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OFFICE OF THE INSPECTOR GENERAL

NATIONAL SECURITY AGENCY/ CENTRAL SECURITY SERVICE



SEMIANNUAL REPORT FOR THE PERIOD 1 APRIL 1997 - 30 SEPTEMBER 1997

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~~HANDLE VIA TALENT KEYHOLE COMINT CONTROL SYSTEMS JOINTLY~~

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SEMIANNUAL REPORT

FOR THE PERIOD 1 APRIL 1997 - 30 SEPTEMBER 1997

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COVER NOTIFICATION SYSTEM (C), IN-97-0002, 4 August 1997

Summary. ~~(S)~~ The National Security Agency (NSA) Cover and Sensitive Support Notification System was established to minimize the risk to Agency personnel in sensitive situations or locations, to protect their presence from disclosure, and to ensure that the proper officials are appropriately notified of such activities. During research for an inspection, the Office of Inspector General (OIG) found that the system [redacted]

[redacted] the Director [redacted]

[redacted] is responsible for reporting to the Department of Defense (DoD).

Recommendations. ~~(C)~~ Agency management concurred in all recommended improvements, including revision of National Security Agency/Central Security Service (NSA/CSS) Regulation 120-16 to facilitate compliance with DoD Directive 5105.61, which will set cover policy throughout DoD. [redacted]

DIRECTORATE OF OPERATIONS LABS (U), IN-96-0010, 19 May 1997

Summary. ~~(FOUO)~~ Over the past decade, independent labs were established within the Directorate of Operations (DO) to perform automated data processing tasks which go beyond routine support. Concerned about possible duplication of effort, DO management requested an OIG inspection. The inspection examined [redacted] software labs:

[redacted]

[redacted] It found that the newly established [redacted]

[redacted] coordinates lab operations and performs oversight, but challenges remain: adopting a systematic approach to technology insertion, managing requirements, and defining performance measures.

Recommendations. ~~(FOUO)~~ Management responded with plans to establish an Oversight Board to coordinate lab activities and improve technology insertion. A Customer Council will be established to help manage requirements and implement performance measures.

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✓ PLANNING AND DECISION AID SYSTEM FOLLOW-UP AUDIT (FOUO), AU-97-0019, 24 July 1997

Summary. (FOUO) During an audit of the Agency's compliance with the Federal Acquisition Regulation, the OIG found that the proposed sole-source justification to support a contract award to [redacted] over five years was inadequate. The audit surfaced information which was contrary to statements in the sole-source justification.

Recommendations. (FOUO) Since comparison of the procurement history with current information did not support bypassing competition, the OIG recommended that the program office suspend the procurement, reevaluate the rationale for the justification, and initiate a competitive procurement. The program office subsequently concurred with the recommendations, and three qualified companies were invited to bid on a new 5-year requirement to upgrade the system. While the competitive award process was being readied, management reassessed the level of effort required under the contract. Two contractors submitted bids that were [redacted]. The contract was eventually awarded for [redacted] less than the estimated cost of the original proposal (Funds Put To Better Use).

✓ OFFICE OF [redacted] (U), [redacted]

Summary. (TS CCO UC) An inspection of the Office of [redacted] (A9) was conducted after a series of five incidents since [redacted] wherein A9 personnel improperly disseminated [redacted]

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BLARNEY in accordance with procedures specified in the Foreign Intelligence Surveillance Act. The inspection found that human error was the main cause of the five incidents, but standing procedures contributed to four of the incidents.

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Recommendations. (S-CCO) In response to the inspection, A9 conducted a series of lessons-learned briefings for the entire A9 work force to explain the nature of the incidents and the corrective measures taken. The Agency will gather and review existing working aids and procedures for handling BLARNEY material and will consolidate and publish the information for all users.

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NSA/CSS IG

✓ **EMERGENCY ACTION PLANS (U), AU-97-0003, 24 JULY 1997**

Summary. (U) Emergency Action Plans (EAPs) are designed to prevent or mitigate damage to people, mission, and resources in the event of an emergency. NSA/CSS Regulation 25-14, "Emergency Action Planning for NSA Field Elements," requires field sites to submit EAPs and to update them annually in light of the risk assessed for the site. An audit found that field sites have not submitted timely EAPs and annual recertifications to Headquarters, as required by the regulation. This widespread noncompliance was traced to a lack of management emphasis on implementing the regulation and the fact that authority to ensure compliance was not assigned to appropriate organization components.

Recommendations. (U) The Agency concurred with the OIG recommendations and scheduled aggressive milestones for corrective action: to revise and ratify NSA/CSS Regulation 25-14, communicate the requirements to field elements, and ensure that non-compliance is promptly reported to Agency management.

✓ **MENWITH HILL STATION INSPECTION (U), IN-97-0001, 23 JULY 1997**

Summary. (~~FOUO~~) An inspection of Menwith Hill Station (MHS) focused on staffing, support from Headquarters, and personnel administration. The OIG team found civilian morale to be good following the transition to Army Intelligence and Security Command management; however, concerns were identified in the areas of emergency preparedness, housing, promotion board membership, and representation of NSA civilians to site management.

Recommendations. (U) Management concurred in all OIG recommendations. MHS is developing and coordinating a current Emergency Action Plan and updating housing information with the Field Staffing Office. The Office of Personnel has developed an Agency policy concerning promotion board membership at multi-service field sites. The MHS Commander also named a senior spokesperson for NSA civilians at the site.

✓ **CASH MANAGEMENT: MENWITH HILL STATION (U), AU-96-0010, 4 August 1997**

Summary. (~~FOUO~~) An audit of collection and disbursing operations at Menwith Hill Station (MHS) found that controls need strengthening to reduce the risk that fraud may occur and go undetected. A key internal control technique (separation of duties) had not been implemented over cash collections, and formal accountability had not been established over cash collections for the mass

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transit bus service. Also, MHS had not established a debt collection program and was not meeting all the requirements for cash verification and balances.

Recommendations. (U) Agency management concurred with all recommendations. The MHS Deputy Disbursing Officer (DO) established procedures to ensure that cash verification teams perform quarterly reviews of cash holdings and imprest funds. The Deputy DO reduced excess cash balances; the site separated key duties in the area of cash collections, implemented formal accountability over cash collected by the bus service, and will set up a debt collection program.

✓ CASH MANAGEMENT: [redacted] SITES (U), AU-97-0009, 27 MAY 1997

Summary. (FOUO) An audit of [redacted] sites found that the sites need to improve internal controls over disbursing operations and procedures for managing cash holdings. The audit identified problems in three areas:

[redacted] had not established formal accountability and personal liability for disbursing operations and cash totaling [redacted]

The [redacted] sites had excess cash balances totalling approximately [redacted] the excess holdings were not needed for operational requirements and could cost the U.S. Treasury [redacted] in unnecessary interest over a 6-year period (monetary benefit); and

Internal controls are needed to safeguard assets in the area of cash collection and disbursing.

Recommendations. (FOUO) The Office of Finance and Accounting and Assistant Comptroller's Special Operations Office concurred with all recommendations. They will consolidate all cash holdings at [redacted] in a single account and establish formal accountability. Disbursing Officers will periodically review the levels of cash holdings for which they are responsible, and internal controls will be established over cash collection and disbursing activities at the [redacted] sites.

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✓ CASH MANAGEMENT: AGENT AND CASHIER FUNDS (U), AU-96-0007, 27 May 1997

Summary. (FOUO) An audit of 36 paying agents and cashiers in the Fort Meade area and at field sites found that improvements are needed in the oversight and management of cash holdings. Specifically, the audit found that although controls over disbursing were generally adequate, quarterly cash verification reviews were not always performed. Also, 20 agents or cashiers were holding [redacted] in excess cash, i.e., beyond what they

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are likely to need for operational requirements. This could cost the U.S. Treasury [redacted] in unnecessary interest over a six-year period (monetary benefit).

Recommendations. (U) The Office of Finance and Accounting with all recommendations. Disbursing Officers will review cash holdings twice a year to ensure that they do not exceed operational requirements. They will also ensure that cash verification teams perform quarterly reviews of cash holdings and imprest funds and that any deficiencies noted by the teams are corrected.

✓ JOINT INSPECTION OF [redacted] (S TK), [redacted]

Summary. (~~S TK~~) A joint inspection of the [redacted] conducted in March 1997 by the Inspectors General (IGs) of the U.S. Air Force Air Intelligence Agency, the Army Intelligence and Security Command, the Naval Security Group, NSA/CSS, and the National Reconnaissance Office (NRO). The inspection addressed operational effectiveness and the range of considerations associated with the site's preparations to accommodate the pending large influx of military personnel. Particular attention was devoted to identifying impediments to mission accomplishment, mission planning, mission systems and communications, and manpower and training issues.

Recommendations. (~~FOUO~~) The inspection report contained numerous recommendations for improvement. As the lead IG, NRO will provide detailed information on this inspection in their semiannual report.

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JOINT INSPECTION OF KUNIA REGIONAL SIGINT OPERATIONS CENTER (~~FOUO~~), JT-97-0002, 21 April 1997

Summary. (~~FOUO~~) A joint inspection of Kunia Regional SIGINT Operations Center (KRSOC) was conducted in January 1997. Participants included IGs from the U.S. Air Force Air Intelligence Agency, the Army Intelligence and Security Command, the Naval Security Group, and NSA/CSS.

(~~FOUO~~) The inspection focused on four major areas: Command Management, Operations, Security, and Information Management. The inspection reported that the KRSOC was accomplishing its mission of producing SIGINT jointly. However, the following issues need to be addressed: lack of a site strategic plan, customer feedback problems, awards/recognition program shortfalls, and the need for a physical security plan along with information system instructions and training.

Recommendations. (~~FOUO~~) The inspection report contained numerous recommendations for improvement. Management agreed with these recommendations and has taken, or plans to take, corrective action.

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INVESTIGATION OF INTELLIGENCE SUPPORT TO MILITARY OPERATIONS (~~FOUO~~), IV-97-0068, 6 AUGUST 1997

(c) [Redacted]
[Redacted]
[Redacted]

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The Agency properly disseminated SIGINT on the incident to its customers, including the responsible military commander and security officials. However, NSA did not disseminate collateral information advising the commander of the travelers' affiliations with NSA or the military. As a result, the commander was unaware of the affiliations during the time of the incident.

(~~FOUO~~) After the travelers departed the foreign country safely, the NSA/CSS OIG investigated the matter. The OIG determined that the Agency's dissemination decisions were made in good faith, based on communications security issues and safety concerns. However, the collateral information should have been legally and securely provided to the command. Regulations allow the Agency to disseminate information (SIGINT or collateral) about U.S. persons when pertinent to their safety.

(~~FOUO~~) As a result, the Agency is taking steps to ensure personnel fully understand their intelligence gathering and reporting roles in support of the military.

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SCHEDULE 1

AUDIT, INSPECTION & INVESTIGATIVE ACTIVITIES - CIVILIAN AND MILITARY PERSONNEL STRENGTH*

ORGANIZATIONAL ELEMENT	CIVILIAN		MILITARY		TOTAL	
	AUTHORIZED (1)	ACTUAL (2)	AUTHORIZED (3)	ACTUAL (4)	AUTHORIZED (5)	ACTUAL (6)
1. AUDIT						
a. CENTRAL AUDIT **						
b. OTHER AUDIT / INTERNAL REVIEW ***	17	15	0	0	17	15
c. CONTRACT AUDIT						
d. TOTAL AUDIT	17	15	0	0	17	15
2. INSPECTION	10	10	1	1	11	11
3. INVESTIGATION	8	7	0	0	8	7
4. TOTALS Other	7 42	7 39	0 1	0 1	7 43	7 40

SCHEDULE 2

AUDIT, INSPECTION & INVESTIGATIVE ACTIVITIES PROFESSIONAL AND ADMINISTRATIVE / SUPPORT PERSONNEL*

ORGANIZATIONAL ELEMENT	PROFESSIONAL PERSONNEL		ADMINISTRATIVE / SUPPORT PERSONNEL		TOTAL	
	AUTHORIZED (1)	ACTUAL (2)	AUTHORIZED (3)	ACTUAL (4)	AUTHORIZED (5)	ACTUAL (6)
1. AUDIT						
a. CENTRAL AUDIT **						
b. OTHER AUDIT / INTERNAL REVIEW ***	16	15	1	0	17	15
c. CONTRACT AUDIT						
d. TOTAL AUDIT	16	15	1	0	17	15
2. INSPECTION	10	10	1	1	11	11
3. INVESTIGATION	7	6	1	1	8	7
4. TOTALS Other	5 38	5 36	2 5	2 4	7 43	7 40

* Do not include augmented staff of some military components to supplement authorized strength. If information on augmentees is available, show as a footnote.
 ** Central Audit refers to the AIG - AUD, Army Audit Agency, Naval Audit Service, and Air Force Audit Agency.
 *** Specify type of activity, e.g. internal review, military exchange, nonappropriated fund instrumentality.

Note: The NSA OIG has two Military augmentees (enlisted) working as inspector:

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**SCHEDULE 3
OPERATING COSTS AUDIT, INSPECTION AND INVESTIGATIVE ACTIVITIES**

ORGANIZATIONAL ELEMENT	OPERATING COSTS (S IN THOUSANDS)				
	CIVILIAN PERSONNEL (1)	MILITARY PERSONNEL (2)	TRAVEL (3)	OTHER (4)	TOTAL SIX MONTHS COSTS (5)
1. AUDIT					
a. CENTRAL AUDIT *					
b. OTHER AUDIT / INTERNAL REVIEW **					
c. CONTRACT AUDIT					
d. TOTAL AUDIT					
2. INSPECTION					
3. INVESTIGATION					
4. TOTALS Other					

* Central Audit refers to the AIG - AUD, Army Audit Agency, Naval Audit Service, and Air Force Audit Agency.
 ** Specify type of activity, e.g., internal review, military exchange, nonappropriated fund instrumentality.

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**DOD INSPECTOR GENERAL
SEMIANNUAL REPORT
TO THE CONGRESS**

NAME OF ORGANIZATION
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FOR THE 6 MONTH PERIOD ENDING
(Enter Date) 30 September 97

**SCHEDULE 7
FRAUD/THEFT INVESTIGATIVE CASE INVENTORY**

CASE INVENTORY	NUMBER OF CASES
1. OPEN CASES - BEGINNING OF PERIOD ^{1/}	54
2. CASES OPENED THIS PERIOD	40
3. TOTAL	94
4. CASES CLOSED THIS PERIOD ^{2/}	49
5. OPEN CASES - END OF THIS PERIOD	45
6. CLOSED CASES BY FUNCTIONAL AREA	
a. PAY AND ALLOWANCE FRAUD ^{3/}	7
b. NONAPPROPRIATED FUND FRAUD ^{4/}	
c. PROCUREMENT PROGRAMS/SYSTEMS FRAUD	4
d. COMMISSARY FRAUD	
e. PROPERTY DISPOSAL PROGRAM/SYSTEMS FRAUD	
f. BRIBERY OF GOVERNMENT OFFICIALS	
g. CONFLICT OF INTEREST	
h. DAMAGE, WRONGFUL DESTRUCTION (INCLUDING ARSON)	
i. GOVERNMENT THEFT (OVER \$1,000) ^{5/}	
j. CHAMPUS FRAUD	
k. FRAUDULENT PERSONNEL ACTIONS	
l. SUBSISTENCE FRAUD	
m. OTHER ^{6/}	38
n. TOTAL CASES CLOSED BY FUNCTIONAL AREA ^{2/}	49

- ^{1/} Must match the number of open cases at the end of the prior period. Explain differences.
- ^{2/} Must match total of closed cases by functional area.
- ^{3/} Include travel/per diem fraud.
- ^{4/} Include military exchange stores and morale/welfare/recreation activities.
- ^{5/} Include larceny, theft or wrongful appropriation of Government property, funds, or services whether by forgery, embezzlement, computer fraud, burglary, robbery, and/or other means.
- ^{6/} Footnote categories included.

Other: Standards of Conduct
 Misuse of Government Resources
 False Statements
 Mismanagement
 Misuse of Government Credit Card
 Foreign Intelligence Surveillance Act
 Reprisal

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TO THE CONGRESS**

NAME OF ORGANIZATION

National Security Agency-OIG

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**SCHEDULE 8*
INVESTIGATIVE CASE RESULTS**

CASE RESULTS	DOJ (1)	DOD (2)	LOCAL/STATE/ FOREIGN (3)
1. LITIGATION RESULTS			
a. INDICTMENTS			
(1) DCIS			
(2) Military Services			
(3) Joint DCIS / Military Services			
b. CONVICTIONS			
(1) DCIS			
(2) Military Services			
(3) Joint DCIS / Military Services			
c. PRETRIAL DIVERSIONS			
(1) DCIS			
(2) Military Services			
(3) Joint DCIS / Military Services			
d. ARTICLE 15s			
(1) DCIS			
(2) Military Services			
(3) Joint DCIS / Military Services			
e. CIVIL SETTLEMENTS / JUDGMENTS			
(1) DCIS			
(2) Military Services			
(3) Joint DCIS / Military Services			
2. MONETARY OUTCOMES (\$ Amount in thousands)			
a. FINES / FORFEITURES			
(1) DCIS			
(2) Military Services			
(3) Joint DCIS / Military Services			
b. RESTITUTIONS			
(1) DCIS			
(2) Military Services (NSA)		659	
(3) Joint DCIS / Military Services			
c. RECOVERIES			
(1) DCIS			
(2) Military Services (NSA Cost Avoidance)		2,380	
(3) Joint DCIS / Military Services			
d. CIVIL SETTLEMENTS / JUDGMENTS			
(1) DCIS			
(2) Military Services			
(3) Joint DCIS / Military Services			

* To be completed by the Assistant Inspector General for Investigations (Defense Criminal Investigative Service data) and the Assistant Inspector General for Criminal Investigations Policy and Oversight (military criminal investigative organizations data).

SCHEDULE 9*
 INVESTIGATIVE CASE RESULTS
 (ADMINISTRATIVE ACTIONS)

CASE RESULTS	INVESTIGATIVE ACTIVITY		
	DCIS (1)	MILITARY SERVICES (2)	TOTAL (3)
1. CONTRACTOR ACTIONS			
a. DEBARMENTS			
b. SUSPENSIONS			
c. OTHER ACTIONS			
2. PERSONNEL ACTIONS			
a. REPRIMANDS			9
b. DEMOTIONS			
c. TERMINATIONS (Resignation)			1
d. OTHER (Suspension, Counseling)			9
3. MANAGEMENT ACTIONS			

* To be completed by the Assistant Inspector General for Investigations (Defense Criminal Investigative Service data) and the Assistant Inspector General for Criminal Investigations Policy and Oversight (military criminal investigative organizations data).

SCHEDULE 10
 NUMBER OF INSPECTION REPORTS ISSUED

CATEGORY	NUMBER OF REPORTS ISSUED
1. GENERAL N/A	
2. SPECIAL N/A	
3. OTHER N/A	
4. TOTAL N/A	

SCHEDULE 11*
DOD HOTLINE PROGRAM

PROGRAM ANALYSIS	NUMBER OF CALLS AND LETTERS
1. TOTAL CALLS AND LETTERS Less Request for Information and Wrong Number Calls Total Allegations Received	N/A
a. DOD HOTLINE	
b. GAO HOTLINE	
c. OTHER SOURCES	
d. TOTAL ALLEGATIONS RECEIVED	
2. DISPOSITION	N/A
a. SUBSTANTIVE ALLEGATIONS	
(1) Referred to Other Federal Agencies and Departments	
(2) Referred to DoD Components for Information (No investigation required)	
(3) Supplemental and Follow-up Contacts with Hotline Sources	
(4) Referred to DoD Components for Action (Investigation, Audit, or Inspection)	
(5) Hotline Source Asked to Contact Cognizant Agency Directly (Allegation appears to warrant some action, but not by the IG, DoD)	
(6) Subtotal (Substantive)	
b. NONSUBSTANTIVE ALLEGATIONS	
c. TOTAL	
3. STATUS OF ALLEGATIONS REFERRED TO DOD AUDIT, INSPECTION, AND INVESTIGATIVE COMPONENTS	N/A
a. CLOSED	
b. OPEN END OF PERIOD	

* To be completed by the Assistant Inspector General for Social Programs (AIG-SP) only.

SCHEDULE 12*
CONTRACT AUDIT FOLLOW-UP RESULTS
SIGNIFICANT POST-AWARD AUDITS

TYPE OF REPORT	NUMBER OF REPORTS	
	STATUS (Prior Period) <i>(1)</i>	STATUS (Current Period) <i>(2)</i>
	970430 ⁽¹⁾	970930 ⁽²⁾
1. UNDECIDED (Less than 6 months old) ^{1/}	0	0
2. UNDECIDED (More than 6 months old) ^{1/}	0	0
3. ACTION COMPLETED DURING PERIOD ^{2/}	1	1
4. ACTION INCOMPLETE, IN LITIGATION (More than 12 months old) ^{3/}	0	0
5. ACTION INCOMPLETE, NOT IN LITIGATION (More than 12 months old) ^{3/}	3	2
	5	5

^{1/} To be completed by the Assistant Inspector General for Audit Follow-up (AIG-AFU) only.

^{2/} These represent reports for which the extent of support for the audit positions has not yet been decided. (Also in Criminal Investigations)

^{3/} These are closed reports.

^{3/} These categories represent reports for which the extent of support for the audit positions has been decided, but actions with the contractor have not yet been completed.