

UNITED STATES GOVERNMENT

memorandum

IG-9071-99

DATE: 16 April 1999

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. (~~U//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 1998 - 31 March 1999. For your information, I am providing you with a copy of this report.

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

[redacted]

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

[redacted]

ETHAN L. BAUMAN
Inspector General

(b) (6)

Encl:
a/s

cc: DIR
D/DIR
EXEC DIR
EXREG
LAO

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OFFICE OF THE INSPECTOR GENERAL

**NATIONAL SECURITY AGENCY/
CENTRAL SECURITY SERVICE**



**SEMIANNUAL REPORT FOR THE PERIOD
1 OCTOBER 1998 - 31 MARCH 1999**

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**SEMIANNUAL REPORT
FOR THE PERIOD 1 OCTOBER 1998 – 31 MARCH 1999**

(U) CONTRACT COST AND PRICING DATA, AU-98-0006, 8 October 1998

Summary. (U) This audit evaluated Agency procedures for handling, processing, and reporting on defective pricing actions. No instances of noncompliance with prescribed regulations were noted. Contracting Officers' (COs) resolutions of defective pricing issues were generally supportable and documented in the contract file. We found that, overall, management had an effective contract audit followup system, and the semiannual status report on contract audits was generally current, accurate and complete.

Recommendations. (U) The audit noted three areas for improvement: Maryland Procurement Office (MPO) guidance needs to be updated so it more accurately reflects current operating procedures; current MPO guidance does not clearly state the procedures available that COs may use to address defective pricing issues within the required timeframe; and a post-award issue identified by the Defense Contract Audit Agency in 1993 is still unresolved. Management concurred with the findings, agreed to update and revise MPO guidance, and to settle the outstanding post-award issue.

**(U) NSA INTELLIGENCE SUPPORT TO COUNTERTERRORISM,
IN-98-0006, 23 November 1998**

Summary. (U/~~FOUO~~) This inspection focused on the Agency's support to the customers engaged in the fight against international terrorism. The primary aim was to gauge customer satisfaction and to see if there were any areas that could be improved. The team surveyed eight counterterrorism (CT) customers and visited [] NSA offices of primary interest and support organizations. Overall, the inspection found these customers to be very satisfied with the support they receive from NSA. Moreover, the National SIGINT Requirements Redesign Team is working to streamline the entire requirements process, thereby enhancing NSA's ability to support CT. Of the customers interviewed, about 80 percent complained that distribution restrictions on special series reports, []

[] keep the reports from reaching some of the people who need to act on them.

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Recommendations. (U//~~FOUO~~) As a result of this finding, two Operations organizations are conducting a review of the [redacted]

[redacted] will explain the process to customers who want to request expanded distribution and will coordinate all requests.

(U) NSA'S QUICK REACTION DEPLOYMENT OPERATION, IN-98-0007, 23 November 1998

Summary. (U//~~FOUO~~) This intelligence oversight inspection of [redacted] NSA's quick reaction capability deployment operation, assessed whether [redacted] is in compliance with Executive Order (E.O.) 12333 and its implementing directives and regulations. The inspection also reviewed quick reaction deployment procedures for reporting possible violations and educating all personnel about their individual responsibility regarding compliance with these authorities. The inspection found [redacted] management and staff to be compliant with E.O. 12333 and its derivative document requirements; it maintains a healthy dialog with the Office of General Counsel (OGC) and is commendably proactive in advising the OGC of upcoming deployments with E.O. 12333 implications.

Recommendations. (U) Management of the [redacted] program concurred with recommendations to enhance the organization's existing E.O. 12333 compliance program. Every new assignee will receive an intelligence oversight briefing, and an OGC representative will visit the [redacted] location annually to discuss E.O. 12333 and related requirements with all [redacted] personnel.

(U//~~FOUO~~) JOINT INSPECTION OF THE [redacted]

Summary. (U) The inspection, conducted jointly by the IGs of the NSA/CSS and Air Intelligence Agency, found that the day-to-day mission is being carried out effectively and consistent with NSA/CSS policy, guidance, and direction. There is good communication throughout the organization and between key functional areas. Two functional areas that do not meet standards are physical security and safety. There are a number of findings in these areas requiring the attention of [redacted] and NSA/CSS management.

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

(U) COMSEC MATERIAL MANAGEMENT, AU-97-0018, 6 January 1999

Summary. (U//~~FOUO~~) Communications Security (COMSEC) material control is based on a system of centralized accounting and decentralized custody and protection.

Recommendations. (U) Management has agreed to develop a prioritized list of procedures for COMSEC account managers and train them to use automated tools to ensure that data in the Central Office of Records is current and accurate. They will improve followup on delinquent accounts to achieve compliance with the national standards for safeguarding COMSEC materials. To improve risk management, COMSEC assistance visits will be prioritized to make sure that large accounts with delinquent inventories are audited at least biannually. A formal memorandum of agreement with DSS has already resulted in more frequent coverage of assigned accounts.

(U) FUNDING FOR OPERATIONS SUPPORTING LAW ENFORCEMENT, AU-98-0002, 7 January 1999

Summary. (U//~~FOUO~~) As a by-product of its Signals Intelligence (SIGINT) collection activities, NSA reports are produced that benefit law enforcement activities. The Consolidated Cryptologic Program funds broken out directly for support to law enforcement were supplemental appropriations in FY97 and FY98. Resulting from Congressional budget actions, these funds are earmarked for equipment and travel to support counterterrorism. In addition, NSA receives funds from the Department of Defense (DoD) Counterdrug Intelligence Program (CDIP).

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Recommendations. (U) The Director of Crime and Narcotics agreed to develop a uniform written planning procedure for committing CDIP funds in order to meet DoD and Agency guidance.

**(U) ADVISORY ON INTELLIGENCE OVERSIGHT SURVEYS, ST-99-0005,
22 January 1999**

Summary. (U) The OIG has broad responsibility to inspect for compliance with the Constitution, laws, executive orders, directives, regulations and rules governing intelligence oversight and the conduct of the Agency's missions. In 1997, the OIG concluded that if the Agency only used traditional methods, existing resources would allow us to cover just a fraction of the Agency's people and programs. In order to expand coverage, the OIG developed a new technique: the Executive Order (E.O.) 12333 Survey Program. With management input, the OIG wrote separate questionnaires tailored to elements in all five Key Components. Detailed analyses of the survey results were provided to the senior management of each organization surveyed. Our analysis of the survey results shows that Agencywide, there is no single method or program for ensuring E.O. 12333 compliance and awareness. Despite the lack of standardized familiarization procedures, employees seem generally aware of how the rules govern the conduct of their missions, although not all are able to cite the particular E.O. 12333 section or DoD Regulation 5240.1-R procedure that applies. Some managers have begun using the survey as a training tool.

**(U//~~FOUO~~) OVERALL REPORT ON THEMED REVIEWS -
LAW ENFORCEMENT, ST-99-0004, 3 February 1999**

Summary. (U//~~FOUO~~) During FY98, the OIG conducted a series of inspections and audits that focused, in whole or in part, on a single theme: the Agency's mission to support the nation's law enforcement community. This report captures and interrelates findings, observations, and recommendations from the individual themed projects. This review found much that was heartening, particularly the extent to which everyone involved is dedicated to serving the law enforcement customer. Based on customer interviews, the OIG concluded that these external customers appreciate the support they get from NSA. Where there were procedural glitches or controls that needed improving, the OIG was able to enlist management to remedy the problem.

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**(U) JOINT INSPECTION OF BADAIBLING STATION (BAS), JT-99-0002,
5 February 1999**

Summary. (~~U//FOUO~~) The inspection, conducted jointly by the IGs of the Service Cryptologic Elements and NSA/CSS, found that uncertainty about the site's future and changing guidance and direction affecting the operations have contributed to a general decay in station facilities and infrastructure. A host of new initiatives to repair, improve, or establish facilities to address some of the most important concerns is underway. However, force protection and infrastructure security issues present major problems requiring resources beyond that now available for the Station to support. BAS leadership was critical of the NSA operations mission transition planning process, despite the existence of the BA Transition Team. In general terms, station management expressed a high degree of dissatisfaction and frustration about the lack of NSA guidance, feedback, and even routine communication to the site with respect to mission transition planning. There is, however, universal support from senior leadership at the station for the creation at NSA Headquarters of a "station advocate" for BAS with access to the agency's top leaders. In light of the decision to keep BAS open, NSA and the Army's Intelligence and Security Command (as the Executive Agent) must redefine roles and responsibilities of the various organizations to ensure complete understanding.

Recommendations. (U) The inspection report contained numerous recommendations for improvement. Management agreed with these recommendations and has instituted a formal process for tracking all of its corrective actions.

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**(U) OFFICE OF SECURITY SERVICES - SUPPORT, AU-98-0014,
8 March 1999**

Summary. (U//~~FOUO~~) The OIG is conducting a management review of the Office of Security Services (OSS) in two phases. The review placed special emphasis on management controls in the support of the OSS mission. The review found that the overall policies and procedures that management has established to control and account for ammunition, badges, uniforms, radios, and weapons provide reasonable assurance to preclude future significant losses through misappropriation or theft. Also, OSS management did not have a process to involve the Office of Facilities Services in plans and decisions about security for construction, renovation, or lease of real property. Thus, security concerns of the OSS were not addressed early on, increasing potential security risks and the cost of security retrofits. In addition, the OSS was not in compliance with NSA/CSS Regulation 120-12, *Personnel Security Program for Continued Access*, which requires a reinvestigation polygraph at 5-year intervals for all NSA employees and contractors with access to Sensitive Compartmented Information. The second phase of the review will focus on the OSS mission.

Recommendations. (U//~~FOUO~~) Management agreed with all recommendations and to initiate action to develop a formal approval process to ensure security provisions in current and future plans for Agency real property construction, renovation, or lease. In addition, management has developed a strategy to address the Agency's current noncompliance regarding reinvestigation polygraphs; however, management needs to make decisions regarding the polygraph billet shortage within the OSS, and an incentive/retention program for polygraphers. Finally, if it is not feasible to acquire polygraph skills internally, management may require concurrence from the Human Resources Review Group for outside hiring authority.

**(U) MISCONDUCT REGARDING OFFICIAL TRAVEL, IV-97-0061,
9 March 1999**

Summary. (U//~~FOUO~~) This investigation substantiated allegations of misconduct by an Agency employee related to official travel. Briefly summarized, the OIG found the employee improperly accepted \$12,854 in compensation from a non-Federal entity for official government travel expenses without prior authorization on 17 occasions; improperly served in a position of fiduciary responsibility for the entity; knowingly submitted false, duplicate, and improper claims to the government relating to official travel; improperly converted 130,000 frequent flier miles for personal use;

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and improperly claimed 51.25 regular hours, credit hours and/or overtime while in a travel status. The employee resigned from the Agency and appropriate collection action has been taken to recover \$5,774 due to the Government.

**(U) TRAVEL IMPROPRIETIES AND NEPOTISM BY A SENIOR OFFICIAL,
IV-98-0002, 16 March 1999**

Summary. (U//~~FOUO~~) This investigation found the senior official had solicited airline upgrade coupons that were provided based on the official's senior position; changed a personal trip to an unnecessary TDY that was charged to the Agency; and violated nepotism laws and regulations by advocating the hiring of a spouse. The official received a written reprimand and was directed to reimburse the U.S. Treasury for all costs associated with the unnecessary TDY that was charged to the Agency, and the Agency will recoup the salary paid to the spouse in accordance with applicable laws.

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