



**United States Department of State
and the Broadcasting Board of Governors
Office of Inspector General**

Office of Inspections

**Inspection of
Bureau of Diplomatic Security,
Office of
Investigations and Counterintelligence,
Counterintelligence Division**

Report Number ISP-I-11-68, September 2011

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Office of Inspector General

PURPOSE, SCOPE, AND METHODOLOGY OF THE INSPECTION

This inspection was conducted in accordance with the Quality Standards for Inspection and Evaluation, as issued in 2011 by the Council of Inspectors General on Integrity and Efficiency, and the Inspector's Handbook, as issued by the Office of Inspector General (OIG) for the U.S. Department of State (Department) and the Broadcasting Board of Governors (BBG).

PURPOSE AND SCOPE

The Office of Inspections provides the Secretary of State, the Chairman of the BBG, and Congress with systematic and independent evaluations of the operations of the Department and the BBG. Inspections cover three broad areas, consistent with Section 209 of the Foreign Service Act of 1980:

- **Policy Implementation:** whether policy goals and objectives are being effectively achieved; whether U.S. interests are being accurately and effectively represented; and whether all elements of an office or mission are being adequately coordinated.
- **Resource Management:** whether resources are being used and managed with maximum efficiency, effectiveness, and economy and whether financial transactions and accounts are properly conducted, maintained, and reported.
- **Management Controls:** whether the administration of activities and operations meets the requirements of applicable laws and regulations; whether internal management controls have been instituted to ensure quality of performance and reduce the likelihood of mismanagement; whether instance of fraud, waste, or abuse exist; and whether adequate steps for detection, correction, and prevention have been taken.

METHODOLOGY

In conducting this inspection, the inspectors: reviewed pertinent records; as appropriate, circulated, reviewed, and compiled the results of survey instruments; conducted on-site interviews; and reviewed the substance of the report and its findings and recommendations with offices, individuals, organizations, and activities affected by this review.



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PREFACE

This report was prepared by the Office of Inspector General (OIG) pursuant to the Inspector General Act of 1978, as amended, and Section 209 of the Foreign Service Act of 1980, as amended. It is one of a series of audit, inspection, investigative, and special reports prepared by OIG periodically as part of its responsibility to promote effective management, accountability, and positive change in the Department of State and the Broadcasting Board of Governors.

This report is the result of an assessment of the strengths and weaknesses of the office, post, or function under review. It is based on interviews with employees and officials of relevant agencies and institutions, direct observation, and a review of applicable documents.

The recommendations therein have been developed on the basis of the best knowledge available to the OIG and, as appropriate, have been discussed in draft with those responsible for implementation. It is my hope that these recommendations will result in more effective, efficient, and/or economical operations.

I express my appreciation to all of those who contributed to the preparation of this report.

A handwritten signature in black ink, appearing to read "H. W. Geisel". The signature is fluid and cursive, with a large loop at the end.

Harold W. Geisel
Deputy Inspector General

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Key Judgments

- The Bureau of Diplomatic Security, Office of Investigations and Counterintelligence, Counterintelligence Division (CI division) is performing well, despite a continuing turnover in its leadership. The division chief position needs to be a 3-year assignment to provide stable leadership.
- The current counterintelligence review criteria has worked well for personnel assigned to countries specified as being at critical risk of human intelligence threat. Nonetheless, in a changing international environment, the Bureau of Diplomatic Security (DS) needs to undertake a structured policy review to better reflect the current realities and new assignment challenges facing the Department.
- With the proposed creation of a consolidated vetting unit and the transfer to this unit of the CI division's vetting responsibilities, DS needs to address the CI division's residual role in the vetting process, as well as the impact of the consolidated vetting unit on the CI division's organizational structure.
- The investigations branch is well staffed, after years of high turnover and vacancy rates. Special agents are assigned to positions at least one level above their grade, and most do not have counterintelligence experience. While the agents are motivated and eager to learn about counterintelligence, they would benefit from a structured training program.
- The analytical support branch runs efficiently and enjoys a strong reputation in the intelligence community for its analytical products. Better communication within the branch and adoption of standard operating procedures could further improve performance.
- The polygraph unit has expanded, as the result of a preemployment vetting program for foreign nationals at embassies with critical human intelligence threat environments. This program is essentially a waiver to published Department policy on the use of polygraphs. The *Foreign Affairs Manual* (FAM) section concerning authorized uses of polygraphs is almost 20 years old and should be updated to reflect current policy.

The inspection took place in Washington, DC, between July 11 and 29, 2011.

(b) (6)

Context

The CI division functions as a unit in the DS Directorate of Domestic Operations, within the directorate's Office of Investigations and Counterintelligence (DS/ICI). The CI division's mission is to conduct counterintelligence inquiries and counterespionage investigations, in close coordination with other government agencies. It actively participates in major espionage cases, including most recently the exposure and arrest of long-time Cuban agent, Walter Kendall Myers. The CI division represents DS in interagency counterintelligence, analytical, and training and briefing activities. It is also currently responsible for the Department's polygraph unit and its personnel.

The CI division has three branches:

- The policy and special projects branch develops, coordinates, and evaluates Department counterintelligence policies and regulations. It conducts counterintelligence security screening and evaluation of all personnel assigned to countries ranked as a critical human intelligence threat on the Security Environment Threat List, and also reviews other cases referred to the policy and special projects branch for counterintelligence issues. The branch's other functions include training and briefings, special projects, and management support.
- The investigations branch conducts counterintelligence and counterespionage investigations in the Department. Counterespionage investigations are conducted in close coordination with the Federal Bureau of Investigation (FBI), which has jurisdiction over crimes involving threats to national security. Of particular note is the CI division's role and leadership in establishing and operating counterespionage programs to protect sensitive Department construction projects abroad in hostile intelligence environments.
- The analysis support branch prepares the human intelligence threat level portion of the Security Environment Threat List. It prepares and disseminates threat assessments, briefing papers, and counterintelligence analytical products for senior DS and Department officers and the broader intelligence community. It also represents the Department in coordination with the Bureau of Intelligence and Research (INR) in intelligence interagency issues.

The CI division's staffing complement is 64, which includes 17 special agents, 15 Civil Service staff members, 9 personal services contractors, and 21 third-party contract employees. Staffing also includes two liaison officers from the FBI and the Naval Criminal Investigative Service. Funding received for FY 2011 was \$9.4 million, including \$7.4 million used to fund contracts.

Executive Direction

The CI division has had a rapid succession of division chiefs and acting chiefs—as many as 12 in the last decade. Despite the leadership flux, the division has performed in a solid, skilled fashion. In inspection interviews, CI division staff identified the leadership turnover as a major factor affecting (b) (5) performance.

The current chief has been in the job for 1 year and does not have a background in counterintelligence, but according to his staff, he has given the CI division a direction, coherence, and stability that have been absent in the wake of the constant changes over the years. In personal questionnaires and in discussions with the inspectors, the CI division staff gave the chief high marks. Members of the DS hierarchy, at all levels, are uniform in their praise for his leadership and the job he has done in his first year. His interlocutors in other DS offices also speak highly of their dealings with him.

Notwithstanding the work of the current division chief in providing good leadership, he will move on in less than a year. He is a DS special agent slated for overseas duty, and inevitably his 2-year tour will be shortened to encompass training for his new assignment—possibly including language training, which could mean an early departure of 2 or more months. With the CI division's history of early and at times precipitous transfers, it is important that DS promptly address the need to provide stable, experienced division leadership, ending the cycle of constantly replacing division chiefs. The OIG team is particularly concerned, given that the division needs specialized counterintelligence skill sets. Its situation is in stark contrast to other agencies in the counterintelligence community, whose senior personnel are long experienced in the area.

Recommendation 1: The Bureau of Diplomatic Security, in coordination with the Bureau of Human Resources, should extend the length of tour of duty for the counterintelligence division chief (S7550800) from 2 years to 3 years. (Action: DS, in coordination with DGHR)

Role in Interagency Counterintelligence

Although INR is the Department's primary representative to the intelligence community, DS and the CI division have active supporting roles on counterintelligence issues. The CI division chief provides backup to the DS assistant director for domestic operations; to INR on two national counterintelligence executive committees; to the National Counter Intelligence Policy Board; and to the National Counter Intelligence Operations Board, a board on which the division chief often represents the Department. Interactions between the CI division and its INR and other agency peers are good and generally constructive.

Program Implementation

Policy and Special Projects Branch

The policy and special projects branch's major function is to manage the "pass through" process for personnel assigned to critical human intelligence threat posts.

The Pass Through Process

With policy and special projects branch as the action office, the CI division has FAM-mandated responsibility to review all proposed assignments to all critical human intelligence threat posts (12 FAM 263.3-2 b.). That process, labeled "pass through," entails the Bureau of Human Resources (HR) submitting each individual, proposed assignment to DS for a counterintelligence suitability review. The 13 criteria for this review are spelled out in 12 FAM 263.3-2.¹ If the CI division raises an objection to the assignment, it prepares and submits a memorandum to the director of the Diplomatic Security Service (DSS). If the DSS director agrees, he informs the HR Office of Career Development and Assignments of the DS recommendation not to proceed with the assignment. If an assignment is blocked, the person involved has the right to appeal directly to the Director General (DGHR), who may either accept the DS objection or reject it and proceed to make the assignment in question.

The overwhelming numbers of assignments to critical human intelligence threat posts are promptly approved. On occasion, the counterintelligence suitability review may entail extended investigation and some subsequent resistance from the affected DS or other Department office. According to the CI division, 433 assignments for 2011 were reviewed through July 2011, and DS objected to only two. In 2010, out of 700 assignment reviews, DS objected to only three. For its part, HR usually accepts the DS recommendation and cancels the few assignments in question. It is only when a rejected officer appeals to the Director General that HR gets involved again. The practice has been for the Director General to defer to DS. The pass through objections, and subsequent discussions with DGHR about DS objections, are characterized by thorough and intense review at the senior level in both bureaus.

New Challenges

As evidenced by the very low rate of DS objections, the pass through process has not had an impact on the orderly assignment of personnel to critical human intelligence threat posts. However, as international alliances shift, social mores change, and the Department's hiring policies reflect new realities and service needs, it is time for DS to commence a structured review of its current counterintelligence policies and criteria as they apply to the Foreign Service assignment process. Over the past decades, the CI division has embarked on periodic updates of the 12 FAM 263.3-2 criteria. It also has responded on an ad hoc basis to the growing number of new variants challenging its counterintelligence review specialists—including the Department's efforts to hire people with language and skills relating to countries in which their family ties or

¹ See Appendix for the criteria list.

education/work experiences might bar them from using their skills. Also, the number of marriages to nationals of these critical threat countries is increasing.

The current pass through process has worked, but the CI division is viewing it as increasingly unwieldy. DS has used a number of risk management and mitigation tactics to ease the complications of applying the existing criteria. However, DS maintains that certain factors, particularly foreign influence and family relationships, still expose U.S. Government personnel to dangerous pressure or exploitation from hostile foreign intelligence services. For its part, HR sees itself grappling with serious assignment issues emanating from the growingly diverse service and the demands for language competent entrants. The Bureau of Consular Affairs, in conjunction with HR, has developed a pilot project to hire proficient language speakers to work in specific consular sections abroad, including in critical threat countries. The two bureaus are grappling with DS about how to manage the likely inclusion of entrants with ties to a critical threat country. In addition, there are occasional, and at times emotional, pleas from regional bureaus and/or the officers involved, regarding DS objections to individual assignments to key embassies.

In view of these considerations, DS should undertake a thorough, structured review of the counterintelligence pass through process, the 13 criteria embodied in 12 FAM 263.3-2, and current and potential risk mitigation strategies, including limited use of polygraph examinations. The purpose would be to provide an updated template for handling both pass through and other cases referred to the CI division.

Recommendation 2: The Bureau of Diplomatic Security should review and update its current pass through procedures and policies, seeking the Director General's input on current assignment policies and problems. (Action: DS, in coordination with DGHR)

The CI division's analysis support branch does not prepare an annual, critical human intelligence threat post matrix describing country-specific threat levels. The matrix would be briefed to DGHR and other senior HR officers. The matrix/briefing would provide the basis for a common understanding in both bureaus on the basic threat considerations underlying DS pass through recommendations.

Recommendation 3: The Bureau of Diplomatic Security should prepare an annual, critical human intelligence threat post matrix for briefing the Director General. (Action: DS)

Using the same counterintelligence criteria as for pass through, the CI division also conducts counterintelligence reviews of case referrals from the DS Office of Personnel Security and Suitability, as well as referrals for special projects – for example, contractors working on sensitive overseas projects. Similarly, another important category involves assignment restrictions for individual employees (barring assignment to specific countries); other DS offices handle these cases, but the CI division conducts the counterintelligence review. At the time of this report, there were 1,272 standing assignment restrictions in place on Department personnel, family members, and contractors.

Proposed Consolidated Vetting Unit

On April 26, 2011, the DSS director approved creation of the counterintelligence and counterterrorism vetting unit (CCV) within DS/ICI. The unit will consolidate vetting activities currently conducted by three separate DS offices, including the CI division. The CCV also will incorporate the polygraph program unit that is now in the CI division. The Department has approved funding for the CCV, identified office space, and approved three FS-2501 special agent positions and one GS-14 position. The new unit is expected to be operational in FY 2012.

Under the projected consolidation, the CI division would lose what has been a significantly time-demanding activity that has absorbed much of the division's energies. While supportive of the consolidation decision, the OIG team is concerned that, in the current CCV organizational chart and accompanying narrative, there is no explicitly defined role for the CI division in the vetting process. The CI division has the best grasp of the situation in the critical human intelligence threat countries and the most focused and experienced analytical support staff on counterintelligence matters. An appropriate role for the CI division could be preserved by formally inserting the division as the initial reviewing authority on those few cases in which CCV identifies issues for DS senior-level decisions, objecting to or recommending against assignments. Giving the CI division this role would leave the consolidated vetting process intact, while assuring that counterintelligence expertise is brought to bear on those cases involving senior decision makers.

Recommendation 4: The Bureau of Diplomatic Security should assign the counterintelligence division an explicit role in the review of vetting issues demanding senior-level Bureau of Diplomatic Security action. (Action: DS)

The CI division's loss of its polygraph unit will have only a minor impact on the division and poses no policy or program issues. However, the transfer to CCV of its current vetting responsibilities will force a major, internal reorganization and attendant personnel shifts, hitting hard at the CI division's 14-person policy and special projects branch. The counterintelligence vetting process is the branch's major activity, with one GS-13 position and four contractor positions devoted to counterintelligence-related vetting. When the vetting function is transferred, all these slots will be eliminated.

The truncated policy and special projects branch will consist of only the branch chief, the CI division financial manager, the security assistant receptionist, a three-contractor training/briefing unit, and a CI division senior advisor (formally designated as a counterintelligence specialist). One special agent currently assigned to the policy and special projects branch primarily works on issues related to setting up the new counterintelligence and counterterrorism vetting unit, and also has limited oversight of the polygraph unit. This work will end when CCV has been established and the polygraph unit is transferred over to it.

Recommendation 5: The Bureau of Diplomatic Security, in coordination with the Bureau of Human Resources, should abolish the special agent position (S6687606) in the counterintelligence division's policy and special projects branch when the polygraph unit is transferred to the counterintelligence and counterterrorism vetting unit. (Action: DS, in coordination with DGHR)

More broadly, the CI division has not identified and addressed the organizational challenges it will face with the loss of its vetting function. The OIG team informally discussed with the CI division chief possible organizational options. It will be difficult to justify preserving the policy and special projects branch after that unit loses its primary function and so many staff.

Recommendation 6: The Bureau of Diplomatic Security should require the counterintelligence division to prepare and implement a plan addressing the major organizational changes that will result from transferring its counterintelligence vetting function to the counterintelligence and counterterrorism vetting unit. (Action: DS)

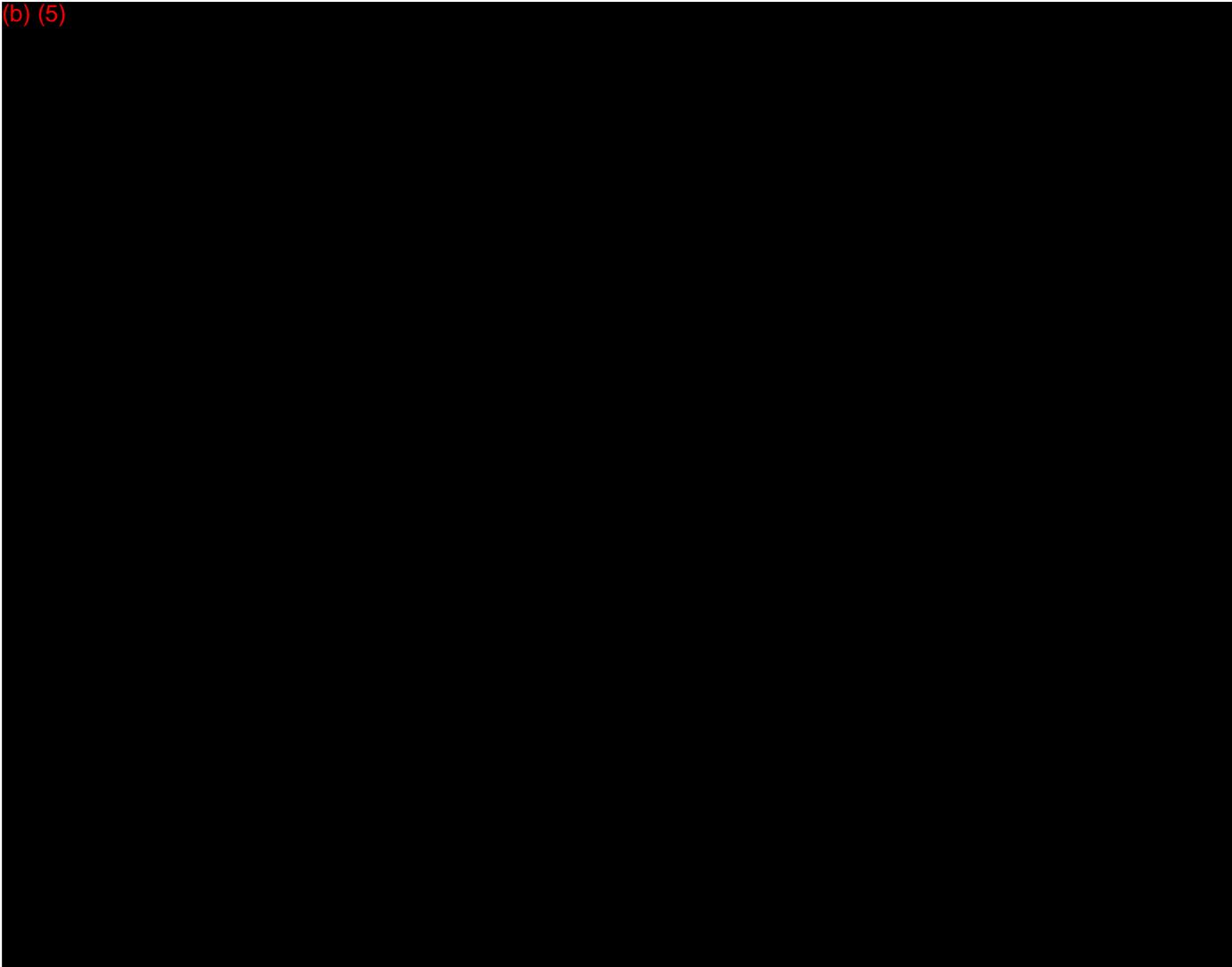
Investigations Branch

The investigations branch performs well and is reaching its full, authorized strength. Personal questionnaires indicate a high level of office morale, as well as respect for the division leadership. Despite being inexperienced in counterintelligence, DS special agents receive praise from their FBI and Naval Criminal Investigations Service liaison contacts. The continuity within the branch is provided by the three very experienced Civil Service-1811 series special agents. The current acting branch chief has over 20 years of experience in counterintelligence.

The branch is considered the backbone of the CI division and is authorized 22 special agents² in both the Civil Service-1811 and Foreign Service-2501 career series. Nine Civil Service, GS-7s, and third-party contract investigative assistants augment the branch. This influx of personnel comes after years of high numbers of vacancies and frequent curtailments, mainly due to the Department's Afghanistan, Iraq, and Pakistan assignment priorities. Incoming agents are typically at the FS-05 or FS-04 grade level and usually occupy positions at least one grade level above their rank. They are either transferring from a DS field office or graduating from the DS basic agent course. Most of the new agents have not had an overseas tour and thus lack experience in embassy operations and regional security officer-associated counterintelligence responsibilities. The Diplomatic Security Training Center provides little instruction in counterintelligence to prepare these agents for their assignment within DS.

² The total maximum number of special agents authorized is 22, versus 16 in the following matrix, which is the average number of special agents on staff in the investigations branch between January 1, 2010 and July 31, 2011.

(b) (5)



Standard Operating Procedures Manual

The CI division's standard operating procedures manual is outdated, but the division is currently revising it. The manual pertaining to standard operating procedures at the other branches in the CI division also is obsolete.

Informal Recommendation 1: The Bureau of Diplomatic Security should complete revisions to the counterintelligence division's standard operating procedures manual and update any obsolete manuals for the other branches in the division.

Interagency Liaison

The CI division enjoys a strong relationship with the FBI. Since the FBI's jurisdiction includes threats to national security, it also includes counterintelligence investigations. The FBI provides an agent to the CI division who is responsible for liaison with FBI headquarters, and the CI division has a DS agent on staff who interacts with the FBI Washington field office. Both relationships are regarded as extremely valuable in conducting counterintelligence investigations.

The FBI liaison freely interacts with the investigators and other Department entities, and the relationship between DS and the FBI is marked by good interaction and coordination; as the FBI liaison noted, it should serve as a model for other agencies.

The division conducts counterespionage investigations in close coordination with the FBI, often combining the FBI's far-reaching, statutory, investigative authorities with DS's broad overseas security authorities and presence. The FBI uses the division's counterintelligence information to determine whether to open a criminal investigation, with support from DS. If the FBI chooses not to open an investigation, the CI division can open an internal investigation. As a general rule, if a counterintelligence case involves allegations that involve FAM violations, it remains in the purview of the CI division. If the allegations involve federal law, they normally fall under the purview of the FBI.

Liaison exchanges were established with the counterespionage group of the Central Intelligence Agency. The Naval Criminal Investigations Service also has a liaison agent embedded within the division, who is responsible for embassy Marine security guard incidents and also serves as a conduit for other Department of Defense collateral investigative issues. As with the FBI, the DS relationships with these entities are excellent.

Counterintelligence Support to China Construction Projects

The division provides on-site counterintelligence support to the special projects coordination office of the Bureau of Overseas Buildings Operations, building on lessons learned from the construction of the new embassy in Moscow and the resulting establishment of the Embassy Moscow compound program office. In this capacity, the division assigned a counterintelligence agent, who provided full-time support for the construction of the new embassy chancery in Beijing, China; he currently is supporting construction of the new consulate building in Guangzhou. He also is the primary agent in the counterintelligence personnel security unit. (b) (5) His duties include providing counterintelligence awareness training to cleared American personnel and monitoring contact reporting.

Future projects for which the division will provide on-site counterintelligence support include the new annexes in Beijing and Moscow. The division's full-time counterintelligence support to Mission China's regional security officer has been excellent, according to the Department, the Center for Security Evaluation, and other U.S. agencies involved in the construction projects. OIG personnel monitoring the China special projects program also commented favorably on the division's counterintelligence support.

Special Agent Tours of Duty

Most Foreign Service special agents are assigned to the CI division for a 2-year tour, to be followed by a first-time overseas assignment. Within that timeframe, the agent is required to take mandatory training and undertake special assignments, such as providing VIP protection in New York City during the annual UN General Assembly. Before the end of the agent's tour, the agent usually begins training for his or her overseas assignment. Those interruptions, cumulatively, have a serious impact on the individual's time for casework. The OIG team

recognizes the demands put on DS in managing the Foreign Service assignment process. However, the OIG team believes it would be helpful for DS to consider 3-year tours for at least the two investigations branch special agent section heads and the branch chief, if and as current priority demands ease.

Personnel Training

The CI division does not require incoming personnel to complete an individual development plan, nor does it have a formal training program for incoming agents. On occasion, counterintelligence briefers within the division provide in-house training in hostile intelligence threat and counterespionage. The Washington, DC, area offers a wide variety of formal training opportunities, through both private and public entities, from which agents could benefit. It is incumbent upon the agent and his or her supervisor or section chief to search for and schedule counterintelligence training. While most incoming agents are eager to learn, on-the-job training provided by the section chief and other coworkers does not necessarily prepare them adequately. It is important for the CI division to take a proactive approach to training and take advantage of the available counterintelligence training opportunities.

Informal Recommendation 2: The Bureau of Diplomatic Security should develop a formal training program for special agents assigned to the counterintelligence division.

Polygraph Unit

Operations

A personal services contractor with 20 years of polygraph examination experience heads the polygraph unit of the division's investigations branch. The unit chief reports to the investigations branch chief. Reporting to the unit chief is a program manager and 10 polygraph examiners, all but one of whom are employed via a third-party contractor. There are 13 examiner staff members now on board, who will convert to personal services contract status, with a target of 20 personal services contract positions.

In 2004, given the threat situation in Iraq at the time, Secretary of State Colin Powell authorized DS to conduct polygraph examinations of Iraqi local employees. From 2004 to 2007, the Department employed one contract polygraph examiner. Over the years, the Department has incrementally increased its polygraph cadre, in response to requests for support from other posts. Initially used exclusively in Iraq to vet local staff, polygraphs now are used in Afghanistan for vetting and have been used on a limited basis for counterintelligence or counterterrorism investigations in Pakistan, Yemen, Tajikistan, Lebanon, Oman, Malta, and the United States. In total, 360 polygraph examinations were conducted in 2009; 984 in 2010; and 1,015 in the first 7 months of 2011. (b) (5)

At least 95 percent of the examinations are for vetting and counterintelligence or counterterrorism purposes. The remaining 5 percent, with one or two exceptions, are conducted for operational reasons, and for employees who will be detailed to another agency that requires polygraph examinations. Only one or two examinations per year are conducted on American

employees for operational reasons. Failure rates for American employees mirror that of other agencies that conduct similar exams. (b) (5)

The total funding for polygraph examinations is \$4.55 million. This includes \$2.95 million provided by the Congressional line item for Iraq funding. It also includes \$1.6 million provided by the Bureau of South and Central Asian Affairs for polygraph vetting of local staffs in Afghanistan and Pakistan.

Polygraph Policies

The Department's polygraph policy is prescribed in 12 FAM 251 and applies to all Department employees, including Foreign Service nationals. Applicants for employment with the Department are not required to undergo polygraph examinations for a security clearance. Current employees are not required to undergo a periodic examination to maintain a security clearance.³ The policy permits polygraph examinations in limited circumstances, if certain criteria are met in criminal investigations, personnel security investigations, and counterintelligence investigations. Agents are prohibited from asking any individual under investigation to submit to a polygraph examination.

An agent must submit a request to ask an employee to undergo an examination; that "request to request" is subject to approval first by the DS Assistant Secretary and then by the deputy legal adviser. The Secretary has delegated final approval authority of these requests to the Under Secretary for Management.⁴ In addition, no reference to a polygraph examination, an agent's request that a subject be examined, the subject's agreement (or refusal), or the results of the examination may be included in a report of investigation or an employee's official personnel file. As noted earlier, the unit has conducted no more than one or two polygraph examinations per year on American employees.

Exceptions to Policy Issues

The Department's polygraph policy, as stated in 12 FAM 251, was written in 1994. The policy has undergone significant revisions (multiple waivers granted by Secretary Powell, Secretary Rice, and Secretary Clinton for those posts with critical human intelligence threat issues), but the FAM does not reflect those revisions, and it is not clear whether the policy applies to contractors. In 2009, DS proposed a change to the policy to allow broader usage of polygraphs, but the Office of the Legal Adviser's front office never acted on the suggestion.

Recommendation 7: The Bureau of Diplomatic Security, in coordination with the Office of the Legal Adviser, should review and update the Department's polygraph examination policy, incorporate the previously proposed changes, and update the *Foreign Affairs Manual* concerning the use of polygraph examinations. (Action: DS, in coordination with L)

³ Department employees may be required to undergo polygraph examination in order to be detailed to another agency that requires the examinations as a condition of employment.

⁴ An employee under investigation may offer to take a polygraph examination for exculpatory purposes. Approval to conduct the exam still is subject to the same approval process, however, and DS cannot offer to the subject of an investigation a polygraph exam for exculpatory purposes. The request must originate with the employee/subject.

Analysis Support Branch

The analysis support branch serves three primary functions: managing the human intelligence threat level portion of the Security Environment Threat List; preparing and disseminating threat assessments, briefing papers, and special counterintelligence analytical products for senior bureau and Department officials and members of the wider intelligence community; and providing country-specific threat briefings to all Department employees traveling to critical threat countries on either official duty or personal travel. In addition, the branch oversees the counterintelligence working group program within DS, to include monitoring compliance, responding to post inquiries, providing analysis support to ongoing counterintelligence investigations, and liaising with other agencies and members of the intelligence community. Also, the branch chief currently is covering a gap in the DS liaison to INR, which is a position normally assigned to a DS special agent.

The analysis support branch meets all these requirements and receives unanimous praise from representatives of other government agencies for the quality of its analytic work. One intelligence professional stated that, despite its small staff, the analysis support branch contributes high quality analytic products to the intelligence community. The branch's analysts bring significant experience from either other intelligence agencies or the military intelligence field, so they are able to perform their duties with little supervision. Representatives of the intelligence agencies also commended the branch on its professionalism and effective communication with other agencies.

The branch chief, who has been in the position for 2 years, served as an analyst in the branch for 14 years prior to moving to his present position. The branch chief has the respect of both his supervisors and employees. However, the analysts described the work environment as segmented and noted a lack of communication; staying informed is difficult. The OIG team counseled the section chief on how to improve communication.

Informal Recommendation 3: The Bureau of Diplomatic Security should require the counterintelligence division's analysis support branch to schedule monthly staff meetings.

The CI division is in the process of updating the standard operating procedures for its respective branches, but in the analysis support branch, there are no standard operating procedures in place for the analysts' duties or for the format of their products. Analysts must develop their own contacts, both within the division and with their counterintelligence colleagues at other intelligence agencies. They also must develop their own procedures for researching information on available resources, as well as for the format and content of their products.

Informal Recommendation 4: The Bureau of Diplomatic Security should require the counterintelligence division's analysis support branch to develop standard operating procedures for analysts' duties, including formatting products and conducting research.

The OIG team also found some disparity in the amount of official training each analyst receives. The Foreign Service Institute does not offer many intelligence-related courses, so the

analysts must create their own training curriculum. Most of the analysts said they arranged their own training by researching what training other intelligence agencies offered and requesting the training through official channels. Those analysts familiar with methods of finding outside training opportunities were satisfied with the amount of training they received and stated that the branch and division chiefs were supportive. The analysts who did not know where to look for training opportunities complained about the lack of training provided by the branch.

Informal Recommendation 5: The Bureau of Diplomatic Security should develop a standard training curriculum for the counterintelligence division's analysis support branch.

Management Controls

Division Files

The OIG team found that some official correspondence, records, and documents were missing from the investigative case files. The investigations branch has started its own review of closed files dating back 5 years, to make sure that files include proper documentation. Some policy and special projects branch backup files also were poorly organized, making information retrieval difficult. The CI division chief acknowledged that more emphasis should be placed on record keeping. He is considering establishing a librarian position to assist with record keeping; the OIG team agreed with this idea.

Program Management

Three contractors handle administrative support requests generated by the CI division staff. They effectively interface with the DS executive and domestic directorates that are primarily responsible for providing administrative support services to DS program offices. These directorates provide adequate support. There were no managerial, administrative, or support issues of concern.

The CI division has adequate management controls in place. The OIG team reviewed property management controls over office supplies and equipment, computers, and motor vehicles. The CI division works in coordination with the DS executive directorate, which is primarily responsible for DS-wide management controls. In 2010, the CI division's personal property was valued at \$507,000. Inventory shortages were low, at 0.16 percent. The division uses six General Services Administration-leased vehicles in its operation, of which three are on loan from another office.

Contracting Management

Overall, contract administration is good. The CI division uses the support services of 30 contractor employees in its operations. For FY 2011, total contract costs were about \$7.4 million. The ratio of U.S. direct-hire to contract employees is nearly one-to-one. The OIG team found no major problems or incidents of contractors engaging in de facto supervision of direct-hire employees, or in appearing to speak for the U.S. Government or engaging in other inherently governmental functions.

List of Recommendations

Recommendation 1: The Bureau of Diplomatic Security, in coordination with the Bureau of Human Resources, should extend the length of tour of duty for the counterintelligence division chief (S7550800) from 2 years to 3 years. (Action: DS, in coordination with DGHR)

Recommendation 2: The Bureau of Diplomatic Security should review and update its current pass through procedures and policies, seeking the Director General's input on current assignment policies and problems. (Action: DS, in coordination with DGHR)

Recommendation 3: The Bureau of Diplomatic Security should prepare an annual, critical human intelligence threat post matrix for briefing the Director General. (Action: DS)

Recommendation 4: The Bureau of Diplomatic Security should assign the counterintelligence division an explicit role in the review of vetting issues demanding senior-level Bureau of Diplomatic Security action. (Action: DS)

Recommendation 5: The Bureau of Diplomatic Security, in coordination with the Bureau of Human Resources, should abolish the special agent position (S6687606) in the counterintelligence division's policy and special projects branch when the polygraph unit is transferred to the counterintelligence and counterterrorism vetting unit. (Action: DS, in coordination with DGHR)

Recommendation 6: The Bureau of Diplomatic Security should require the counterintelligence division to prepare and implement a plan addressing the major organizational changes that will result from transferring its counterintelligence vetting function to the counterintelligence and counterterrorism vetting unit. (Action: DS)

Recommendation 7: The Bureau of Diplomatic Security, in coordination with the Office of the Legal Adviser, should review and update the Department's polygraph examination policy, incorporate the previously proposed changes, and update the *Foreign Affairs Manual* concerning the use of polygraph examinations. (Action: DS, in coordination with L)

Informal Recommendations

Informal recommendations cover operational matters not requiring action by organizations outside the inspected unit and/or the parent regional bureau. Informal recommendations will not be subject to the OIG compliance process. However, any subsequent OIG inspection or on-site compliance review will assess the mission's progress in implementing the informal recommendations.

Informal Recommendation 1: The Bureau of Diplomatic Security should complete revisions to the counterintelligence division's standard operating procedures manual and update any obsolete manuals for the other branches in the division.

Informal Recommendation 2: The Bureau of Diplomatic Security should develop a formal training program for special agents assigned to the counterintelligence division.

Informal Recommendation 3: The Bureau of Diplomatic Security should require the counterintelligence division's analysis support branch to schedule monthly staff meetings.

Informal Recommendation 4: The Bureau of Diplomatic Security should require the counterintelligence division's analysis support branch to develop standard operating procedures for analysts' duties, including formatting products and conducting research.

Informal Recommendation 5: The Bureau of Diplomatic Security should develop a standard training curriculum for the counterintelligence division's analysis support branch.

Principal Officials

<i>Officer</i>	<i>Name</i>
Assistant Secretary	Eric Boswell
Principal Deputy Assistant Secretary	Jeffrey Culver
Assistant Director, Office of Domestic Operations	Barry Moore
Director, Office of Investigations and Counterintelligence	Douglas Quiram
Director, Counterintelligence Division	Russell Humberstad

Abbreviations

BBG	Broadcasting Board of Governors
CCV	Counterintelligence and Counterterrorism Vetting Unit
CI division	Bureau of Diplomatic Security, Office of Investigations and Counterintelligence, Counterintelligence Division
Department	Department of State
DGHR	Director General of the Foreign Service and Director of Human Resources
DS	Bureau of Diplomatic Security
DS/ICI	Bureau of Diplomatic Security, Directorate of Domestic Operations, Office of Investigations and Counterintelligence
DSS	Diplomatic Security Service
FAM	<i>Foreign Affairs Manual</i>
FBI	Federal Bureau of Investigation
HR	Bureau of Human Resources
INR	Bureau of Intelligence and Research
OIG	Office of Inspector General

Appendix: Critical Human Intelligence-Threat Posts

12 FAM 263.3-2, (2) – (13)

In addition to the security awareness requirements cited in [12 FAM 262](#), Security Awareness and Contact Reporting, the following additional instructions apply to posts that face a critical HUMINT threat:

- (1) *All executive branch agencies must review the proposed permanent assignment of all of their employees, contractors, and TDY personnel assigned in excess of 60 days accumulated in 1 year (not necessarily consecutive) to determine their suitability;*
- (2) *DS/ICI/CI reviews background investigations and personnel files on all Department employees proposed for permanent assignment to HUMINT-threat posts. DS/ICI/CI evaluates security and suitability factors that could adversely affect suitability for assignment, in light of the heightened HUMINT threat, and any personal vulnerability potentially subject to HUMINT exploitation. DS/ICI/CI prepares a recommendation to the Director General of the Foreign Service (DGHR) with respect to an employee's suitability for assignment to a HUMINT threat post after considering the following circumstances:*
 - (a) *Whether the employee or an immediate family member has an immediate family member still residing in the proposed critical HUMINT threat country;*
 - (b) *Whether the employee or an immediate family member has other family ties in any critical HUMINT threat post where a foreign intelligence service (FIS) could exploit familial bonds of affection; and*
 - (c) *Whether the employee has family member(s) currently or recently employed by the critical HUMINT threat country's military armed forces, intelligence or security service, police service, or ministry of foreign affairs;*
- (3) *Whether the employee has a history of poor security practices (violations of [12 FAM 262](#) and [12 FAM 550](#)) that are recent and of a serious nature;*
- (4) *Whether the employee is or has been a known target of interest to a FIS;*
- (5) *Whether the employee has a history of aberrant behavior such as drug or alcohol abuse or criminal misconduct;*
- (6) *Whether the employee has demonstrated emotional instability (as determined by the Office of Medical Services (MED));*
- (7) *Whether the employee has exhibited financial or fiscal management irresponsibility that interferes with his or her performance of duty;*
- (8) *Whether a past investigation concerning the employee documents a serious allegation concerning misconduct, suitability, or professional ethics that could be exploited by a FIS;*
- (9) *Whether the employee has had more than one previous assignment to the same critical HUMINT threat post;*
- (10) *Whether the employee has made an unauthorized disclosure of sensitive or classified information;*
- (11) *Whether the employee or close family member has demonstrated loyalty to the proposed critical HUMINT threat country of assignment (i.e., previously employed with the FIS or ministry of foreign affairs);*
- (12) *Whether the employee has had romantic involvement with citizen(s) of the proposed critical HUMINT threat country of assignment.*
- (13) *The DGHR may accept or reject the recommendation made by DS for the proposed assignment to a critical HUMINT threat post. Upon request, DS must provide any pertinent information regarding the recommendation to the DGHR;*

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