

DEFENSE INTELLIGENCE AGENCY  
**Office of the Inspector General**



**Semiannual Report to Congress**

April 1—September 30, 2018



Defense Intelligence Agency  
Office of the Inspector General

# Semiannual Report to Congress

3rd and 4th Quarters, FY 2018

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## Message from the Inspector General



I am pleased to present the Defense Intelligence Agency (DIA) Office of the Inspector General (OIG) semiannual report (SAR) to the U.S. Congress for the reporting period April 1, 2018, through September 30, 2018. This summary of accomplishments is reported in accordance with the Inspector General (IG) Act of 1978, as amended. This year marks the 8<sup>th</sup> year since we became a statutory IG—marking the 8<sup>th</sup> anniversary of our SAR—and coincides with the 40<sup>th</sup> anniversary of the IG Act.

Our professional staff of auditors, inspectors, and investigators continues to provide relevant and timely oversight to detect and deter fraud, waste, and abuse and protect the integrity and effectiveness of DIA programs. Within this period, our Audits Division completed an audit of DIA's unliquidated obligations where we found the Agency was unlikely to spend \$250 million of its FY 2017 appropriations due in part to lack of proper monitoring of full use of funds throughout the purchase order lifecycle and deobligation timeliness. Inspections highlights include an evaluation of DIA's human capital services determining the need for a comprehensive human capital strategy; an evaluation of human intelligence (HUMINT) collection operations management identifying successful integration efforts with a few opportunities to improve; and an evaluation of the Defense Intelligence Analysis Program (DIAP), which identified areas to improve DIAP integration, management, and automation. Our Inspections Division also evaluated DIA information security practices under the Federal Information Security Modernization Act (FISMA), which identified areas for improving the overall information security posture. Finally, we concluded an evaluation of the Agency Whistleblower program where we issued five recommendations including a need to strengthen program management and inclusion of all Presidential Policy Directive 19 requirements.

I would also like to highlight our team's increased collaboration with Agency officials. As a result of persistent dialogue with management, we strengthened coordination efforts to better inform management of our intent and to meet the expectations of our issued recommendations. This increase in collaboration led to the closure of 21 recommendations by our Audits and Inspections teams this period. Because of this, we can dedicate more work hours to the eight announced audits and inspections we are currently working that include topics such as counterintelligence, cyber, IT services contracts, and the annual financial statements. Not to be excluded, our Investigations Division opened 19 cases and closed 23, and has 68 ongoing investigations.

In closing, I thank our OIG team members for their enduring focus and quality contributions to the work outlined in this report. I would also like to recognize the collaboration and support of DIA managers at all levels, without which we would not be able to perform our mission in a timely, independent, and objective manner. Finally, I thank Congress and the DIA Director for their lasting commitment to supporting the important work of our office.



This report and the annex are posted on the Joint Worldwide Intelligence Communications System at <https://www.dia.ic.gov/admin/IG/> and on the Secret Internet Protocol Router Network at <http://www.dia.smil.mil/admin/IG/>. A copy of this report can also be found on the Internet through <http://www.dia.mil/About/Office-of-the-Inspector-General/> and <http://www.oversight.gov>.

A handwritten signature in purple ink that reads "Kristi M. Waschull".

Kristi M. Waschull  
Inspector General

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<sup>1</sup> The Annex contains caveated and classified information, and therefore provided under separate cover.

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*President Jimmy Carter signs the Inspector General Act on October 12, 1978.*

# The DIA Office of the Inspector General

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Established by the Inspector General Act of 1978, as amended, the Office of the Inspector General (OIG) is an independent office of DIA. Our impartial oversight of DIA promotes the economy and efficiency of Agency programs and operations and compliance with statutory and regulatory guidance. Our activities are guided by our mission, vision, and values.

## MISSION

Conduct independent, objective, and timely oversight across the DIA Enterprise to: promote economy and efficiency; detect and deter fraud, waste, abuse, and mismanagement; and inform DIA and Congress.

## VISION

An inclusive and dynamic team of professionals that is a catalyst for accountability and positive change, compelling a more unified, adaptive, relevant, and agile DIA Enterprise.

## VALUES

### Teamwork

Collaboratively partner internally and across organizational boundaries to achieve common goals.

### Integrity

Courageously adhere to the highest ethical principles and honor confidentiality, objectivity, and trustworthiness.

### Excellence

Provide the highest quality products and customer service.

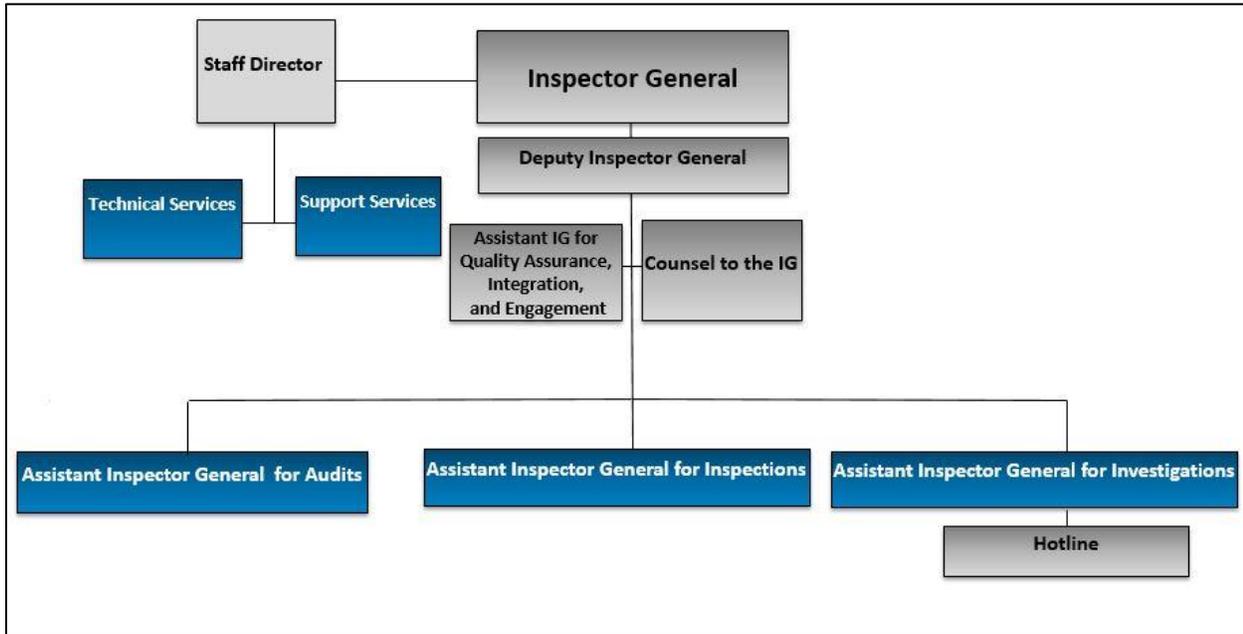
### Accountability

Steadfastly commit to deliver solutions that meet the highest standards.

### Initiative

Insightfully solve challenges and organize priorities.

## OIG Organization



**Figure 1: OIG Organization**

### Audits

The Audits Division is responsible for conducting audits and attestations on all aspects of DIA operations, resulting in recommendations that reduce costs, improve operational efficiency and effectiveness, strengthen internal controls, and achieve compliance with laws, regulations, and policy. It is also responsible for conducting the annual independent audit of the Agency's financial statements. All audits and attestations are conducted in accordance with standards established by the Comptroller General of the United States.

### Inspections

The Inspections Division is responsible for evaluating the efficiency and effectiveness of DIA organizations, programs, and functions by conducting in-depth reviews across the Agency that examine and assess processes, procedures, internal controls, performance measures, compliance with regulatory and policy guidance, interrelationships, and customer satisfaction. Evaluation methods may include comparative analysis and benchmarking against the Intelligence Community, public or private sector, and academia.

### Investigations

The Investigations Division is responsible for conducting proactive and reactive administrative and criminal investigations. Its primary objectives are to detect, deter, and report fraud, waste, and abuse within DIA; facilitate criminal prosecution or management-directed disciplinary

action against employees when allegations are substantiated; and identify and report internal control weaknesses that could render DIA programs and systems vulnerable to exploitation. The Investigations Division, in coordination with the DIA Office of the General Counsel (via the Counsel to the Inspector General) and the DIA Director of Oversight and Compliance, also investigates reports of questionable intelligence activity, as defined by Executive Order 12333, United States Intelligence Activities, as amended.

## Hotline Program

The OIG Hotline Program is a confidential and reliable means for DIA workforce and the public to report fraud, waste, mismanagement, and abuse of authority within DIA. The program's primary role is to receive and evaluate concerns and complaints and to determine the agency or responsible element best suited to take appropriate action.

## Services

The Services Division is responsible for managing all administrative programs and services directly supporting OIG. The Services Division enables useful audit, inspection, and investigation activities and facilitates timely production of intelligence management and oversight products for DIA senior leaders and congressional overseers. The division is also responsible for quality assurance and empowers OIG compliance with applicable statutes, regulations, and professional standards. The division's functions include, but are not limited to, manpower, budget, records management, correspondence, Freedom of Information Act and Privacy Act responses, security, planning, training, and information systems.

## **Statutory Reporting**

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### **Reports to the Director of Refusal to Provide Information**

Section 5(a)(5) of the Inspector General (IG) Act of 1978 requires IGs to promptly report to the head of the establishment if information requested is unreasonably refused or not provided. No such reports were needed or made during this reporting period.

### **Reports Previously Issued That Lacked Management Comment Within 60 Days**

Section 5(a)(10)(B) of the IG Act of 1978, as amended by the IG Empowerment Act, requires IGs to provide a summary of each audit, inspection, and evaluation report issued prior to the current reporting period for which no establishment comment was returned within 60 days of delivery of the report. No such reports were needed or made during this reporting period.

### **Significant Revised Management Decisions**

Section 5(a)(11) of the IG Act of 1978 requires IGs to describe and explain the reasons for any significant revised management decisions made during the reporting period. We are not aware of revisions to any significant management decisions during this reporting period.

### **Significant Management Decisions With Which the IG Disagrees**

Section 5(a)(12) of the IG Act of 1978 requires IGs to provide information concerning any significant management decisions with which they disagree. During this reporting period, there were no instances in which the IG disagreed with significant management decisions.

### **Federal Financial Management Improvement Act of 1996**

Section 5(a)(13) of the IG Act of 1978 requires IGs to provide information described under section 804(b) of the Federal Financial Management Improvement Act of 1996. This information involves the instances and reasons when an agency has not met target dates within its remediation plan to bring financial management systems into compliance with the law. DIA has developed and implemented remediation plans to address areas of noncompliance for financial management systems and has not missed any of its remediation plan target dates.

### **Attempts to Interfere With the IG's Independence**

Section 5(a)(21) of the IG Act of 1978, as amended by the IG Empowerment Act, requires IGs to provide detailed descriptions of any attempts by their establishments to interfere with their independence. We did not experience any attempts to interfere with our office's independence during this reporting period.

## Public Disclosure

Section 5(a)(22) of the IG Act of 1978, as amended by the IG Empowerment Act, requires IGs to provide detailed descriptions of inspections, evaluations, audits, and investigations involving senior Government employees that were closed during the reporting period without being publicly disclosed. Summaries of all such work are included in the appropriate sections of this report.

## Peer Reviews

Sections 5(a)(14–16) of the IG Act require IGs to report information about peer reviews that their offices have conducted or been subject to, to include any recommendations that have not been fully implemented and a justification as to why. We conducted a peer review of the National Security Agency (NSA) OIG’s system of quality control for audits covering the 3-year period ending March 31, 2018, and we issued a rating of pass.



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## DIA Conference Reporting

Section 3003 of the Consolidated and Further Appropriations Act of 2013 requires the heads of executive branch organizations to provide certain details to the IG regarding the organization's involvement in conferences. The table below represents DIA's reported conference costs with totals that exceed the reporting threshold of \$20,000. Most reported costs are estimates. We have not verified the accuracy or completeness of the data reported below; calculations are done by the appropriate Agency points of contact.

Table is Unclassified

Conference Name	Type	Estimated Cost	Actual Cost
2018 DIA Activity Conference	DIA jointly-hosted	\$ 359,978	\$ 358,682
2018 DIA Activity Seminar	DIA-hosted	\$ 87,706	\$ 81,310
2018 DIA Activity Threat Conference	DIA jointly-hosted	\$ 358,350	\$ 358,350
Gartner Catalyst 2018	Non-DoD hosted	\$ 27,462	Pending
DIA Activity Workshop	DIA jointly-hosted	\$ 28,576	Pending
2018 DoDIIS Worldwide Conference	DIA-hosted	\$ 895,576	\$ 431,232
SIGGRAPH 2018	Non-DoD hosted	\$ 26,569	Pending
2018 Blacks in Government National Training Institute	Non-DoD hosted	\$ 72,105	Pending
Black Hat DEFCON	Non-DoD hosted	\$ 55,736	\$ 44,504
August 2018 DIA Activity Seminar	DIA-hosted	\$ 187,876	\$ 179,109
2018 Federally Employed Women National Training Program	Non-DoD hosted	\$ 86,705	\$ 98,443
DIA Activity Symposium	DIA-hosted	\$ 36,267	\$ 36,990

<b>Conference Name</b>	<b>Type</b>	<b>Estimated Cost</b>	<b>Actual Cost</b>
ESRI User Conference	Non-DoD hosted	\$ 19,020	Pending
DIA Activity FY 2018 Global Summit	DIA-hosted	\$ 649,965	Pending
FY 2018 Joint Reserve Intelligence Program Annual Conference	DIA-hosted	\$ 216,663	\$ 221,877
ICASS Capital Security Cost Sharing (CSCS) Annual Worldwide Conference	DIA-hosted	\$ 86,150	\$ 58,400
2018 Senior Military Intelligence Officers Conference (SMIOC)	DIA-hosted	\$ 63,596	Pending
CISCO Live	Non-DoD hosted	\$ 26,837	\$ 30,004
June 2018 DIA Activity Seminar	DIA-hosted	\$ 189,276	\$ 201,651
41 <sup>st</sup> Annual American Association of Police Polygraphists Seminar	Non-DoD hosted	\$ 94,545	\$ 62,394
Annual DIA Activity Intelligence Conference	DIA-hosted	\$ 231,176	Pending
DIA Activity Training Seminar	DIA-hosted	\$ 97,324	Pending
KNOWLEDGE 18	Non-DoD hosted	\$ 45,440	\$ 29,409
The American Copyeditors Society (ACES) Conference	Non-DoD hosted	\$ 40,938	Pending
2018 Leadership Summit for Women in National Security Careers	Non-DoD hosted	\$ 36,250	\$ 30,813
2018 RIVEST, SHAMIR, and ADELMAN Conference	Non-DoD hosted	\$ 71,331	\$ 50,789.48
Association for Talent Development 2018 International Conference and Exposition	Non-DoD hosted	\$ 21,227	\$ 27,875
<b>Total Estimated Costs</b>		<b>\$ 4,112,644</b>	

## Summary of Legislative and Regulatory Review

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Section 4(a) of the IG Act of 1978 requires IGs to review existing and proposed legislation and regulations relating to the programs and operations of their respective organizations. Our reviews include legislation, executive orders, memorandums, directives, and other issuances. The primary purpose of our reviews is to assess the impact of proposed legislation or regulations on the economy and efficiency of programs and operations administered or financed by DIA, or the potential for fraud and abuse in these programs. During the reporting period, we reviewed proposed changes to the following:

Description	Number Reviewed
Legislation	17
Department of Defense Issuances	46
Defense Intelligence Agency Issuances	16
Office of the Director of National Intelligence Issuances	1
Executive Orders	4

## Summary of Audit Activity

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### **Audit of DIA's Unliquidated Obligations, Project 2017-1006**

Our objective was to determine whether DIA accurately records and processes obligation amounts, timely deobligates unliquidated obligations (ULOs), and maintains valid and complete information to report ULO balances. We found that DIA is unlikely to spend \$250 million of its FY 2017 appropriations, despite obligating nearly all funds each year. We also found that fund holders did not timely deobligate an estimated \$377 million of the ULOs as of FY 2017 year-end, and we questioned \$4.8 million in payments due to improperly authorized vouchers. Management across DIA, including the Chief Financial Officer (CFO) and Chief Information Officer, agreed with all 19 of our recommendations. Our final report was issued on September 24, 2018.

### **Evaluation of DIA's Compliance with the Improper Payments Elimination and Recovery Act for FY 2018, Project 2018-1003**

We reviewed DIA's FY 2017 Agency Financial Report and documentation used to support its risk assessment activities and determined that DIA complied with the Improper Payments Elimination and Recovery Act for FY 2017. Since DIA received relief from the Office of Management and Budget for reporting improper payment estimates and associated information, we did not review these aspects as part of the project. We issued our final report on May 10, 2018, with no findings or recommendations.

### **Memo of Observations from Data Analytics of Security Badge Information**

Our Data Analytics Working Group evaluates Agency risks to inform our annual audit and inspection planning efforts. As part of that initiative, we analyzed badge records and personnel data, and observed potential internal control risks. Since these observations were not the result of an audit or inspection, we did not issue findings or recommendations. Rather, we

issued a memo of observation on June 8, 2018, which communicated the results of our analysis for DIA management's consideration. We also included this topic in our FY 2019 Annual Plan as a potential audit or inspection effort.

### **Additional Audit Efforts**

We closed 10 of the 27 open recommendations listed in our last report and continue to coordinate with Agency management to develop corrective action plans for open audit recommendations. We are also conducting planning or fieldwork for projects related to DIA's information technology services contracts and incoming reimbursable orders, and continue our oversight efforts for the audit of DIA's FY 2018 financial statements. In addition, we issued the draft report for our audit of DIA's contract requirements. We expect the results of the audits on DIA's financial statements and contract requirements will appear in our next semiannual report.

## Summary of Inspection Activity

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### **Evaluation of DIA's Human Capital Services, Project 2017-2008**

We evaluated the integrity of systems related to DIA's human capital services, including processes, controls, and business rules to assess their efficiency and effectiveness in managing human capital. We assessed that the Office of Human Resources (OHR) needs to develop and communicate a comprehensive human capital strategy to communicate to customers and stakeholders how OHR enables the DIA mission and provides employee services. Management concurred with all three of our recommendations. We issued our final report on April 25, 2018.

### **Evaluation of DIA's Defense Intelligence Analysis Program, Project 2018-2003**

We evaluated the ability of the Defense Intelligence Analysis Program (DIAP) to synchronize production among the DIA Integrated Intelligence Centers, combatant commands, functional offices, and service intelligence centers. We also evaluated the ability of the DIAP to efficiently and effectively contribute to advocating for a Defense Intelligence All-source Analytic Enterprise (DIAAE) capable of providing relevant intelligence analysis and production to DoD. We assessed that the DIAP provides a good quantitative framework within which analysis and production responsibilities are established, and that it provides several benefits to the DIAAE. However, we noted several factors that affect effective and efficient program execution that, if addressed, could enhance the program and the DIAAE. Management agreed with all three of our recommendations. We issued our final report on June 18, 2018.

### **Evaluation of DIA's HUMINT Collection Operations, Project 2018-2004**

We evaluated HUMINT collection operations management and its role in an integrated operating model. Specifically, we evaluated the involvement of the Integrated Intelligence Centers, Asia Pacific Regional Center (APRC), in the synchronization and coordination of HUMINT collection activities to gauge platform efficiencies and effectiveness. We assessed that HUMINT collection operations management efforts supporting operations in the U.S. Pacific Command area of responsibility were integrated in the APRC and contributed to unity of effort across regional collection platforms, yet identified opportunities for further integration within

DIA. Management agreed with our recommendation. Our final report was issued on July 17, 2018.

#### **Evaluation of DIA's Whistleblower Program, Project 2018-2006**

We assessed DIA's implementation of Presidential Policy Directive 19 (PPD-19), "Protecting Whistleblowers with Access to Classified Information," October 10, 2012, and related provisions of recent legislation. We assessed that DIA attempted to implement PPD-19 when it issued DIA Instruction 7050.002, "Whistleblower Protections," June 24, 2013; however, we found that the implementing instruction did not capture all PPD-19 requirements. Management agreed with all five of our recommendations. Our final report was issued on September 12, 2018.

#### **Evaluation of DIA's Compliance with the Federal Information Security Modernization Act (FISMA), Project 2018-2007**

We evaluated DIA's information security policies and practices using the maturity model rating for eight metric domains that aligned to the five Cybersecurity Framework Functions (Detect, Respond, Protect, Identify, and Recover) prescribed by the Federal Chief Information Officer at the Office of Management and Budget and the Department of Homeland Security. We assessed that DIA successfully resolved all previous open FISMA recommendations prior to the start of this evaluation; however, we issued five new recommendations to improve DIA's overall information security posture. Management agreed with all five of our recommendations. We issued our final report on September 26, 2018.

#### **Additional Inspection Efforts**

We coordinated closely with Agency management to close 11 of the 31 open recommendations listed in our last report. We continue to work with Agency stakeholders and managers on progress and planned actions to satisfy open recommendations. Also, our efforts to evaluate and inspect personnel security, workplace safety, offensive counterintelligence operations, and cyber counterintelligence are ongoing. We expect the results of these evaluations to appear in our next semiannual report.

## Summary of Investigations Activity

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### Investigative Activity Overview

#### Reprisal Investigations

During this reporting period, we completed two investigations involving allegations of reprisal. We did not substantiate allegations in one of the cases, but we did substantiate allegations of reprisal in the other case. In this case, an allegation was made by a DIA civilian employee against four DIA civilian employees, two of whom are senior officials.<sup>2</sup> During the course of our investigation, we also identified internal management control deficiencies, which were referred to DIA management. A summary of this case is provided on page 16 of this report.

Excluding the above investigations, we received a total of 21 reprisal-related complaints from DIA personnel this reporting period. The status of these complaints are as follows:

- Three complaints are presently under preliminary review
- Fourteen complaints are presently under active investigation
- One complaint was determined to fall under the purview of the U.S. Strategic Command OIG and was referred accordingly
- One complaint failed to contain any supporting evidence of reprisal and was referred to the DIA Ombudsman
- Two complaints did not meet at least one of the three elements of reprisal, as defined by PPD-19, "Protecting Whistleblowers with Access to Classified Information," October 10, 2012<sup>3</sup>

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<sup>2</sup> The term "senior official" is used here, and subsequent references, to describe GG-15 and above personnel, as defined in the IG Empowerment Act of 2016.

<sup>3</sup> Summaries of these cases (2018-5029-OI and 2018-5038-OI) are provided on page 38 of the classified annex to this report.

### **Time and Labor Fraud Investigations**

During this reporting period, we completed five investigations regarding allegations of time and labor fraud by DIA employees. We successfully substantiated four of the cases, identifying \$31,729.81 in Government funds lost through fraudulent activities. The DIA CFO has recovered \$16,482.83 of the above-identified funds, and recovery of the remaining identified funds is pending. We are also awaiting responses from responsible DIA management officials regarding disciplinary action.

### **Contractor Cost Mischarging Investigations**

During this reporting period, we completed four investigations regarding allegations of contractor cost mischarging of DIA contract employee labor hours. We successfully substantiated three of the cases, identifying an approximate \$147,136.10 loss in Government funds due to fraudulent activities of former contractor employees. The DIA CFO has recovered \$52,646.71 of the above-identified funds, and recovery of remaining identified funds is pending. In all three cases, the contractor employees had already departed the Agency, due to either completing their contract duties or resigning, before we substantiated the allegations.

### **Other Investigative Activities**

During this period, we conducted five investigations related to the following allegations:

- ethics violation
- abuse of authority
- contract fraud and waste of Government funds
- contractor malfeasance
- theft, improper use, improper acquisition, and unlawful destruction of Government property (i.e., controlled substances)

We substantiated allegations in the two cases involving waste of Government funds and theft, improper use, improper acquisition, and unlawful destruction of Government property. Summaries of these cases are provided on page 16 of this report.

**Table: Investigations Case Summaries**

DESCRIPTION	QUANTITY
Investigations <sup>4</sup>	
Cases Opened in Reporting Period <sup>5</sup>	19
Cases Closed in Reporting Period	23
Cases Still Open at End of Reporting Period	68
Investigation Reports Issued in Reporting Period	16
Referrals in Reporting Period (Number of Cases)	16
Referred to Management (Number of Cases)	16
Referred to Prosecutorial Authority (Number of Cases) <sup>6</sup>	6
Number of Persons Referred to Department of Justice for Criminal Prosecution	6
Number of Persons Referred to State or Local Prosecuting Authorities for Criminal Prosecution (includes military authorities)	0
Total Number of Indictments and Criminal Informations Resulting from Prior Referral to Prosecuting Authorities <sup>7</sup>	1

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<sup>4</sup> Description of Metrics: all metrics provided were developed as a result of reviewing all relevant individual cases (including those opened and closed during this reporting period), as well as cases remaining open at the end of the previous reporting period (October 1, 2017–March 31, 2018).

<sup>5</sup> The total number of cases opened or closed in the reporting period and cases remaining open at the end of the reporting period include administrative and criminal cases.

<sup>6</sup> This number reflects the number of cases that resulted in referrals to prosecutorial authorities. The information that follows addresses the number of individuals involved in those referrals.

<sup>7</sup> Further detail is provided in the summary of Case 2017-5032-OI on page 16 of this report.

## Summaries of Published Investigative Reports

### **Reprisal and Abuse of Authority Investigation, Case 2017-5026-OI**

We substantiated allegations of reprisal and abuse of authority by four DIA civilian employees—two senior officials and two non-senior officials—against a subordinate DIA civilian employee after the employee made multiple protected communications to leadership and to our office. Specifically, we substantiated that one senior official, personally and through his subordinates (the other three employees), engaged in the prohibited personnel practice of reprisal in violation of merit system principles, Defense Civilian Intelligence Personnel System regulations, and PPD-19, “Protecting Whistleblowers with Access to Classified Information,” October 10, 2012.

We also determined there was sufficient evidence to conclude that the aforementioned senior official and one of his subordinate employees made separate attempts to impede cooperation with our investigation, violating Agency regulations, thereby abusing their authority. Likewise, we determined that the remaining senior official and subordinate employee similarly abused their authorities with their improper management and documentation of the complainant’s performance. Disciplinary actions of the four employees by DIA management are pending.

### **Theft, Improper Use, Improper Acquisition, and Unlawful Destruction of Government Property (Controlled Substances) and Intelligence Oversight Investigation, Case 2017-5032-OI**

We substantiated that a DIA civilian employee committed multiple Federal criminal offenses when the employee stole controlled substances from a DIA contractor-operated warehouse and unlawfully destroyed the remaining inventory to conceal the extent of the theft. We determined that the employee violated title 18, United States Code, section 641 (18 U.S.C. § 641), “Theft of Government Property;” 18 U.S.C. § 829b, “Prescribing medications without a license;” 18 U.S.C. § 1001, “False Statements;” and 18 U.S.C. § 1519, “Obstruction of Justice, destruction, alteration, or falsification of records in Federal Investigations.” As this represented multiple violations of Federal statute, we referred this case to the U.S. Attorney’s Office for the Western District of Virginia, who accepted the case for criminal prosecution. On March 16, 2018, the employee pleaded guilty in U.S. District Court, Charlottesville, VA, to one count of theft of Government property. The employee received a fine of \$1,025.00. Administrative disciplinary action by DIA management is pending.

### **Contract Fraud and Waste of Government Funds Investigation, Case 2017-5051-OI**

In a joint investigation with the U.S. Department of Commerce OIG, we did not substantiate allegations of contract fraud pertaining to training services for DIA armed guards. However, we determined that the contracted company wasted Government funds and breached its contract by failing to ensure that its instructors were appropriately certified in accordance with State of Maryland and existing contract requirements. The loss to the Government is estimated at over

\$13 million. Recovery of funds is under consideration. We made one recommendation to DIA management to update Agency business processes to prevent recurrence of this issue.

#### **Ethics Violation Investigation, Case 2017-5059-OI**

We did not substantiate allegations that a DIA contractor employee committed ethics violations when the employee was involved in the contractual dealings of a contract company while formerly employed as a DIA civilian. It was also alleged that the contractor employee, while formerly a civilian, developed the statement of work for a contract on which that same company would eventually bid. We determined that the evidence was insufficient to conclude that the contractor employee engaged in a conflict of interest or violated any other ethical standard while employed by the Government or during transition to contractor employment.

#### **Contractor Cost Mischarging Investigation, Case 2017-5063-OI**

We substantiated allegations of false official statements, false claims, and theft of public funds by a former DIA contractor employee. We determined that the contractor employee fraudulently prepared, signed, and submitted timesheets from March 16, 2017, to May 16, 2017, claiming a total of 695.18 work hours that the employee did not work. As a result, the contractor company unknowingly billed DIA for the hours and received approximately \$76,213.86 to which it was not entitled. As this represented a violation of Federal statute, this case was referred to the U.S. Attorney's Office for the Eastern District of Virginia, who declined to pursue criminal or civil prosecution. Of note, the employee resigned employment with the contractor company prior to publication of our report of investigation. The DIA CFO successfully recovered \$52,646.71. Documentation of the employee's violations in the Agency personnel security database is pending.

#### **Reprisal Investigation, Case 2017-5065-OI**

We did not substantiate allegations of reprisal made by a DIA civilian senior official against a supervisory DIA civilian senior official, who threatened to remove the complainant from an assigned position because of previously reporting alleged questionable intelligence activities to the DIA Office of Oversight and Compliance. We determined that there was insufficient evidence to conclude that the supervisory DIA civilian senior official threatened the complainant with a retaliatory action, and that the complainant did not experience an adverse action.

#### **Time and Labor Fraud Investigation, Case 2017-5068-OI**

We substantiated allegations of false official statements, false claims, and theft of Government funds by a DIA civilian employee. We determined that the employee fraudulently prepared, signed, and submitted timesheets from May 16, 2016, to May 26, 2017, claiming a total of 364.69 regular work hours that the employee did not work. The total loss to the Government is estimated at \$16,482.83. As this represented a violation of Federal statute, this case was

referred to the U.S. Attorney's Office for the Eastern District of Virginia, who declined to pursue criminal or civil prosecution. DIA recovered the funds by issuing the employee a letter of indebtedness on April 20, 2018, for the above sum. Disciplinary action by DIA management is pending.

#### **Time and Labor Fraud Investigation, Case 2017-5078-OI**

Following a proactive effort to identify DIA civilian employees exhibiting significant time and labor fraud indicators, we determined that a DIA civilian employee violated Agency regulations by failing to accurately report time and labor records between May 15, 2016, and May 27, 2017, claiming a total of 68.64 regular work hours that the employee did not work. The total loss to the Government is estimated at \$5,262.17. We also determined that there was insufficient evidence to believe the employee violated Federal criminal law. As a result, this case was not referred to the U.S. Attorney's Office. Recoupment of funds and disciplinary action by DIA management are pending.

#### **Contractor Cost Mischarging Investigation, Case 2017-5083-OI**

We substantiated allegations of false official statements, false claims, and theft of public funds by a former DIA contractor. We determined that between August 2, 2016, and July 28, 2017, the former contractor employee prepared, signed, and submitted fraudulent timesheets, claiming 467.36 hours the employee did not work. As a result, the contractor company unknowingly submitted invoices for the hours and received approximately \$40,160.24 to which it was not entitled. As this represented a violation of Federal statute, this case was referred to the U.S. Attorney's Office for the Eastern District of Virginia, who declined to pursue criminal or civil prosecution. Recoupment of funds is pending.

#### **Contract Malfeasance Investigation, Case 2017-5088-OI**

We did not substantiate allegations that two DIA senior officials improperly awarded DIA contracts in violation of the Federal Acquisition Regulation or were involved in multiple matters amounting to malfeasance. We also did not substantiate allegations that the two senior officials engaged in any unethical behavior or business practices.

#### **Time and Labor Fraud Investigation, Case 2018-5013-OI**

We did not substantiate allegations of travel-related fraud, false official statements, false claims, and theft of Government funds by a DIA senior official. However, we did determine that the senior official violated Agency regulations by failing to prepare, sign, and submit accurate time and labor records. Specifically, the senior official failed to claim ad hoc telework hours (for work performed at home) separate from regular telework hours (for work performed at an alternate DIA location) between December 11, 2016, and December 9, 2017. Additionally, the senior official's supervisors failed to adhere to applicable DIA regulations when they certified the senior official's submitted time and labor records as true and accurate. No monetary loss to

the Government was identified. Furthermore, the senior official retired from Federal service prior to the publication of our report of investigation.

#### **Contractor Cost Mischarging Investigation, Case 2018-5018-OI**

We substantiated allegations of false official statements, false claims, and theft of public funds by a former DIA contractor employee. We determined that between March 1, 2017, and August 24, 2017, the employee prepared, signed, and submitted fraudulent timesheets, claiming between 150 and 200 hours the employee did not work. As a result, the contractor company unknowingly submitted invoices for the hours and received between \$23,071.50 and \$30,762.00 to which it was not entitled. As this represented a violation of Federal statute, this case was referred to the U.S. Attorney's Office for the District of Columbia, who declined to pursue criminal or civil prosecution. Recoupment of funds is pending.

#### **Time and Labor Fraud Investigation, Case 2018-5019-OI**

Arising from an earlier investigation,<sup>8</sup> we substantiated allegations of false official statements, false claims, and theft of Government funds by a DIA civilian employee. We determined that the employee, who was a supervisor of the original complainant, fraudulently prepared, signed, and submitted timesheets between July 25, 2016, and July 21, 2017, claiming a total of 74.51 regular work hours that the employee did not work. The total loss to the Government is estimated at \$4,470.99. As this represented a violation of Federal statute, this case was referred to the U.S. Attorney's Office for the District of Columbia, who declined to pursue criminal or civil prosecution. Recoupment of funds and disciplinary action by DIA management are pending.

#### **Time and Labor Fraud Investigation, Case 2018-5025-OI**

We substantiated allegations of time and labor fraud by a DIA civilian employee. We determined that the employee fraudulently prepared, signed, and submitted timesheets from December 25, 2016, to December 23, 2017, claiming a total of 91.74 regular work hours that the employee did not work. The total loss to the Government was initially estimated at \$5,447.60. We also determined that there was insufficient evidence to believe the employee violated Federal criminal law. As a result, this case was not referred to the U.S. Attorney's Office.

Following the publication of our original report of investigation, we were notified by the Payroll Debt Team at NSA of discrepancies with the initial amount owed by the employee. After reviewing the matter, we determined that the actual total loss to the Government was \$5,513.82. Recoupment of funds and disciplinary action by DIA management are pending.

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<sup>8</sup> Reprisal Investigation, Case 2017-5023-OI, which was previously reported in DIA OIG Semiannual Report to Congress October 1, 2017–March 31, 2018.

### **Contractor Cost Mischarging Investigation, Case 2018-5030-OI**

We did not substantiate an allegation that the company of a former DIA contractor employee overbilled the Government for hours the contractor employee did not work. We determined that there was insufficient evidence to conclude that the former DIA contractor employee filed fraudulent time and labor records with his employer. Our investigation revealed that the former contractor employee was authorized to work overtime hours, without exact guidance from the responsible contracting officer's representative. As a result, the former contractor employee worked long and irregular periods, which the employee then correctly reported to the company, who then billed the Government.

## **Investigative Activity Support**

### **Personnel Vetting**

During this reporting period, we completed 318 individual checks for derogatory information within OIG records in response to 167 requests. These requests originated within DIA, as well as from external Federal agencies. These requests involve present and former DIA military, civilian, and contractor personnel who are seeking job placement or advancement, are under consideration for awards, or are undergoing screenings or background investigations to obtain security clearances.

## Appendix A. Statistical Tables

**Table A-1: Reports (Audits and Inspections) With Questioned and Unsupported Costs**

DESCRIPTION	NUMBER OF REPORTS	QUESTIONED COSTS	UNSUPPORTED COSTS
Reports for which no management decision was made by beginning of reporting period	2	\$3,732,428	\$1,532,428
Reports issued during reporting period	1	\$4,753,508	\$3,650,292
Reports for which a management decision was made during reporting period			
1. Dollar value of disallowed costs	–	–	–
2. Dollar value of allowed costs	–	–	–
Reports for which no management decision was made by the end of the reporting period <sup>9 10 11</sup>	3	\$8,458,936	\$5,182,720
Reports for which no management decision was made within 6 months	2	\$3,732,428	\$1,532,428

<sup>9</sup> Audit of Other Direct Costs (ODC) on DIA Contracts, Project 2015-100003-OA: Published in DIA OIG Semiannual Report to Congress April 1, 2016–September 30, 2016. We found that DIA contracting officer’s representatives approved payments without ensuring that billed charges were accurate and allowable. As a result, DIA had no assurance that \$26.3 million of ODC were paid in accordance with regulations and contract terms. We identified \$1 million in unsupported costs and about \$2.2 million in questioned costs. Management considered a way forward for some of the questioned and unsupported costs, but they have not yet taken action to recover them.

<sup>10</sup> Audit of DIA’s Contract Surveillance, Project 2013-100010-OA: Published in DIA OIG Semiannual Report to Congress April 1, 2015–September 30, 2015. We found that DIA contracting officials and requiring activity personnel did not provide sufficient technical oversight to ensure that contractors performed in accordance with contract specifications. As a result, DIA had limited assurance that \$373.8 million in services and supplies met contract requirements. We also identified \$532,428 in supported costs for travel tuition and housing claimed under ODC in the invoices that were reviewed. Management has not yet taken action to recover questioned and unsupported costs.

<sup>11</sup> Audit of DIA’s Unliquidated Obligations, Project 2017-1006: A summary is on page 9 of this report. We questioned \$4,753,508 in payments made by DIA due to improper authorization and approval of vouchers and identified \$3,650,292 of these payments as unsupported costs. Management concurred with the recommendation to analyze the questioned costs and initiate collections for any payments determined to be improper. This action is due to be completed by December 23, 2018.

**Table A-2: Reports (Audits and Inspections) With Recommendations That Funds Be Put to Better Use**

DESCRIPTION	NUMBER OF REPORTS	FUNDS PUT TO BETTER USE
Reports for which no management decision was made by the beginning of reporting period	1	\$4,770,000
Reports issued during reporting period	1	\$250,000,000
Reports for which a management decision was made during reporting period		
1. Dollar value of recommendations agreed to by management	–	–
2. Dollar value of recommendations not agreed to by management	–	–
Reports for which no management decision was made by the end of the reporting period <sup>12 13</sup>	2	\$254,770,000
Reports for which no management decision was made within 6 months	1	\$4,770,000

<sup>12</sup> Audit of Indefinite-Delivery/Indefinite-Quantity (IDIQ) Contracts, Project 2016-1004: Published in DIA OIG Semiannual Report to Congress April 1, 2017–September 30, 2017. We found that the CFO, Contracting Operations Division (CFO-4), could not determine the timeliness of IDIQ contract awards because it did not consistently establish contract milestones or record completion dates. CFO-4’s tools for aggregating data and monitoring timeliness were also ineffective. As a result, DIA awarded six IDIQ contracts 3 to 5 months later than planned, and the delay for one contract increased the ceiling price by \$4.77 million. Management disagreed with our conclusion on the significance of the price increase related to this contract, stating that it did not represent actual costs. Despite this disagreement, management agreed with the corresponding recommendations to improve tracking and monitoring of contract award timeliness. Management is working on corrective actions to address the recommendations.

<sup>13</sup> Audit of DIA’s Unliquidated Obligations, Project 2017-1006: A summary is on page 9 of this report. We found that DIA was unlikely to spend about \$250 million of its FY 2017 appropriations, in spite of obligating nearly all funds. To fund more mission requirements and address unfunded requirements sooner, we issued recommendations to improve strategies to address external factors such as continuing resolutions, new vendor onboarding, or late and inaccurate invoicing, when making decisions on obligation and deobligations timing and amounts. We also issued a recommendation for monitoring the full use of funds throughout the purchase order lifecycle beyond the initial obligation. Management concurred with the recommendations, and these actions are due to be completed by January 22, 2019.

**Table A-3: Investigations Dollar Recoveries in Reporting Period**

INVESTIGATION	CASE NUMBER	EFFECTIVE RECOVERY DATE	DOLLARS RECOVERED
Time and Labor Fraud	2017-5045-OI	19 April 2018	\$12,013.09
Time and Labor Fraud	2017-5068-OI	20 April 2018	\$16,482.83
Misuse of Government Resources and Time and Labor Fraud	2017-5052-OI	8 May 2018	\$5,980.95
Time and Labor Fraud	2017-5048-OI	4 June 2018	\$2,066.06
Time and Labor Fraud	2017-5073-OI	11 June 2018	\$5,198.73
Time and Labor Fraud	2017-5021-OI	12 June 2018	\$10,910.98
Contractor Cost Mischarging	2017-5063-OI	20 September 2018	\$52,646.71
<b>TOTAL</b>			<b>\$105,299.35</b>



**Table A-4: Summaries of Other Investigative Matters**

DESCRIPTION	QUANTITY
<b>Hotline Program</b>	
DIA OIG Hotline Inquiries Received in Reporting Period	126
DIA OIG Hotline Inquiries Closed in Reporting Period	115
<b>Intelligence Oversight</b>	
Cases Opened in Reporting Period	0
Cases Closed in Reporting Period	0
Cases Still Open at End of Reporting Period	3
ROIs Issued in Reporting Period	2
Referred to Management	2
<b>Management Referrals</b>	
Referrals in Reporting Period	12
Referrals in Reporting Period (external agencies)	0

**Table A-5: Summary of Recommendations as of September 30, 2018**

DESCRIPTION	QUANTITY
<b>Audits</b>	
Open Recommendations	40
Closed Recommendations	10
Overdue Recommendations	17
<b>Inspections</b>	
Open Recommendations	36
Closed Recommendations	11
Overdue Recommendations	21
<b>Investigations</b>	
Open Recommendations	3
Closed Recommendations	0
Overdue Recommendations	3

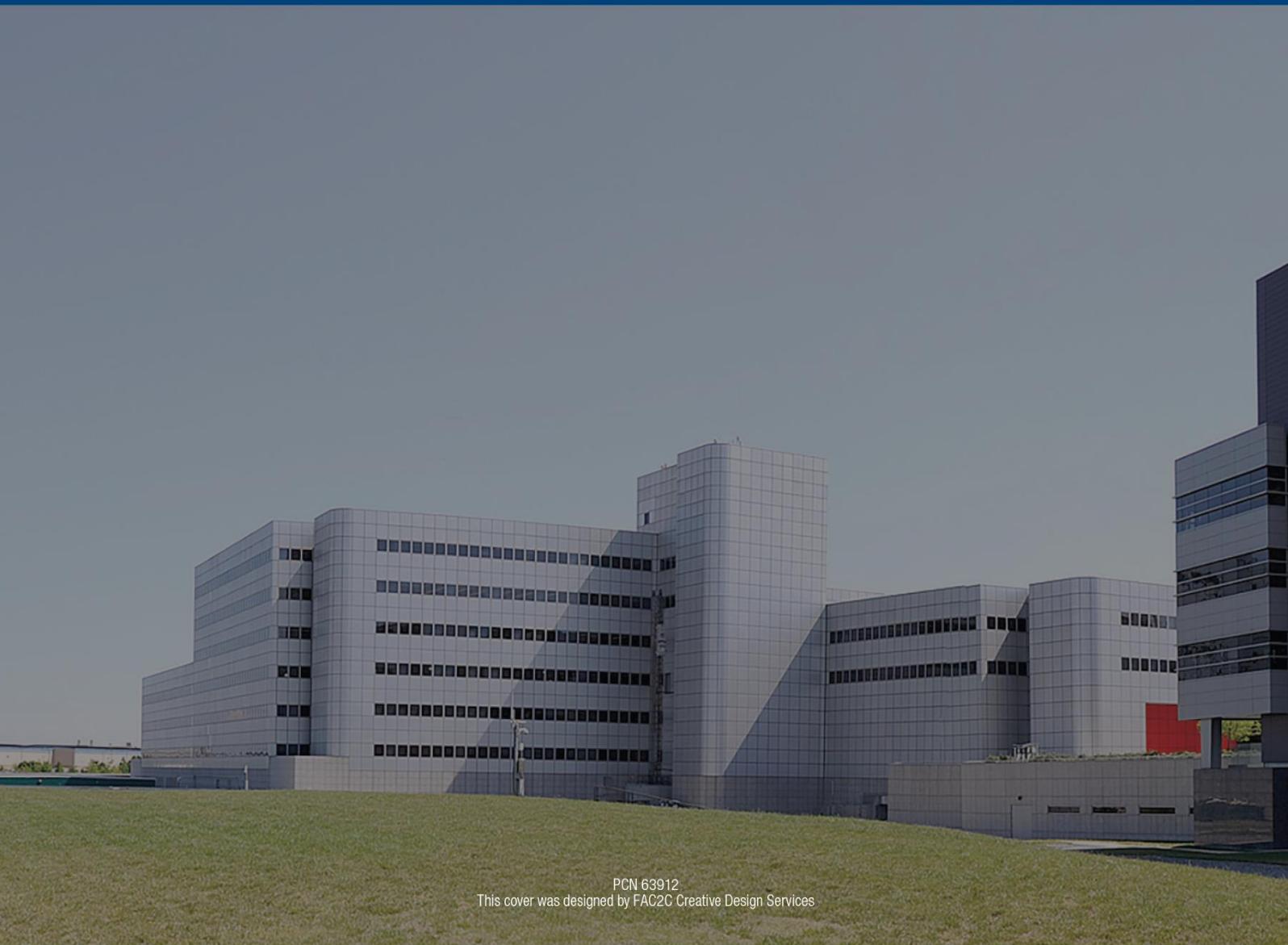
## Appendix B. Index of Reporting Requirements

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The Inspector General Act of 1978, as amended, requires Inspectors General to report certain information to Congress twice each year. The table below identifies the semiannual reporting requirements and the location of the corresponding information in this report.

Semiannual Reporting Requirement	Page
4(a)(2) <a href="#">Legislative and regulatory reviews</a>	8
5(a)(1) <a href="#">Significant problems, abuses, and deficiencies</a>	9–20
5(a)(2–3) Recommendations to correct significant problems, abuses, and deficiencies	Annex
5(a)(4) <a href="#">Matters referred to prosecutive authorities and resulting prosecutions and convictions</a>	15–20
5(a)(5) <a href="#">Reports to the Director, DIA of refusals to provide information</a>	4
5(a)(6) <a href="#">List of reports issued during the reporting period</a>	9–20
5(a)(7) <a href="#">Summaries of significant reports</a>	9–20
5(a)(8) <a href="#">Statistical table showing questioned and unsupported costs</a>	21
5(a)(9) <a href="#">Statistical tables showing recommendations that funds be put to better use</a>	22
5(a)(10)(A) <a href="#">Summaries of reports previously issued that still lack management decision</a>	21–22
5(a)(10)(B) <a href="#">Summaries of reports previously issued that lacked management comment within 60 days</a>	4
5(a)(10)(C) Summaries of reports previously issued that have remaining unimplemented recommendations	Annex
5(a)(11) <a href="#">Significant revised management decisions</a>	4
5(a)(12) <a href="#">Significant management decisions with which the IG disagrees</a>	4
5(a)(13) <a href="#">Federal Financial Management Improvement Act of 1996</a>	4
5(a)(14–16) <a href="#">Peer reviews</a>	5
5(a)(17–18) <a href="#">Investigations statistics and metrics</a>	15
5(a)(19) <a href="#">Investigations involving substantiated allegations against senior officials</a>	16–18
5(a)(20)(A) <a href="#">Descriptions of whistleblower retaliation</a>	16
5(a)(20)(B) <a href="#">Establishment imposed consequences of whistleblower retaliation</a>	16
5(a)(20)(C) <a href="#">Whistleblower retaliation settlement agreements</a>	16
5(a)(21) <a href="#">Attempts to interfere with IG independence</a>	4
5(a)(22) <a href="#">Public disclosure</a>	5





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