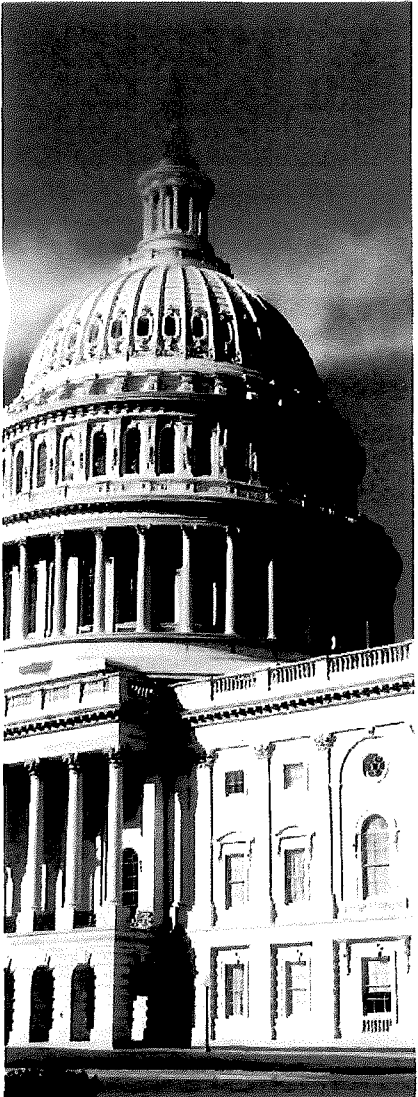


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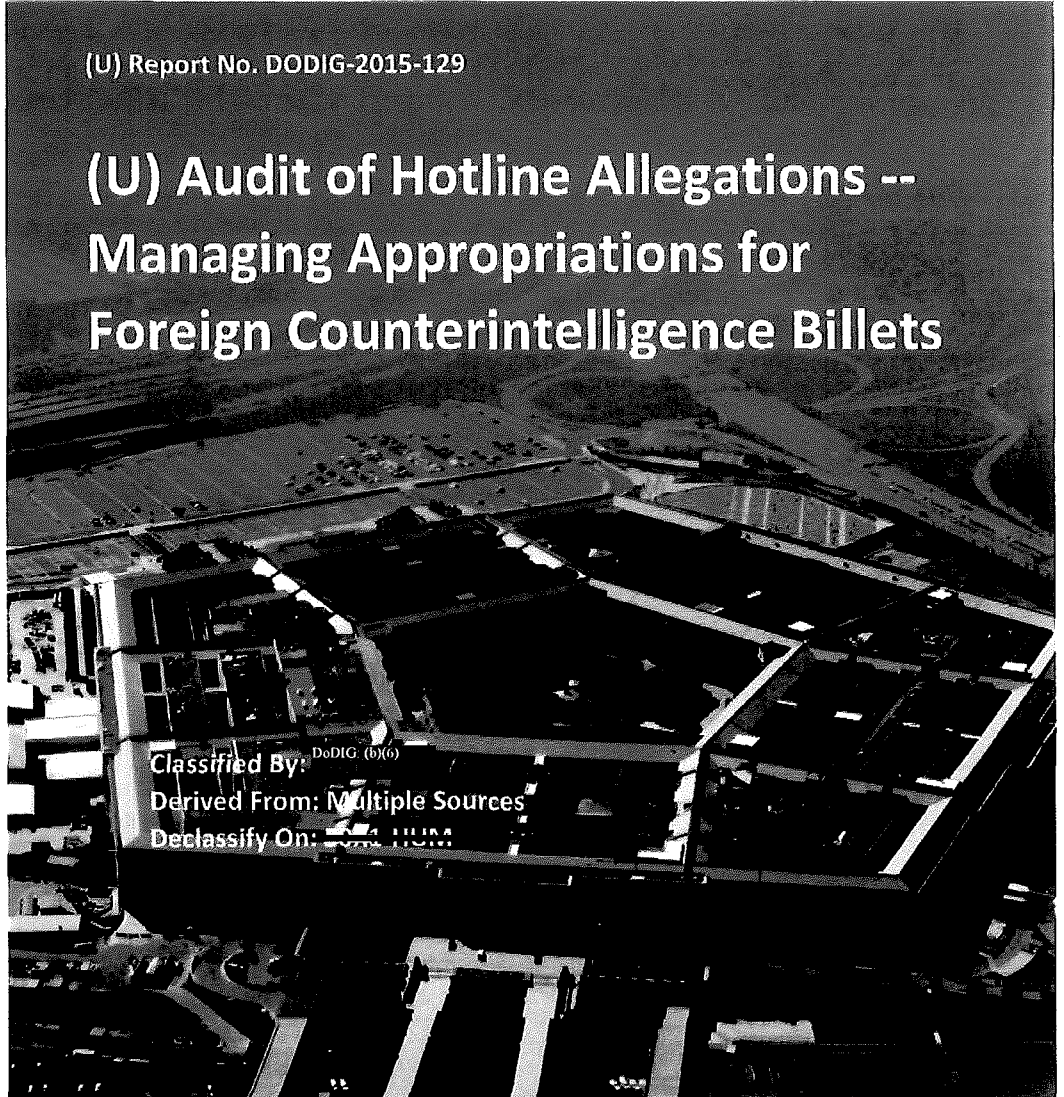
Department of Defense

May 20, 2015



(U) Report No. DODIG-2015-129

(U) Audit of Hotline Allegations -- Managing Appropriations for Foreign Counterintelligence Billets



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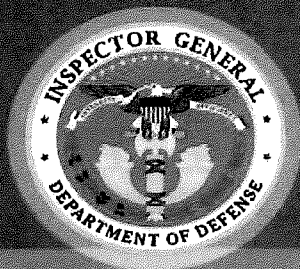
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Results in Brief

Audit of Hotline Allegations -- Managing Appropriations for Foreign Counterintelligence Billets

(U) May 20, 2015

(U) Objective

(U) Our overall objective was to address the allegations made to the Defense Hotline involving the proper use of funds by the Defense Intelligence Agency for Foreign Counterintelligence Program billets. Specifically, we determined whether the Defense Intelligence Agency aligned counterintelligence program billets to proper appropriation authorities.

(U) Finding

(U) Two of the allegations in the complaint to the Defense Hotline were substantiated and one was unsubstantiated. We found that the Defense Intelligence Agency aligned counterintelligence program billets to proper appropriation authorities. However, the Defense Intelligence Agency did not ensure proper position management of Foreign Counterintelligence Program and Military Intelligence Program Counterintelligence billets. That occurred because the Defense Intelligence Agency did not:

- (U) ensure position functions were managed in accordance with established policies, and
- (U) establish a measurable method or process to determine what portion of funding should be used for the mission area and what should be used for support roles.

(U) As a result, employees were performing duties not aligned with their position descriptions and funding.

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(U) Recommendations

(U) We recommend that the Director, Defense Intelligence Agency:

- (U) Evaluate and align all Foreign Counterintelligence Program and Military Intelligence Program Counterintelligence billets and position functions to ensure that they are contributing to the Foreign Counterintelligence Program and Military Intelligence Program Counterintelligence billets mission in accordance with the Congressional Budget Justification for Foreign Counterintelligence Program and the Congressional Justification Book for Military Intelligence Program.
- (U) Review the realignment of the four General Defense Intelligence Program personnel who were moved into the ~~DIA (b)(5)~~ Military Intelligence Program billets and ensure appropriate action is taken.
- (U) Review employees' billet data, position descriptions, and duties performed to ensure they are aligned and managed in accordance with current funded appropriation Acts and existing policies.
- (U) Develop and implement effective and measurable procedures and processes to determine the appropriate percentage of funding for the mission area and the appropriate percentage for support roles and apply evenly across all Defense Intelligence Agency missions.

(U) Management Comments and Our Response

(U) The Chief, Defense Intelligence Agency Program and Budget Office, concurred with the recommendations. Comments from the Chief, Defense Intelligence Agency Program and Budget Office addressed all specifics of the recommendations, and no further comments are required. Please see the recommendations table on the back of this page.

(U) Recommendations Table

Management	Recommendations Requiring Comment	No additional Comments Required
Director, Defense Intelligence Agency		1,2,3,4,5

(U)

~~SECRET//NOFORN~~



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
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ALEXANDRIA, VIRGINIA 22350-1500

MAY 20 2015

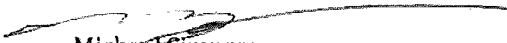
MEMORANDUM FOR UNDER SECRETARY OF DEFENSE FOR INTELLIGENCE
DIRECTOR, DEFENSE INTELLIGENCE AGENCY

SUBJECT: Audit of Hotline Allegations -- Managing Appropriations for Foreign
Counterintelligence Billets (Report No. DODIG-2015-129)

(U) We are providing this report for your information and use. We conducted this audit to address allegations made to the Defense Hotline involving the proper use of funds by the Defense Intelligence Agency for Foreign Counterintelligence Program billets. Two of the allegations in the complaint to the Defense Hotline were substantiated and one was unsubstantiated. We identified that the Defense Intelligence Agency did not ensure proper position management of counterintelligence billets. We conducted this audit in accordance with generally accepted government auditing standards.

(U) We considered management comments on a draft of this report when preparing the final report. Comments from the Defense Intelligence Agency conformed to the requirements of DoD Directive 7650.3; therefore, we do not require additional comments.

(U) We appreciate the courtesies extended to the staff. Please direct questions to me at (703) 690-^{DoDIG}_{(b)(6)} (DSN 490-^{DoDIG}_{(b)(6)}).


Michael Simpson
Assistant Inspector General
Intelligence and Special Program Assessments

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from classified report.~~

(U) Contents

(U) Introduction	1
(U) Objective.....	1
(U) Background	1
(U) Hotline Complaint	1
(U) Counterintelligence Field Activity.....	1
(U) National Intelligence Program Authorities.....	2
(U) Military Intelligence Program Authorities	4
(U) Finding	5
(U) Defense Intelligence Agency's Management of Intelligence Appropriations	5
(U) Position Management	5
(U) Military Intelligence Program Funded Billets Performed Foreign Counterintelligence Program Functions.....	7
(U) Foreign Counterintelligence Program Funded Billets Performed Military Intelligence Program Counterintelligence Functions	8
(U) Foreign Counterintelligence Program Funded Billets Were Not Performing Foreign Counterintelligence Program Functions	9
(U) General Defense Intelligence Program Personnel Moved Before Sequestration Into DIA: (b)(3) DIA: (b)(3) Military Intelligence Program Billets.....	10
(U) Position Descriptions.....	11
(U) Support Roles	12
(U) Undersecretary of Defense (Intelligence) Concerns.....	12
(U) Defense Intelligence Agency Inspector General Report.....	13
(U) Defense Intelligence Agency Chief Financial Officer's Office	14
(U) Conclusion	15
(U) Recommendations, Management Comments, and Our Response.....	15
(U) Appendix A.....	19
(U) Scope and Methodology	19
(U) Use of Computer-Processed Data.....	19
(U) Prior Coverage	20
(U) Appendix B.....	21
(U) Audit Results and Allegations.....	21
(U) Management Comments	23
(U) Acronyms and Abbreviations.....	27

(U) Introduction

(U) Objective

(U) The overall objective was to address the allegations made to the Defense Hotline involving the proper use of funds by the Defense Intelligence Agency (DIA) for Foreign Counterintelligence Program (FCIP) billets¹. Specifically, we determined whether DIA aligned counterintelligence (CI) program billets to proper appropriation authorities. See Appendix A for the scope and methodology related to our objective.

(U) Background

(U) Hotline Complaint

(U) On June 25, 2013, a group of DIA civilian employees filed a Defense Hotline complaint requesting an inquiry into the improper use of FCIP funds and the improper realigning of FCIP employees into Military Intelligence Program (MIP) billets. The complainants stated the billet and funding process had been arbitrary since the August 2008 merger of the Counterintelligence Field Activity (CIFA) and DIA. The complainants further requested an inquiry to determine whether employees assigned to CI duties were properly funded under the National Intelligence Program (NIP).² Based on the results of our audit, two of the allegations in the complaint to the Defense Hotline were substantiated and one was unsubstantiated. Appendix B discusses the allegations and the results of our review in more detail.

(U) Counterintelligence Field Activity

~~(S)~~ DoD Directive 5105.67, "Department of Defense Counterintelligence Field Activity," February 19, 2002, established CIFA as a field organization within DoD. The mission of the CIFA was to develop and manage DoD CI programs and functions that supported the protection of the Department, including CI support to protect DoD personnel, resources, critical information, research and development programs, technology, critical

¹ (U) According to DIA, a billet is a specific manpower space, which is assigned qualifiers that define duties, tasks, and functions to be performed and the specific skills and skill level required to perform the delineated functions. Billets are appropriated for specific missions.

² (U) FCIP is a DoD managed program funded by the NIP.

(S) infrastructure, economic security, and U.S. interests, against foreign influence and manipulation, as well as to detect and neutralize espionage against the DoD.

(S) The Under Secretary of Defense for Intelligence (USD(I)) Action Memorandum to the Secretary of Defense, "Defense Counterintelligence and Human Intelligence Center Implementation Plan," May 3, 2008, and the Directive-Type Memorandum 08-032, "Establishment of the Defense Counterintelligence and Human Intelligence Center," July 22, 2008, disestablished CIFA and transferred the CIFA CI mission, functions, and all associated resources to DIA effective August 3, 2008.

(U) National Intelligence Program Authorities

(U) The Director of National Intelligence (DNI) is responsible for managing appropriations for the NIP. DNI directs fourteen distinct programs under the NIP, including the DoD managed FCIP and the General Defense Intelligence Program (GDIP) programs. The NIP funds all intelligence community programs, projects, and activities that primarily support more than one department or agency, or provide a service of common concern for the entire intelligence community. The NIP funds CI to identify, exploit, or neutralize foreign intelligence activities and international terrorists for counterespionage, and to provide support to force protection, critical infrastructure protection, and research, development, and acquisition protection. DoD NIP funds are executed by each DoD department comptroller in which the NIP funds reside. Departmental comptrollers assist the DNI in ensuring compliance with established guidance.

(U) Foreign Counterintelligence Program

(S//NF) The DoD FCIP:

- (S//NF) conducts strategic DoD CI operations, investigations, collection, and analysis to identify and neutralize threats from terrorist groups and adversarial foreign intelligence security services;
- (S//NF) identifies, mitigates, and counters insider threats;

- ~~(S//NF)~~ engages global targets and exploits intelligence vulnerabilities of China, Iran, North Korea, Russia, Cuba, and the al-Qa'ida network through CI Campaigns;
- ~~(S//NF)~~ provides advanced joint CI training, trains Federal polygraph examiners, and conducts polygraph research and development;
- ~~(S//NF)~~ provides analysis and exploitation of foreign intelligence security services or terrorist-initiated computer intrusions and forensic analysis and cyber CI training in an accredited digital forensic laboratory; and
- ~~(S//NF)~~ supports CI cyber activities to detect, exploit, and counter adversary intelligence collection.

(U) General Defense Intelligence Program

~~(S)~~ The GDIP:

- ~~(S)~~ conducts human intelligence collection through the Defense Attaché System and clandestine operations;
- ~~(S)~~ supports counter-proliferation, treaty monitoring, and counterterrorism operations;
- ~~(S)~~ provides all-source analysis, indications and warning, and produces military capabilities studies, strategic assessments, foreign policy projections, and assessments of foreign weapon systems;
- ~~(S)~~ provides worldwide Secret Compartmentalized Information voice, video, and data connectivity to the DoD Intelligence Information System;
- ~~(S)~~ provides information technology support to the Defense Intelligence Community and the National Intelligence Community; and
- ~~(S)~~ supports the Comprehensive National Cybersecurity Initiative by providing classified network security and situational awareness and strategic all-source analysis of foreign cyber capabilities and threats.

(U) Military Intelligence Program Authorities

(U) The MIP consists of programs, projects, or activities that support the intelligence, counterintelligence, and related intelligence responsibilities of the Secretary of Defense. That includes those intelligence and counterintelligence programs, projects, or activities that provide capabilities to meet warfighters' operational and tactical requirements. The DNI also participates in the development of the DoD MIP. USD(I) serves as the DNI's Director of Defense Intelligence.

(U) Finding

(U) Defense Intelligence Agency's Management of Intelligence Appropriations

(U) DIA aligned CI funded program billets to proper appropriation authorities. However, DIA did not always ensure proper position management of FCIP and CI MIP billets. That occurred because DIA did not:

- (U) ensure position functions were managed in accordance with established policies, and
- (U) establish a measurable method or process to determine what portion of funding should be used for the mission area and what should be used for support roles.

(U) As a result, employees were performing duties not aligned with their position descriptions and funding.

(U) Position Management

(U) Section 3094 of the National Security Act of 1947, title 50, United States Code states that:

(U) appropriated funds available to an intelligence agency may be obligated or expended for an intelligence or intelligence related activity only if those funds were specifically authorized by Congress for use for such activities...in the case of funds specifically authorized by Congress for a different activity, the Director of National Intelligence, the Secretary of Defense, or the Attorney General, as appropriate, has

(U) notified the appropriate congressional committees of the intent to make such funds available for such activity.

(U) DIA aligned CI funded program billets to proper appropriation authorities. However, DIA did not always ensure employee duties aligned with the appropriate funding source in accordance with NIP, "FY 2013 FCIP Congressional Budget Justification," Volume XI, and MIP, "FY 2013 MIP Congressional Justification Book," Volume VI A.

(U//~~FOUO~~) In 2011, the DNI and USD(I) developed guidelines to better define funding responsibilities for NIP and MIP activities. Those guidelines, referred to as the "NIP-MIP Rules of the Road," provided a common framework for a unified intelligence enterprise with seamless, integrated intelligence support. DIA implemented the "NIP-MIP Rules of the Road." ~~OSD/JS (b)(5)~~

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(S//NF) As of February 10, 2014, DIA had 729 FCIP and MIP CI billets (See table).

(S//NF) Table. Counterintelligence Billets

<i>February 10, 2014</i>	<i>Filled</i>	<i>Vacant</i>	<i>Grand Total</i>
FCIP	334	81	415
MIP	268	46	314
Grand Total	602	127	729

(S//NF) We judgmentally sampled 30 individuals for interviews to identify whether their duties supported FCIP or MIP CI. We found that DIA did not ensure that position functions for 8 of the 30 sampled individuals were aligned with the appropriate funding source. The next section gives the results of those interviews and the analyses of how the employee's duties related to their funded FCIP or MIP CI billet.

(U) Military Intelligence Program Funded Billets Performed Foreign Counterintelligence Program Functions

1. (S//NF) An individual in position ~~DIA (b)(3)~~ performed duties that supported FCIP funded activities while assigned to a MIP billet. The employee's office oversees the continued development and sustainment of the ~~DIA (b)(3)~~ ~~DIA (b)(3)~~. Specifically, the office does collection operations in cyberspace that are designed based upon requirements from the Intelligence Community. NIP, "FY 2013 FCIP Congressional Budget

Funding

(S//NF) Justification," Volume XI, provides the funding to conduct cyber CI offensive and defensive activities to counter CI collection directed against DoD and U.S. national security.

2. (S//NF) An individual in position DIA (b)(3) performed duties that supported FCIP funded activities while assigned to a MIP billet. The employee guided and directed team members' analytical efforts through the use of CI analysis, operational coordination, and strategic planning to develop methods to neutralize or exploit hostile capabilities and activities in support of the CI Campaigns. Those activities identified Russian attempts to acquire U.S. emerging technology. NIP, "FY 2013 FCIP Congressional Budget Justification," Volume XI, funds the campaigns to drive CI activities to counter threats to DoD from China, Iran, North Korea, Russia, and the al-Qa'ida network.
3. (S//NF) An individual in position DIA (b)(3) performed duties that supported FCIP activities while assigned to a MIP funded billet. The employee was a member of the DIA (b)(3), which was a DoD CI element that provided analysis and de-confliction of anomalies, and identified and shared CI insider threat trends with DoD Components. NIP, "FY 2013 FCIP Congressional Budget Justification," Volume XI, funds CI activities that support mission activities and support activities to identify CI anomalies indicating foreign knowledge of U.S. national security capabilities, and conduct inquiries to determine unauthorized disclosure and insider involvement.

**(U) Foreign Counterintelligence Program Funded Billets
Performed Military Intelligence Program Counterintelligence
Functions**

(U//FOUO) MIP, "FY 2013 Congressional Justification Book," Volume VI A, funds the subproject of CI Support to Combatant Commands. That subproject provided resources for CI subject matter experts assigned to the Combatant Command to integrate CI

FOUO

(U//~~FOUO~~) capabilities into requirements development, collection planning, and operational processes. Two employees interviewed provided CI support while assigned to Combatant Commands.

4. (S//NF) An individual in position ~~DIA (b)(3)~~ performed MIP funded duties while assigned to a FCIP funded billet. The DIA employee was responsible for the supervision and execution of CI support to DoD operations and intelligence programs, and coordinated those activities with other government agencies. The individual identified state and non-state actors, which impacted Special Operations Forces operations. Further, the duties of this employee are defined in the "NIP-MIP Rules of the Road" as primarily support to military operations."
5. (S//NF) An individual in position ~~DIA (b)(3)~~ performed MIP funded duties while assigned to a FCIP funded billet. The DIA employee was embedded in the U.S. ~~DIA (b)(3)~~. The individual was a CI representative with reach back capabilities to DIA. The employee incorporated functional CI capabilities into the Combatant Commands support plans and integrated a CI relationship into the training exercises. The employee primarily supported military operations and addressed a unique DoD requirement, as defined in the "NIP-MIP Rules of the Road."

(U) Foreign Counterintelligence Program Funded Billets Were Not Performing Foreign Counterintelligence Program Functions

6. (U) An individual in position ~~DIA (b)(3)~~ performed duties that did not support FCIP activities while assigned to a FCIP billet. The employee worked for the ~~DIA (b)(3)~~ ~~DIA (b)(3)~~. The individual stated that they were not a senior CI advisor and that the underlying CI focus in the position description was not correct. The individual's position description did not reflect the actual duties the employee was performing. That individual was a CIFA employee in 2008 when transferred to DIA.

7. (U) An individual in position DIA (b)(3) performed duties that did not support FCIP activities while assigned to a FCIP billet. The employee prepared the DIA Congressional Quarterly Report, which provides DIA leadership, the USD(I), and Congress with extensive insight into DIA's mission execution. According to the employee, less than one percent of the work time was in the CI area. The individual's position description did not reflect the actual duties the employee performed.

8. (U) An individual in position DIA (b)(3) performed duties that did not support FCIP activities while assigned to a FCIP billet. The employee provided desk side support for hardware and software matters for DIA (b)(3) and remote software support across the DIA enterprise. The individual previously provided desk side information technology support for the DIA (b)(3), which was a CI mission funded in the FCIP Congressional Budget Justification.

(U) General Defense Intelligence Program Personnel Moved Before Sequestration Into DIA (b)(3) Military Intelligence Program Billets

(U) During the course of our interviews, we identified four DIA personnel who were improperly aligned into DIA (b)(3) MIP billets. DIA Directorate of Operations leadership directed the move of personnel from the following positions funded by the GDIP into

DIA (b)(3) MIP positions:

1. (U) DIA (b)(3)
2. (U) DIA (b)(3)
3. (U) DIA (b)(3)
4. (U) DIA (b)(3)

(U) Those personnel were Directorate of Operations employees, who were not in DIA (b)(3) supervisory chain. The moves occurred on April 7, 2013. Three employees subsequently returned to the GDIP position they held before April 7, 2013. One of the employees returned to their GDIP position on July 28, 2013, and the remaining two

(U) employees returned to their GDIP positions on August 11, 2013. Those three positions were not occupied during the interim.

(U) Sequestration furloughs began on July 8, 2013, and were implemented at the rate of one day per week. Chief Financial Officer (CFO) officials confirmed that the alignments occurred before the MIP furlough and the employees were subject to the MIP furlough. Those officials stated that they will review the realignment and take corrective action, recommending that two of the individuals be paid for the time furloughed. DIA issued back pay to one employee before the end of fiscal year. CFO personnel believed that one of the four employees was properly aligned, as the job responsibilities aligned to that of the MIP.

(U) Position Descriptions

(U) During the audit, we analyzed the differences between the employee's current position description and duties identified in the interviews. DIA Instruction 1400.008, "Employment and Placement," June 8, 2012, sets forth policies, responsibilities, and requirements for the management of civilian positions. The Instruction states that supervisors and managers are responsible for position management and the organization of work for their element. Eight of the sampled DIA personnel occupied billets whose position descriptions did not accurately represent the duties the individuals performed.

(U) DIA Instruction 1400.008, Section 28.6, stated that all civilian positions must be supported by position descriptions which provide a clear and concise overview of position responsibilities and level of supervision required. Additionally, overlapping and duplicative duties not directly related to mission requirements as well as unnecessary and insufficient or unclear delegations of authority will be avoided. However, the performance objectives of seven of those eight individuals did not match their position description. The following positions were identified as having an inaccurate position description compared to the duties the individual performed:

Mapping

1. (U) ~~DIA (b)(3)~~
2. (U) ~~DIA (b)(3)~~
3. (U) ~~DIA (b)(3)~~
4. (U) ~~DIA (b)(3)~~
5. (U) ~~DIA (b)(3)~~
6. (U) ~~DIA (b)(3)~~
7. (U) ~~DIA (b)(3)~~
8. (U) ~~DIA (b)(3)~~

(U) DIA needs to do a review of employees' billet data, position description, and duties performed to ensure they are in alignment and managed in accordance with current funded appropriation acts and existing policies.

(U) Support Roles

(U) DIA did not establish a measurable method or process to determine what portion of funding should be used for the mission area and what should be used for support roles.

(U) Undersecretary of Defense (Intelligence) Concerns

(U) ~~OSD/JS (b)(5)~~

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Directive-Type

(U) Memorandum 08-032, "Establishment of the Defense Counterintelligence and Human Intelligence Center," July 22, 2008, transferred the CIFA mission, function, and resources to DIA to allow the integration and realization of synergies in areas of functional overlap and to improve operations through consolidated enterprise support functions.

(U) Defense Intelligence Agency Inspector General Report

(U//~~FOUO~~) In July 2011, DIA's Inspector General (DIA IG) issued DIA IG Report No. S-11-0274/IG, "Counterintelligence Resource Integration Assessment Final Report," Project 2011-200006, detailing an assessment of the DIA's integration of the DoD CIFA billets and fiscal resources into the Defense Counterintelligence and Human Intelligence Center. One of the objectives of the assessment was to determine whether integrated billets and fiscal resources were applied to provide dedicated support to CI functions. The assessment found that the compressed timeline of the integration precluded the opportunity to conduct a manpower study to determine the most effective distribution of manpower resources. Former CIFA CI billets were integrated into DIA and were performing CI-specific functions. Former CIFA non-CI billets were merged into DIA support directorates and special offices that performed the same or similar functions to include: IT management, fiscal and manpower resource management, security, human capital management, contracting services, congressional and public affairs, general counsel support, and inspector general activities. However, DIA IG could not discern precise separation of CI and non-CI fiscal resource expenditures for common enterprise support services.

(U//~~FOUO~~) Under the DIA enterprise management construct, the CI mission and functions absorbed by DIA were supported at the same level as other enterprise missions and functions. DIA IG did not identify in the report an established method or process that DIA used to determine what the right mix of support positions would be required to support the CI organization mission. The assessment found that further clarity on the level of support to CI exclusively, as a result of FCIP and MIP expenditures by the support elements, would require a financial audit. The report stated that a deliberate approach to the disposition of those billets, to include careful consideration

Pending

(U//~~FOUO~~) of industry and institutional standards for support to operations ratios, may help to determine whether DIA's enterprise support structure was adequately and effectively resourced to provide quality and timely support, and to what extent support resources in the Office of the Chief Financial Executive reserve could be reinvested into CI operations.

(U//~~FOUO~~) DIA IG made two recommendations. The first recommended the Office of the Chief of Staff establish and chair a working group to conduct a manpower study of CIFA billets in the Financial Executive reserve, and realign the billets as necessary to provide optimal support to enterprise operations. The second recommended the Financial Executive collaborate with USD(I) and the Office of the Director of National Intelligence to re-assess options for the programmatic structure of FCIP and GDIP, and develop a plan to incorporate FCIP/CI MIP builds into GDIP/DIA MIP processes. DIA's management concurred with DIA-IG recommendations, and DIA-IG closed out the recommendations.

(U) Defense Intelligence Agency Chief Financial Officer's Office

(U) A DIA CFO official explained that DIA continued to use the personnel distribution rates CIFA had in place at the time of the merger to determine the amount of support positions (human resources; finance, and information technology support) needed to support CI mission areas. During the initial transfer of CIFA billets, both FCIP and CI MIP billets were placed into DIA in the exact same mission and support functions from which they were aligned in the former CIFA. After the initial transfer was completed, a study was commissioned to determine whether the alignment of the former CIFA billets in the mission and support areas should be adjusted. Adjustments were made as a result of that study. However, the DIA CFO could not provide a method or process to support how those adjustments were made. The DIA CFO needs to develop and implement a measurable method or process to determine what portion of funding should be used for the mission area and what should be used for support roles.

(U) Conclusion

~~(S//NF)~~ The NIP CI mission is to identify, exploit, or neutralize foreign intelligence activities and international terrorists for counter-espionage, and to provide CI support to force protection, critical infrastructure protection, and research, development and acquisition protection. The MIP CI mission supports the Service operating forces for battlefield threat information and CI support to Force Protection Detachments. The duties, activities, and personnel billets we reviewed were targeted to fulfill those strategic and operational level requirements.

(U) DIA's management of FCIP and MIP CI positions resulted in employees performing duties not aligned with their position descriptions and/or funding. DIA also improperly aligned three individuals into MIP CI billets prior to the DoD furlough. Employees were found to occupy billets where their position description did not accurately depict the duties the individuals performed. In addition, there were some instances where employees' performance objectives did not match their position description. As a result, those employees were erroneously subjected to the DoD furlough.

(U) Recommendations, Management Comments, and Our Response

(U) We recommend that the Director, Defense Intelligence Agency:

(U) Recommendation 1

(U) Evaluate and align all Foreign Counterintelligence Program and position functions to ensure that they are contributing to the Foreign Counterintelligence Program mission in accordance with the Congressional Budget Justification for Foreign Counterintelligence Program.

(U) Defense Intelligence Agency Comments

(U) The Chief, Defense Intelligence Agency Program and Budget Office concurred with the recommendation. He stated that the evaluation and alignment of all

(U) counterintelligence billets and functions, both NIP and MIP, were completed annually during budget development. He stated that the Defense Intelligence Agency Program and Budget Office would coordinate the addition of content to the DIA supervisor's course, Frontline, that emphasizes the proper utilization of the workforce.

(U) Our Response

(U) Comments from the Chief, Defense Intelligence Agency Program and Budget Office addressed all specifics of the recommendation, and no further comments are required.

(U) Recommendation 2

(U) Evaluate and align all Military Intelligence Program Counterintelligence billets and position functions to ensure that they are contributing to the Military Intelligence Program Counterintelligence billets mission in accordance with the Congressional Justification Book for Military Intelligence Program.

(U) Defense Intelligence Agency Comments

(U) The Chief, Defense Intelligence Agency Program and Budget Office concurred with the recommendation. He stated that the evaluation and alignment of all counterintelligence billets and functions, both NIP and MIP, were completed annually during budget development. He stated that the Defense Intelligence Agency Program and Budget Office would coordinate the addition of content to the DIA supervisor's course, Frontline, that emphasizes the proper utilization of the workforce.

(U) Our Response

(U) Comments from the Chief, Defense Intelligence Agency Program and Budget Office addressed all specifics of the recommendation, and no further comments are required.

(U) Recommendation 3

(U) Review the realignment of the four General Defense Intelligence Program personnel moved into the ^{DIA (b)(3)} Military Intelligence Program billets and ensure appropriate action is taken.

(U) Defense Intelligence Agency Comments

(U) The Chief, Defense Intelligence Agency Program and Budget Office concurred with the recommendation. He stated that of the four employees cited in the report, the Defense Intelligence Agency Program and Budget Office already enacted corrective action for one of the employees and were in the process of taking corrective action for two other employees. He anticipated the action to be completed no later than August 31, 2015. He stated that the final employee was realigned before furlough actions took effect.

(U) Our Response

(U) Comments from the Chief, Defense Intelligence Agency Program and Budget Office addressed all specifics of the recommendation, and no further comments are required.

(U) Recommendation 4

(U) Review employees' billet data, position description, and duties performed to ensure they are in alignment and managed in accordance with current funded appropriation Acts and existing policies.

(U) Defense Intelligence Agency Comments

(U) The Chief, Defense Intelligence Agency Program and Budget Office concurred with the recommendation, but requested the recommendation be updated to say "billet data" rather than "billet description." He stated that the billet information contained in the database did not necessarily contain a narrative field and that "data" would more accurately reflect the format. He stated that DIA's Office of Human Resources (OHR) and Office of the Chief Financial Officer (CFO) would collaborate to ensure supervisors performed a review of the billet data and position descriptions to ensure proper alignment. This task is scheduled to be completed no later than December 31, 2015. Again, he stated that the Defense Intelligence Agency Program and Budget Office would work to emphasize supervisor's roles in position management in the Frontline course.

(U) Our Response

(U) Comments from the Chief, Defense Intelligence Agency Program and Budget Office addressed all specifics of the recommendation, and no further comments are required.

(U) Recommendation 5

(U) Develop and implement effective and measurable procedures and processes to determine the appropriate percentage of funding for the mission area and the appropriate percentage for support roles and apply evenly across all Defense Intelligence Agency missions.

(U) Defense Intelligence Agency Comments

(U) The Chief, Defense Intelligence Agency Program and Budget Office concurred with the recommendation. He stated that the DIA Director had recently directed an agency-wide troop-to-task review of our structure and mission alignment, which would encompass a review of billet alignment and mission versus support roles. He stated that the components and methodology to conduct the review were being developed and proposed timelines were not yet known. However, he stated that he believed this effort would comply with the recommendation.

(U) Our Response

(U) Comments from the Chief, Defense Intelligence Agency Program and Budget Office addressed all specifics of the recommendation, and no further comments are required.

(U) Appendix A

(U) Scope and Methodology

(U) We conducted this performance audit in response to a complaint made to the Defense Hotline on June 25, 2013. This audit was performed from December 2013 through January 2015, in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

(U) We interviewed civilian personnel at the ODNI, USD(I), and DIA to identify how the FCIP positions were managed and billets assigned. We reviewed laws, the Congressional Budget Justification Book, the Congressional Justification Book, DoD and DNI policies for oversight and management of the FCIP. We assessed oversight by means of document reviews, data extracts, interviews, and information analyses. In addition, we obtained a listing of personnel in CI billets that identified their position, organization, component, position series, job code, employee location, billet location, current employee name, and filled or vacant, and position program. We judgmentally selected and interviewed 30 individuals in DIA CI billets as of February 10, 2014, to identify whether their duties supported foreign CI or military CI.

(U) Use of Computer-Processed Data

(U) We received computer-processed data from the DIA CFO office. This data was retrieved from the Oracle PeopleSoft resources system (eZHR) to determine personnel transaction processing for government civilian employees. However, we did not rely on the Oracle PeopleSoft resources system (eZHR) as primary support for our conclusions. Therefore, we did not evaluate the sufficiency or reliability of the data within those systems. We verified the employee data by comparing the information from those systems to supporting documentation provided by the ^{DIA}_{(b)(3)}. We verified position

(U) number, current employee name, and position program using those documents. Therefore, the documentation from DIA's eZHR System was complete and sufficiently reliable for the purpose of verifying employee position data for our analysis and to support the findings and conclusions in this report.

(U) Prior Coverage

(U) During the last 5 years, the DIA IG issued a report discussing CI funding:

(U) DIA IG

(U) DIA IG Report No. S-11-0274/IG, "Counterintelligence Resource Integration Assessment Final Report, Project 2011-200006-HQ"

(U) Appendix B

(U) Audit Results and Allegations

(U) On June 25, 2013, a group of civilian employees from the DIA filed a Defense Hotline complaint requesting an inquiry into the improper use of FCIP funds and the improper realigning of FCIP employees into MIP billets. The employees stated that the process of assigning billets and funding was arbitrary since the 2008 merger of the CIFA and DIA. The complaint further requested an inquiry to determine whether employees assigned to CI duties were properly funded by appropriations under the NIP. Two of the allegations were substantiated and one was unsubstantiated.

(U) Allegation 1. Personnel in MIP positions are actually working FCIP duties.

~~(S//NF)~~ **Substantiated.** We identified three individuals who were in MIP positions that were working FCIP duties. See the Finding for a discussion of the issues identified.

(U) Allegation 2. The process of assigning billets to funding lines has been arbitrary.

(U) Unsubstantiated. We determined that DIA aligned CI funded program billets to proper appropriation authorities. However, DIA did not always ensure employee duties aligned with the appropriate funding source. DIA's management of FCIP and MIP CI positions resulted in employees performing duties not aligned with their position descriptions and funding. Employees were found to occupy billets where their position description did not accurately depict the duties the individuals performed.

(U) Allegation 3. DIA leadership did not keep the CI program intact but rather allowed many of the FCIP billets to be used randomly throughout the agency by personnel not working any CI-related activities. They also placed many CI personnel improperly into MIP billets.

(U) Substantiated. DIA did not establish a measurable method or process to determine what portion of funding should be used for the mission area and what should be used for support roles. DIA continued to use the personnel distribution rates CIFA had in place at the time of merger to determine the amount of support positions (human

(U) resources, finance, and information technology support) needed to support CI mission areas. During the initial transfer of CIFA billets, both FCIP and CI MIP were placed in DIA in the same mission and support functions in which they were aligned in the former CIFA. After the initial transfer was completed, a study was commissioned to determine if the alignment of the former CIFA billets in the mission and support areas should be adjusted. Adjustments were made as a result of that study. However, the DIA CFO could not provide a method or process to support how those adjustments were made.

(U) Management Comments

(U) Defense Intelligence Agency Comments

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DEFENSE INTELLIGENCE AGENCY

8-15-013CFO

May 4, 2015

(U) Audit of Hotline Allegations - Managing Appropriations for Foreign Counterintelligence Billets

(U) This responds to the Department of Defense (DoD) Office of Inspector General (OIG) request for input on the Draft Report of a Proposed Report on Audit of Hotline Allegations - Managing Appropriations for Foreign Counterintelligence Billets (Project No. D2014-DIXT02-0083.000).

(U) Thank you for the opportunity to review and provide comments to your report. The Defense Intelligence Agency (DIA) reviewed the draft document and provides our general comments in this memorandum as well as an updated DoD IG Comments Matrix (enclosure 1) to show how previous comments were adjudicated in the current discussion draft.

(U) Recommendations 1 and 2: DIA concurs with the recommendations. The evaluation and alignment of all counterintelligence billets and functions, both NIP and MIP, are completed annually during our budget development. As a result of the FY14 Congressionally mandated FCIP merger with General Defense Intelligence Program (GDIP) this process received increased scrutiny throughout the transition which was completed at the start of FY15. Going forward, we will coordinate the addition of content to the DIA supervisor's course, *Frontline*, that emphasizes the proper utilization of our workforce.

(U) Recommendation 3: DIA concurs with the recommendation. Of the four employees cited in the report, we have already enacted corrective action for one of the employees and are in the process of taking corrective action for two other employees. We anticipate that this action will be completed no later than 31 August 2015. The final employee on billet 16120 was realigned before furlough actions took effect.

(U) Recommendation 4: DIA concurs with the recommendation, but requests the recommendation be updated to say "billet data" rather than "billet description." The specific billet information is contained in a database that does not necessarily contain a narrative field; "data" would more accurately reflect the format. DIA's Office of Human Resources (OHR) and Office of the Chief Financial Officer (CFO) will collaborate to ensure supervisors perform a review of the billet data and position descriptions to ensure proper alignment. This task is scheduled to be completed no later than 31 December 2015. Again, we will work to emphasize supervisor's roles in position management in the *Frontline* course.

(U) Recommendation 5: DIA concurs with the recommendation. Independent of this report, the DIA Director has recently directed an agency-wide troop to task review of our structure and mission alignment, which will encompass a review of billet alignment and mission versus

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Declassify on: ~~SECRET//NOFORN~~

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(U) Management Comments

(U) Defense Intelligence Agency Comments

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support roles. The components and methodology to conduct this review are just now being developed and proposed timelines are not yet known, however, believe we will be able to leverage this effort to comply with your recommendation.

(U) Again, thank you for considering the DIA comments as you finalize the report on Atsdt of Hotline Allegations - Managing Appropriations for Foreign Counterintelligence Billets. We appreciate the opportunity to provide comments that will help ensure factual accuracy. DIA will continue to review and evaluate our compliance with the recommendations provided to ensure DIA is using funds in accordance with their intended purpose. If you have any additional questions on comments provided herein or on procedures we follow, please contact my POC listed below.

DIA (b)(3)

Chief, DIA Program and Budget Office

1 Enclosures:

1. (U) DoD IG Comments Matrix, May 4, 2015, (Document is ~~SECRET//NOFORN~~), 1 cy

cc: DIA OHR

(U) Prepared by: ~~SECRET//NOFORN~~ DIA Program and Budget Office, Force Structure Division,
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(U) Management Comments

(U) Defense Intelligence Agency Comments

Comments	Program #	Page #	DOC ID	Response	Exec Sum	Doc ID
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(U) Management Comments

(U) Defense Intelligence Agency Comments

Comment #	Page #	Page #	Program #	Program Title	Comments	Response	Status
					<p>Comments:</p> <p>The following comments were received from the program manager, [redacted], on [redacted] 2006:</p> <p>[redacted]</p>		

Page 1 of 1

Date of Report: 10/06/2006

(U) Acronyms and Abbreviations

- CFO Chief Financial Officer
- CI Counterintelligence
- CIFA Counterintelligence Field Activity
- DIA Defense Intelligence Agency
- DIA IG Defense Intelligence Agency Inspector General
- DNI Director of National Intelligence
- FCIP Foreign Counterintelligence Program
- GDIP General Defense Intelligence Program
- MIP Military Intelligence Program
- NIP National Intelligence Program
- DIA: (b)(3)
- USD(I) Undersecretary of Defense for Intelligence

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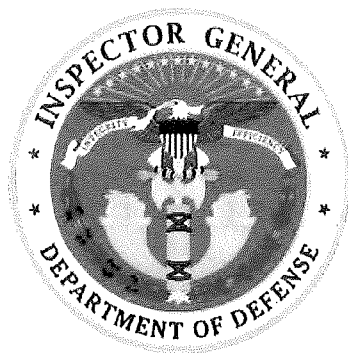
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