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# (U) SEMIANNUAL REPORT TO THE CONGRESS

(U) For the Period October 1, 2006 Through March 31, 2007

(S//REL) [redacted] NSA/CSS IG [redacted]  
[redacted] (all three reports)

(S//REL) Summary. We visited three [redacted] sites selected on the basis of risk, location, and reported oversight issues. Our reviews assessed site operations, local customer support activities, and compliance with intelligence oversight requirements and [redacted]. Based on our findings, [redacted] management agreed to oversee and clarify local tasking procedures; clarify and enforce the requirement that all sites conduct emergency destruction drills; and to provide safety training for personnel

[redacted]

(U) Overall Report Classifications. TOP SECRET//COMINT (all three reports)

(U) Category. Joint Warfighting and Readiness

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(U) Special United States Liaison Officer Canberra, Australia; NSA/CSS IG; IN-06-0008; 16 October 2006

(U//FOUO) Summary. Our inspection of the Special U. S. Liaison Officer Canberra (SUSLOC) found that he and his team are effectively representing the Director, National Security Agency/Chief, Central Security Service (NSA/CSS) and the Agency. They have the confidence of their counterparts in the Australian and New Zealand Signals Intelligence (SIGINT) organizations [redacted]

[redacted]

(U) Management Action. Management concurred with all recommendations; corrective actions are underway.

(U) Overall Report Classification. TOP SECRET//COMINT//REL TO USA, AUS, CAN, GBR, NZL

(U) Category. Joint Warfighting and Readiness

Derived From: NSA/CSSM 1-52  
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**(U) Data Handling Controls Over a Sensitive SIGINT Database; NSA/CSS IG;**  
ST-06-0019; 17 October 2006

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~~(U//FOUO)~~ **Summary.** The NSA/CSS Office of the Inspector General (NSA OIG) conducted a special study to follow up on a [redacted] of Inspector General's [redacted] (OIG) inquiry on a data handling incident. The incident



**(U) Management Action.** Management concurred with our findings and agreed to take corrective action.

**(U) Overall Report Classification.** UNCLASSIFIED//FOR OFFICIAL USE ONLY

**(U) Category:** Joint Warfighting and Readiness

**(U) Information Warfare Support Center; NSA/CSS IG; IN-06-0001; 19 October 2006**

~~(U//FOUO)~~ **Summary.** The Information Warfare Support Center (IWSC) brokers the SIGINT aspects of the information operations (IO) needs of the combatant commands with NSA/CSS and other Department of Defense, Intelligence Community, and government organizations. Our inspection found that, while IWSC customers are generally complimentary about the support they receive, many are confused by the emergence and continuing evolution of other NSA/CSS organizations engaged in various aspects of IO. In addition, loss of personnel and funding issues make it increasingly difficult for the IWSC to provide the level of service customers seek. The inspection determined that maintaining the organizational status quo is not the best course of action. We also found that: 1) customer representatives and internal partners do not understand the IWSC's roles and responsibilities and its relationship with the Joint Functional Component Command for Network Warfare and the NSA/CSS Threat Operations Center; 2) NSA cannot accurately track personnel on Joint Duty Assignment billets and; 3) the IWSC has not corrected five findings from a Communications Security audit in 2003, that, combined with two incidents in 2005, indicate a serious problem that requires urgent attention.

**(U) Management Action.** Management concurred on all recommendations and is taking corrective action.

**(U) Overall Report Classification.** TOP SECRET//COMINT//REL TO USA, AUS, CAN, GBR, NZL

**(U) Category.** Joint Warfighting and Readiness

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(U) **Directorate of Engineering; NSA/CSS IG; IN-06-0011; 6 November 2006**

~~(S//REL)~~ **Summary.** Our organizational inspection of the Directorate of Engineering (DE) found that, despite significant progress in recognizing that Systems Engineering (SE) and enterprise architecture are critical to transformation activities, the Agency still has not completed an operational capabilities baseline [redacted]

[redacted]

(U) **Management Action.** The Director for Business Management and Integration and the Chief Systems Engineer are already acting on our recommendations.

(U) **Overall Report Classification.** SECRET//REL TO USA, AUS, CAN, GBR, NZL

(U) **Category.** Joint Warfighting and Readiness

(U) **NSA/CSS Texas; NSA/CSS IG, INSCOM IG, AIA IG, NNWC IG; JT-06-0004; 5 December 2006**

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~~(U//FOUO)~~ **Summary.** The IG organizations of the U.S. Army's Intelligence and Security Command (INSCOM), Air Intelligence Agency (AIA), Naval Network Warfare Command (NNWC), and NSA conducted a joint inspection of NSA/CSS Texas (NSAT) in August 2006. The team found that NSAT is struggling to transform and grow its missions in accordance with the Mission Alignment and Cryptologic Center Build-out, despite cuts in the resources needed to support such growth. [redacted]

[redacted]

(U) **Management Action.** Management concurred with the findings of the joint inspection team and is taking corrective action.

(U) **Overall Report Classification.** SECRET//COMINT//REL TO USA, AUS, CAN, GBR, NZL

(U) **Category.** Joint Warfighting and Readiness

~~(U//FOUO)~~ **Inspector General Reviews That Indicate Major Systemic Issues;**  
NSA/CSS IG; ST-07-0012; 21 December 2006

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~~(U//FOUO)~~ **Summary.** At the request of the Deputy Chief of Staff, the Office of the Inspector General identified reviews that it completed from 2000 to the present that indicated major systemic issues at NSA. The OIG assigned the following [redacted] categories to these reviews: [redacted]

[redacted]

(U) **Overall Report Classification.** TOP SECRET//COMINT//NOFORN

(U) **Category.** Joint Warfighting and Readiness

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(U) **Satellite Modernization Program;** NSA/CSS IG; AU-06-0007A; 21 December 2006

~~(S//REL)~~ **Summary.** An audit of [redacted] detected an issue that

[redacted]

(U) **Management Action.** Given the competing priorities for funds within the Agency, the Signals Intelligence Directorate will decide, based on a new life cycle cost estimate, whether to pursue different alternatives for this important modernization program.

(U) **Overall Report Classification.** TOP SECRET//COMINT//REL TO USA, AUS, CAN, GBR, NZL

(U) **Category.** Joint Warfighting and Readiness

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~~(U//FOUO)~~ **Access to** [redacted]  
[redacted] NSA/CSS IG; [redacted]

~~(U//FOUO)~~ **Summary.** Our special study found that NSA is [redacted]

[redacted]

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(U) **Management Action.** Management concurred with all recommendations and corrective actions are being taken.

(U) **Overall Report Classification.** SECRET//COMINT//TALENT KEYHOLE//REL TO USA, AUS, GBR

(U) **Category.** Joint Warfighting and Readiness

(U) **NSA/CSS Georgia;** NSA/CSS IG, INSCOM IG, AIA IG, NNWC IG; JT-07-0001; 5 February 2007

(U//~~FOUO~~) **Summary.** The joint inspection team conducted an inspection of NSA/CSS Georgia (NSAG) and found that the importance of the NSAG mission, which directly supports the Global War on Terror, is a great motivator for the entire workforce. Civilian and military leaders have forged good working relationships. Nonetheless, fissures are apparent, related to confusion arising from governance issues and the "pause" in resourcing Mission Build-Out. The near-term viability of some of the new missions [redacted] [redacted] should be reassessed in light of the "pause," which is affecting morale, particularly for assignees sent to stand up new missions. [redacted] need to work with Global Capabilities Managers at NSA, Washington (NSAW), to clearly define the division of effort between NSAG and NSAW target offices. Absent formal guidelines on the "Run Rich" approach to hiring, we found instances where as many as [redacted] people were assigned to a single billet.

(U) **Management Action.** Management concurred with the findings of the joint inspection team and is taking corrective action.

(U) **Overall Report Classification.** SECRET//COMINT//REL TO USA, AUS, CAN, GBR, NZL

(U) **Category.** Joint Warfighting and Readiness

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(U) **Electronic Funds Transfer;** NSA/CSS IG; AU-06-0019; 20 February 2007

(U//~~FOUO~~) **Summary.** The Agency has not fully complied with the law (in effect since 1998) that requires the use of electronic fund transfer (EFT) for virtually all disbursements. After the theft of [redacted] U.S. Treasury checks worth about [redacted] the NSA Comptroller launched an effort to increase the use of EFT for accounts payable transactions; EFT for these payments rose [redacted] in April 2006 to [redacted] in September 2006. The Agency has achieved good compliance in two areas - payroll (about 99 percent) and travel (about 94 percent) of FY2006 transactions - but still falls short of the law's intent, particularly in the area of accounts payable. We found two

principal reasons why checks are still issued for about [redacted] transactions that, by law, should be processed electronically: the Agency's current financial systems are unable to handle [redacted] processes needed for EFT and the Accounting and Financial Services organization has no overall process to identify and document the justification for those recipients who are paid by check.

(U) **Management Action.** The Directorate of Finance concurred with two recommendations and is working with the [redacted] Office to implement the third.

(U) **Overall Report Classification.** TOP SECRET//COMINT//NOFORN

(U) **Category.** Financial Management

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(U) **Communications Security Accountability Program;** NSA/CSS IG, AU-06-0004; 2 March 2007

(U//~~FOUO~~) **Summary.** The audit found that the Agency cannot account for all of the Communications Security (COMSEC) material assigned to its Central Office of Record. For example, [redacted] COMSEC items in the [redacted] accounts we sampled were missing. This lack of accountability is a direct result of the antiquated and labor-intensive process used to account for COMSEC items. [redacted]

[redacted] is very inefficient and prone to errors. Moreover, when government (military and civilian) users reported lost COMSEC material, there was no independent investigation to determine the cause. We also found that many COMSEC audits and semiannual inventories were overdue; [redacted]

(U) **Management Action.** Management officials agreed to act on our recommendations to resolve the internal control weaknesses within the COMSEC accounting program.

(U) **Overall Report Classification.** SECRET//NOFORN

(U) **Category.** Joint Warfighting and Readiness

(U) **Electrical Power Consumption at NSA;** NSA/CSS IG, AU-07-0004; 6 March 2007

(U//~~REL~~) **Summary.** [redacted]

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[Redacted]

(U) **Management Action.** Management agreed to implement our recommendations;

(U) **Overall Report Classification.** TOP SECRET//COMINT//TALENT  
KEYHOLE//NOFORN

(U) **Category.** Other

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(U) **Leased Facilities Planning and Fit-up;** NSA/CSS IG, AU-06-0020; 16 March 2007

(~~S//REL~~) **Summary.** The audit followed up on an allegation regarding problems that delayed occupancy of the new building to house the [Redacted]

[Redacted] Problems in fitting up two leased facilities, including the [Redacted] revealed serious flaws in project oversight by the Facilities Services organization. Long delays and an incomplete communications infrastructure increased the cost of activities conducted at the [Redacted] The Agency paid lease costs of about [Redacted]

Most of these problems can be traced to the lack of comprehensive project management with clear lines of authority.

(U) **Management Action.** The Office of Facilities Services, Office of Physical Security, the Information Technology Directorate, and the Information Assurance Directorate concurred with our recommendations and have already begun corrective action.

(U) **Overall Report Classification.** SECRET//COMINT//NOFORN

(U) **Category.** Joint Warfighting and Readiness

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(U) **NSA's Secure Cellular Phone Program;** NSA/CSS IG, ST-06-0010; 22 March 2007

(~~S//REL~~) **Summary.** The Agency purchased over [Redacted] secure cell phones, primarily due to Congressional earmarks. Our special study found that,

[Redacted]

(~~S//REL~~) **Management Action.** IAD agreed to implement our recommendations

[Redacted]

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[Redacted] appears to be the most cost-effective solution at this time.

(U) **Overall Report Classification.** TOP SECRET//COMINT//NOFORN

(U) **Category.** Joint Warfighting and Readiness

(U) **Office of the Middle East and North Africa;** NSA/CSS IG;IN-06-0006;  
30 March 2007

(U//~~FOUO~~) **Summary.** The Middle East & North Africa Office (MENA) produces Signals Intelligence (SIGINT) to satisfy information needs (INs) of combatant commands and other Department of Defense (DoD), Intelligence Community (IC), and government organizations pertaining to MENA's targets of primary concern. Our organizational inspection found that MENA customers are generally complimentary about the support they receive, and MENA partners reported having a professional, collaborative working relationship with MENA Office personnel. However, MENA's SIGINT Development (SIGDEV) Division is not centrally managing all MENA SIGDEV activities to optimize collaboration and weigh the trade-offs between day-to-day production and future target development.

[Redacted]

(U) **Management Action.** Management concurred with all recommendations and has already begun taking corrective action.

(U) **Overall Report Classification.** SECRET//COMINT//REL TO USA, AUS, CAN, GBR, NZL

(U) **Category.** Joint Warfighting and Readiness

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(U) **Human Resources Information Technology Modernization;** NSA/CSS IG;  
IN-06-0004; 30 March 2007

(U//~~FOUO~~) **Summary.** Various types of human resource (HR) data about Agency affiliates is scattered in directories and databases [Redacted] throughout the Enterprise. This longstanding problem means that decision makers at NSA Headquarters cannot get all the HR information they need when they need it. The proposed solution,

[Redacted]



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(U) **Management Action.** Management concurred with all recommendations; however, resolution will require leadership from the highest levels of management.

(U) **Overall Report Classification.** SECRET//REL TO USA, AUS, CAN, GBR, NZL

(U) **Category.** Human Capital

(U) **Labor Mischarging;** NSA/CSS IG; IV-06-0059; 26 October 2006

(U//~~FOUO~~) **Summary.** The OIG substantiated an allegation that a contract employee mischarged 105.90 labor hours while working on NSA contracts during the 2005 – 2006 timeframe. This amounted to approximately \$21,211 in charges falsely billed against NSA contracts. The contractor reimbursed NSA that amount. The employee had resigned from the company prior to the start of our investigation. The U.S. Attorney's Office, District of Maryland, declined prosecution due to the contractor's cooperation and reimbursement to NSA.

(U) **Management Action.** Company made restitution in accordance with our findings.

(U) **Overall Report Classification.** UNCLASSIFIED//FOR OFFICIAL USE ONLY

(U) **Category.** Other (Contract Fraud)

(U) **Labor Mischarging;** NSA/CSS IG; IV-06-0060; 20 November 2006

(U//~~FOUO~~) **Summary.** The OIG substantiated an allegation that a contract employee mischarged 344.5 labor hours while working on NSA contracts during the 2005 - 2006 timeframe. This amounted to approximately \$50,065 in charges falsely billed against NSA contracts. The contractor reimbursed NSA that amount. The U.S. Attorney's Office, District of Maryland, declined prosecution due to the contractor's cooperation and reimbursement to NSA.

(U) **Management Action.** Company made restitution in accordance with our findings.

(U) **Overall Report Classification.** UNCLASSIFIED//FOR OFFICIAL USE ONLY

(U) **Category.** Other (Contract Fraud)

(U) **Labor Mischarging;** NSA/CSS IG; IV-06-0061; 23 February 2007

(U//~~FOUO~~) **Summary.** The OIG substantiated an allegation that a contract employee mischarged NSA contracts during the 2005 - 2006 timeframe. This amounted to approximately \$10,000 in charges falsely billed against NSA contracts. The contractor reimbursed NSA that amount and the employee no longer holds a clearance to work on Agency contracts. The U.S. Attorney's Office, District of Maryland, declined prosecution due to the contractor's cooperation and reimbursement to NSA.

(U) **Management Action.** Company made restitution in accordance with our findings.

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(U) **Overall Report Classification.** UNCLASSIFIED//FOR OFFICIAL USE ONLY

(U) **Category.** Other (Contract Fraud)

(U) **Time and Attendance Investigations;** NSA/CSS IG; IV-06-0038 (13 Oct 06); IV-06-0040 (18 Oct 2006); IV-06-0049 (14 Mar 2007); IV-06-0055 (30 Nov 2006); IV-06-0063 (1 Dec 2006); IV-07-0005 (19 Mar 2007); IV-07-0006 (12 Mar 2007)

(U//~~FOUO~~) **Summary.** The OIG substantiated seven allegations of Time and Attendance abuse, wherein employees claimed over 3,037 hours in excess of those they were determined to have actually worked. In the aggregate, these cases will result in the recovery of approximately \$108,300 in funds paid to employees for hours falsely claimed.

(U//~~FOUO~~) **Management Action.** Administrative recoupment action will recover the \$108,300 mischarged to the agency, and the responsible employees were referred for additional administrative disciplinary action.

(U) **Overall Report Classifications.** UNCLASSIFIED//FOR OFFICIAL USE ONLY (all referenced investigations)

(U) **Category.** Other (Fraud)

(U) **Diploma Mill Degree;** NSA/CSS IG; IV-06-0053, 7 March 2007

(U) **Summary.** The OIG received information that an Agency employee may have received his Bachelor of Arts degree from a "diploma mill." Our investigation concluded that the employee deliberately misrepresented his credentials and qualifications to NSA when he claimed a Bachelor of Arts degree from a non-accredited institution.

(U) **Management Action.** This matter was referred to NSA Employee Relations for disciplinary action.

(U) **Overall Report Classification.** UNCLASSIFIED//FOR OFFICIAL USE ONLY

(U) **Category.** Other (Waste of Resources)

(U) **Procurement Fraud/Criminal Conflict of Interest – Felony Conviction;** NSA/CSS IG; IV-05-0038

(b) (6)

(U) **Summary.** As the result of an 18-month NSA OIG investigation, a former GG-14 NSA employee within IAD pled guilty [redacted] to a felony violation of the Federal criminal conflict of interest statute, 18 U.S.C. § 208. [redacted] he was sentenced to two years probation, six months home confinement, 50 hours community service, and a \$100,000 fine (payable in 15 days). During his employment with NSA, this individual co-created and directed the [redacted]

[redacted]  
At the same time he was [redacted] as an NSA employee, companies owned by him and/or his spouse obtained [redacted] support-related government contracts or subcontracts totaling over \$750,000. As a result of the NSA OIG investigation, the government cancelled as unnecessary an ongoing \$300,000 contract in support of the 2006 [redacted] thereby allowing funds to be put to better use. Further, NSA determined that, in the future, similar

contracted support to the [redacted] would not be required, resulting in a potential cost avoidance to the government of \$1.5 million over the next 5 years. NSA is currently pursuing the debarment of both the former employee and the companies involved.

(U) **Overall Report Classification.** UNCLASSIFIED//FOR OFFICIAL USE ONLY

(U) **Category.** Acquisition Processes and Contract Management

(U) **Waste of Agency Resources;** NSA/CSS IG; IV-06-0054; 1 December 2006

(U) **Summary.** This investigation was conducted in response to an allegation that an Agency employee received tuition assistance of \$22,773 from the Agency in furtherance of a Doctoral degree from the [redacted] but never completed any of the necessary scholastic work for this degree. We substantiated the allegation and concluded that the employee caused the Government to waste eight semesters' worth of tuition payments.

(U) **Management Action.** This matter has been referred for administrative action and recoupment of the funds from the employee.

(U) **Overall Report Classification.** UNCLASSIFIED//FOR OFFICIAL USE ONLY

(U) **Category.** Other (Waste of Resources)

[redacted]  
(b) (6)

### (U) NSA/CSS OIG ACTIVITIES RELATED TO COUNTERTERRORISM

#### (U) Ongoing

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#### (U) Inspection of SID's Chemical, Biological, Radiological, Nuclear Mission; NSA/CSS IG; IN-06-0002

~~(S//REL)~~ **Background.** Chemical, Biological, Radiological, and Nuclear (CBRN) terrorism is one of the most menacing threats to U.S. security, and from a Signals Intelligence (SIGINT) perspective, [redacted]

[redacted] work the CBRN target from varying perspectives. The inspection is evaluating CBRN mission performance, including examining the execution of CBRN as a transnational target, assessing the impact of Mission Build-Out, and reviewing any funding or human resource issues.

#### (U) Inspection of the Geospatial Exploitation Office; NSA/CSS IG; IN-06-0005

~~(U//FOUO)~~ **Background** The Geospatial Exploitation Office (GEO) began operations in [redacted] GEO's

[redacted] primary objective will be to assess GEO's mission effectiveness and their ability to satisfy requirements and information needs levied on the organization. The inspection will determine whether the current organization's missions and functions are being properly executed in an efficient and effective manner; whether missions and functions are accurately portrayed and being accomplished; establish whether missions performed are appropriately placed within the product line; and will identify any impediments, which hinder the efficient and effective execution of their missions and functions.

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#### (U) Special Studies of Counterterrorism Programs; NSA/CSS IG

~~(U//FOUO)~~ **Background:** While the NSA Counterterrorism Special Programs were being conducted under Presidential authority, the OIG performed continuous audits. The overall objectives were to determine whether there were appropriate policies and procedures in place for activities under the program consistent with the terms of the Presidential Authorization; to evaluate their efficiency and effectiveness in mitigating any

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high-risk activities associated with the program; and to identify any impediments to satisfying the requirements of the Presidential Authorization. In January 2007, all of these programs began operating under the authority of Foreign Intelligence Surveillance Court orders. For these new orders, the OIG is performing reviews in accordance with their terms, which specify that an initial review will be done to ensure that minimization procedures are adequate.

(U) Planned

**(U) Assistance to ODNI IG for the Terrorist Watchlist Project; NSA/CSS IG;**  
JT-07-0006

(U) **Background.** The Terrorist Screening Center (TSC) maintains a consolidated terrorism watchlist that is populated by information from the National Counterterrorism Center (NCTC) and the Federal Bureau of Investigation (FBI). Agencies that possess or acquire terrorism and counterterrorism information, with the exception of purely domestic counterterrorism information, are required by Executive Order 13354 to promptly give access to such information to the NCTC. The NCTC provides a subset of that information to the TSC for inclusion on the consolidated watchlist. The Intelligence Community Inspectors General (ICIG) Forum agreed to coordinate a review of the processes for nominating individuals to the consolidated terrorist watchlist. The Offices of the Inspector General of the Office of the Director for National Intelligence (ODNI), Central Intelligence Agency (CIA), Department of Justice (DOJ), Defense Intelligence Agency (DIA), National Security Agency (NSA), National Geospatial-Intelligence Agency (NGA), Department of State (State), and Department of Treasury (Treasury) will participate in the joint review.

**(U) Advisory Report Associated with Expeditionary SIGINT Deployments To Hostile Areas; NSA/CSS IG; ST-07-0015**

(U//~~FOUO~~) **Background.** During 2005, the IG conducted research into Agency activities associated with Expeditionary SIGINT Deployments to hostile areas. The resultant report (ST-06-0001 – *Advisory Report on the Activities Associated with Expeditionary SIGINT Deployments to Hostile areas*) surfaced issues related to the candidate selection process, pre-deployment operations training, and corporate resolution of issues raised in after-action reports. The report also emphasized the need for appropriate IT support. The follow-up review will: a) determine if issues raised in the earlier report have been adequately addressed; b) assess the effectiveness of the changes/improvements that have been implemented; and c) surface any new issues.

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