SECURITY

~~(S/B)~~ OSD - (b)(1) EO 13526 Section 3.3(1)

[redacted]

~~(S/B)~~ OSD - (b)(1) EO 13526 Section 3.3(1)

[redacted]

~~(FOUO)~~ RECOMMENDATION 35: The DNRO direct development and implementation of security performance measurements for security management functions that meet the needs of an adequate IMC program and will meet GPRA requirements. Actions to be completed by 1 October 1996.

~~(FOUO)~~ DNRO COMMENTS:

~~(FOUO)~~ Concur. NRO Security will develop an IMC plan which incorporates performance measurements as a key tenet. This plan will be in place by 1 October 1996. NRO Security will establish a working group to address security violation and incident reporting deficiencies noted in the report. The targeted date for completion of this task is 31 December 1996.

~~(FOUO)~~ EVALUATION OF DNRO COMMENTS:

~~(FOUO)~~ We consider the proposed actions by the DNRO to be partially responsive to the Recommendation. The performance measurements developed from this Recommendation should be in support of the corporate wide performance measurements to be developed in accordance with Recommendation 9.

(U) AUTOMATED INFORMATION SYSTEM (AIS) SECURITY

(U) BACKGROUND

(U) Due to the pervasiveness of automated information system integration in this highly classified environment, we evaluated AIS security separately from the other security disciplines.

(U) The Computer Security Act of 1987 (PL 100-235) mandates Government-wide computer security; security training for all persons who are involved in the management, operation, and use of Federal computer systems; and, assures the cost-effective security and privacy of sensitive information in Federal computer systems. DCID 1/16, Security Policy for Uniform Protection of Intelligence Processed in Automated Information Systems (AISs) and Networks, dated 19 July 1988, assigns policy, execution roles and responsibilities, and establishes a procedural framework for implementation of AIS security. The Security Manual for Uniform Protection of Intelligence Processed in Automated Information Systems and Networks, a supplement to DCID 1/16, provides more specific guidance.

(U) The NRO uses, and assisted in development of, the Intelligence Community's Automated Information Systems Security Manual (AISSM) 200, dated 18 February 1994. They also use, and assisted in development of, the National Industrial Security Program Operating Manual Supplement, dated 1 February 1995. These documents provide guidance for many areas including AIS security.

(~~S~~) Security policy and practices for AISs and networks is continually changing to keep pace with evolving technology. When DCID 1/16 was written, most AIS security policies addressed large mainframe computers which were just entering the networked arena. The ever-changing AIS environment requires vigilant management to ensure adequate security is maintained and intelligence information is protected. Because many of the national level policies do not reflect current technology practices, it is essential an organization be proactive in developing and executing its AIS security programs. Today, each Intelligence Community organization has its own internal local and wide area networks, in addition to connections with other Intelligence Community networks. They are also electronically connected to their supporting contractors and customers. Software development has also evolved from each organization contracting for their own unique applications to using primarily commercial- or government-off-the-shelf, and now Internet-ready software.

(~~S/B~~) The NRO has been in the forefront of developing and using an extensive (b)(1)(c) (b) secure network. Their GWAN has (b)(1) NRO connectivity with over (b)(1) user accounts. Limited network connectivity extends to the NRO's contractors over the CWAN which has approximately (b)(1) user accounts.

(S) Computer security for the organization is managed by the (b)(1)(c) (b)(3) 10 USC 424 of the NRO's Office of Security. The ITG of the Communications Directorate also has a security role in the development, operation, and maintenance of AISs.

(~~FOUO~~) ISSUE: The NRO has adequate processes and mechanisms to manage its AIS security program; however, the AIS security monitoring program needs improvement.

(U) POLICIES AND PROCEDURES

(U) AIS security policy lays the foundation for determining what technical and non-technical processes and mechanisms are needed to protect AISs. NRO uses DCID 1/16 as their baseline for developing NRO AIS security processes and mechanisms. The NRO developed the AIS Security Plan to specify the technical and non-technical information requirements which must be used in securing accreditation for AISs and networks. The AIS Security Plan is documented in the AISSM 200 for NRO sponsored government and contractor AIS systems.

(~~S~~) The NRO installed limited Internet access but has not developed adequate policy and procedure incorporating appropriate security considerations. Access to the Internet provides a security challenge to the NRO. The desire by NRO managers for Internet connectivity was implemented using the only secure technical solution available at this time--physical separation between the NRO networks and the Internet. An NRO Internet policy has been proposed, but requires testing, coordination, staffing, and approval. With the changes underway in security implementation practices by the Intelligence Community and the development of new offensive and defensive security technologies, the NRO is concerned insufficient time is being allowed to plan and implement proper security measures. The problem, especially for highly secure systems such as the NRO's, is that technological improvements develop faster than policies and procedures can be drafted, tested, and implemented to encompass them. The NRO Security Panel should develop an NRO Internet Access Security Policy which describes conditions for approval of access, specific security protections, and monitoring mechanisms such as capability to relate usage and type to the user.

(U) Processes and mechanisms are adequate.

(~~FOUO~~) The NRO has adequate processes and mechanisms in place to perform AIS security. The NRO has established and achieved their AIS security goals of data confidentiality, data integrity, and system survivability.

(~~S~~) The NRO has implemented restricted access controls to the GWAN. All network connections are password protected. GWAN access is managed by the local ITG detachment and

centrally reviewed by the ITG's Network Operations Division. In addition, various networks are isolated by filtering unique addresses or data formats to determine who or what data is allowed to traverse those networks.

~~(S)~~ The NRO implemented a log-on identification and authentication tool on the NeXT workstations and on their DOS-based systems that connect to the GWAN. Networked systems lock the screen while not in use and require another authentication prior to unlocking the screen. Furthermore, many applications have their own identification and authentication process, creating another layer of security.

~~(S)~~ The NRO installed AIS technical security systems, firewalls and guard systems, to provide secure connectivity between their GWAN and the contractor CWAN and the GWAN and their Intelligence Community links. The NRO documented their use of firewall technology via a technical paper and in the required AIS Security Plan.

~~(FOUO)~~ AIS security analysis is an integral part of the project planning and configuration management processes used throughout the NRO. AIS project plans document specific configurations of routers, bridges and filters to ensure the security of the network. These project plans are reviewed at CCBs and undergo operational testing to ensure viability of the system. This front-end planning and coordination allows security issues to be resolved prior to hardware and software being introduced into an operational configuration.

~~(S//B)~~ OSD - (b)(1) EO 13526 Section 3.3(1) [redacted]

(U) ROLES AND RESPONSIBILITIES

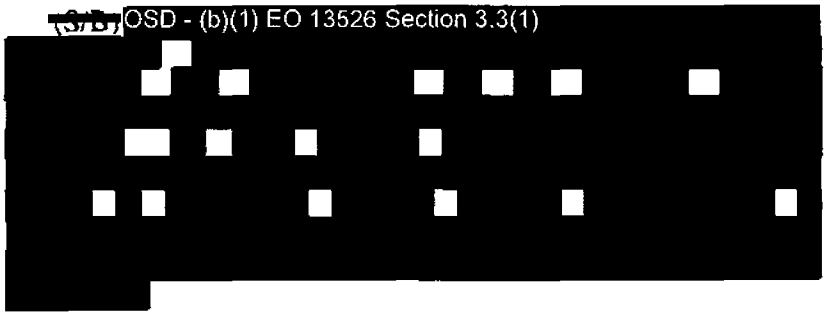
~~(S)~~ The NRO components have resident AIS security representatives. Each of the major contractors has a specified AIS security representative as well. To increase security program effectiveness, these program and contractor Information Systems Security Representatives complete an NRO training course and then are empowered to manage on-site AIS security and prepare security documents. The AISSM 200 and the National Industrial Security Program Operating Manual described these duties.

~~(S//B)~~ While the (b)(1)(c) (b)(3) 10 USC 424 [redacted] of the Office of Security retains responsibility for centralized AIS accreditation oversight, the Information Systems Security Representatives have AIS certification authority for their particular program. OSD - (b)(1) EO 13526 Section 3.3(1) [redacted]

(~~S~~) FINDING: The roles and responsibilities for AIS security are not clearly defined for the Office of Security, the ITG, and the remote sites.

(~~S~~) Both the Office of Security and the ITG have mission and functions documents which indicate responsibilities for AIS security, but the clear delineation of what is an Office of Security function and what is an ITG function is not apparent. In fact, most projects will be impacted by both the program and policy functions of the Office of Security and the development, operation and maintenance functions of the ITG. Management in both offices admitted that better definition of responsible areas was needed. Customers are not fully aware of the separation of responsibilities either.

(~~S//B~~) OSD - (b)(1) EO 13526 Section 3.3(1)



(~~S~~) The pervasiveness of AIS security in the planning process ensures that proper measures are incorporated; however, the current ambiguity of responsibilities between the Office of Security, ITG, and the remote sites increases confusion and degrades timeliness in resolving security-related issues.

(~~S~~) RECOMMENDATION 36: The DNRO direct development and implementation of clearly defined responsibilities for the DOS, the ITG, OSD - (b)(1) EO 13526 Section **regarding AIS security. Actions to be completed by 1 October 1996.**

(~~POC~~) DNRO COMMENTS:

(~~S~~) Concur. NRO Security supports the need to review and resolve overlapping and often conflicting areas of responsibility. Representatives from NRO Security and NRO Information Technology Group in the Communications Directorate formed a working group which has been meeting for the past two months on a biweekly basis. This group is researching authorities and addressing issues of overlapping interest. Furthermore, an Automated Information System referent from Facilities and Information Security Division, NRO Security, has been assigned to the Program Security Officer in the Communications Directorate on a part time basis to assist in resolving these issues. A status report and recommendations for resolution of this item will be

provided by 1 August 1996. Implementation of the 1 August 1996 roles and responsibilities recommendations will be accomplished by 1 October 1996

(~~FOUO~~) EVALUATION OF DNRO COMMENTS:

(~~FOUO~~) We consider the proposed actions by the DNRO to be responsive to the Recommendation.

(~~S~~) FINDING: The NRO does not have an organization-wide program to monitor AIS security.

(U) MONITORING

(~~S~~) While some monitoring tools exist, there is no program which provides an organization-wide analysis of AIS security effectiveness. The Office of Security centrally manages AIS accreditations but does not have a consolidated record of the AISs within their purview. The DCID 1/16 requires the maintenance of records on each system which indicate the classification level, compartments and Special Access Programs (if any), and identity of other connected systems. Delegating the accreditation authority to the site's Designated Approving Authority does not relieve the headquarters of the responsibility to maintain basic information about their systems.

(~~S~~) (b)(1)(c) (b)(3) 10 USC 424 of ITG has the capability to print a daily AIS usage report which they use to monitor site license agreements. This tool, or something similar, can be used by the Office of Security to monitor AIS security violations, but a program for this is not currently in place. Responsibilities for AIS security monitoring of operational systems is an area that should be better defined in the above-noted suggestion on definition of roles and responsibilities.

(~~FOUO~~) There is no consistent method for reporting AIS security violations to the Office of Security. Interview comments indicated components were unaware they had to report AIS security incidents. There must be some way for the organization to receive and track security incidents. Without a standard system, the NRO cannot perform trend analysis and establish an accurate prioritized program for correcting deficiencies.

(~~FOUO~~) RECOMMENDATION 37: The DNRO direct development and implementation of a comprehensive program for monitoring AIS security and identifying and correcting incidents. Actions to be completed by 30 June 1997.

AIS SECURITY

(~~FOUO~~) DNRO COMMENTS:

(U) Concur. Although no comprehensive program for monitoring AIS security presently exists, NRO Security currently audits selected systems. We are engaged in an ongoing study of intrusion detection within AIS as a precursor to the development of a wide area network capability for audit. COMIITG, in conjunction with NRO Security, anticipates full implementation of the intrusion detection monitoring program by 30 June 1997. This system will allow NRO security to both detect and correct AIS security incidents.

(~~FOUO~~) EVALUATION OF DNRO COMMENTS:

(~~FOUO~~) We consider the proposed actions by the DNRO to be partially responsive to the Recommendation. The DNRO must also address the security auditing of the independent local area networks operating in the NRO. Actions to be completed by 31 June 1997.

(U) OVERSIGHT

(~~FOUO~~) ISSUE: The NRO has adequate processes and mechanisms to measure the effectiveness and efficiency of direct mission related functions; however, the processes to measure the effectiveness of NRO administrative and support functions are inadequate. In addition, the NRO/IG does not provide adequate oversight of the organization.

(U) BACKGROUND

(U) The NRO senior management emphasizes the delegation of responsibilities and authorities to the lowest practical level in the organization. This management practice requires supervisory accountability for achieving goals and a set of controls or oversight mechanisms by senior management to assure that major organizational activities are being successfully pursued. Principal administrative and support functions, no less than core mission activities, require appropriate oversight.

(U) To support senior management oversight efforts, lower level components must have processes to monitor the effectiveness of their activities and have measurable indicators of effectiveness.

(U) MISSION OVERSIGHT

(U) Oversight of the Systems Development and Acquisition Process.

(U) As the central focus of the NRO is the development and acquisition of satellite reconnaissance systems, NRO management has created oversight processes for activities directly concerned with the accomplishment of these major missions. Many of these processes directly involve the DNRO and the senior management and are uniform across the entire NRO. Others have been created and implemented by the directorates and offices to support the higher level processes and to provide additional oversight as required for their specific mission.

(U) Management oversight of the development and acquisition processes requires an overlapping set of tools and mechanisms to assure the information on each program is complete, accurate, and timely, and the interrelationships among programs is clearly defined. In addition, there must be processes in place to use the information derived for proper oversight.

(~~FOUO~~) The DNRO and senior program managers use several systems development and acquisition process oversight procedures and mechanisms. All evidence indicates that they are working well. Among the major oversight processes are: a DNRO controlled computerized schedule of all programs; formalized agreements between the DNRO and senior program managers to meet schedules and budgets; configuration control processes for all programs at all management levels; and, a systems acquisition process overseen by the DNRO.

(~~FOUO~~) The NRO has created and maintained a computerized Integrated Road Map to maintain oversight of the schedules and milestones for the numerous and complex systems development and technology programs underway. This road map also identifies interrelationships among programs. Oversight of these programs is maintained through the process whereby there are no changes permitted to the Integrated Road Map, i.e., the program schedules and milestones, unless they have been fully discussed by the DNRO and all senior management and agreed to by the DNRO.

(~~FOUO~~) Another tool used for providing senior management oversight of the systems development and acquisition processes is a baseline agreement, which serves as a "contract" between the DNRO and the responsible senior program manager for program delivery schedules, costs, and capabilities. Our interview data indicates the baseline agreement procedure is working well and adhered to by the parties concerned. It provides all employees and contractors involved in a program with clear guidance on what they are responsible for and when. As an oversight tool, it serves to augment the NRO Integrated Road Map.

(~~FOUO~~) The CCB process is another oversight and systems development management tool. This process assures all NRO components involved in the development of a system, as well as those components which have responsibility for interfacing with the system, have a voice in the system specifications and all changes to it, and have the same documentation. System changes approved by a CCB which affect the baseline agreement, or the NRO Integrated Road Map, come to the attention of the DNRO. NRO managers generally agree that the CCB process, although time consuming and documentation intensive, is essential in effectively overseeing the complex technology associated with space systems.

(~~FOUO~~) CCBs oversee every major development program in the NRO and operate at all management levels. Typically meeting twice a month, at a directorate level the CCB is chaired by the Director and the membership consists of the Deputy Director, the group chiefs, the budget officer, the contracts officer, and the security officer. CCBs identify and maintain architectural, system development, integration, and operational standards; control changes to those standards; and record or report the status of change implementation. The CCB ensures that proposed changes to the program standards are necessary and reflect a thorough consideration of all affected interfaces; represent a tradeoff among performance, cost, and schedule; and are documented accurately.

(~~FOUO~~) Overall oversight of the acquisition process is accomplished through the NRO Acquisition Board, chaired by the DNRO. The inspection team judged that this is a well structured, effective, mechanism for oversight. As discussed in prior sections of this report, the NRO Acquisition Board advises the DNRO on whether to continue the acquisition of a satellite system at predetermined, key decision points. At each of these key decision

points, the NRO Acquisition Board evaluates a number of critical elements about the program, including status, requirements validation, cost drivers, acquisition strategy, and alternative approaches.

(~~FOUO~~) Each of the senior managers below the directorate level has procedures for conducting oversight of the systems development and acquisition processes within their areas of responsibility. Some common practices used by most of them include:

- Weekly meetings with division chiefs, contractors, and contracting officers to review program status, surface problems, and set priorities;
- Monthly one-on-one meetings between senior manager and division chief to have candid exchange on program issues and agree on courses of action;
- Monthly meetings with each division on program issues and status and surface new technologies;
- Meetings, every 4 to 6 weeks, at a contractor's facility to get a first hand account of program status, and evaluate contractor performance; and
- Ad hoc meetings with staff and other technical people to discuss alternative technical approaches and new technologies applicable for the program.

(U) All senior managers interviewed used these oversight activities and made them an integral part of their management plan. These management oversight activities have been created at the initiative of the individual manager and implementation reflects their management philosophy. Senior managers believe this level of oversight is essential to properly manage their development and acquisition programs, remain knowledgeable about the status of each, and be comfortable they have a first hand view of the contractors' progress. The inspection team concurs in this assessment. Much of the success the NRO achieved in building satellite systems can be attributed to this structured, management oversight process.

(U) OVERSIGHT OF ADMINISTRATIVE AND SUPPORT FUNCTIONS

(U) We examined the NRO's monitoring of administrative and support functions in detail in other sections of this report. In this section, we summarize our principal findings and report them in the larger context of senior management oversight of component monitoring efforts.

(~~FOUO~~) FINDING: The NRO does not have systematic oversight processes for their administrative and support functions.

(U) Information Resources Management

(~~FOUO~~) The Deputy DNRO exercises senior management oversight for the Communications Directorate review of all telecommunications circuits used by the NRO. The Communications Directorate recently conducted this review to determine if the circuits are active or redundant and which organization--NRO or some other--they principally serve. There are potentially large savings for the NRO if redundant circuits are closed and other agencies pay a portion of the costs for the joint circuits used. MOAs, signed by the Deputy DNRO, will be required between the NRO and each of the agencies involved to document the cost-sharing formula.

(U) Logistics and Supply Management

(~~FOUO~~) We found aspects of the NRO logistics and supply management processes to be inadequate, largely due to a lack of effective monitoring. There is no comprehensive property accountability system in place which would enable the NRO to accurately report to Congress on NRO-owned assets, and there is no process in place to assure that Government Furnished Equipment and Contractor Acquired Property are disposed of according to direction. The NRO needs to regularly conduct a complete inventory of all property in accordance with established government procedures and to reconcile the inventory with previous purchases. The process needs to be monitored and management oversight procedures instituted to assure compliance.

(U) Contract Management

(~~FOUO~~) We determined the NRO lacks consistent procedures for assuring interim monthly invoices for cost reimbursement contracts are certified for technical performance by the responsible COTR. Contracting officers often certify interim invoices for technical performance without requisite technical knowledge to determine if the contractor has performed adequately. The NRO needs to implement a monitoring mechanism to assure documented COTR review of all contractor invoices.

(U) Oversight of Customer Feedback

(~~FOUO~~) The NRO has a mixed record in managing customer and user feedback. Feedback management is not part of the NRO corporate culture. Where customer feedback is properly collected and used to improve customer service, it is more by the initiative of individuals or components than by the plan of management.

(~~FOUO~~) Customers in the Intelligence Community express satisfaction with the responsiveness of the NRO to ad hoc tasking of operational satellites. Oversight of the NRO's responsiveness to tasking of operational satellites resides with both the Intelligence Community and the NRO managers of the mission ground stations. There are formal, but not documented, processes in place for NRO to respond to such tasking. All members of the Intelligence Community participate in these processes.

(~~FOUO~~) Military users of the NRO products and services inform NRO components via message about quality, quantity, and timeliness of what is being provided along with comments and suggestions for improvements. The NRO has no processes in place to use this feedback systematically to improve service to the military users.

(~~FOUO~~) The NRO does not have processes to obtain feedback from parent organizations on the quality or responsiveness of the personnel management service those organizations provide to their employees within the NRO. This limits the oversight the HRMG has of the support provided and inhibits assessing when they should get involved to better support the employee.

(~~FOUO~~) There are no feedback mechanisms to senior NRO management for the tracking or evaluating of security incidents. The majority of NRO employees, including managers, did not know about the three levels of violations nor an NRO report form. We found no consistent process of reporting violations that would facilitate data gathering for management oversight or developing performance indicators.

(U) Oversight of Support Agreements

(~~FOUO~~) We found the NRO has no oversight process to assure MOU/MOAs with other agencies are current, complete, and serve the interests of all parties. We came upon cases, specifically in the areas of personnel support and security, where new MOU/MOAs need to be negotiated.

(~~FOUO~~) There are no MOU/MOAs between the NRO and the Navy, Army, or NSA which specify roles and responsibilities for those involved in providing or receiving personnel support. The 1978 MOA with the Army addresses support to officers; however, there are no provisions for support to the Army enlisted personnel now present in the NRO. The NRO depends on the Military Services to provide services regarding professional military education, specific service skill training, drug testing, ethics training, etc. Current MOU/MOAs do not address these functions; they should be clearly defined in new MOU/MOAs.

(~~FOUO~~) The NRO needs to develop and implement clear MOU/MOAs for security management at ground stations jointly operated with other agencies. We found problems at ground stations over facility access rights of non-NRO personnel and operational security differences regarding information and equipment access. MOU/MOAs must clearly define the policies and procedures, roles and responsibilities, and methods all involved organizations will use to ensure appropriate security.

(~~FOUO~~) RECOMMENDATION 38: The DNRO direct development and implementation of a plan for systematic oversight of administrative and support functions including performance measurements to meet the needs of an adequate Internal Management Control program and the GPRA. Actions to be completed by 1 February 1997.

(~~FOUO~~) DNRO COMMENTS:

(~~FOUO~~) Concur. The ADROM will develop a plan for systematic oversight to include definitions of roles and responsibilities; documentation of policies, procedures, and interagency agreements; and identification of relevant performance measures to determine system effectiveness. Target completion date is 31 October 1996.

(~~FOUO~~) Target completion date for the NRO's GPRA implementation plan is 31 October 1996. As referenced in the NRO response to Recommendation 40, the NRO's IMC program will be fully implemented by 31 October 1996. As implementation of the NRO's IMC program progresses, and the NRO's GPRA plan execution unfolds, additional NRO performance measures will be identified and documented. As mandated by the Government Performance and Results Act, full implementation of these oversight processes will be in effect by 30 September 1997 in order to support the January 1998 submission of the FY 1999 budget.

(~~FOUO~~) EVALUATION OF DNRO COMMENTS:

(~~FOUO~~) We consider the proposed actions by the DNRO to be responsive to the Recommendation.

(U) OVERSIGHT BY THE NRO INSPECTOR GENERAL

(U) Note: In November 1995, during the course of this inspection, the DNRO announced the NRO/IG decided to leave his position. In February, 1996, during the processing of this report, the NRO Director and Deputy Director were re-assigned.

(U) Effectiveness of the NRO/IG

(~~FOUO~~) Under the direction, authority, and control of the DNRO, the NRO/IG has broad responsibilities for assuring all activities are conducted in compliance with appropriate law, Executive Orders, Presidential Directives, and DNRO guidance and direction. The NRO/IG, who reports directly to the DNRO, is not a statutory inspector general. NRO Directive 90-1, dated 10 January 1990, describes the major functions of the NRO/IG, which includes investigation of allegations and reports of fraud, waste, and abuse, and conducting vigorous and independent inspections or audits of NRO components.

(~~FOUO~~) The NRO/IG consists of audit, inspection, and investigative staffs. The authorized staffing level is (b) which includes secretaries and other support personnel. There are currently on board (b) auditors, (b) inspectors, and (b) investigators. In addition, the IG staff is augmented by a few rotational personnel from CIA, Air Force, and Navy. Sixty-seven percent of the NRO/IG positions are filled at this time.

(~~FOUO~~) FINDING: NRO/IG management practices, as well as DNRO lack of support to the IG, resulted in ineffective oversight capability.

(~~FOUO~~) We concluded the former NRO/IG did not provide effective oversight of the organization. Interviews and survey data indicate inadequacies in the management practices of the NRO IG, and a lack of confidence by the former DNRO in the NRO IG which contributed to this state.

(~~FOUO~~) The inadequacies in the management practices of the NRO/IG were reported to the team by employees from several NRO components. These are summarized as follows:

- The time required to produce a report was excessive and reports were outdated when published. There are no detailed records kept within the NRO/IG which would enable us to identify the time frames for each step in the process; however, several knowledgeable people claimed that the internal IG editing process, including that by the director, took longer than necessary, usually 2 to 3 months. We found several recent reports which took 8 to 10 months from initiation to publishing. We judge this to be excessive given the limited scope of the reports and the small size of the components inspected.

- The entire inspection staff would be assigned by the Director, NRO/IG, to one inspection at a time and would not be disbanded until the report was (verbally) approved by DNRO. Because the draft report usually took several months to edit, the inspection staff would be underemployed for that time period.

- We found no current process to ensure components implement recommendations. This is in conflict with provisions of a DNRO letter to senior program directors and the NRO/IG, dated 22 November 1989, on procedures for NRO/IG follow-up and resolution. One of the provisions is: "The status of open findings shall be reported every 90 days starting with the date of the draft report." The IG has created a database of these findings or recommendations; however, the database has only been used sporadically to check on compliance.

(~~FOUO~~) We also found the DNRO had limited confidence in the NRO/IG to provide balance between oversight of the organization and the imposition of perceived additional burdensome procedures. The DNRO preferred to have all issues surfaced in an inspection or audit to be solved between the component affected and the NRO/IG before the substance of the report was presented to him. Some employees stated their belief the DNRO generally supported the manager of the inspected or audited component over the NRO/IG.

(~~FOUO~~) In addition, there were other indications of a lack of general support by the DNRO for the NRO/IG. The IG had not produced an annual plan describing inspections and audits to be performed since FY 94. Although the NRO/IG requested the DNRO and all senior NRO managers to provide topics for inspection or audit, none have been submitted. The NRO/IG has been unsuccessful in getting DNRO support to fill several vacant inspection staff positions by technically skilled employees on a 2-year assignment. Effective inspections of components engaged in high technology efforts depend upon having such skills in the IG. These positions have not been filled for about 3 years. These points suggest a lack of support by the DNRO in the activities of the NRO/IG.

(~~FOUO~~) The installation of a new DNRO and new NRO/IG provides an opportunity to revitalize the NRO IG as an effective and independent office. The DNRO and NRO/IG should explore appropriate mechanisms to accomplish this.

(~~FOUO~~) RECOMMENDATION 39: The DNRO direct and support development and implementation of an efficient IG project planning, monitoring, and follow-up system to improve oversight capability, effectively use the NRO/IG staff, and ensure component compliance with recommendations. Actions to be completed by 30 September 1996.

(~~FOUO~~) DNRO COMMENTS:

(~~FOUO~~) Concur. The NRO/IG now participates on the NRO Senior Staff and Management Committee; several special oversight tasks have been assigned to the NRO/IG; and clarification of the NRO/IG's reporting chain will be reflected in a revised NRO organization chart. Internally, the NRO/IG will develop and implement an oversight planning, monitoring, and follow-up system by 30 September 1996.

(~~FOUO~~) EVALUATION OF DNRO COMMENTS:

(~~FOUO~~) We consider the proposed actions by DNRO to be responsive to the Recommendation.

(U) INTERNAL MANAGEMENT CONTROL PROGRAM

(U) BACKGROUND

(U) The concept of internal controls encompasses organization plans and management methods and procedures to ensure resource use consistent with laws, regulations and policies. Internal controls are designed to safeguard resources against waste, loss, and misuse; and to obtain, maintain, and fairly disclose reliable data in reports.

(U) DoDD 5010.38, dated April 1987, establishes the Defense Department IMC program. It provides policy guidance, prescribes procedures, and assigns responsibilities for IMC program execution. There are fifteen specific IMC reporting categories contained in DoDD 5010.38 that Defense agencies must address.

(~~FOUO~~) The NRO Directive 13, dated 22 September 1994, documents NRO policy and assigns responsibility for implementation of internal management controls. It does not cite DoDD 5010.38 as a reference. However, previous DoD IG audits cite DoDD 5010.38 as a reference in findings related to deficiencies in NRO internal management controls. In one DoD IG Audit, Report No. 90-068, the DNRO concurred the NRO lacked "internal controls over advanced funding as a material internal control weakness in accordance with DoD Directive 5010.38."

(~~FOUO~~) The NRO Chief of Staff maintains overall responsibility for IMC Program implementation and the NRO Comptroller is the executor. The Comptroller developed the program, provided guidance to facilitate the assessable unit's implementation, monitored implementation of unit programs, reviewed unit vulnerability assessments and management control plans for compliance, and used assessable unit annual Statements of Compliance as the basis for developing the DNRO's Annual Statements of Compliance. The first DNRO statements were submitted to the SECDEF and the DCI on 29 December 1995.

(~~FOUO~~) The NRO's IMC Program is governed by the following documents:

- OMB Circular A-123, Management Accountability and Control, 21 June 1995;
- OMB Circular A-127, Financial Management Systems, 23 July 1993;
- OMB Circular A-130, Management of Federal Information Resources, 15 July 1994;
- DoD Directive 5010.38, Internal Management Control Program, 14 April 1987; and

- NRO Directive 13, Federal Managers Financial Integrity Act, 22 September 1994.

(~~FOUO~~) The DoD/IG conducted an audit of the NRO IMC program in 1994. The report stated the NRO did not have an adequately implemented IMC program. It further stated the NRO had not prepared and submitted annual statements of assurance to the SECDEF and DCI.

(~~FOUO~~) ISSUE: The NRO does not have an adequate IMC Program.

(U) IMPLEMENTATION OF THE IMC PROGRAM

(~~FOUO~~) The NRO IMC program consists of a series of self-evaluations whereby assessable units establish and monitor internal controls to provide reasonable assurance of compliance. Assessable units include all directorates, offices, and staff elements. The assessable unit manager: establishes a program of vulnerability assessments, audits, reviews, and corrective actions; performs a vulnerability assessment of each component in the unit; assigns a risk factor--high, medium, or low--to the unit as a whole and each component; develops the unit's management control plan; and submits a certification statement to the DNRO by 1 November every year.

(~~FOUO~~) FINDING: The NRO's IMC Program is not fully implemented.

(~~FOUO~~) The NRO began implementing an IMC program in FY 95. We found some components expended the resources and time to properly and completely implement provisions of NRO Directive 13 and others whose efforts were inadequate. The principal barriers to full implementation were:

- Lack of a strong commitment to a standardized internal management control program;
- Lack of completed IMC manager training;
- Lack of complete assessable unit management control plans; and
- Lack of standard vulnerability assessments.

(~~FOUO~~) RECOMMENDATION 40: The DNRO direct review and revision of the Internal Management Control Program Implementation Guide to ensure full compliance with NRO Directive 13. Actions to be completed by 31 October 1996.

(~~FOUO~~) DNRO COMMENTS:

(~~FOUO~~) Concur. NRO Directive 13 and the NRO IMC Program Implementation Guide are currently being revised. Directive 13 will incorporate greater standardization among common program elements while allowing appropriate flexibility for implementation; individual responsibilities for all NRO managers and staff; and specific items to be included in assessable unit management control plans. Corrective action completion date is 31 October 1996.

(~~FOUO~~) EVALUATION OF DNRO COMMENTS:

(~~FOUO~~) We consider the proposed actions by the DNRO to be responsive to the Recommendation.

(U) INADEQUATE DOCUMENTATION

(U) There are components within the NRO with adequate across-the-board documentation concerning specific IMC processes. We found the directorates have proper documentation on IMC processes related to the development and acquisition of satellite systems, including requirements definition documentation, configuration control board process documentation, and procurement process documentation. However, we did not find such adequate documentation for other processes.

(~~FOUO~~) FINDING: The NRO lacks adequate descriptive materials on policies, procedures, administrative practices, responsibilities, duties, and authorities.

(~~FOUO~~) IMC managers were not aware of the full range of descriptive documentation on operating procedures and administrative practices, and responsibilities and authorities for accomplishing programs and activities required for proper implementation of NRO Directive 13. In our judgment, inadequate documentation of this type weakens the NRO's IMC Program and results in internal management control failures. We found the NRO does not have adequate documentation for defining procedures for receipt and payment of cost-reimbursement contract invoices and does not have an adequate property accountability system due to the lack of a published property management procedure. These examples indicate basic failures in internal management control documentation, monitoring, review, and verification.

(~~FOUO~~) RECOMMENDATION 41: The DNRO direct additional training as required to ensure IMC managers understand the full range of IMCs required for a successful program, including documented specific policies, procedures, and administrative practices. Actions to be completed by 31 October 1996.

IMC PROGRAM

(~~FOUO~~) DNRO COMMENTS:

(~~FOUO~~) Concur. The NRO is implementing a training concept to supply the proper level of training to all managers and staff members. In addition, an ongoing program of visits with each assessable unit coordinator within the NRO addresses management control documentation requirements. Through these visits and training sessions it is envisioned that unit coordinators and managers will fully understand the range of management controls required for a successful program. In fact, various directorates and offices are already refining or creating policy, procedure and administrative practice manuals. We will continue to review all functional areas to determine where additional documentation is needed. Corrective action completion date is 31 October 1996.

(~~FOUO~~) EVALUATION OF DNRO COMMENTS:

(~~FOUO~~) We consider the proposed actions by the DNRO to be responsive to the Recommendation.

(~~FOUO~~) FINDING: The NRO's IMC Program is non-standard and not adequately monitored.

(U) A NON-STANDARD IMC PROGRAM

(~~FOUO~~) We judged the NRO Implementation Guide does not provide sufficient detail for IMC managers to develop a standardized, comprehensive program. Several senior NRO managers indicated difficulties in implementation because they had no standard model for their programs. The NRO's IMC Manager claimed the guide was not designed as a procedural standard, but allowed assessable unit managers to implement programs tailored to needs. Therefore, each assessable unit implemented quite different IMC Programs.

(~~FOUO~~) We found the following shortcomings:

- Risk assessments were not created correctly; assessable unit comparisons were not meaningful;
- Vulnerability assessments were created differently among assessable units;
- Control technique descriptions were dissimilar among the assessable units; and
- Review schedules were incomplete, and review checklists were not used.

(~~FOUO~~) We found inadequate monitoring of infrastructure support processes led to internal management control failures.

Previous sections of this report identified several such failures: lack of proper procedures to assure funds certification prior to processing contract actions; conflicting security guidance; and lack of a property accountability system. A fully developed and monitored IMC program would alert the NRO to these and similar problems.

(~~FOUO~~) RECOMMENDATION 42: The DNRO direct implementation of a standardized and comprehensive IMC program. Actions to be completed by 31 October 1996.

(~~FOUO~~) DNRO COMMENTS:

(~~FOUO~~) Concur. The modified NRO IMC Program will be based on: 1) OMB Circular No. A-123, Management Accountability and Control, dated 21 June 1995, and 2) DoDD 5010.38 which is currently being reissued to incorporate the more flexible 1995 OMB guidance. A revised NRO Directive 13 will provide a standard structure for a comprehensive management control program while allowing appropriate flexibility for implementation. Additionally, the NRO IMC Program Implementation Guide is being revised to include recommended standard tools, including a management control plan format and control review checklists. Program monitoring is enhanced by unit coordinator meetings held every 4-6 weeks to discuss program issues and happenings. These meetings are supplemented by visits with each assessable unit coordinator to address management control documentation requirements. Corrective action completion date is 31 October 1996.

(~~FOUO~~) EVALUATION OF DNRO COMMENTS:

(~~FOUO~~) We consider the proposed actions of the DNRO to be responsive to the Recommendation.

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APPENDIX A SUMMARY OF PRIOR COVERAGE (U)

(U) DEPARTMENT OF DEFENSE COVERAGE

(~~FOUO~~) Audit Report on the Implementation of the Internal Management Control Program at the National Reconnaissance Office, Report No. 95-137, February 28, 1995. The audit objective was to determine whether the NRO successfully implemented an Internal Management Control Program. The auditors found the NRO had not adequately implemented an Internal Management Control Program that fully complied with OMB Circular A-123. The NRO had established an Internal Management Control Program for its SIGINT Directorate but not for its IMINT Directorate and other NRO Offices. In addition, the NRO had not prepared and submitted annual statements of assurance to the SECDEF and the DCI on the status of its internal controls system. It noted the NRO issued guidance that adequately addressed the auditors concerns regarding the establishment and implementation of the Internal Management Control Program in each of its satellite systems and other offices. However, the auditors noted the guidance did not fully address concerns regarding annual statement of assurance.

(~~S/B~~) Audit Report on the (b)(1)(c) (b) Satellite System, Report No. 95-136, February 27, 1995. Evaluated the effectiveness of the acquisition management of the (b)(1)(c) (b) system. The audit showed the technical performance aspects of the (b)(1)(c) (b) system were outstanding and the (b)(1)(c) (b) Program Office aggressively addressed the technical issues that arose in the system. The (b)(1)(c) (b) Program Office adequately managed the system's contract procedures, mission effectiveness, product improvement, operation and maintenance budget spending trends, and cost estimating and analysis. However, the audit identified conditions requiring corrective actions: (b)(1)(c) (b)(3) 10 USC 424 .. the system contractor; and, the Basic Mission Guidance document was outdated and dates on daily tasking messages did not correspond to the time frames utilized by the mission planners.

(~~S/B~~) (b)(1)(c) (b)(3) 10 USC 424

(~~S/B~~) Audit Report on Air Force Specialized Incentive Contracts for National Reconnaissance Office, Report No. 94-096, May 13, 1994. The primary objective of the audit was to evaluate the overall approach, principal provisions and features, and rationale for specialized incentive procedures in contracts for NRO systems. The auditors found the Air Force incorporated incentive and award fee provisions into its specialized incentive contract in accordance with FAR, DFAR, and Air Force guidance. Evaluation criteria contained in the incentive and award plans allowed fee determining officials to equitably score each contractor's performance. Administration of specialized incentives was consistent with the terms of the contracts and with the criteria stated in the plans.

~~(S/B)~~ **Audit Report on the Acquisition of the (b)(1) Satellite System, Report No. 94-042, February 17, 1994.** The audit objective was to evaluate the effectiveness of the acquisition management of the (b)(1) satellite system. The auditors found that the (b)(1) Program Manager was taking sufficient management actions in the areas of correction of deficiencies found in prior reviews, audits, and tests; design maturity; program stability; test and evaluation; and mission need versus system requirements. However, the (b)(1) satellite system lacked historical and contractual documentation and did not have written acquisition plans. Program decisions could not be analyzed, system evolution was difficult to trace, acquisition planning could not be reviewed and evaluated, and internal controls were weakened. There was insufficient assurance that (b)(1) satellites were being cost-effectively procured. The structure and content of portions of the current contract for production of (b)(1)(c) are not in the best interest of the Government.

~~(S/B)~~ (b)(1)(c) (b)(3) 10 USC 424 [redacted]

conferees.

(U) Audit Report on Internal Controls at the National Reconnaissance Office, Report No. 90-068, May 18, 1990.
The objective of the audit was to determine whether the NRO had adequate controls over funding and contracting and had implemented the Federal Managers Financial Integrity Act of 1982 (FMFIA). The audit showed the internal control environment at the NRO was positive; moreover, the NRO had extremely competent personnel who were instrumental in the successful development and deployment of reconnaissance satellite systems. The NRO's organizational structure and management philosophy, however, impeded the ability of the Director, NRO to exercise management oversight at the three components. The NRO staff was reluctant to exercise oversight of three components. The audit noted the following deficiencies: DoD incremental funding policies were not adhered to by NRO components; and, a substantial number of modifications to contracts in the audit sample were not executed in accordance with Federal Acquisition Regulation guidelines; the NRO did not formally implement the FMFIA. The auditors found, the NRO did not fully implement the FMFIA; did not have a formal audit or inspection follow-up and resolution procedures in place; did not document most controls; and did not expand the NRO secure hotline to contractor personnel. The auditors recommended that the NRO implement the FMFIA, the NRO Inspector General review internal control procedures, the NRO establish a formal follow-up and resolution procedures, and the NRO establish a secure IG Hot Line for their personnel.

(U) CIA COVERAGE

~~(S)~~ (b)(1) 1.4(c) (b)(3) 10 USC 424 [redacted]

(b)(1) 1.4(c), (b)(3) 10 USC 424

~~(S/B)~~ (b)(1) 1.4(c), (b)(3) 10 USC 424

(b)(1) 1.4(c), (b)(3) 10 USC 424

(b)(1) 1.4(c), (b)(3) 10 USC 424

(U) (b)(3) 10 USC 424, (b)(5)

~~(S/B)~~ (b)(1) 1.4(c), (b)(3) 10 USC 424

~~(S/B)~~ (b)(1) 1.4(c), (b)(3) 10 USC 424

(U) NRO COVERAGE

~~(S/B)~~ Audit of (b)(1)(c) (b)(3) 10 USC 424 for the National Reconnaissance Office, NRO IG Project No. 95-05, August 30, 1995. The objective of the audit was to determine the effectiveness and efficiency of (b) support to program operations. The auditors found: a

formal agreement between the NRO and the (b) which defines (b)(1) organizational, operational, and managerial accountability and responsibility has not been implemented; (b) procured supplies and materials are not transported to NRO customers in the most cost effective manner; excess material accumulated without an effective disposal process; the (b)(1)(c) (b)(3) 10 USC 424 [redacted]

~~(S/B)~~ **Inspection of the Human Resources Management Group, NRO IG Project 95-01, June 9, 1995**. The inspectors identified the following findings: Lack of communication between NRO senior management and HRMG in some personnel and staffing decisions created important voids in a critical partnership; the HRMG Westfields plan benefits the group with internal focus for collocation and consolidation and doesn't address the potential impact centralized collocation might have on customer support in the directorates; employees are frustrated at a lack of action and need reassurance from senior management of equitable treatment, whether Air Force, Navy or CIA; Navy personnel support remains isolated, narrowly focused through SPAWAR and prohibits an effective and efficient NRO-Navy working relationship; the Training and Development Division (T&DD) lacks the management support, resources, fiscal, or program authority to implement an adequate training and career development service. Inspectors noted a probable duplication of efforts, lack of needs analysis, a possible waste of dollars; and, lack of a corporate training priority. Inspectors review of the Civilian Intelligence Personnel Management System (CIPMS) suggests it may allow for greater flexibility in Air Force civilian personnel management and has been in review by HRMG for some time.

~~(S/B)~~ **Inspection of the (b)(1)(c) (b) Program Office, NRO IG Project No. 94-40, March 28, 1995**. The inspector's assessed how (b)(1)(c) meets: demands for satisfying customers, managing human and financial resources, and maintaining some measure of standardization, stability, and control. The inspectors noted three significant findings and made several key suggestions: (b)(1)(c) (b) expanding mission and lack of Government personnel resources resulted in hiring non-Government personnel to accomplish the mission; the current joint Configuration Control Board (CCB) actions with (b)(1)(c) (b) take an extraordinary amount of time with risk to the Government. Suggestions included: the Chiefs of Contracts and Project Engineering Staff implement a year end spending plan; the (b)(1)(c) reevaluate what should be done with his resources to ensure current roles and missions are not affected; increased emphasis be placed on (b)(1) roles within (b)(1)(c) and the NRO and efforts be made to keep employees advised of (b)(1)(c) activities; (b)(1)(c) (b)(3) 10 USC 424 find a better way to ensure all affected parties get appropriate early communications during the Request for Change (RFC) process.

~~(S/B)~~ **Audit of Funds Transferred To and Received From Other Government Agencies for the National Reconnaissance Office, NRO IG Project No. 94-34, February 28, 1995**. The auditors reviewed the NRO's procedures and internal controls governing funds transferred to and received from other government agencies. The auditors found the Comptroller and NRO finance officials have instituted effective procedures governing funding transfers. The auditors also found in almost all cases that program officials tasked to monitor implementation of transferred funds provided the necessary oversight to assure the required goods or services were received or delivered satisfactorily. Further, the auditors determined that the NRO Directorates have implemented a variety of procedures governing funding transfers that may or may not include the approval of transfers by NRO management officials. (b)(1) 1.4(c), (b)(3) 10 USC 424 [redacted]

~~(FOUO)~~ **Audit of Conference Registration Fees for the National Reconnaissance Office, NRO IG Project No. 94-25, October 21, 1994**. The auditors reviewed the policies, processes and procedures for the collection and use of conference registration fees within the NRO. The auditors determined the financial administration of conference fees and any outstanding surpluses were accomplished through informal record keeping, outside official government accounting systems, and was not subject to normal management policy and oversight controls. The auditors also identified differences in administrative procedures governing the assessment of conference fees and confusion regarding the appropriateness of providing refreshments to government employees attending NRO-sponsored conferences. Finally, although the auditors identified five isolated instances where NRO employees were mistakenly reimbursed for conference fees which paid only for refreshments, the auditors found no indication of intent to defraud the government.

~~(S/B)~~ **Management Review of Detachment 4, (b)(1)(c) (b)(3) 10 USC 424 NRO IG Project 94-36, July 25, 1994**. Detachment 4, Joint (b)(1)(c) (b)(3) 10 USC 424, was established in 1984 as an element of the NRO Communications Office, with the primary mission to provide communications support to the (b)(1)(c) (b)(3) 10 USC 424. The goal of the review was to provide the Director, Information Technology Group (ITG), with a useful management tool to assist in measuring the success and effectiveness of Det 4 and to identify areas where new initiatives or corrective actions might be needed. The principal areas of review were management effectiveness, use of resources, and relationships established and maintained by the Detachment. The review resulted in no significant findings.

~~(S/B)~~ **Inspection of Counterintelligence Staff, NRO IG Project 93-32, June 13, 1994.** The inspectors found the NRO CI Staff to be a small, dedicated, motivated, experienced, highly specialized cadre of professionals with varying backgrounds. The inspectors, however, noted the following findings: There is no officially documented agreement between the NRO and (b)(1) regarding the (b)(1)(c) positions on the CI Staff; the CI Staff has inadequate resources to effectively accomplish its growing operational and analytical requirements; the protection of the affiliation between the CI Staff and the NRO at the BYEMAN level inhibits productive, efficient, effective working relationships.

~~(S)~~ **Review of NeXT Workstation Acquisition for the NRO Headquarters, Case 92-9, September 30, 1993**. The review was initiated as a result of allegations that the acquisition of NeXT workstations was unnecessary and a waste of NRO funds. The reviewers found the allegations to be in error and not substantiated in fact. The reviewers noted however that the impact on users caused by the transition to NeXT workstations could have been reduced if the decision process more fully documented, coordinated, and communicated development and acquisition information with the participating offices. The reviewers findings were: the decision making and review process used for the acquisition of the NeXT workstations did not adequately document, coordinate, and communicate information with the affected NRO headquarters offices; and O&M data was available which was not exploited or analyzed to contribute to improving the current and future NRO AIS.

~~(S/B)~~ **Audit of the (b)(1)(c) (b)(3) 10 USC 424 (b)(1)(c) (b)(3) 10 USC , July 30, 1993**. The NRO established the (b)(1)(c) (b)(3) 10 USC 424 in 1987 to protect the identity of contractor and government personnel on temporary duty at the (b)(1)(c) (b)(3) 10 USC 424. The audit evaluated the economy and efficiency of (b)(1) support and the effectiveness of internal controls over various aspects of the program. Overall, the auditors found the underlying premises and operational requirements necessitating (b)(1) need reappraising and re-validating due to the changing security environment, Congressionally-directed budget and cost reductions, and the lack of current validated security requirements and cost benefit evaluations. The auditors further noted

management oversight of (b)(1) operations needs strengthening to enhance the internal controls, security requirements and cost benefits. The auditors also found the NRO needed to monitor the travel of non-mission-essential personnel to (b)(1)(c) sites and develop a policy and procedures to ensure the program was not used inappropriately for unnecessary travel.

(S/B) **Review of Economy Act Transfers in the Intelligence Community to Non-Defense Activities, March 29, 1993**. Pursuant to direction in the Classified Annex to the House Appropriation Committee Report accompanying the Fiscal Year 1993 Defense Appropriation Bill, the NRO IG conducted a review of funds transferred from the National Reconnaissance Program (NRP) to any activity not funded by the Defense Appropriation Act. The NRO IG determine all transfers to non-defense appropriated activities were within the terms of the Economy Act of 1932, as amended. All of the funds transferred reimbursed other activities for goods and services directly benefiting and supporting authorized NRO requirements, missions or functions.

(~~FOUO~~) **Review of Fine Arts Acquisition for the NRO Headquarters, Case 93-3, February 22, 1993**. A complaint from an NRO employee resulted in the NRO IG review of circumstances surrounding the procedures and processes used by Management Services and Operations (MS&O) to acquire art works. The NRO determined the general processes and procedures used by MS&O for the acquisition were proper and reasonable. However, the review identified procedures and controls needing improvement: the NRO does not have an approved written policy or procedures endorsing and governing the acquisition of non-essential public and office area enhancements such as art: the responsible officials who sign such requisitions had not been formally delegated such authority by the contracting officer; the NRO had not developed and implemented a unified control system for accountable property in the NRO headquarters area.

(S/B) **Audit of Airlift Support to the National Reconnaissance Office, November 20, 1992**. For Fiscal Year 1992, the NRO budgeted about (b)(1)(c) (b) for airlift support to Programs A, B, and C. The audit evaluated the economy and efficiency of airlift practices and internal controls exercised over the budgeting and billing process. The findings are as follows: the NRO could achieve significant savings by consolidating flights to better use cargo space and by taking advantage of discounts offered; the NRO needed to assess the practice of routinely billeting (b)(1)(c) (b)(3) 10 aircrews in more costly off-base commercial quarters instead of using available government quarters; problems existed with (b)(1)(c) (b)(3) 10 USC 424 billing verification.

APPENDIX B EVOLUTION OF AUTHORITIES (U)

(U) A 1958 National Security Council (NSC) memorandum directing the DoD to give priority to the development of an operational reconnaissance satellite and the creation of the Reconnaissance Satellite Program in 1960 laid the foundation for the NRP and the NRO. Since their inception in 1961, authorities and oversight for the NRP and NRO have followed different evolutionary paths. Although there was a rapid evolution of management authority in the early 1960s, there has been little change since 1965. By contrast, the oversight structure and mechanisms evolved slowly at first, progressed markedly in the 1970s, and changed significantly in the 1990s. In fact, evolution of the oversight structure has continued to the point that there is now little relationship between the authorities for the NRP and NRO activities outlined in the charter documents and the oversight of that program and organization.

(U) The 1960s

(U) The NRO charter consists of a pair of separately derived documents: a 1964 DoD Directive and a 1965 Agreement between the SECDEF and the DCI.

(U) The 1965 Agreement is the last of a series of four agreements signed between 1961 and 1965. During this period, officials struggled to balance DoD and CIA equities in managing a national program through a covert, joint agency. The first Agreement, Management of the National Reconnaissance Program, was signed by the Acting Director, CIA and the DEPSECDEF on 6 September 1961. This Agreement provided for a program conducted "through [the] use of streamlined special management procedures" and jointly managed by co-equal DoD and CIA officials, placing it under the direction of the Under Secretary of the Air Force and the Deputy Director (Plans)/CIA, acting jointly. A NSC committee rejected, almost immediately, the co-director provisions, regarding divided management inappropriate for such an important program. The first Agreement also included joint (DoD/CIA) staffing language and a definition of the NRP; gave the NSC a review role; and directed the establishment of a uniform security control system.

(U) The second Agreement, Responsibilities of the National Reconnaissance Office, was signed by the DCI and DEPSECDEF on 2 May 1962. Based on the NSC recommendation, this document specified a single director, designated by the SECDEF and the DCI, responsible directly to them for the management and conduct of the NRP; it also gave responsibility for NRP security policy to the CIA. Like the first Agreement, the 1962 Agreement came under quick scrutiny, this time by the President's Foreign Intelligence Advisory Board (PFIAB). Based on a PFIAB recommendation to "study a more satisfactory documentary basis for the NRO," a third agreement was drafted.

(U) The third Agreement, Management of the National Reconnaissance Program, was signed by the DCI and DEPSECDEF on 13 March 1963. This Agreement established the SECDEF as the Executive Agent for the NRP, although policies and guidance to develop, manage, and conduct the NRP were to be "jointly agreed to by the SECDEF and the DCI." This was the first agreement to establish the NRO as a separate operating agency of the DoD, under the direction, authority, and control of the SECDEF and to exempt the DNRO from unsolicited outside assistance. Returning to a provision in the 1961 Agreement but absent from the 1962 Agreement, this version also exempted NRP projects from normal DoD or CIA staff review.

APPENDIX B
EVOLUTION OF AUTHORITIES

(U) As a result of criticisms noted in a May 1964 PFIAB memorandum,[1] a fourth agreement was crafted. The PFIAB recommended strengthening the role of the SECDEF as Executive Agent for the NRP; strengthening the role of the DNRO; and establishing a coordinated, comprehensive budget for all elements of the Program. The PFIAB also recommended the Executive Agent report periodically to the President's Special Assistant for National Security Affairs and the PFIAB concerning all aspects of the Program. The DEPSECDEF and DCI signed this fourth and current Agreement for Reorganization of the National Reconnaissance Program on 11 August 1965. While this Agreement did strengthen the role of the SECDEF, giving him review and final approval power over the NRP budget, these responsibilities were later transferred to the DCI.[2] The 1965 Agreement also established the NRP Executive Committee (EXCOM) "to guide and participate in the formulation of the NRP," but this committee was abolished by EO 11905 in 1976. Finally, this agreement included joint staffing language missing from the 1963 Agreement, but it did not include the previous version's wording concerning exemptions from normal DoD or CIA staff review and unsolicited outside assistance.

~~(S)~~ The DNRO at the time expressed his concerns about the 1965 Agreement to the SECDEF. In a letter he wrote in late September 1965, just prior to his departure, the DNRO asserted that the 1965 Agreement went to less extent in defining the structure of the NRO than the 1963 Agreement. He said the 1965 Agreement was less explicit in stating the authorities of the DNRO and too circumscribed in those it did define, and he believed it both weakened the NRO and introduced sources of additional friction. The three specific weaknesses he noted were:

- The Agreement was ambiguous in defining the authority of the EXCOM;
- It almost completely omitted reference to responsibilities of the DNRO in connection with reconnaissance operations; and
- It imposed no obligation upon the CIA, or anyone other than the SECDEF, to provide a focus of responsibility for action undertaken in the NRP.

(U) Largely independent of the agreement process, the DoD Directive that established the NRO as an operating agency of the DoD was issued early in the evolution of the SECDEF/DCI agreement. On June 14 1962, the DoD issued DoDD TS-5105.23, Subject: National Reconnaissance Office, which

- established a covert National Reconnaissance Office within the DoD under a DNRO, appointed by the SECDEF;
- defined the NRP;
- mandated the conduct of the NRP through the use of "streamlined management procedures;"
- exempted NRP projects from normal DoD staff review;

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1 The memorandum observed that the NRP had not reached its full potential because "of inadequacies in the organizational structure and support of the national reconnaissance effort . . . complicated by the absence of clear, authoritative delineation and understanding of pertinent roles and missions of the DoD, CIA, and DCI . . ."

2 Presidential Directive/NSC 17, August 1977 and EO 12036, 24 January 1978, assigned program and budget authority for the NRP to the DCI.

- exempted the DNRO from unsolicited outside staff assistance;

- granted the DNRO authority to "organize, staff, and supervise the (S) NRO"; "establish, manage, and conduct the (TS) NRP"; and review all DoD budget requests . . . within the NRP.

(~~FOUO~~) The Directive did not, however, address all the concepts included during the various iterations of Agreement development, such as the NRO falling under the direction of the Under Secretary of the Air Force and the Deputy Director (Plans) of the CIA acting jointly, the joint staffing language, or the CIA responsibility for NRP security policy. A revision was issued on 27 Mar 1964, which gave cognizance of special security control systems for NRP communications to DIA and addressed other security arrangements. In addition, the Directive was amended via memo in 1979 to include the Defense Space Operations Committee and establish its role as "the principal advisory body to the SECDEF for the (S) National Reconnaissance Program."[3] In September 1980 the SECDEF requested the DNRO "update and revise" the Directive to incorporate changes resulting from the establishment of a Defense Reconnaissance Support Program, but the 1964 Directive was not revised and remains the extant Directive for the NRO.

(U) The net result of the chartering process was that the NRO was established as a Defense agency, which it remains to this day. The NRO consisted of a small headquarters staff that provided direction for the line functions of the three component programs. The first director of the NRO established by memorandum the basic structure of the organization as three primary programs each supported by a non-NRO parent--the Air Force (Program A), the CIA (Program B), and the Navy (Program C).

(U) The SECDEF was given "ultimate responsibility for the management and operation of the NRO and the NRP" and had the authority to choose the Director, NRO, with the concurrence of the DCI, and to "review and have the final power to approve the NRP budget." The Directive authorized "streamlined management procedures", and exempted NRP projects from "normal DoD staff review" and unsolicited assistance. As the operating arm of the NRP, however, it also had national tasks with attendant responsibilities to the DCI as well as the SECDEF. The DCI had authority to establish the collection priorities and requirements, provide security policy guidance, and review and approve the NRP budget.

(U) Although authority to "organize, staff, and supervise" the NRO and "establish, manage and conduct" the NRP was set by 1965, neither the Directive nor the 1965 Agreement addressed oversight of the organization and program. The NRP EXCOM, consisting of the SECDEF, DCI, and the Special Assistant to the President for Science and Technology, provided some budget and programming oversight, but it really served as a joint steering committee for the SECDEF and the DCI. No OSD staff element was identified to assist the SECDEF in executing his responsibilities until 1969, when the SECDEF established a Special Assistant for Intelligence, whose responsibilities included the NRP.

(U) The 1970s

(U) The designation of an OSD official in 1969 to monitor the NRP initiated a practice that was inconsistent with the streamlined management language in the 1960 NSC memorandum that called for the development of a reconnaissance satellite program, as well as the Directive, which specifically exempted NRP projects from normal staff review. The 1972 establishment of

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3 DoDD 3500.1, 29 December 1988, canceled the memorandum and established the Defense Space Council; the DoDD was not revised to reflect this 1988 change.

an ASD for Intelligence and the emergence in 1977 of the ASD(C3I) further established a level of review that, to the NRO, exceeded the bounds of its charter. The 1977 Directive on the ASD(C3I) notes that the ASD(C3I) is the principal staff assistant for "reconnaissance activities" with responsibility for "satellite activities"; that language was further refined in the revised charter issued in 1985 which stated that the ASD(C3I) is the "Principal Staff Assistant . . . for reconnaissance activities and including those National Programs for which the [SECDEF] has execution authority." The 1985 Directive goes on to say that the ASD(C3I) will exercise "direction, authority and control" over the NRO's Defense Support Program Office and "staff supervision over Air Force and Navy Special Intelligence Programs," an unclassified reference to the DoD components of the NRP.

(U) A number of changes within the Intelligence Community that occurred shortly after the establishment of an OSD oversight official also impacted NRP authorities set in the previous decade. Unhappy with the Intelligence Community as a whole, President Nixon sought improvements in the very functioning of the Community, its end product, and its resource management. In 1971 he directed the DCI "to assume leadership of the Intelligence Community in planning, reviewing, coordinating, and evaluating all intelligence programs and activities, and in the production of national intelligence," and to prepare a consolidated intelligence program budget. The consolidated budget later became the National Foreign Intelligence Program (NFIP) and included the NRP as its largest component. Once the NRP became part of the NFIP, it lost its "unique" character, and became just one of several intelligence programs.

(U) Throughout the 1970s the President directed the DCI to exercise more and more control over the NFIP; as a result, DCI authority over the NRP expanded from the collection priorities and requirements authority of the 1965 Agreement to the program and budget authority assigned in Presidential Directive/NSC 17, August 1977 and Executive Order 12036, January 24, 1978. This was a significant change in DCI/SECDEF responsibilities compared to those stated in the 1965 Agreement. Also during this time frame, Executive Order 11905 (1976) abolished the NRP EXCOM, which had provided NRP guidance and budget approval, and established the Committee on Foreign Intelligence (CFI). Whereas the NRP EXCOM had been responsible for the NRP alone and had given the SECDEF final authority over NRP matters, the CFI, chaired by the DCI, was responsible for all national foreign intelligence programs.

(U) Joint oversight responsibilities exercised by the SECDEF and the DCI through steering groups such as the NRP EXCOM also changed in nature. The Intelligence Resources Advisory Committee (1971), the CFI (1976), and the National Foreign Intelligence Board (1977) moved the focus away from the NRP/NRO itself and towards the Intelligence Community and intelligence matters in general. As the DCI/SECDEF joint oversight broadened to include participants whose interests covered a range of intelligence initiatives, the NRO began to move to a closer involvement with the larger Intelligence Community.

(U) Congressional oversight of intelligence programs was also formalized during the 1970s. By 1976 permanent committees were formed in both Houses of Congress to oversee the Intelligence Community, including the NRP. Moreover, Presidential direction for greater DCI control over the NFIP meant that the DCI, as NFIP spokesman to Congress, had to balance NRP needs against the needs of the rest of the NFIP. Again, the emphasis was on the NRP as part of an integrated whole, not as a separate stand-alone program.

(U) The establishment of lower levels of review within DoD, the move from a "unique" single program to being part of an integrated intelligence program, changes in the budget authorities, the creation of advisory boards, and the formation of permanent Congressional intelligence oversight committees illustrate how the authorities and responsibilities evolved while the charter documents themselves remained static. However, the changes wrought by the

1970s were mostly external to the NRO and NRP; the 1980s would bring changes of a different nature.

(U) The 1980s

(U) The early part of the decade was marked primarily by a Presidentially-directed (August 1983) PFIAB review of the NRO. Asked to thoroughly examine the responsibilities and organization of the NRO, the PFIAB sent two separate memoranda to the President (December 1983 and July 1984) with similar findings. Concerned in particular with the NRO's loss of flexibility due to increased oversight, the PFIAB wrote that "the unique management structure that minimized external program oversight and review . . . has been eroded in the last decade by the Office of Management and Budget and the Congress," and the "SECDEF and DCI agree to seek specific measures to increase the program and budget flexibility of the DNRO." The PFIAB observed that "more detailed oversight is beginning to handicap the NRO," and that the "SECDEF and DCI [must] ensure that the conduct of the NRP permits continued streamlined management and avoids unnecessary oversight and program review."

(U) The PFIAB's worries about increased oversight and a potential loss of streamlined management authority had no impact on the charter documents in effect at the time, as the President did not request any revisions or development of a new document at the national level. Instead, they merely resulted in a February 1985 nonspecific Presidential request that the SECDEF, DCI and Assistant to the President for National Security Affairs "periodically review the program, priorities and resources of the NRO, as recommended [by the PFIAB]."

(U) From 1986 to 1988 the DNRO initiated several studies to look at the structure and management authority of the NRO. These studies highlighted problems associated with the three separate program (A, B, and C) structure of the NRO and the lack of DNRO line management authority. Before retiring in 1988, the DNRO passed his recommendations for restructuring the NRO to the DCI. The Acting DNRO and the NRO Program Directors initiated another study in 1989 to reexamine, in detail, the organizational problems identified in earlier studies with a view to ensure the NRO could respond to "future intelligence challenges" and maintain the strengths of the NRO: streamlined management, cradle-to-grave responsibility, and Service/Agency composition. This 1989 effort, formally titled the NRO Restructure Study but known as the Geiger-Kelly study, included participants from the NRO, the DoD, and other Intelligence Community agencies.

(U) The Geiger-Kelly study concluded that the NRO charter and mission were still valid, although eventual declassification of the "fact of" appeared likely. A key recommendation supported maintenance of the separate program identities, but the report also recommended initiation of a process to collocate the NRO. To begin this process, the study group recommended collocation of staff support and the standardization of those support functions after collocation. Other key recommendations later implemented included:

- creation of a new Deputy Director for Military Support;
- establishment of an Office of Plans and Analysis;
- realignment of management responsibilities for the CIA element of the NRO;
- creation of a Board to advise the SECDEF, DCI, and DNRO (National Reconnaissance Review Board); and

- reduction of the DNRO's position from Air Force Secretary/Under Secretary to Assistant Secretary of the Air Force (Space) to allow the DNRO to be more of a full-time manager.

(U) Despite the earlier oversight concerns of the PFIAB, the Geiger-Kelly report noted that "the basic authorities of the NRO have remained intact." In fact, the Geiger-Kelly study included a Memorandum of Agreement as an appendix . . . "to reaffirm the charter and mission to the NRO and the SECDEF and DCI support for the management authority of the DNRO." although this Memorandum was never signed. The study group wrote that specific issues raised relating to the charter were "due to implementation problems caused by a lack of specific NRO policy or strategies" rather than to problems with the charter. Although they acknowledged that charter changes could be made, they argued that the "charter of the NRO, as written, permits and supports the objectives of the NRO with respect to its future. . . . unless a substantial gain can be realized from updating or changing the charter, the risks entailed and time consumed by opening up the issue argue against making any changes."

(U) In sum, although the 1980s brought increasing external oversight, in particular by Congress and OMB, the internal changes effected by the NRO's restructuring efforts were even more significant. Nonetheless, the Geiger-Kelly study declared the NRO charter viable. This assessment has not gone unchallenged, however, as discussion about the NRO's authorities and oversight continued in the 1990s.

(U) The 1990s

(U) The current decade has produced significant change in the organization of the NRO and its oversight structure. The NRO is now a line and staff organization and its program--the NRP--is now subject to the same joint review as other elements of the NFIP. One prominent oversight change is the creation of a new OSD office with responsibility for space.

(U) In 1992 the DCI commissioned a task force to assess the NRO's organizational structure, management methodology, and ability to respond to Intelligence Community needs. The Task Force issued a report (known as the Fuhrman Report) in April 1992 recommending the consolidation of Programs A, B, and C into IMINT and SIGINT Directorates and full collocation to achieve an integrated functionally aligned organization. These recommendations were implemented, thereby moving the NRO away from the structure the original charter was designed to support through the use of authorities, policies, and procedures of parent organizations. The new functionally aligned organization has fundamentally changed the way the NRO operates internally. With the role of the parent organizations changed, key staff elements are uncertain of how to proceed, and managers cannot turn to the chartering documents for guidance.

(U) In addition, the NRO's oversight structure has expanded in the last two years. The DCI and DEPSECDEF formed an Intelligence Program Review Group in 1995 to prioritize Defense intelligence issues among the three intelligence programs--NFIP, Joint Military Intelligence Program, and Tactical Intelligence and Related Activities. The NRP is subject to oversight from this group as well. Furthermore, the Defense Resources Board process has, for the intelligence function, been expanded to provide rigorous review of the NRP budget process.

(U) The SECDEF and DCI also chartered the Joint Space Management Board in December 1995 as a board of directors for defense and intelligence space programs, of which the NRP is a part. The Joint Space Management Board provides overall policy and program guidance for defense and intelligence space programs to include review and approval of trade-offs among requirements, programs, and resources. The Joint Space Management Board Executive Committee includes the Under Secretary of Defense for Acquisition & Technology

and Deputy Director of Central Intelligence, co-chairs; the Vice-Chairman of the Joint Chiefs of Staff; and the Executive Director, Intelligence Community Affairs.

(U) Earlier, in December 1994, the DEPSECDEF established a DUSD(Space) to provide the SECDEF a single point of contact for space matters. Responsible for oversight of all DoD space acquisition and technology programs, the DUSD(Space) has all DoD [space] acquisition funds under his control; a recent Program Budget Directive[4] also put NRO funding, which is in the NFIP, under his review. The establishment of this position brings to three the number of OSD elements available to the SECDEF to provide oversight of the NRO: DUSD(Space), USD(Comptroller), and ASD(C3I). The USD (Comptroller) took an active role in the 1995 review of the FY 97 NRP budget submission, and the ASD(C3I) continues to exercise its charter responsibility for national reconnaissance programs, including the NRO.

(U) The establishment of various boards and oversight offices is difficult to reconcile with the charter documents, which included expressions like "streamlined management procedures," and "not subject to normal staff review." In the 1990s, then, the NRO finds itself the subject of oversight from three different OSD offices, one CIA office, one DCI staff office, and three different management boards, in addition to the SECDEF and DCI.

(U) Finally, one additional event occurred in the 1990's that impacted the original charter documents. The NRO was chartered covertly to protect both its operations and the "fact of" its existence. In September 1992, however, the DEPSECDEF issued a press release acknowledging the existence of the NRO, and the Intelligence Reorganization Act of 1992 recognized in law for the first time the "National Reconnaissance Office (NRO) of the Department of Defense," parallel to the NSA, DIA, and CIO.

(U) Attempts to Change the Charter

(U) Over the past 30 years a number of efforts have been undertaken to revise, strengthen, solidify, or otherwise modify the NRO charter documents to reduce NRO vulnerability to change. Periodic findings of charter sufficiency, such as those by the 1989 Geiger-Kelly Study, have not diminished attempts to change the NRO charter. The NRO has been a partner to these efforts primarily to ensure retention of its unique status.

(U) The first attempt to modify the charter occurred in 1971. Continuing for a period of several years, efforts were undertaken to provide a non-DoD chartering instrument, an NSC Intelligence Directive. That initiative was prompted by President Nixon's 1971 memo directing reorganization of the Intelligence Community to include rewriting all the NSC Intelligence Directives. The draft NSC Intelligence Directives for the NRP/NRO contained the essential provisions of the 1965 Agreement. Although the NRP/NRO had no chartering document on the DCI NSC side, the NRO kept open for several years the effort to promulgate, if not a DCID, an NSC Intelligence Directive for the NRP. While an impasse was reached in 1973 due to wording that relegated the DCI to a role of coordination, additional attempts to update the NRO charter continued in both 1974 and 1976 outside the NSC Intelligence Directive framework.

(U) Both the 1974 and 1976 efforts were fairly short-lived, although the 1976 effort received backing from the CFI. Written by NRO staff to incorporate organizational changes resulting from Executive Order 11905 and to strengthen the DNRO's control over the NRP, the 1976 revised NRP charter apparently gained SECDEF approval before being forwarded to the CFI. A CFI task group was formed to prepare a CFI Directive for the NRP, but this initiative, like others before it, stalled when agreement could not be reached.

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4 Program Budget Directive 701, Identification of Space Programs, 7 November 1995.

(~~FOUO~~) In 1987, the NRO staff again started work on redrafting the NRO charter. This time, however, they investigated the desirability of seeking legislation to establish a formal charter for the NRO. Legal consensus determined that the NRO was better off operating "status-quo", as there were too many vested interests that would cause further erosion on the management side, and resulting legislation would be very restrictive.

(~~S//B~~) Other attempts to update the charter include a draft memorandum of agreement between the SECDEF and the DCI contained in the 1989 Geiger-Kelly study, and a 14 September 1992 working paper draft DoD Directive. The Geiger-Kelly draft was basically a reaffirmation of the basic charter of the NRO and the dual responsibilities of the DNRO to the SECDEF and the DCI, and would not have replaced the 1965 agreement. The 1992 draft DoD Directive, classified Secret/BYEMAN but with a note "For Publication as UNCLASSIFIED After Approval", was apparently prepared in anticipation of the 18 September 1992 DoD press release acknowledging the existence of the NRO. The DoD Directive was dated 1 October 1992 and would have cancelled the 1964 Directive, but it was never issued.

(U) Despite the oft-repeated assertion that the NRO charter has withstood the test of time, the past 30 years have nonetheless seen significant changes in the environment, structure, and oversight of the NRO. It is no longer a covert organization, but has been publicly recognized in law as a Defense agency. There is increasing interest in its operation and oversight, especially within DoD and the Congress. As a result, public requests for copies of the NRO charter are increasing, and it is even the subject of an extensive Federation of American Scientists file on the Internet. As public scrutiny of the organization and its operations expands, the impacts of these changes become more readily apparent.

APPENDIX C HISTORICAL DOCUMENT BIBLIOGRAPHY (U)

(U) The inspection team gathered the below listed documents to research the authorities issue of the NRO inspection. The team provided the documents in a series of binders to the NRO Inspector General's office for future use in research, inspections, evaluations, and audits.

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DoD OIG: (b)(6), Executive Director, Intelligence Community Affairs, December 11, 1995.

DoD OIG: (b)(6), Director, and DoD OIG: (b)(6), Deputy Director, National Reconnaissance Office, November 13, 1995.

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(b) (6)	Inspection Director, DoD/IG
(b)(3) 10 USC 424	Assistant Inspection Director CIA/IG
(b) (6)	Deputy Inspection Director DoD/IG
(b)(3) 10 USC 424	Inspector, CIA/IG
(b) (6)	Inspector, NSA/IG
(b) (6)	Evaluator, DoD/IG
(b) (6)	Evaluator, DoD/IG
(b) (6)	Inspector, DoD/IG
(b)(3) 10 USC 424	Auditor, CIA/IG
(b) (6)	Inspector, DoD/IG
(b) (6)	Inspector, DoD/IG
(b) (6)	Evaluator, DoD/IG
(b) (6)	Inspector, DoD/IG
(b) (6)	Inspector, DoD/IG
(b) (6)	Auditor, DoD/IG
(b) (6)	Inspector, DoD/IG
(b) (6)	Evaluator, DoD/IG
(b) (6)	Inspector, DoD/IG

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APPENDIX E SITES VISITED (U)

(U) Office of the Secretary of Defense

(U) Assistant Secretary of Defense (Command, Control, Communications and Intelligence)

(U) Deputy Under-Secretary of Defense (Space)

(U) Defense Agencies And Organizations

(~~S/B~~) National Reconnaissance Office
Headquarters facilities in the National Capitol Region
(b)(1)(c) (b)(3) 10 USC 424
Los Angeles Air Station
Naval Research Laboratory

(U) Central Imagery Office

(U) Defense Contract Audit Agency
Field Detachment Headquarters

(U) Defense Intelligence Agency

(U) Defense Mapping Agency
National Imagery Agency Task Force

(U) National Security Agency

(U) Naval Supply Systems Command

(U) Other Federal Agencies

(U) Central Intelligence Agency
Directorate of Science and Technology
Office of the General Counsel
Office of Personnel
National Photographic Interpretation Center

(U) Director, Central Intelligence
Community Management Staff

(U) Contractors

(~~S/B~~) (b)(1)(c) (b)(3) 10 USC 424

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APPENDIX F ACRONYMS

AIS	(U) Automated Information System
AISSM	(U) AIS Security Manual
ASD	(U) Assistant Secretary of Defense
BSM	(S/B) BYEMAN Security Manual
C3I	(U) Command, Control, Communications and Intelligence
CCB	(U) Configuration Control Board
(b)(1)(c)	(b)(1)(c) (b)(3) 10 USC 424
CFI	(U) Committee on Foreign Intelligence
CIA	(U) Central Intelligence Agency
CIO	(U) Central Imagery Office
(b)(1)	(b)(1)(c) (b)(3) 10 USC 424
COTR	(U) Contracting Officer's Technical Representative
CWAN	(U) Contractor Wide Area Network
DASD	(U) Deputy Assistant Secretary of Defense
DCI	(U) Director of Central Intelligence
DCID	(U) DCI Directive
DDMS	(U) Deputy Director for Military Support
DEPSECDEF	(U) Deputy Secretary of Defense
DIA	(U) Defense Intelligence Agency
DNRO	(U) Director, National Reconnaissance Office
DOS	(U) Director of Security
DSPO	(U) Defense Support Project Office
DUSD	(U) Deputy Under Secretary of Defense
DoD	(U) Department of Defense
DoDD	(U) DoD Directive
EEO	(U) Equal Employment Opportunity
EXCOM	(U) Executive Committee
FY	(U) Fiscal Year
FAR	(U) Federal Acquisition Regulation
GPRA	(U) Government Performance and Results Act
GSA	(U) General Services Administration
GWAN	(U) Government Wide Area Network
HRMG	(U) Human Resources Management Group
IG	(U) Inspector General
IMC	(U) Internal Management Controls
IMINT	(U) Imagery Intelligence
IRM	(U) Information Resources Management
ITG	~~(S)~~ Information Technology Group
MOA	(U) Memorandum of Agreement
MOU	(U) Memorandum of Understanding
MPD	(U) Military Personnel Division of HRMG
MS&O	(U) Management Services and Operations Office
NAM	(U) NRO Acquisition Manual
NFIP	(U) National Foreign Intelligence Program
NIMA	(U) National Imagery and Mapping Agency
NRO	(U) National Reconnaissance Office
NRP	(U) National Reconnaissance Program
NSA	(U) National Security Agency

NSC	(U) National Security Council
(b)(3) 10 USC 424	[redacted]
OMB	(U) Office of Management and Budget
OSD	(U) Office of the Secretary of Defense
OSO	(U) Operational Support Office
P&A	(U) Plans and Analysis Office
PFIAB	(U) President's Foreign Intelligence Advisory Board
Program A	(U) Air Force Program prior to 1992 restructure
Program B	(U) CIA Program prior to 1992 restructure
Program C	(U) Navy NRP Program prior to 1992 restructure
SCI	(U) Sensitive Compartmented Information
SECDEF	(U) Secretary of Defense
SIGINT	(U) Signals Intelligence
USAF	(U) United States Air Force
USD	(U) Under Secretary of Defense