

NATIONAL RECONNAISSANCE OFFICE

OFFICE OF INSPECTOR GENERAL

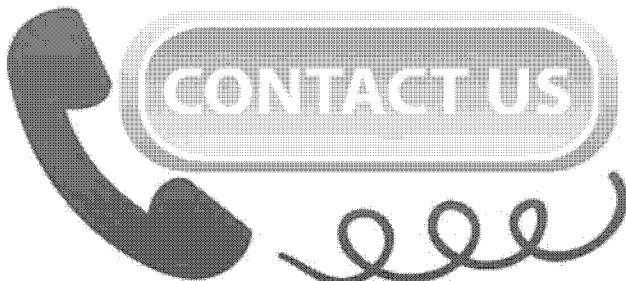
(U) SEMIANNUAL REPORT TO THE CONGRESS

1 October 2021 - 31 March 2022

28 April 2022

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National Reconnaissance Office
Office of Inspector General

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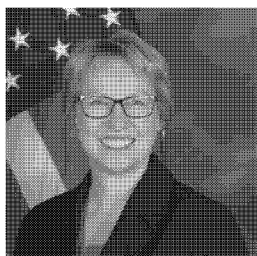
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Procurement Fraud • Counterfeit Parts • Unethical Behavior • Conflict of Interest
Time and Attendance Fraud • Whistleblower Reprisal • Waste, Abuse, or Mismanagement

(U) Message from the Inspector General

28 April 2022

(U) On behalf of the National Reconnaissance Office (NRO) Office of Inspector General (OIG), I am pleased to submit my final semiannual report highlighting the OIG's activities from 1 October 2021 through 31 March 2022. After serving five and a half years as the NRO Inspector General, I am retiring from federal service. I am incredibly proud of the NRO OIG's accomplishments during my tenure and would like to highlight not only our noteworthy accomplishments over the last six months but also several major successes over the last five and a half years. I attribute these successes to the hard work, professionalism, and commitment of the NRO OIG staff; the collaborative relationship with former Director Sapp and current Director Scolese, as well as with the NRO's leadership and workforce; and the support of members of Congress as we continued to effect positive change at the NRO.

~~(S//TK//NF)~~ Over the last six months, the OIG issued 14 Reports of Investigation, 4 audit reports, 3 inspection reports, 1 management alert, and an analytic report on other direct costs billed to the NRO during the COVID-19 pandemic. The NRO OIG conducted an investigation of a senior government civilian who allegedly reprimed against a military officer, and the Report of Investigation for this case is being finalized. [REDACTED]

[REDACTED] The *Audit of the NRO's Acceptance and Management of Funds From Other Government Agencies* found that shortcomings and inefficiencies in processes, procedures, and tools to administer the acceptance and management of funds from other government agencies (FFO) can hinder the NRO's ability to ensure proper stewardship of FFO. In November 2021, the OIG issued a management alert to [REDACTED]

[REDACTED] The *Quick Action Review of the Aerospace Data Facility East Guard Force*, initiated in response to concerns from a whistleblower, reported on guard force readiness and weapons safety.

(U) The OIG continued its work on an additional 13 projects during this reporting period and reinvigorated its outreach as COVID-related travel restrictions eased. Ongoing projects include the *Audit of NRO Innovation Research and Development Investments* to determine whether the NRO has an effective methodology for defining and overseeing its advanced research and development investments. The *Special Review of Contracting Officer Technical Representative [COTR] Development and Performance* was initiated to evaluate COTR competencies for conducting contract oversight, assess the process to assign a COTR to a contract, and assess the level of Directorate support provided to the COTRs. With the lifting of some travel restrictions, the Investigations Division has conducted several in-person outreach events and has more planned in the near future. In addition, our procurement fraud instructors are in particularly high demand. Finally, at the close of this reporting period, an OIG team executed the on-site portion of the *Joint Inspection of the Aerospace Data Facility Colorado and National Security Agency Colorado/Central Security Service-Colorado* along with our National Security Agency (NSA) OIG colleagues.

(U//~~FOUO~~) On 16 November, I participated in a closed roundtable session with the Senate Select Committee on Intelligence (SSCI) Chairman, Senator Warner; the SSCI Vice Chairman, Senator Rubio; and SSCI members. I greatly appreciated the opportunity to highlight our ongoing and upcoming oversight

work and to discuss OIG independence, collaboration with the Government Accountability Office, and whistleblower protections.

(U) During my tenure at the NRO, the OIG focused on the most pressing [redacted]

[redacted] The OIG strengthened its oversight capabilities by increasing staff diversity, broadening subject matter expertise, and fostering more transparent and timely communications with the NRO's stakeholders, mission partners across the IC, and congressional oversight committees. We stood up the Analytics Division with talented data scientists who are performing data-driven analysis that helps inform decisions and focus our oversight work. The Analytics Division has also championed our transition to the IC cloud, which will better protect sensitive OIG information and improve data storage, analysis, and data-sharing solutions for the NRO OIG and several other IC OIGs.

(U) I am particularly proud of our annual Management Challenges Report and the rigorous enterprise risk management process we implemented to make it more consequential, as well as our efforts to make it more concise and actionable. This OIG report was on the required reading list for a senior leadership off-site, which evidences the importance placed on our work.

(U) The OIG has continued to adeptly pivot to and assess emerging issues and risks, including the NRO's response to the COVID-19 pandemic and implementation of Section 3610 of the *Coronavirus Aid, Relief, and Economic Security Act*. We have ensured the timely execution of mandatory audits and evaluations, as well as high-priority investigations, even when faced with COVID-19 travel restrictions and social distancing protocols—all while maintaining the health and safety of OIG personnel, who were working in government spaces throughout the pandemic.

(U) To position the OIG in line with the NRO's evolving Cadre workforce, we established the NRO OIG Independent Oversight Career Service and accelerated the hiring of Cadre oversight professionals while continuing to hire career Central Intelligence Agency officers. We also increased rotational opportunities to provide developmental experiences for OIG personnel and took advantage of advanced schooling programs to enhance OIG expertise. To facilitate audit and investigation mission accomplishment and provide greater resource flexibility, field site personnel were returned to the D.C. area and co-located at our Westfields office.

(U) The OIG enhanced our strategic communications and outreach efforts to disseminate OIG results to a wider audience, encourage NRO staff to bring their concerns to us, and communicate the OIG mission and values across the NRO. We took advantage of every opportunity to highlight the importance of whistleblower protections and to promote confidential communications with the OIG. For example, our "Oversight at the NRO (Case Studies)" course led by the Investigations Division covers the OIG's oversight mission, with a focus on fraud awareness, and is now required training for all contracting professionals at the NRO. In addition, we used a much-appreciated congressional funding increase to provide private "video phone booths" at the mission ground stations to make it easier for personnel to communicate with OIG personnel, as well as with the NRO's Ombuds, Human Resources personnel, and Employee Assistance Program personnel. We are also redesigning our webpage to better highlight the results of our reviews and make it easier for the workforce to communicate with the OIG.

(U//~~FOUO~~) The Investigations Division has worked with the Analytics Division to automate and streamline how we handle time and attendance fraud investigations. These efficiencies have allowed investigators to focus more

time on outreach and cases with greater potential mission impact for the NRO. Some of our most significant cases are ongoing and cannot be discussed in detail; however, we are particularly proud that we are currently working three cases with the Department of Justice that originated from NRO whistleblowers or through our own analysis. These cases involve procurement integrity, contract fraud, and restraints to competition—the types of cases that are central to the NRO's acquisition mission.

(U) Throughout my tenure, we have done our best to conduct rigorous risk analysis and focus our oversight on issues that matter; to be fair, courteous, transparent, and thorough in our work and findings; to develop recommendations that get at the root cause of problems without being overly prescriptive; and, finally, to help improve the NRO's mission success. Within the OIG, the focus has always been on the people—hiring, developing, mentoring, and positioning them to do their best work. The women and men of the NRO OIG are its greatest asset, and I leave the NRO OIG confident in their ability to carry on and take the OIG's independent oversight mission to the next level.

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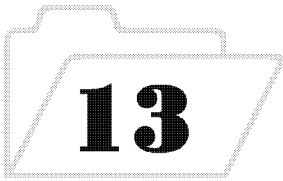
Susan S. Gibson
Inspector General



National Reconnaissance Office
OFFICE of INSPECTOR GENERAL

HIGHLIGHTS - 1 OCTOBER 2021 to 31 MARCH 2022

Audits & Inspections



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Ongoing

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Peer Reviews

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(U) Table is UNCLASSIFIED

HIGHLIGHTS



(U//FOUO) An audit of funds from other government agencies (FFO) revealed several internal and external shortfalls impeding the efficiency and effectiveness of processing and managing FFO.

(U) The first Joint Inspection since the beginning of the pandemic is taking place at the Aerospace Data Facility Colorado with our National Security Agency OIG counterpart. Modified to account for safety, this inspection included virtual activities to accommodate a compressed on-site schedule.

(U) The IT Audit team provided the NRO Corporate Council a synopsis of cyber-related risks at the NRO, which were drawn from numerous OIG projects over the recent past. The briefing addressed layers of risk, new cybersecurity requirements, and other related matters.

Investigations

\$340,000

**Recoveries to
the NRO or
U.S. Treasury**

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**Allegations
Received**

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**Whistleblower
Reprisal
Complaints**

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**Reports of
Investigation**

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(U) Table is UNCLASSIFIED

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(U) Semiannual Report Highlights and Accomplishments

(U) During this reporting period, the National Reconnaissance Office (NRO) Office of Inspector General (OIG) dedicated its oversight efforts and resources to address management challenges and issues of greatest risk to the NRO. Specifically, the OIG worked on 22 audit, inspection, and special review projects, 9 of which were completed. The OIG derived these projects from the OIG Annual Work Plan or initiated projects because of identified significant risk areas. The OIG also conducted numerous investigations and issued 14 Reports of Investigation. These investigations assessed potential violations of law or regulation. The OIG's efforts enhanced the economy, efficiency, and effectiveness of NRO programs; assisted in detecting and preventing fraud and abuse; and supported the NRO mission. The OIG's highlights and accomplishments for this reporting period include the following:

- ~~(U//FOUO)~~ **Oversight of the Audit of the National Reconnaissance Office Fiscal Year 2021 Financial Statements.** The NRO achieved a Clean Financial Statement for the 13th straight year. This means the NRO's financial statements presented fairly, in all material respects, the financial position of the NRO as of 30 September 2021.
- ~~(U//FOUO)~~ **Military Whistleblower Retaliation.** The NRO OIG conducted an investigation of a senior government civilian who allegedly reprimanded against a military officer. After the military officer reported an Intelligence Oversight concern to senior leadership, the senior government civilian subsequently issued the officer a written reprimand and significantly changed the military officer's duties and responsibilities. The OIG found that the senior government civilian reprimanded against the military officer in violation of 10 U.S.C. § 1034, *Protected communications; prohibition of retaliatory personnel actions*. The Department of Defense Inspector General (IG) reviewed the draft report and concurred with the finding and conclusions.
- ~~(S//TK//NF)~~ **Audit of the National Reconnaissance Office's Acceptance and Management of Funds From Other Government Agencies.** The NRO received of funds from other government agencies (FFO) for the five-year period of 2016 through 2020. The OIG assessed that shortcomings in processes, procedures, and tools to administer the acceptance and management of FFO can hinder the NRO's ability to ensure proper stewardship of FFO. These shortcomings threaten the NRO's ability to effectively respond to agencies' FFO requirements and increase the potential for violations of appropriations law.

- (U) **Inspection of the Aerospace Data Facility East.** This inspection constitutes the first OIG all-virtual examination of an NRO mission ground station in response to pandemic-related travel and other health and safety-related constraints. During the inspection, the OIG successfully assessed the functional areas of command topics; mission systems engineering and integration; flight operations; small satellite (SmallSat) operations; information technology and systems (ITS), which included data center management; and mission support, which included contracts and security.

(U) Significant Findings and Recommendations

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

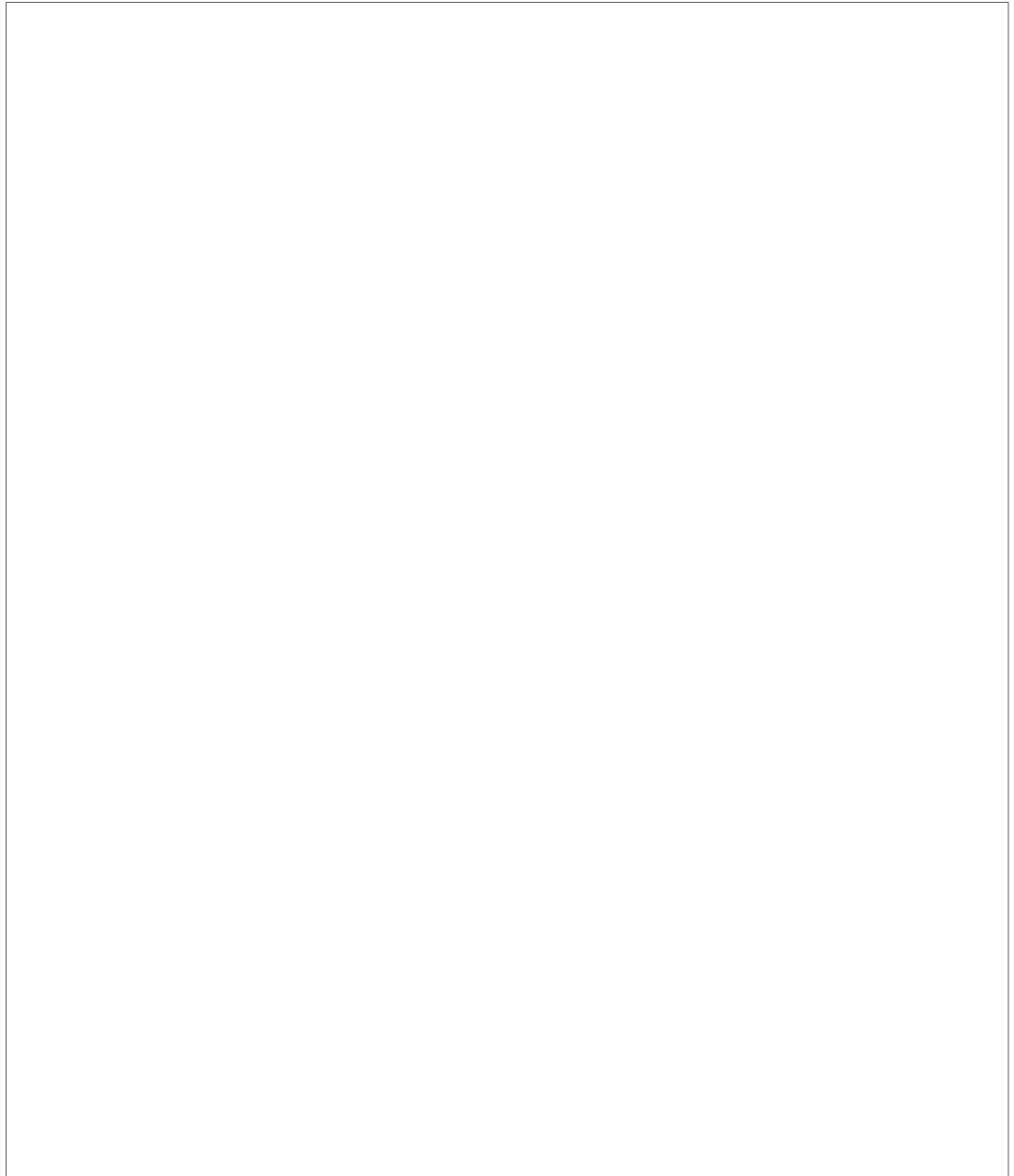
(U) Significant Findings and Recommendations for the Current Reporting Period

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(U) Status of Prior Significant Recommendations

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(U) Table 1: Status of Prior Significant Recommendations

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(U) Summary of Completed and Ongoing Projects**(U) Completed Projects – Overview**

(U) **Table 2** identifies the completed projects for this semiannual reporting period. Following the table are short descriptions of the conclusions and recommendations made for each project. The OIG ordered the projects according to their respective publication dates during the reporting period.

(U) Table 2: Completed Projects – 1 October 2021 - 31 March 2022

(U) Title	(U) Date Completed
(U) National Reconnaissance Office Federal Information Security Modernization Act Evaluation Final Report Fiscal Year 2021	2 Nov 2021
(U//FOUO) Management Alert Regarding Ground Terminal Security	12 Nov 2021
(U) Audit of the National Reconnaissance Office Fiscal Year 2021 Financial Statements	12 Nov 2021
	22 Dec 2021
(U) Inspection of the National Reconnaissance Office's Classification Compliance	6 Jan 2022
(U) Audit of the National Reconnaissance Office's Acceptance and Management of Funds From Other Government Agencies	13 Jan 2022
(U) Referral of Other Direct Cost Information Billed to the National Reconnaissance Office During the COVID-19 Pandemic	25 Jan 2022
(U) Inspection of the Aerospace Data Facility East	22 Feb 2022
(U) Quick Action Review of Aerospace Data Facility East Guard Force	9 Mar 2022

(U) Completed Projects – Findings and Recommendations**(U) National Reconnaissance Office Federal Information Security Modernization Act Evaluation Final Report Fiscal Year 2021**

(U) The *Federal Information Security Modernization Act of 2014* (FISMA) requires annual independent evaluations of federal agencies' information security programs and practices. The NRO OIG engaged the independent public accounting firm Guidehouse LLP to conduct this evaluation. To ensure the quality of the work performed, the OIG government oversight team monitored Guidehouse's evaluation activities.

(U) The report noted 38 open recommendations, dating back to 2018, categorized as new, updated, or repeat. Pursuant to NRO policy, Guidehouse has assigned the majority of these recommendations to the NRO Chief Information Officer and the Director, Communications Systems Directorate, as the offices of primary responsibility, in coordination with NRO Directorates and Offices. The FISMA report highlighted mission-impacting observations related to information technology (IT) architecture; firewall management; non-associated/mis-attributable firewalls, systems, and networks; ground terminal (GT) elements; and supply chain risk management.

(U//FOUO) Management Alert Regarding Ground Terminal Security

~~(S//TK//NF)~~ During the Fiscal Year (FY) 2021 FISMA evaluation, the OIG

During an on-site visit at the [redacted]
the OIG determined that these [redacted]

[redacted] While the identification of these vulnerabilities originated from the [redacted] visit, the OIG determined that these vulnerabilities impacted both NRO and non-NRO locations.

~~(S//TK//REL TO USA, FVEY)~~ To address these vulnerabilities, the OIG requested that the Directors of the Mission Operations, Communications Systems, Signals Intelligence Systems Acquisition, and Management Services and Operations Directorates, along with the Office of Security and Counterintelligence (OS&CI) and the [redacted]

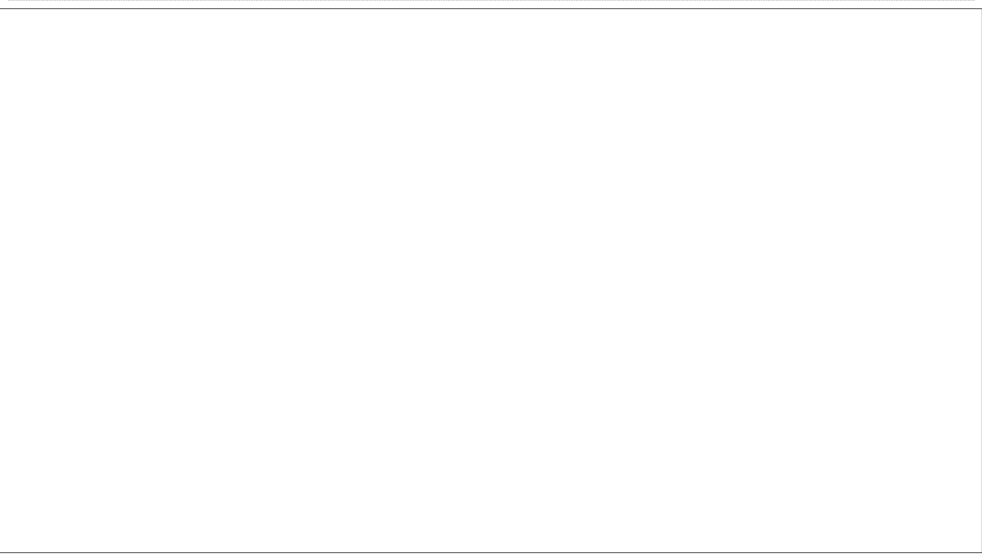
[redacted]—specifically for GTs located outside a sensitive compartmented information facility (SCIF).

(U) Audit of the National Reconnaissance Office Fiscal Year 2021 Financial Statements

(U) The NRO OIG contracted with the independent public accounting firm Kearney & Company, P.C. (Kearney) to audit the financial statements of the NRO as of 30 September 2021. In its audit, Kearney found that 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 governing laws and regulations tested.

(U//~~FOUO~~) Kearney did, however, find that the NRO financial management systems did not substantially comply with the requirements of the *Federal Financial Management Improvement Act of 1996* (FFMIA). Kearney also described two significant deficiencies. The first, a repeat condition, relates to the monitoring of the service organizations' internal controls and documentation to support NRO expenditures. The second relates to documentation to support expenditure type/general ledger account code assessment.



(U) Inspection of the National Reconnaissance Office's Classification Compliance

(U) The OIG conducted this inspection in accordance with the *National Defense Authorization Act for Fiscal Year 2020*. The inspection assessed (1) the accuracy of the application of classification and handling markers on a representative sample of finished reports, including such reports that are compartmented; (2) compliance with declassification procedures; and (3) the effectiveness of processes for identifying topics of public or historical importance that merit prioritization for a declassification review.

(U) Regarding these three objectives, the OIG found that the NRO had an approximate accuracy rate of 19.4 percent in its application of classification and handling markers on a representative sample of 175 finished reports;¹ that the NRO is fully compliant with declassification regulations and procedures described in Executive Order 13526,

¹ (U//~~FOUO~~) The majority of the classification and handling markers in each report reviewed were accurate; however, the OIG found that 141 of the 175 reports contained at least one type of derivative classification discrepancy—equating to approximately 1.86 errors per document.

Classified National Security Information, and NRO declassification regulations and procedures; and that the NRO is effectively executing its processes for identifying topics of public or historical importance that merit prioritization for a declassification review.

(U) Audit of the National Reconnaissance Office's Acceptance and Management of Funds From Other Government Agencies

~~(S//TK//NF)~~ The NRO receives a significant amount of FFO for expenditures in accordance with the *Economy Act of 1932*. Specifically, the NRO received of FFO for the five-year fiscal period of 2016 through 2020.

~~(U//FOUO)~~ The OIG assessed that shortcomings in processes, procedures, and tools to administer the acceptance and management of FFO can hinder the NRO's ability to ensure proper stewardship of FFO. These shortcomings threaten the NRO's ability to effectively respond to agencies' FFO requirements and increase the potential for violations of appropriations law.

(U) Referral of Other Direct Cost Information Billed to the National Reconnaissance Office During the COVID-19 Pandemic

~~(U//FOUO)~~ This proactive analysis was conducted to determine whether NRO contractors invoiced excessive or unallowable other direct costs (ODCs) during the COVID-19 pandemic in FY 2020.

~~(U//FOUO)~~ The OIG assessed that 33 of the selected 38 contracts had ODC line item charges that were not excessive or unallowable. The OIG identified one contract in which the contractor improperly charged the ODC contract line item number (CLIN) instead of the labor CLIN. On four contracts, the supporting invoice documentation was too vague to assess, and the OIG was unable to determine the reasonableness and allowability of the costs invoiced. The OIG referred these four contracts to the Defense Contract Audit Agency for consideration and has no additional action planned for these.

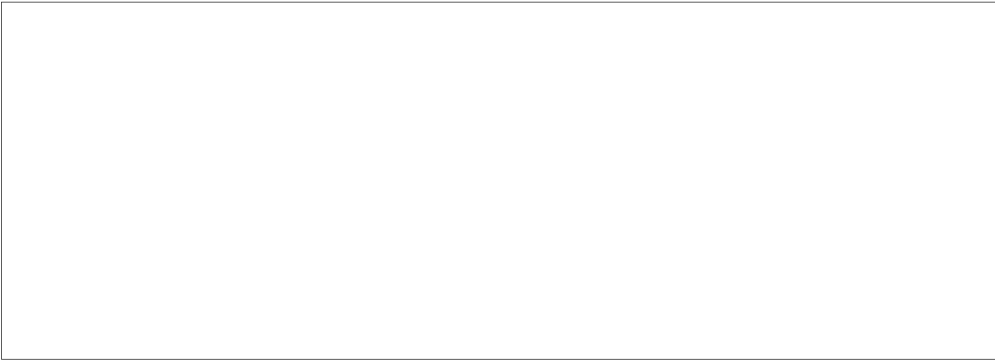
(U) Inspection of the Aerospace Data Facility East

~~(U//FOUO)~~ The Site inspection assessed the following functional areas: command topics; mission systems engineering and integration; flight operations; SmallSat operations; ITS, which included data center management; and mission support, which included contracts and security.

~~(U//FOUO)~~ The inspection resulted in one commendable—Aerospace Data Facility East (ADF-E) flight operations crews maintained mission satellite operations during the COVID-19 pandemic—and 11 findings, including 1 repeat finding, which noted that ADF-E uses multiple configuration management tools that are not interoperable. Of note, this inspection marked the first all-virtual examination of an NRO mission ground station.

(U) Quick Action Review of Aerospace Data Facility East Guard Force

(U//~~FOUO~~) During the FY 2021 Inspection of ADF-E and through other feedback mechanisms, the OIG identified concerns that [redacted] [redacted] This quick action review assessed the physical security posture at ADF-E as it relates to guard force readiness and weapons safety.



(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 2021 - 31 March 2022

(U) Title	(U) Date Initiated
(U) Inspection of the NRO's Recruitment and Hiring of the NRO Cadre	13 Aug 2021
(U) Research for the Unit Inspection of the NRO's Office of Congressional and Public Affairs	17 Sep 2021
(U) Quick Action Review of an NRO Inquiry	3 Nov 2021
(U) Research for the Evaluation of the National Reconnaissance Office's Westway Workplace No-Cost Contract	8 Nov 2021
(U) Audit of NRO Innovation Research and Development Investments	24 Nov 2021
(U) Assessment of Contractor Invoicing Under Section 3610 of the CARES Act	11 Jan 2022
(U) Special Review of Contracting Officer Technical Representative Development and Performance	24 Jan 2022
(U) Annual Risk Assessment of the National Reconnaissance Office's Charge Card Program	10 Feb 2022
(U) National Reconnaissance Office [redacted] Service Organization Controls Examination	24 Feb 2022
(U) Evaluation of the National Reconnaissance Office Fiscal Year 2021 Payment Integrity Information Act of 2019 Compliance	25 Feb 2022
(U) National Reconnaissance Office Fiscal Year 2022 Independent Federal Information Security Modernization Act of 2014 Evaluation	3 Mar 2022
(U) Audit of the National Reconnaissance Office Fiscal Year 2022 Financial Statements	4 Mar 2022
(U) Joint Inspection of the Aerospace Data Facility Colorado and National Security Agency/Central Security Service-Colorado	15 Mar 2022

(U) Ongoing Projects – Objectives

(U) Inspection of the NRO's Recruitment and Hiring of the NRO Cadre. Objective: Evaluate whether the NRO's processes for recruiting and hiring Cadre personnel are effectively meeting mission needs. Within this objective, the inspection will also examine the effectiveness of the NRO's intern program and the advancement of diversity practices in the recruitment and hiring process. The team has completed its fieldwork and is preparing the draft report.

~~(U//FOUO)~~ **Research for the Unit Inspection of the NRO's Office of Congressional and Public Affairs.** At the end of the research period, the OIG did not identify significant areas of concern that would warrant progressing into an inspection phase. Therefore, the OIG stopped its research activities and will issue a Closure Memorandum in the near future.

~~(U//FOUO)~~ **Quick Action Review of an NRO Inquiry.** Objective: To determine whether the NRO executed its inquiry consistent with appropriate laws, regulations, policies, or other guidance.

~~(U//FOUO)~~ **Research for the Evaluation of the National Reconnaissance Office's Westway Workplace No-Cost Contract.** During preliminary evaluation activities to identify and review the Westway Workplace contract, relevant policies, and management oversight activities, the OIG determined that the NRO does not have a unified oversight approach for managing contracts for a commercial marketplace SCIF. The OIG decided not to proceed with further evaluation work and to report out on the concerns identified to date. The report is being drafted and will be identified as complete in the next Semiannual Report to the Congress.

(U) Audit of NRO Innovation Research and Development Investments. Objective: Determine whether the NRO has an effective methodology for defining and overseeing its advanced research and development (AR&D) investments. Specifically, the OIG will determine whether the NRO has applied an organization-wide definition of the AR&D portfolio and established oversight activities to make sound AR&D investments.

(U) Assessment of Contractor Invoicing Under Section 3610 of the CARES Act. Objective: Assess contractor compliance with Section 3610 of the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act) and related guidance issued through Notices to Industry Partners by the NRO Office of Contracts (OC).

(U) Special Review of Contracting Officer Technical Representative Development and Performance. Objective: Determine if the NRO is effectively training and aligning its Contracting Officers Technical Representatives (COTRs) to ensure mission success. Specifically, the OIG will (1) evaluate COTR competencies for conducting contract oversight, (2) assess the process to assign a COTR to a contract, and (3) assess the level of Directorate support provided to the COTRs.

(U) Annual Risk Assessment of the National Reconnaissance Office's Charge Card Program. Objective: Identify potentially illegal, improper, or erroneous uses of the Charge Card Program. Should the OIG's assessment reveal a significant risk, the OIG will conduct an audit or review.

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

(U) Evaluation of the National Reconnaissance Office Fiscal Year 2021 Payment Integrity Information Act of 2019 Compliance. Objectives: (1) Review the payment integrity section of the FY 2021 Agency Financial Report to determine whether the NRO is in compliance with the *Payment Integrity Information Act of 2019*, and (2) evaluate the agency's (a) risk assessment methodology, (b) improper payment rate estimates, (c) sampling and estimation plan, (d) corrective action plans, (e) executive agency action plans, and (f) efforts to prevent and reduce improper payments.

(U) National Reconnaissance Office Fiscal Year 2022 Independent Federal Information Security Modernization Act of 2014 Evaluation. Objective: Provide an independent assessment of the effectiveness of the NRO's information security program and practices. The evaluation team will also follow up on findings and recommendations from the prior-year FISMA report.

(U) Audit of the National Reconnaissance Office Fiscal Year 2022 Financial Statements. Objective: Determine whether the financial statements and related notes are presented fairly in all material respects, in accordance with guidance issued by the Federal Accounting Standards Advisory Board, the Office of Management and Budget, and other authoritative guidance. The auditors will also review internal controls and compliance with laws and regulations and will follow up on the status of audit findings from previous years.

(U) Joint Inspection of the Aerospace Data Facility Colorado and National Security Agency/Central Security Service-Colorado.

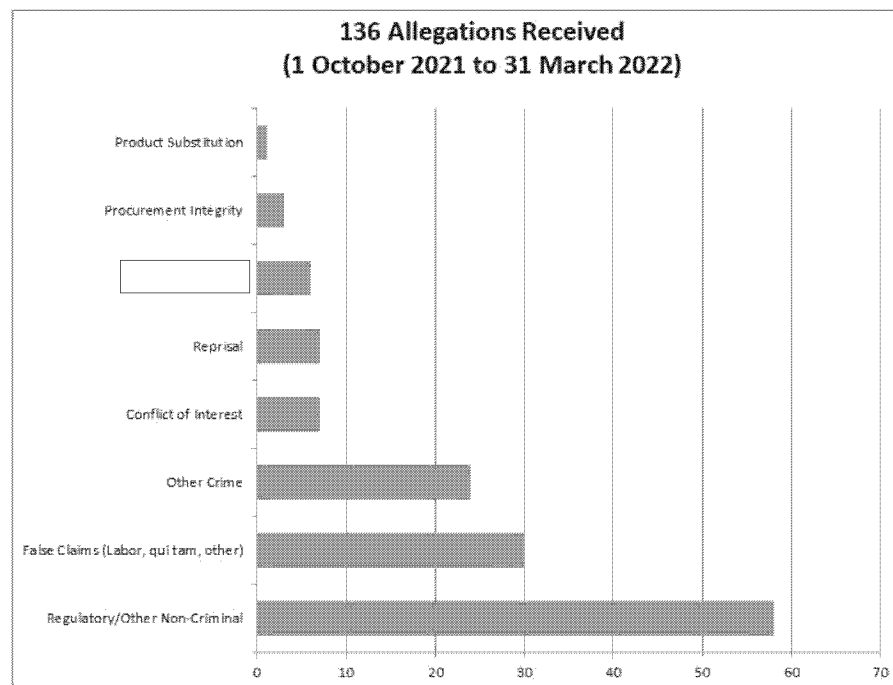
Objective: Evaluate the effectiveness and efficiency of the Aerospace Data Facility Colorado and the National Security Agency (NSA)/Central Security Service-Colorado in performing their missions.

(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—from complaint intake through the final report, along with the full disposition of each referred case—are maintained in the Investigations Division's [REDACTED]. The OIG derived the data in this section from all relevant records in [REDACTED] covering the reporting period of 1 October 2021 through 31 March 2022.

(U) The Investigations Division responded to 136 allegations this reporting period. The range of allegations included, but was not limited to, false claims, conflict of interest, procurement integrity, and other potential wrongdoing within NRO programs. **Figure 1** illustrates the types and numbers of allegations received during this reporting period. The Division referred 26 of the allegations to other NRO offices upon determining that the information did not merit OIG investigative action. Referred allegations generally involved claims of minor misconduct, security infractions, and administrative issues. The OIG referred these matters to OS&CI, the OC, or other NRO offices for situational awareness or actions as appropriate.

(U) Figure 1: Summary of Allegations Received by the NRO OIG Investigations Division

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(U) For this reporting period, the OIG did not initiate, complete, or refer to the Attorney General for criminal investigation any matters alleging unauthorized public disclosures of classified information.

(U) Reports Of Investigation

(U) During this reporting period, the Investigations Division produced 14 Reports of Investigation in response to allegations of fraud and other wrongdoing at the NRO. As a result of investigations completed during this reporting period, approximately \$340,000 was returned to the NRO or the United States Treasury. The OIG provided all Reports of Investigation to OS&CI for security consideration and action as appropriate. The OIG provided Reports of Investigation involving contractors to the OC for consideration relevant to suspension and debarment. This reporting period includes investigative effort on seven whistleblower reprisal allegations and one report related to whistleblower reprisal. **Table 4** illustrates the additional details of these reports.

(U) Table 4: Summary of Referrals and Indictments

Item	Number
Total Reports	14
Referrals to Federal Prosecutor	13
Referrals to State Prosecutor	0
Indictments	0

(U) Table is UNCLASSIFIED

(U) Selected Investigation Summaries

(U) The summaries below highlight the investigations closed during this reporting period.

(U) **Unauthorized Release of Information:** The OIG completed an investigation regarding allegations that an NRO government civilian inappropriately released NRO-controlled information to another entity. The OIG concluded that while the information was released to the other entity for lawful purposes in furtherance of that entity's official responsibilities, the officer failed to obtain the necessary review and concurrences from NRO officials before releasing the information outside the NRO. As a result of these actions, the officer was counseled by management.

(U) **False Claims for Labor:** The Investigations Division completed 13 investigations of false claims based on mischarged labor. All 13 cases involved NRO contractor employees mischarging their time in potential violation of 18 U.S.C. § 287, *False, fictitious, and fraudulent claims*. In total, these investigations identified approximately \$340,000 in funds

recoverable to the NRO or the United States Treasury. The United States Attorney's Office declined prosecution for each of these cases in favor of an administrative settlement. The OIG referred each case to the OC for administrative action within the terms of any affected contracts, including financial restitution and/or suspension and debarment. The OC addressed the recovery of funds and removal of contractor personnel as appropriate in each case.

(U) One of these false claim investigations involved an NRO contractor who falsely billed the government for time spent using a government computer to access social media outlets and engage in other personal activities on the Internet. The contractor continued doing so despite being counseled and warned that continuing to engage in these activities could result in disciplinary action. The OIG subsequently examined the contractor's computer use and concluded that the contractor falsely billed the NRO for more than 1,700 hours over a three-year period. As a result of the OIG's investigation, the contractor was removed from the NRO. A refund to the NRO by the contractor employee's company, estimated at about \$180,000, is pending.²

(U) Other Activities

(U) **Outreach and Education:** The Investigations Division continued its outreach and education by providing fraud awareness briefings and training across the NRO, the community of OIGs, and other federal agencies. These briefings and training events have been a longstanding practice within the Division to promote the reporting of wrongdoing and other concerns by the workforce and to foster its professional network.

(U) During this period, the Division increased the number of "Oversight at the NRO (Case Studies)" classes through NRO University. The full-day class, which also includes instructors from the OIG's Audits and Inspections Divisions, provides attendees with an understanding of the OIG's various roles, the effects of fraud on NRO programs, the protections afforded to whistleblowers, and guidance on how to report fraud and other concerns to the OIG. The course was originally provided by the Investigations Division only a few times a year. Following its success and popularity, the OC made the course mandatory for all NRO contracting professionals. The OIG now teaches the course on a bimonthly basis, both in person and virtually to meet requirements at field locations. During this period, 60 NRO personnel attended the course in person. The Division has also received recent requests to provide this training to other agencies.

(U) In addition to the Case Studies class, investigators teach a one-hour module in the Acquisition Center of Excellence (ACE), "Survival Skills for the NRO Acquisition Workforce" (ACE 101). ACE 101 is also a mandatory course for all NRO contracting professionals and runs every few weeks.

² (U) This estimate is not reflected in the approximately \$340,000 cited in this section.

(U) In addition to the ACE curriculum, OIG investigators perform other types of NRO outreach. Of particular importance, the Division's agents present at each running of NRO 100, where new employees to the NRO receive information regarding aspects of the NRO enterprise. This provides employees exposure to the OIG and its mission at the beginning of their tour at the NRO.

(U) Since 2012, the Investigations Division has supported the Inspector General Criminal Investigations Academy at the Federal Law Enforcement Training Center by teaching contract fraud investigations to Special Agents and other personnel in the law enforcement and IG communities. In FY 2022, the Division received several requests for standalone versions of this training from other agencies.

(U) Division personnel joined the Department of Justice's Civil Cyberfraud Initiative Working Group during this semiannual reporting period. The initiative focuses on allegations of fraud involving incidents of companies failing to provide proper cybersecurity services on government programs and operations as required under the terms of their contracts. The Division has since briefed the substance of the initiative to several NRO components to promote awareness and encourage the reporting of concerns.

(U) **Internal Quality Assurance Review:** The OIG completed an internal Quality Assurance Review (QAR) in November 2021 ahead of a planned peer review to be conducted by another OIG, which is now underway and expected to be completed in the second half of FY 2022. The QAR provided additional insights regarding process and policy improvements, which were subsequently included in the newly revised OIG Investigations Manual that was completed on 14 February 2022. The manual incorporates several updates and best practices previously recommended by the Government Accountability Office (GAO).

(U) Potential Monetary Benefits

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

(U) Table 5: Summary of Questioned Costs

Reports with Recommendations that Include Questioned Costs*	Number of Reports	Dollar Value
For which no management decision was made by 1 October 2021	0	N/A
That were issued between 1 October 2021 and 31 March 2022	0	N/A
Disallowed costs for which a management decision was made between 1 October 2021 and 31 March 2022	0	N/A
Costs not disallowed for which a management decision was made between 1 October 2021 and 31 March 2022	0	N/A
For which no management decision was made by 31 March 2022	0	N/A

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

(U) Table is UNCLASSIFIED

(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 2021	0	N/A
That were issued between 1 October 2021 and 31 March 2022	0	N/A
For which a management decision was made—and the dollar value of recommendations was agreed to by management—between 1 October 2021 and 31 March 2022	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 2021 and 31 March 2022	0	N/A
For which no management decision was made by 31 March 2022	0	N/A

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

(U) Table is UNCLASSIFIED

(U) Review of Legislation and Regulations

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

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

(U) During this reporting period, the NRO OIG continued to address OIG-related requirements identified in the *National Defense Authorization Act for FY 2020* and in the *Intelligence Authorization Acts (IAAs)* for FYs 2018, 2019, and 2020, as well as new OIG-related requirements identified in the FY 2022 IAA. The NRO OIG also reviewed memoranda and Executive Orders that relate to OIG authorities and responsibilities. For example, the OIG reviewed the 3 December 2021 Office of Management and Budget Memorandum for the Heads of Executive Departments and Agencies titled "Promoting Accountability through Cooperation among Agencies and Inspectors General" (M-22-04), as well as the 19 January 2022 National Security Memorandum titled "Improving the Cybersecurity of National Security, Department of Defense, and Intelligence Community Systems" (NSM-8).

(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 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 requirements.

(U//~~FOUO~~) For FY 2021, the NRO OIG engaged the independent public accounting firm Kearney and Company, P.C. (Kearney) to test the NRO's financial systems for compliance with applicable laws and standards as part of its audit of the NRO's FY 2021 financial statements. The OIG received Kearney's assessment in November 2021, which noted that the NRO's financial management systems did not comply with certain federal financial management system requirements. The NRO's ability to meet these requirements was hindered by weaknesses identified during the NRO's annual evaluation of its information security program, which is required by FISMA.

(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 designed suitably and whether its staff is effectively implementing those quality controls and conforming to applicable professional standards. Generally Accepted Government Auditing Standards issued by the Comptroller General of the United States require audit organizations performing audits, attestation engagements, or both to undergo a peer review at least once every three years by reviewers independent of the audit organization to determine whether an appropriate internal quality control system is in place. Similarly, CIGIE's *Guide for Conducting External Peer Reviews of Inspection and Evaluation Organizations of Federal Offices of Inspector General* (December 2021) provides standards for conducting peer reviews of Inspections Divisions within the IG community.

(U) Peer Reviews of the NRO Office of Inspector General

(U) During this period, the NRO OIG requested a peer review of its Investigations Division from the NSA OIG in accordance with the CIGIE *Quality Standards for Investigations*. The peer review was initiated on 18 October 2021 and is expected to be complete no later than August 2022. The objective of this peer review is to determine whether, for the period under review, the NRO OIG has internal control systems that are in place and operating effectively to provide reasonable assurance that the NRO OIG is complying with professional investigative standards and other requirements.

(U) Other Oversight Reviews of the NRO Office of Inspector General

(U) There were no other oversight reviews of the NRO OIG during this semiannual reporting period.

(U) Peer Review of Other Agencies' Office of Inspector General

(U) During this reporting period, the NRO OIG conducted an external peer review of the IC IG's Inspections and Evaluations and Audit Divisions.³ The peer review was conducted in accordance with CIGIE's *Quality Standards for Inspection and Evaluation* and the corresponding CIGIE *Guide for Conducting External Peer Reviews of Inspection and Evaluation Organizations of Federal Offices of Inspector General*. The

³ For this peer review, the NRO OIG selected an evaluation conducted by the Audit Division that was planned and executed to comply with CIGIE's *Quality Standards for Inspection and Evaluation*.

objective of this peer review was to determine whether, for the period of December 2020 through December 2021, the IC IG's Inspections and Evaluations and Audit Divisions generally complied with CIGIE standards.

(U) The NRO OIG's review determined that the IC IG's Inspections and Evaluations and Audit Divisions' policies and procedures and the independently selected IC IG reports were generally consistent with the CIGIE standards. The NRO OIG did not note any significant noncompliances during the review and therefore did not provide recommendations to the IC IG.

(U) Independence

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

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

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

(U) Appendix A: Semiannual Reporting Requirements

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

(U) Table A1: Semiannual Reporting Requirements

Reporting Requirement	Page
SEC 4(a)(2) <u>Legislation and regulation review</u>	18
SEC 5(a)(1-2) <u>Significant problems, abuses, and deficiencies; recommendations for corrective action</u>	2
SEC 5(a)(3) <u>Prior significant recommendations not yet implemented</u>	3
SEC 5(a)(4) Matters referred to authorities resulting in prosecutions and convictions	None
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>	4
SEC 5(a)(8-9) <u>Tables showing questioned costs and funds that should be put to better use</u>	17
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>	19
SEC 5(a)(14-16) <u>Peer review reporting</u>	20
SEC 5(a)(17-18) <u>Tables showing numbers of investigative reports and a description of the supporting metrics</u>	14
SEC 5(a)(19) <u>Investigations of senior government employee misconduct</u>	14
SEC 5(a)(20) <u>Descriptions of whistleblower retaliation</u>	14
SEC 5(a)(21) <u>OIG independence</u>	22
SEC 5(a)(22) Descriptions of audits, inspections, evaluations, and investigations not disclosed to the public	N/A

(U) 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
[REDACTED]	25 March 2015	59	5
<u>(U) Joint Inspection of Aerospace Data Facility Southwest and National Geospatial-Intelligence Agency Southwest</u>	30 September 2015	16	1
<u>(U) Audit of the NRO Aerospace Data Facility Colorado Facilities Infrastructure</u>	15 August 2016	2	1
[REDACTED]	30 September 2016	34	5
<u>(U) Audit of the NRO's Transition to an Enterprise Information Technology Audit Capability</u>	6 December 2016	5	2
<u>(U) Joint Inspectors General Inspection Report Aerospace Data Facility Colorado, National Geospatial-Intelligence Agency Denver</u>	8 February 2017	91	1
<u>(U) Inspection of the Continuity and Critical Infrastructure Program Office</u>	31 March 2017	15	4
[REDACTED]	26 January 2018	107	3
<u>(U) Inspection of NRO Mission Resiliency</u>	2 March 2018	5	2
<u>(U) Inspection of the Aerospace Data Facility East</u>	16 May 2018	33	2
<u>(U) Inspection of NRO's Joint Operations Transformation</u>	5 September 2019	8	3
<u>(U) Audit of NRO Management of Industrial Control Systems Security Controls</u>	30 September 2019	1	1
[REDACTED]	16 July 2020	31	5
<u>(U) Audit of the Management of Industry Partner Access</u>	28 August 2020	7	7
[REDACTED]	17 September 2020	10	10
[REDACTED]	30 September 2020	18	10
<u>(U//FOUO) Inspection of the NRO Chief Information Officer</u>	22 June 2021	4	4
<u>(U) Inspection of Mission Basing Preparedness</u>	22 June 2021	4	2

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