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OFFICE OF THE INSPECTOR GENERAL,  
DEFENSE INTELLIGENCE AGENCY

Report Number D-2000-6-003

February 14, 2000

Office of the Inspector General  
Department of Defense

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### **Acronyms**

|       |   |
|-------|---|
| AIG   | Assistant Inspector General                         |
| CPE   | Continuing Professional Education                   |
| DCAA  | Defense Contract Audit Agency                       |
| DCIS  | Defense Criminal Investigative Service              |
| DIA   | Defense Intelligence Agency                         |
| DIG   | Deputy Inspector General                            |
| DIGAI | Deputy Inspector General for Audits and Inspections |
| DIGI  | Deputy Inspector General for Investigations         |
| EEO   | Equal Employment Opportunity                        |
| GAGAS | Generally Accepted Government Auditing Standards    |
| HR    | Human Resource                                      |
| IDPs  | Individual Development Plans                        |
| IG    | Inspector General                                   |
| LEAP  | Law Enforcement Availability Pay                    |
| MCIO  | Military Criminal Investigative Organization        |
| MCP   | Management Control Program                          |
| OIG   | Office of Inspector General                         |
| OPM   | Office of Personnel Management                      |
| QC    | Quality Control                                     |
| SOP   | Standard Operating Procedure                        |



INSPECTOR GENERAL  
DEPARTMENT OF DEFENSE  
400 ARMY NAVY DRIVE  
ARLINGTON, VIRGINIA 22202

February 14, 2000

MEMORANDUM FOR DIRECTOR, DEFENSE INTELLIGENCE AGENCY

SUBJECT: Evaluation Report on Office of the Inspector General, Defense Intelligence Agency (Report No. D-2000-6-003)

We are providing this report for information and use. We conducted the evaluation to assess the effectiveness of the Office of the Inspector General, Defense Intelligence Agency, in response to your memorandum of August 13, 1998, and to fulfill Government Auditing Standards that require an external quality control review of organizations conducting audits at least once every 3 years. We considered management comments on the draft of this report when preparing the final report.

Comments on the draft of this report conformed to the requirements of DoD Directive 7650.3 and left no unresolved issues. Therefore, no additional comments are required.

We appreciate the courtesies extended to the evaluation staff. Questions on the report should be directed to Mr. Wayne C. Berry at (703) 604-8789 (DSN 664-8789) (wberry@dodig.osd.mil) or Mr. Bruce Drucker at (703) 604-8773 (DSN 664-8773) (bdrucker@dodig.osd.mil). See Appendix D for the report distribution. The evaluation team members are listed inside the back cover.

A handwritten signature in cursive script that reads "Robert J. Lieberman".

Robert J. Lieberman  
Assistant Inspector General  
for Auditing

## Office of the Inspector General, DoD

Report No. D-2000-6-003  
(Project No. 8OC-9020)

February 14, 2000

### Office of the Inspector General, Defense Intelligence Agency

#### Executive Summary

**Introduction.** The Director, Defense Intelligence Agency (DIA), established the administrative (nonstatutory) Office of Inspector General (OIG) in 1991. The OIG, DIA, conducts independent audits, inspections, and investigations of DIA programs that are critically linked to national security. The Director, DIA, requested a review of the OIG, DIA, because of complaints to him regarding various aspects of the OIG, DIA, working environment.

**Objectives.** The primary objective was to evaluate allegations concerning the working environment within the OIG, DIA. In addition, the overall independence of the OIG, DIA, was evaluated. Part of the evaluation was to determine whether resources were managed effectively. A quality control review was also performed to examine compliance by the audit division with applicable standards. The evaluation included a review of the management control program, as applicable to the stated objectives. The management and effectiveness of the investigative mission was also evaluated.

**Results.** The allegations of a poor working environment were unsubstantiated (finding A). However, there were shortfalls related to organizational structure, planning, independence in selecting senior management, and management controls (finding B). The OIG, DIA, had designed a comprehensive quality control system; however, it had not always been effectively applied. As a result, compliance with standards for staff qualifications, independent review, field work and reporting needed improvement (finding C). Investigators were classified in the 1811, Criminal Investigating series, although the vast majority of investigations were administrative in nature. Typical criminal investigative management processes, policies, and procedures were absent, and potential criminal cases were not always coordinated with the appropriate, responsible agencies. Viewed as administrative investigations, however, the casework was sound (finding D).

**Summary of Recommendations.** We recommend that the Director, DIA, establish procedures according to our memorandum dated July 3, 1997, on the management of any request to involve the OIG in operational tasks; terminate the involvement of the OIG, DIA, in the approval process for acquisitions and require periodic audit of the acquisition procedures; provide for a separate operating budget for the OIG, DIA, and give the Inspector General sole authority over managing their appropriated funds; and direct that other procedures be developed to define and enhance the independent role of the Office of Inspector General.

We recommend that the Inspector General, DIA, provide training on audit working papers and the auditor responsibility to detect fraud; provide guidance on supervision; improve the planning process; and develop management controls and guidance for assessing DIA units management controls. We also recommend that the Inspector General reassess the need for the 1811, Criminal Investigating series; develop a proactive investigative program that prioritizes and schedules cases, and includes procedures to coordinate with appropriate investigative organization.

**Management Comments.** The Director and Inspector General, Defense Intelligence Agency, concurred fully or in part with all recommendations. Their planned actions are responsive to the intent of the recommendations. Management comments are discussed in the Findings section of the report and the complete text of management comments is in the Management Comments section.

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## Background

The Defense Intelligence Agency (DIA) established a nonstatutory Office of Inspector General (OIG) in 1991. The OIG, DIA, was established to:

- conduct and supervise independent and objective audits, inspections, and investigations relating to DIA programs and operations;
- promote economy, effectiveness, and efficiency within the DIA;
- prevent and detect fraud, waste, and abuse in DIA programs and operations;
- review and make recommendations regarding existing and proposed legislation and regulations relating to DIA programs and operations; and,
- keep the Director, DIA, fully and currently informed of problems in DIA programs and operations.

According to DoD Directive 5105.21, "Defense Intelligence Agency (DIA)," February 18, 1997, the "DIA shall satisfy, or ensure the satisfaction of, the military and military-related intelligence requirements . . . and provide the military intelligence contribution to national foreign intelligence and counterintelligence." At the beginning of FY 1996, the DIA absorbed certain intelligence responsibilities from all the Services to centralize management, significantly increasing its operational activity and human resources. To accomplish the oversight of the DIA mission, DIA regulations provide for the OIG, DIA, independence and require it to follow the directives of DoD.

**Requirement for Reports to Congress.** An unclassified Senate report accompanying Senate bill 1009, the Intelligence Authorization Act for FY 2000, May 11, 1999, expressed concern about the oversight capabilities of the administrative (nonstatutory) OIGs within the intelligence community. The concern was prompted by the report, "Joint Quality Control Review of the Office of Inspector General at the National Reconnaissance Office," December 22, 1998, performed by the OIG, DoD, and the OIG, Central Intelligence Agency. The Senate report proposes that the OIG, DIA, and all other administrative OIGs in the intelligence community provide an annual report that details the resources requested, the plan for their use outlining scheduled programs and activities, their ability to hire and retain the qualified personnel, and any other OIG concerns.

## Objectives

We assessed two anonymous allegations that were documented concerning the working climate in the OIG, DIA. We also evaluated the overall independence of the OIG, DIA, and its resource management. An external quality control review, required at least once every 3 years for organizations conducting audits according

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to government auditing standards, was performed to examine whether the audit division complied with applicable standards. The external quality control review of the audit division addresses the areas of auditor qualifications; independence; due professional care; quality control procedures; audit planning; supervision; working papers; management controls; indications of illegal acts, abuse, and noncompliance; and reporting of audit results. The evaluation included a review of the management control program, as applicable to the stated objectives. See Appendix A for a discussion of the evaluation scope and methodology, and the review of the management control program.

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## **A. Anonymous Allegations**

The Director, DIA, (hereafter referred to as "the Director") indicated to the Inspector General, DoD, on August 13, 1998, that he had received numerous anonymous letters that commented on "the poor working environment" at the OIG, DIA. We reviewed the two specific allegations for which supporting evidence was available. Our review did not substantiate the allegations or the existence of a poor working environment within the OIG, DIA.

### **Documentation and Substantiation of Allegations**

On September 21, 1998, the Director was requested to provide documentation related to the anonymous allegations, referred to in his request. The DIA command element, including the Director, Deputy Director, and their individual staffs, had not retained any complaint-related documentation. Our followup with personnel recommended by the Director similarly did not disclose additional complaints or allegations.

The IG, DIA, was the only DIA official who was able to provide specific information on the complaints. The IG, DIA, had been provided with the details of two complaints made to the Director; one, a hand-written allegation in the form of a letter, and the other, a personal account of an undocumented allegation. The hand-written allegation indicated that the OIG, DIA, employees were "voting with their feet" (resigning from the OIG) because of the leadership style of the IG, DIA. The IG, DIA, described the undocumented complaint as alleging discriminatory practices on his part. The IG, DIA, stated that he met individually with the staff to determine whether there was any real or perceived indication that the allegations were true, but no one recorded any concerns. We interviewed the personnel affected by the allegations; those leaving or having left the OIG, DIA; and those of minority heritage (primarily African-American). All personnel interviewed verified that the IG, DIA, had discussed the matter with them.

Our interviews did not substantiate either of the allegations and no similar, additional allegations were made to us during our review.

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## B. Resource Management

Several resource management issues required management attention. The OIG, DIA, organizational structure as of February 1999 included an excessive span of control for the Deputy Inspector General for Audits and Inspections (DIGAI). The annual plans of the OIG, DIA, have been unrealistic considering the resources available to accomplish those plans. The procedures used to select the DIGAI in April 1998 did not recognize the need to safeguard IG, DIA independence. The OIG, DIA, had not developed an adequate management control self-assessment program. These issues need to be addressed in order to better assure effective and efficient operations.

### Standards, Directives, and Regulations

**DIA Regulations.** The DIA Regulation No. 40-5, "Inspector General, Policies and Responsibilities," October 15, 1991, indicates that the OIG will be provided its resources according to applicable DIA regulations, and the OIG personnel will be subject to applicable DIA personnel regulations. The DIA Regulation No. 49-5, "Manpower and Organization," October 8, 1990, provides guidance for supervisory evaluation showing that if a supervisory ratio of one supervisor to eight subordinates exists, the span of control may be burdened with more subordinates than can be effectively managed. The DIA Regulation 41-1, "Audit and Internal Controls - Management Control Program," December 13, 1996, establishes policies and procedures for execution of the management control program at DIA. The regulation applies to all DIA organizations and must be reviewed by all agency managers for its policies, definitions, responsibilities, and reporting requirements.

**OIG, DIA, Standard Operating Procedure 97-01, "Audit Procedures and Report Quality Control Program," January 10, 1997.** The manual contains the procedures for the annual audit planning process and provides for a plan that is to be consistent with the available audit resources. When the annual audit plan has been completed, the OIG is to discuss and review the plan with the Director and discuss pertinent portions of the plan with other DIA senior representatives to be affected by the plan. The procedures show that the minimum information to be in the annual audit plan are justifications for the proposed audits, audit objectives, and the activities and locations to be included in the audit.

### Organizational Structure

The authorized staff levels for each of the disciplines--audits, inspections, and investigations--remained fairly constant from FY 1996 through FY 1998. As of July 1999, the OIG, DIA, had an authorized staff of 38 (compared to 41 in FY 1996) and an on-board staff of 31. For the period covered by this evaluation, the level of output for each oversight function is depicted by the following completed projects and cases:

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|                              | <u>FY1996</u> | <u>FY1997</u> | <u>FY1998</u> |
|------------------------------|---------------|---------------|---------------|
| Audit Projects               | 6             | 9             | 5             |
| Inspection Projects          | 13            | 21            | 13            |
| Investigations Cases         | 223           | 284           | 214           |
| Intelligence Oversight Cases | N/A           | 6             | 7             |

The DIGAI, one of the three Deputy Inspectors General (DIG) for the OIG, DIA, managed 25 auditor and inspector positions (in excess of 80 percent of the 31 oversight positions) and was responsible for the majority of the projected program plan. See Appendix B for the organizational chart of the OIG, DIA as of February 1999, which showed the majority of the staff reporting directly to the DIGAI. The dual-hatted DIGAI emerged in January 1998 when the billet for the previous position of the Assistant Inspector General (AIG) for Inspections was eliminated by the Director. To partially accommodate the loss of the AIG position, an oversight staff member in audit and in inspections was assigned program management duties that the previous AIGs for Audits and for Inspections had performed separately.

To assist with organizational arrangements, the DIA Regulation No. 49-5, provides guidance for the ratio of supervisor to subordinates. Enclosure 1 of DIA Regulation No. 49-5 shows that more than eight subordinates per supervisor may be ineffective and should be "evaluated based on the nature, complexity, and disparity of the functions (i.e., mission) of the organization element." The DIA Regulation No. 49-5 applies to the OIG, DIA, and particularly the DIGAI sub-organization. An evaluation needs to be performed of the supervisory ratio to provide the OIG, DIA, with an effective organizational structure. We regard the DIGAI span of control (25 individuals) as excessive and not conducive to proper supervisory control.

## **Realistic Planning**

The OIG, DIA, planning process includes consideration of the auditable and inspectable entities. However, the implementation and management of the planning process and its successful outcome could be improved. The OIG, DIA, has not effectively used planning tools and regulations to prepare a realistic annual plan and defend its resource needs throughout the year to accomplish the plan. Without adequate resources and supervision, the unachievable annual plan results in lengthy audits and the dropping of proposed audit projects targeted at problem areas or high risk.

Each year, the distribution memorandum for the OIG, DIA, annual plan to the top management of DIA components shows the Director's endorsement of the plan. Much of the plan, particularly pertaining to the audit topics, is "the direct result of

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specific management requests." The OIG, DIA, Internal Audit Manual (also Standard Operating Procedure 97-01), January 10, 1997, contains specific steps for audit planning that are "essential for the effective management of an audit organization and the proper allocation and control of audit resources." The OIG, DIA, recounts the planning process and its merits in introducing each annual plan and in establishing the DIA Manual No. 40-1, January 30, 1992, for dealing with the OIG, DIA.

Despite the written procedures for planning and managing their resources, the two processes do not match. The OIG, DIA, historically has neither the staff required to accomplish the program plan nor the process to show the number of staff or work years required to accomplish the program plan. For example, the FY 1999 program plan is understaffed by 68 percent when compared to the actual staff available to perform the planned effort. We converted the FY 1999 program plan (developed during FY 1998) with information from the individuals in the positions of senior audit program manager and senior inspection program manager regarding the:

- current status of projects to be completed as of January 1999,
- approximate average number of hours to accomplish a project based on historical experience,
- number of staff that were considered during the planning process,
- current number of staff available, and
- consideration for special requests, demands, and other unanticipated efforts.

The FY 1999 program plan converts to an approximated staff of 15 auditors, 13 inspectors, and 4 investigators. When compared to the actual staff of 9 auditors, 8 inspectors, and 2 investigators as of January 1999, it is apparent that the program plan is unachievable.

The audit plans for FYs 1996 through 1998 show 40 proposed audit projects compared to 17 programmed and three non-programmed audits that were completed in the same period. Of the 20 completed audits (17 programmed and 3 non-programmed) for FYs 1996 through 1998, there were 8 audits ongoing for more than a year and 4 ongoing for more than 2 years. The remaining audits listed in the audit plans were either carried over to the next FY audit plan or dropped without explanation, despite having been coordinated with the Director and DIA key components, and the vulnerability assessment at the time of the annual plan development. The planned audits that remain are primarily those of long duration and recurring requirement including audits required by section 433, title 10, United States Code on intelligence commercial activities (requested by the Assistant to the Secretary of Defense [Intelligence Oversight]); and audits required by regulation addressing intelligence contingency funds, non-appropriated funds, and the Government-wide purchasing card. As discussed above, 12 of 20 audit projects carry over for a year or more due to staff shortages. The result is

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an overly ambitious plan that cannot be achieved. To keep the Director fully informed, the OIG, DIA, should measure the accomplishment of the annual program plan at mid-year and explain any deviations from it.

## **Appointment of Deputy Inspector General for Audits and Inspections**

In April 1998, the Director appointed the DIGAI from within the DIA ranks to fill an existing vacancy. At the time of the appointment, the personnel office was preparing a certificate of eligible applicants for consideration by the IG, DIA. The Director, DIA, bypassed this process and appointed an individual, who had not submitted an application, to the position.

Based on the interviews with the OIG, DIA, employees, some auditors, inspectors, managers, and others expressed concern with how the DIGAI selection occurred. We believe that the IG, DIA, should be the selecting official for all senior management positions in the OIG, DIA.

## **Management Control Program**

Management controls are intended to safeguard resources while assuring mission accomplishment. The formal policies and procedures for the OIG, DIA, that contain the management controls are substantial. The Deputy Inspector General (formerly the position of Deputy Inspector General for Management and Administration) is currently responsible for maintaining the OIG management control program (MCP) and preparing the annual statement of assurance for IG signature. The OIG, DIA, evaluation process to assess the status of its management controls is described in the annual statement of assurance as “[T]he combination of the evaluations by external agencies and the [DIG’s] own daily awareness of the activities and processes . . . .” Beyond the annual reporting requirement, there are no tests performed within the office to determine the adequacy of its management controls as outlined in Appendix A of this report. The OIG, DIA, needs to develop an evaluation process and report on the results of the evaluation according to the DIA Regulation 41-1.

## **Summary**

The ability of the OIG, DIA, to accomplish its mission would be enhanced by improvements to its organizational structure, a realistic match of its resources and annual plan, sufficient IG, DIA, authority to select senior personnel and better procedures to test its own management controls.

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## **Recommendations, Management Comments, and Evaluation Response**

**B.1. We recommend that the Director, Defense Intelligence Agency, direct that the Inspector General is the selection authority and the Director is the approval authority for grade level 15 positions to be filled by hiring, reassignment, or promotion to the supervisory or managerial role.**

**DIA Comments.** The DIA supported the intent of the recommendation and indicated that current procedures allow for all DIA key components to select and approve the GG-15 personnel.

**B.2. We recommend that the Inspector General, Defense Intelligence Agency:**

**a. Comply with Defense Intelligence Agency Regulation 49-5, "Manpower and Organization," October 8, 1990, in assessing the Office of Inspector General organization on developing a more effective supervisor-to-subordinate ratio.**

**DIA Comments.** The DIA concurred.

**b. Clarify the planning procedures for the audit, inspection, and investigative functions to:**

**(1) Identify the optimum level of staffing required to effectively supervise and execute the proposed annual plan and include the staff levels in the annual plan.**

**(2) Include a practice to maintain a current status of the annual plan and report mid-year to the Director, Defense Intelligence Agency, on the status of the annual plan.**

**(3) Formally document at the completion of each fiscal year an assessment of actual performance compared to the annual plan and provide accompanying explanations for the exceptions to the Director, Defense Intelligence Agency.**

**DIA Comments.** The DIA concurred.

**c. Implement a management control self-assessment process that effectively addresses and tests the Office of the Inspector General, Defense Intelligence Agency, management controls.**

**DIA Comments.** The DIA concurred.

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## **C. Results of Quality Control Review**

The OIG, DIA, quality control system for the audit function, in effect for the fiscal years of 1996 through 1998, was designed according to the quality standards established by the President's Council on Integrity and Efficiency. Although, the OIG, DIA, had an appropriate quality control system with checklists and an independent reference review, implementation of the quality control system needs improvement. For the five audits (four performance and one financial) tested for compliance with the auditing standards, the checklists and independent reference reviews for performance reviews had not been fully completed in all areas to ensure that all generally accepted government audit standards (GAGAS) have been followed. Therefore, inadequacies remained undetected by the OIG, DIA, quality control system in the areas of due professional care, audit planning, supervision, working papers, management controls, handling and reporting of fraudulent matters, and audit reports.

### **Adherence to Established Standard Operating Procedures and Applicable Standards**

The OIG, DIA, has comprehensive and formal standard operating procedures (SOP) considering the relatively small size of the office. Our review of the quality control system confirmed that SOP existed for audit planning, performance, reporting, quality control, supervision, and training in the OIG, DIA, internal audit manual. Our review of the annual audit plan; individual auditor training records; auditor interviews; the OIG, DIA, completion of the questionnaire regarding its quality control SOP; and the assessment of four performance audits and one financial audit show a need for improvement in supervision, understanding, and judgment in applying the standards. The cited conditions for GAGAS compliance form the basis for our opinion that is expressed at the conclusion of this finding.

### **Summary of Prior Coverage**

During the last 5 years, the Inspector General, DoD, issued one report on a quality control review, Report No. APO 94-015, "Report on the External Quality Control Review of the Defense Intelligence Agency Inspector General Audit Organization," August 30, 1994. The report contained findings regarding the DIA influence over promotion of the OIG staff and the approval of OIG training, the quality of audit reports and working papers according to GAGAS, and the timing of Individual Development Plans to be used for the annual training plan.

### **General Standards**

The general standards address the areas of staff qualifications, independence, due professional care, and quality control.

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**Staff Qualifications.** The audit staff met the proficiency and continuing professional education (CPE) requirements. GAGAS 3.6 and DoD Directive 7600.2, "Audit Policies," February 2, 1991, require that auditors responsible for planning, directing, conducting, or reporting on government audits must complete, every 2 years, at least 80 hours of CPE, which contributes to the auditor's professional proficiency. At least 20 hours should be completed in any one year of the 2-year period, and at least 24 of the 80 hours must be in subjects directly related to the government environment and to government auditing. The audit staff has significantly exceeded the CPE requirement by averaging 90 CPE hours per year for FY 1996 through FY 1998 in courses specifically related to the government audit environment.

**Training Budget.** The Joint Military Intelligence Training Center authority influences the independence of the audit function by establishing the OIG, DIA, training budget. For example, the FY 1999 training budget, as determined by the Joint Military Intelligence Training Center, is drastically reduced to approximately \$4,180 (or \$110 per capita) from the FY 1998 figure of \$20,885. The budget gives no consideration to the GAGAS training requirement or the training requirements for other OIG disciplines, that is, inspections and investigations. The situation has required the DIGAI to justify and pursue additional monies from DIA components that it audits. This arrangement hinders the OIG, DIA, independence in conducting its work. We are not implying that the OIG, DIA, should maintain the levels of training recorded for FY 1996 through FY 1998. However, it should be able to meet the GAGAS requirement. To ensure the independence of the nonstatutory OIG, the Director should establish a separate line item in the DIA budget for the OIG, DIA.

**Approval of Training Requests.** The requests for training are being approved by the DIA Training Administration Branch. In one instance, a request for approval of an auditor to take a Certified Public Accountant review course was disapproved November 6, 1996, and then later approved May 22, 1998, by the same DIA human resources employee. The original denial by human resources was explained as "Training is approved in support of skills REQUIRED of an employee . . . . DIA does not pay for professional development activities." Regarding further interpretation of what constitutes training, DIA Regulation 24-1, "Training," November 14, 1997, cites a determination at Section 12 that "meetings, seminars, or conferences" are "not considered formal training" and, therefore, must be covered by operational funding. Applying the regulation to the OIG, DIA, is wrong and short-sighted for the training needs of the auditors that belong to, and can participate in, many associations and institutions that have "meetings, seminars, or conferences" qualifying as CPE credit. Those controls over the OIG, DIA, affect its independence and ability to efficiently manage its training needs. The Director should establish not only the separate budget line item for the OIG, DIA, but also the IG authority to approve training requests and manage the budget that includes the training item.

**Individual Development Plans.** A recommendation in the prior IG, DoD, report dealt with the timing of the preparation of the Individual Development Plans (IDPs) for each auditor's training needs. In response to the recommendation, a memorandum was issued by the AIG for Audits on August 9, 1994, to request that the auditors provide their IDPs by September 9, 1994, for that year. The SOP has not been adjusted to formally adopt the timing of the

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IDP. As a result, the IDPs for FY 1996 through FY 1999 have been prepared in late August to late September, without any consideration in preparing or justifying the training budget. The IDP should serve as an estimating tool for the OIG training budget objective. We believe the IDP policy should be formally established in the OIG SOP for developing the training budget.

**Independence.** The credibility of the OIG, DIA, as a source of completely objective advice needs closer attention. By participating in DIA operational tasks, the OIG, DIA, has not consistently maintained its independence. In 1996, the Inspector General objected to a request from DIA management for personnel resources to be deployed to Bosnia. At the request of the Director in February 1997, the Inspector General, DoD, provided guidance and instruction as to the prohibitions of using the OIG, DIA, staff to perform operational assignments within DIA. The OIG, DoD, memorandum dated July 3, 1997, indicated that the DoD Directive 7600.2, "Audit Policies," February 2, 1991, is equally applicable to the other activities of the OIG and, therefore, the OIG staff should not be used on operating tasks. The OIG, DoD, recommended that, in order to maintain the independence of the OIG, the IG must have the authority to decide whether to accept or reject any request for OIG support. In addition, the OIG, DoD, recommended that a procedure be developed that allows management to appeal any rejection to the Director for resolution. Those recommendations were never formally addressed.

In March 1996, the Director incorporated the OIG, DIA, in the approval process for acquisitions to provide its review for comment until "certain controlling actions and oversight arrangements can be put into effect." More than 2 years later, in November 1998, the DIGAI reminded the DIA procurement division that the revision of the acquisition manual should include the OIG for "formal coordination of a purchase request, per direction of the Director." The OIG, DIA, involvement in the approval process of the purchase requests should have been only temporary until the DIA procurement division developed management controls as required originally by the Director. The March 1999 draft of the acquisition manual continues to show the OIG as providing "Independent Review and Comments, as necessary." The OIG, DIA, must not participate in the procurement procedure in order to preserve the integrity of any future oversight or investigation of the procurement process in whole or in part. Perception or actual participation in the operation prevents the OIG from objectively or impartially auditing, inspecting, or investigating the procurement process.

In the summer of 1998, the DIGAI suggested to the DIA operating components that they accept OIG staff for short-term assignments to obtain a better overall understanding of the DIA community. Although DoD audit policies do not prohibit such assignments, special care must be exercised to avoid compromising the OIG staff's ability to independently review areas in which OIG staff have been or are currently assigned for rotations.

**Due Professional Care.** The audit organization is responsible for ensuring that every audit is conducted according to GAGAS. Based on the results of our quality control review, the deficiencies identified indicate that due professional care was not always used. For example, in one of the five audits reviewed, a potential illegal act by a contractor was included in the audit report and was not

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reported to the AIG for Investigations. Therefore, the auditors need awareness training that presents the importance of due professional care and illustrates practical application of the standards in conducting audits.

**Quality Control.** The OIG, DIA, for the most part, has formal procedures for an appropriate internal quality control (QC) system as required by GAGAS. One-half of the OIG, DIA, audit manual is dedicated to quality control procedures that include an independent referencer review, checklist for review of individual audits, technical review, IG management review, and an audit process effectiveness survey (requires customer input). Nonetheless, the various QC steps were not always completed properly. In one audit, we found that the audit guide was not prepared for the audit project (as acknowledged by the individual referencer); however, the section on "Audit Planning" was answered in the affirmative to indicate that an audit guide had been prepared. In another example, the audit project shows documentation for, and formally reports on, an illegal activity; however, the related checklist items were marked "not applicable." Another audit project did not contain a completed checklist for review of the individual audit. We also found instances where the QC checklist did not include signatures and dates to show the responsibility for timely completion. We also found that the required checklist, designed for performance audits, was completed for the one financial audit reviewed, instead of a more extensive checklist recommended by the President's Council on Integrity and Efficiency.

As discussed in the paragraph above, in some performance audits, the QC checklist items are assessed positive when there is no evidence to show that the item was accomplished in the course of the audit. GAGAS 6.5.d. states "In planning a performance audit, auditors should consider management controls." In each audit, the answer to the question regarding whether management controls were considered during the planning process was positive. However, as discussed in Field Work Standards below, the OIG, DIA, has no procedures in the planning phase of the audit to assess the management controls of the audit area. The QC forms did not always contain the documentation in the working papers to determine the quality of the audits. The auditors need recurrent training on the use of GAGAS and its application to their adequately designed QC system.

## **Field Work Standards**

The field work standards that are identified for performance and for financial audits cover the following areas: audit planning; supervision; evidence and working papers; internal controls; and identification of illegal acts, noncompliance, and abuse.

**Audit Planning.** Of the four performance audits reviewed, one did not have an audit plan. GAGAS 6.19 through 6.21 requires a written audit plan be prepared for each audit. The plan should include an audit program, a memorandum, or other appropriate documentation of key decisions about the audit objectives, scope, and methodology and of the auditors' basis for those decisions. It should be updated, as necessary, to reflect any significant changes to the plan made during the audit.

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The typical introduction to the OIG, DIA, audit program refers to "suggested audit steps" as does the audit manual. In some instances, audit program steps that were not performed or changed had no documentation to justify the elimination, addition, or alteration to the audit plan. The audit manual and each audit program should include guidance or instruction as to the importance of documenting any change to the audit program.

The scope of three of four performance audits appeared too ambitious for the stated objectives and the available audit resources to accomplish the audit in a reasonable length of time. As a result, the designed audit field work may become outdated and ineffective before the report is completed and the audit results may not be reported in a timely manner to be effectively used by the recipient. One of the four performance audits reviewed eliminated programmed audit steps without justification and explanation to show how the objectives were to be achieved. The auditors need awareness training on the content required for an audit program and why it is a key document to guide the entire audit.

**Supervision.** We found that the performance audit working papers did not always show evidence of supervisory guidance and review, despite the complex and lengthy nature of each audit. In the majority of the five audits reviewed, the quality control forms related to supervision were completed. The GAGAS 6.22 through 6.25 address proper supervision as directing auditors to ensure that audit objectives are met by instructing, keeping informed of significant problems, reviewing the audit work, providing on-the-job training, and satisfying themselves that the auditors understand the work throughout the course of the audit. The OIG, DIA, Audit Manual is also specific as to the "prompt supervisory reviews" of working papers that are required. Evidence of supervision normally appears with the approval of the audit program, if available, and the QC assessments accomplished near the end of the audit. Therefore, the overall supervision of audits needs to be improved.

**Evidence and Working Papers.** The one financial audit reviewed adequately meets the standards for evidence and working papers that form the basis for the auditor's conclusions. The working papers for the four performance audits reviewed had deficiencies in documenting the purpose, source, scope, and conclusion, and in obtaining sufficient evidence to support the conclusions reached in the working papers and audit reports. The prior IG, DoD, report also recommended that the OIG, DIA, emphasize the need for better compliance with preparation requirements for working papers. The GAGAS 6.46 through 6.65 indicate that evidence is to be sufficient, competent, and relevant, and working papers are to document the work performed and support the significant conclusions and judgements. The OIG, DIA, audit manual also contains general standards for the content of working papers to include, among other items, "sufficient information so that supplementary, oral explanations are not required." The working papers were generally incomplete in describing the sources for data, methodologies used, and conclusions. During the course of one audit, a technical term for a contracting document was changed from a price proposal to an equitable adjustment claim without any evidence. The change was incorrect and critical to the audit and its concluding recommendations. One audit could not be understood without considerable verbal explanation as to the start and finish of 27 binders of data and how the data supported the audit report.

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All of the working papers reviewed did not have complete documentation of administrative matters including correspondence inside and outside the OIG, DIA, exit conferences, draft report proceedings, and post audit documentation. All of those transactions are important to show the audit progress. For the OIG, DIA, the documentation of a project's status is crucial to its mission. Aside from the audit function but still requiring proper evidence according to the inspection manual, an inspection project was cancelled after a working draft of the inspection findings had been prepared. The OIG, DIA, and we could not find documentation in the working papers to explain the cancellation of the project. In addition, extensive survey data supporting the unissued draft inspection report was destroyed by the lead inspector based on a personal decision that it was no longer needed. The DIA Manual 13-1, 200 series shows that the OIG records generated in support of inspections (Section 240), investigations (Section 245) and audits (Section 251) are to be maintained in current files for 3 years and then transferred to a record center. The OIG, DIA, needs periodic awareness training on the GAGAS requirements for working papers, the importance of collecting acceptable evidence to support the conclusions and record retention requirements.

**Internal Controls.** None of the four performance audits selected for review had documented evidence of the management controls and the self-assessment by the audit subject. The audit manual does not contain written policies or procedures for determining the status of management control programs of the targeted DIA components. The DIA Regulation 41-1 identifies the OIG, DIA, responsibility for evaluating management controls in its reviews. The management of the targeted DIA component is responsible for its management controls. At the onset of a project, the OIG, DIA, should review the DIA component's MCP for management control assessments, identified weaknesses, and corrective action plans. In addition, the OIG, DIA, should review the relevant statements of assurance from the assessable units that comprise the DIA component to be reviewed.

The GAGAS 6.39 for field work refers to obtaining "an understanding of management controls that are relevant to the audit." As part of the procedure to obtain an understanding of the management controls, GAGAS has the following prominent standards that address the source of information provided by the DoD requirement for a management control program:

6.44 Internal auditing is an important part of management control. When an assessment of management controls is called for, the work of the internal auditors can be used to help provide reasonable assurance that management controls are functioning properly and to prevent duplication of effort.

6.45 Considering the wide variety of government programs, no single pattern for internal audit activities can be specified. Many government entities have these activities identified by other names, such as inspection, appraisal, investigation, organization and methods, or management analysis. These activities assist management by reviewing selected functions.

The start of an audit, inspection, or investigation is handicapped if the component's MCP is not reviewed. An understanding of the environment is

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essentially obtained from assessing the DoD-required management control programs and establishing the risk associated with the audit, inspection, or investigation.

**Identification of Illegal Acts, Noncompliance, and Abuse.** The auditor's role in detecting fraud has been misconstrued in the OIG, DIA, procedures and formal reporting. The OIG, DIA, audit manual includes a section titled "Fraud Detection" that states:

For each performance and financial audit, DIA management shall be informed that part of our responsibility is to detect fraud, and that several questions will be asked concerning the potential or actual occurrence of fraud in the program or system being audited. During each audit, cognizant program officials will be directly asked whether fraud has been a problem for the organization, program or system, and the ways in which fraud could be committed if someone desired to do so.

The underlying tone of the above procedure is contrary to the GAGAS 6.28 that requires "Based on [illegal acts] risk assessment, the auditors design and perform procedures to provide reasonable assurance of detecting significant illegal acts." The audit manual should show that the audit checks for compliance with applicable laws, regulations, and other compliance requirements, not for the presence of fraud.

One audit found "integrity issues" and reported them in the audit report, which recommends that DIA management advise the wrongdoers of the potential impact and criminal nature of their actions. The OIG, DIA, audit manual requires that "all cases of actual or suspected fraud detected during audits shall be brought to the attention of the AIG for Audits, who shall refer them to the AIG for Investigations for further review." There was no documentation in the workpapers that this matter was referred to the AIG for Investigations. The lack of referral was corroborated during the interview of an investigator who discovered the 9-month-old subject audit report after initiating an investigation involving the same contractor, but for other reasons. The GAGAS 6.33 requires auditors to "exercise due professional care in pursuing indications of possible illegal acts so as not to interfere with potential investigations, legal proceedings, or both." An audit report is not the vehicle for reporting or resolving illegal activity and can be detrimental to resolving the matter by proper authorities.

The majority of the performance audits reviewed did not have the proper risk assessments and procedures to detect significant illegal activity that could occur. The auditors need awareness training on exercising due professional care in detecting fraud and following proper procedures when potential illegal acts are indicated. The procedures contained in the OIG, DIA, audit manual need to be revised to reflect the GAGAS.

## **Reporting Standards**

The reporting standards are specific to performance audits and to financial audits. The financial audit meets the respective reporting standards; however, improvements are needed for the performance audits. The prior IG, DoD, report

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contained a recommendation for the OIG, DIA, to "emphasize the need to adequately present in a clear manner all required elements in audit reports." The emphasis was provided to the auditors in a single memorandum dated August 9, 1994.

The performance audit reports we reviewed could be improved by including a more complete scope and findings description, an appropriate qualifier when GAGAS is not followed, proper reporting of instances of illegal acts, noncompliance and abuse, a scope description of work on management controls and any related findings, and a more timely issuance of reports. The audit staff needs awareness training expanded to include audit report preparation.

## **Conclusion**

In our opinion, the system of quality control for the audit function of the OIG, DIA, in effect for the fiscal years 1996 through 1998, has been adequately designed with the quality standards as promoted by the President's Council on Integrity and Efficiency. However, based on the deficiencies discussed above, the system of quality control needs to be improved to provide the OIG, DIA, with greater assurance of conforming to the Government Auditing Standards issued by the Comptroller General of the United States.

## **Recommendations, Management Comments, and Evaluation Response**

### **C.1. We recommend that the Director, Defense Intelligence Agency:**

#### **a. Revise regulations to provide---**

**(1) A separate line item for the Office of Inspector General, Defense Intelligence Agency, operating budget (to include training) in the Defense Intelligence Agency budget.**

**DIA Comments.** The DIA concurred in part by indicating that a separate budget record is maintained for the OIG, DIA.

**Evaluation Response.** We consider the DIA comments to be responsive to the intent of the recommendation. In allocating resources to an OIG, it is important that management fully consider the sometimes unique requirements of the OIG and avoid perceptions that other agency staff components control portions of the OIG budget, enabling them to limit OIG authority. Designating the OIG, DIA, a separate line item in the operating budget will assist in ensuring its independence.

**(2) Sole authority to the Inspector General, Defense Intelligence Agency, within applicable laws and regulations, to manage the funds appropriated for the Office of Inspector General.**

**DIA Comments.** The DIA concurred.

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b. Establish procedures as outlined in the Inspector General, DoD, memorandum, July 3, 1997, that the--

(1) Inspector General, Defense Intelligence Agency, be given the authority to accept or reject management's request for Office of Inspector General resource support to operational activities.

(2) Defense Intelligence Agency management be given the authority to elevate any rejection for support to operational activities by the Inspector General, Defense Intelligence Agency, to the Director, Defense Intelligence Agency, for resolution.

DIA Comments. The DIA concurred.

c. Terminate the participation of the Office of Inspector General, Defense Intelligence Agency, in the approval procedure for acquisitions and require that the Office of Inspector General periodically audit the procurement procedures and the related management controls.

DIA Comments. The DIA concurred.

C.2. We recommend that the Inspector General, Defense Intelligence Agency:

a. Prepare and use the Individual Development Plans to develop the annual training budget and to manage the requirement for continuing professional education according to the generally accepted government auditing standards.

DIA Comments. The DIA concurred.

b. Arrange regularly scheduled awareness training for the audit staff on the requirements for audit responsibility, due professional care, audit planning, supervision, working paper preparation, collection of evidence, responsibility in detecting fraud, referring suspected illegal acts to the proper authorities, reporting on illegal acts, and reports on performance audits according to the generally accepted government auditing standards.

DIA Comments. The DIA concurred with the intent of the recommendation and recognized the objectives to be achieved by implementing the recommendation. They indicated that the IDPs have always served to manage the continuing professional education for the audit staff but the IDPs cannot be used for budget execution due to the incompatible timing of the two processes.

**Evaluation Response.** As recommended in our 1994 report, the preparation and use of the IDPs need to be formalized and appropriately scheduled in the OIG, DIA, procedures to consistently manage the continuing professional education needs. Despite the timing difference in the preparation of the budget information and the IDPs, the future requirements for the training budget as well as the allocation of current year appropriations can be justified from the more current IDPs and more realistically estimated from well-managed IDPs.

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**c. Amend the Internal Audit Manual, January 10, 1997, to show:**

**(1) The audit program is a key document to show the course of an audit and any additions, deletions, or changes are to be accompanied by an explanation and approved by the audit supervisor.**

**DIA Comments.** The DIA concurred.

**(2) The auditor's responsibility in detecting fraud is to:**

**(a) Provide, through the design of the audit steps, reasonable assurance about the auditee's compliance with applicable laws, regulations, and other requirements.**

**(b) Properly document any indications of illegal acts and report them to the proper authorities, not the wrongdoer.**

**(c) Coordinate any audit reports with indications of potential illegal acts or related to an area under investigation or litigation with the cognizant investigative or prosecutive organization before issuing the report.**

**DIA Comments.** The DIA concurred.

**d. Provide refresher training for the Office of the Inspector General's staff on the requirements for all working paper content, the responsibility and determination for destruction of records, and the retention of the working paper records.**

**DIA Comments.** The DIA concurred.

**e. Maintain a permanent file of the management control programs and annual statements of assurance for the assessable units within Defense Intelligence Agency and use the information in preparing the Office of the Inspector General annual program plan and individual project plans.**

**DIA Comments.** The DIA concurred.

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## **D. Management and Effectiveness of the Investigative Mission**

The investigative program lacked goals, objectives, measurements, and proactive efforts that should have focused on significant DIA mission areas or programs. Investigators were converted to the 1811, Criminal Investigating series, without the benefit of a needs analysis. Then, since most actual investigative requirements were administrative in nature, a fully functional criminal investigative program was never subsequently implemented. The OIG, DIA, lacked sufficient investigative policy and failed to properly implement DoD investigative policies and procedures. A disparity existed between the articulated investigative program (criminal investigations) and actual practice (administrative investigations). During the period evaluated, more than 99 percent of OIG investigations focused on administrative outcomes; traditional criminal investigative techniques were not used. However, OIG investigations were highly valued by DIA leadership and were thorough when viewed as administrative investigations.

### **Management of the Investigative Program**

**Investigative Goals, Objectives, and Performance Measures.** The only evidence of articulated goals and objectives in the OIG, DIA, investigative program was found in the OIG annual plan. The annual plans for FY 1996 through 1998 state that the IG will, "conduct investigations, ensure its investigative staff is trained and maintains a professional attitude, manage the hotline, and coordinate with other agencies," in addition to pursuing a "preventive approach." The objectives were not further defined, milestones in meeting the objectives were not established, and performance measurements were not developed. There was no evidence that the IG or the DIG for Investigations sought DIA leadership input in developing an investigative program that addressed significant agency programs or areas of vulnerability. The OIG, DIA, has no articulated plan to identify vulnerable DIA mission areas or programs and to focus investigative resources accordingly. Proactive measures such as fraud briefings, liaison, use of sources, and target analyses typically found in criminal investigative and intelligence organizations were not employed. Workload in the Office of the DIG for Investigations was largely determined by employee complaints, or by an occasional referral from another DIA element or the Director. Additionally, the AIG for Investigations had no articulated procedure to regularly measure and track case timeliness, or to establish caseload priority.

OIG, DIA, SOP 01-91, "Accountability for OIG Business," March 27, 1991, states,

. . . field investigation will be recommended when there is clear indication in the complaint that people, funds, programs, operations or

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material belonging to the DIA are, have been, or will be involved in criminal, misconduct, wasteful, or mismanagement activity that could result in criminal prosecution, administrative action, or civil action.

The SOP later describes issues that are more appropriate for management (versus investigative) followup, including: minor misconduct not threatening the integrity of DIA operations; drinking on duty; gambling or soliciting; absent without leave; personal use of Government telephone; insubordination; complaints of discrimination or sexual harassment; and personnel, physical, or computer security program matters. Further, the organization's priorities for matters accepted for investigation are articulated in SOP 93-03, "Procedures for Investigative Case Files and Case Management," March 8, 1993. The SOP states that lowest priority will be assigned to cases involving "regulatory or administrative violations with minimal loss or damage to the government," including false travel claims, time and attendance fraud, and the misuse of Government property or equipment.

The actual caseload of the office demonstrates lack of compliance with the stated guidelines for case acceptance and prioritization. Analysis of the types of cases investigated over the FYs 1996 through 1998 reflects that in each of the 3 years, zero files,<sup>1</sup> mismanagement, and personnel assistance<sup>2</sup> constitute nearly one-half of OIG, DIA, investigative caseload. There was no program to assess compliance with case acceptance or prioritization guidelines or to track progress of cases.

**Use of 1811, Criminal Investigating Series and "Criminal" Investigator Issues.** In 1992, the IG, DIA, hired a senior 1811, Criminal Investigating series employee (hereafter referred to as "1811 series") from the Department of Commerce to serve as Deputy Inspector General for Investigations (DIGI) in an organization the IG was reforming to mirror that of a statutory inspector general. Investigative positions were filled by DIA employees who had formerly served in other job series and were converted to the 1801, General Investigating series, upon assignment under the DIGI. Later, these employees were incrementally converted to the 1811 series as they completed the basic criminal investigator course at the Federal Law Enforcement Training Center. Through the DIA Human Resources office, the OIG effected the investigators' payments of LEAP,<sup>3</sup> a 25 percent addition to the criminal investigator basic pay intended to compensate criminal investigators for the frequently erratic hours and distinctive overtime requirements inherent in law enforcement duties. An extra half percent was also withheld from their pay for law enforcement retirement,<sup>4</sup> a program that allows

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<sup>1</sup>Describes an allegation that is merely recorded in the OIG, DIA, database for future reference, but for which no substantial investigative effort is expended.

<sup>2</sup>Matters pursued by OIG, DIA, investigators wherein it is believed that an individual has exhausted other available means of resolving a matter.

<sup>3</sup>Law Enforcement Availability Pay; paid to criminal investigators equal to 25 percent of their rate of basic pay (as defined in 5 CFR 550.103), with the assumption the criminal investigator will be available for unscheduled duty an average of 2 hours of overtime per day when averaged over the entire year. (5 U.S.C. 5545a).

<sup>4</sup>Enables law enforcement officers at age 50 years to retire with 20 years of service or at any age with 25 years of service. [5 U.S.C. 8336(c) for employees covered under the Civil Service Retirement System (CSRS) or 5 U.S.C. 8412(d) for employees covered under the Federal

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law enforcement officers to retire after 20 years of service. However, the converted investigators could not, by definition, participate in a law enforcement retirement program since they were above the maximum age upon conversion to the 1811 series.<sup>5</sup>

In addition to this evaluation, a separate investigation was conducted by the OIG, DoD, into the possibility that the withdrawal of LEAP constituted a reprisal. Both determined that the positions the OIG, DIA, investigators occupied were never actually "covered" (approved by the Office of Personnel Management [OPM], as delegated to the DoD) for law enforcement retirement purposes. Therefore, the investigators were never actually entitled to either law enforcement retirement coverage or LEAP. The connection between "covered" positions and LEAP is not readily apparent in examining the statutory and regulatory guidance but was clarified after consulting OPM functional experts and reviewing explanatory comments in the Federal Register when LEAP was introduced.

Leadership within the DIA as well as within the Office of the Assistant Secretary of Defense (Command, Control, Communications, and Intelligence) has questioned whether the OIG, DIA, should employ criminal investigators. The OIG, DIA, investigators have defended their placement in the 1811 series, maintaining that most of the acts they investigate are violations of Federal law. Further evidence of the disconnect that exists between the articulated identity of the OIG criminal investigators (1811 series) and their actual practice appears in OIG, DIA, SOP 92-04, "DoD Titling and Indexing of Subjects of Criminal Investigations in the DIA," November 4, 1992, which states, "Due to IG limited computer capabilities, monetary constraints on expanding computer capabilities, and the *very limited number of criminal investigative issues pursued at any given time [emphasis added]*, the IG will submit a written monthly listing of all subjects of criminal investigations . . . ."

A prior review by the Defense Civilian Personnel Management Service concluded, based on interviews and a review of personnel records and policy documents, that the OIG, DIA, investigators were properly classified in the 1811 series. Our review, however, included an in-depth examination of DIA investigative casework. We found that most OIG, DIA, investigations are more appropriately described as administrative in nature. Although the alleged acts investigated may have been violations of criminal law, the investigations themselves were not conducted as "criminal investigations" because they were not conducted using case-appropriate criminal investigative steps and techniques. The investigations also did not emphasize the collection of evidence for the purpose of presenting a case to a prosecutor. On the contrary, most investigations were designed from the outset to be resolved administratively.

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Employees Retirement System (FERS)].

<sup>5</sup>Maximum entry age of 35 is recognized in DoD Directive 1402.4, "Entry Age for Selected Firefighter and Law Enforcement Officer Positions," December 29, 1988.

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The following information is relevant in determining whether the OIG, DIA, investigative staff must be made up entirely of criminal investigators.

- Of the 583 cases logged in FYs 1996 through 1998, only six have been presented to a prosecutor: two were declined by a military Staff Judge Advocate; one was declined by the Public Integrity Section, Department of Justice; three remaining were conducted with another criminal investigative agency serving in the lead role and are pending additional investigation in coordination with an Assistant United States Attorney.<sup>6</sup>
- Of the 583 cases logged in FYs 1996 through 1998, 580 cases (99 percent) were resolved administratively.
- In most cases, the OIG, DIA, investigators employed administrative investigative techniques in the investigation of matters that were resolved administratively.
- The OIG, DIA, does not have policy that addresses, nor does it have investigators engaged in activities (except on rare occasions in support of a law enforcement organization) that involve: collection and preservation of physical evidence, carrying or use of firearms, use of technical investigative equipment, physical fitness requirements, 24-hour duty investigator requirement, surveillance, use of contingency funds, undercover work, execution of search warrants, and use of human sources of information (informants).
- The investigators sometimes performed operational rather than investigative functions. Equal Employment Opportunity (EEO) complaints were investigated by OIG investigators despite the existence of the DIA Diversity Management office whose mission includes EEO matters. The IG and investigative staff related that such cases should not be investigated by the IG but advised that the decision was made by the Director to assign several such cases to the OIG. The EEO cases consumed considerable investigative staff-hours.
- The OIG, DIA, investigators do not have arrest authority, nor are they authorized to apply for Federal search warrants.<sup>7</sup>

The classification standards for criminal investigator positions provide that it is the employee's job related activities (duties and responsibilities of the investigator), not merely the nature of the complaints being investigated that ultimately must be compared to the classification standard. In other words, it is both the nature of investigative actions and duties coupled with the nature of the alleged activity on which an investigation is based that makes an investigation a "criminal" investigation. Further, based on review of the OPM "Handbook of

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<sup>6</sup>97-4691 and 97-4518 were presented and declined by a Staff Judge Advocate; 96-4427 was evaluated and declined by the Public Integrity Section, Department of Justice; 96-4289, 98-4732, and 98-4805 pending an Assistant United States Attorney coordination.

<sup>7</sup>See 28 CFR Part 60.

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Occupational Groups and Families,” it is apparent that the duties most often performed by DIA investigators--conducting interviews, the collection of records, and writing reports to DIA managers for action--most closely approximate those described in the 1801 series (see Appendix C).

The historical lack of criminal investigative activities by DIA investigators does not necessarily preclude the need for resident criminal investigators. DoD policy requires Defense agencies such as the DIA to refer criminal fraud matters (most crimes typically encountered by an OIG) to the Defense Criminal Investigative Service (DCIS). Other crimes by military personnel assigned to DIA are the purview of the Military Criminal Investigative Organizations (MCIO).<sup>8</sup> Non-fraud crimes committed by civilians are, generally, the purview of other Federal, state, or local law enforcement agencies. The DCIS supports DIA by assigning DIA criminal investigative coverage to an agent in the DCIS Mid-Atlantic Field Office. That agent works jointly with OIG, DIA, investigators and typically relies on DIA investigators for assistance. Although such assistance is primarily administrative in nature (identifying key persons and documents, explaining DIA programs and processes), occasionally DIA investigators are asked to assist in law enforcement tasks such as surveillance, searches, and key witness and subject interviews. Also, because the servicing DCIS agent does not physically work in the DIA environment (composed largely of classified and compartmented programs) on a daily basis, his ability to employ proactive criminal investigative techniques (use of informants, and other criminal intelligence gathering techniques) is limited. If those proactive approaches were employed regularly by OIG, DIA, investigators, use of at least one organic (or on-scene) 1811 series investigator would be appropriate. An 1811 series investigator could pursue proactive criminal investigative measures designed to identify fraud and other criminal behavior, assist criminal investigative agencies in cases for which OIG, DIA, has primary or joint responsibility, and conduct criminal cases not accepted by the DCIS or the MCIOs. Alternatively, assuming the need is justified and staffing is available, the DCIS could assign an agent to DIA full time, to develop criminal intelligence, to assess the need for proactive measures, and to implement them. Either approach should be based on a coordinated study of the need for resident criminal investigative support.

**Compliance With DoD Criminal Investigative Policy.** Although the IG, DIA, desired to establish a criminal investigative program, including the use of 1811 series investigators, DoD directives and instructions impacting the criminal investigative community were either not incorporated into OIG, DIA, policy and practice or were incorporated improperly, as discussed below.

- DoD Instruction 5240.4, “Reporting of Counterintelligence and Criminal Violations,” September 22, 1992, requires the “*expeditious reporting*” of significant matters through channels to the Secretary of Defense. The OIG, DoD, serves as the “focal point for *receiving information and monitoring* significant criminal cases . . . .” [*emphasis added*]. The OIG, DIA, however, has interpreted this as a requirement to refer such matters to the OIG, DoD, which in several cases caused

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<sup>8</sup>U.S. Army Criminal Investigation Command (USACIDC), Naval Criminal Investigative Service (NCIS), and the Air Force Office of Special Investigations (AFOSI).

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delays in investigations while the OIG, DIA, unnecessarily waited for the OIG, DoD, to assume responsibility.<sup>9</sup> Conversely, when interviewed, the investigators erroneously believed that matters not meeting the DoDI 5240.4 threshold need not be referred to the OIG, DoD, when, in fact, DoD Instruction 5505.2 (discussed below) requires the DIA to refer all fraud matters to the DCIS.

- DoD Instruction 5505.2, "Criminal Investigations of Fraud Offenses," July 16, 1990, requires the Director as an Office of the Secretary of Defense Component Head, to (a) "Establish procedures . . . to ensure that *all* allegations of fraud involving persons affiliated with the Department of Defense and any property or programs under their control or authority are referred promptly to the DCIS" [*emphasis added*], and (b) "Establish procedures providing for the investigation of less significant fraud allegations when the DCIOs<sup>10</sup> neither investigate the matter nor refer it elsewhere for investigation. (Examples of alternative investigative resources include military or security police elements, other designated DoD investigators, or command authorities.)" In most instances, only matters reaching the reporting threshold of two DoD documents were formally referred to the OIG, DoD, because the OIG, DIA, was operating under a misinterpretation of DoD Instruction 5240.4 and DoD Directive 5505.6 (discussed below). Investigators of the OIG, DIA, have, however, maintained a viable working relationship with the DCIS special agent assigned to support DIA. Thus, significant criminal cases were brought to the attention of DCIS at the agent level.
- DoD Directive 5505.6, "Investigations of Allegations Against Senior Officials of the Department of Defense," July 12, 1991, prescribes

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<sup>9</sup>DoDI 5240.4, paragraph 4, requires significant counterintelligence activities, criminal cases, and instances of espionage to be reported expeditiously through established channels to the Secretary of Defense." Paragraph 5, in describing the DoD mandated procedure, states: "This Instruction requires timely reporting to the Inspector General of the Department of Defense (IG, DoD) or the Assistant Secretary of Defense for Command, Control, Communications, and Intelligence (ASDC<sup>3</sup>I) and the General Counsel of the Department of Defense (GC, DoD), of every significant criminal case, instance of espionage, and counterintelligence activity within the Department of Defense or involving a DoD contractor." Significant incidents are defined as (1) counterintelligence activities that are significant in and of themselves or that are likely to receive publicity, (2) Criminal cases involving (a) allegations of fraud or theft with a potential loss to the government of \$500,000 or more, or when the subject is an installation or ship commander, or is in or retired from the military grade of O-6 and above or civilian grade GS/GM 15 and above, and the potential loss to the Government is \$5,000 or more, or (b) criminal corruption cases related to procurement involving current or retired DoD military or civilian personnel; (c) Any investigation into defective products or product substitution in which a SERIOUS HAZARD to health, safety, or occupational readiness is indicated; (d) Any criminal case, which, if disclosed, could reasonably be expected to receive significant media coverage; and (3) espionage. Paragraph 6, Responsibilities, requires the OIG, DoD, to serve as a focal point for receiving information and monitoring significant criminal cases. The Heads of the DoD Components are directed to establish internal reporting procedures.

<sup>10</sup>MCIOs plus the DCIS

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procedures for reporting to the OIG, DoD, allegations of serious misconduct against senior officials of the Department of Defense. It states, "allegations of serious misconduct against senior DoD officials shall be promptly *reported* to the OIG, DoD, at the time such allegations are received by another DoD Component." *[emphasis added]* It further states, "Allegations of serious misconduct against senior officials shall be vigorously investigated by appropriate investigative organizations." The OIG, DoD, is tasked, among other things, to receive reports of allegations and to provide oversight it deems appropriate on investigations conducted by the DoD Components. Agency "component designated officials" are required to report allegations of serious misconduct within 5 workdays of receipt, and "*unless notified that the IG, DoD assumes investigative responsibility for a particular matter, initiate or cause to be initiated an investigation of the issues raised in the allegation(s) [emphasis added].*" As stated above, this policy was misinterpreted as a requirement to refer matters to the OIG, DoD, for investigation, thus placing matters into the wrong venue for resolution and sometimes causing delays in initiating investigations.

- DoD Instruction 5505.7, "Titling and Indexing of Subjects of Criminal Investigations in the Department of Defense," May 14, 1992, states, "The fact that an investigation has started and the identity of the subject when known shall be reported by the investigating agency to the Defense Clearance and Investigations Index for indexing."<sup>11</sup> The OIG, DIA, incorporated this requirement into its SOP 92-04, "DoD Titling and Indexing of Subjects of Criminal Investigations in the Defense Intelligence Agency," November 4, 1992. Although OIG, DIA, investigators are classified as criminal investigators and argue that their investigations are criminal investigations, the OIG, DIA, did not comply with either the DoDI 5505.7 or its own SOP. None of the cases reviewed were indexed in the Defense Clearance and Investigations Index.
- DoD Instruction 5505.11, "Fingerprint Card and Final Disposition Report Submission Requirements," December 1, 1998, requires fingerprints and other criminal history data to be collected and reported to the Federal Bureau of Investigation for all military subjects of criminal investigations. The OIG, DIA, investigators have opened investigations of military members involved in felony violations of the Uniform Code of Military Justice, yet the OIG, DIA, has no policy addressing this requirement. The investigators similarly have not collected the information.
- DoD Directive 1030.1, "Victim and Witness Assistance," November 23, 1994, and DoD Instruction 1030.2, "Victim and

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<sup>11</sup>Defense Clearance and Investigations Index, a "computerized central index of investigations for all DoD investigative activities." (DoDI 5505.7, paragraph F.4.). The Defense Clearance and Investigations Index is a comprehensive tool used by DoD criminal investigators, personnel security specialists, and clearance adjudicative personnel to locate investigative files.

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Witness Assistance Procedures," December 23, 1994, require heads of Defense agencies, among others, to ". . . develop policies and procedures to implement the victim and witness assistance program in their Components . . ." Criminal investigation officers are to provide the following services to each victim and witness as appropriate: Issuance of a DD Form 2701, "Initial Information for Victims and Witnesses of a Crime"; information concerning emergency medical and social services; information about restitution and other relief; information to victims of intra-familial abuse; information about counseling, treatment, and other support; and notification concerning action taken against an offender. Although most OIG, DIA, investigations involved fraud in which DoD was the "victim," its investigators did pursue several crimes against persons, such as rape and adultery, involving military members. The OIG, DIA, has no policy or procedural guidance implementing or referencing these DoD policies; therefore, DoD victim-witness policy was not followed in the cases reviewed.

Inattention to the DoD policy issuances involving criminal investigative matters further highlights the incongruity between the articulated mission of the OIG, DIA, investigative function and actual practice. Complying with the previously discussed policies is not required in administrative investigations.

**Sufficiency of Investigative Policy.** As discussed above, the OIG, DIA, lacks sufficient criminal investigative policy. When viewed as an administrative investigative organization, however, the organization has policies that amply address such issues as: recording all complaints, investigative report writing, obtaining affidavits, reducing all investigative steps to writing, proper note taking (contemporaneous notes), and source anonymity in investigative reports.

## **Effectiveness and Sufficiency of Investigative Casework**

A judgmental sample of 50 investigative case files, comprising approximately 10 percent of the total number of investigative matters logged during FYs 1996 through 1998, was reviewed during this evaluation. Factors assessed include investigative timeliness (elapsed calendar time start to finish), investigative sufficiency (were all logical and necessary leads run and investigative steps taken), coordination with appropriate collateral agencies (were the cases properly coordinated with other cognizant criminal investigative and prosecutive authorities), and follow-through (was appropriate action taken).

**Investigative Timeliness.** Timeliness of investigative reports was highlighted by the Director and other senior officials as an important consideration. Of the 50 cases reviewed, 39 were closed investigations, 6 were closed zero files,<sup>12</sup> and 5 were investigations in progress at the time of review. The elapsed time of the closed investigations, from case initiation to final report, ranged from 2 weeks to 48 months, with an average of 8.4 months. Review of closed cases that had been

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<sup>12</sup>Zero files, which comprised approximately 20 percent of case openings in the fiscal years considered, were accomplished in 1 day.

opened for greater than 1 year disclosed an average age of 14.4 months. Some of the pending cases were joint investigations with other agencies (additional coordination required); while some involved the collection and analysis of voluminous records. The ratio of agency caseload assigned each year as compared to the number of investigators must certainly be considered:

|          | <u>OIG, DIA,<br/>Investigators</u> | <u>Number of<br/>Cases<sup>13</sup></u> | <u>Ratio of<br/>Cases /inv/yr</u> |
|----------|------------------------------------|---|-----------------------------------|
| FY 1996: | 4.90                               | 223                                     | 45.5                              |
| FY 1997: | 4.50                               | 284                                     | 63.1                              |
| FY 1998: | 4.75                               | 214                                     | 45.1                              |

Conclusions concerning timeliness are difficult to draw given the widely disparate nature of individual investigations. For example, the 3 years it took to complete an investigation of frequent flyer mileage abuse, involving several interviews and the collection and analysis of airline records, is viewed as not being completed in a timely manner. Conversely, the conclusion, in 1 month, of a case involving 78 very thorough and well-documented interviews was exceptionally responsive. Although DIA leadership wants to improve timeliness, it is important to note that the OIG, DIA, did not develop standards or measurements for case timeliness.

**Investigative Sufficiency.** The OIG, DIA, investigators typically used interviews and the collection and analysis of records as their primary tools. For the purpose of taking administrative or management action, the case files were complete and thorough. Affidavits and records of interview were comprehensive, and the analysis of supporting data was typically presented logically and accurately. However, many of the cases reviewed lacked the necessary investigative steps focused on the collection of evidence to demonstrate guilt beyond a reasonable doubt. In theft investigations, for example, latent fingerprints and trace evidence were not collected. In one case, investigators never responded to the scene of an alleged theft. The DIA investigators do not maintain a complement of technical evidence gathering equipment and were thus not in a position to provide complete criminal investigative service. Moreover, of the 50 cases reviewed, only 5 were presented to an Assistant United States Attorney or military Staff Judge Advocate for prosecutive consideration. (Note: Of the five investigations, two were led by other criminal investigative agencies working jointly with DIA investigators.)

**Coordination With Collateral Investigative Agencies.** The OIG, DIA, has not established jurisdictional agreements with the MCIOs, the DCIS, or the Defense Protective Service. Within the Department of Defense, the MCIOs and the DCIS are primarily responsible for the investigation of crimes that are not the province of other Federal, state, or local law enforcement agencies. The OIG, DIA, is required by policy to refer fraud matters to the DCIS. The MCIOs investigate major crimes within their respective Services, and Service policies require referral of suspected criminal activities by service members to them for investigation. Defense agencies normally refer criminal matters involving military members to the MCIOs based on their own individual policies and procedures. DoD policy

<sup>13</sup>Includes zero files for which little or no investigative fieldwork was done, other than recording the information received.

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mandating such referrals does not exist. The MCIOs frequently rely on their field commanders and agents-in-charge to foster relationships and local procedures that ensure criminal matters in Defense agency environments are referred to them for investigation. The remaining area of interest, where there is no other assigned DoD investigative support, involves cases where DIA civilians or contractors commit crimes or violate policies, and the DCIS declines to investigate.

Review of the 50 selected cases revealed inconsistency in DIA referrals to cognizant criminal investigative agencies; some cases were promptly and properly referred to the DCIS or the appropriate MCIO, others were not. The following table portrays a selection of cases where primary criminal investigative responsibility lies outside the DIA. The result is that some cases that may have had prosecutive merit were never evaluated from that perspective, nor was evidence collected that would likely sustain a criminal conviction. In addition to jurisdiction issues involving the MCIOs, property crimes occurring within the Pentagon affect the mission of the Defense Protective Service.

### Criminal Cases With Primary Investigative Responsibility Outside the DIA

| Alleged Offense  | Primary Invest. Agency | Referred? <sup>14</sup>   |
|--|------------------------|---|
| Navy O-6/false statements re: household goods shipment                           | NCIS                   | No. Handled as administrative matter by DIA investigators.                                  |
| Conflict of Interest in a procurement action                                     | DCIS                   | Yes.  |
| Army O-6 soliciting pornography to subordinates                                  | USACIDC                | No. Handled administratively by DIA inspectors (not investigators).                         |
| Army O-4 converts government frequent flyer miles for personal travel            | USACIDC                | No. DIA investigation was very thorough. Member received General Officer written reprimand. |
| Contract improprieties/conflict of interest by senior DIA official               | DCIS                   | Referred to DoD IG.   |
| Army member filing false claims  | USACIDC                | Yes.  |
| Army member AWOL   | USACIDC                | No.   |
| Army member violated regulation in taking language test/false statements/forgery | USACIDC                | No.   |
| Time and attendance fraud by senior civilian                                     | DCIS                   | Referred to DoD IG, who referred to DCIS.   |
| Time and attendance fraud  | DCIS                   | No. Would likely have been declined based on prosecutive merit.                             |
| Army attaché/improprieties with working fund                                     | USACIDC                | Yes.  |
| Army O-6/false travel claims   | USACIDC                | Yes.  |
| Time and attendance fraud  | DCIS                   | No.   |
| False travel voucher/USAF O-6  | AFOSI                  | No.   |
| Theft of government computer   | DCIS                   | No.   |

USACIDC      U.S. Army Criminal Investigation Command  
 NCIS          Naval Criminal Investigative Service  
 AFOSI        Air Force Office of Special Investigations

<sup>14</sup>DoD Instruction 5505.2 requires Defense agencies to refer fraud matters to the Defense Criminal Investigative Service. "Referred" in this context incorporates that requirement, but also expands it to include coordination with, and referral to any Defense Criminal Investigative Organization having authorized law enforcement jurisdiction for other case types as well. It must be noted that there is no requirement in present DoD policy for DoD agencies to refer non-fraud allegations elsewhere for investigation. For example, the AFOSI is authorized and empowered by Air Force policy to conduct a criminal investigation involving an Air Force officer assigned to a Defense Attaché Office overseas; however, there is no DoD policy requiring the OIG, DIA, to refer such a case to the AFOSI. Given the availability of criminal investigative resources, historical expertise in the military criminal justice community, lack of military command authority in the DIA, as well as other factors, such an investigation would arguably be conducted more appropriately by the AFOSI.

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**Followup on Action Taken Within DIA.** An area sometimes neglected by investigative agencies, the OIG, DIA, routinely followed through with DIA management to ensure that action was taken. Cases involving the improper obtaining of DIA funds, for example, maintained visibility with investigators until recoupment action was complete.

## **Recommendations, Management Comments, and Evaluation Response**

**D.1. We recommend that the Director, Defense Intelligence Agency:**

**a. Develop, in coordination with the Inspector General, Defense Intelligence Agency, policies and procedures to ensure that complaints more appropriately addressed by Defense Intelligence Agency managers are assigned accordingly.**

**DIA Comments.** The DIA concurred.

**b. To preserve the independence of the Inspector General investigative function and its role as an oversight organization, develop, in coordination with the Inspector General, Defense Intelligence Agency, policies and procedures to ensure that operational tasks are properly assigned to the Defense Intelligence Agency functional managers rather than the Office of the Inspector General, Defense Intelligence Agency.**

**DIA Comments.** The DIA concurred.

**D.2. We recommend that the Inspector General, Defense Intelligence Agency:**

**a. Conduct an assessment of the Defense Intelligence Agency criminal (vice administrative) investigative requirements (including proactive needs) in coordination with the DCIOs, and adjust staffing and job series of the investigative staff members accordingly. The assessment should take into consideration the need to conduct proactive crime prevention as well as reactive administrative investigative efforts.**

**DIA Comments.** The DIA concurred.

**b. If a decision is made to retain 1811 series investigators in the Office of the Inspector General, Defense Intelligence Agency, implement criminal investigative policies and procedures responsive to DoD policy, to address at a minimum:**

- (1) collection and preservation of physical evidence;**
- (2) firearms, non-lethal devices, and defensive measures;**
- (3) technical investigative equipment;**

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- (4) physical fitness requirements;
  - (5) 24-hour duty investigator requirement;
  - (6) surveillance;
  - (7) use of contingency funds;
  - (8) undercover operations;
  - (9) execution of search warrants; and
  - (10) human sources/informants.

**DIA Comments.** The DIA concurred.

**c. Coordinate a plan with the Military Criminal Investigative Organizations and the Defense Protective Service, to investigate allegations involving criminal activities by military personnel assigned to the DIA, and crimes taking place at the Pentagon, respectively.**

**DIA Comments.** The DIA concurred.

**d. Train its investigators on the proper interpretation of DoD Instructions 5240.4, 5505.2, and 5505.6, and the responsibilities associated with them.**

**DIA Comments.** The DIA concurred.

**e. Coordinate with Defense Intelligence Agency senior management, a proactive investigative program to address key Defense Intelligence Agency programs most susceptible to fraud, waste, and abuse.**

**DIA Comments.** The DIA concurred.

**f. Develop appropriate investigative management processes and effectiveness measurements to maximize desirable outcomes.**

**DIA Comments.** The DIA concurred.

**g. Prioritize investigative matters and develop a process to ensure that cases receive attention according to their priority.**

**DIA Comments.** The DIA concurred.

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## Appendix A. Evaluation Process

### Scope

We reviewed the operation of the OIG, DIA, for the fiscal years 1996 through 1998. We evaluated reports, policies and procedures, personnel, and the organizational structure for audit, inspections, and investigations, and the management and administrative functions. We reviewed the OIG, DIA, in its organizational responsibilities to the Director and his staff and other operational directorates in DIA. We contacted past and present DIA personnel to discuss the anonymous allegations on the OIG, DIA, working environment.

### Methodology

**Quality Control Review of Audit Function.** Our review of the quality control system was conducted in conformity with standards and guidelines established by the President's Council on Integrity and Efficiency Guide for conducting External Quality Control Reviews of Audit Organizations. We tested compliance with the OIG system of quality control to the extent we considered appropriate. Those tests included a review of audits. We considered the President's Council on Integrity and Efficiency's policy statements on quality control and external reviews, dated August 8, 1989, and April 3, 1997. Those statements indicate that OIG quality control policies and procedures should be appropriately comprehensive and suitably designed to provide reasonable assurance that the objectives of quality control will be met. They also recognize that the OIG system of quality control depends on various factors such as the size of the OIG, the nature of the work, and its organizational structure. Our review would not necessarily disclose all weaknesses in the system or all instances of noncompliance with it because our review was based on selective tests.

We evaluated the independence of the audit organization by obtaining and reviewing organizational charts, policies for the OIG, DIA, and DIA, and budget procedures for handling the resources. We assessed the audit policies and procedures in comparison to the government auditing standards. We reviewed the audit planning process to include the identification of auditable entities and risk assessment process. We evaluated the quality assurance program for its ability to ensure quality in the audit product. We checked the auditor training requirements by reviewing the individual (training) development plans and the actual training received by the auditors. To determine whether the audit effort complied with auditing standards, we selected 5 working paper packages of the 20 audits that resulted in audit reports for the period under review. The judgmentally selected audits represented varied performance and financial audits and the work of all members of the audit staff.

**Interviews.** From the OIG, DIA, staff, we interviewed the IG; DIGs for Audit and Inspections, for Management and Administration, and for Investigations; the audit staff; the investigative staff; three inspectors; a staff assistant; a management staff officer; and an intelligence oversight staff officer. We also interviewed

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former OIG, DIA, employees who were Assistant IGs for Audits, and for Inspections, and a former inspector. From the command element, we interviewed the Director, Deputy Director, and former Chief of Staff and the Director of Operations, DIA, who served during the period identified for our evaluation. Other DIA interviewees included the General Counsel, as well as representatives of the DIA Counterintelligence and Security Activity. Non-DIA interviewees included special agents from the Defense Criminal Investigative Service and the U.S. Customs Service, and the Counsel to the Assistant to the Secretary of Defense for Intelligence Oversight.

**Computer-Processed Data.** We used the OIG, DIA, database that accumulates information for all activity projects in the organization. We did not test the validity of the data produced by the system because we were able to corroborate some of the data with other records or because of the minimal risk assigned to the data reports that would change the results of the review.

To support OIG processes and events, we evaluated internal and external DIA e-mail. We determined during our review that the current DIA e-mail system, Microsoft Outlook (installed in 1997), has an established default priority to create messages that can be edited after transmission by the original author, receiver, or any subsequent receivers (via copy or forwarding feature). The majority of e-mails on the Microsoft Outlook system are prepared under the default priority. Because we considered the e-mails provided directly to us as evidence to substantiate certain matters, we used other means to establish the accuracy of the communication if the information was crucial to the results of our review.

**Evaluation Period and Standards.** We performed the evaluation at the OIG, DIA, from October 1998 through May 1999 and we included tests of management controls considered necessary to understand the OIG, DIA.

## Management Control Program

DoD Directive 5010.38, "Management Control (MC) Program," August 26, 1996, requires DoD organizations to implement a comprehensive system of management controls that provides reasonable assurance that programs are operating as intended and to evaluate the adequacy of the controls.

**Scope of Review of the Management Control Program.** We reviewed the adequacy of the OIG, DIA, management controls over the management and administration of the audit, inspection, and investigative functions.

**Adequacy of Management Controls.** We identified management control weaknesses for the OIG, DIA. The audit, inspection, and investigative functions, which include assessing the management control programs of the DIA components that they audit, inspect, or investigate, were not adequate to ensure that the primary mission of the OIG, DIA, was accomplished in an efficient and effective manner. Recommendations B.1., B.2.a. through B.2.c., C.1.a. through C.1.c., C.2.a. through C.2.c., C.2.e., D.1., D.2.b., D.2.c., and D.2.e. through D.2.g., if implemented, will improve the operation of the OIG, DIA. A copy of the report will be provided to the senior official responsible for management controls in the DIA.

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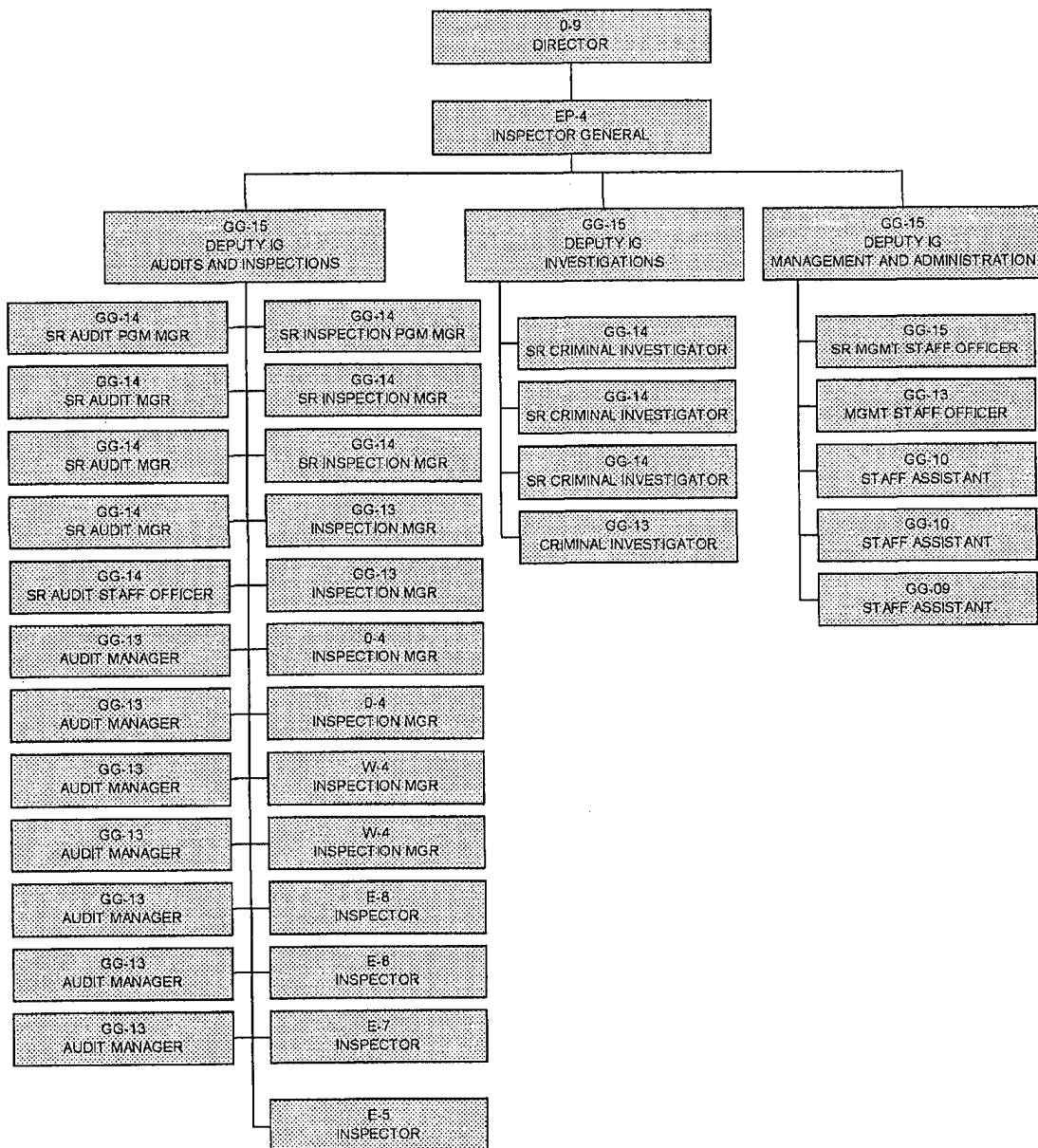
**Adequacy of Management's Self-Evaluation.** The OIG, DIA, as an assessable unit does not have an acceptable self-evaluation system that identifies the management controls that need to be reviewed on a regular basis and tests them. Therefore, DIA did not identify or report the management control weaknesses identified by the evaluation.

### **Summary of Prior Coverage**

The (former) Office of Assistant Inspector General, DoD, for Audit Policy and Oversight performed a review--Inspector General, DoD, APO Report No. 94-015, "Report on the External Quality Control Review of the Defense Intelligence Agency Inspector General Audit Organization," August 30, 1994. No other coverage of the subject organization has been conducted in the past 5 years.

# Appendix B. Organizational Chart of the Office of the Inspector General, Defense Intelligence Agency

As of February 1999



Organizational blocks depict military or civilian grade level with position titles:

- O = Officer
- EP = Execution Position
- W = Warrant
- E = Enlisted
- GG = DIA Pay Plan, equivalent to GS, General Schedule

# Appendix C. Excerpts from “Handbook of Occupational Groups and Families”

## GS-1800 - INVESTIGATION GROUP

The group includes all classes of positions the duties of which are to advise on, administer, supervise, or perform investigation, inspection, or enforcement work primarily concerned with alleged or suspected offenses against the laws of the United States, or such work primarily concerned with determining compliance with laws and regulations.

The job series in this group are:

### **1801 - General Inspection, Investigation, and Compliance Series**

This series includes positions the primary duties of which are to administer, coordinate, supervise or perform inspectional, investigative, analytical, or advisory work to assure understanding of and compliance with Federal laws, regulations, or other mandatory guidelines when such work is not more appropriately classifiable in another series either in the investigation Group, GS-1800 or in another occupational series.

### **1802 - Compliance Inspection and Support Series**

This series includes positions which perform or supervise inspectional or technical support work in assuring compliance with or enforcement of Federal laws, regulations, or other mandatory guidelines and which are not classifiable in another, more specific, occupational series. The work requires a knowledge of prescribed procedures, established techniques, directly applicable guidelines, and pertinent characteristics of regulated items or activities.

### **1810 - General Investigating Series**

This series includes positions that involve planning and conducting investigations covering the character, practices, suitability, or qualifications of persons or organizations seeking, claiming, or receiving Federal benefits, permits, or employment when the results of the investigation are used to make or invoke administrative judgments, sanctions, or penalties. These positions require primarily a knowledge of investigative techniques; a knowledge of the laws, rules, regulations, and objectives of the employing agency; skill in interviewing, following leads, researching records, and preparing reports; and the ability to elicit information helpful to the investigation from persons in all walks of life.

### **1811 - Criminal Investigating Series**

This series includes positions that involve planning and conducting investigations relating to alleged or suspected violations of criminal laws. These positions require primarily a knowledge of investigative techniques and a knowledge of the laws of evidence, the rules of criminal procedure, and precedent court decisions concerning admissibility of evidence, constitutional rights, search and seizure and

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related issues; the ability to recognize, develop and present evidence that reconstructs events, sequences, and time elements, and establishes relationships, responsibilities, legal liabilities, conflicts of interest, in a manner that meets requirements for presentation in various legal hearings and court proceedings; and skill in applying the techniques required in performing such duties as maintaining surveillance, performing undercover work, and advising and assisting the U.S. Attorney in and out of court.

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## **Appendix D. Report Distribution**

### **Office of the Secretary of Defense**

Under Secretary of Defense (Comptroller)  
Deputy Chief Financial Officer  
Assistant Secretary of Defense (Command, Control, Communications, and Intelligence)

### **Department of the Army**

Commander, Criminal Investigation Command

### **Department of the Navy**

Director, Naval Criminal Investigative Service

### **Department of the Air Force**

Commander, Air Force Office of Special Investigations

### **Other Defense Organization**

Director, Defense Intelligence Agency  
Inspector General, Defense Intelligence Agency

### **Congressional Committees**

Senate Permanent Select Committee on Intelligence  
House Permanent Select Committee on Intelligence

# Defense Intelligence Agency Comments



DEFENSE INTELLIGENCE AGENCY

WASHINGTON, D C 20340



U-0453/IG

7 January 2000

MEMORANDUM FOR DEPUTY ASSISTANT INSPECTOR GENERAL, AUDIT  
POLICY AND OVERSIGHT, DEPARTMENT OF DEFENSE


SUBJECT: (U) Evaluation Report on Office of the Inspector General, Defense Intelligence  
Agency (Project No. 80C-9020)

Reference: (U) Your memorandum, subject as above, 23 November 1999.

1. (U) As requested in referenced memorandum, comments relating to recommendations intended for the Director, Defense Intelligence Agency (DIA), are at enclosure 1; comments relating to the recommendations intended for the Inspector General (IG), DIA, are at enclosure 2.

2. (U) We believe that the suggestions offered in your report will help to enhance the operations of the DIA IG. We would like to thank the members of the evaluation team for their professionalism and dedication throughout this review. Should you have any questions regarding this reply, please contact Mr. Warren A. Uthe, Inspector General, at (202) 231-1010.

2 Enclosures a/s

  
THOMAS R. WILSON  
Vice Admiral, USN  
Director

\*Original management comments were marked "For Official Use Only." On January 28, 2000, DIA agreed to the removal of the "For Official Use Only" marking from this response to the draft report in order to include it in our final report.

**(U) RECOMMENDATIONS FOR THE DIRECTOR**

**B.1. We recommend that the Director, Defense Intelligence Agency, direct that the Inspector General is the selection authority and the Director is the approval authority for grade level 15 positions to be filled by hiring, reassignment, or promotion to the supervisory or managerial role.**

**DIA Response:** Concur with intent of recommendation. However, DIA Manual (DIAM) 22-23 provides for all Agency Key Components, to include the DIA Inspector General (IG), to select and approve all GG-15 personnel.

**C.1. We recommend that the Director, Defense Intelligence Agency:**

**C.1.a. Revise regulations to provide ---**

**C.1.a.(1) A separate line item for the Office of the Inspector General, Defense Intelligence Agency, operating budget (to include training) in the Defense Intelligence Agency budget.**

**DIA Response:** Concur in part. The DIA operating budget contains a separate budget record for the IG within the overall Command Element portion of the DIA Program. In past years, the Agency has adequately funded IG operations (to include training), subject to the same constraints as the other elements of the Agency. To compensate for recent cutbacks in overall Agency training funds, the IG budget record for FY01 and beyond contains proportionately increased funding to reflect the need for satisfying requirements for auditor continuing professional education, as well as essential inspector, investigator, and management support staff training.

**C.1.a.(2) Sole authority to the Inspector General, Defense Intelligence Agency, within applicable laws and regulations, to manage the funds appropriated for the Office of the Inspector General.**

**DIA Response:** Concur. DIA Regulation 46-1 authorizes the DIA IG to manage the funds allotted from the DIA operating budget.

Enclosure 1 to U-0453/IG

**C.1.b. Establish procedures as outlined in the Inspector General, DoD, memorandum, July 3, 1997, that the --**

**C.1.b.(1) Inspector General, Defense Intelligence Agency, be given the authority to accept or reject management's request for Office of Inspector General resource support to operational activities.**

**DIA Response:** Concur. In response to the cited memorandum, the former Director, DIA, instructed the Agency to comply with the guidance provided. DIAM 40-1 is being updated and will include specific guidance concerning Agency operational support. Estimated completion: 1 Jun 00.

**C.1.b.(2) Defense Intelligence Agency management be given the authority to elevate any rejection for support to operational activities by the Inspector General, Defense Intelligence Agency, to the Director, Defense Intelligence Agency, for resolution.**

**DIA Response:** Concur. See response to recommendation C.1.b.(1).

**C.1.c. Terminate the participation of the Office of the Inspector General, Defense Intelligence Agency, in the approval procedure for acquisitions and require that the Office of the Inspector General periodically audit the procurement procedures and the related management controls.**

**DIA Response:** Concur. A revision to DIAM 44-1 is being staffed to reflect this change. In addition, the DIA IG has added procurement procedures and related management controls to the list of auditable entities. Estimated completion: 1 May 00.

**D.1. We recommend that the Director, Defense Intelligence Agency:**

**D.1.a. Develop, in coordination with the Inspector General, Defense Intelligence Agency, policies and procedures to ensure that complaints more appropriately addressed by Defense Intelligence Agency managers are assigned accordingly.**

**DIA Response:** Concur. In coordination with the Director, DIA, the IG recently implemented procedures to ensure all complaints more appropriately addressed by DIA managers are referred to Agency management for review, determination of validity, and for corrective action, as necessary. The Director, DIA, will issue a companion policy statement, and the Inspector General will ensure that IG Standard Operating Procedures are updated accordingly. Estimated completion: 1 Apr 00.

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**D.1.b. To preserve the independence of the Inspector General investigative function and its role as an oversight organization, develop, in coordination with the Inspector General, Defense Intelligence Agency, policies and procedures to ensure that operational tasks are properly assigned to the Defense Intelligence Agency functional managers rather than the Office of the Inspector General, Defense Intelligence Agency.**

**DIA Response:** Concur. See response to Recommendation D.1.a.

**(U) RECOMMENDATIONS FOR THE INSPECTOR GENERAL**

**B.2. We recommend that the Inspector General, Defense Intelligence Agency:**

- B.2.a. Comply with Defense Intelligence Agency Regulation 49-5, "Manpower and Organization," October 8, 1990, in assessing the Office of Inspector General organization on developing a more effective supervisor-to-subordinate ratio.**

**DIA Response:** Concur. Personnel staffing action is underway to reduce supervisor-to-subordinate span of control to the ratio recommended in the regulation. Estimated completion: 1 Mar 00.

- B.2.b. Clarify the planning procedures for the audit, inspection and investigative functions to:**

- B.2.b.(1) Identify the optimum level of staffing required to effectively supervise and execute the proposed annual plan and include the staff levels in the annual plan.**

**DIA Response:** Concur. The Fiscal Year (FY) 2000 Annual Plan reflects only those projects that can reasonably be supported by assigned resources - recognizing that gaps in military fills, as well as unanticipated priority reviews, cannot be predicted with complete accuracy. All future plans will reflect this approach as well

- B.2.b.(2) Include a practice to maintain a current status of the annual plan and report mid-year to the Director, Defense Intelligence Agency, on the status of the annual plan.**

**DIA Response:** Concur. Beginning with FY00, the Defense Intelligence Agency (DIA) Inspector General (IG) will provide a mid-year status of the annual plan to the Director, DIA. It will identify completed, ongoing, deleted, and additional projects. The appropriate DIA IG Standard Operating Procedure (SOP) will be updated accordingly. Estimated completion: 1 May 00

- B.2.b.(3) Formally document at the completion of each fiscal year an assessment of actual performance compared to the annual plan and provide accompanying explanations for the exceptions to the Director, Defense Intelligence Agency.**

Enclosure 2 to U-0453/IG

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**DIA Response:** Concur The FY99 Progress Report includes this assessment. All future progress reports will conform as well.

- B.2.c. Implement a management control self-assessment process that effectively addresses and tests the Office of the Inspector General, Defense Intelligence Agency, management controls.**

**DIA Response:** Concur. The DIA IG recently embarked upon a full business process review of all its operations. An effective self-assessment program will be implemented as part of this initiative. A DIA IG SOP will be developed to document and guide the self-assessment program. Estimated completion: 1 Jul 00.

**C.2. We recommend that the Inspector General, Defense Intelligence Agency:**

- C.2.a Prepare and use the Individual Development Plans to develop the annual training budget and to manage the requirement for continuing professional education according to the generally accepted government auditing standards.**

**DIA Response:** Concur with intent of recommendation. The IG Individual Development Plans (IDPs) have always been used to manage continuing professional education. Office-wide seminars such as fraud detection, Government Performance and Results Act education, and reprisal training are also integrated into the annual IG training requirements. The timelines of the fiscal programming process come several years in advance of budget execution, and thus current IDPs cannot be used as a viable tool for developing the program-training budget. However, IDPs are used to manage the annual training funds allocation.

- C.2.b. Arrange regularly scheduled awareness training for the audit staff on the requirements for audit responsibility, due professional care, audit planning, supervision, working paper preparation, collection of evidence, responsibility in detecting fraud, referring suspected illegal acts to the proper authorities, reporting on illegal acts, and reports on performance audits according to the generally accepted government auditing standards.**

**DIA Response:** Concur. Basic fraud awareness training was accomplished in Aug 99. All of our professional auditors have been trained in the areas cited, but we will establish a formal awareness/refresher training program for fraud and other specific functional areas for the audit staff. Estimated completion: 1 Jun 00.

**C.2.c. Amend the Internal Audit Manual, January 10, 1997, to show:**

**C.2.c.(1) The audit program is a key document to show the course of an audit and any addition, deletions, or changes are to be accompanied by an explanation and approved by the audit supervisor.**

**DIA Response: Concur. Internal Audit Manual to be amended as recommended Estimated Completion: 1 Feb 00.**

**C.2.c.(2) The auditor's responsibility in detecting fraud is to:**

**(a) Provide, through the design of the audit steps, reasonable assurance about the auditee's compliance with applicable laws, regulations, and other requirements.**

**(b) Properly document any indications of illegal acts and report them to the proper authorities, not the wrongdoer.**

**(c) Coordinate any audit reports with indications of potential illegal acts or related to an area under investigation or litigation with the cognizant investigative or prosecutive organization before issuing the report.**

**DIA Response: Concur. Internal Audit Manual to be amended as recommended. Estimated completion: 1 Feb 00.**

**C.2.d. Provide refresher training for the Office of the Inspector General's staff on the requirements for all working paper content, the responsibility and determination for destruction of records, and the retention of the working paper records.**

**DIA Response: Concur. Estimated completion: 1 Apr 00**

**C.2.e. Maintain a permanent file of the management control programs and annual statements of assurance for the assessable units within Defense Intelligence Agency and use the information in preparing the Office of the Inspector General annual program plan and individual project plans.**

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**DIA Response:** Concur. The current annual statement of assurance has been retained and a permanent file of assessable DIA units' management control programs will be established. The IG SOP will be updated to reflect that they will be used in preparing annual and project plans. Estimated completion: 1 Apr 00.

**D.2. We recommend that the Inspector General, Defense Intelligence Agency:**

**D.2.a. Conduct an assessment of the Defense Intelligence Agency criminal (vice administrative) investigative requirements (including proactive needs) in coordination with the DCIOs, and adjust staffing and job series of the investigative staff members accordingly. The assessment should take into consideration the need to conduct pro-active crime prevention as well as reactive administrative investigative efforts.**

**DIA Response:** Concur. The recommended assessment will be conducted as quickly as practicable. The IG will ask independent, external experts to jointly assess the investigative requirements of DIA. The assessment will include both a full review of investigative cases over recent years, and an evaluation of the current case workload. Estimated completion: 1 Jun 00.

**D.2.b. If a decision is made to retain 1811 series investigators in the Office of the Inspector General, Defense Intelligence Agency, implement criminal investigative policies and procedures responsive to DoD policy, to address at a minimum: (all items/requirements listed as sub-paragraphs to this recommendation)**

**DIA Response:** Concur. We will implement all required and appropriate policies and procedures, following the results of the assessment.

**D.2.c. Coordinate a plan with the Military Criminal Investigative Organizations and the Defense Protective Service, to investigate allegations involving criminal activities by military personnel assigned to the DIA, and crimes taking place at the Pentagon, respectively.**

**DIA Response:** Concur. We have a close and continual working relationship with all military criminal investigative organizations, particularly the Defense Criminal Investigative Service (DCIS). Discussions are well under way with DCIS, and others will follow as quickly as possible. Estimated completion: 1 Jun 00.

**D.2.d. Train its investigators on the proper interpretation of DoD Instructions 5240.4, 5505.2, and 5505.6, and the responsibilities associated with them.**

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**DIA Response:** Concur. Investigators will be trained on the interpretation of these DoD instructions as articulated in this report. Estimated completion: 31 Jan 00

**D.2.e. Coordinate with Defense Intelligence Agency senior management, a proactive investigative program to address key Defense Intelligence Agency programs most susceptible to fraud, waste, and abuse.**

**DIA Response:** Concur Estimated completion: 29 Feb 00

**D.2.f. Develop appropriate investigative management processes and effectiveness measurements to maximize desirable outcomes.**

**DIA Response:** Concur Measurable objectives will be developed and tracked so that the outcome of the investigative program can be evaluated for its effectiveness Estimated completion: 29 Apr 00

**D.2.g. Prioritize investigative matters and develop a process to ensure that cases receive attention according to their priority.**

**DIA Response:** Concur The current IG SOP indicates how cases are prioritized However, the investigative database will be modified to include a case priority field in order to more effectively document and track case priority. Estimated completion: 29 Apr 00.

## **Audit Team Members**

This report was prepared by the Deputy Assistant Inspector General for Audit Policy and Oversight, Office of the Assistant Inspector General for Auditing, DoD, and the Deputy Assistant Inspector General for Criminal Investigative Policy and Oversight, Office of the Assistant Inspector General for Investigations, DoD.

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