

NATIONAL RECONNAISSANCE OFFICE

OFFICE OF INSPECTOR GENERAL

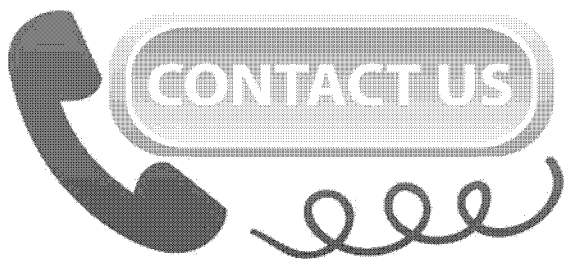
# (U) SEMIANNUAL REPORT TO THE CONGRESS

1 April 2019 - 30 September 2019

31 October 2019



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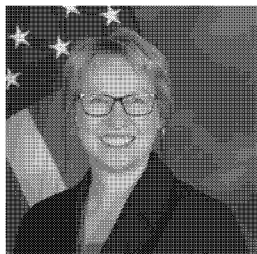
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General

Procurement Fraud • Counterfeit Parts • Unethical Behavior • Conflict of Interest  
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**(U) MESSAGE FROM THE INSPECTOR GENERAL**

31 October 2019

(U) On behalf of the National Reconnaissance Office (NRO) Office of Inspector General (OIG), I am pleased to submit this report highlighting the OIG's activities for the period 1 April – 30 September 2019. The activities described in this report exemplify our commitment to improving the efficiency and effectiveness of NRO programs and operations.

(S//TK//REL TO USA, FVEY) The OIG issued 11 Reports of Investigations, 3 Audit reports, 3 Inspection reports, 1 Special Review report, conducted an outreach visit to the [REDACTED], and continued its work on another 10 projects during this reporting period. We also issued a Management Alert memo to notify management of a time-sensitive issue uncovered during our ongoing [REDACTED]. The OIG's audits and inspections covered a wide range of topics, to include a [REDACTED] [REDACTED] in response to congressional interest, and the audit of funds the NRO provides to the [REDACTED].

(U) In addition to its core mission work—promoting economy, efficiency, and effectiveness; and preventing and detecting fraud, waste and abuse, in the administration of NRO programs and operations—during this reporting period, the OIG again focused on outreach activities, particularly within the NRO. Investigators have been briefing NRO offices at staff meetings and All-Hands on trends in contract fraud and procurement integrity, and they have updated their quarterly Fraud Awareness Course, which continues to be well-attended. We also briefed at the Office of Security and Counterintelligence Industry Day and highlighted security-specific cases. I also joined the Intelligence Community IG and the Department of Justice IG for a meeting with the Intelligence and National Security Alliance (INSA) to discuss ways we may be able to partner in the areas of security clearance reform and the use and oversight of Artificial Intelligence.

(U) The OIG also undertook several internal office initiatives. We improved our planning process for our annual work plan, to include holding focused meetings with leadership throughout the NRO to identify emerging issues, increasing our coordination with IGs across the Intelligence Community, and issuing our Annual Work Plan well before the start of the fiscal year. During this reporting period, I also formally announced my decision to close the NRO OIG field sites in Denver and LA by February 2021 and return four auditor and seven investigator personnel to NRO Headquarters. These changes will better align auditor and investigator resources in support of our mission, and enhance our ability to support the professional development needs of auditors and investigators across the OIG.

(U) In July, I had the honor of attending the graduation ceremony for [REDACTED] [REDACTED], one of our senior auditors, where she was awarded a Master of Science of Strategic Intelligence Degree from the National Intelligence University.

(U) We enjoyed a collaborative relationship with Director Sapp prior to her departure, and we enjoy the same collaborative relationship with Director Scolese as well as with NRO's leadership and workforce. Director Scolese has continued the practice of having open OIG recommendations briefed at Program Status Reviews, and NRO managers are actively engaged in addressing open recommendations and implementing corrective actions. The OIG did not experience any issues related to accessing NRO records or personnel.

(U) I very much appreciate the cooperation and support of the Congress and its staff as we continue to effect positive change at the NRO. Thanks also to the dedicated and professional NRO OIG staff for their continued hard work and commitment to providing effective oversight of NRO programs and operations.

A handwritten signature in black ink, appearing to read 'S. Gibson', with a long horizontal line extending to the right.

Susan S. Gibson  
Inspector General

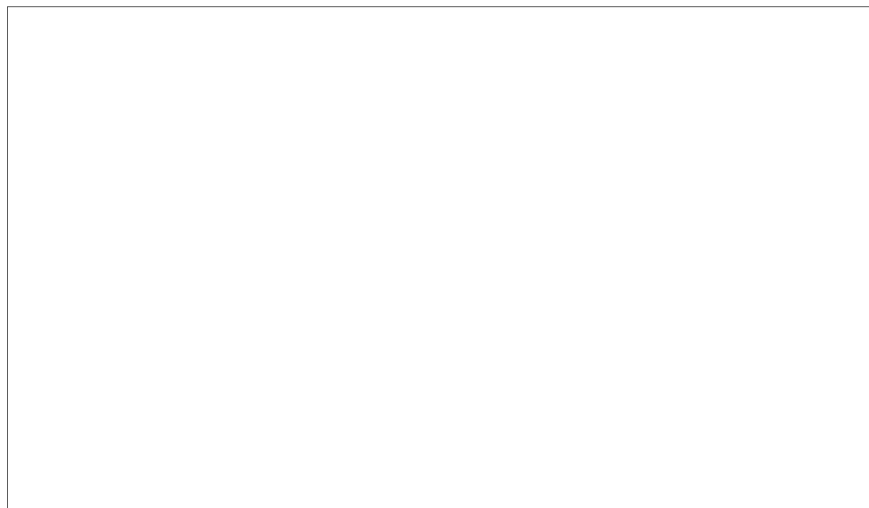
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**(U) SEMIANNUAL REPORT HIGHLIGHTS AND ACCOMPLISHMENTS**

(U) During this reporting period, the National Reconnaissance Office (NRO) Office of Inspector General (OIG) focused its oversight efforts and resources to address management challenges and issues of greatest risk to the NRO. Specifically, the OIG performed work on 17 audit, inspection, and special review projects, 7 of which were completed and 10 are ongoing. The OIG completed several investigations, issuing 11 Reports of Investigation. The projects and investigations were derived from mandated requirements and the OIG annual work plan; responded to alleged violations of law, regulation, or policy; or evaluated emerging issues. The OIG's efforts enhanced the economy, efficiency, and effectiveness of NRO programs; assisted in detecting and preventing fraud and abuse; and supported the NRO mission. In addition to its core work, the OIG continued outreach efforts and made organizational changes to enhance its oversight mission. The OIG's highlights and accomplishments for this reporting period include the following:



**(U//~~FOUO~~) Joint Operations Transformation Inspection.**

The OIG conducted an inspection of the NRO's implementation of its Joint Operations Transformation (JOT). The inspection found the NRO's efforts were advancing the implementation of effective and efficient standard enterprise-level processes.



- [REDACTED]
- (U//~~FOUO~~) [REDACTED] **Settlement.** A joint investigation conducted by the Department of Justice, the NRO OIG Investigations Division, and several other Federal Inspectors General resulted in a civil settlement between the United States Government and [REDACTED] agreed to pay the government \$11 million to settle allegations that it sold [REDACTED] to government agencies and their vendors between 2008 and 2017 without testing the [REDACTED] as required by quality standards.
  - (U) **OIG Annual Work Plan.** The OIG published its Fiscal Year (FY) 2020 Annual Work Plan at the end of August, 30 days earlier than previous years. The OIG staff implemented a more robust process this year, resulting in the selection of 14 projects based on significant risks facing the NRO. The OIG team met with each of the Directorates and Offices (Ds and Os), with the IG and DIG attending many of the interviews. All of the Ds and Os were cooperative with sharing their concerns, and helpful to the OIG's planning process. The OIG shared its FY 2020 Annual Work Plan with the appropriate Congressional oversight committees.
  - (U//~~FOUO~~) **Announced Closure of OIG Field Locations.** The OIG initiated the transfer OIG audits and investigations billets currently designated for the Aerospace Data Facility Colorado (ADF-C) and Los Angeles locations to the NRO Headquarters with completion during FY 2021 to optimize OIG personnel and resources, and better position the office to meet current and future oversight missions.
  - (U) **Criminal Investigator Training Program Graduates.** The OIG Investigations Division had two officers graduate from the Criminal Investigator Training Program (CITP) at the Federal Law Enforcement Training Center in Georgia. CITP is a 13-week program covering all aspects of investigations involving violation of federal laws.
  - (U) **Inspections Division Peer Review.** A team of OIG professionals from the Office of the Director of National Intelligence, Central Intelligence Agency, National Security Agency, and Defense Intelligence Agency conducted an external peer review of the OIG Inspections Division. In addition to receiving a grade of "PASS," review team members identified several NRO OIG internal processes as the "gold standard" across the Intelligence Community.



## (U) SIGNIFICANT FINDINGS AND RECOMMENDATIONS

(U) The *Inspector General Act of 1978*, as amended, requires OIGs to report on their respective agency's significant deficiencies found during the reporting period, and on significant recommendations for corrective action to address those deficiencies. It also requires OIGs to report each significant recommendation described in previous semiannual reports for which corrective action is not complete.

### (U) SIGNIFICANT FINDINGS AND RECOMMENDATIONS FOR THE CURRENT REPORTING PERIOD

(U//~~FOUO~~) While the OIG issued 18 reports during this semiannual reporting period, no findings or recommendations met the criteria for significant.

### (U) STATUS OF PRIOR SIGNIFICANT RECOMMENDATIONS

(U) In its prior semiannual reports, the OIG reported significant findings and recommendations. **Table 1** (next page) shows the status of these prior significant recommendations.

**(U) TABLE 1: STATUS OF PRIOR SIGNIFICANT RECOMMENDATIONS**

A large empty rectangular box with a thin black border, occupying the central portion of the page. This box represents a redacted table, as indicated by the caption above it. The interior of the box is completely blank, with no text or data visible.

**(U) SUMMARY OF COMPLETED AND ONGOING PROJECTS**

**(U) COMPLETED PROJECTS – OVERVIEW**

(U) **Table 2** identifies the completed projects for this semiannual reporting period. Following the table are short descriptions of the conclusions and recommendations made for each project.

**(U) TABLE 2: COMPLETED PROJECTS – 1 April - 30 September 2019**

(U) Title	(U) Date Completed
(U// <del>FOUO</del> ) Inspection of the National Reconnaissance Office's [redacted]	2 April 2019
(U) Evaluation of the National Reconnaissance Office Fiscal Year 2018 Improper Payment Compliance	4 June 2019
(U) Inspection of the Aerospace Data Facility Southwest	11 June 2019
[redacted]	30 August 2019
[redacted]	5 September 2019
(U// <del>FOUO</del> ) Audit of 2019 [redacted] Service Organization Controls	17 September 2019
(U// <del>FOUO</del> ) Audit of Industrial Control Systems	30 September 2019

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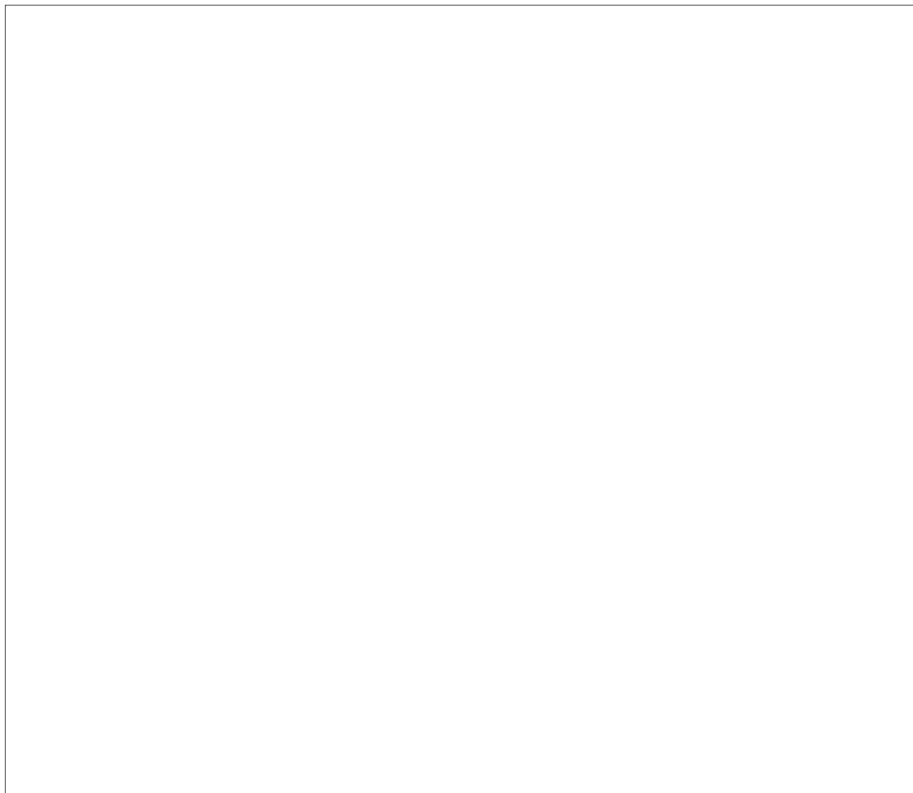
**(U) COMPLETED PROJECTS – FINDINGS AND RECOMMENDATIONS**

**(U) Inspection of the National Reconnaissance Office's** [redacted]  
[redacted]

[Large empty rectangular box for findings and recommendations]



(U//~~FOUO~~) To address the challenges identified above, the OIG made eight recommendations, including recommendations for



(U//~~FOUO~~) Six of the eight recommendations are closed.



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**(U) Evaluation of the National Reconnaissance Office Fiscal Year 2018 Improper Payment Compliance.**

(U) The NRO OIG conducted an evaluation to determine NRO compliance with the *Improper Payments Elimination and Recovery Act of 2010* (IPERA). The OIG conducted the evaluation in accordance with the *Quality Standards for Inspection and Evaluation* issued by the Council of the Inspectors General on Integrity and Efficiency.

(U) The OIG found that the NRO was in compliance. The results of the OIG review were reported in the memorandum entitled, "Evaluation of National Reconnaissance Office Fiscal Year 2018 Improper Payment Compliance (Project Number 2019-002 A)," dated 22 April 2019.

(U) In addition, the OIG followed-up on last year's recommendations directed to the Business Plans and Operations (BPO) Directorate. Those recommendations were as follows:

➤

➤

(U) In response, BPO implemented written procedures by drafting and publishing the [REDACTED]. The OIG reviewed the SOP, and found that BPO met the intent of the recommendations, and the OIG subsequently closed the recommendations.

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**(U) Inspection of the Aerospace Data Facility Southwest.**

(U//~~FOUO~~) The NRO OIG conducted an inspection of the Aerospace Data Facility Southwest (ADF-SW). The OIG assessed the following functional areas: command topics, mission systems and engineering, intelligence oversight, information technology and systems, resource programs, and security.

(S//TK//NF) The inspection team commended ADF-SW personnel for their efforts and dedication to mission success in support of national security requirements. ADF-SW benefits from well-regarded senior site leadership, solid relationships with mission partners, and a site-wide focus on Mission Resiliency. The OIG also commended the ADF-SW for thoroughly reviewing data center requirements and for their initiative in ensuring only personnel with a documented requirement were provided workspace at the ADF-SW. [REDACTED]

➤

[Redacted]

➤ [Redacted]

➤ (S//TK//NF) [Redacted]

➤ (S//TK//NF) Within the Information and Technology area, inspectors noted concerns with [Redacted]

➤ (S//TK//NF) Lastly, inspectors identified [Redacted] concerns most notably with the operation of the [Redacted]

(U//FOUO) To address the challenges identified above, the OIG made 58 recommendations to the ADF-SW, including recommendations for

➤ [Redacted]

➤ [Redacted]

➤ [Redacted]

(U//FOUO) Thirteen of the 58 recommendations are closed.

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[Redacted]

- [Redacted]
- [Redacted]

- (U//~~FOUO~~) identified opportunities, if any, in those distinct pre-contract award acquisition activities that may benefit other NRO acquisition programs.

[Redacted]

(U) The OIG issued no findings or recommendations.

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~~(S//TK//NOFORN)~~ **Inspection of the National Reconnaissance Office's Joint Operations Transformation.** The OIG conducted an inspection to evaluate whether the Joint Operations Transformation (JOT) is promoting effective and efficient standard enterprise processes.

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[Redacted]

(U//~~FOUO~~) Overall, the OIG found that NRO's JOT implementation was advancing effective and efficient standard enterprise processes. Specifically, transformation efforts were enhancing Mission Operations Directorate's (MOD's) capacity to focus on current NRO mission operations.

(U//~~FOUO~~) [REDACTED]

➤ (U//~~FOUO~~) [REDACTED]

[REDACTED] JOT.

➤ (U//~~FOUO~~) In addition, the OIG identified that the defined roles, responsibilities and authorities, as well as communication mechanisms with MCM (MOD, COMM, and MS&O) representatives at NRO mission ground stations (MSG) [REDACTED]

➤ (U//~~FOUO~~) [REDACTED]

➤ (U//~~FOUO~~) Lastly, COMM's enterprise toolset platform,

(U//~~FOUO~~) To ensure NRO governance supports the JOT construct and the NRO workforce has the necessary guidance to execute various processes efficiently to ensure mission success, the OIG made eight recommendations, including recommendations for

- (U//~~FOUO~~) the Directors of MCM to update their respective Component Governance Plans to document the changes in roles, responsibilities, processes, and management structures.
- (U//~~FOUO~~) the Principal Deputy Director, NRO (PDDNRO), in coordination with MCM and the site commanders (CCs) and Chief of Facilities (CoF) to clarify the CCs' and CoFs' roles, responsibilities and authority, as well as communication mechanisms with MCM representatives, under JOT.
- (U//~~FOUO~~) the Director, COMM to provide a status of the [REDACTED] platform development that includes MGS enterprise [REDACTED] toolset development and to coordinate with the MGS Chief Engineers to formalize, document, and communicate an enterprise process for conveying MGS [REDACTED] tool user requirements to the COMM [REDACTED] developer.

(U//~~FOUO~~) Three of the eight recommendations are closed.



**(U//FOUO) National Reconnaissance Office [REDACTED]  
[REDACTED] Statement on Standards for Attestation  
on Engagements No. 18 Service Organization Controls Report for  
the Period 1 July 2018 to 30 June 2019.**

(U//FOUO) The NRO has partnered with the National Geospatial-Intelligence Agency (NGA) to be the service provider for the [REDACTED] application. The OIG oversaw the Office of Management and Budget required Statement on Standards for Attestation on Engagements (SSAE) No. 18 Service Organization Controls Examination, which was completed by the Independent Public Accounting (IPA) firm Kearney and Company (Kearney). The SSAE objective was to report on the fairness of the presentation of NRO management's description of the [REDACTED] application and the suitability of the design and operating effectiveness of the internal controls to achieve the related control objectives included in the description.

(U//FOUO) Kearney issued an unqualified opinion (meaning the control objectives tested were designed and operating effectively, as described by NRO management) on the controls surrounding the [REDACTED] application and its hosting environment. The OIG issued five Notifications of Findings and Recommendation (NFRs) [REDACTED]

- (U) review of shared accounts;
- (U) logging and monitoring;
- (U) capabilities of the Incident Report Tool;
- (U) [REDACTED]; and
- (U) vulnerability and configuration management.

(U) The NRO concurred with the NFRs, and the IPA will assess NRO progress as part of the FY 2020 SSAE effort.

**(U//FOUO) Audit of National Reconnaissance Office Management of Industrial Control Systems Security Controls.** The OIG conducted an audit to assess NRO Industry Control Systems (ICS) physical and information technology (IT) controls across the facilities enterprise to determine the extent of ICS security controls in place to reduce the risk posture and minimize protection gaps. The OIG conducted audit fieldwork at the NRO Headquarters at Westfields (Westfields), Aerospace Data Facility Colorado (ADF-C), Aerospace Data Facility East (ADF-E), and NRO Vandenberg (NROV). The OIG judgmentally selected one facilities' ICS at each of the four above-mentioned sites to determine the extent of the ICS security controls in place to reduce the risk posture and minimize protection gaps using the NRO Information Assurance Standards Document (IASD).

(U) The OIG found that all four sites had implemented some level of physical and IT security controls. [REDACTED]  
[REDACTED] which progressed through all the Risk

Management Framework (RMF) steps. Pursuant to the NRO IASD and the RMF guidance, the NRO should assess, at least annually or on a stipulated periodic basis, security controls in the information system and its operational environment to determine the extent to which the controls were implemented correctly, operating as intended, and producing the desired outcome to meet the security requirements.

(U)  the OIG made the following recommendation to the Director, MS&O, in coordination with the Chief Information Officer:



(U) The Director, MS&O, submitted a corrective action plan to address the recommendation. He is implementing those corrective actions.

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**(U) ONGOING PROJECTS – OVERVIEW**

(U) **Table 3** identifies the ongoing projects for this semiannual reporting period. Following the table are short descriptions of the objectives for each project.

**(U) TABLE 3: ONGOING PROJECTS – 1 April – 30 September 2019**

(U) Title	(U) Date Initiated
(U) Audit of the NRO [redacted]	15 October 2018
(U) Joint Inspection of the Royal Air Force Menwith Hill	19 October 2018
(U/ <del>FOUO</del> ) National Reconnaissance Office – National Security Agency Office of Inspector General Joint Review of Overhead Signals Intelligence Compliance at the Aerospace Data Facility Colorado and National Security Agency Colorado.	4 January 2019
(U) Inspection of the Chief Information Officer	7 February 2019
(U) National Reconnaissance Office Fiscal Year 2019 Independent Federal Information Security Modernization Act of 2014 Evaluation	13 February 2019
(U) Audit of the Management of Industry Partner Access	13 February 2019
[redacted]	11 April 2019
(U) Audit of the National Reconnaissance Office FY 2019 Financial Statements	11 April 2019
(U) Joint Inspection of the Office of Space Reconnaissance	29 April 2019
(U) Inspection of the National Reconnaissance Office’s Mission Basing Preparedness	29 August 2019

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**(U) ONGOING PROJECTS – OBJECTIVES**

[redacted]

[redacted]

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(U//~~FOUO~~) **National Reconnaissance Office and National Security Agency Offices of Inspectors General Joint Review of Overhead Signals Intelligence Compliance at the Aerospace Data Facility Colorado and National Security Agency Colorado.** Objective:

Identify and assess any issues of concern regarding Signal Intelligence compliance that exist between the NRO and the National Security Agency (NSA) related to operations at Aerospace Data Facility Colorado (ADF-C) and NSA Colorado, and present such issues to NRO and NSA senior leaders for resolution, as appropriate.

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(U) **Inspection of the Chief Information Officer.** Objective: Evaluate the efficiency and effectiveness of the Continuous Monitoring activities in accordance with the Intelligence Community Directive 503, *Intelligence Community Information Technology Systems Security Risk Management* workflow. In addition, the inspection will evaluate compliance with training and certification requirements for NRO IT acquisition and cybersecurity professionals as well as the adequacy of current fill rates in meeting IT acquisition and cybersecurity mission needs.

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(U) **National Reconnaissance Office Fiscal Year 2019 Independent Federal Information Security Modernization Act of 2014 Evaluation.** Objective: Provide an independent assessment of the effectiveness of the NRO information security program and practices. The evaluation team will also follow up on the findings and recommendations from the prior-year Federal Information Security Modernization Act of 2014 Report.

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(U) **Audit of the Management of Industry Partner Access.** Objective: Determine whether the NRO has implemented appropriate controls for granting, reviewing, and removing Industry Partner Access (IPA) connections to NRO networks.

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**(U) Audit of the National Reconnaissance Office Financial Statements.** Objective: To determine whether the financial statements and related notes are presented fairly in all material respects, in accordance with guidance issued by the Federal Accounting Standards Advisory Board, Office of Management and Budget, and other authoritative guidance. The auditors will also review internal controls and compliance with laws and regulations, and follow-up on the status of prior-year audit findings.

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**(U) Joint Inspection of the Office of Space Reconnaissance.** Objective: Assess whether the Office of Space Reconnaissance (OSR) is effectively addressing both NRO and Central Intelligence Agency (CIA) mission needs and determine whether resources are being applied consistent with existing agreements between the NRO and CIA.

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**(U) Inspection of the National Reconnaissance Office's Mission Basing Preparedness.** Objective: Evaluate whether the collective activities across the NRO are implementing Mission Basing policies and processes for enabling new mission capabilities effectively and efficiently.

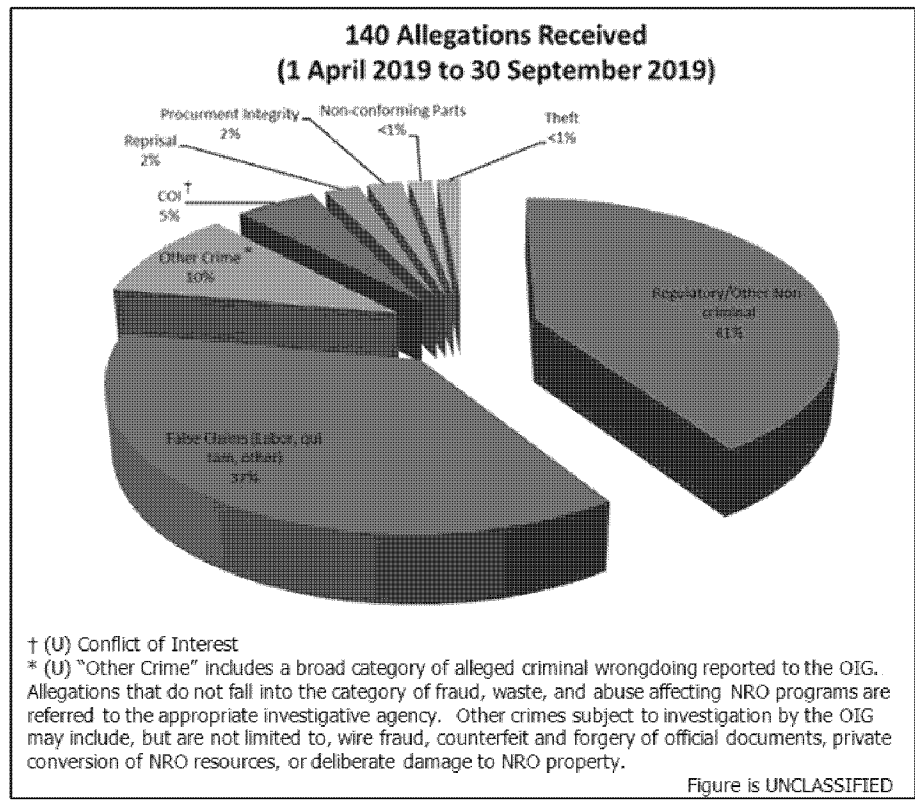
**(U) INVESTIGATIONS**

(U) The OIG Investigations Division conducts criminal, civil, and administrative investigations into alleged violations of federal laws, regulations, and policies involving NRO funds, operations, and programs. It also investigates allegations of whistleblower retaliation in accordance with appropriate statutes and Presidential Policy Directive – 19 (PPD-19).

(U) All investigative records and information, starting with complaint intake through the final report, along with the full disposition of each referred case, are maintained using the Investigations Division's [redacted]. The data in this section are derived from all relevant records in [redacted] covering the reporting period of 1 April – 30 September 2019.

(U//~~FOUO~~) The Investigations Division responded to 140 allegations this reporting period. The range of allegations included, but was not limited to, aspects of fraud and other varied allegations of wrongdoing within NRO programs. The Division referred 21 of the allegations to other NRO offices upon determining that the information did not merit investigative action. Referred allegations generally involved claims of negligible employee misconduct and administrative issues. The OIG referred these matters to the Office of Security and Counterintelligence (OS&CI), the Office of Contracts, or other NRO offices for actions as appropriate. **FIGURE 1** illustrates the types and percentages of these cases opened during this reporting period.

**(U) FIGURE 1: SUMMARY OF ALLEGATIONS RECEIVED BY THE NRO OIG INVESTIGATIONS DIVISION**



**(U) REPORTS OF INVESTIGATION**

(U) During this reporting period, the Investigations Division produced 11 Reports of Investigation and identified more than \$11M due to be returned to the NRO or the United States Treasury. The OIG provides all Reports of Investigation to OS&CI for security consideration and action as appropriate. This reporting period did not include any completed reports related to Whistleblower Reprisal or allegations involving Senior Officials. **TABLE 4** illustrates the additional details of these cases.

**(U) TABLE 4: Summary of Referrals and Indictments**

<b>(U) Item</b>	<b>(U) Number</b>
Total Reports	11
Referrals to Federal Prosecutor	9
Referrals to State Prosecutor	0
Indictments	0

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**(U) SELECTED INVESTIGATION SUMMARIES**

(U) **Non-Conforming** [REDACTED] A joint investigation involving the Department of Justice, the NRO OIG, the National Aeronautics and Space Administration OIG, the Defense Criminal Investigative Service, the Naval Criminal Investigative Service, the Air Force Office of Special Investigations, and the United States Coast Guard OIG identified that a prime contractor, [REDACTED] had been providing non-conforming [REDACTED] to several United States Government agency programs since at least 2008. The allegation was filed under the Civil False Claims Act and the complainant alleged that the contractor was aware its [REDACTED] had not been manufactured in accordance with quality standards resulting in repeated failures during testing. Despite the failures, the contractor continued to offer the [REDACTED] to the Government. The OIG worked with NRO experts to identify and mitigate suspect [REDACTED] already procured by the NRO. The OIG also supported the Defense Logistics Agency in its effort to stop the further distribution of the suspect [REDACTED]. The contractor paid \$11 million to the United States Government to settle the false claims allegations regarding its failure to comply with testing requirements and subsequent sales and distribution of the relevant non-conforming [REDACTED].

(U) **Trafficking in Counterfeit** [REDACTED] A joint investigation involving the NRO OIG, Homeland Security Investigations, and the Defense Criminal Investigative Service resulted in the indictment and arrest of [REDACTED] in May 2018 for selling [REDACTED].

[redacted] knew to be counterfeit. [redacted] sold these [redacted] through [redacted], a company based in [redacted]. On 17 January 2019, [redacted] entered into a guilty plea on four counts stemming from the indictment. On 30 May 2019, [redacted] was sentenced to 46 months in federal prison, ordered to pay \$144,000 in restitution, and fined \$400. He received 36 months of supervised released upon completion of his prison sentence. Separately, [redacted] were indefinitely suspended from government contracting and from directly or indirectly receiving the benefits of federal assistance programs. The OIG worked with NRO experts to identify and mitigate any relevant suspect parts in NRO systems.

**(U) Misuse of a Government Information System and Unauthorized Release of Sensitive Information.** The Investigations Division developed information revealing that a contractor employee at an NRO facility misused access to an NRO database to search for and collect sensitive personnel information regarding other NRO personnel at the facility, which the contractor subsequently provided to senior company officials. The contractor employee admitted her actions to investigators and explained that she was acting in furtherance of recruiting potential employees for her company and in furtherance of the company's business interests regarding a lawsuit. The contractor employee stated that she saw nothing wrong with her activities. The NRO subsequently removed the contractor employee from the facility and from access to NRO programs.

**(U) False Claims for Labor.** The Investigations Division completed eight investigations of false claims due to mischarged labor by various contractor employees who mischarged their time in violation of 18 U.S.C. § 287. In total, these investigations identified more than \$68,000 in funds recoverable to the NRO or the United States Treasury. The United States Attorney's Office declined prosecution for each of these cases in favor of an administrative settlement. The OIG referred each case to the NRO Office of Contracts for administrative action within the terms of any affected contracts, including financial restitution and suspension and debarment, as appropriate. The Office of Contracts addressed the recovery of funds and removal of contractor personnel as appropriate in each case.

**(U) Continued Settlement of Labor Mischarging Cases.** The NRO continues to work toward the settlement of three previously reported labor-mischarging cases attributed to employees of the same Federally Funded Research and Development Center (FFRDC). The NRO previously removed two of the employees from access to NRO programs; the third was removed in March 2019. The NRO continues to work with the Air Force Space and Missile Systems Center, the contract executor, to finalize a financial settlement with the FFRDC.



**(U) POTENTIAL MONETARY BENEFITS**

(U) The following tables identify potential monetary benefits resulting from the NRO OIG's audits, inspections, and special reviews, as required by the *Inspector General Act of 1978*, as amended (IG Act).

**(U) TABLE 5: Summary of Questioned Costs**

Reports with Recommendations that Include Questioned Costs*	Number of Reports	Dollar Value
For which no management decision was made by 1 April 2019	0	N/A
That were issued between 1 April 2019 and 30 September 2019	0	N/A
Disallowed costs for which a management decision was made between 1 April 2019 and 30 September 2019	0	N/A
Costs not disallowed for which a management decision was made between 1 April 2019 and 30 September 2019	0	N/A
For which no management decision was made by 30 September 2019	0	N/A

\*(U) According to the IG Act, the term "questioned cost" means a cost that is questioned by the OIG because of (a) an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; (b) a finding that, at the time of the audit, such cost is not supported by adequate documentation; or (c) a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.

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**(U) TABLE 6: Summary of Better Use of Funds**

Reports with Recommendations that Funds Be Put to Better Use*	Number of Reports	Dollar Value
For which no management decision was made by 1 April 2019	0	N/A
That were issued between 1 April 2019 and 30 September 2019	0	N/A
For which a management decision was made—and the dollar value of recommendations was agreed to by management—between 1 April 2019 and 30 September 2019	0	N/A
For which a management decision was made—and the dollar value of recommendations was not agreed to by management—between 1 April 2019 and 30 September 2019	0	N/A
For which no management decision was made by 30 September 2019	0	N/A

\*(U) According to the IG Act, the term "recommendations that funds be put to better use" means a recommendation by the OIG that funds could be used more efficiently if management took actions to implement and complete the recommendation, including (a) reductions in outlays; (b) de-obligation of funds from programs or operations; (c) withdrawal of interest subsidy costs on loans or loan guarantees, insurance, or bonds; (d) costs not incurred by implementing recommended improvements related to the operations of the establishment, a contractor, or grantee; (e) avoidance of unnecessary expenditures noted in pre-award reviews of contract or grant agreements; or (f) any other savings that are specifically identified.

Table is UNCLASSIFIED

**(U) REVIEW OF LEGISLATION AND REGULATIONS**

(U) The *Inspector General Act of 1978*, as amended, requires federal agency OIGs to review existing and proposed legislation and regulations relating to their agencies' programs and operations. Based on these reviews, the OIGs are required to make recommendations in their semiannual reports concerning the effect of the legislation and regulations on (1) the economy and efficiency of programs and operations of their agencies and (2) the prevention and detection of fraud and abuse in programs and operations of their agencies.

(U) The NRO OIG conducts such reviews and provides comments and recommendations to Congress, when warranted, through a variety of means including reports and coordination with the Council of the Inspectors General on Integrity and Efficiency (CIGIE), the Council of IC Counsels chaired by the Office of the Inspector General of the Intelligence Community (IC IG), as well as through other efforts.

(U) During this reporting period, the NRO OIG reviewed the National Defense Authorization Act provisions related to OIG authorities and responsibilities. The OIG also reviewed draft Intelligence Authorization Act language for Fiscal Years 2018, 2019, and 2020 that address OIG authorities and responsibilities, including, but not limited to, Inspector General External Review Panel, IC oversight of agency whistleblower actions, and harmonizing whistleblower processes and procedures. The OIG also reviewed and addressed myriad issues that affect the OIG's operations and mission execution. Examples included

- reviewing the draft Security Executive Agent Directive 9, which provides implementation guidance to section 602 of the 2014 Intelligence Authorization Act;
- working in coordination with the IC IG and the Council of IC Counsels in developing PPD-19, Part C, External Review Panel standards and procedures; and
- working with the IC IG Whistleblower Working Group regarding reconciling the requirements of PPD-19 and Section 11 of the *Inspector General Act of 1978*, as amended.

**(U) FINANCIAL SYSTEMS COMPLIANCE**

(U) As required by the *Inspector General Act of 1978*, as amended, this Semiannual Report provides information regarding the NRO's compliance with the requirements of the *Federal Financial Management Improvement Act of 1996* (FFMIA). Specifically, the FFMIA requires organizations to implement and maintain financial management systems that are substantially in compliance with federal accounting standards and with federal financial management system's requirements.

(U) For FY 2019, the NRO OIG engaged the Independent Public Accounting firm, Kearney and Company, to test the NRO's financial systems for compliance with applicable laws and standards as part of its *Audit of the National Reconnaissance Office Fiscal Year 2019 Financial Statements*. Kearney's assessment is due to the OIG in November 2019.

**(U) PEER REVIEWS**

(U) The *Inspector General Act of 1978*, as amended, requires that OIGs report on peer reviews conducted during this semiannual reporting period. The purpose of a peer review is to determine whether an organization's system of quality control is suitably designed and whether its staff is effectively implementing those quality controls and conforming to applicable professional standards. Generally Accepted Government Auditing Standards issued by the Comptroller General of the United States require audit organizations performing audits, attestation engagements, or both, to undergo a peer review at least once every three years by reviewers independent of the audit organization to determine whether an appropriate internal quality control system is in place. Similarly, the *CIGIE Guide for Conducting Peer Reviews of Inspection and Evaluation Organizations of Federal Offices of Inspector General* (January 2017), provides standards for conducting peer reviews of Inspections Divisions within the IG community.

**(U) PEER REVIEW OF THE NRO OFFICE OF INSPECTOR GENERAL**

(U) During this semiannual reporting period, an external peer review team conducted an assessment of the NRO OIG Inspections Division's internal policies and procedures implementing the seven required Council of the Inspectors General on Integrity and Efficiency (CIGIE) Quality Standards for Inspection and Evaluation (Blue Book). The seven required Blue Book standards included quality control, planning, data collection and analysis, evidence, records maintenance, reporting and follow-up. The NRO OIG Inspections Division provided 13 reports issued during the review period (1 April 2014 through 30 September 2019); Joint Inspections Reports were not included. The review team focused its review on 5 of the 13 reports offered and assessed their compliance with Blue Book Standards and the NRO OIG Inspections Division's internal policies and procedures. The OIG Inspections Division received an external peer review rating of Pass; however, the final report has not been issued to date.

(U) The Peer Review Team comprised staff members from CIA/OIG (Team Lead), NSA/OIG, DIA/OIG and IC/OIG. Following the onsite review, the team outbriefed its preliminary findings. Specifically, the review team found four exemplary items: data collection and analysis; a robust annual planning process; the OIG's use of NRO's enterprise project tracking tool, the Tracking Information and Enterprise Response, for Follow Up and Records Maintenance; and the practice of issuing OIG monthly updates as an effective communication tool. The review team noted some minor discrepancies, which included unclear or too specific inspection manual details, inconsistency in working paper nomenclature

and records maintenance, and adherence to established project milestones and timelines.

(U) PEER REVIEW OF OTHER AGENCIES' INSPECTORS GENERAL

(U) The OIG did not perform any peer reviews of other Agencies' Inspectors General during this reporting period.

**(U) INDEPENDENCE**

(U) The *Inspector General Act of 1978*, as amended, established Offices of Inspector General to create organizationally independent and objective units to support agency oversight, effectiveness, and accountability. To assist the OIGs in maintaining independence, CIGIE developed Quality Standards for Federal Offices of Inspector General, and the GAO established guidance for evaluating and ensuring the statutory independence for each OIG organization as well as the independence of individual staff members. In accordance with the CIGIE and GAO guidance on maintaining independence, the OIG has established significant controls to ensure that its staff members are "free both in fact and appearance from personal, external, and organizational impairments to independence."

(U//~~FOUO~~) The NRO OIG encountered no threats to its independence during this semiannual reporting period. The OIG continues to maintain its independence while working cooperatively with NRO senior leadership, staff, and contractor personnel to execute its oversight responsibilities.

(U) One key to the OIG's effectiveness is the cooperation and collaborative working relationship it holds with the NRO leadership and staff. The DNRO, the NRO leadership team, and staff continue to be forthcoming with information and access to records and other documentation the OIG needs to carry out its mission. In addition, the NRO leadership is actively engaged in addressing open recommendations and implementing corrective actions.

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**(U) APPENDIX A: SEMIANNUAL REPORTING REQUIREMENTS**

(U) The National Reconnaissance Office (NRO) Office of Inspector General (OIG) conducts audits, inspections, investigations, and special reviews in accordance with the requirements of *Inspector General Act of 1978*, as amended. Those requirements include promoting economy, efficiency, and effectiveness; detecting and preventing fraud and abuse; and supporting the mission of the NRO. The Act also establishes semiannual reporting requirements that highlight activities and significant issues that arise during the reporting period that may be of interest to Congress. **TABLE A1** identifies the semiannual reporting requirements and the location of the corresponding information in this report.

**(U) TABLE A1: SEMIANNUAL REPORTING REQUIREMENTS**

(U) Reporting Requirement	(U) Page	
SEC 4(a)(2)	<u>Legislation and regulation review</u>	20
SEC 5(a)(1-2)	<u>Significant problems, abuses, and deficiencies; recommendations for corrective action</u>	3
SEC 5(a)(3)	<u>Prior significant recommendations not yet implemented</u>	4
SEC 5(a)(4)	<u>Matters referred to authorities resulting in prosecutions and convictions</u>	17
SEC 5(a)(5)	Summary of refusals to provide information	None
SEC 5(a)(6-7)	<u>List and summary of reports issued during the reporting period</u>	5
SEC 5(a)(8-9)	<u>Tables showing questioned costs and funds that should be put to better use</u>	19
SEC 5(a)(10-12)	Summary of reports with no management decision; description and explanation of revised management decisions; management decisions with which Inspector General disagrees	None
SEC 5(a)(13)	<u>Financial systems' compliance with federal requirements</u>	21
SEC 5(a)(14-16)	<u>Peer review reporting</u>	22
SEC 5(a)(17-18)	<u>Tables showing numbers of investigative reports and a description of the supporting metrics</u>	17
SEC 5(a)(19)	Investigations of senior government employee misconduct	None
SEC 5(a)(20)	Descriptions of whistleblower retaliation	None
SEC 5(a)(21)	<u>OIG Independence</u>	24
SEC 5(a)(22)	Descriptions of audits, inspections, evaluations, and investigations not disclosed to the public	N/A

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**(U) APPENDIX B: RECOMMENDATIONS OLDER THAN SIX MONTHS**

(U) **TABLE B1** summarizes all open recommendations described in previous National Reconnaissance Office (NRO) Office of Inspector General (OIG) semiannual reports for which corrective actions are not yet completed. Open recommendation details are in **Tables B2–B19**.

**(U) TABLE B1: RECOMMENDATIONS OLDER THAN SIX MONTHS**

(U) Report Title	(U) Report Date	(U) Total	(U) Open
<u>(U) Audit of NRO Cyber Incident Detection and Response</u>	17 December 2014	10	1
	25 March 2015	59	12
<u>(U) Joint Inspection of Aerospace Data Facility Southwest and National Geospatial-Intelligence Agency Southwest</u>	30 September 2015	16	3
<u>(U) Audit of the NRO Aerospace Data Facility Colorado Facilities Infrastructure</u>	15 August 2016	2	1
	30 September 2016	34	9
<u>(U) Audit of the NRO's Transition to an Enterprise Information Technology Audit Capability</u>	6 December 2016	5	3
<u>(U) Inspection of NRO Supervisory Control and Data Acquisition Systems (SCADA)</u>	28 December 2016	5	1
<u>(U) Joint Inspectors General Inspection Report Aerospace Data Facility Colorado, National Geospatial-Intelligence Agency Denver</u>	8 February 2017	91	17
<u>(U) Inspection of the Continuity and Critical Infrastructure Program Office</u>	31 March 2017	15	5
<u>(U) Special Review of the Enterprise Procurement Contract</u>	28 August 2017	2	1
<u>(U) Follow-up Inspection of the NRO DoD Cadre</u>	29 September 2017	14	1
	26 January 2018	107	21
<u>(U) Audit of Fleet Management</u>	14 February 2018	5	4
<u>(U) Inspection of NRO Mission Resiliency</u>	2 March 2018	5	4
<u>(U) Inspection of the Aerospace Data Facility-East (ADF-E)</u>	16 May 2018	33	7
<u>(U) Audit of Management Oversight of Federally Funded Research and Development Centers throughout the NRO</u>	6 July 2018	3	1
<u>(U//FOUO) Inspection of the NRO's TEMPEST Program</u>	27 August 2018	9	7
<u>(U) Inspection of the NRO's Workplace Violence Prevention Program</u>	28 December 2018	1	1

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