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{ REPORT  
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### INTELLIGENCE AUTHORIZATION ACT FOR FY 2003

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JULY 9, 2002.—Ordered to be printed

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Mr. LEVIN, from the Committee on Armed Services,  
submitted the following

### R E P O R T

[To accompany S. 2506]

The Committee on Armed Services, to which was referred the bill (S. 2506) to authorize appropriations for Fiscal Year 2003 for intelligence and intelligence-related activities of the United States Government, the Community Management Account, and the Central Intelligence Agency Retirement and Disability System, and for other purposes, having considered the same, reports favorably thereon with amendments and recommends that the bill as amended do pass.

#### PURPOSE OF THE BILL

S. 2506 would authorize appropriations and other matters for Fiscal Year 2003 for intelligence activities of the United States, including certain Department of Defense intelligence-related activities within the jurisdiction of the Senate Armed Services Committee.

The Senate Select Committee on Intelligence reported the bill on May 13, 2002, and it was referred to the Committee on Armed Services in accordance with section 3(b) of Senate Resolution 400, 94th Congress.

#### SCOPE OF THE COMMITTEE REVIEW

The committee has carefully reviewed the report of the Select Committee on Intelligence (S. Rept. 107-149) and has incorporated the relevant budget recommendations of the Senate Select Committee on Intelligence with modifications into S. 2514, the National Defense Authorization Act for Fiscal Year 2003, which the Senate passed on June 27, 2002.

The following explains the committee's proposed amendment to the bill as reported by the Senate Select Committee on Intelligence, as well as the committee's clarification to the report issued by the Senate Select Committee on Intelligence.

*Classified annex to the committee report*

The committee has prepared a classified annex to this report that describes other recommendations and concerns that are classified in nature.

*Preparation and submittal of reports, reviews, studies and plans relating to Department of Defense and Department of Energy intelligence activities*

S. 2506, with its associated report (S. Rept. 107–149) and classified annex, contains numerous provisions requiring the preparation and submission of various reports, reviews, studies and plans concerning all facets of U.S. intelligence activities. Many of these reporting requirements include all, or elements of, Department of Defense and Department of Energy intelligence-related activities over which the Senate Select Committee on Intelligence and Armed Services Committee share oversight. The committee believes that all relevant oversight committees should receive these important reports, and that the Department of Defense and the Department of Energy should be consulted in conducting and preparing such reports, reviews, studies and plans that involve intelligence-related activities within these respective organizations. The committee's proposed amendment to S. 2506, as reported by the Senate Select Committee on Intelligence, would clarify the requirement for consultation with appropriate defense and energy officials and ensure that all relevant oversight committees are recipients of information on activities within their respective jurisdictions.

*Standards and qualifications for the performance of intelligence activities*

Section 308 of S. 2506 would clarify the role of the Director of Central Intelligence, as head of the Intelligence Community, as the official responsible for prescribing common standards and qualifications for individuals performing intelligence functions throughout the Community.

The committee's proposed amendment would modify section 308 to clarify that the Director should prescribe such standards in consultation with those agencies whose responsibility it is to establish standards.

*Modification of David L. Boren National Security Education Program*

Section 309 of S. 2506 would dramatically alter the purpose, scope and operation of the National Security Education Program (NSEP). The committee is concerned that insufficient consideration has been given to the views of the President, National Defense University, the Secretary of Defense's designee to oversee NSEP and to chair the National Security Education Board. The committee is also concerned that taking action at this point in time, without the careful review and analysis that this important subject deserves, would be premature. The committee recommends that the con-

ferees on this bill consider the alternative of requiring the Secretary of Defense, in consultation with the Director of Central Intelligence, to conduct a study of the program and to report to the relevant congressional committees as to whether the NSEP is meeting its goals; whether any component of the program should be cancelled or changed; what the benefits and drawbacks are of the National Foreign Language Initiative; and whether the responsibility for the program should be transferred from the Secretary of Defense to the Director of Central Intelligence.

Regardless of the outcome of that issue, the committee believes that a report on conversion of funding from trust fund to annual appropriations should consider the advisability of such action. Accordingly, the committee's recommended amendment to subsection (f) of section 309 would require the Secretary of Defense, in consultation with the Director of Central Intelligence, to report on the advisability of conversion of funding from the National Security Education Trust Fund to funding through annual appropriations.

*Annual report on improvement of financial statements of certain elements of the Intelligence Community for auditing purposes*

Section 414 of S. 2506 would require an annual report describing activities undertaken by the Central Intelligence Agency, National Security Agency, Defense Intelligence Agency and National Imagery and Mapping Agency to ensure that agency financial statements can be audited in accordance with Office of Management and Budget requirements. The committee supports efforts designed to improve the financial management of the defense intelligence agencies.

At the same time, the committee recognizes that the financial management systems of the defense intelligence agencies are integrally linked to the financial management systems of the Department of Defense and cannot be addressed in isolation. On March 6, 2002, the DOD Comptroller testified before the Readiness Subcommittee of the Armed Services Committee that the root causes of DOD's financial management problems are "(1) the uncontrolled proliferation of antiquated and stand alone financial management systems; and (2) the inefficient business processes that they support."

To address these root causes, DOD has initiated an effort to develop an enterprise architecture to support modernization of financial management systems and business processes. The Comptroller General of the United States testified that DOD should limit spending on new business data systems until this new enterprise architecture for financial management has been approved.

Section 1006 of S. 2514 would require the Secretary of Defense to develop a comprehensive enterprise architecture by March 2003 for all budgetary, accounting, finance and data systems of the Department of Defense, and would require that all financial system upgrades be made in compliance with the new architecture. The committee expects the Secretary of Defense to ensure that the defense intelligence agencies comply with the requirements of section 1006 of S. 2514.

*National Commission for Review of the Research and Development Programs of the United States Intelligence Community*

Title VI of S. 2506 would establish a National Commission for Review of the Research and Development Programs of the United States Intelligence Community. Section 602 of S. 2506 would establish the composition of the Commission to include 11 members.

The committee believes that the research and development programs within the Department of Defense make a significant contribution to the efforts of the Intelligence Community. Specifically, it would be difficult for the Commission to conduct a thorough review of research and development that contribute to the Intelligence Community programs without considering the programs funded and managed by the Department of Defense.

Therefore, the committee's recommended amendment would modify section 602 to add a twelfth member to the Commission, and to identify that member as a senior intelligence official from the Office of the Secretary of Defense, to be designated by the Secretary of Defense.

COMMITTEE ACTION

In accordance with the Legislative Reorganization Act of 1946, as amended by the Legislative Reorganization Act of 1970, the committee approved a motion to report favorably to the Senate S. 2506, with amendments.

FISCAL DATA

The committee will publish in the Congressional Record information on five-year cost projections when such information is received from the Congressional Budget Office.

REGULATORY IMPACT

Paragraph 11(b) of rule XXVI of the Standing Rules of the Senate requires that a report on the regulatory impact of a bill be included in the report on the bill. The committee finds that there is no regulatory impact in the cost of S. 2506.

CHANGES IN EXISTING LAW

Pursuant to the provisions of paragraph 12 of rule XXVI of the Standing Rules of the Senate, the changes in existing law made by certain portions of the bill have not been shown in this section of the report because, in the opinion of the Committee, it is necessary to dispense with showing such changes in order to expedite the business of the Senate and reduce the expenditure of funds.