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UNITED STATES GOVERNMENT

memorandum

IG-9296-99

DATE: 26 October 1999

REPLY TO
ATTN OF: Inspector GeneralSUBJECT: Office of the Inspector General Semiannual Report to Congress -
INFORMATION MEMORANDUM

TO: DDI, DDO, DDCM, 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 April 1999 - 30 September 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.

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[redacted]
ETHAN L. BAUMAN
Inspector General

(b) (6)

Encl:
a/scc: DIR
D/DIR
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OFFICE OF THE INSPECTOR GENERAL

NATIONAL SECURITY AGENCY/ CENTRAL SECURITY SERVICE



SEMIANNUAL REPORT FOR THE PERIOD 1 APRIL 1999 - 30 SEPTEMBER 1999

DERIVED FROM: NSA/CSSM 123-2

DATED: 24 February 1998

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SEMIANNUAL REPORT FOR THE PERIOD 1 APRIL 1999 - 30 SEPTEMBER 1999

1. (S) [REDACTED] SUPPORT, [REDACTED]

Summary. (S) This audit assessed the effectiveness and efficiency of contracting and financial practices at the [REDACTED]. Both NSA and CIA assign contracting officers to [REDACTED]. The auditors found several areas that require improvement: there is a higher percentage of sole-source contracting at [REDACTED] than at CIA or NSA (about 30 percent higher than NSA); CIA's delegation of contracting authority to an [REDACTED] Division chief violated good internal control practices; and the [REDACTED] disbursing office maintained excessive amounts of cash even though the monthly requirement was only about one-fourth of this amount.

Recommendations: (S) The [REDACTED] NSA's Office of Contracting, and CIA's Office of Finance and Logistics (OFL) managers agreed to undertake new initiatives to improve competition and ensure that contracting regulations are followed. [REDACTED] and OFL agreed to reduce the cash but did not agree to the recommendation to rescind the contracting authority of the [REDACTED] Division chief; the CIA IG will handle this issue.

2. (S) [REDACTED] MISSION, [REDACTED]

Summary. (S//NF) This is the second of two joint audits conducted by the CIA IG and NSA/CSS IG (OIG) offices. The first report concentrated on contractual and financial responsibilities and the second audit focused on [REDACTED] support to law enforcement agency (LEA) personnel at [REDACTED] sites. It also examined the adequacy of emergency planning and response, training, equipment, and compliance with NSA directives. The audit found that the [REDACTED] sites have a close, productive working relationship with LEA personnel, but the sites had infrequent to no relations with LEA personnel. This was partly due to a lack of formal policy guidance on when and how to establish such relationships. The auditors also found that [REDACTED] sites have not always prepared or updated their Emergency Action Plans (EAPs) as required by NSA/CSS Regulation Number 25-14.

Recommendations. (S) [REDACTED] management concurred with all audit recommendations and plans to initiate formal procedures for establishing relations with LEA personnel at field sites. In addition, [REDACTED] management has established followup procedures to

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ensure that field sites implement recommendations to correct EAP deficiencies during periodic [] security reviews. Finally, [] management has agreed to update EAP field instructions and establish a coordinator to manage the EAP program.

3. (U) SURVEY OF INFORMATION TECHNOLOGY INFRASTRUCTURE,
IN-99-0007, 30 April 1999

Summary. ~~(C)~~ The inspection survey team reported that the Agency's Information Technology Infrastructure (ITI) - upon which it depends for mission success and routine tasks - [] the cost to modernize it is not currently included in Agency budgets. The survey identified issues that warrant immediate attention by Agency leadership, particularly achieving corporate management of the ITI and addressing ITI planning at all levels as an integral part of corporate business planning. There are few metrics to gauge ITI performance, []

Recommendations. ~~(U//FOUO)~~ The survey made no formal recommendations but identified key issues for NSA Leadership to address. The charter establishing the Agency's Chief Information Officer (CIO) has been revised to give the new CIO management responsibility over corporate IT resources. Based on the survey, the NSA OIG conducted inspections of two organizations that are key role players in ITI readiness and modernization; the reports will be issued during the first quarter of FY 2000.

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4. (U) SIGINT REPORTING FOR A PRODUCTION DIVISION, IN-99-0008,
30 April 1999

Summary. ~~(C)~~ This Intelligence Oversight (I.O.) inspection of SIGINT reporting for a production division found that personnel were keenly aware of their I.O. responsibilities, but did not have a formal program to make sure everyone is familiar with the basic I.O. documents: Executive Order 12333 and its implementing directives and regulations. Coincidental with the inspection, one of the division's offices launched an I.O. training initiative that will be implemented throughout the organization. In addition, the division appointed a Point of Contact (POC) for I.O. who will share the responsibility for familiarization and training with another POC.

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5. ~~(U//FOUO)~~ **JOINT INSPECTION OF THE DENVER FIELD STATION,**
JT-99-0003, 6 May 1999

Summary. ~~(U//FOUO)~~ This joint inspection by the IGs of the Service Cryptologic Elements (SCEs) and NSA/CSS assessed three interest items noted by the Director, NSA/Chief, CSS: mission integration, reliability of mission, and military member support. Other areas inspected included site command, operations, and support functions. The site recognizes and has taken direct action to integrate operational processes within its purview. Despite the limitations of various stovepipe systems that were delivered during the past few years, site initiatives have made mission integration more of a reality. More difficult integration issues exist, such as solving a problem of multiple management information systems. Regarding reliability of mission, most of the critical infrastructure elements that are required to sustain the site's operations have built-in redundancies that allow site operations to continue with minimal interruption. The inspectors found that good efforts have been made in the past several years by all appropriate commanders at the site to improve active duty military support. However, to improve morale and operational effectiveness, more work is required to provide full-service dining facilities, expanded fitness and recreational opportunities, and emergency services on a 24 hour, 7 days per week basis.

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

6. **(U) Y2K EFFORTS CONCERNING COMMERCIAL OFF-THE-SHELF**
PRODUCTS, AU-98-0013, 21 May 1999

Summary. ~~(C)~~ The Year 2000 (Y2K) problem is rooted in the way automated information systems record and compute dates. This audit found that many of NSA's most critical systems have components that were not developed or supported in house but are commercial off-the-shelf (COTS) products purchased from vendors. [REDACTED]

[REDACTED] any COTS components that are not Y2K compliant could adversely affect the Agency's mission. The auditors also noted that [REDACTED]

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Recommendations. ~~(S)~~ Management concurred with all recommendations and took the following actions: 1) included end-to-end system interface information identifying NSA's highest priority systems in an upgraded Information Technology Inventory Database; 2) added the "vendor's definition of compliance" and "vendor's compliance testing" to the COTS database for those products for which the vendor provided the information; and 3) started making use of the DOD Joint Integration and Test Facility test information on COTS products. These actions will reduce the risk of Y2K disruptions to NSA's most critical missions.

7. **(U) SYSTEMS AND NETWORK OPERATIONAL EVALUATIONS,**
ST-99-0001, 28 May 1999

Summary. (U//~~FOUO~~) During this special study, a systematic review of the Systems and Network Center (SNC) activities was conducted to determine the extent and adequacy of policies, procedures, and internal controls governing the Center's operations, and whether existing policies and internal controls provided reasonable assurance that these activities were carried out with due regard for legal, operational, and other risks. The study found the SNC to be control conscious and personnel at all levels demonstrated personal and professional integrity; the Memorandum of Understanding (MOU) with the National Institute of Standards and Technology (NIST) had not been reviewed since 1989 and did not address reimbursement for SNC services; the process for approving requests for services had not been formalized; and written procedures for conducting operational evaluations did not address the provision of technical assistance to law enforcement agencies.

Recommendations. (U//~~FOUO~~) Management concurred with all recommendations and agreed to update and finalize policy and procedures for all SNC requirements, approvals and services. The SNC further agreed to institute procedures to ensure testing personnel are aware of the legal protocols. The Associate General Counsel for Information Systems Security will review and update the MOU with NIST and coordinate with appropriate offices to update and finalize NSA/CSS Regulation Number 130-3.

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8. (U) FOLLOWUP INSPECTION ON NUCLEAR COMMAND AND CONTROL,
AU-99-0009, 20 July 1999

Summary. (S//NF) [REDACTED]

[REDACTED] This followup review focused on these recommendations to determine whether management had implemented the recommendations or taken alternative actions that satisfied their intent. Overall, the inspection found that NC2 management had implemented most of the recommendations. Improvements were made in key areas: [REDACTED]

Recommendations. (U//FOUO) Management has agreed to designate NC2 positions for priority staffing and to establish an NC2 entry-level hiring program. Management also plans to complete a comprehensive vulnerability assessment by 31 December 1999, while the Office of Security will conduct [REDACTED] polygraphs of PRP personnel.

9. (C) JOINT INSPECTION OF MENWITH HILL STATION, JT-99-0004,
10 September 1999

Summary. (C) The inspection, conducted jointly by the IGs of the SCEs and NSA/CSS, found that overall the Menwith Hill Station (MHS) command climate is healthy; policy and guidance from higher headquarters is effective but there are deficiencies with respect to an overall lack of formal, written guidance; a dedicated MHS work force carries out a dynamic, [REDACTED] the communications and network division is competently run and professionally staffed; and MHS is establishing strong environmental safety and health programs.

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

10. (U) SPOUSAL ACCOMMODATIONS, ST-99-0006, 17 September 1999

Summary. (U//~~FOUO~~) This review was initiated in response to a request from the Inspector General, Department of Defense (IG DoD) to the Director, NSA/Chief, CSS to review the overseas spouse hiring program at NSA. The IG DoD was concerned that NSA's spouse hiring program appeared to give spouses of NSA employees undue employment advantages that are generally not available to other DoD family members overseas. As a result, the Director was asked to review the program to ensure its compliance with applicable regulations and avoids the perception of favoritism. This review determined that a vast majority of spouse hires (67 of 73) at field sites in FY 1997-1998 were accomplished in accordance with Merit System Principles and applicable regulations. In these hires, competitive procedures were followed in selecting spouses of NSA employees for vacant part-time indefinite positions. The OIG concluded that on six occasions in FY 1997-1998 spouses were placed in newly created positions, without competitive procedures, contrary to Merit System Principles. Furthermore, when competitive procedures were utilized, the spouses of NSA employees were not given employment preference. By contrast, within the DoD community outside of NSA, spouses and family members of DoD military and civilian personnel receive employment preference under DoD regulations that do not apply to NSA.

Recommendations. (U//~~FOUO~~) To avoid a recurrence of the occasions where non-Agency spouses were hired contrary to the Merit System Principles, the OIG recommended that the Deputy Director for Support Services ensure that appropriate corrective actions are taken in coordination with the NSA Office of General Counsel. These corrective actions include educating the work force and Agency senior officials about Merit System Principles and restrictions under the nepotism laws and regulations, and advising employees that Agency policy prohibits employees from making employment for their spouse a contingency for their accepting a PCS assignment.

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// (U) OFFICE OF SECURITY SERVICES MANAGEMENT REVIEW -
MISSION, AU-99-0011, 20 September 1999

Summary. (U//~~FOUO~~) This audit is the second and final phase of a management review of the Office of Security Services (OSS). The first phase placed special emphasis on management controls in the support area. For a summary of this review, please refer to the Semiannual Report as of 31 March 1999. Phase II, the subject of this report, focused on compliance with investigative authorities, policies, and procedures. The phase II audit report found that, with the exception of two cases, the OSS' Reports of Investigation (ROIs) and Memoranda for the Record (MFRs) did not disclose any actions by Special Agents that were not in compliance with investigative authorities, policies, and procedures; the OSS did not have a record of adjudicative actions taken on [] of the [] ROIs and MFRs reviewed; about [] percent of the automated information systems (AISs) did not have the certifications and accreditations required for operation; and approximately [] percent of the data in the case control system was not accurate or complete.

Recommendations. (U//~~FOUO~~) Management agreed with our recommendations to document the new procedure for recording adjudicative dispositions; develop a Certification and Accreditation Plan (with milestones) to secure all AISs; and establish quality control measures for entering data in the new case control system, which is currently under development.

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