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*Central Intelligence Agency  
Inspector General*



**SEMIANNUAL REPORT**  
**TO THE DIRECTOR OF CENTRAL INTELLIGENCE**  
**JANUARY - JUNE 1999**

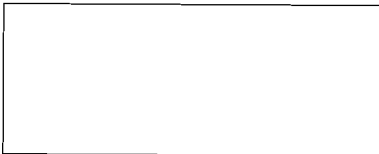
*L. Britt Snider  
Inspector General*

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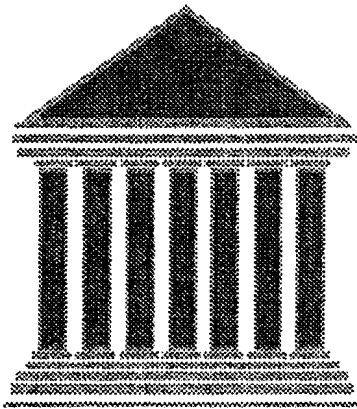
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## *A Message from the Inspector General*



*This semiannual report is the second I have signed as Inspector General (IG), signifying almost a year in the job. The Office of Inspector General (OIG) has made progress on a number of fronts during this reporting period.*

*A new Agency Regulation covering the work of the OIG was developed and coordinated with Agency components, and was signed by the DCI on 2 July. The regulation sets forth the authorities and responsibilities of the OIG as well as its operating policies and procedures. This document should be helpful not only to OIG employees, but to Agency employees generally who seek information about OIG operations. Prior to this, there had been no Agency regulation that reflected the creation of the statutory Inspector General in 1989, or set forth its operating policies.*

*The task force created last fall to examine the issue of whether we should develop a new "quick response" OIG product produced its report in February, setting forth the pros and cons of institutionalizing this new IG "art form." On reflection, however, I decided against taking this step because it had become apparent to me that we were capable of providing "quick responses" within our existing structure and capabilities. Ironically, in the months that followed, we demonstrated our ability to respond quickly to several high priority tasks.*

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*The most notable of these tasks involved a special investigation into CIA's role in the mistaken bombing of the Chinese Embassy in Belgrade that occurred on 7 May 1999. A week later, on 14 May, the DCI asked me to undertake an investigation of CIA's involvement on a high priority basis. Three weeks later to the day, we provided the DCI a detailed, comprehensive report of CIA's role in the matter, thanks to the Herculean efforts of Deputy IG John Helgerson and his 11-person team. This report not only informed Agency managers, it was used to inform the White House and the Congress, and formed the underpinning of our diplomatic efforts to explain the bombing to the Chinese government.*

*In another major effort, we were tasked in March by the Executive Director to undertake a special assessment of the Agency's relationships with the National Laboratories, both to satisfy recommendations made in the Cox Committee's report on Chinese espionage at the laboratories and to inform Agency management regarding the nature and extent of these relationships. The OIG team led by Special Counsel [ ] produced an enormously enlightening piece of work by the 1 July 1999 deadline, which I believe will help Agency management understand the existing problems and point the way to dealing with them.*

*The ability of the office to respond quickly was also demonstrated by our audit of the Agency's business continuity plans to deal with contingencies that may arise as a result of the transition to Year 2000 (Y2K). We began the audit in April and completed it in June, in time for Agency managers to assess and address our findings in a timely manner.*

*At the request of management, we also began a priority assessment in May of the hard targets review process, which we expect to complete by the end of the summer.*

*I mention these specific examples to illustrate that the OIG can be responsive to compelling management needs on a timely basis. These projects are also noteworthy because all but the Y2K audit were cross-staff projects, involving inspectors, auditors,*

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*investigators, and support. It has become increasingly apparent to me that assigning professionals to a problem who approach it from differing perspectives significantly enhances the result.*

*It is also worth noting that the office was involved in three projects during the reporting period that were undertaken in conjunction with other Inspectors General.*

*One was the special assessment prepared by the Audit Staff evaluating CIA's support to the export licensing process, which had an immediate impact on the Agency offices concerned. Moreover, the report was provided, together with similar reports prepared by the IGs at State, Commerce, Defense, Treasury, and Energy, to the Senate Governmental Affairs Committee, which is considering these reports within the context of developing new legislation to remedy a number of the shortcomings identified.*

*Another project accomplished jointly was the Audit Staff's review of the arrangements for ensuring the coordination of foreign liaison activities consistent with law and applicable DCI directives. Although not yet published, this study will review the DCI and CIA mechanisms for accomplishing this coordination, while the Inspectors General of other Intelligence Community agencies are reviewing the subject from the perspective of their particular agencies.*

*Finally, we were asked by the Chairman and Vice Chairman of the Senate Select Committee on Intelligence to undertake a joint review with the Department of Defense Inspector General of the process which led to the development and publication of a Special National Intelligence Estimate on POWs/MIAs in 1998.*

*It seems clear to me that the frequency of joint initiatives of this kind is apt to grow in the future for the simple reason that many of the issues or problems we are asked to address, or that we are obliged to address, involve the activities of two or more departments and agencies and cannot be adequately covered by one IG. Accordingly, there must be interagency mechanisms as well as*

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*bilateral relationships with other Inspectors General that provide the wherewithal for developing issues of concern on a bilateral or multilateral basis.*

*In addition to the particular projects undertaken during the reporting period, the OIG undertook other initiatives worthy of note. One of these was an effort by our Investigations Staff to identify ways that the OIG could become more proactive in terms of identifying instances of possible contract fraud. These included improved communications among our own staffs as well as with Agency officials involved in the contracting process. We are now beginning to implement several of the recommendations produced by this ongoing review.*

*For its part, our Audit Staff undertook an intensive—and, ultimately, very successful—effort to recruit new auditors to fill the relatively large number of vacancies we had last fall. Working with the CIA Recruitment Center, the Audit Staff was able to hire an impressive mix of new auditors, some having government or Intelligence Community experience and others coming on board right after college. The Audit Staff expects to be at full strength for the first time in many years.*

*I should also mention that the new process instituted with the Executive Director last fall for tracking the implementation by CIA components of approved or agreed-upon OIG recommendations continues to bear fruit. We were able to close seven previously published inspection and audit reports during this reporting period, leaving 11 that have not been fully implemented.*

*There are still challenges in front of us. We will be instituting a new planning process during the next six months, which I hope will provide a more systematic, rigorous process for deciding where the discretionary part of our resources, i.e. inspections and audits, should be focused. Undoubtedly we will learn from this experience and will adjust as we go.*

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*We must work harder at improving our lines of communication to Agency managers at all levels. But, in the end, the proof is in the pudding. So long as the quality of our work remains high, the more compelling it will be for managers. The longer I remain in this job, the more I am impressed by the capability this office possesses. Our auditors, inspectors, and investigators bring a great deal of experience and training to bear upon any given subject. And while I am sometimes frustrated at the time required to produce an end result, I also take comfort in knowing that these results are the product of a thorough, comprehensive review. Management may not always agree with our interpretation of the facts at issue, or with our recommendations, but it can be assured we have done our best to dig out the relevant facts and evaluate them objectively. That, essentially, is the value of an independent OIG.*

*In closing, I would like to recognize the accomplishments of [redacted] who is leaving the position of Assistant Inspector General for Audit this month to become an [redacted]. [redacted] For the almost eight years [redacted] has served in this position, he has spearheaded a great many audits and assessments that have had a profound impact on the Agency. He moves on to the greener pastures of academe with the thanks of all of us for a job well done.*

*L. Britt Snider*



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## OVERVIEW

### Statutory Requirements

(U) This report is submitted pursuant to section 17 of the Central Intelligence Agency (CIA) Act of 1949, as amended, which requires the Inspector General (IG) 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 (OIG) 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.

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

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## *HIGHLIGHTS OF ACTIVITIES AND KEY ISSUES*

### **Audit Staff Highlights**

(U) During the first six months of 1999, the Audit Staff focused on a wide variety of issues related to Agency activities and participated in four joint reviews related to Intelligence Community programs and activities.

(U) The Audit Staff issued its first annual report on the financial statements of the Agency's Central Services Working Capital Fund. This audit, required by the Intelligence Authorization Act for Fiscal Year 1998, represented the first time that the staff audited financial statements prepared in accordance with federal accounting standards and guidance issued by the Office of Management and Budget.

(U) In order to fulfill the requirement for an annual audit of the Working Capital Fund's financial statements, the Audit Staff established the Managerial Accounting Audit Group (MAAG) in February 1998. This group is responsible for the examination and appraisal of policies, procedures, practices, and records relating to the performance and annual financial reporting of the CIA Central Services Program and Working Capital Fund, as well as the conduct of audits and reviews of CIA programs and activities using criteria derived from federal statutes on financial management and reporting. The Assistant Inspector General for Audit staffed MAAG with auditors previously assigned to other audit groups. Auditors assigned to MAAG have received extensive training in topics related to the mission of the group, including federal accounting standards, business costing methodologies, internal control reviews, and working capital fund operations.

(U) The Directorate of Administration continues to transition administrative services to the Central Services Program, and that action will add to the Audit Staff's workload. In order to meet these newly mandated financial statement audit requirements and continue to maintain its vigorous commitment to performance audits of a

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broad range of Agency programs and activities, the Audit Staff has recently undertaken a vigorous recruitment program that will bring the unit to its authorized personnel strength for the first time in several years. We will monitor the workload to determine whether it may be necessary in the future to augment the staff's personnel complement.

☐ The Audit Staff also completed audits that examined:

- ◆ ☐
- ◆ Oversight of contractor performance on cost-reimbursement contracts.
- ◆ Procedures for verifying security clearances of individuals receiving classified finished intelligence publications.
- ◆ Year 2000 business continuity planning.

☐ 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), the Department of State, and other government agencies, and to pursue involvement in joint oversight of Intelligence Community programs and activities. During this reporting period the Audit Staff completed a joint audit of contractual and financial support for the ☐ and an interagency review of the export licensing processes for dual-use commodities and munitions. As of 30 June 1999, 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 ☐
- ☐
- are effective, and whether policies established under the

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DCIDs for the disclosure of US intelligence to officials of foreign governments and international organizations are uniformly applied.

- ◆ Reviewing the [ ] support to law enforcement agencies.

(U) A CIA auditor is assigned to the DIA Office of Inspector General, and a CIA auditor, in addition to one investigator, is on rotation to the NRO Office of Inspector 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 the first six months of 1999, the Inspection Staff issued seven inspection reports: External Operations and Cover Division (EOCD), Crime and Narcotics Center (CNC), Latin America Division (LAD), Office of Communications (OC), Central Eurasia Division (CED), Arms Control Intelligence Staff (ACIS), and Alternative Analysis in the Directorate of Intelligence. The Staff also issued one Special Assessment: [ ]

(U) Six full inspections were in progress: Office of Asian-Pacific and Latin American Analysis (APLA), [ ] Non-Proliferation Center (NPC), [ ] Agency's Open Assignments Process, and Military Analysis in the Directorate of Intelligence. A mini-inspection of the Hard Targets Boards is also in progress.

(U) At the request of the Senate Select Committee on Intelligence (SSCI), the office is conducting a joint inquiry with the Department of Defense IG, to examine criticisms of the April 1998 National Intelligence Estimate addressing "Vietnamese Intentions, Capabilities, and Performance Concerning the POW/MIA Issue."

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(U) At the request of the Agency's Executive Director, this office undertook a Special Assessment to determine the full extent of the Agency's relationship with the Department of Energy's (DoE) National Laboratories and to assess the scope and nature of the information that is shared with the Laboratories by CIA components and personnel. Consistent with the Executive Director's request, the assessment also encompassed a review of the Agency's role in implementing the Presidential Decision Directive 61 (PDD-61) counterintelligence program and the adequacy of CIA's counterintelligence procedures to protect any militarily sensitive US technology. A draft of the Special Assessment report was made available to Agency and DoE components for review and comment. The final report was completed by the 1 July 1999 deadline.

(U) Preparations were under way for the sixth running of the two-week training course for new inspectors—providing 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 Staff participation. For the third consecutive running, an investigator and an auditor will be invited to join the course.

(U) The Staff also prepared a training seminar for new team leaders. The one-day seminar gave new team leaders a review of what is expected of them and some help in planning their team activities. The Staff is now planning a second running of this seminar, based on lessons learned from the first one.

(U) During the current inspection cycle, the Inspector General commissioned a team of inspectors to use a new performance assessment system for a component inspection. The purpose was to evaluate how this system could be used to conduct a more efficient and better-focused inspection. The Inspection Staff will conduct a review of the APLA inspection team's experience with the system in the summer of 1999.

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## Investigations Staff Highlights

(U) The first six months of 1999 found the Staff with a balanced mix of core cases and special projects. Representative of the special projects category are two cases of particular interest: the investigation into the inadvertent bombing of the Embassy of the People's Republic of China in Belgrade, Yugoslavia and the investigation into allegations surrounding the bombing of the US Embassy in Nairobi, Kenya.

(U) The total caseload has stabilized over the last two reporting periods, and the average workload per Investigator is now at a manageable level. We continue to screen incoming cases carefully, referring those best handled administratively back to the appropriate component management. Consequently, our caseload consists of cases more in keeping with our mission and has given us the opportunity to focus on our more significant investigations and on closing older cases. The Staff closed 36 cases this reporting period that were 18 months or older, and our inventory of older cases is now 80% less than it was three years ago.

(U) In April 1996, the Investigations Staff was organized into five teams to ensure effective oversight of investigative activities while providing support to investigative personnel. Since then, the original team structure has been modified by eliminating the separate grievance team and integrating its cases and Investigators into one of the existing teams. This was done in response to the changing nature of the OIG's role in the grievance process. We plan to review our organizational structure again in the fall to ensure that it is consistent with our current work environment.

(U) An effort by the Staff to become more proactive and to develop ways to enhance the visibility and effectiveness of our fraud investigative mission is moving forward. Initially, a study group was formed to identify and prioritize initiatives. These included revamping our fraud awareness briefing program, stimulating the flow of information between the OIG Staffs, and establishing an Information Resource Center to increase the professional knowledge

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of our Investigators. The study group's recommendations have been endorsed by the Staff, and implementation is under way. In addition, an on-line information and discussion database was developed for the Investigations Staff. It provides a secure vehicle for sharing thoughts and ideas concerning investigations, lessons learned, and information of interest concerning investigative tools, techniques, and methodology.

(U) Investigations Staff is reassessing the benefits of various criminal investigative training courses for newly hired Investigators. Four of the five new Investigators hired during the last reporting period have attended the Basic Criminal Investigators Training Course at the Federal Law Enforcement Training Center. More experienced Investigators have attended specialized training at the IG Criminal Investigator Academy. We are examining the relevance of these courses to our mission, as well as other courses offered through the private sector. In addition, the Investigations Staff remains committed to an active in-service training program.

(U) In conclusion, we now have a Staff with the training, experience, and opportunity to produce the best possible results and a management team to provide them with the necessary support and guidance. We look forward to continued progress and success during the next reporting period.

## *STATISTICAL OVERVIEW*

### **Audit Staff**

(U) During the period 1 January to 30 June 1999, the Audit Staff completed 14 audits, a special assessment, and an internal quality control review of the Audit Staff (see Annex A).

(U) Ten audit reports, a special assessment, and an internal quality control review contained 67 recommendations. Twenty of the recommendations dealt with improving financial management and

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information systems, 20 with acquisition and property management, 17 with program and personnel management effectiveness, and 10 with overall general management.

### **Inspection Staff**

(U) During the first six months of 1999, the Inspector General issued seven inspection reports and one special assessment (see Annex B). Six full and one mini-inspection remain in progress.

### **Investigations Staff**

(U) The Investigations Staff (INV) completed work on 140 matters of various types during this reporting period. Of this number, 29 cases were of sufficient significance to be the subject of a final report—10 Reports of Investigation and 19 Disposition Memoranda (see Annex C). A number of noteworthy completed and current cases is described more fully in this report.

(U) Recoveries on behalf of the US Government in this reporting period as a result of the Investigations Staff's efforts totaled approximately \$50,200. An additional \$128,099 of potential recoveries is pending collection.

(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.

(U) As of 30 June 1999, 114 matters were in various stages of review by the Investigations Staff.

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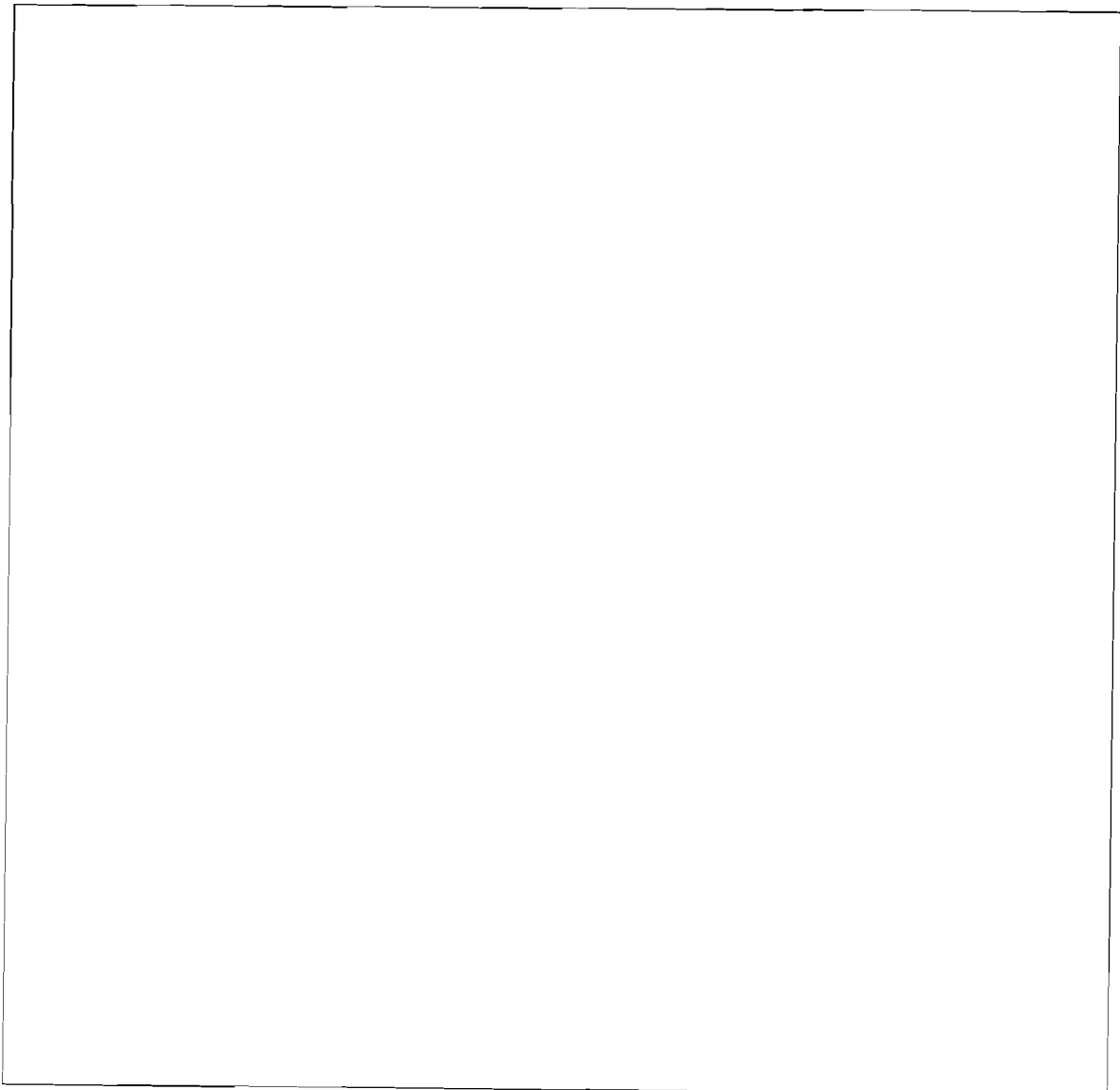
	ONGOING	OPENED	CLOSED
<b>Total Cases</b>	<b>114</b>	<b>111</b>	<b>140</b>
<b>Grievances</b>	<b>10</b>	<b>42</b>	<b>48</b>
<b>Grievances</b>	<b>8</b>		
Assignment	1	2	3
Compensation	2	5	4
Management and Supervision	3	10	13
Retirement/Separation	2	2	3
Other - Grievance	0	6	7
<b>Board Appeals</b>	<b>2</b>	<b>17</b>	<b>18</b>
<b>General Investigations</b>	<b>104</b>	<b>69</b>	<b>92</b>
<b>Criminal and Prohibited Acts</b>	<b>86</b>		
Conflicts of Interest	12	5	9
False Claims/Statements/Vouchers	17	4	7
False Claims - Other	7	2	2
False Claims - Time & Attendance	12	9	9
False Claims - Visa/Passports	3	1	2
Firearms	2	2	1
Megaprojects	3	1	1
Misconduct - Employee	0	2	2
Misconduct - Management	5	2	3
Name Trace	0	1	1
Obstruction of Justice	1	1	0
Procurement Fraud	12	3	4
Promotion	0	2	2
Theft and Misuse of Govt Property	12	9	15
<b>Regulatory Violations</b>	<b>5</b>	<b>1</b>	<b>5</b>
Safety and Environment	1	0	0
Unsubstantiated Allegations	1	8	10
Waste	0	1	2
<b>Other - Administrative/Criminal</b>	<b>11</b>	<b>15</b>	<b>17</b>

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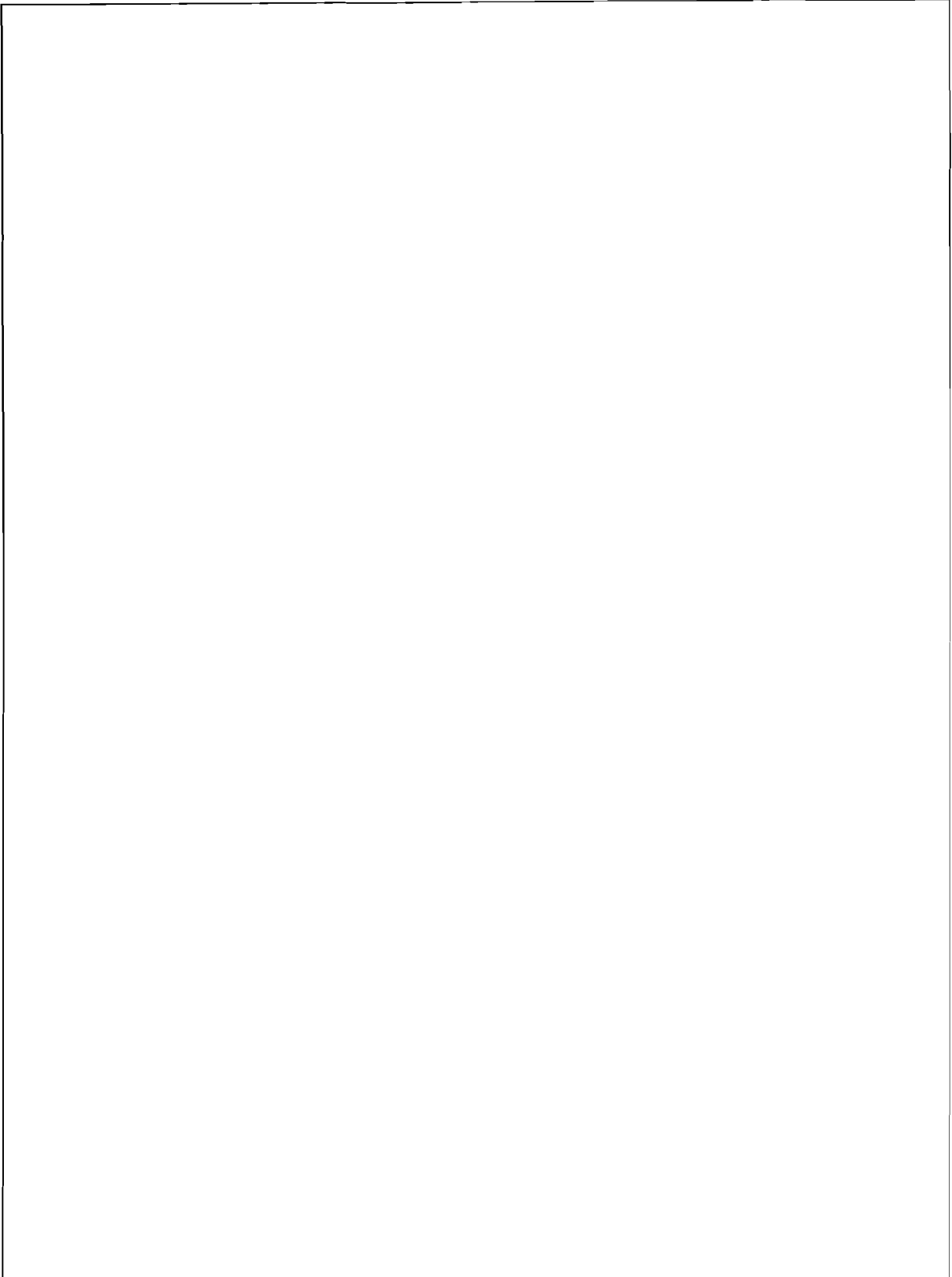
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## AUDITS

(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 Inspector General (IG).

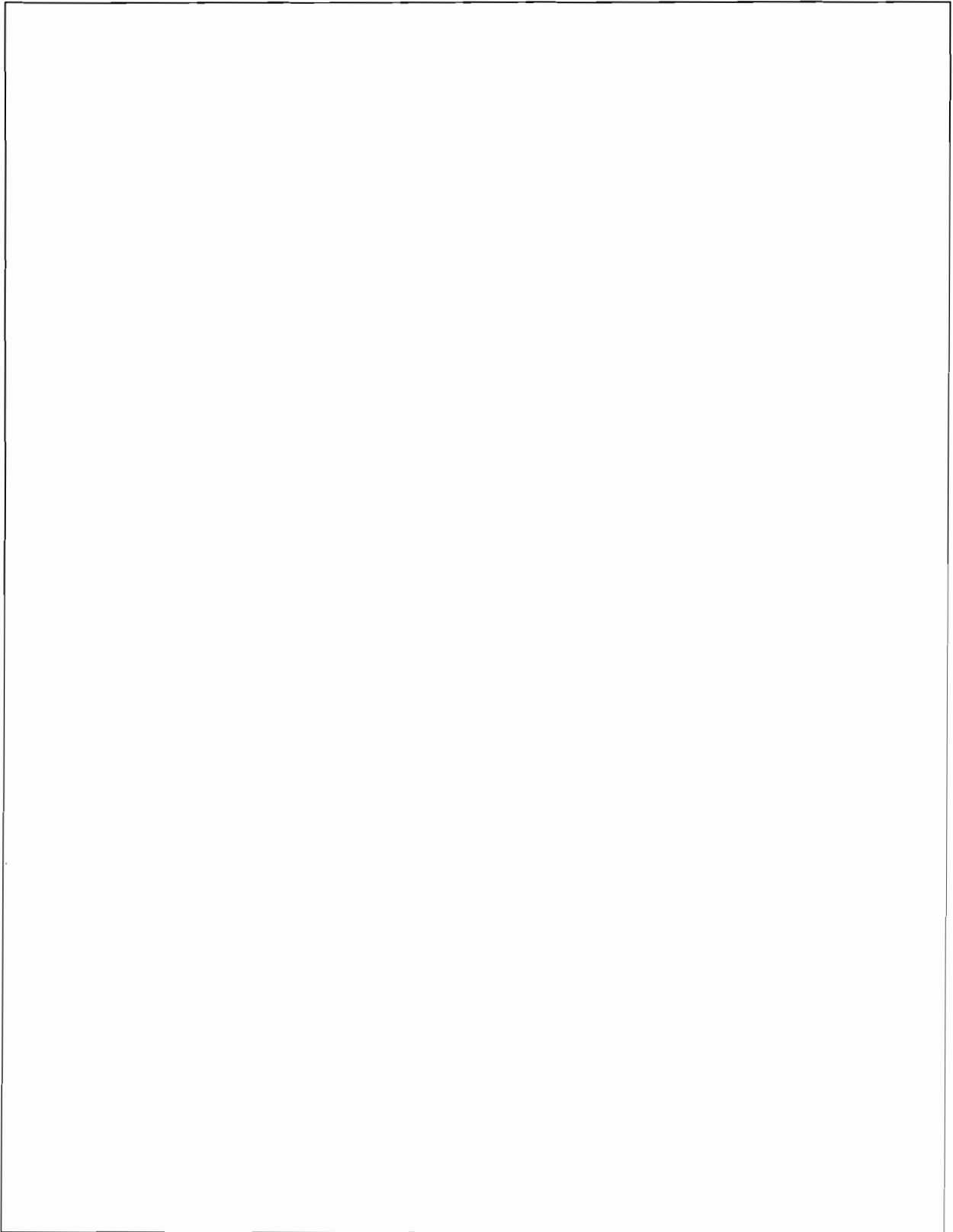
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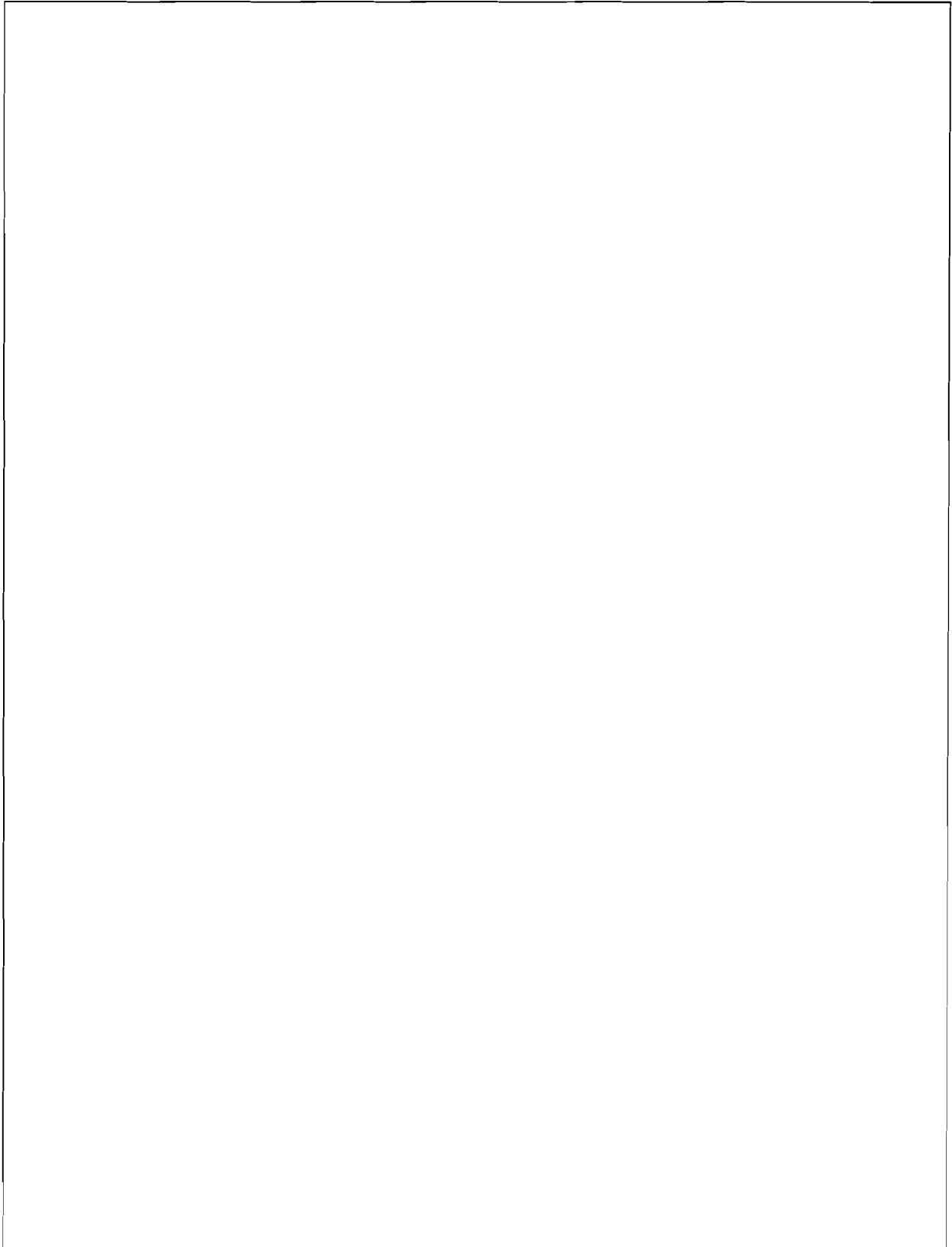
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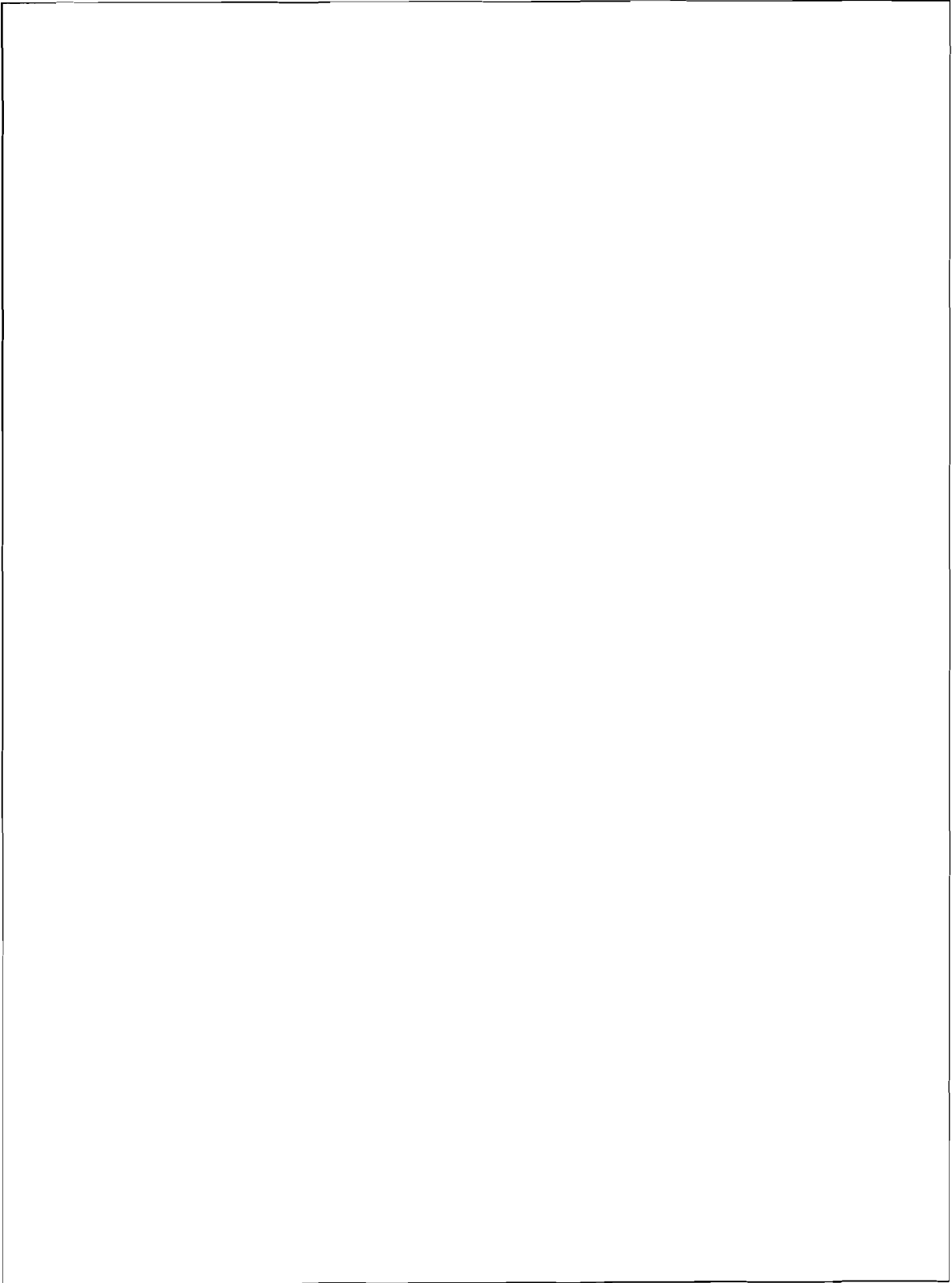
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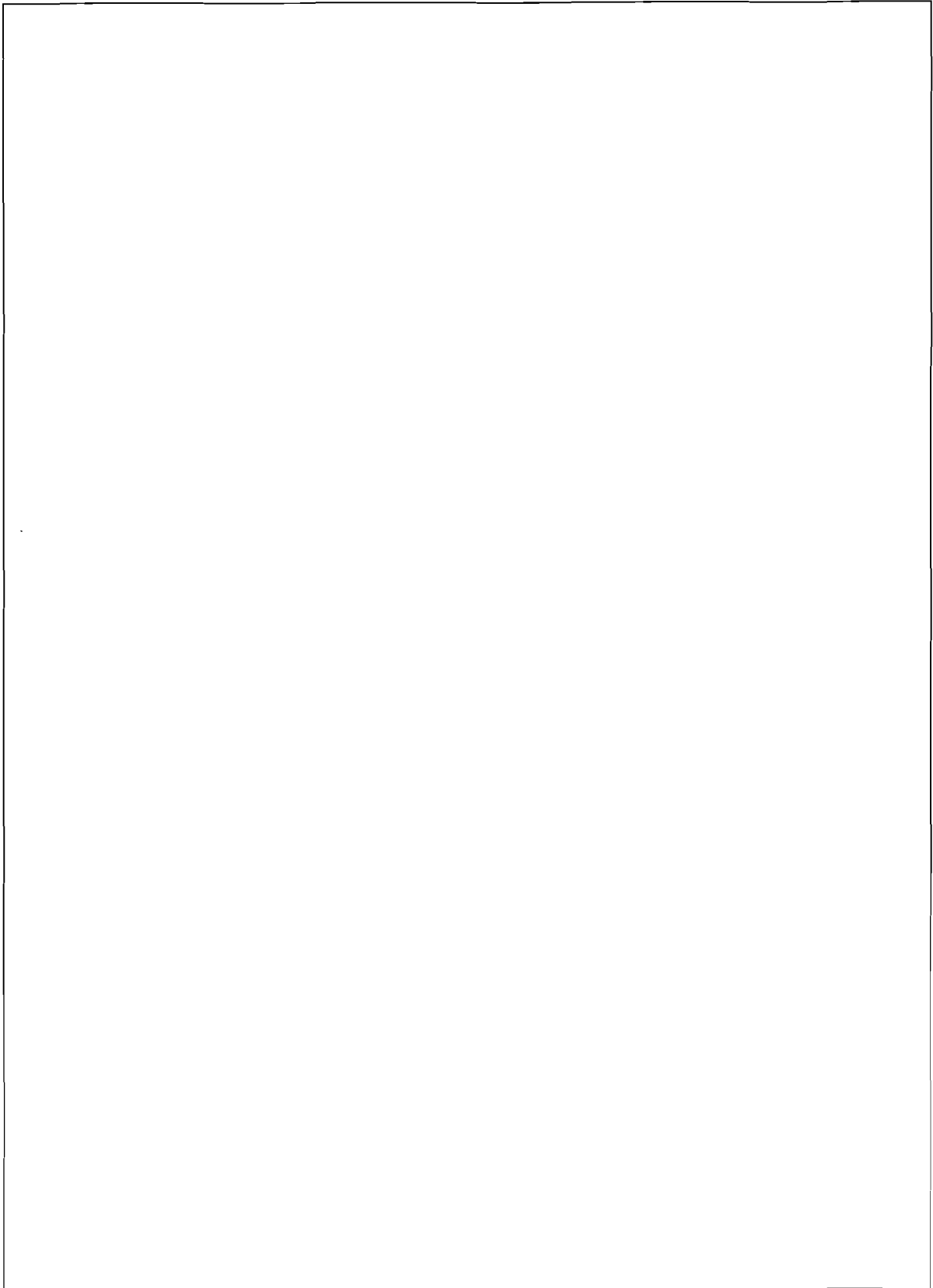
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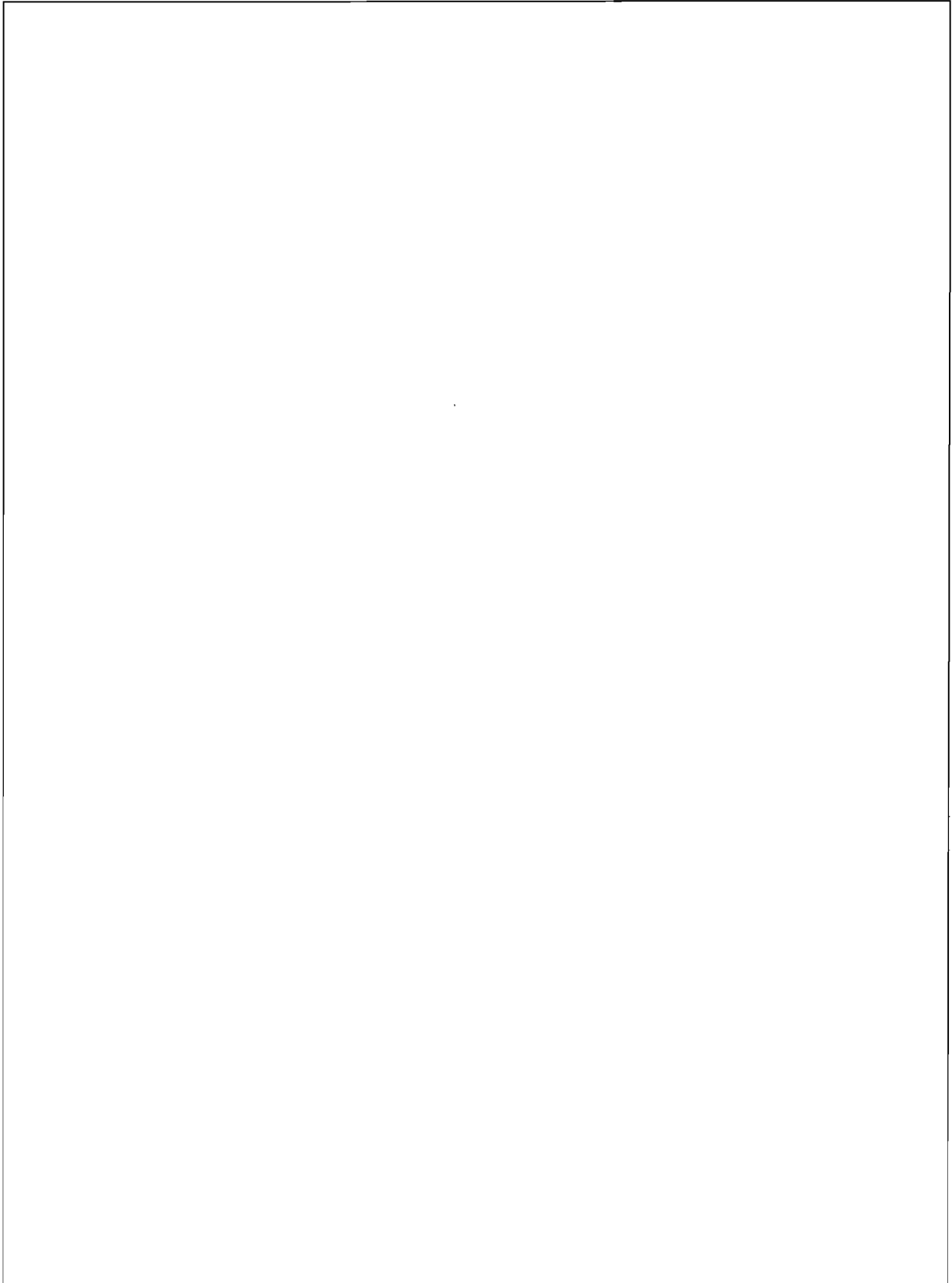
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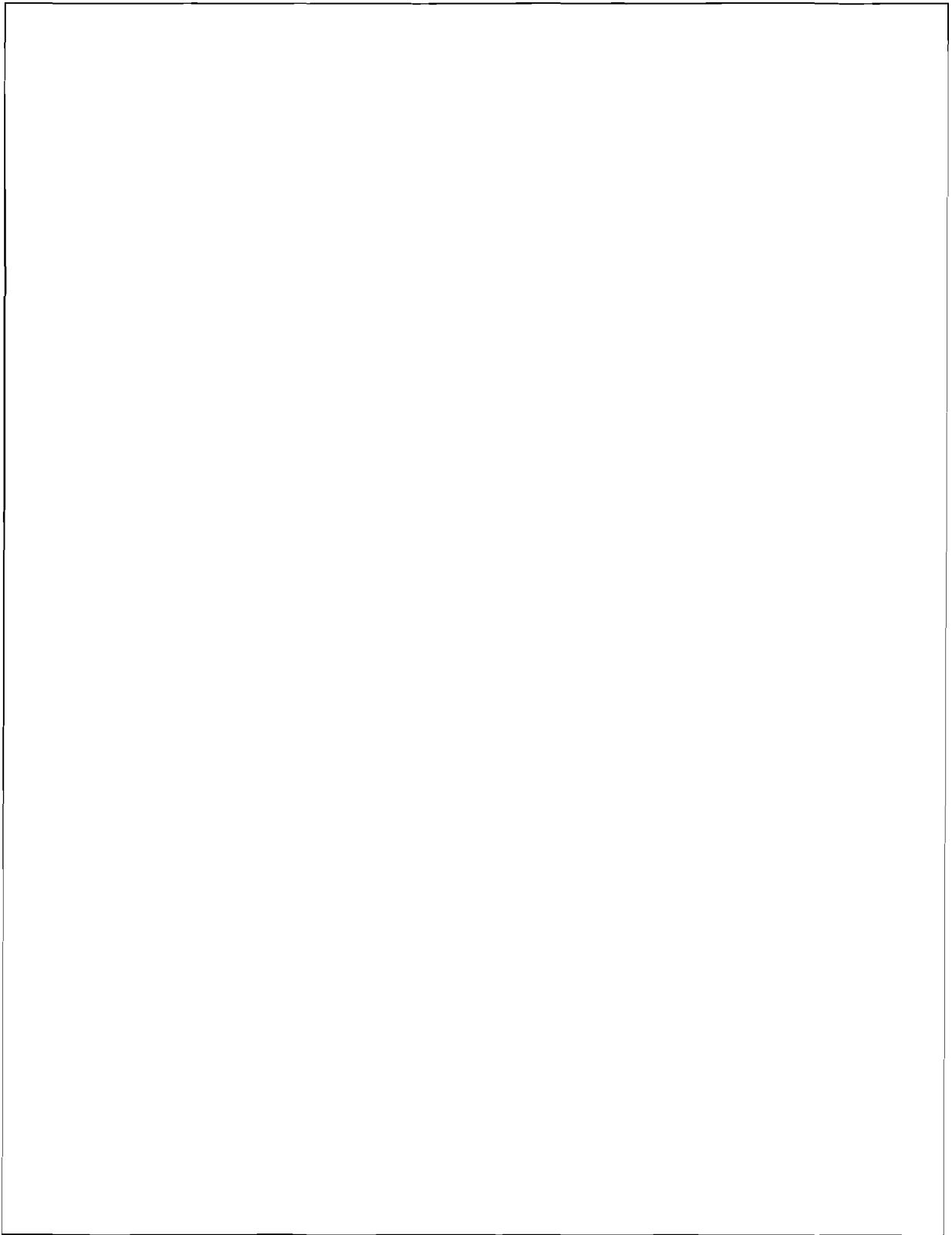
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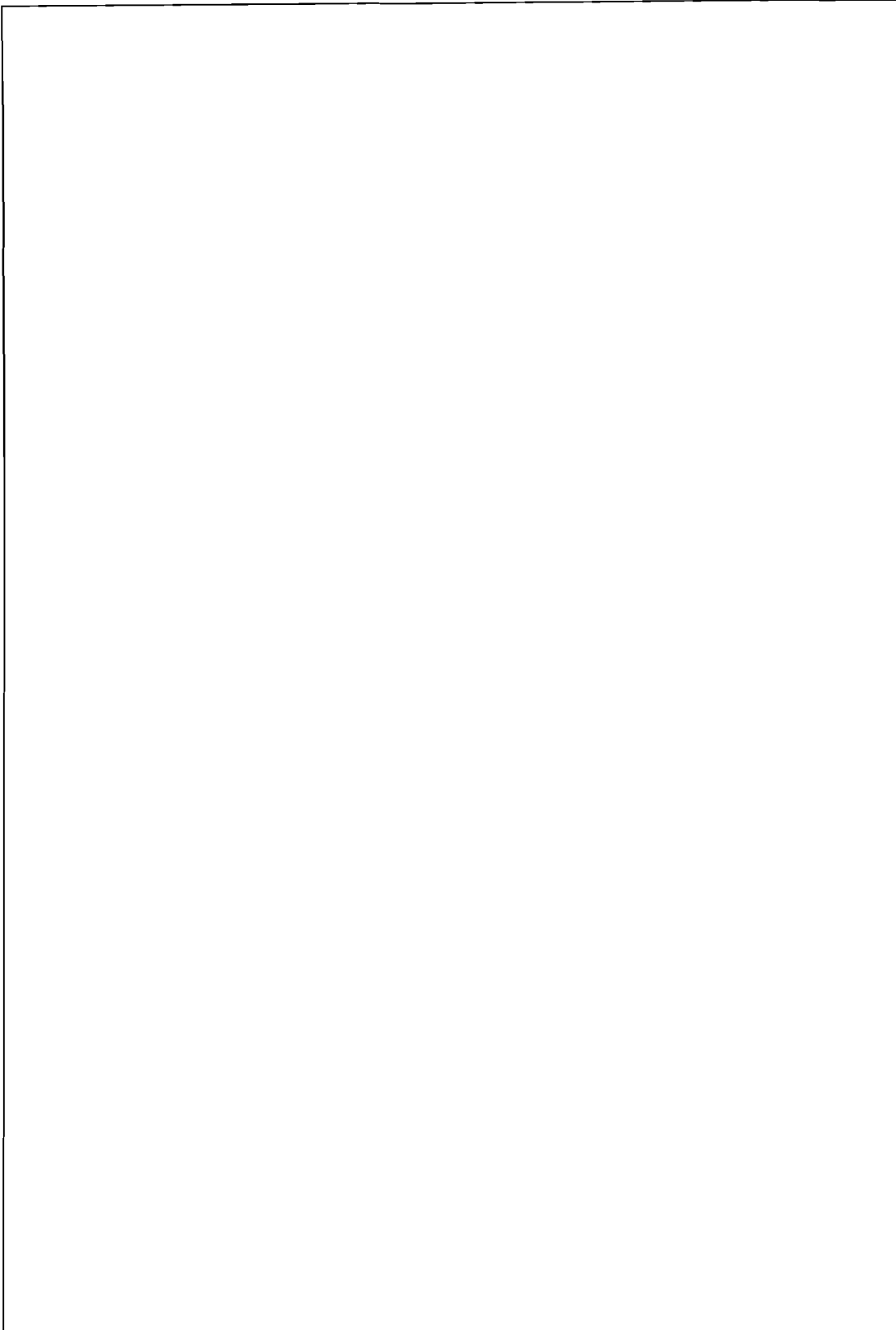


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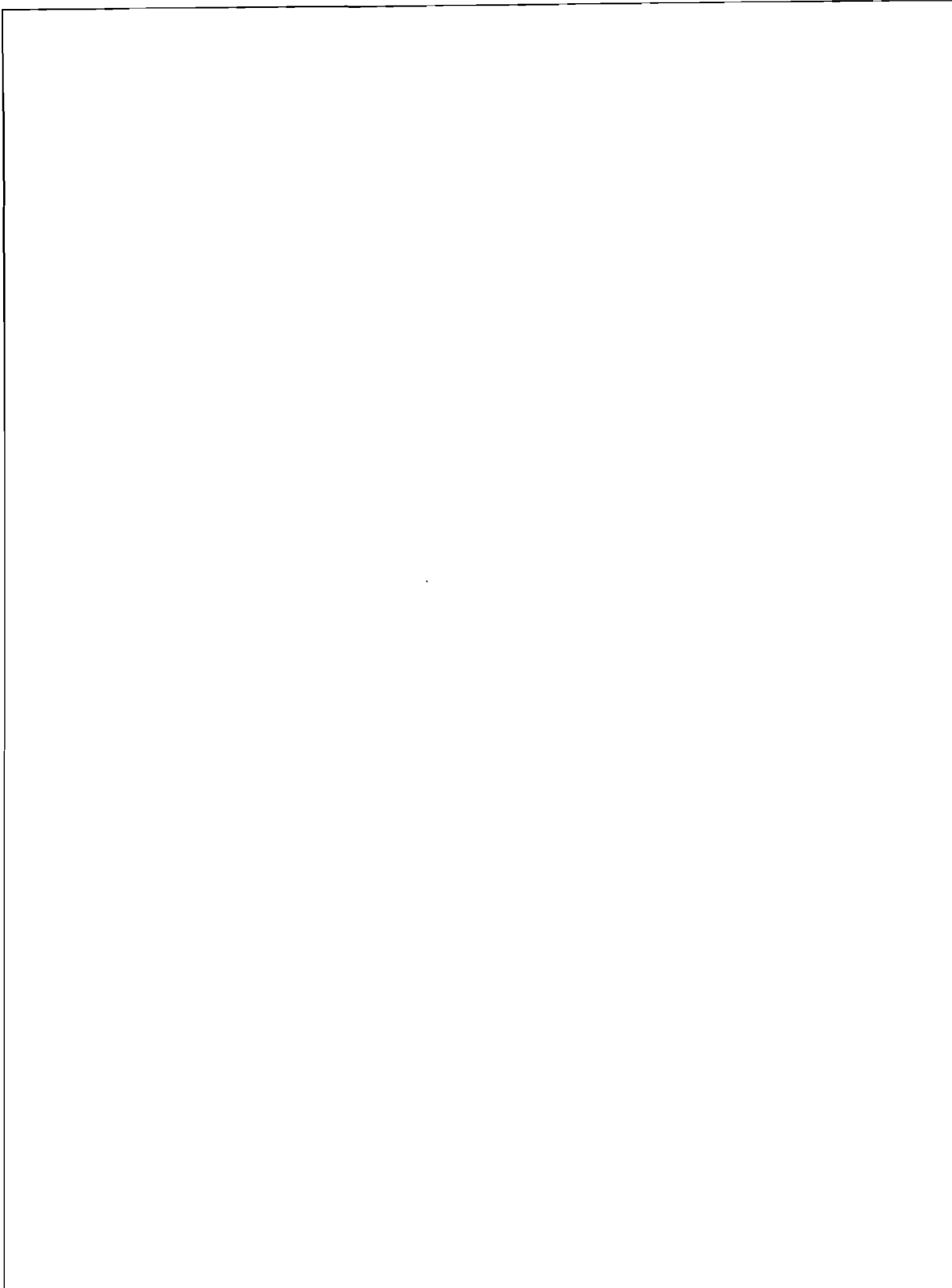
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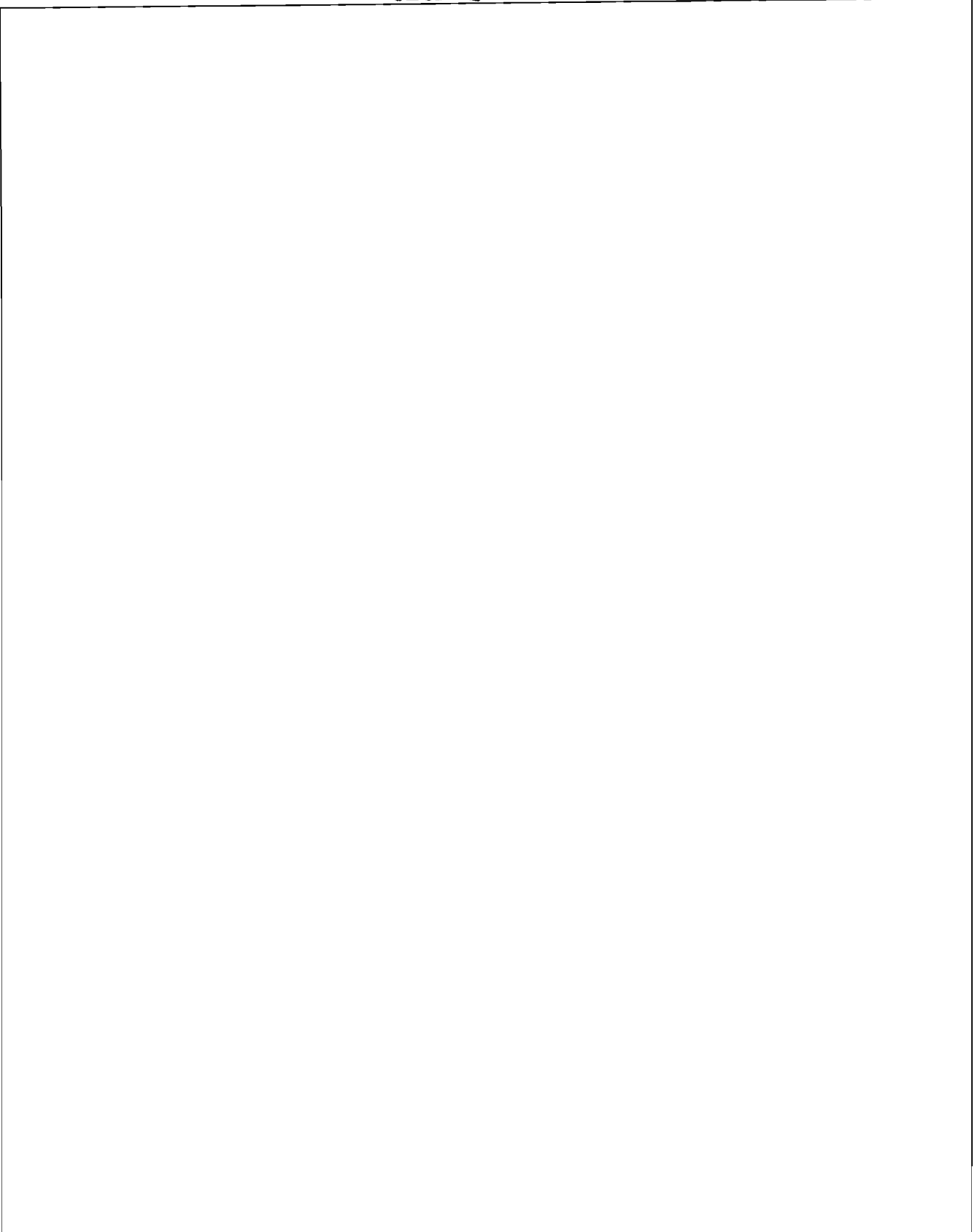
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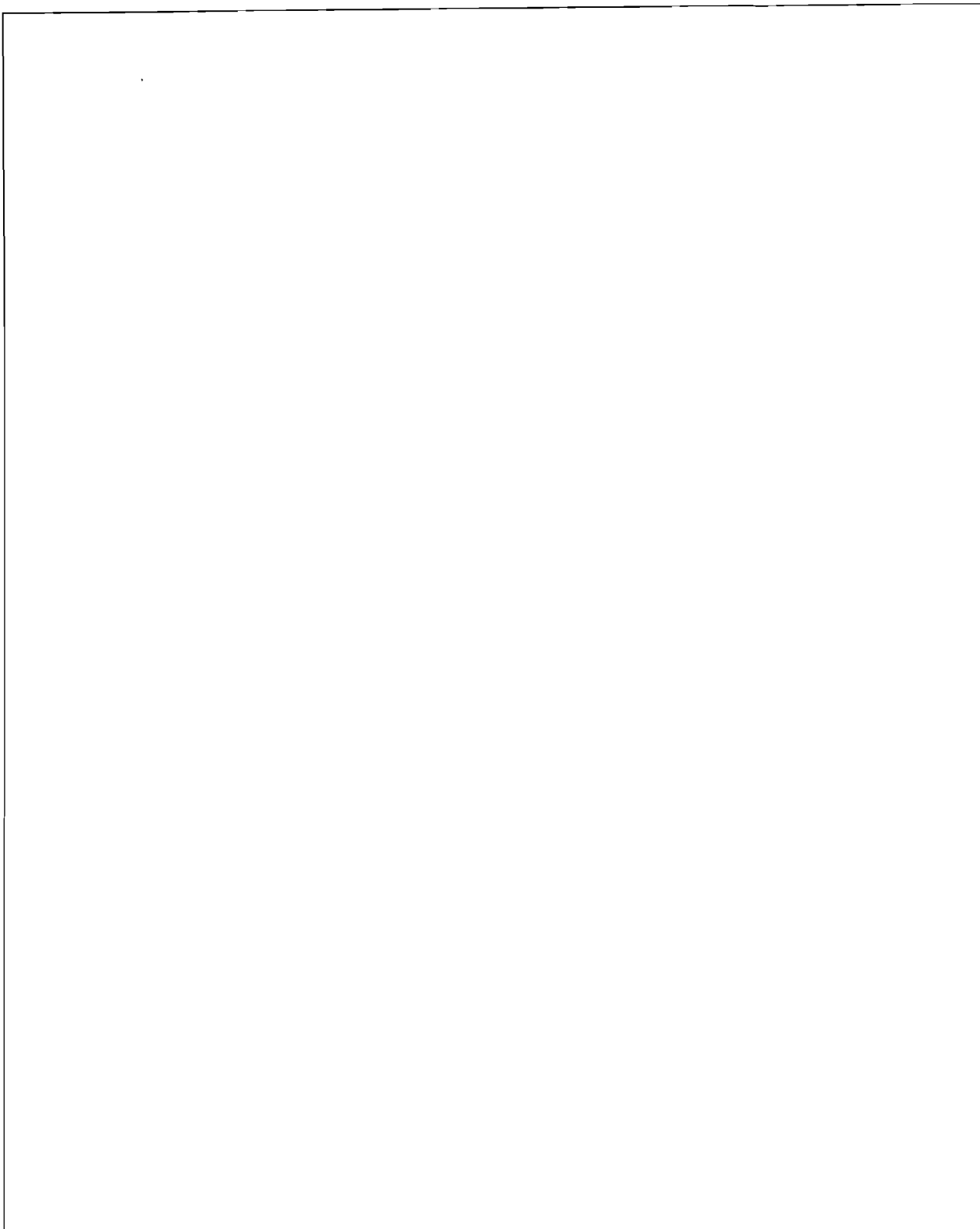
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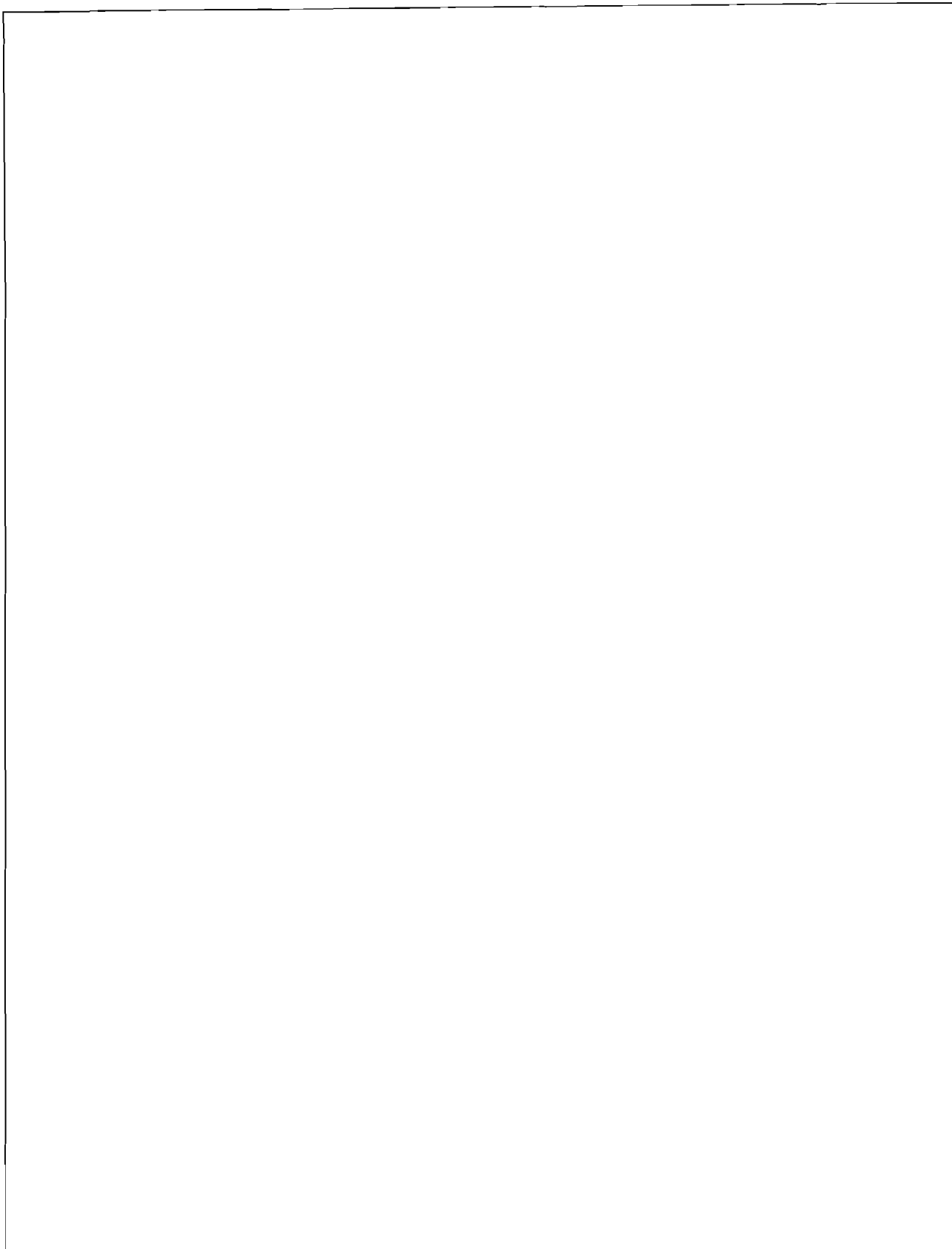
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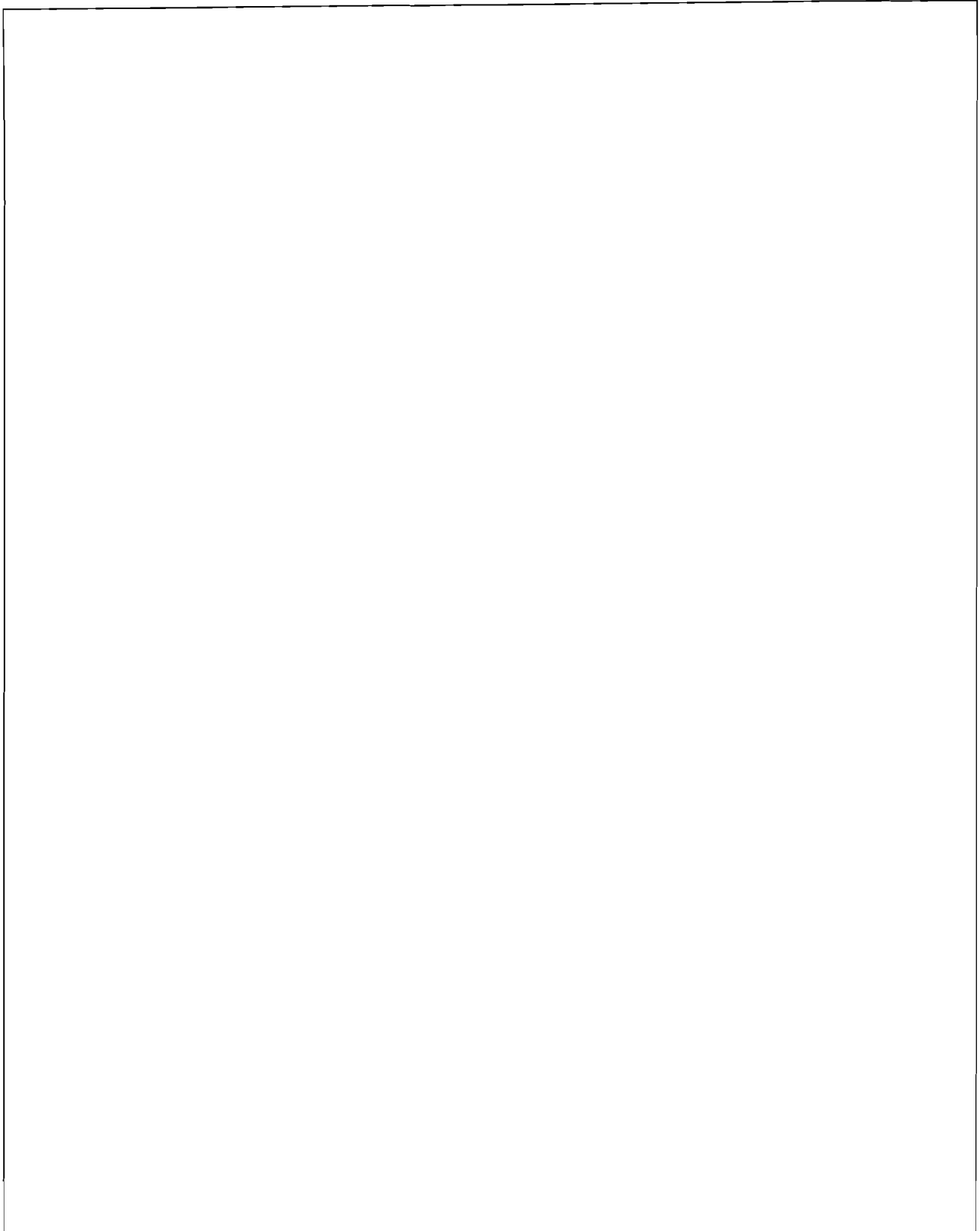


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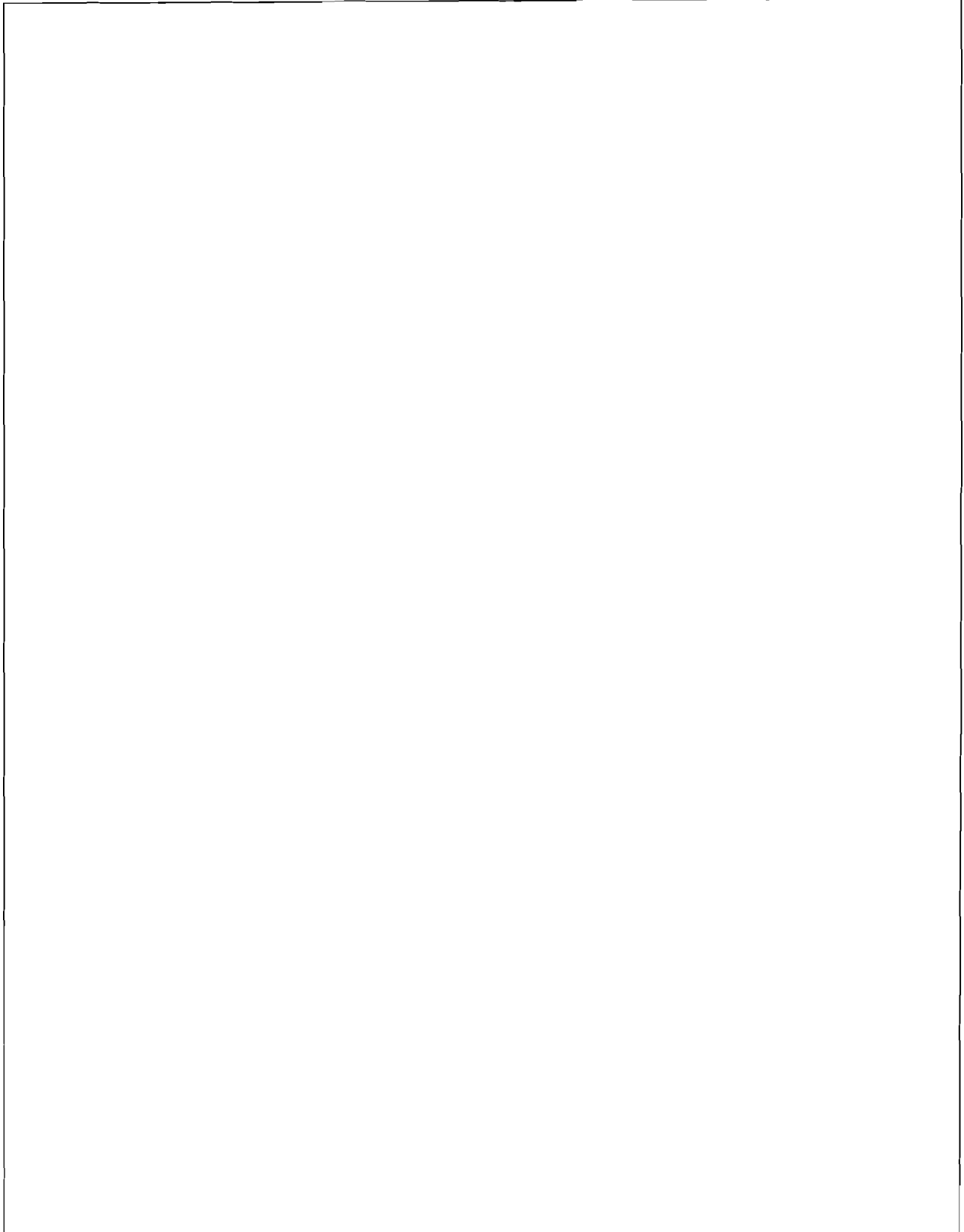
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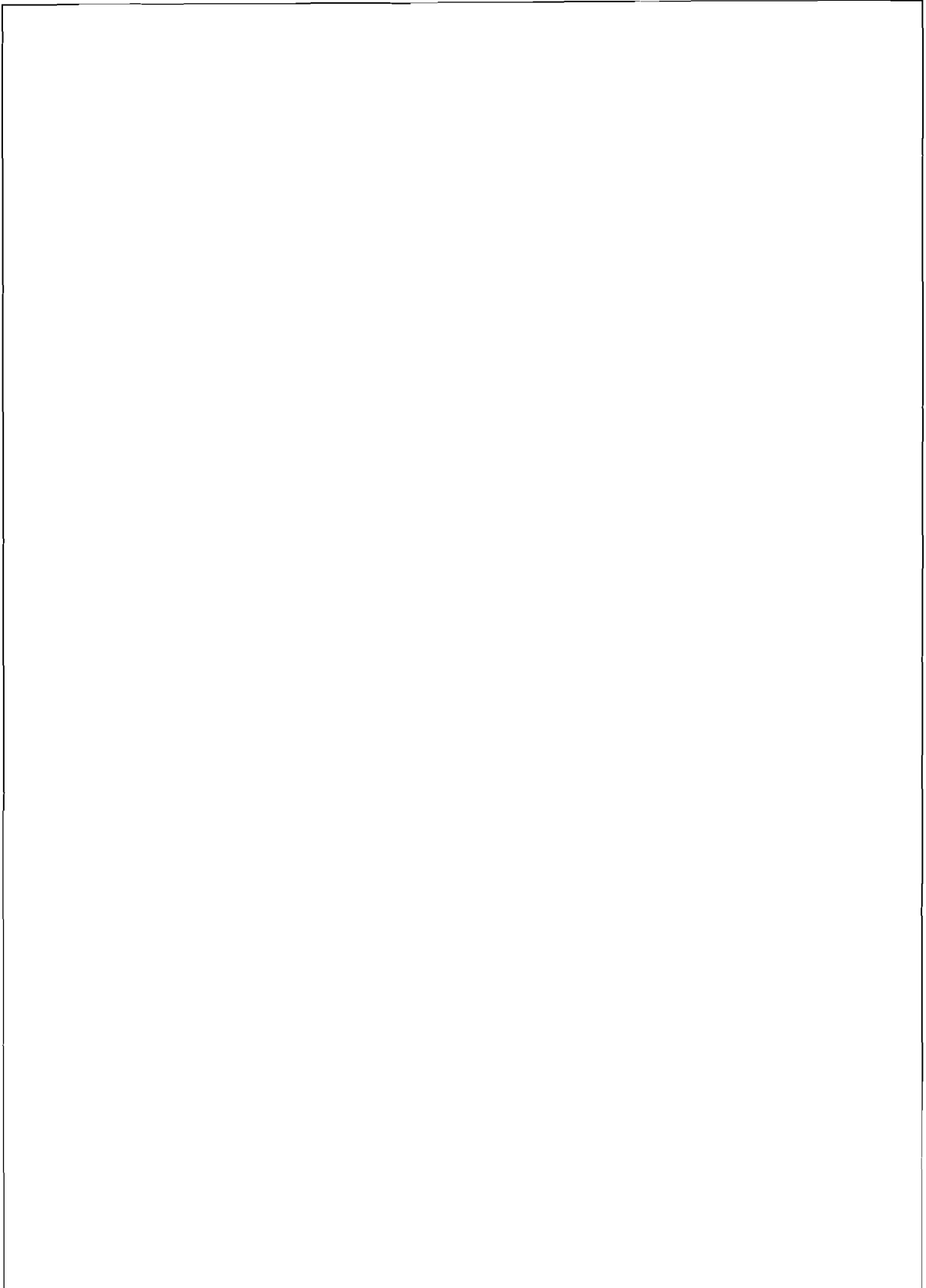


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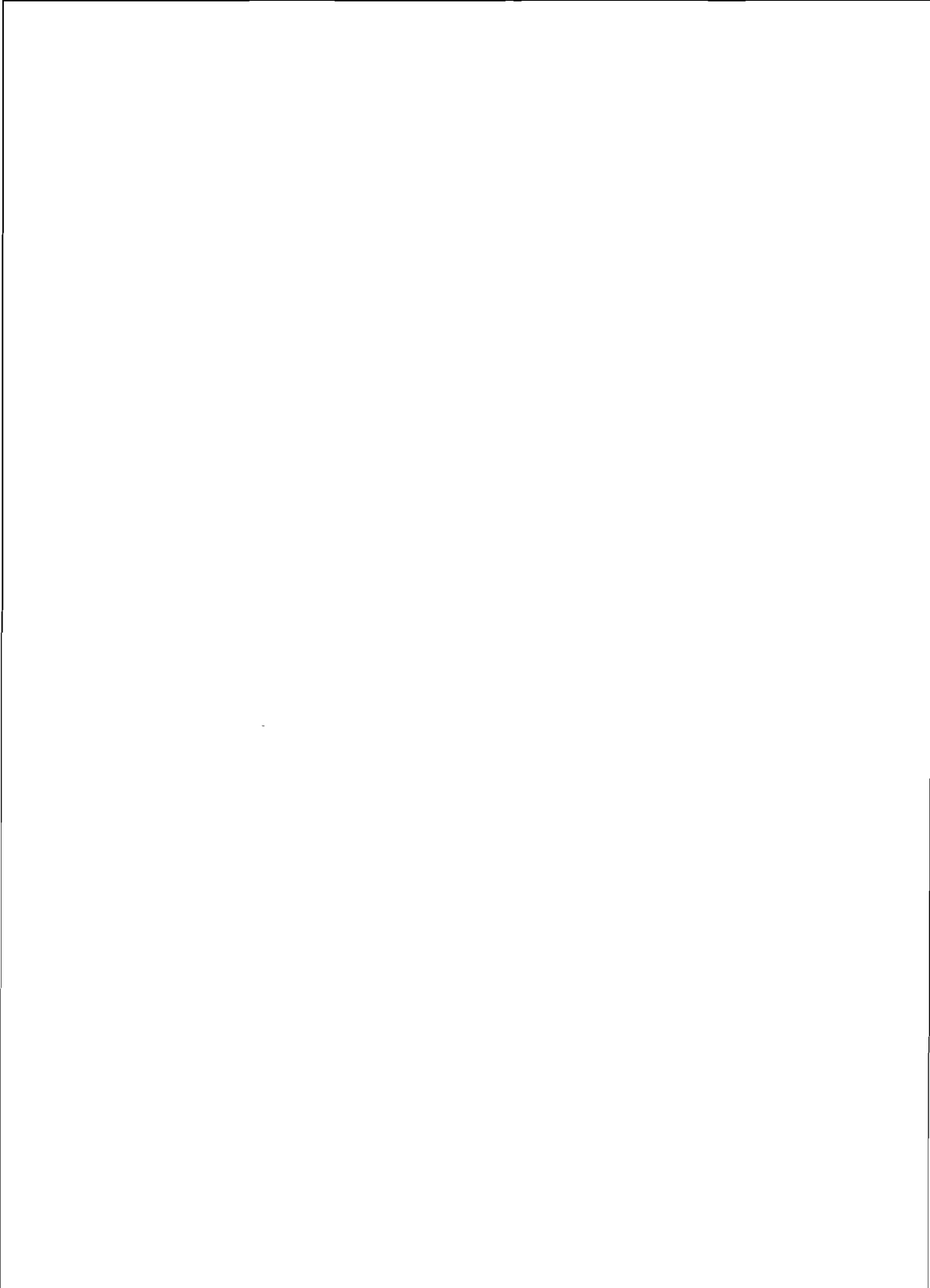
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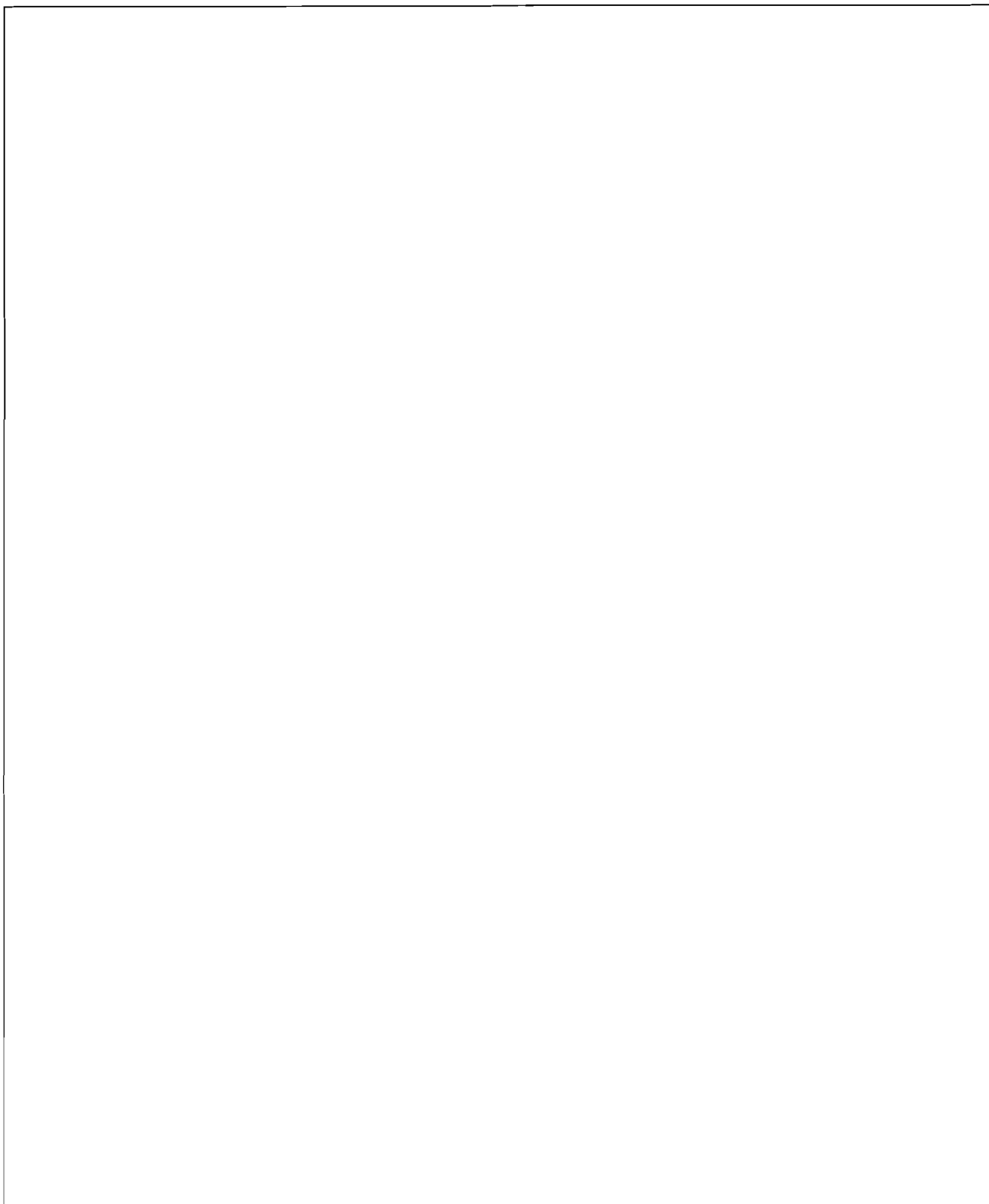
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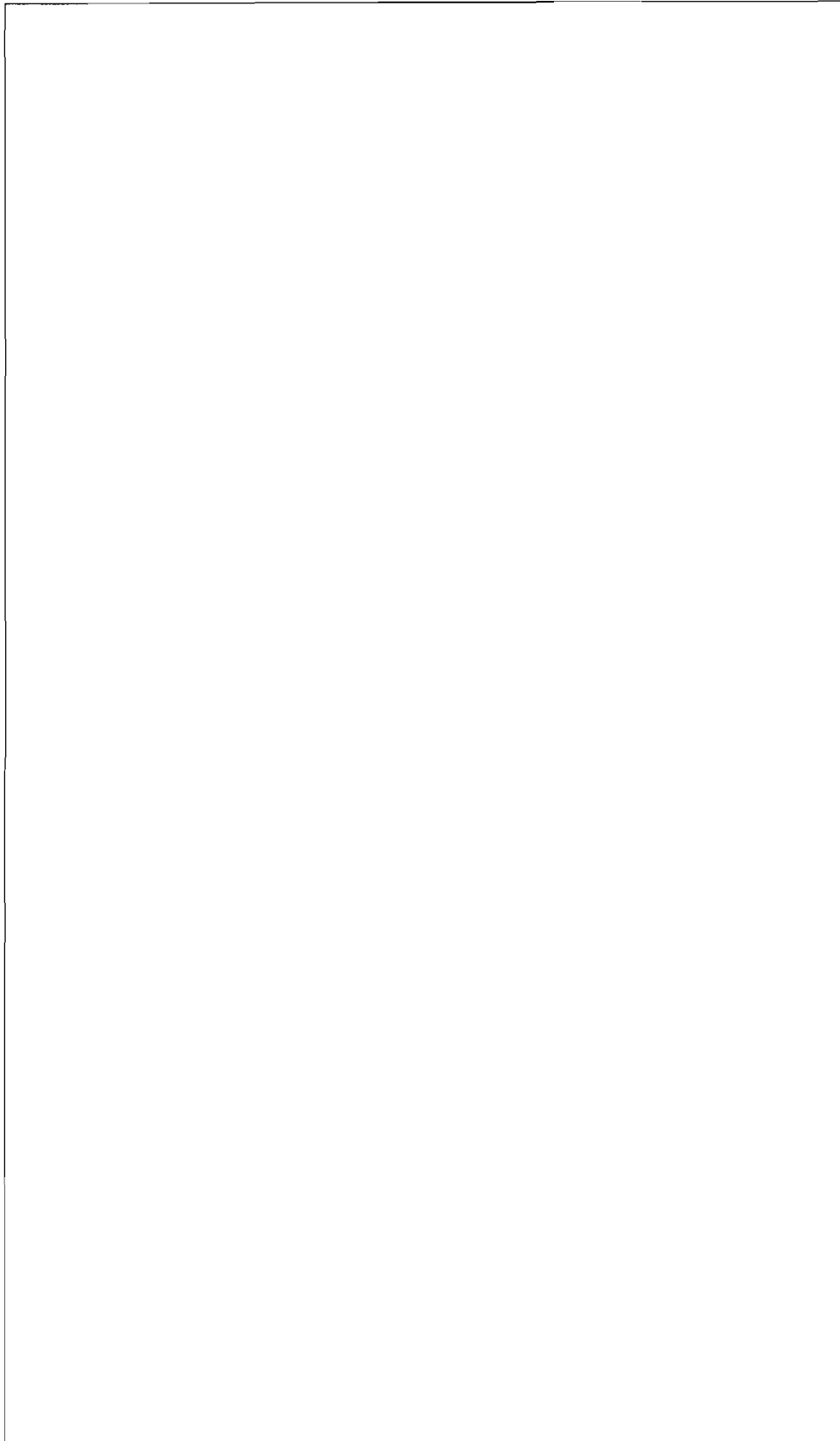
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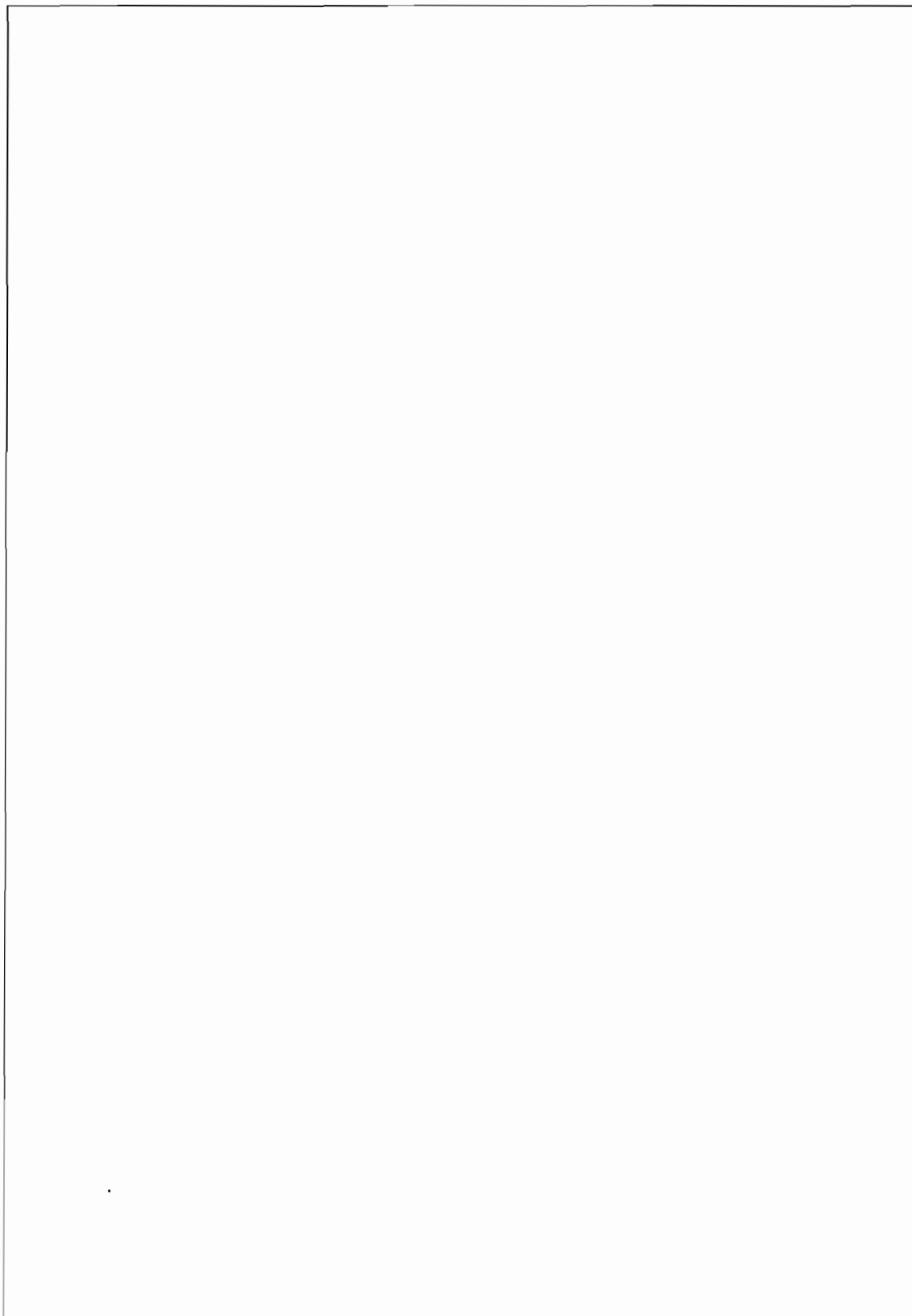
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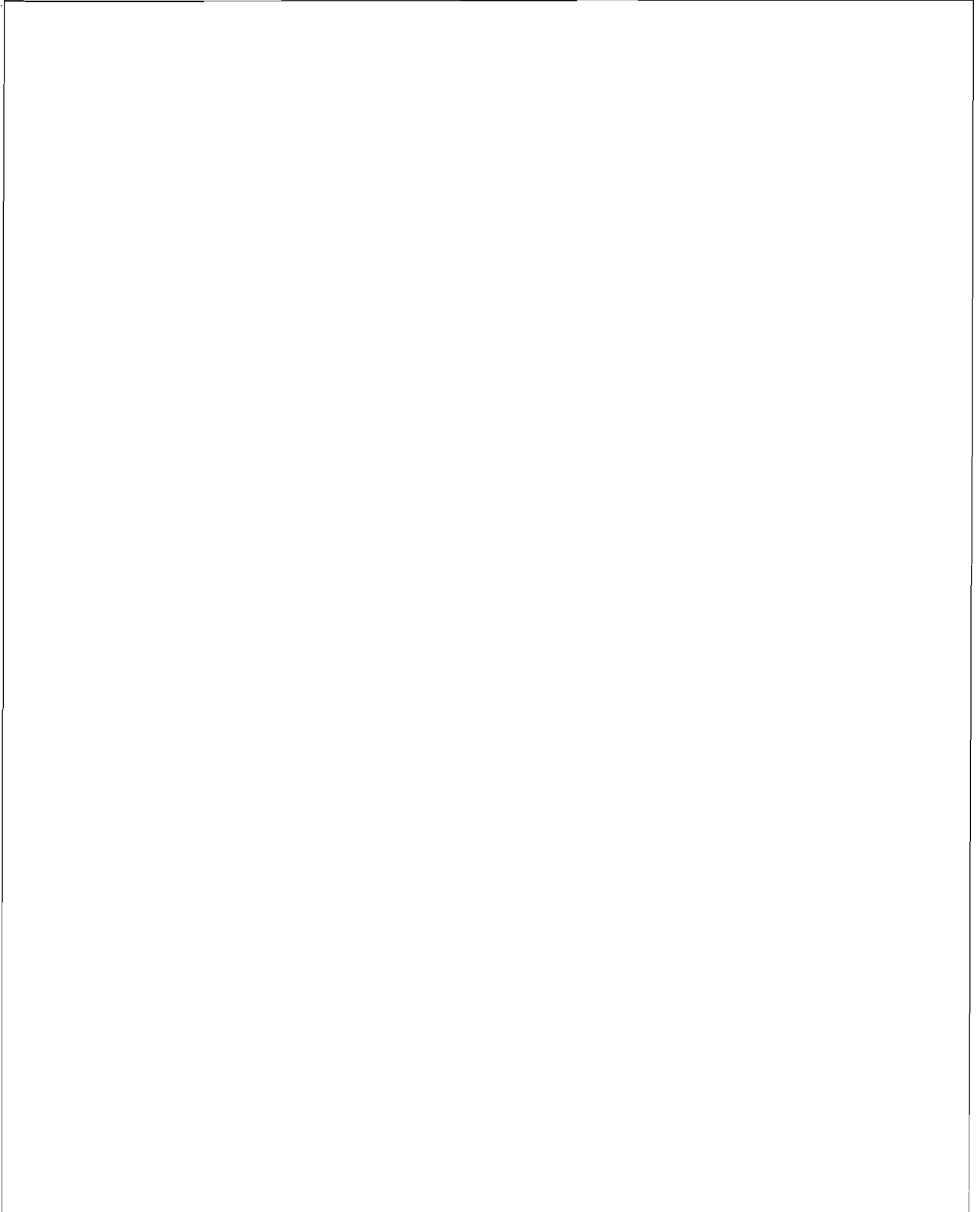
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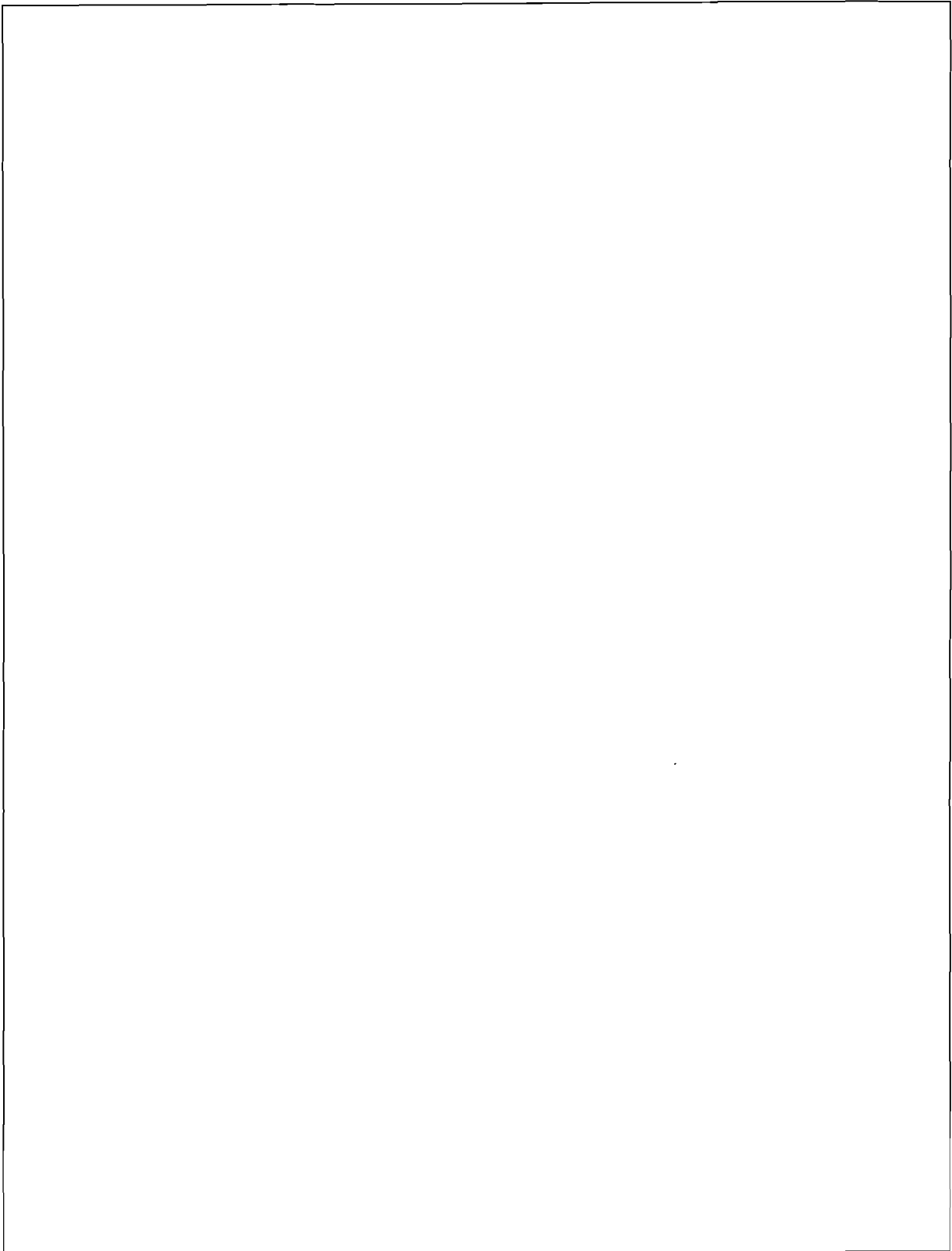
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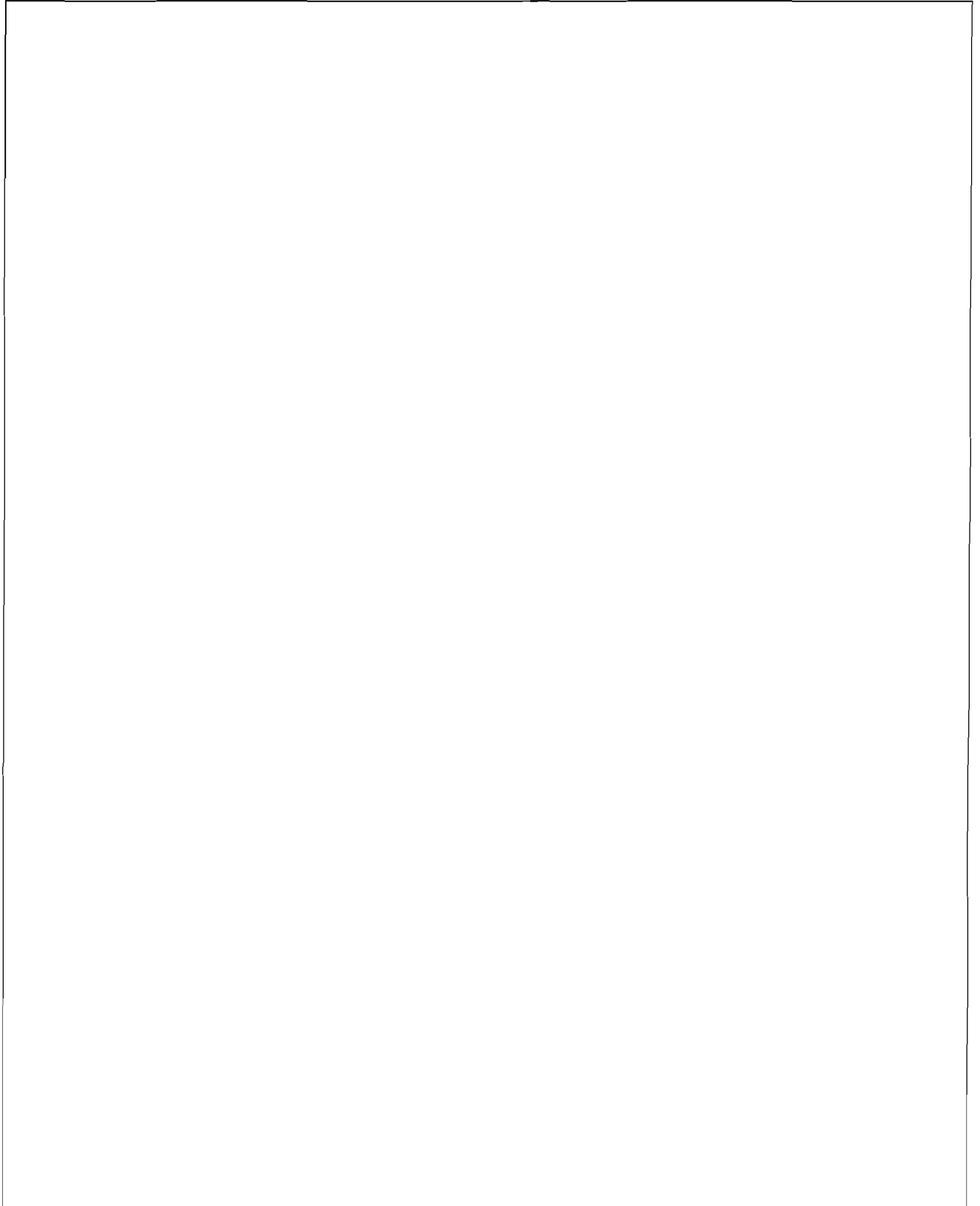
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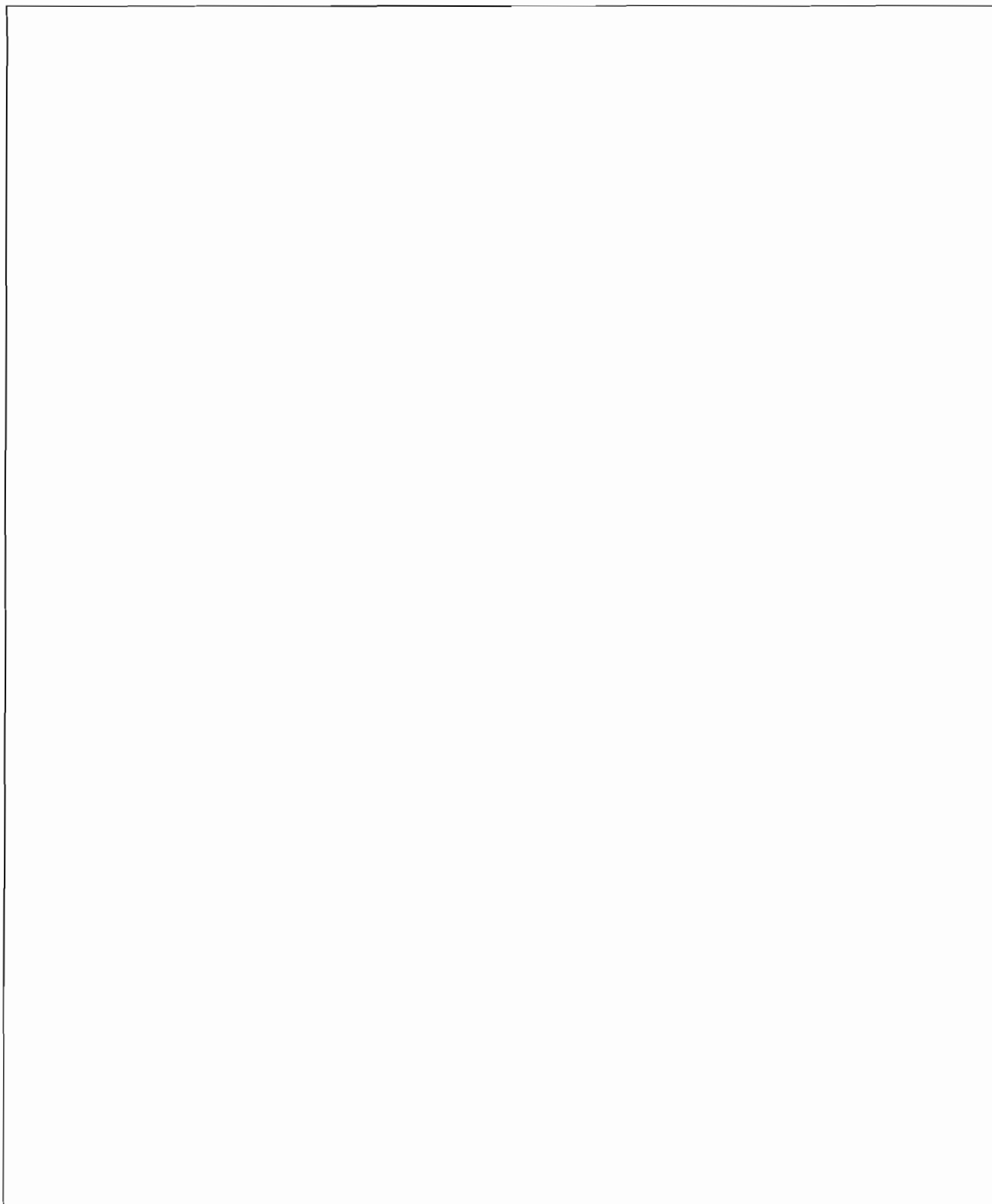


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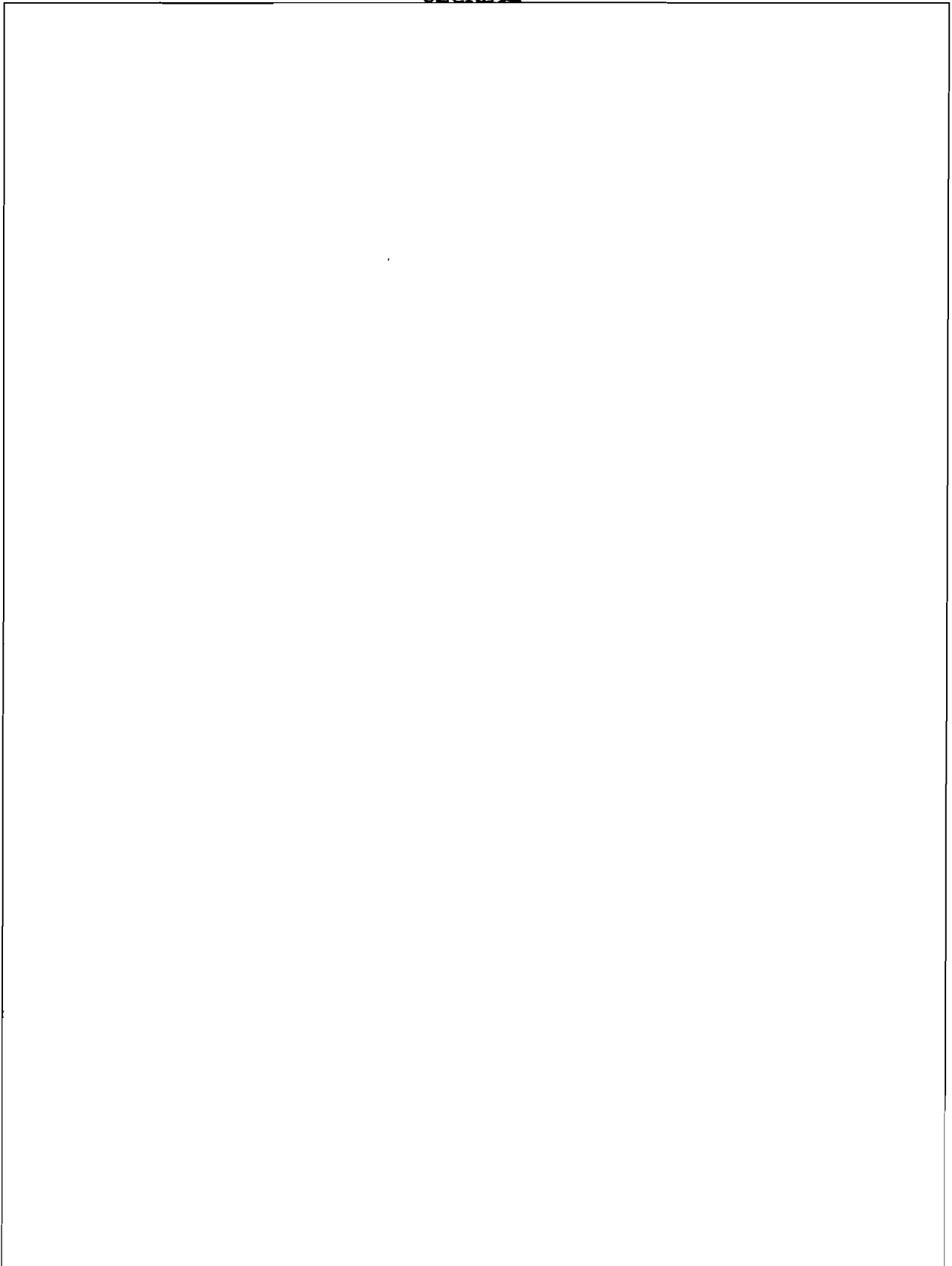
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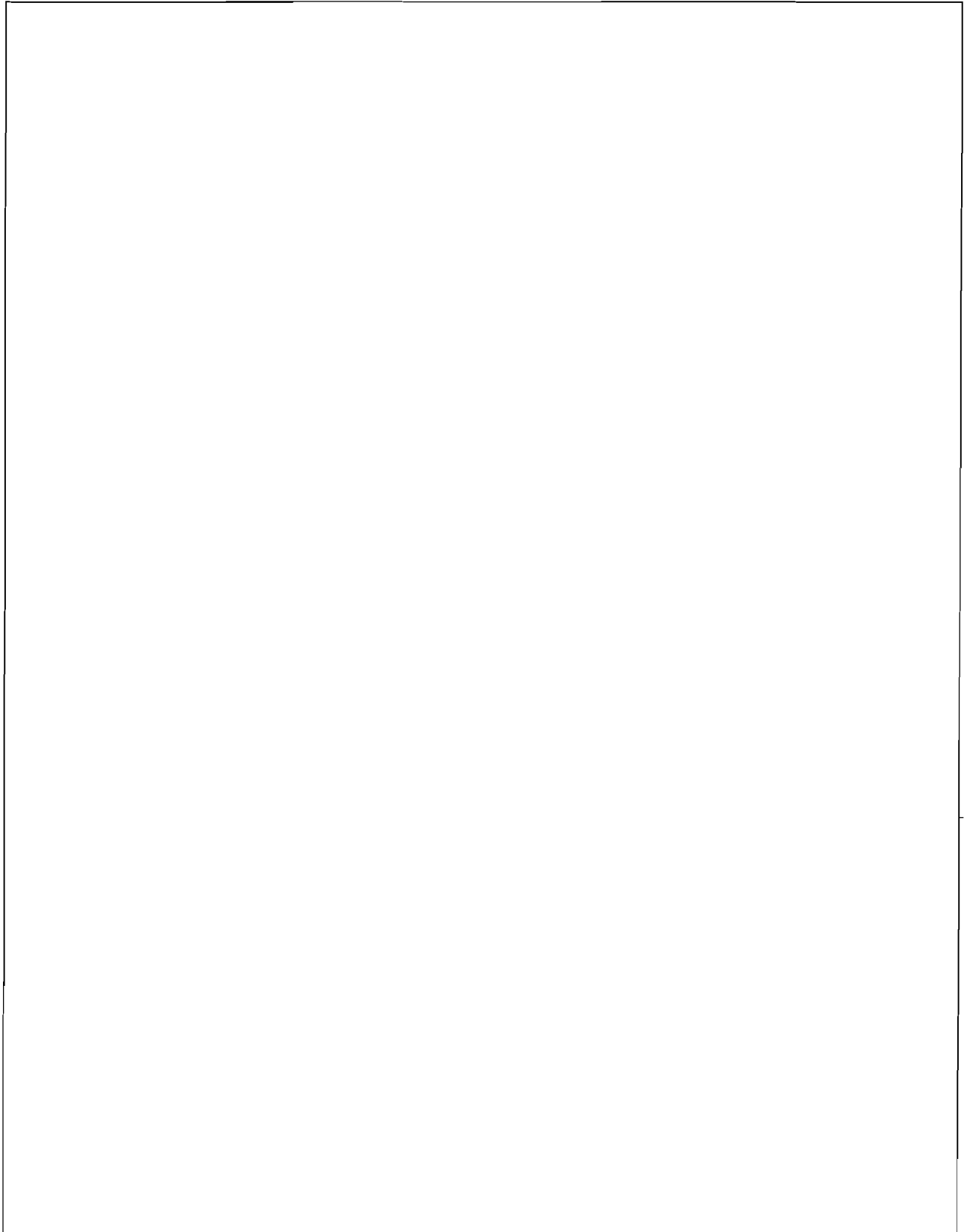
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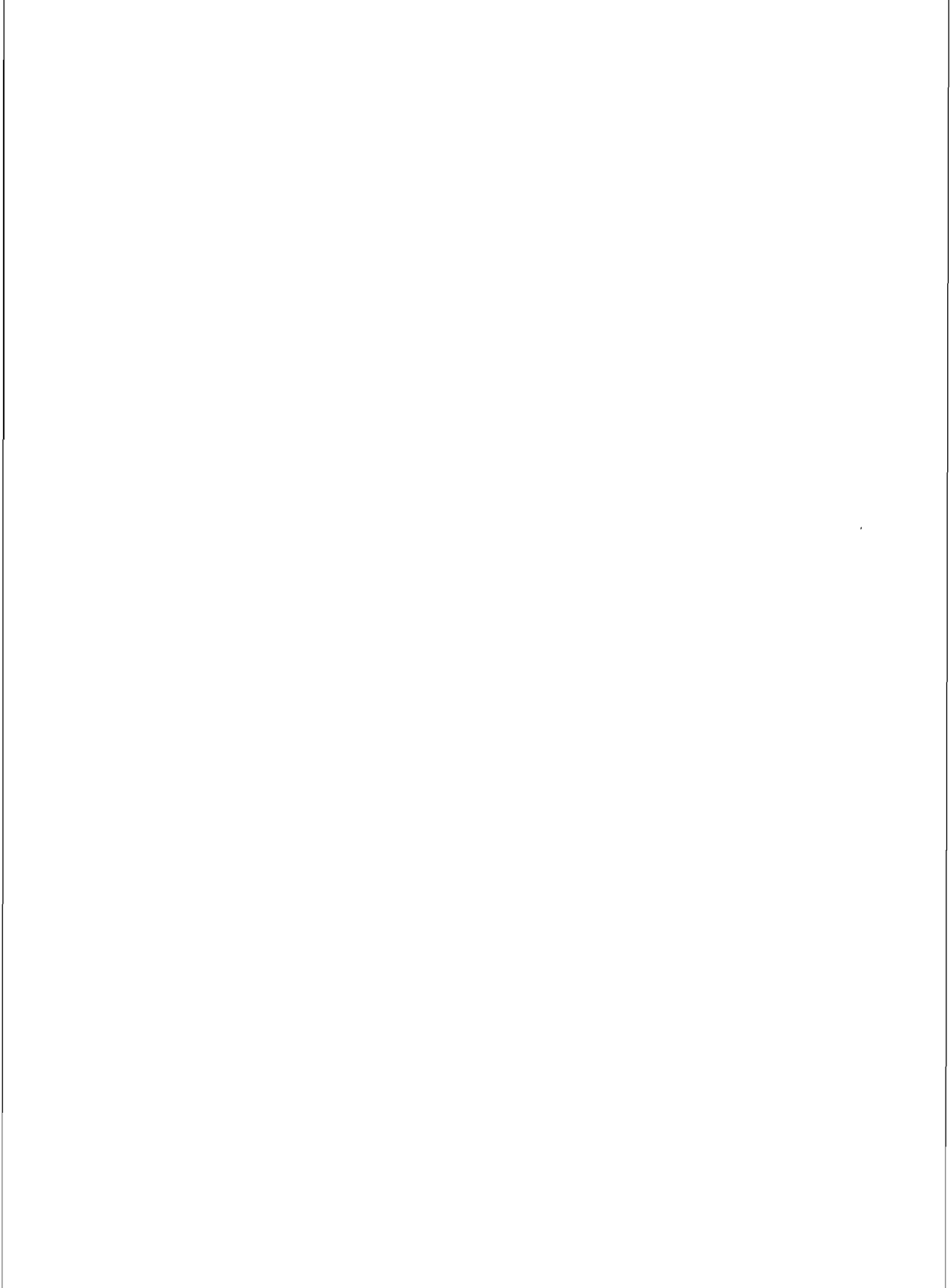
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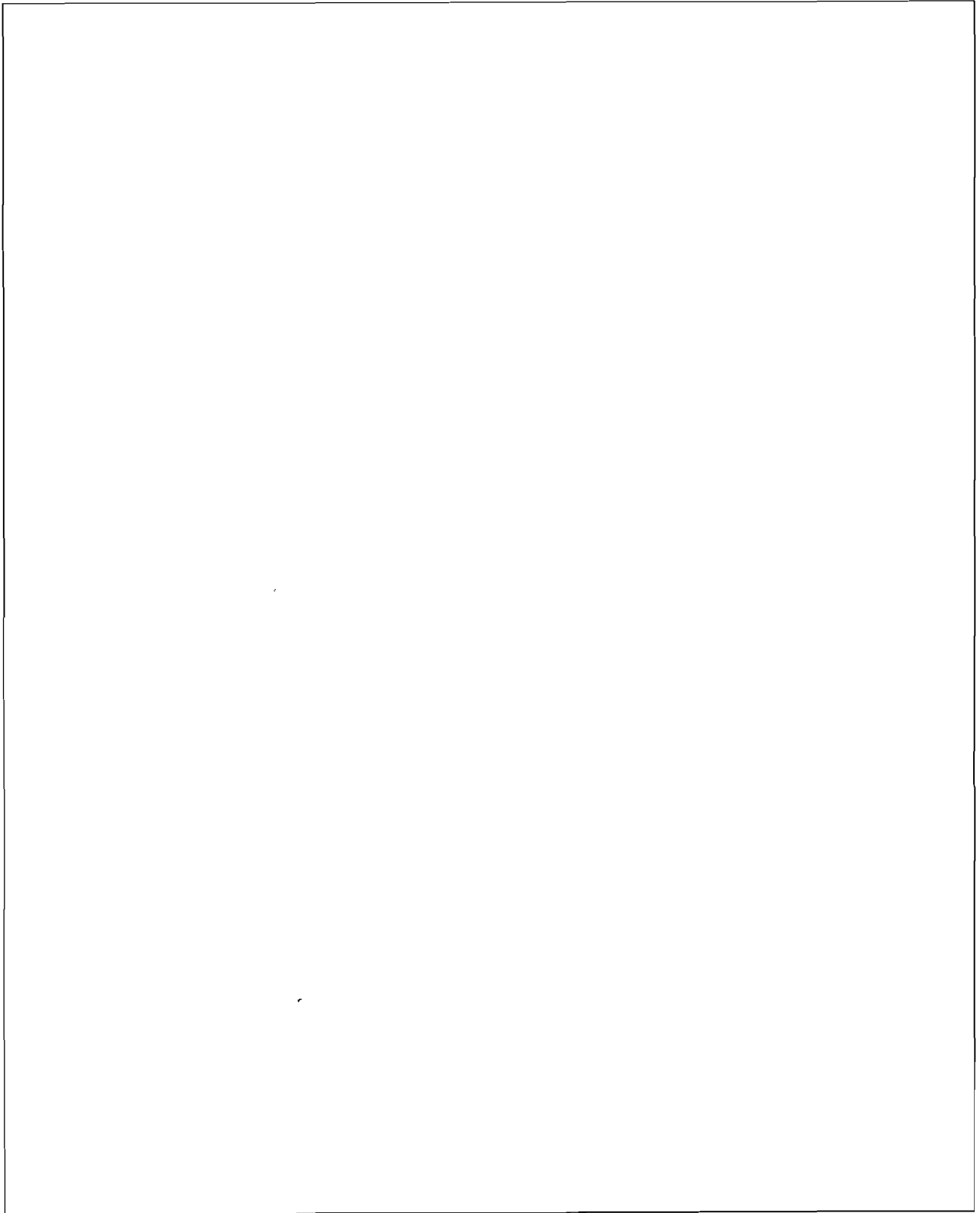
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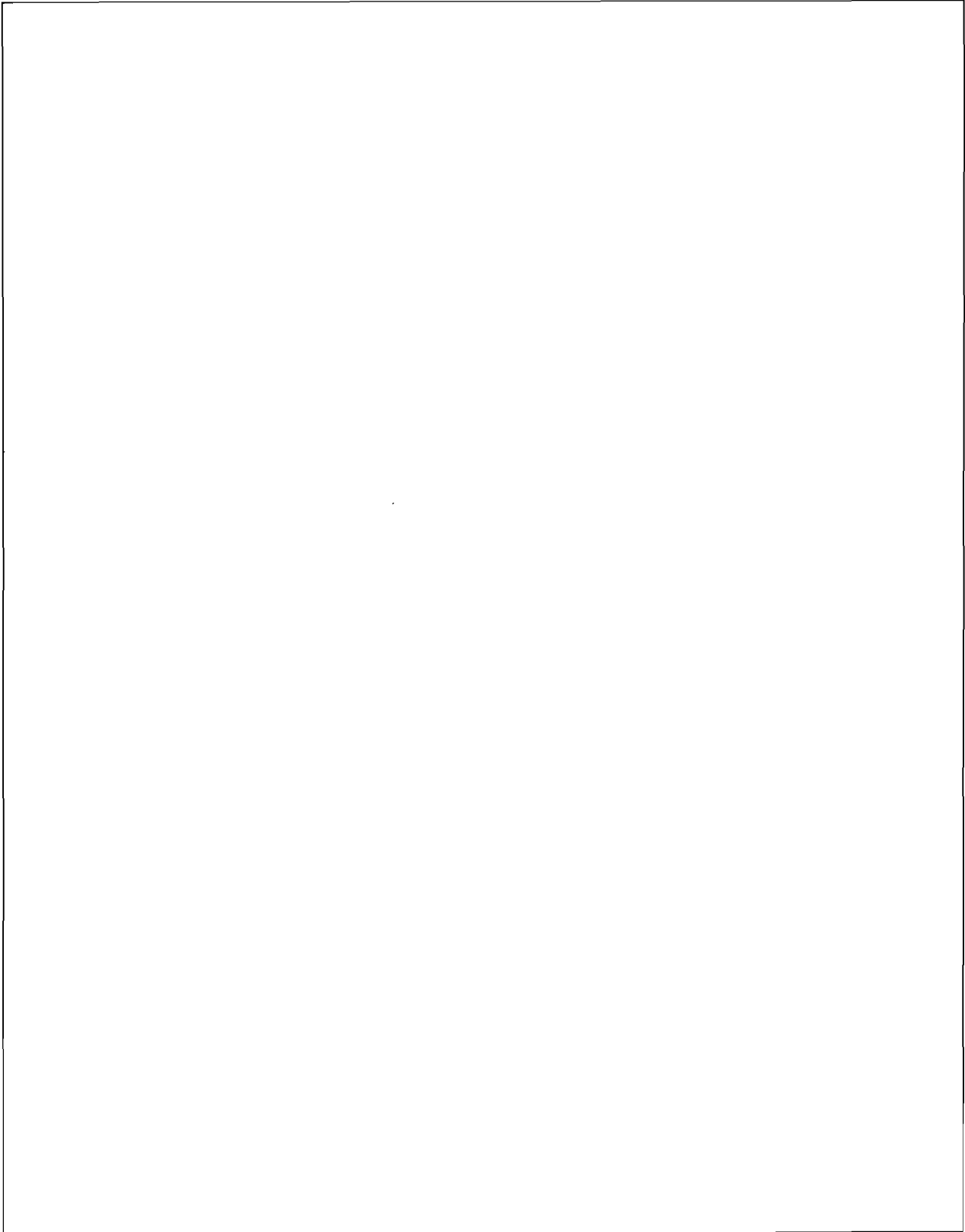
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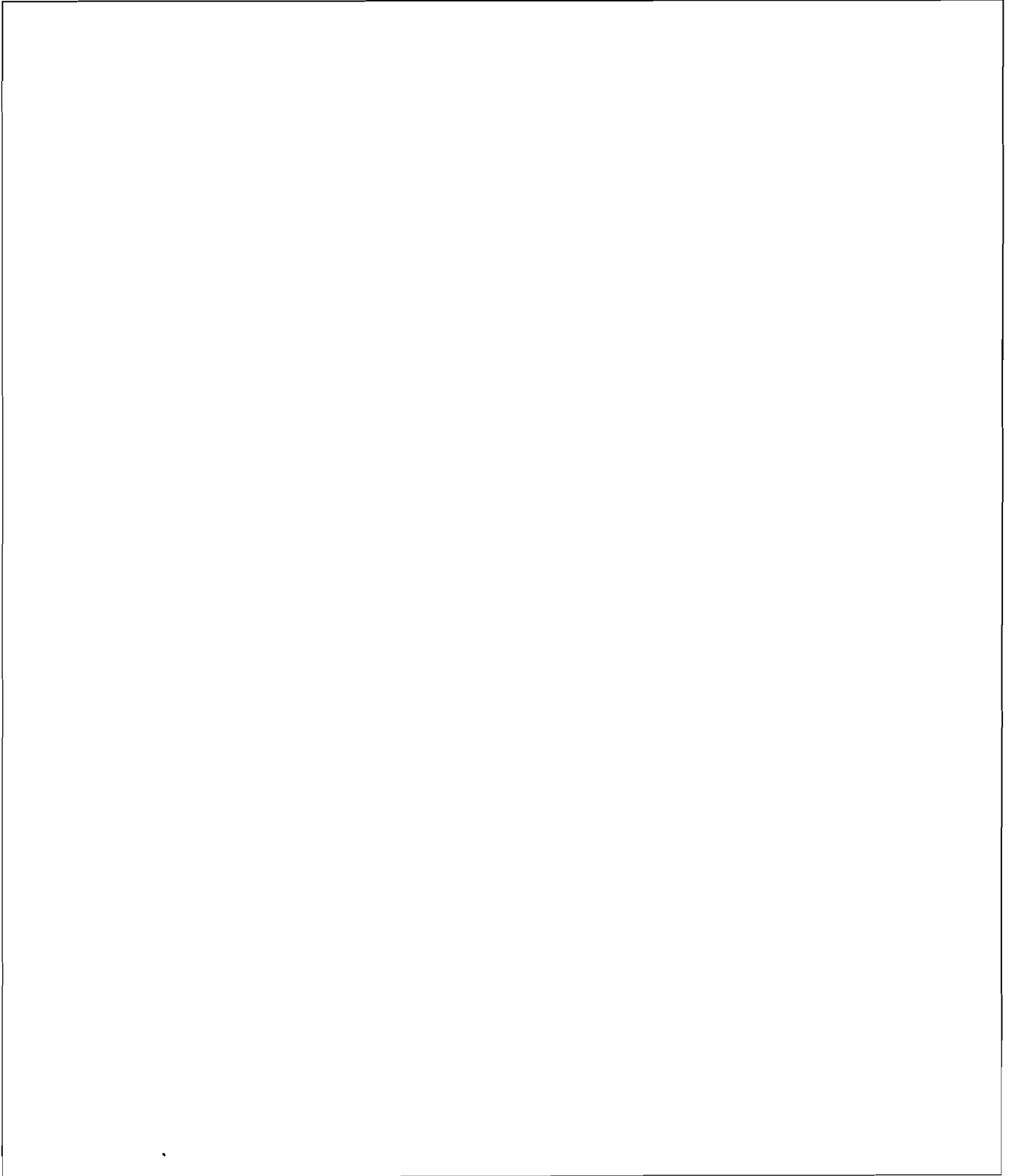
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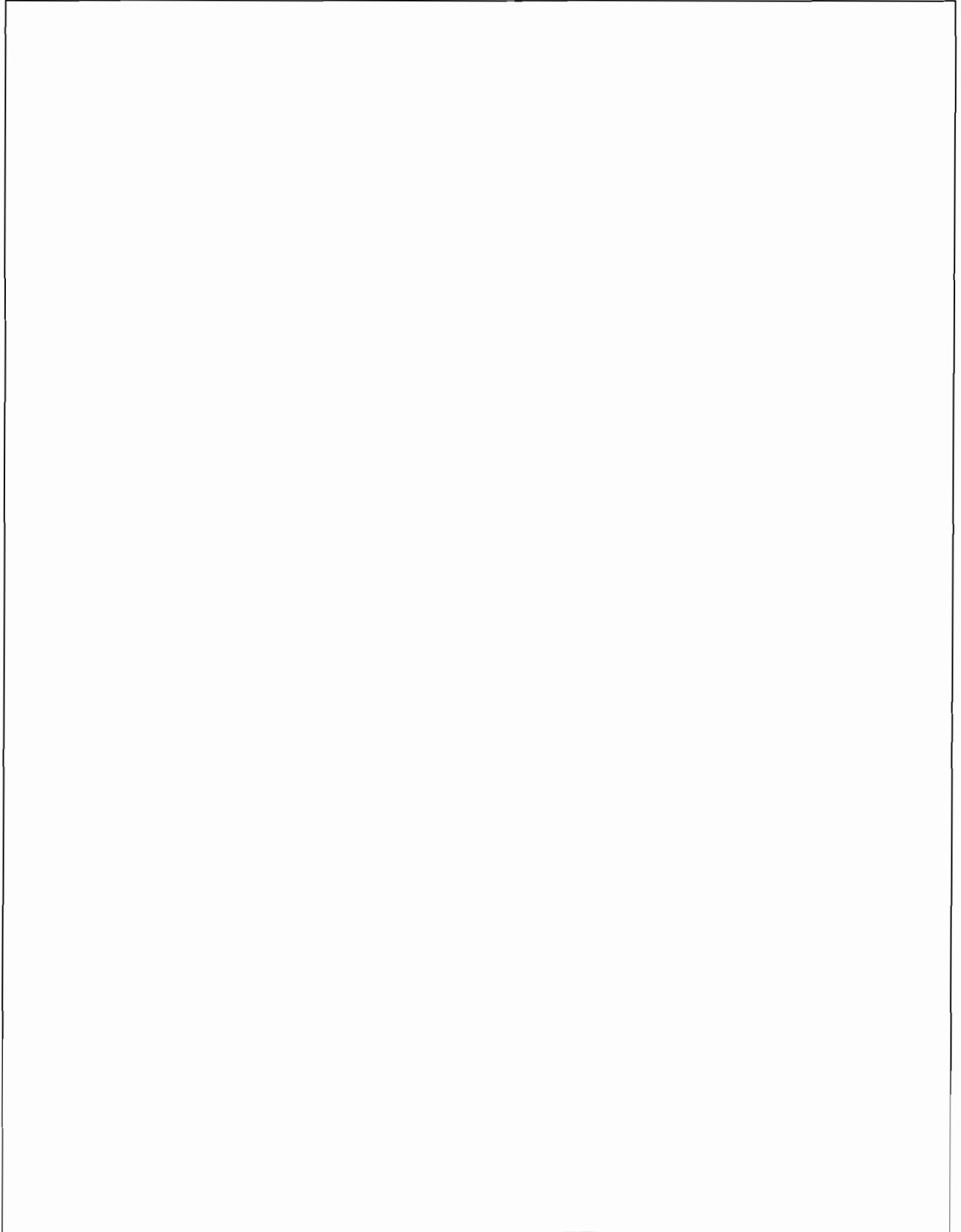
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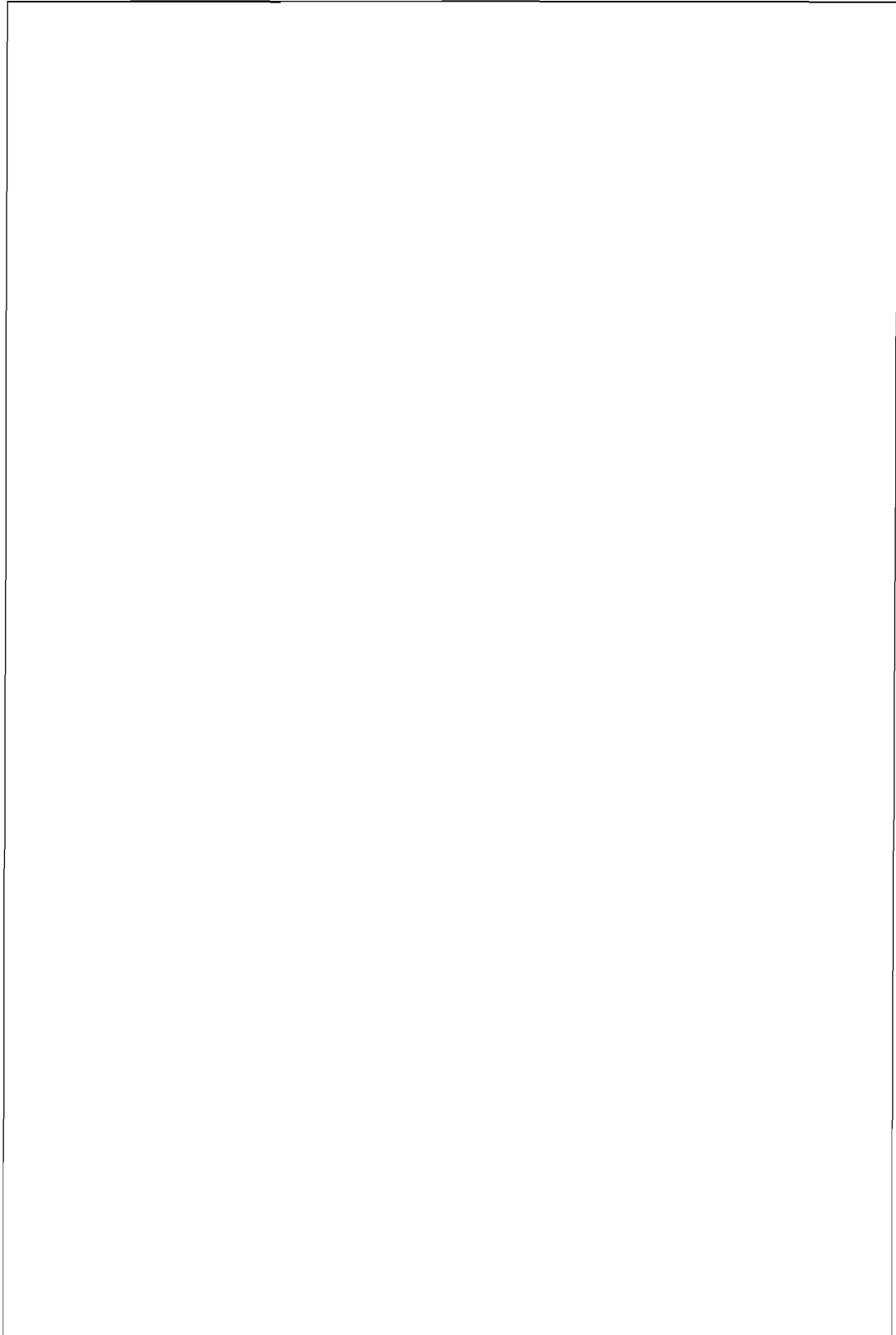


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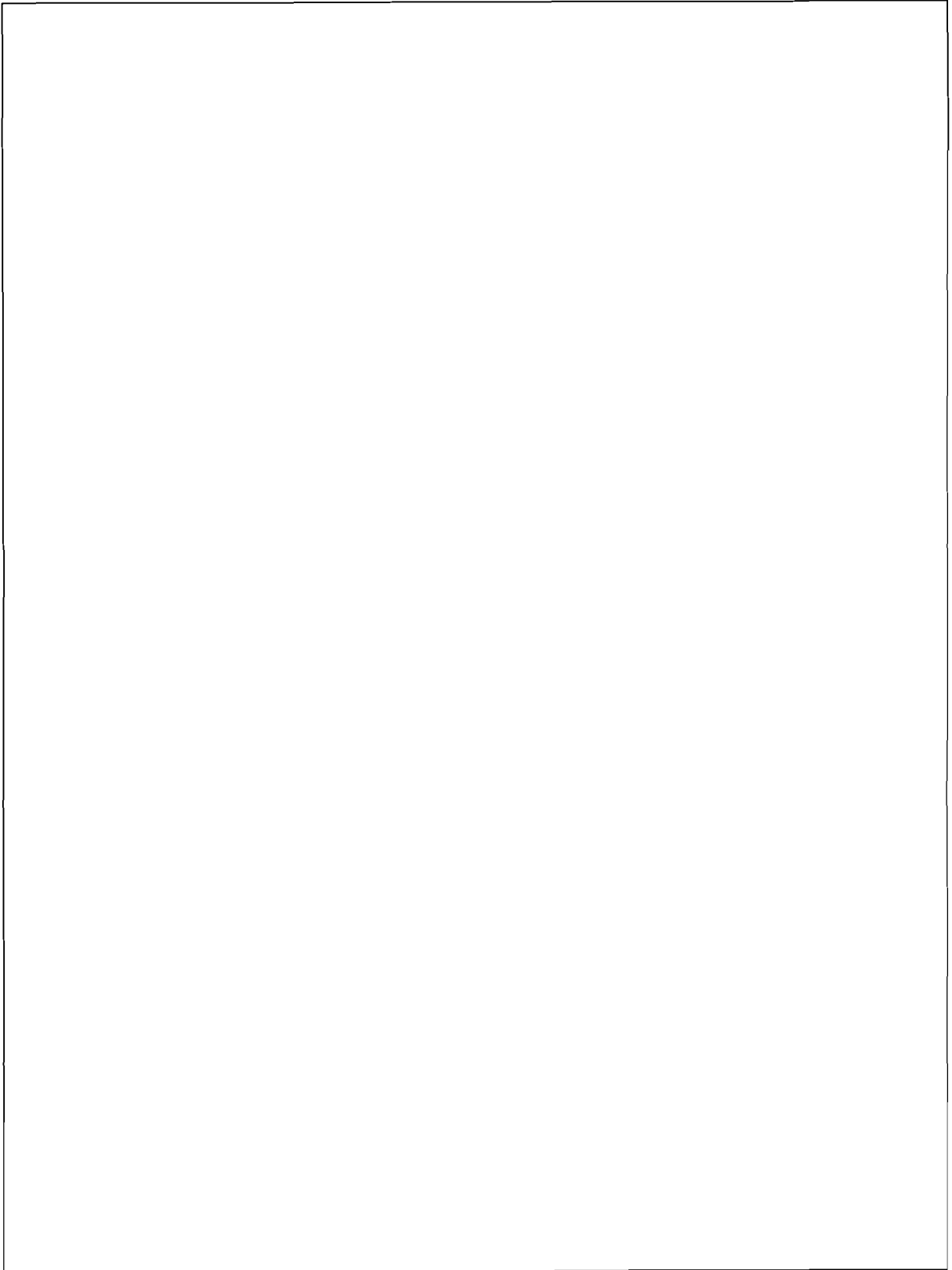
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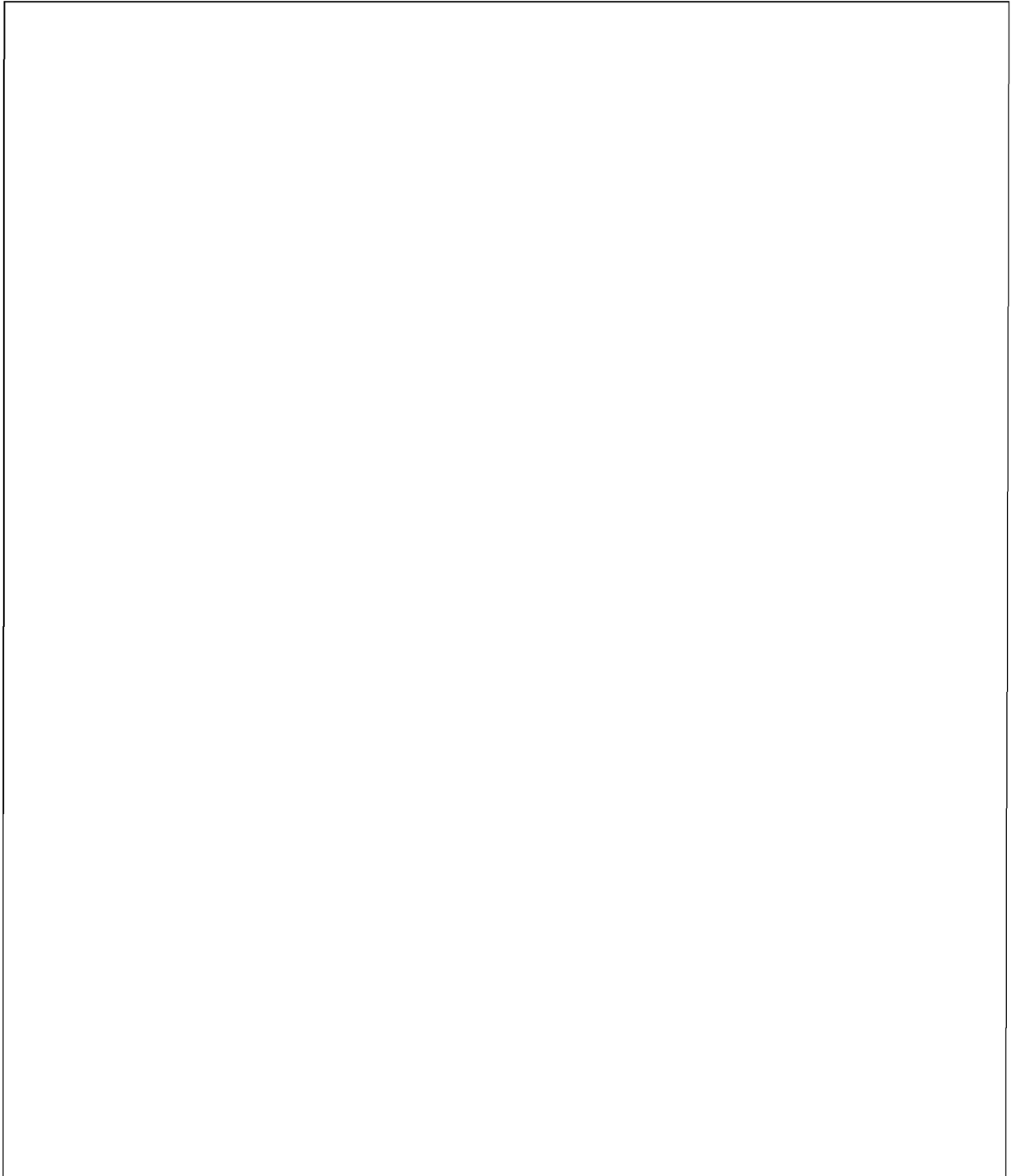
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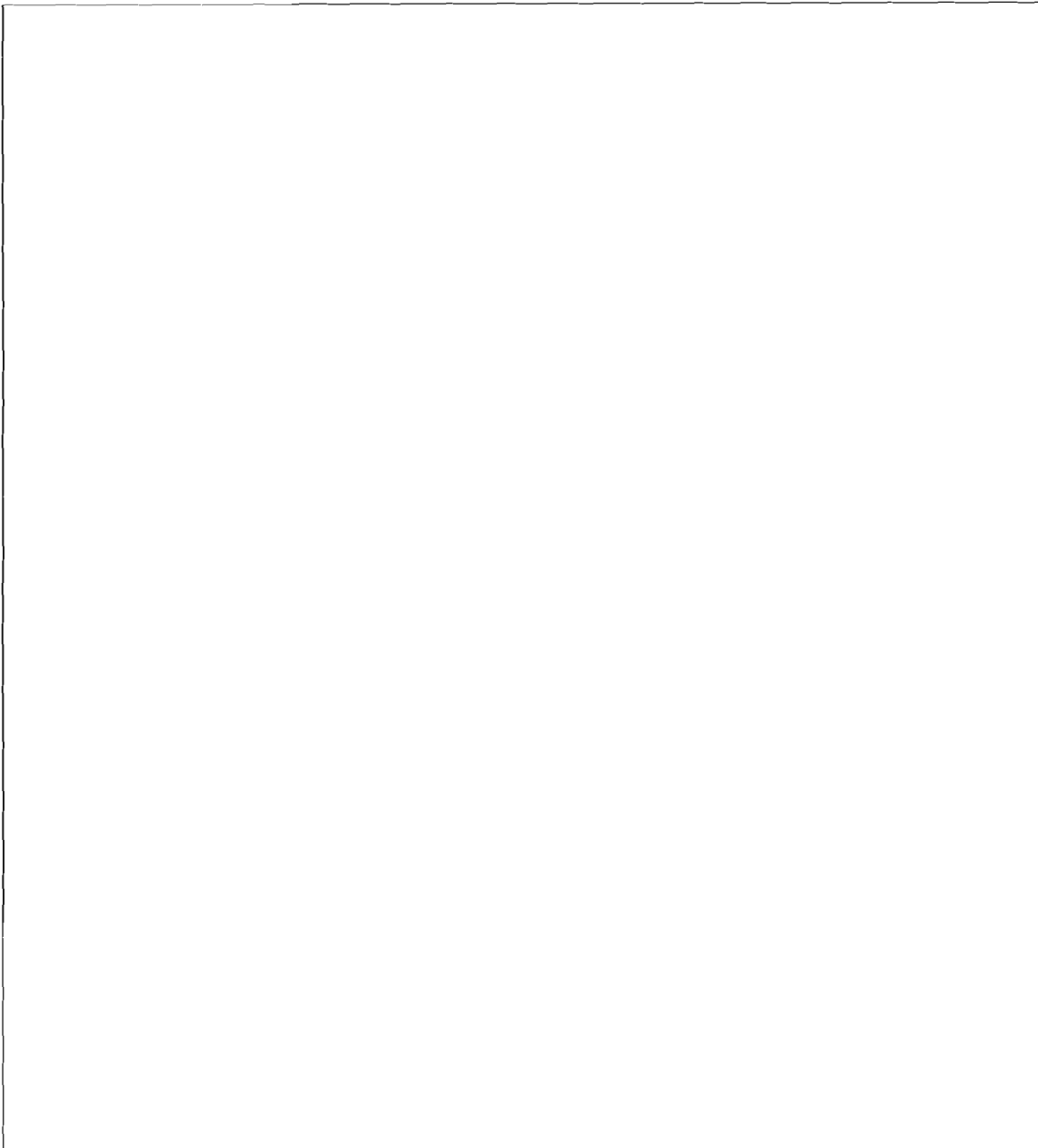
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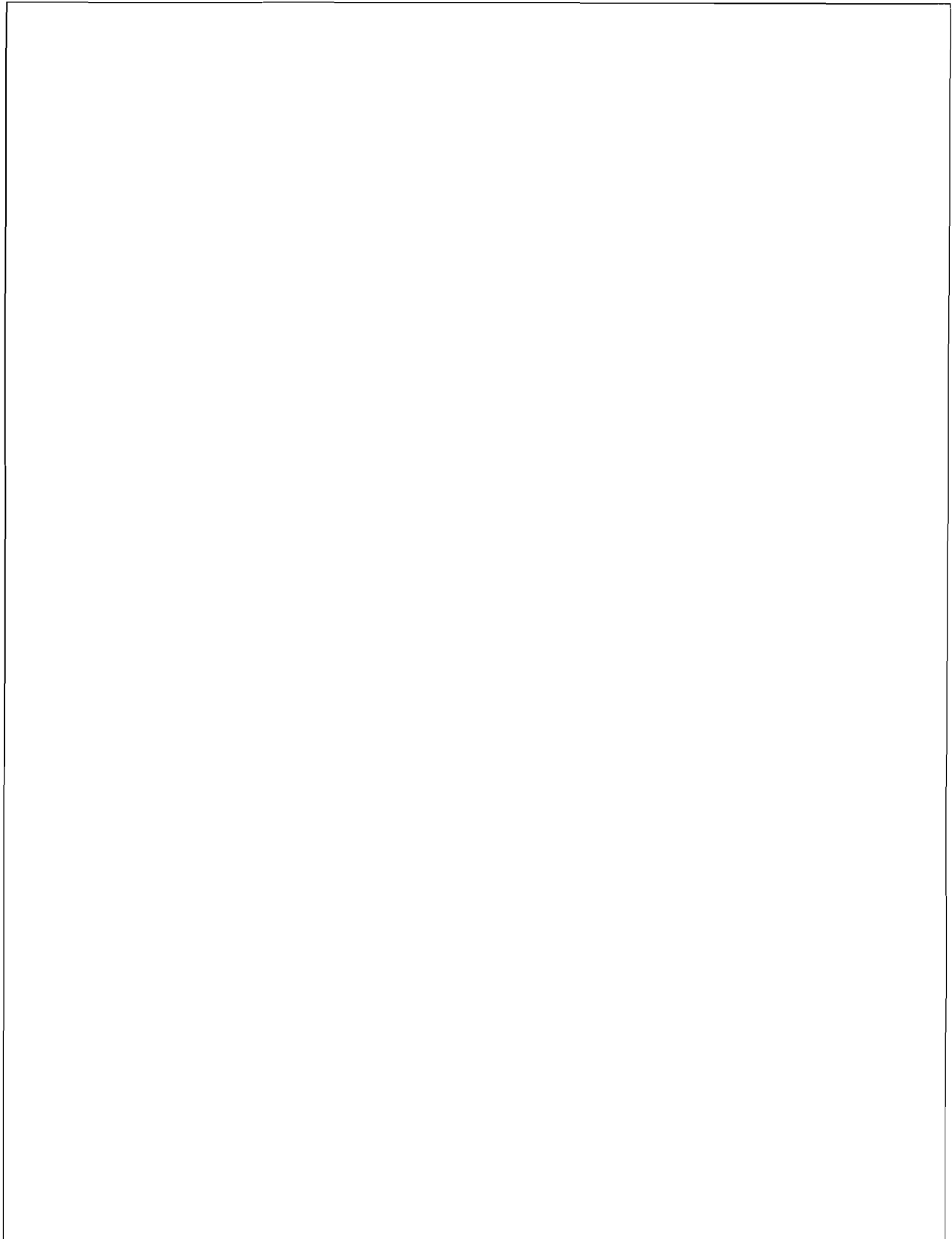
## INSPECTIONS

(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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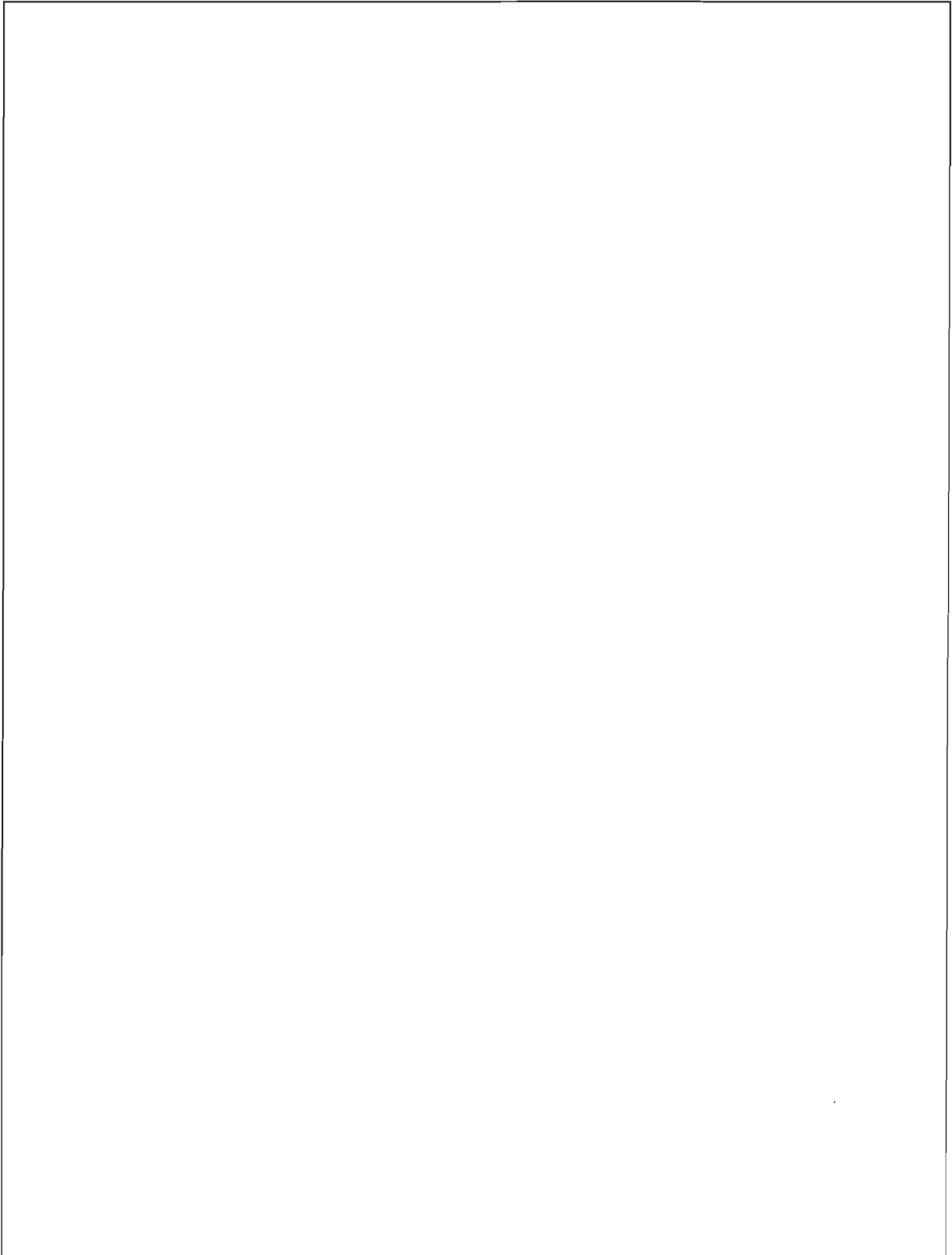


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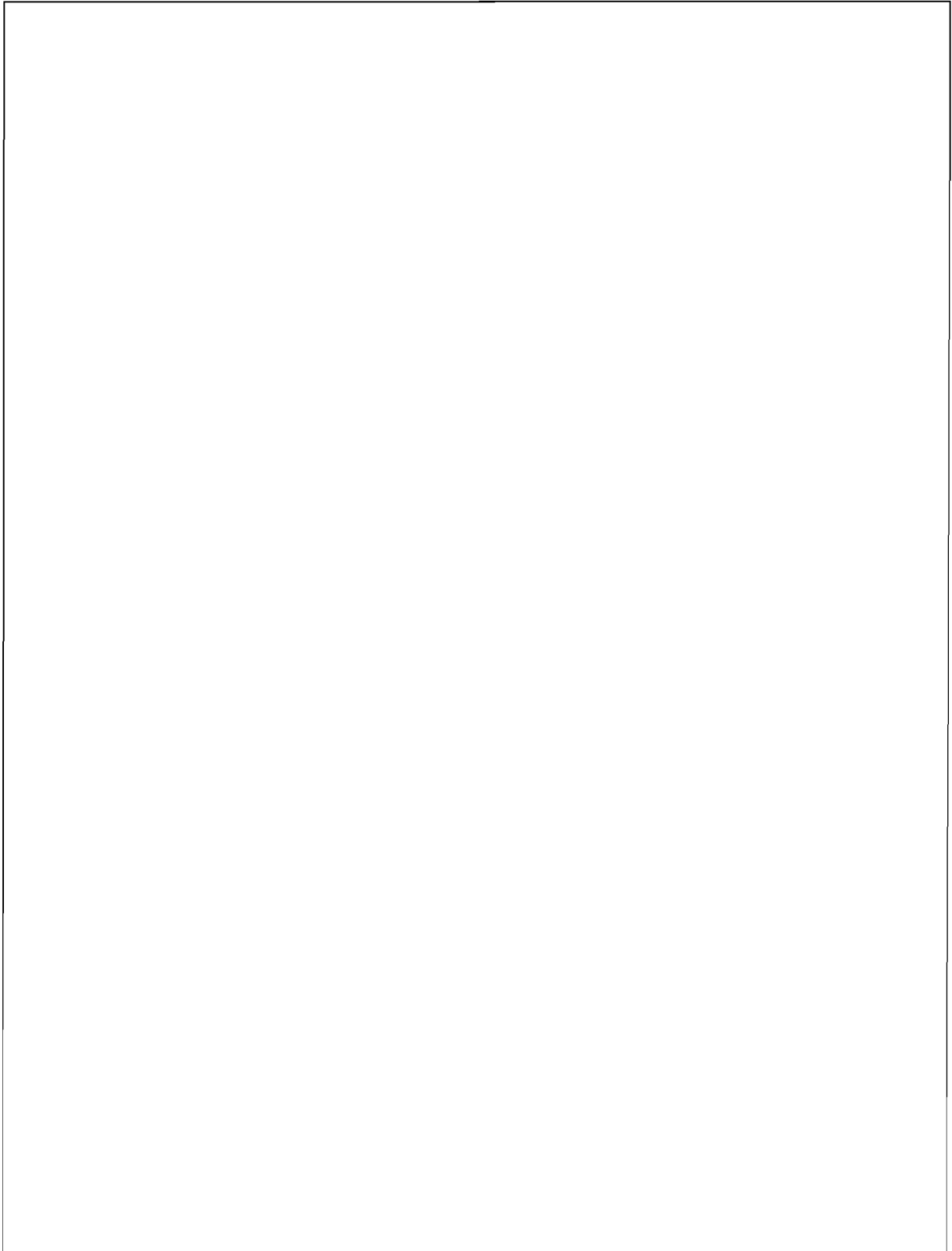
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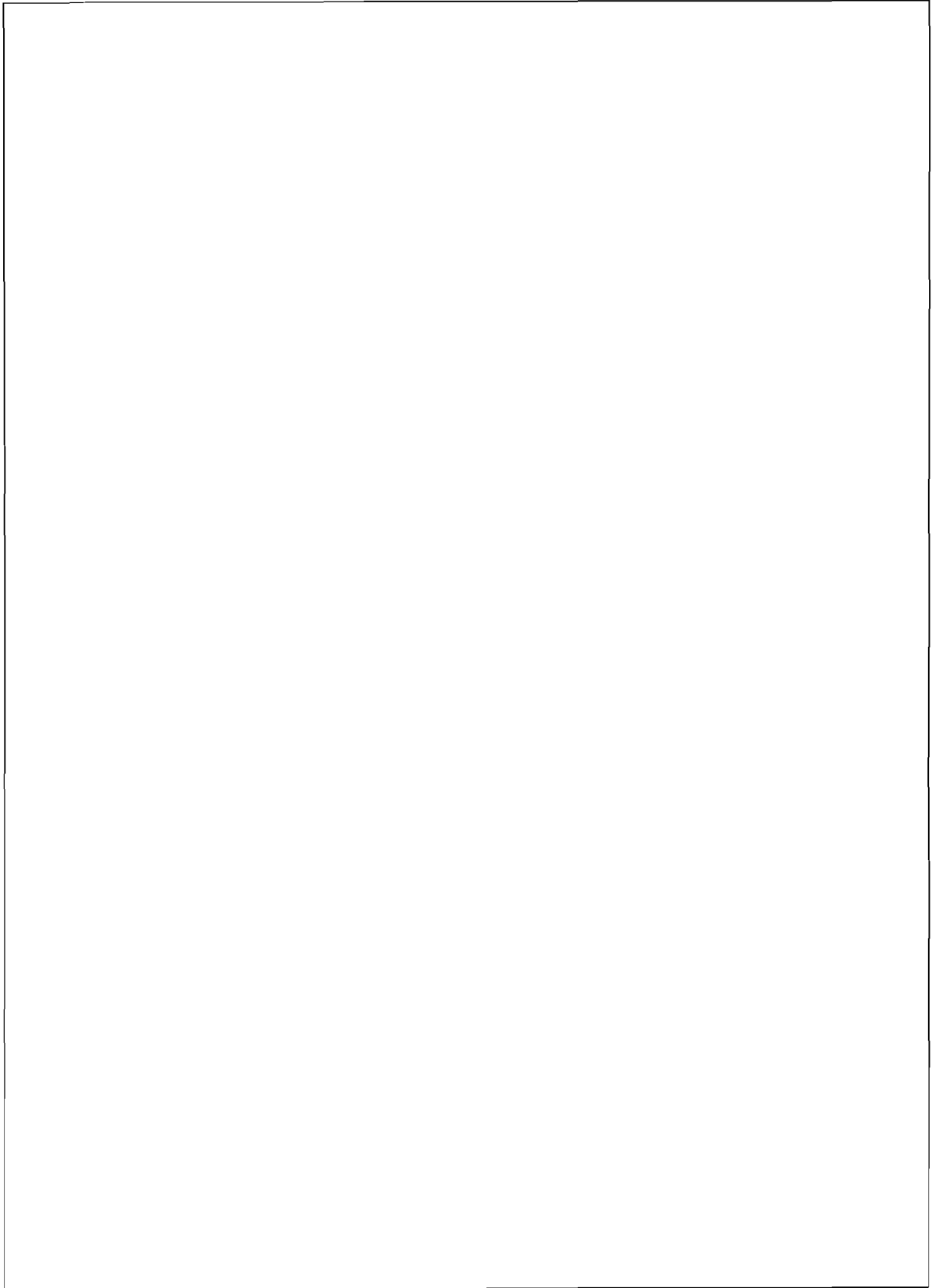
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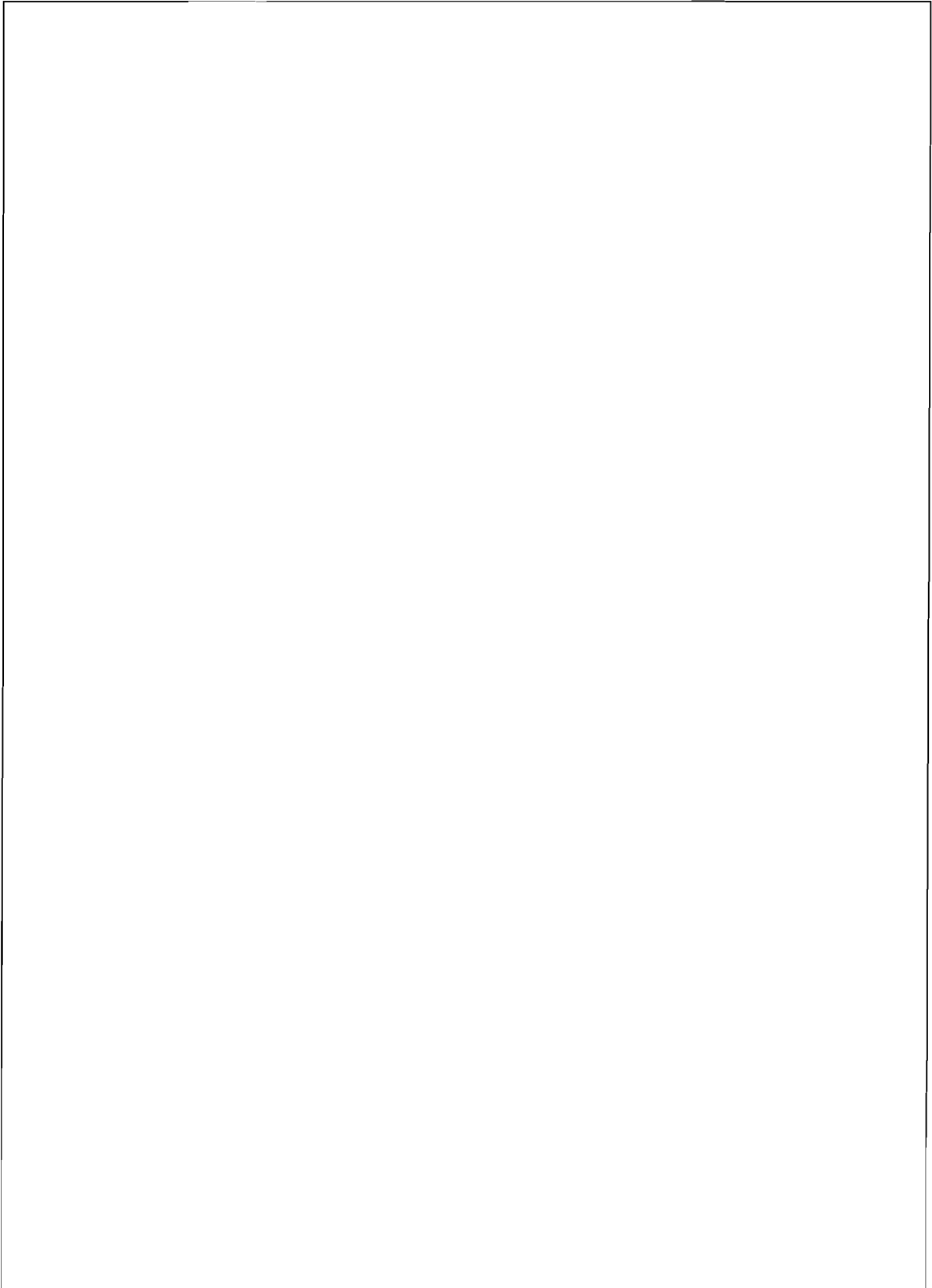
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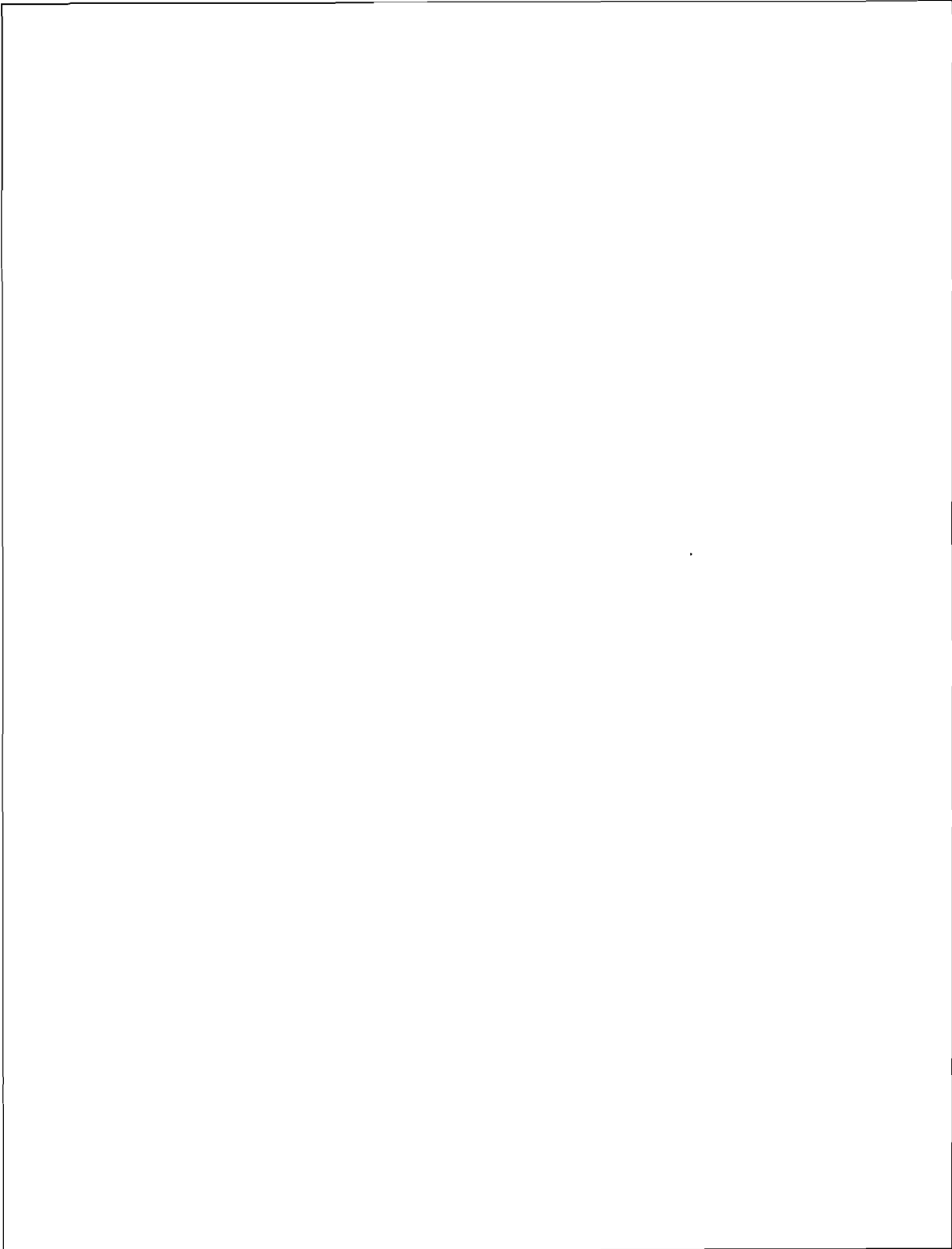
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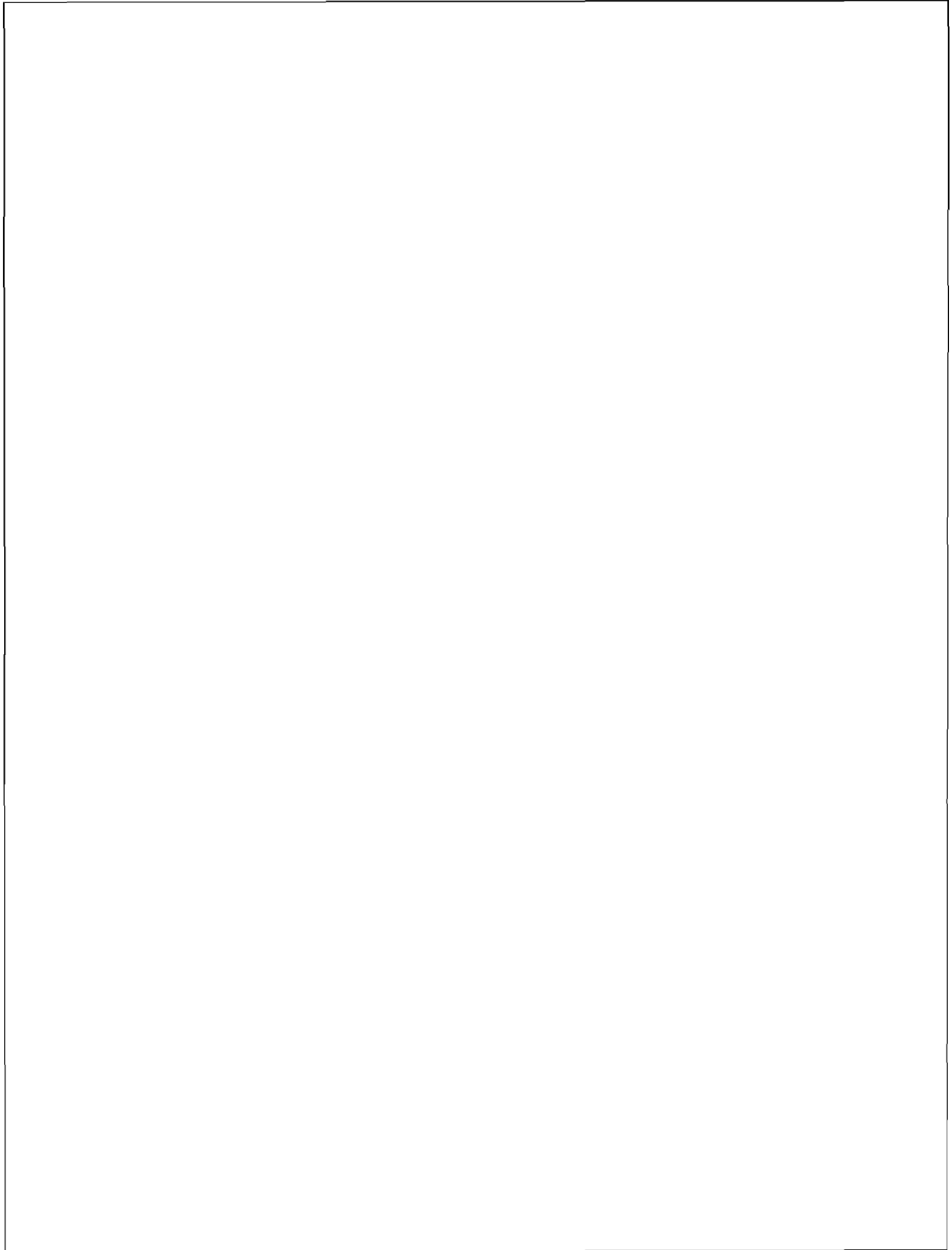
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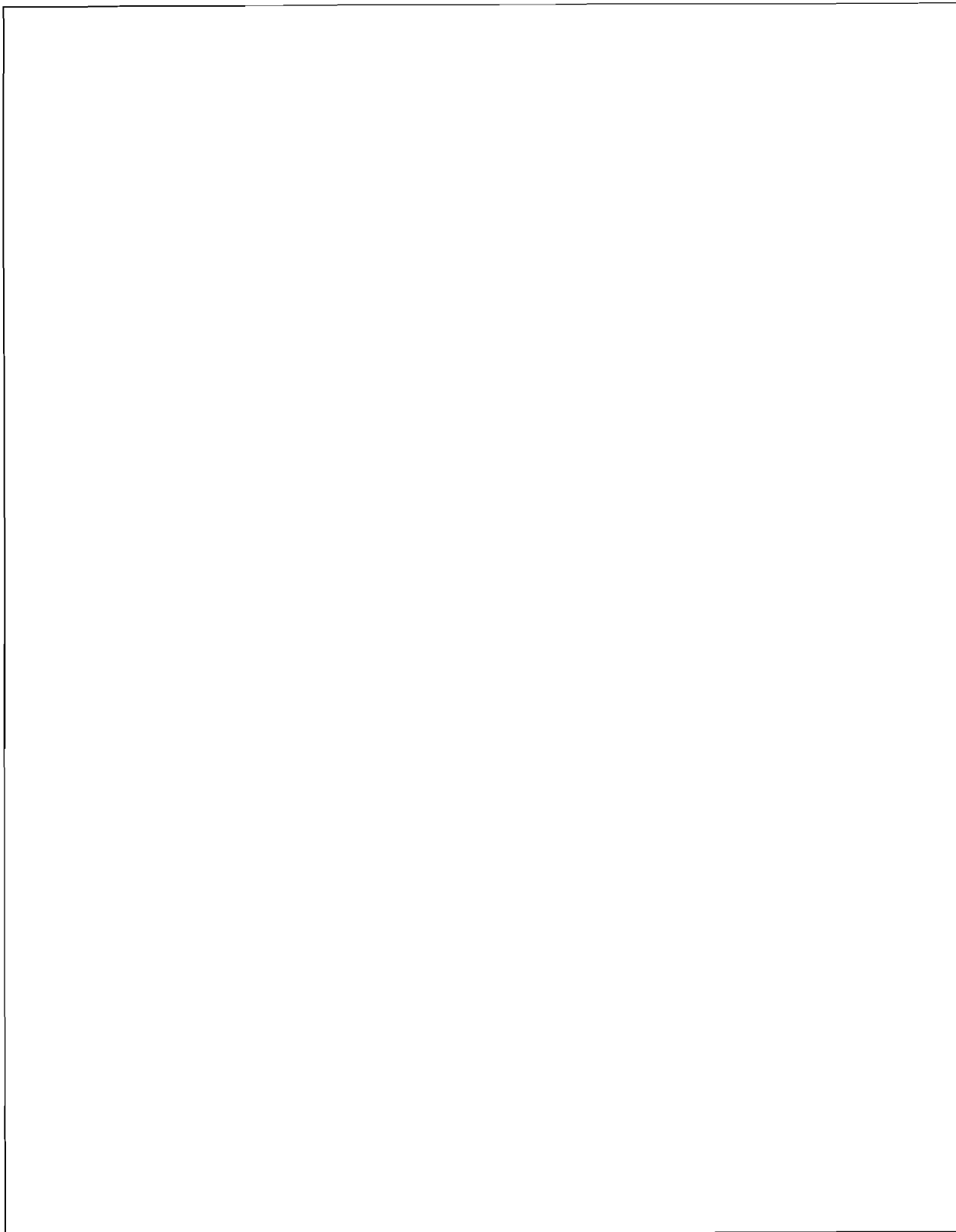


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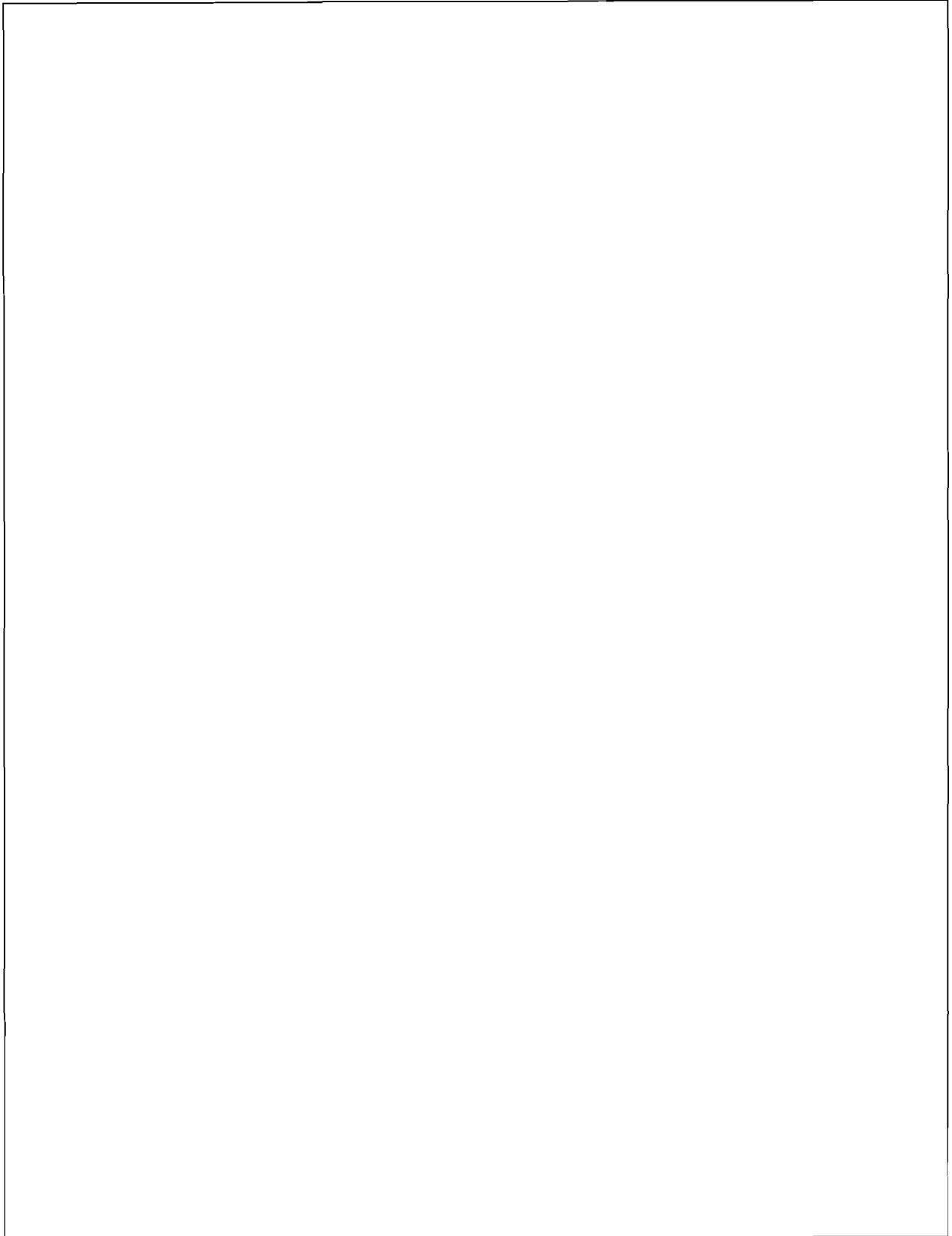
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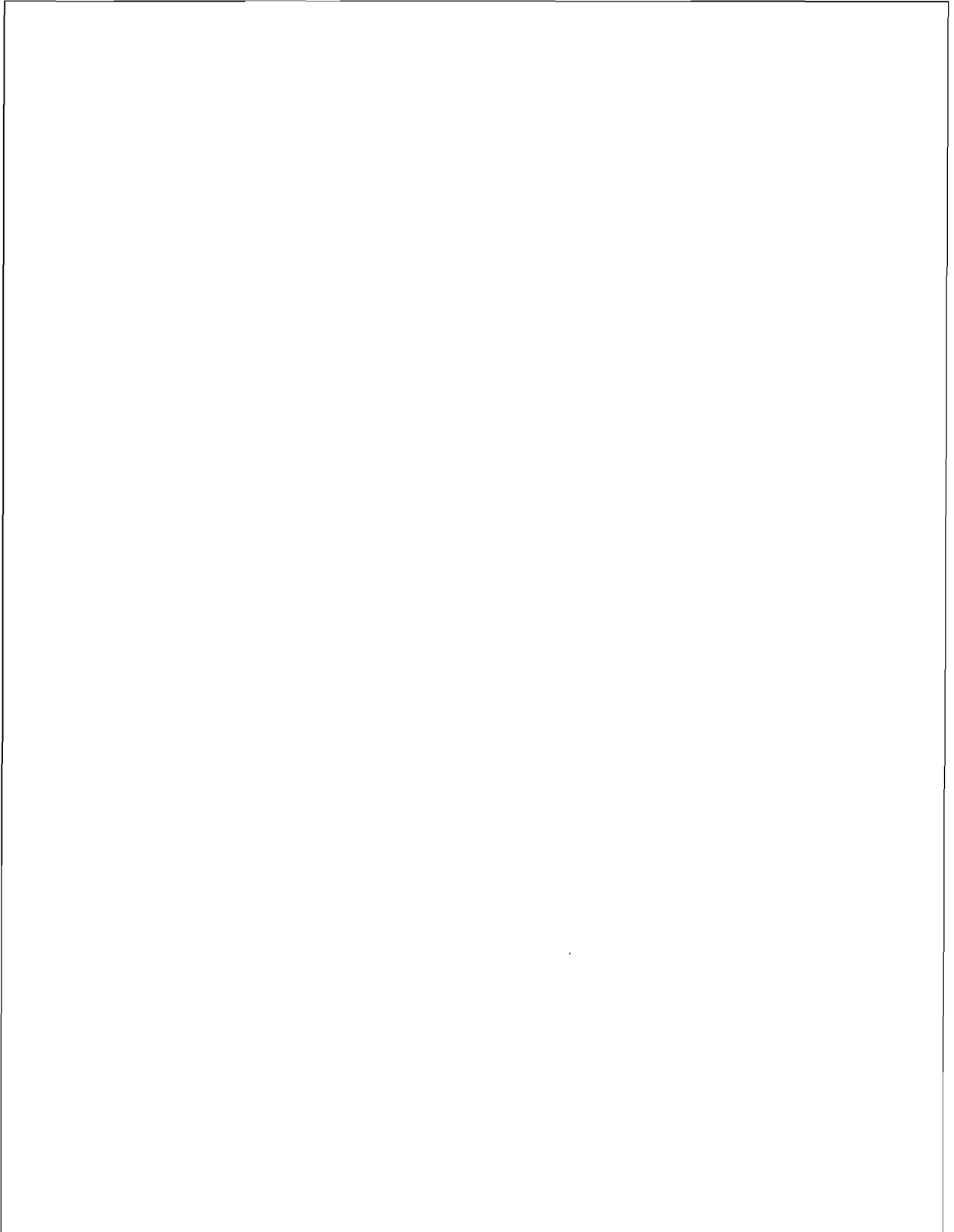


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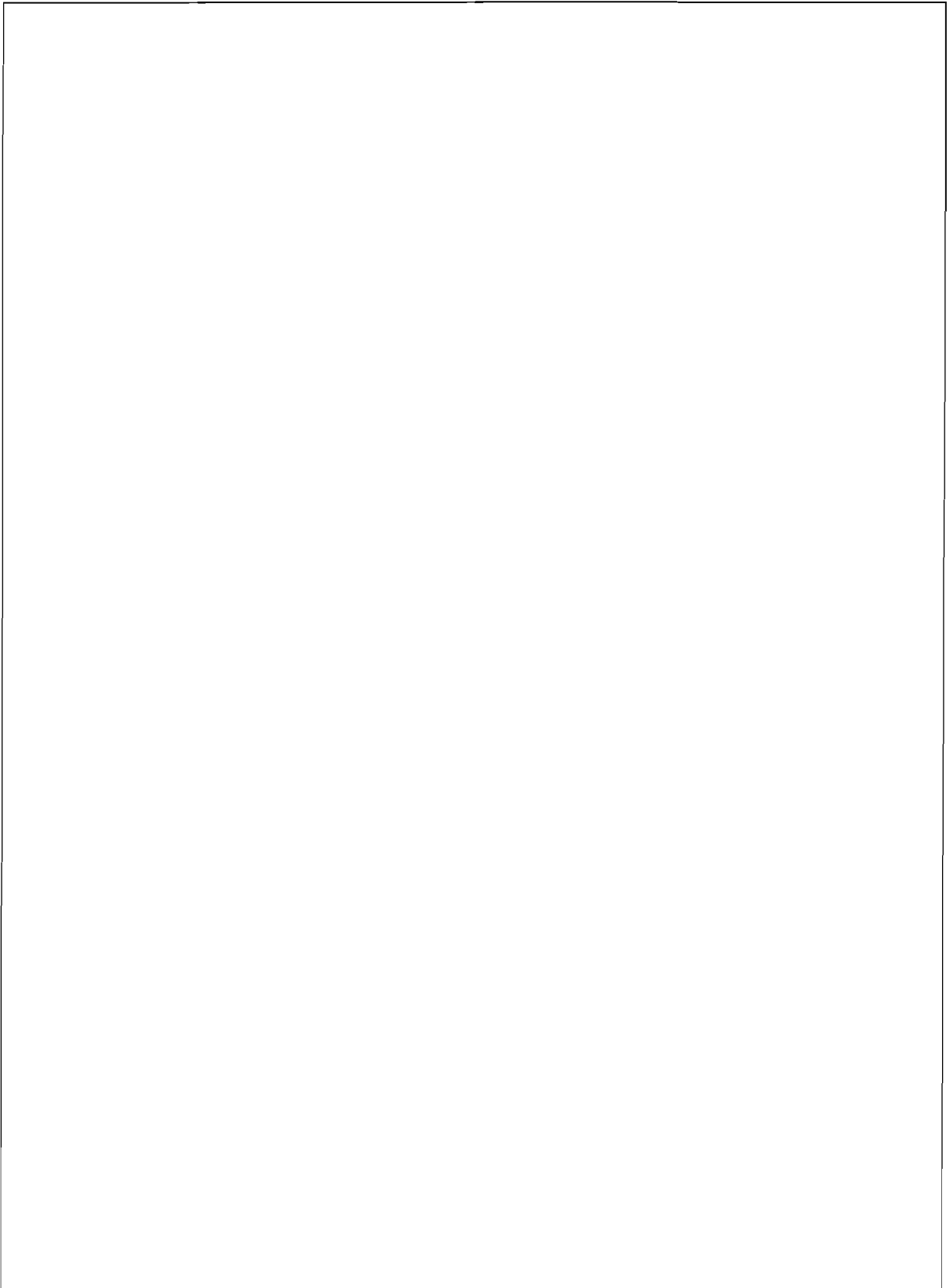
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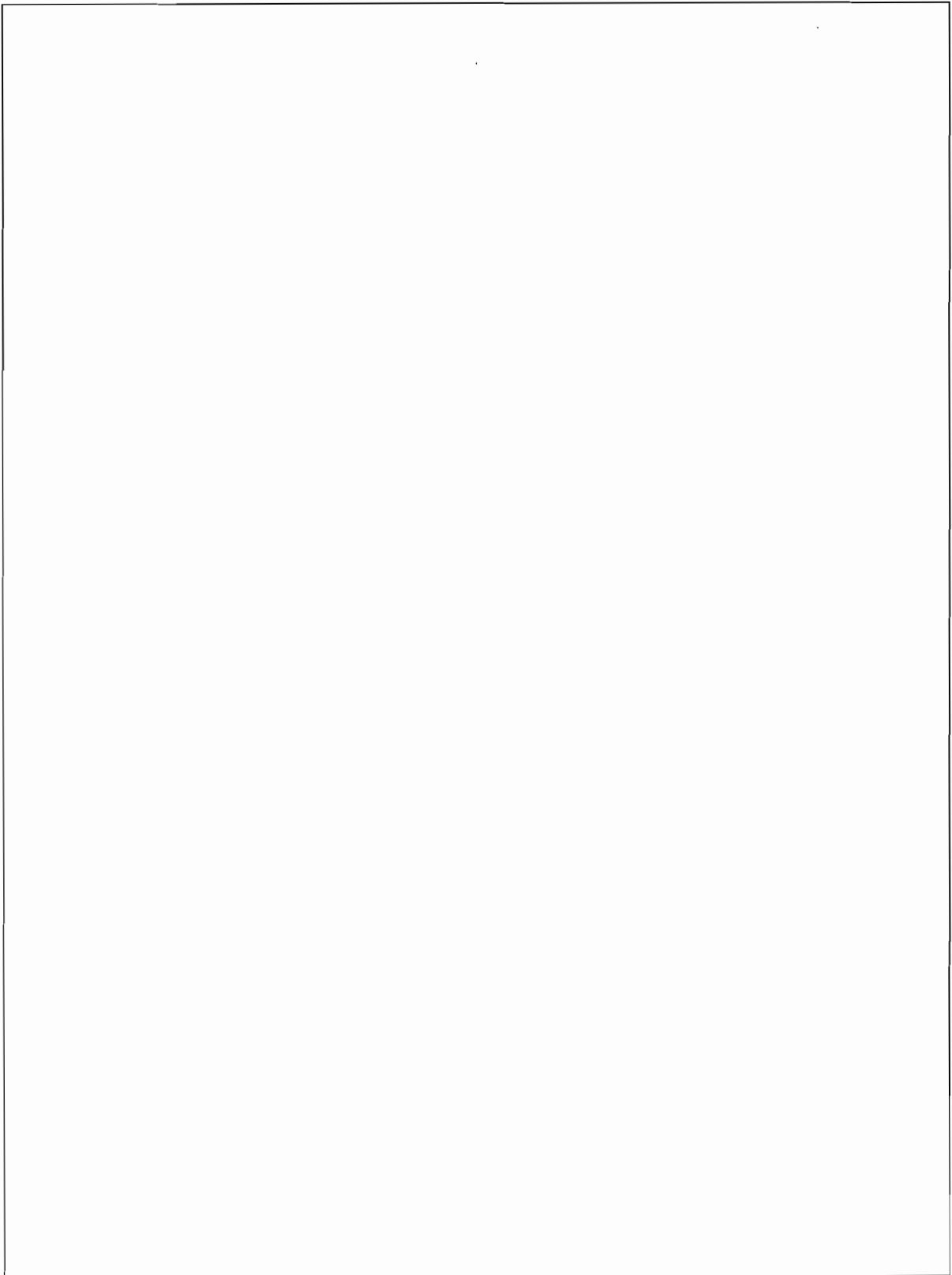
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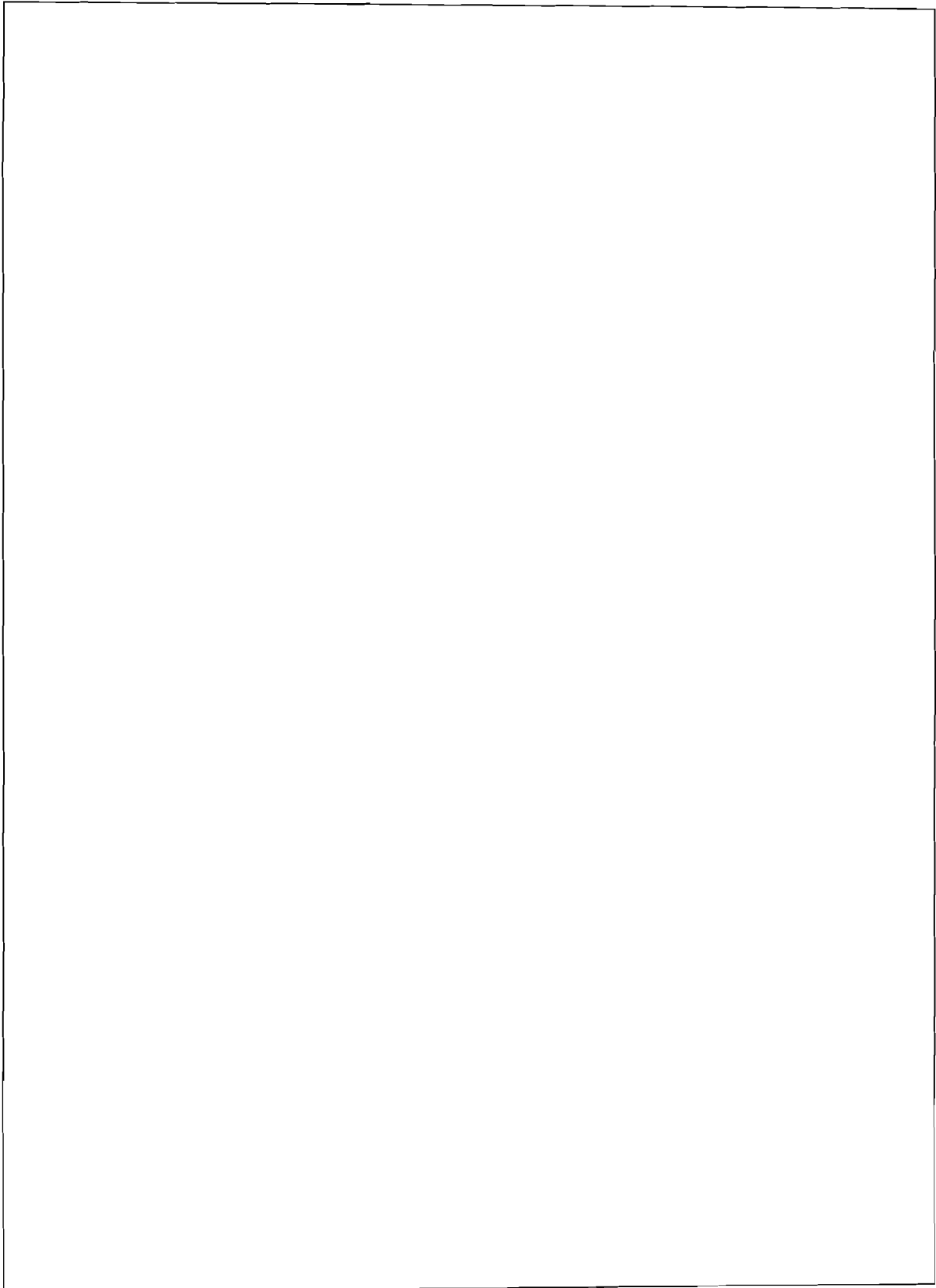
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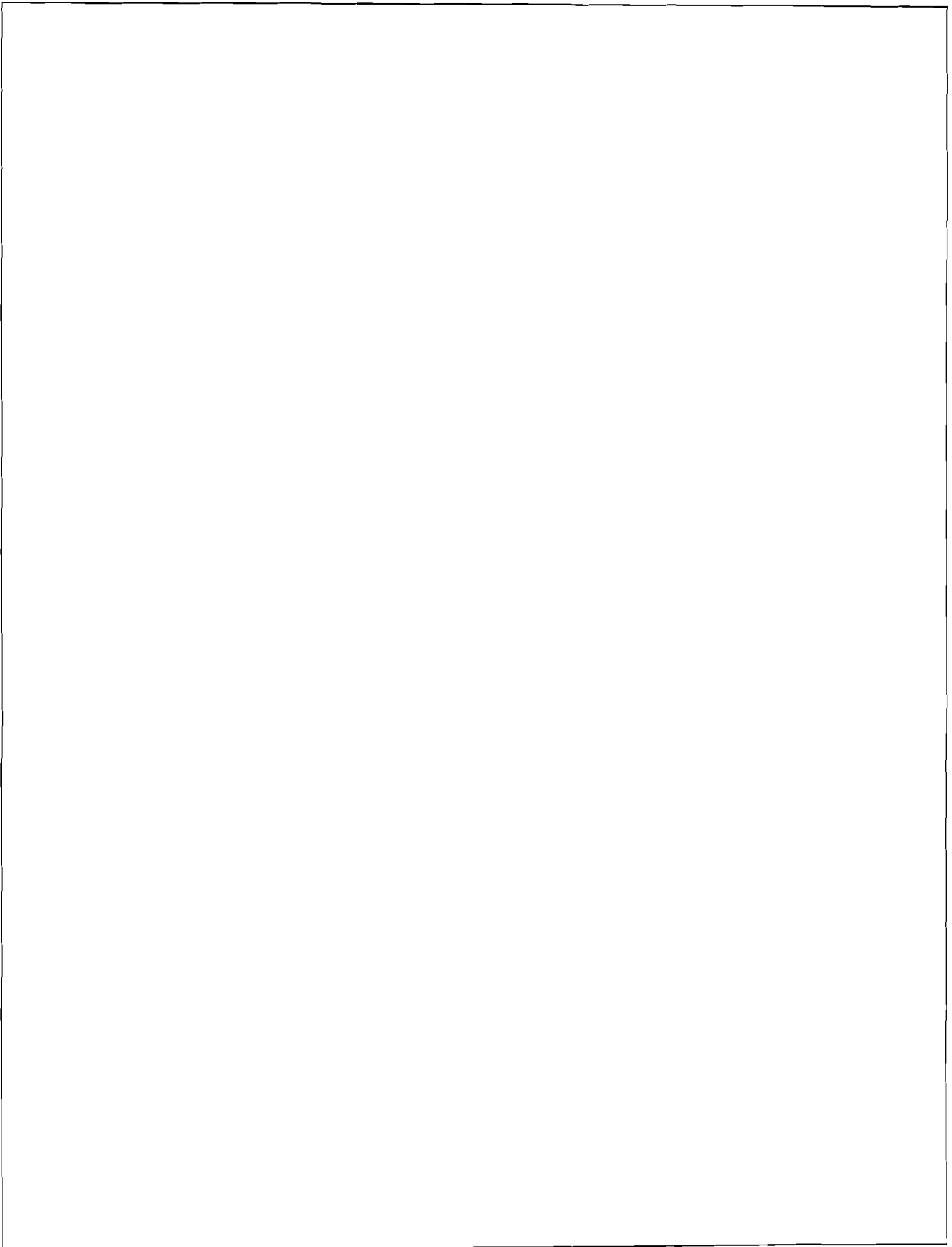
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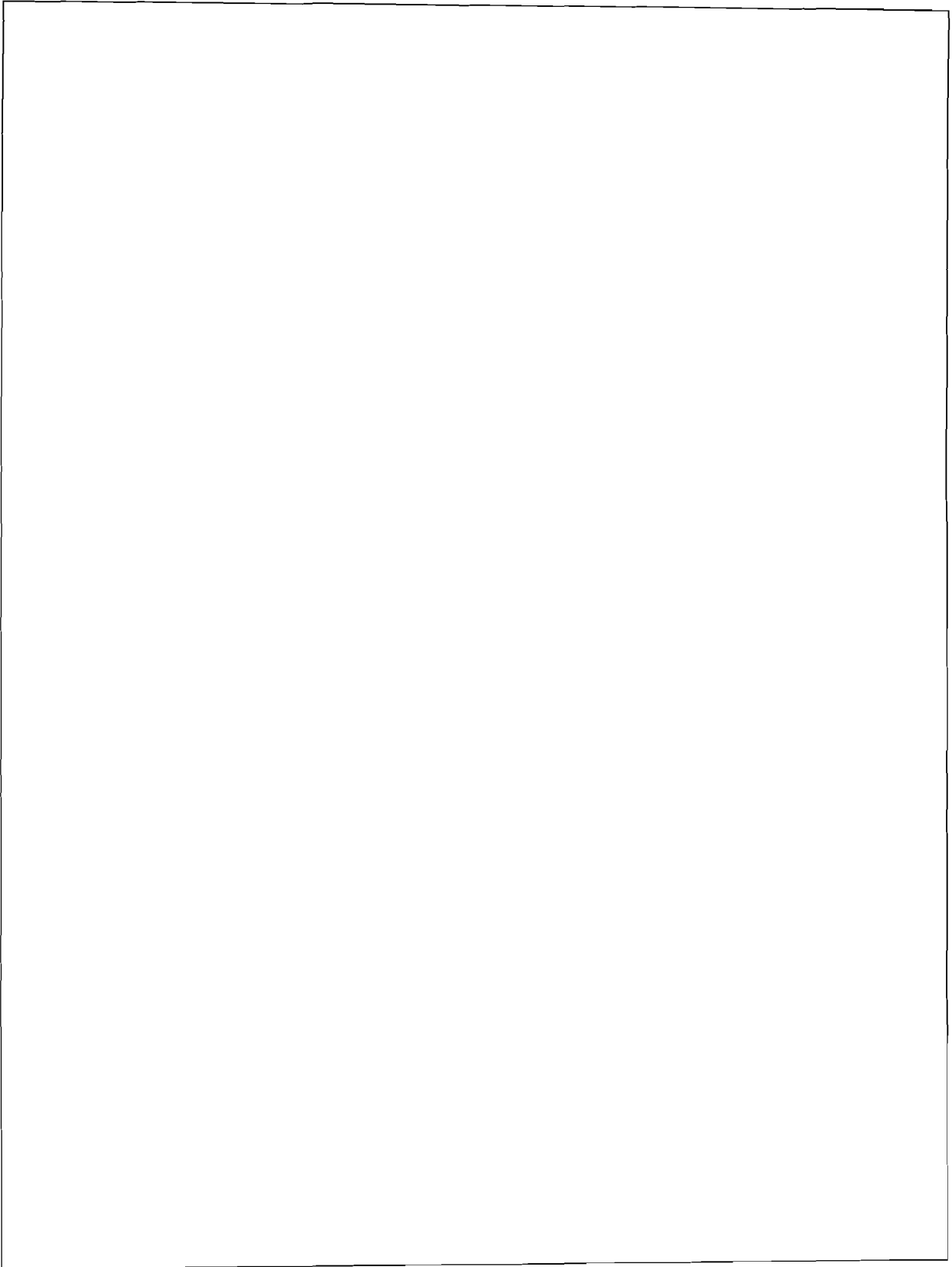
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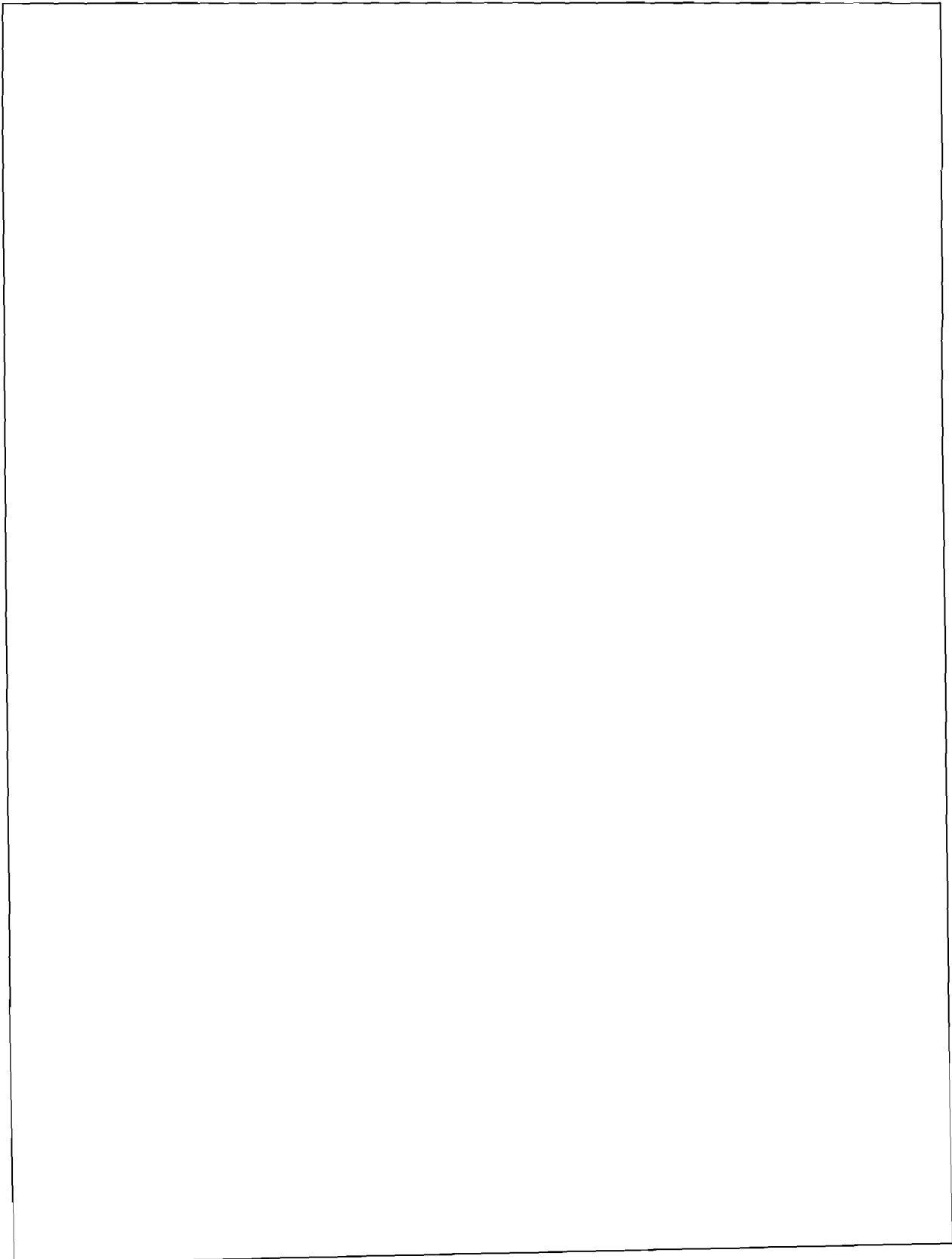
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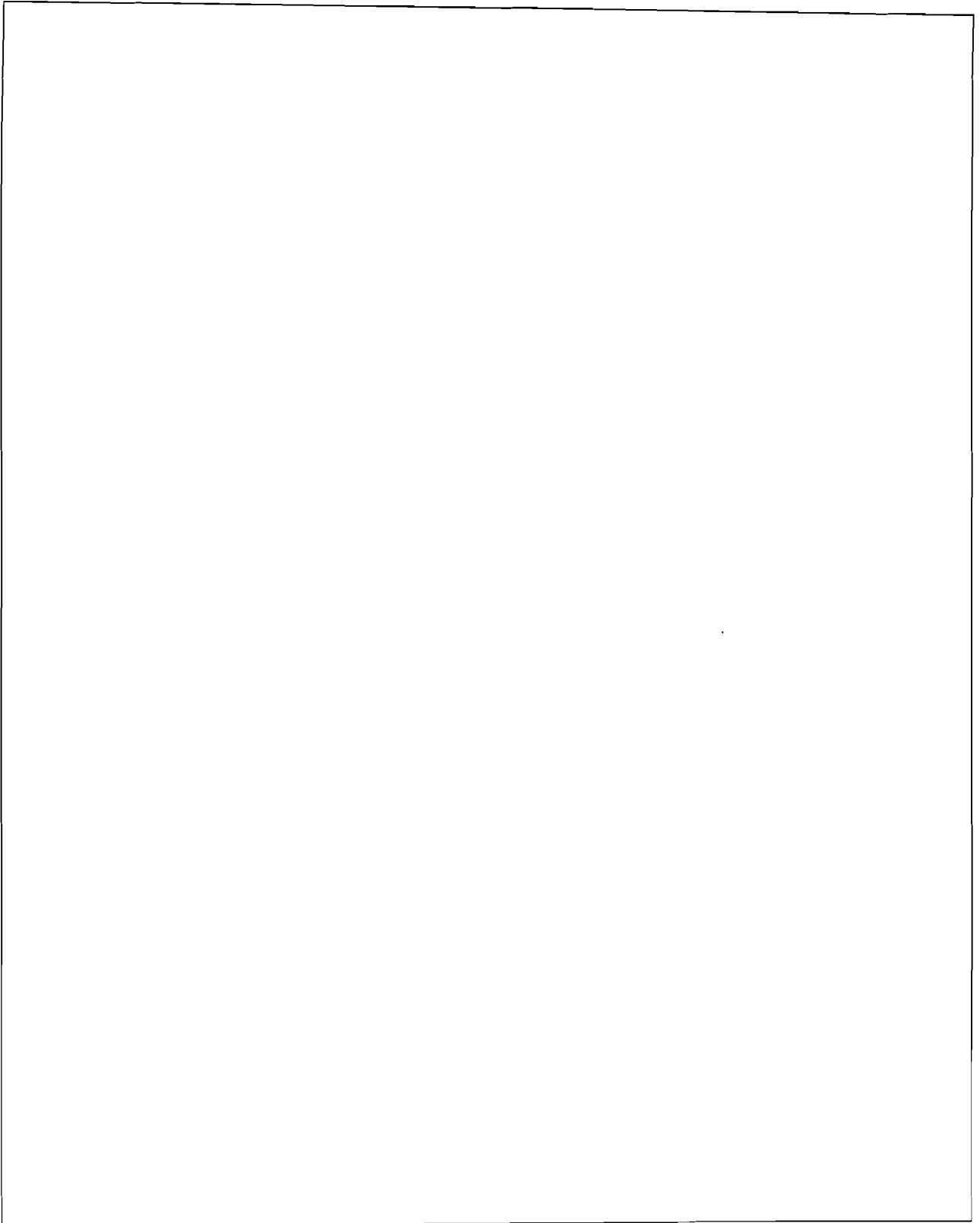
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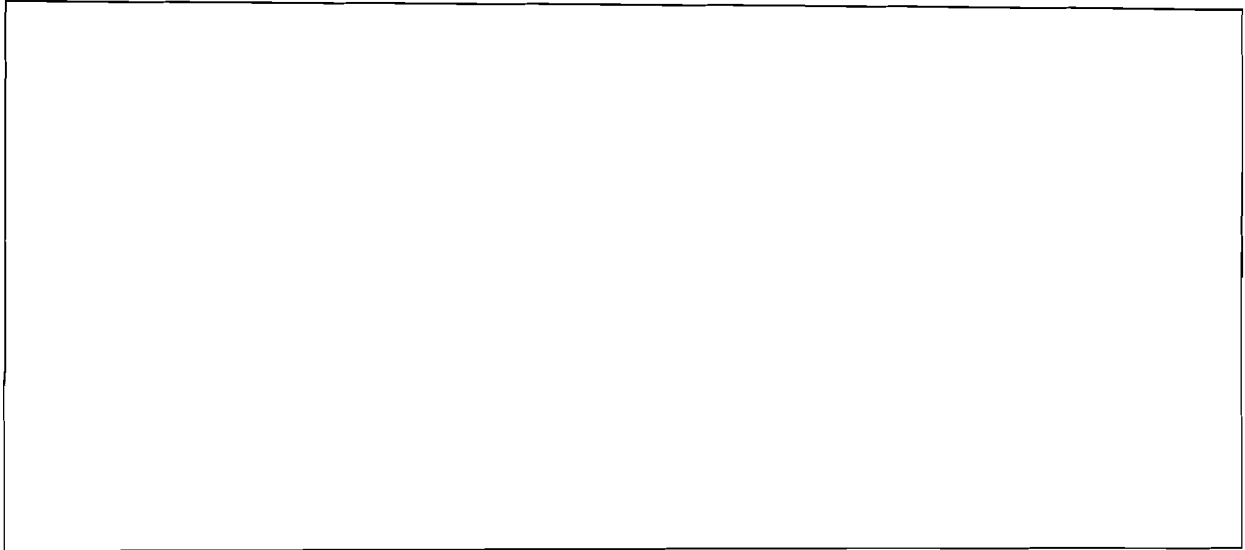


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## INVESTIGATIONS

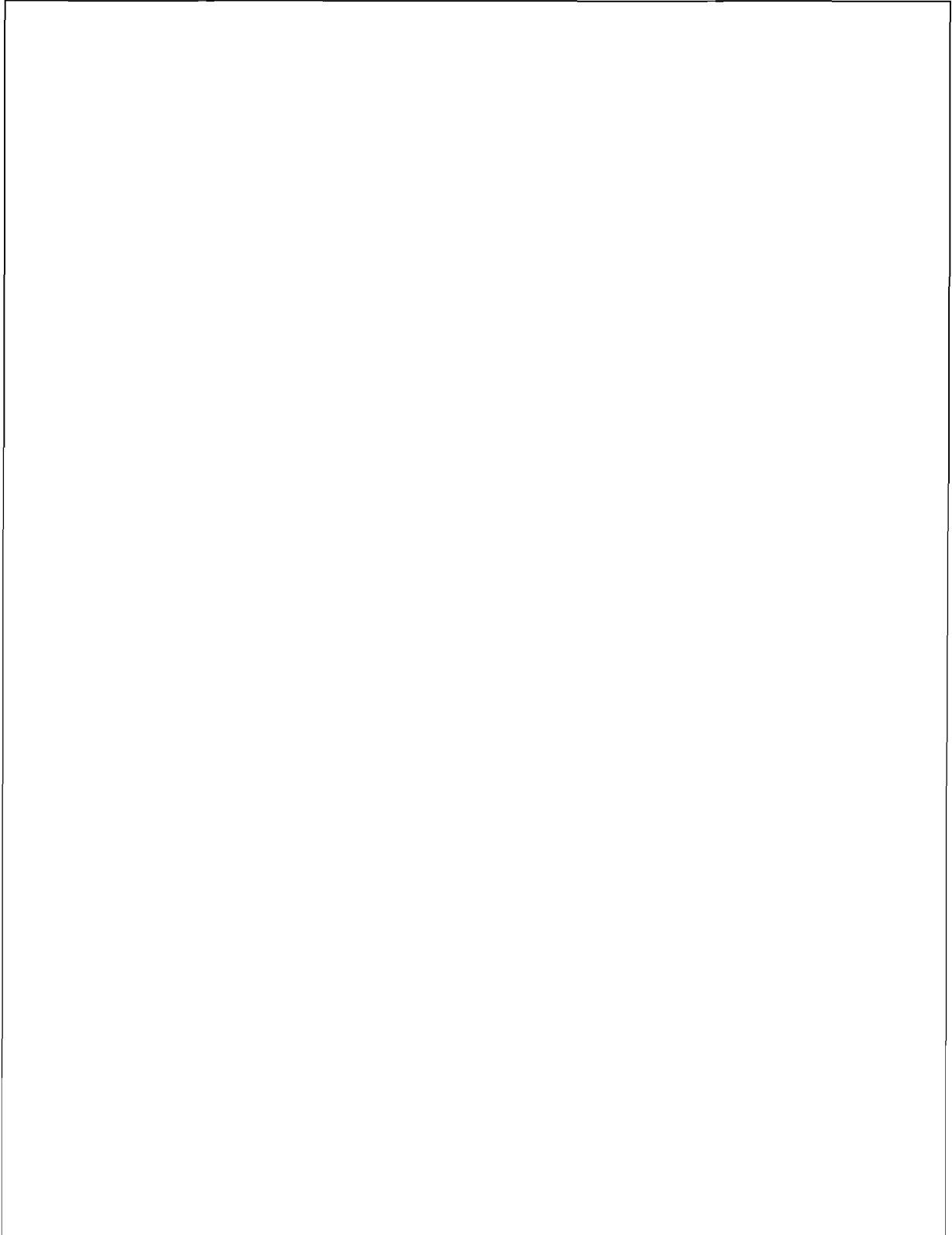
(U) The Investigations Staff is responsible for investigating reports of possible violations of statutes, regulations, policies, and procedures, as well as potential waste, mismanagement, abuse of authority, or substantial dangers to public health and safety connected with Agency programs and operations.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

### *SIGNIFICANT COMPLETED INVESTIGATIONS*

The Investigations Staff completed work on 140 matters of various types during this reporting period. Summaries of several significant matters are provided below.

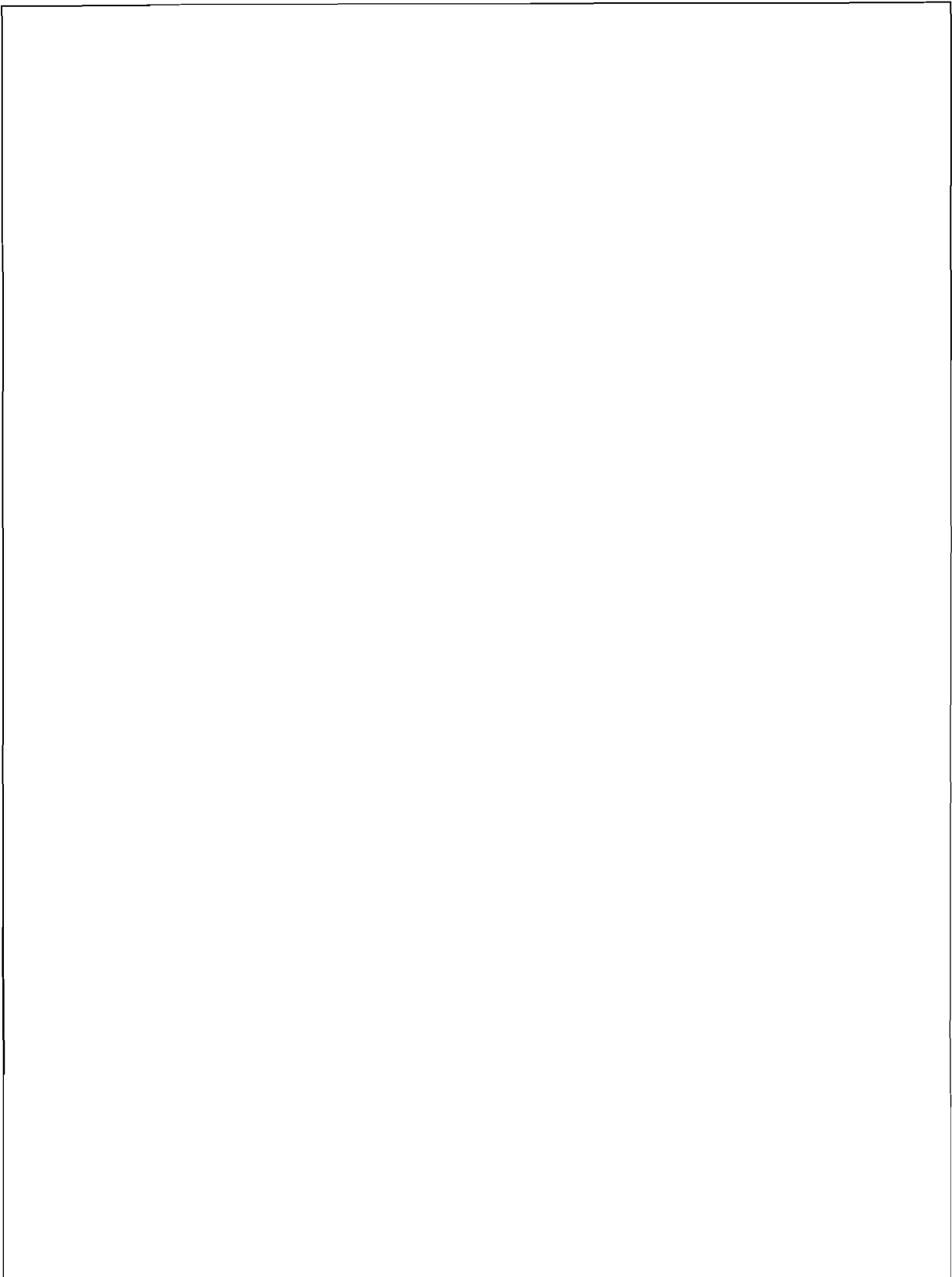
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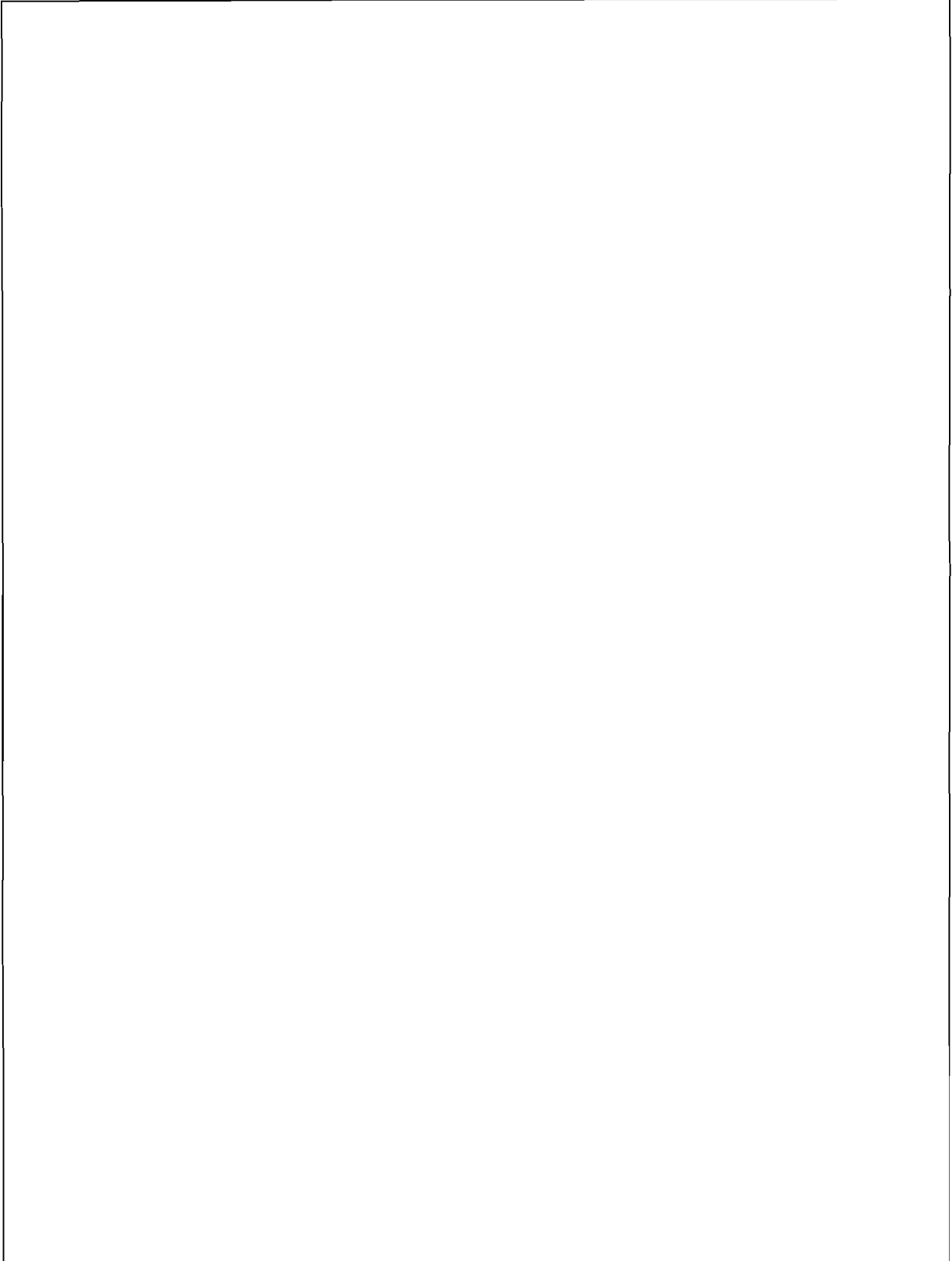
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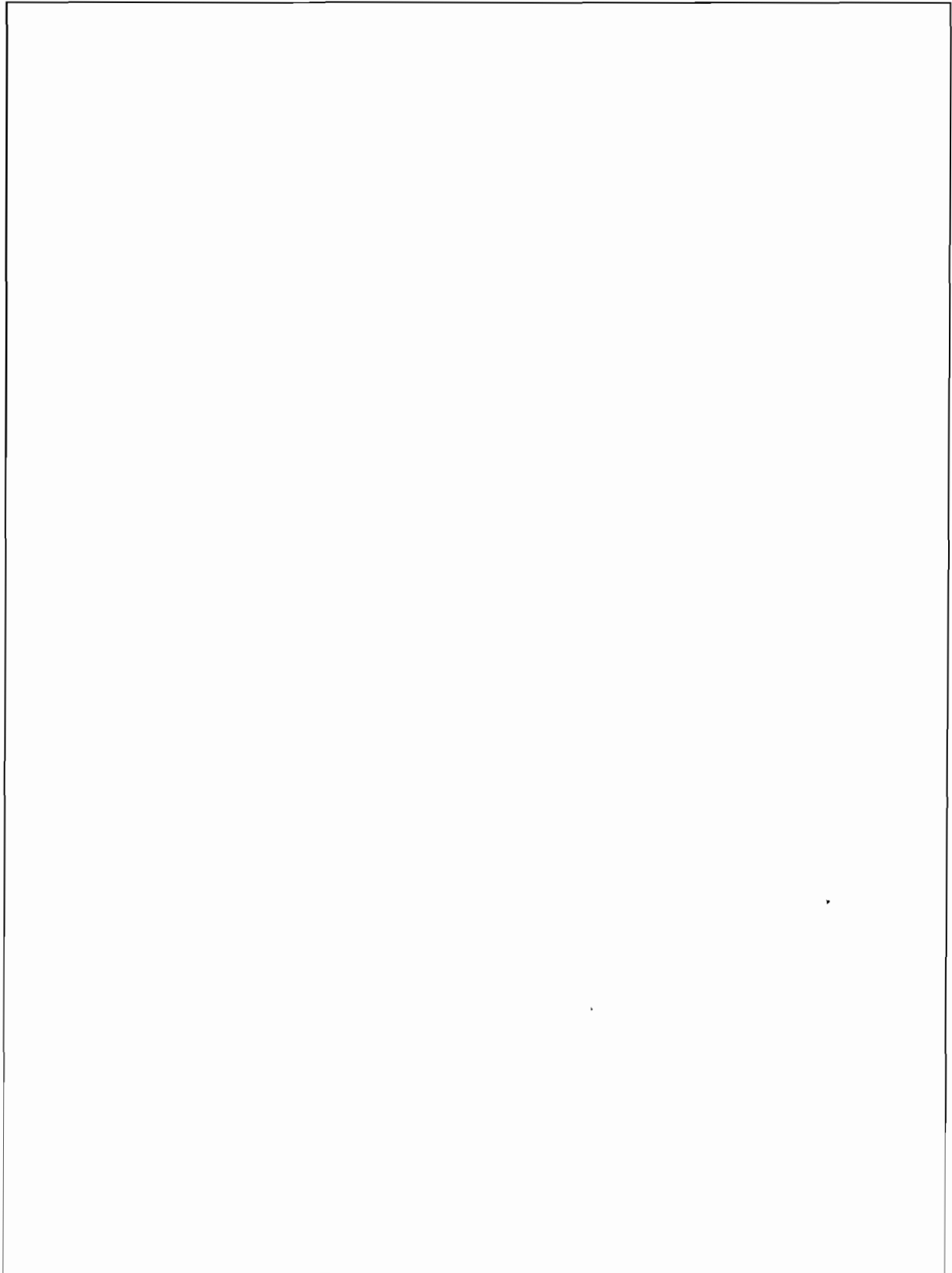
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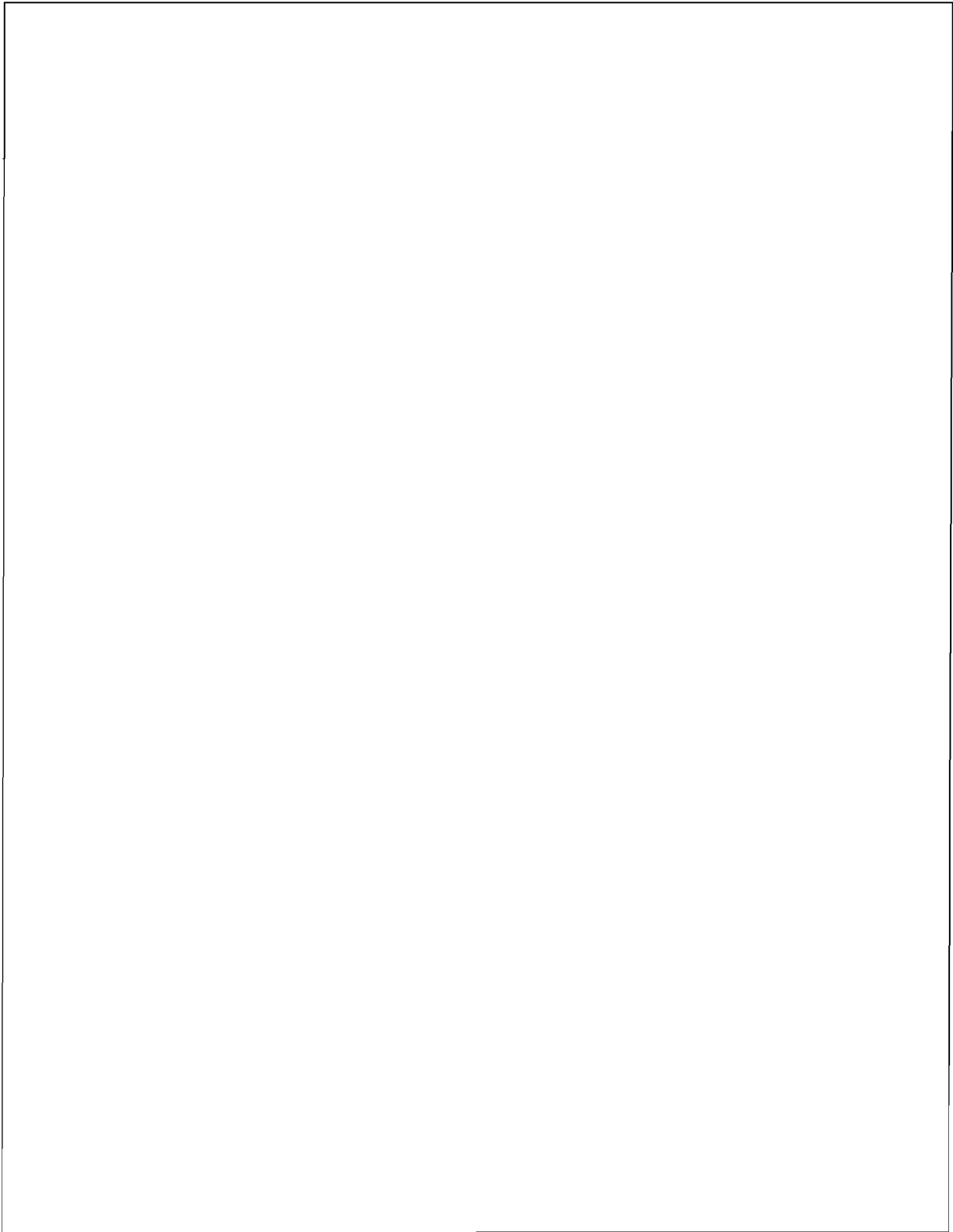
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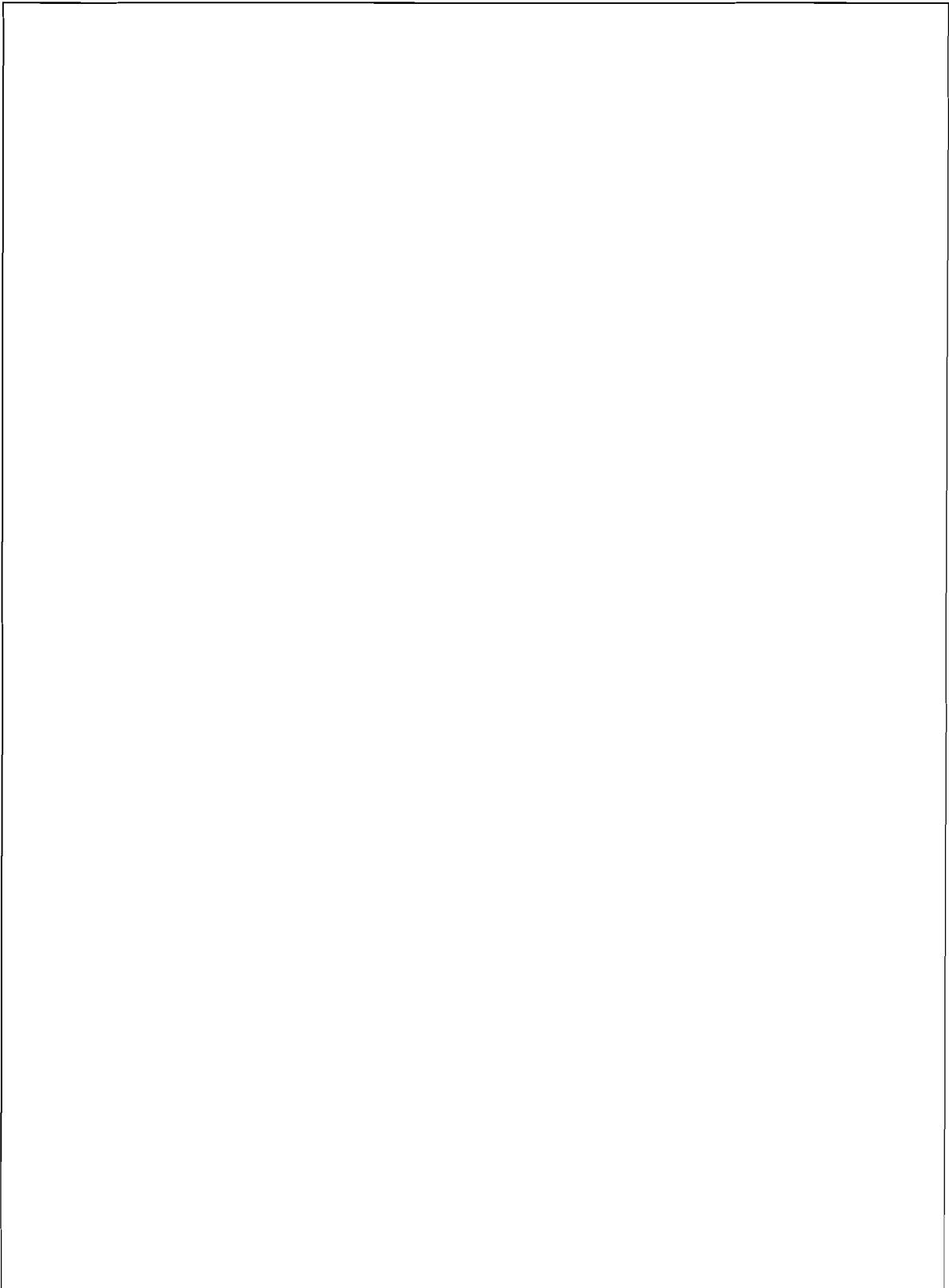
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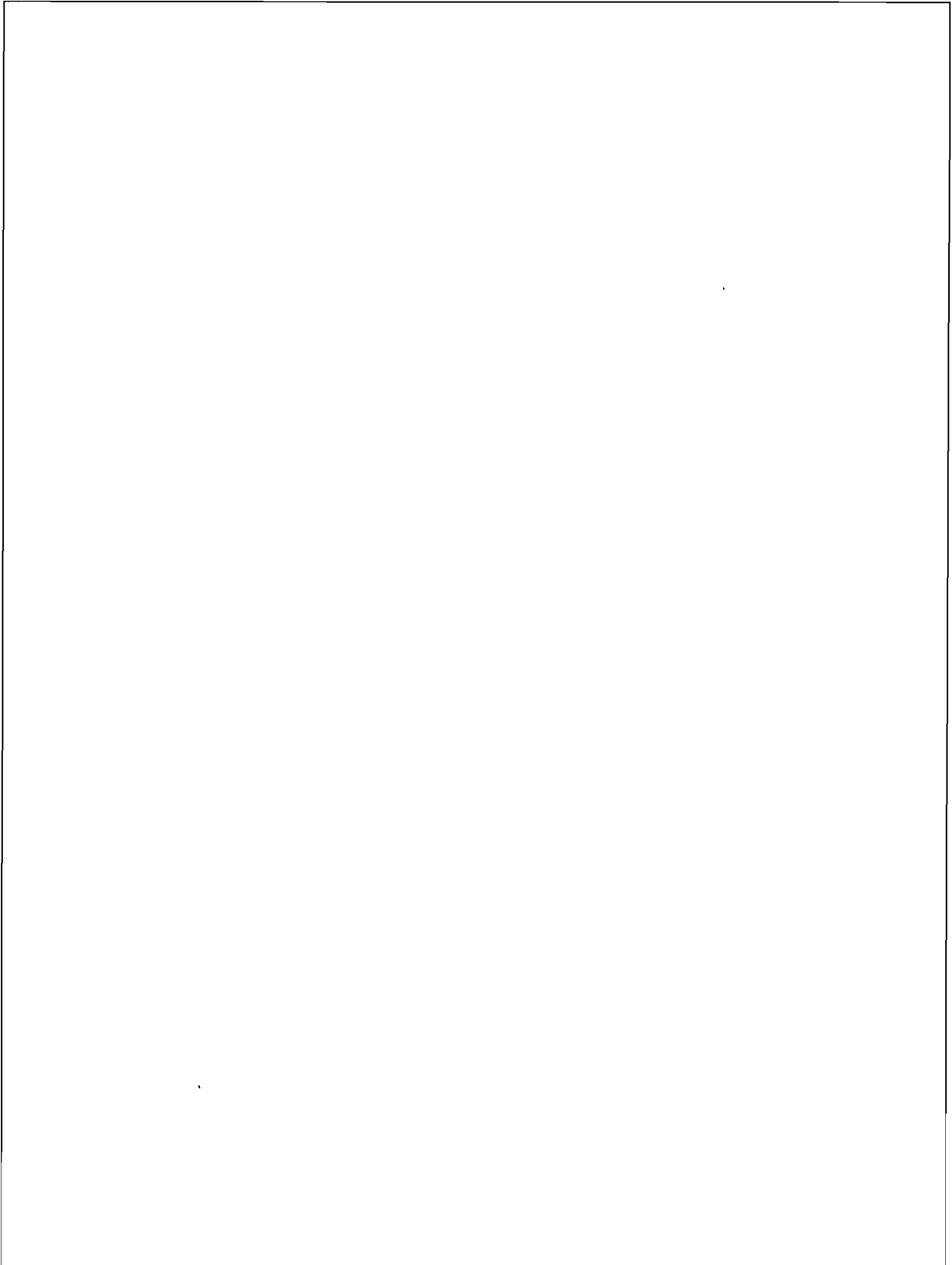


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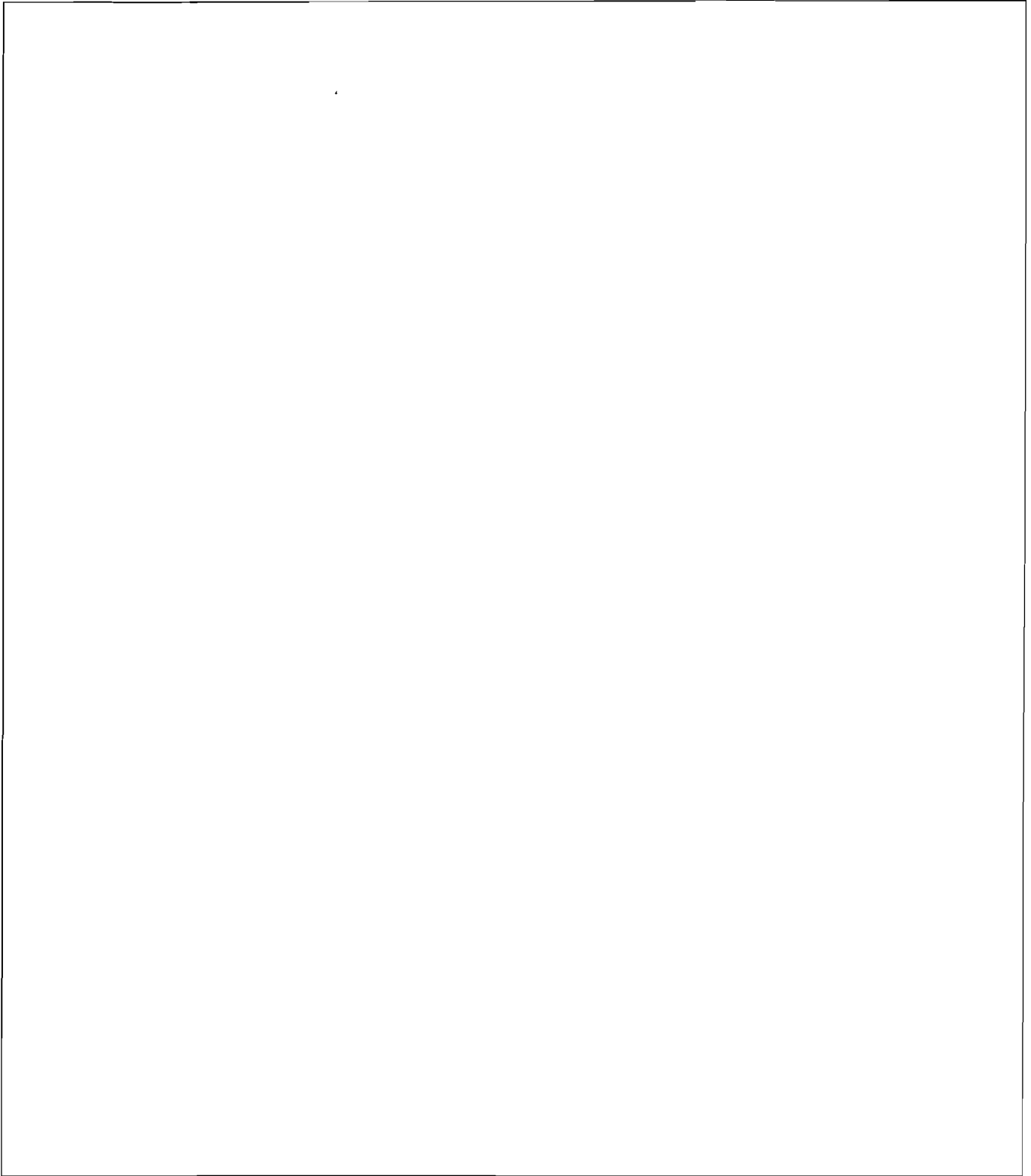
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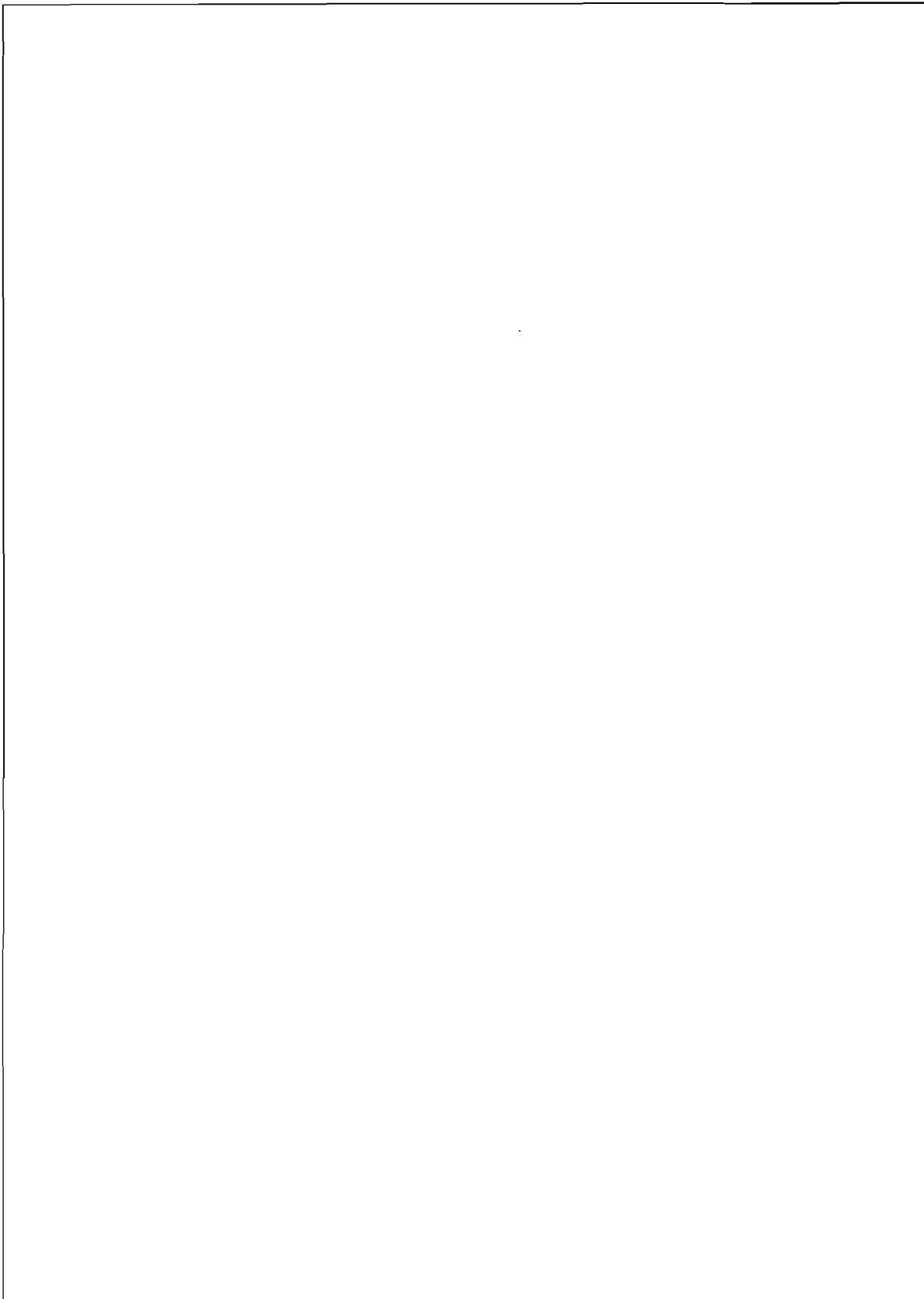
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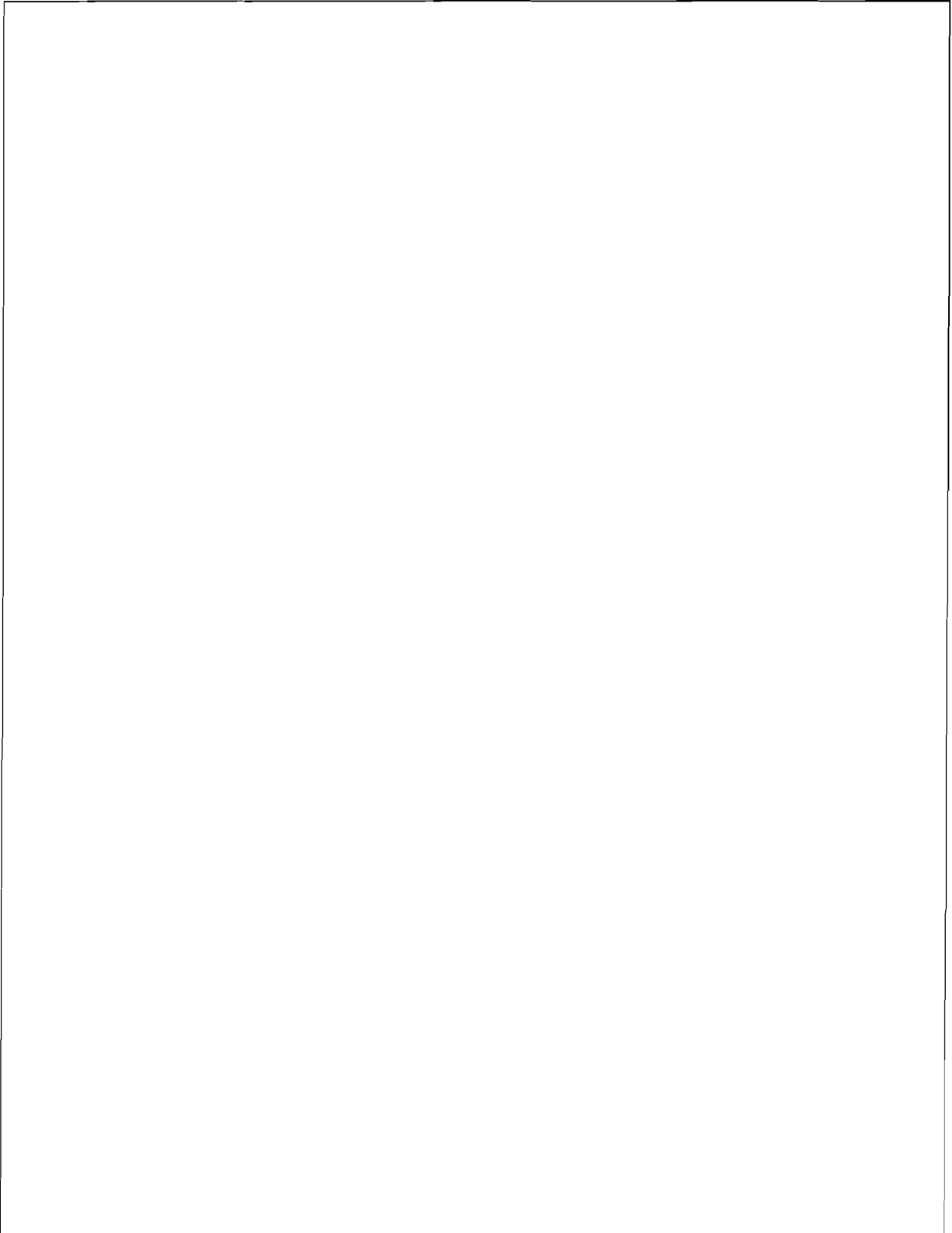
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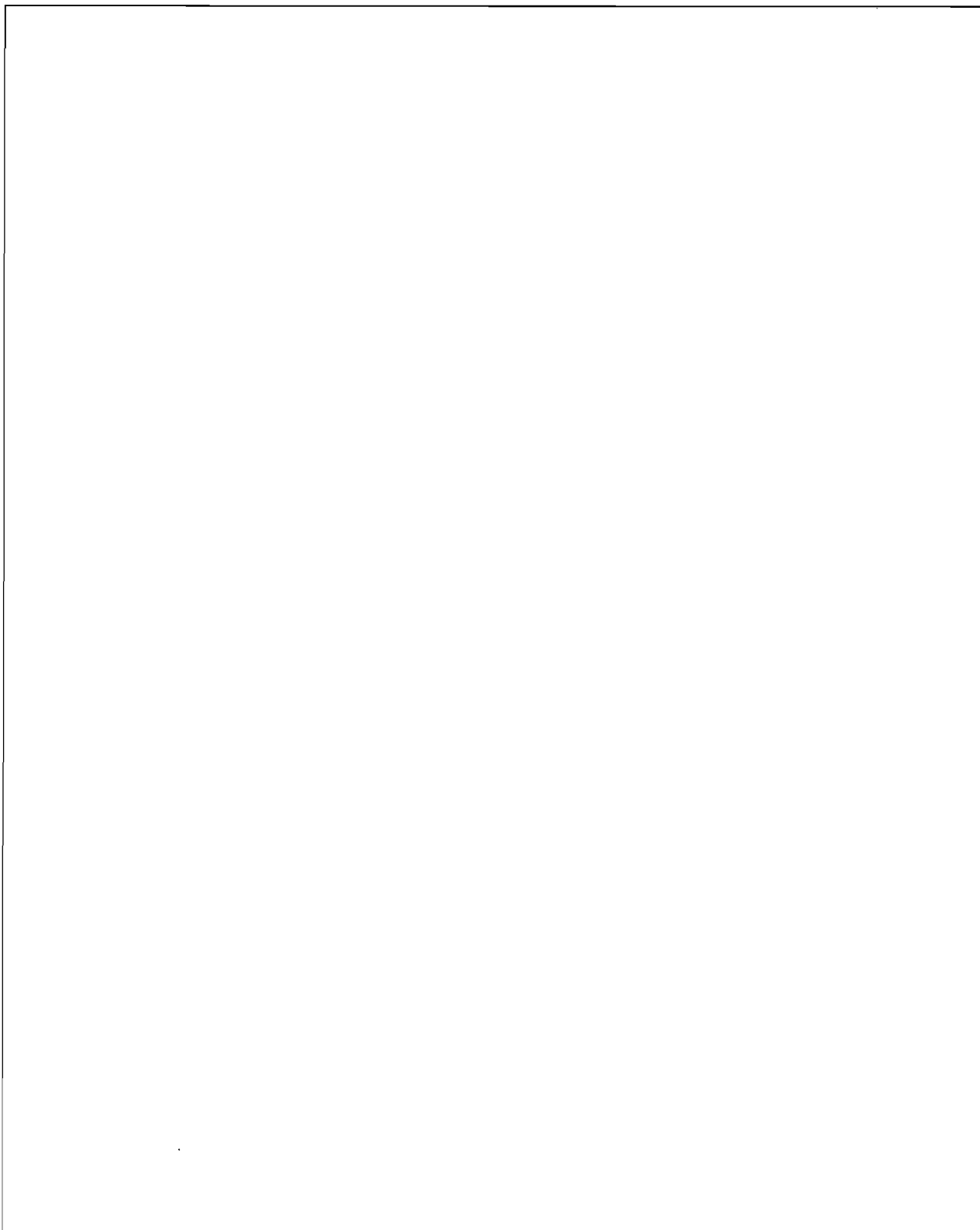
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## ANNEX A

### AUDITS COMPLETED

1 January - 30 June 1999

#### (U) Financial and Information Management

(U) Fiscal Year 1998 Financial Statements of the Central Services Working Capital Fund

(U) Information Services Disaster Recovery Program

(U) Follow-up Audit of the Agency's Credit and Charge Card Programs

☐ Controls Over the ☐ of Funds

(U) Year 2000 Business Continuity Planning

#### (U) General Administration

(U) Agency Management of Leased Telecommunication Services

(U) Internal Quality Control Review of the Audit Staff

(U) Procedures for Verifying Security Clearances of Individuals Receiving Classified Finished Intelligence Publications

#### (U) Operational Functions and Activities

☐ Administration of Operational Asset Compensation (memorandum)

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~~SECRET~~☐ Audit of ☐ Agency Efforts to Counter Foreign Denial  
and Deception (memorandum)

(U) CIA Support to Export Licensing Processes for  
Dual-Use Commodities and Munitions

**(U) Procurement and Property Management**

☐ Oversight of Contractor Performance on  
Cost-Reimbursement Contracts☐ Contractual and Financial Support for the

(U) Administration of Contracts Awarded by the  
National Cell for the National Imagery and Mapping  
Agency

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## ANNEX B

### INSPECTIONS ISSUED

1 January 1999 - 30 June 1999

(U) External Operations and Cover Division

(U) Crime and Narcotics Center

(U) Latin America Division

(U) Office of Communications

(U) Central Eurasia Division

(U) Arms Control Intelligence Staff

(U) Alternative Analysis in the Directorate of Intelligence

	(Special Assessment)
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1 January - 30 June 1999

(U) Alleged Conflict of Interest  
(U) Alleged Misappropriation of Agency Funds and Property  
(U) Alleged Theft of Government Property  
(U) Bombing of the Chinese Embassy in Belgrade  
(U) Failure to Pay Official Debts  
(U) False Claims  
(U) False Statements  
(U) False Statements/Time & Attendance Fraud  

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\* These investigations resulted in a Disposition Memorandum rather than a Report of Investigation.

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(U) Interference with State Investigation

(U) Misconduct by a Manager

(U) Possible Regulatory Violations

(U) Potential Contract Fraud

(U) Procurement Integrity Violation

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APPROVED FOR RELEASE  
DATE: FEB 2007

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*Central Intelligence Agency  
Inspector General*



**SEMIANNUAL REPORT**  
**TO THE DIRECTOR OF CENTRAL INTELLIGENCE**  
**JULY - DECEMBER 1999**

*L. Britt Snider  
Inspector General*

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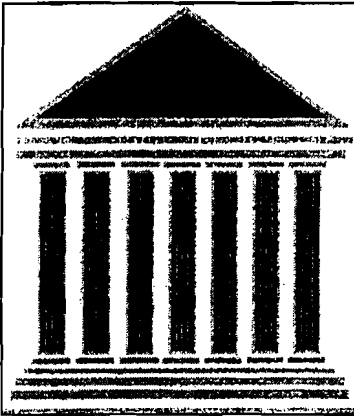
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## *A Message from the Inspector General*



*(U) The Office of Inspector General (OIG) has completed another successful six months of operation. As this report demonstrates, we have continued to produce audits and inspections that assess key aspects of the Agency's operations. The problems identified by our reports are being addressed by Agency management, and, indeed, many significant improvements have been made in response to our recommendations. On the investigative side, the case load remains at a manageable level that increasingly allows OIG to address investigative matters on a timely basis.*

☐ *During the past six months, we undertook several initiatives that will become a significant part of our ongoing agenda. We reinstituted our program of auditing field stations, for example, with audits of ☐ This necessitated sending 20 auditors to a modified version of the Agency's field administration training course. Twenty more will go this year. We also initiated a proactive effort, working with Agency contract auditors and administrators, to identify possible fraud. Finally, we are committed, at the request of the Agency's Chief Financial Officer, to establish an internal capability to produce formal, comprehensive audits of the Agency's annual financial statements. Recognizing that this capability may take several years to build, it was agreed that we would take appropriate interim steps, both in terms of our hiring efforts and our choice of audit topics, to attain this capability in an incremental fashion.*

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(U/ [ ]) During this reporting period, we also instituted our new strategic planning process, leading to the issuance in December of the office work plan for CY 2000. During this process, the office made a concerted, systematic effort to "survey the landscape" before deciding where to put its discretionary resources for the forthcoming year. Our planning committee reviewed the status of the Agency's strategic direction initiatives, noted the requirements coming from the Agency's Congressional overseers, and met with each of the Deputy Directors and other senior Agency managers to discuss their plans and objectives for the coming year. As a result, we were able to better assess where our efforts should be applied in order to provide the greatest benefit to the Agency. I believe the work plan that was ultimately produced is not only the most ambitious issued by the OIG, but also the most relevant in terms of addressing the issues of immediate and significant concern. I also note that the work plan contemplates the Investigations Staff undertaking a special project outside the typical scope of its responsibilities, to assess compliance with certain of the procedures governing collection on US persons under Executive Order 12333. This, in fact, is envisioned as the first in a series of OIG assessments that will look at compliance within the EO guidelines.

(U/ [ ]) The last six months have also seen an expansion of our efforts to collaborate among our three staffs. Several investigators, for example, took part in the two-week inspectors training course and subsequently participated in an inspection of an Agency component. In addition, one of our inspectors served as a consultant to an audit of the Agency's Human Resource Information System. The Investigations Staff designed an in-service training module on interviewing techniques that was attended by representatives of all three staffs. We have had several referrals to the Investigations Staff growing out of work done by the Audit and Inspection Staffs. I have made it a point to encourage collaboration among our staffs where expertise resides in one staff that can benefit the others.

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(U)  For all the progress achieved, producing reports in a timely fashion continues to be a challenge. The need to be thorough, complete, and to ensure fairness requires extensive data gathering as well as in-depth discussions with affected component(s) and individuals. It also takes time to organize and analyze the often voluminous information we collect in order to prepare a draft report. In addition, we experience delays in obtaining component comments on many of our draft reports. While we have the option of issuing reports without component comment, this is typically not a desirable option from the component's standpoint or ours. However, by the time we are in a position to issue a final report, often months have passed since the original fact-finding was completed. I think we can and must do better.

(U) In the weeks ahead, I plan to review our internal procedures as well as our procedures for external coordination to see what can be done to streamline this process. Our aim will be to maximize the timeliness and relevance of our reports to the DCI, Agency managers, and the Congressional oversight committees, without sacrificing quality or fairness.

(U) As far as staffing is concerned, the situation has rarely been brighter. As an office, we are at full strength for the first time in many years. Our new recruits bring a blend of expertise and enthusiasm, with some having extensive IG experience in other agencies and others coming directly off the university campus. We are also obtaining talented, high-caliber nominees for our rotational positions. Last but not least, a new Assistant Inspector General for Audit,  was appointed during the reporting period, and he has brought enormous energy and a new sense of direction to the Audit Staff.

(U) In all, the Office of Inspector General is well positioned to carry out its important responsibilities in the months that lie ahead.

L. Britt Snider3  
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## AUDITS

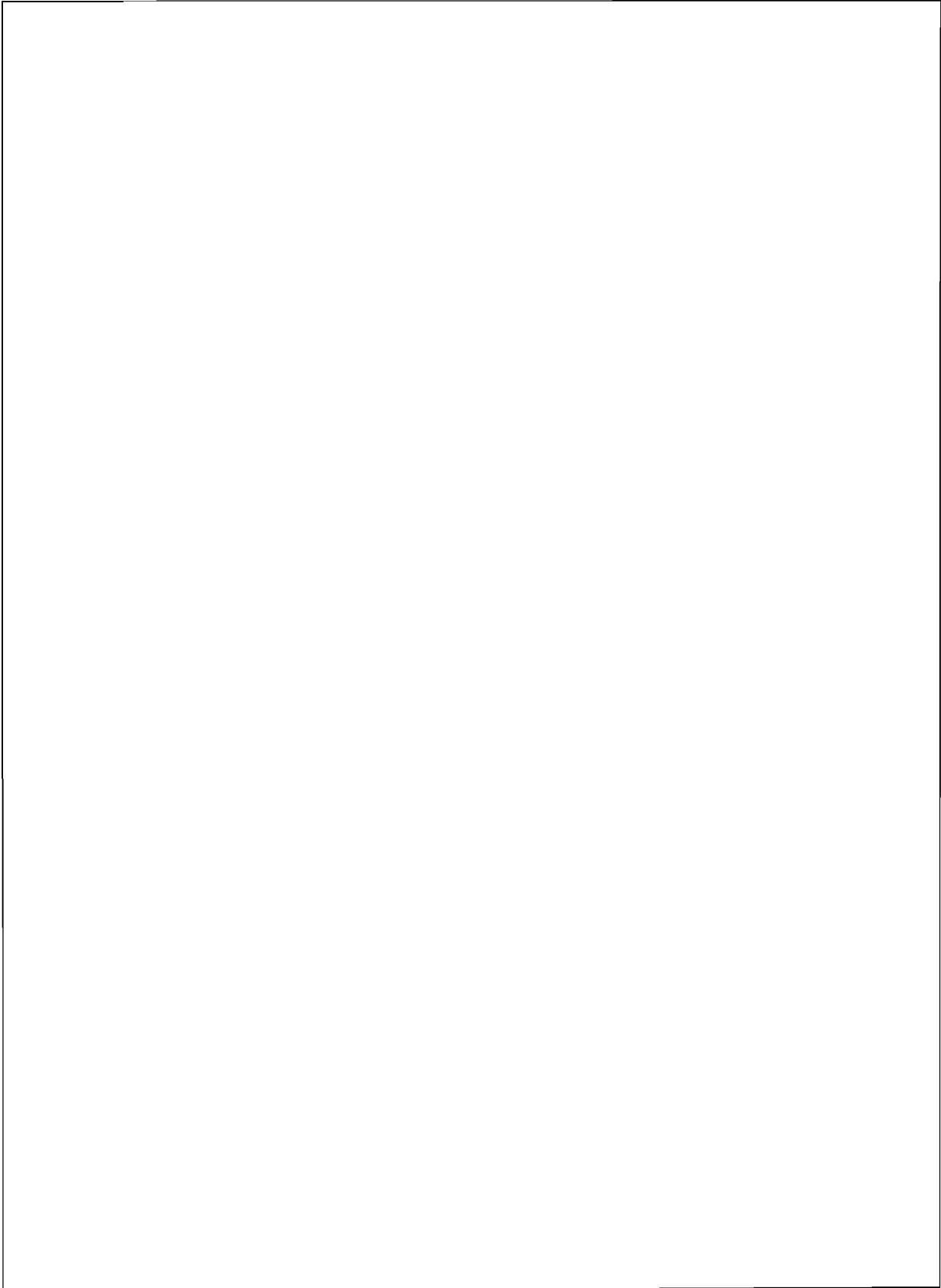
(U) The Audit Staff conducts performance, financial-related, and financial statement audits of Agency programs and activities utilizing an authorized complement of 57 auditors and six support staff. In addition, the Audit Staff frequently represents Agency interests through its participation in reviews sponsored by the Intelligence Community Inspectors General Forum and responds to special requests from senior Congressional and Executive Branch officials. The Audit Staff conducts its audits in accordance with generally accepted government auditing standards and ensures that recommendations made in audit reports are resolved to the satisfaction of the Inspector General.

(U) The Audit Staff has embarked on several new initiatives in the last six months. In an effort to more closely align oversight of the Agency's financial and information systems with the statutory requirement to conduct the annual audit of the financial statements of the Central Services Working Capital Fund, the Audit Staff merged the two audit groups that were formerly responsible for these related missions. This merger gives the Audit Staff the ability to leverage its financial statement auditing experience to meet any new financial oversight requirements that may result from the Agency's appointment of a Chief Financial Officer in October 1999. The Audit Staff is also reinvigorating its oversight of Agency information systems by recruiting information systems auditors and scheduling specific information system related audits in calendar year 2000.

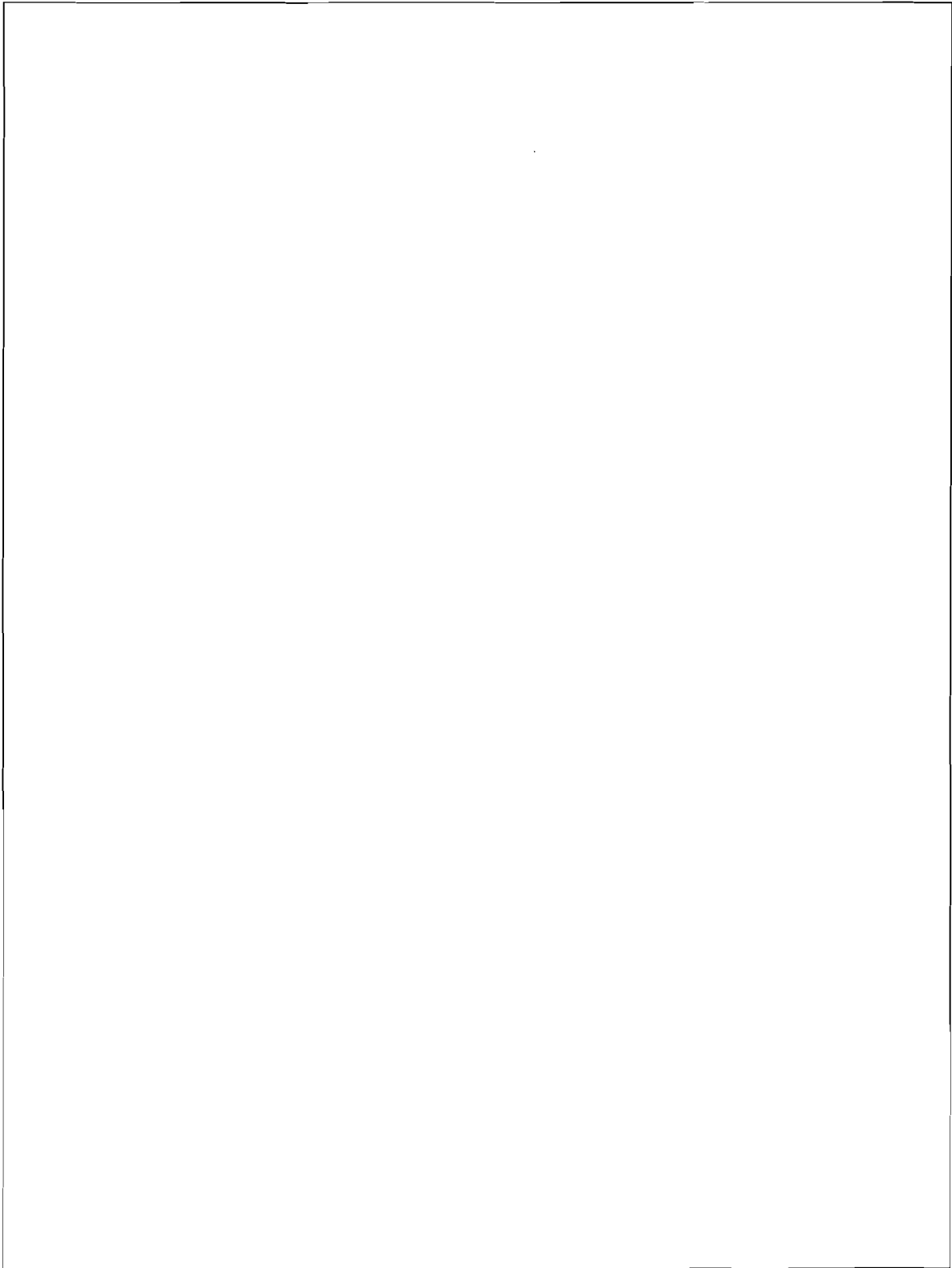
☐ Finally, the Audit Staff has scheduled audits of selected key covert action programs and proprietary activities. These initiatives underscore the OIG's commitment to continuous, meaningful, and comprehensive audit oversight of the Agency's programs.

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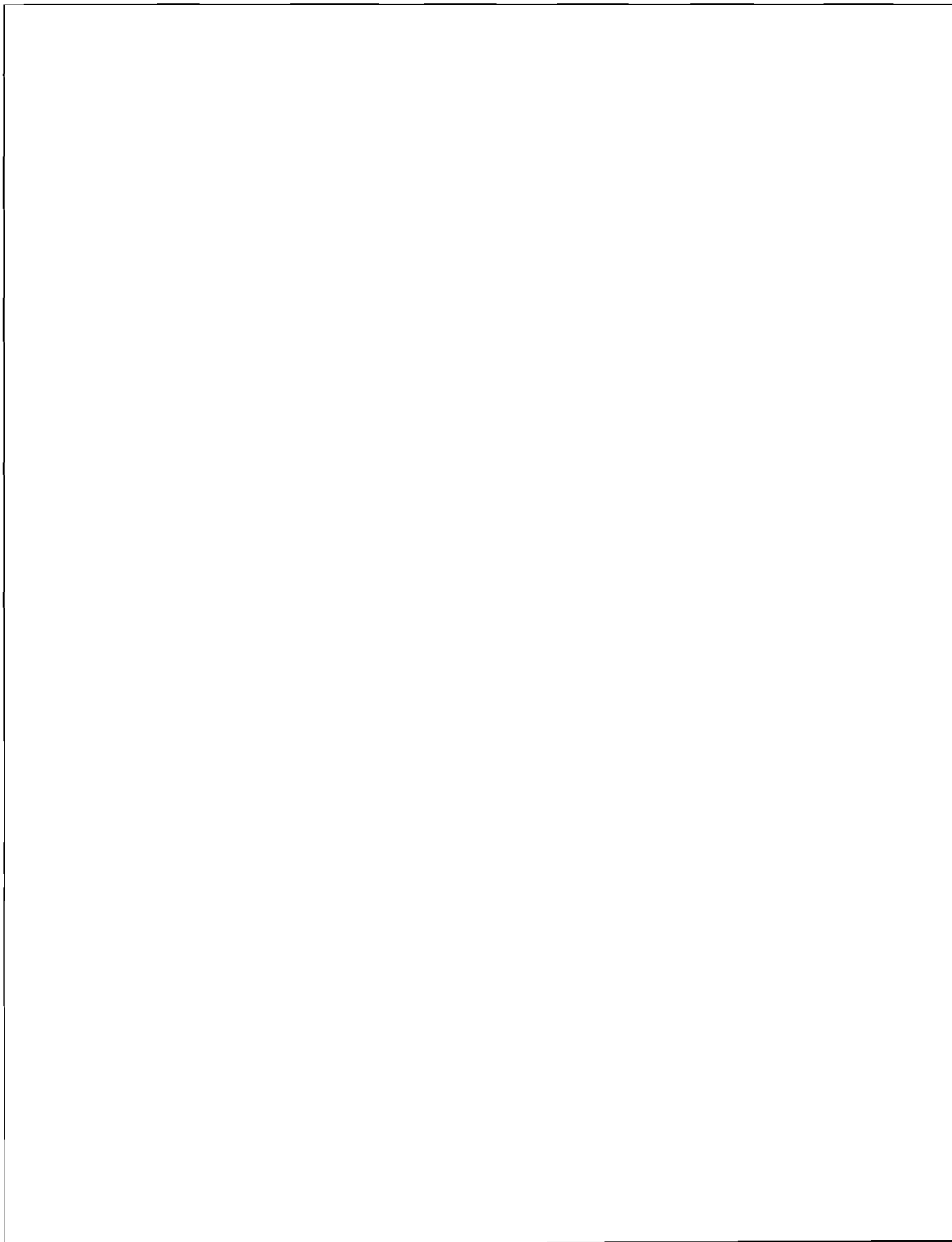


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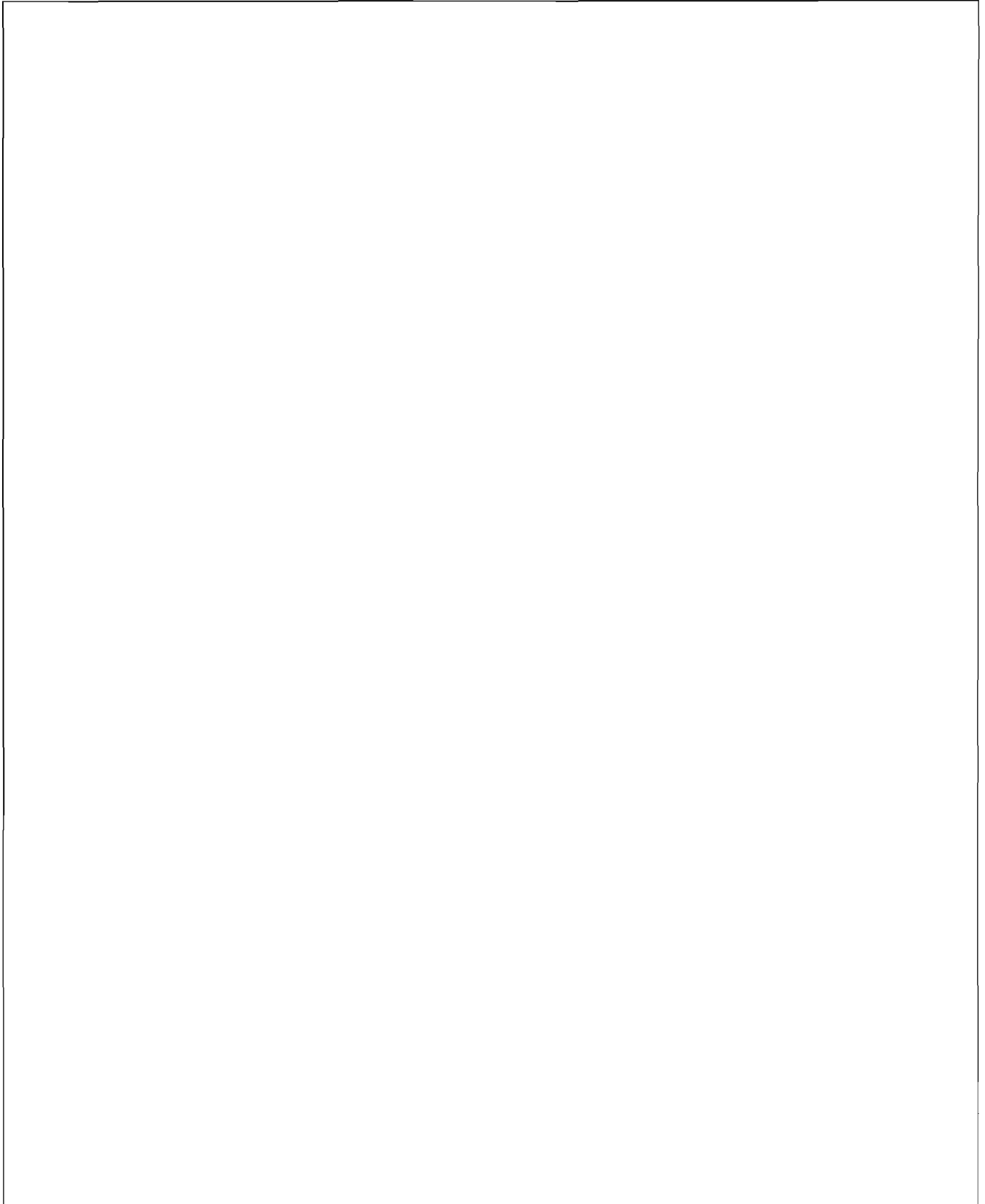


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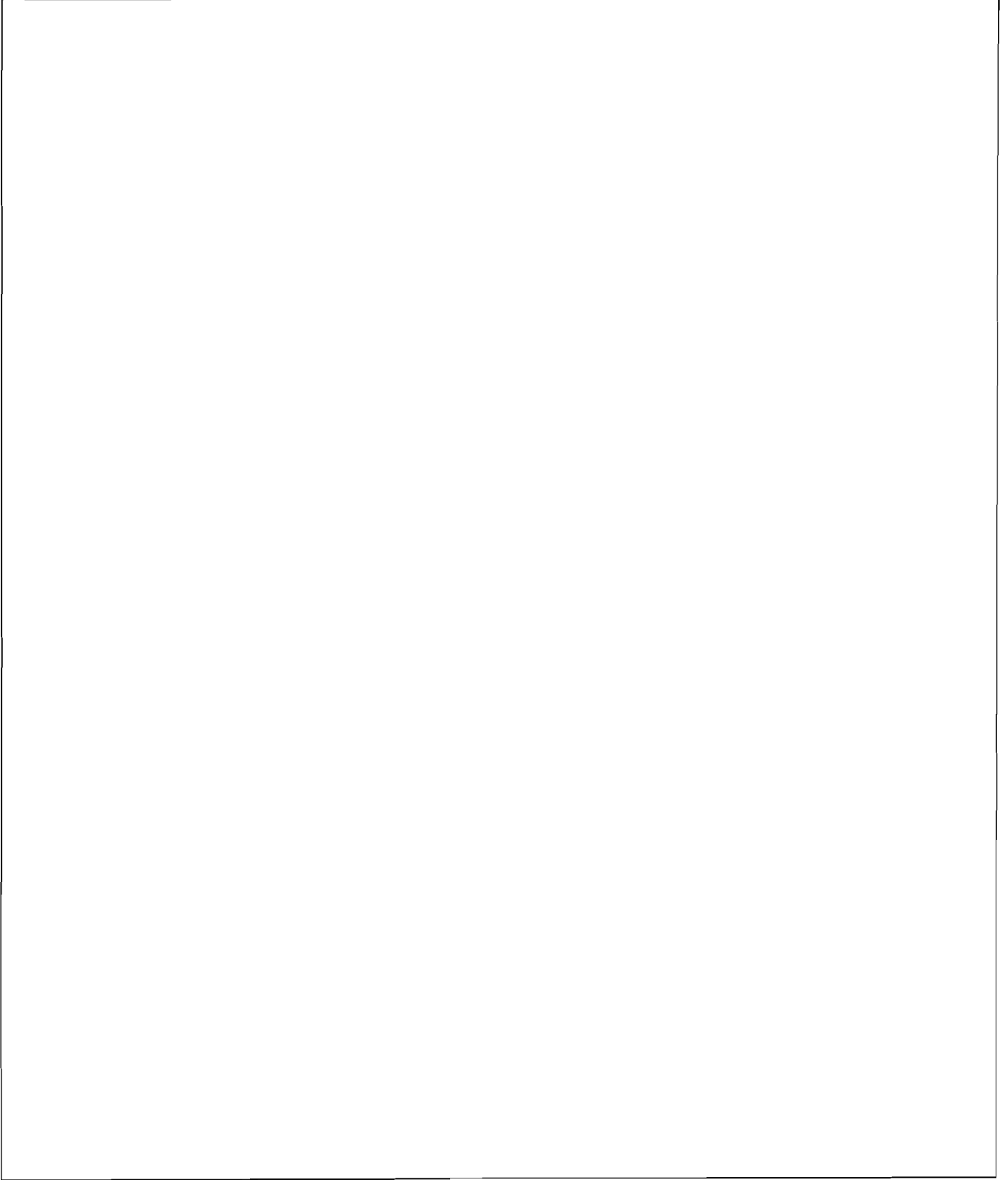
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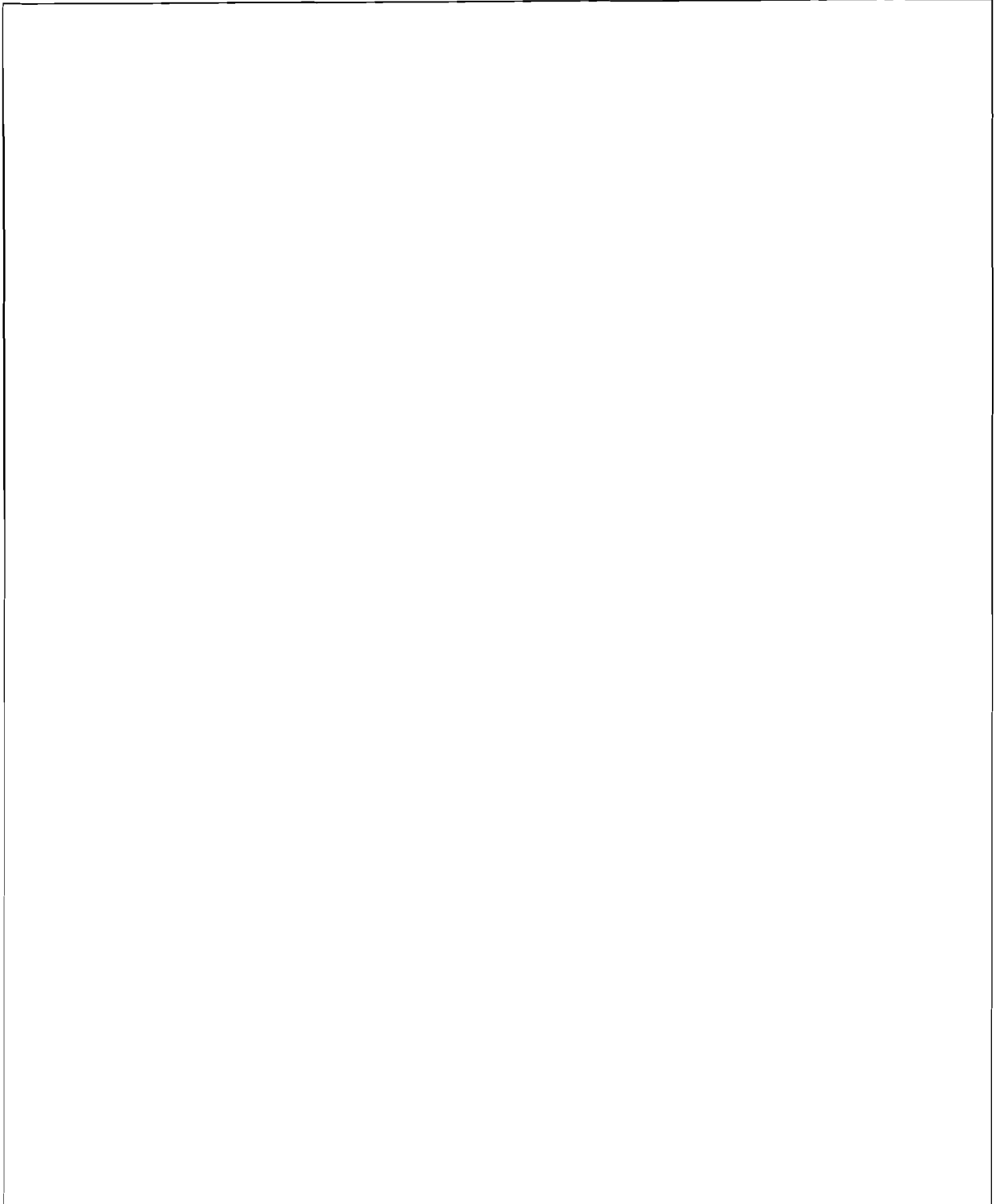
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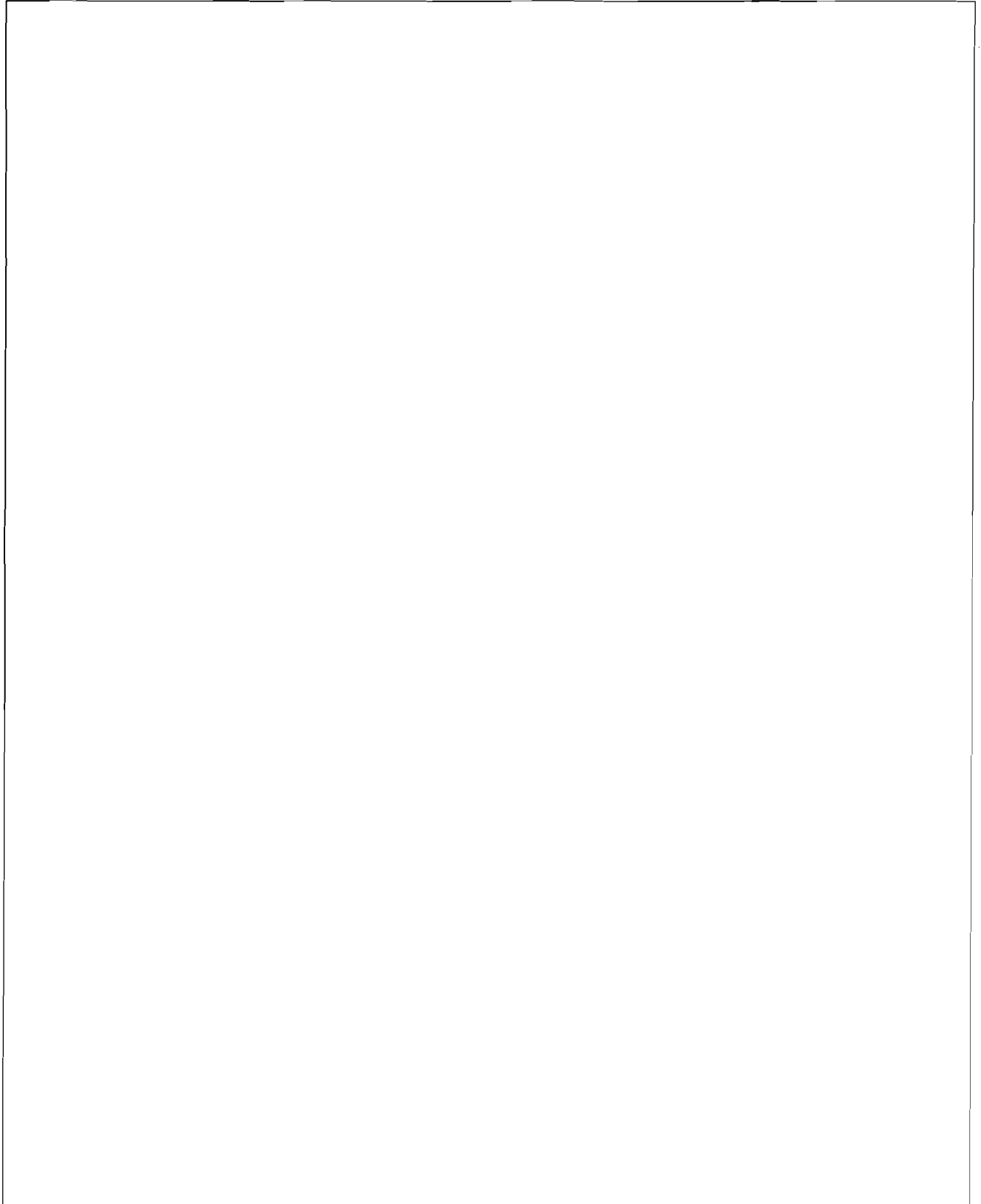


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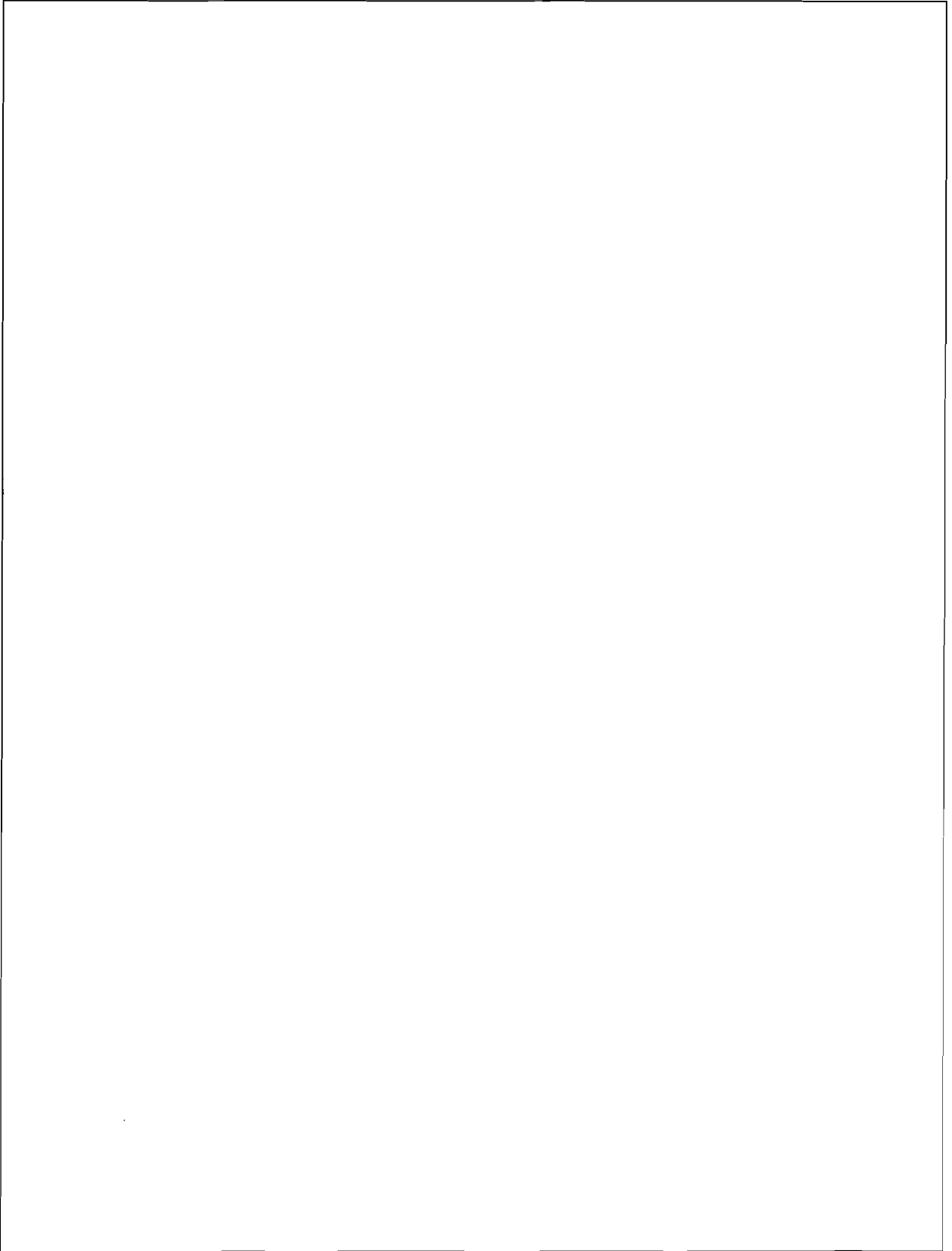




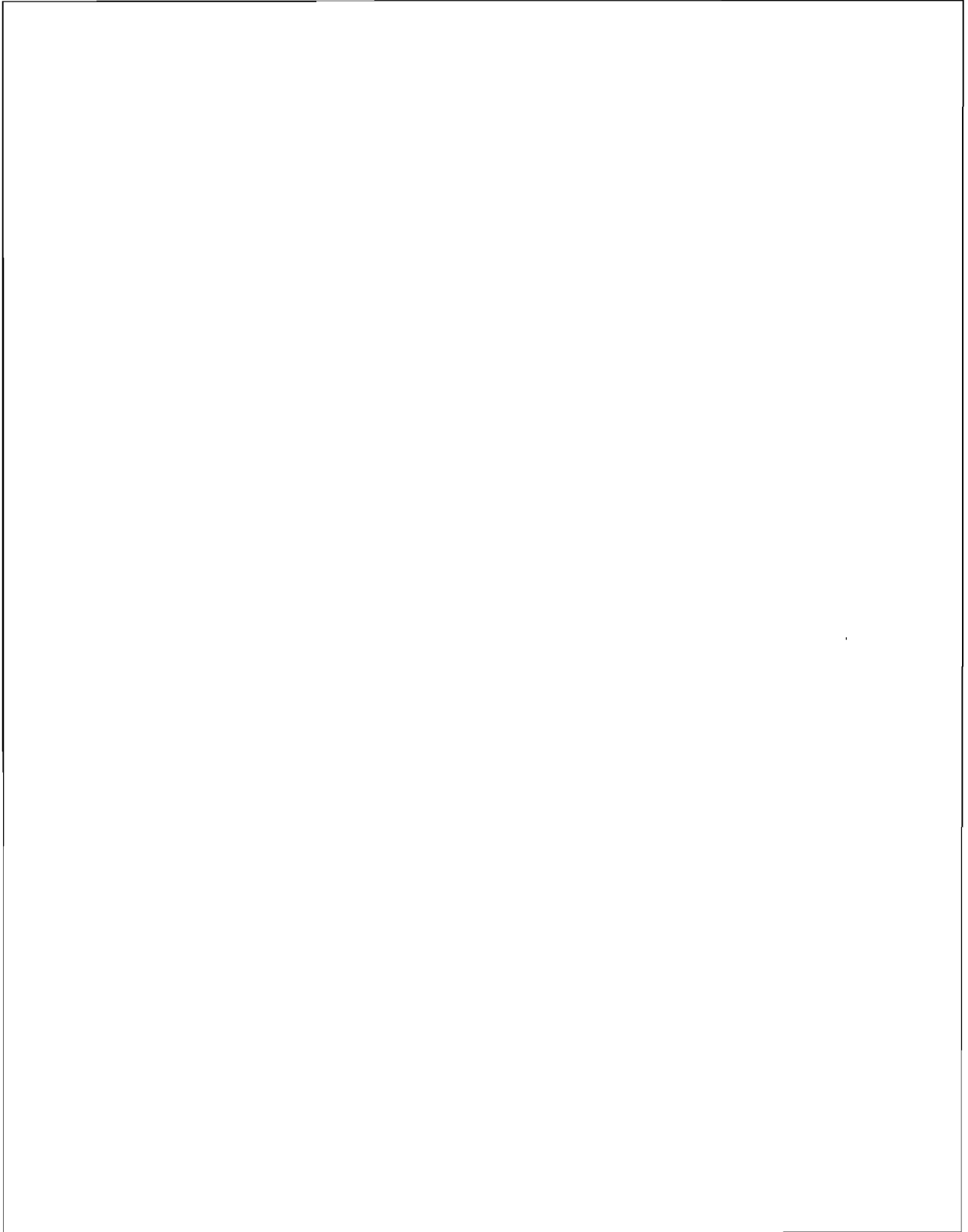
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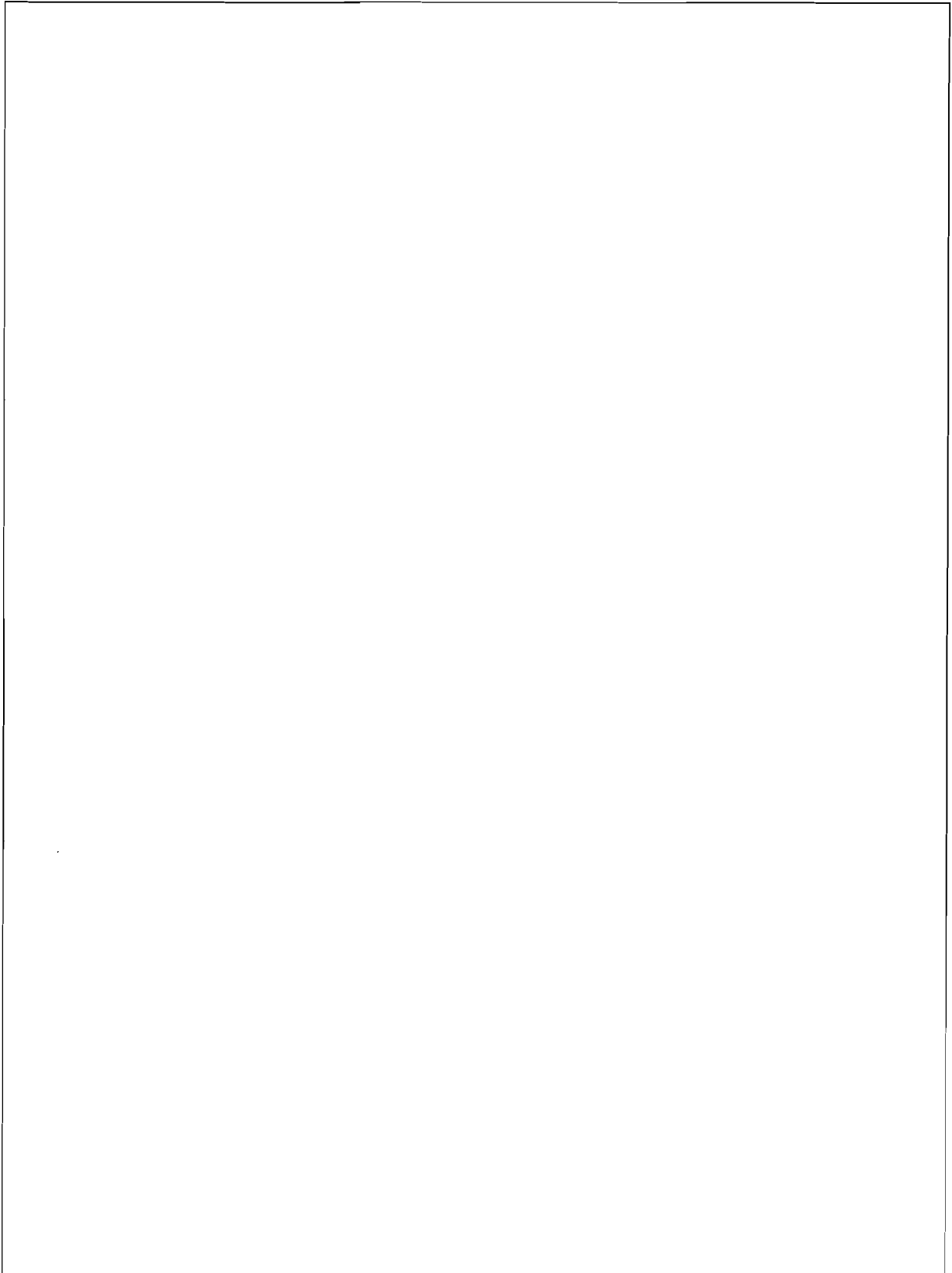
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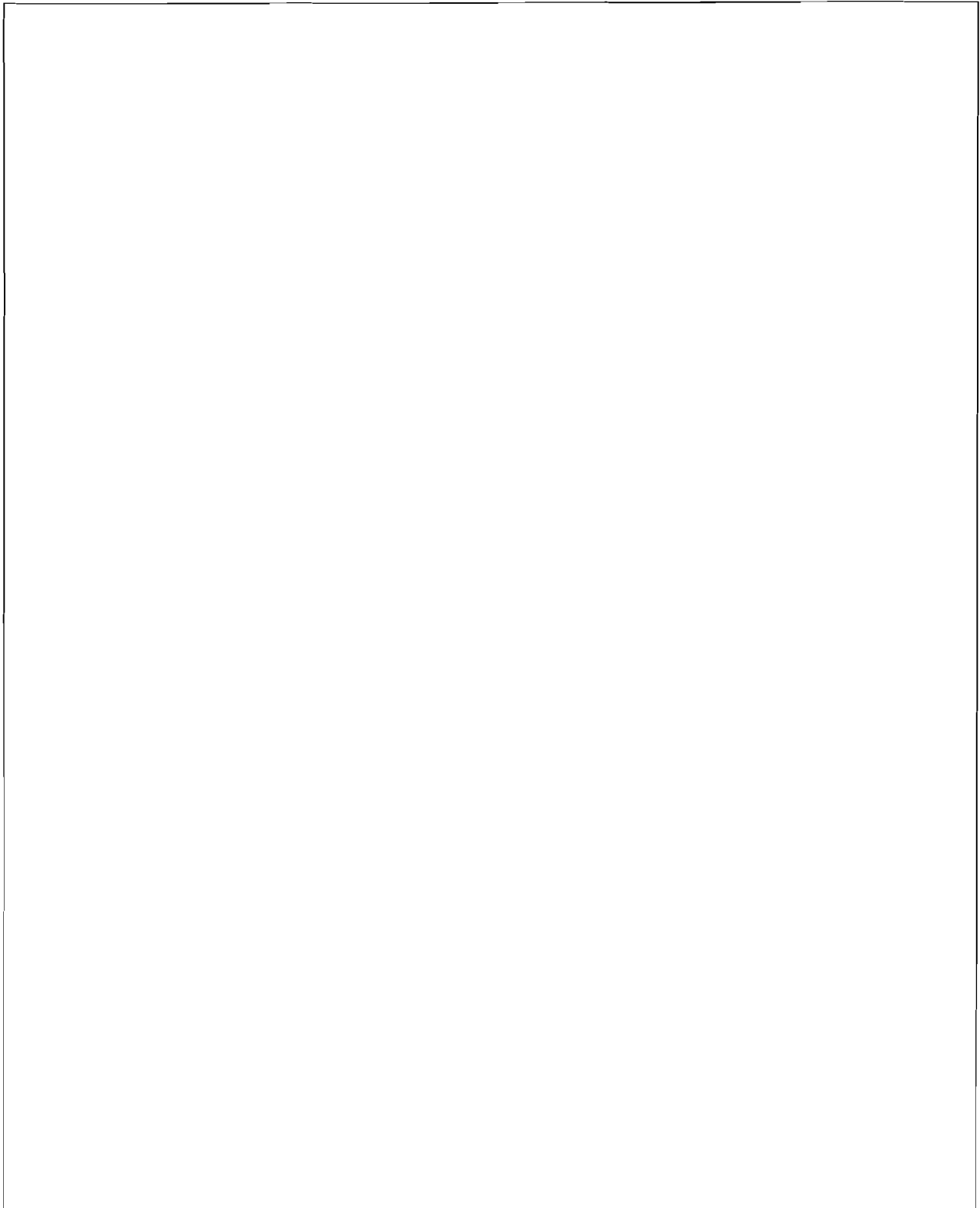
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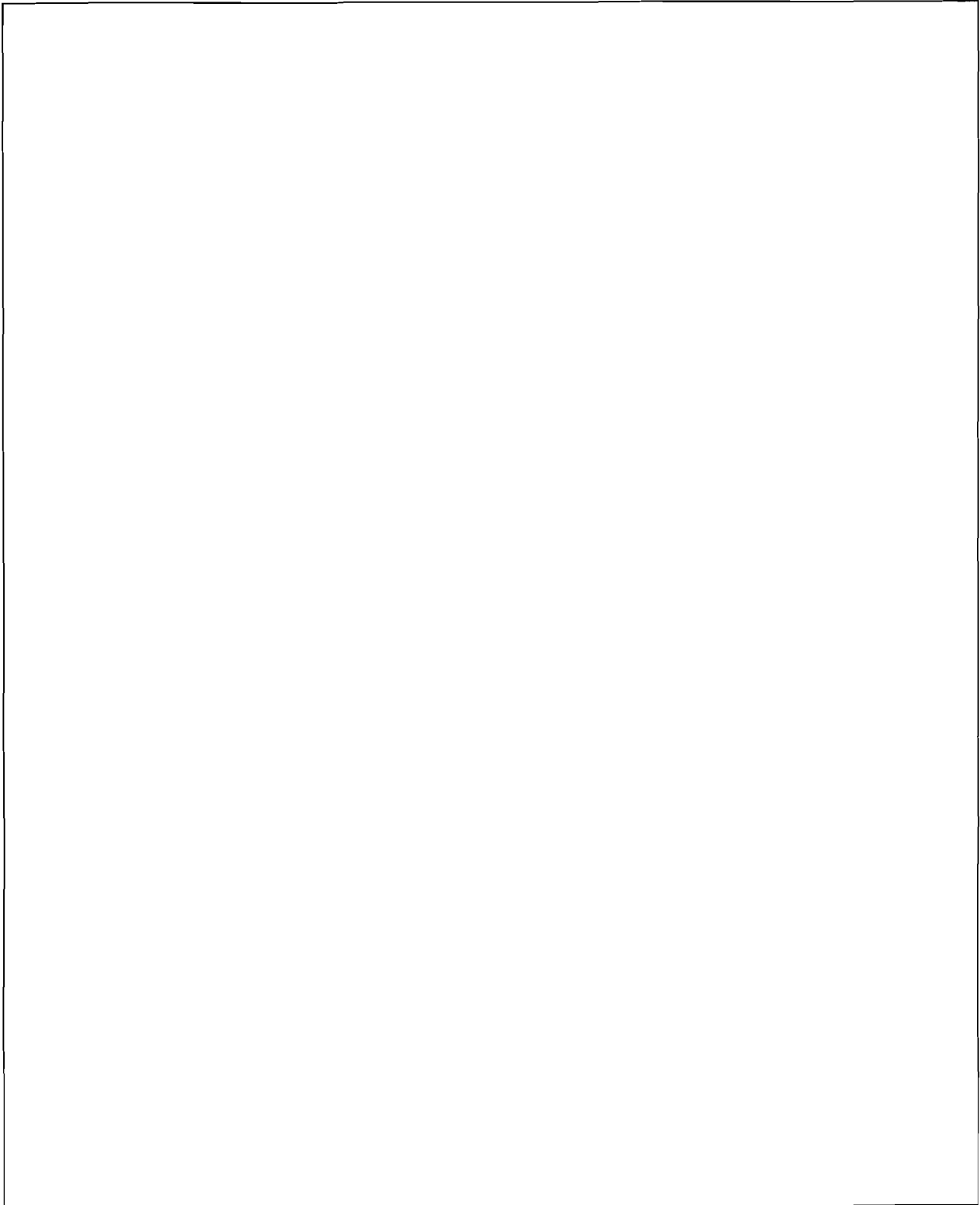
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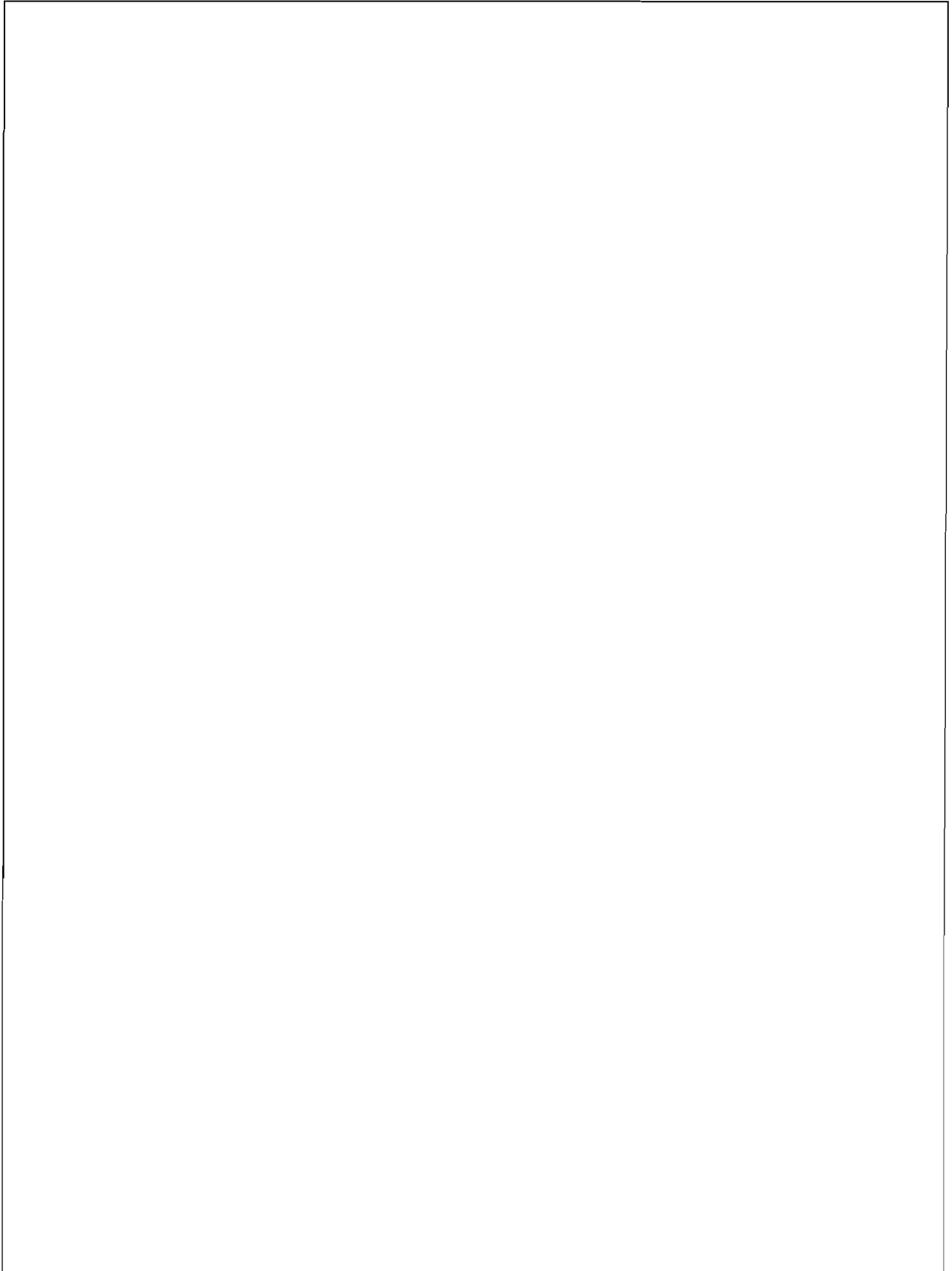
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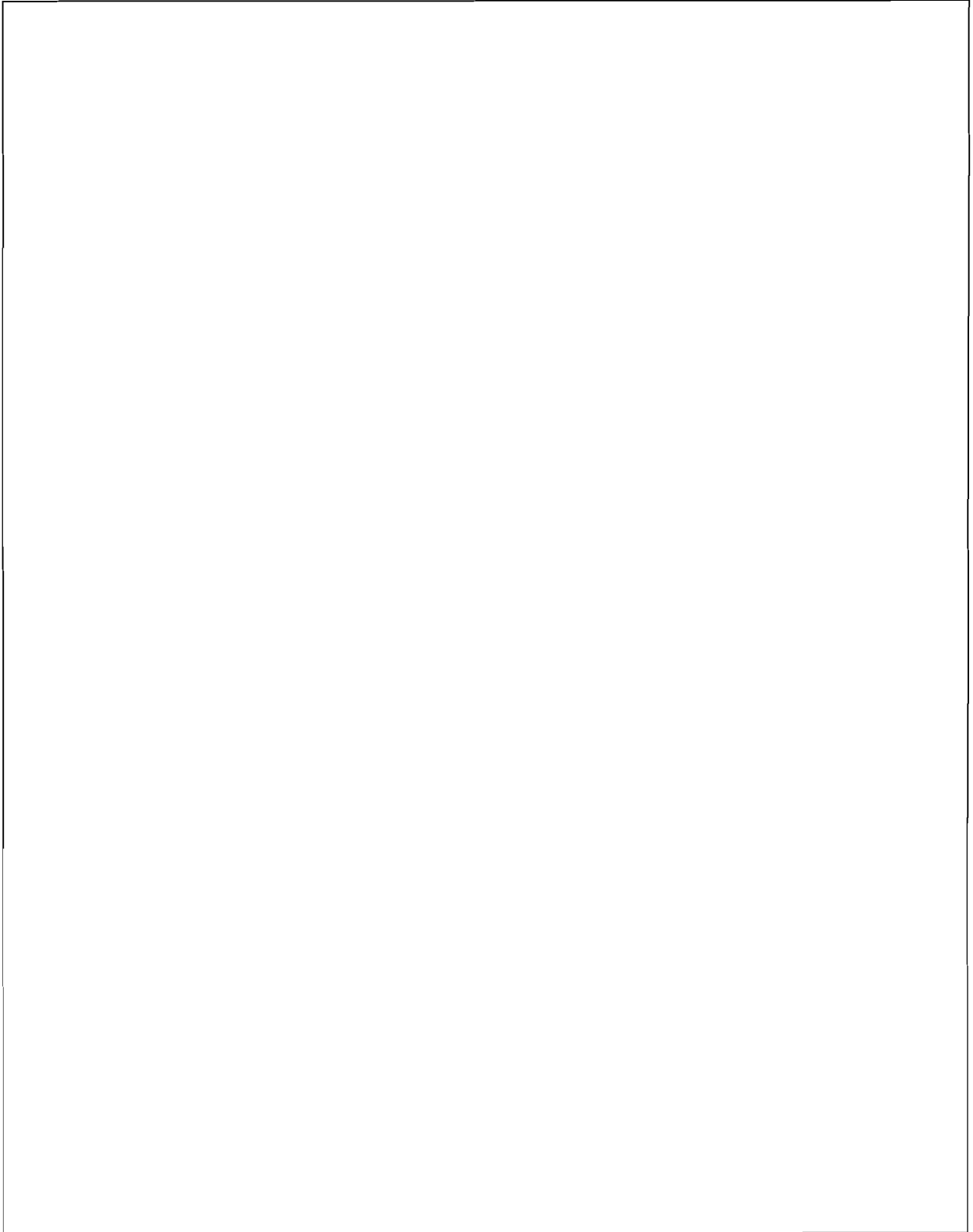
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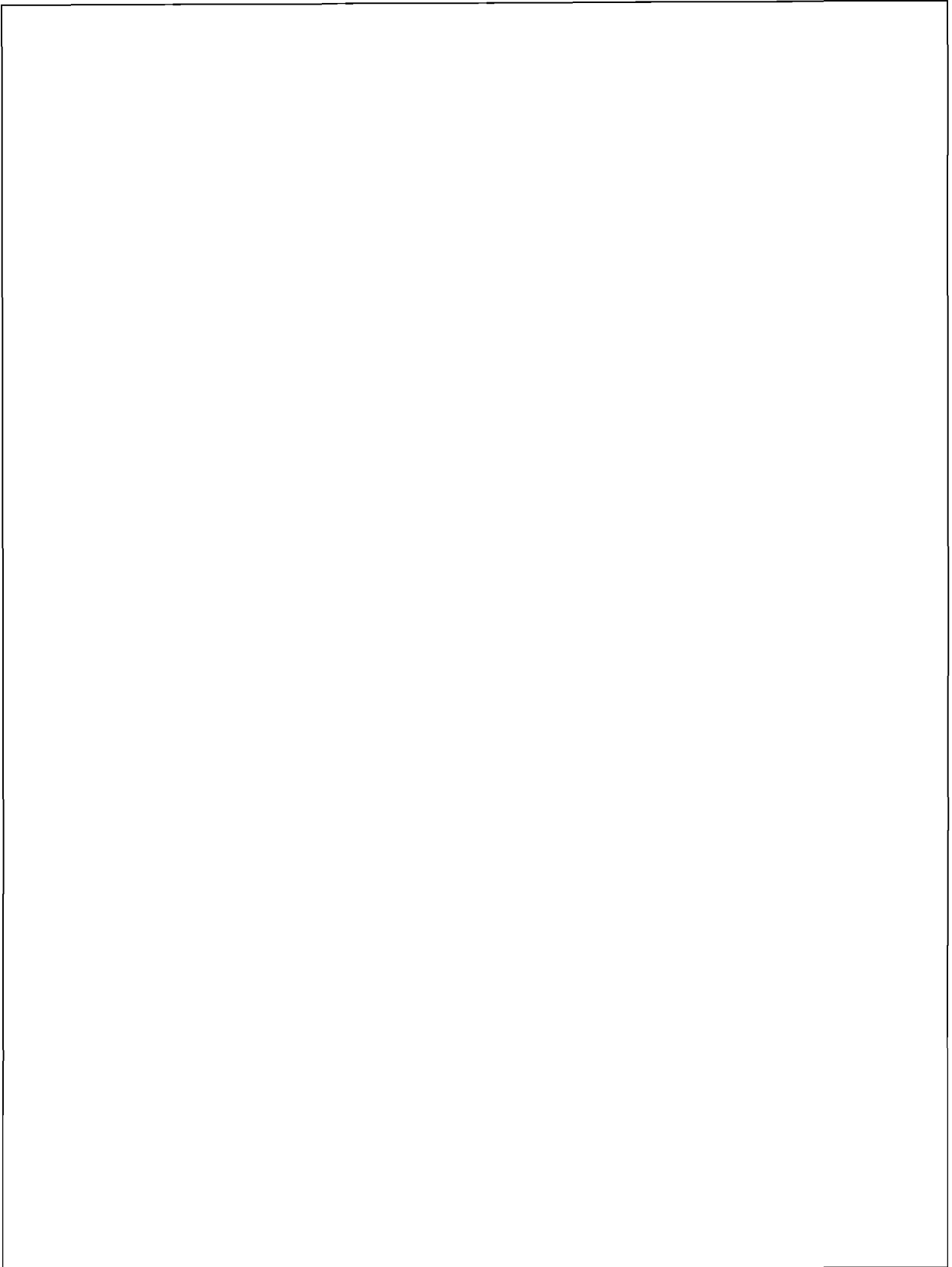


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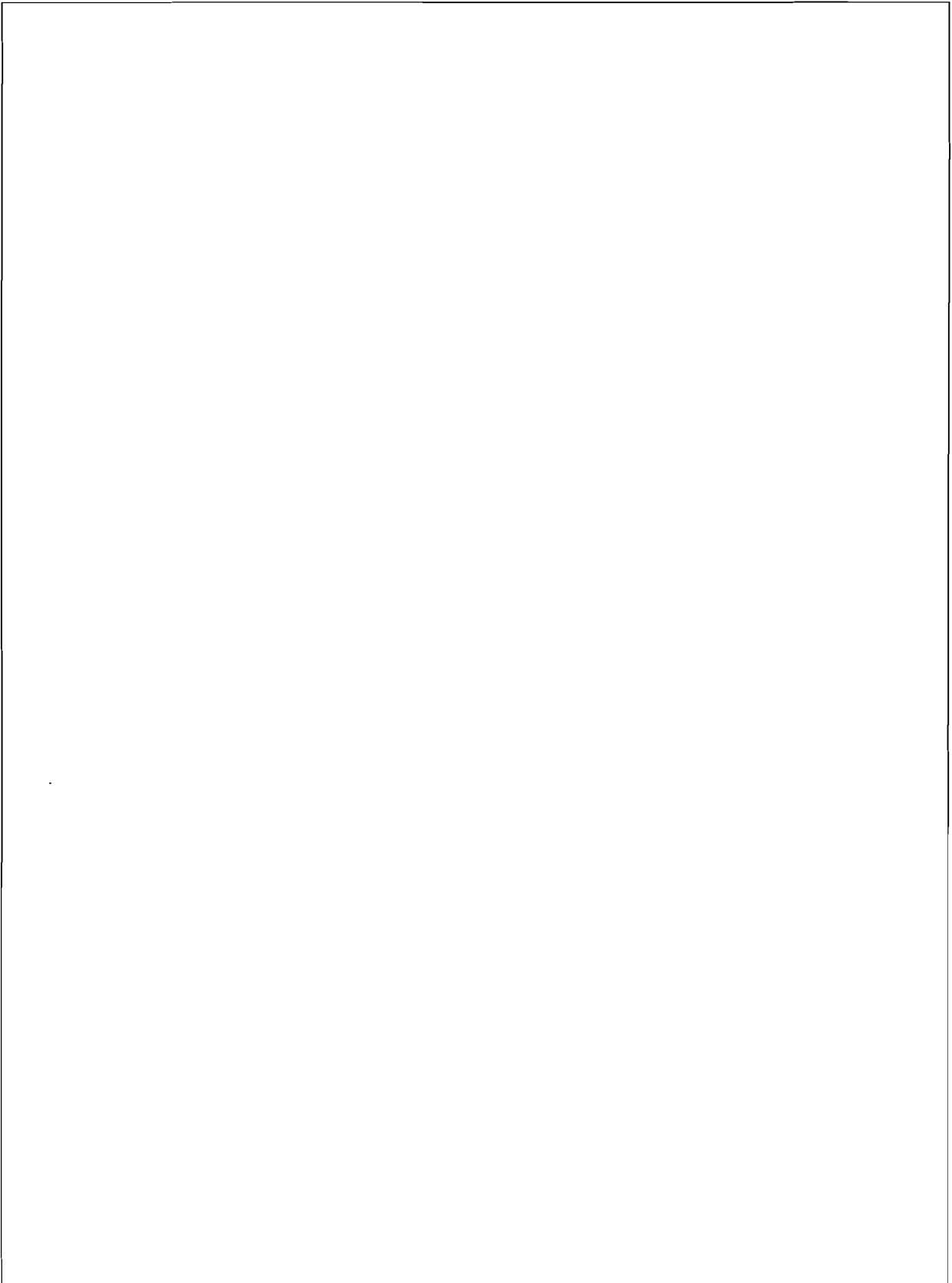




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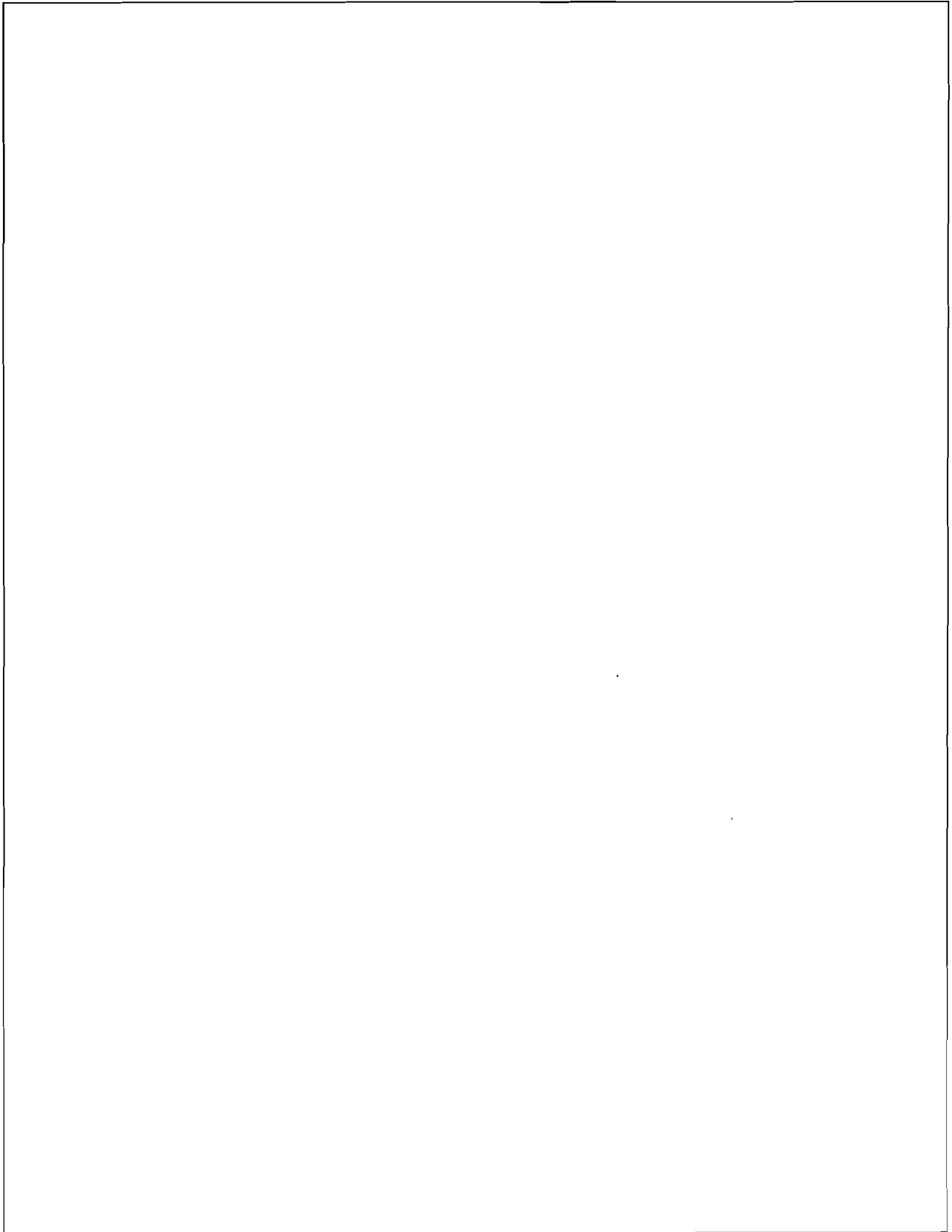
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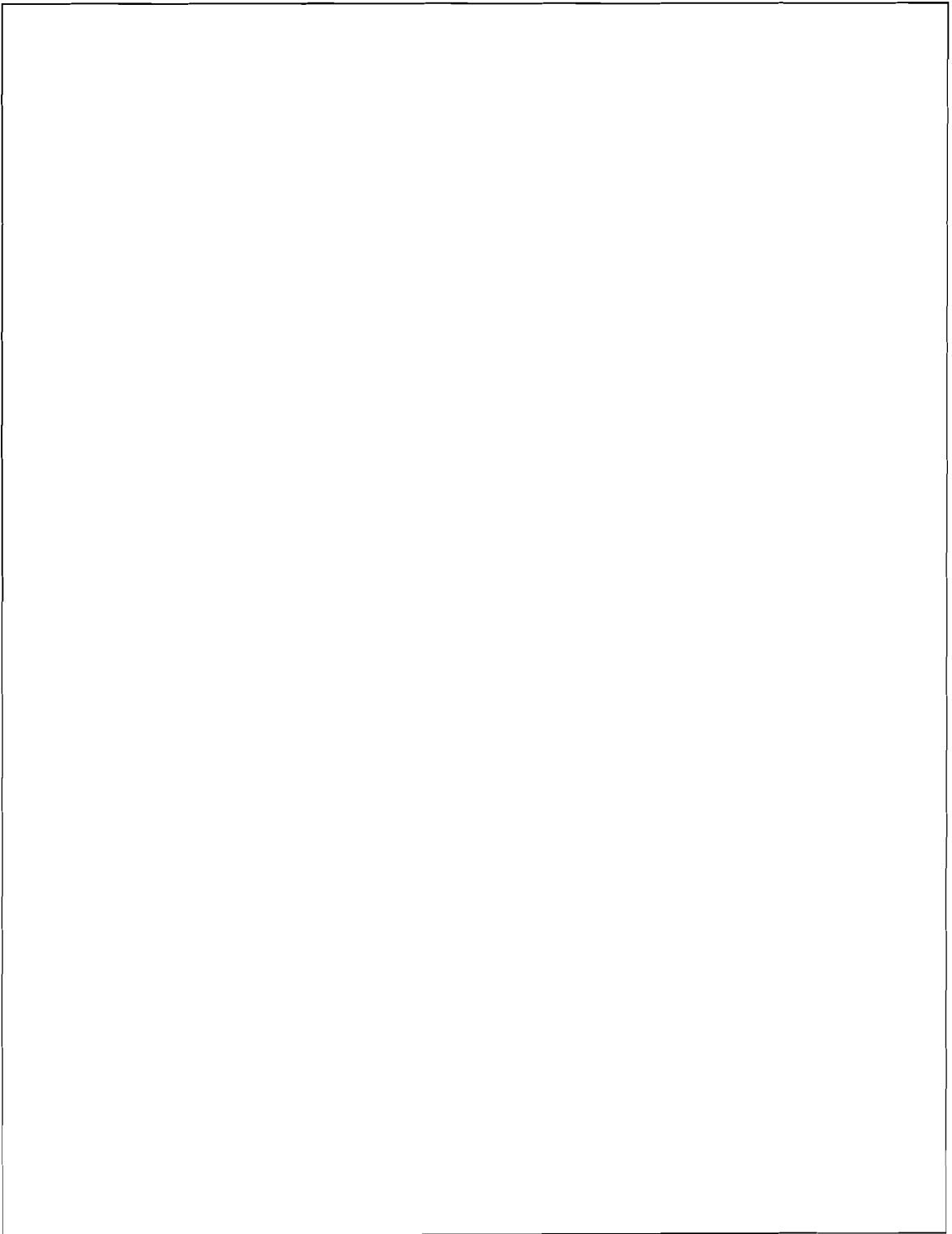
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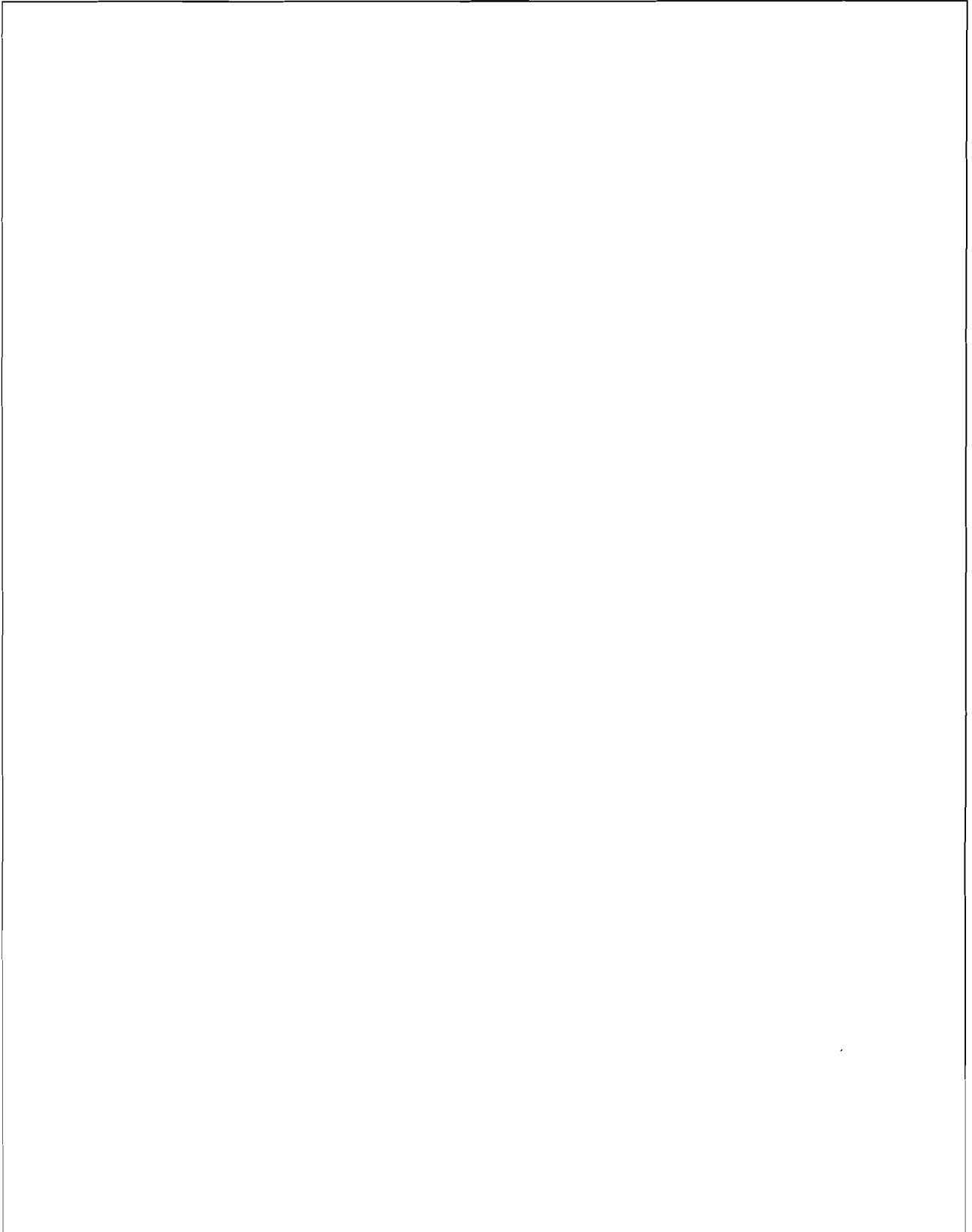


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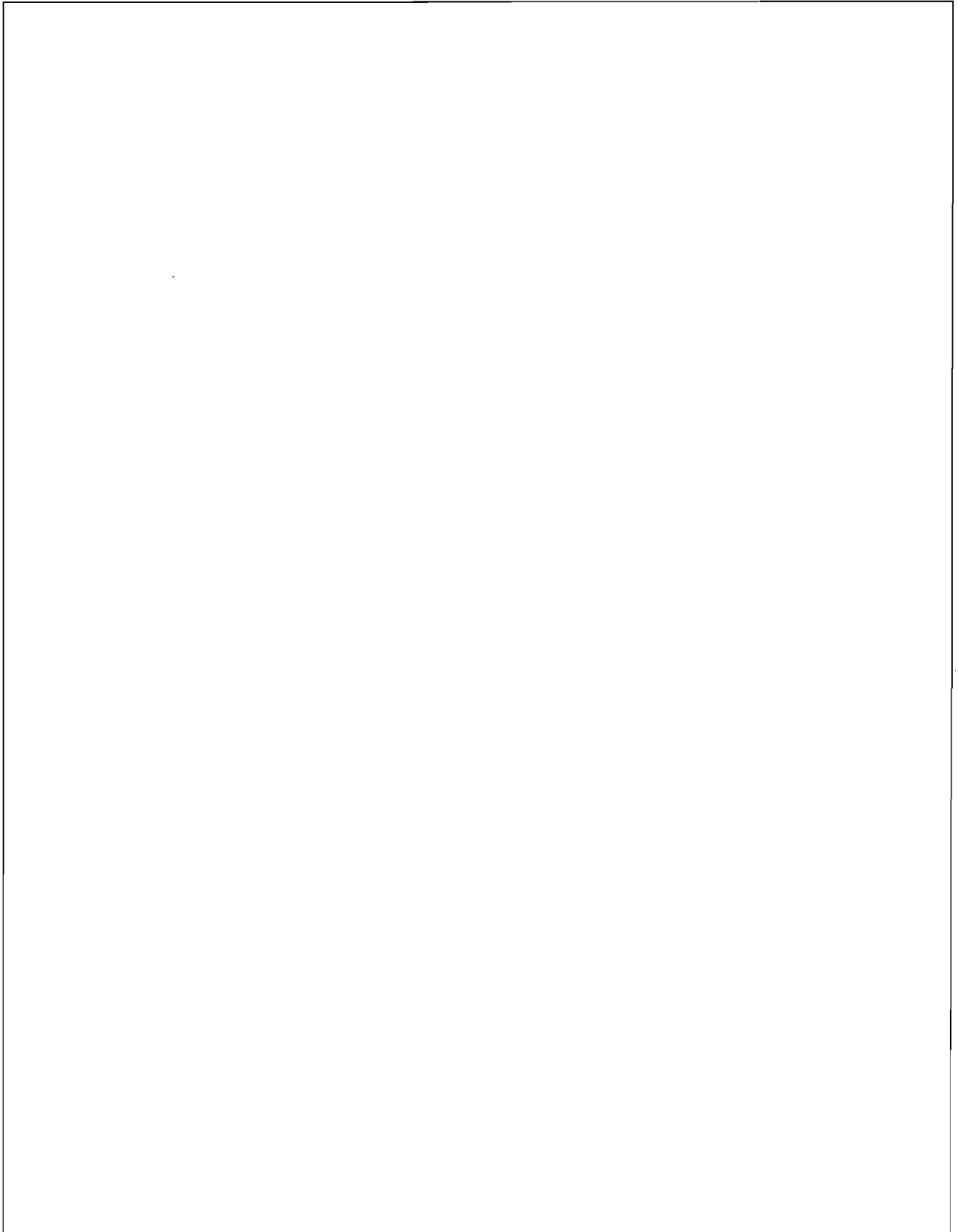


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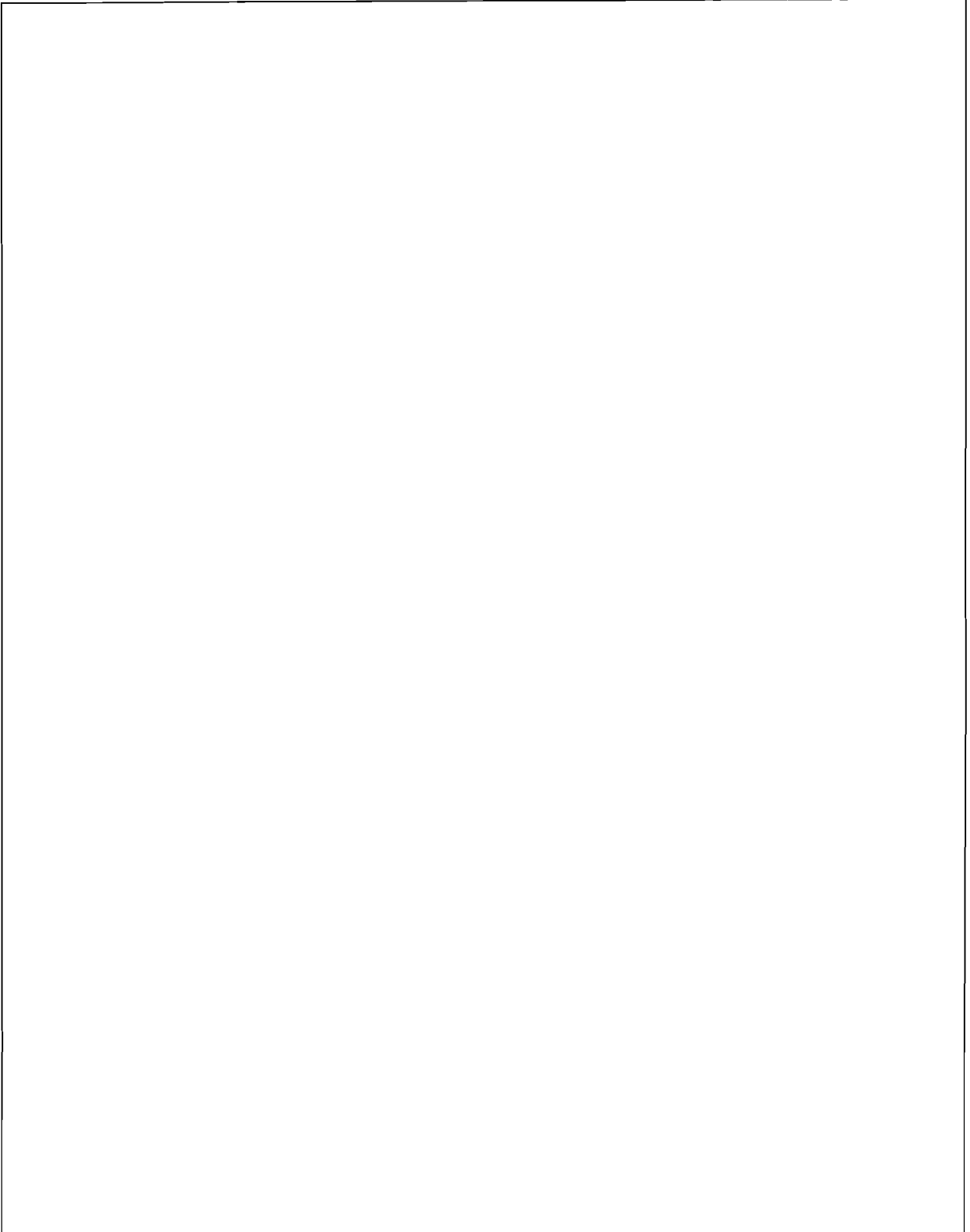
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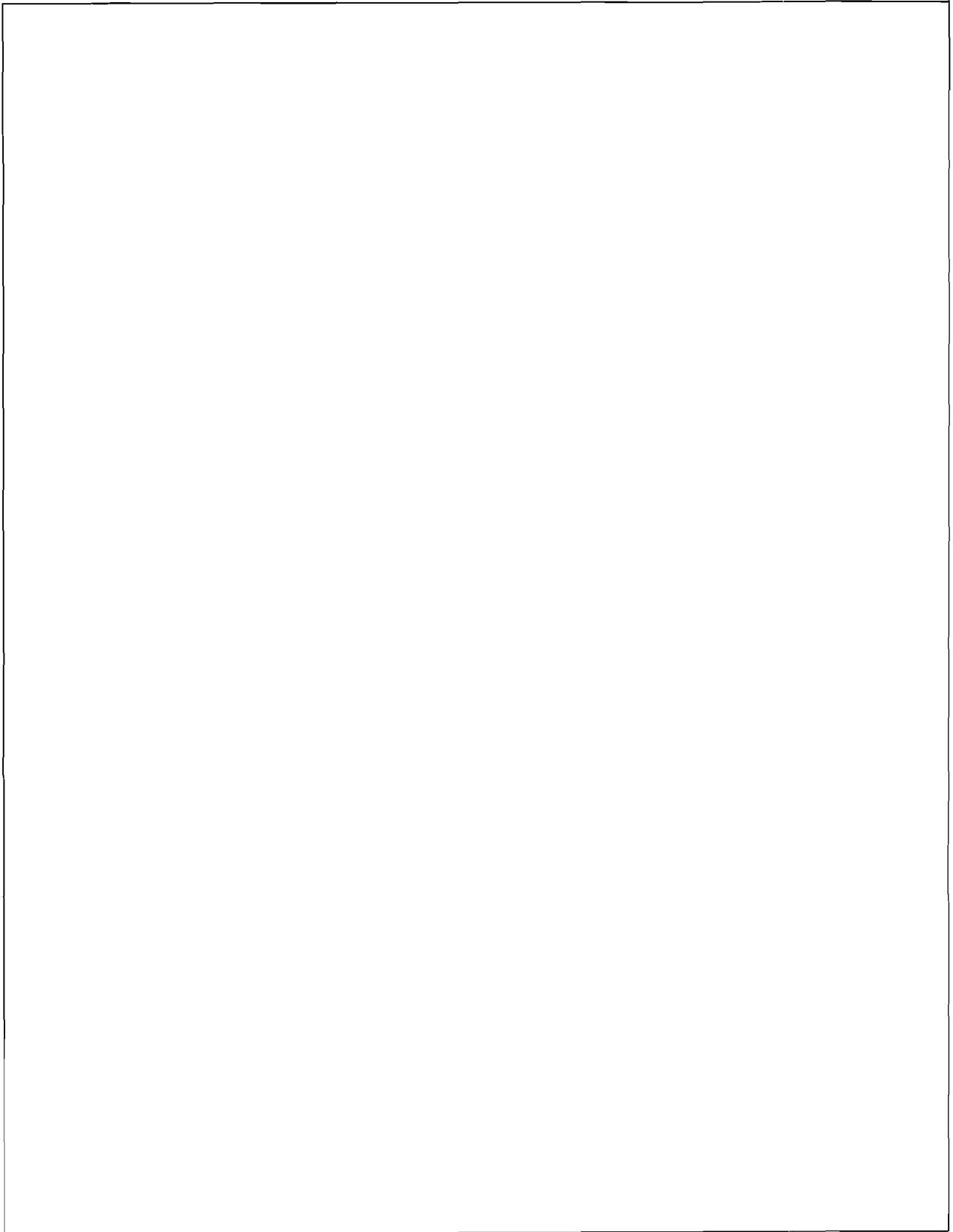
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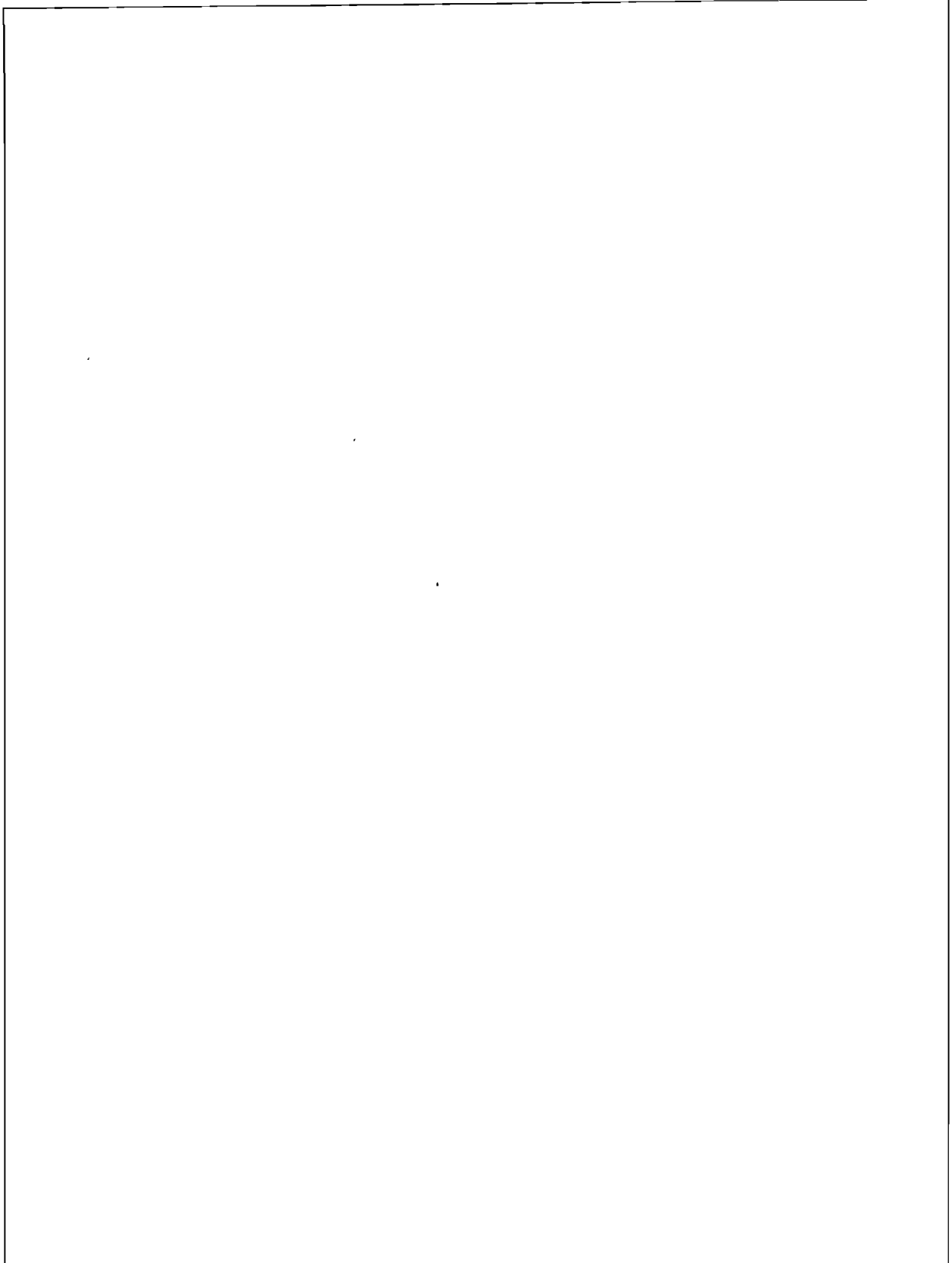


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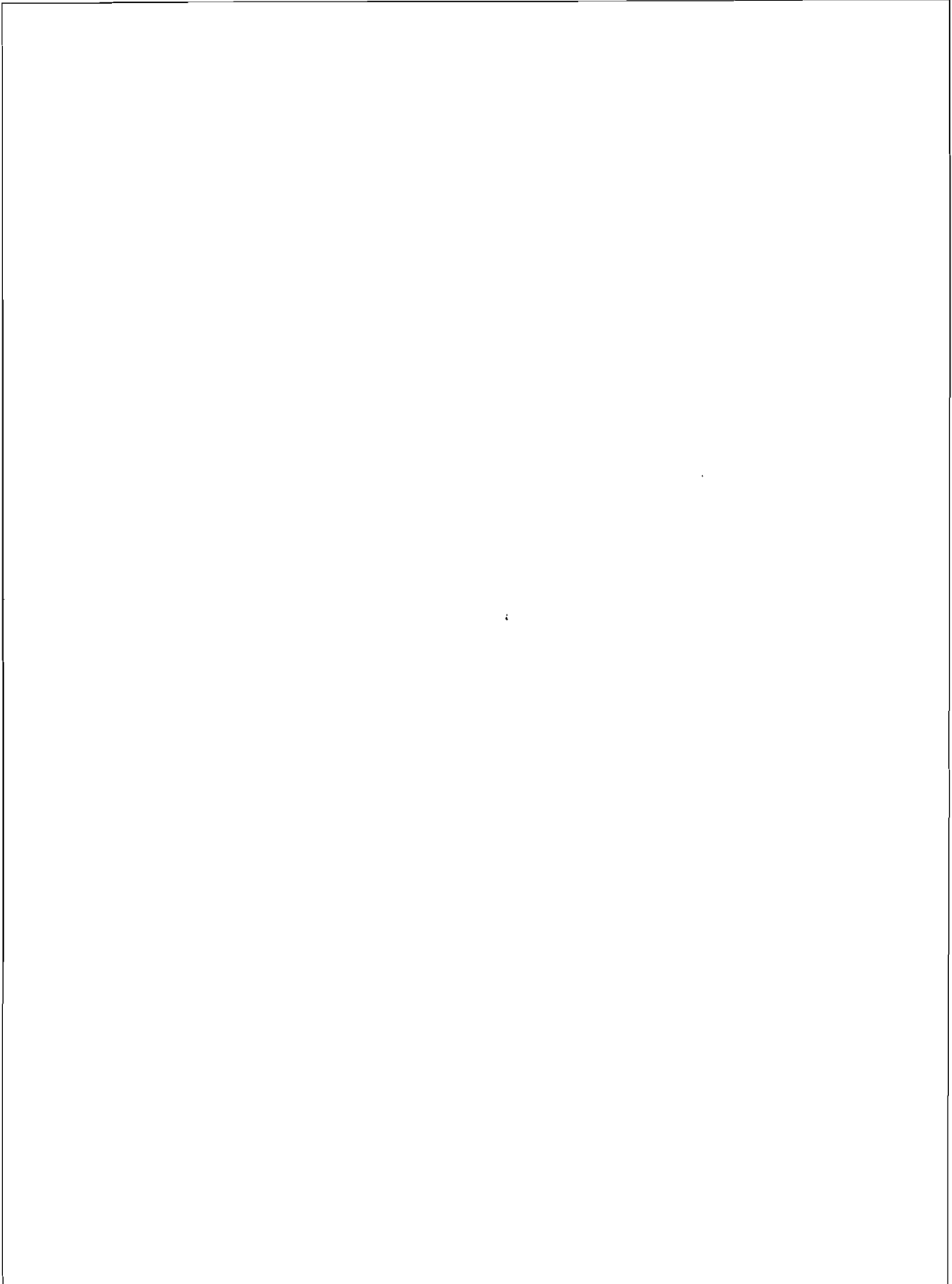




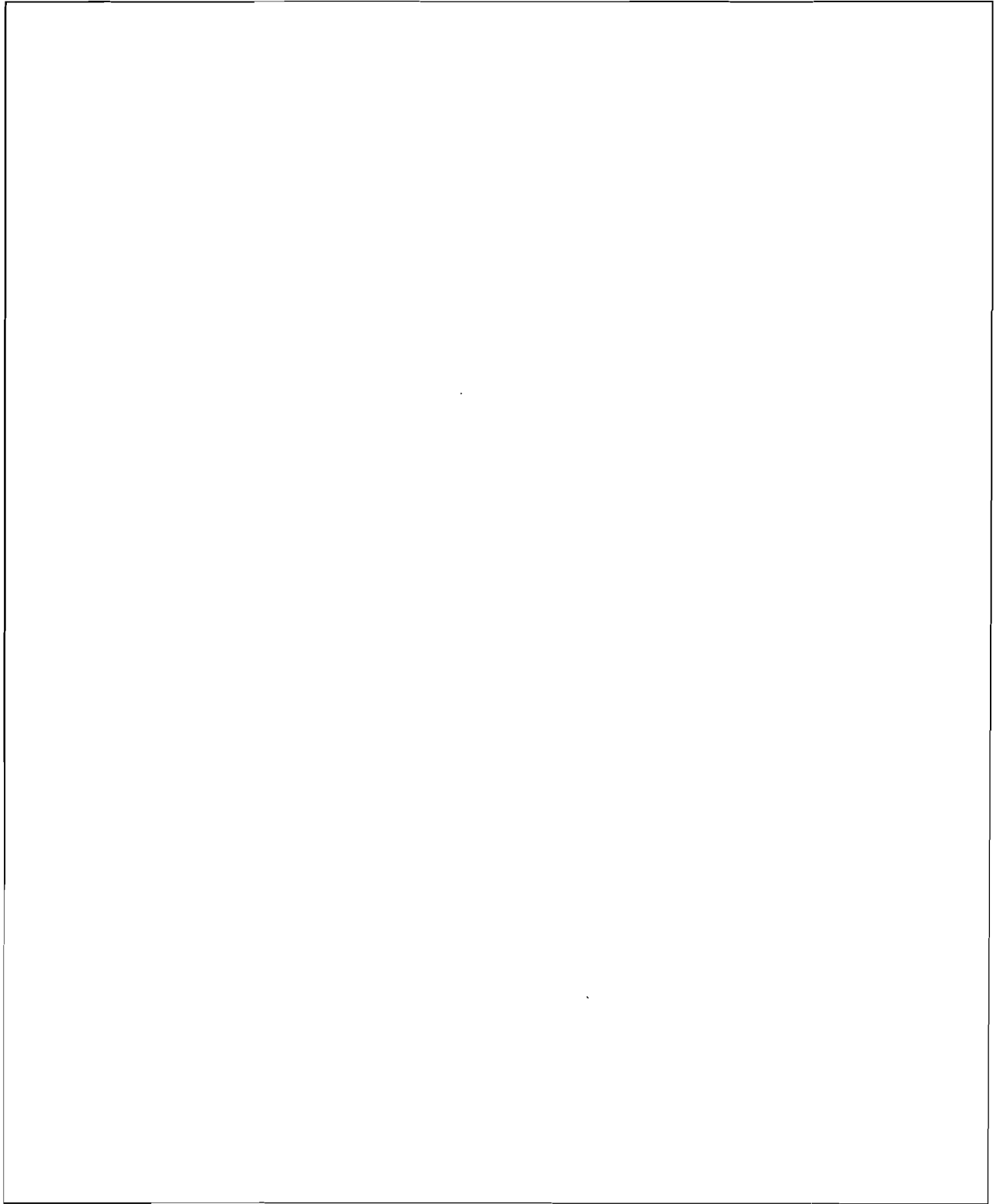
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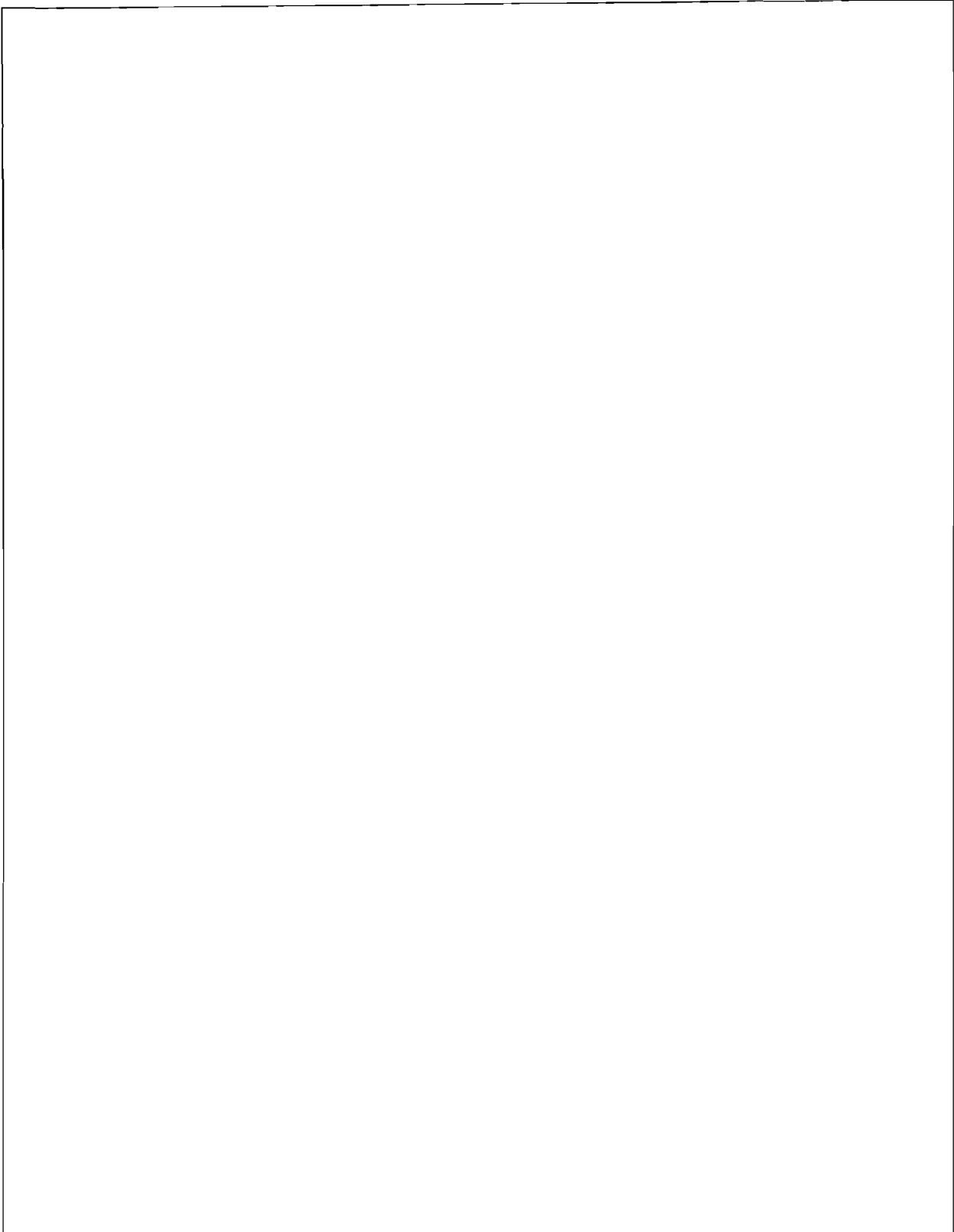
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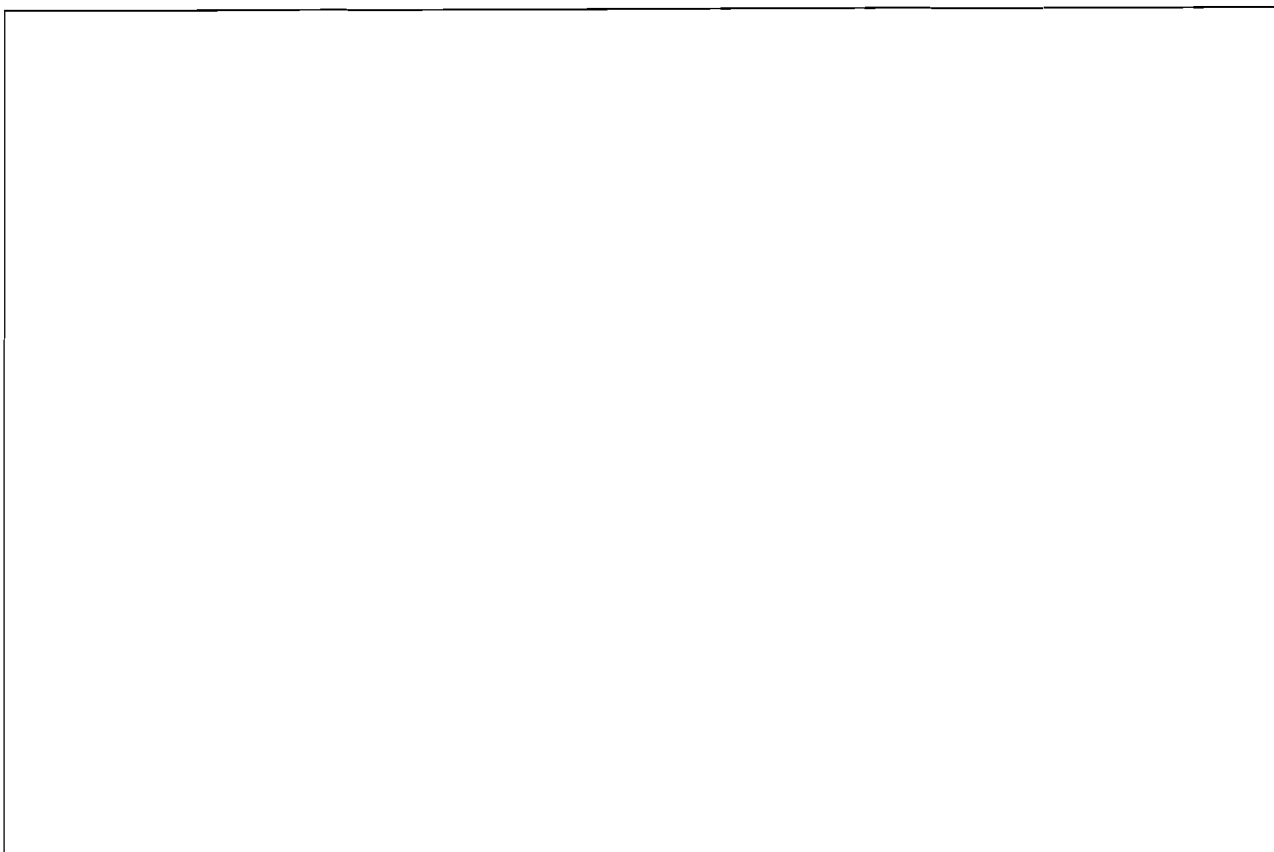
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## INSPECTIONS

(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.

(U) During the final six months of 1999, seven inspections were in progress: the Office of Near Eastern, South Asian, and African Analysis (NESAF); the Office of Military Affairs (OMA); the Military Support Program (MSP); the Printing and Photography Group (P&PG); the Hard Targets Process; [ ] [ ] and Military Analysis in the Directorate of Intelligence. In addition, three special assessments were underway. One assessment was being done jointly with the Inspector General's Office of the Department of Defense: A Review of the 1998 National Intelligence Estimate on POW/MIA Issues and the Charges Levied by a Critical Assessment of the Estimate. A second special assessment was being done in response to a requirement in the National Defense Authorization Act for FY 2000, concerning CIA Support to Export Control Enforcement and the Export Control Process. Finally, a special assessment was underway of the Office of the DCI for Community Management. The results of these inspections will be summarized in detail when the reports have been issued.

(U) Preparations were under way for the seventh running of the two-week training course for new inspectors—providing 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 fourth consecutive running, members of the other staffs of the OIG will join the course.

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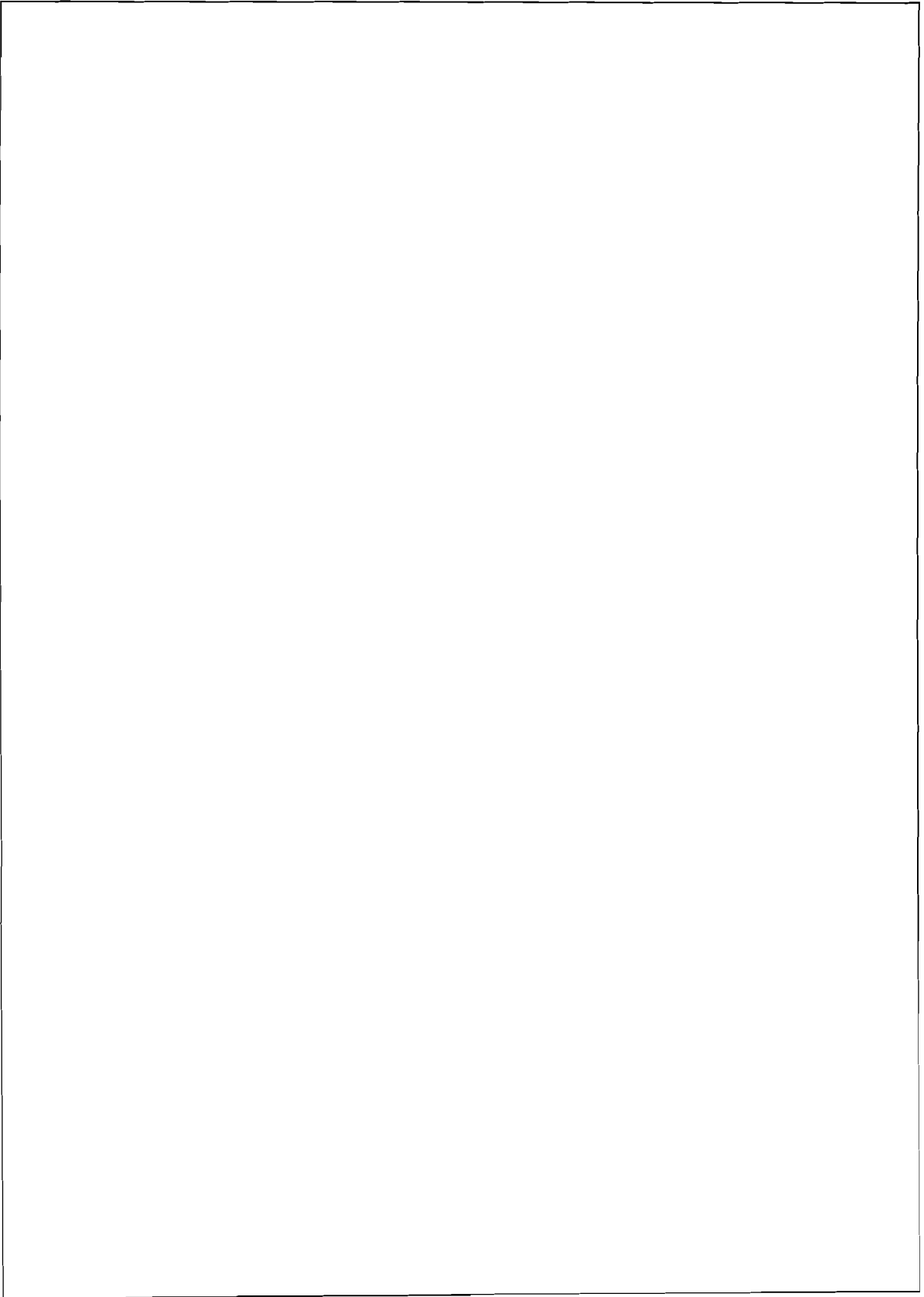
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(U) The Staff also prepared a training seminar for new team leaders. This seminar gives new team leaders a quick review of what is expected of them and help in planning their team activities. The Staff is now planning a third running of this seminar based on lessons learned from the previous ones.

(U) The Inspection Staff continues to evaluate the use of a new Performance Assessment System (PAS) as a way to complement current inspection procedures. The PAS was used during an inspection of the Asian Pacific and Latin American Analysis and the Staff is now incorporating several lessons that were derived from that experience.

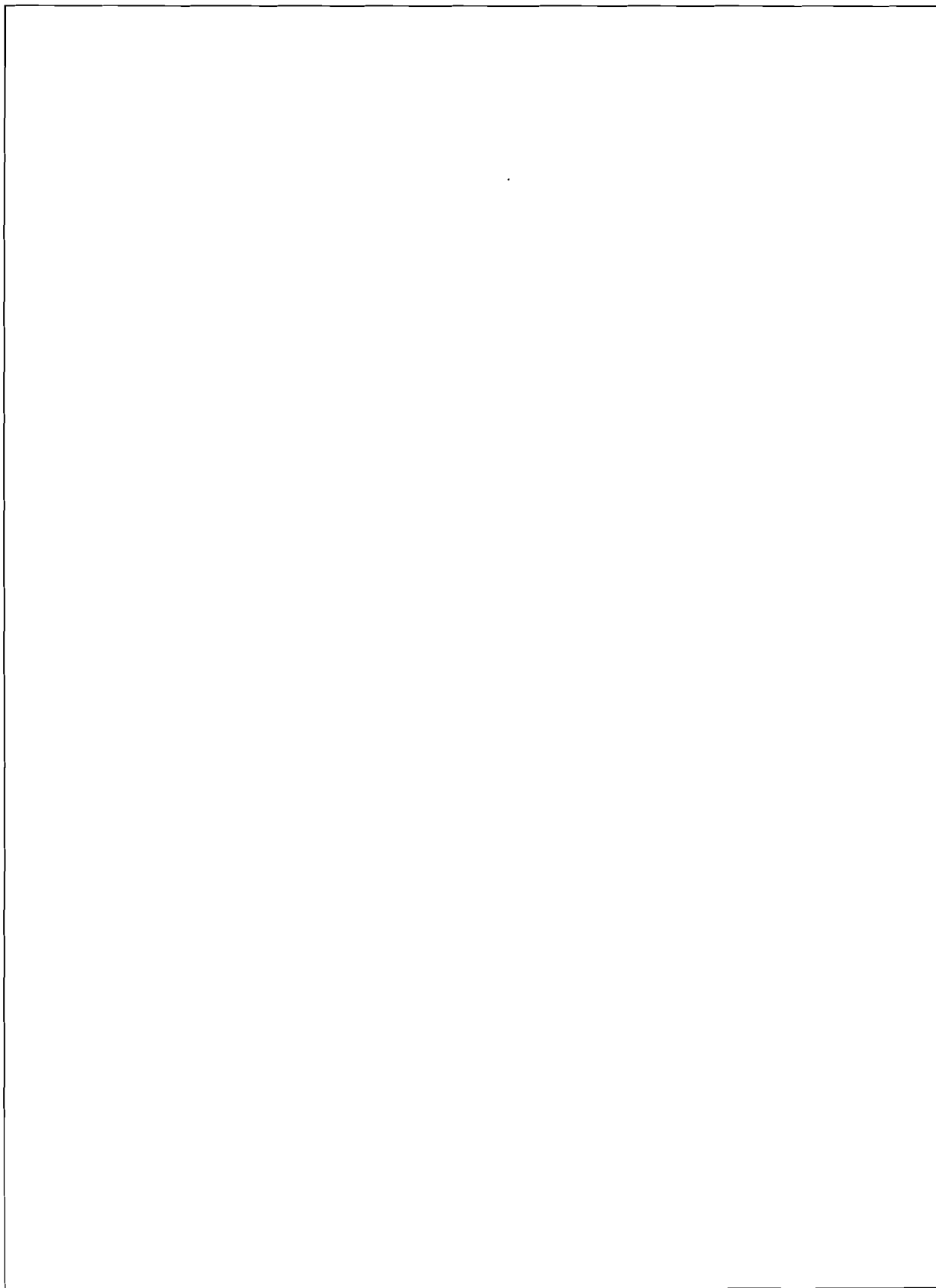
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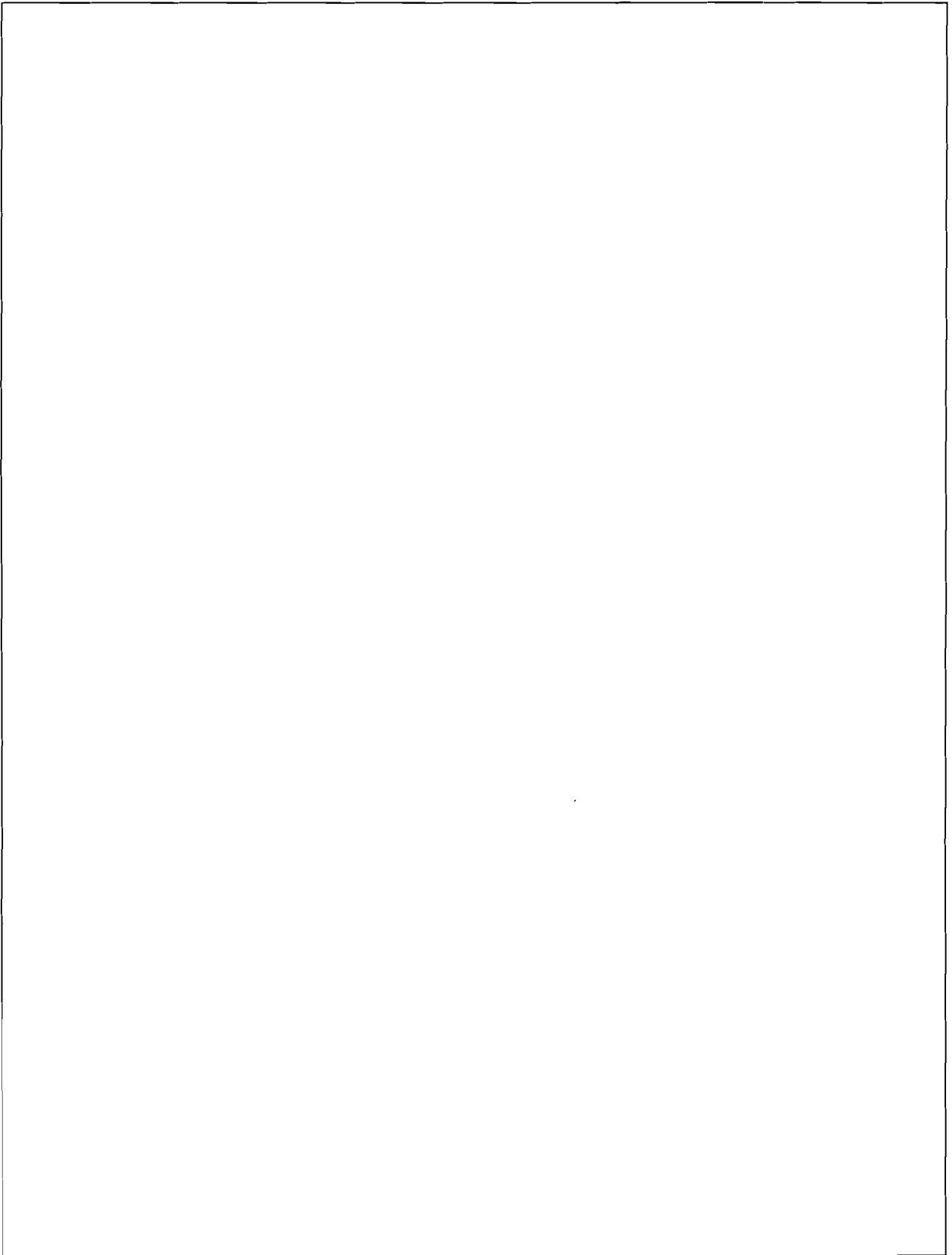
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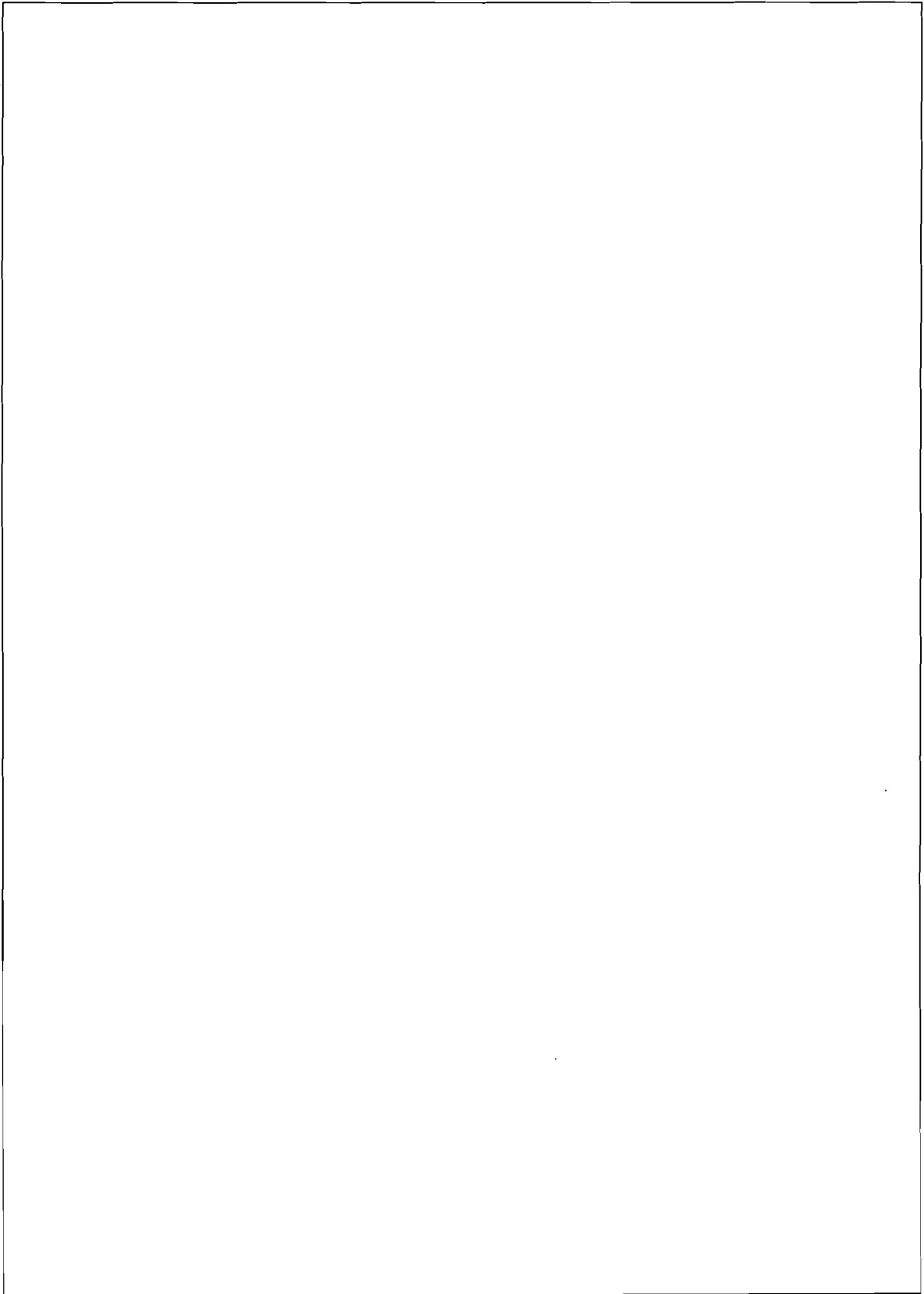
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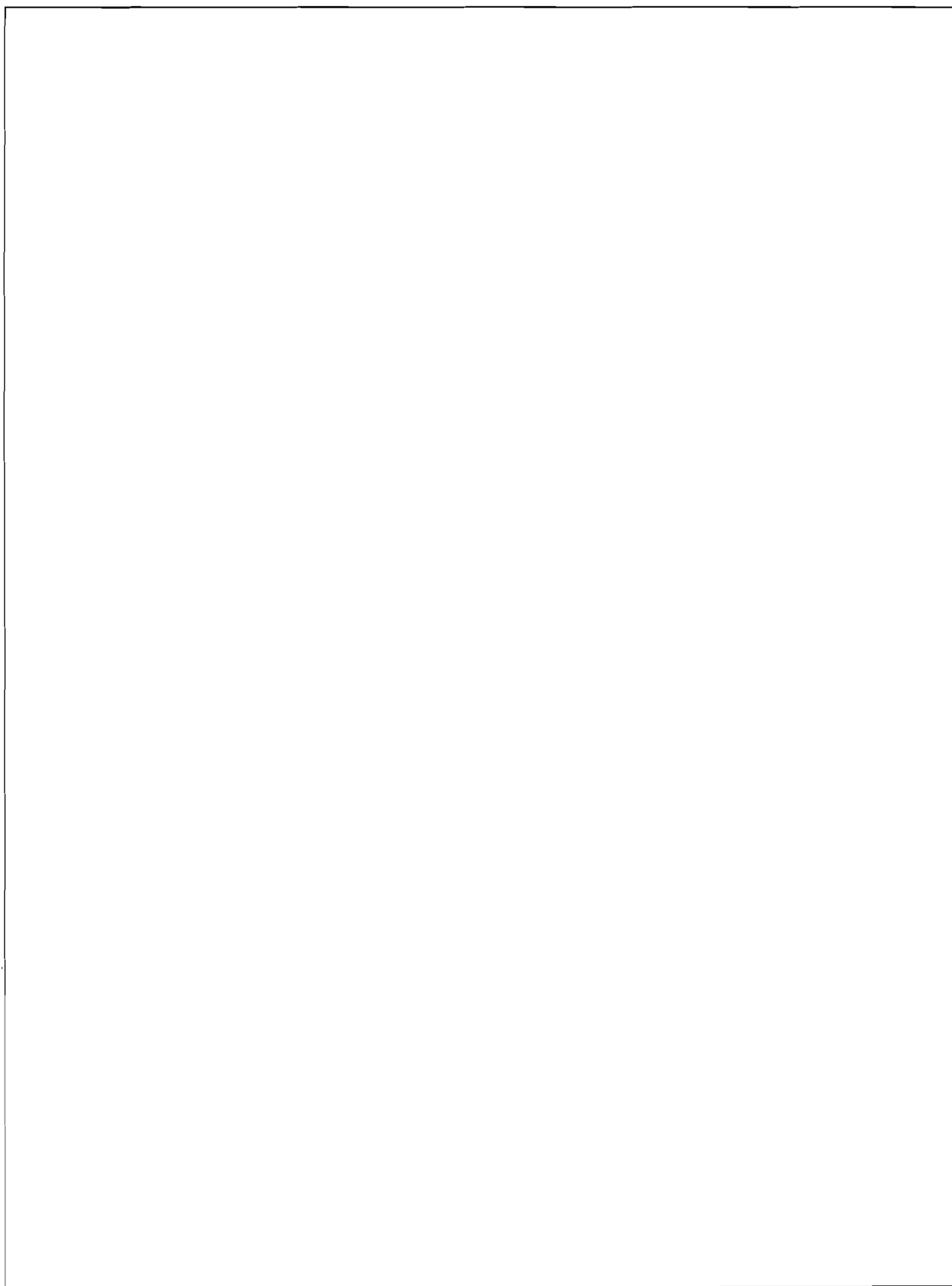
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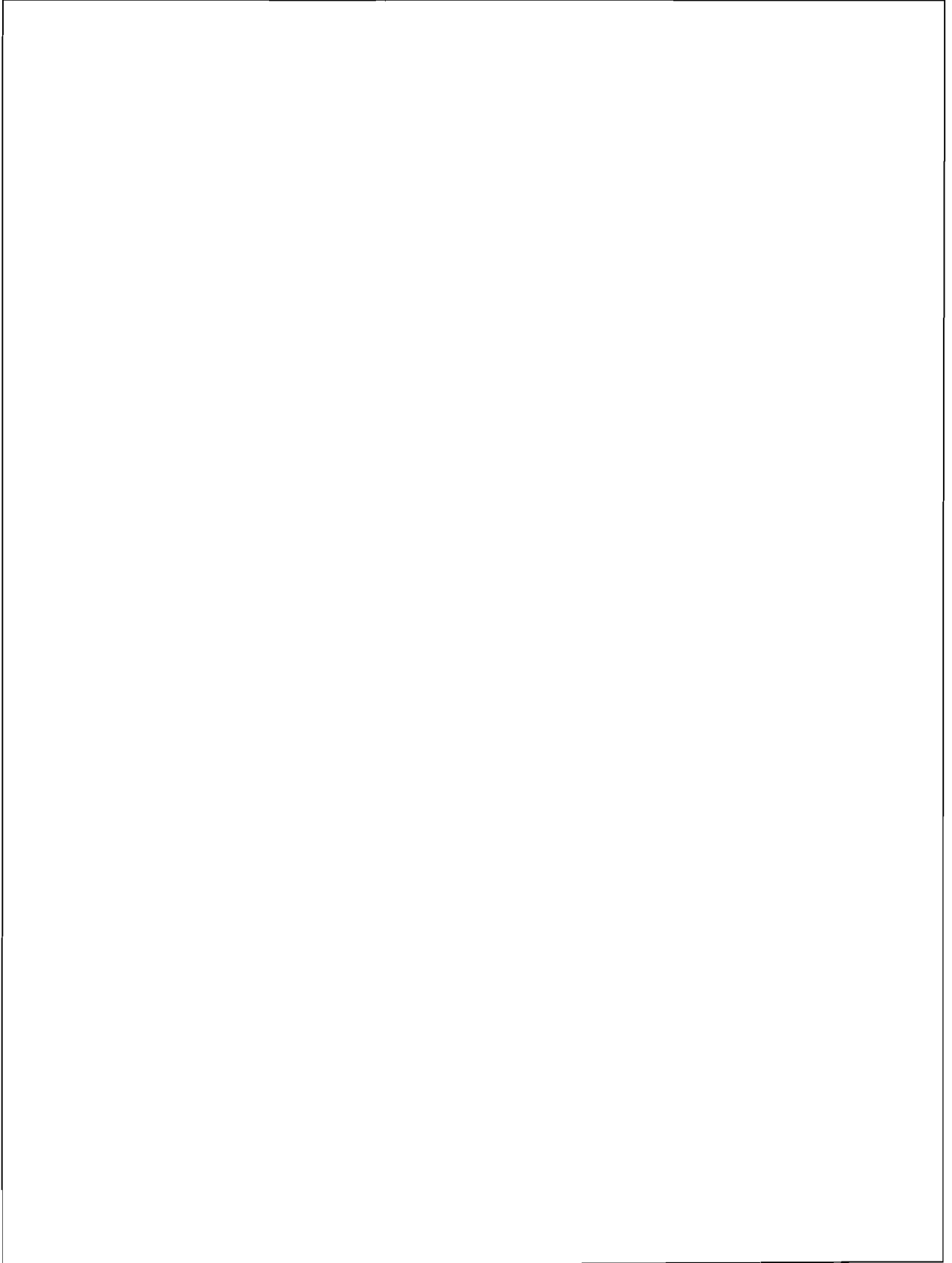
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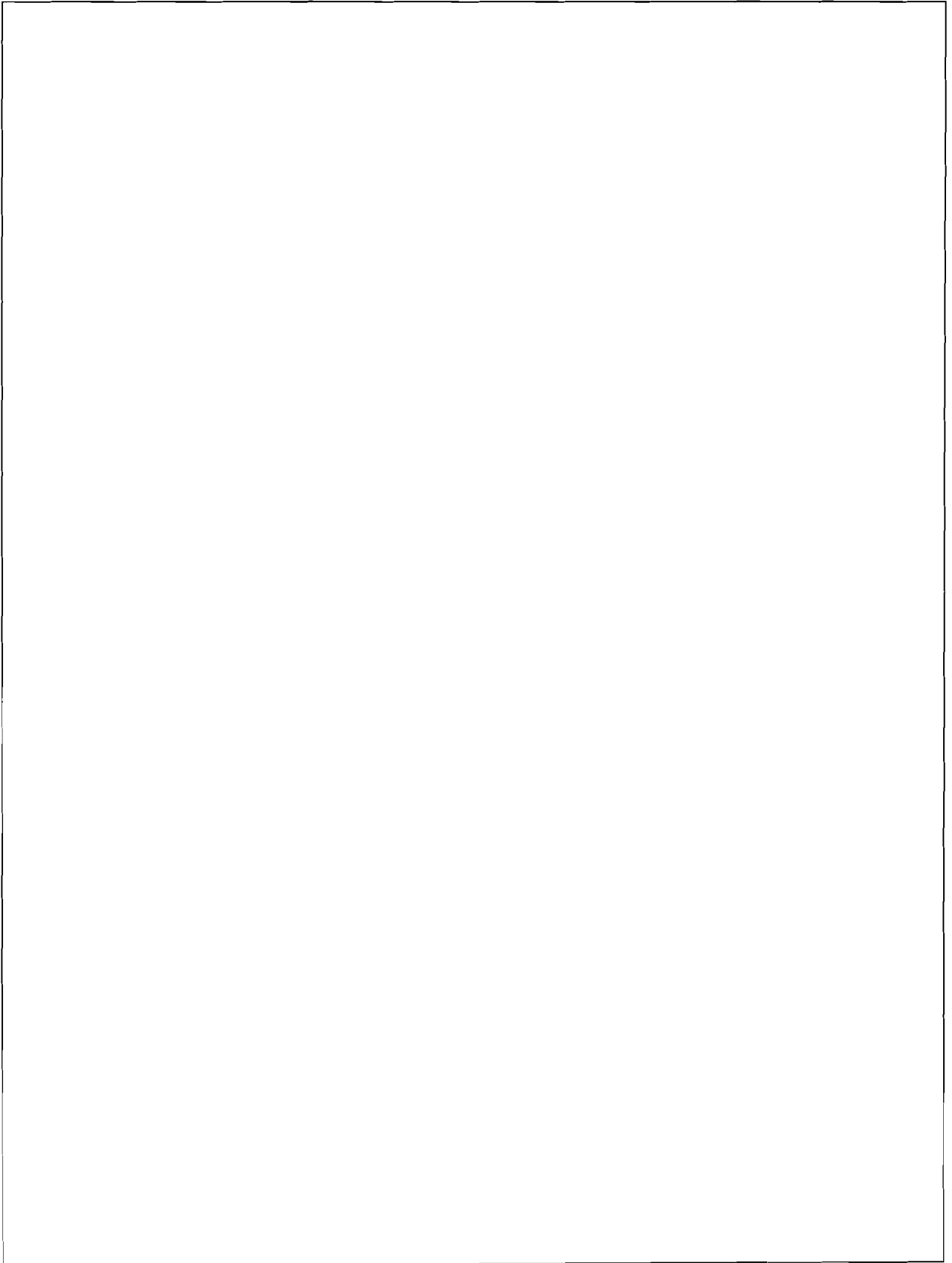
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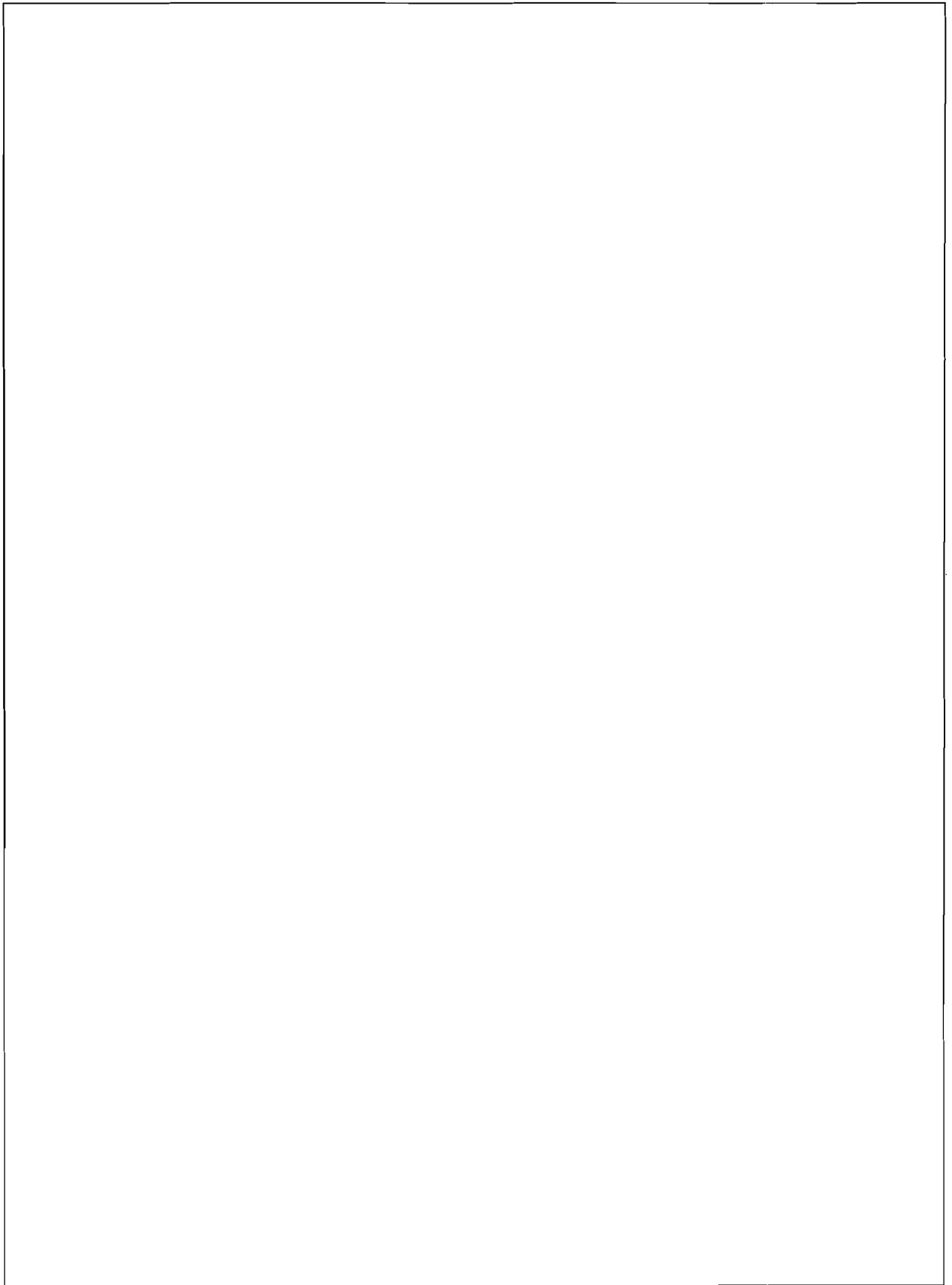
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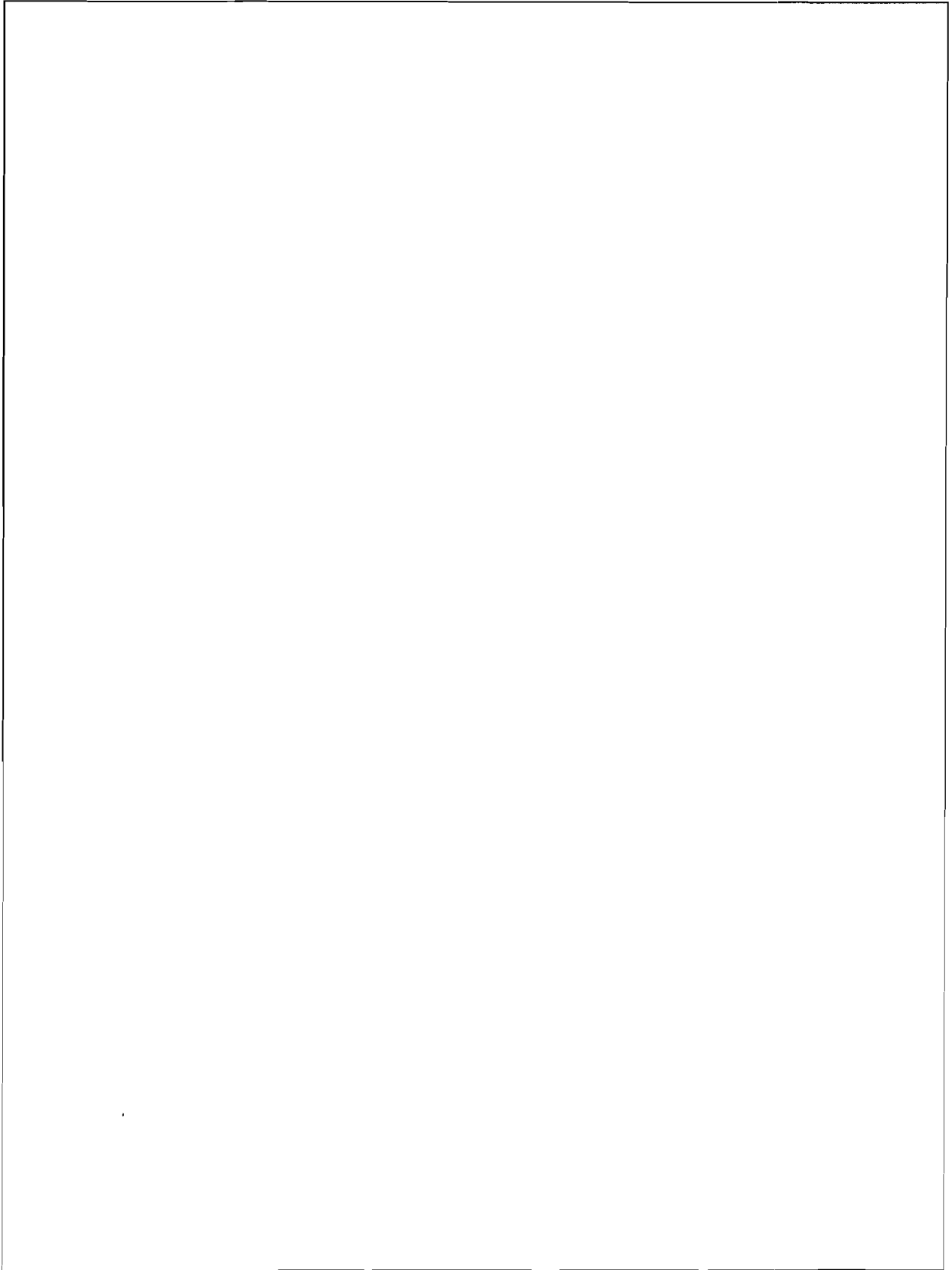
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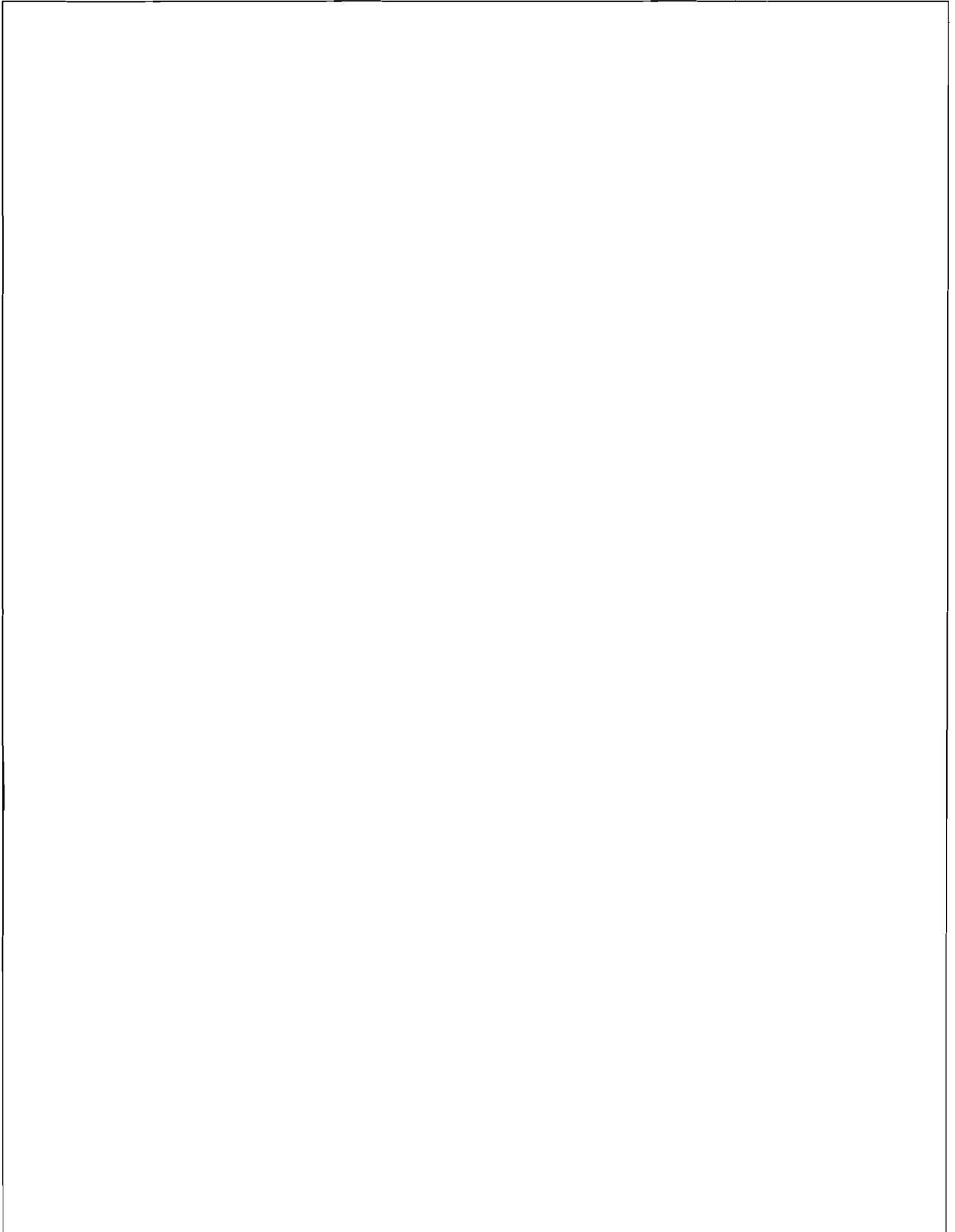


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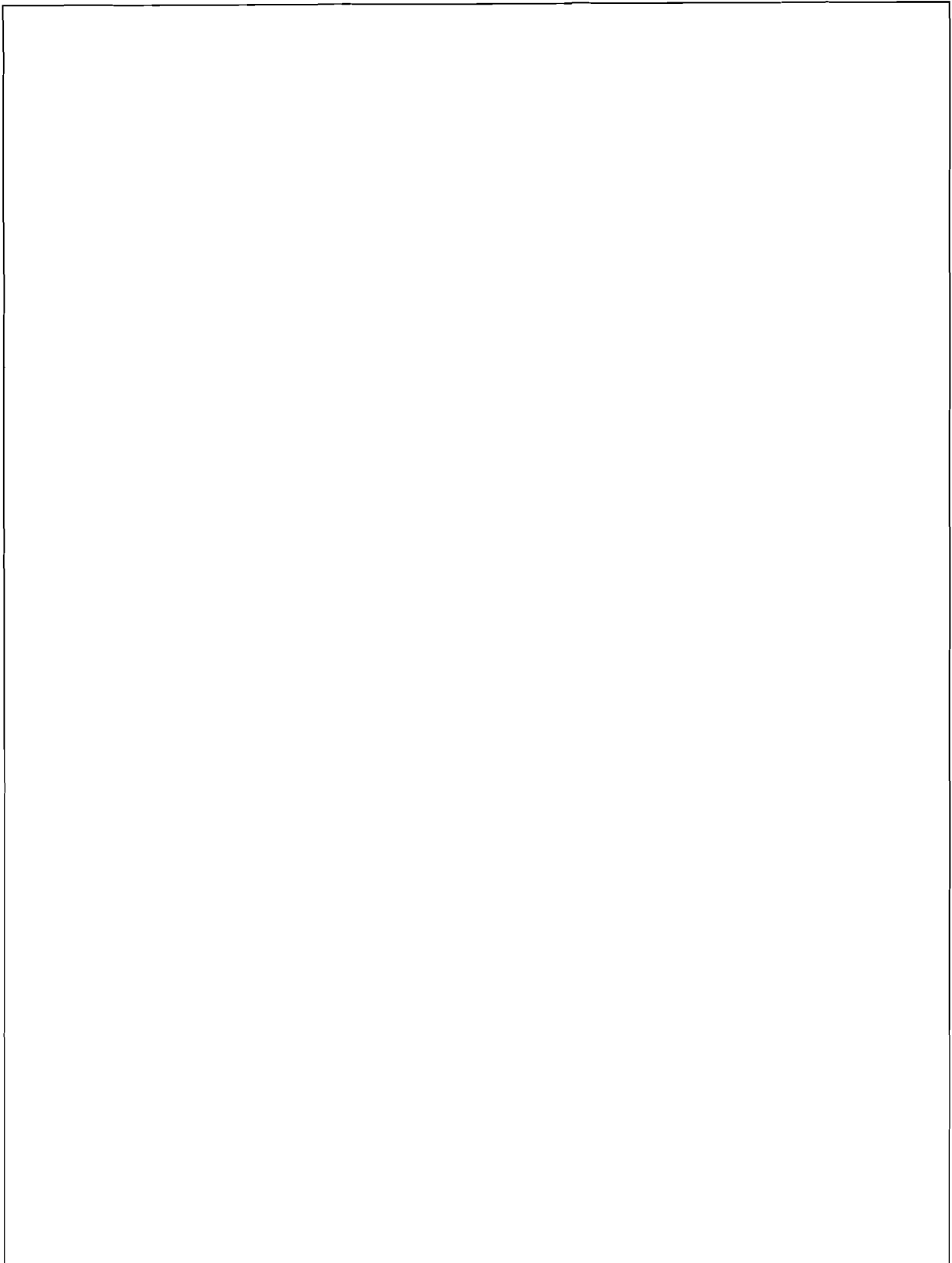
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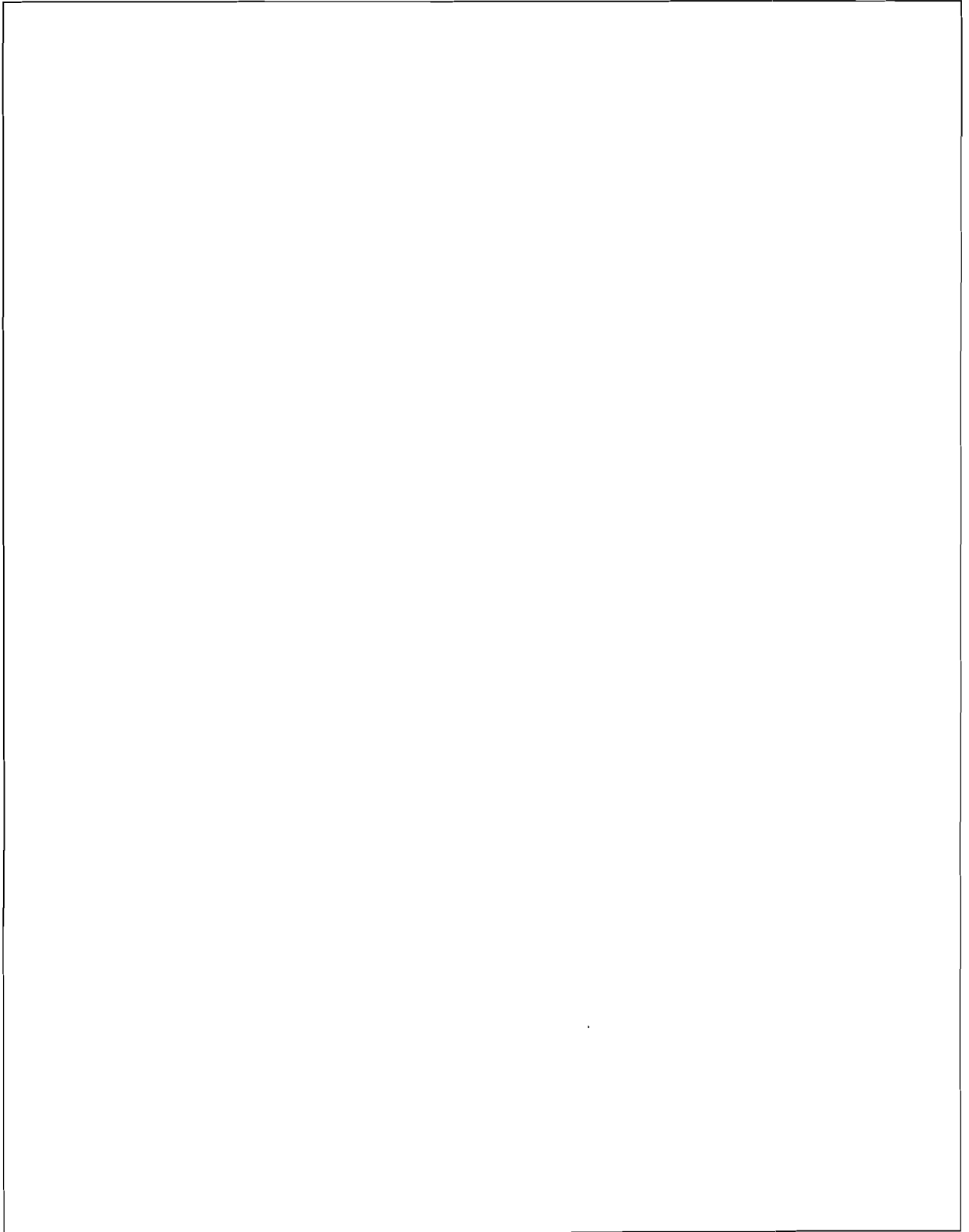
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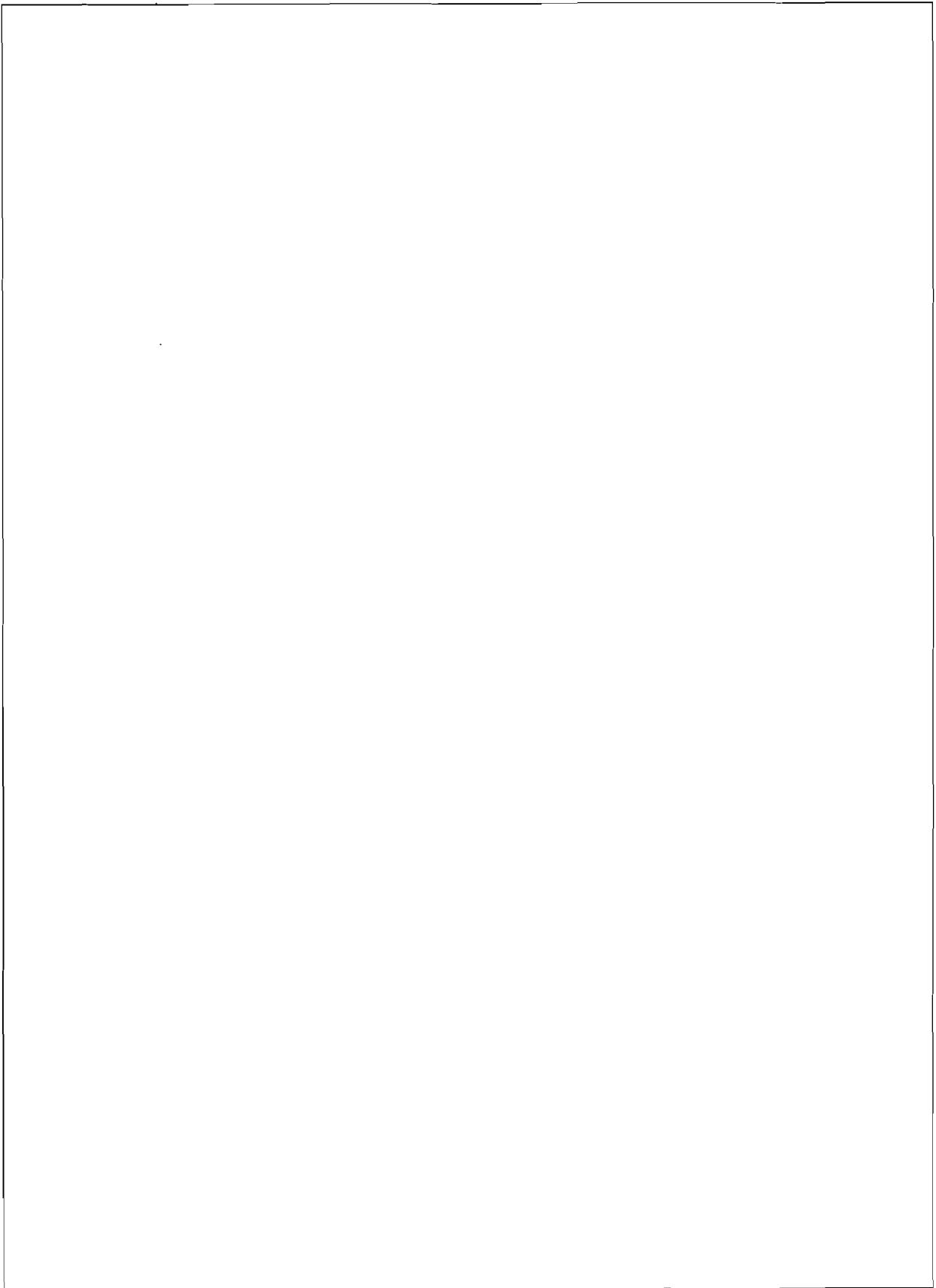
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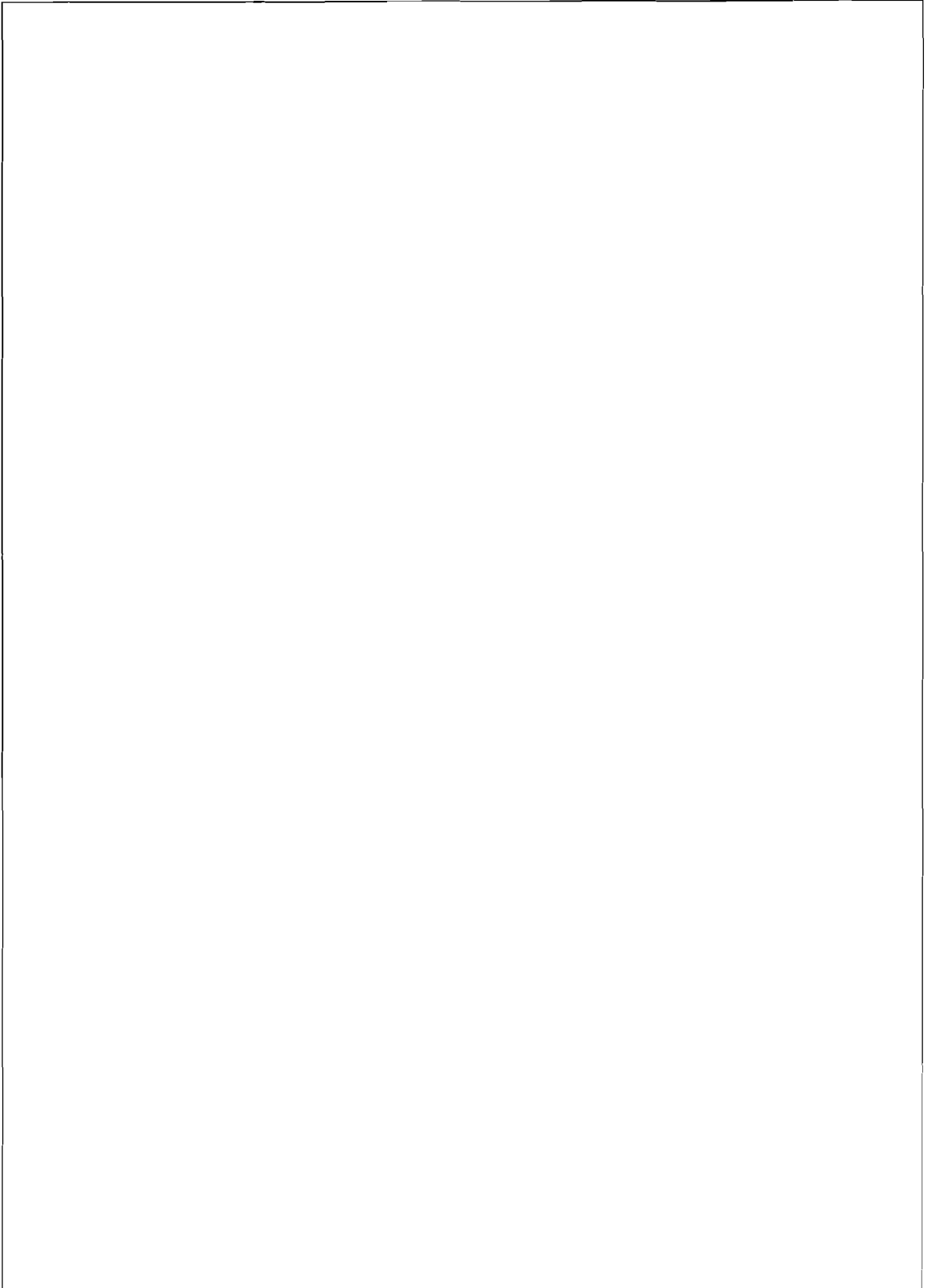


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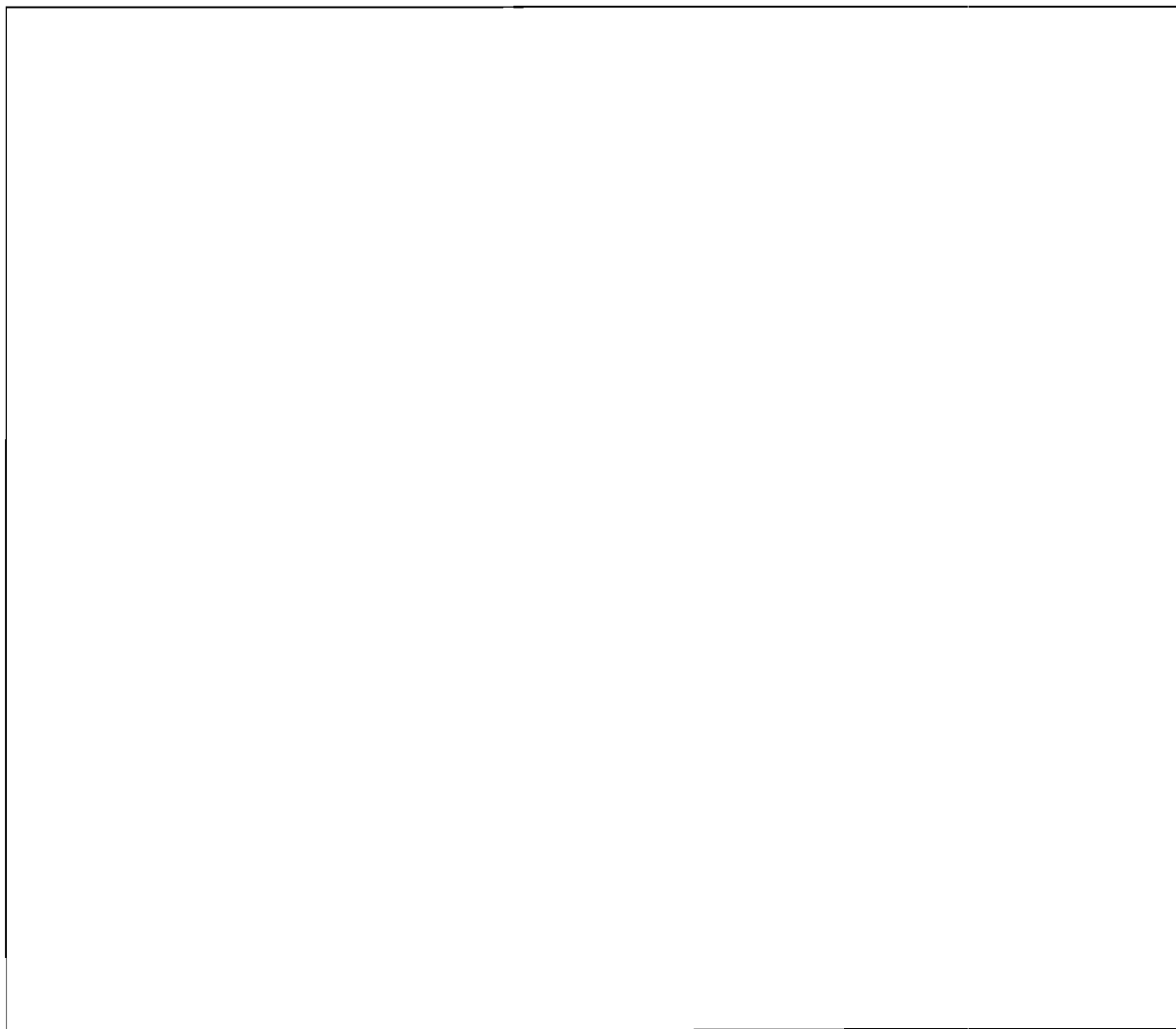


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## INVESTIGATIONS

(U) The Investigations Staff is responsible for investigating reports of possible violations of statutes, regulations, policies, and 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.

(U) During the final six months of 1999, the Investigations Staff's organizational structure was reviewed and streamlined. One Team Leader position was eliminated, and the existing four-team structure was consolidated into three teams. This is the second reorganization since the team structure was initiated in April 1996. The Staff now believes that the right balance has been achieved in terms of the number of teams, size, skills mix, and span of control.

(U) As part of our continuing effort to approach our work in a proactive manner, the Investigations Staff has established an Information Resource Center (IRC). The Center contains reference books, video tapes, compact discs, professional periodicals, and other resource materials tailored to investigative purposes. The IRC also houses stand-alone computers which provide the staff with Internet access. Also in the proactive mode, the Investigations Staff is developing a fraud awareness briefing program that will enhance the visibility of our investigative mission.

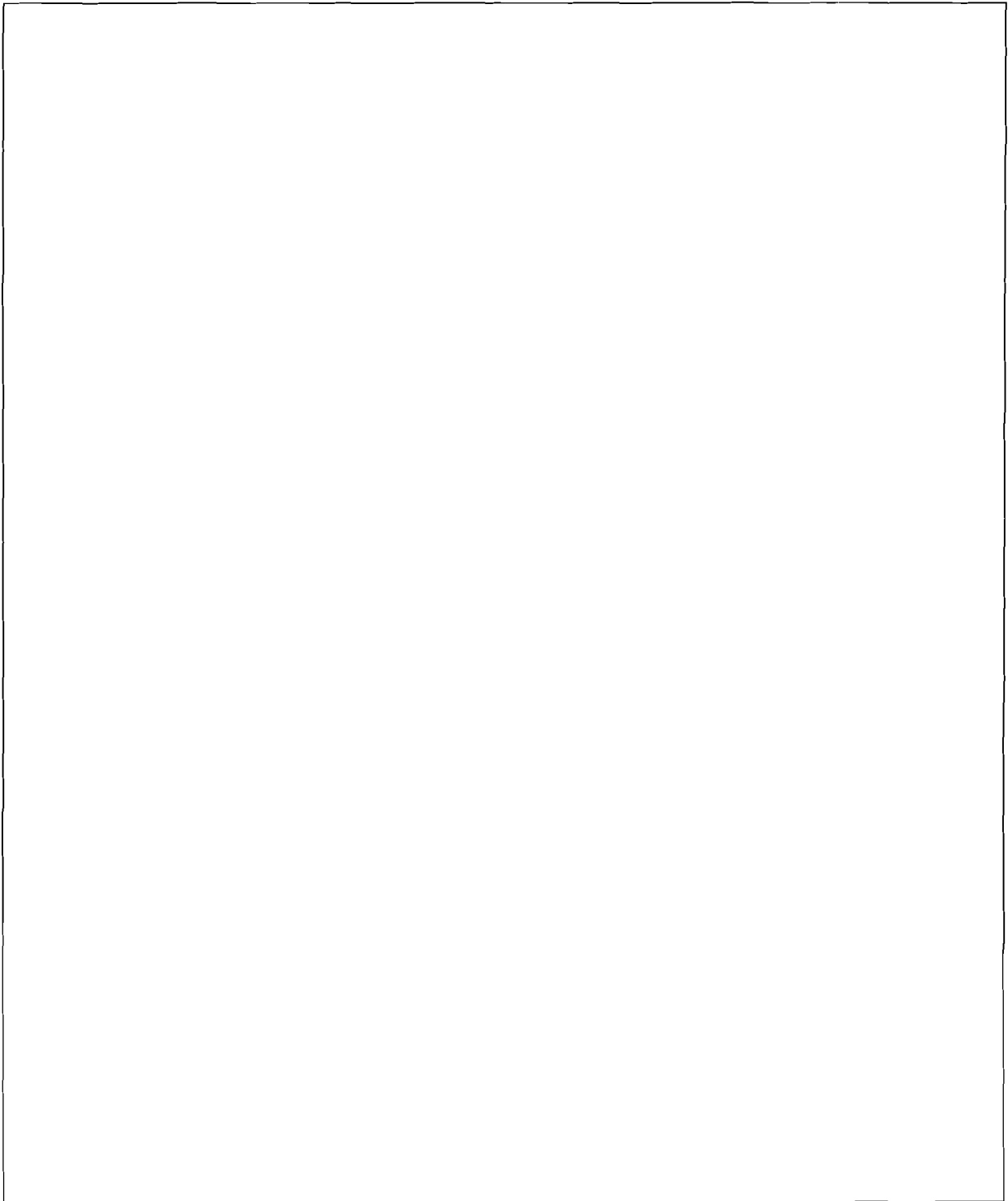
(U) In an effort to open lines of communication and to keep abreast of changes in policies, laws, and regulations, the Investigations Staff has developed two internal databases. One is a discussion database that provides the Staff with a secure vehicle for sharing thoughts and ideas concerning investigations, lessons learned, and information of interest on investigative tools, techniques, and methodology. The second database, soon to be

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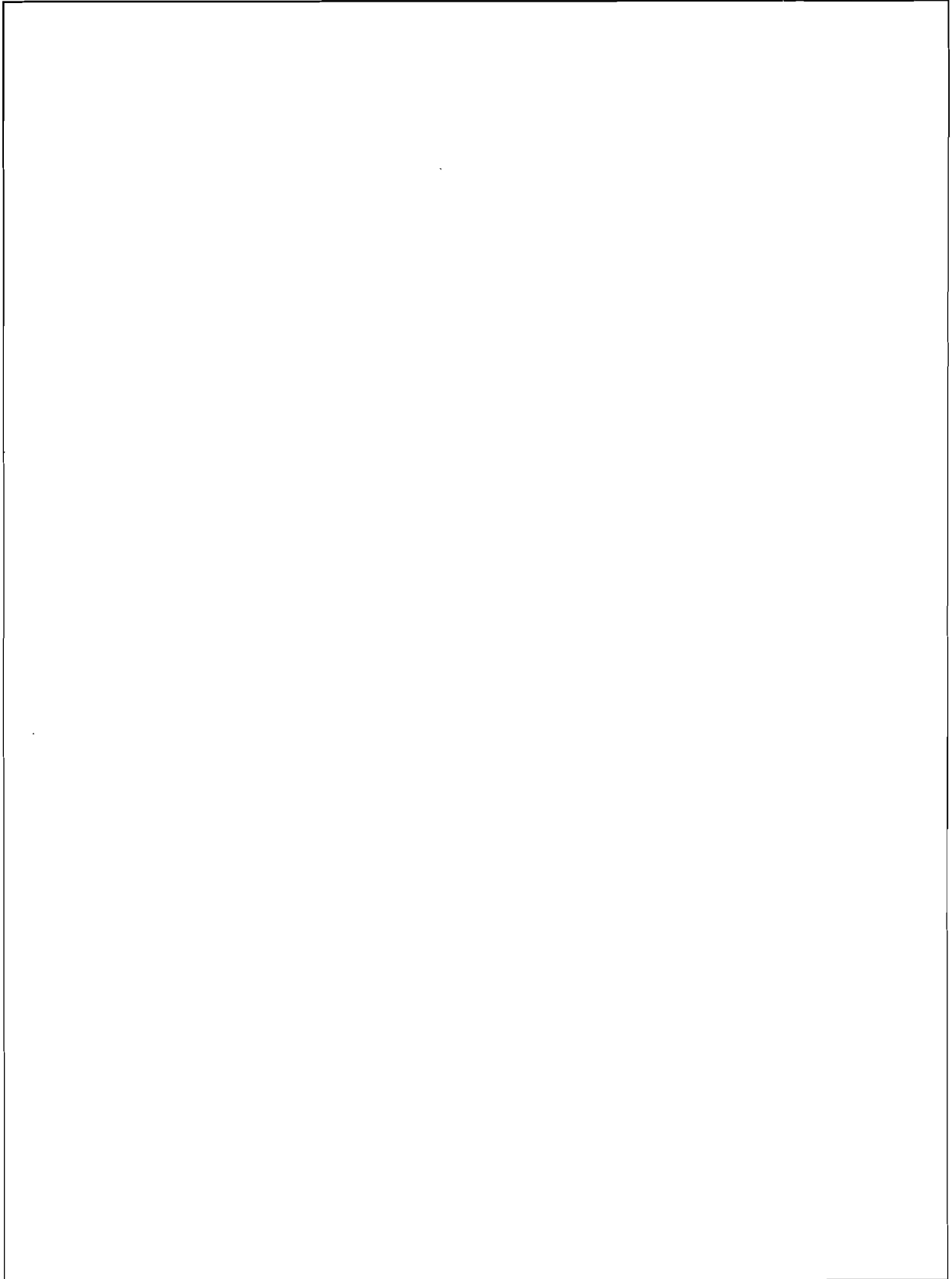


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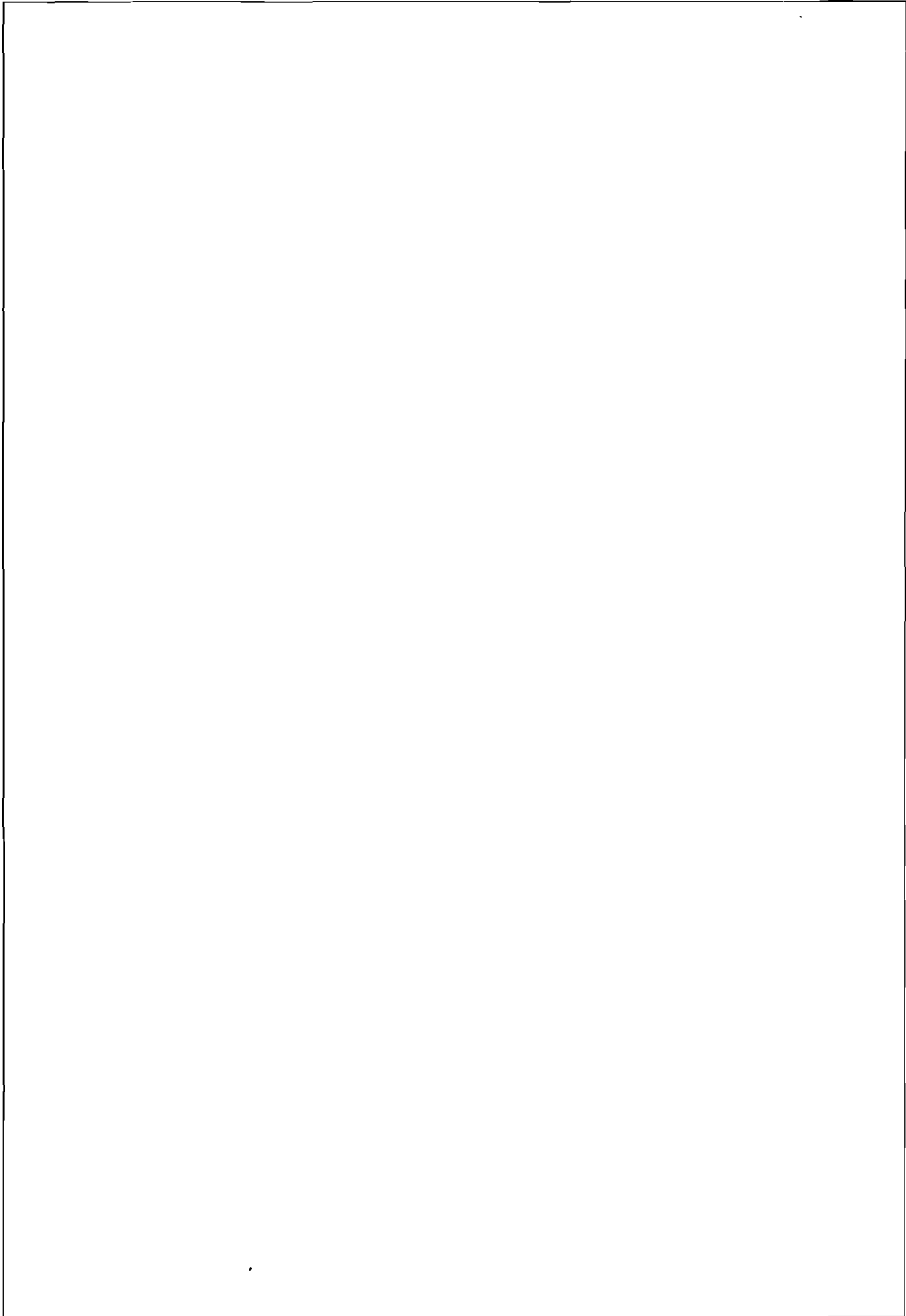
deployed, will put an electronic Investigators Manual on the desktop of each investigator, thus giving them the most current version of official investigation guidelines, with on-line searching capabilities.

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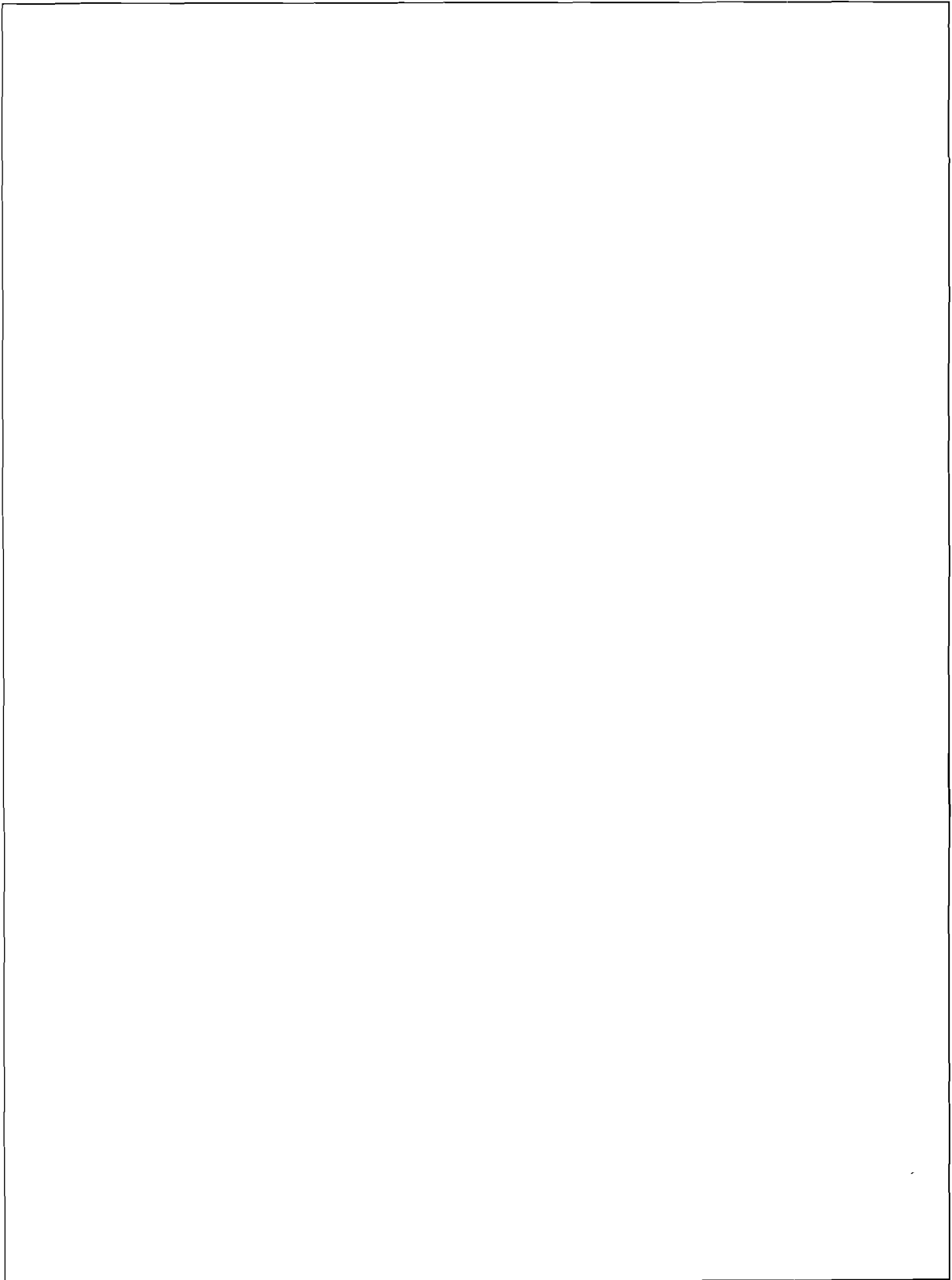
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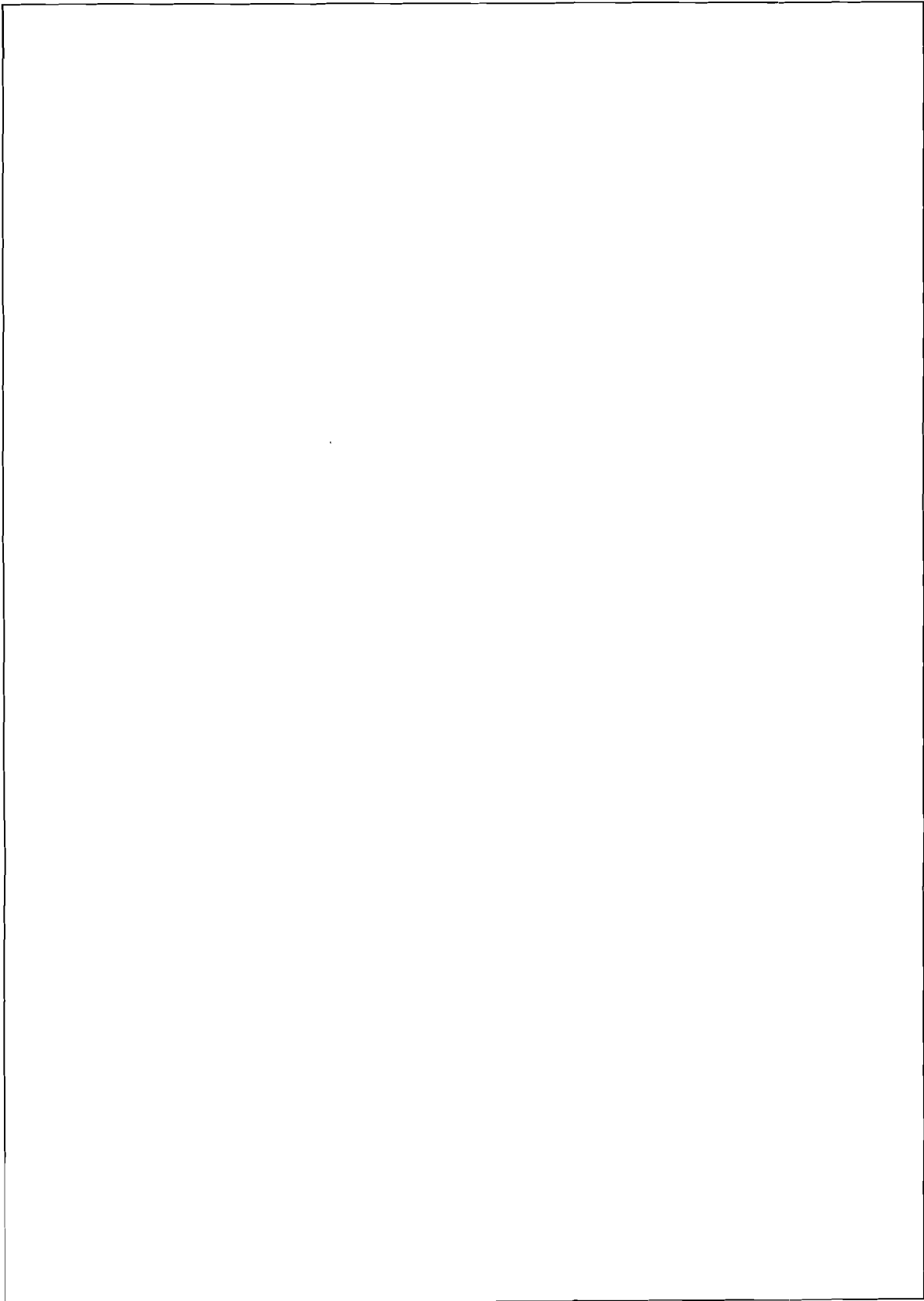
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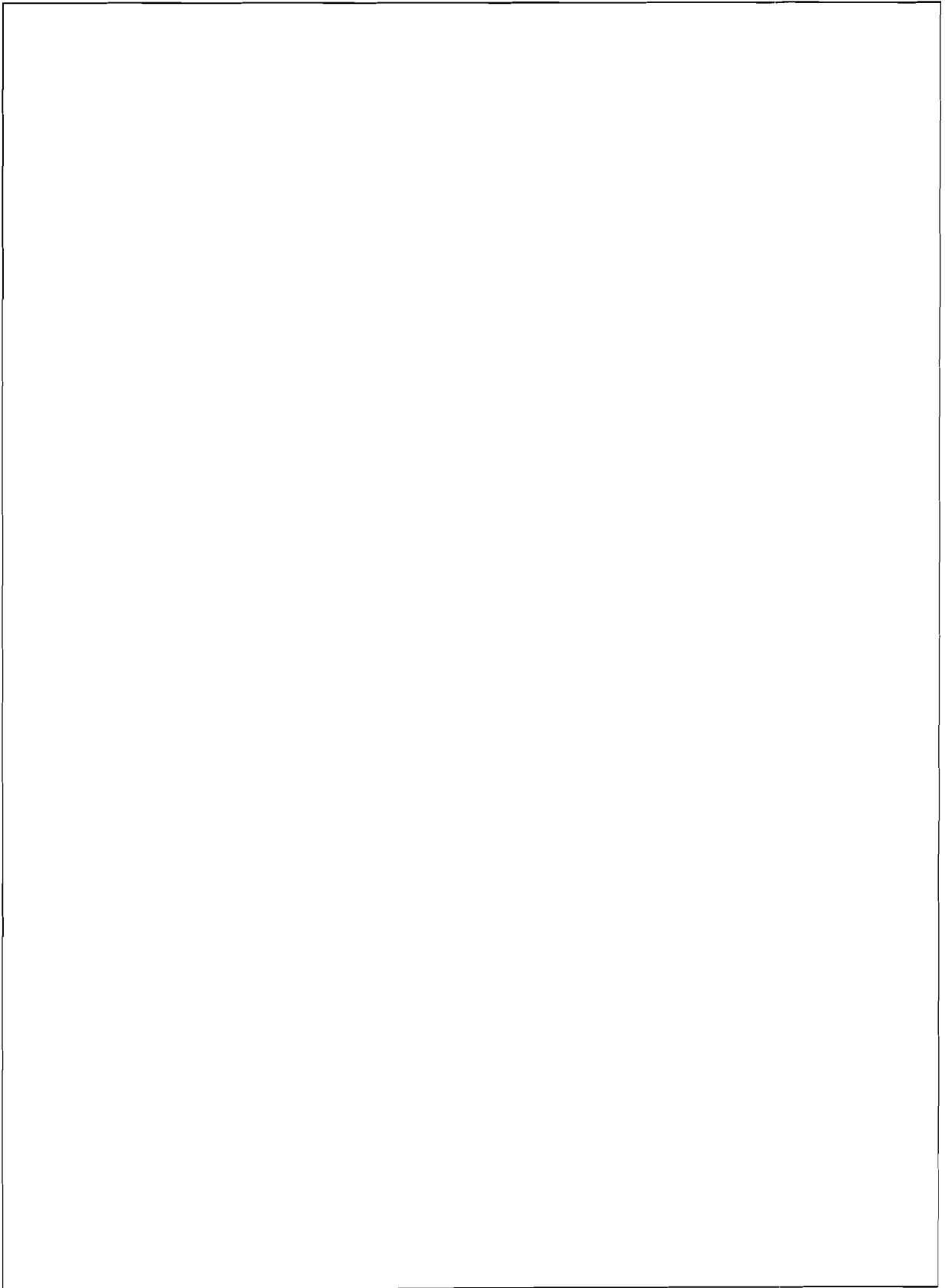


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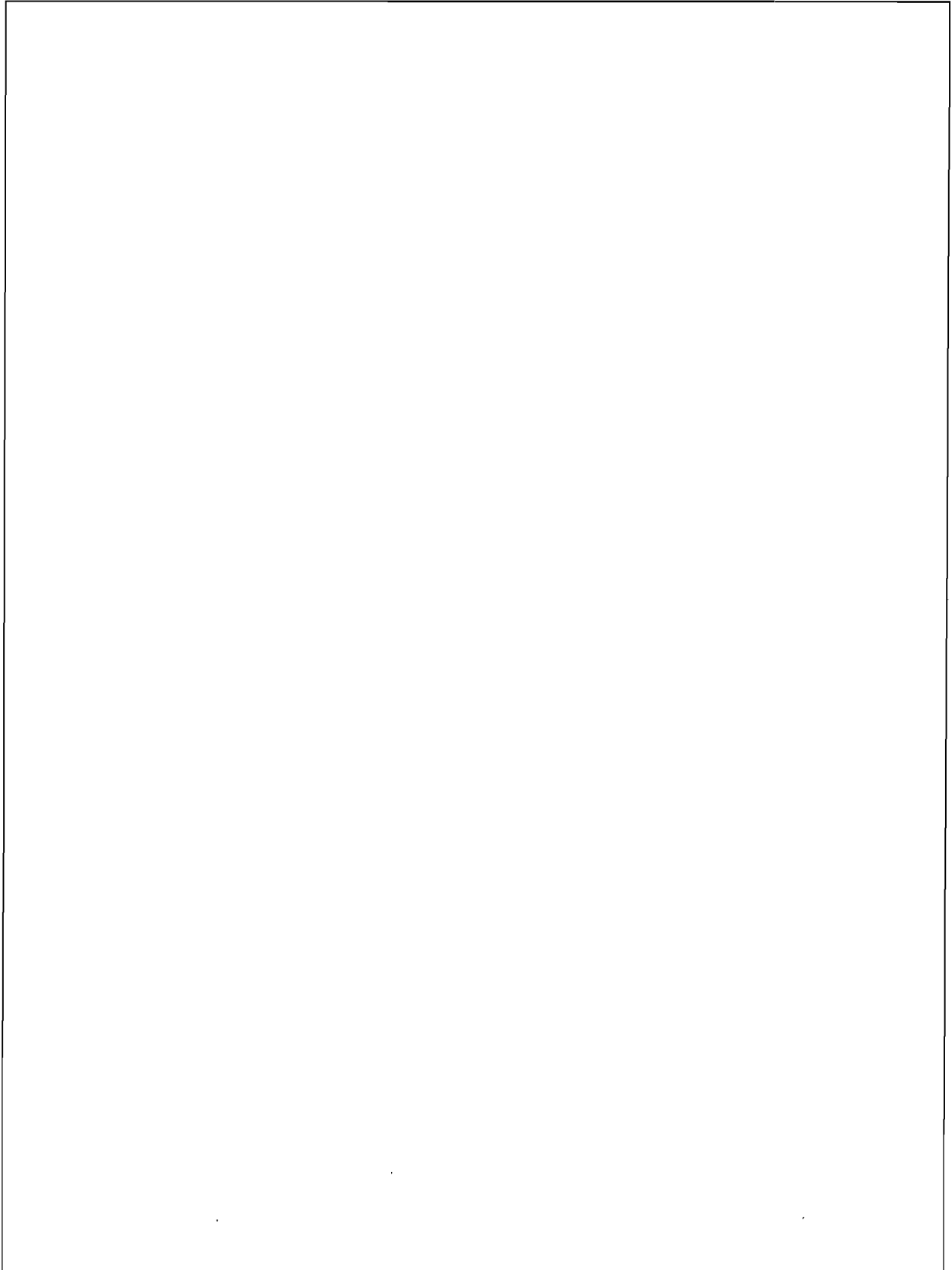
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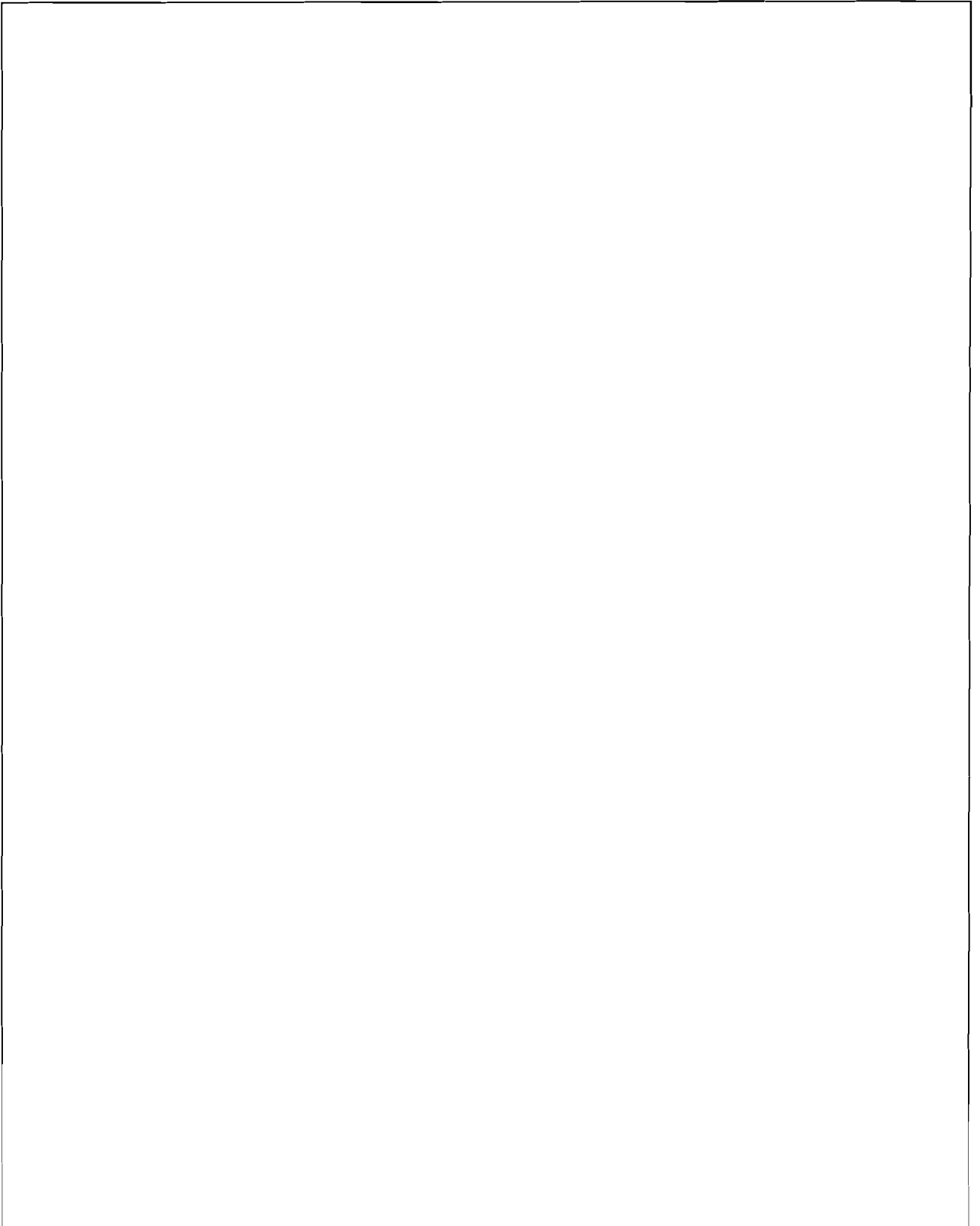
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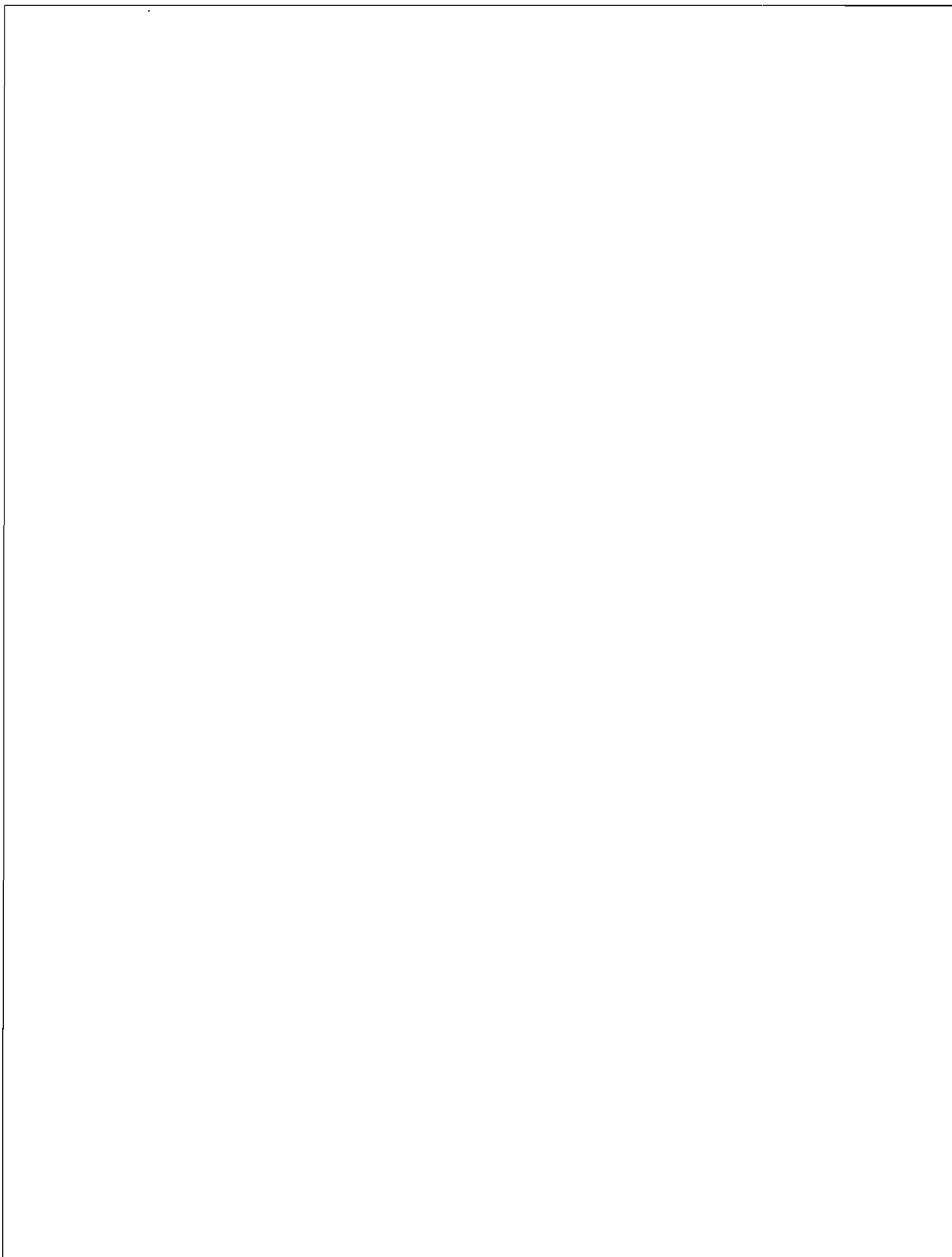


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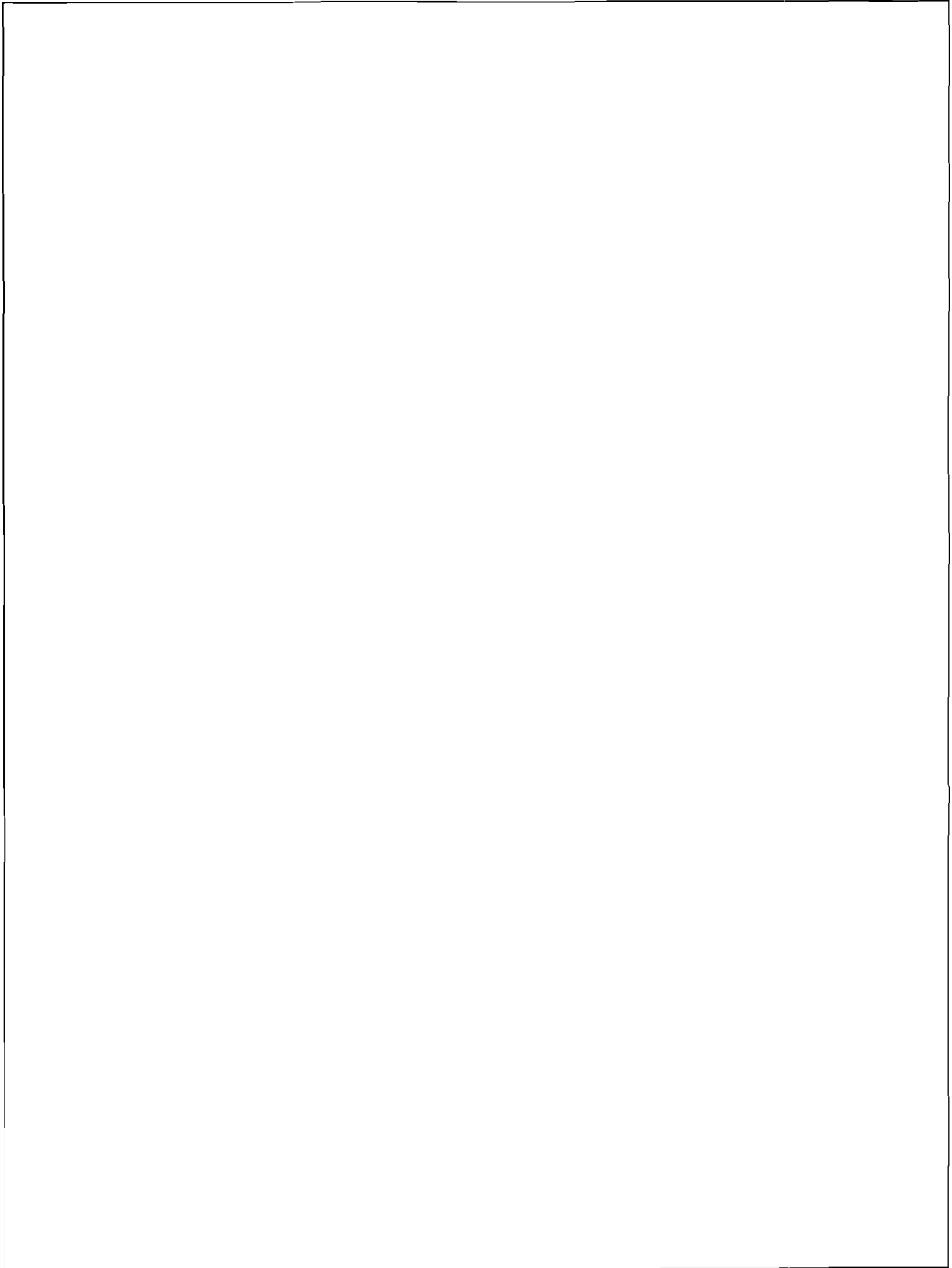
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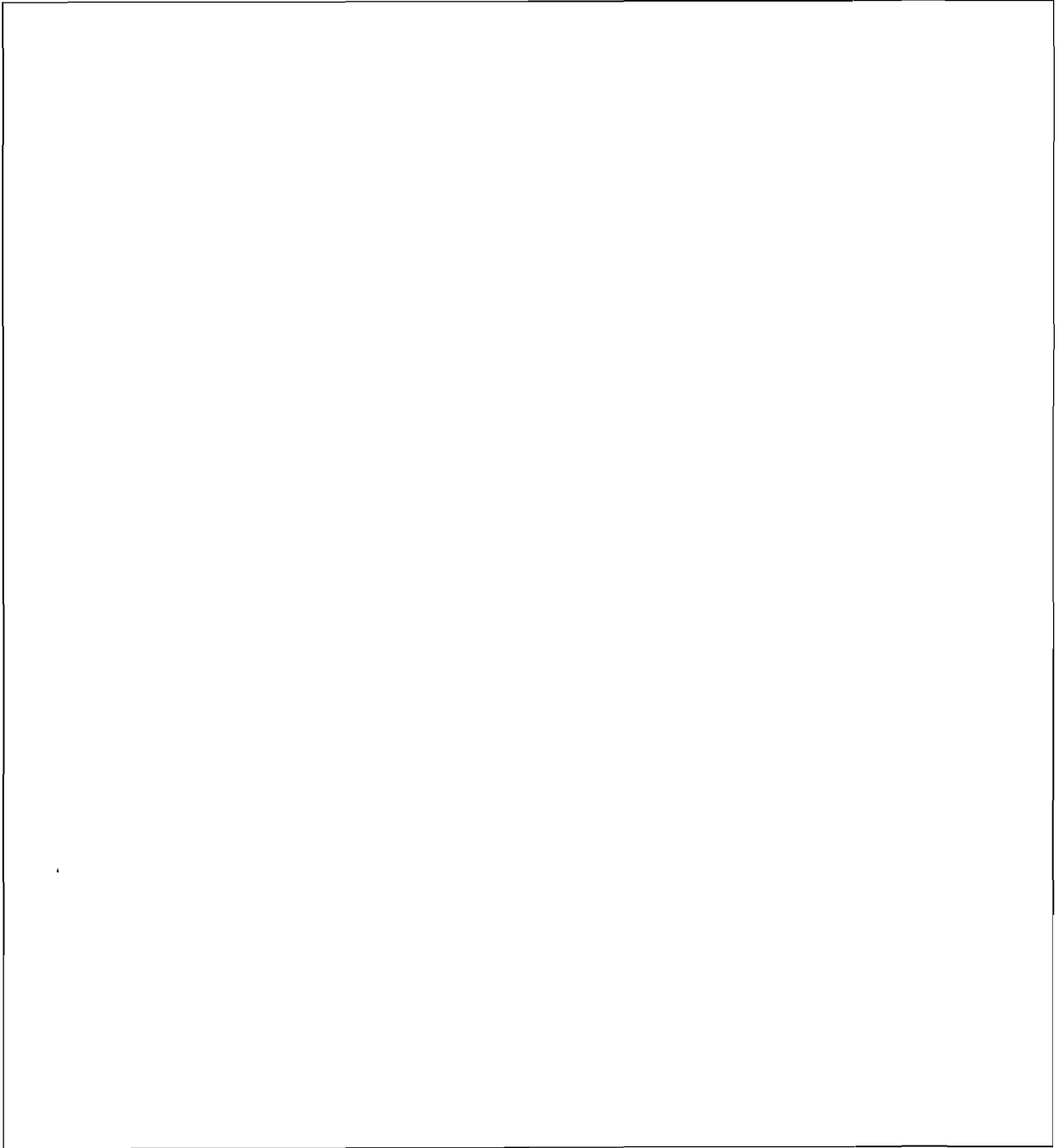
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## STATUTORY REQUIREMENTS

(U) This report is submitted pursuant to section 17 of the CIA 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 (OIG) 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.

(U) This office proposes the following three amendments to the statutory Inspector General provisions at 50 USC 403q, in order to clarify reporting requirements and the scope of the Inspector General's subpoena authority.

(U) In 1997, Public Law 105-107 provided the Inspector General with authority, included in 50 USC 403q(e)(5), to issue subpoenas for information relating to the performance of the Inspector General's duties and responsibilities. However, that Public Law failed to eliminate the requirement in 403q(d)(1)(E) that the Inspector General's Semiannual Report to the Director, which is required to be submitted to the Congress, include:

A description of all cases occurring during the reporting period where the Inspector General could not obtain documentary evidence relevant to any inspection, audit,

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or investigation due to his lack of authority to subpoena such information.

With the grant of subpoena authority, this provision is no longer applicable and should be deleted.

(U) Next, the grant of subpoena authority was accompanied, in 403q(e)(5)(E), by a requirement that the Inspector General submit reports to the Congressional Intelligence Committees no later than January 31 and July 31 of each year regarding the exercise of that authority during the preceding six months. Under 403q(d)(1), the Inspector General is required to submit semiannual reports to the Congressional Intelligence Committees through the Director no later than January 31 and July 31 summarizing the activities of the Office of Inspector General *"during the immediately preceding six-month period ending December 31 (of the preceding year) and June 30 respectively."* The result is that the periods covered by the two reporting requirements differ by one month and that two separate reports are required within a few weeks of one another, with the Semiannual Report going through the Director and the subpoena report going to those Committees directly from the Inspector General. It would be more efficient to make the Semiannual Report comprehensive and eliminate the separate subpoena report. Therefore, OIG proposes deleting the existing subsection 403q(e)(5)(E) and inserting the requirement as a new section 403q(d)(1)(E), in place of the existing subsection (1)(E) that should be deleted as explained above. Thus, the Semiannual Report would include the information concerning subpoena use during the same calendar period as is covered by the remainder of the Semiannual Report.

(U) Finally, subsection 403q(e)(5)(B) provides that the Inspector General's subpoena authority cannot be used to obtain information from "Government agencies." The legislative history of this provision makes clear that it was intended to have the same limiting effects as the provision in the Inspector General Act of 1978, 5 USC App. 3., section 6(a)(4), which prevents other Inspectors General from using their subpoena authority to obtain information from "Federal agencies." This intent is supported by the

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capitalization of the word "Government" in this subsection of the CIA Inspector General Act. However, in order to eliminate any ambiguity or argument as to the effect of this language, the word "Government" should be replaced by the word "Federal" in subsection 403q(e)(5)(B).

(U) These proposals have been submitted to the Agency for inclusion in the Administration's FY 2001 legislative program.

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## STATISTICAL OVERVIEW

### Audit Staff

☐ During the period 1 July to 31 December 1999, the Audit Staff issued 11 audit reports and two special assessments. The Audit Staff made 36 recommendations to improve supply and property management, program effectiveness, management and utilization of the Agency's workforce, financial management, and general management of Agency activities. The Audit Staff had 18 audits ongoing at the end of the reporting period addressing topics such as the Agency's banking operations, administration of the Agency's compartmentation control program, development of the Agency's Human Resource Information System, foreign intelligence relationships, and the Agency's research and development efforts.

### Inspection Staff

(U) During the final six months of 1999, the Inspection Staff issued four inspection reports and one special assessment. The Inspection Staff had six inspections and three special assessments ongoing at the end of the reporting period.

### Investigations Staff

(U) The Investigations Staff completed work on 120 matters of various types during this reporting period. Of this number, 33 cases were of sufficient significance to be the subject of a final report—14 Reports of Investigation and 19 Disposition Memoranda.

(U) Recoveries on behalf of the US Government during this reporting period, as a result of the Investigations Staff's efforts, totaled approximately \$15,400.

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(U) During this period, 10 matters were referred formally to the Department of Justice based upon a reasonable belief that violations of Federal criminal law may have been committed.

(U) As of 31 December 1999, 108 matters were in various states of review by the Investigations Staff.

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## COMPLETED AUDITS AND REVIEWS

1 July - 31 December 1999

### (U) Financial and Information Management

(U) Internal Controls and Compliance With Laws and Regulations for the FY 1998 Financial Statements of the National Reconnaissance Office

☐ Reserve for Contingencies 1 October 1995 - 30 September 1998

(U) Audit of the Directorate of Administration's Implementation of Activity-Based Costing

### (U) General Administration

(U) Administration of the Agency's Financial Disclosure Program

(U) Review of Premium Pay Policies for Security Protective Service Training Activities (Special Assessment)

(U) Review of Agency Internal Controls Over Employees Filing State Tax Withholding Exemption Certificates (Special Assessment)

### (U) Operational Functions and Activities

☐  Operations at Overseas Field Sites

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**(U) Procurement and Property Management**

(U) Administration of Accountable and Controlled Property

(U) Follow-up Audit of Administration of Accountable and  
Controlled Property - Agency Technology Services

(U) Follow-up Audit of Administration of Accountable and  
Controlled Property - Office of Communications

(U) Follow-up Audit of Administration of Accountable and  
Controlled Property -

(U) Follow-up Audit of Administration of Accountable and  
Controlled Property -

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## ONGOING AUDITS

31 December 1999

### (U) Financial and Information Management

(U) Agency's Debt Collection Process

(U) ☐

(U) Personal Computer (PC) Loaner Programs

(U) Audit of the Fiscal Year 1999 Financial Statements of  
the Central Services Working Capital Fund

☐ Audit of Selected ☐ Field Stations

### (U) General Administration

(U) Administration of Medical Examinations Provided  
by the Office of Medical Services

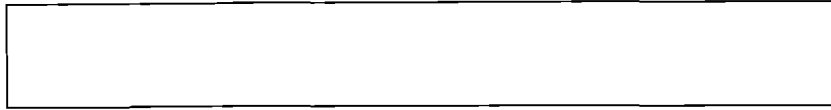
(U) Audit of the Agency's Development of the Human  
Resource Information System

(U) Audit of the ☐

(U) Administration of the Agency's Compartmentation  
Control Process

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

☐ Audit of the Activities of the Special  
Middle East Task Force



☐ Joint Review of Foreign Intelligence Relationships

**(U) Procurement and Property Management**

(U) Survey of Agency Contracting Practices Associated  
With Independent Contractors

(U) Audit of Price Analysis Performed on  
Fixed Price Contracts

(U) Survey of the Agency's Research and Development Efforts

(U) Control of Government Furnished Equipment in the  
Possession of Contractors

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## **COMPLETED INSPECTIONS**

**1 July 1999 - 31 December 1999**

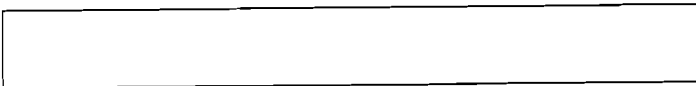
- (U) Office of Asian Pacific and Latin American Analysis
- (U) Nonproliferation Center
- (U) Counterproliferation Center
- (U) The Agency's Assignment Policy and Practices
- (U) The CIA's Relationship with the Department of Energy's  
National Laboratories

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## CURRENT INSPECTIONS

31 December 1999

- (U) Special Assessment of CIA Support to Export Control Enforcement and the Export Control Process
- (U) A Review of the 1998 National Intelligence Estimate on POW/MIA Issues and the Charges Levied by a Critical Assessment of the Estimate
- (U) Special Assessment of the Office of the DDCI for Community Management
- (U) Office of Near Eastern, South Asian, and African Analysis
- (U) Office of Military Affairs
- (U) Military Support Program
- (U) Printing and Photography Group
- (U) The Hard Targets Process
- (U) 
- (U) Military Analysis in the Directorate of Intelligence

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(U) Disclosure of Insider Information and Classified Information

(U) Fabrication of Background Investigations

(U) False Claims

(U) False Travel Accountings

(U) Improper Exportation of Weapon

(U) Improper Handling of Classified Information

(U) Misuse of Government Property - Telephones

(U) Procurement Fraud

(U) Regulatory Violations

☐ Release of Covert Methodology

(U) Theft of Government Funds

(U) Time and Attendance Fraud

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