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OFFICE OF THE INSPECTOR GENERAL

NATIONAL SECURITY AGENCY/ CENTRAL SECURITY SERVICE



SEMIANNUAL REPORT FOR THE PERIOD 1 OCTOBER 2001 - 31 MARCH 2002

DERIVED FROM: NSA/CSSM 123-2
DATED: 24 February 1998
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~~SECRET//X1~~**(U) SEMIANNUAL REPORT TO THE CONGRESS****FOR THE PERIOD October 1, 2001 THROUGH March 31, 2002****(U) Integrated Financial Management System; NSA/CSS IG, AU-01-0003, 4 October 2001**

Summary. (U) One of the Director's initiatives under the 100 Days of Change was to transform the Agency's financial management processes and systems. In 1999, the Director hired a Chief Financial Manager (CFM) from private industry to lead the Agency's financial management transformation. An NSA/CSS Office of the Inspector General (OIG) audit found problems in two areas: (1) NSA does not have a documented plan, as required by DoD and Office of Management and Budget guidance, for its financial management transformation and (2) NSA has not established an organizational structure to oversee and manage its business systems, e.g., budget and finance, supply chain management, human resources, acquisition, and property systems.

Management Action. (U) The CFM agreed with the audit recommendations to: (1) develop a corporate strategy and plan for transforming its financial management systems and (2) establish a central organization to oversee the integration and configuration management for a single, integrated financial management system (including all business systems). These actions were progressing until the DoD decided to implement its Enterprise-wide effort to standardize and improve their many financial management systems. Current DoD timelines call for architecture development by second quarter FY03 followed by solution deployment in the third quarter of FY05.

Overall Report Classification: (U) UNCLASSIFIED//~~FOR OFFICIAL USE ONLY~~

(U//~~FOUO~~) Bad Aibling Station Mission Transfer; NSA/CSS IG, INSCOM IG, AIA IG, NSG IG, JT-01-0005, 30 October 2001

Summary. (~~S~~) The purpose of this joint inspection was twofold - to verify that procedures were in place to ensure a seamless transfer of the [redacted] mission from Bad Aibling Station (BAS) to the Medina Regional Security Operations Center (MRSOC), and to account for the cessation and mitigation processes

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associated with the closure of BAS. The [redacted] transfer is on track, but some serious problems need resolution. These include: shortfalls in the training of linguists for MRSOC positions; systems administration and technical support manning shortfalls; and unclear lines of responsibility for [redacted] collection equipment. Shortly after this inspection concluded, the closure of BAS was postponed to September 2004. Thus, some of the findings of this report must be viewed in a different light.

Management Action. (S) Management should develop their strategy for Signals Intelligence development in the post-BAS period. Army's Intelligence and Security Command needs to develop its [redacted] training pipeline, and additional IT/system administration resources must be provided to the MRSOC.

Overall Report Classification: (U) ~~SECRET//COMINT~~

(U) **Integrated Logistics Management System;** NSA/CSS IG, AU-01-0002, 11 December 2001

Summary. (U) The Agency's Supply Chain Management (SCM) process manages the flow of materiel and related information between customer and supplier. The audit objectives were to determine whether the Agency is moving toward a centralized logistics process and if plans for the Agency's financial management system (FMS) take into account the need to integrate and have interoperability with the automated SCM system that must feed into it. An OIG audit found that NSA does not have a written plan to ensure that the SCM System is integrated and interoperable with the Agency FMS currently in development. The audit was unable to determine the accuracy of actual cost reductions and avoidances attributed to the new SCM process. However, the auditors found the methodology employed to establish cost baselines to be acceptable and consistent.

Management Action. (U) The Chief Financial Manager (CFM) agreed with the audit recommendation that the FMS integrator should evaluate the SCM system to ascertain whether it can be integrated into the new FMS or whether it should be replaced.

Overall Report Classification: (U) ~~UNCLASSIFIED//FOR OFFICIAL USE ONLY~~

(U) **Office of Russia;** NSA/CSS IG, IN-01-0010, 13 December 2001

Summary. (U) The Office of Russia provides intelligence gained from Russian communications. An inspection found that missions, roles, and authorities of the [redacted] divisions are not clearly delineated, and office level management has not resolved a serious conflict between the two that interferes with mission accomplishment. The organization's work force does not feel well informed about the

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Agency, the Signals Intelligence Directorate, or the organization's Transformation efforts.

Management Action. (U) Management concurred with all recommendations and will act to clearly delineate roles, responsibilities, expectations, and authorities; resolve the internal conflict between the [redacted] divisions; and develop and implement a strategy to make Transformation relevant to all levels of the organization's work force.

Overall Report Classification: (U) ~~TOP SECRET//COMINT~~

(U) **Strategic Assessment of Intelligence Oversight;** NSA/CSS IG, ST-00-0001, 14 December 2001

Summary. (U) In order to protect the rights of U.S. persons during the conduct of NSA's missions, DoD Regulation 5240.1-R, and NSA/CSS Directive 10-30 require NSA, through intelligence oversight awareness training, to familiarize its personnel with Executive Order 12333 - the Intelligence Community's charter - and the laws, directives, and regulations that implement it. In response to ongoing concerns about the consistency and adequacy of intelligence oversight (I/O) awareness at the Agency, the OIG conducted a comprehensive study of this issue. The results indicated broad non-compliance with DoD and Agency requirements for providing I/O awareness training, which was nonexistent or inadequate in [redacted] of the organizations we reviewed. Fortunately, although training has not been up to par, the Agency has many other controls and procedures in place to ensure that the rights of U.S. persons are protected.

Management Action. (U) Management agreed to implement our recommendations, including production of a videotaped version of basic I/O awareness training, development of tailored I/O training for high-risk organizations, and revision of NSA/CSS Directive 10-30 with more detailed guidance about I/O training and quarterly reporting requirements. Additionally, management is providing interim I/O awareness training programs that meet minimum DoD requirements.

Overall Report Classification: (U) ~~TOP SECRET//COMINT~~

(U) **Advisory of Information Technology Outsourcing;** NSA/CSS IG, ST-01-0004, 16 January 2002

Summary. (U) Based on lessons learned by other public and private sector organizations that outsourced Information Technology (IT) services, the OIG concluded that success is closely tied to: strong management commitment; well-

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documented planning; experience with performance based contracting (PBC); effective service level agreements (SLAs); and contract monitoring aimed at continuous improvement rather than compliance. An OIG study indicated that GROUNDBREAKER (GB) is likely to experience many of the aforementioned obstacles. Applying the lessons learned in the study to the GB transition environment, the OIG concluded that success probably hinges on: demonstrable commitment to GB success by top-level management; documented transition and implementation plans; SLAs that accurately reflect customer expectations; appropriate metrics; and performance standards. For the long term, the Agency needs to develop training in all aspects of PBC: writing performance objectives and measures; learning new contract monitoring techniques; and using incentives to optimize performance.

Overall Report Classification: (U) UNCLASSIFIED//~~FOR OFFICIAL USE ONLY~~

(U) **Fort Gordon Regional Security Operations Center (GRSOC);** NSA/CSS IG, INSCOM IG, AIA IG, NSG IG, JT-01-0003, 24 January 2002

Summary. (U) A joint inspection found the command climate to be excellent, and the work force is dedicated and professional. However, the GRSOC is stretched thin, almost to the breaking point, by a growing mission and continual shortages of experienced personnel. The inspection also included the effectiveness of the Joint-like Testbed initiatives: the Common Workforce Training and Executive Training Council have had a positive impact and are highly effective; the Combatant Cryptologic Support Center has improved national-tactical partnering, but needs increased resources to reach full effectiveness. The Joint Rating Scheme was assessed to be effective with the Regional Security Operations Center Commander rating the local Service Cryptologic Element unit commanders but having minimal positive impact when extended throughout the junior ranks. The Joint J1 Organization Testbed was effective but requires further evaluation following planned changes in functions.

Management Action. (U) Headquarters management should give immediate attention to three areas affecting the GRSOC: mission overload, manpower, and the requirements process. DIRgram-212 of 7 December 2001 implemented the Joint IG recommendations on the Joint-like Testbed initiatives.

Overall Report Classification: (U) ~~SECRET//COMINT~~

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(U) **Special Study on NSA Support to Law Enforcement;** NSA/CSS IG, ST-02-0001, 7 March 2002

Summary. (U) In January 2002, the Intelligence Community Inspector General (IG) Forum undertook a project to identify the support to law enforcement provided by each member's agency. The impetus for the project was twofold: (1) in response to a desire, expressed by the Congress and others, to increase information sharing between the intelligence and law enforcement communities and (2) in anticipation of possible future taskings related to events from 11 September 2001 from the Congress regarding this issue. As NSA's contribution to this project, the NSA OIG solicited input from its Directorates and Associate Directorates based on their interaction with the law enforcement community. This and other information was used in the compilation of a special study regarding NSA's support to law enforcement. This study found that NSA interacts with a broad spectrum of law enforcement entities, including organizations within the Departments of Justice, Treasury, and Transportation; the military law enforcement community; and local and state police departments. Under Executive Order 12333 and National Security Directive 42, NSA interacts with law enforcement in the course of conducting Signals Intelligence, Information Assurance, Security, and Education and Training missions, and by providing assistance in the form of knowledge, equipment, and personnel.

Overall Report Classification: (U) ~~TOP SECRET//COMINT//NOFORN~~

(U) **Office of Foreign Relations;** NSA/CSS IG, IN-01-0005, 15 March 2002

Summary. (S) As part of the Agency's transformation, the Director charged NSA's Director of Foreign Relations with "orchestrating and improving all of our foreign relationship activities, processes, and decisions." The OIG evaluated the Office of Foreign Relations (OFR) for effectiveness and efficiency, as well as the degree to which transformation is taking hold within the organization and associated foreign relations activities. Findings of the inspection include the following: there is a need for an up-to-date charter that defines the current roles and responsibilities of all Agency organizations involved in foreign relations; the [redacted] program budget execution and accommodation purchase function, inadequately retained in the Agency reorganization, needs to be reconstituted and; a decision-making process for SIGINT foreign relations initiatives—including an expeditious approval process and a formal risk management component—is needed.

Management Action. (S) Management has already completed several actions; however, some recommendations require "cooperative actions." For these, the OFR was designated as the lead, responsible for a consolidated OFR/SIGINT Directorate (SID)/Information Assurance Directorate (IAD) response. OFR and IAD

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concurrent in all actions. The SID Director non-concurred in the recommendation related to the [redacted] Program budget execution and accommodation purchase function. We have requested that the Director, NSA clarify to the Director of Foreign Relations and the SID Director the "model" for the corporate Foreign Relations Program, and direct them to address the issues raised.

Overall Report Classification: (U) ~~TOP SECRET//COMINT~~

(U) **Continuity of Operations and Contingency Planning for** [redacted]
NSA/CSS IG, AU-02-0002, 27 March 2002

Summary. (S) In response to the terrorist attacks of 11 September 2001, the Deputy Director, NSA established a Mission Assurance Task Force (MATF). The audit found that the MATF had developed a three-phase strategy [redacted]

[redacted]

Management Action. (U) The CIO agreed with our recommendation to revise NSA Regulation 25-1 and to develop a Mission Assurance Policy by mid-summer.

Overall Report Classification: (U) ~~TOP SECRET//COMINT~~

(U) **Continuity of Operations** - [redacted] NSA/CSS IG, AU-02-0004, 27 March 2002

Summary. (S) [redacted]

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Management Action. (U) Management concurred with all recommendations to revise and test the EAP; establish emergency destruction procedures and capability; and establish accountability for mitigating any risks and vulnerabilities identified in ARM recommendations.

Overall Report Classification: (U) ~~SECRET//COMINT~~

(U) **Review of Transformation Progress in the Signals Intelligence Directorate;**
NSA/CSS IG, IN-01-0011, 29 March 2002

Summary. (U) An OIG review of the progress in transforming the Signals Intelligence Directorate (SID) found SID to be about at the 1-year mark of a 5-year transition, despite the exigencies of responding to 11 September. Strategic direction for key business lines is set, with customer-focused initiatives underway and technological innovations for reporters and analysts under development or coming on line. Nevertheless, we noted the following concerns: SID leadership focus was more tactical than strategic at the time of the review, and the control environment in place to guide transformation was inadequate – there are few schedules that articulate next steps, milestones are non-existent; and senior managers were not sure of their next deliverables in support of transformation. The report recommends a planning process that sets strategic direction for the SID and establishes action plans with milestones. SID leadership also needs to clarify roles, responsibilities, processes, and decision-making authorities for key executives with key transformation responsibilities.

Management Action. (U) SID leadership concurred with all recommendations and has reset its focus on the strategic aspects of transformation. Actions have been taken to tighten the control environment and work is underway to define further measures to gauge progress towards SID goals in this area.

Overall Report Classification: (U) ~~CONFIDENTIAL~~

(U) **Follow-up Inspection of the Overhead Collection Management Center (OCMC);**
NSA/CSS IG, IN-02-0003, 28 March 2002

Summary. (U) The primary purpose of this follow-up to the FY 2000 organizational inspection of the OCMC was to identify impediments to the implementation of the prior recommendation to “validate the role of a central tasking authority for overhead collection and write a charter detailing the updated authorities and responsibilities.” A secondary goal was to determine whether the overhead tasking process had benefited from the inspection’s other

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recommendations. The follow-up found that progress on updating the charter is being impeded by uncertainty about the future of the SIGINT Overhead Requirements Subcommittee and the role of the SIGINT Committee in managing overhead collection activities. The follow-up also found that improvements in overhead tasking have resulted from the 2000 inspection.

Management Action. (U) The follow-up found that the issues surfaced regarding the OCMC charter are well recognized and are being actively addressed by appropriate authorities.

Overall Report Classification: (U) UNCLASSIFIED//~~FOR OFFICIAL USE ONLY~~

(U) Inherently Governmental Functions and Contract Administration Improprieties; NSA/CSS IG, IV-00-0041, 11 January 2002

Summary. (U) An OIG investigation found that an Agency Program Manager and Contracting Officer's Representative (PM/COR) engaged in a series of improper practices in violation of the Federal Acquisition Regulation and Agency procurement policies, including making a series of unauthorized commitments; interfering with contractor performance; and allowing a contractor employee to engage in inherently governmental functions. In addition, the PM/COR engaged in a pattern of harassment and intimidation of those who reported the contractor employee's improprieties to management or attempted to take corrective action themselves. Management removed the individuals as the PM/COR and the Office of Employee Relations issued a written reprimand. The former PM/COR donated 24 hours of annual leave to the Leave Bank and agreed to prepare a research paper on the "Proper Management of Contracted Personnel." The Contracting Group is reviewing the current contracts used by this program and has indicated further action may be forthcoming.

Overall Report Classification. (U) ~~SECRET~~

(U) Senior Official Investigation; NSA/CSS IG, IV-02-0001, 24 January 2002

Summary. (U) An OIG investigation found that an Agency senior official used contractor employees as if they were personal staff and improperly administered the contract as a personal services contract. The contractor employees received routine direction and taskings from the senior official, including how the tasks were to be accomplished and the deadlines for accomplishing them, and reported directly to the senior official on the status of the tasks. The increased reliance on the contractor employees by the senior official and other groups within NSA resulted in the scope and associated costs of the contract significantly

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expanding – from [redacted] in 1998 to [redacted] as of 31 October 2001. Prior to the
OIG investigation, the senior official was unaware of the government rules
regarding personal services contracts. We recommended that the Senior Acquisition
Executive take appropriate corrective actions to ensure that the current contract is
administered properly.

Overall Report Classification. (U) UNCLASSIFIED//~~FOR OFFICIAL
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(U) **Senior Official Investigation;** NSA/CSS IG, IV-01-0047, 5 February 2002

Summary. (U) An OIG investigation found that an Agency senior official, who works part-time for an NSA contractor, represented this employer at a meeting with NSA representatives. The purpose of the meeting was to discuss matters related to a contract with the Agency. We concluded that he engaged in outside employment activity that conflicted with his official duties. This same senior official was investigated by the OIG a year earlier, and was found to have represented his contractor employer at a meeting with NSA employees. The Agency's Office of Employee Relations subsequently counseled him concerning his responsibilities. In addition, after the first investigation, the senior official's NSA management advised the OIG that he would avoid any future contact with government employees while working in his capacity as a contractor. The senior official failed to adhere to this guidance. Administrative actions are pending.

Overall Report Classification. (U) ~~SECRET//COMINT~~

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