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UNITED STATES GOVERNMENT

memorandum

IG-8723-98

DATE: 20 October 1998

REPLY TO  
ATTN OF: Inspector General

SUBJECT: Office of the Inspector General Semiannual Report to Congress  
- INFORMATION MEMORANDUM

TO: DDI, DDO, DDP, DDS, DDT

1. ~~(FOUO)~~ This memorandum advises you that the NSA/CSS Office of the Inspector General submitted to the Department of Defense Inspector General the Semiannual Report to the Congress on Intelligence-Related Oversight Activities for the period 1 April 1998 - 30 September 1998. For your information, I am providing you with a copy of this report.

2. ~~(FOUO)~~ If you require additional information, please contact [redacted] on 963-3544s.

[redacted]

[redacted]

(b) (6)

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

ETHAN L. BAUMAN  
Inspector General

Encl:  
a/s

cc: DIR  
D/DIR  
EXEC DIR  
EXREG  
LAO

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DERIVED FROM: NSA/CSSM 123-2  
DATED: 24 February 1998  
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# OFFICE OF THE INSPECTOR GENERAL

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## NATIONAL SECURITY AGENCY/ CENTRAL SECURITY SERVICE



## SEMIANNUAL REPORT FOR THE PERIOD 1 APRIL 1998 - 30 SEPTEMBER 1998

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**SEMIANNUAL REPORT  
FOR THE PERIOD 1 APRIL 1998 - 30 SEPTEMBER 1998**

**JOINT INSPECTION OF THE MEDINA REGIONAL SIGINT OPERATIONS  
CENTER (MRSOC) (U), JT-98-0001, 2 April 1998**

**Summary. (C)** The inspection, conducted jointly by the IGs of the Service Cryptologic Elements and NSA/CSS, found the MRSOC to be making steady progress in resolving mission impediments. The intelligence target is effectively worked by highly enthusiastic personnel. Customer satisfaction is high, and organizational support is solid. Effective mechanisms are in place to monitor mission performance and ensure customer satisfaction. On the other hand, the workplace presents serious problems: aging facilities, lack of space, old latrines, an inadequate backup power system, and poor indoor air quality.

**Recommendations. (C)** Leadership is working this area hard, but costs associated with improvements total [redacted]. The new [redacted] [redacted] will solve some of the problems, but NSA support is needed to help the MRSOC address the many facilities issues.

**SELECTED TELECOMMUNICATIONS CENTERS (U), IN-97-0013,  
13 April 1998**

**Summary. (U)** Recent advances in telecommunications technology, like the [redacted]

[redacted] The OIG reviewed data from telecommunications centers at [redacted] field sites to gauge the impact of [redacted] technology. The inspection found that reductions in communicator billets were often offset by the need for skilled network managers and systems administrators to maintain and optimize this new technology. [redacted]

**Recommendations. (U)** After consulting with the sites to determine the skills currently needed to optimize [redacted] technology, management agreed to make appropriate changes to the

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military occupational specialty codes and the respective Tables of Distribution to ensure that new assignees have the requisite skills and training.

### **DIRECTORATE OF OPERATIONS TERRORISM CUSTOMER CENTER, W9B (U), IN-98-0005, 17 April 1998**

**Summary. (S)** The OIG conducted an organizational inspection of Terrorism Customer Center, the Agency focal point on counterterrorism (CT) for the intelligence, military, and law enforcement communities. The inspection found that morale was high in the Center, but the organization had not developed a strategic plan for the next 2 to 5 years.

**Recommendations. (U)** The Director for Counterterrorism (DCT) has acted on all the inspection recommendations. Most notably, the DCT is working to develop a long-term strategy that encompasses an Agency-wide CT process.

### **OFFICIAL REPRESENTATION AND CONFIDENTIAL MILITARY FUNDS (U), AU-97-0016, 13 May 1998**

**Summary. (U)** Since these funds support functions that are unusually sensitive, the Comptroller requested an audit to coincide with assignment of a new funds manager. The audit reviewed internal controls and sampled FY 1996-97 transactions to determine whether the money was used for allowable purposes. The audit concluded that the funds are controlled and monitored appropriately; however the independent annual reviews, required by Agency policy, had not been conducted since 1991.

**Recommendations. (U)** The Comptroller determined that independent reviews should be conducted every 2 years; responsibility is now assigned to the Office of General Counsel and the Directorate of Plans, Policy and Programs. He also determined that the current level of cash held by Special Operations is necessary to support mission requirements.

### **LATIN AMERICA AND CARIBBEAN DIVISION (S), IN-98-0001, 28 May 1998**

**Summary. (S)** An intelligence oversight inspection of the Latin America and the Caribbean Division found that personnel were keenly

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aware of their responsibilities in regard to United States Signals Intelligence Directive (USSID) 18; however, the Division did not have a formal program to make sure that everyone is familiar with the basic intelligence oversight documents: Executive Order (E.O.) 12333, "United States Intelligence Activities," and the Department of Defense and Agency directives and regulations which implement it.

**Recommendations. (FOUO)** Management concurred with all of the OIG's recommendations. As a result of the inspection, management identified a point of contact for Intelligence Oversight who is responsible for ensuring that all Division personnel are familiar with their individual responsibilities pursuant to E.O. 12333 and its implementing directives. The Division has now established a familiarization and compliance program which includes periodic reminders to all personnel, briefings for newcomers, and procedures for reporting possible violations of E.O. 12333.

[REDACTED] (U),  
[REDACTED]

**Summary. (FOUO)** At the request of the Deputy Director for Technology and Systems (DDT), the OIG conducted an audit of the [REDACTED]. The auditors found deficiencies in procurement practices and contract administration. They also discovered that one contractor had not met contractual obligations concerning occupational health, environmental, and safety services. Finally, [REDACTED] were controlled and accounted for by the contractor, with no oversight by government personnel.

**Recommendations. (FOUO)** The [REDACTED] the Office of Contracting, and the Deputy Director for Support Services concurred with all recommendations; corrective actions are underway.

### NARCOTICS, CRIME, AND ALIEN SMUGGLING CUSTOMER CENTER (U), IN-98-0002, 12 June 1998

**Summary. (S)** The OIG conducted an inspection of the Customer Center for Narcotics, Crime, and Alien Smuggling. The OIG team found an enthusiastic work force committed to customer satisfaction and well focused on current mission and near-term initiatives addressing

[REDACTED]  
perception of disparate treatment pervade the two organizational elements; the elements are devising corporate information technology solutions to analytic and other needs; and the elements do not have

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a formal program to ensure that all personnel are familiar with Executive Order E.O. 12333. Both the new Director of Crime and Narcotics and the new Customer Center leadership are committed to resolving concerns raised prior to and in the course of the inspection.

**Recommendations.** (U) Management has already completed the required actions in response to the OIG's recommendations aimed at ensuring organizational element compliance with all the basic intelligence oversight requirements.

### **JOINT INSPECTION OF THE FORT GORDON REGIONAL SIGINT OPERATIONS CENTER (GRSOC) (U), JT-98-0002, 17 July 1998**

**Summary.** (C) The inspection, conducted jointly by the IGs of the Service Cryptologic Elements and NSA/CSS, found that the GRSOC was effective in executing its critical mission and the Operations Directorate was outstanding. However, the investments needed to sustain this level of performance had not been made. In addition, military personnel are burdened with non-mission duties that, combined with frequent extended deployments, limit their availability to conduct mission and develop their cryptologic skills.

**Recommendations.** (C) Additional efforts are needed to ensure continuity during the rotation of military personnel. RSOC leadership had recognized this shortcoming and began taking steps to address the issue prior to the inspection.

### **IMPROPER PAYMENTS TO NSA CONTRACTOR (U), AU-98-0003, 21 September 1998**

**Summary.** (FOUO) A caller to the NSA IG alleged that NSA had made improper payments to a contractor who was charging the government (as direct labor) for hours that contract employees spent in training. The contract had no provisions requiring or authorizing the government to pay for training. The audit concluded that the government improperly paid [redacted] for labor hours spent acquiring skills and expertise that the contract statement of work (SOW) had specified as prerequisites for winning the procurement.

**Recommendations.** (FOUO) Management agreed to negotiate with the contractor to recover the [redacted] and amend the SOW to state explicitly that the contractor is responsible for training its employees.

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OFFICE OF [REDACTED]

(U), [REDACTED]

**Summary.** ~~(S)~~ The Office of [REDACTED] is a major part of the National Cryptologic Strategy for the next century. The OIG conducted a special review of this Office's activities to determine (1) the extent and adequacy of policies, procedures, and internal controls governing the office's operations and (2) whether existing policies and internal controls provide reasonable assurance that these activities are carried out with due regard for legal, operational, and other risks. Overall, this review found that the Office's internal control system can provide reasonable assurance that Directorate of Operations and Directorate of Technology and Systems objectives are being accomplished when key policy and procedure documents completely address all aspects of the process. However, the key process documents do not fully describe the requirements flow from all sources; define risk criteria for approvals; and establish a comprehensive set of standard operating procedures for operations.

**Recommendations.** ~~(FOUO)~~ Management agreed to update and finalize policy and procedures for requirements and approvals.

## ADVISORY ON CONTRACT ADMINISTRATION (U), AU-98-0012, 28 August 1998

**Summary.** ~~(FOUO)~~ This advisory review presented a history of Contract Administration (CA) issues reported since 1992 by the OIG and external organizations, corrective actions taken by management, current issues, and management comments. The review found a recurring pattern of CA and contracting officer representative (COR) deficiencies, despite previous corrective actions taken by management. Primary causes of these deficiencies were CORs lacked training and/or experience including certification criteria; an absence of written detailed duties and responsibilities, procedures on performance monitoring, and billing oversight; and minimal COR oversight and accountability. The report also outlined key attributes of effective CA and examples of "best practices" that could be implemented at NSA.

**Recommendations.** (U) Management concurred with the report's conclusion that CA needs more oversight and is initiating actions to address deficiencies cited in the report.

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**SENSITIVE INFORMATION (U), ST-98-0003, 31 August 1998**

**Summary. (e)** A special review found the Office of Cryptanalysis was in substantial compliance with the Directive for Handling Sensitive Information and had implemented adequate controls.

[Redacted]

**Recommendations. (FOUO)** Management concurred with all recommendations and agreed to document all corrective actions in the planned revision of the Directive.

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[Redacted] PROGRAM (U), [Redacted]

**Summary. (S)**

[Redacted]

[Redacted] the program has spent approximately [Redacted] on equipment and contractor services. The OIG conducted an audit and found that [Redacted] is operating without the prioritized requirements and long-range plan it needs to operate efficiently and expand to additional sites. The audit also found that oversight of [Redacted] invoices by responsible Agency personnel is not adequate because charges are not traced to supporting documentation.

**Recommendations. (FOUO)** [Redacted] managers have agreed to provide the Agency with a long-range written plan. The Office of Contracting will develop additional guidance for certification of invoices, and the Contracting Officer will meet with the COR to review his duties and responsibilities in detail.

**MIPRs PROCESSED BY THE [Redacted] OFFICE (U), AU-97-0006, 14 September 1998**

**Summary. (FOUO)** The audit of Military Interdepartmental Purchase Requests (MIPRs) processed by the [Redacted] Office was initiated after the OIG was contacted by Agency employees who were



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concerned about possible misuse of the instrument. The Program Office sponsored 80 MIPRs which did not directly support an approved Agency mission; it also initiated procurement requests that used [redacted] of external customer funds for purposes other than those stated on the MIPR.

**Recommendations.** ~~(FOUO)~~ Managers agreed to establish oversight of the MIPR acceptance process, implement internal controls over the associated PR process, and terminate the project. The Comptroller agreed to make necessary accounting adjustments to return customer funds.

### **FOLLOWUP AUDIT ON THE SPECIAL PROCESSING LABORATORY (U), AU-98-0007, 29 September 1998**

**Summary.** ~~(FOUO)~~ In April 1996, the OIG issued a report on the Special Processing Laboratory (SPL) which focused on the issue of contract oversight. The objective of this followup audit was to determine whether management corrected the previously-identified contracting deficiencies. This followup review confirmed that management corrected the deficiencies. The key improvements found were: reconciliation of contractor invoices to the Cost/Schedule Status Report prior to expending funds; a detailed Statement of Work for the current SPL contract on contractor qualifications; and completed training on the responsibilities of CORS for appropriate contracting personnel.

**Recommendations.** ~~(FOUO)~~ There were no recommendations for this followup audit and management agreed with the findings.

### **FOLLOWUP REVIEW OF THE [redacted] INSPECTION (U), [redacted]**

**Summary.** ~~(FOUO)~~ The OIG evaluated management actions following the FY 1996 OIG inspection of the [redacted] organization which recommended actions to correct organizational problems. The followup inspection found that management has made major improvements in the work environment. Employees and management alike provided evidence of gains and beneficial outcomes. For example, the work force described the new performance measures as equitable and consistent; awards are distributed fairly, and employees like the fact that recognition is not based solely on output but also recognizes contributions to the organization; and

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after the team was disbanded, most of its members received desirable new assignments and were subsequently promoted or recognized as high achievers, which restored their morale and self-respect.

**Recommendations.** ~~(FOUO)~~ There were no recommendations for this followup inspection and management agreed with the findings.

### **SPECIAL EMPHASIS AREA: YEAR 2000 PROJECTS (U)**

#### **COMMERCIAL OFF-the-SHELF (COTS) PRODUCTS (U), AU-98-0013, ONGOING**

~~(FOUO)~~ The objective of this ongoing audit is to determine whether the Agency has taken prudent actions to reduce its operational risks associated with reliance on COTS information technology products. Specifically, the audit is focusing on the Agency's methodology used to determine COTS compliancy for critical mission and administrative systems, and verification of the validity of current year 2000 product evaluations. Additionally, the audit is verifying that responsibility and accountability has been assigned to ensure the compliance of specific COTS products. Planned report date is January 1999.

#### **RENOVATION AND TESTING OF IN-HOUSE AND CUSTOMIZED SOFTWARE (U), AU-99-0004 , PLANNED**

~~(FOUO)~~ The objective of this planned audit is to evaluate whether the Agency has identified all of its in-house developed and customized software that supports NSA mission critical systems and whether Key Components are taking adequate steps to ensure that their systems will continue to function at the millennium. Planned report date is June 1999.

#### **CONTINUITY OF OPERATIONS - CONTINGENCY PLANNING (U), AU-99-0005, PLANNED**

~~(FOUO)~~ The objective of this planned audit is to evaluate whether the Agency is adequately assessing its year 2000 risks and developing contingency plans that can successfully manage those risks. The audit will evaluate individual contingency plans for adequacy and, in particular, whether external dependencies have been sufficiently taken into account. Planned report date is September 1999.

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