

NATIONAL RECONNAISSANCE OFFICE

OFFICE OF INSPECTOR GENERAL

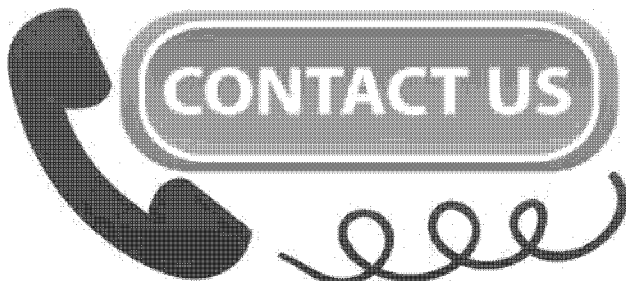
(U) SEMIANNUAL REPORT TO THE CONGRESS

1 October 2019 - 31 March 2020

25 June 2020



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National Reconnaissance Office
Office of Inspector General

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(U) MESSAGE FROM THE INSPECTOR GENERAL

25 June 2020

(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 October 2019 – 31 March 2020. The activities described in this report exemplify our professional commitment to improving the efficiency and effectiveness of NRO programs and operations.

(U) The OIG issued 9 Reports of Investigations, 3 Audit reports, 1 Inspection report, and continued its work on another 17 projects during this reporting period. The OIG's audits and inspections covered a wide range of topics, including an *NRO-National Security Agency (NSA) OIG Review of [redacted] at Aerospace Data Facility-Colorado and NSA Colorado* to identify and assess any issues of concern regarding [redacted] compliance that exist between NRO and NSA related to operations, the [redacted], and the *Special Review of the National Space Defense Center (NSDC)* to assess whether the NSDC is effectively postured to address NRO space protection concerns across the expanding space protection enterprise. We also issued a management alert memorandum notifying management of [redacted]. With regard to the [redacted], I engaged in several meetings with Congressional Monitors to discuss our findings and concerns.

(U) Kearney & Company, P.C., an Independent Public Accountant, performed the Fiscal Year 2019 Financial Statement Audit of the NRO, with OIG oversight. For the eleventh straight year, the NRO received an unmodified opinion, concluding the NRO's financial statements present fairly, in all material respects, the financial position of the NRO as of 30 September 2019.

(U) On 22 October 2019, I joined 65 other federal IGs in signing a letter to Department of Justice's Office of Legal Counsel expressing our support for whistleblower protections. Whistleblowers play a critical role in coming forward to report waste, fraud, abuse, and misconduct across the federal government and must be protected against retaliation. I recently responded to Senator Schumer's letter regarding whistleblower retaliation and the responsibility of Inspectors General to protect whistleblowers from reprisal. I echoed the sentiments expressed by the Chair and Vice Chair of the Council of Inspectors General on Integrity and Efficiency that whistleblowers are an invaluable source of information for enhancing the effectiveness and integrity of the U.S. Government.

(U) On 13 November 2019, I spoke at NRO's Office of Contract's Industry Day, which was attended by representatives from nearly every company that does business with the NRO. I used this opportunity to highlight the OIG's focus areas, which include procurement integrity, contract fraud and false claims, non-conforming parts, and whistleblower protections. In early December 2019, four members of the Inspections Division attended the 6th Annual Space Resiliency Summit. The two-day event brought together representatives from the military, intelligence, commercial, and academic communities to discuss developing technology, infrastructure, and policies surrounding the role of space in the United States' national security enterprise. In light of the establishment of the U.S. Space Force and the NRO's space resiliency priorities, the Summit provided valuable information regarding protective measures as the NRO advances into a newly contested domain.

(U) During this reporting period, we made improvements to our Hotline Complaint Form to provide enhanced options for confidential and anonymous

reporting. This form is available on the NRO Management Information System as well as the NRO Industrial Partner Access Portal and the Joint Worldwide Intelligence Communications System.

(U) Due to the COVID-19 pandemic, several reports initially planned for release toward the end of this reporting period will be published at later dates. On 19 March 2020, I moved my staff to a mission critical only posture with the remainder of the OIG staff working from home on unclassified projects and online training. The NRO's travel ban and social distancing mandates had brought our audits, inspections, and investigations nearly to a halt. In addition, any routine work we would have conducted in support of our oversight assignments would have placed an additional burden on the scaled-down NRO workforce. In the weeks that followed, OIG personnel updated manuals, refined templates and policies, and completed hundreds of cumulative hours of on-line training from home. High priority assignments, such as Whistleblower Retaliation cases, continued as did our coordination with OIG colleagues throughout the federal government with a particular focus on planned oversight of the Coronavirus Aid, Relief, and Economic Security Act authorities and pandemic relief efforts.

(U) We enjoyed a 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) We appreciate the continued support of members of Congress 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. We remain a trusted champion for accountability, transparency, and continuous improvement and join with others within the IG community to navigate through these unprecedented times.



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) dedicated its oversight efforts and resources to address management challenges and issues of greatest risk to the NRO. Specifically, the OIG conducted work on 20 audit, inspection, and special review projects, 4 of which were completed. The OIG derived these projects from mandated requirements and the OIG annual work plan or initiated projects as a result of significant risk areas noted during other reviews. In addition, the OIG issued a Management Alert Memorandum notifying management of [REDACTED]. The OIG completed numerous investigations and issued nine Reports of Investigation. These investigations assessed potential violations of law or regulation. 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 to increase the frequency of OIG interactions with the workforce at NRO ground stations. The OIG's highlights and accomplishments for this reporting period include the following:

- (U) **Eleven Straight Years.** Kearney and Company LLC, an independent public accounting firm, performed the Fiscal Year (FY) 2019 Financial Statement Audit of the NRO, with OIG oversight. For an eleventh straight year, the NRO received an unmodified opinion of its annual financial statement audit, which means the NRO's financial statements presented fairly, in all material respects, the financial position of the NRO as of 30 September 2019.
- (U//~~FOUO~~) **Joint Review of [REDACTED] at Aerospace Data Facility Colorado and NSA Colorado.** After the issuance of the high interest draft report on [REDACTED] at Aerospace Data Facility Colorado (ADF-C) and NSA Colorado (NSAC), professionals throughout NRO and NSA worked to develop corrective action plans to address enduring disagreements between NRO and NSA concerning fundamental [REDACTED] authorities, terminology, and the applicability of compliance standards. In addition, Dr. Scolese, Director, NRO and GEN Nakasone, Director, NSA/Chief, Central Security Service issued a joint message to the NRO and NSA workforce communicating their commitment to resolving [REDACTED] issues in a manner that supports both organizations' unique missions.

- (U) **National Space Defense Center Special Review.** The NRO OIG review team conducted a pre-visit on site from 25-27 February 2020. The review team used the pre-visit at the National Space Defense Center (NSDC) to gain a better understanding of the NSDC mission and its coordination with the NRO on space protection issues. The team received a number of briefings and held group discussions related to NRO space defense activities and future site investment. In addition, the team interviewed a sample of NSDC leadership and staff to discuss NSDC and NRO equities. The review team will return to the site when it is safe to travel to assess whether the NSDC is effectively postured to address NRO space protection concerns across the expanding space protection enterprise.

(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.

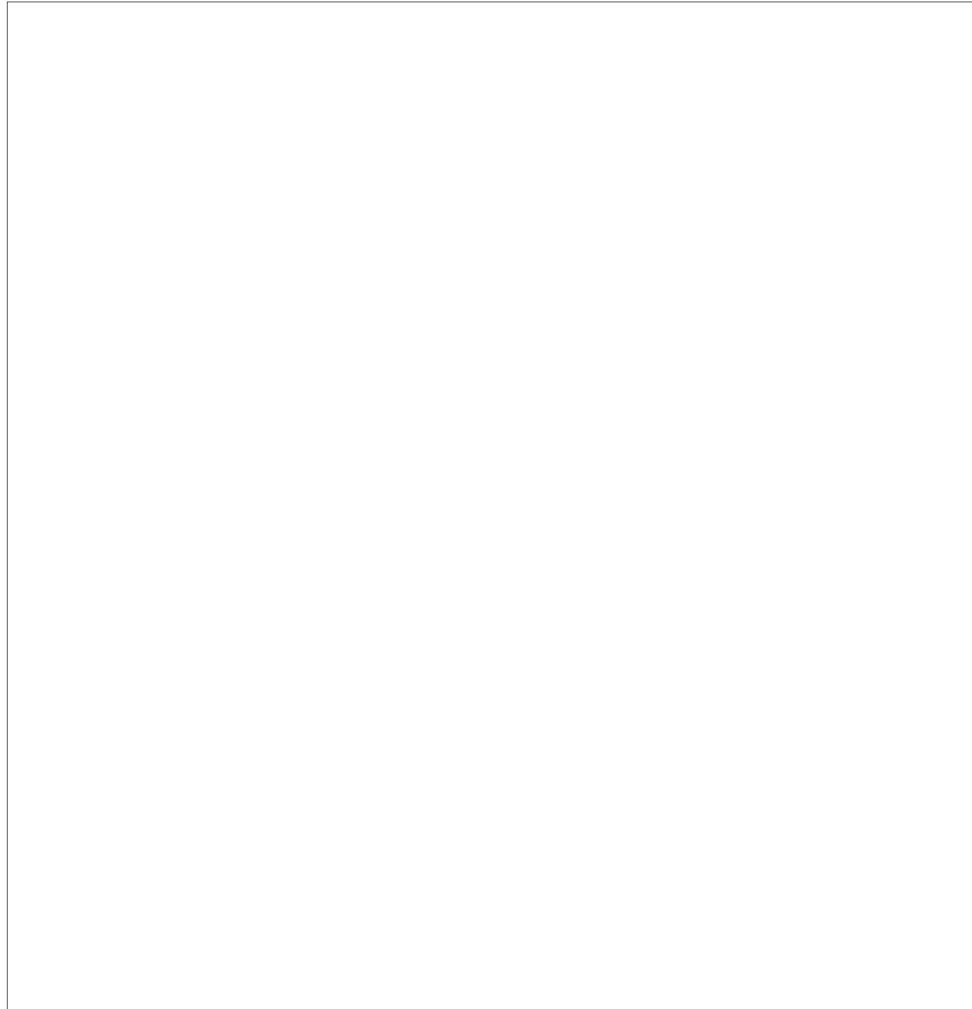
(U) SIGNIFICANT FINDINGS AND RECOMMENDATIONS FOR THE CURRENT REPORTING PERIOD

(U) While the OIG issued [] during this semiannual reporting period, no findings or recommendations met the criteria for significant.

(U) STATUS OF PRIOR SIGNIFICANT RECOMMENDATIONS

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(U) TABLE 1: STATUS OF PRIOR SIGNIFICANT RECOMMENDATIONS

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(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 October 2019 - 31 March 2020

(U) Title	(U) Date Completed
(U) National Reconnaissance Office Fiscal Year 2019 Independent Federal Information Security Modernization Act of 2014 Evaluation	31 October 2019
(U) Audit of the National Reconnaissance Office Fiscal Year 2019 Financial Statements	12 November 2019
	2 January 2020
(U) Inspection of the National Reconnaissance Office's Management of Remote Site Ground Terminals	15 March 2020

(U) COMPLETED PROJECTS – FINDINGS AND RECOMMENDATIONS**(U) National Reconnaissance Office Fiscal Year 2019 Independent Federal Information Security Modernization Act of 2014 Evaluation.**

(U) The NRO engaged with the independent public accounting firm of Guidehouse, LLP (Guidehouse) to evaluate the financial statements of the NRO as of 30 September 2019. In its evaluation, Guidehouse determined that the state of the NRO's information security program remains at a maturity level 2: "Defined." Although the overall maturity level did not change from FY 2018, the NRO has moved from maturity level 1: "Ad Hoc" to maturity level 2: "Defined" in both the Information Security Continuous Monitoring domain as well as the Detect Function area. While the evaluation noted NRO's progress and improvements, Guidehouse determined that [REDACTED]

[REDACTED] Central to those inconsistencies was the lack of clear delineation, communication, and understanding of key personnel responsibilities as the NRO moves toward a leveraged services environment. The evaluation report includes 32 recommendations.

(U) Audit of the National Reconnaissance Office Fiscal Year 2019 Financial Statements.

(U) The NRO contracted with the independent public accounting firm of Kearney & Company, P.C. (Kearney) to audit the financial statements of the NRO as of 30 September 2019. In its audit, Kearney found the

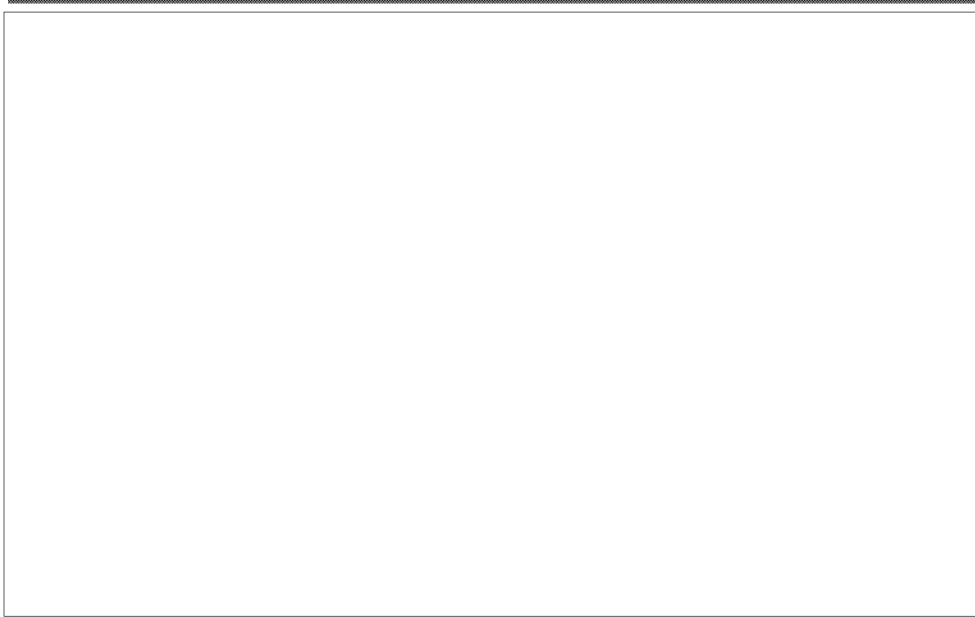
financial statements were fairly presented in all material respects and provided no reportable noncompliance with laws and regulations tested. However, Kearney reported a repeat [redacted] regarding the NRO's [redacted]

[redacted], To address this deficiency, Kearney recommended that the NRO perform the following:

- [redacted]
- [redacted]
- [redacted]
- [redacted]

(U) Kearney also noted deficiencies in matters involving [redacted]; however, these deficiencies were not considered material weaknesses or significant deficiencies.

(U) Notably, the NRO closed four FY 2018 management letter comments during FY 2019.



(U) Inspection of the National Reconnaissance Office’s Management of Remote Site Ground Terminals.

(U//~~FOUO~~) The NRO OIG completed its pre-inspection activities to support the inspection of the NRO’s management of its remote site ground terminals. As the NRO’s overhead systems and corresponding ground architectures continue to evolve, its use of, and reliance on, remote ground facilities increases. The objective of this inspection was to assess the efficiency and effectiveness of the program through an evaluation of mission operations, facilities and communications infrastructure, enterprise and interagency planning, and cover management mechanisms to ensure compliance with [redacted]
[redacted]

(U) Following a rigorous planning period, the OIG determined ongoing modifications to management oversight processes, as a result of NRO’s [redacted] including revisions to applicable NRO governance, negatively affected its ability to perform a comprehensive review. Therefore, the OIG deferred the inspection to FY 2021-22, or when management processes and criteria have sufficiently matured.

(U) In March 2020, the OIG communicated its independent observations noted during the pre-inspection phase to the [redacted] [redacted] for consideration during its strategic planning efforts. Preliminary observations included the following:

- (U) Insufficient enterprise and mission partner coordination throughout planning, integration, and sustainment can introduce mission or budgetary risk.

- [redacted]

- [redacted]

- (U) Legacy mission partner agreements and oversight of integration and sustainment activities are not addressed by the NRO’s enterprise planning vision.

- [redacted]

(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 October 2019 – 31 March 2020

(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) National Reconnaissance Office – National Security Agency Office of Inspector General Joint Review of [REDACTED] at the Aerospace Data Facility Colorado and National Security Agency Colorado.	4 January 2019
(U) Special Review of the Organizational Conflict of Interest	11 January 2019
(U) Inspection of the Chief Information Officer	7 February 2019
(U) Audit of the Management of Industry Partner Access	13 February 2019
[REDACTED]	11 April 2019
(U) Joint Inspection of the Office of Space Reconnaissance	29 April 2019
(U) Joint Outreach at Joint Defence Facility Pine Gap	5 June 2019
(U) Inspection of the National Reconnaissance Office's Mission Basing Preparedness	29 August 2019
(U) Inspection of the Aerospace Data Facility East	21 January 2020
(U) Fiscal Year 2019 Risk Assessment of the National Reconnaissance Office's Charge Card Program	28 January 2020
(U) National Reconnaissance Office [REDACTED] Service Organization Controls Examination	13 February 2020
(U) Office of Inspector General Audit of the National Reconnaissance Office Fiscal Year 2020 Financial Statements	19 February 2020
(U) Evaluation of the National Reconnaissance Office Fiscal Year 2019 Improper Payment Compliance	20 February 2020
(U) National Reconnaissance Office Fiscal Year 2019 Independent Federal Information Security Modernization Act of 2014 Evaluation	11 March 2020

(U) ONGOING PROJECTS – OBJECTIVES

(U//~~FOUO~~) National Reconnaissance Office and National Security Agency Offices of Inspectors General Joint Review of [REDACTED] at the Aerospace Data Facility Colorado and National Security Agency Colorado. Objective: Identify and assess any issues of concern regarding [REDACTED] 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.

(U//~~FOUO~~) Special Review of Organizational Conflict of Interest. Objective: Determine whether the NRO has instituted sufficient internal controls relative to the aggregation of multiple types of work awarded and concurrently performed by a prime contractor across the NRO. The NRO OIG identified potential deficiencies in the NRO's [REDACTED]

(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 Information Technology (IT) acquisition and cybersecurity professionals as well as evaluate the adequacy of current fill rates in meeting IT acquisition and cybersecurity mission needs.

(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 connections to NRO networks.



(U) Joint Inspection of the Office of Space Reconnaissance.

Objective: Assess whether the Office of Space Reconnaissance 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.



(U) Inspection of the National Reconnaissance Office's Mission Basing Preparedness.

Objective: Evaluate whether the collective activities across the NRO are effectively and efficiently implementing Mission Basing policies and processes for enabling new mission capabilities.

(U) Inspection of the Aerospace Data Facility East. Objective: Evaluate the effectiveness and efficiency of the Aerospace Data Facility East in performing its mission.

(U) Fiscal Year 2019 Risk Assessment of the National Reconnaissance Office's Charge Card Program. Objective: The OIG is conducting this assessment in accordance with the *Government Charge Card Abuse Prevention Act of 2012* (the Act), Public Law 112-194. The Act requires agency OIGs to conduct periodic analysis or audits, as necessary, of its agency's purchase card program to identify potentially illegal, improper, or erroneous uses. Should the OIG's assessment reveal a significant risk, the OIG will conduct an audit or review.

(U) National Reconnaissance Office [redacted] Service Organization Controls Examination. Objective: Report on the fairness of the presentation of management's description of the [redacted] application and the suitability of the design and operating effectiveness of the controls to achieve the related control objectives included in the description.

(U) Office of Inspector General Audit of the National Reconnaissance Office Fiscal Year 2020 Financial Statements.

Objective: 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.

(U) Evaluation of the National Reconnaissance Office Fiscal Year 2019 Improper Payment Compliance. Objective: To review the improper payment information section of the FY 2019 Agency Financial Report to determine whether the NRO is in compliance.

(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.

(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 is derived from all relevant records in [REDACTED] covering the reporting period of 1 October 2019 – 31 March 2020.

(U) The Investigations Division responded to 105 allegations this reporting period. The range of allegations included, but was not limited to, aspects of fraud and other allegations of wrongdoing within NRO programs. The Division referred 11 of the allegations to other NRO offices upon determining that the information did not merit investigative action. Referred allegations generally involved claims of minor employee misconduct, security infractions, 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

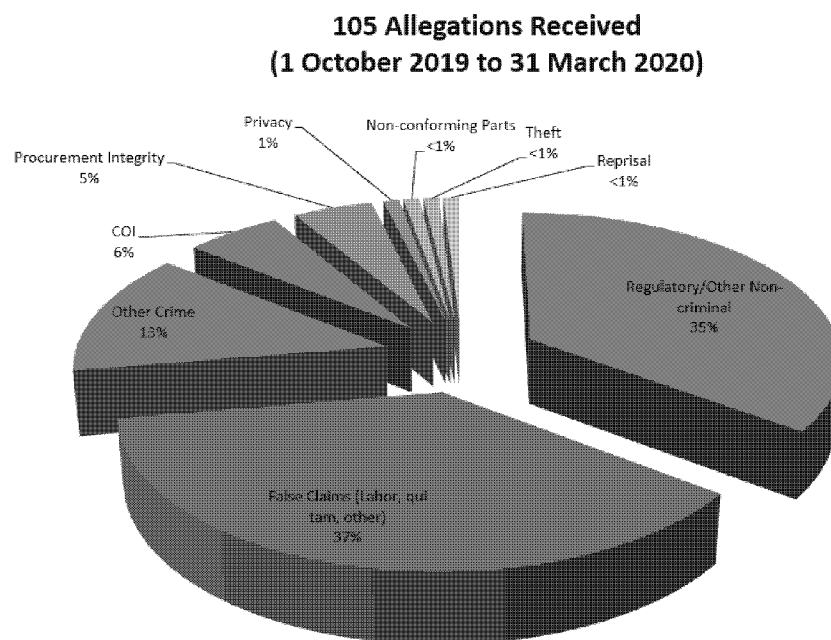


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(U) REPORTS OF INVESTIGATION

(U) During this reporting period, the Investigations Division produced nine Reports of Investigation in response to allegations of fraud and other wrongdoing at the NRO. The total amount returned to the NRO or the United States Treasury during this reporting period as a result of investigations equates to more than \$847,000.¹ The OIG provides all Reports of Investigation to OS&CI for security consideration and action as appropriate. The OIG provides Reports of Investigations involving contractors to the Office of Contracts for consideration relevant to suspension and debarment. This reporting period includes one report related to whistleblower retaliation allegedly taken by an NRO Senior Official against a government employee. **TABLE 4** illustrates the additional details of these cases.

(U) TABLE 4: Summary of Referrals and Indictments

Item	Number
Total Reports	9
Referrals to Federal Prosecutor	6
Referrals to State Prosecutor	0
Indictments	0

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(U) SELECTED INVESTIGATION SUMMARIES

(U) The summaries below highlight a selected number of closed investigations and other matters from previous years completed during this reporting period.

(U) **Whistleblower Retaliation:** The OIG completed an investigation regarding a claim of whistleblower retaliation. An NRO employee alleged he received an adverse personnel action from NRO senior officers after reporting his concerns to senior managers related to award and funding decisions on an NRO contract. The employee claimed, in part, that some of his concerns were relevant to potential acts of fraud, which included a potential violation of the *Truth in Negotiations Act*.

(U) The OIG investigation concluded the available evidence did not support the employee's claim, and that the senior officers had not engaged in an act of retaliation when they reassigned him to another NRO program.

¹ (U) This figure accounts of approximately \$175,000 in additional funds recovered by the NRO on matters pending final actions and yet to be reported by the OIG.

(U) The OIG also investigated the employee's claims of potential acts of fraud related to award and funding decisions on an NRO contract. The investigation did not reveal information that supported those claims.

(U) False Statements and Misuse of Position by a Human Resources Officer: The OIG completed its investigation of a senior official who provided incorrect information to senior managers resulting in the inappropriate, temporary removal of a government employee from NRO facilities. Specifically, the senior official misrepresented information to key officers in the official's decision chain, which supported the official's decision to remove the employee. As a result of these misrepresentations, the employee was inappropriately removed from NRO facilities by armed security personnel.

(U) The senior official was administratively sanctioned for the cited conduct. In addition, the NRO is currently developing policies that address the physical removal of NRO personnel from NRO facilities under unusual circumstances.

(U) False Claims for Hotel Accommodations: The OIG completed its investigation of a government employee who received compensation for hotel accommodations while on official travel to Denver, Colorado, but spent each night at a personal residence in the vicinity. From June 2017 through March 2018, the employee travelled to the Denver area 12 times and claimed hotel accommodations for 38 nights.

(U) The OIG concluded that the employee's actions caused the government to pay approximately \$5,292 for hotel rooms that were not used for nightly accommodations. The employee also received a benefit of approximately \$2,355 because of the policy allowing him reimbursement at the government rate rather than the actual cost of hotel accommodations. The NRO did not act to recover the funds, in part, because of a lack of specificity in travel policy regarding permissible use of hotel accommodations while on official travel.

(U) False Claims for Labor: The Investigations Division completed six investigations of false claims due to mischarged labor. All six cases involved NRO contractor employees mischarging their time pursuant to 18 U.S.C. § 287, *False, Fictitious, and Fraudulent Claims*. In total, these investigations identified approximately \$355,000 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 involving a contractor employee to the NRO Office of Contracts for administrative action within the terms of any affected contracts, including financial restitution and suspension and debarment. The Office of Contracts addressed the recovery of funds and removal of contractor personnel as appropriate in each case.

(U) Settlement of Labor Mischarging Cases Involving FFRDC Employees: The NRO finalized the settlement of three cases from FY 2018 and FY 2019 involving employees of a Federal Funded Research and Development Center (FFRDC) who provided services to the NRO

through a contract with the Air Force's Space and Missile Systems Center (SMC) that was funded, in part, by the NRO. In aggregate, the three FFRDC employees mischarged 7,748 hours to the NRO-funded portion of the SMC contract from 2006 through 2018. The NRO calculated the value of the mischarged hours to be approximately \$1,672,515.

(U) The FFRDC employees regularly billed the government for labor hours they claimed to provide as required under the contract. The OIG obtained records and information showing the employees did not provide the NRO with the labor hours claimed. The employees repeatedly arrived to work late and left early, were at times absent without charging leave, and worked at home or at other unapproved locations without permission.

(U) Because the NRO has no authority to manage the contract with the FFRDC, the OIG reported its findings in each case to both the NRO and SMC. The Department of Justice declined interest in each case with the understanding that SMC would settle all matters with the FFRDC under the terms of the contract on behalf of the NRO.

(U) On 3 October 2019, SMC advised the NRO that it was accepting approximately \$317,379 offered by the FFRDC to settle claims made against one of the employees. SMC also advised that it would not pursue the recovery of the remaining balance attributed to this employee (approximately \$384,560), nor would SMC pursue the recovery of funds attributed to the other two employees—approximately \$408,106 and \$562,468, respectively. SMC reported that it chose not to pursue further recovery because the FFRDC claimed its offer was based on the results of its own internal investigation, which were contrary to the OIG's results. The NRO accepted the FFRDC's repayment as well as SMC's settlement terms. As a result, the NRO recovered approximately \$317,379 of the \$1,672,515 mischarged to the contract.

(U) **Former NRO Contractor Sentenced:** On 19 November 2019, a former NRO contractor previously assigned to an NRO facility in New Mexico was sentenced to 210 months in prison following his conviction on one count of [REDACTED]

(U) The former contractor was arrested by law enforcement agents from a [REDACTED] task force on 13 March 2018 following an investigation into allegations of [REDACTED]. The OIG provided support to the local law enforcement agents and determined that there was no evidence showing that the contractor used NRO systems or other resources to perpetrate his crimes.

(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 October 2019	0	N/A
That were issued between 1 October 2019 and 31 March 2020	0	N/A
Disallowed costs for which a management decision was made between 1 October 2019 and 31 March 2020	0	N/A
Costs not disallowed for which a management decision was made between 1 October 2019 and 31 March 2020	0	N/A
For which no management decision was made by 31 March 2020	0	N/A

*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 October 2019	0	N/A
That were issued between 1 October 2019 and 31 March 2020	0	N/A
For which a management decision was made—and the dollar value of recommendations was agreed to by management—between 1 October 2019 and 31 March 2020	0	N/A
For which a management decision was made—and the dollar value of recommendations was not agreed to by management—between 1 October 2019 and 31 March 2020	1	\$1-\$1.5 Million
For which no management decision was made by 31 March 2020	0	N/A

*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.

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(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 reviews and provides comment 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), and other channels.

(U) During this reporting period, the NRO OIG reviewed the FY 2020 National Defense Authorization Act and pertinent language found in the Intelligence Authorization Acts for FYs 2018, 2019, and 2020 related to OIG authorities and responsibilities. These provisions address, among other things, harmonizing whistleblower processes and procedures; IC oversight of agency whistleblower actions; access to cleared attorneys by whistleblowers in the IC; protections for confidentiality of whistleblower-related communications; a review of IC whistleblower matters; the Inspector General External Review Panel set forth in Presidential Policy Directive-19 (C); and mandated reporting regarding unauthorized disclosures of classified information. In response, the IC IG has established various working groups to address the new requirements and implement appropriate processes to enhance information sharing and transparency across the IC. The NRO OIG also coordinated with the IC IG on possible amendments to IG Act of 1978 related to urgent concerns. In addition, the NRO OIG began coordination and oversight efforts with IC-element OIGs pertaining to the *Coronavirus Aid, Relief, and Economic Security Act* and the Pandemic Response Accountability Committee.

(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 2020, 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 2020 Financial Statements*. Kearney's assessment will determine whether the NRO's financial management systems comply with the federal financial management system's requirements, applicable federal accounting standards, or application of the United States Standard General Ledger at the transaction level.

(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 REVIEWS OF THE NRO OFFICE OF INSPECTOR GENERAL

(U) **NRO OIG Inspections Division:** The CIA OIG led a peer review of the NRO OIG Inspections Division from 7 August 2019 through 28 January 2020. The objective of the review was to assess the extent to which the NRO OIG Inspections Division met seven Council of the Inspector Generals on Integrity and Efficiency (CIGIE) standards: Quality Control, Planning, Data Collection and Analysis, Evidence, Records Maintenance, Reporting, and Follow-Up. The assessment also included a review of the NRO OIG Inspections Division's Policy and Procedures Manual and an examination of selected inspection and evaluation reports issued between 1 July 2016 and 14 August 2019 to determine whether the reports complied with the relevant CIGIE Standards and NRO OIG's internal policies and procedures.

(U) The Peer Review Team comprised staff members from CIA OIG (Team Lead), National Security Agency OIG, Defense Intelligence Agency (DIA) OIG and IC IG. The review team provided a grade of "PASS" to the Inspections Divisions and identified several NRO OIG internal processes as the "gold standard" across the IC. Specifically, the review team highlighted the Inspection Division's data collection and analysis activities; robust annual planning process; use of NRO's enterprise action tracking tool for recommendation follow-up efforts 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, inconsistent working paper nomenclature and records maintenance, and inconsistent adherence to established project milestones and timelines.

(U) **NRO OIG Audits Division:** During this semiannual reporting period, an external peer review team was conducting a review of the NRO OIG Audits Division's system of quality control and internal policies in effect for the period 1 October 2016 to 30 September 2019 in accordance with the CIGIE guidelines and Government Auditing Standards issued by the Comptroller General. The peer review team comprised staff members from the DIA OIG (Team Lead), CIA OIG, and National Geospatial-Intelligence Agency OIG. While the team completed fieldwork, the team had not provided its draft assessment at the time of the COVID-19 delay. The team expects to reconvene in June 2020 and complete the final report by August 2020.

(U) PEER REVIEW OF OTHER AGENCIES' INSPECTORS GENERAL

(U) During this reporting period, the NRO OIG began planning for the upcoming peer review of the IC IG's Audits Division. The Peer Review will be conducted in accordance with the CIGIE guidelines and Government Auditing Standards issued by the Comptroller General.

(U) The objective of this peer review is to determine whether, for the period 1 April 2017 to 31 March 2020, the IC IG audit organization's system of quality control was suitably designed and whether the audit organization has been complying with its quality control system in order to provide the audit organization with reasonable assurance of conforming to applicable professional standards.

(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 Government Accountability Office (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.

(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

Reporting Requirement	Page	
SEC 4(a)(2)	<u>Legislation and regulation review</u>	22
SEC 5(a)(1-2)	<u>Significant problems, abuses, and deficiencies; recommendations for corrective action</u>	8
SEC 5(a)(3)	<u>Prior significant recommendations not yet implemented</u>	9
SEC 5(a)(4)	<u>Matters referred to authorities resulting in prosecutions and convictions</u>	18
SEC 5(a)(5)	<u>Summary of refusals to provide information</u>	None
SEC 5(a)(6-7)	<u>List and summary of reports issued during the reporting period</u>	10
SEC 5(a)(8-9)	<u>Tables showing questioned costs and funds that should be put to better use</u>	21
SEC 5(a)(10-12)	<u>Summary of reports with no management decision; description and explanation of revised management decisions; management decisions with which Inspector General disagrees</u>	None
SEC 5(a)(13)	<u>Financial systems' compliance with federal requirements</u>	23
SEC 5(a)(14-16)	<u>Peer review reporting</u>	24
SEC 5(a)(17-18)	<u>Tables showing numbers of investigative reports and a description of the supporting metrics</u>	18
SEC 5(a)(19)	<u>Investigations of senior government employee misconduct</u>	18
SEC 5(a)(20)	<u>Descriptions of whistleblower retaliation</u>	18
SEC 5(a)(21)	<u>OIG Independence</u>	26
SEC 5(a)(22)	<u>Descriptions of audits, inspections, evaluations, and investigations not disclosed to the public</u>	N/A

Table is UNCLASSIFIED

(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) Audit of NRO Cyber Incident Detection and Response	17 December 2014	10	1
(S//TK//REL TO USA, FVEY) 2014 Joint Inspectors General Inspection Report – NRO Executive Summary Joint Inspection of Joint Defence Facility Pine Gap (JDFPG)	25 March 2015	59	8
(U) Joint Inspection of Aerospace Data Facility Southwest and National Geospatial-Intelligence Agency Southwest	30 September 2015	16	3
(U) Audit of the NRO Aerospace Data Facility Colorado Facilities Infrastructure	15 August 2016	2	1
	30 September 2016	34	9
(U) Audit of the NRO's Transition to an Enterprise Information Technology Audit Capability	6 December 2016	5	3
(U) Inspection of NRO Supervisory Control and Data Acquisition Systems (SCADA)	28 December 2016	5	1
(U) Joint Inspectors General Inspection Report Aerospace Data Facility Colorado, National Geospatial-Intelligence Agency Denver	8 February 2017	91	14
(U) Inspection of the Continuity and Critical Infrastructure Program Office	31 March 2017	15	5
(U) Special Review of the Enterprise Procurement Contract	28 August 2017	2	1
(U) Follow-up Inspection of the NRO DoD Cadre	29 September 2017	14	1
(U) 2017 Joint Defence Facility Pine Gap (JDFPG)	26 January 2018	107	15
(U) Audit of Fleet Management	14 February 2018	5	2
(U) Inspection of NRO Mission Resiliency	2 March 2018	5	3
(U) Inspection of the Aerospace Data Facility-East (ADF-E)	16 May 2018	33	6
(U) Inspection of the NRO's TEMPEST Program	27 August 2018	9	4
(U) Inspection of the Aerospace Data Facility Southwest	11 June 2019	58	25
(U) Inspection of NRO's [REDACTED]	5 September 2019	8	5
	30 September 2019	1	1

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