



United States
Office of Government Ethics
1201 New York Avenue, NW., Suite 500
Washington, DC 20005-3917

November 29, 2000

John A. Rizzo.
Deputy General Counsel and
Designated Agency Ethics Official
Central Intelligence Agency
Washington, DC 20505

Dear Mr. Rizzo:

The Office of Government Ethics (OGE) has completed its review of the Central Intelligence Agency's (CIA) ethics program, including a review of the adjunct ethics program for the CIA employees assigned to the National Reconnaissance Office (NRO). The review was conducted pursuant to section 402 of the Ethics in Government Act of 1978, as amended. Our objectives were to determine the ethics program's effectiveness and compliance with applicable statutes and regulations. To meet our objectives, we examined the following program elements: the administration of the ethics program, the public and confidential financial disclosure systems, ethics education and training, ethics counseling and advice services, and the relationship with the Inspector General (IG). The review was conducted during July and August 2000.

PROGRAM ADMINISTRATION

The CIA ethics program is managed by the Administrative Law and Ethics Division (AL&ED), Office of the General Counsel (OGC). You serve as the Designated Agency Ethics Official (DAEO). An Associate General Counsel is the Chief of AL&ED and the Alternate DAEO. An Assistant General Counsel is the Deputy Chief of AL&ED and the Senior Ethics Counsel (SEC). An AL&ED staff attorney is designated an Ethics Counsel (EC) and generally performs the day-to-day management of the CIA ethics program. An Assistant General Counsel assigned to NRO, the NRO EC, is responsible for the management of the CIA ethics program at NRO.

The public disclosure reports are reviewed and certified by focal points, senior level staff officials, selected by the Directors of each of the five Directorates. The individuals selected to be focal points are appointed by the Alternate DAEO to serve on the Financial Disclosure Review Panel (FDRP). The FDRP members notify the public filers of the filing requirements, track the reports for timely filing, review the public reports, resolve real or potential conflicts of interest, and certify the reports.

The confidential disclosure reports are processed in a similar manner except that the filer's supervisor performs an intermediate

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review before the report is sent to the FDRP to be reviewed and certified.

Resolution of real or potential conflicts of interest, or the obtaining of additional information from public and confidential disclosure report filers, is handled by an FDRP member and the filer. If the matter cannot be resolved between the FDRP member and the filer, the SEC or EC are contacted. However, generally, they are not directly involved in the financial disclosure programs.

The NRO EC is responsible for the overall public and confidential financial disclosure programs for CIA employees at NRO. He sends public filers an e-mail advising them of the annual requirement to file and provides an electronic version of the SF 278 as an attachment to the e-mail. There is no intermediate review of the completed reports. The NRO EC conducts a conflict analysis of the reports, resolves any actual or potential conflicts of interest with the filers, and certifies the reports. Once the reports are certified they are maintained at the CIA.

CIA confidential disclosure filers at NRO are notified of the filing requirement by Administrative Officers at the various functions and are provided the report forms by these Administrative Officers. The filers' supervisors are the intermediate reviewers and the NRO EC certifies the reports. The reports are maintained at NRO.

The SEC and EC indicated that AL&ED is in the process of establishing a new position that will be dedicated to the ethics program. The position is to be identified as the Ethics Compliance Officer. The incumbent will be responsible for a host of administrative management issues regarding the CIA ethics program, including the consolidated management of the financial disclosure and ethics training programs. We were advised that this position is in furtherance of the recommendation made by OGE during its last program review wherein OGE recommended that "Consideration is given to a more centralized management of the confidential financial disclosure program."

OGE strongly supports this additional position and encourages the responsible CIA officials to act expeditiously in finalizing and staffing it.

FINANCIAL DISCLOSURE SYSTEMS

The public financial disclosure system appeared to be well managed. To evaluate the system, we examined 101 public reports required to be filed in 2000 consisting of 84 incumbent, 4 termination, 2 incumbent/termination, 2 new entrant, and 9 reports which did not reflect a filing status. The reports were generally

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well reviewed; however, some reports revealed reporting and review deficiencies. For example, two reports did not provide sufficient information to conduct a conflict-of-interest analysis, listing such things as "Lindner Mutual Funds," "Stocks-Smith Barney," and "Mutual Funds (wife's)" as assets. There was no evidence that the FDRP reviewer, as the case may be, (1) advised the filer to report the stocks and the identities of the mutual funds, (2) determined whether the mutual funds were excepted investment funds (EIF), and (3) if any mutual fund was not an EIF, advised the filer to report the underlying assets of the fund. Finally, all but 4 of the 101 reports were filed in a timely manner. One of the 4, from a new entrant, was filed more than 30 days late, but OGE waived the \$200 late filing fee.

The confidential disclosure system also appeared to be well managed. To evaluate the system we examined a total of 85 reports required to be filed in 1999. The reports appeared to have been reviewed in a timely manner. Although no substantive deficiencies were found, the examination did reveal a number of reporting deficiencies, including incomplete administrative information, listing non-reportable assets such as filers' Government salaries and personal residences, and one case in which an outdated SF 450 report form was used. The ECs at CIA and NRO indicated that they have significant problems obtaining new entrant confidential disclosure reports within the required 30 days of an employee assuming a covered position. Generally new entrant confidential disclosure reports are filed during the annual filing cycle.

During our discussions with the ECs at CIA and NRO, OGE emphasized the need to ensure accurate reporting of a filer's assets and the need for follow-up to resolve the reporting deficiencies revealed during our examination of the public and confidential disclosure reports. We indicated that the ECs should be more involved in the resolution of these deficiencies. The ECs indicated that they would become more involved in the review process and advised that many of the reporting deficiencies identified in the public and confidential disclosure systems will be addressed and resolved when the new Ethics Compliance Officer is in place.

EDUCATION AND TRAINING

The CIA has established procedures to ensure that all new CIA employees receive Initial Ethics Orientation (IEO) within 90 days of starting employment. Procedures have also been established to ensure that all CIA employees required to receive annual ethics training are appropriately trained.

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Initial Ethics Orientation

As required by 5 C.F.R. § 2638.703, all newly hired employees receive an IEO within 90 days of entering on duty. The CIA has a week-long Entrance On Duty program which all new employees are required to attend. The EC presents a one-hour IEO program that is introduced by you or the General Counsel. The new employees are given copies of appropriate ethics materials and provided with the identities of the CIA ethics officials and information on how to contact them.

Annual Ethics Training

According to the CIA ECs, all employees required to receive annual ethics training during 1999, with the exception of a few employees who were not available and one employee with a serious medical problem, received that training. The SEC advised us that all senior-level employees and Presidential appointees attended the required training. The training requirements were met through a combination of live training and, with the availability of a qualified instructor, computer-based and video training. Employees attending the live training¹ were required to scan their badges as they entered the training facility and an attendance roster was computer generated subsequent to the training session. The video training was tracked through a sign-out procedure for the videotapes, while the computer-based training was tracked by the capturing of the individuals' names and divisions when they signed on to the system. The video and computer-based training were generally the options chosen by the confidential disclosure report filers, including Contracting Officers' Technical Representatives.

According to the NRO EC, employees at the main NRO facility were provided live annual training, while NRO employees at other locations were provided a videotape of the annual training. Arrangements were made to have a qualified instructor available for questions from employees at other locations. The NRO EC advised that non-covered employees were also invited to attend the live training sessions and many attended. Attendance at NRO annual training was tracked by requiring the completion of attendance certificates.

The OGE reviewers were impressed by the exceptional IEO and annual training programs conducted by the CIA and NRO ECs. The content of the programs as well as the accountability procedures are exceptional.

¹These employees were usually the Presidential appointees and other senior level CIA employees.

COUNSELING AND ADVICE

CIA's counseling and advice program appears to be effective and in compliance with 5 C.F.R. § 2638.203(b)(7) and (8). We examined samples of advice given by the ECs and determined that they are responding thoroughly and appropriately to inquiries. Our examination of the written determinations made available to us revealed the ECs are providing quality and thorough counseling and advice to CIA employees. The determinations reflect professionalism and dedication to the integrity of the CIA ethics program. The most common topics addressed were: conflicts of interest, gifts from contractors, travel, post employment, and fundraising.

CIA requires all employees to submit a request for approval of outside activities and employment in accordance with its internal requirements. The prior approval requirement is to ensure that any security issues regarding the proposed activity or employment are addressed. The approval process does include a review by the ECs but not for the primary purpose of compliance with 5 C.F.R. part 2635.

INSPECTOR GENERAL

Our discussions with IG officials indicated that the relationship between the ECs and their office was effective in coordinating information regarding alleged ethics-related violations.

The IG officials stated they receive allegations from a number of sources including ECs, the IG hotline, and congressional inquiries. They advised us that there have been 26 such matters since January 1999. Four of the matters were eventually referred to the Department of Justice (DOJ) for prosecution. One matter was declined and the remaining three are currently under investigation by DOJ.

IG officials were aware of the requirement, at 5 C.F.R. § 2638.603, to notify OGE of the referral of alleged criminal conflict-of-interest violations to DOJ. However, they were not cognizant of the follow-on requirements to notify OGE when DOJ declines to prosecute a case or to report final disposition of cases accepted for prosecution. In preparing for our meeting, IG officials realized that the reporting requirements extend beyond the initial concurrent notification of referrals and were confident that they would be able to quickly develop new procedures to ensure compliance.

OGE suggested to the ECs that they consider revising a current internal CIA regulation, concerning reporting certain matters to other Government agencies, to include the requirement regarding

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concurrent notification to OGE of cases referred to DOJ for prosecution. It was also discussed that agencies are further required to notify OGE when those cases are declined for prosecution or, if accepted, the final disposition of a case.

ACCEPTANCE OF TRAVEL PAYMENTS FROM NON-FEDERAL SOURCES

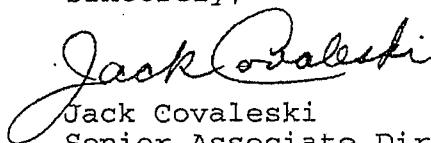
Based on our discussions with ethics officials it was determined that the CIA does not accept reimbursements or payments in kind from non-Federal sources for employee travel and attendance at certain seminars or meetings as authorized by 31 U.S.C. § 1353.

CONCLUSIONS

Our review disclosed that the CIA has many effective, and in some instances exceptional, elements in its ethics program. The management of the financial disclosure systems is generally effective but needs attention to ensure proper resolution of the reporting and review deficiencies. The annual ethics training program, including tracking systems and follow-up procedures, is exceptional. The counseling and advice offered by the CIA ethics officials are comprehensive and responsive to the needs of CIA employees. It is apparent that the CIA and NRO ECs make every effort to ensure that CIA and NRO employees are furnished with an effective ethics program.

In closing, I wish to thank you, the CIA leadership, the Alternate DAEO, the SEC, and the ECs for your and their contributions to the ethics program. Normally, a short follow-up review is conducted to resolve any recommendations. However, as there were no findings that warranted a recommendation, a follow-up review will not be necessary. A copy of this report is being sent by transmittal letter to the CIA Director, General Counsel, and Inspector General. Please contact Charles R. Kraus at 202-208-8000, extension 1154, if we can be of further assistance.

Sincerely,



Jack Covaleski
Senior Associate Director
Office of Agency Programs

cc: Mona B. Alderson
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