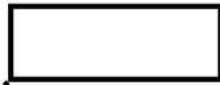


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UNITED STATES GOVERNMENT

memorandum

IG-8537-98

DATE: 20 April 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

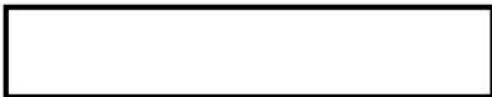
1. ~~(FOUO)~~ This memorandum advises you that the NSA/CSS Office of the Inspector General submitted to the Department of Defense Inspector General the Semiannual Report to the Congress on Intelligence-Related Oversight Activities for the period 1 October 1997 - 31 March 1998. For your information, I am providing you with a copy of this report.

2. ~~(FOUO)~~ If you require additional information, please contact



on 963-3544s.

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



ETHAN L. BAUMAN
Inspector General

(b) (6)

Encl:
a/s

DERIVED FROM: NSA/CSSM 123-2
DATED: 24 February 1998
DECLASSIFY ON: ~~X1, X3, X5, X6, X7, X8~~

This Document May Be Declassified
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Approved for Release by NSA on 03-30-2021, FOIA Case # 55478

OPTIONAL FORM NO. 10
(REV. 1-80)
GSA FPMR (41 CFR) 101-11.6
5010-114 (COMPUTER FACSIMILE)

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OFFICE OF THE INSPECTOR GENERAL

NATIONAL SECURITY AGENCY/
CENTRAL SECURITY SERVICE



SEMIANNUAL REPORT FOR THE PERIOD
1 OCTOBER 1997 - 31 MARCH 1998

DERIVED FROM: NSA/CSSM 123-2
DATED: 24 February 1998
DECLASSIFY ON: ~~X1, X3, X5, X6, X7, X8~~

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NSA/CSS OIG

SEMIANNUAL REPORT FOR THE PERIOD 1 OCTOBER 1997 - 31 MARCH 1998

ADVISORY REPORT ON [redacted] (FOUO)
(U), [redacted]

Summary. (FOUO) In April, 1997, Deputy Chief For Technical Services requested audit assistance from the NSA/CSS Office of the Inspector General (OIG) in deciding whether the NSA/CSS should continue to develop and maintain [redacted] even though commercial software with comparable functionality is available. The review found that user requirements and cost information had not been developed and, as a result, the decision to fund in-house software was proving difficult. To assist management, the OIG developed cost information for [redacted] and identified comparable commercial products and costs. The analysis indicated that after 2.5 years, commercial software would pass the break-even point and be more cost-effective. However, to make an informed decision, management needs accurate and current user requirements. A decision on whether to centralize the [redacted] function at NSA/CSS could greatly affect cost projections. Thus, it is essential to develop reliable cost/benefit models for all options under consideration.

[redacted] CRYPTOLOGIC OPERATIONS CENTER (FOUO), [redacted] (C)

Summary. (C) A joint inspection found the [redacted] to be in transition, due to a vaguely defined mission, dwindling customer interest in its primary target sets, and lower activity levels over the past 7 years. The site would like to be more engaged in area collection efforts but is unclear as to its future posture within the [redacted]. An apparent lack of involvement and firm direction by NSA/CSS Headquarters elements has engendered a sense of drift. The inspection also found that the [redacted] and NSA/CSS failed to address many of the deficiencies and recommendations noted in a 1995 joint inspection report, resulting in numerous repeat findings and observations.

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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[redacted]
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NSA/CSS OIG

YEAR 2000 (U), IN-97-0015, 10 December 1997 (~~S//VCCO~~)

Summary. (~~FOUO~~) To minimize disruptions to Agency operations, the Director issued guidance holding the NSA/CSS Chief Information Officer (CIO) personally accountable for ensuring that Agency systems are Year 2000 (Y2K) compliant by December 1998. At the CIO's request, the OIG conducted an inspection to gauge the Agency's progress on this key issue. The OIG found that NSA/CSS was behind schedule in all five compliance phases mandated by DoD; many Agency managers did not appreciate how Y2K could affect NSA's mission or what they must do to achieve compliance. The inspection concluded that the task is simply too large for the level of manpower currently applied, although resource requirements remain unclear. Radical rescoping of the problem offers the best hope of making critical systems compliant in time.

Recommendations. (~~FOUO~~) All five of the Agency's Key Components concurred in the three recommendations: to develop and implement progress measures, perform risk management, and develop contingency plans. The Agency CIO will monitor progress on the Key Components' actions.

PERSIAN GULF DIVISION (S), IN-98-0004, 28 January 1998 (~~S//VCCO~~)

Summary. (~~S~~) An Intelligence Oversight (I.O.) inspection evaluates an organization's compliance with Executive Order (E.O.) 12333, "United States Intelligence Activities," which is implemented by DoD Directive 5240.1, "DoD Intelligence Activities," and DoD 5240.1R, "Procedures Governing the Activities of DoD Intelligence Components That Affect United States Persons." An I.O. inspection of the Persian Gulf Division (M44) found that the new organization has established good compliance procedures and has also fostered acute awareness of U.S. Signals Intelligence (SIGINT) Directive 18, which states additional responsibilities specific to the U.S. SIGINT system.

TEMPORARY DUTY TRAVEL PROCESS (U), AU-97-0006, 3 MARCH 1998 (~~FOUO~~)

Summary. (~~FOUO~~) The recent reinvention of the temporary duty travel process within the Agency was designed to streamline the process for travellers, decentralize travel budget responsibility, and reduce travel costs by as much as \$30 million over a 5-year period. An OIG audit, which was conducted before the process was fully automated, found the new process generally in compliance with

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NSA/CSS OIG

applicable regulations, although such areas as confirmatory and invitational travel needed improvement to achieve full compliance with regulations. The audit also found several features of the new process which, if improved, could decrease travel costs, including using the Commercial Travel Office or the American Express card to obtain rebate income for the Agency and limiting lodging costs.

Recommendations. (U) The Deputy Director for Support Services concurred with all recommendations and is taking corrective action.

TIME AND MATERIALS/AWARD FEE CONTRACTS (U), AU-97-0001, (FOUO)
10 February 1998

Summary. ~~(FOUO)~~ Time and Materials (T&M) contracts reimburse the contractor for actual hours worked at negotiated fixed rates (which include a profit margin). Since a T&M contract gives the contractor no incentive to control costs, the Federal Acquisition Regulation (FAR) specifies that T&M contracts may only be used when it is impossible to estimate accurately the extent, duration, or cost of the work to be performed. An OIG audit focused on an unusual hybrid used by NSA/CSS: the T&M/Award Fee (T&M/AF) contract. In reviewing a sample of T&M/AF contracts totaling [redacted] the audit found three areas of concern:

- Given the inherent cost risk of T&M contracts, the FAR requires a Determination and Findings (D&F) statement which clearly justifies using this instrument;
- Contracting Officers and their representatives are not routinely performing the extensive oversight required by T&M/AF contracts; and
- Award fee plans by their nature do not contain measurable criteria.

Recommendations. ~~(FOUO)~~ The Office of Contracting (N1) has improved the D&F statements for the contracts discussed in the audit report. To improve contract oversight, Chief, N1 issued a policy reminder and agreed to modify or recompetee three contracts where the credentials of contract employees failed to meet contract requirements. However, the N1 did not agree with the key point in the audit regarding establishing measurable criteria to justify award fees. Within this context, the OIG remains concerned about the risks of providing award fees to contractors based on subjective criteria and plans to reassess the use of T&M/AF contracts in about 2 years.

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