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Office of the Director of National Intelligence

Office of the Inspector General



Annual Report
January 31, 2007



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Message from the Inspector General

The Office of the Inspector General (OIG) for the Office of the Director of National Intelligence (ODNI) commenced operations on July 5, 2005.

The Intelligence Reform and Terrorism Prevention Act of 2004 (IRTPA) granted the Director of National Intelligence (DNI) the authority to establish an OIG. The IRTPA provided further that the DNI could confer on his Inspector General (IG) "any of the duties, responsibilities, and authorities" which are set out in the Inspector General Act of 1978. The DNI promulgated Instruction 2005-10, establishing the ODNI OIG and prescribing its authorities.

The mission of the ODNI OIG is threefold:

- To perform, on behalf of the DNI, audits, investigations, and inspections of the ODNI and component elements.
- To support the DNI's responsibilities under the IRTPA to improve, reform, and integrate the activities of the U.S. Intelligence Community as a whole, with particular emphasis on the sharing and dissemination of intelligence information, quality of analysis, joint duty, and effective execution of the budget.
- To identify, develop, and lead collaborative projects involving the Inspectors General of the sixteen Intelligence Community agencies.

Since beginning operations in July of 2005, I have built a team of nineteen professionals and support staff, all but two of whom are permanent hires, to carry out our mission. We have recruited experienced individuals from other IG offices, law enforcement, the armed services, intelligence agencies, and the private sector. After serving with me for a year, my first Deputy Inspector General was selected as Inspector General of the Defense Intelligence Agency.

The ODNI OIG is composed of three functional divisions: Investigations, Inspections, and Audit. In addition, in view of the DNI's statutory responsibility to reform and improve intelligence processes, I have established a Consulting and Advisory Services Division to provide experienced management and business process consulting services to ODNI managers. I hired two professionals from a major private sector consulting firm to stand up this division.

The guiding principles of the ODNI OIG are the following:

- We are leaders in the IG community. Our primary role is to focus on multi-agency matters in the interests of the overall Intelligence Community mission.
- We focus our efforts on matters with the highest impact on the successful accomplishment of the DNI's mission as set forth in IRTPA.

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- We intend to deliver the results of our inspections, investigations, audits, and consultations expeditiously. We share the general sense of urgency to push forward on the Intelligence Community's mission.

My office completed and initiated several major projects in 2006, including a review to improve the dissemination of sensitive reporting throughout the Intelligence Community, a survey of the interpretation and application of "U.S. Persons" rules in the Intelligence Community, an examination of training across the Intelligence Community on U.S. Persons rules, a consulting project addressing processes used by analysts to communicate collection requirements throughout the Intelligence Community, and an inspection of the National Counterterrorism Center. Many of these projects are ongoing and will be expanded or completed in 2007. We also performed several investigations.

In addition, in cooperation with the other Intelligence Community Inspectors General, we have initiated a review of contracting practices throughout the Intelligence Community and we have taken a leadership role in the new National Procurement Fraud Task Force initiated by the Department of Justice.

Finally, we have several significant projects planned for 2007, which are summarized in this report. In these projects we will continue to emphasize IC-wide structural and process improvements.

I anticipate that our volume of investigations and inquiries will increase in 2007, and I intend to keep the DNI and Congress informed of our work.

For myself and the staff of the OIG, we are honored to serve and are committed to accomplishing our goals.

Edward Maguire
Inspector General
Office of the Director of National Intelligence

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Office Profile

The Director of National Intelligence (DNI) established the Office of the Inspector General (OIG) to detect and deter waste, fraud, abuse, and misconduct involving the Office of the Director of National Intelligence (ODNI) and Intelligence Community programs and personnel, and to promote economy, efficiency, and effectiveness in the ODNI and Intelligence Community operations. The OIG has responsibility for programs and operations internal to the ODNI, as well as responsibility over community-wide and cross-agency matters that are within the DNI's authorities.

The OIG staff inspects and audits programs; assists management in promoting integrity, economy, efficiency, and effectiveness; and investigates alleged violations of criminal and civil laws, regulations, and ethical standards arising from the conduct of ODNI and Intelligence Community employees in their numerous and diverse activities.

Divisions

The OIG consists of the following divisions:

Inspections Division. Conducts program and management reviews that involve on-site inspection, statistical analysis, and use of other techniques to review ODNI and Intelligence Community programs and activities, and makes recommendations for improvement.

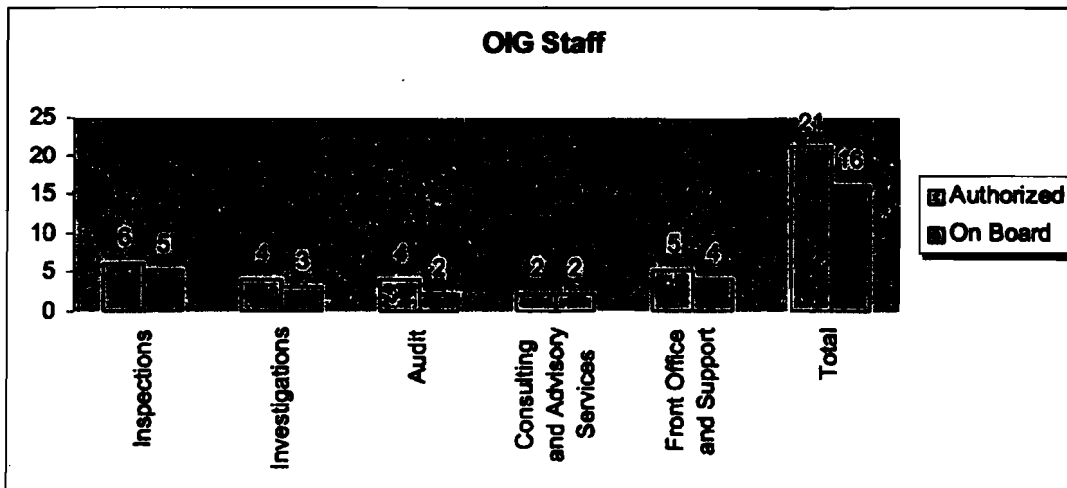
Audit Division. Performs independent program and financial audits of ODNI programs, computer systems, and financial statements, as well as performance and financial audits of Intelligence Community programs and operations falling within the authorities and responsibilities of the DNI.

Investigations Division. Investigates allegations of violations of criminal laws and administrative regulations arising from the conduct of ODNI employees and contractors, as well as Intelligence Community employees and contractors whose duties fall under the authorities and responsibilities of the DNI.

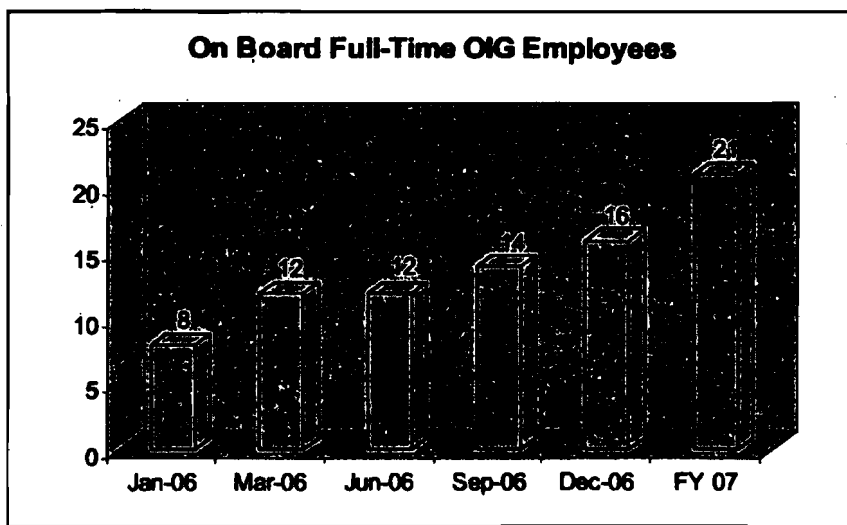
Consulting and Advisory Services Division. Conducts process improvement and management consulting for the ODNI, its centers, and the Intelligence Community. Assists the Intelligence Community in developing, documenting, and implementing processes, procedures, performance measures and metrics, and process interfaces to improve both effectiveness and efficiency.

Staffing

The OIG has an authorized workforce level for Fiscal Year (FY) 2007 of 21, to be composed of inspectors, investigators, auditors, consultants, and support staff:



During this reporting period, the OIG's on board full-time employees increased from 8 to 16. The graph below illustrates the OIG's staffing progression during 2006 and into FY 2007:



Completed Projects

Inspections and Reviews

Review of Dissemination of Sensitive Reporting

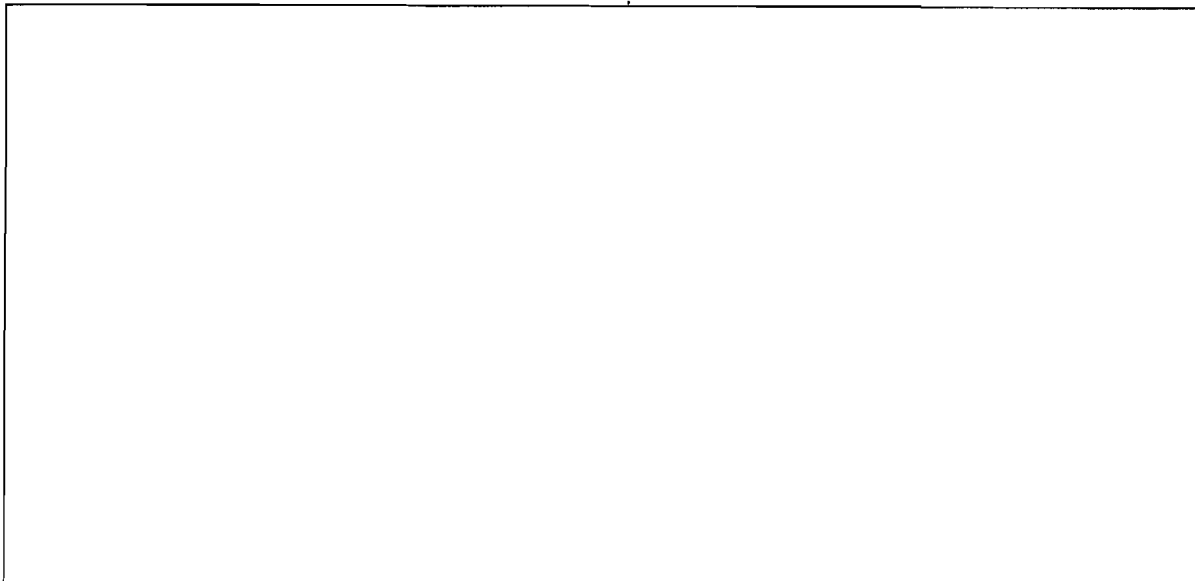
The Intelligence Reform and Terrorism Prevention Act (IRTPA), amending the National Security Act of 1947, established several important intelligence-sharing responsibilities for the DNI:

The DNI “shall have principal authority to ensure maximum availability of and access to intelligence information . . .” Section 102A(g)(1).

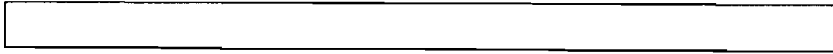
“[I]n order to maximize the dissemination of intelligence, the [DNI] shall establish and implement guidelines for . . . [a]ccess to and dissemination of intelligence, both in final form and in the form when initially gathered.” Section 102A(i)(2)(B).

“The [DNI] shall . . . establish policies and procedures to resolve conflicts between the need to share intelligence information and the need to protect intelligence sources and methods.” Section 102A(g)(1)(D).

In furtherance of these responsibilities, the DNI tasked the OIG, in collaboration with the ODNI Chief Information Officer and the Program Manager for the Information Sharing Environment (PM/ISE), to study current practices throughout the Intelligence Community relating to the dissemination of compartmented intelligence and to make recommendations for improvement.



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Survey of the Interpretation and Application of U.S. Persons Rules in the Intelligence Community

At the request of the ODNI's 9.4 Working Group, which was formed in response to the WMD Commission's Recommendation 9.4, the OIG surveyed the interpretation and application of "U.S. Persons" (USP) rules throughout the Intelligence Community.

The OIG interviewed 65 Intelligence Community officials and employees from eight Intelligence Community offices and agencies: CIA, Department of Homeland Security Office of Intelligence and Analysis, DIA, FBI, National Counterterrorism Center (NCTC), NSA, Office of the Deputy Director of National Intelligence for Analysis, and the Office of the PM/ISE. Interviewees included collectors, analysts, supervisors, decision-makers, and other employees.

The OIG identified a number of impediments to the analysis and dissemination of USP information:

- Limited Ability to Conduct USP Analysis
- Inability to Retain and Search USP Information
- Difficulty Obtaining Unmasked USP Information
- Inadequate Training
- Turf Battles and a Resistance to Sharing USP Information
- Reliance on Detailees for the Dissemination of USP Information
- Varying and Inconsistent Interpretations of USP Rules

The OIG issued a written report of interviewees' responses and delivered it to the 9.4 Working Group and various ODNI officials. The OIG briefed its findings on the FBI to the managers of the FBI's National Security Branch, and provided several recommendations for how the FBI could improve its analysis and dissemination of USP information.

As a result of one of the findings, the OIG initiated a review of USP training programs across the Intelligence Community. More detail on this review is provided on page 12. In 2007, the OIG will continue its efforts to identify ways to improve analysis and dissemination of USP information across the Intelligence Community.

Inspection of the National Counterterrorism Center (NCTC)

(FOUO) Commencing in August 2006, the OIG conducted the first of a two-phase inspection of the NCTC. The purpose of this inspection was to evaluate the NCTC's mission performance, operations, information sharing, and roles relative to other federal counterterrorism entities and operations. The inspection focused on the overall performance of the NCTC compared to its mission.

Specifically, the inspection:

- Examined the NCTC's transition from the Terrorist Threat Integration Center to the NCTC, and into its current role as Counterterrorism Mission Manager for the Intelligence Community;

- Evaluated the NCTC's operations with respect to its statutory mission and DNI direction;

- Evaluated the effectiveness of the NCTC's information sharing,

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Review of Contracting Practices Across the Intelligence Community

During this reporting period, the OIG led a review of contracting practices across the Intelligence Community. A working group comprised of eight Intelligence Community OIGs examined reports on contracting practices that had been completed by Intelligence Community OIGs between 2001 and 2006. This review found that contracting practices in the Intelligence Community suffer from a number of common and recurring weaknesses, which lead to waste and have negative impacts on fulfillment of the Intelligence Community's mission.

In July 2006, the working group briefed its findings to the Deputy Director of National Intelligence for Management (DDNI/M), the ODNI Senior Acquisition Executive, and the ODNI Senior Procurement Executive. The ODNI subsequently issued Intelligence Community Directive 105, Intelligence Community Policy Memorandum 105.1, and the Acquisition Emphasis Area Document, an annex to the National Intelligence Strategy, all designed to improve acquisition execution in the Intelligence Community.

In 2007, the OIG, in partnership with other Intelligence Community OIGs, will continue to focus on fraud, waste, and mismanagement in Intelligence Community contracting.

Consulting and Advisory Services

Review of Processes Used by the Analytical Community to Communicate Collection Requirements

At the request of the Assistant Deputy DNI (ADDNI) for Analytic Mission Management, we examined the processes whereby analysts across the Intelligence Community communicate collection requirements. We interviewed over 70 analysts throughout the Intelligence Community; identified and documented the processes used by analysts to communicate requirements to collectors, both within their respective agencies and across the Intelligence Community; and evaluated the transparency the analytical community has over their requirements.

As a result of this review, we identified best practices in the Intelligence Community for communicating collection requirements, and highlighted existing shortcomings in the communications processes. We reported our findings to the ADDNI for Analytic Mission Management.

Investigations

(U//FOUO) The OIG conducted or oversaw fourteen investigations during this reporting period, including allegations of misconduct, improper use of position, improper use of government resources, disparate hiring practices, contract irregularities, time and attendance abuse, and regulation violations. Select investigations are highlighted below:

(U//FOUO) Improper Use of Restricted Database by an Intelligence Community Agency

[Redacted]

The investigation determined that there was a lack of clarity in the guidelines for conducting the searches. However, there was no serious breach of authorities. The OIG made several recommendations to the agencies involved, including establishing a more comprehensive set of guidelines and a process to mitigate any future issues.

(U//FOUO) Misconduct of an ODNI Official

The OIG conducted an investigation into the activities of a senior ODNI official [Redacted]

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officials. The investigation found that the official violated the standards of conduct regulations, exercised poor judgment and a lack of discretion, and failed to obtain approval for engaging in outside activities, as required by Agency Regulation 10-15.

(U//FOUO) Improper Hiring Practices

The OIG referred an investigation to the CIA OIG regarding allegations that an employee in an office under the ODNI's authority engaged in improper hiring practices. The CIA OIG completed its investigation and found no evidence that the employee had engaged in improper hiring practices.

Use of Subpoena Authority

During this reporting period, the ODNI Inspector General did not exercise subpoena authority under section 7(a)(4) of ODNI Instruction 2005-10.

Ongoing Projects

Inspections and Reviews

National Ground Intelligence Center (NGIC) Follow-Up

In 2005, the OIG inspected the operations of the NGIC, criticized by the WMD Commission and by the Senate Select Committee on Intelligence in its Report on the U.S. Intelligence Community's Prewar Intelligence Assessments on Iraq. The OIG found that the NGIC had instituted new systems and rules relating to work flow processes and senior staff reviews, instituted a formalized quality assurance program, and developed and launched new training programs to achieve higher analytic standards within its organization.

During this reporting period, the OIG conducted a follow-up inspection of the NGIC to assess its progress in maintaining and implementing new procedures and programs. The OIG currently is drafting a report of its follow-up inspection.

Audits

Audit of the Contract Award Process for the CASES Program

The OIG is working jointly with the CIA OIG to evaluate the process used to award the Indefinite Delivery/Indefinite Quantity (ID/IQ) contracts under the Contract Advisory and Assistance Services/Systems Engineering and Technical Assistance and External Analysis and Conferencing Support (CASES) Program. Specifically, the OIG will review the actions and decisions made from requirements definition through award of the ID/IQ contracts and determine if the acquisitions for the CASES Program were performed in accordance with ODNI and CIA policies and procedures.

Consulting and Advisory Services

Review of USP Rules Training Programs

The OIG is reviewing USP training programs across the Intelligence Community. The objectives of this review are to identify training inconsistencies that occur across the community, to determine if these inconsistencies perpetuate the inconsistent interpretation of USP rules, and to identify any model training programs that can be adopted by other Intelligence Community agencies.

To date, the OIG has collected training material from each Intelligence Community agency; reviewed, compiled, and summarized training information; identified agencies requiring further review; and conducted interviews at select Intelligence Community agencies.

As this project continues, the OIG will conduct interviews in each of the remaining Intelligence Community agencies and attend some key training events to observe the content of the respective curricula. Based upon the findings, the OIG will recommend changes to agencies' training programs in order to achieve an up-to-date, consistent interpretation of USP rules across the Intelligence Community.

Lessons Learned

The OIG is working in conjunction with the ODNI Lessons Learned Office to determine and develop Lessons Learned standards for the Intelligence Community. The objectives for this review are to identify existing best practices in the Intelligence Community for Lessons Learned programs, and to develop Lessons Learned standards across the Intelligence Community.

Intelligence Community Inspector General Activities

Intelligence Community Inspectors General Forum

The ODNI Inspector General chairs the Intelligence Community Inspectors General (IC IG) Forum, a quarterly meeting of all Intelligence Community Inspectors General, or their designees. The ODNI OIG also fulfills the Executive Secretariat function for the forum.

The IC IG Forum is designed to promote and further collaboration, cooperation, and coordination among the IGs of the Intelligence Community, with the purpose of strengthening the collective role and effectiveness of IGs throughout the Intelligence Community, enhancing the value of OIG activities in support of the National Intelligence Strategy, and increasing efficiency by avoiding duplication of effort among the IGs of the Intelligence Community.

The ODNI IG hosted the IC IG Forum at CIA Headquarters in March and December of 2006. The Department of State IG hosted the forum in June, and the Department of Defense IG hosted the forum in September. Throughout 2006, the IC IG Forum provided the IGs a venue in which to share information, educate one another, and discuss and collaborate on matters of common concern.

As a result of interest expressed at the IC IG Forum on contracting in the Intelligence Community, the IC IG Forum reviewed contracting practices across the Intelligence Community. In addition, the IC IG Forum plans to focus increased attention on procurement fraud in the coming months and to become more proactive in the prevention, detection, and prosecution of procurement fraud cases in partnership with the Department of Justice, which recently created the National Procurement Fraud Task Force (see below).

National Procurement Fraud Task Force (NPFTF)

The OIG Investigations Division has undertaken a leadership role on behalf of the IC in the newly formed Department of Justice National Procurement Fraud Task Force (NPFTF). This partnership between the Department of Justice and Federal IGs is aimed at the prevention, detection, and prosecution of procurement fraud associated with the increase in federal contracting expenditures, particularly in the areas of intelligence and national security support activities since September 11, 2001.

The NPFTF has established several working committees focusing on areas such as intelligence procurement, grant fraud, legislation, private sector relations, international procurement, information sharing, and training. The committees are in the process of developing strategic plans designed to integrate and leverage the unique capabilities of each OIG.

The ODNI IG chairs the NPFTF Intelligence Committee, which addresses the unique aspects of detecting, investigating, and prosecuting procurement fraud in a classified environment. This committee has identified several key areas where efforts are needed to improve procurement fraud prosecutions:

- Documenting and reporting impediments to the detection, investigation, and prosecution of procurement fraud in a classified environment.
- Establishing procedures for facilitating Intelligence Community procurement fraud information sharing.
- Developing and implementing procedures to ensure that investigators, auditors, and prosecutors obtain necessary clearances to investigate Intelligence Community procurement fraud cases.

Investigations and Inquiries

Iraqi Media Release Project (IMRP)

The OIG is reviewing the policy guidance and direction provided by the ODNI to the National Media Exploitation Center regarding initiation and management of the IMRP. The OIG is evaluating the policy, processes, and procedures developed to implement and manage the IMRP, whether those policies and procedures were sufficient, and whether established policies and procedures were followed in the case of the apparent posting of three Iraqi nuclear-related documents generally believed classified by Intelligence Community elements.

Allegation of Possible Fraudulent Reimbursements

The OIG received an allegation of irregularities regarding the voucher submissions of an employee detailed to the ODNI by another Intelligence Community agency. The OIG is investigating this matter in conjunction with the employee's home agency.

Civil Rights and Civil Liberties Complaints

According to protocols established between the OIG and the Civil Liberties Protection Officer, the Civil Liberties Protection Officer will refer cases of alleged individual misconduct regarding possible civil liberties or privacy abuse in the administration of the programs and operations of the ODNI to the OIG, and the OIG will make a determination of whether the alleged abuse warrants investigation and how such investigation should proceed. During this reporting period, the OIG did not receive any allegations from the Civil Liberties Protection Officer.

Projects Planned for 2007

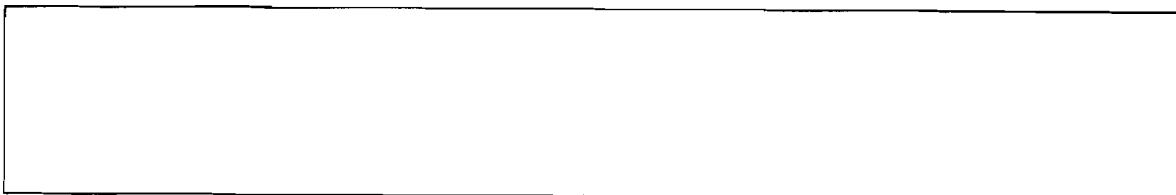
Inspections and Reviews

NCTC Inspection: Phase Two

The OIG will initiate Phase Two of its NCTC Inspection. While Phase One of this inspection focused on the NCTC's internal operations, Phase Two will focus on other federal counterterrorism operations and their relationships with the NCTC. The focus of each phase is highlighted in the table below:

NCTC INSPECTION	
Phase One	Phase Two
<ul style="list-style-type: none"> The NCTC's transition from the Terrorist Threat Integration Center to the NCTC, and into its current state 	<ul style="list-style-type: none"> Areas that are complementary, mutually supporting, overlapping, competing, or counterproductive among the federal counterterrorism organizations
<ul style="list-style-type: none"> The NCTC's operations with respect to its Intelligence Community mission and DNI direction 	<ul style="list-style-type: none"> Information sharing among federal counterterrorism organizations
Phase One	Phase Two
<ul style="list-style-type: none"> Effectiveness of the NCTC's information sharing, both within the NCTC and across the Intelligence Community 	<ul style="list-style-type: none"> Counterterrorism organizations' perspectives on the future role of the NCTC
<ul style="list-style-type: none"> Adequacy of the NCTC's manpower and financial resources 	<ul style="list-style-type: none"> Counterterrorism organizations' perspectives on their respective future roles
<ul style="list-style-type: none"> Other federal counterterrorism organizations' relationships with the NCTC 	
<ul style="list-style-type: none"> Areas needing improvement in the NCTC's analytical directorate 	

Terrorist Watchlisting



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Review of Implementation of the Joint Duty Directive

The OIG plans to initiate a review of the Intelligence Community's implementation of the ODNI's Joint Duty Directive. The overall purpose of the review is to evaluate nine Intelligence Community agencies': 1) policies and criteria for identifying and selecting candidates for assignment to a joint duty position, 2) methods used to encourage employees to apply for joint duty positions, and 3) quality of the positions that provide joint Intelligence Community duty experience. The OIG will consider suggestions from management on additional or revised objectives.

Review of Collection Capabilities

The U.S. commits enormous resources to develop, deploy, and apply critical National Technical Means (NTM) collection capabilities in the IMINT, SIGINT, and MASINT domains to acquire information to defeat threats such as terrorism and the proliferation of weapons of mass destruction. The OIG will evaluate the extent to which current and planned NTM programs, such as the Future Imagery Architecture, feature capabilities designed to effectively address the top priority threats defined in the National Intelligence Priorities Framework. The OIG also will evaluate NTM programs to assess capabilities directed against current and emerging threats, and identify collection performance gaps requiring additional Intelligence Community attention and resources.

Oversight of Service Contracts

The OIG plans to evaluate whether ODNI Contracting Officers Technical Representatives (COTRs) provide sufficient oversight for service contracts to ensure that contractors perform in accordance with the contract or task orders. Specifically, the OIG will examine whether personnel were appointed to monitor contractors' performance, appointed personnel were adequately trained as COTRs, contractors' work was adequately monitored, contractors performed in accordance with contractual obligations, and contractor performance was documented for future use.

Audits

Federal Information Security Management Act (FISMA) Audits

The OIG will conduct an annual FISMA audit to ensure the ODNI's compliance with FISMA and the annual reporting to the Office of Management and Budget. The objective of this audit will be to evaluate the efficiency and effectiveness of the ODNI information assurance program, which may include planned actions and milestones, automated information systems security, training, certification and accreditation, computer network defense, risk management, capital planning and investment control, performance measures, strategic planning, and continuity planning. The OIG plans to initiate its first FISMA audit in 2007, after it hires a Deputy Assistant Inspector General for Information Technology Audits.

Chief Financial Officers (CFO) Act Audits

The OIG will conduct annual audits to ensure ODNI compliance with the CFO Act. In FY 2007, the OIG's efforts will consist of coordinating with the ODNI Chief Financial Officer on the Intelligence Community's efforts to improve financial management and financial reporting in order to comply with the CFO Act. Specifically, the OIG plans to review and comment on such areas as financial management plans, policies, procedures, financial management systems, and various financial management initiatives within the Intelligence Community.

Consulting and Advisory Services

Dissemination of Analytical Products

During the OIG's review of the processes by which analysts across the Intelligence Community communicate collection requirements, the OIG identified another area needing examination: the dissemination of analytical products. In 2007, the OIG plans to review the process for disseminating analytical products, including to whom analysts disseminate their products and why.

Acquisition Workforce Study

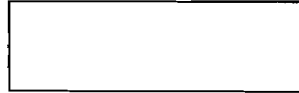
The OIG plans to initiate a study of the Intelligence Community's acquisition workforce. The objectives of this study will be to:

- Identify issues affecting workforce retention, including possible reasons why mid-level acquisition employees move to other fields; and
- Develop recommendations for incentives to retain a larger percentage of the mid-level acquisition workforce.

Report Waste, Fraud, Abuse, or Misconduct

To report allegations of waste, fraud, abuse, or misconduct in the ODNI or
Intelligence Community agencies, send complaints to:

Office of the Inspector General
Office of the Director of National Intelligence
Investigations Division
Washington, DC 20511



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