NATIONAL SECURITY AGENCY/CENTRAL SECURITY SERVICE

(U) SEMI-ANNUAL REPORT TO CONGRESS
1 October 2011 to 31 March 2012

Derived From: NSA/CSSM 1-52
Dated: 20070108
Declassify On: ~~20320108~~

(U) OFFICE OF THE INSPECTOR GENERAL

(U) Chartered by the NSA Director and by statute, the Office of the Inspector General conducts audits, investigations, inspections, and special studies. Its mission is to ensure the integrity, efficiency, and effectiveness of NSA operations, provide Intelligence Oversight, protect against fraud, waste, and mismanagement of resources by the Agency and its affiliates, and ensure that NSA activities comply with the law. The OIG also serves as an ombudsman, assisting NSA/CSS employees, civilian and military.

(U) AUDITS

(U) The audit function provides independent assessments of programs and organizations. Performance audits evaluate the effectiveness and efficiency of entities and programs and their internal controls. Financial audits determine the accuracy of the Agency's financial statements. All audits are conducted in accordance with standards established by the Comptroller General of the United States.

(U) INVESTIGATIONS

(U) The OIG administers a system for receiving complaints (including anonymous tips) about fraud, waste, and mismanagement. Investigations may be undertaken in response to those complaints, at the request of management, as the result of irregularities that surface during inspections and audits, or at the initiative of the Inspector General.

(U) INTELLIGENCE OVERSIGHT

(U) Intelligence Oversight is designed to ensure that Agency intelligence functions comply with federal law, Executive Orders, and DoD and NSA policies. The Intelligence Oversight mission is grounded in Executive Order 12333, which establishes broad principles under which Intelligence Community components must accomplish their missions.

(U) FIELD INSPECTIONS

(U) Inspections are organizational reviews that assess the effectiveness and efficiency of Agency components. The Field Inspections Division also partners with Inspectors General of the Service Cryptologic Elements and other IC entities to jointly inspect consolidated cryptologic facilities.

(U) A MESSAGE FROM THE INSPECTOR GENERAL

(U) This report summarizes the more significant activities of the Office of the Inspector General (OIG) of the National Security Agency/Central Security Service between 1 October 2011 and 31 March 2012. The report is mandated by the Inspector General Act of 1978.

(U) During the reporting period, the NSA OIG completed 12 audits, inspections, and special studies.

(U) The Audits Division completed eight audits spanning information technology, compliance with law and policy, and operations.

(U) The Inspections Division completed reports on two joint inspections of NSA field sites.

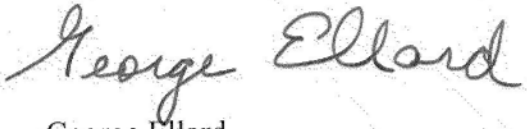
(U) The Intelligence Oversight Division completed two special studies of operations and compliance with law and policy.

(U) The Investigations Division fielded 578 contacts from the OIG Hotline. The team opened 77 investigations and closed 45 in the reporting period.

(U) Each report and special study contained recommendations on which the OIG and NSA management concurred, designed to improve the efficiency and effectiveness of the programs under review. The OIG tracks recommendations until they have been implemented and regularly reports to the NSA Director on the status of open recommendations. Of the 223 recommendations issued in the reporting period, 77 have been closed.

(U) The Agency continues to recognize the independence of the OIG and has given that Office the resources it needs to fulfill its function.

(U) This semi-annual report, by concentrating on the findings of audits and other studies, points to areas in which the Agency can make improvements. Senior management seems committed to making those changes and is to be commended for its continued successful dedication to NSA's mission.



George Ellard
Inspector General

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(U)

(U) SIGNIFICANT PROBLEMS, ABUSES, AND DEFICIENCIES

(U) Recommendations for Corrective Action

(U) OIG studies during the reporting period did not reveal particularly serious or flagrant problems, abuses, or deficiencies related to the administration of Agency programs and operations requiring immediate reporting to the Director and Congress.

(U//~~FOUO~~) Completed reports did identify two significant problems related to Agency operations and made appropriate recommendations. Agency managers agreed with all recommendations.

(U//~~FOUO~~) **Audit of ARCANAPUP Modernization Effort**

(U//~~FOUO~~) The audit revealed that ARCANAPUP, which was to replace the outdated National Time Sensitive System (NTSS), has failed to deliver critical mission capabilities on schedule and at estimated cost. The following significant recommendation was made:

- (U//~~FOUO~~) Conduct a Strategy Decision Review in accordance with NSA/CSS Policy Manual 8-1 and document the results in a Strategy Decision Memorandum. Documentation required to support the decision should include validated requirements and complete budget data for the program.

(U//~~FOUO~~) Management has terminated the ARCANAPUP Program.

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(U//~~FOUO~~) **Audit of NSA/CSS Wireless Networks and Devices**

(~~C//REL TO USA, FVEY~~) The audit concluded that the Agency has not defined and implemented an enterprise wireless Information Assurance program. As a result,

To combat this risk, the OIG made the following significant recommendation:

- (U//~~FOUO~~) Develop an Agency wireless Information Assurance program, in accordance with CNSS Policy No. 17, that assigns the responsibility of oversight, coordination, and inventory management control of all authorized wireless networks and devices within the Agency.

(U) Management plans to implement this recommendation by 30 September 2012.

(U) Significant Revised Management Decisions

(U//~~FOUO~~) **Investigation of Nepotism**

(U//~~FOUO~~) The NSA/CSS Office of General Counsel (OGC) retracted its concurrence with a finding in an OIG Report of Investigation that an Agency employee had violated the "nepotism statute," 5 U.S.C. §3110.

(U) **Misuse of Government-Owned Vehicles**

(U) On the basis of an OIG Report of Investigation, the Inspector General concluded that an NSA manager had willfully authorized the use of government vehicles for unofficial purposes in violation of a federal statute. OGC concurred with this finding. The OIG referred the report to NSA's Office of Employee Relations, which proposed certain disciplinary steps to the "Deciding Official." The Deciding Official found that the manager had not willfully authorized the misuse of government vehicles; the official "set aside" the charge against the manager and imposed no discipline.

(U) AUDITS

(U) Audits Completed in the Reporting Period

(U) High-Performance Computing

(U//~~FOUO~~) High Performance Computing – Special Programs Office [redacted] provides programmatic leadership and technical expertise on the design, development, and fielding of mission-essential high-performance computers and special-purpose devices to support Cryptanalysis and Exploitation Services. The objective of this audit was to determine whether [redacted] follows the Agency contracting process (i.e., contract award and contract monitoring). The audit revealed that increased competition and improvements in the contracting process are needed and that invoices are sometimes paid without appropriate documentation.

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(U) Cyber Threat and Vulnerability Information Sharing

(U//~~FOUO~~) NSA/CSS shares cyber threat and vulnerability information with external cybersecurity centers by sending information electronically to customers. Although effective, this method of sharing is limited to transmitting text-based reports. NSA/CSS recognizes that it must expand dissemination methods to support [redacted] Review of the Agency's mechanisms to transmit text-based reports of cyber threat and vulnerability information to external cybersecurity centers revealed that information is effectively sent from NSA/CSS and received by the cybersecurity centers' parent agencies. However, the mechanisms [redacted]

(U) General and Application Controls for the Defense Civilian Payroll System (DCPS)

(U//~~FOUO~~) NSA/CSS has been working to make its financial statements auditable by evaluating processes and supporting business systems. As part of this preparation, the NSA/CSS Comptroller requested a review of DCPS. Ineffective internal controls could have a significant effect on the Agency's financial statements. We reviewed 17 general controls that focused on the DCPS general operating environment and 14 application controls to determine effectiveness of the system controls. We found 17 control deficiencies within DCPS but concluded that, although they were significant, they did not constitute a material weakness.

(U//~~FOUO~~) ARCANAPUP Modernization Effort

(~~C//REL TO USA, FVEY~~) ARCANAPUP is tasked with delivering a mission-critical messaging capability that will replace the National Time Sensitive System (NTSS) architecture. At full operational capability, ARCANAPUP will process and transmit time-sensitive Signals Intelligence messages to worldwide customers. Originally planned as a 24-month, [redacted] effort, ARCANAPUP has not delivered any capabilities in more than five years of development because of insufficient involvement of project owners, limited management oversight, and lack of full-time, experienced program management personnel. ARCANAPUP has required additional funding and has not been able to mitigate the risks

associated with the legacy [redacted] After the OIG audit report was released, management terminated ARCANAPUP.

(U) [redacted]

(~~TS//SI//REL TO USA, FVEY~~) [redacted] This audit was initiated in response to an anonymous hotline complaint on the OIG's website that [redacted] new user interface is at times unstable to the point that it is unusable, has serious quality and stability problems, and had not been adequately tested before deployment. The audit substantiated these allegations.

(U) **NSA/CSS Wireless Networks and Devices**

(~~C//REL TO USA, FVEY~~) Wireless networks and devices [redacted]

(~~C//REL TO USA, FVEY~~) The Agency's [redacted]

(U) **Acquisition Security Process**

(U//~~FOUO~~) NSA/CSS Associate Directorate for Security and Counterintelligence, in partnership with the Senior Acquisition Executive, created the [redacted] to address risks of foreign ownership, control, or influence (FOCI) posed by [redacted] approval is required for all unclassified software, hardware, firmware, and Information Technology (IT) service procurements, all acquisitions with known FOCI, and all acquisitions of products of foreign origin. Although the Acquisition Security Process seems to provide customers an efficient means of assessing the risk of proposed IT vendors, the effectiveness of the Acquisition Security Process in mitigating vendor risk is uncertain.

(U) **Improper Payments Elimination and Recovery Act (IPERA)**

(U//~~FOUO~~) The Improper Payments Information Act of 2002 (IPIA) requires federal agencies to review all programs and activities annually to identify those susceptible to significant improper payments, estimate the amount of improper payments, and report to Congress. IPERA amended IPIA to reduce improper payments by intensifying efforts to eliminate payment error, waste, fraud, and abuse in major federal programs. Our audit concluded that NSA/CSS is not compliant with IPERA: The Agency's Financial Report (AFR) is missing several required disclosures, figures in the IPERA reporting section of the FY2011 AFR are inaccurate, and testing for FY2011 was incomplete.

(U) Significant Recommendations Outstanding in Previous Semi-Annual Reports

(U) **Cross Domain Solutions (CDSs)**

(U//~~FOUO~~) The audit objective was to determine whether CDSs effectively and efficiently protect Agency networks. A CDS is a controlled interface that allows the secure transfer of data between domains with different security levels (e.g., Top Secret to Unclassified).

~~(S//REL TO USA, FVEY)~~ **Finding** Agency CDSs

(U//~~FOUO~~) **Recommendation** Improve Agency CDS operations for all operational CDSs.

(U//~~FOUO~~) **UPDATE:** The Technology Directorate (TD) is developing a security baseline that includes This action is due 1 April 2012. This recommendation remains OPEN.

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(b)(3)-P.L. 86-36

(U) **Mission Assurance Continuity of Operations Compliance and Testing**

(U//~~FOUO~~) In August 2008, NSA identified 14 Mission Essential Functions (MEFs) that must be performed in all circumstances. As of August 2009, Agency organizations had been identified as responsible for performing essential tasks that support one or more of the 14 MEFs.

~~(C//REL TO USA, FVEY)~~ **Finding** A small percentage of the organizations maintained complete, updated, and operationally tested Continuity of Operations (COOP) plans.

(U//~~FOUO~~) **Recommendation** Track organization compliance in developing complete COOP plans and performing annual updates and testing.

(U//~~FOUO~~) **UPDATE:** Evaluation of COOP plans continues. Enterprise Mission Assurance has developed a tool to evaluate NSA/CSS COOP plans more comprehensively. This recommendation remains OPEN.

(b)(3)-P.L. 86-36

(U) **Agency Controls for IT Hardware Purchases**

(U//~~FOUO~~) The audit concluded that the Agency's Supply Chain Risk Management (SCRM) strategy

(U//~~FOUO~~) **Finding** controls

(U//~~FOUO~~) **Recommendation**

(U//~~FOUO~~) **UPDATE:** This action was due November 2011. TD has not provided this policy. This recommendation remains OPEN.

(U//~~FOUO~~) **Recommendation**

(U//~~FOUO~~) **UPDATE:** This action was due November 2011. This recommendation remains OPEN.

(U//~~FOUO~~) **Finding** No central management of [redacted] incidents

(U//~~FOUO~~) **Recommendation** [redacted]

(U//~~FOUO~~) **UPDATE:** This action was due September 2011. TD has not provided these procedures. This recommendation remains OPEN.

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(U) **Nuclear Command and Control (NC2)**

(U//~~FOUO~~) The NC2 program [redacted] Since 2003, approximately 350 recommendations related to NC2 have been made by auditors and vulnerability assessment teams. The focus of the current audit was to ensure that actions taken satisfied previous recommendations. In addition, the audit reviewed new problems discovered since a 2006 OIG audit.

(U) **Finding** Some recommendations from a 2005 Vulnerability Assessment remain open.

(U//~~FOUO~~) **Recommendation** Complete the testing and approval requirements for the accountability system to provide 100 percent assurance of the [redacted]

(U//~~FOUO~~) **UPDATE:** This action is due third quarter of FY2012.

(U) **Finding** Problems with previously closed recommendations

(~~S//NF~~) **Recommendation** [redacted] and establish a timeline for completion. (Management did not provide a corrective action plan for this recommendation.)

(U//~~FOUO~~) **UPDATE:** NC2's response to this recommendation is being coordinated with the Information Assurance Directorate. This recommendation remains OPEN.

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(b)(3)-50 USC 3024(i)
(b)(3)-P.L. 86-36

(U) Ongoing Audits

(U) **Price Reasonableness Determinations for Agency Contracts**

(U//~~FOUO~~) The audit objective is to determine whether the Directorate of Acquisition complies with Federal Acquisition Regulation requirements for determining price reasonableness and NSA/CSS Policy 8-4, *Competition in Contracting*.

(U//~~FOUO~~) [redacted] **Program**

(U//~~FOUO~~) The audit objective is to determine whether system and security controls sufficiently protect the Agency's [redacted] cyber security program data and information, in accordance with Intelligence Community Directive 503, *Intelligence Community Information Technology Systems Security, Risk Management, Certification and Accreditation.*

(U) **Export Controls**

(U//~~FOUO~~) The audit objective is to determine whether NSA's export control process complies with laws, regulations, and authorities.

(U) **Network Enclave Management**

(U//~~FOUO~~) The objective of this audit is to assess the efficiency and effectiveness of transitioning from decentralized management of Agency network enclaves to the consolidated management approach proposed in the Agency's IT Efficiencies Initiative.

(U) **Cleared Defense Contractor Access to NSANet**

(U//~~FOUO~~) The audit objective is to determine whether cleared defense contractors IT security controls protect Agency data and information in accordance with Intelligence Community Directive 503, *Intelligence Community Information Technology System Security Risk Management, Certification and Accreditation*.

(U) **Government Micro-Purchase Card (MPCC) Program**

(U//~~FOUO~~) The objective of this audit is to determine whether the Agency's MPCC program complies with Department of Defense and Agency policies and regulations.

(U) [redacted]

(U//~~FOUO~~) The NSA Comptroller has requested a review of application controls in the Agency's Contracting Management Information System [redacted] as part of the Agency's quest to achieve financial auditability.

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(U) **Human Resources Management System**

(U//~~FOUO~~) The NSA Comptroller has requested a review of application controls in the Agency's Human Resources Management System as part of the Agency's quest to achieve financial auditability.

(U) **Peer Review of the National Geospatial Intelligence Agency (NGA) OIG**

(U//~~FOUO~~) The objective of this external peer review is to determine whether the system of quality control of the NGA OIG was suitably designed and whether the audit organization is complying with that system to provide reasonable assurance of conformance with professional standards.

(U) **United Kingdom Tax Program for Defense Contractors**

(U//~~FOUO~~) The objective of this audit is to determine whether NSA is managing the UK tax program for defense contractors in compliance with applicable agreements between the United States and the United Kingdom.

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(U) INSPECTIONS

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(U) Inspections Completed in the Reporting Period

(U//~~FOUO~~) **Joint Inspection of**

(U//~~FOUO~~) The site is led by a well-established, mission-focused Chief. Civilian morale is very strong. However, the command continually confronts leadership, training, and military morale challenges in a high operations tempo and demanding environment in which the majority of military personnel serve one-year tours.

~~(C//REL TO USA, FVEY)~~ operational missions are generally healthy, with some minor exceptions. training programs are effective, but the support structure is challenged by insufficient resources. Intelligence Oversight is solid. Security is exemplary with strong programs, including personnel security and temporary duty outreach.

~~(C//REL TO USA, FVEY)~~ Despite efforts of personnel, findings from the 2004 Joint IG inspection that had been previously resolved have resurfaced, resulting in a number of repeat findings. Manning, experience, and training challenges within the combined with an extensive lack of documentation continue to put at risk of serious degradation.

~~(C//REL TO USA, FVEY)~~ **Joint Inspection of**

~~(C//REL TO USA, FVEY)~~ The site, which has a high-profile mission, is well-run. Quality of life and morale are strong, and the military/civilian relationship is among the best that the Senior IGs have observed. However, site leadership continually confronts inconsistent support from NSA/CSS Washington (NSAW) and a lack of a clear Headquarters strategic plan regarding the future of the site. Although missions continue to grow at

(U//~~FOUO~~)
NSA/CSS-hosted extended enterprise site. NSAW organizations responsible for supporting have not fully implemented NSA/CSS Policy 1-3, *NSA/CSS Governance*. This has had numerous consequences, particularly in budget and finance. This limits the commander's ability to make programmatic decisions necessary to sustain functions efficiently and effectively.

(U) Significant Recommendations Outstanding in Previous Semi-Annual Reports

(U//~~FOUO~~) **Joint Inspection of**

(U//~~FOUO~~) **Finding** Fire Suppression System Lacking

(U//~~FOUO~~) Lack of a fire suppression system in seriously degraded the ability to protect life and critical equipment.

(U//~~FOUO~~) **UPDATE:** The project was completed in February 2012. This finding is now CLOSED.

(U) **Multiple Joint Inspections from FY2005 to FY2010 Regarding USSID CR1200**

~~(C//REL TO USA, FVEY)~~ United States Signals Intelligence Directive (USSID) CR1200, *Concept of SIGINT Support to Military Commanders*, provides guidance on SIGINT support to military commanders and operations. Published in 1998, this USSID is severely outdated.

(U) **UPDATE:** The Signals Intelligence Directorate (SID) intends to cancel this USSID.

(U) Ongoing Inspections

(U//~~FOUO~~) **Field Inspection of Utah Regional Operations Center (UROC)**

(U//~~FOUO~~) The NSA/CSS Inspections Division conducted a field inspection of UROC from 31 October through 4 November 2011. The final report is in coordination.

(U//~~FOUO~~) **Joint Inspection of NSA/CSS Colorado (NSAC)**

(U//~~FOUO~~) The NSA/CSS Inspections Division conducted a Joint Inspection of NSAC from 23 January through 3 February 2011. The final report is in coordination.

(U) SPECIAL STUDIES

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(U) Special Studies Completed in the Reporting Period

~~(TS//SI//NF)~~ Audit of NSA Controls to Comply with the Foreign Intelligence Surveillance Court Order Regarding Business Records (BR) Retention

~~(TS//SI//NF)~~ From April through June 2011, the OIG performed testing and procedural reviews to assess the Agency's compliance with the Foreign Intelligence Surveillance Court Order Regarding BR Retention. We found no instances of non-compliance with the terms of the Order for calendar year 2011. However, we noted three areas for improvement: (1) develop a plan and written procedures to document the Agency's BR retention process, (2) develop a process to research quarantined records, and (3) accurately document parser configurations.

(U//~~FOUO~~) **Review of**

~~(S//REL TO USA, FVEY)~~ We reviewed and determined that is meeting statutory and regulatory standards No regulation or policy prevents or NSA leadership from

(U) Significant Recommendations Outstanding in Previous Semi-Annual Reports

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(U) **Data Sharing with Third-Party Partners**

(U//~~FOUO~~) NSA's Third Party partners are nations other than Australia, Canada, New Zealand, and the United Kingdom with which the U.S. government has national SIGINT arrangements. The purpose of the review was to determine whether policies and procedures are in place to ensure compliance with authorities for sharing with Third-Party partners.

(U//~~FOUO~~) **Finding** SID's dissemination of to Third-Party partners lacks adequate controls.

(U//~~FOUO~~) **Recommendation** Review and revise the 2007 oversight process for disseminating to partners, including procedures. Inform the workforce of the revised process.

(U//~~FOUO~~) **UPDATE:** Although SID has developed a process, it still has not formally approved it or communicated it to the workforce.

(U//~~FOUO~~) **Recommendation** Establish a standard process for handling all Third-Party partner

(U) **UPDATE:** SID has established a standard process for handling all Third-Party requests. This recommendation is now CLOSED.

(U//~~FOUO~~)

(U//~~FOUO~~) After the 11 September 2001 terrorist attacks on the United States, NSA established a

(U//~~FOUO~~) **Finding** lacks essential authorizing mission documentation and standards.

~~(C//REL TO USA, FVEY)~~ **Recommendation** Publish and publicize the missions and functions of clearly defining the division of effort, prioritization, measures of success, and responsibilities of personnel.

(U//~~FOUO~~) **UPDATE:** has drafted documentation. This recommendation remains OPEN.

(U//~~FOUO~~) **Finding** lacks an Intelligence Oversight (IO) program.

(U//~~FOUO~~) **Recommendation** Designate an IO Officer focused on IO standards and practices to establish an SOP that clearly delineates the standards for accepting, loading, processing, storing, reporting, and querying data associated with U.S. persons in accordance with DoD Regulation 5240.1-R and other regulations and instructions.

(U//~~FOUO~~) **UPDATE:** has drafted documentation. This recommendation remains OPEN.

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(U) **Non-Traditional Dissemination Methods: Dissemination Strategy Evaluation**

(U//~~FOUO~~) NSA has implemented various non-traditional dissemination methods to address a Presidential call for increased information sharing. This review, which focused on select processes and tools that analysts use for non-traditional dissemination, revealed that the Signals Intelligence Directorate (SID) does not have a comprehensive dissemination plan and that implementation of the IC-wide information-sharing system known as has resulted in confusion and overly restrictive limitations on its use.

(U//~~FOUO~~) **Finding** SID does not have a comprehensive SIGINT dissemination plan.

(U) **Recommendation** Conduct a strategic review of dissemination policy and create a comprehensive plan.

(U//~~FOUO~~) **UPDATE:** SID has made significant progress on the recommendation. SID drafted a directive that will provide overarching dissemination policy, and it completed an analysis of factors influencing dissemination eligibility for various forms of SIGINT. Although the recommendation will remain OPEN until the directive is signed, the recommendation will not be reported in future semi-annual reports unless progress stalls.

(U) Ongoing Special Studies

(U//~~FOUO~~) **Management Controls to Implement the Foreign Intelligence Surveillance Act (FISA) Amendments Act of 2008**

(U//~~FOUO~~) The objective of this study is to determine whether NSA controls are adequate to provide reasonable assurance that the Agency complies with the terms of the FISA Amendments Act.

(U//~~FOUO~~) **Computer Network Exploitation by**

(U//~~FOUO~~) The objective of this study is to evaluate operations for compliance with NSA policies and procedures and other authorities.

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(U//~~FOUO~~)

(U//~~FOUO~~) The objective of this study is to assess the handling and protection of raw SIGINT data associated with to ensure compliance with NSA authorities.

~~(TS//SI//NF)~~ NSA Controls for FISC Order Regarding Business Records (BR) Collection

~~(TS//SI//NF)~~ The objective of this study is to determine whether Agency controls are adequate to provide reasonable assurance that NSA complies with the terms of the Foreign Intelligence Surveillance Court Order for BR for collection of BR metadata.

(U) **Intelligence Oversight and Inherently Governmental Functions**

(U) The objective of this study is to assess the appropriateness of contractors fulfilling compliance functions.

(U//~~FOUO~~)

~~(S//REL TO USA, FVEY)~~ The objective of this study is to evaluate the efficiency and effectiveness of support to

(b)(1)
(b)(3)-50 USC 3024(i)
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(U) INVESTIGATIONS

(U) Summary of Prosecutions

(U) In November 2011, one of three family members charged with conspiracy to commit wire fraud arising from a fraudulent billing scheme on an NSA contract pled guilty to that charge. The scheme resulted in approximately $1,455,000 worth of payments fraudulently received from NSA.

(U) In December 2011, a federal jury found the other family members guilty of conspiring to commit and committing wire fraud arising from a fraudulent billing scheme. The three defendants had instructed employees to inflate the number of hours spent on NSA jobs.

(U) In March 2012, the individuals convicted by jury were both sentenced to 18 months in prison followed by a year of home detention as part of three years of supervised release. One of the family members was ordered to pay a $100,000 fine, and both were ordered to pay total restitution of $247,631.83. The third family member was sentenced to 15 months in prison followed by one year of home detention as part of three years of supervised release. She was also ordered, upon her release from prison, to pay restitution of $300,000.

(U) Referrals

(U//~~FOUO~~) The OIG Investigations Division has referred two matters to the Office of the U.S. Attorney for the District of Maryland. The first involves a kick-back scheme; the second, contract labor mischarging.

(U) OIG Hotline Activity

(U) The Investigations Division fielded 578 contacts through the OIG Hotline. The team opened 77 investigations and closed 45 in the reporting period.

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(U) APPENDIX A: AUDITS, INSPECTIONS, AND SPECIAL STUDIES COMPLETED IN THE REPORTING PERIOD

(U) Audits

(U) **Information Technology**

- (U) High-Performance Computing
- (U) Information Sharing
- (U) [redacted]
- (U) NSA/CSS Wireless Networks and Devices

(U) **Operations**

- (U) General and Application Controls for the Defense Civilian Payroll System
- (U//~~FOUO~~) ARCANAPUP Modernization Effort
- (U) Acquisition Security Process

(U) **Federal Compliance**

- (U) Improper Payments Elimination and Recovery Act (IPERA)

(U) Inspections

(U) **Joint Inspections**

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

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(U) Special Studies

(U) **Operations**

- (U//~~FOUO~~) Review of [redacted]

(U) **Federal Compliance**

- ~~(TS//SI//NF)~~ Audit of NSA Controls to Comply with the Foreign Intelligence Surveillance Court Order Regarding Business Records (BR) Retention

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(U) APPENDIX B: AUDIT REPORTS WITH QUESTIONED COSTS

(U)

Report	Number	Questioned Costs	Unsupported Costs
For which no management decision had been made by start of reporting period	0	0	0
Issued during reporting period	0	0	0
For which management decision was made during reporting period	0	0	0
Costs disallowed	0	0	0
Costs not disallowed	0	0	0
For which no management decision was made by end of reporting period	0	0	0
(U) Because our recommendations typically focus on program effectiveness and efficiency and strengthening internal controls, the monetary value of implementing audit recommendations often is not readily quantifiable.			

(U)

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(U) APPENDIX C: AUDIT REPORTS WITH FUNDS THAT COULD BE PUT TO BETTER USE

(U)

Report	Number	Amount
For which no management decision had been made by start of reporting period	0	0
Issued during reporting period	0	0
For which management decision was made during reporting period	0	0
Value of recommendations agreed to by management	0	0
Value of recommendations not agreed to by management	0	0
For which no management decision was made by end of reporting period	0	0
(U) Because our recommendations typically focus on program effectiveness and efficiency and strengthening internal controls, the monetary value of implementing audit recommendations often is not readily quantifiable.		

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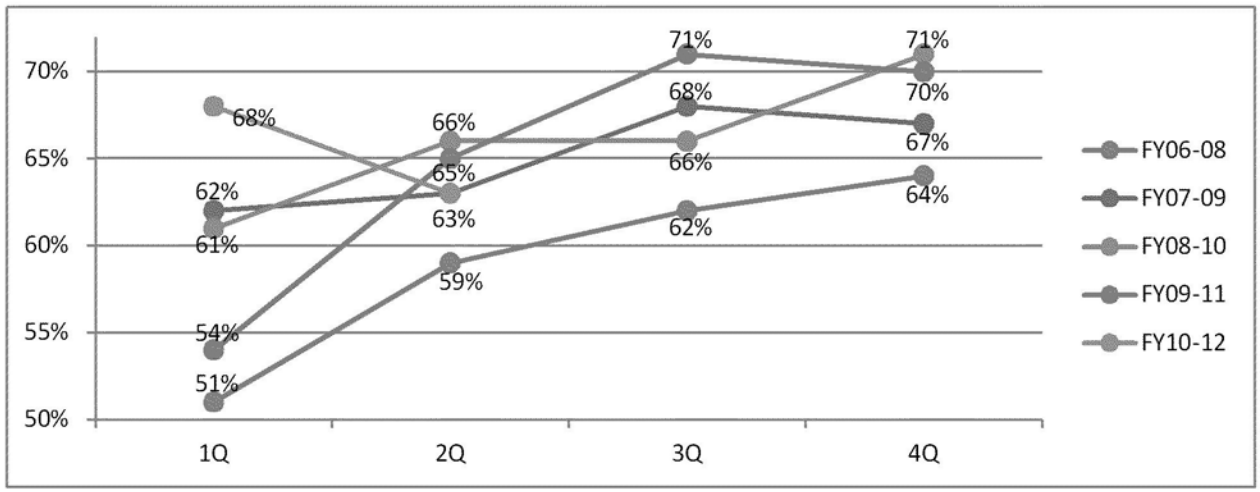
(U) APPENDIX D: RECOMMENDATIONS SUMMARY

(U//~~FOUO~~) The OIG made 223 recommendations to NSA management in reports issued in the first and second quarters of FY2012: 220 in the first and three in the second. During the first and second quarters, the Agency implemented 110 and 136 recommendations, respectively. Figure 1 depicts long-term progress in implementing OIG recommendations on a rolling three-year average.

(U) Figure 1. Implementation Rate Comparison by Quarter

(U//~~FOUO~~)



(U//~~FOUO~~)

(U) Percentages depict progress in implementing recommendations during a three-year period by quarter. Progress in the first two quarters during the current three-year period is consistent with historical norms.

(b)(3)-P.L. 86-36

(U) Managers fully implemented recommendations made in the following reports by the end of the first half of FY2012:

- (U) Audit of the Nuclear Command and Control Program (23 January 2006)
- (U//~~FOUO~~) Special Study of [redacted]
- (U) Audit of the Agency's Streaming Media Capability (4 December 2007)
- (U//~~FOUO~~) Inspection of [redacted] in Office of Target Pursuit (8 March 2008)
- (U) Joint Inspection of NSA/CSS Hawaii (23 April 2008)
- ~~(C//REL TO USA, FVEY)~~ Audit of NSA's Top Secret/Compartmented Information (TS/SCI) Public Key Infrastructure (27 June 2008)
- ~~(S//REL TO USA, FVEY)~~ OIG Inquiry into the Red Team [redacted]
- ~~(C//REL TO USA, FVEY)~~ Audit of the FISA Amendments Act (FAA) §702 Detasking Requirements (1 December 2010)
- (U//~~FOUO~~) Joint Inspection of Yakima Research Station (16 March 2010)
- ~~(C//REL TO USA, FVEY)~~ Inspection of SIGINT Development Strategy and Governance (21 April 2010)
- (U) Audit of Market Research and Competition in Contracting at NSA/CSS (31 January 2011)