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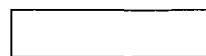


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*Central Intelligence Agency
Inspector General*



SEMIANNUAL REPORT
TO THE DIRECTOR OF CENTRAL INTELLIGENCE
JANUARY - JUNE 1998



Acting Inspector General

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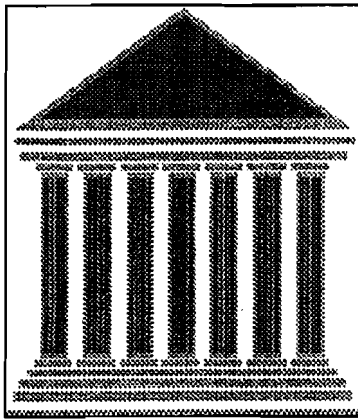
TABLE OF CONTENTS

	PAGE
A MESSAGE FROM THE ACTING INSPECTOR GENERAL	1
OVERVIEW	5
HIGHLIGHTS OF ACTIVITIES AND KEY ISSUES	6
STATISTICAL OVERVIEW	10
AUDITS	15
SIGNIFICANT COMPLETED AUDITS	15
STATUS OF SIGNIFICANT RECOMMENDED ACTIONS FROM PREVIOUS SEMIANNUAL REPORTS	20
OTHER SIGNIFICANT MATTERS	36
INSPECTIONS	39
COMPLETED INSPECTIONS SIGNED BY DCI	39
STATUS OF SIGNIFICANT RECOMMENDED ACTIONS FROM PREVIOUS SEMIANNUAL REPORTS	45
INVESTIGATIONS	49
SIGNIFICANT COMPLETED INVESTIGATIONS	49
STATUS OF SIGNIFICANT RECOMMENDED ACTIONS FROM PREVIOUS SEMIANNUAL REPORTS	54
SUMMARIES OF SELECTED CURRENT INVESTIGATIONS	57
LEGISLATIVE PROPOSALS	63
AUTHORITY TO COMMENT ON LEGISLATION	63
ANNEX A: AUDITS COMPLETED	
ANNEX B: INSPECTIONS COMPLETED	
ANNEX C: INVESTIGATIONS COMPLETED	

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A Message from the Acting Inspector General



(U) Although the Agency's first statutory Inspector General has departed for a new career and we are eagerly awaiting his successor, the work of the Office continues unabated. During this reporting period, we completed several major audits, inspections and investigations which are summarized and discussed in this report. Some of these were considered "mega-projects" that addressed significant questions regarding the Agency's activities and performance and are important from an accountability standpoint. The reports or results of certain of these reviews have been made available to the public or are in the process of being reviewed internally for that purpose.

(U) I am gratified by the fact that in the past six months we have had no new allegations or cases presented to us that raise issues about long-past events. While some cases of this type are important to examine because they involve controversial issues or events of some significance to the Agency, the Congress, and the public, they also have consumed significant OIG resources. Consequently, such mega-projects have affected our ability to address current issues that may have greater importance for the future. In part as a result of this respite, we have developed and begun to implement a new corporate process for selecting topics for our Annual Work Plan. The new process is designed to target OIG resources on Agency core mission areas, support the Agency's strategic objectives, and ensure more effective coordination between the OIG staffs. The creation of a Chief, Policy and Planning position, and the establishment of an OIG Planning Committee comprised of representatives of each of the OIG

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staffs, underscores the OIG commitment to developing an effective, professional and responsive planning capability.

(U) In addition, the Investigations Staff and Counsel's office are planning to devote resources and effort to the development of methods that will assist in discovering potential fraud in major contracting activities. This will help determine whether the small number of cases in this area is due to the adequacy of Agency procedures and review for these matters or to our previous inability to make available the resources necessary to seek them out.

(U) I am also pleased to report that progress has been made during the reporting period in addressing the backlog of OIG draft and final reports awaiting action or comment by the Executive Director, a problem highlighted by the January, 1998 semiannual report. Although there are still some OIG reports awaiting action, continued emphasis by the Executive Director and his staff will help further improve the situation.

(U) In large part because of the professional office developed by our first statutory Inspector General, I am confident that we can continue to fulfill our mission. However, it is clear that the drafters of the statutory IG for CIA were right when they said in legislative history that a high degree of trust and communication between the DCI and IG are necessary for an effective relationship. As the Agency embarks on new strategic initiatives and direction, a Senate-confirmed IG who has the confidence and respect of the DCI will be vital to tackling the problems and issues the Agency is certain to face as it moves into the 21st Century.



Acting Inspector General

July 1998

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OVERVIEW

Statutory Requirements

(U) This report is submitted in accordance with the Central Intelligence Agency Act of 1949, as amended, which requires the Inspector General to provide to the Director of Central Intelligence, not later than 31 January and 31 July of each year, a semiannual report summarizing the activities of the Office of Inspector General for the immediately preceding six-month periods, ending 31 December and 30 June, respectively.

(U) All audit activities of the OIG are carried out in accordance with generally accepted government auditing standards. All OIG inspection and investigation activities conform to standards promulgated by the President's Council on Integrity and Efficiency.

(U) The OIG has had full and direct access to all Agency information relevant to the performance of its duties. The statutory subpoena authority that has been provided to OIG by Section 402 of the Fiscal Year 1998 Intelligence Authorization Act has been very helpful in ensuring that OIG is able to obtain access to relevant documents outside the Agency. During this reporting period, six IG subpoenas have been issued for financial records that otherwise would have been unavailable to OIG investigators.

(U) This report proposes that the OIG also be provided with the authority to comment on existing and proposed legislation relating to the CIA in order to complement the IG's responsibility to promote economy and efficiency in Agency programs and operations.

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HIGHLIGHTS OF ACTIVITIES AND KEY ISSUES

Audit Staff Highlights

(U) At the request of former Director of Central Intelligence (DCI) John Deutch, the Audit Staff conducted a special assessment of allegations made by former Agency employees [redacted] regarding the Agency's handling of information concerning the possible exposure of United States armed forces to chemical weapons during the Persian Gulf War. This assessment focused on whether Agency officials: hid relevant information from the public; sought to hinder the [redacted] inquiry; sought to avoid an honest review of information presented by the [redacted] and effectively destroyed the [redacted] careers because of their insistence on pursuing the chemical weapons exposure issue. The Audit Staff issued its assessment in late January.

(U) In light of the President's direction that the Presidential Advisory Committee on Gulf War Veterans' Illnesses take account of the special assessment in answering questions related to the exposure of US forces to chemical warfare agents as a result of demolition activities at Khamisiyah, Iraq, the Audit Staff reviewed the Agency's handling of information related to that weapons storage facility. The Khamisiyah assessment was issued in early February.

(U) In April 1998, the Audit Staff hosted the fourth annual conference for Intelligence Community auditors. The theme of the conference was "Working Together to Achieve Results." Over 150 auditors attended and heard presentations on high performance organizations, the changing workplace, counterintelligence and counternarcotics issues, and the Government Performance and Results Act.

(U) The Audit Staff has continued to work closely with its counterparts at the Department of Defense (DoD), the Defense Intelligence Agency (DIA), the National Reconnaissance Office (NRO), the National Security Agency, and the Department of State.

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A CIA auditor is assigned to the audit staff of the DIA Inspector General (IG). The heads of the audit staffs at CIA, DIA, NRO, and the National Security Agency meet quarterly as a way of formalizing their interaction and to discuss matters of mutual interest in auditing intelligence activities.

☐ The Audit Staff has continued to pursue involvement in joint oversight of Intelligence Community programs. As of 30 June 1998, ongoing Audit Staff cooperation with other audit organizations included:

- ◆
- ◆ Participating with the Office of Inspector General, DoD in a joint external quality control review of the Office of Inspector General at the NRO.
- ◆
- ◆
- ◆ Reviewing foreign intelligence relationships in conjunction with similar reviews being conducted by other members of the Intelligence Community IG Forum.
- ◆ Participating in a joint review with the Office of Inspector General, DoD to develop the necessary information for audits of financial statements of the NRO.

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Inspection Staff Highlights

(U) During the first six months of 1998, the Director of Central Intelligence signed five inspection reports: Resignations From the Directorates of Operations and Intelligence; Resignations From the Directorates of Administration, Science and Technology, and the DCI Area; the Counterintelligence Center; the Office of Technical Services; and the Office of Personnel Security. In addition, the Inspections Staff completed four full inspections of major Agency components and programs. The completed inspection reports, currently being reviewed by various Agency components, include Africa Division, National Resources Division, the Office of Technical Collection, and Congressional Notification. The results of these inspections will be summarized when the DCI has signed the reports.

(U) Four full inspections, the [REDACTED] Latin America Division, the Crime and Narcotics Center, and Surge are in progress.

(U) Preparations are under way for the fourth running of the two-week training course for new inspectors, providing seven officers with a set of methodological tools for conducting effective inspections as well as hands-on team-building experiences. The course continues to be effective in quickly preparing new inspectors for rapid staff participation.

Investigations Staff Highlights

(U) Over the past six months, the Investigations Staff has streamlined its operations in order to focus its human resources more efficiently. The Grievance Unit has been incorporated into an existing team, eliminating the need for a separate Team Leader for the three-person component. Following the selection of a Team Leader as the new Deputy Staff Chief, the number of investigative teams was reduced from five to four and the investigators from the dissolved team were added to the remaining teams. In addition, the case assignment and coordinator position, created in 1996 to help

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deal with the backlog of cases that had accumulated due to the Staff's special projects requirements, was eliminated since that backlog has been reduced. The overall effect of these changes has been a reduction in the number of management positions and teams in the Investigations Staff and its consolidation into a more efficient unit.

(U) For the first time since 1994, Investigations Staff personnel are not heavily involved in special projects. During the past five years, special projects have consumed much of the Staff's resources and energy. Now that the Tamraz and Contra Cocaine investigations have recently been completed, the Staff will be able to return to its primary business—investigations of potential fraud, waste, and abuse. If no new special projects are assigned in the near future, the Staff's team structure will be utilized fully for the first time since its implementation in 1996.

(U) The addition of subpoena authority to the tools available to investigators has enhanced the Staff's capabilities. This necessary mechanism has already been used six times since it became available in November 1997.

(U) The Agency's adoption of new computer systems has provided the opportunity for the Staff to replace its existing investigation database with a state-of-the-art capability that will provide more timely and complete access to case-related information. The new system should be in full operation by September 1998.

(U) The Staff organized and conducted its four-week New Investigators Training Course in March for personnel who joined the Staff since the previous running of the Course. In addition to six new Investigations Staff members, two investigators from the NRO's Office of Inspector General attended.

Additional Efforts

(U) In May 1998 the OIG submitted a report on its review of studies conducted by the federal government regarding the presence, use, or destruction of chemical weapons in the Persian Gulf theater of

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operations during the Persian Gulf War. This report was required by Section 310 of the Fiscal Year 1998 Intelligence Authorization Act.

STATISTICAL OVERVIEW

(U) During the period 1 January to 30 June 1998, Audit Staff completed 10 audits and two special reviews; Inspection Staff conducted nine full inspections; and Investigations Staff completed 187 investigative matters.

Audit Staff

(U) Ten audit reports (see Annex A) contained 15 recommendations. Five of the recommendations dealt with improving inventory and procurement management, four with improving program effectiveness, three with improving financial and general management, and three with improving the management and utilization of the workforce.

(U) Two special assessments dealing with the handling of information related to possible exposure of United States armed forces to chemical weapons during the Persian Gulf war concluded that the Agency had not improperly withheld Gulf War illnesses information from the public. In addition, the Agency had information by the end of 1991 regarding the presence of Iraqi chemical weapons at the Khamisiyah ammunition storage depot and the possibility that US troops may have been exposed to chemical agents. That information, however, was not acted upon until the US Government focused on Gulf War illnesses in 1995.

Inspection Staff

(U) During the first six months of 1998, the DCI signed five inspection reports; four additional full inspection reports were completed by the Inspections Staff and were in review. (See Annex B.)

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Investigations Staff

(U) The Investigations Staff (INV) completed work on 187 matters of various types during this reporting period. Of this number, 25 cases were of sufficient significance to be the subject of a final report— 7 Reports of Investigation and 18 Disposition Memoranda (see Annex C). A number of noteworthy completed and current cases are described more fully in this report (see pages 49-61).

(U) Recoveries on behalf of the US Government this reporting period as a result of the Investigations Staff's efforts totaled approximately \$84,200.

(U) During this period, 13 matters were referred formally to the Department of Justice (DoJ) based upon a reasonable belief that violations of Federal criminal law may have been committed. One additional matter was referred on a *de minimis* basis.

(U) As of 30 June 1998, 146 matters were in various stages of review by the Investigations Staff (see table on page 13).

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	ONGOING	OPENED	CLOSED
Total Cases	146	147	187
Grievances	11	47	57
Grievances	11		
Assignment	1	3	8
Compensation	3	4	3
Cover	0	0	1
Management and Supervision	2	5	7
Medical	1	6	5
Miscellaneous Personnel Issues	3	27	30
Retirement/Separation	1	2	1
Board Appeals	0	0	2
General Investigations	135	100	130
Criminal and Prohibited Acts	92	48	72
Conflicts of Interest	14	3	12
Copyright	0	0	0
False Claims/Statements/Vouchers	11	5	12
Firearms	1	0	0
Fraud - Contract	11	4	5
Fraud - Other	8	6	4
Fraud - Time & Attendance	17	6	8
Fraud - Visa	2	1	1
Miscellany	4	8	10
Telephone Abuse	3	3	0
Theft and Misuse of Govt Funds	10	7	10
Theft and Misuse of Govt Property	9	4	9
Travel/Frequent Flyer Misuse	2	1	1
Mismanagement/Abuse of Authority	4	13	15
Regulatory Violations	13	8	11
Safety and Environment	1	0	0
Unsubstantiated Allegations	6	6	5
Waste	2	2	5
Other	17	23	22

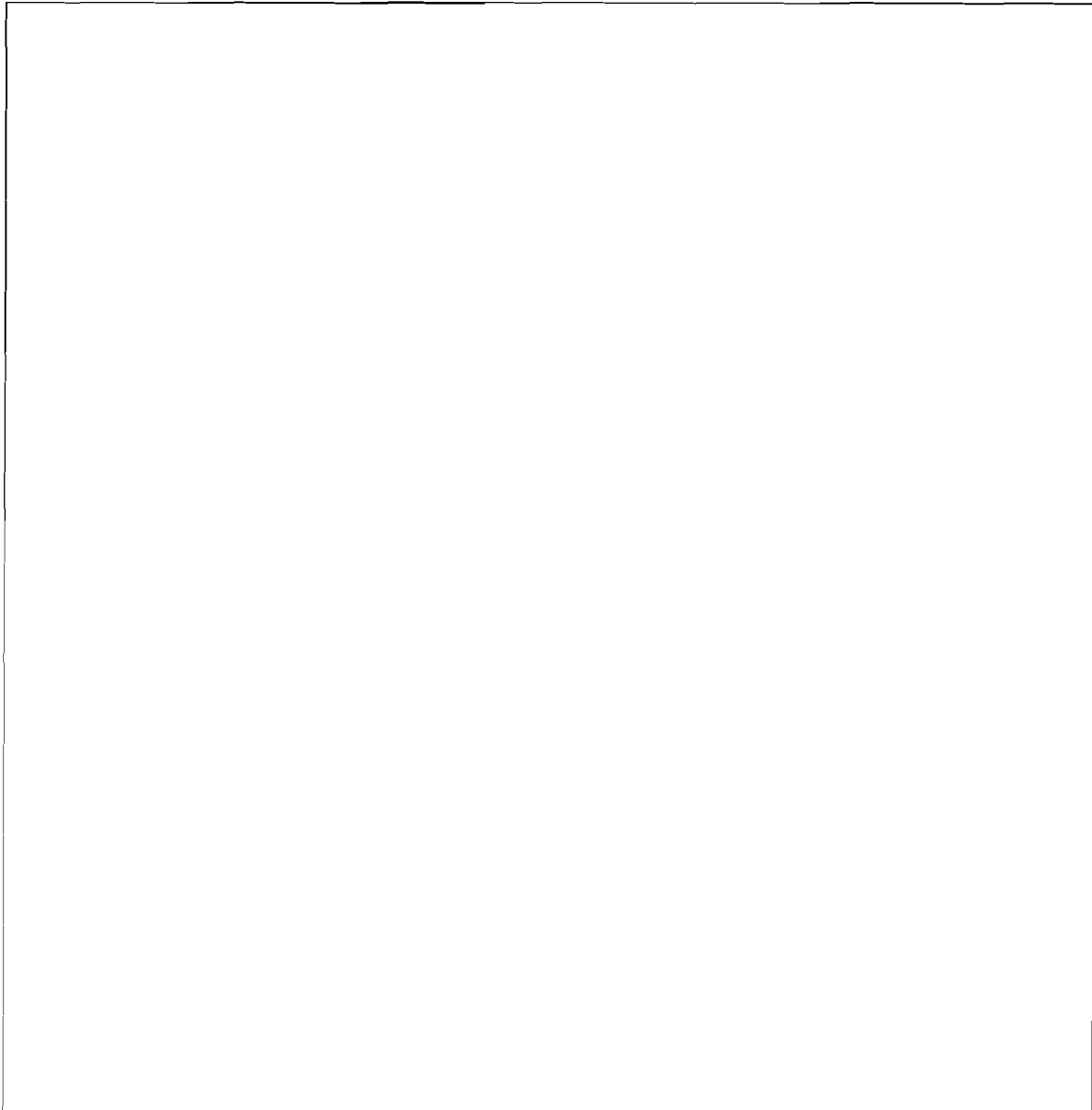
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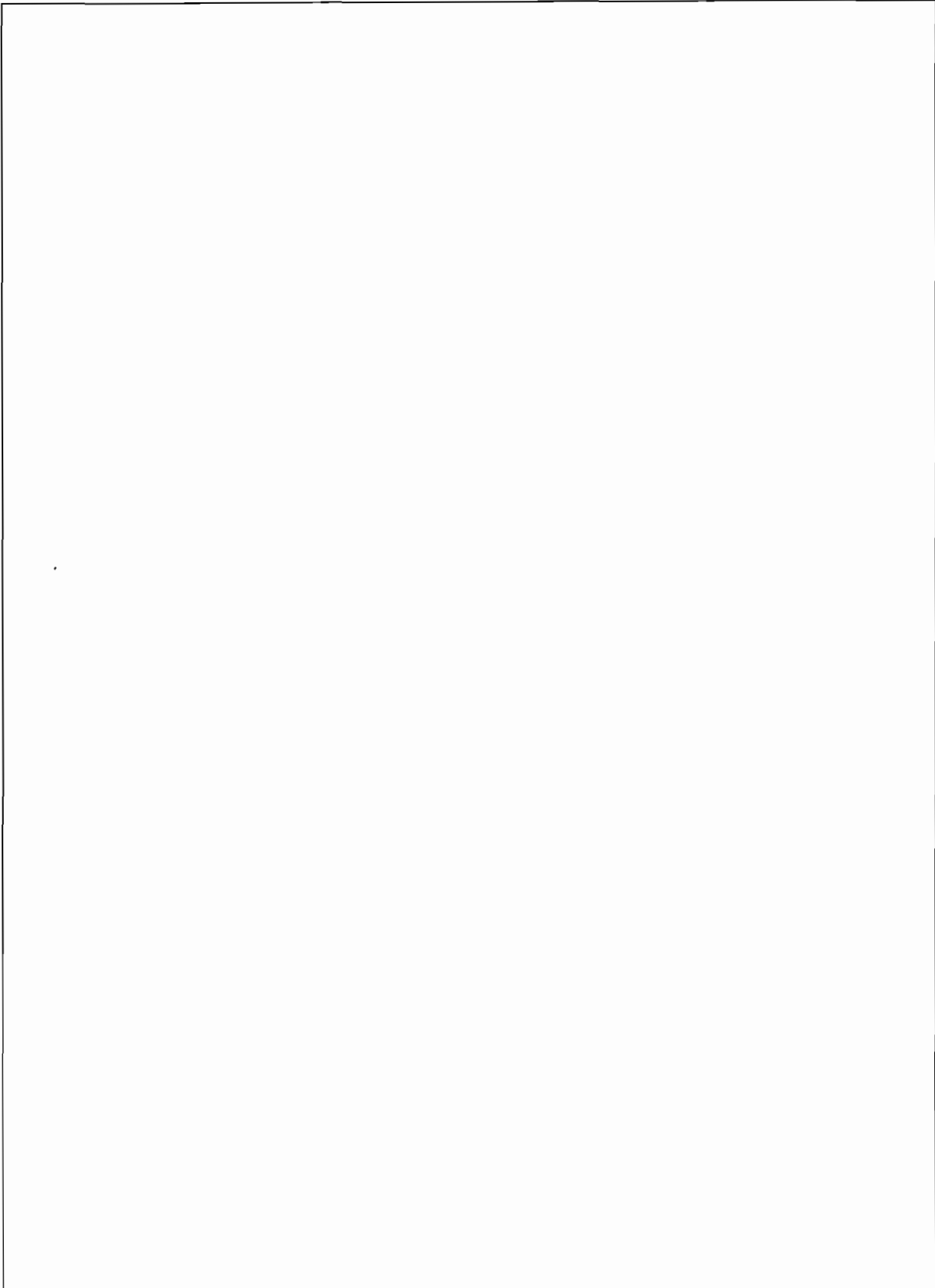
AUDITS

(U) The Audit Staff is responsible for conducting performance and financial audits of all Agency activities in accordance with generally accepted government auditing standards, and for ensuring that recommendations in audit reports are resolved to the satisfaction of the IG.

SIGNIFICANT COMPLETED AUDITS

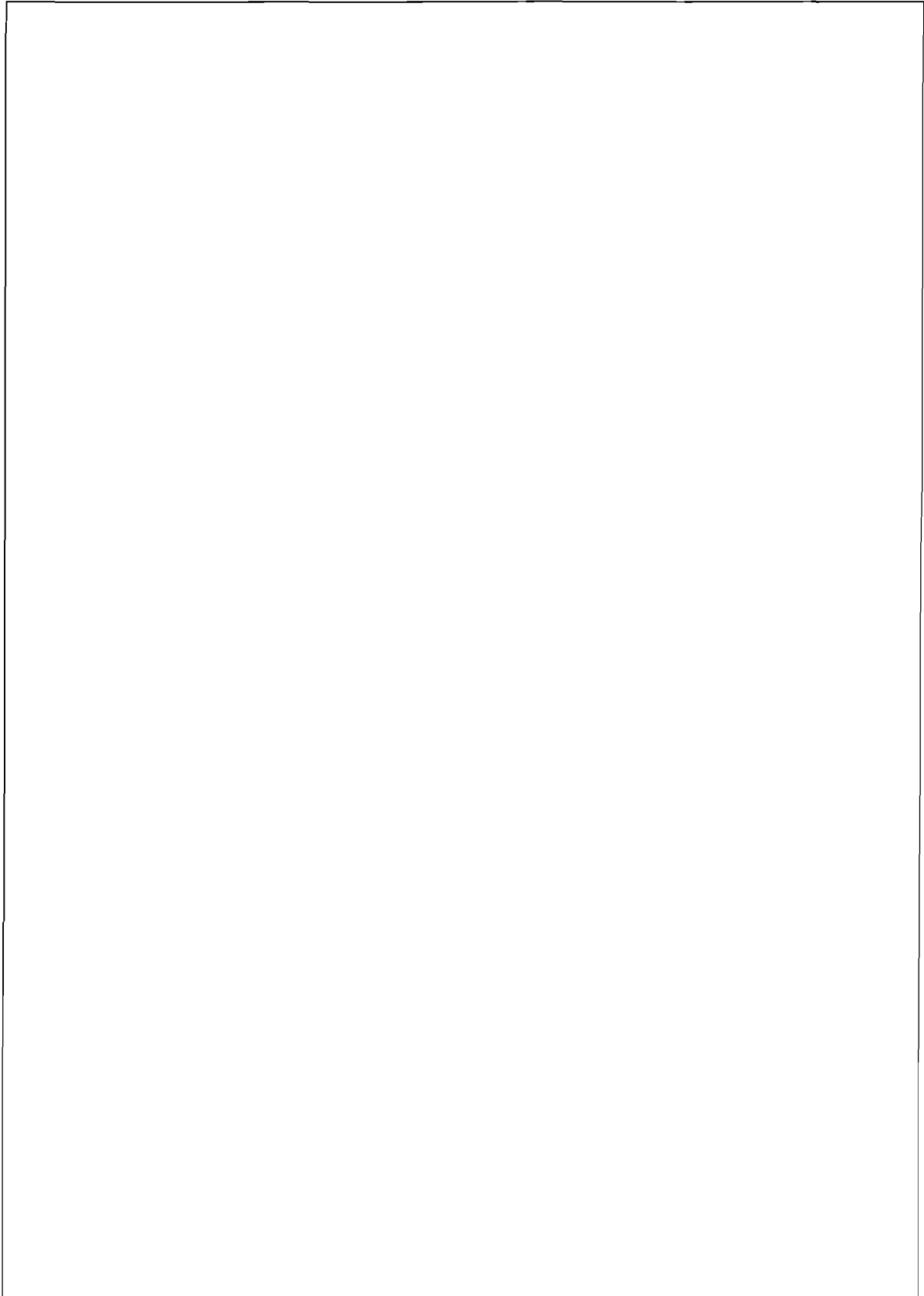
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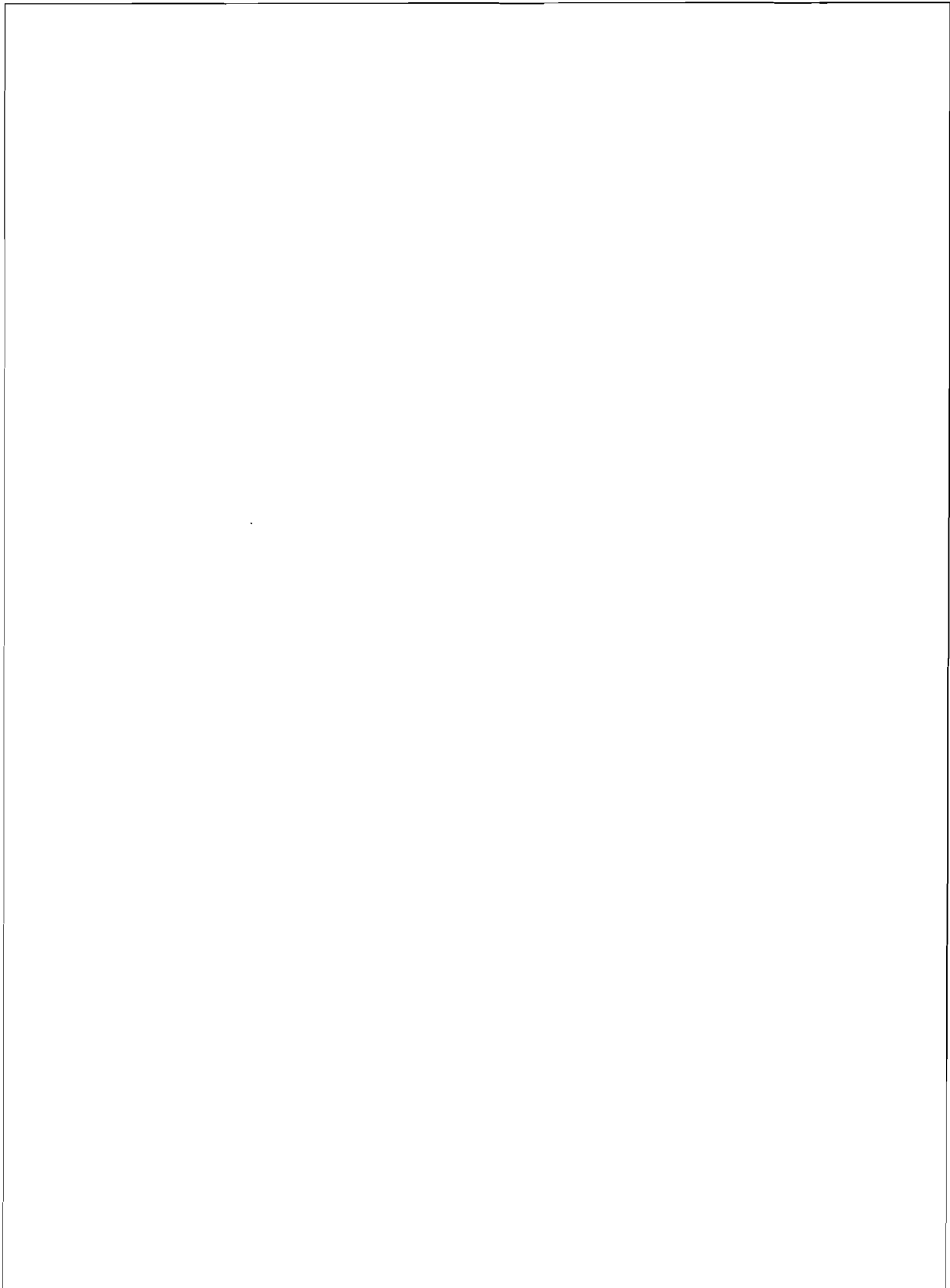
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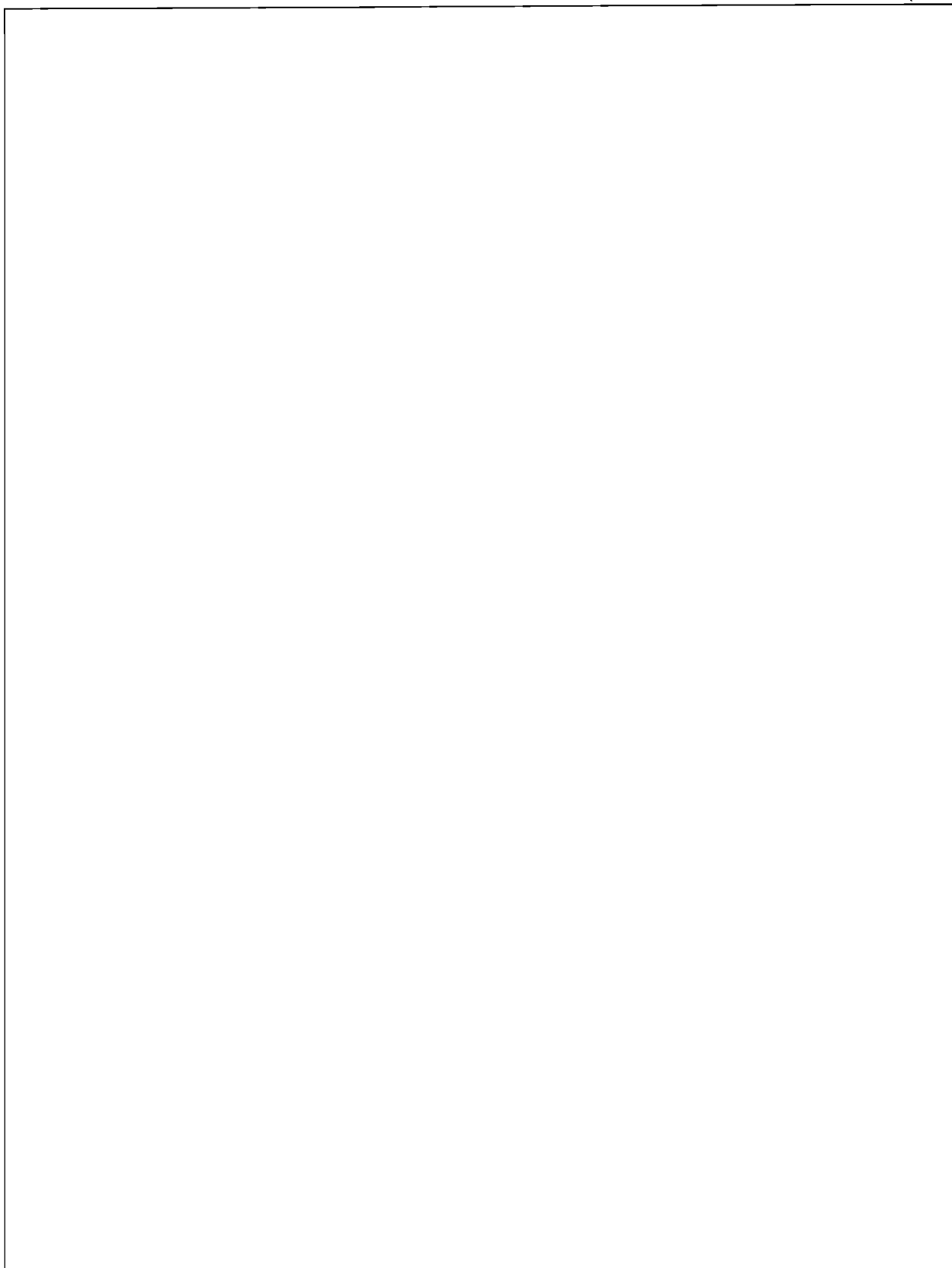
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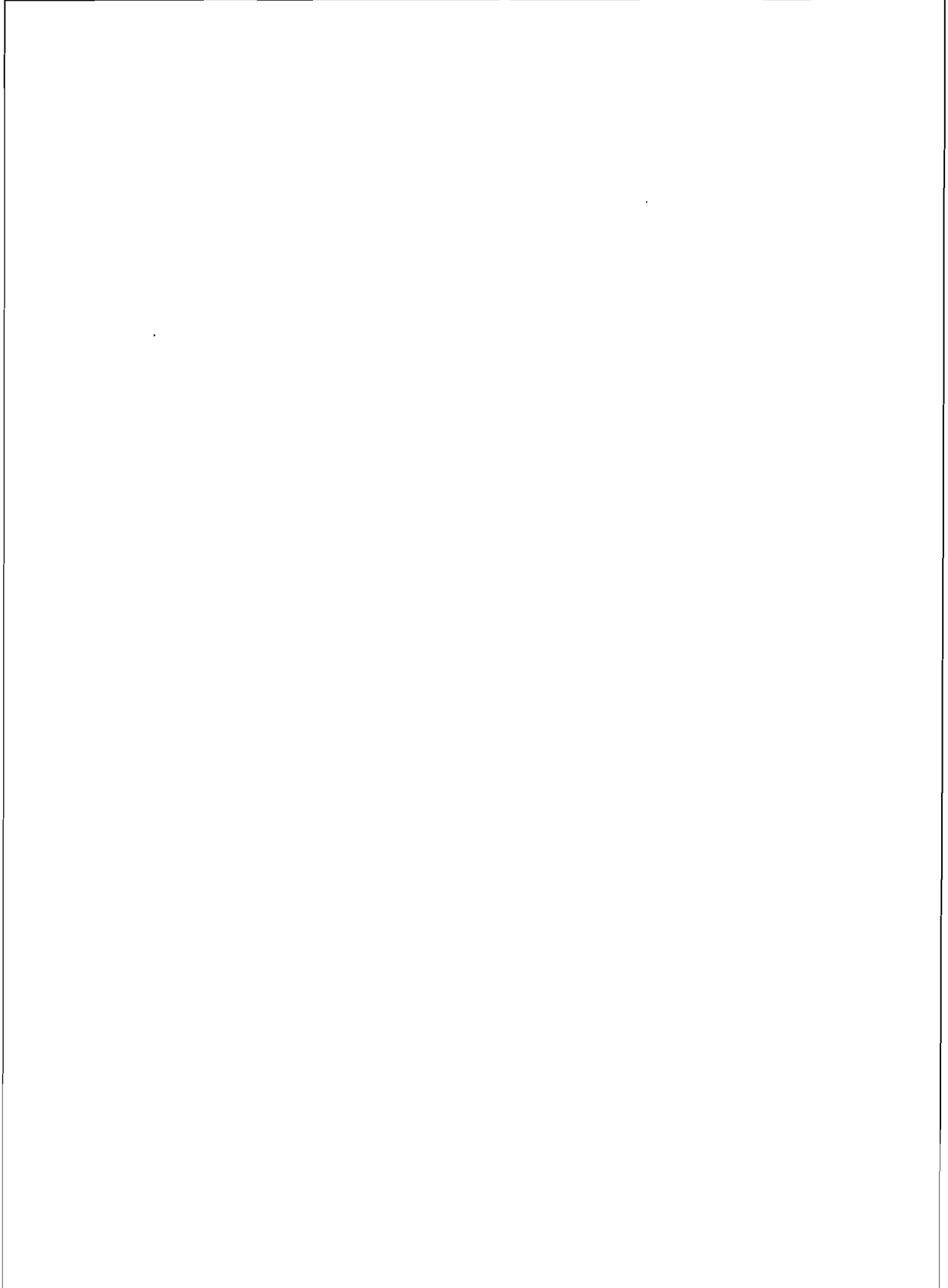
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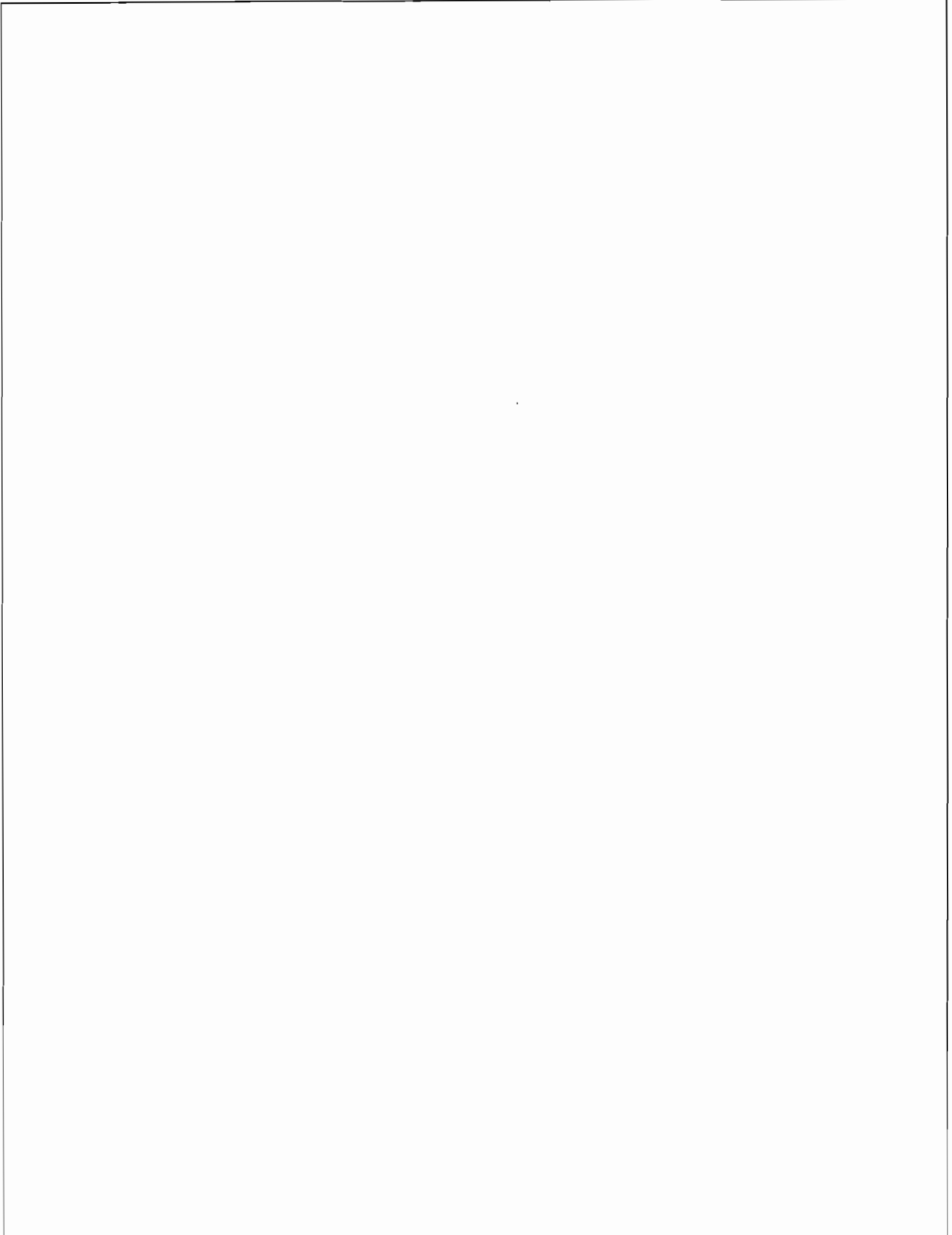
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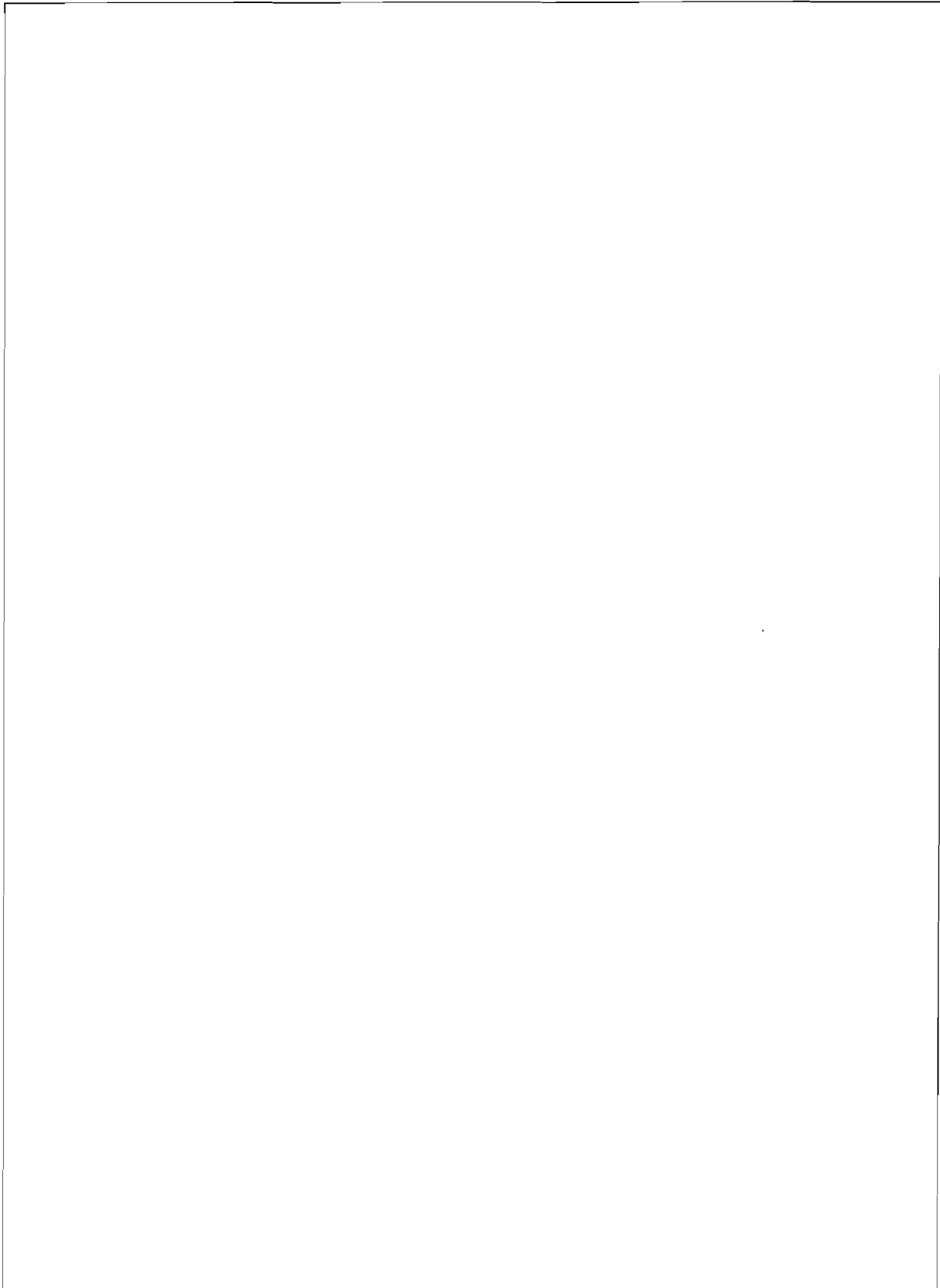


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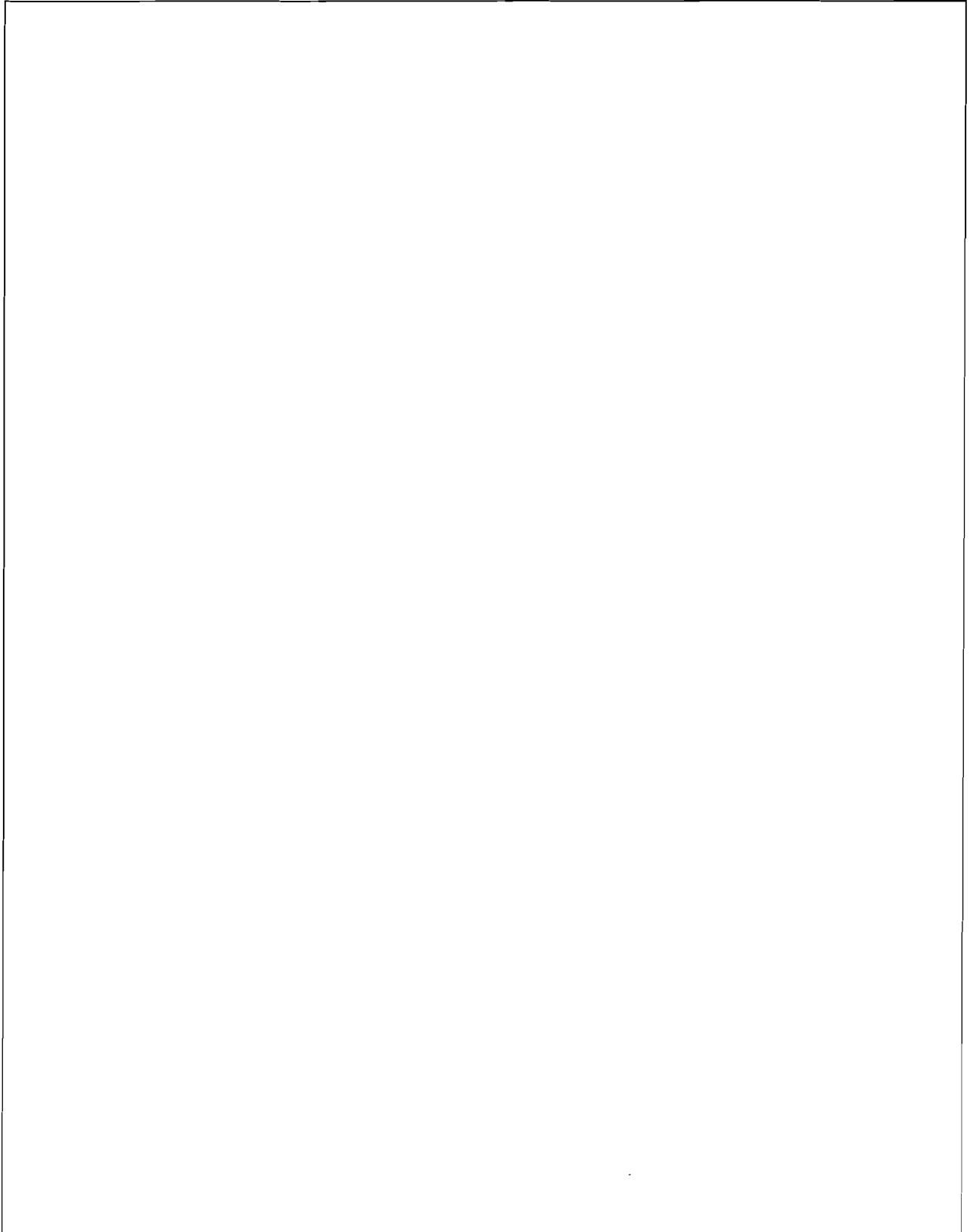


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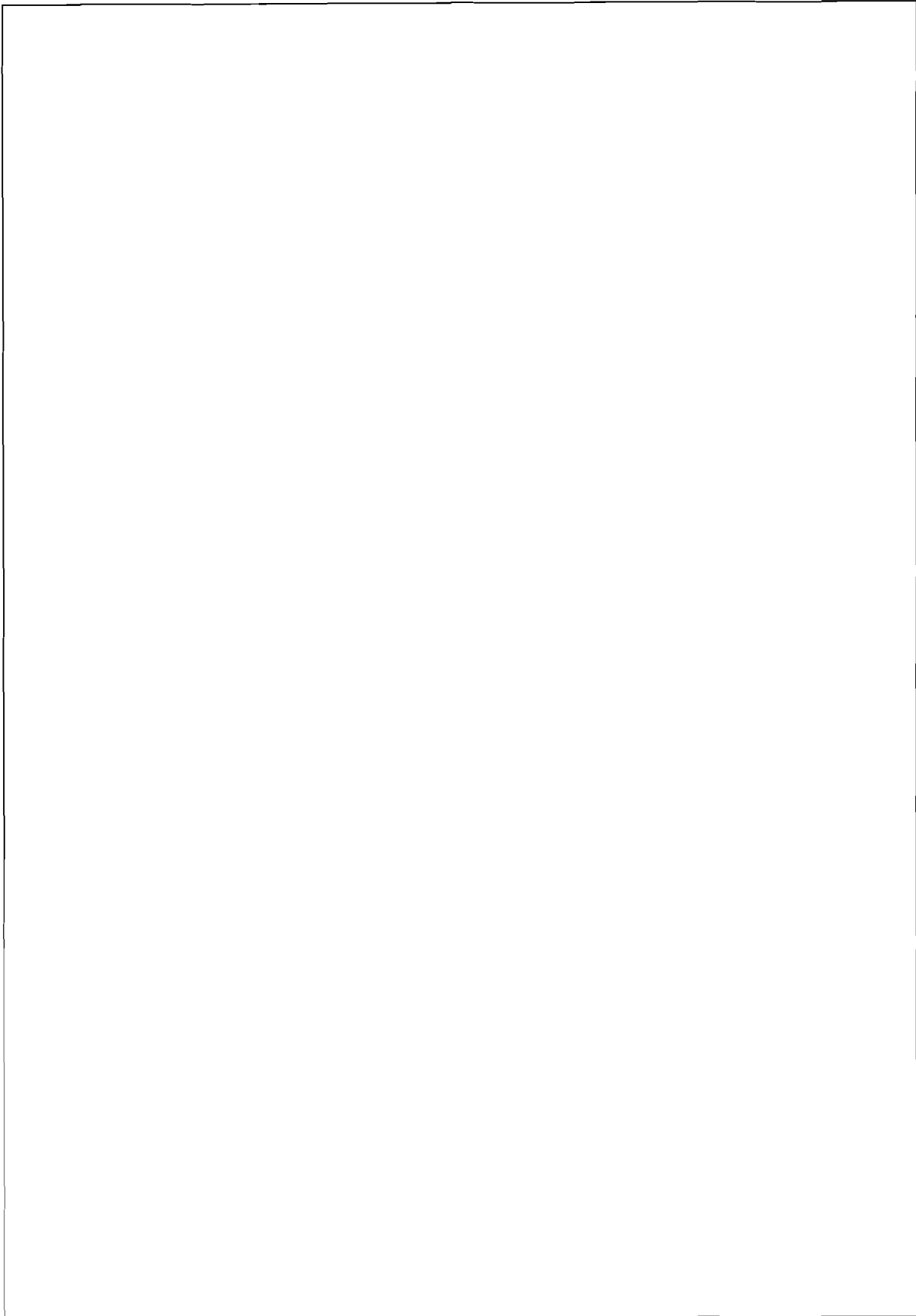
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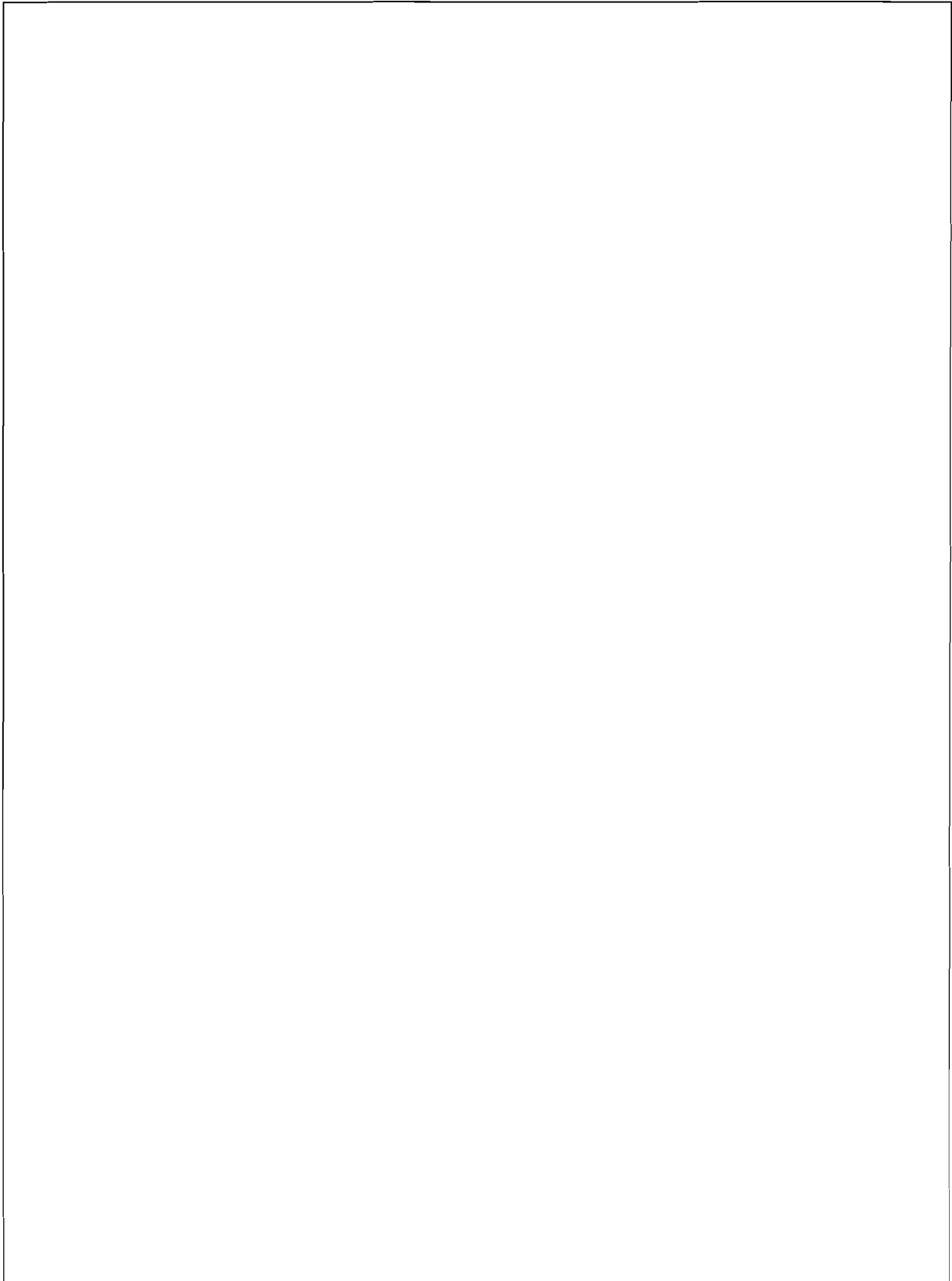
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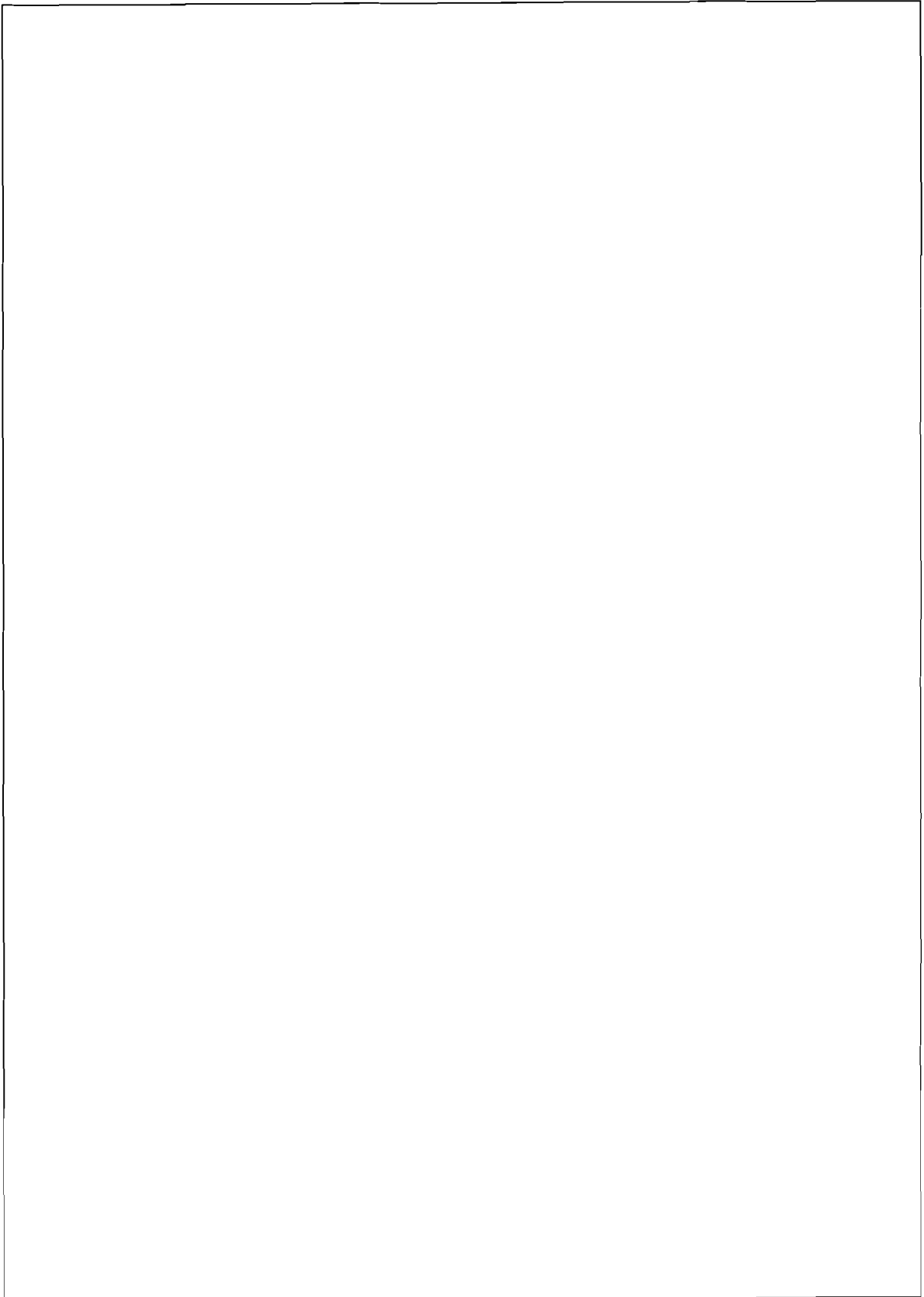
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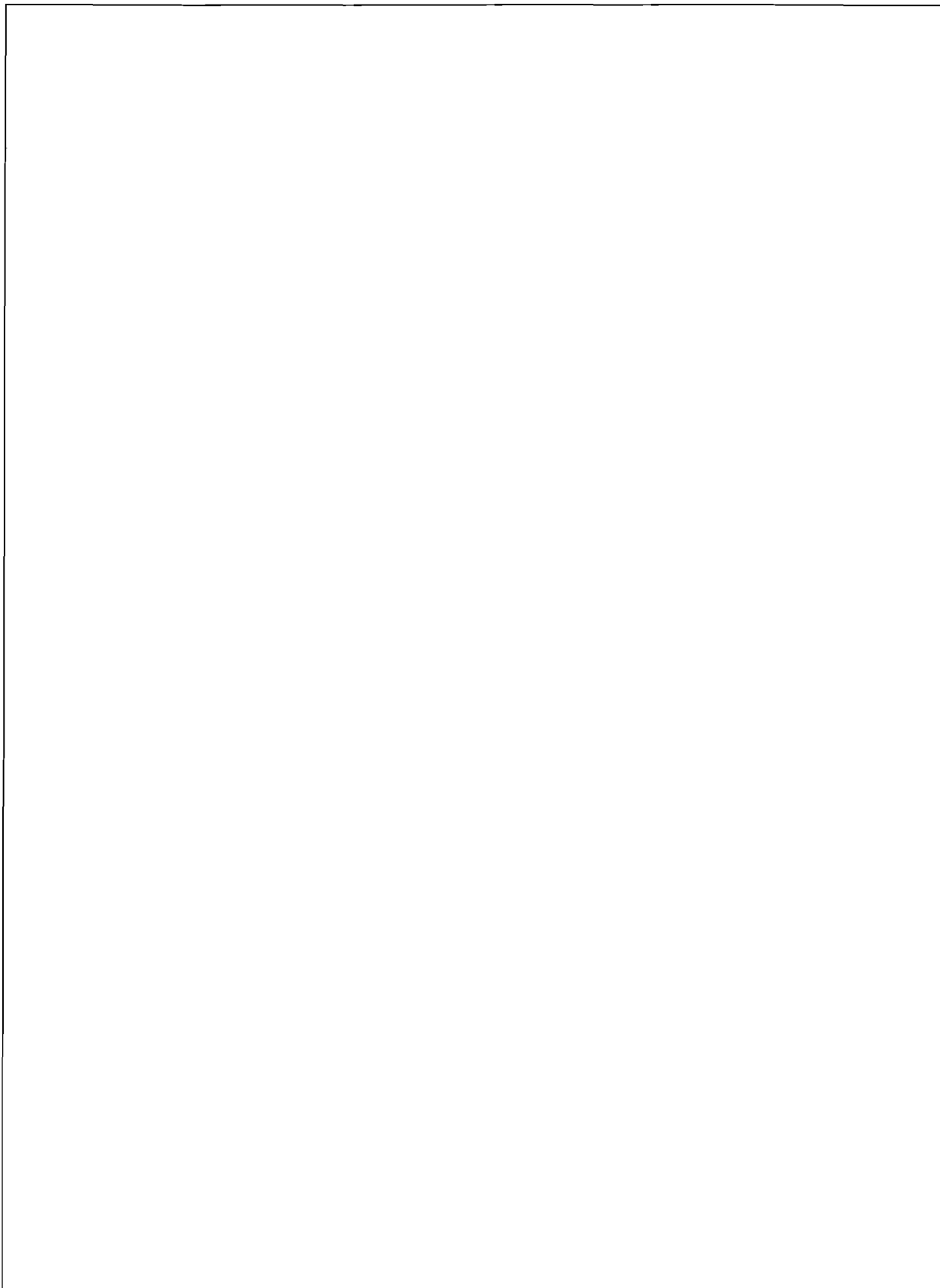
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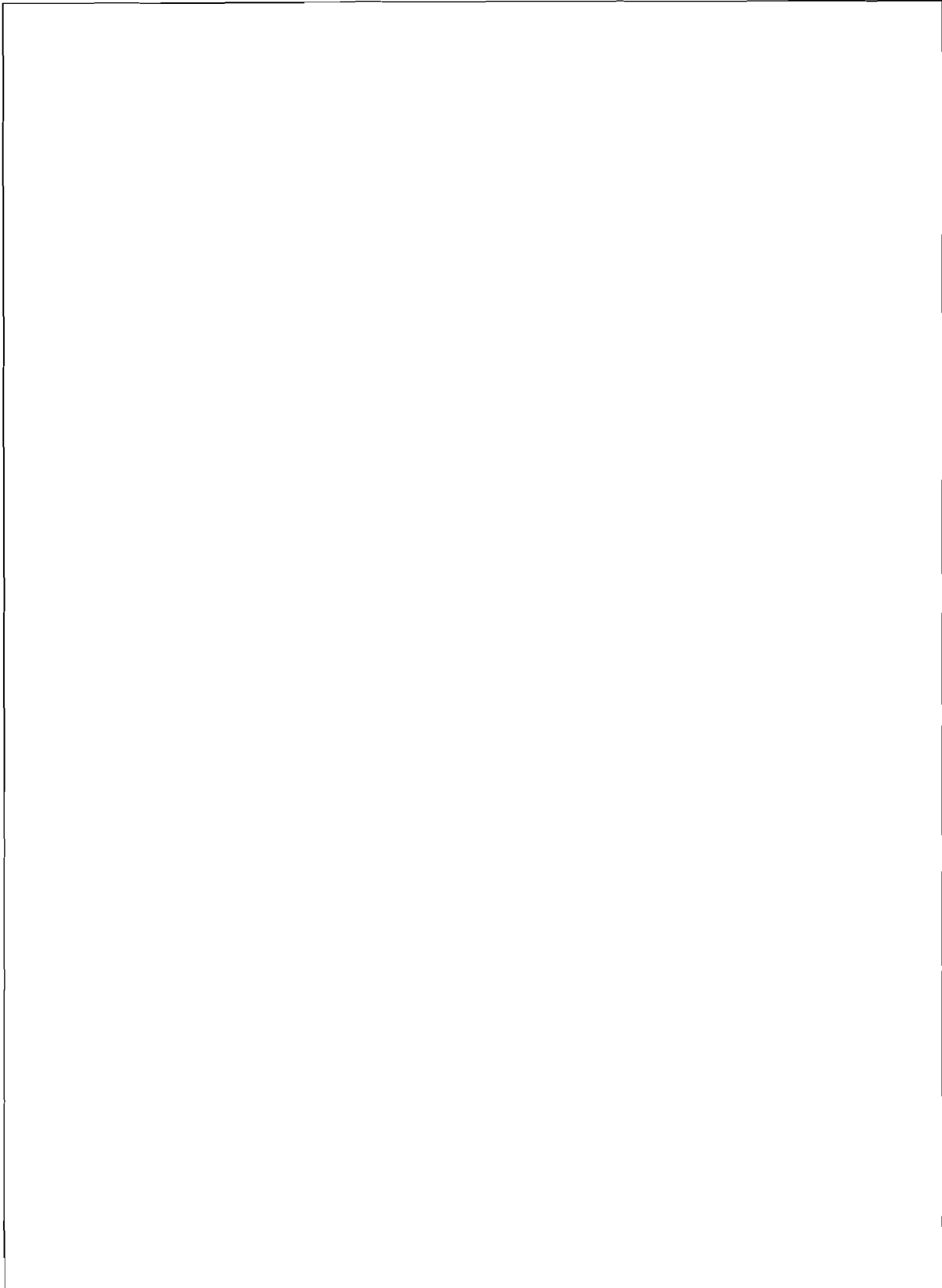
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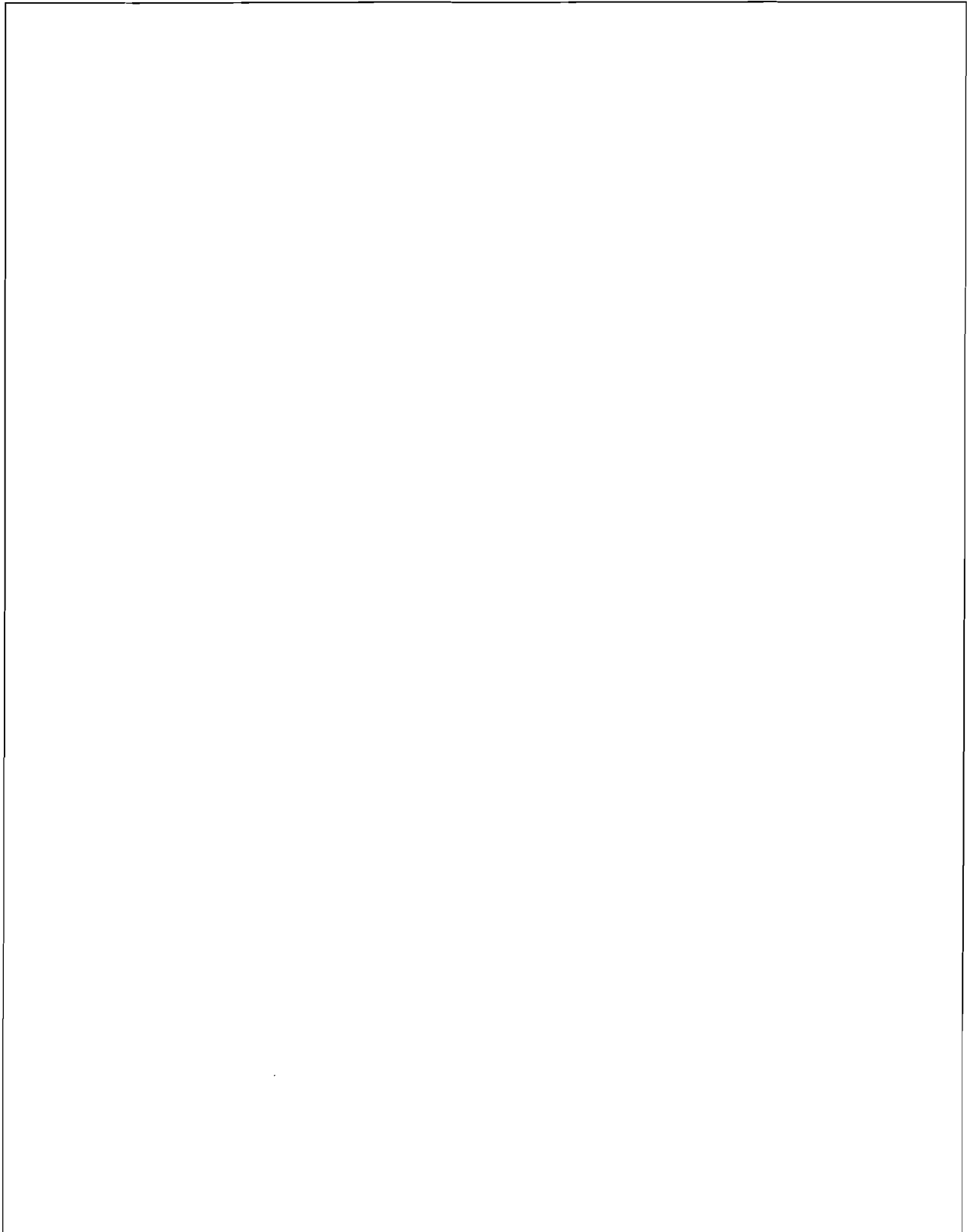
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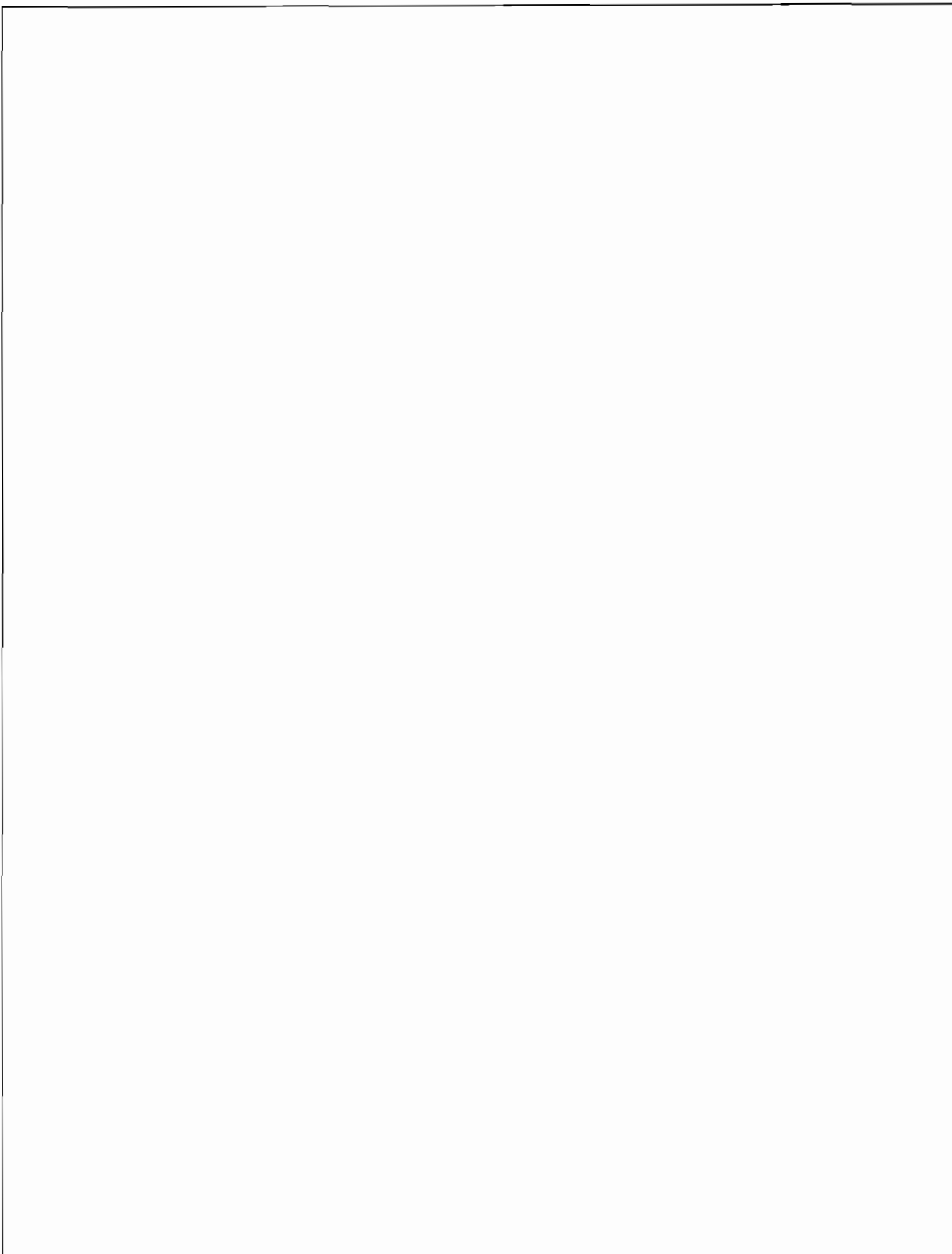
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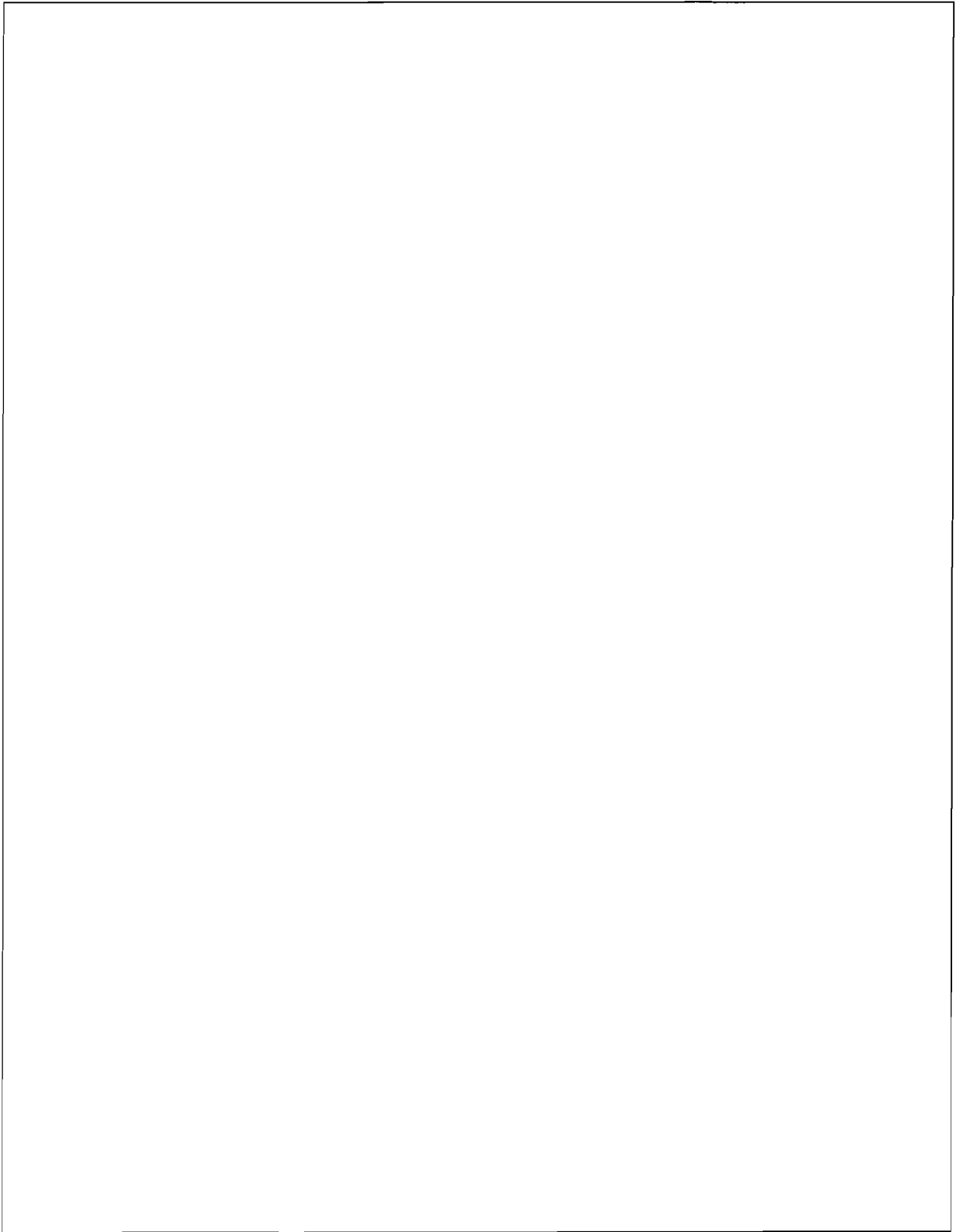
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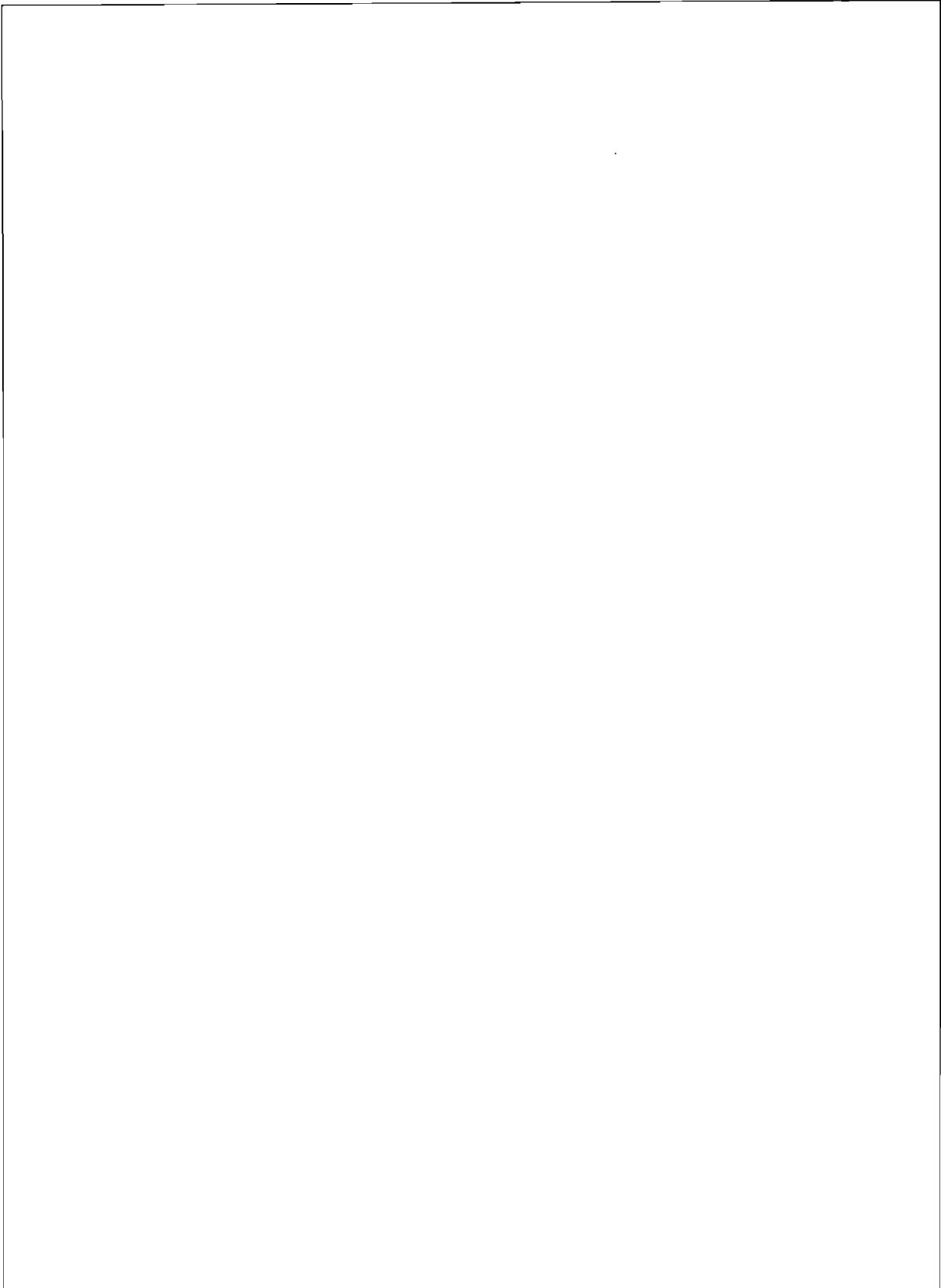
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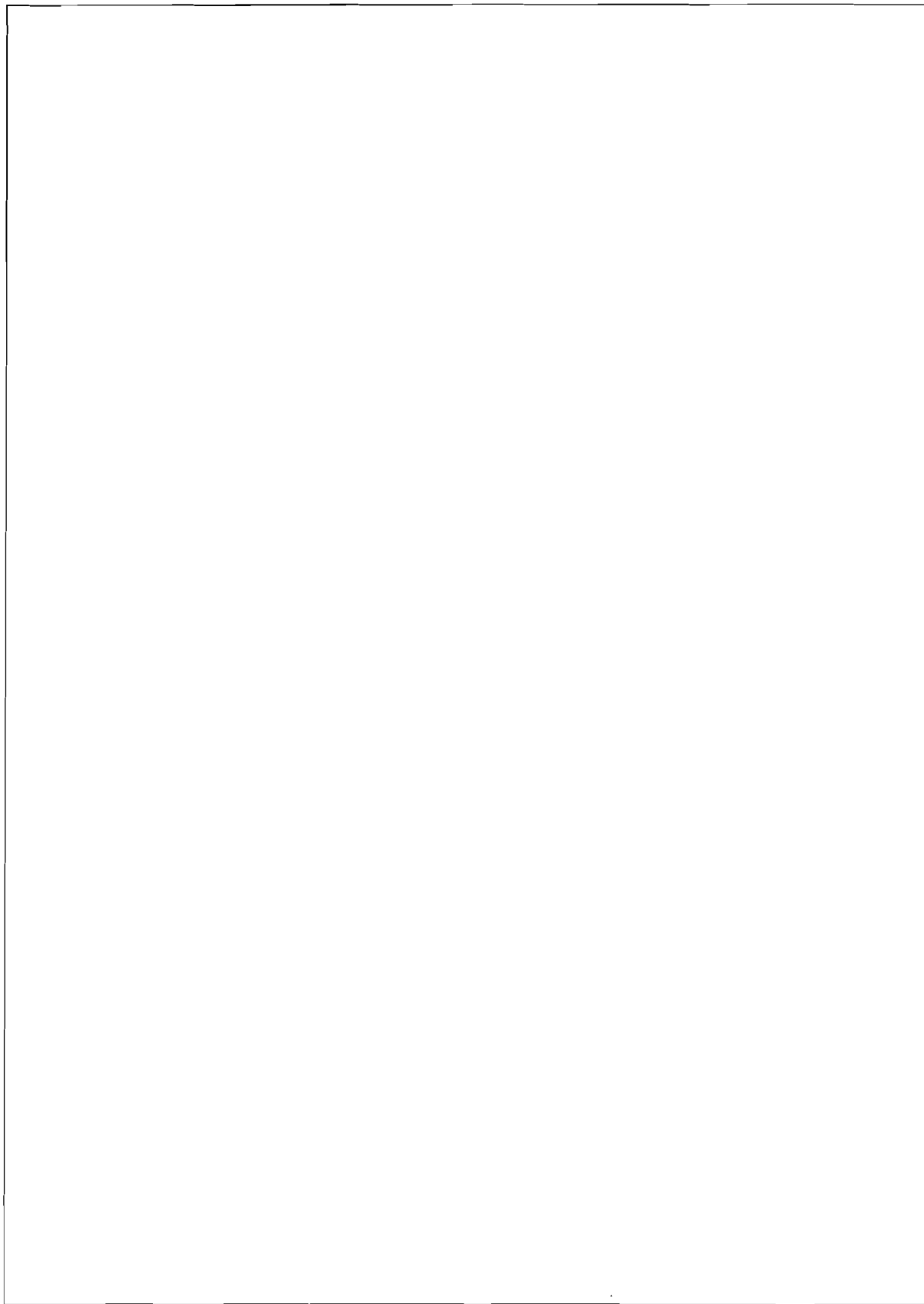
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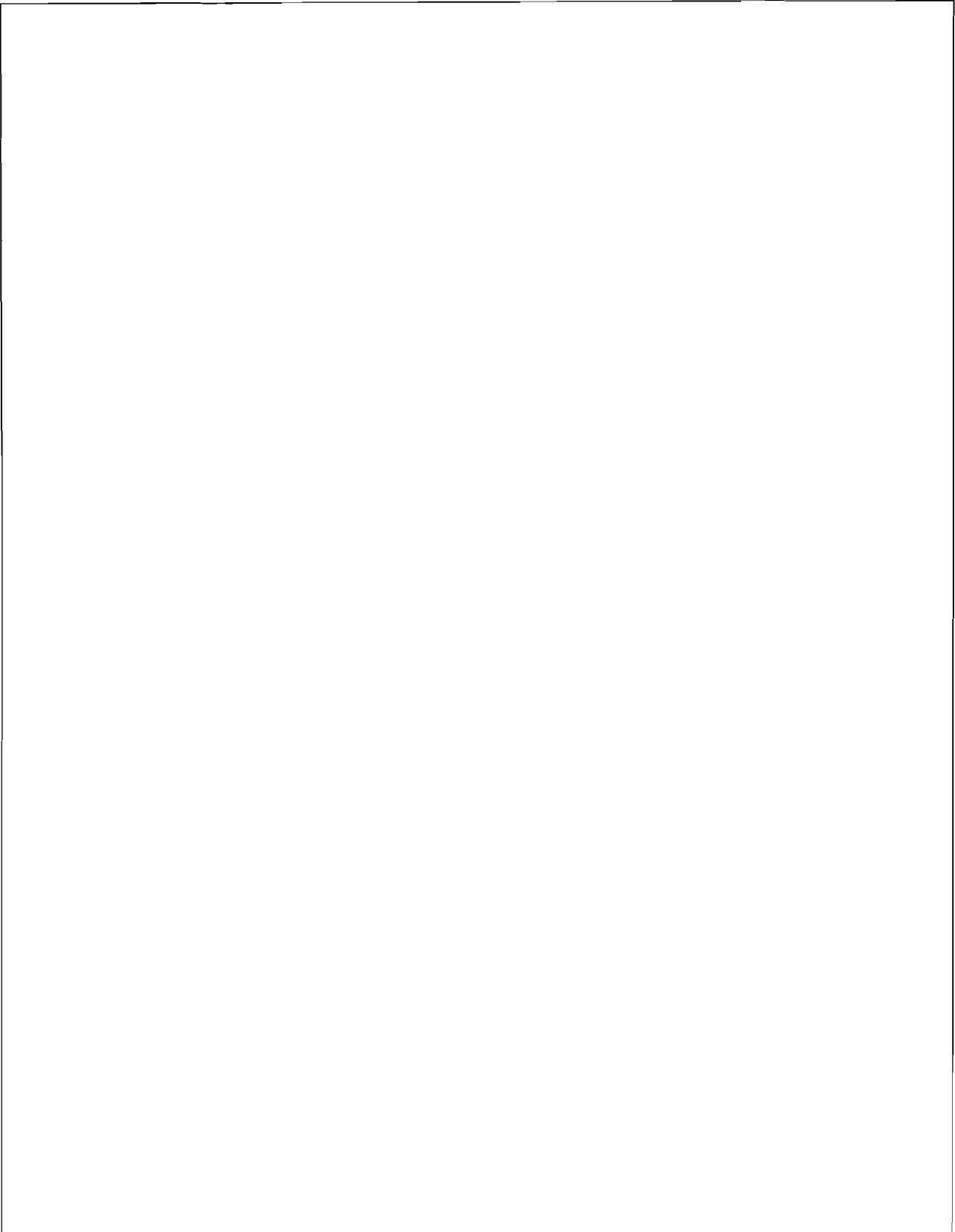
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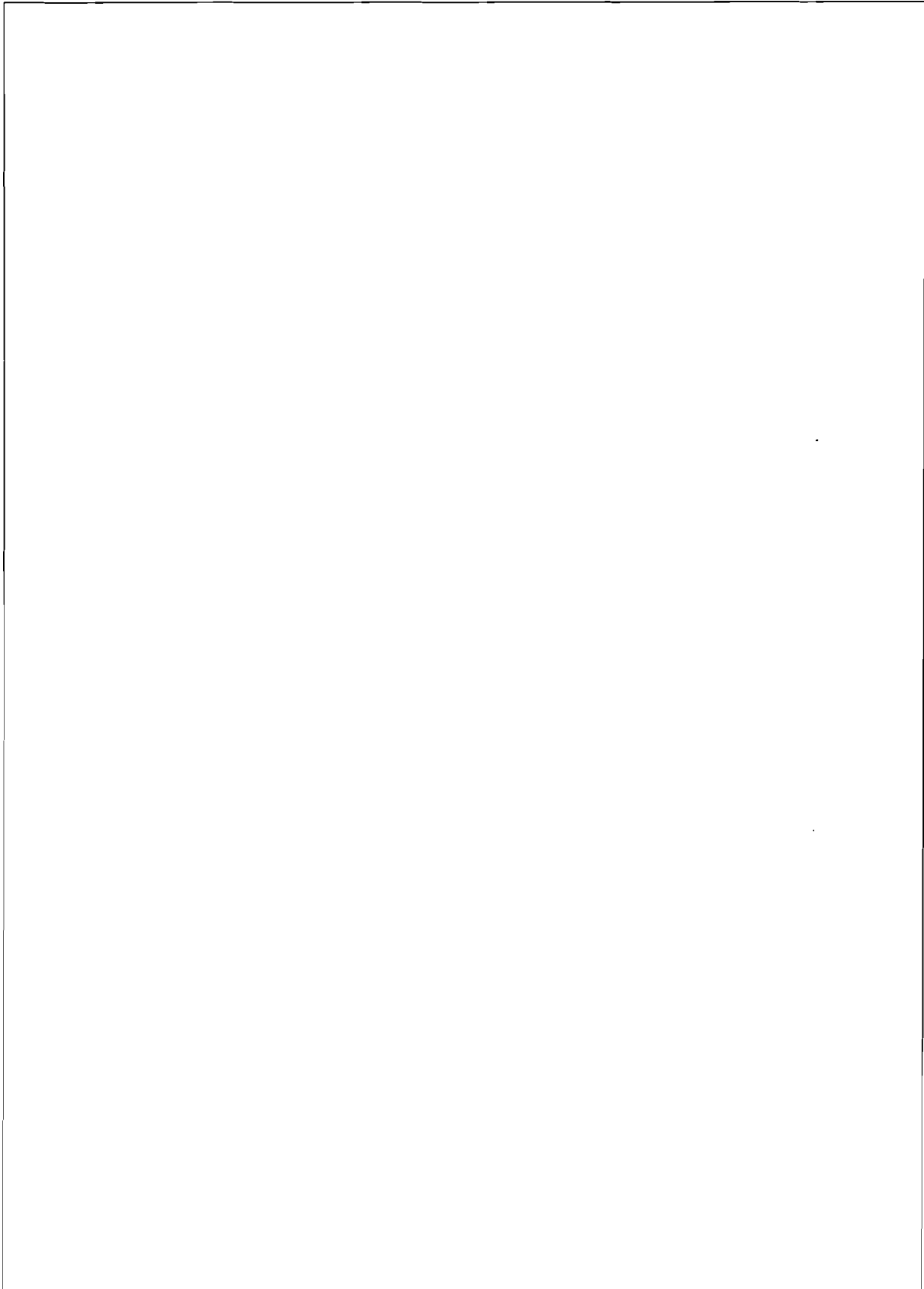
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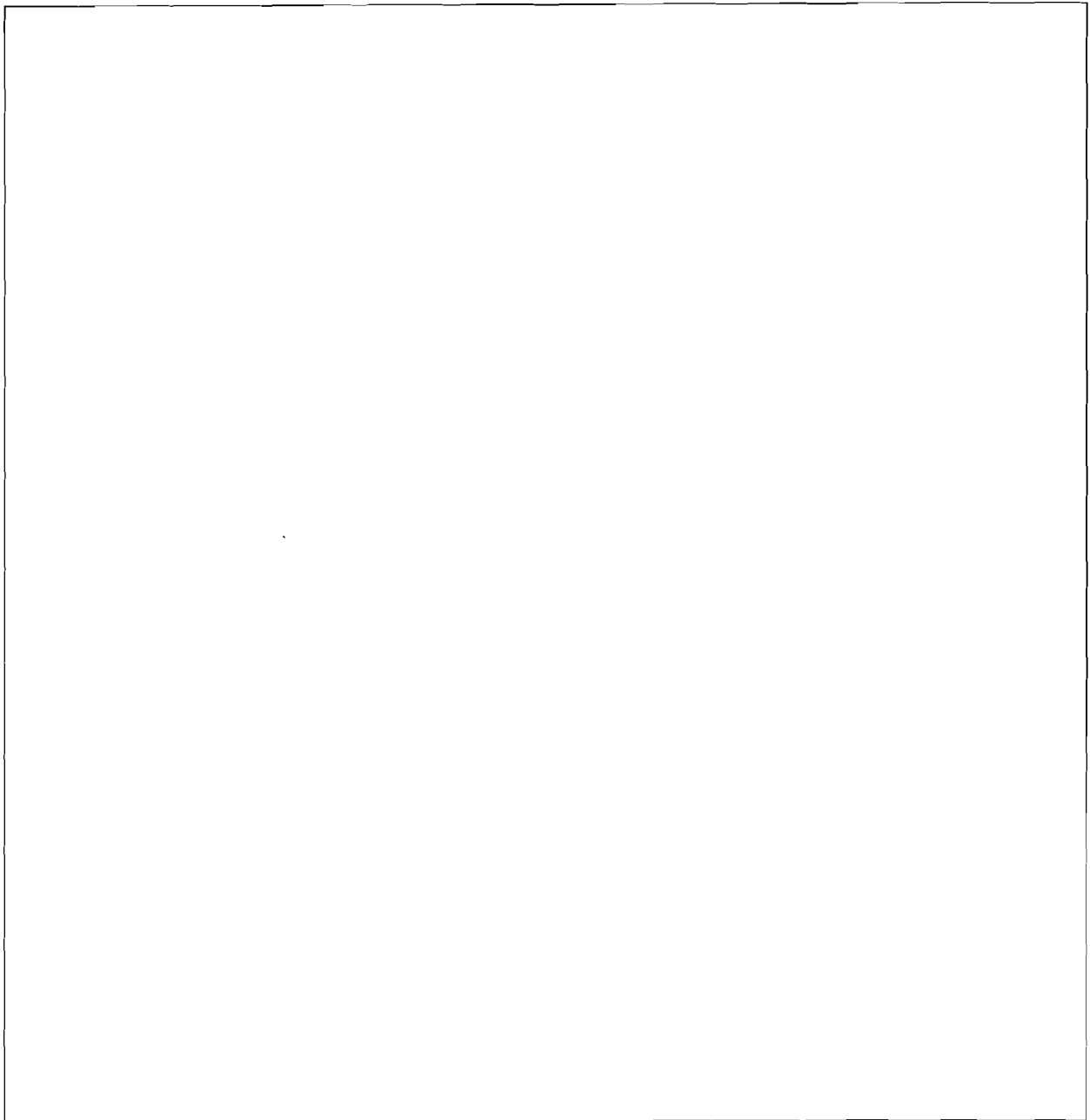


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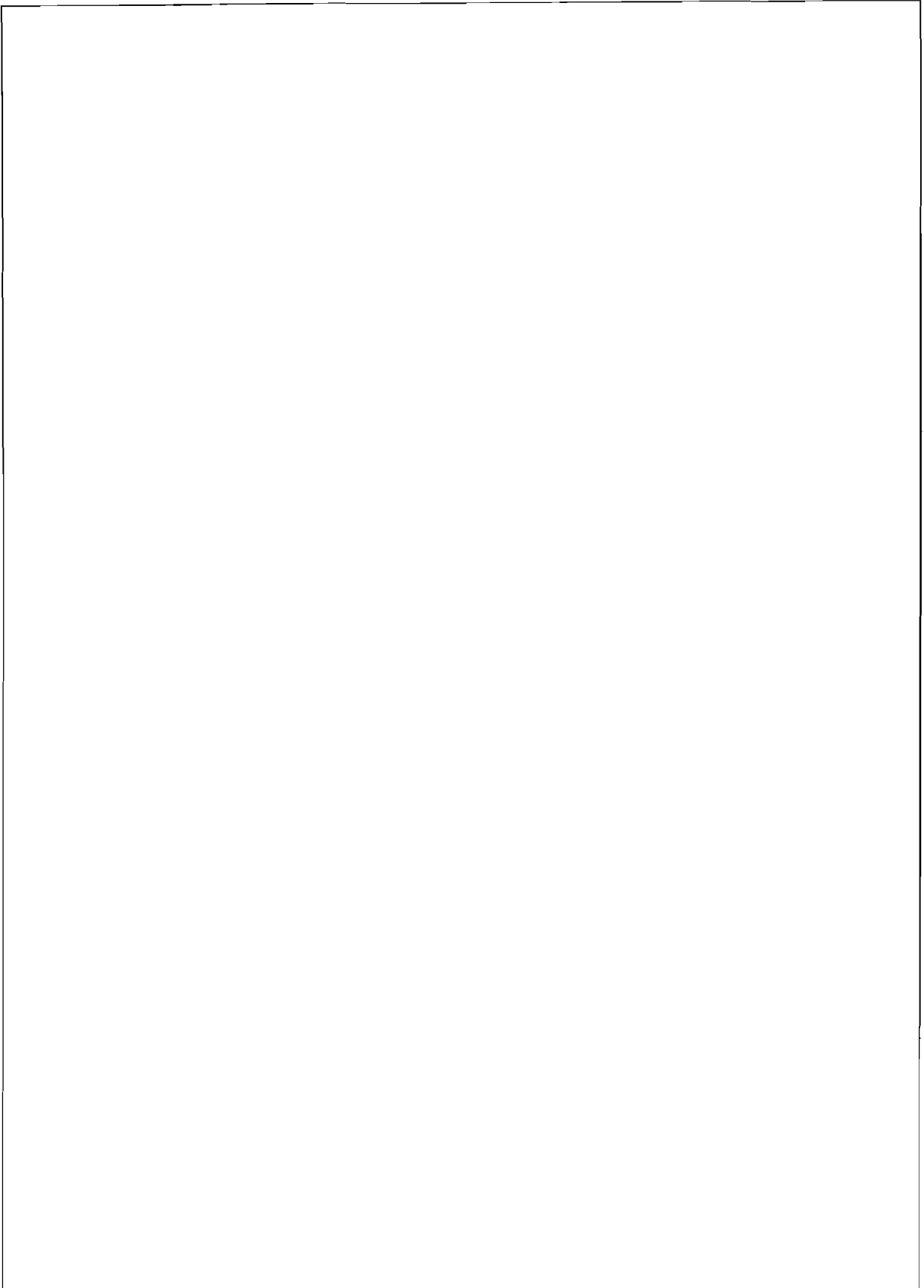
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INSPECTIONS

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

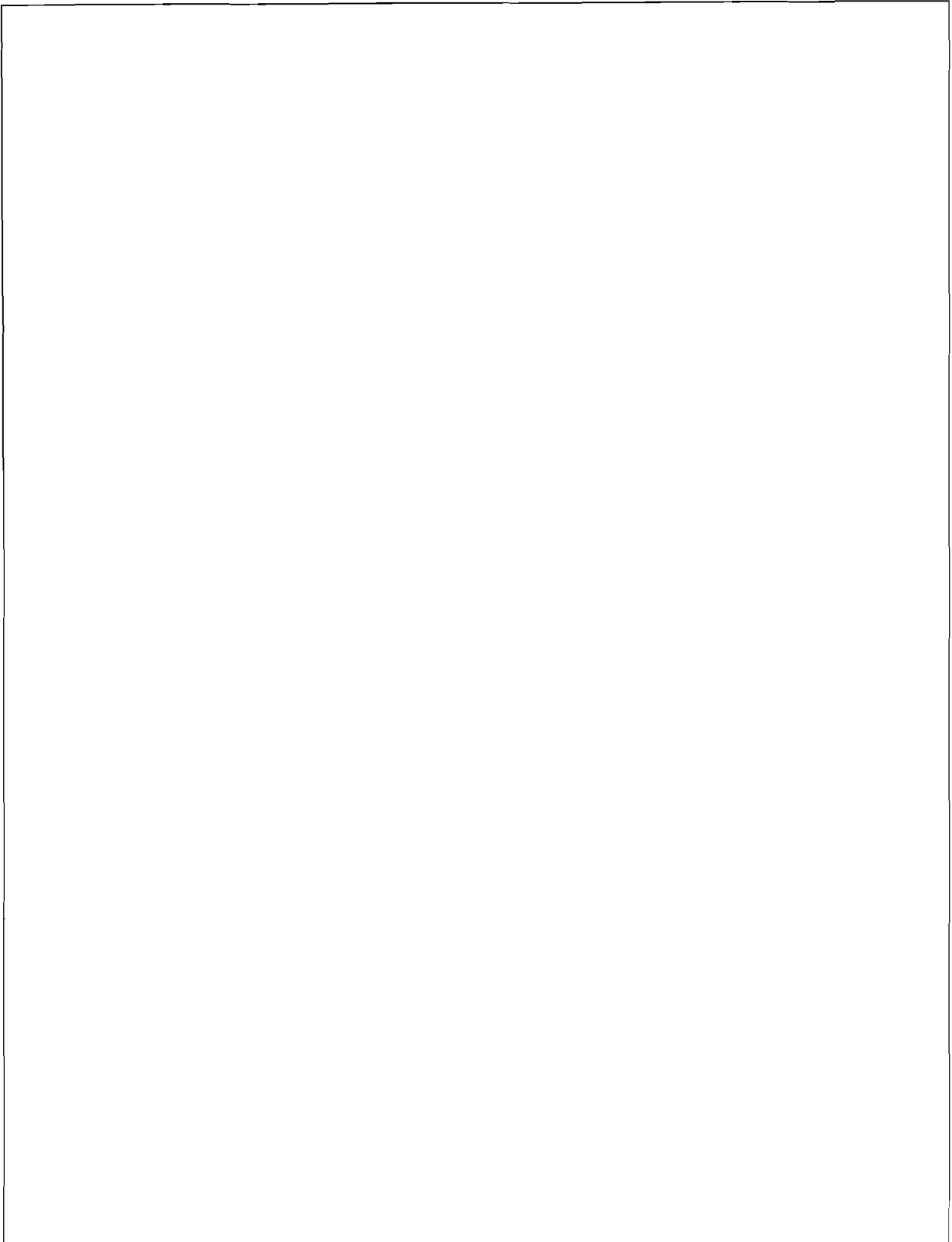
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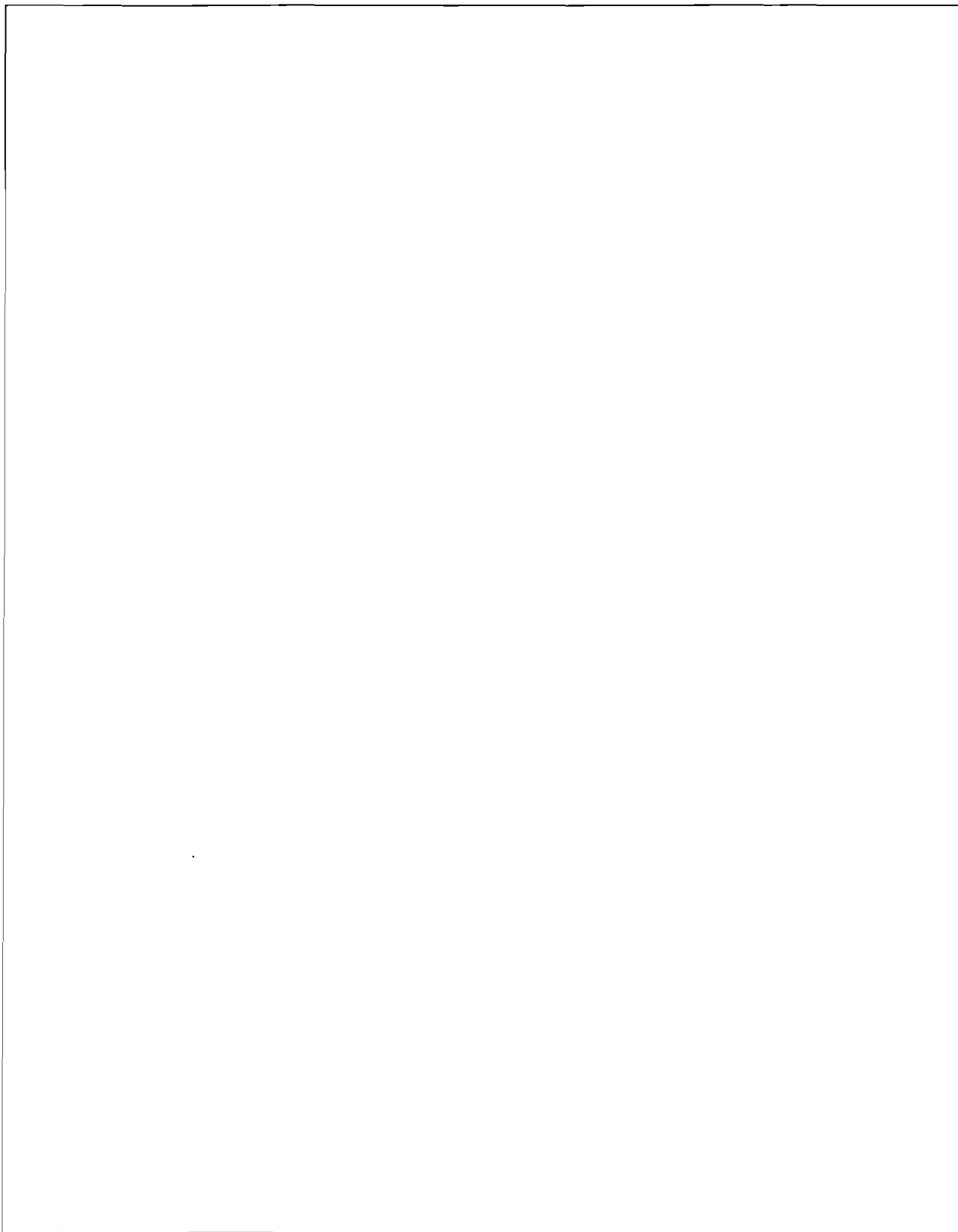
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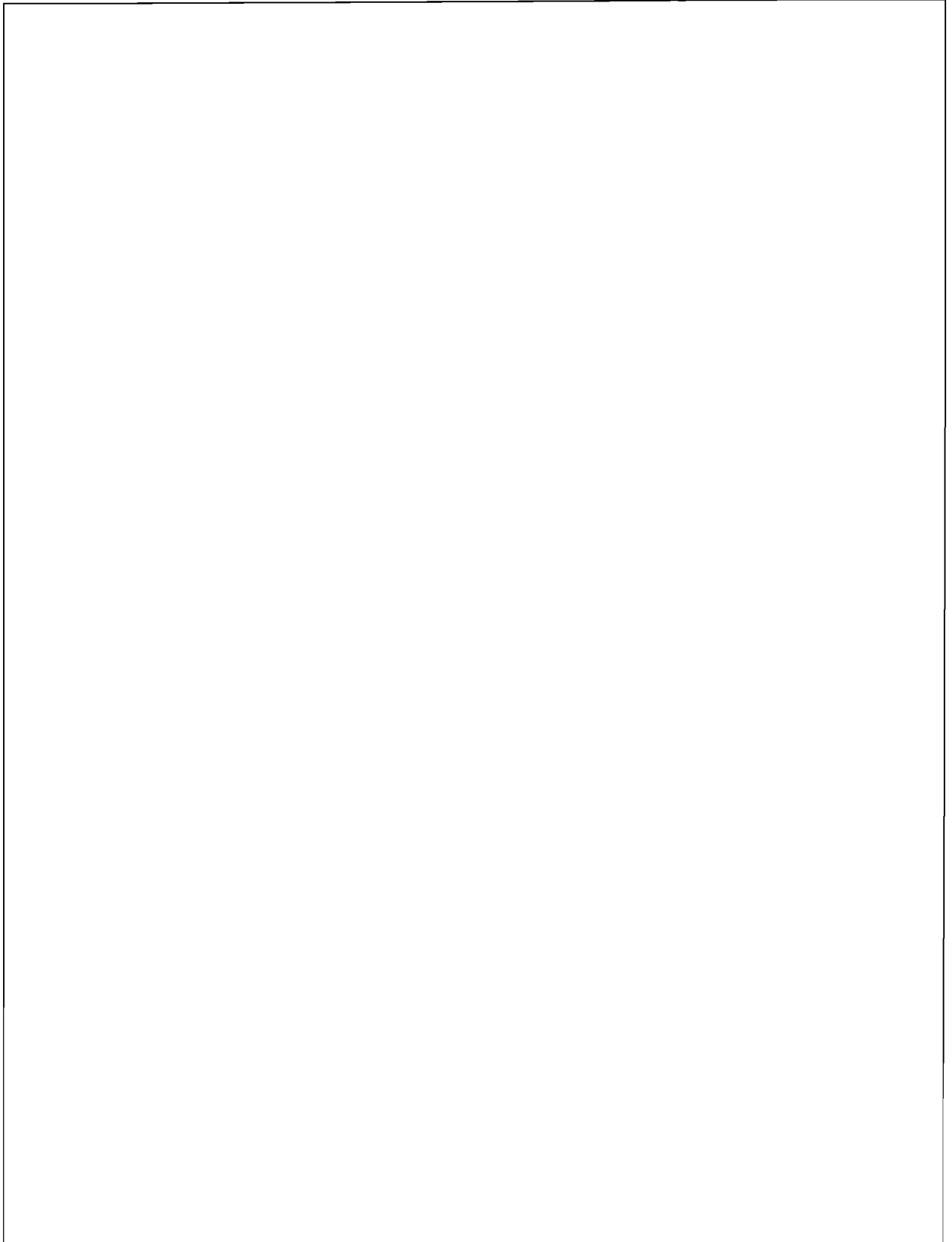
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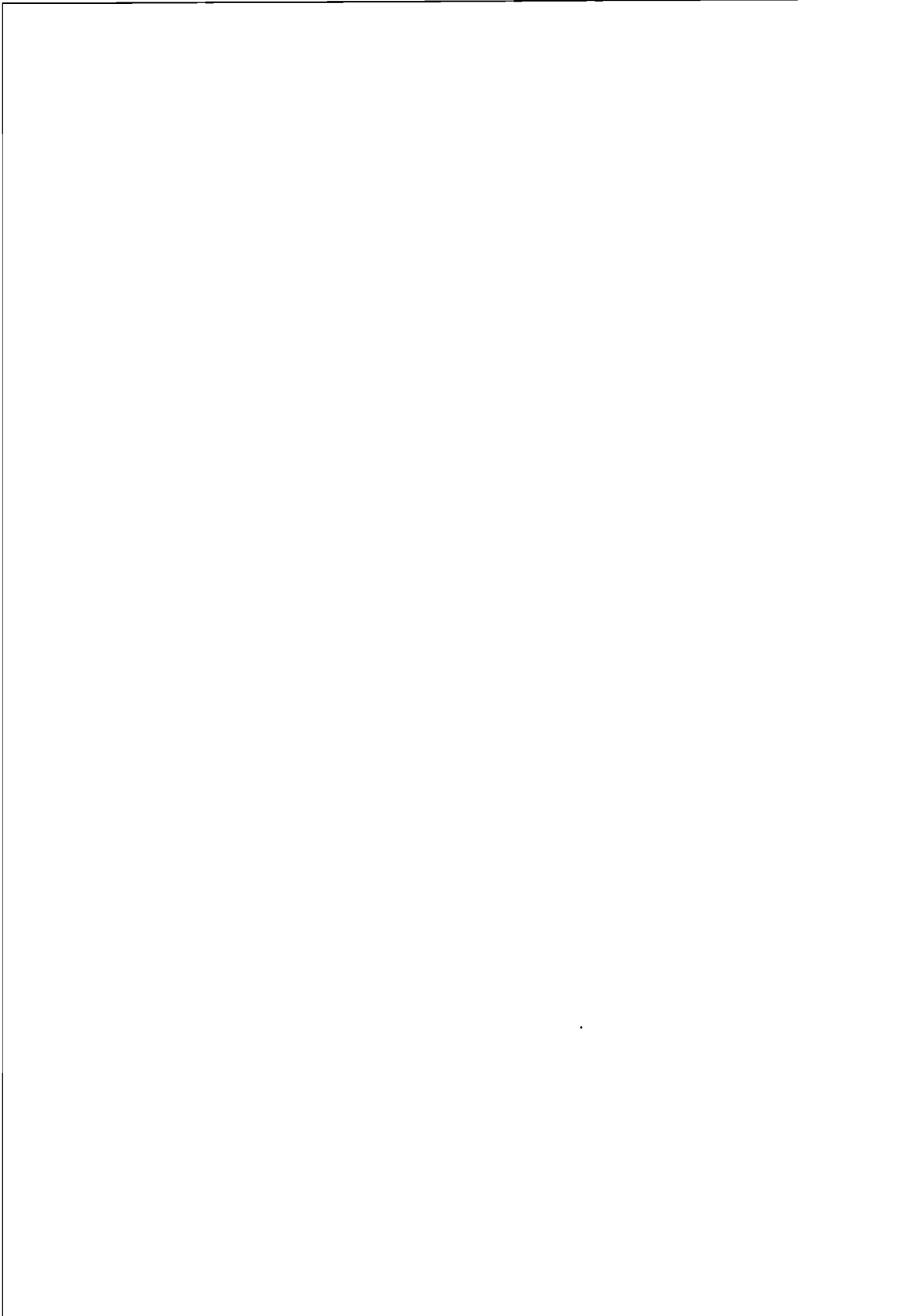
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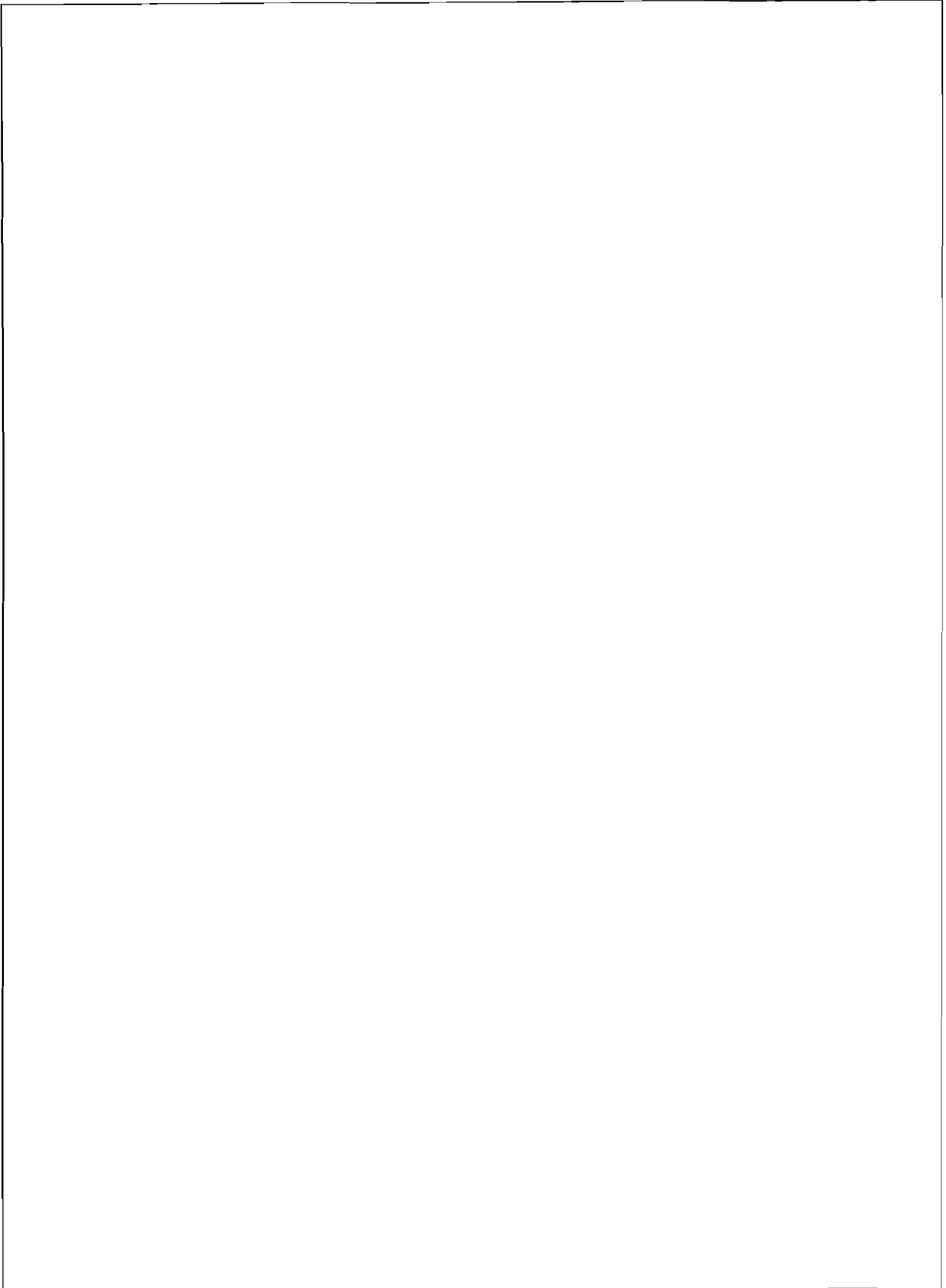
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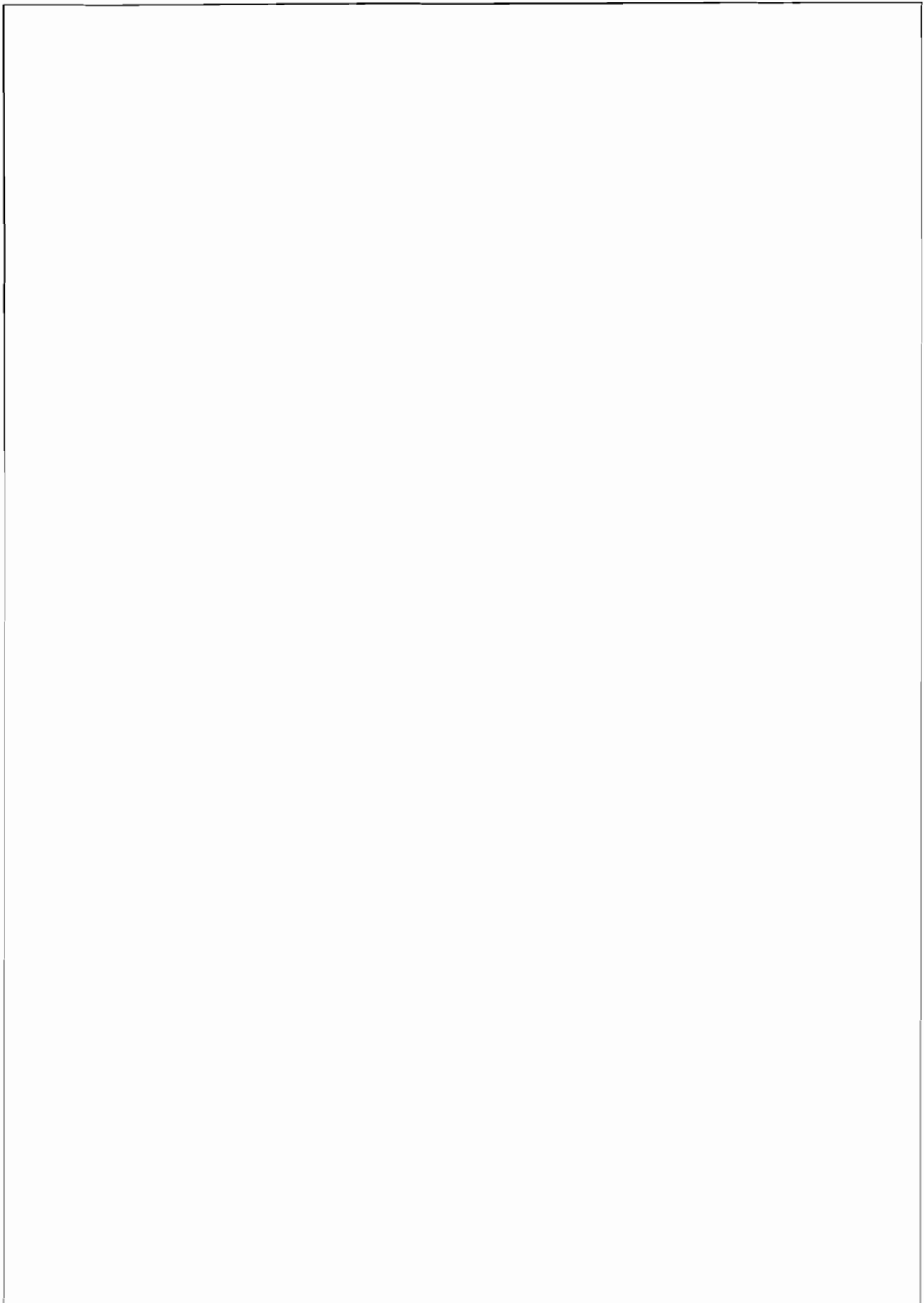
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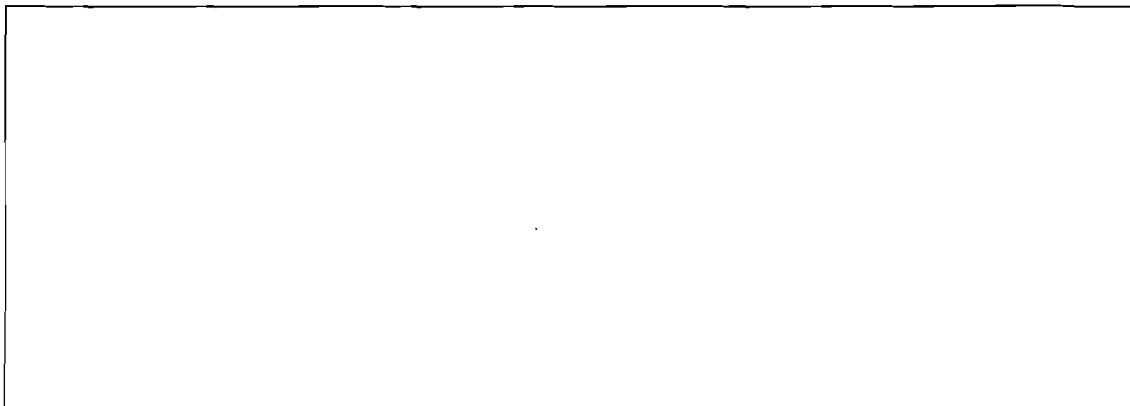
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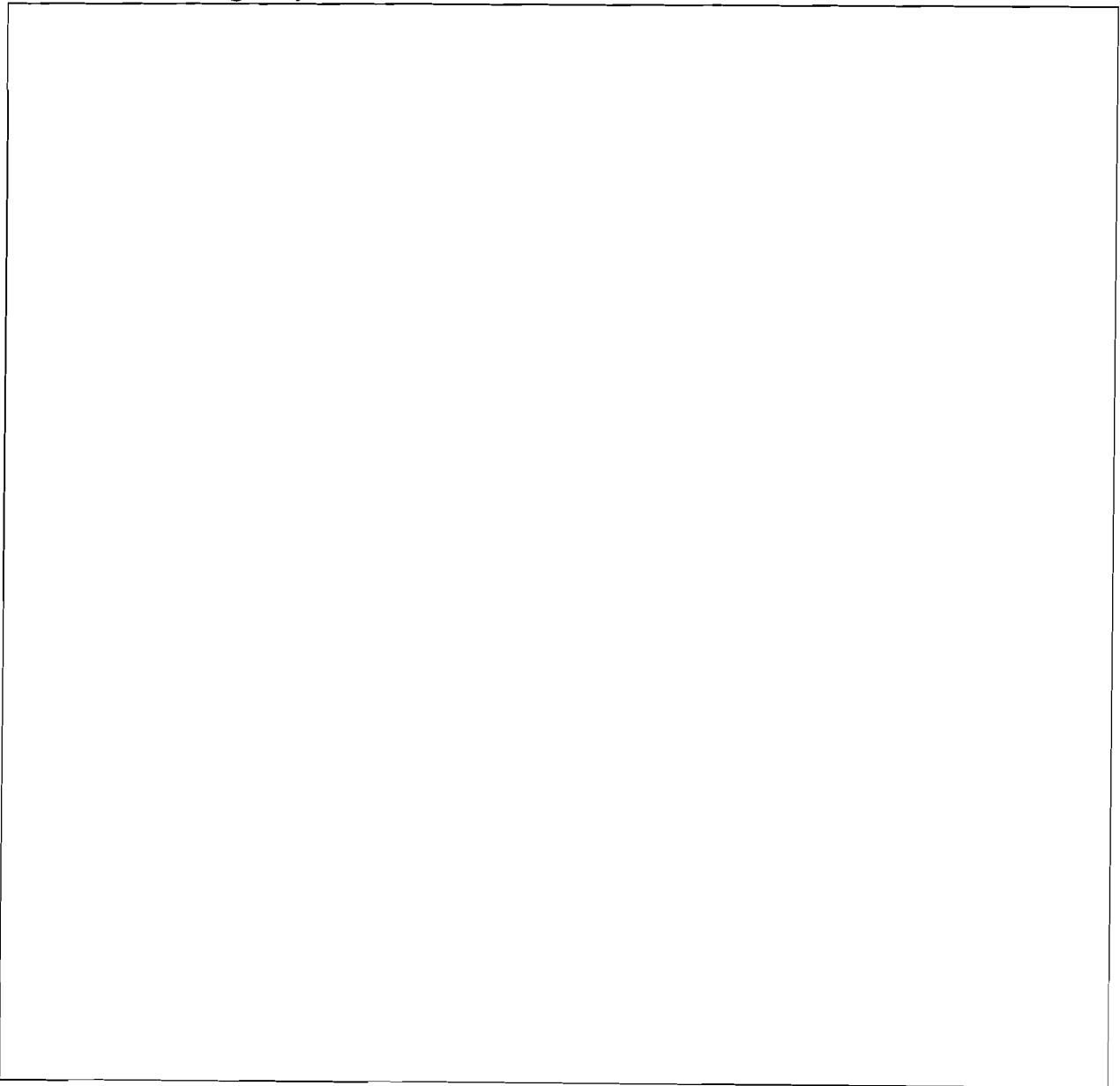
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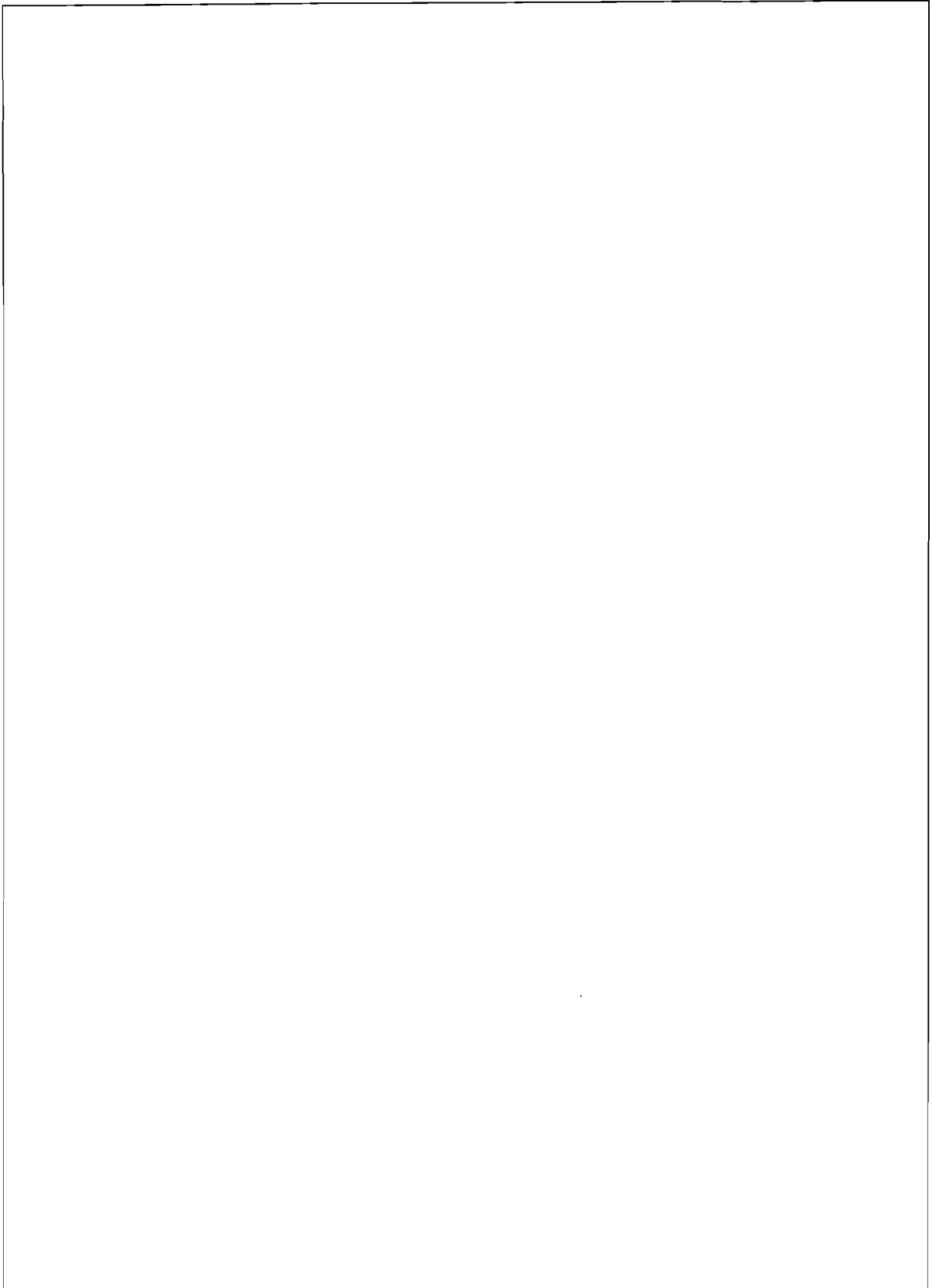
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INVESTIGATIONS

(U) The Investigations Staff is responsible for investigating reports of possible violations of statutes, regulations, policies, or procedures as well as potential waste, mismanagement, abuse of authority, or substantial dangers to public health and safety connected with Agency programs and operations; general oversight and investigations of employee grievances; and appeals of decisions of various Agency boards.

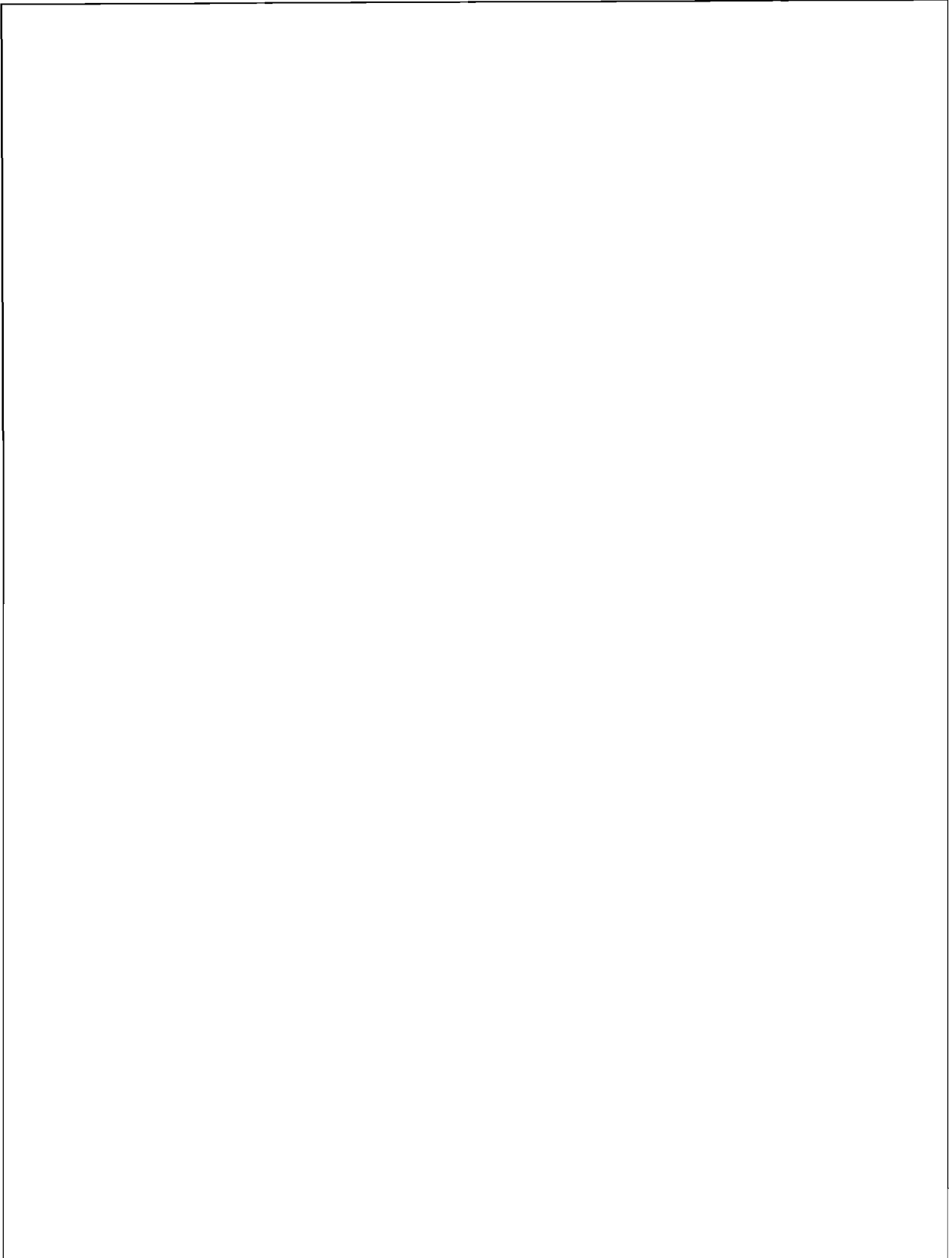
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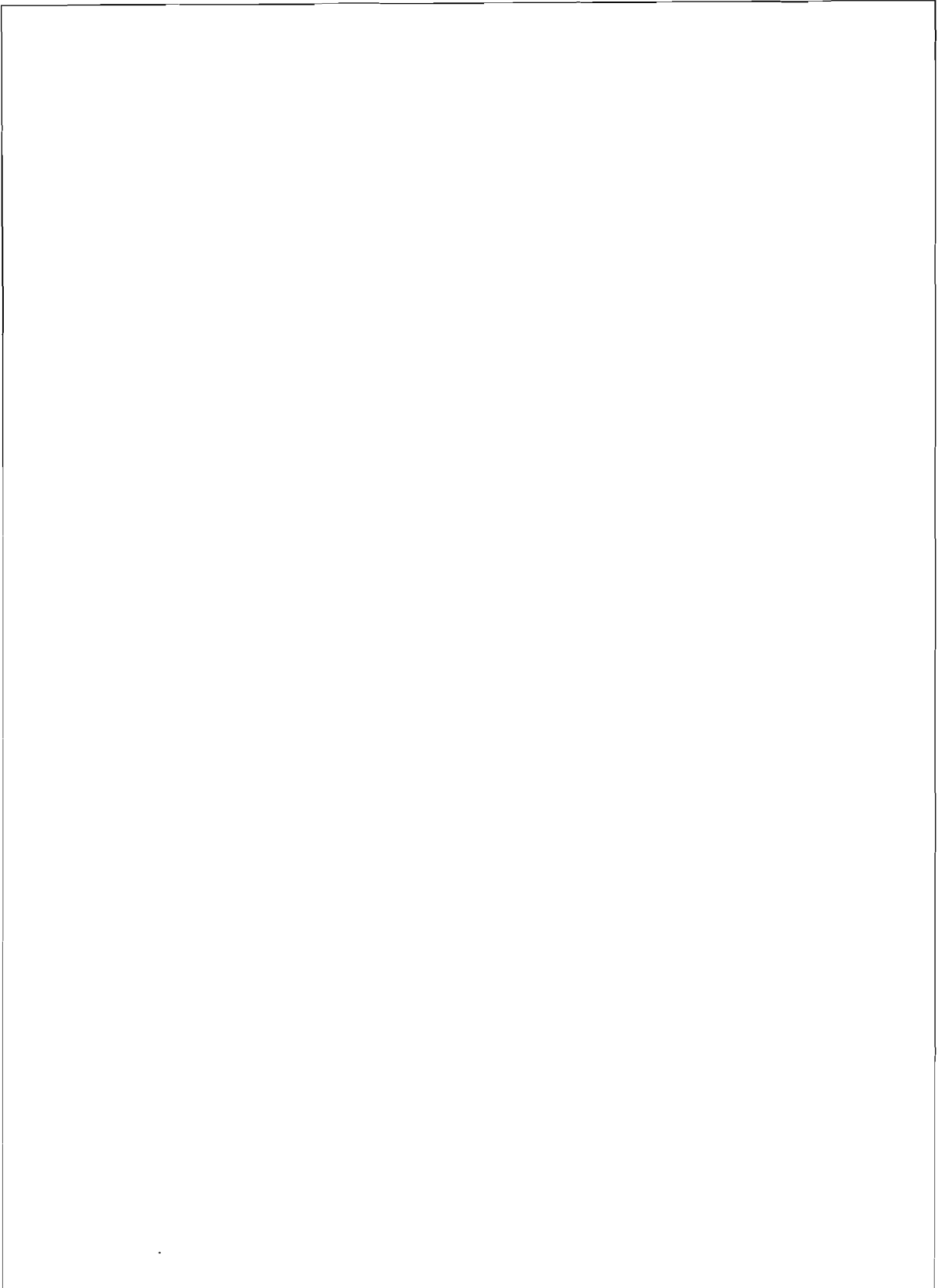
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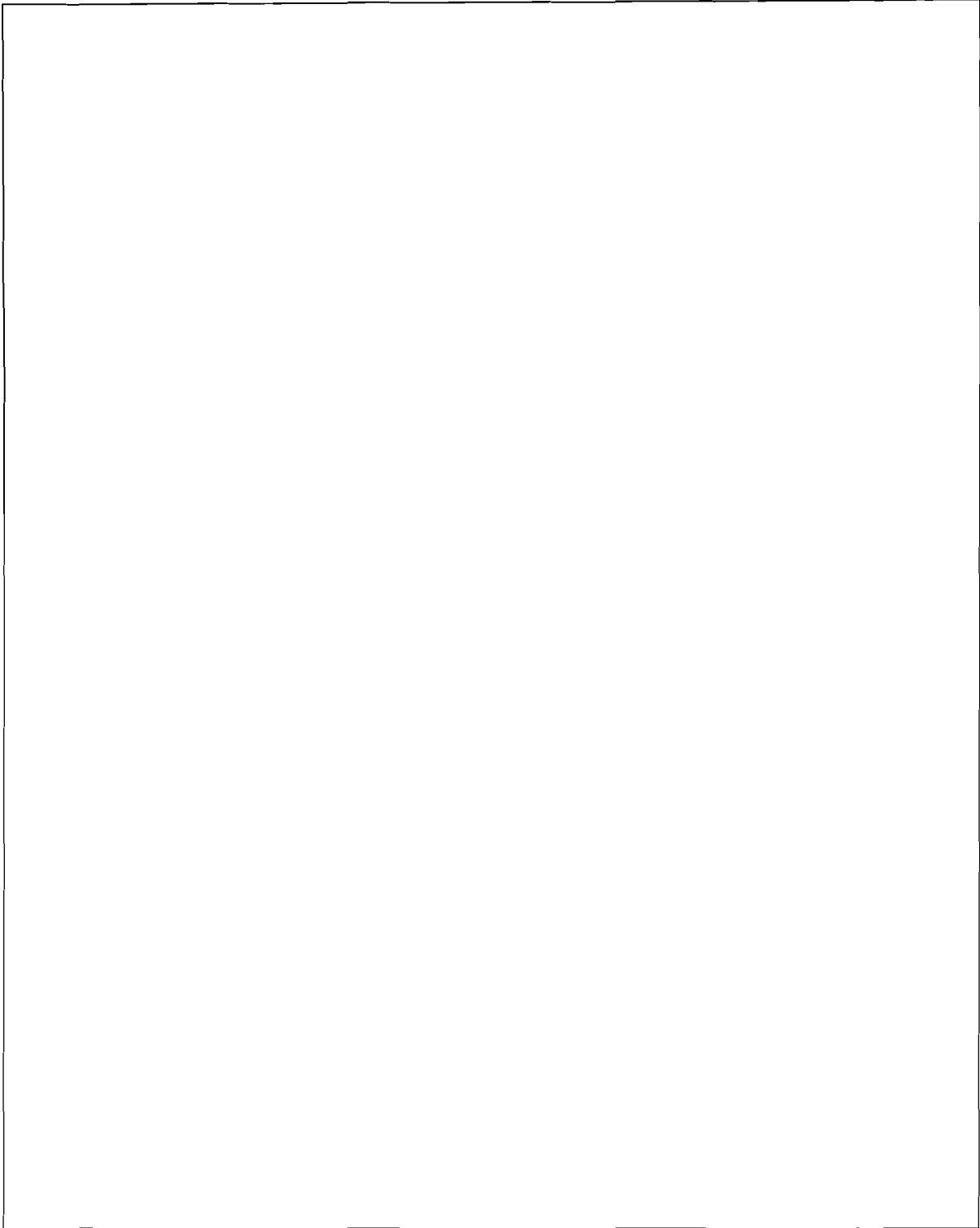
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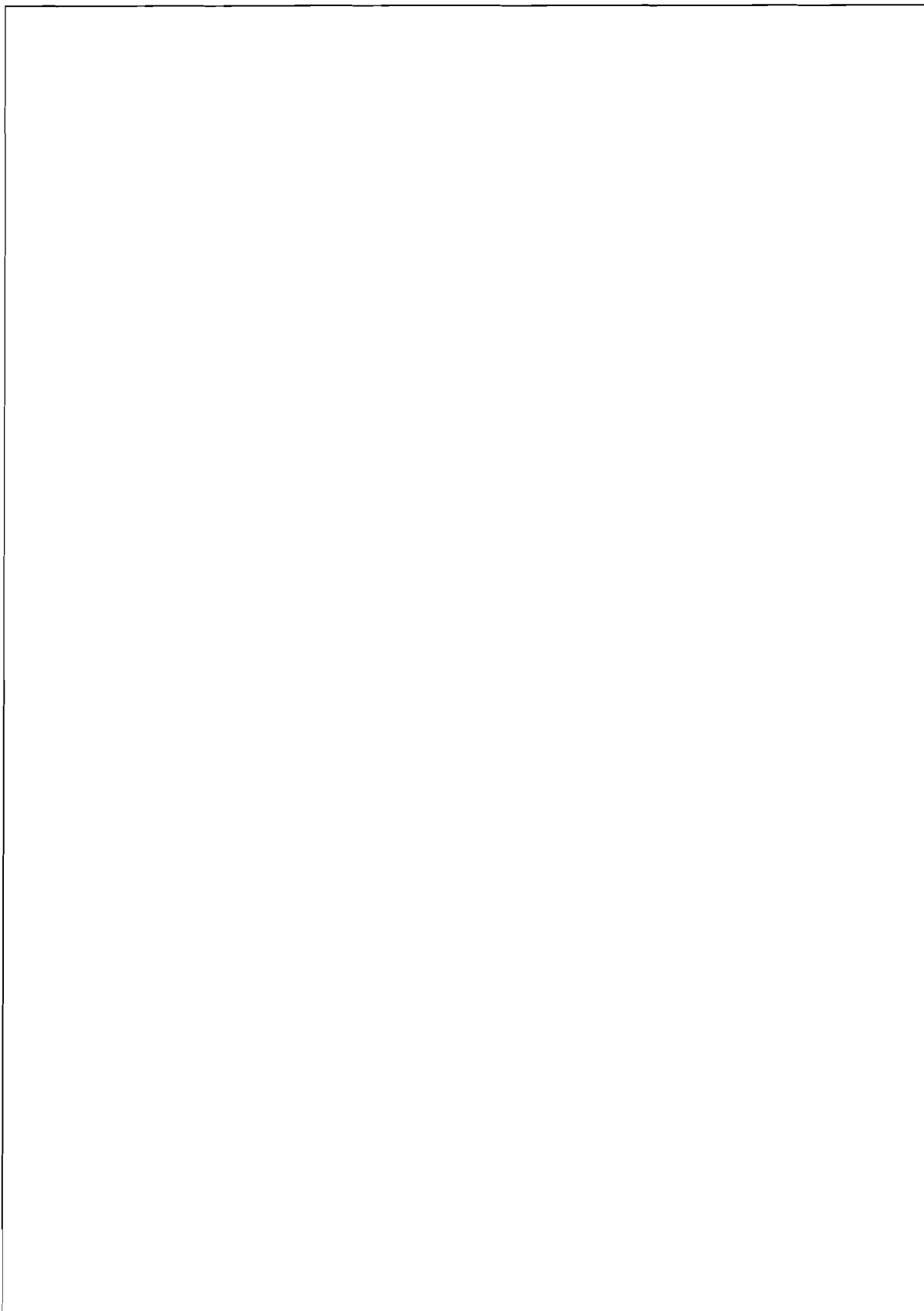
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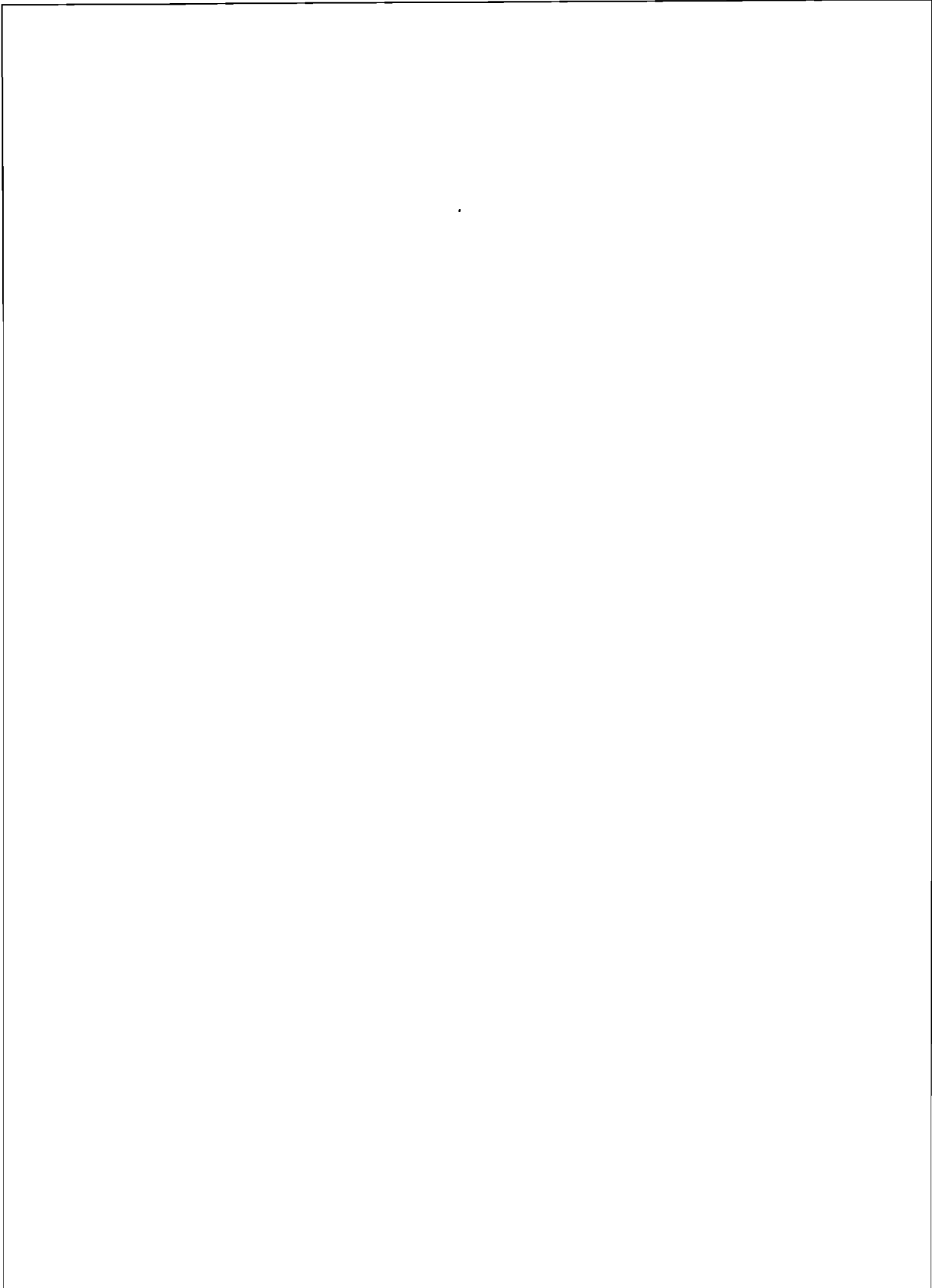
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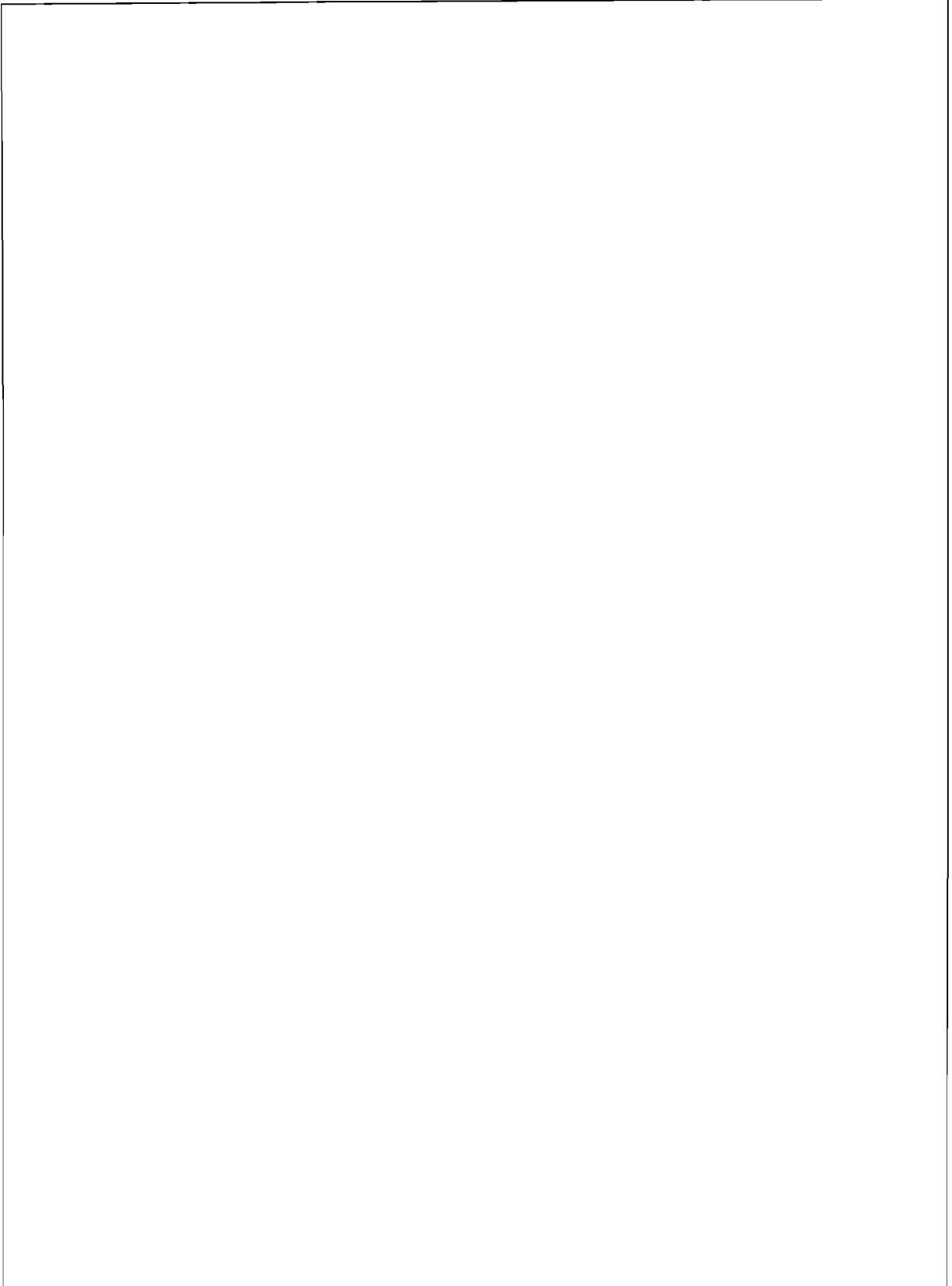
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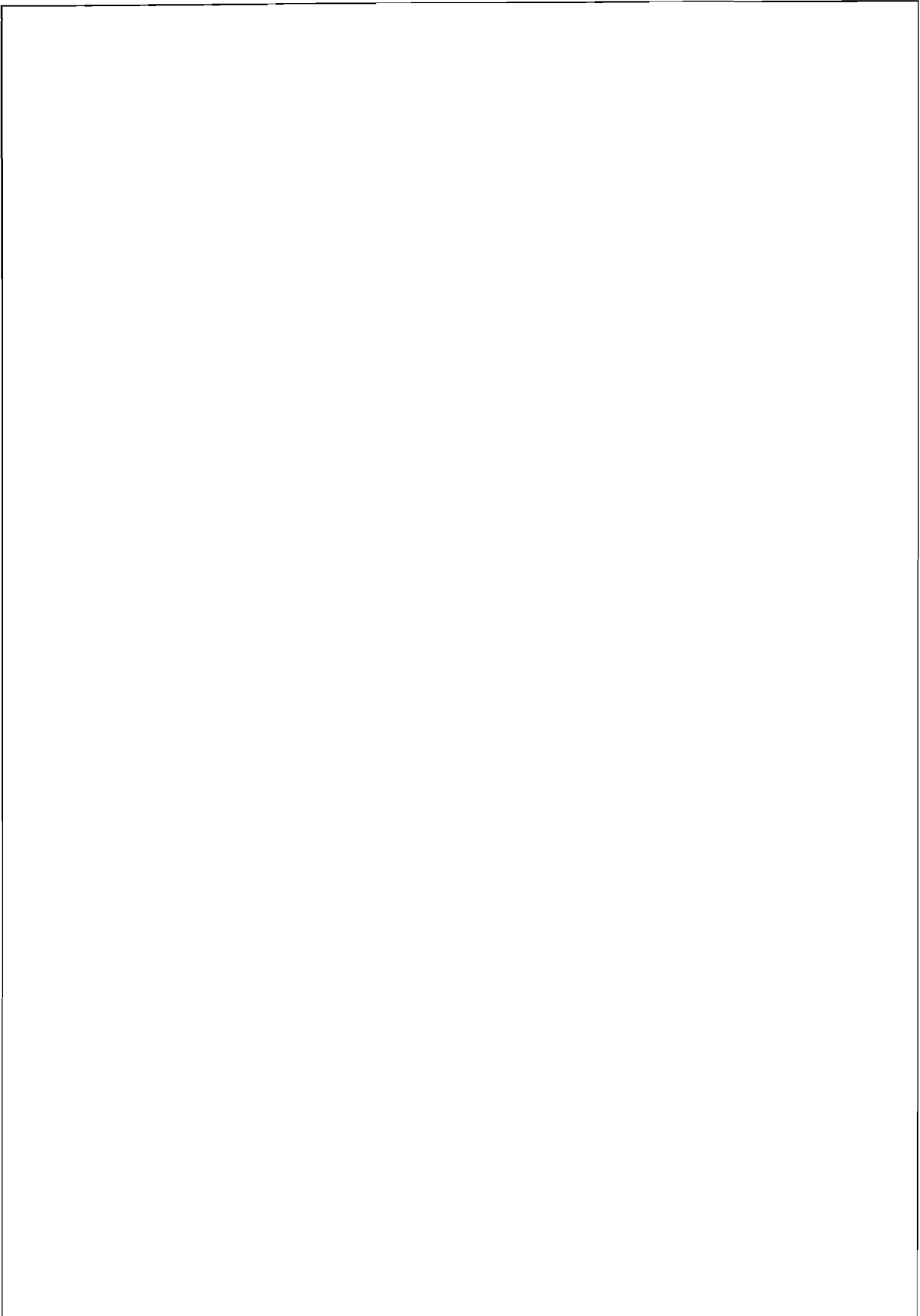
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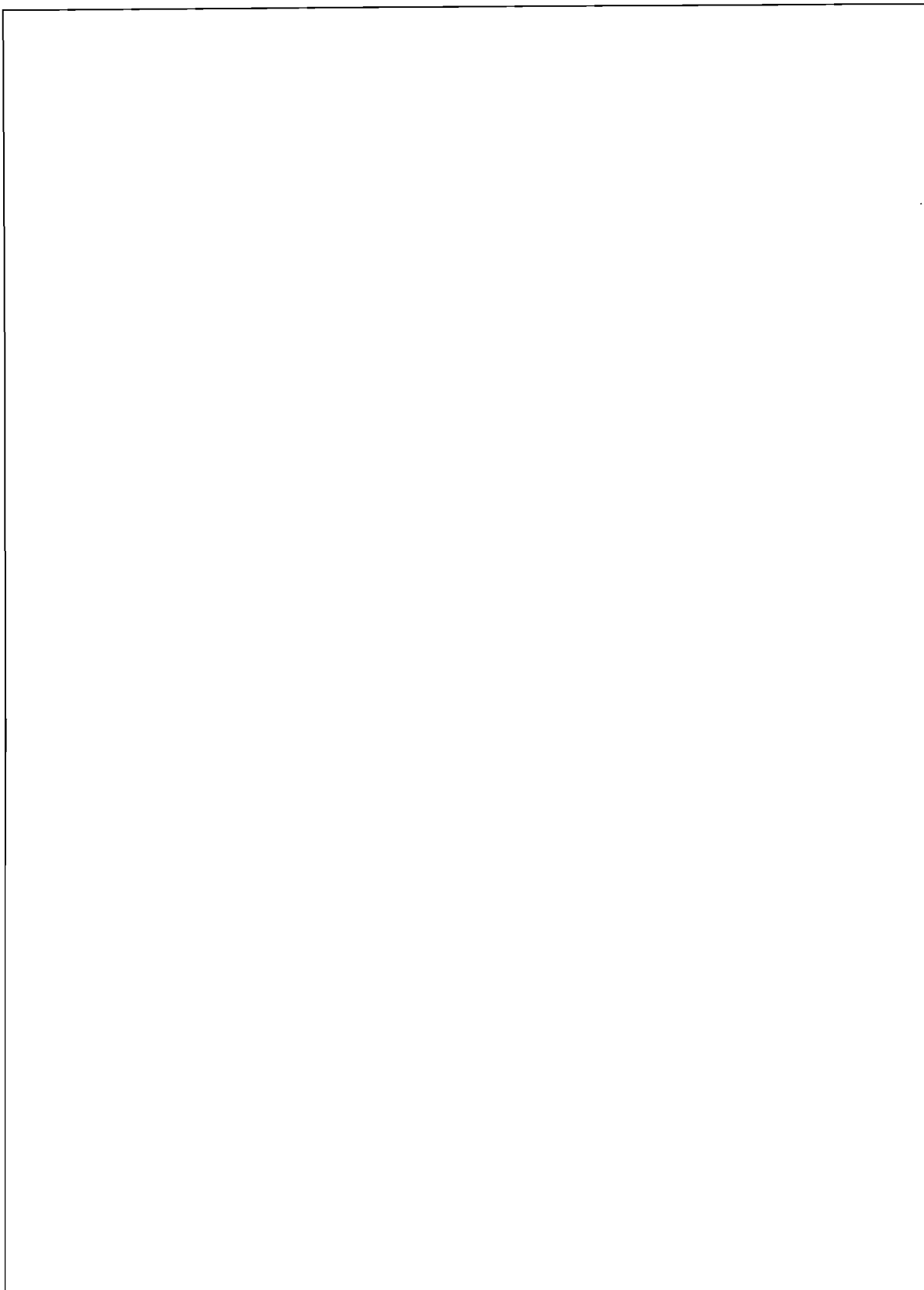
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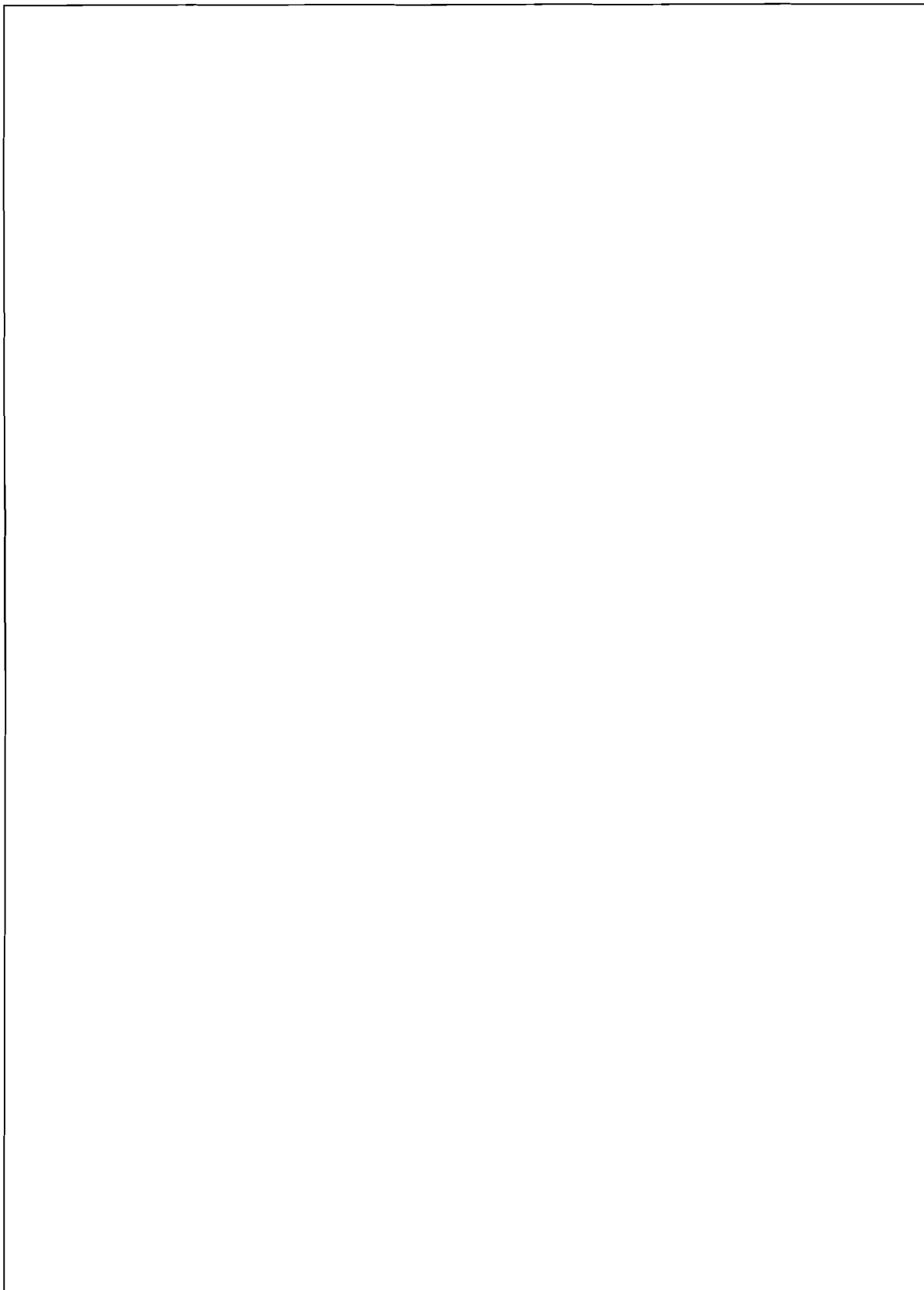
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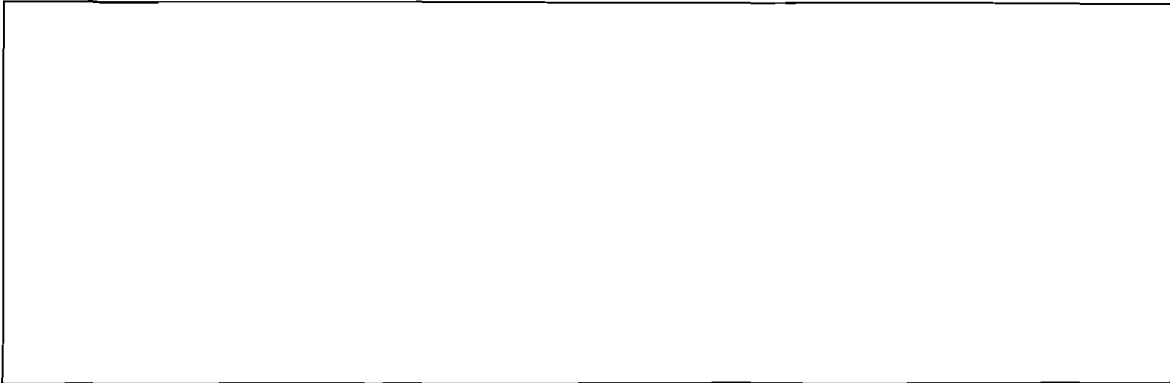


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LEGISLATIVE PROPOSALS

AUTHORITY TO COMMENT ON LEGISLATION

(U) The Inspector General should be given the authority and responsibility to review and comment in the IG's semiannual reports on existing and proposed legislation relating to programs and operations of the Agency. This function would enable the IG to express views concerning the impact of such legislation on the economy and efficiency of Agency activities and the prevention and detection of fraud in such activities. Statutory Inspectors General under the Inspector General Act of 1978 have such authority and responsibility. The legislative history establishing a statutory IG for CIA reveals no indication why this responsibility was not included in the CIA IG statute and there is no reason to withhold this function from the CIA IG. Indeed, Congressional drafters of the 1978 Act believed that the function was implicit in the broad mandate of an IG but considered it so important that they included it in statutory language.

(U) Review and comment by the IG on legislation would complement the IG's responsibility to promote economy and efficiency in Agency programs and operations and would be useful to the DCI and the intelligence committees of Congress as an independent source of analysis.

(U) Accordingly, the IG proposes legislation to add a new subsection (3) to 50 U.S.C. 403q(c), as follows:

(3) to review existing and proposed legislation relating to programs and operations of the Agency and to make recommendations in the semiannual reports required by paragraph (d) concerning the impact of such legislation on the economy and efficiency in the administration of programs and operations administered or financed by

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the Agency or the prevention and detection of fraud and abuse in such programs and operations.

Existing subsections (3) and (4) of 50 U.S.C. 403q(c) would be renumbered as subsections (4) and (5), respectively.

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ANNEX A

AUDITS COMPLETED

1 January - 30 June 1998

(U) Financial and Information Management

(U) Financial Administration at Selected
[] Field Stations

(U) Central Intelligence Agency Retirement and
Disability System 1 October 1993 - 30 September 1996

[] Monetary, 27 March 1996 - 20 March 1998

(U) General Administration

(U) Financial and Fiduciary Administration of
Thrift Savings Plan 1 January 1995 - 31 December 1996

(U) CIA Computer Operations to Support
Thrift Savings Plan Applications

[] Administration of the Exceptional Performance
Awards Program

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~~SECRET~~**(U) Operational Functions and Activities**

(U) Allegations Regarding the Handling of Information
Concerning the Possible Exposure of United States
Armed Forces to Chemical Weapons During
Persian Gulf War

(U) The Central Intelligence Agency's Handling
of Information Related to the Khamisiyah
Ammunition Storage Depot

☐ Control of Weapons and Lethal Materiel:

☐

(U) Procurement and Property Management

(U) Management of the Advanced Technology Acquisition
and ☐

(U) Cost Estimating and Analysis Process for
Major Acquisition Programs at the National
Reconnaissance Office

(U) Allegation Concerning the Development of
Small Satellite Technology by the National
Reconnaissance Office

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ANNEX B

INSPECTIONS COMPLETED

1 January - 30 June 1998

(U) Office of Personnel Security (signed by the DCI)

(U) Africa Division (in review)

(U) National Resources Division (in review)

(U) Office of Technical Collection (in review)

(U) Congressional Notification (in review)

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ANNEX C

INVESTIGATIONS COMPLETED

1 January - 30 June 1998

(U) Alleged Conflict of Interest

(U) Alleged Contract Fraud

(U) Alleged Human Rights Abuse

(U) Alleged Improprieties of Lease

(U) Alleged Misappropriation of Government Property

(U) Alleged Misuse of Government Funds

(U) Alleged Privacy Channel Violation

(U) Alleged Time and Attendance Abuse/Fraud

(U) Alleged Visa Irregularities

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

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(U) Appeal of Lost TDY Funds

(U) CIA Contacts with Roger Tamraz

(U) CIA-Contra Cocaine Connection

(U) Improper Contract Practices

(U) Illegal Conversion of Government Funds

(U) Improper Demotion

(U) Alleged Theft of Government Property

(U) Theft of Government Funds

(U) Theft of Government Property

(U) Time and Attendance Abuse/Fraud

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(b) (1)
(b) (2)
(b) (3)
(b) (5)

*Central Intelligence Agency
Inspector General*



SEMIANNUAL REPORT
TO THE DIRECTOR OF CENTRAL INTELLIGENCE
JULY - DECEMBER 1998

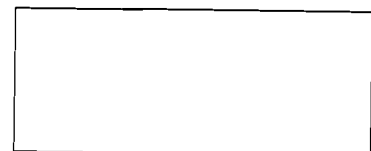
*L. Britt Snider
Inspector General*

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TABLE OF CONTENTS

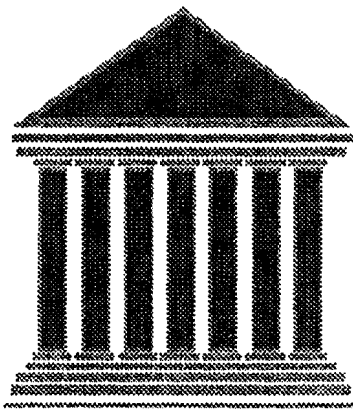
	PAGE
A MESSAGE FROM THE INSPECTOR GENERAL	1
AGENCY ACTION ON OPEN RECOMMENDATIONS	5
OVERVIEW	7
HIGHLIGHTS OF ACTIVITIES AND KEY ISSUES	8
STATISTICAL OVERVIEW	13
AUDITS	17
SIGNIFICANT COMPLETED AUDITS AND OTHER REVIEWS	17
STATUS OF SIGNIFICANT RECOMMENDED ACTIONS FROM PREVIOUS SEMIANNUAL REPORTS	26
INSPECTIONS	47
COMPLETED INSPECTIONS	47
STATUS OF SIGNIFICANT RECOMMENDED ACTIONS FROM PREVIOUS SEMIANNUAL REPORTS	56
INVESTIGATIONS	59
SIGNIFICANT COMPLETED INVESTIGATIONS	59
STATUS OF SIGNIFICANT RECOMMENDED ACTIONS FROM PREVIOUS SEMIANNUAL REPORTS	64
SUMMARIES OF SELECTED CURRENT INVESTIGATIONS	70
ANNEX A: AUDITS COMPLETED	
ANNEX B: INSPECTIONS COMPLETED	
ANNEX C: INVESTIGATIONS COMPLETED	



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A Message from the Inspector General



I was sworn in as the CIA's second statutory Inspector General on August 3, 1998, having been confirmed by the Senate several days earlier. I have thus been on the job for the last five months covered by this semiannual report. [redacted] served with distinction as Acting Inspector General for the balance of the reporting period.

Once on board, I found an organization that was up and running, staffed by professionals who were producing high quality work. Reviewing past reports as well as work in progress only confirmed my impression that the OIG has had, and was continuing to have, a substantial and positive impact on the Agency's operations. At the same time, I found certain aspects of the office's operations which I believed could be improved. Indeed, I have spent a considerable part of the last five months putting policies and procedures in place which I believe will strengthen our overall performance.

We have instituted a new planning process, which will go into effect in the spring of 1999, that will provide a more systematic and rigorous means of deciding where to put the discretionary part of our resources. This process will take into account ongoing initiatives of the Agency as well as attempt to identify areas in need of management attention. Where we see significant shortcomings or vulnerabilities, we will have our inspectors and auditors assess them. The Inspection and Audit staffs of the OIG represent unique capabilities within the Agency and it is incumbent upon us to use them where they will make the most difference.

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We also developed for the first time uniform written procedures to govern the coordination and approval of our inspection and audit reports. These procedures should streamline the coordination process and ensure that the views of affected components are fairly reflected in our reports. These procedures also provide clear guidance in terms of how recommendations in dispute will be handled. With the issuance of these procedures by the DCI in December, I believe the understanding and appreciation of the OIG process has been substantially improved among Agency components.

As part of these changes, we have also adopted the policy that we will cease tracking the status of the Agency's actions to implement the recommendations in our reports after five consecutive semiannual reports and report the recommendation as unsatisfied in the sixth such report, i.e. after three years. Under present practice, long-unsatisfied recommendations, of which there are now few, are tracked in perpetuity, long after it has become clear the Agency does not intend to implement them.

We have also instituted a new arrangement with the Executive Director and his staff to track, and ensure the implementation of, the recommendations in our reports that have been agreed to or otherwise directed. This new arrangement is already producing significant results, as described later in this report.

In recent weeks, we have worked with the Office of General Counsel to incorporate new procedures into a draft Agency Regulation which would govern the disposition of OIG investigative reports where we believe disciplinary action should be considered by Agency management.

Finally, we opened a new OIG Website on the Agency's internal communications system, which provides information to employees about the OIG, including the status of pending audits and inspections. It also provides an additional avenue for employees to contact the OIG—anonynously, should they choose to do so.

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In the fall, I commissioned two separate task forces to look at possible changes to our methodologies. One of these groups was asked to look at our inspection process and devise a uniform methodology that would allow us to quickly identify the issues of importance in any given inspection. The task force has developed such a methodology, which it believes can be employed in both component and "issue" inspections. We will be testing it in one of the inspections to be carried out in the spring of 1999, and, if the methodology proves successful, we will expand its use in the future. A second task force was established in November to assess whether it would be desirable and/or feasible for the OIG to develop a "quick response" capability to address narrowly-scoped issues posed by Agency managers. IGs in other departments and agencies have developed such capabilities with apparent success, and some form of "quick response" may be appropriate here. The report of this task force is due to me at the end of February, 1999, at which time we will assess its utility to our overall operation.

I have also directed the staff to prepare a report for the DCI and senior Agency managers which will highlight significant trends and lessons learned from the entire body of the OIG's work over the previous calendar year, noting, in particular, areas where increased management attention appears warranted. If the report is well received, I intend to make it a recurring part of the OIG's contribution.

In short, I have encouraged the office to look at innovative ways of carrying out its work.

But, in the meantime, of course, that work goes on. At any one time, we have as many as 150 investigations, 8-10 inspections and 20-25 audits in progress. While each will vary in terms of its complexity, virtually all require extensive interviewing and data-gathering, and ultimately result in reports that have to be written and coordinated, and recommendations that must be tracked and assessed for compliance. All this requires an effort of considerable magnitude not simply to produce a finished product, but to ensure quality and fairness along the way. In this latter regard, I am ably assisted by

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*John Helgerson, who became my Deputy in December 1998; []
[] who was appointed Assistant IG for Investigations in
November; [] Assistant IG for Inspections; and []
[] Assistant IG for Audit. Credit for any success which may be
achieved by the OIG, however, ultimately belongs to the
investigators, auditors, and inspectors who are the ones doing the
digging, preparing the analyses, and proposing the recommended
courses of action.*

*We have made considerable progress over the last six months.
While much remains to be done, I believe CIA's OIG is well-
positioned for the future—in terms of its staff, its process, and its
outlook—to satisfy its statutory responsibilities and thereby help the
Agency perform its own mission more efficiently and effectively.*

*L. Britt Snider
Inspector General
January 1999*

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AGENCY ACTION ON OPEN RECOMMENDATIONS

Since the last OIG Semiannual Report, the Agency has made considerable progress in satisfying the recommendations contained in OIG reports previously reported as open. This progress can be largely attributed to the efforts of the CIA's Executive Director, who in early November issued a memorandum to all Agency components instructing them to take appropriate actions to satisfy all outstanding recommendations, as well as to the Executive Director's staff, who made an intense follow-up effort to ensure compliance with the November memorandum. As a result of these actions, Agency components made a concerted effort to satisfy the open recommendations. As noted in greater detail later in this report, all of the outstanding recommendations contained in previously published OIG reports of investigation were satisfied; seven of the 10 inspection reports previously reported as open or completed since the last semiannual report were closed; and 7 of the 13 audit reports containing recommendations for Agency managers previously identified as open were also closed.

The Agency is to be commended for these efforts. What had been an inordinately large backlog of open recommendations has, for all practical purposes, been eliminated. With continuing emphasis from the Executive Director and senior Agency management, this backlog should remain at manageable levels for the foreseeable future.

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OVERVIEW

Statutory Requirements

(U) This report is submitted pursuant to section 17 of the Central Intelligence Agency Act of 1949, as amended, which requires the Inspector General to provide to the Director of Central Intelligence, not later than 31 January and 31 July of each year, a semiannual report summarizing the activities of the Office of Inspector General for the immediately preceding six-month periods, ending 31 December and 30 June, respectively.

(U) All audit activities of the OIG are carried out in accordance with generally accepted government auditing standards. All OIG inspection and investigation activities conform to standards promulgated by the President's Council on Integrity and Efficiency.

(U) The OIG has had full and direct access to all Agency information relevant to the performance of its duties. The statutory subpoena authority that has been provided to OIG by Section 402 of the Fiscal Year 1998 Intelligence Authorization Act has been very helpful in ensuring that OIG is able to obtain access to relevant documents outside the Agency. During this reporting period, one IG subpoena was issued for financial records that otherwise would have been unavailable to OIG investigators.

(U) The OIG has no legislative proposals at this time.

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~~SECRET~~**HIGHLIGHTS OF ACTIVITIES AND KEY ISSUES****Audit Staff Highlights**

(U) During the reporting period, the Audit Staff focused on a variety of issues related to Agency activities and participated in a number of joint reviews of Intelligence Community programs.

(U) Within the Agency, the Audit Staff examined the implementation of the Agency's Central Services Working Capital Fund. Establishment of a working capital fund structure within the Agency represents a significant change in the way the Directorate of Administration provides support and is intended to promote efficient use of resources by placing resource allocation decisions in the hands of mission managers and focusing their attention on the full cost of operations. This audit focused on whether the necessary infrastructure was in place to support the administration of the Central Services Working Capital Fund, plan for the addition of new business enterprises, and control and protect fund assets.

☐ The Audit Staff also completed audits that examined:

- ◆ The efficiency and effectiveness of the Agency's approach to resolving the Year 2000 computing issue.
- ◆ ☐
- ◆ The Agency's use of funds associated with expired appropriations.
- ◆ The effectiveness of policies and procedures for protecting Agency information systems against computer viruses.

☐ The Audit Staff has continued to work closely with its counterparts at the Department of Defense (DoD), the Defense Intelligence Agency (DIA), the National Reconnaissance Office (NRO), the National Security Agency (NSA), and the Department of State and to pursue involvement in joint oversight of Intelligence Community programs. During this reporting period the audit staff completed a joint audit of the efficiency and effectiveness of

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[redacted]
its customers. As of 31 December 1998, ongoing Audit Staff work with other audit organizations included:

- ◆ Determining whether mechanisms and administrative processes established under Director of Central Intelligence Directives (DCIDs) for coordination of US espionage, counterintelligence, and related intelligence liaison activities with foreign governments and international organizations are effective, and whether policies established under the DCIDs for the disclosure of US intelligence to officials of foreign governments and international organizations are uniformly applied.
- ◆ Evaluating the Agency's role in the export licensing process for dual-use commodities and munitions to determine whether current practices and procedures are consistent with established national security and foreign policy objectives.
- ◆ Conducting a joint audit of the [redacted] support to law enforcement agencies.
- ◆ Participating in a joint audit of the fiscal year 1998 financial statements of the NRO to evaluate the reliability of financial data supporting the statements, the accuracy of the statements, and the adequacy of footnote disclosure in the statements.
- ◆ Providing assistance to the DoD IG in its evaluation of the release of classified information to the [redacted] website.

(U) In August 1998, the Audit Staff completed an external quality control review of the Security Audits Division of the Department of State Office of Inspector General's Office of Security and Intelligence Oversight. In December 1998, the CIA and DoD Inspectors General issued the final report on the joint quality control review of the NRO Office of Inspector General. In early 1999 a CIA auditor will again be assigned to the audit staff of the DIA Inspector

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General. The heads of the audit staffs at CIA, DIA, NRO, and NSA continue to meet periodically as a way of formalizing their interaction and to discuss matters of mutual interest in auditing intelligence activities.

Inspection Staff Highlights

(U) During this reporting period, [] formerly dual hatted as the Deputy Inspector General and the Chief of the Inspection Staff, became the full-time Assistant Inspector General for Inspections. In the last six months of 1998, the Director of Central Intelligence signed five inspection reports: Africa Division, [] [] Congressional Notification, and Surge. In addition, the Inspection Staff completed three full inspections of major Agency components and programs. The completed inspection reports, currently being reviewed by various Agency components, include the [] [] the Crime and Narcotics Center, and Latin America Division. The results of these inspections will be summarized when the reports have been signed.

(U) In addition to the full inspections, several mini-inspections were completed, such as a review of the agency's co-op student housing program, and reviews were undertaken of outstanding recommendations from previous inspections.

(U) Five full inspections are in progress: the Arms Control Intelligence Staff, Central Eurasia Division, the Office of Communications, [] and Competitive Analysis in the Directorate of Intelligence.

(U) Preparations are under way for the fifth running of the successful two-week training course for new inspectors, which will provide nine new inspectors with a set of methodological tools for conducting effective inspections as well as hands-on, team-building experiences. The course continues to be effective in quickly preparing new inspectors for rapid staff participation. For the second

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consecutive running, an investigator and an auditor will be invited to join the course.

(U) The staff is also preparing a training seminar for new team leaders. During this one-day seminar new team leaders will be given material and information about launching and running a team more efficiently.

(U) Lastly, during November and December of 1998, the Chief of the Inspection Staff commissioned a small team of inspectors to look into using performance assessment methods to help conduct more efficient and better-focused inspections. The team presented a viable system, which will be used on a trial basis during an inspection in early 1999.

Investigations Staff Highlights

(U) The past six-month period has been a time of transition for the Investigations Staff due to significant personnel changes within the Office of Inspector General. The Deputy Inspector General for Investigations, after seven years of service in that position, departed the staff. He was replaced by [REDACTED]

[REDACTED] The Associate Deputy Inspector General for Grievances retired from government service, and his duties were assumed by one of the current team leaders. Throughout this time of transition, the Investigations Staff team structure provided stability, and the day-to-day tasks proceeded without interruption.

[REDACTED] There are also five new investigators on the Investigations Staff, two of whom are currently attending the nine-week Criminal Investigators Course at the Federal Law Enforcement Training Center. One new investigator completed the course in October and the other two are scheduled to attend in the near future. In this hiring period, the Investigations Staff chose to select more junior officers for the first time, in order to establish a leadership base for the future. Also, the Investigations Staff converted three

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rotational personnel to permanent cadre, which adds experience and depth to our Staff.

[] The Investigations Staff continues to focus on reducing its inventory of older cases and, with new management in place, we are reviewing our policies and taking a fresh look at the way we do business. For example, the Investigations Staff has established a self-directed working group to develop more proactive approaches to our mission which will assist in preventing, as well as detecting, instances of waste, fraud, and abuse.

[] In an effort to concentrate our resources on significant cases, we have continued our practice of referring appropriate non-criminal, management-related issues to relevant managers for inquiry and action. We have also employed this approach with noted success to grievance cases, referring them to the lowest managerial level where solutions may be found, while maintaining an oversight role as the employees' venue for appeal. This practice has greatly reduced the number of grievance cases investigated by the Staff and has freed the two grievance investigators to take on cases of criminal wrongdoing. Overall, these streamlined methods have paid dividends in terms of OIG's caseload and have focused management's attention on problems within their purview.

(U) This reporting period has also seen significant changes in the Staff's day-to-day business methods. Following the transition to a new LAN management system, the Investigations Staff successfully introduced a new Access-based case tracking system to better manage current and historical investigative case records. This new system will improve standardization and monitoring of ongoing cases, as well as improving statistical reporting. The Staff was instrumental in the development of the system and all have received extensive training in its use.

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STATISTICAL OVERVIEW

(U) During the period 1 July to 31 December 1998, the Audit Staff completed 11 audits and two external quality control reviews; Inspection Staff conducted five full inspections; and Investigations Staff completed 119 investigative matters.

Audit Staff

(U) Eleven audit reports and two quality control reviews (see Annex A) contained 52 recommendations. Twenty of the recommendations dealt with improving financial management and information systems, eighteen with improving overall management and utilization of the workforce, ten with improving program effectiveness, and four with improving procurement management.

Inspection Staff

(U) During the last six months of 1998, the Inspection Staff issued five inspection reports; three additional full inspection reports were completed by the Inspection Staff and are in review. (See Annex B.) Five mini-inspections were completed, and five full inspections remained in progress.

Investigations Staff

(U) The Investigations Staff completed work on 119 matters of various types during this reporting period. Of this number, 24 cases were of sufficient significance to be the subject of a final report—13 Reports of Investigation and 11 Disposition Memoranda (see Annex C). A number of noteworthy completed and current cases are described more fully in this report.

(U) Recoveries on behalf of the US Government this reporting period as a result of the Investigations Staff's efforts totaled approximately \$74,200.

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(U) During this period, eight matters were referred formally to the Department of Justice based upon a reasonable belief that violations of Federal criminal law may have been committed. One additional matter was referred on a *de minimis* basis.

(U) As of 31 December 1998, 138 matters were in various stages of review by the Investigations Staff.

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	ONGOING	OPENED	CLOSED
Total Cases	138	103	119
Grievances	17	46	47
Grievances	13		
Assignment	2	4	3
Compensation	1	4	8
Management and Supervision	6	20	20
Medical	0	1	2
Retirement/Separation	2	2	1
Other - Grievance	2	7	7
Board Appeals	4	8	6
General Investigations	121	57	72
Criminal and Prohibited Acts	97		
Conflicts of Interest	14	4	4
Copyright	0	0	1
False Claims/Statements/Vouchers	20	7	9
False Claims - Frequent Flyer Misuse	0	0	2
False Claims - Other	7	7	3
False Claims - Time & Attendance	13	2	6
False Claims - Visa/Passports	3	0	1
Firearms	0	0	1
Megaprojects	2	1	0
Misconduct - Employee	0	0	0
Misconduct - Management	6	6	6
Procurement Fraud	14	3	4
Theft and Misuse of Govt Property	18	7	6
Regulatory Violations	9	3	6
Safety and Environment	1	0	1
Unsubstantiated Allegations	2	4	7
Waste	1	0	1
Other - Administrative/Criminal	11	13	14

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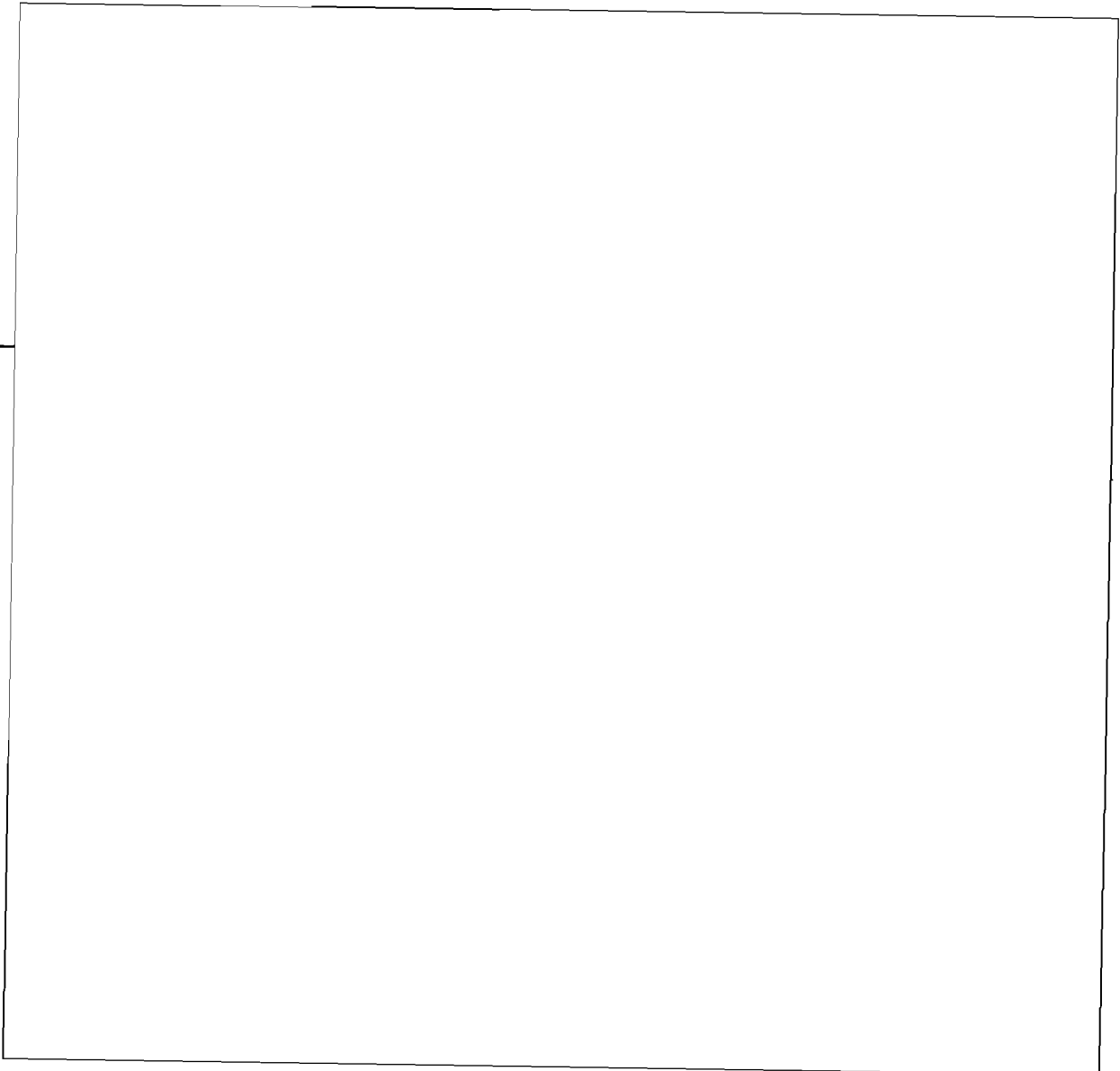
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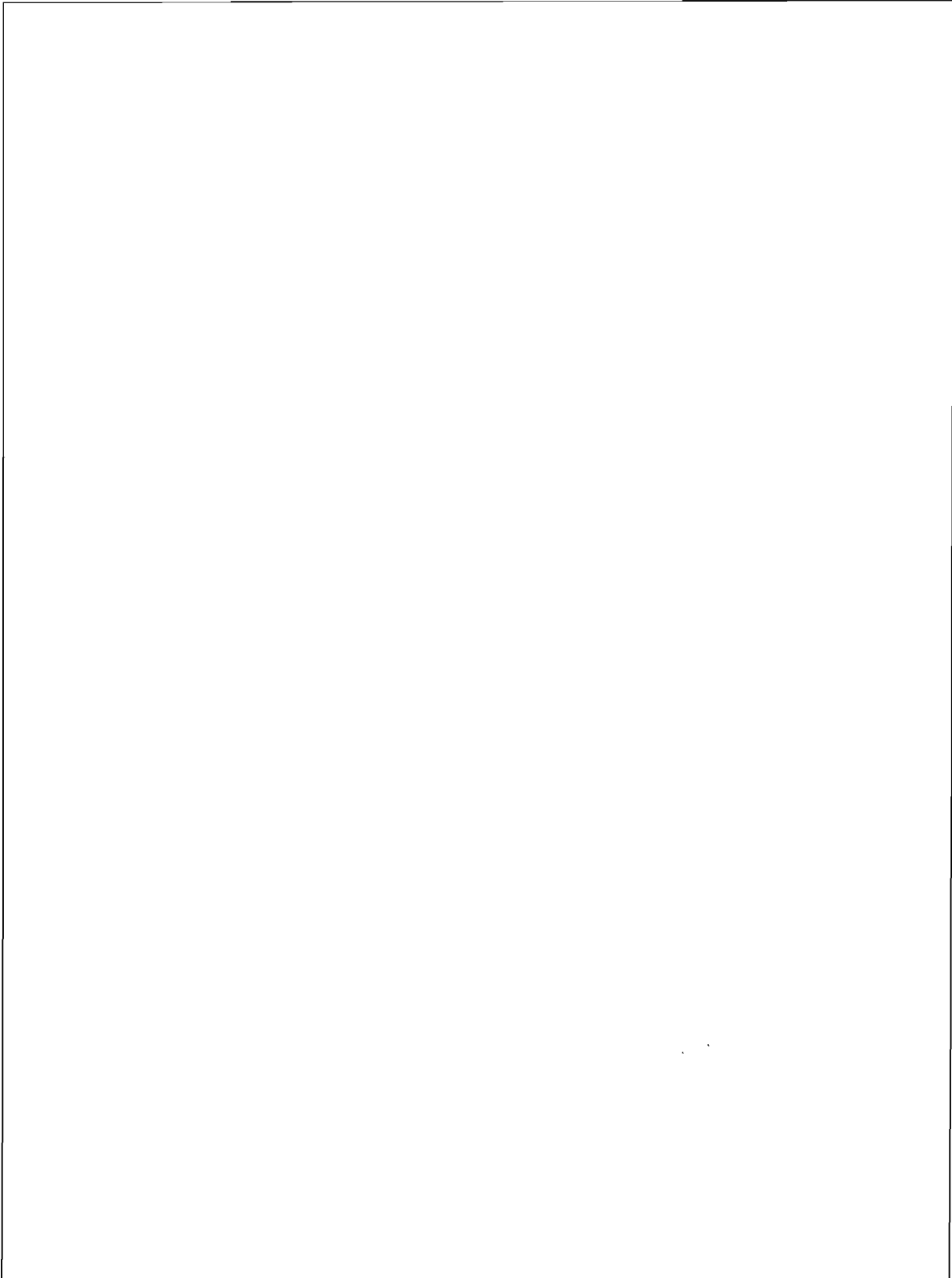
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AUDITS

(U) The Audit Staff is responsible for conducting performance and financial audits of all Agency activities in accordance with generally accepted government auditing standards, and for ensuring that recommendations in audit reports are resolved to the satisfaction of the IG.

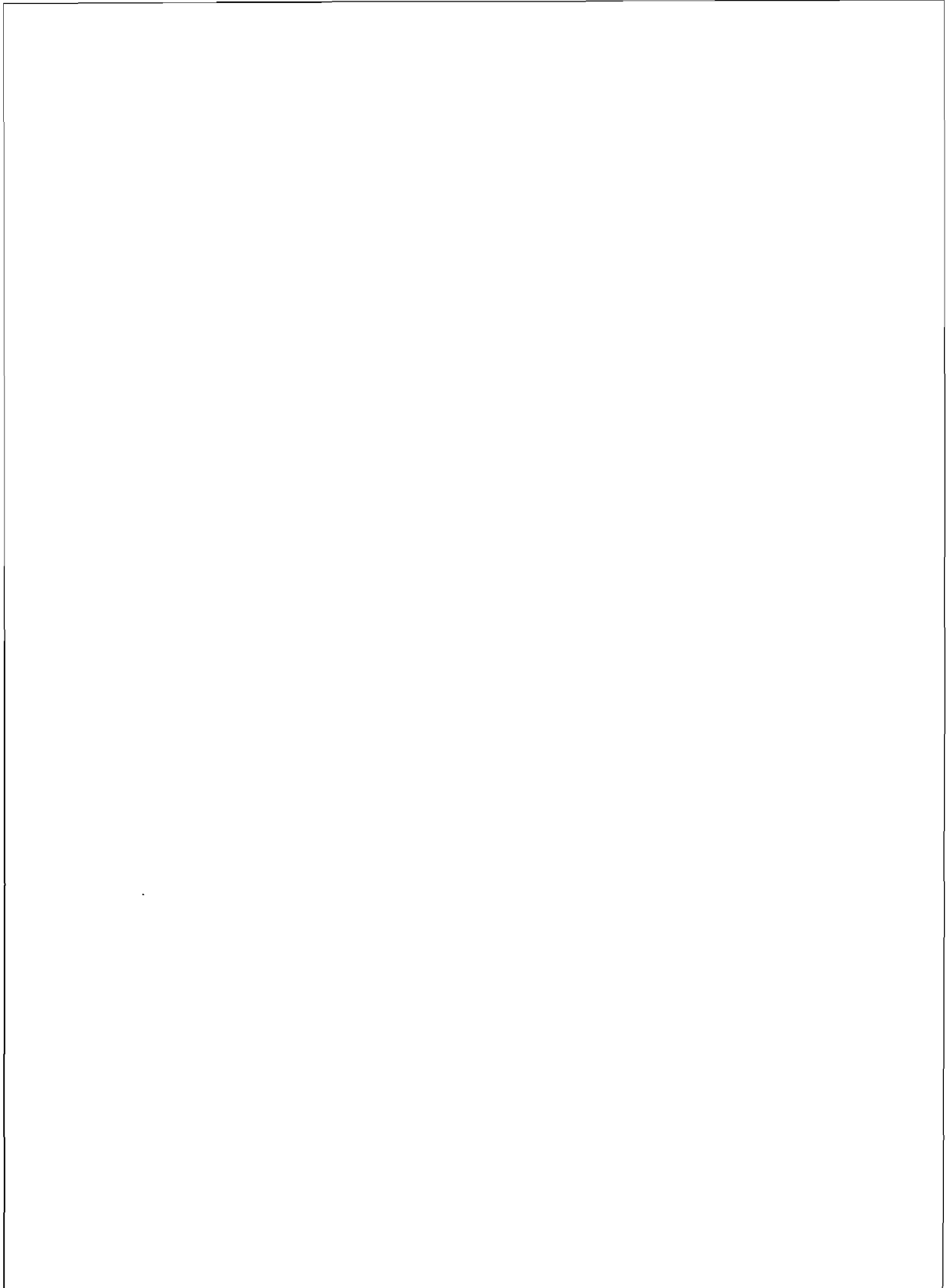
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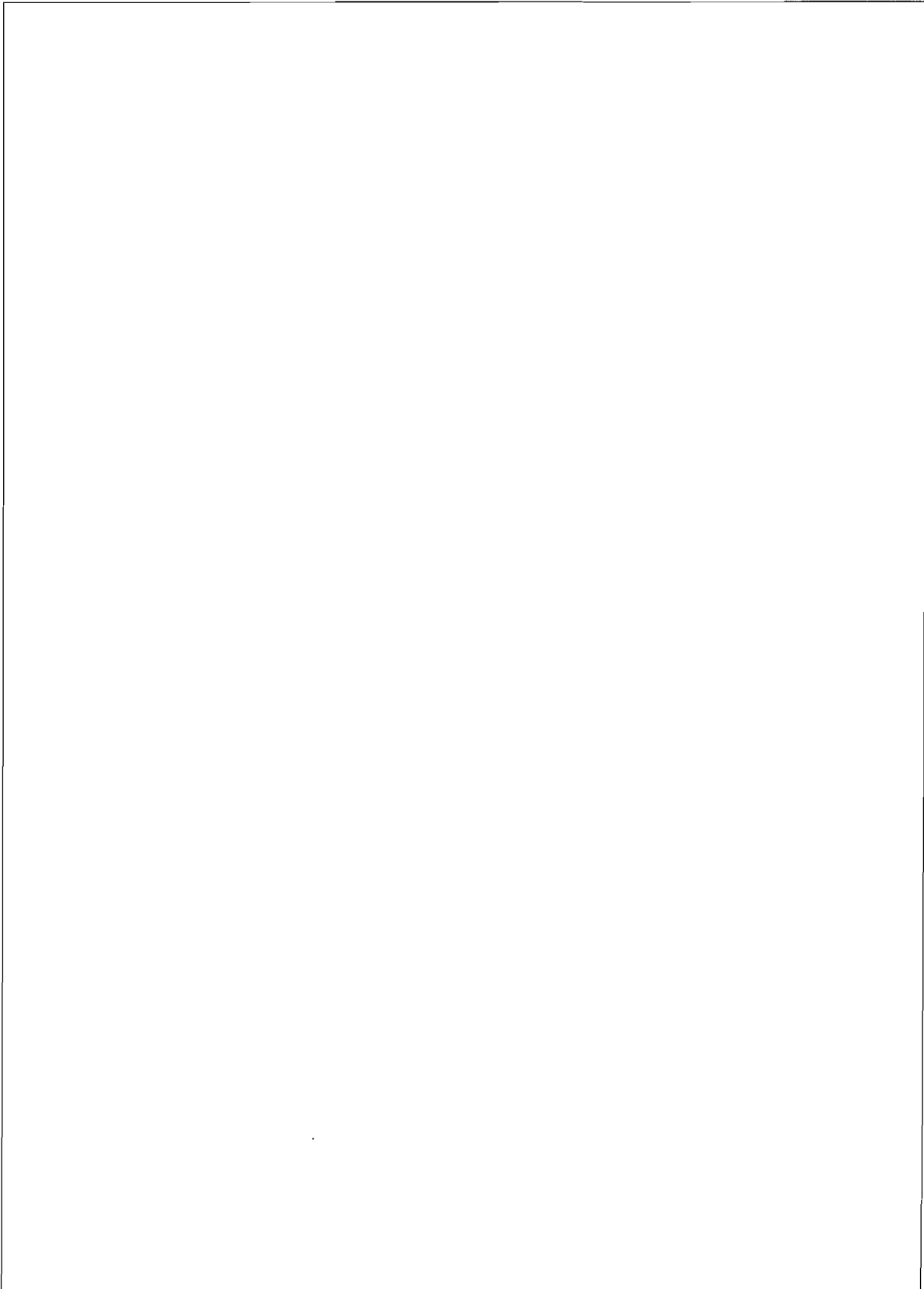
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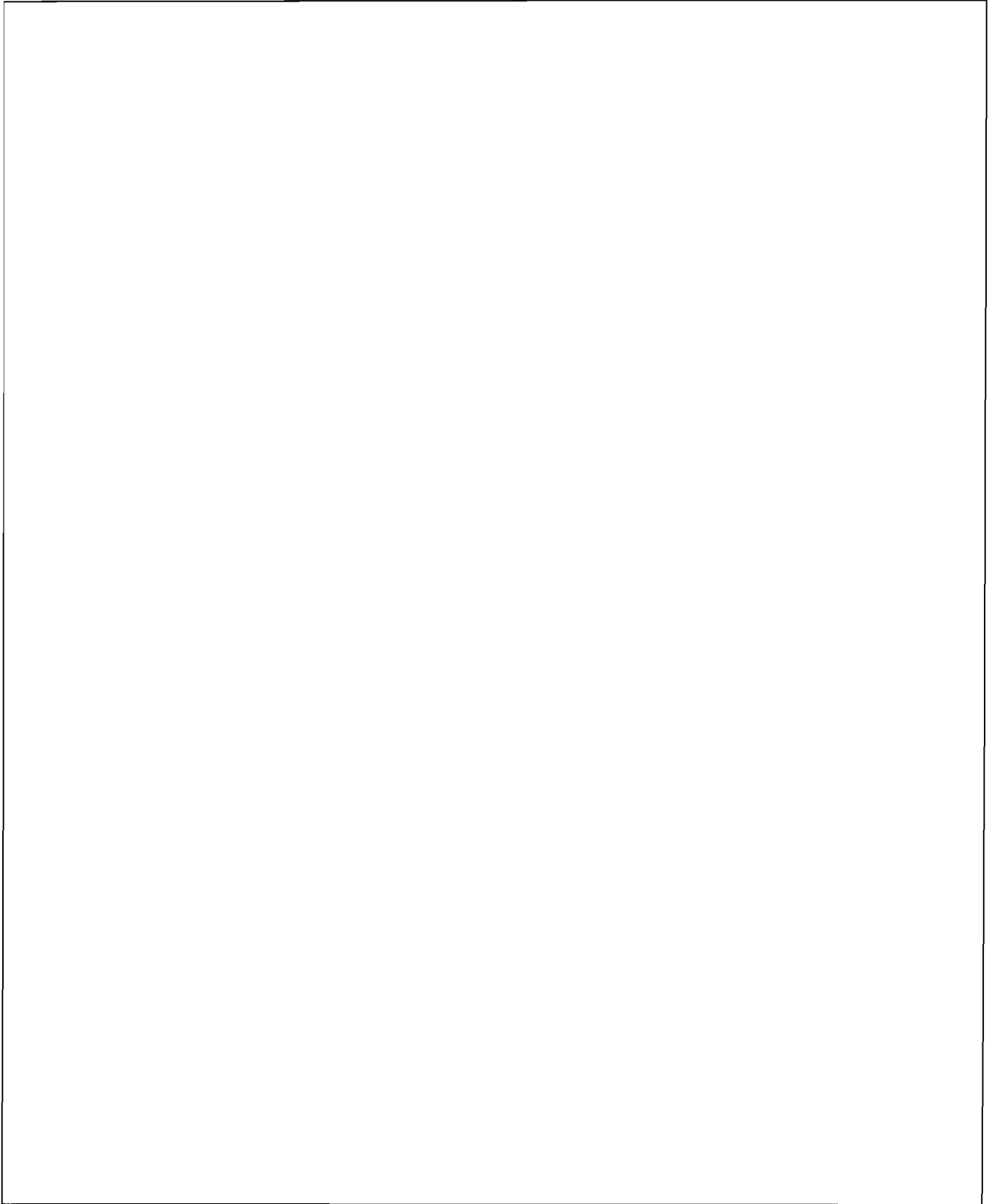
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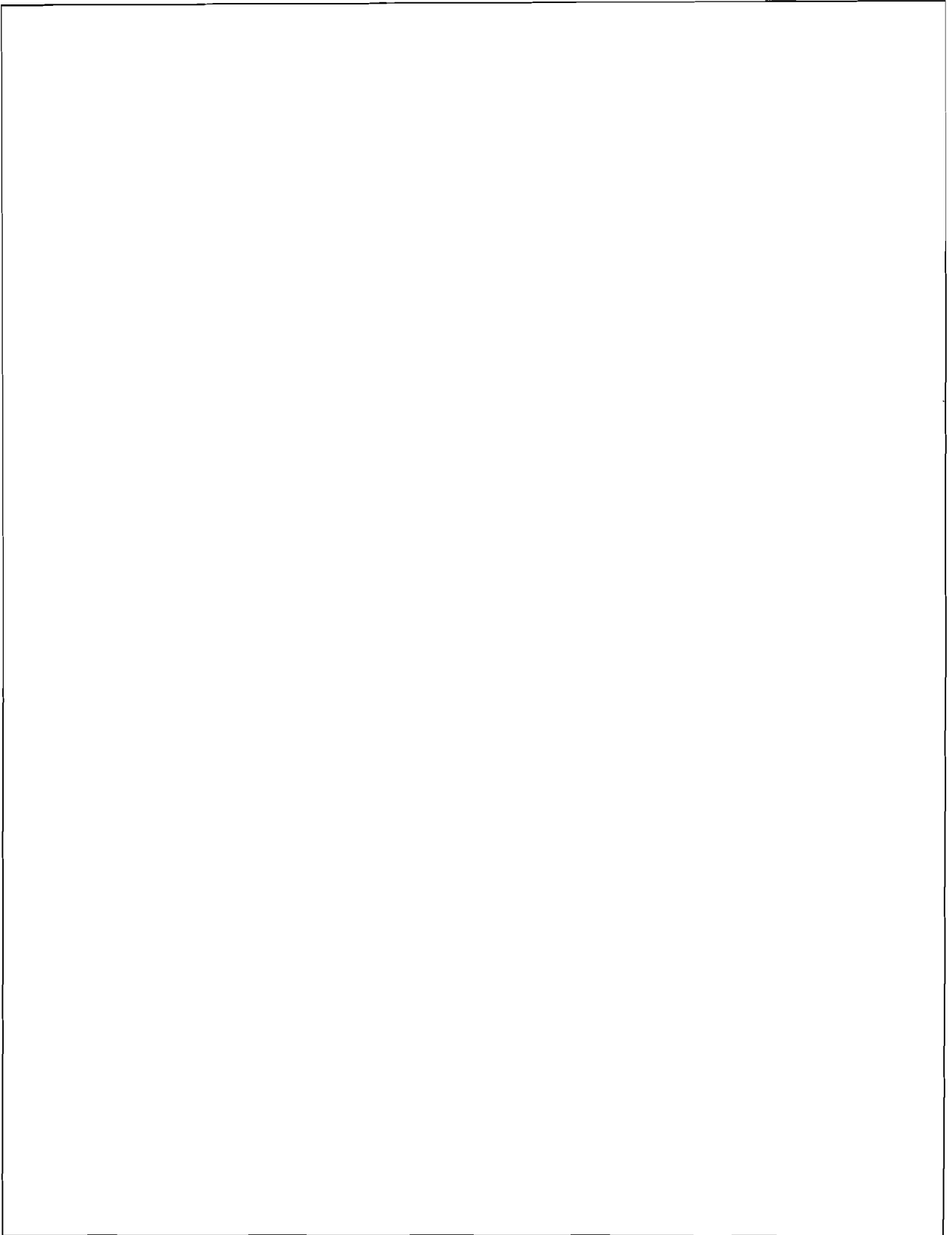
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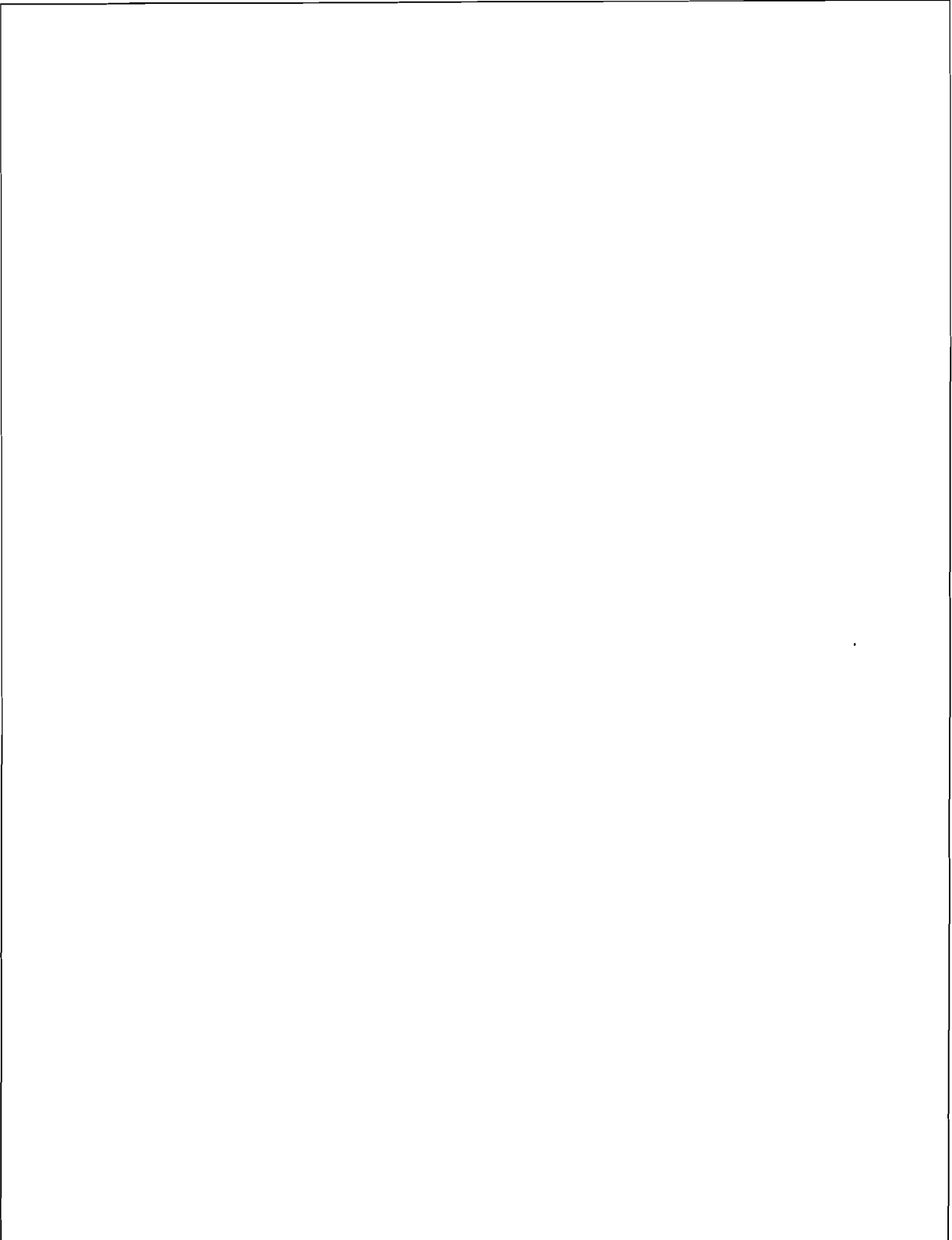
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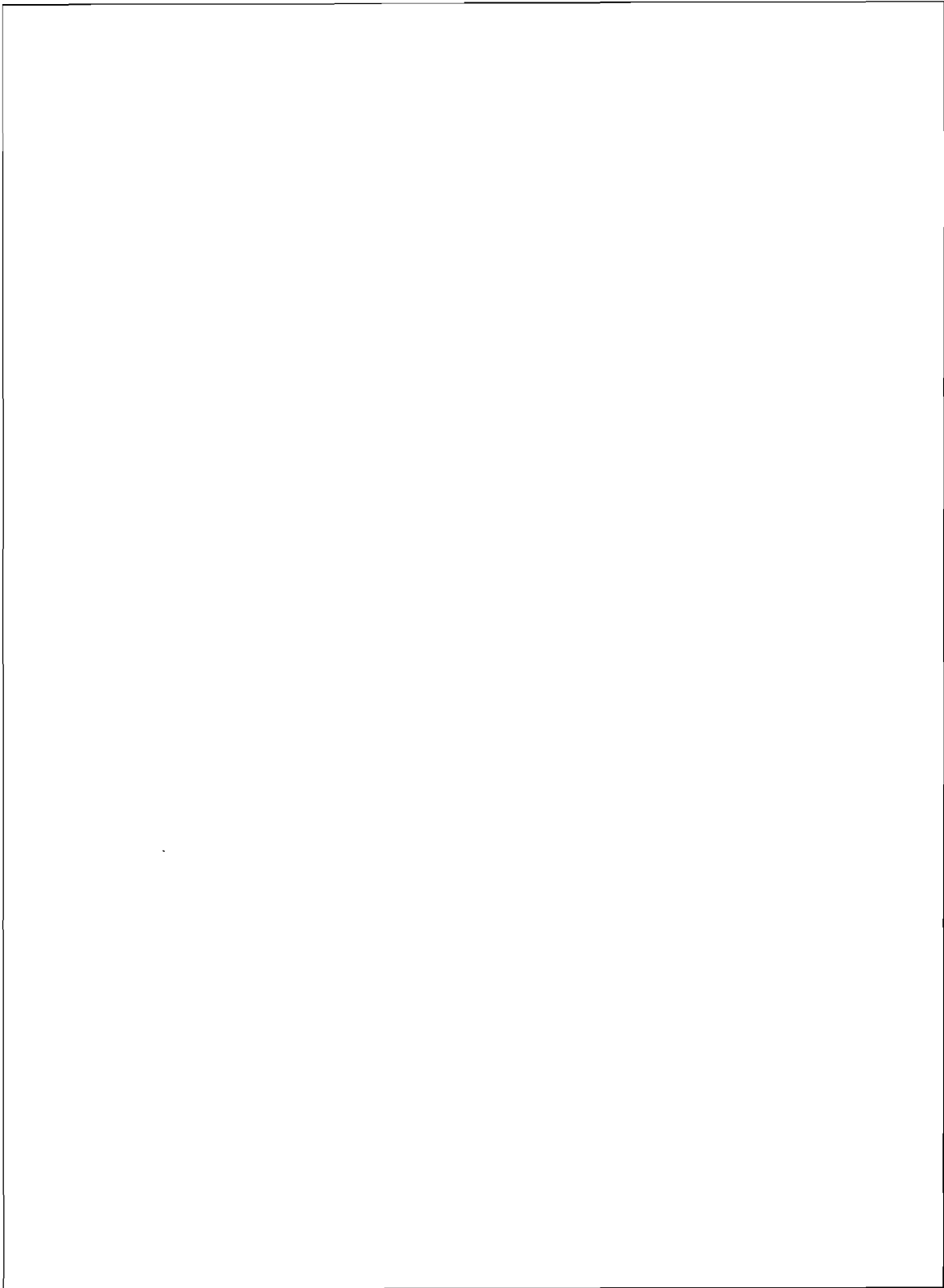
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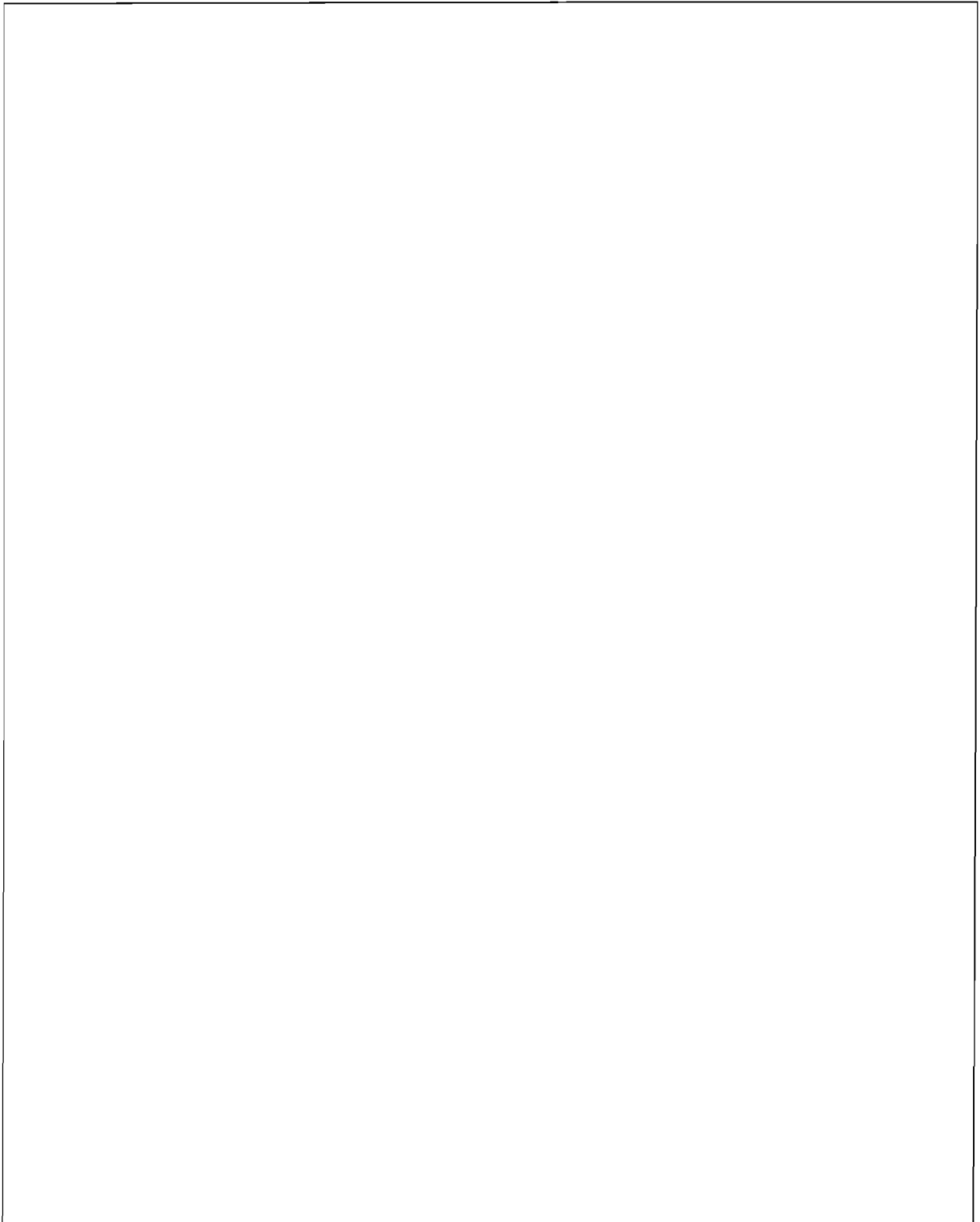
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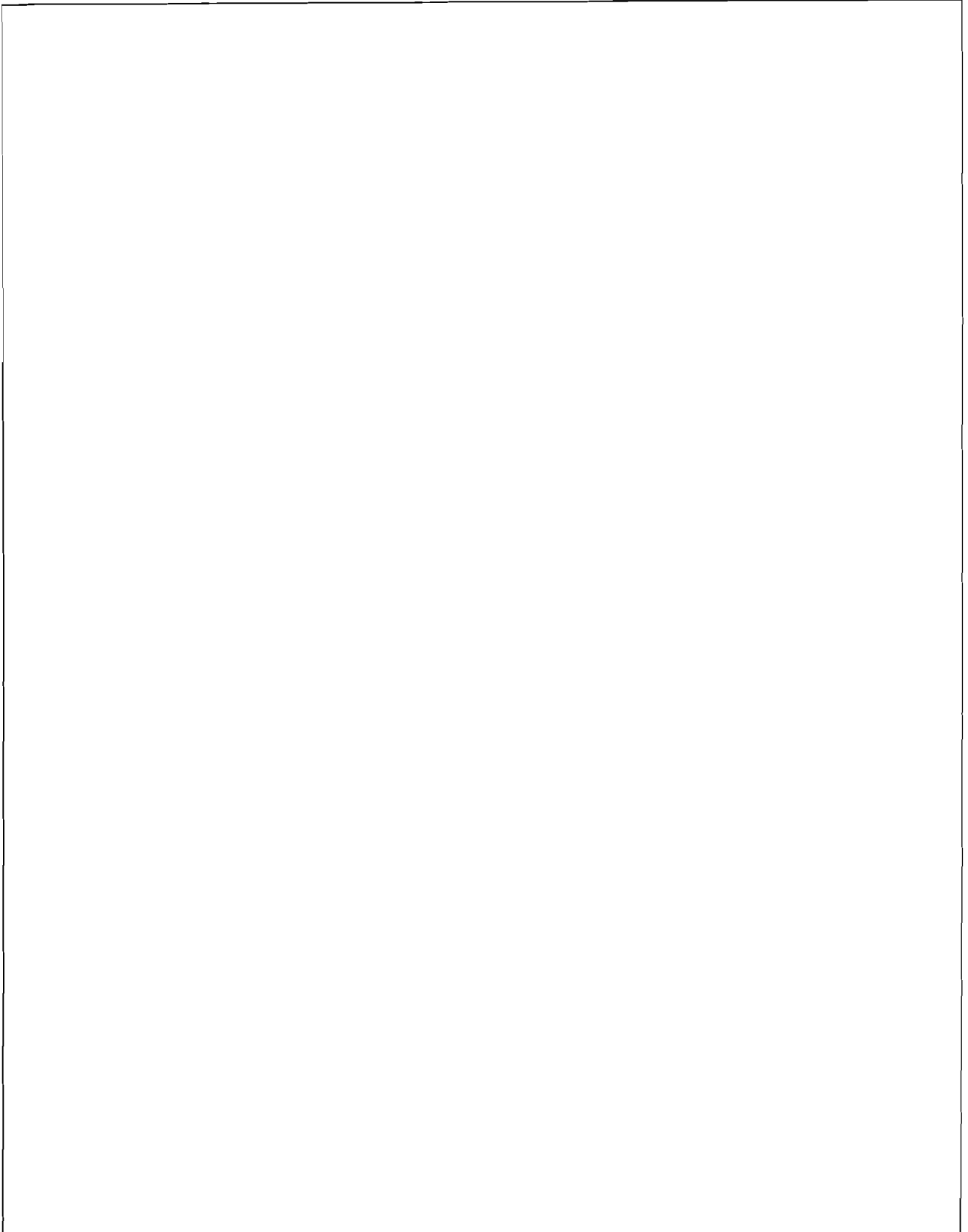
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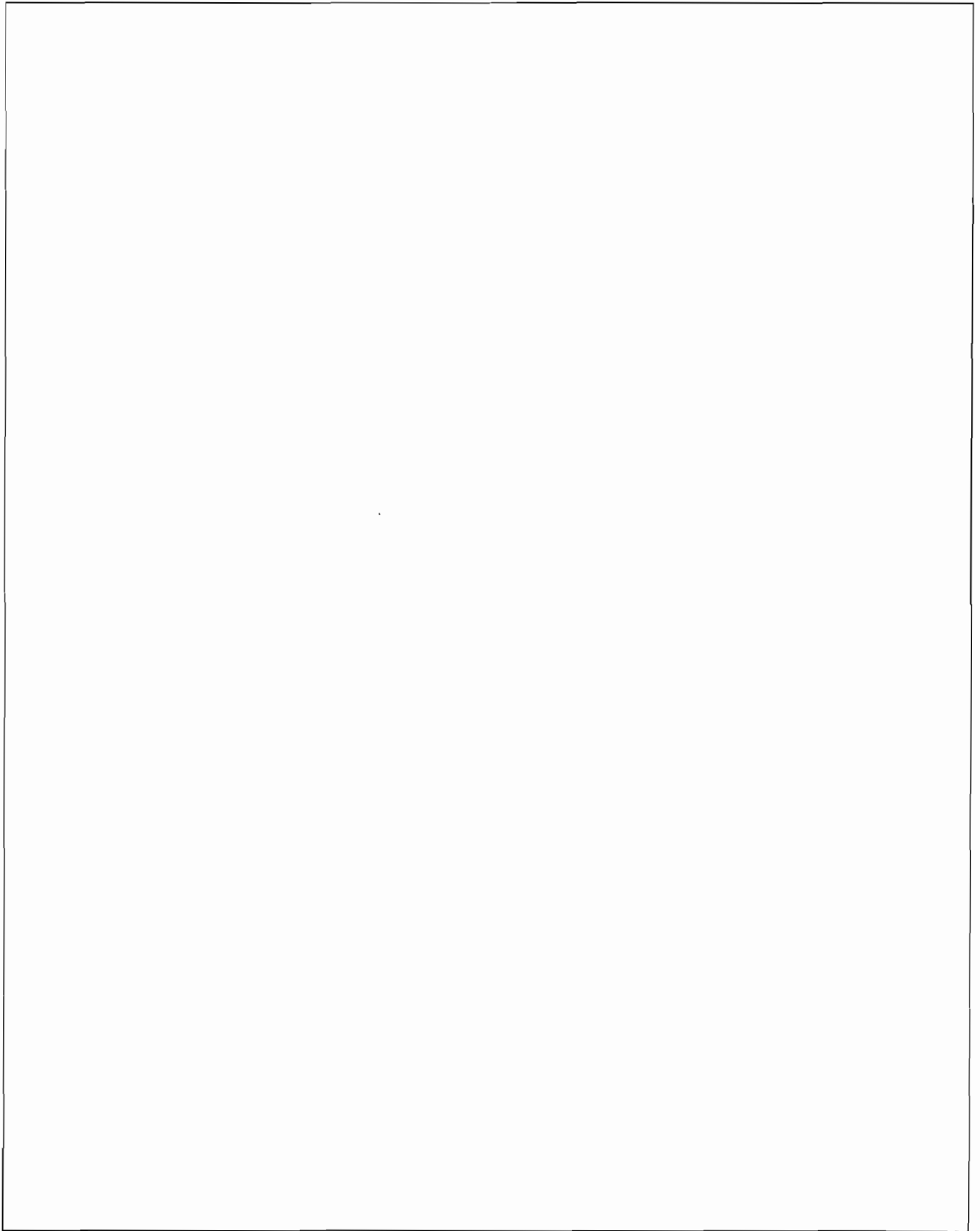
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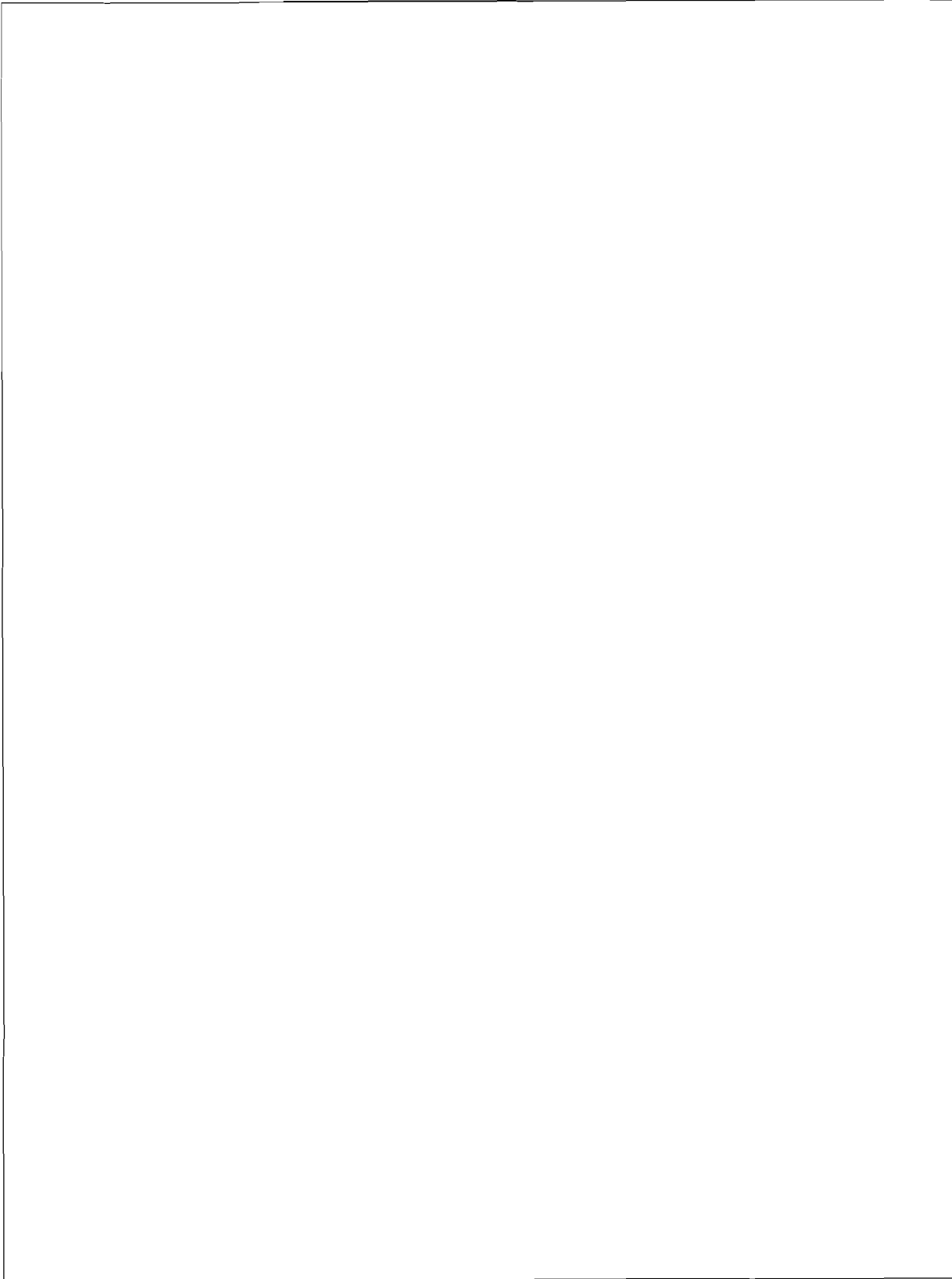
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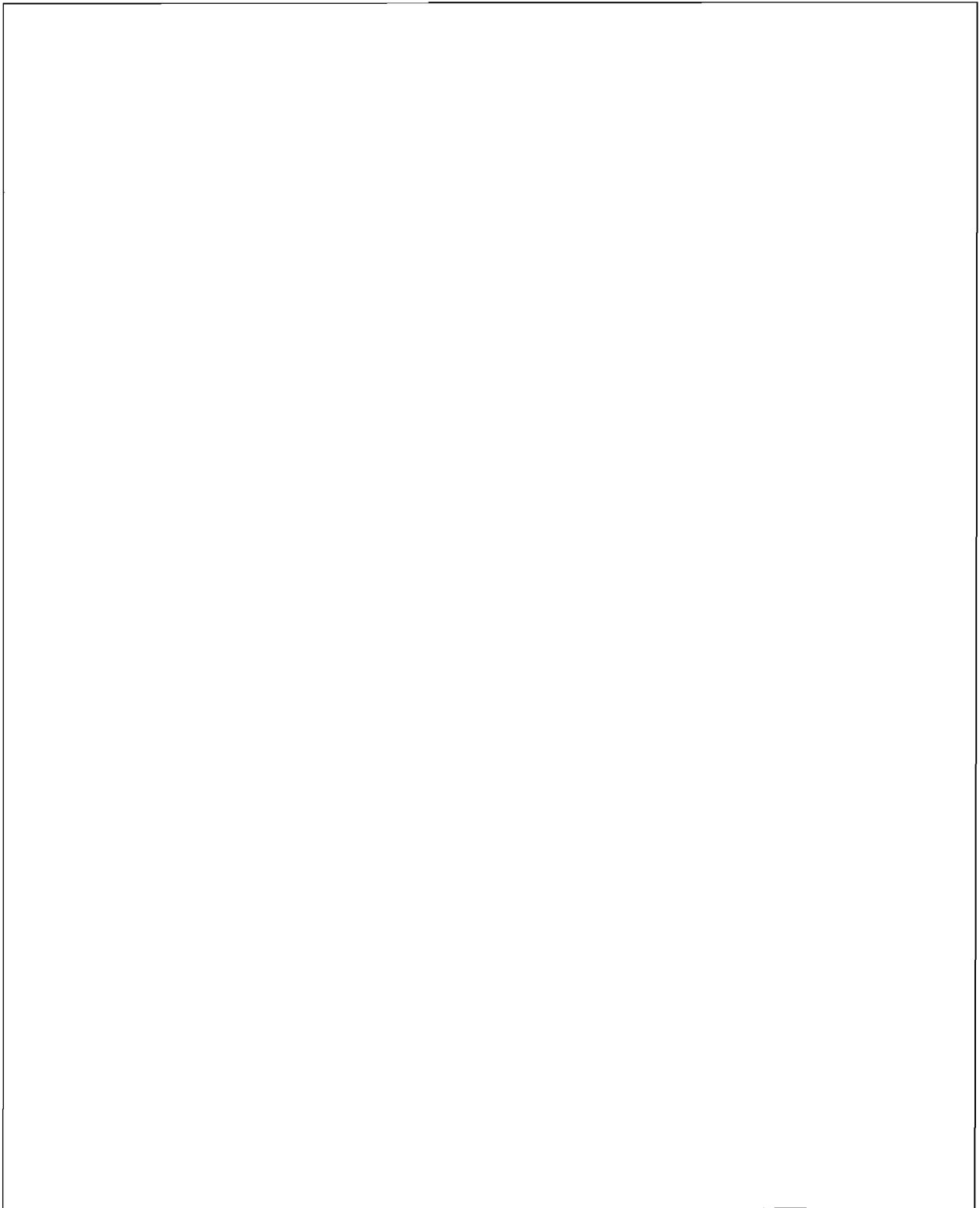
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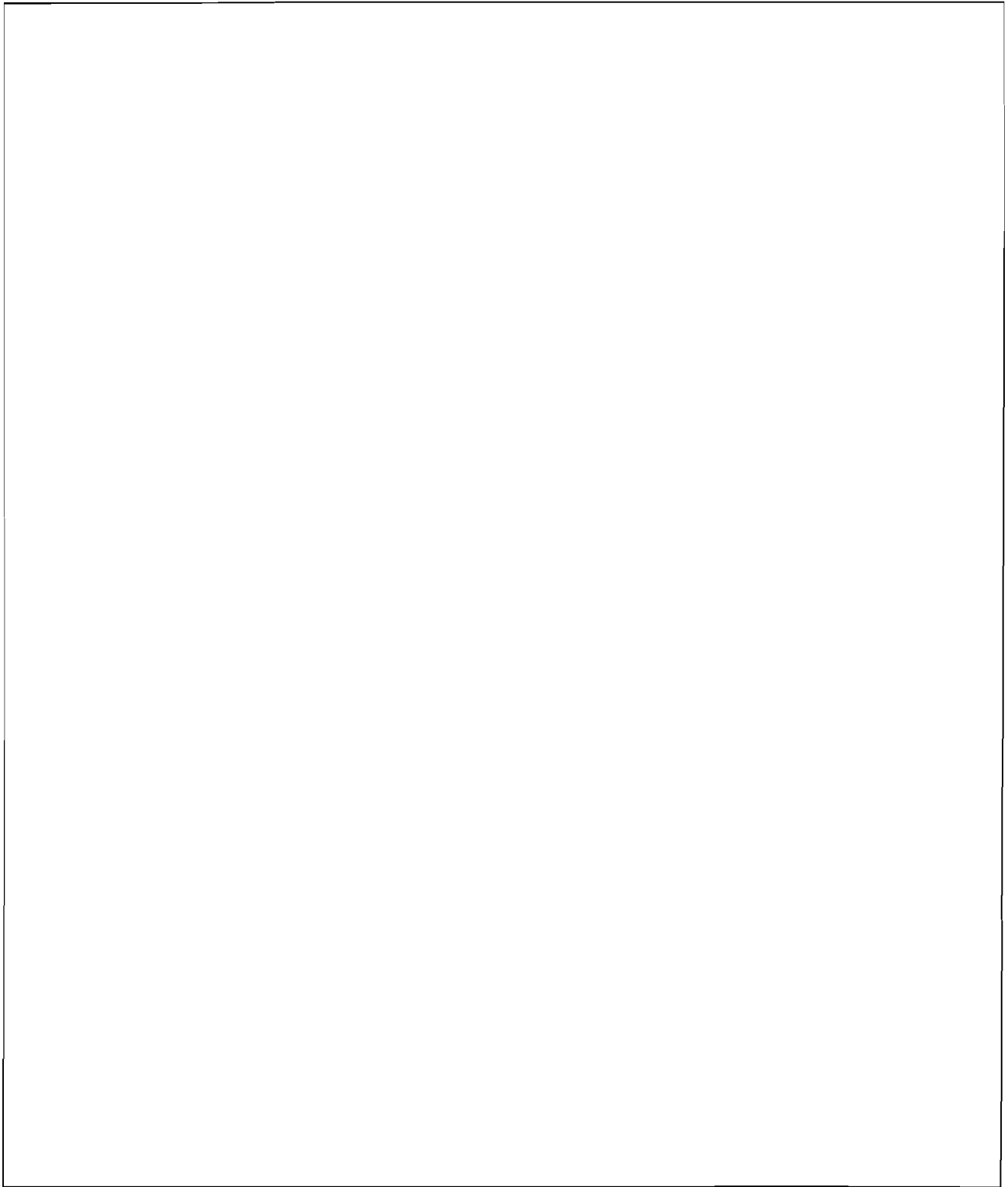
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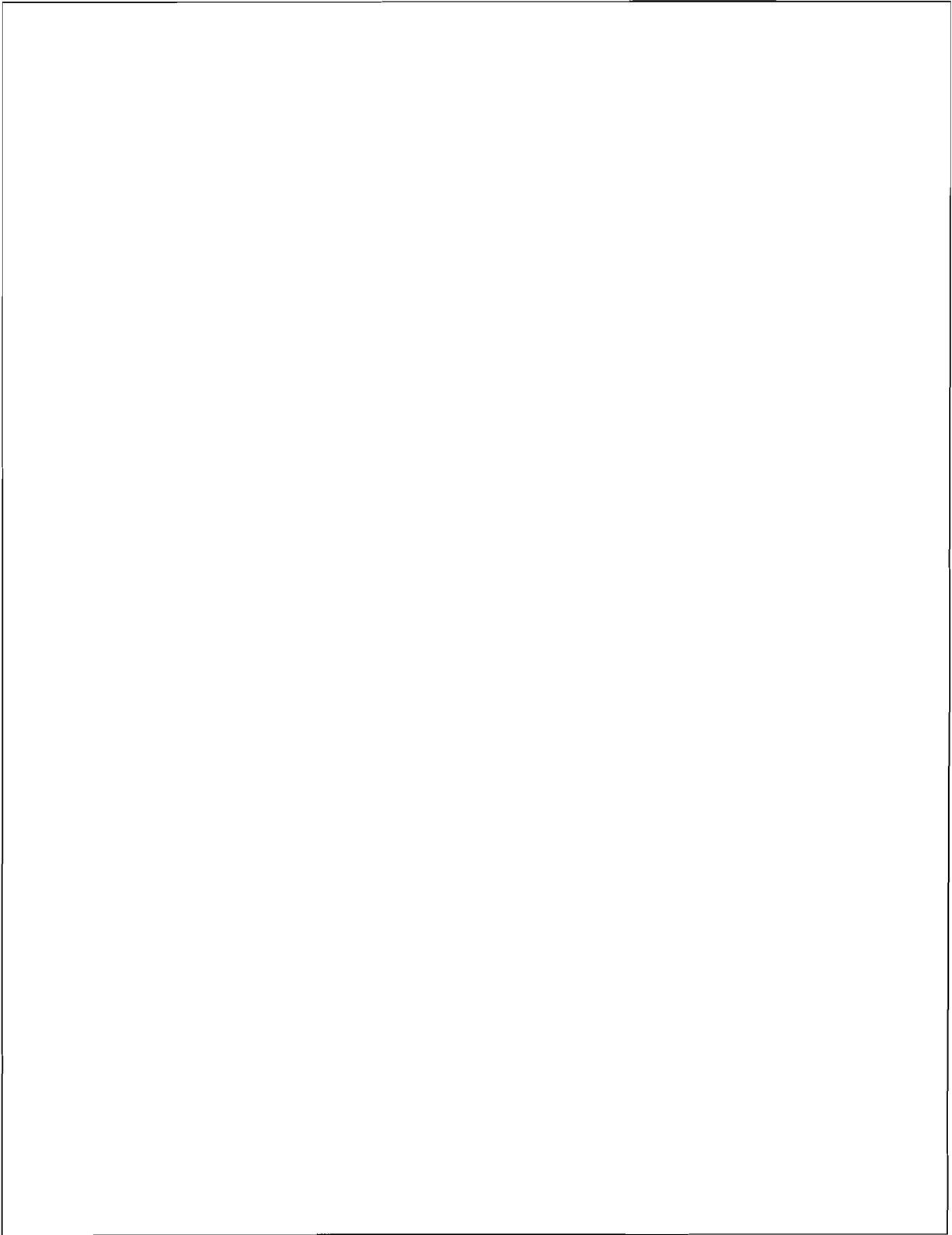
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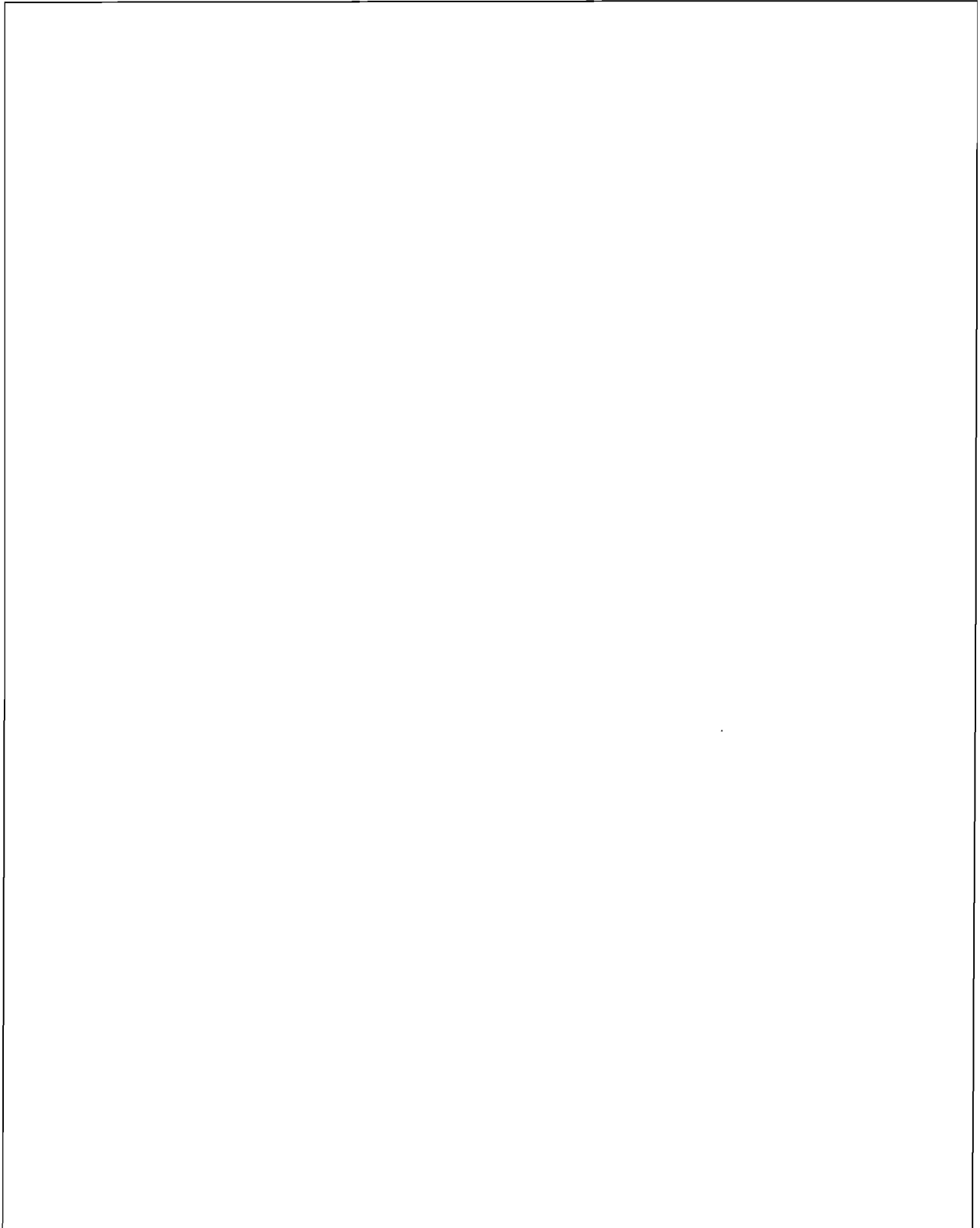
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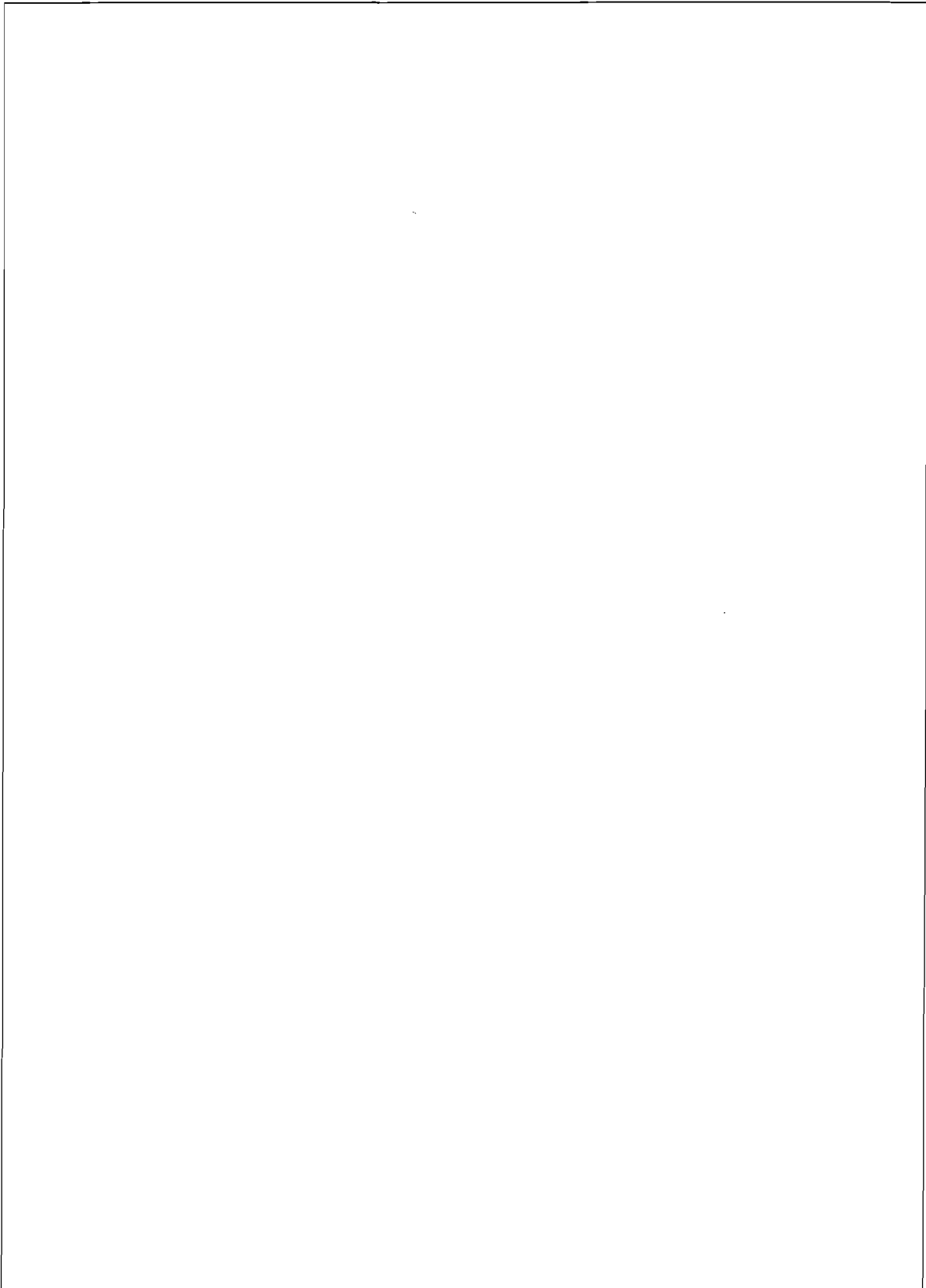
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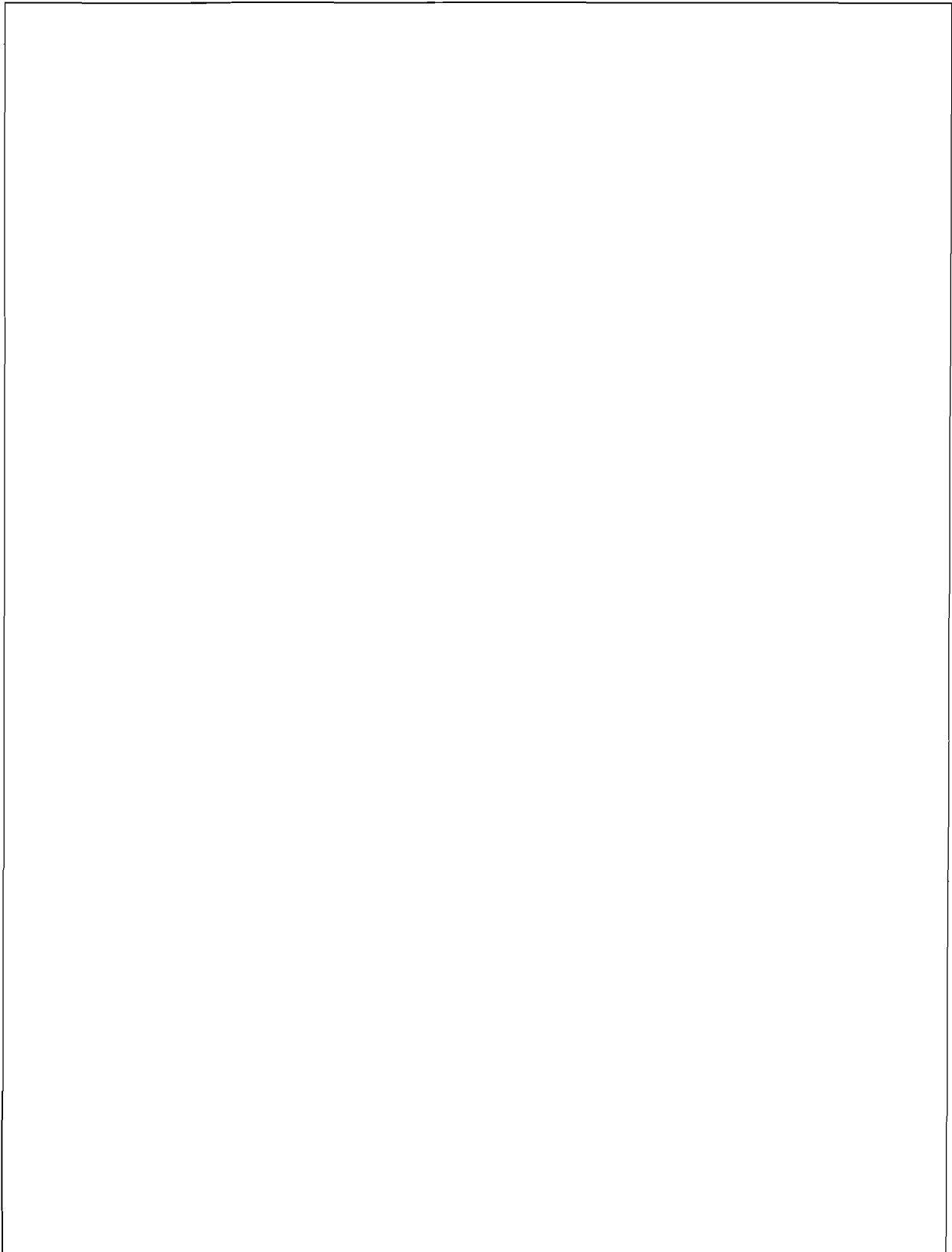
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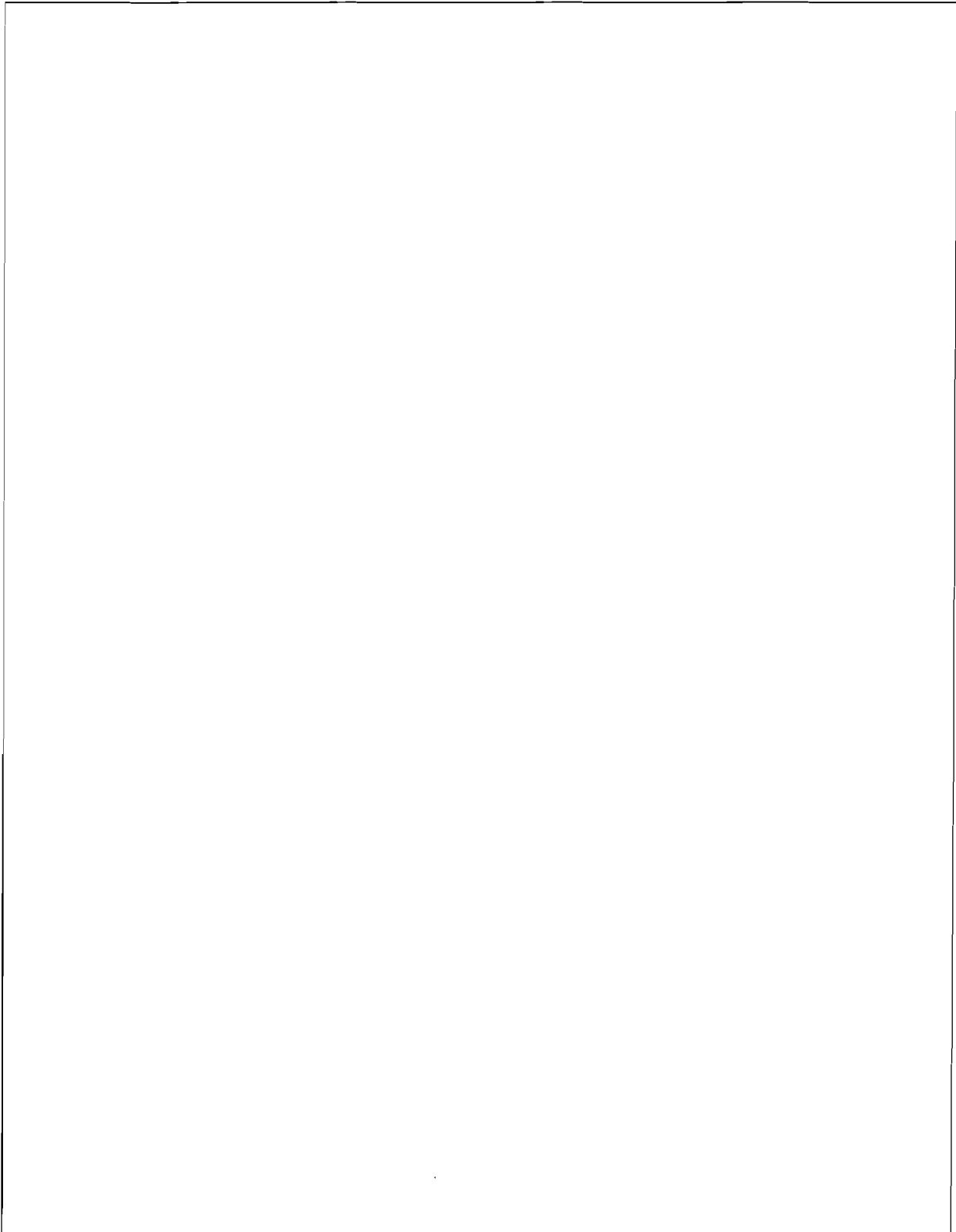
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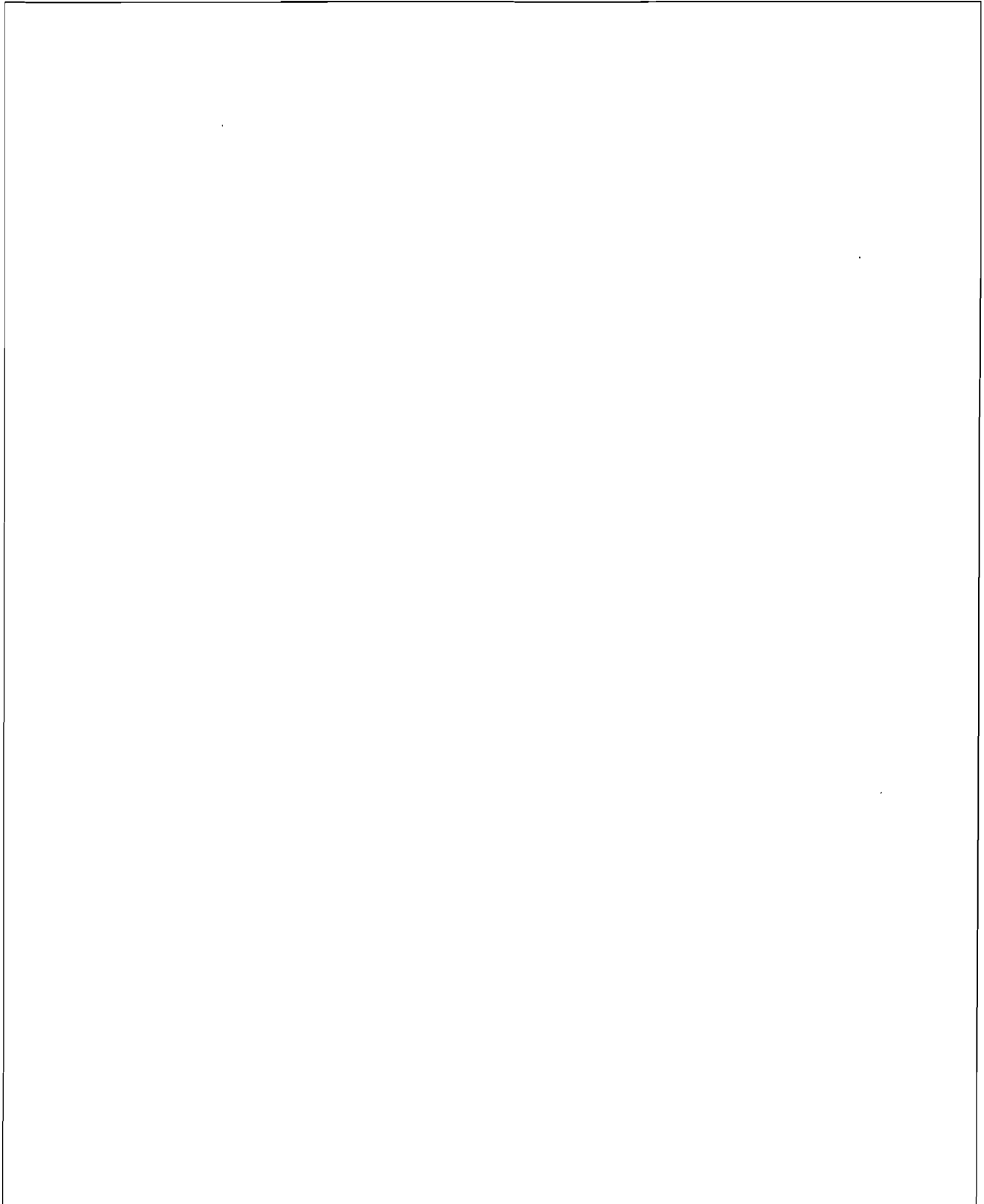
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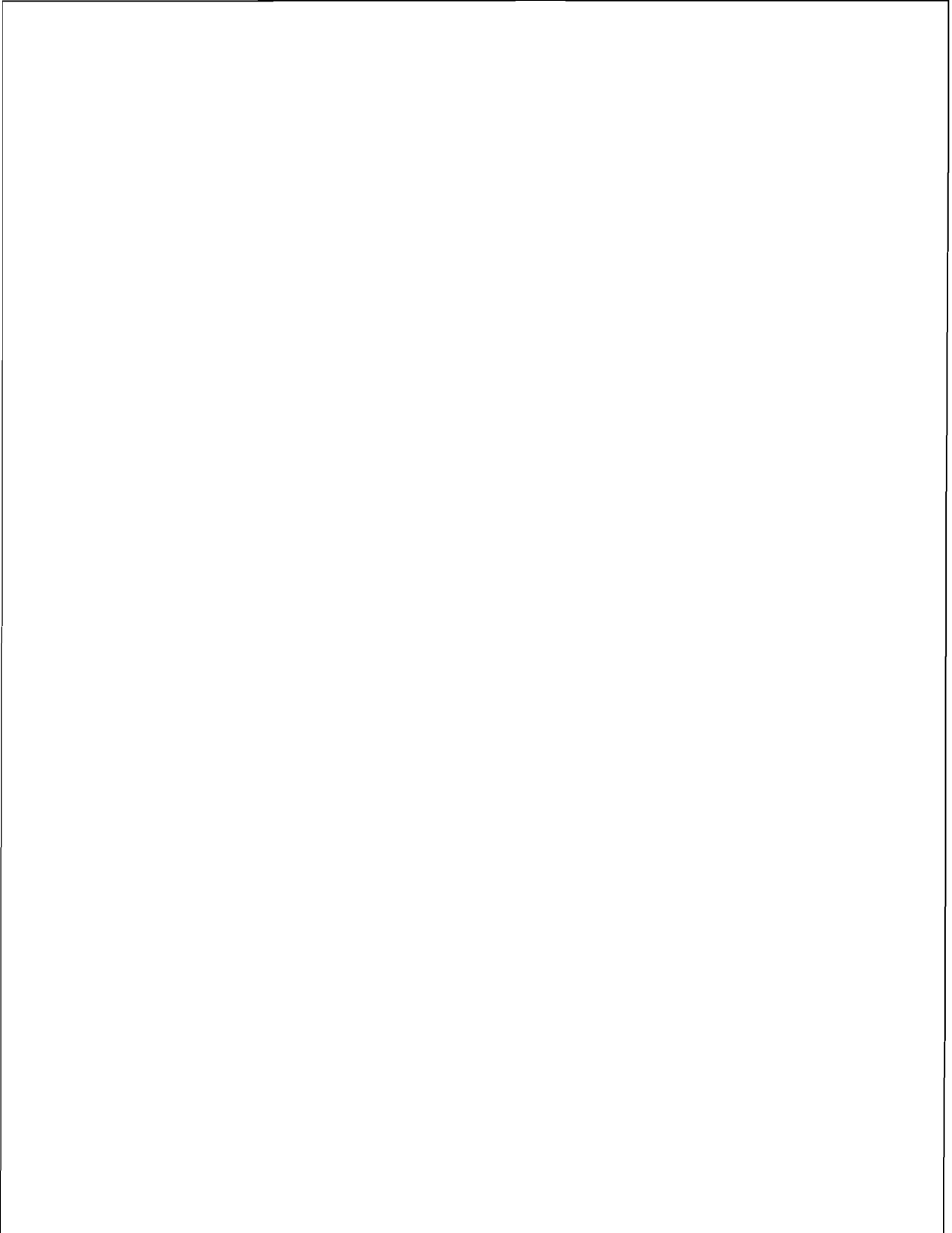
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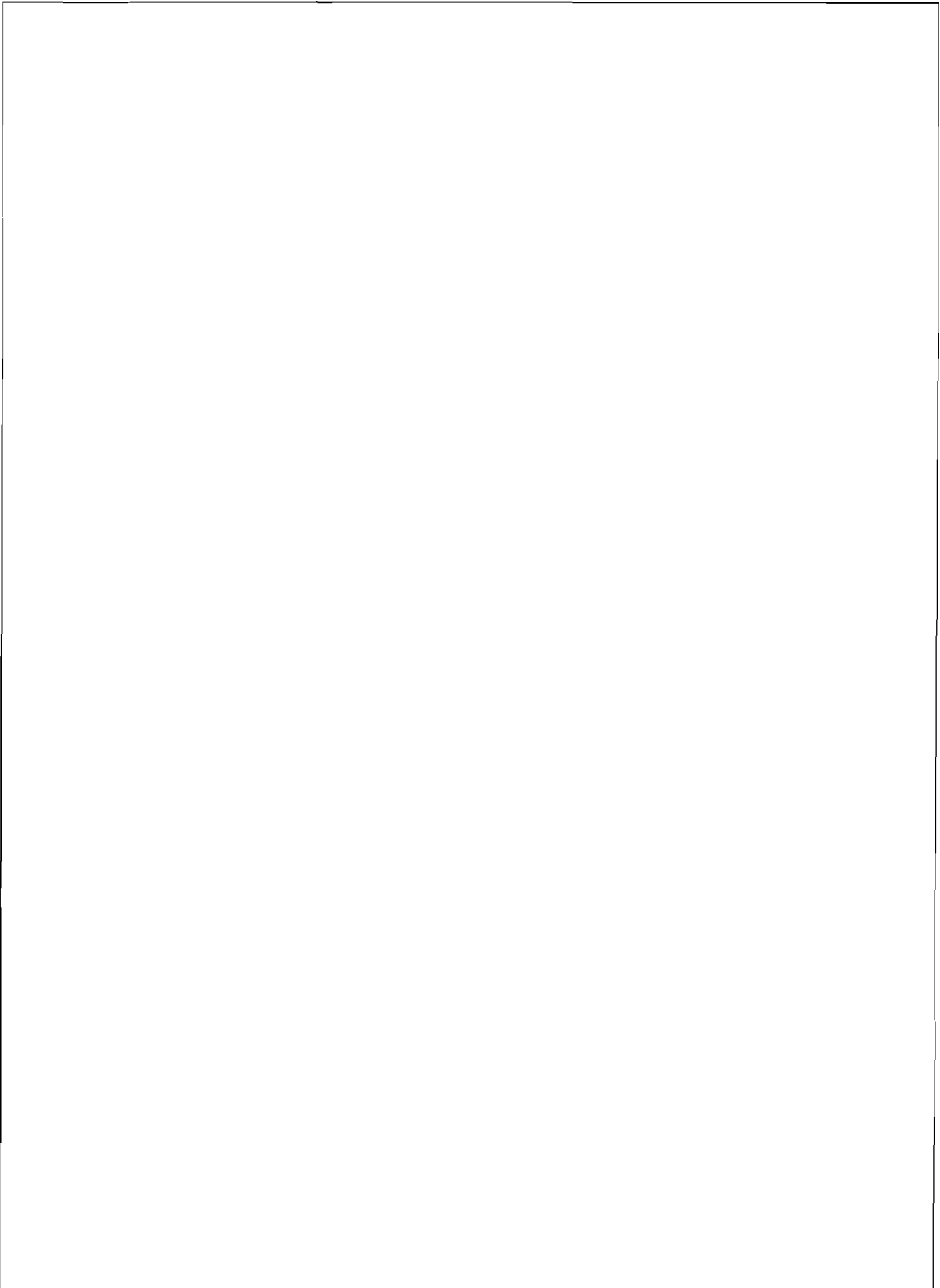
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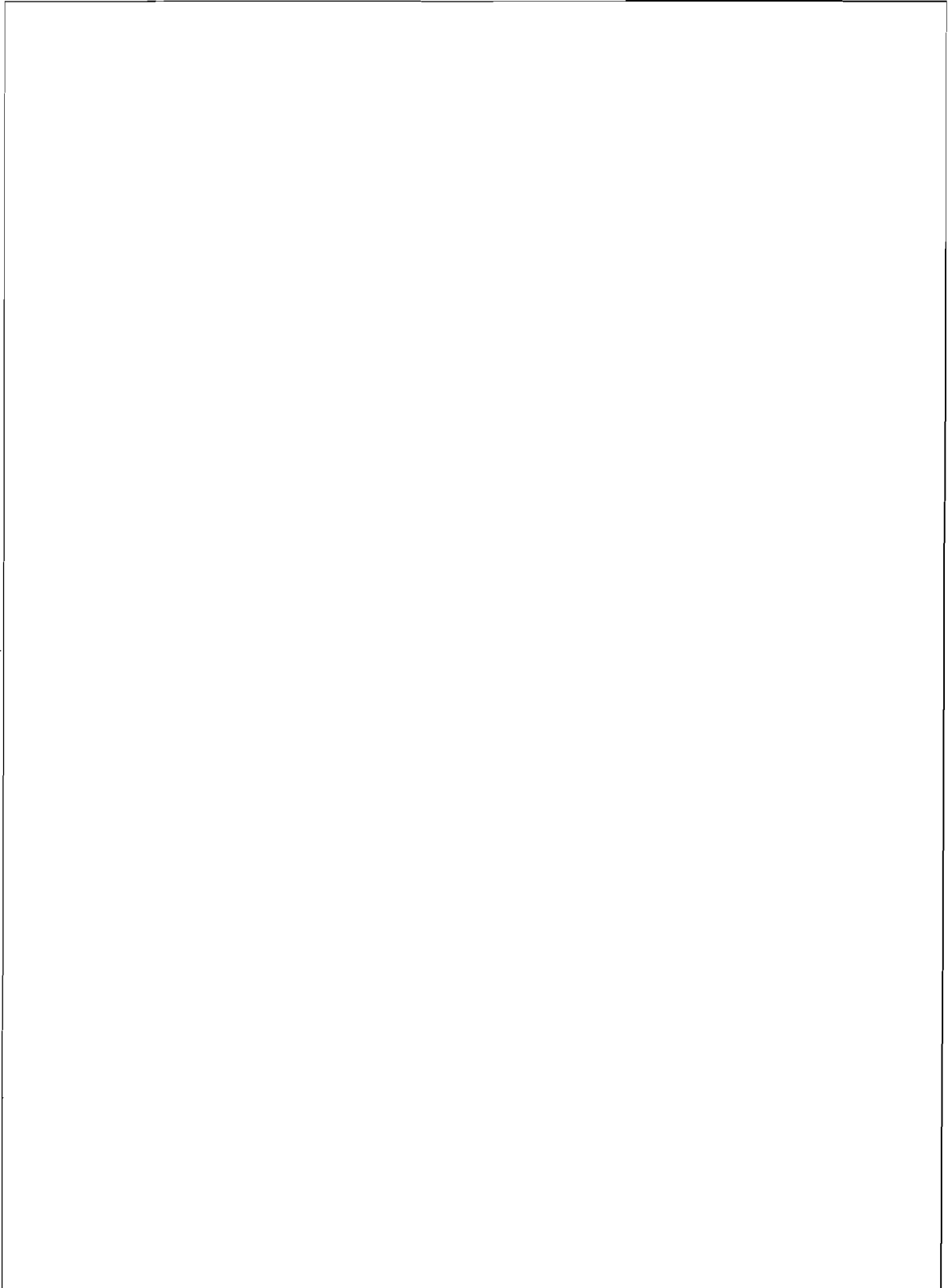
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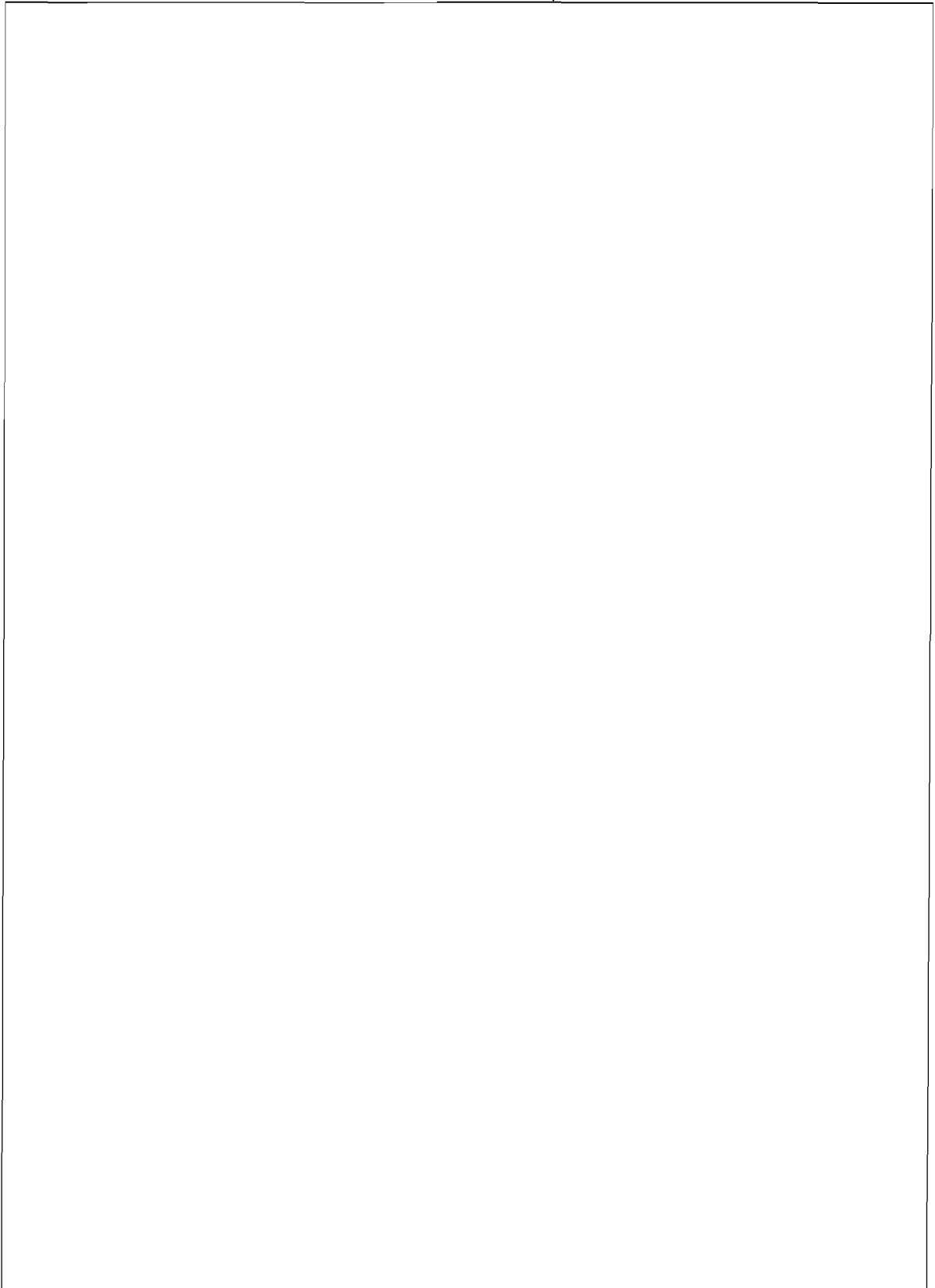
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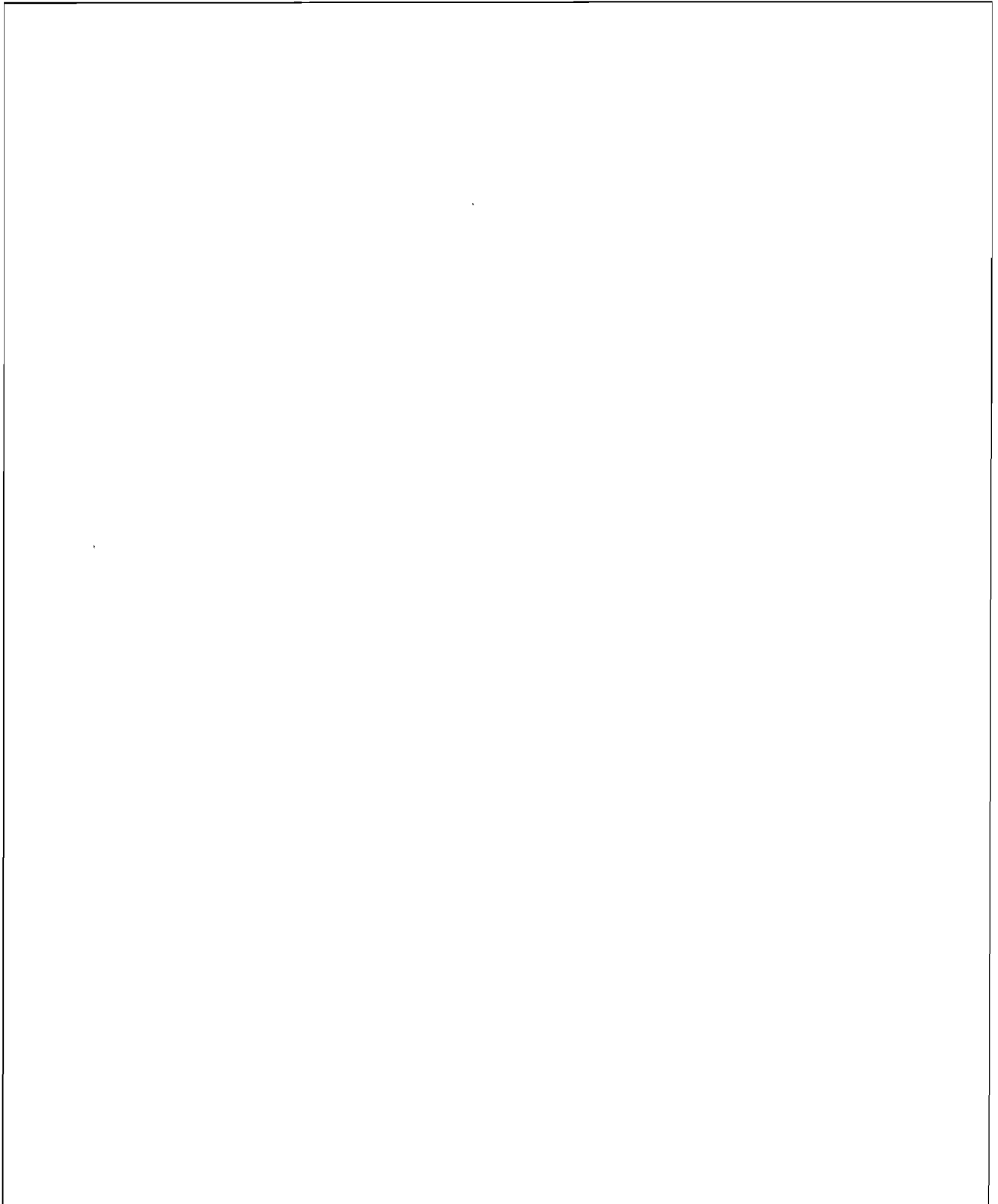
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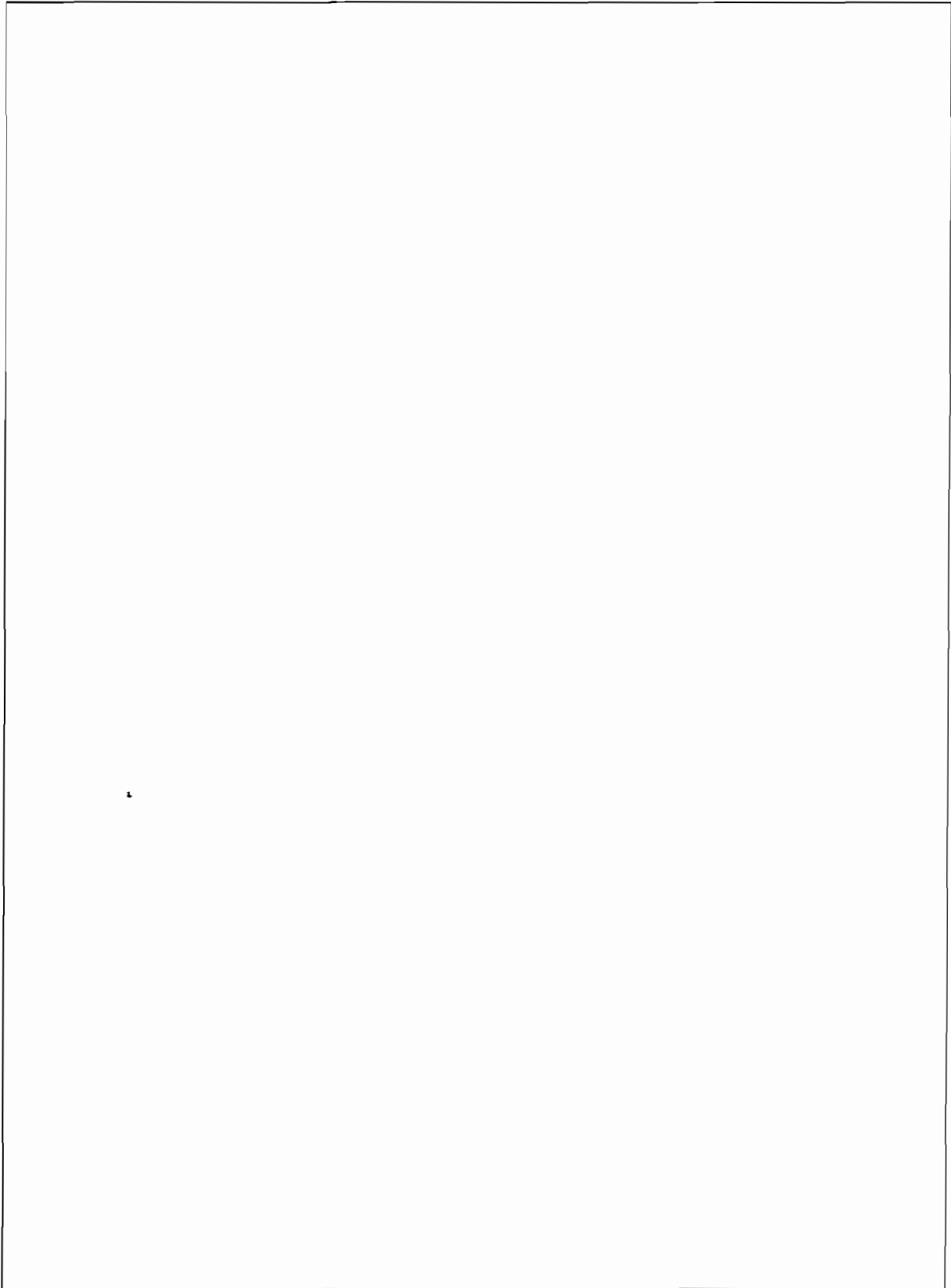
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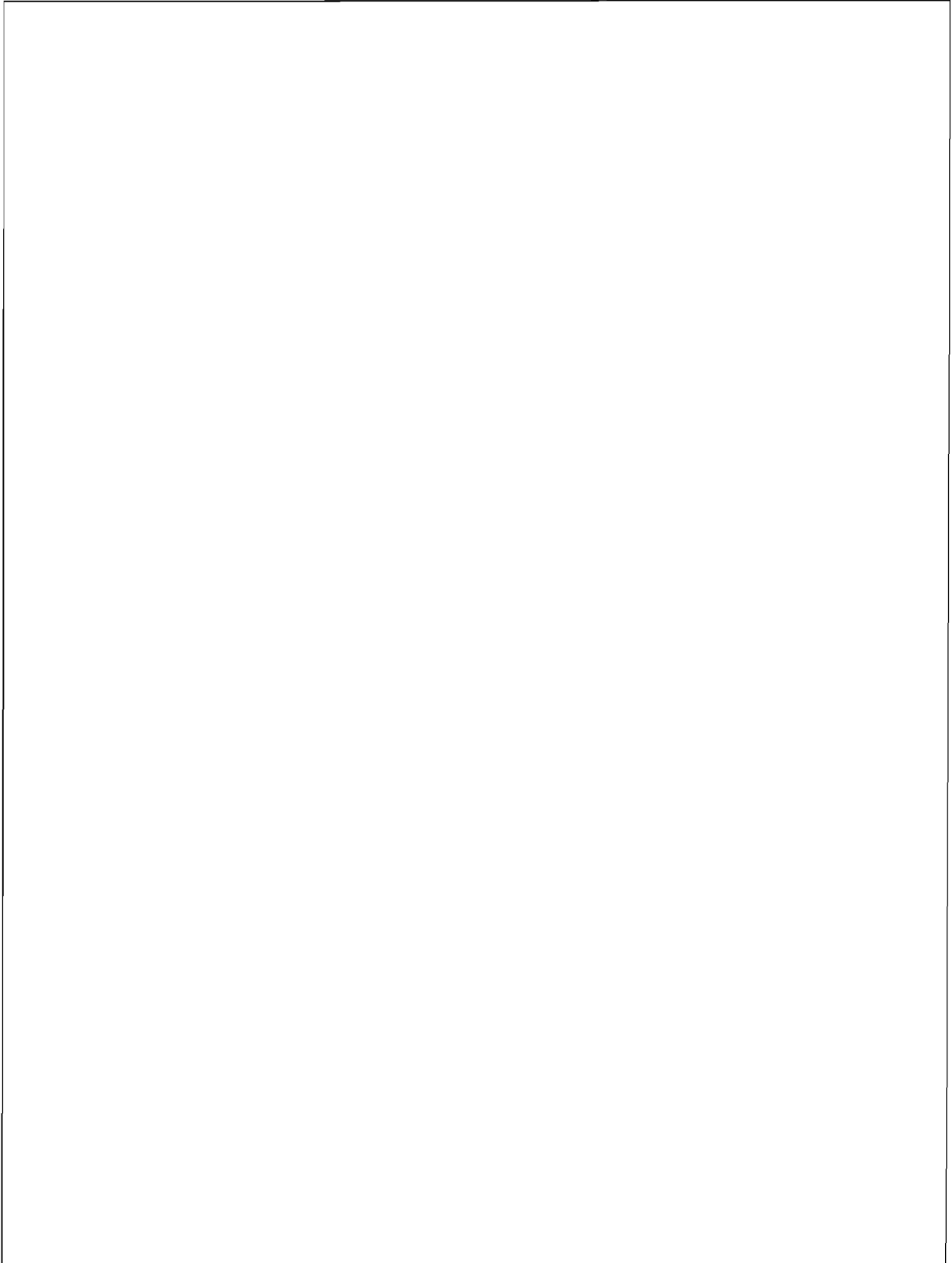
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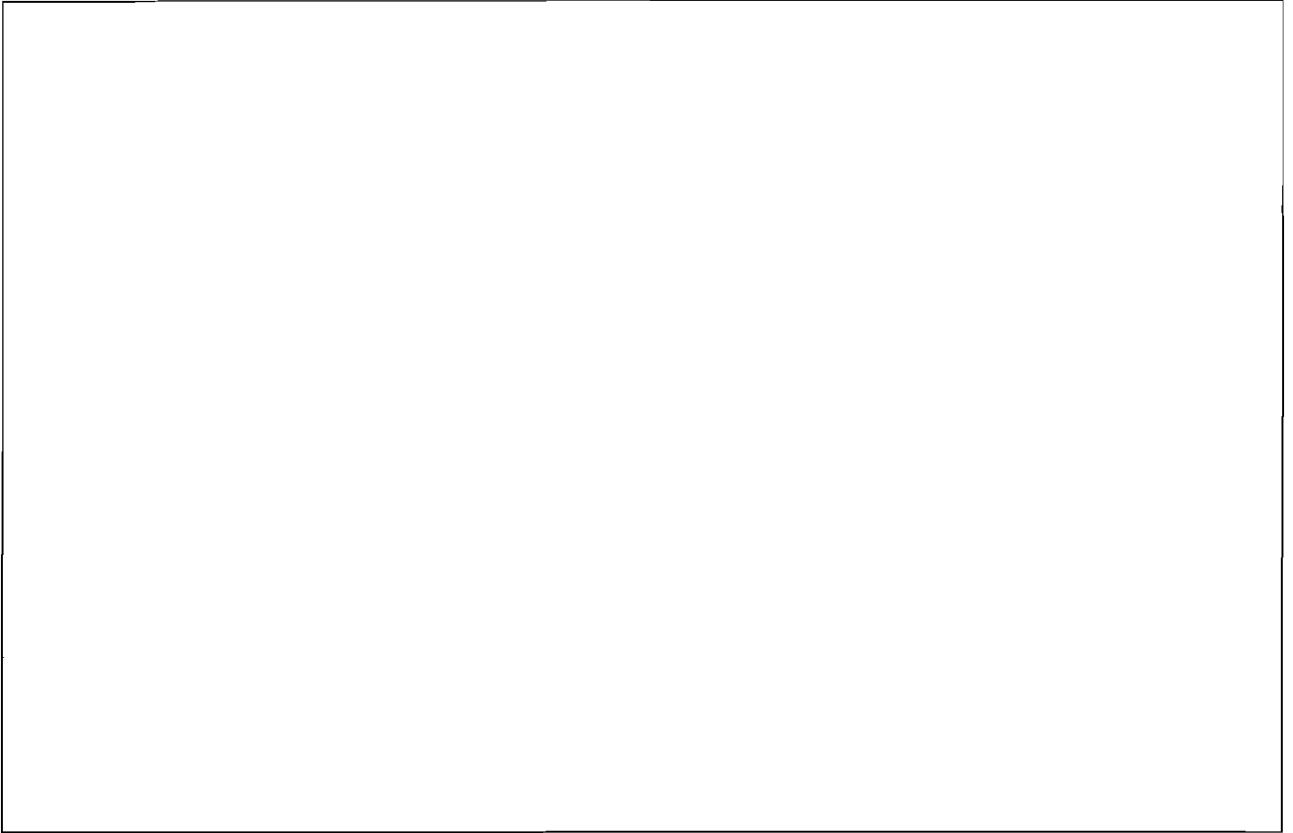
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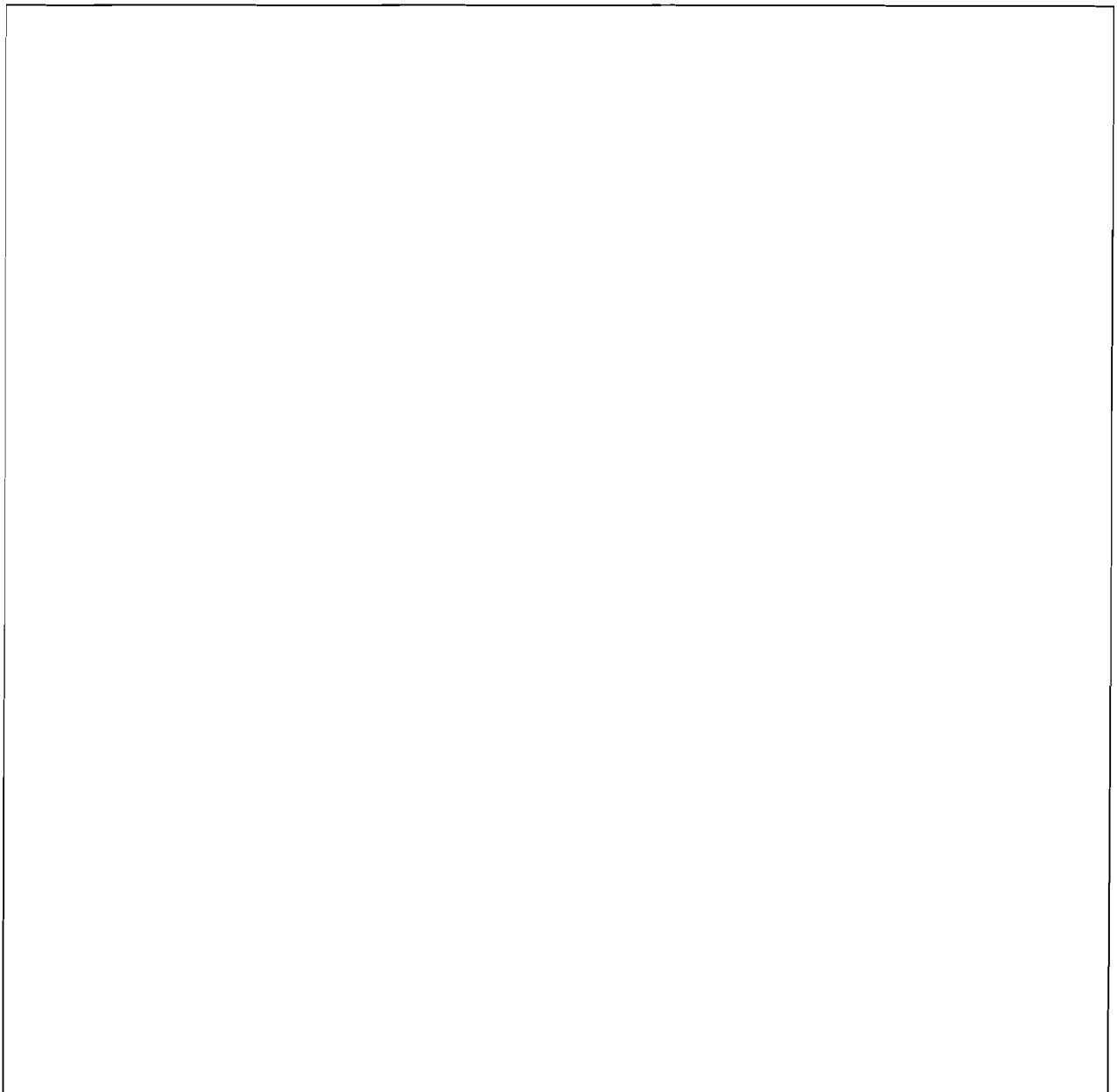
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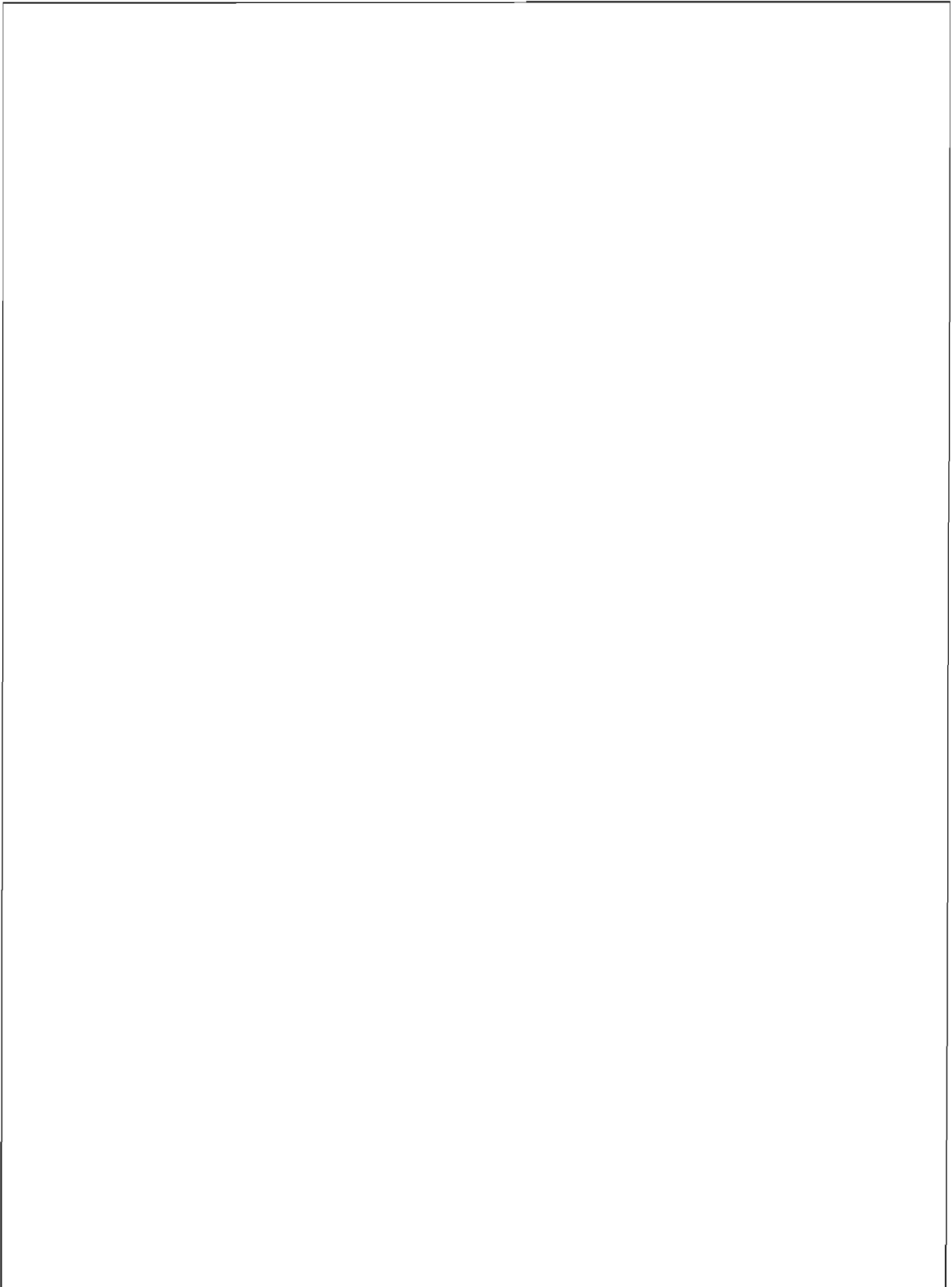
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INSPECTIONS

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

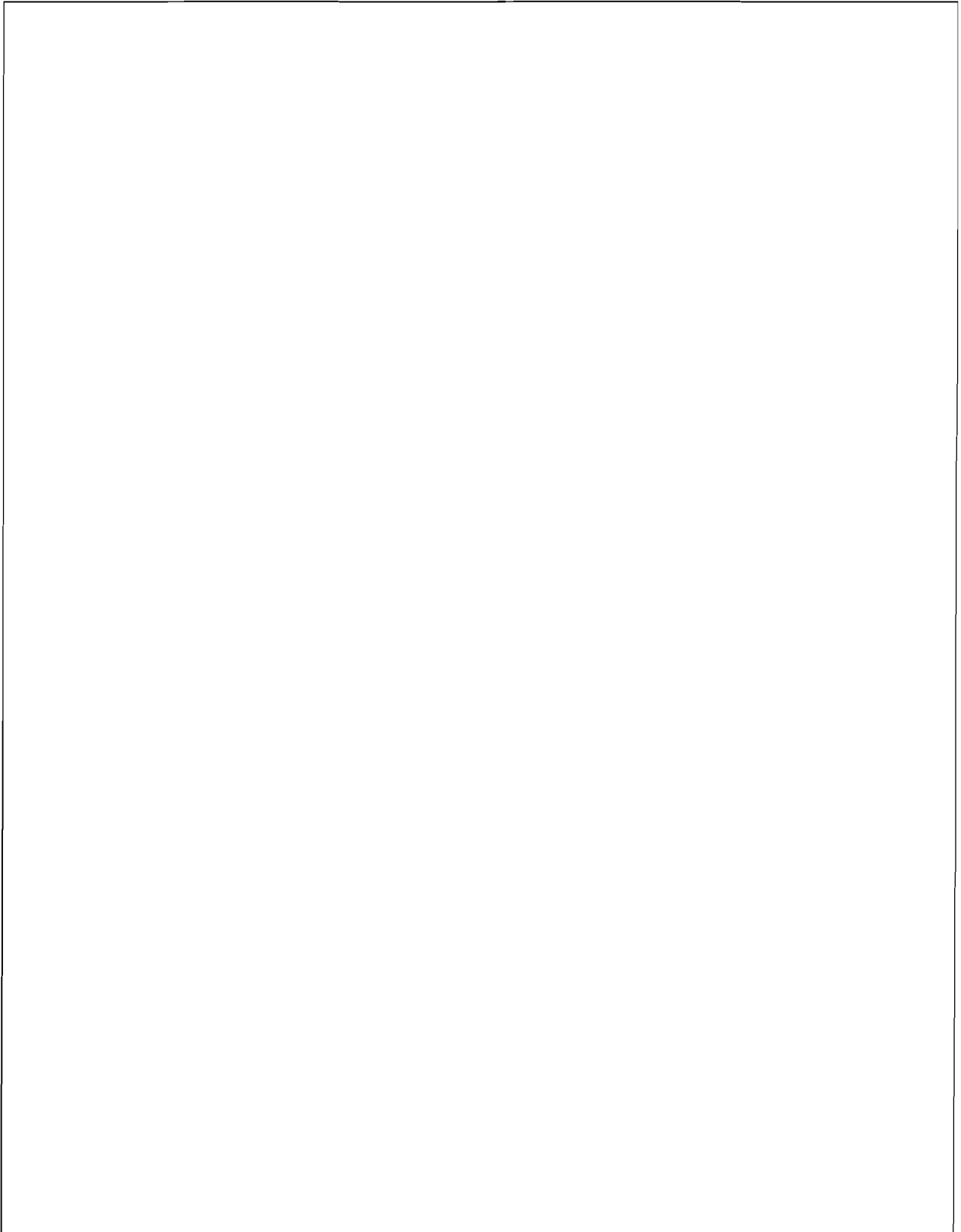
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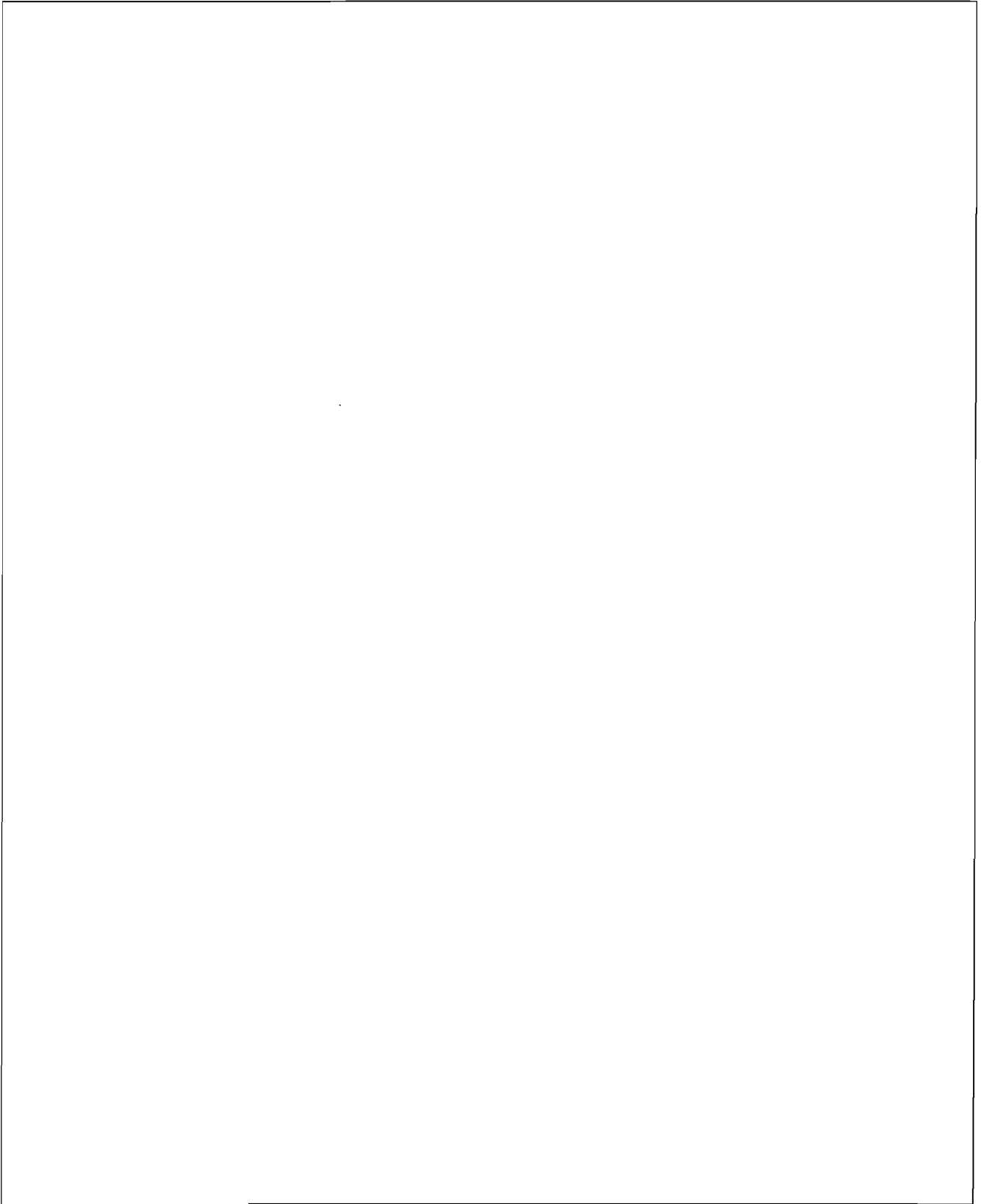
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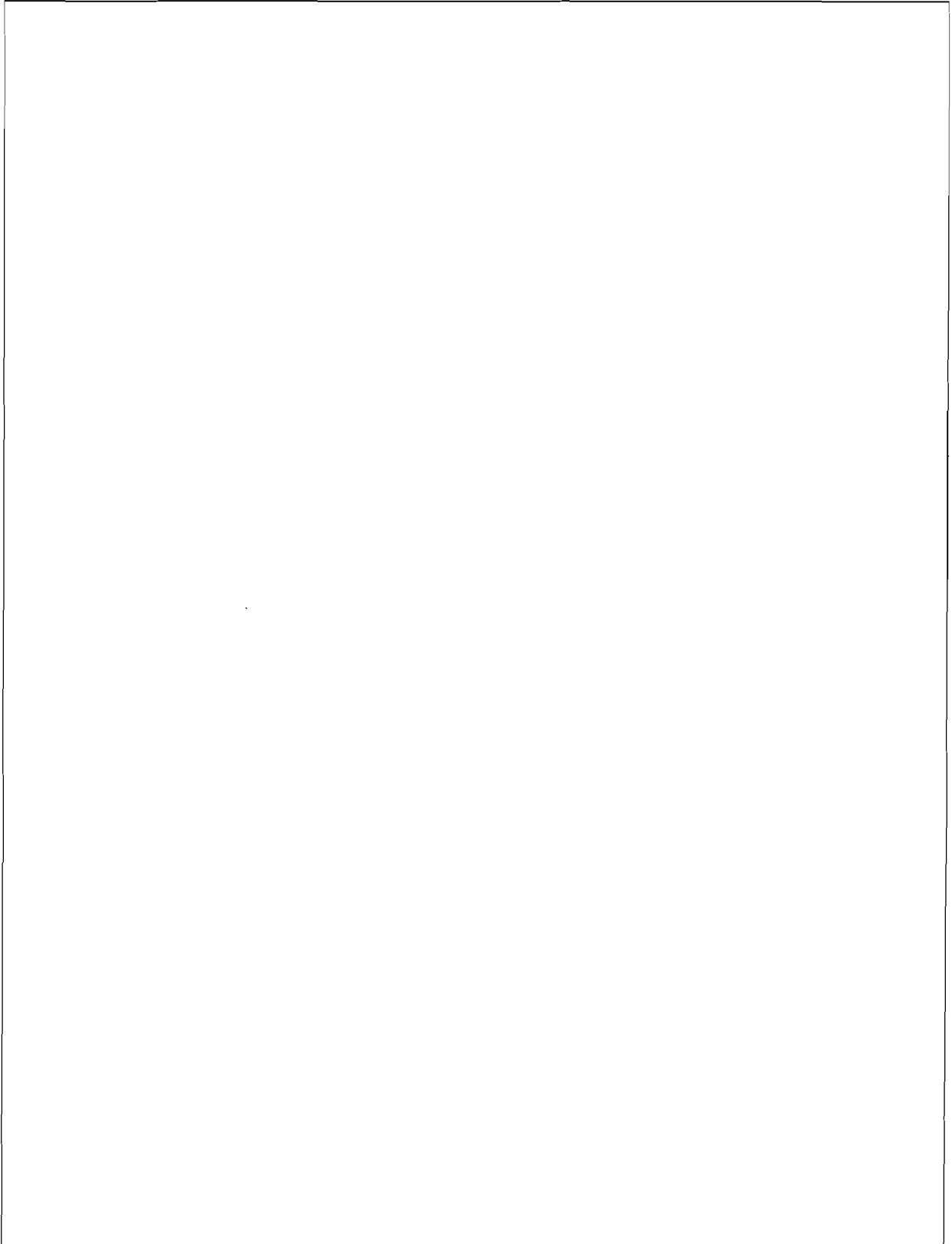
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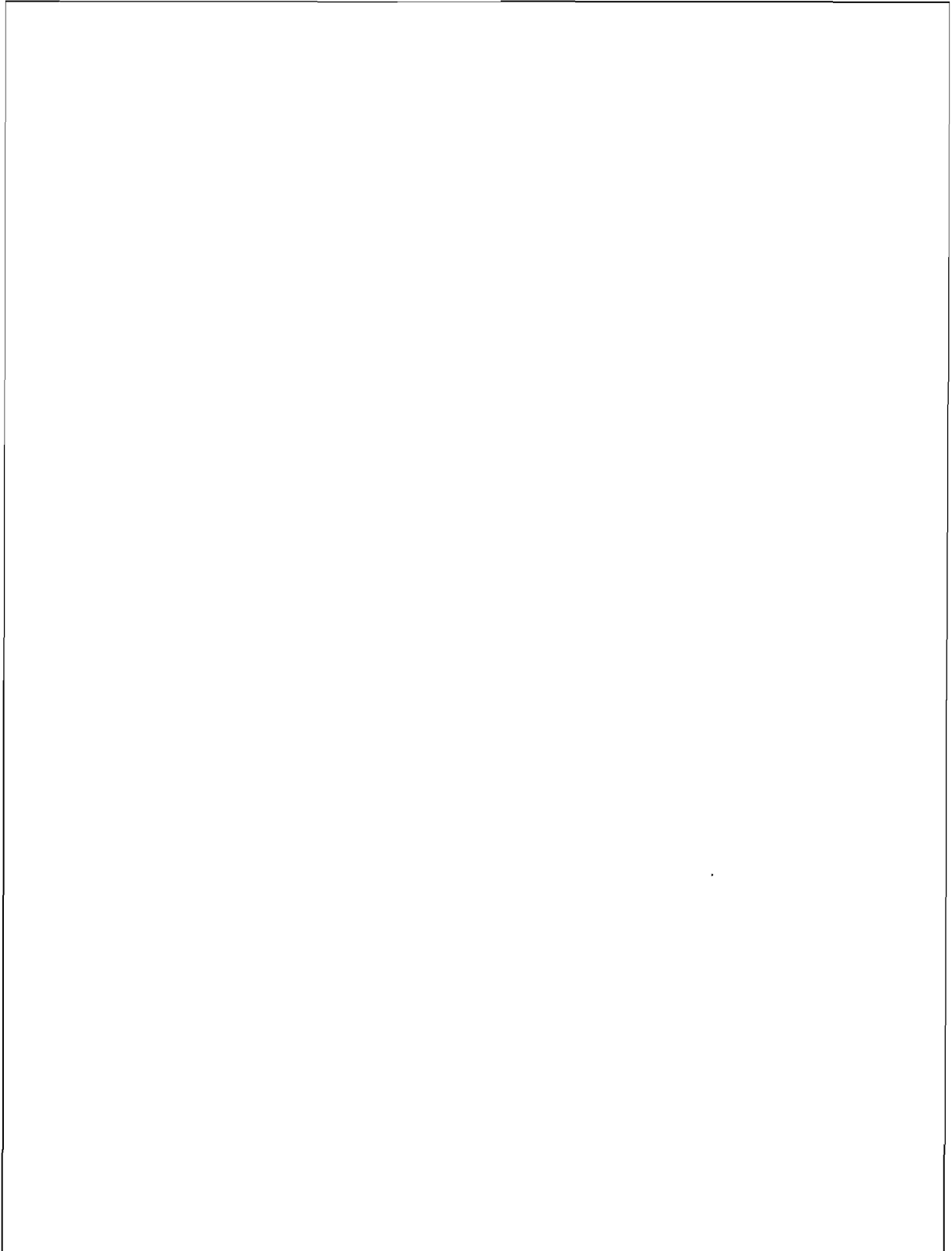
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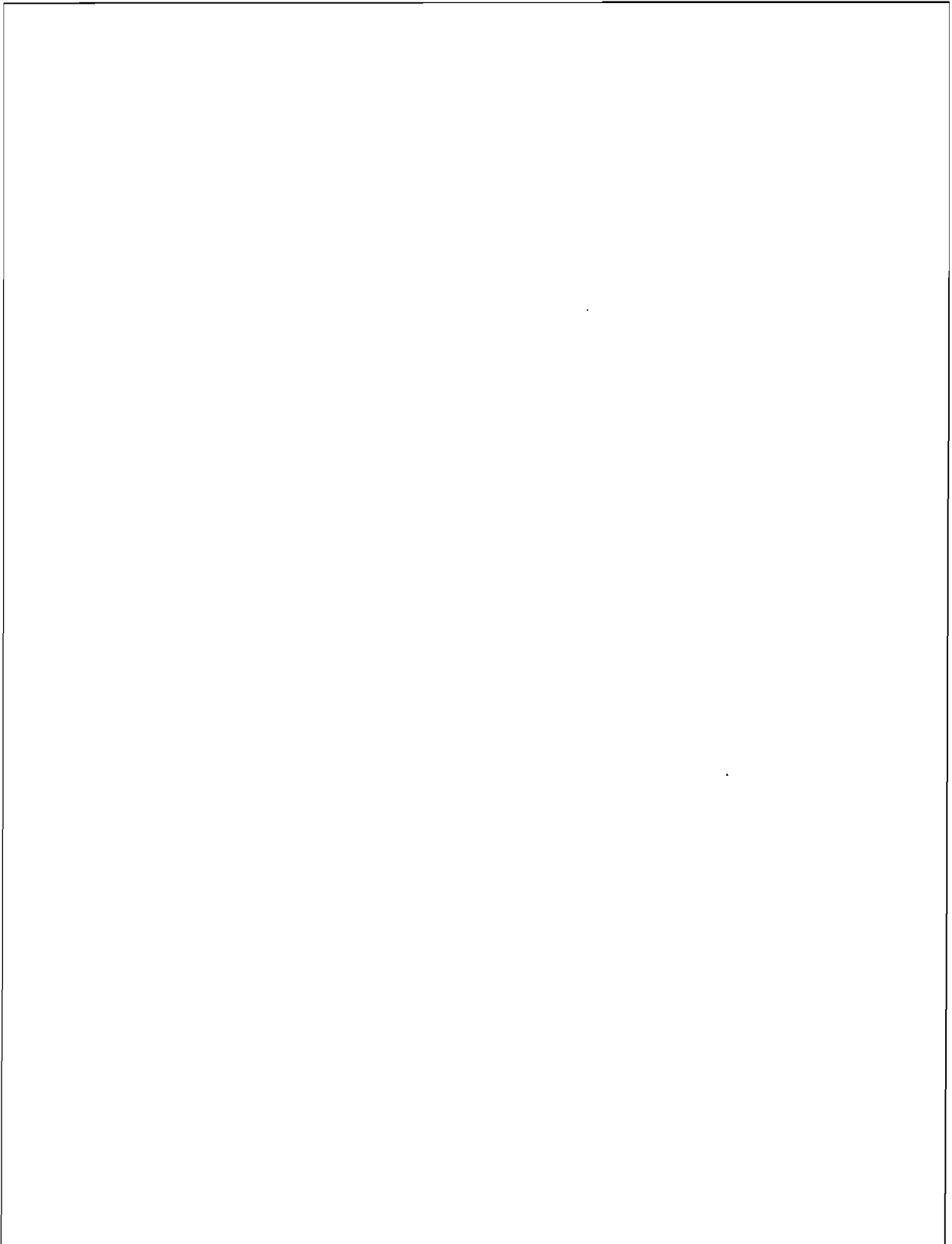
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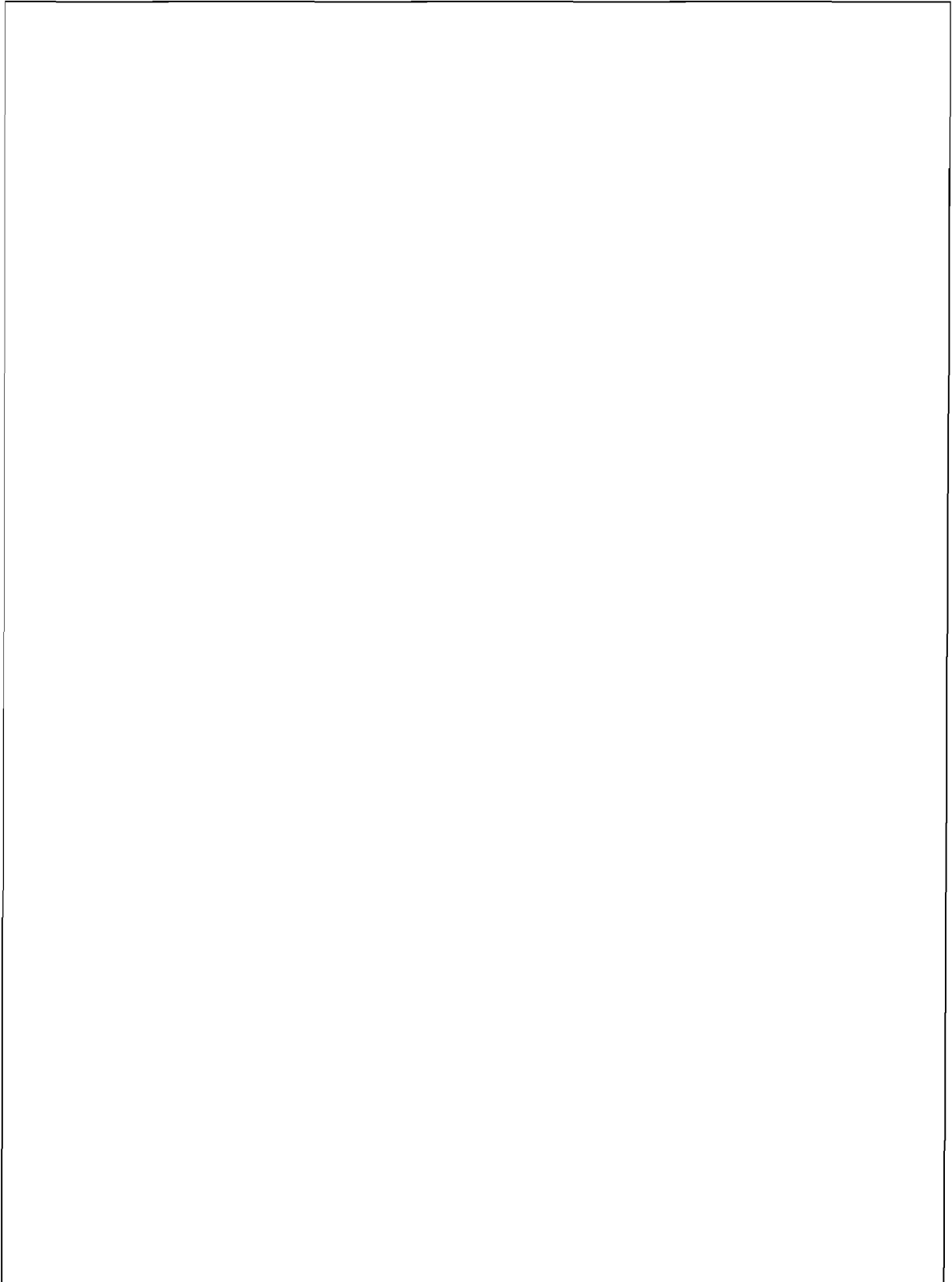
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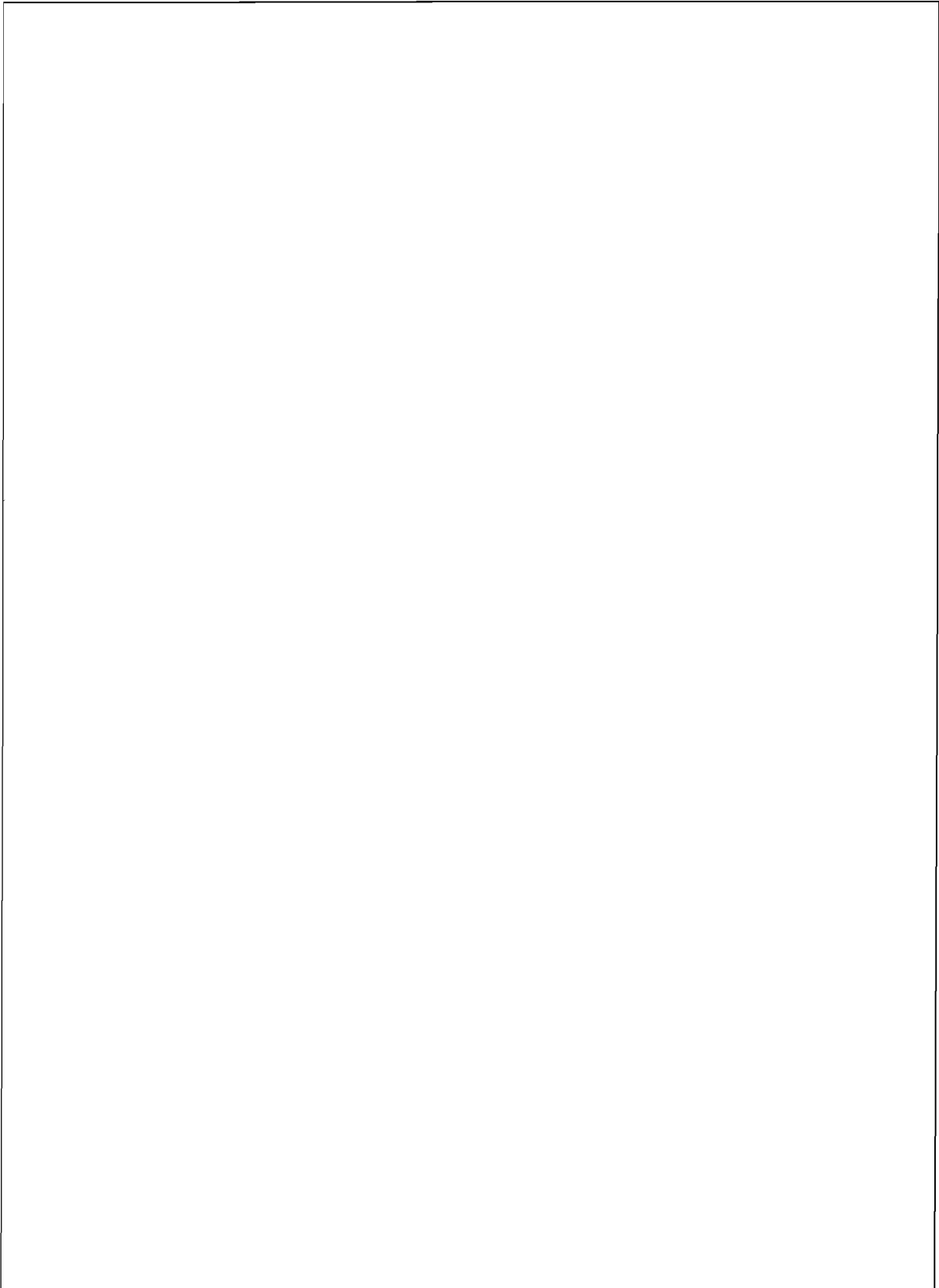
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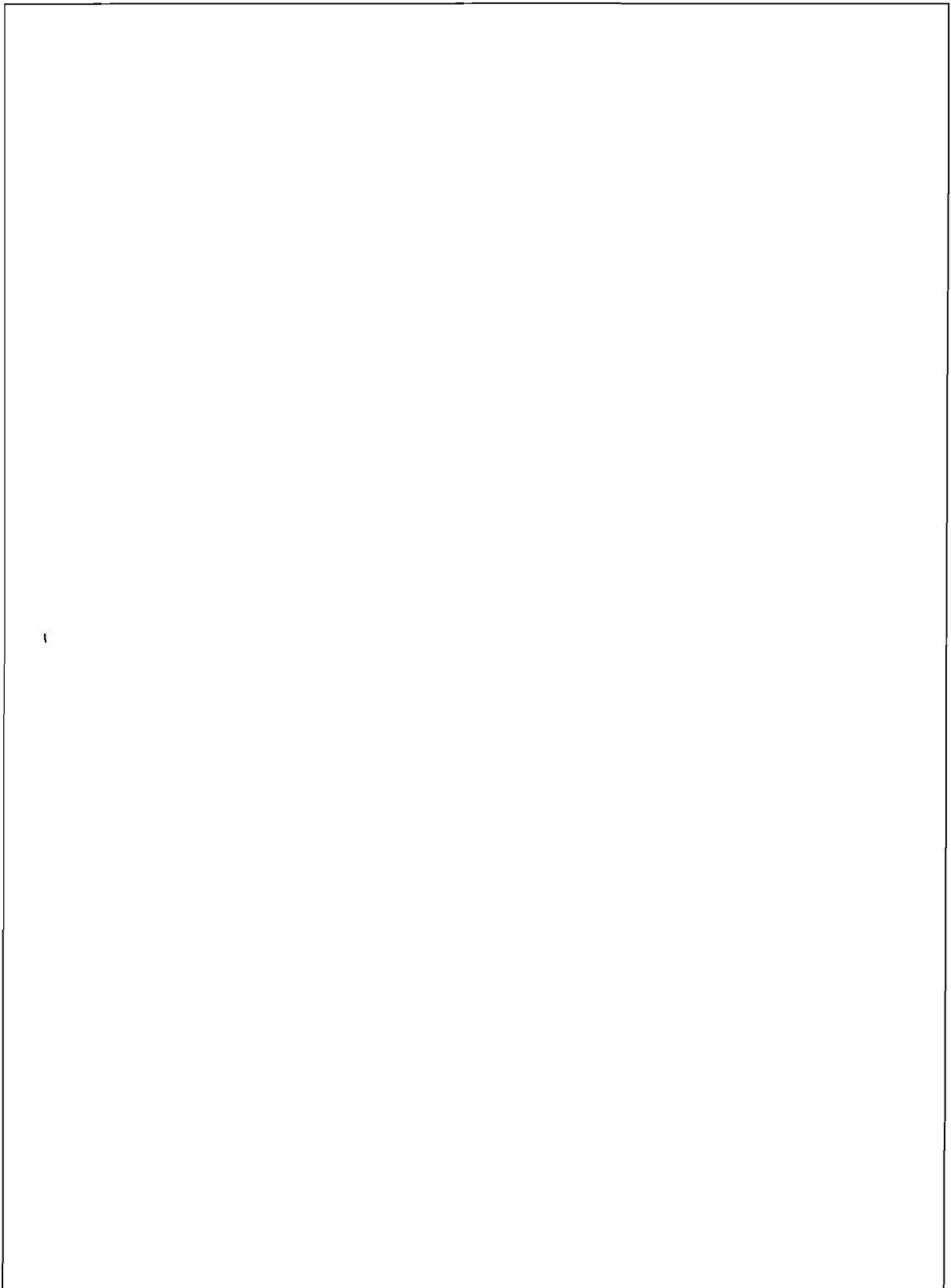
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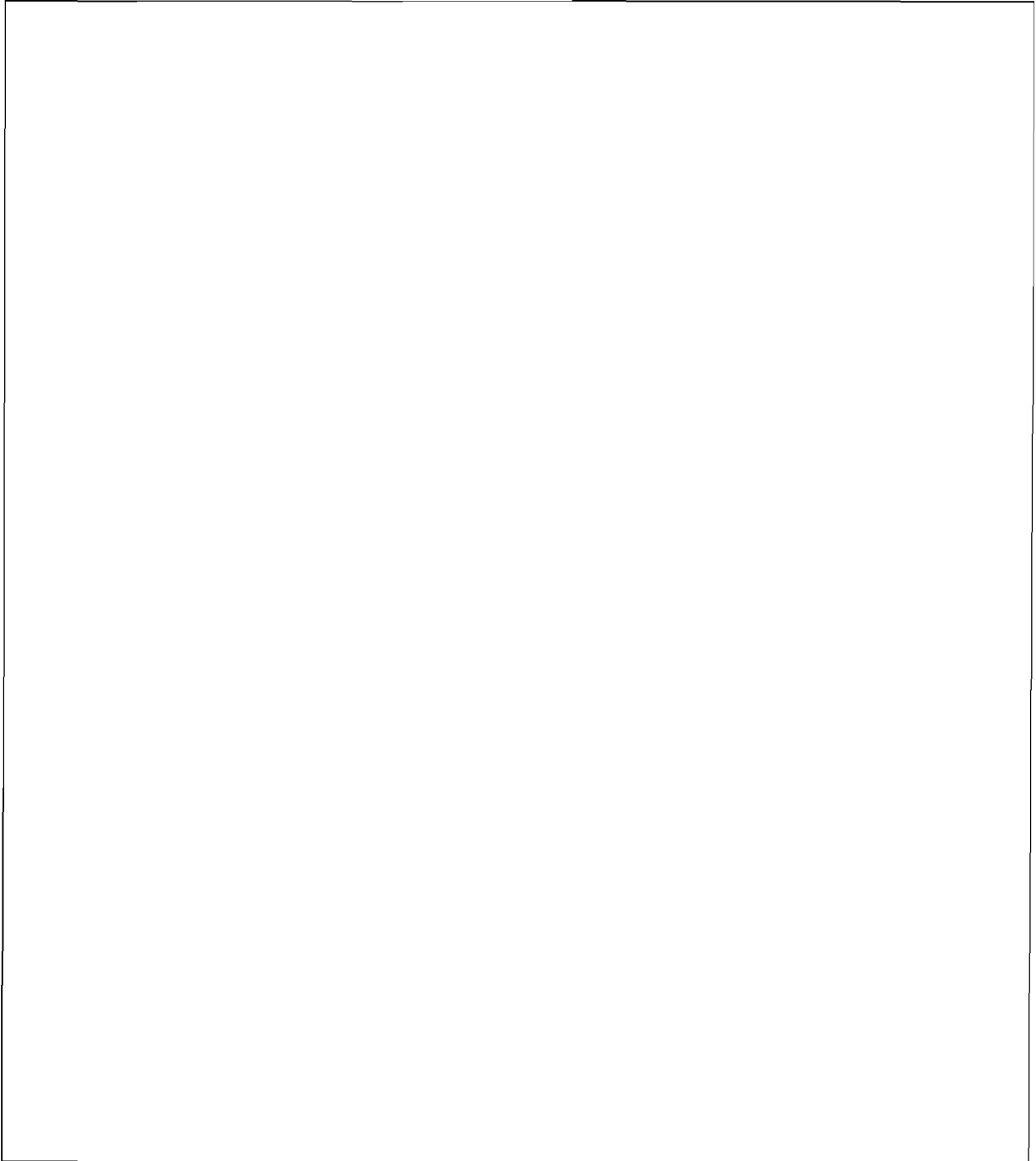
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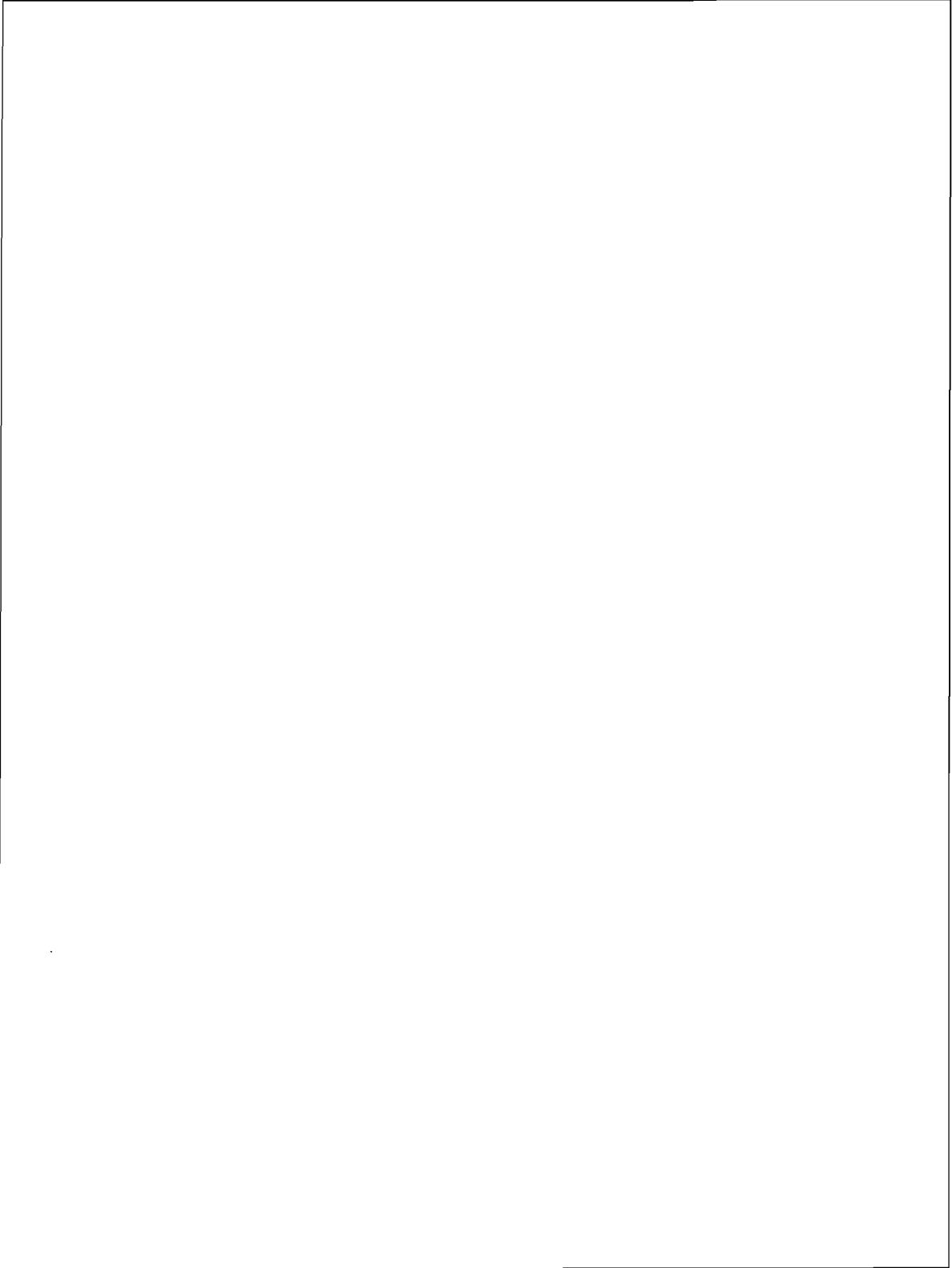
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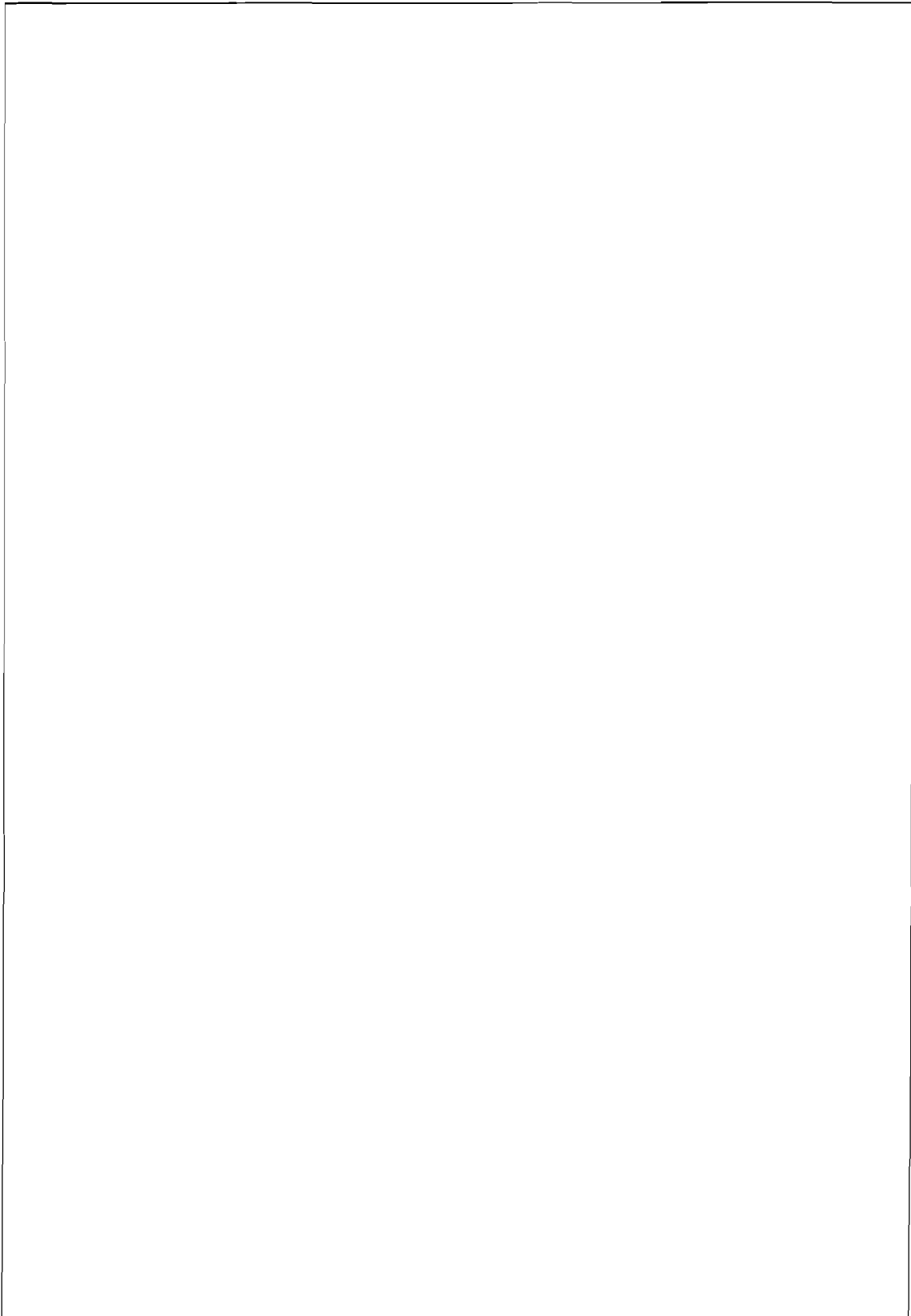
INVESTIGATIONS

(U) The Investigations Staff is responsible for investigating reports of possible violations of statutes, regulations, policies, or procedures, as well as potential waste, mismanagement, abuse of authority, or substantial dangers to public health and safety connected with Agency programs and operations. The Investigations Staff is also responsible for general oversight of the employee grievance system and appeals of decisions of various Agency boards.

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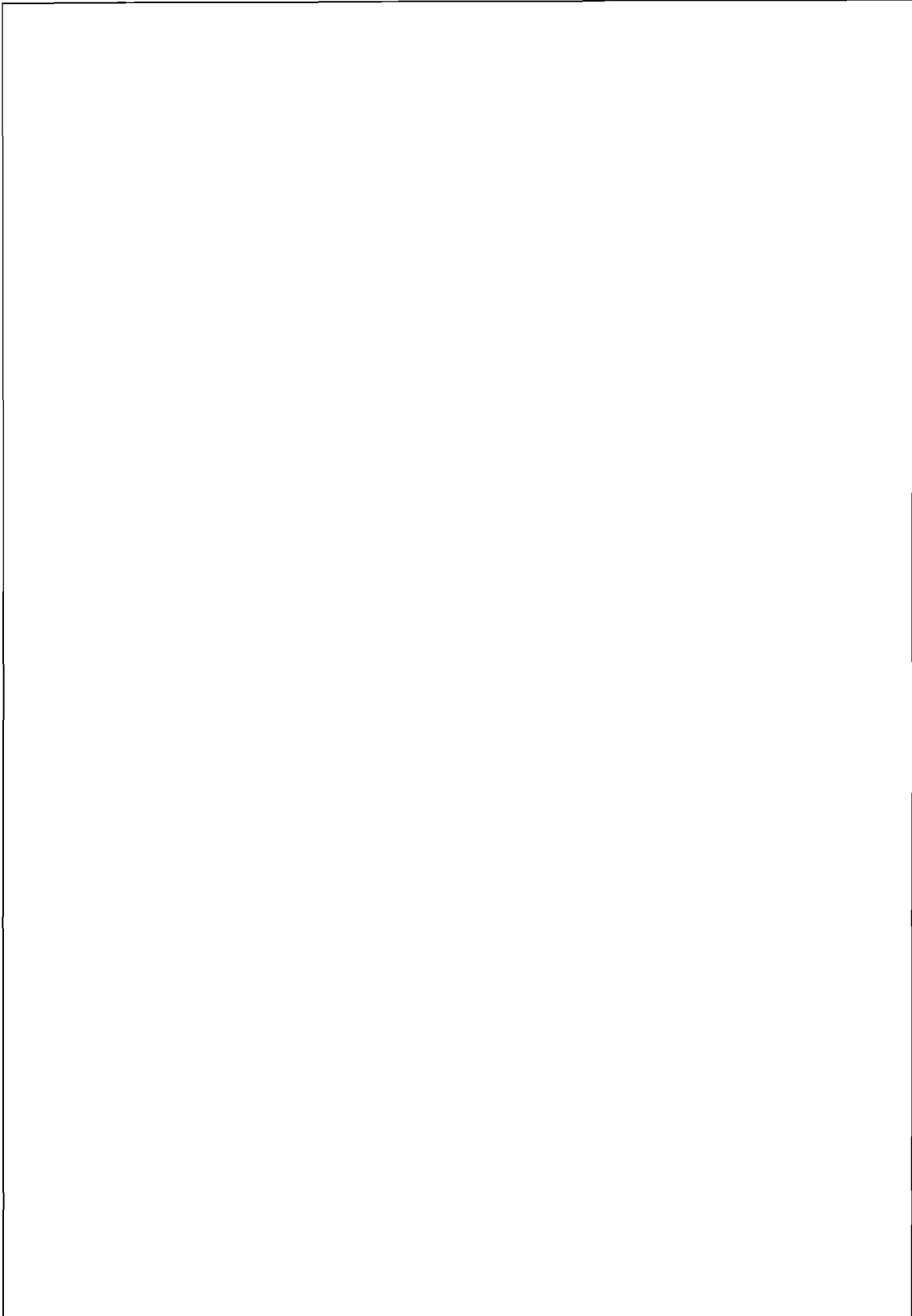


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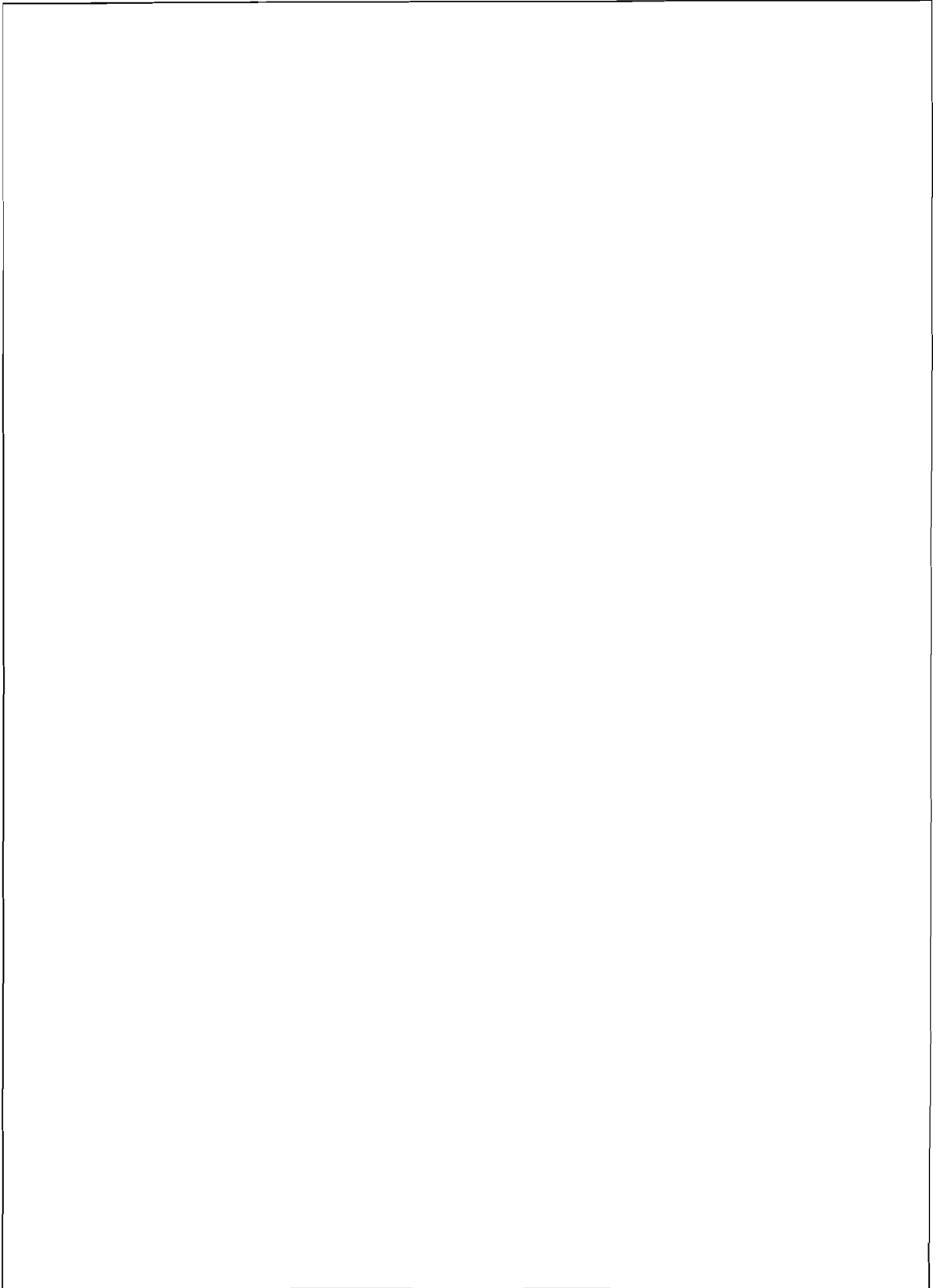
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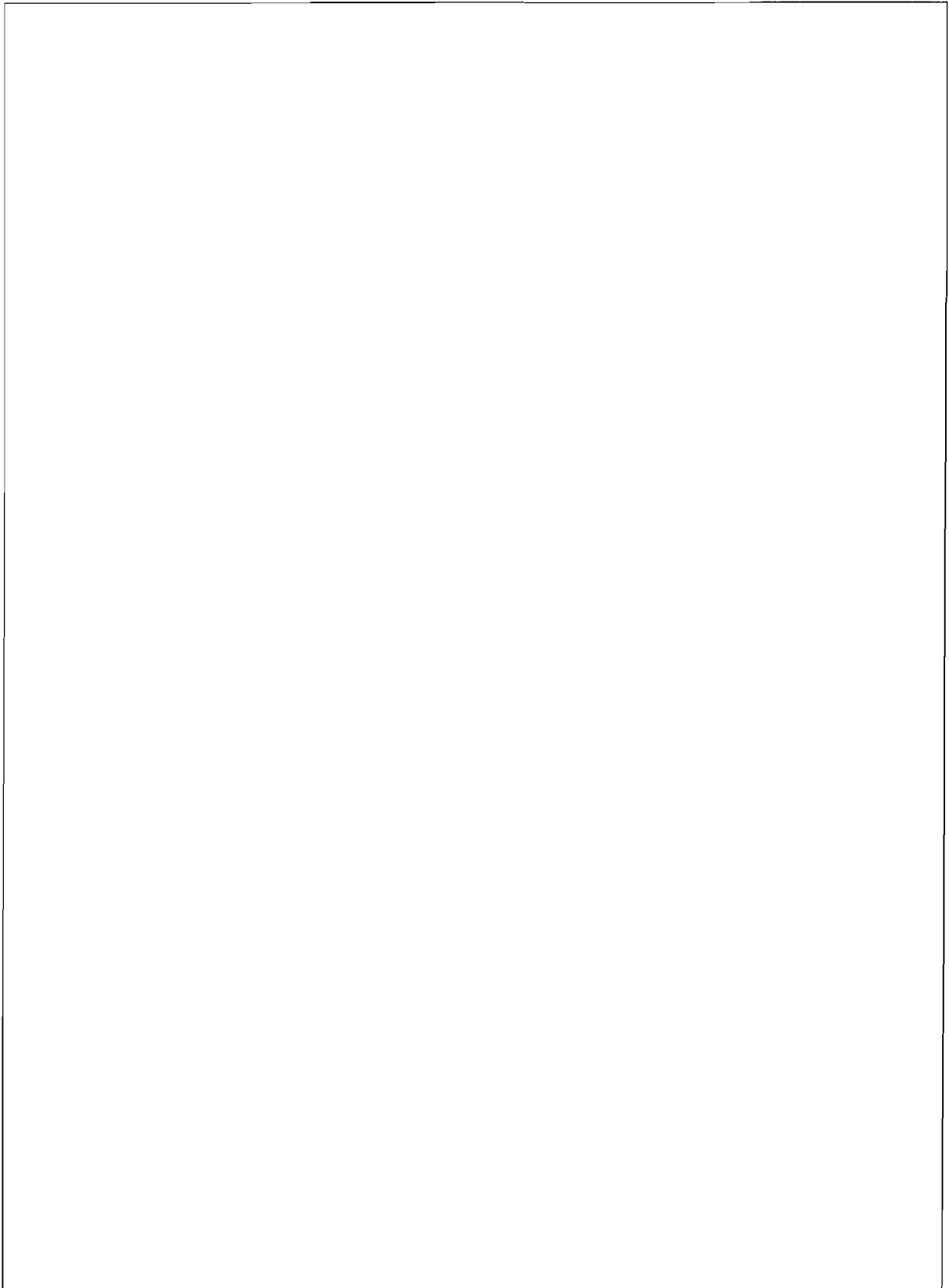
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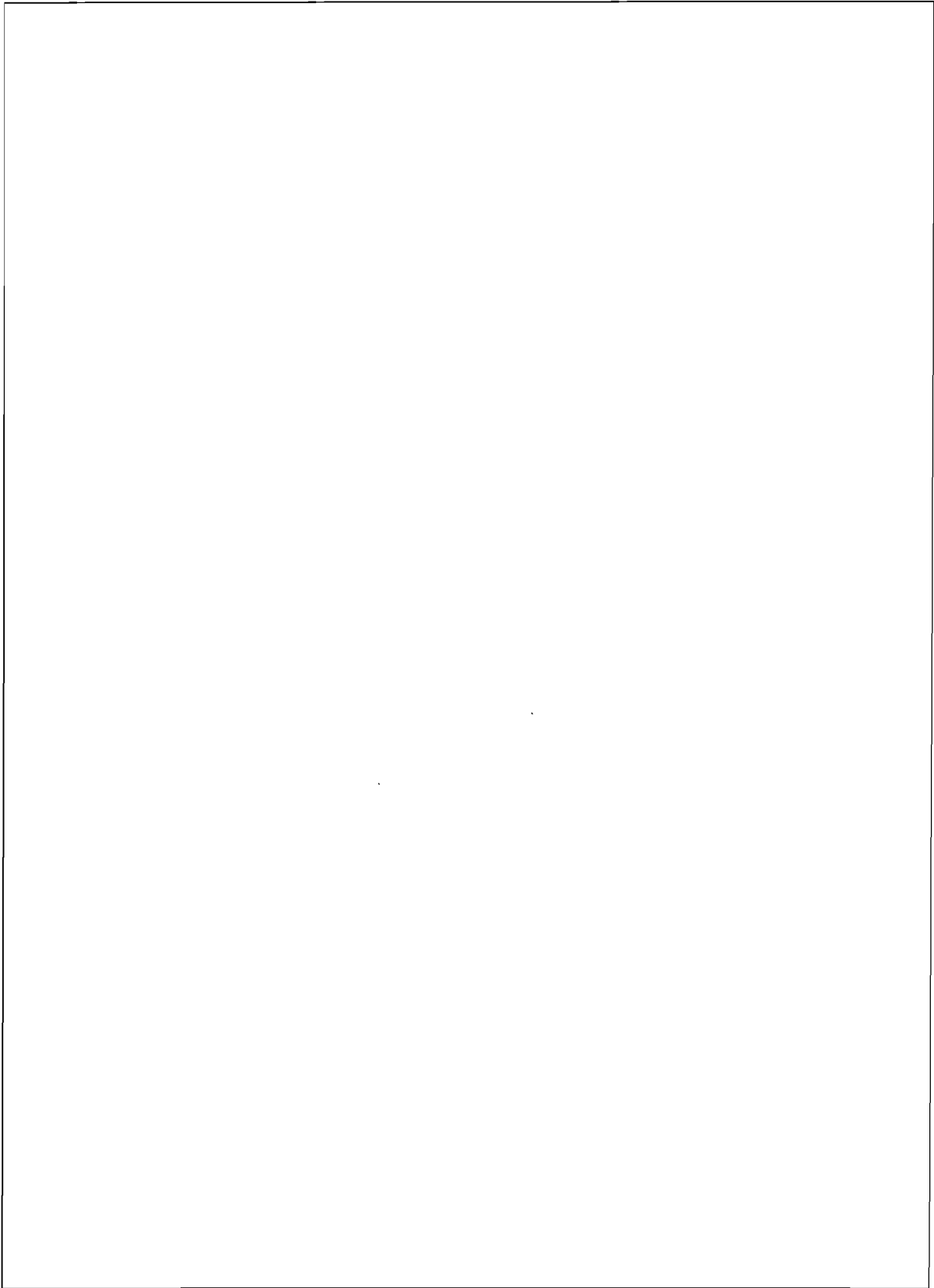
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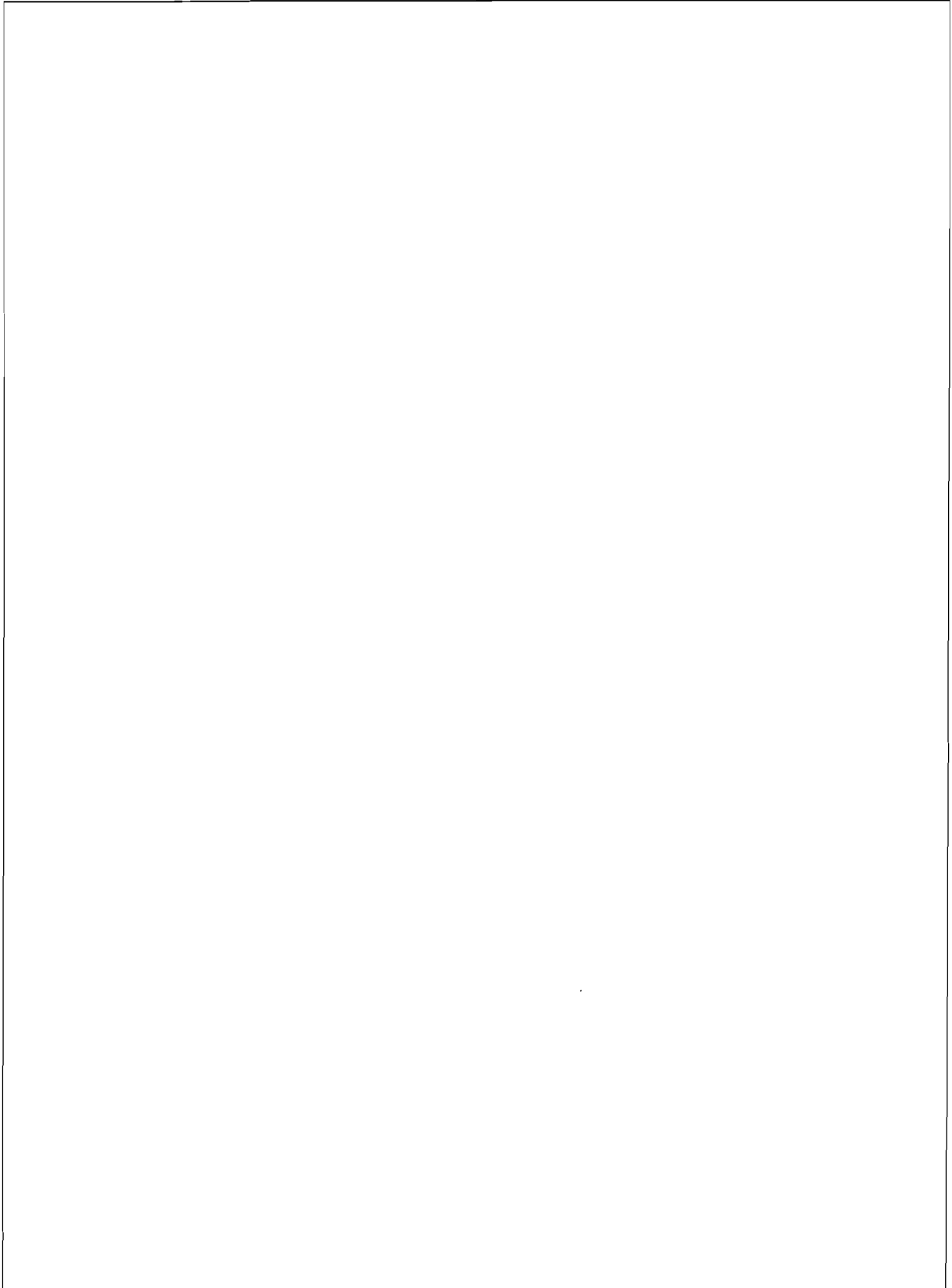
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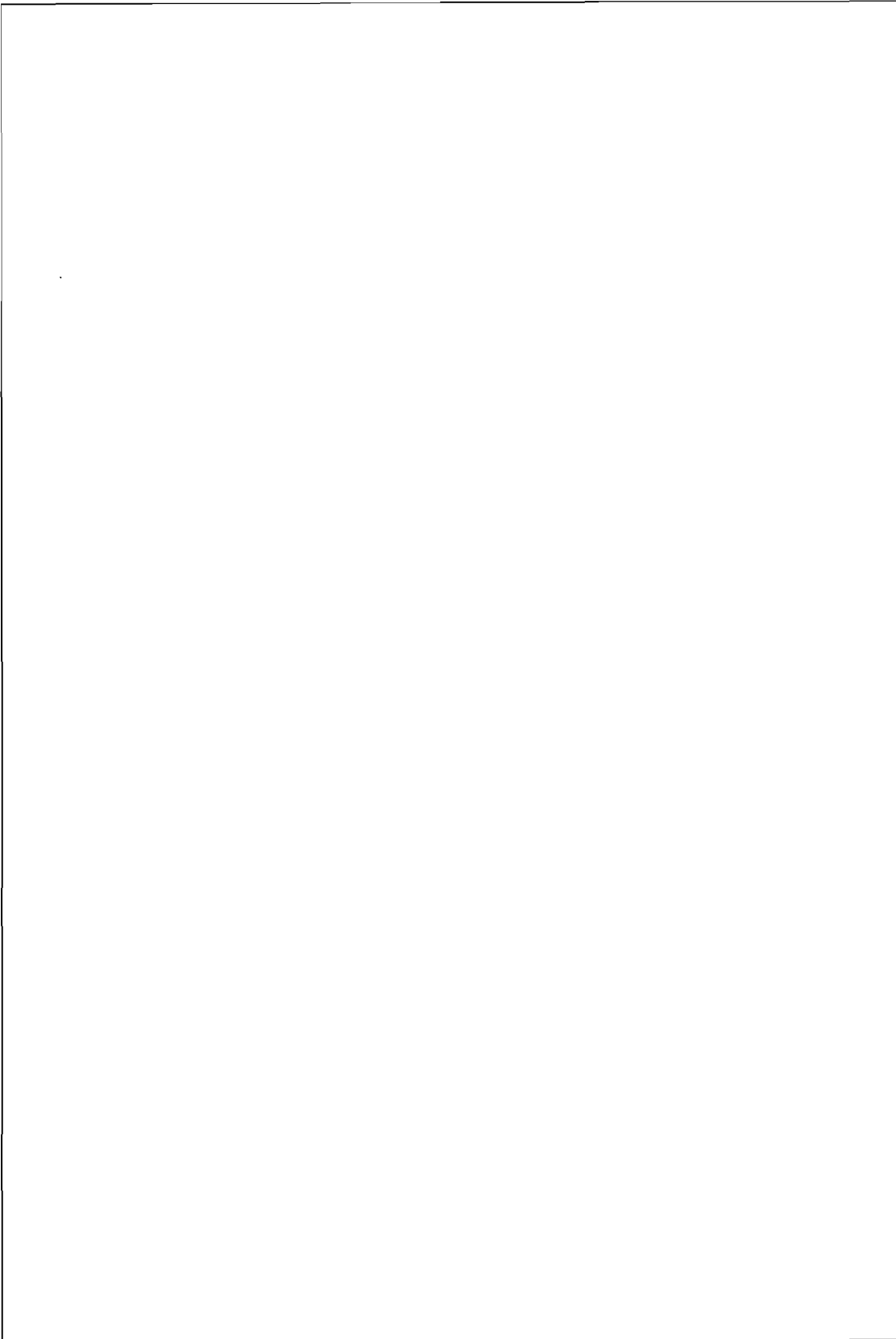
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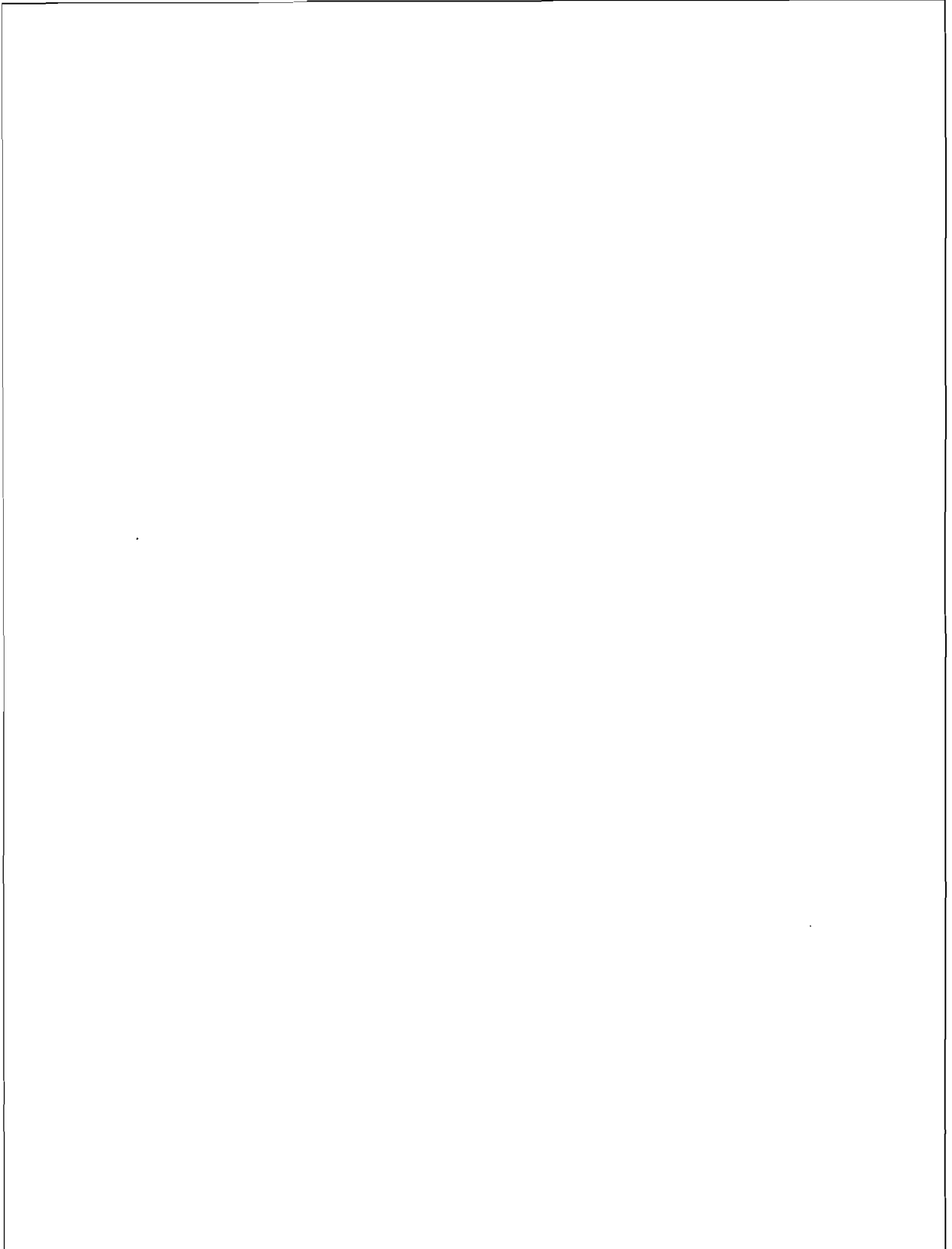
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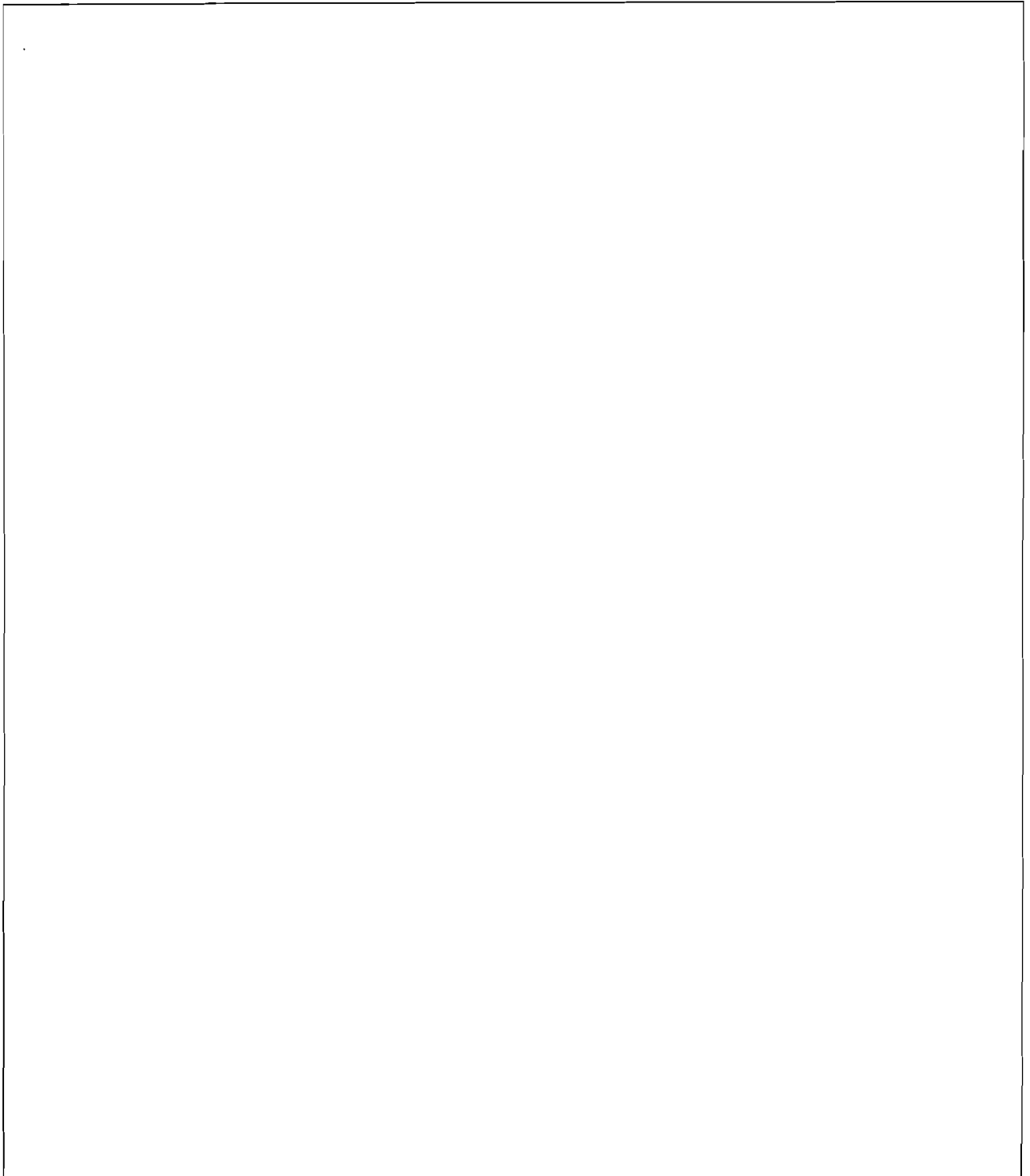
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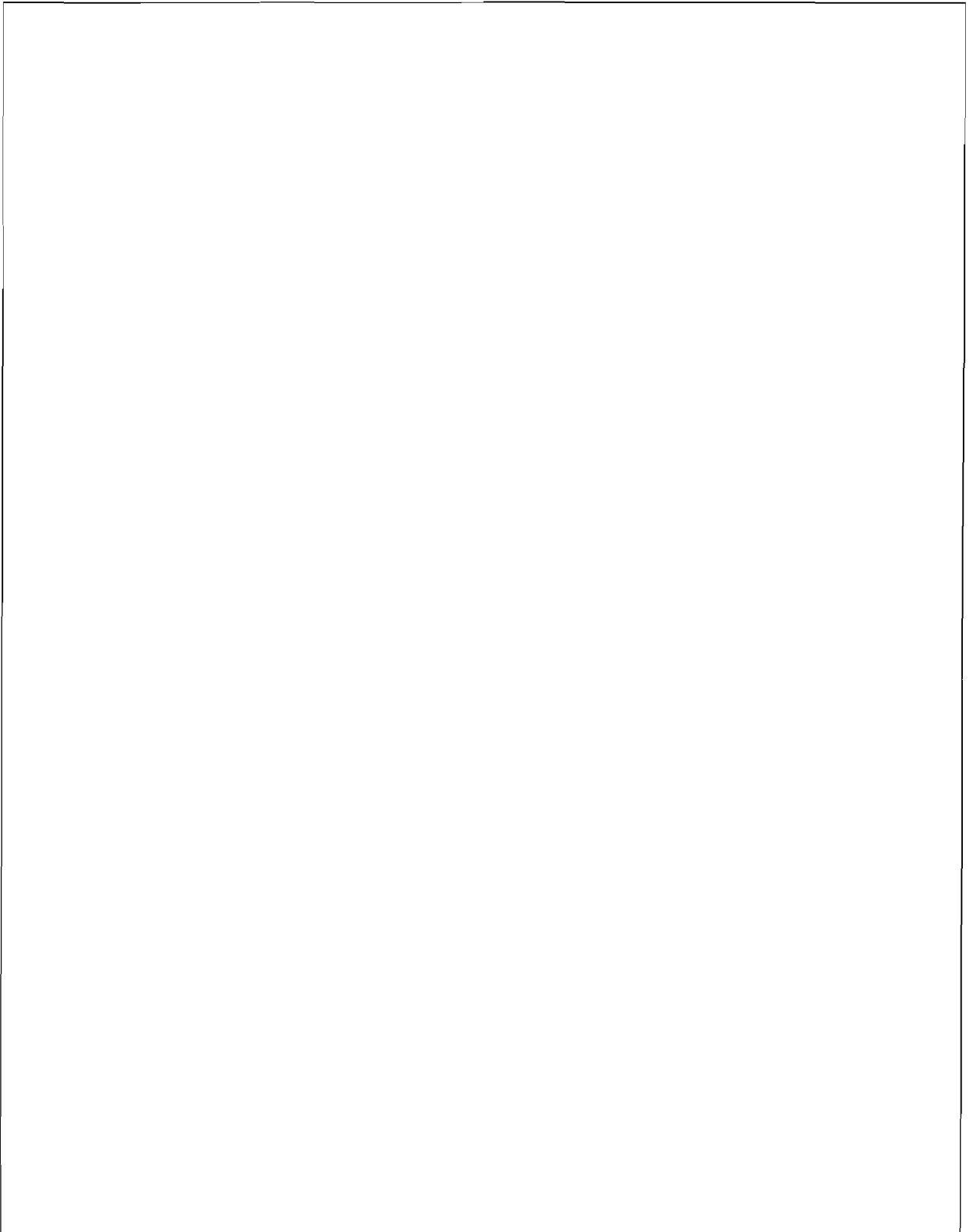
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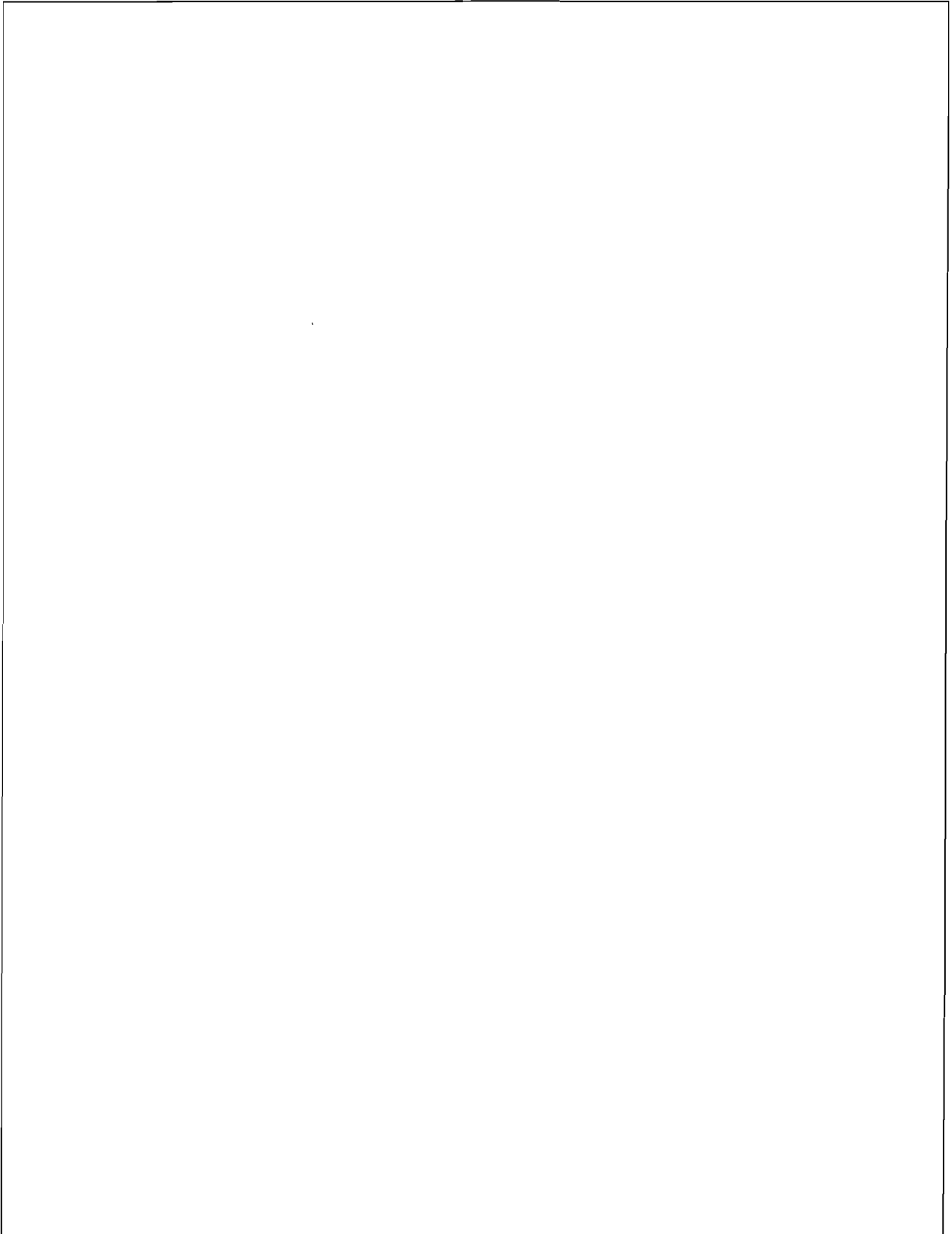
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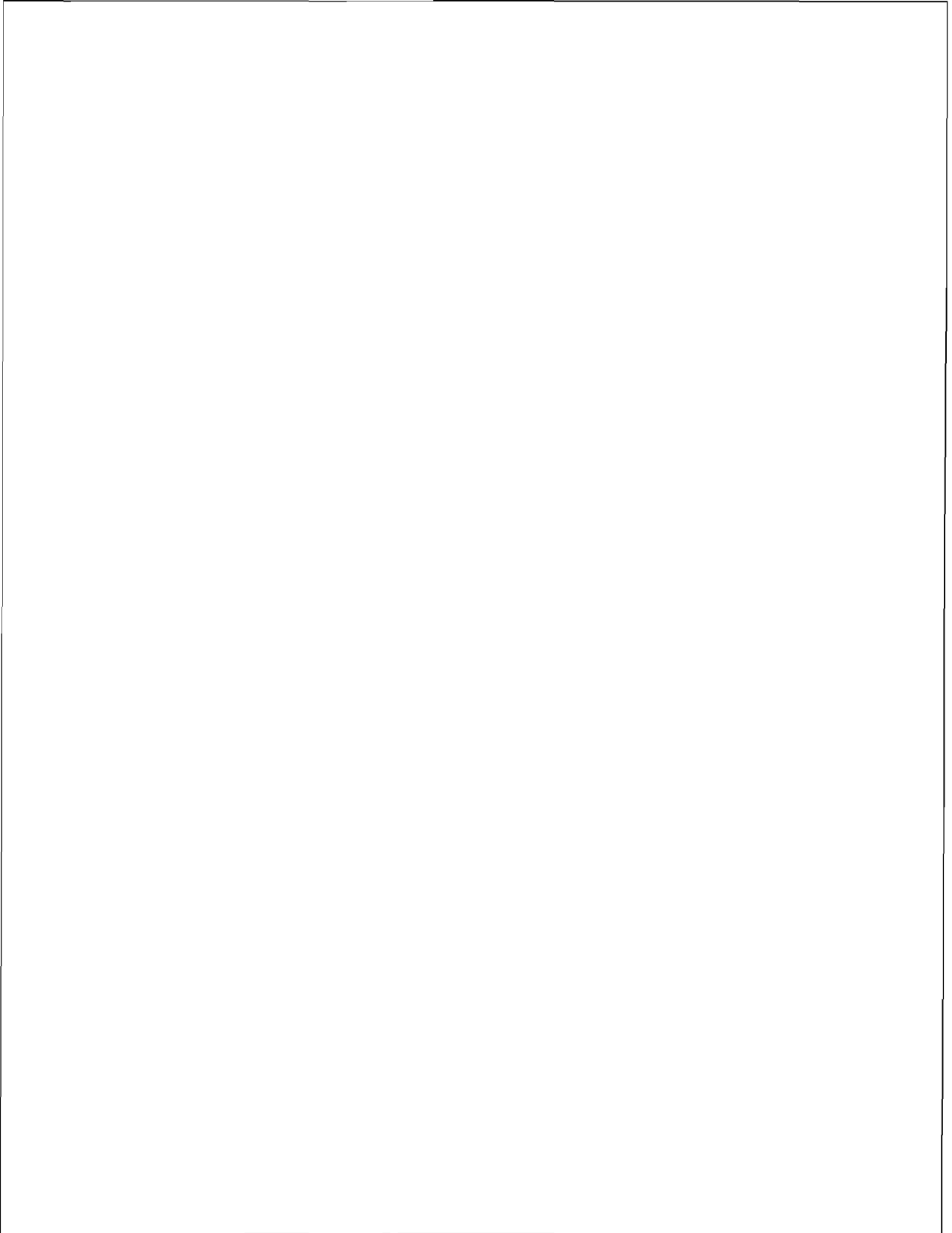
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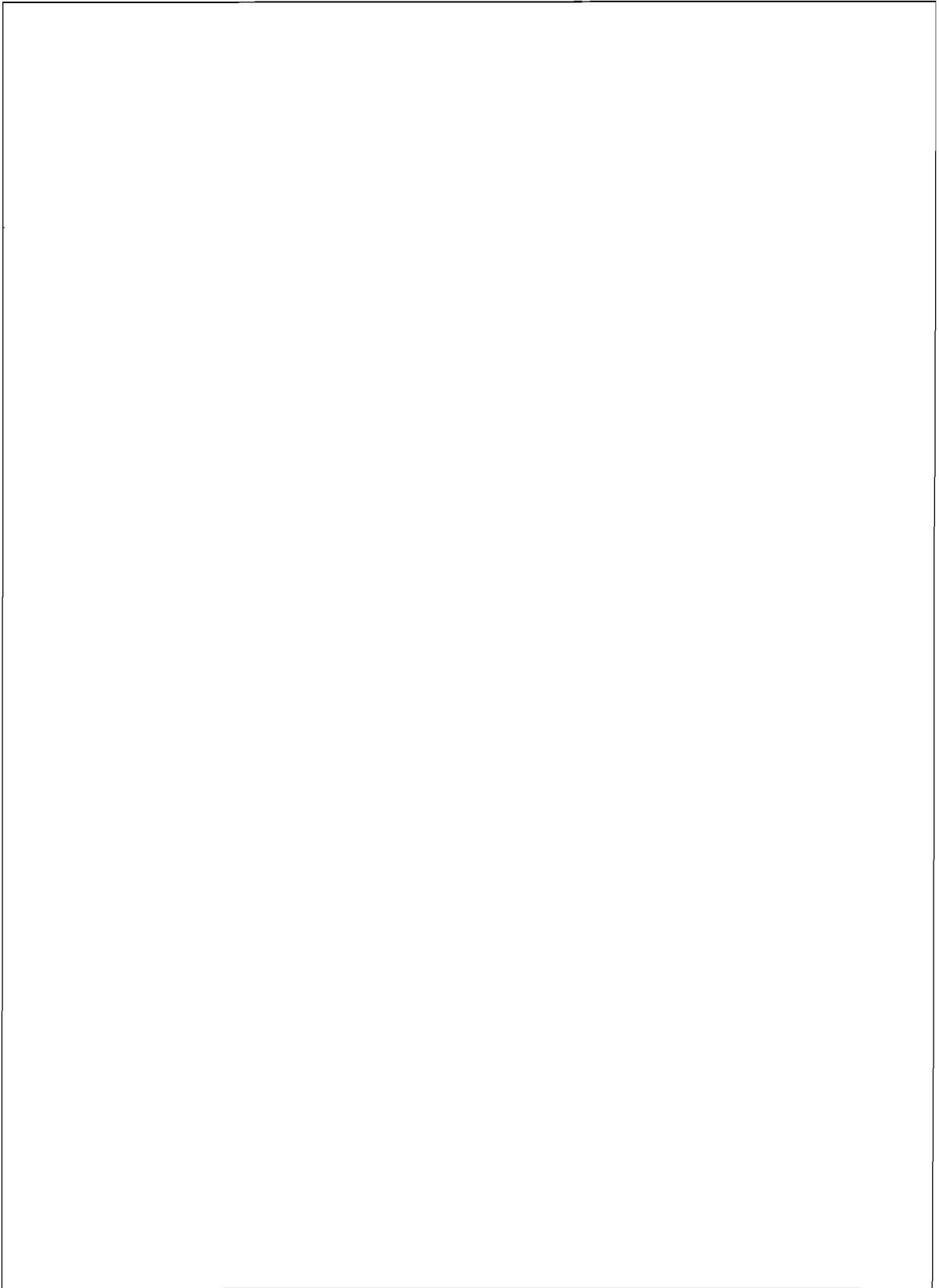
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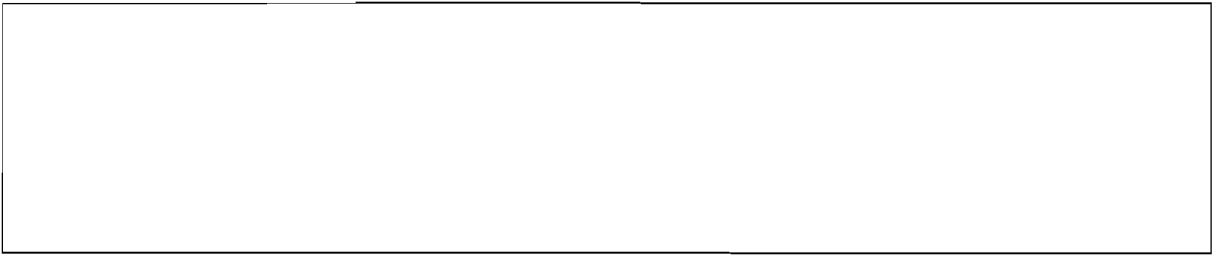
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ANNEX A

AUDITS COMPLETED 1 July - 31 December 1998

(U) Financial and Information Management

(U) Implementation of the Central Services
Working Capital Fund

Year 2000 Computing Issue

(U) Agency Electronic Voucher Information System

(U) Agency Field Accounting and Reporting System

(U) Protecting Agency Information Systems
Against Computer Viruses

(U) General Administration

(U) External Quality Control Review of the
Security Audits Division, Office of Security and
Intelligence Oversight, Office of Inspector General,
Department of State

(U) Audit of the Implementation of the Lawson Payroll
Software

(U) Joint Quality Control Review of the Office of
Inspector General at the National Reconnaissance Office

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(U) Operational Functions and Activities

27 March 1996 - 20 March 1998

(U) Procurement and Property Management

☐ Final Interim Report on Alleged Improper
Payments to

(U) Utilization of Prior Year Funds

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ANNEX B

INSPECTIONS COMPLETED

1 July 1998 - 30 December 1998

(U) Surge (signed by the DCI)

(U) Latin America Division (in review)

(U) Crime and Narcotics Center (in review)

(U) (in review)

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ANNEX C

INVESTIGATIONS COMPLETED

1 July - 31 December 1998

(U) Alleged Contract Fraud and Related Issues

(U) Appeal of Financial Review Board Decision

(U) Conversion of Government Property

(U) Conversion of U.S. Government Funds

(U) False Travel Accounting

(U) Illegal Supplementation of Federal Salary

(U) Misleading Congress on Human Rights Abusers

(U) Misuse of Government Property

** (U) These investigations were closed with other than Reports of Investigation or Disposition Memorandums.

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

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(U) Possible Contract Irregularities

(U) Possible Procurement Fraud

(U) Possible Regulatory Violations

(U) Theft and Misuse of Government Property

(U) Theft of Government Equipment

(U) Time and Attendance Fraud/Abuse

(U) Unfair Treatment by Agency

(U) Abuse of Agency Telephone Lines

(U) Alleged Assault by Supervisor

(U) Alleged Conflict of Interest

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