

NATIONAL RECONNAISSANCE OFFICE

OFFICE OF INSPECTOR GENERAL

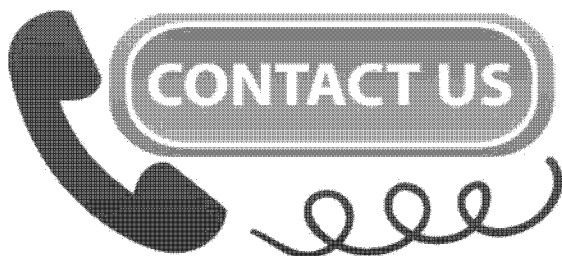
(U) SEMIANNUAL REPORT TO THE CONGRESS

1 October 2018 - 31 March 2019

30 April 2019

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Office of Inspector General

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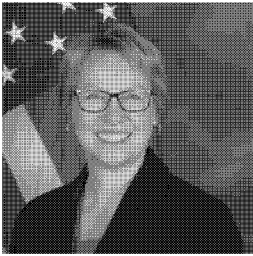
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(U) MESSAGE FROM THE INSPECTOR GENERAL



30 April 2019

(U) On behalf of the National Reconnaissance Office (NRO) Office of Inspector General (OIG), I am pleased to submit this report highlighting the OIG's activities for the period 1 October 2018 – 31 March 2019. The activities described in this report exemplify our commitment to improving the efficiency and effectiveness of NRO programs and operations.

~~(S//TK//REL TO USA, FVEY)~~ The OIG issued 15 Reports of Investigations, 3 Audit reports, 1 Inspection report, and continued its work on another 16 projects during this reporting period. The OIG's audits and inspections covered a wide range of topics. For example, the OIG initiated a *Special Review of* [redacted] in response to congressional interest and participated in the [redacted]

(U) In addition to its core mission work—promoting economy, efficiency, and effectiveness; and preventing and detecting fraud, waste and abuse, in the administration of NRO programs and operations—the OIG continued its outreach activities in multiple forums across the Inspector General (IG) Community and federal government. For example, I attended the Five Eyes Intelligence Oversight and Review Council in Canberra, Australia as part of the Office of the Intelligence Community IG (IC IG) delegation, which also included the IGs from the National Security Agency (NSA) and the Department of Justice. The OIG also participated in a panel discussion on Data Analytics during the Annual IC IG Conference, and continued corporate outreach to increase the awareness of potential fraud with a focus on non-conforming parts, procurement integrity, and whistleblower protection.

(U) I would like to take this opportunity to announce that [redacted] our Assistant Inspector General (AIG) for Audits, was recently selected for promotion to the Central Intelligence Agency's (CIA) Senior Intelligence Service. Also, we selected [redacted] as our new AIG for Inspections to replace [redacted]. [redacted] returns to the OIG following her assignment at the CIA's Center for the Study of Intelligence. Additionally, I am pleased to announce that this year the NRO OIG received three of the seven *Office of the Intelligence Community Inspector General National Intelligence Professional Awards*—the Lifetime Achievement Award, the Leadership Award, and the Investigations Award.

(U) As is always the case, we enjoyed a collaborative relationship with Director Sapp and with NRO's leadership and workforce. Director Sapp continued to require that NRO components brief her on open OIG recommendations at Program Status Reviews, and NRO managers are actively engaged in addressing open recommendations and implementing corrective actions. The OIG did not experience any issues related to accessing NRO records or personnel.

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

Susan S. Gibson
Inspector General

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(U) TABLE OF CONTENTS

(U) SEMIANNUAL REPORT HIGHLIGHTS AND ACCOMPLISHMENTS..... 1

(U) SIGNIFICANT FINDINGS AND RECOMMENDATIONS..... 4

 (U) SIGNIFICANT FINDINGS AND RECOMMENDATIONS FOR THE CURRENT REPORTING PERIOD4

 (U) STATUS OF PRIOR SIGNIFICANT RECOMMENDATIONS4

(U) SUMMARY OF COMPLETED AND ONGOING PROJECTS..... 6

 (U) COMPLETED PROJECTS – OVERVIEW6

 (U) COMPLETED PROJECTS – CONCLUSIONS AND RECOMMENDATIONS6

 (U) ONGOING PROJECTS – OVERVIEW9

 (U) ONGOING PROJECTS – OBJECTIVES.....9

(U) INVESTIGATIONS..... 12

 (U) REPORTS OF INVESTIGATION13

 (U) SELECTED INVESTIGATION SUMMARIES13

 (U) OTHER INVESTIGATIVE ACTIVITIES.....15

(U) POTENTIAL MONETARY BENEFITS 16

(U) REVIEW OF LEGISLATION AND REGULATIONS 17

(U) FINANCIAL SYSTEMS COMPLIANCE..... 18

(U) PEER REVIEWS..... 19

 (U) PEER REVIEW OF THE NRO OFFICE OF INSPECTOR GENERAL19

 (U) PEER REVIEW OF OTHER AGENCIES’ INSPECTORS GENERAL.....19

(U) INDEPENDENCE 20

(U) APPENDIX A: SEMIANNUAL REPORTING REQUIREMENTS 22

(U) APPENDIX B: RECOMMENDATIONS OLDER THAN SIX MONTHS 23

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(U) SEMIANNUAL REPORT HIGHLIGHTS AND ACCOMPLISHMENTS

(U) During this reporting period, the National Reconnaissance Office (NRO) Office of Inspector General (OIG) focused its oversight efforts and resources to address management challenges and issues of greatest risk to the NRO. Specifically, the OIG performed work on 16 audit and inspection projects, 4 of which were issued and 12 are ongoing. The OIG completed several investigations, issuing 15 Reports of Investigation. The projects and investigations were derived from mandated requirements or the OIG annual work plan; responded to alleged violations of law, regulation, or policy; or evaluated emerging issues. The OIG's efforts enhanced the economy, efficiency, and effectiveness of NRO programs; assisted in detecting and preventing fraud and abuse; and supported the NRO mission. In addition to its core work, the OIG continued outreach efforts and made organizational changes to enhance its oversight mission. The OIG highlights and accomplishments for this reporting period include the following:

- (U) **A Decade of Excellence.** Kearney & Company, P.C., an Independent Public Accountant, performed the Fiscal Year (FY) 2018 Financial Statement Audit of the NRO, with OIG oversight. For a tenth straight year, the NRO received an unmodified opinion of its annual financial statement audit, meaning the NRO's financial statements present fairly, in all material respects, the financial position of the NRO as of 30 September 2018.
- (U//~~FOUO~~) **Inspector General (IG) Participation in the Five Eyes Intelligence Oversight and Review Council.** The IG attended the Five Eyes Intelligence Oversight and Review Council in Canberra, Australia as part of the Office of the Intelligence Community IG delegation, which also included the IGs from the National Security Agency (NSA) and the Department of Justice (DOJ). The forum discussed the mechanisms that provide independence for U.S. Inspectors General, and discussed areas of common concern, including but not limited to hiring, developing, and retaining personnel with the technical skills necessary for effective oversight.

➤ ~~(S//TK//REL TO USA, FVEY)~~ [Redacted]

[Redacted] The objective of the review is to identify and assess compliance issues of concern that exist between NRO and NSA related to joint operations, evaluate existing SIGINT compliance policy application in the NRO's [Redacted] and review formal processes or mechanisms to resolve compliance

disagreements. The joint review team performed a site visit, where they met with more than [] personnel supporting the NRO and the NSA to discuss and capture feedback related to the review objectives. Following the site visit, NRO and NSA review team members performed a policy and governance review of NSA and NRO agreements that enable the [] joint research and development activities. The joint review team continues to meet weekly to discuss observations from this review as they develop findings and recommendations in a joint report.

- (U) **Investigation of Misuse of a Government Computer System.** An OIG investigation identified an NRO employee exceeding authorized accesses to sensitive government databases and records. The employee was separated from the NRO and removed from access.
- (U) **OIG Analytics Division.** The OIG Special Projects Division changed its name to the OIG Analytics Division and revamped its mission focus to provide enhanced support to the OIG's oversight efforts. The Analytics Division is responsible for planning and conducting data analytics in support of the OIG mission. Specifically, the team identifies, collects, and analyzes existing NRO information to identify high-risk areas for additional research, investigative referrals, potential projects, and management challenges. The team also conducts data driven projects and provides complex analyses to support OIG audits, inspections, and investigations.
- (U) **Change in OIG Hiring strategy.** The OIG is revamping its traditional hiring strategy to hire more technical specialists in areas relevant to the NRO's mission. For example, the OIG is hiring individuals with data analytics education and experience to provide better support to its audits, inspections, and investigations, and the OIG Investigations Division announced an internal vacancy seeking an information technology (IT) professional for computer forensics support to investigations. This vacancy is in response to a growing number of fraud investigations associated with NRO IT assets, and prepares the OIG to meet changing investigative requirements. The selected candidate will conduct independent criminal, civil, and administrative investigations after graduating from the Criminal Investigators Training Program at the Federal Law Enforcement Training Center; and provide support to investigations involving the recovery and analysis of evidence from computers and networks.
- (U//~~FOUO~~) **Office of the Intelligence Community Inspector General National Intelligence Professional Awards.** The NRO OIG received three of the seven Office of the Intelligence Community Inspector General (IC IG) National Intelligence

Professional Awards at a ceremony during the Annual IC IG Conference. [redacted] received the Lifetime Achievement Award, [redacted] received the Leadership Award, and [redacted] along with their Department of Defense and Department of Justice colleagues, received the Investigations Award.

- (U) **Modernized OIG logo.** The OIG recently updated and began integrating the new NRO OIG logo into its products. The previous logo was launched in 1997 and required a modernization update to align with a revamping of the OIG website and updates to the OIG product line. The new, modernized OIG logo maintains a traditional look, while it offers some new design elements. For example, the Bald Eagle symbolizes the United States and portrays strength; expanding the wings outside of the circle/outer rings indicates the OIG is not constrained in its abilities to perform its mission. The shield symbolizes protection of the warfighter and NRO assets in keeping America safe, as well as the safeguarding of taxpayers against fraud, waste, and abuse. The verbiage is representative of the OIG vision with the ribbon conveying OVERSIGHT in the center and INTEGRITY and ACCOUNTABILITY to the left and right.



Figure 1. New Logo

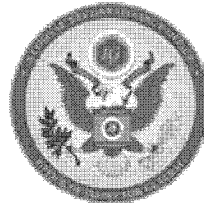


Figure 2. Old Logo

(U) SIGNIFICANT FINDINGS AND RECOMMENDATIONS

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

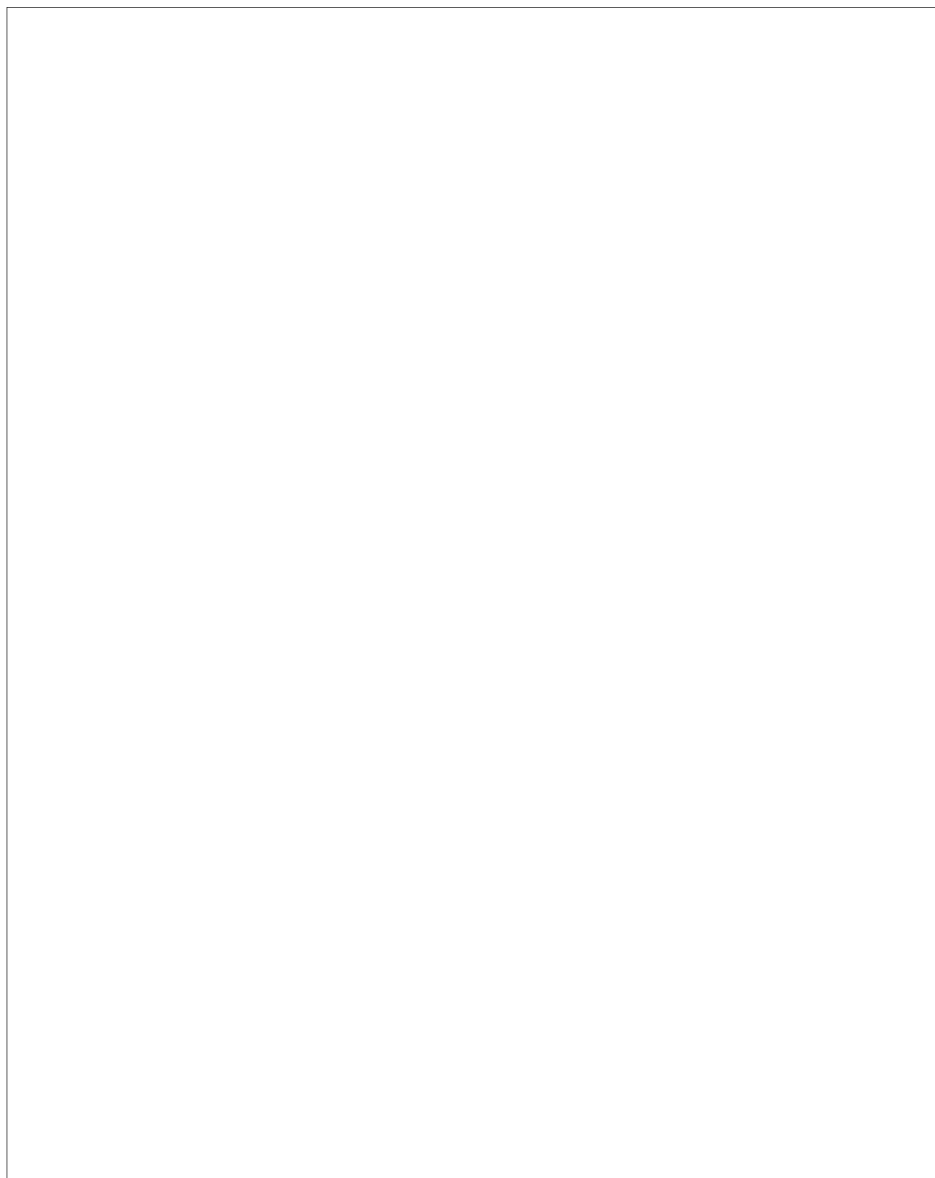
(U) SIGNIFICANT FINDINGS AND RECOMMENDATIONS FOR THE CURRENT REPORTING PERIOD

(U//~~FOUO~~) While the OIG issued 19 reports during this semiannual reporting period, no findings or recommendations met the criteria for significant.

(U) STATUS OF PRIOR SIGNIFICANT RECOMMENDATIONS

(U) In its prior semiannual reports, the OIG reported significant findings and recommendations. The status of these prior significant recommendations is shown in **Table 1**.

(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 2018 - 31 March 2019

(U) Title	(U) Date Completed
(U) Office of Inspector General Audit of FY 2018 Financial Statements	13 November 2018
(U) Office of Inspector General 2018 Federal Information Security Modernization Act of 2014 Evaluation	19 November 2018
(U) Inspection of the National Reconnaissance Office's Workplace Violence Prevention Program	28 December 2018
(U) Audit of National Reconnaissance Office Source Selection Activities	22 January 2019

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(U) COMPLETED PROJECTS – CONCLUSIONS AND RECOMMENDATIONS

(U) Office of Inspector General Audit of the National Reconnaissance Office Fiscal Year 2018 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 2018. In its audit, Kearney found the financial statements were fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles, and provided no reportable noncompliance with laws and regulations tested.

(U//~~FOUO~~) Kearney also found the following significant deficiency:

(U//~~FOUO~~) Kearney recommended continuing to

[Redacted]

(U//~~FOUO~~) In addition, Kearney recommended [Redacted]

[Redacted]

(U) Office of Inspector General 2018 Federal Information Security Modernization Act of 2014 Evaluation.

(U) The Federal Information Security Modernization Act (FISMA) requires annual independent evaluations of federal agencies' information security programs and practices. The NRO OIG engaged the independent public accounting firm of [Redacted] to conduct this evaluation. To ensure the quality of the work performed, the OIG government oversight team monitored [Redacted] activities.

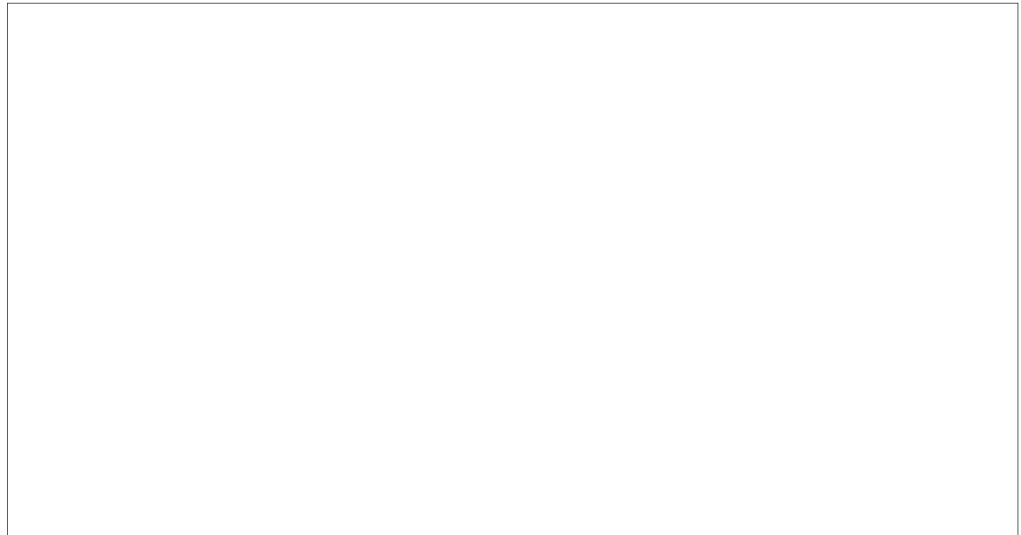
(U) The FISMA evaluation resulted in 22 recommended actions, of which [Redacted] pursuant to NRO policy, assigned 16 to the NRO Chief Information Officer (CIO) and Director, Communications Systems Directorate as the offices of primary responsibility, in coordination with NRO Directorates and Offices (Ds and Os). All of the recommended actions remain open.

(U) Inspection of the National Reconnaissance Office's Workplace Violence Prevention Program.

(U//~~FOUO~~) The NRO OIG conducted an inspection of the NRO's Workplace Violence Prevention Program (WVPP) to evaluate the efficiency and effectiveness of the program, evaluate compliance with NRO Directive (ND) 100-14, *Workplace Violence Prevention Program*, and benchmark with other federal agencies to identify potential best practices.

(U//~~FOUO~~) The OIG found that the NRO's WVPP, as currently managed and operated, is not consistently meeting all of the ND 100-14 requirements, which hinders the NRO's efficient and effective execution of the program. Specifically,

[Redacted]



(U//~~FOUO~~) The OIG also identified opportunities to strengthen ND 100-14, such as

The OIG made one recommendation to the Director, Office of Security and Counterintelligence, addressing the above-mentioned areas. This recommendation remains open.

(U) Audit of National Reconnaissance Office Source Selection Activities. The OIG conducted an audit to assess whether the NRO source selection evaluation process sufficiently addressed all aspects of cost realism and reasonableness, including consideration of the proposed technical approach's effect on cost. Through a review of pertinent data and interviews with key NRO acquisition and contracting officials, the OIG determined the Acquisition Center of Excellence is a vital component to the success of NRO source selections. The OIG concluded that there were no findings or recommendations requiring NRO management action. Given the observed challenges surrounding early acquisition planning, the OIG provided potential areas of improvement for NRO management to consider that would instill greater efficiencies, realism, and timeliness in NRO source selections.

(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 2018 – 31 March 2019

(U) Title	(U) Date Initiated
(U) Inspection of the National Reconnaissance Office's [redacted]	26 January 2018
(U) Inspection of the Aerospace Data Facility Southwest	28 February 2018
(U) Audit of National Reconnaissance Office Management of Industrial Security Control Systems Security Controls	6 June 2018
(U) Inspection of the National Reconnaissance Office's Joint Operations Transformation	19 September 2018
(U) Audit of the NRO Management of Privileged User Access	15 October 2018
[redacted]	19 October 2018
[redacted]	13 December 2018
(U) Evaluation of the National Reconnaissance Office Fiscal Year 2018 Improper Payment Compliance	18 December 2018
(U//FOUO) National Reconnaissance Office – National Security Agency Office of Inspector General Joint Review of [redacted]	4 January 2019
[redacted]	
(U) Inspection of the Chief Information Officer	7 February 2019
(U) National Reconnaissance Office Fiscal Year 2019 Independent Federal Information Security Modernization Act of 2014 Evaluation	13 February 2019
(U) Audit of the Management of Industry Partner Access	13 February 2019

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(U) ONGOING PROJECTS – OBJECTIVES

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

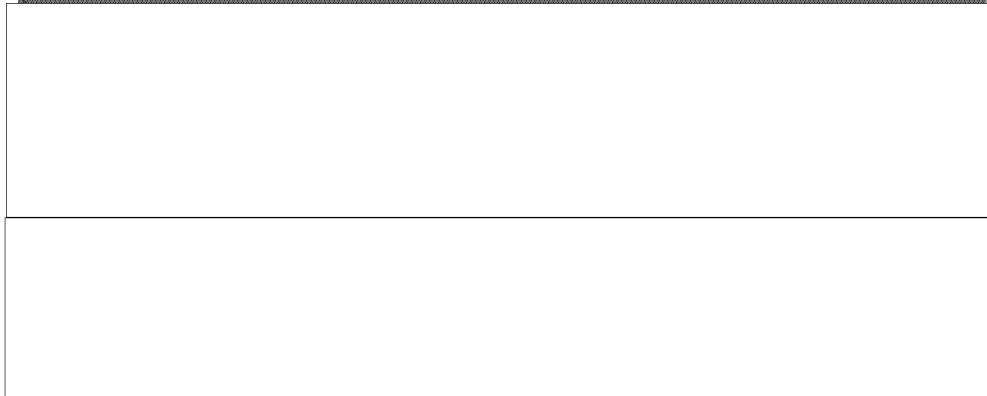
(U) Inspection of the Aerospace Data Facility Southwest.

Objective: Evaluate the effectiveness and efficiency of the Aerospace Data Facility Southwest in performing its mission, focusing on Command Topics, Mission Systems and Engineering, Information Technology and Systems, Security, Intelligence Oversight, and Resource Programs.

(U) Audit of National Reconnaissance Office Management of Industrial Control Systems Security Controls. Objective: Conduct an assessment of NRO Industrial Control Systems (ICS) physical and IT controls across the facilities enterprise to determine the extent of ICS security controls in place to reduce the risk posture and minimize protection gaps.

(U) Inspection of the National Reconnaissance Office's Joint Operations Transformation. Objective: Evaluate whether the Joint Operations Transformation is promoting effective and efficient standard enterprise processes.

(U) Audit of the NRO Management of Privileged User Access. Objective: Assess the NRO's ability to identify and manage Privileged User accesses.



(U) Evaluation of the National Reconnaissance Office Fiscal Year 2018 Improper Payment Compliance. Objective: Review the improper payment information section of the FY 2018 Agency Financial Report to determine whether the NRO met the requirements established by Appendix C of Office of Management and Budget (OMB) Circular A-123, *Requirements for Payment Integrity Improvement*, dated 26 June 2018, and OMB Circular A-136, *Financial Reporting Requirements*, dated 30 July 2018. In addition, the OIG will evaluate the agency's (1) accuracy and completeness of reporting, and (2) performance in reducing and recapturing improper payments, as necessary.

(U//~~FOUO~~) National Reconnaissance Office and National Security Agency Offices of Inspectors General Joint Review of [REDACTED]

[REDACTED] Objective: To identify and assess any issues of concern regarding [REDACTED] and present such issues to NRO and NSA senior leaders for resolution, as appropriate.

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

(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) 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.

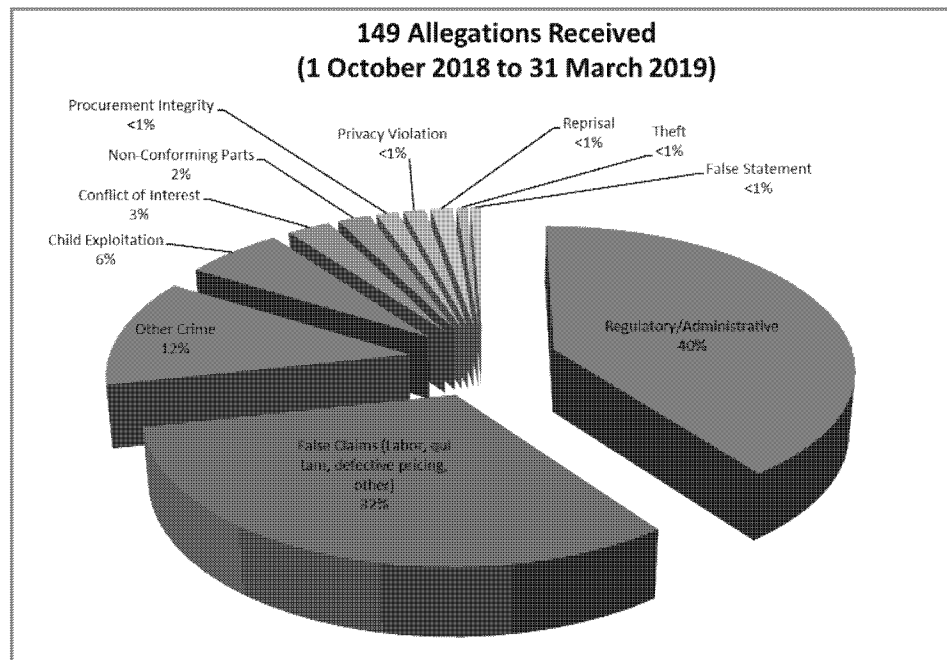
(U) INVESTIGATIONS

(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 Case Management and Tracking System (CMTS). The data in this section is derived from all relevant records in CMTS covering the reporting period of 1 October 2018 – 31 March 2019.

(U//~~FOUO~~) The Investigations Division responded to 149 allegations this reporting period. The range of allegations included, but was not limited to, aspects of fraud and other varied allegations of wrongdoing within NRO programs. The Division referred 30 of the allegations to other NRO offices upon determining that the information did not merit investigative action. Referred allegations generally involved claims of negligible employee misconduct and administrative issues. The OIG refers these matters to the Office of Security and Counterintelligence (OS&CI), the Office of Contracts, or other NRO management for actions as appropriate. **Figure 3** illustrates the types and percentages of these cases opened during this reporting period.

(U) FIGURE 3: SUMMARY OF ALLEGATIONS RECEIVED BY THE NRO OIG INVESTIGATIONS DIVISION



*(U) "Other Crime" includes a broad category of alleged criminal wrongdoing reported to the OIG. Allegations that do not fall into the category of fraud, waste, and abuse affecting NRO programs are referred to the appropriate investigative agency. Other crimes subject to investigation by the OIG may include, but are not limited to, wire fraud, counterfeit and forgery of official documents, private conversion of NRO resources, or deliberate damage to NRO property. Figure is UNCLASSIFIED

(U) REPORTS OF INVESTIGATION

(U) During this reporting period, the Investigations Division produced 15 Reports of Investigation and identified more than \$414,000 due back to the NRO or the United States Treasury. The OIG provides all Reports of Investigation to OS&CI for security consideration and action as appropriate. This reporting period did not include any completed reports related to Whistleblower Reprisal or allegations involving Senior Officers. **Table 4** illustrates the additional details of these cases.

(U) Table 4: Summary of Referrals and Indictments

(U) Item	(U) Number
Total Reports	15
Referrals to Federal Prosecutor	14
Referrals to State Prosecutor	1
Indictments	4

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(U) SELECTED INVESTIGATION SUMMARIES

(U) Misuse of a Government Computer System. An OIG investigation identified that an NRO employee exceeded her authorized accesses to sensitive government databases and records. The employee’s actions included accessing electronic records for which the employee had no legitimate business need. The United States Attorney’s Office (USAO) declined prosecution in favor of administrative action. Because of her actions, the employee was separated from the NRO, and removed from access.

(U) False Claims for Labor. The Investigations Division completed 12 investigations of False Claims due to mischarged labor. These cases involved 4 government and 8 contractor employees who mischarged their time in violation of 18 U.S.C. § 287. In total, these investigations identified approximately \$304,000 in funds recoverable to the NRO or the United States Treasury. The USAO declined prosecution for each of these cases in favor of an administrative settlement. Cases involving government employees were reported to managers for disciplinary action to include wage garnishment as appropriate. 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, as appropriate. The Office of Contracts addressed the recovery of funds and removal of contractor personnel as appropriate in each case.

- One case involved an employee of a Federally Funded Research and Development Center (FFRDC) who provided services to the NRO through a contract with the Air Force Space and Missile Systems Center (SMC). The employee mischarged 2,827 hours over a period of 4 years before being identified and reported to the OIG. The OIG investigation identified that the FFRDC had previously suspected the employee of mischarging time. The employee's managers had counseled the employee on several occasions, and the FFRDC ultimately conducted an internal investigation resulting in an employee reprimand. The FFRDC had not previously reported the employee's conduct to the OIG. The OIG reported its findings to the NRO in coordination with the SMC because the NRO has no privity of contract with the FFRDC. The USAO declined the case for prosecution, and a settlement agreement is pending between the SMC and the FFRDC to recover NRO funds lost due to the actions of the employee. The OIG reported two additional cases involving similar instances of labor mischarging by employees of the same FFRDC in FY 2018. These two cases remain open pending negotiations between the SMC and the FFRDC.
- In another case, a contractor employee mischarged approximately 175 hours to an NRO program. A portion of this time included the employee using a work computer to view sexually explicit material via the Internet during official hours. The NRO removed the employee from access and he subsequently resigned from the company. To address the mischarged time valued at \$9,659, the company moved the associated cost to an unallowable account rather than providing a contract credit with a corresponding refund check as required by NRO Acquisition Manual (NAM) Appendix 65.105(c) 6 and NAM section N32.606, "Debt Determination and Collection." The company's lack of compliance was reported to the Office of Contracts for consideration.

(U) OTHER INVESTIGATIVE ACTIVITIES

(U) **Falsified Test Results.** A contractor employee failed to properly test electronic parts intended for use in an NRO program. The employee admitted to knowingly manipulating testing data related to certain components. The investigation also determined the employee intentionally attempted to conceal his actions. The USAO declined prosecution in favor of administrative action. The company separated the employee and the NRO removed his access. The company subsequently acted to ensure that all affected parts were properly tested and evaluated per the program requirements.

(U) **Child Exploitation.** The Investigations Division provided support to a local law enforcement agency investigating an NRO contractor employee suspected of sexual battery against a minor child. The contractor employee entered a guilty plea to one count of Code of Virginia § 18.2-370, "Aggravated Sexual Battery." The company separated the employee and the NRO removed his access. The court sentenced the employee to five years confinement, and three years of supervised probation upon release. The OIG found no evidence indicating the crime involved NRO programs.

(U) POTENTIAL MONETARY BENEFITS

(U) The following tables identify potential monetary benefits resulting from the NRO OIG’s audits, inspections, and 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 2018	0	N/A
That were issued between 1 October 2018 and 31 March 2019	0	N/A
Disallowed costs for which a management decision was made between 1 October 2018 and 31 March 2019	0	N/A
Costs not disallowed for which a management decision was made between 1 October 2018 and 31 March 2019	0	N/A
For which no management decision was made by 31 March 2019	0	N/A

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

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(U) Table 6: Summary of Better Use of Funds

Reports with Recommendations that Funds Be Put to Better Use*	Number of Reports	Dollar Value
For which no management decision was made by 1 October 2018	0	N/A
That were issued between 1 October 2018 and 31 March 2019	0	N/A
For which a management decision was made—and the dollar value of recommendations was agreed to by management—between 1 October 2018 and 31 March 2019	0	N/A
For which a management decision was made—and the dollar value of recommendations was not agreed to by management—between 1 October 2018 and 31 March 2019	0	N/A
For which no management decision was made by 31 March 2019	0	N/A

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

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

(U) During this reporting period, the OIG engaged with Congressional staff, NRO Office of General Counsel, NRO Office of Congressional and Public Affairs, Office of the Intelligence Community Inspector General (IC IG) Forum Counsels, the Government Accountability Office (GAO), and the CIGIE on congressional mandates and relevant bills potentially affecting NRO OIG operations. For example, the OIG continued to work with the IC IG Forum Whistleblower Working Group in furtherance of reorganizing the IC IG's whistleblower program to meet its statutory and PPD-19 responsibilities, as well as developing best practices for OIG reprisal investigations. The OIG also worked with IC IG attorneys in developing proposed External Review Panel standards, coordinating efforts to enhance OIG joint duty opportunities within the Intelligence Community, implementing Section 110 of the *Foreign Intelligence Service Act Amendments Reauthorization Act of 2017*, and drafting a proposed Memorandum of Understanding among the Defense Intelligence Community Inspectors General and the Department of Defense IG. Further, the OIG continued to engage with CIGIE Integrity Committee staff in efforts to reconcile potential discrepancies between CIGIE policies and procedures and the IG Act of 1978, as amended, as well as facilitated GAO's efforts relative to their ongoing Congressional mandate to review aspects of the Intelligence Community Whistleblower program. These efforts enhanced the OIG's capacity to promote economy and efficiency of NRO operations, and prevent and detect fraud, waste, and abuse in such operations.

(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 2018, the NRO OIG engaged Kearney to audit the NRO's financial systems for compliance with applicable laws and standards as part of its *Audit of the National Reconnaissance Office Fiscal Year 2018 Financial Statements*. Kearney's assessment disclosed no instances in which the NRO's financial management systems did not comply substantially 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 that audit organizations performing audits, attestation engagements, or both, and undergo a peer review at least once every three years by reviewers independent of the audit organization to determine whether an appropriate internal quality control system is in place. Similarly, the *CIGIE Guide for Conducting Peer Reviews of Inspection and Evaluation Organizations of Federal Offices of Inspector General* (January 2017), provides standards for conducting peer reviews of Inspections Divisions within the IG community.

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

(U) No peer reviews of the NRO OIG were conducted during this reporting period.

(U) PEER REVIEW OF OTHER AGENCIES' INSPECTORS GENERAL

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

(U) INDEPENDENCE

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

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

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

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(U) APPENDIX A: SEMIANNUAL REPORTING REQUIREMENTS

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

(U) TABLE A1: SEMIANNUAL REPORTING REQUIREMENTS

(U) Reporting Requirement		(U) Page
SEC 4(a)(2)	<u>Legislation and regulation review</u>	17
SEC 5(a)(1-2)	<u>Significant problems, abuses, and deficiencies; recommendations for corrective action</u>	4
SEC 5(a)(3)	<u>Prior significant recommendations not yet implemented</u>	5
SEC 5(a)(4)	<u>Matters referred to authorities resulting in prosecutions and convictions</u>	13
SEC 5(a)(5)	Summary of refusals to provide information	None
SEC 5(a)(6-7)	<u>List and summary of reports issued during the reporting period</u>	6
SEC 5(a)(8-9)	<u>Tables showing questioned costs and funds that should be put to better use</u>	16
SEC 5(a)(10-12)	Summary of reports with no management decision; description and explanation of revised management decisions; management decisions with which Inspector General disagrees	None
SEC 5(a)(13)	<u>Financial systems' compliance with federal requirements</u>	18
SEC 5(a)(14-16)	<u>Peer review reporting</u>	19
SEC 5(a)(17-18)	<u>Tables showing numbers of investigative reports and a description of the supporting metrics</u>	13
SEC 5(a)(19)	Investigations of senior government employee misconduct	None
SEC 5(a)(20)	Descriptions of whistleblower retaliation	None
SEC 5(a)(21)	<u>OIG Independence</u>	20
SEC 5(a)(22)	Descriptions of audits, inspections, evaluations, and investigations not disclosed to the public	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	2
	25 March 2015	59	15
(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	2
(U) Joint Inspectors General Inspection Report Aerospace Data Facility Colorado, National Geospatial-Intelligence Agency Denver	8 February 2017	91	19
(U) Inspection of the NRO Defense Civilian Intelligence Personnel System Performance Management Process	17 February 2017	7	1
(U) Inspection of the Continuity and Critical Infrastructure Program Office	31 March 2017	15	5
(U) Consolidated Facilities Operations and Maintenance Performance Audit	25 July 2017	3	1
(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	4
	26 January 2018	107	34
(U) Audit of Fleet Management	14 February 2018	5	4
(U) Inspection of NRO Mission Resiliency	2 March 2018	5	5
(U) Inspection of the Aerospace Data Facility-East (ADF-E)	16 May 2018	33	15
(U) Supply Chain Risk Management	19 June 2018	7	3
(U) Audit of Management Oversight of Federally Funded Research and Development Centers throughout the NRO	6 July 2018	3	2
(U/ FOUO) Inspection of the NRO's TEMPEST Program	27 August 2018	9	9

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