

# **REPORT OF INVESTIGATION: THE ALDRICH AMES ESPIONAGE CASE**

**Permanent Select Committee on Intelligence  
U.S. House of Representatives**



**November 30, 1994**

H432-1

**PERMANENT SELECT COMMITTEE ON INTELLIGENCE**

(Established by H. Res. 658, 95th Congress, 1st Session)

**DAN GLICKMAN, Kansas, *Chairman***

**BILL RICHARDSON, New Mexico**  
**NORMAN D. DICKS, Washington**  
**JULIAN C. DIXON, California**  
**ROBERT G. TORRICELLI, New Jersey**  
**RONALD D. COLEMAN, Texas**  
**DAVID E. SKAGGS, Colorado**  
**JAMES H. BILBRAY, Nevada**  
**NANCY PELOSI, California**  
**GREG LAUGHLIN, Texas**  
**ROBERT E. (BUD) CRAMER, Jr., Alabama**  
**JACK REED, Rhode Island**

**LARRY COMBEST, Texas**  
**DOUG BEREUTER, Nebraska**  
**ROBERT K. DORNAN, California**  
**C.W. BILL YOUNG, Florida**  
**GEORGE W. GEKAS, Pennsylvania**  
**JAMES V. HANSEN, Utah**  
**JERRY LEWIS, California**

**RICHARD A. GEPHARDT, Missouri**  
**ROBERT H. MICHEL, Illinois**

---

**MICHAEL W. SHEENY, *Chief Counsel***  
**STEPHEN D. NELSON, *Minority Counsel***

# TABLE OF CONTENTS

---

<b>FOREWORD</b>	<b>1</b>
<b>SUMMARY</b>	<b>1</b>
<b>INTRODUCTION</b>	<b>5</b>
<b>METHODOLOGY OF THE COMMITTEE'S INQUIRY</b>	
<b>INTO THE ALDRICH AMES ESPIONAGE CASE</b>	<b>34</b>
<b>CONGRESSIONAL OVERSIGHT</b>	<b>40</b>
<b>ROLE OF THE FBI</b>	<b>46</b>
<b>REMEDIAL ACTIONS TAKEN IN RESPONSE</b>	
<b>TO THE AMES ESPIONAGE CASE</b>	<b>53</b>
<b>FINDINGS</b>	<b>57</b>
<b>CONCLUSION</b>	<b>73</b>

**RECOMMENDATIONS . . . . . 76**

**APPENDIX . . . . . 80**

1. Inspector General Hitz - Prepared Statement before the House Permanent Select Committee on Intelligence, September 28, 1994
2. Director of Central Intelligence Woolsey - Prepared Statement before the House Permanent Select Committee on Intelligence, September 28, 1994
3. Congressmen Dan Glickman and Larry Combest - Transcript of Interview with Aldrich Ames, August 8, 1994
4. Excerpt from House Permanent Select Committee on Intelligence Report on U.S. Counterintelligence Security Concerns: A Status Report, Personnel and Information Security. October 19, 1988  
  
Excerpt from House Permanent Select Committee on Intelligence Report on U.S. Counterintelligence Security Concerns - 1986. February 4, 1987.
5. Counterintelligence, Security and Management Accountability Initiatives: The Response to the Ames Case, November 1, 1994.
6. Presidential Decision Directive 24.
7. Disciplinary Measures Available to CIA Managers.
8. December 5, 1990 Memo from the DCI's Counterintelligence Center to CIA's Office of Security



## **FOREWORD**

---

When Aldrich Ames' espionage was revealed with his arrest in February 1994, the Committee determined that its responsibility to oversee intelligence activities would best be discharged through the conduct of a thorough, independent examination. This report concludes the Committee's inquiry.

The Committee's efforts were undertaken in the knowledge that other investigations, by the Inspector General of the Central Intelligence Agency (CIA) and the Senate Select Committee on Intelligence, would also be conducted. The Committee acknowledges the contributions made by these investigations, particularly in the development of an exposition of the facts in the Ames case. The findings and recommendations in this report, however, reflect the Committee's assessment of those facts and do not rely upon the assessments of others.

The report places special emphasis on issues of concern to the Committee such as the effectiveness of counterintelligence and security activities conducted by the CIA, the roles of the CIA and Federal Bureau of Investigation in espionage investigations in general and this investigation in particular, personnel management in the CIA's Directorate of Operations, and the intelligence community's compliance with statutory requirements intended to facilitate the conduct of the congressional oversight of intelligence.

---

## **SUMMARY**

---

The House Permanent Select Committee on Intelligence began its eight-month inquiry into the Ames espionage case within days of Aldrich Ames' arrest on February 21, 1994. In preparing its report, the Committee built upon the report of the CIA's Inspector General (IG), which did a very good job of laying out the facts of Ames' espionage and the intelligence community's efforts to uncover it. The Committee supplemented this with its own investigation, which turned out to be the most intensive and time-consuming of the Committee's activities in 1994. The Committee conducted numerous hearings and briefings, over a hundred hours of interviews, and reviewed over twelve linear feet of materials. Additionally, the Chairman and Ranking Republican interviewed Aldrich Ames.

The Committee report does not recapitulate the facts established in the CIA IG report regarding Ames' espionage or of the efforts to uncover him; rather, it concentrates on issues, facts, and findings which were outside the scope or in some way different from those of the IG's report.

**The Committee found:**

**(1) There were systemic weaknesses in counterintelligence which were exacerbated by individual failures in conducting and managing the investigation. The systemic dysfunction between the counterintelligence, security, and personnel systems in the mid-1980s created the environment in which Ames was able to commit treason with little fear of detection.**

**(2) Those who had been given the responsibility for investigating the 1985-86 losses of Soviet sources failed to keep senior Directorate of Operations managers and those above them in the Agency's chain of command advised of critically important information on leads which should have led to Ames' identification and arrest perhaps several years prior to 1994. The Committee believes the case for management inattention as portrayed in the CIA IG's report needs to be evaluated in light of this failure.**

**(3) Senior Directorate of Operations managers adopted a laissez-faire supervisory style in managing the counterintelligence investigation, a shortcoming shared with FBI counterintelligence officials.**

**(4) There was a failure to coordinate between the investigators in the Counterintelligence Center and polygraph and security officials in the Office of Security.**

**(5) Elements of the Directorate of Operations (DO) culture contributed to weaknesses in the investigation. The Committee found that while the esprit de corps of the DO contributes to the DO's strong sense of mission, it also fosters attitudes which can be overly self-protective and insular.**

**(6) Although the Committee has praise for the CIA's personnel standards, deficiencies in the personnel system were noted in this inquiry. With respect to Ames, the CIA was overly tolerant of mediocre performance and ignored behavioral problems.**

**(7) The CIA failed to keep the oversight committees fully and currently informed of the 1985-86 losses and of important developments in the efforts to determine their cause. This was despite several instances of pointed questioning by Committee members. The lack of notification extended to the end: neither the CIA nor the FBI advised the oversight committees of the investigation until shortly before Ames' arrest.**

**(8) The Committee found that the FBI's role in the unravelling of Ames' espionage activities was inexplicably passive despite unprecedented openness and access to CIA files. Moreover, the Committee found uncertainty in the FBI regarding the threshold of evidence necessary for it to take over a counterintelligence lead from the CIA.**

**The Committee supports the dedicated men and women of the CIA who work, sometimes at great personal sacrifice, to produce intelligence second to none. While the Ames espionage history points to real and serious problems at the CIA, the Committee does not believe that these problems raise questions about the value of the organization. The Committee will work constructively with the Director of Central Intelligence and other intelligence community leaders to rectify the various shortcomings which have been identified in ways which will not damage the CIA's ability to perform its critical mission. In that regard, the Committee notes its support of the numerous remedial actions already undertaken by the DCI, and by the President through Presidential Decision Directive 24.**

## INTRODUCTION

---

*" . . . We have never found a real 'mole' in CIA, we have not found any full time staff officers who were recruited by the Soviets and served them while they worked for CIA . . . there has never been an agent of the Soviets in the center of the CIA itself. We may have failed to find such an agent, but I doubt it."*

In November 1985, when these assurances were given by CIA's most senior counterintelligence officer to the Senate Select Committee on Intelligence, the CIA had already been penetrated by the KGB through the treachery of Aldrich Ames. The CIA's most valuable assets in the Soviet Union had already been compromised.

The arrest of Aldrich Ames in February 1994 for spying for the Soviet Union and, later, Russia shocked the CIA and appalled the American people. Since then much has been reported -- by the press, by the CIA, and by Congress -- about the failure to find the source of the compromise of significant Soviet cases in 1985 and 1986. This report is critical of the conduct of the investigation into the compromised assets and the attention paid to it by senior management, especially in the period from late 1985 through 1991. Although the case against Ames was successfully concluded,

the Committee believes that it could have been brought to a close much sooner. The report also addresses the failure of those responsible for the conduct of the investigation to keep senior CIA and FBI managers fully apprised of its progress, and the failure of three DCIs to ensure that the statutory obligation to keep the Congress fully informed of a significant intelligence failure was met.

The report does not belabor the many areas where the Committee agrees with the report of the CIA's Inspector General (IG) and the response of the Director of Central Intelligence to it, but instead concentrates on those areas where the Committee has developed a different emphasis or interpretation of fact, areas in which the Committee will seek to work constructively with the DCI and the CIA to remedy the problems that have been identified. The Committee uncovered some information in its examination which does not appear in the IG report and, in other cases, has reached judgments, especially on oversight issues, which will require additional follow-up.

Finally, the Committee's shock and disappointment at Ames' treachery and at the missed opportunities to have stopped him sooner are all the more profound because of the high regard it has for the men and women of the CIA. They frequently work under extraordinarily difficult circumstances to perform a critically important mission, providing this country with an intelligence capability second to none. Few would deny that many CIA

personnel perform at a standard unexcelled in the U.S. government. Nevertheless, the Committee must also forthrightly state where it has found individuals and elements of the organization as a whole to have fallen far short of that standard.

The chief beneficiaries of Aldrich Ames' treason have been those who would destroy the ability of the CIA to conduct its important mission. The Committee will not be a party to those efforts. The CIA's work is too important and its contribution to the national security too great. The executive and legislative branches must work together to ensure that out of the Ames tragedy emerges a strong CIA with an enhanced counterintelligence capability. Toward that end, the CIA and the FBI must cooperate fully on espionage matters and candidly provide information to Congress as required by law.

It is critical that the lessons taught by this nine-year period of treachery and espionage be clearly understood. The Committee is aware that it is probably impossible to prevent all future espionage, but it offers the findings and recommendations in this report in the hope that they, with the security and counterintelligence improvements already implemented, will better ensure that those who succumb to the temptation to betray our country will be discovered quickly and brought to justice.



On September 27, 1994, the CIA's Inspector General (IG) issued a report of his investigation into the Aldrich Ames case. For the most part, the Committee is in agreement with the factual exposition contained in the report and a separate exercise has therefore not been undertaken. An unclassified abstract of the IG's report follows immediately. In addition to the abstract, the Committee wishes to call particular attention to the statements made by Director of Central Intelligence, R. James Woolsey, and CIA Inspector General Frederick Hitz, at a September 28, 1994, Committee hearing. Those statements appear at Appendices 1 and 2. All of these items influenced the assessment of the Ames case as presented in this report.

# **ABSTRACT OF REPORT OF INVESTIGATION**



## **THE ALDRICH H. AMES CASE: AN ASSESSMENT OF CIA'S ROLE IN IDENTIFYING AMES AS AN INTELLIGENCE PENETRATION OF THE AGENCY**

**October 21, 1994**

21 October 1994

MEMORANDUM FOR: Heads of Agency Offices

FROM: Director of Central Intelligence

SUBJECT: Distribution of Unclassified Abstract  
IG Report of Ames Investigation

I am providing each of you with a copy of this important document that you may retain in your office. I urge you to ensure that all employees in your area, at all levels, be given the opportunity to read and learn from it. The Agency Information Staff is also making the abstract available on Lotus Notes.

Because the Ames case has implications that concern us all, I further suggest you take the opportunity to discuss it with your employees. I expect you to interpret what we have learned so painfully from this case into examples of how these lessons apply in your area of responsibility.

A handwritten signature in cursive script, reading "James Woolsey".

R. James Woolsey

**UNCLASSIFIED ABSTRACT OF THE  
CIA INSPECTOR GENERAL'S REPORT  
ON THE ALDRICH H. AMES CASE**

**PREFACE TO THE REPORT FROM THE IG**

Procedurally, this has been an unusual report for the CIA IG to write. In the first instance, our inquiry was directly requested by the Chairman and Vice-Chairman of the Select Committee on Intelligence of the U.S. Senate in late February 1994--shortly after Aldrich H. Ames was arrested. Normally, our congressional oversight committees ask the Director of Central Intelligence to request an IG investigation. On this occasion their request was directed to the IG.

Second, the DCI chose to ask us to look into the Ames matter in phases after Ames's arrest for fear of disrupting the Ames prosecution. We were requested to inquire into the circumstances surrounding the CI investigation of the Ames betrayal--what procedures were in place respecting CIA counterespionage investigations at the time Ames volunteered to the Soviets in 1985; how well did they work; and what was the nature of CIA's cooperation with the FBI in this case. On March 10, 1994, the DCI asked us to seek to determine if individuals in Ames's supervisory chain discharged their responsibilities in the manner expected of them and directed the Executive Director of CIA to prepare a list of Ames's supervisors during the relevant periods. The DCI also directed that awards and promotions for the individuals on the Executive Director's list be held in escrow pending the outcome of the IG investigation. I wish to state at this point that neither I nor any member of the team investigating the Ames case have viewed the DCI's escrow list. We wanted to be as completely unaffected by the names on the list as we could be in order to discharge our responsibility to advise the DCI objectively of possible disciplinary recommendations. As a precautionary measure, I did ask my Deputy for Inspections, who is otherwise uninvolved in the Ames investigation, to view the escrow list to advise of any individuals on it whom we might have failed to interview through inadvertence. That has been our only involvement with the escrow list.

Third, there was an unusual limitation placed on our inquiry at the outset caused by a desire on the part of the DCI, the Department of Justice and the U.S. Attorney in the Eastern District of Virginia to do nothing that would complicate the Ames trial. We willingly complied with these constraints, confining ourselves to background file reviews and interviews of non-witnesses until the Ameses pled guilty on April 28, 1994. The consequence has been that we have had to cover a great deal of ground in a short period of time to conduct this investigation in order to have a report ready for the DCI and the congressional

oversight committees by September 1994. I am extremely proud of our 12-person investigative team.

Apart from the unusual procedures affecting this investigation, the Ames case presented several major substantive problems as well. This case raised so many issues of concern to the DCI, the oversight committees and the American people, that we have not chosen to tell the story in our normal chronological way. Instead, we have focused on themes: Ames's life, his career, his vulnerabilities. We have tried to discuss how counterespionage investigations have been conducted in CIA since the Edward Lee Howard betrayal and the Year of the Spy, 1985--in the context of this particular case. Necessarily, we have made analytical judgments about what we have learned--some of them quite harsh. We believe this is our job--not just to present the facts, but to tell the DCI, the oversight committees and other readers how it strikes us. We have the confidence to do this because we have lived with the guts of Ames's betrayal and his unearthing for countless hours and we owe our readers our reactions. In this sense our 12 investigators are like a jury--they find the facts and make recommendations to the DCI for his final determination. This investigative team, like a jury, represents the attitude of the intelligence professionals from whose ranks they are drawn and from whom they drew testimony--sometimes shocked and dismayed at what we've learned, often appreciative of the individual acts of competence and courage, and always intrigued by the complexity of the Ames story.

In the end, the Ames case is about accountability, both individual and managerial. The DCI and the congressional oversight committees have made this the issue, but if they had not, we would have. As a postscript to my opening sentences, let me note that the CIA IG had begun to look into the Ames case on its own, even before the SSCI or the DCI had requested it, because we believe that the statute setting up our office requires it. The issue of managerial accountability has been one of this office's principal points of focus since its inception in 1990--and we have enjoyed mixed success in our reviews and recommendations to promote it.

Seeking to determine managerial accountability in the Ames case has not been an easy task. On the individual level, we have uncovered a vast quantity of information about Ames's professional sloppiness, his failure to file accountings, contact reports and requests for foreign travel on time or at all. We have found that Ames was oblivious to issues of personal security both professionally--he left classified files on a subway train--and in his espionage--he carried incriminating documents and large amounts of cash in his airline luggage; he carried classified documents out of CIA facilities in shopping bags; and he openly walked into the Soviet Embassy in the United States and a Soviet compound in Rome. We have noted that Ames's abuse of alcohol, while not constant throughout his career, was chronic and interfered with his judgment and the performance of his duties.

By and large his professional weaknesses were observed by Ames's colleagues and supervisors and were tolerated by many who did not consider them highly unusual for Directorate of Operations officers on the "not going anywhere" promotion track. That an officer with these observed vulnerabilities should have been given counterintelligence responsibilities in Soviet operations where he was in a prime position to learn of the intimate details of the Agency's most sensitive operations, contact Soviet officials openly and then massively betray his trust is difficult to justify. The IG investigative team has been dismayed at this tolerant view of Ames's professional deficiencies and the random indifference given to his assignments, and our recommendations reflect that fact.

Finally, on the grander scale of how the reaction to the major loss of Soviet cases in 1985-86 was managed, our team has been equally strict, demanding and greatly disturbed by what we saw. If Soviet operations--the effort to achieve human penetrations of the USSR for foreign intelligence and counterintelligence information--was the highest priority mission of the clandestine service of CIA in 1985-86, then the loss of most of our assets in this crucial area of operations should have had a devastating effect on the thinking of the leaders of the DO and CIA. The effort to probe the reasons for these losses should have been of the most vital significance to U.S. intelligence, but particularly to the CIA, and should have been pursued with the utmost vigor and all necessary resources until an explanation--a technical or human penetration--was found.

It is true that the spy was found, but the course to that conclusion could have been much more rapid and direct. While those few who were engaged in the search may have done the best they could with what they had, in this investigation we have concluded that the intelligence losses of 1985-86 were not pursued to the fullest extent of the capabilities of the CIA, which prides itself on being the best intelligence service in the world. The analytical judgments and recommendations in this Report reflect that conclusion. We wish it could have been otherwise.

Frederick P. Hitz  
Inspector General

## **SUMMARY**

1. In the spring and summer of 1985, Aldrich H. Ames began his espionage activities on behalf of the Soviet Union. In 1985 and 1986, it became increasingly clear to officials within CIA that the Agency was faced with a major CI problem. A significant number of CIA Soviet sources began to be compromised, recalled to the Soviet Union and, in many cases, executed. A number of these cases were believed to have been exposed by Edward Lee Howard, who fled the United States in September 1985 to avoid prosecution for disclosures he made earlier that year. However, it was evident by fall of 1985 that not all of the compromised sources could be attributed to him.

2. Later in 1985, the first Agency efforts were initiated to ascertain whether the unexplained compromises could be the result of a) faulty practices by the sources or the CIA officers who were assigned to handle them (i.e., whether the cases each contained "seeds of their own destruction"), b) a physical or electronic intrusion into the Agency's Moscow Station or Agency communications, or c) a human penetration within the Agency (a "mole"). Although they were never discounted altogether, the first two theories diminished in favor over the years as possible explanations for the losses. A "molehunt"--an effort to determine whether there was a human penetration, a spy, within CIA's ranks--was pursued more or less continuously and with varying degrees of intensity until Ames was convicted of espionage in 1994, nine years after the compromises began to occur.

3. The 1985-1986 compromises were first discussed in late 1985 with DCI William Casey, who directed that the Deputy Director for Operations (DDO) make every effort to determine the reason for them. In January 1986, SE Division\* instituted new and extraordinary compartmentation measures to prevent further compromises. In the fall of 1986, a small Special Task Force (STF) of four officers operating under the direction of the Counterintelligence Staff (CI Staff) was directed to begin an effort to determine the cause of the compromises. This effort, which was primarily analytic in nature, paralleled a separate FBI task force to determine whether the FBI had been penetrated. The FBI task force ended, and the CIA STF effort diminished significantly in 1988 as its participants became caught up in the creation of the Counterintelligence Center (CIC). Between 1988 and 1990, the CIA molehunt came to a low ebb as the officers involved concentrated on other CI matters that were believed to have higher priority.

---

\* Soviet East European Division, later renamed Central Eurasia Division, directed operations related to the Soviet Union and its successor states.

4. In late 1989, after his return from Rome, Ames's lifestyle and spending habits had changed as a result of the large amounts of money he had received from the KGB in return for the information he provided. Ames made no special efforts to conceal his newly acquired wealth and, for example, paid cash for a \$540,000 home. This unexplained affluence was brought to the attention of the molehunt team by a CIA employee in late 1989, and a CIC officer began a financial inquiry. The preliminary results of the financial inquiry indicated several large cash transactions but were not considered particularly significant at the time.

5. Nevertheless, information regarding Ames's finances was provided to the Office of Security (OS) by CIC in 1990. A background investigation (BI) was conducted and a polygraph examination was scheduled. The BI was very thorough and produced information that indicated further questions about Ames and his spending habits. However, this information was not made available to the polygraph examiners who tested him, and CIC did not take steps to ensure that the examiners would have full knowledge of all it knew about Ames at the time. In April 1991, OS determined that Ames had successfully completed the reinvestigation polygraph with no indications of deception, just as he had five years previously.

6. In 1991, CIA's molehunt was revitalized and rejuvenated. Two counterintelligence officers were assigned full-time to find the cause of the 1985-86 compromises. The FBI provided two officers to work as part of the molehunt team.

7. During this phase, attention was redirected at Ames and a number of other possible suspects. In March 1992, a decision was made to complete the financial inquiry of Ames that had been initiated in 1989. In August 1992, a correlation was made between bank deposits by Ames that were identified by the financial inquiry and meetings between Ames and a Soviet official that the Agency and FBI had authorized in 1985. The joint CIA/FBI analytic effort resulted in a report written in March 1993, which concluded that, among other things, there was a penetration of the CIA. It was expected by CIA and FBI officials that the report, which included lists of CIA employees who had access to the compromised cases, would be reviewed by the FBI in consideration of further investigative steps.

8. The totality of the information available to CIC and the FBI prompted the FBI to launch an intensive CI investigation of Ames. During this phase, the FBI attempted to gather sufficient information to determine whether Ames was in fact engaged in espionage, and the Agency molehunt team was relegated to a supporting role. Every effort was made to avoid alerting Ames to the FBI CI investigation. According to FBI and Agency officials, it was not until a search of Ames's residential trash in September 1993, which produced a copy of an operational note from Ames to the Russians, that they were certain Ames was a spy. After the



FBI had gathered additional information, Ames was arrested on February 21, 1994 and pled guilty to espionage on April 28, 1994.

9. The two CIA officers and the two FBI officers who began working in earnest on the possibility of an Agency penetration in 1991 under the auspices of the Agency's CIC, deserve credit for the ultimate identification of Ames as a hostile intelligence penetration of CIA. Without their efforts, it is possible that Ames might never have been successfully identified and prosecuted. Although proof of his espionage activities was not obtained until after the FBI began its CI investigation of Ames in 1993, the CIA molehunt team played a critical role in providing a context for the opening of an intensive investigation by the FBI. Moreover, although the CIA and the FBI have had disagreements and difficulties with coordination in other cases in the past, there is ample evidence to support the statements by both FBI and CIA senior management that the Ames case was a model of CI cooperation between the two agencies.

10. From its beginnings in 1986, however, the management of CIA's molehunt effort was deficient in several respects. These management deficiencies contributed to the delay in identifying Ames as a possible penetration, even though he was a careless spy who was sloppy and inattentive to measures that would conceal his activities. Despite the persistence of the individuals who played a part in the molehunt, it suffered from insufficient senior management attention, a lack of proper resources, and an array of immediate and extended distractions. The existence and toleration of these deficiencies is difficult to understand in light of the seriousness of the 1985-86 compromises and especially when considered in the context of the series of other CI failures that the Agency suffered in the 1980s and the decade-long history of external attention to the weaknesses in the Agency's CI and security programs. The deficiencies reflect a CIA CI function that has not recovered its legitimacy since the excesses of James Angleton, which resulted in his involuntary retirement from CIA in 1974. Furthermore, to some extent, the "Angleton Syndrome" has become a canard that is used to downplay the role of CI in the Agency.

11. Even in this context, it is difficult to understand the repeated failure to focus more attention on Ames earlier when his name continued to come up throughout the investigation. He had access to all the compromised cases; his financial resources improved substantially for unestablished reasons; and his laziness and poor performance were rather widely known. All of these are CI indicators that should have drawn attention to Ames. Combined, they should have made him stand out. Arguably, these indicators played a role in the fact that Ames was often named as a prime suspect by those involved in the molehunt.

12. One result of management inattention was the failure of CIA to bring a full range of potential resources to bear on this counterespionage investigation. There was an over-emphasis on operational analysis and the qualifications thought necessary to engage in such analysis, and a failure to employ fully such investigative techniques as financial analysis, the polygraph, behavioral analysis interviews, and the review of public and governmental records. These problems were exacerbated by the ambiguous division of the counterespionage function between CIC and OS and the continuing subordination by the Directorate of Operations (DO) of CI concerns to foreign intelligence collection interests. Excessive compartmentation has broadened the gap in communications between CIC and OS, and this problem has not been overcome despite efforts to improve coordination. CIC did not share information fully with OS or properly coordinate the OS investigation process.

13. These defects in the Agency's capability to conduct counterespionage investigations have been accompanied by a degradation of the security function within the Agency due to management policies and resource decisions during the past decade. These management policies emphasize generalization over expertise, quantity over quality, and accommodation rather than professionalism in the security field. This degradation of the security function has manifested itself in the reinvestigation and polygraph programs and appears to have contributed to Ames's ability to complete polygraphs successfully in 1986 and 1991 after he began his espionage activities.

14. Beyond defects in counterespionage investigations and related security programs, the Ames case reflects significant deficiencies in the Agency's personnel management policies. No evidence has been found that any Agency manager knowingly and willfully aided Ames in his espionage activities. However, Ames continued to be selected for positions in SE Division, CIC and the Counternarcotics Center that gave him significant access to highly sensitive information despite strong evidence of performance and suitability problems and, in the last few years of his career, substantial suspicion regarding his trustworthiness. A psychological profile of Ames that was prepared as part of this investigation indicates a troubled employee with a significant potential to engage in harmful activities.

15. Although information regarding Ames's professional and personal failings may not have been available in the aggregate to all of his managers or in any complete and official record, little effort was made by those managers who were aware of Ames's poor performance and behavioral problems to identify the problems officially and deal with them. If Agency management had acted more responsibly and responsively as these problems arose, it is possible that the Ames case could have been avoided in that he might not have been placed in a position where he could give away such sensitive source information.

16. The principal deficiency in the Ames case was the failure to ensure that the Agency employed its best efforts and adequate resources in determining on a timely basis the cause, including the possibility of a human penetration, of the compromises in 1985-86 of essentially its entire cadre of Soviet sources. The individual officers who deserve recognition for their roles in the eventual identification of Ames were forced to overcome what appears to have been significant inattentiveness on the part of senior Agency management. As time wore on and other priorities intervened, the 1985-86 compromises received less and less senior management attention. The compromises were not addressed resolutely until the spring of 1991 when it was decided that a concerted effort was required to resolve them. Even then, it took nearly three years to identify and arrest Ames, not because he was careful and crafty, but because the Agency effort was inadequate.

17. Senior Agency management, including several DDOs, DO Division Chiefs, CIC and DO officials, should be held accountable for permitting an officer with obvious problems such as Ames to continue to be placed in sensitive positions where he was able to engage in activities that have caused great harm to the United States. Senior Agency management, including at least several DCIs, Deputy Directors, DO Division Chiefs, and senior CI and security officials, should also be held accountable for not ensuring that the Agency made a maximum effort to resolve the compromises quickly through the conduct of a focused investigation conducted by adequate numbers of qualified personnel.

#### **WHAT WAS AMES'S CAREER HISTORY WITH CIA?**

18. In June 1962, Ames completed full processing for staff employment with the Agency and entered on duty as a GS-4 document analyst in the Records Integration Division (RID) of the DO. Within RID, Ames read, coded, filed, and retrieved documents related to clandestine operations against an East European target. He remained in this position for five years while attending George Washington University, on a part-time or full-time basis. In September 1967, Ames received his Bachelor of Arts degree in history with an average grade of B-.

19. Ames originally viewed his work with RID as a stopgap measure to finance his way through college. However, he grew increasingly fascinated by intelligence operations against Communist countries, and, influenced by other RID colleagues who were entering the Career Trainee (CT) program, he applied and was accepted as a CT in December 1967. When Ames completed this training nearly a year later, he was assigned to an SE Division branch. He remained there for several months before beginning Turkish language studies.

20. Ames's first overseas posting took place between 1969 and 1972. It was not a successful tour, and the last Performance Appraisal Report (PAR) of his tour stated, in effect, that Ames

was unsuited for field work and should spend the remainder of his career at Headquarters. The PAR noted that Ames preferred "assignments that do not involve face-to-face situations with relatively unknown personalities who must be manipulated." Such a comment was devastating for an operations officer, and Ames was discouraged enough to consider leaving the Agency.

21. Ames spent the next four years, 1972-76, at Headquarters in SE Division. Managing the paperwork and planning associated with field operations at a distance was more comfortable for Ames than trying to recruit in the field himself, and he won generally enthusiastic reviews from his supervisors. One payoff from this improved performance was the decision in September 1974 to name Ames as both the Headquarters and field case officer to manage a highly valued Agency asset.

22. Ames's opportunity to expand his field experience came with his assignment to the New York Base of the DO's Foreign Resources Division from 1976 to 1981. The PARs that Ames received during the last four of his five years in New York were the strongest of his career. These PARs led Ames to be ranked in the top 10% of GS-13 DO operations officers ranked for promotion in early 1982. He was promoted to GS-14 in May 1982.

23. The career momentum Ames established in New York was not maintained during his 1981-83 tour in Mexico City. This assignment, like his earlier tour and his later tour in Rome, failed to play to Ames's strengths as a handler of established sources and emphasized instead an area where he was weak--the development and recruitment of new assets. In Mexico City, Ames spent little time working outside the Embassy, developed few assets, and was chronically late with his financial accountings. Further, Ames developed problems with alcohol abuse that worsened to the point that he often was able to accomplish little work after long, liquid lunches. His PARs focused heavily, and negatively, on his failure to maintain proper accountings and were generally unenthusiastic. In Mexico City, Ames also became involved in an intimate relationship with the Colombian cultural attaché, Maria del Rosario Casas Dupuy.

24. Despite his lackluster performance in Mexico City, Ames returned to Headquarters in 1983 to a position that he valued highly. His appointment as Chief of a branch in an SE Division Group was recommended by the officer who had supervised Ames in New York and approved by Chief, SE Division and the DDO. This position gave him access to the Agency's worldwide Soviet operations. Ames completed this tour with SE Division by being selected by the SE Division Chief as one of the primary debriefers for the defector Vitaly Yurchenko from August to September 1985. For his work in the SE Division Group, Ames was ranked very near the lower quarter of DO operations officers at his grade at this time.

25. By early 1984, Ames was thinking ahead to his next field assignment and asked to go to Rome as Chief of a branch where he had access to information regarding many operations run or supported from that post. He left for Rome in 1986. He once again began to drink heavily, particularly at lunch, did little work, sometimes slept at his desk in the afternoons, rarely initiated developmental activity, and often fell behind in accountings, reporting and other administrative matters. Ames was successful in managing liaison relations with U.S. military intelligence units in Italy, but he registered few other achievements.

26. Ames's mediocre performance for the Agency in Rome did not prevent his assignment upon his return to Headquarters in mid-1989 to head a branch of an SE Division Group. Here again he had access to many sensitive cases. When that position was eliminated in a December 1989 reorganization of SE Division, Ames became Chief of another SE Division branch, where he remained until late 1990. At this time, Ames was ranked in the bottom 10% of DO GS-14 operations officers. He appears to have been a weak manager who focused only on what interested him.

27. Ames moved to a position in the Counterintelligence Center in October 1990. In the CIC, where he remained until August 1991, he prepared analytical papers on issues relating to the KGB but also had access to sensitive data bases. Discussions between Ames and the Deputy Chief, SE Division, resulted in Ames's temporary return to SE Division as head of a small KGB Working Group between August and November 1991.

28. In 1991, Chief SE Division requested that a counternarcotics program be established through liaison with the states of the former Soviet Union. Thereafter, Ames began a rotation to the Counternarcotics Center (CNC) in December 1991. At CNC, where Ames remained until his arrest, he worked primarily on developing a program for intelligence sharing between the United States and cooperating countries.

29. Ames was arrested on February 21, 1994. On that date, DCI Woolsey terminated his employment with the Agency.

#### **WHAT WERE AMES'S STRENGTHS, WEAKNESSES AND VULNERABILITIES?**

##### **Performance Problems**

30. Ames appears to have been most successful and productive in assignments that drew on his:

- Analytical skills, particularly collating myriad bits of information into coherent patterns;
- Writing skills, both in drafting operational cables and crafting more intuitive thought pieces;

- Intellectual curiosity and willingness to educate himself on issues that were beyond the scope of his immediate assignment; and
- Creativity in conceiving and implementing sometimes complex operational schemes and liaison programs.

31. Ames was far less successful--and indeed was generally judged a failure--in overseas assignments where the development and recruitment of assets was the key measure of his performance. For most of his career, moreover, a number of work habits also had a dampening impact on his performance. These included:

- Inattention to personal hygiene and a sometimes overbearing manner that aggravated the perception that he was a poor performer;
- A lack of enthusiasm for handling routine administrative matters. By the late 1970s, when Ames was assigned to New York, this pattern of behavior was evident in his tardy filing of financial accountings and failure to document all of his meetings in contact reports. Ames's disdain for detail also manifested itself in his pack-rat amassing of paper and his failure, especially in Rome, to handle action cables appropriately and expeditiously; and
- Selective enthusiasm. With the passage of time, Ames increasingly demonstrated zeal only for those few tasks that captured his imagination while ignoring elements of his job that were of little personal interest to him.

#### **Sleeping on the Job**

32. A significant number of individuals who have worked with Ames in both domestic and foreign assignments state that it was not uncommon for Ames to be seen asleep at his desk during working hours. This behavior often coincided, especially in Rome and at Headquarters in the 1990s, with Ames having returned from lunch where he consumed alcohol.

#### **Failure to File Required Reports**

33. The Agency has an established system of reports of various kinds that serve administrative, operational, security, and counterintelligence purposes. Ames paid very little attention to a variety of these reporting requirements. His inattention to these matters was by and large ignored, to the extent it was known by Agency management.

## **Foreign Travel**

34. Over the course of several years, Ames failed to report foreign travel to OS as required by Headquarters Regulation. It is difficult to determine whether and to what extent management was aware of his unreported travel. The official record includes no mention, but fellow employees appear to have had some knowledge of his travels, especially in Rome.

## **Contact Reports**

35. Ames also failed to file timely contact reports regarding many of his meetings with foreign officials. While this failure originally may have been related to his laziness and disdain for regulations, it became more calculated and had serious CI implications once he had volunteered to the Soviets in 1985. Ames states that he deliberately avoided filing complete and timely reports of his contacts with Soviet officials in Washington. If he had done so, he believes, Agency and FBI officials might have identified contradictions. Moreover, he believes they would have seen no operational advantage to the meetings, ceased the operation, and removed the ready pretext for his espionage activities. This also was true of his meetings with Soviets in Rome.

## **Financial Accountings**

36. Throughout the course of Ames's career, managers reported that they frequently counseled and reprimanded him, or cited in his PAR Ames's refusal to provide timely accountings and properly maintain his revolving operational funds. This is more than a question of financial responsibility for DO officers. It also provides DO managers with another means of monitoring and verifying the activities of the operations officers they supervise.

## **Foreign National Contacts and Marriage**

37. Ames also did not fully comply with Agency requirements in documenting his relationship with Rosario. He never reported his intimate relationship with her as a "close and continuing" one while he was in Mexico City. Management was aware generally of a relationship but not its intimate nature and did not pursue the reporting. He did follow proper procedures in obtaining approval for their marriage. However, Agency management did not accept or implement properly the CI Staff Chief's recommendation at the time that Ames be placed in less sensitive positions until Rosario became a U.S. citizen.

## **Security Problems**

38. Ames also seemed predisposed to ignore and violate Agency security rules and regulations. In New York in 1976, he committed a potentially very serious security violation when he

left a briefcase full of classified information on a New York subway train. In 1984, Ames brought Rosario to an Agency-provided apartment; a clear violation that compromised the cover of other operations officers. Ames also committed a breach of security by leaving a sensitive secure communications system unsecured at the FR/New York office. On July 2, 1985, Ames received the only official security violation that was issued to him when he left his office safe open and unlocked upon departure for the evening. Ames admits to using his home computer occasionally when in Rome between 1986 and 1989 to draft classified memoranda and cables that he would print out and take into the office the next day. In the most extreme example of his disregard for physical security regulations, of course, Ames wrapped up five to seven pounds of cable traffic in plastic bags in June 1985 and carried it out of Headquarters to deliver to the KGB.

#### **Alcohol Abuse**

39. Much has been made since his arrest of Ames's drinking habits. While it is clear that he drank too much too often and there is some basis to believe this may have clouded his judgment over time, he does not appear to have been an acute alcoholic who was constantly inebriated. Ames acknowledges the presence of a variety of symptoms of alcohol addiction. The term "alcoholic" often conjures up images of broken individuals who spend their days helplessly craving a drink, becoming intoxicated beyond any self-control, and only breaking out of their intoxication with severe withdrawal symptoms. As explained in the psychological profile prepared by the psychologist detailed to the IG, alcohol addiction is, in reality, a more subtle, insidious process. This accounts for the fact that many of Ames's colleagues and a few supervisors were able to work with Ames without noticing his substance abuse problem.

40. In regard to why they did not deal with problems associated with Ames's alcohol abuse, several Agency managers say that alcohol abuse was not uncommon in the DO during the mid- to late-1980s and that Ames's drinking did not stand out since there were employees with much more serious alcohol cases. Other managers cite a lack of support from Headquarters in dealing with problem employees abroad.

41. Medical experts believe that alcohol, because it diminishes judgment, inhibitions, and long-term thinking ability, may play some role in the decision to commit espionage. At the same time, because the number of spies is so small relative to the fraction of the U. S. population that has an alcohol abuse problem, statistical correlations cannot be made. As a result, alcohol abuse cannot be said to have a predictive connection to espionage and, in and of itself, cannot be used as an indicator of any real CI significance.



## **Financial Problems**

42. In 1983-85, Ames became exceedingly vulnerable to potential espionage as a result of his perception that he was facing severe financial problems. According to Ames, once Rosario moved in with him in December 1983 he had begun to feel a financial pinch. Ames describes being faced with a credit squeeze that included a new car loan, a signature loan that had been "tapped to the max," mounting credit card payments, and, finally, a divorce settlement that he believed threatened to bankrupt him.

43. Ames claims to have first contemplated espionage between December 1984 and February 1985 as a way out of his mounting financial dilemma. Confronting a divorce that he knew by that time was going to be financially draining, and facing added expenses connected with his imminent marriage to someone with already established extravagant spending habits, Ames claims that his financial predicament caused him to commit espionage for financial relief.

## **WHY DID AMES COMMIT ESPIONAGE?**

44. Ames states that the primary motivating factor for his decision to commit espionage was his desperation regarding financial indebtedness he incurred at the time of his separation from his first wife, their divorce settlement and his cohabitation with Rosario. He also says that several otherwise inhibiting "barriers" had been lowered by a) the opportunity to meet Soviet officials under Agency sanction, b) the lack of concern that he would soon be subject to a reinvestigation polygraph, c) his fading respect for the value of his Agency work as a result of lengthy discussions with Soviet officials, and d) his belief that the rules that governed others did not apply to him. Ames claims he conceived of a one-time "scam" directed against the Soviets to obtain the \$50,000 he believed he needed to satisfy his outstanding debt in return for information about Agency operations he believed were actually controlled by the Soviets. He recognized subsequently that there was no turning back and acted to protect himself from the Soviet intelligence services by compromising Agency sources first in the June 1985 "big dump."

## **HOW WERE INDICATIONS OF SUBSTANTIAL CHANGES IN AMES'S FINANCIAL SITUATION HANDLED?**

45. The financial inquiry regarding Ames began in November 1989 with the receipt of information from at least one Agency employee that Ames's financial situation had changed and he was living rather extravagantly. Upon his return from Rome, Ames purchased a home in Arlington for more than a half million dollars in cash and made plans to remodel the kitchen and landscape the yard, sparing no expense. Ames was also known to have purchased a Jaguar automobile and to have Filipino servants whom he had flown

to and from the Philippines. Ames's lifestyle change was apparent to others as well and several employees state that they noticed at that time a marked improvement in Ames's physical appearance, including capped teeth and expensive Italian suits and shoes.

46. The financial inquiry faltered over resource limitations and priority conflicts, was reinvigorated in March 1992 and was not completed until mid-1993. The information obtained as a result of the Ames financial review, especially the correlation between deposits made by the Ameses and the operational meetings, was an essential element in shifting the focus of the molehunt toward Ames and paving the way, both psychologically and factually, for the further investigation that resulted in his arrest. Yet the financial review was permitted to stall for almost a year while other matters consumed the time and effort of the single CIC officer who possessed the interest and ability necessary to conduct it. Technical management expertise to oversee the investigator's activities and help guide him was lacking. Given the responsibility that was placed on the investigator and his relative inexperience in conducting and analyzing financial information, he did a remarkable job. But there was clearly a lack of adequate resources and expertise available in CIC for this purpose.

47. If the financial inquiry had been pursued more rapidly and without interruption, significant information about Ames's finances would have been acquired earlier.

**WAS THE COUNTERESPIONAGE INVESTIGATION COORDINATED PROPERLY WITH THE FBI?**

48. Under Executive Order 12333, CIA is authorized to conduct counterintelligence activities abroad and to coordinate the counterintelligence activities of other agencies abroad. The Order also authorizes CIA to conduct counterintelligence activities in the United States, provided these activities are coordinated with the FBI. Under a 1988 CIA-FBI Memorandum of Understanding (MOU) the FBI must be notified immediately when there is a reasonable belief that an individual may engage in activities harmful to the national security of the United States.

49. CIA-FBI cooperation in the Ames case after the spring of 1991 generally exceeded the coordination requirements under the 1988 MOU. The FBI could have taken over the Ames case completely in 1991 but apparently concluded that it did not have sufficient cause to open an intensive CI investigation directed specifically at Ames. The FBI officers who were part of the team were provided unprecedented access to CIA information related to Ames and to other CIA cases. These FBI officers indicate that they had full access to all of the CIA information they needed and requested. Once the FBI did take over the case in 1993, CIA cooperation with the Bureau was excellent, according to FBI and CIA accounts.

**WERE SUFFICIENT RESOURCES AND MANAGEMENT ATTENTION DEVOTED TO THE AMES INVESTIGATION?**

50. In considering whether the resources that were applied to the molehunt were sufficient, it is necessary to evaluate the need for secrecy and compartmentation. If alerting a potential mole to the investigation was to be avoided at all costs, then concerns about the size and discretion of any group undertaking the investigation would be paramount. Nevertheless there must be some balance between secrecy and progress. Despite the arguments for the small size of the molehunt team, many officers concede that more resources could have been brought to bear earlier on the Ames investigation.

51. Even accepting the argument that the team had to be small to maintain compartmentation and to manage a complex CI investigative process, the resource issue remains because the molehunt team members who were made available were not focused exclusively on the task, but were frequently diverted to other requirements. The limited size and diffused focus of the molehunt team does not support DO management's assertions that the 1985-86 compromised Soviet cases were "the biggest failure a spy Agency could have." Rather, the resources applied to the task force indicate lack of management attention to this most serious of intelligence failures.

52. The resources that the Agency devoted to the molehunt were inadequate from the outset, especially when considered in light of the fact that the 1985-86 compromises were the worst intelligence losses in CIA history.

**HAS AGENCY USE OF POLYGRAPHS AND BACKGROUND INVESTIGATIONS BEEN SUFFICIENT TO DETECT POSSIBLE AGENCY COUNTERINTELLIGENCE PROBLEMS AT THE EARLIEST TIME?**

53. The fact that Ames conceived, executed and sustained an espionage enterprise for almost nine years makes it difficult to argue that Agency screening techniques functioned adequately to detect a CI problem at the earliest possible time. The question then becomes whether the screening techniques, particularly the periodic polygraph examination, were adequate and why they did not detect Ames. The available evidence indicates that there were weaknesses in the polygraph methods that were used. However, it is difficult to conclude that the techniques themselves are inadequate since the major failing in the Ames case appears to be traceable to non-coordination and non-sharing of derogatory information concerning Ames.

54. Although this IG investigation necessarily focused on the Ames polygraph and background investigations, many employees of the Office of Security also raised more generic problems in these programs. At a minimum, these expressions of concern about the Agency's polygraph program reflect a significant morale problem.

55. In light of the dominant role that the polygraph plays in the reinvestigation process, OS management came to be interested in production. For most of the time since 1986--when the five-year periodic reinvestigation program was begun--until the present, the reinvestigation program has been behind schedule. As a result, OS managers have stressed the successful completion of polygraph examinations. Many examiners believe that this requirement implicitly stressed quantity over quality. In addition to the pressures of production, the lack of experience in the polygraph corps has detrimentally affected the Agency's polygraph program. The 1988 IG reinspection of the polygraph program noted this loss of experience. Many current and former OS polygraphers say that the OS policy of promoting generalists has caused the loss of experience. Many individuals also cite the lack of complete information on testing subjects as a defect in the Agency's polygraph program.

56. The 1986 polygraph of Ames was deficient and the 1991 polygraph sessions were not properly coordinated by CIC after they were requested. The Office of Security (OS) conducted a background investigation (BI) prior to Ames's polygraph examination in 1991. This 1991 BI is deemed by OS personnel to be a very professional and in-depth investigation of Ames's personal and professional activities. The investigator who conducted this BI deserves great credit for the competency and thoroughness of her efforts. Unfortunately, the results of this 1991 BI were not available to the polygraph examiners at the time they tested Ames nor was financial information that had been developed by CIC. Ultimately, the miscommunication between the CIC and OS components that were involved led the individual examiners to conduct standard reinvestigation polygraph tests that Ames passed. Both examiners say that having such detailed information available could have significantly altered their approach to testing Ames.

**TO WHAT EXTENT DID AMES USE COMPUTER ACCESS AND CAPABILITIES TO ENGAGE IN ESPIONAGE ACTIVITIES?**

57. Ames reports that he bought his first computer in the late winter or early spring of 1986 just prior to leaving for Rome. Ames's interest, however, was limited to computer applications rather than the technical aspects of computer science or programming. Ames admits to using his home computer occasionally when in Rome to draft classified memoranda and cables that he would print out and take into the office the next day. Ames admits to writing all his notes to the Soviets on his home computer using WordPerfect word processing software while in Rome. These notes, however, were passed only in paper form. Ames began preparing at home and passing computer disks to the Soviets after returning to Washington. These disks had been password-protected by the Russians. The information contained on the disks, according to Ames, consisted only of one or two-page messages from him to his handler. All other information he passed was in the form of paper copies of documents. The intent was for Ames to

leave a disk at a drop site and have the same disk returned later at his pick-up site.

58. Ames says that passing disks and using passwords was entirely his idea. Although Ames admits to discussing Agency computer systems with the Soviets, he says it was obvious that his handlers had little or no expertise in basic computer skills. Ames describes his handlers as being "rather proud of their having been able to turn a machine on, crank up WordPerfect and get my message on it."

59. Ames states consistently that he did not use or abuse computer access as a means for enhancing his espionage capabilities. He explains that the computer systems to which he had access in CIC, SE/CE Division and Rome Station were "really no more than bona fide electric typewriters." He does say, however, that this changed after he was given access to the CNC Local Area Network (LAN). That LAN featured the DO's message delivery system (MDS). However, the CNC terminals differed from DO LANs in that the capability to download information to floppy disks had not been disabled in the CNC LAN. The combination of having the MDS system available on terminals that had floppy disk capabilities represented a serious system vulnerability.

60. Ames clearly viewed his access to the CNC LAN as a very significant event in his ability to conduct espionage. The broadened access, combined with the compactness of disks, greatly enhanced the volume of data he could carry out of Agency facilities with significantly reduced risk. Fortunately, he was arrested before he could take full advantage of this system vulnerability.

61. No specific precautions were taken by Agency officials to minimize Ames's computer access to information within the scope of his official duties. In fact, there is one instance where Ames was granted expanded computer access despite expressions of concern by CIC and SE Division management at the time about his trustworthiness. Ames states he was surprised when he signed on and found that he had access to information about double agent cases. This allowed him to compromise a significant amount of sensitive data from the CIC to which he did not have an established need-to-know.

#### **IS THERE ANY MERIT TO THE ALLEGATIONS IN THE "POISON FAX?"**

62. In April 1994, an anonymous memorandum was faxed to the Senate Select Committee on Intelligence criticizing CIA counterintelligence policies and practices. That memorandum, which came to be known as the "poison fax," also alleged that an SE Division manager had warned Ames he was suspected of being a KGB mole and that a message from the field confirmed this. These allegations were featured in the press and raised questions in the Congress. No evidence has been found to substantiate these allegations.

**HAS CIA BEEN EFFECTIVELY ORGANIZED TO DETECT PENETRATIONS SUCH AS AMES?**

63. During the period of the Agency molehunt that led to Ames, the CI function and its counterespionage element was divided between the DO and OS. This division created problems that adversely affected the Agency's ability to focus on Ames. Although attempts were made to overcome these problems by written understandings and the assignment of OS officers to CIC, these attempts were not altogether successful.

64. Senior security officials have pointed out that there always has been a "fault line" in communications between the CIC, and its predecessors, and the OS. This division has created a number of problems, given the disparate cultures of the two organizations. Attempts are being made to employ CIC-OS teams to overcome these problems, but the problems are inherent to the division of CI responsibilities. The division of responsibility for CI between CIC and OS interfered with a comprehensive approach to the molehunt. When financial leads were obtained in 1989 and 1990, CIC essentially turned the matter over to OS for Ames's reinvestigation but failed to communicate all the relevant facts effectively with the OS personnel who were involved in the reinvestigation.

65. Many senior managers and other officers have strong opinions regarding whether the Agency's CI element, at least the portion that handles possible penetrations of the Agency, should report through the DDO. A number of officers believe that taking the CI function out of the DO would permit the addition of personnel who are not subject to the limitations of the DO culture and mindset. Other officers view the prospect of taking counterespionage outside the DO as impossible and potentially disastrous. Doing so, they argue, would never work because access to DO information would become more difficult. Some officers also argue that reporting directly to the DCI would be copying the KGB approach, which proved over the years to be unworkable. As a counter argument, however, former DCI Webster believes, in retrospect, that the CIC he created in 1988 should have reported to him directly with an informational reporting role to the DDO.

**WERE CIA COUNTERINTELLIGENCE PERSONNEL WHO CONDUCTED THE MOLEHUNT PROPERLY QUALIFIED BY TRAINING AND EXPERIENCE?**

66. Of the four officers who were assigned to the STF in 1986, one remained when the molehunt team was established by CIC in 1991 to continue to pursue the cause of the 1985-86 compromises. That officer was chosen to head the effort primarily because she was an experienced SE Division officer, was familiar with the KGB and wanted to pursue the compromises. According to her supervisor, there were not many other employees who had the years of experience, the operational knowledge, the interest, the temperament, and the personality to persist in this effort. She was joined by another officer who had headed the Moscow Task Force

inquiry charged with doing the DO damage assessment concerning the Lonetree/Bracy allegations. A third officer, who had been on rotation to CIC from the Office of Security was chosen to assist the team because of his background and CI experience, although he was not actually made a team member until June 1993. While this investigator was certainly not the only person in CIA who was capable of performing a financial analysis, he was the only one who was known to, and trusted by, the team leader. He was ideal in her view because of his previous work with her on other CI cases. In addition, two FBI officers were assigned to the effort.

67. Put most simply, the consensus view of those in CIC who were directly involved in the molehunt seems to be that good CI officers have both innate and learned characteristics that make them effective. In addition to innate CI ability, a good CI analyst needs a great deal of general and particular knowledge to make the mental connections necessary to conduct a CI investigation. General knowledge in the molehunt context refers to knowledge of the KGB, while particular knowledge refers to knowledge of the 1985-86 compromised cases. In addition, many CIC employees say that operational experience is essential to CI work. Although this general and particular knowledge can be acquired through study, for the most part it is obtained over years of experience actually working on foreign intelligence operations and CI cases in a particular subject area.

68. In the judgment of the IG, these criteria for qualification as a CI analyst and for the process of conducting a CI investigation reflect a very narrow view of the scope and nature of CI investigations. In the Ames case, it was unduly cramped and justified an unfortunate resistance to adding more personnel to the molehunt unless they were deemed by the team leader to be qualified. Further, this view of counterespionage presents significant risks both to the Agency and successful prosecutions in the future. In the Ames investigation, the equities of any future prosecution were protected by the fact of FBI participation. Law enforcement officers bring an understanding of investigation procedure critical to building a successful prosecution. Without FBI participation, the risk of the narrow CIC view is that prosecutions may be jeopardized in future CI investigations. In addition to protecting Agency and prosecutive equities, training in law enforcement and other investigative techniques would expand the scope of information and techniques available to the Agency's CI investigators.

69. Despite these general shortcomings in CI training and methodology, the molehunters performed admirably. Their work included useful analysis that helped advance the resolution of the 1985-86 compromises significantly. On occasion, their work also went beyond the scope of what had been considered an adequate CI investigation to that point. Thus, they advanced the art form of CI investigations within CIA. In the final analysis, they contributed substantially to catching a spy.

**WAS THE MOLEHUNT THAT LED TO AMES MANAGED PROPERLY, AND WHO WAS RESPONSIBLE?**

70. Supervisory responsibility for the molehunt that eventually led to Ames shifted over time as managers, organizations and circumstances changed.

71. The primary responsibility for the molehunt within the Agency rested with officials in the CI Staff, later the CIC, as well as senior DO management. Management of the molehunt during the initial, analytic phase was inconsistent and sporadic. Although keen interest was expressed from time to time in determining what went wrong, the resources devoted to the molehunt were quite modest, especially considering the significance to the DO and the Agency of the rapid compromise of essentially all major Soviet sources. Those directly engaged in the molehunt also had to contend with competing assignments and were distracted from the molehunt by other possible explanations for the compromises, such as technical penetrations and the Lonetree/Bracy case, that eventually proved not to be fruitful. Senior CI managers at the time admit that they could, and probably should, have devoted more resources to the effort.

72. In the CI Staff, the early years of the molehunt were primarily analytical and episodic, rather than investigative and comprehensive. Although information gathering and file review are important, little else appears to have been done during this time. A number of CI cases concerning Agency employees were opened based on suspicious activity, but none were brought to resolution. No comprehensive list of Agency officers with the requisite access was created and analyzed during this stage in an attempt to narrow the focus of the molehunt.

73. SE Division management must also assume some responsibility, given the fact that the 1985-86 compromises involved major SE Division assets. SE Division management should have insisted upon an extensive effort and added its own resources if necessary to determine the cause of the compromises. It is not sufficient to say, as these and many other officials now do, that they did not more closely monitor or encourage the molehunt effort because they knew they were suspects themselves and did not wish to appear to be attempting to influence the matter in an undue fashion. The distinction between encouraging a responsible effort and improperly interfering in the progress of that effort is considerable. In any event, another senior SE official who was not on the list could have been given the necessary authority and responsibility.

74. Given the importance of the compromises and the need to determine their cause, the DDOs during this phase also must bear responsibility for not paying more attention to and better managing the molehunt.



75. Beyond those in the DO and CIC who had direct responsibility for the molehunt during this phase, OS should have done a better job of developing leads that would have assisted the molehunt team in focusing its attention on Ames as early as 1986. In the mid-1980s, OS had fallen behind in its reinvestigation polygraphs, and many officers had not been repolygraphed for periods much longer than the required five-year intervals. Ames had not been polygraphed for almost ten years when he was scheduled for a reinvestigation polygraph in 1986. That polygraph raised several questions but failed to reveal any problems despite the fact he had begun spying for the Soviets a year earlier and he reports he was very apprehensive at the time about being exposed.

76. The reorganization of OS in 1986 was followed in 1988 by the creation of the CIC which included a large OS contingent operating as an integral part of CIC. While one of the purposes of CIC was to consolidate all of the Agency's CI resources in a single component, the result was an overlap of missions, jurisdictional struggles at the highest levels of OS and CIC, and a failure to share information. According to a May 1991 Office of Inspector General Report of Inspection concerning OS, these problems were caused by the failure of Agency management to define the relative responsibilities of the two components, to provide a mechanism for a smooth flow of information between them, and to establish policy for managing cases of common interest.

77. CIC and the FBI can be credited for initiating a collaborative effort to revitalize the molehunt in April 1991. However, CIC management must also bear responsibility for not allocating sufficient dedicated resources to ensure that the effort was carried out thoroughly, professionally and expeditiously. The delay in the financial inquiry can be attributed largely to the lack of investigative resources allocated to the effort. The CIC investigator deserves a great deal of credit for his initiative and interest in financial analysis and it appears clear that an inquiry into Ames's finances would not have occurred to anyone else in CIC had he not been available to suggest it and carry it out. However, the failure to either dedicate the investigator fully to this inquiry before 1992, or to bring in other officers who would have been able to conduct a similar or more thorough financial analysis of Ames, represents one of the most glaring shortcomings of the molehunt. This failure alone appears to have delayed the identification of Ames by at least two years.

78. In 1993, when the FBI opened an intensive CI investigation of Ames, the Agency was fully cooperative and provided excellent support to the FBI's investigation. CIA deferred to the FBI's decisions regarding the investigation and allowed Ames continued access to classified information in order to avoid alerting him and to assist in developing evidence of his espionage. The common goal was to apprehend Ames, while safeguarding evidence for a successful prosecution. As has been stated earlier, the CIA/FBI working relationship during the FBI phase appears to have been a model of cooperation.

# **METHODOLOGY OF THE COMMITTEE'S INQUIRY INTO THE ALDRICH AMES ESPIONAGE CASE**

---

The eight-month inquiry into the Ames espionage case dominated the Committee's 1994 agenda. No other single subject consumed as much of the Committee's time and resources.

Issues which the Committee addressed during the course of its inquiry were critical to deliberations on the intelligence community's budget request for fiscal year 1995, particularly with respect to funding for human intelligence (HUMINT) activities. The same legislation which embodied those decisions, the Intelligence Authorization Act for Fiscal Year 1995, contained reforms of counterintelligence activities which the Committee developed, in part, in response to its Ames inquiry. Details of those actions can be found in House Reports 103-541 and 103-753. The inquiry likewise played a large role in the selection of the intelligence activities which the Committee reviewed during 1994 in discharging its oversight responsibilities.

The Committee employed three techniques in conducting its inquiry: it held nine briefings and hearings directly on the Ames case, accumulated an extensive documentary record, and formally interviewed eighteen of the key officials from the Central Intelligence Agency and the Federal Bureau of

**Investigation who were involved in the case. In addition, Chairman Glickman and Ranking Republican Combest interviewed Aldrich Ames for two hours while he was held in the Alexandria, Virginia jail (Appendix 3). Staff of the Committee conducted numerous meetings and briefings with CIA, FBI, and Department of Justice officials, including the CIA Inspector General's team and officials of the DCI's Counterintelligence Center.**

**The Committee was briefed for the first time on the case on February 24, 1994, three days after Ames and his wife, Rosario, were arrested. On March 3, the Committee met and agreed upon a charter for an independent inquiry of the case. The approach laid out three questions that the Committee would address:**

- Why were the intelligence community's counterintelligence and security systems and management not effective in preventing or in detecting Ames' espionage earlier?**
- What damage has national security and the intelligence community suffered as a result of this episode?**
- What steps should the intelligence community take to strengthen its counterintelligence and security systems, and is remedial legislation necessary?**

The following report addresses the first and third questions. The intelligence community's formal damage assessment has not been completed. The Committee has had access to the transcripts of the debriefings of Ames by the damage assessment team appointed by DCI Woolsey, and has been briefed on the status of this phase of the Ames case review. However, the damage assessment is not expected to be complete until early in 1995, at which time the Committee will review the findings to determine whether further actions by the DCI or Congress are required.

In addition to the losses caused by Ames' espionage, the investigation which led to his arrest, and significant developments in the case, the Committee's briefings covered several specific matters of interest. For example, the Committee examined the role of the polygraph in conducting this investigation and its use generally in security and counterintelligence investigations.

The DCI briefed the Committee on the administrative actions he implemented to upgrade counterintelligence training and awareness, improve computer security, and strengthen the ability of CIA security investigators to obtain financial and other information about CIA employees during the course of background investigations. Department of Justice officials, including the Director of the FBI, as well as CIA and Department of Defense officials appeared before the Committee on the restructuring of counterintelligence

activities implemented in the wake of the Ames case by Presidential Decision Directive 24.

The last session conducted on the Ames case prior to approval of this report was on September 28, 1994, when the Committee heard from the CIA Inspector General on the findings of his report and the DCI on his actions in response. Except as noted otherwise in this report, the transcripts of all hearings and briefings, and the interviews conducted with CIA and FBI officials, remain classified and are held in the Committee's files.

The second track of the inquiry began on March 10, 1994, when the Committee gave the DCI and the Director of the FBI an extensive set of data requirements related to the case. The request submitted to the DCI covered twenty-four specific questions, including personnel, travel, and polygraph records on Ames; records related to his wife; documents developed by the investigative team, including information shared with senior management of the CIA and the FBI; and counterintelligence-related procedures in effect at the time and studies conducted between 1985 and 1993. The eleven-point request the Committee submitted to the FBI covered essentially the same questions.

As noted in the charter of the inquiry, the Committee unanimously agreed and vigorously affirmed that its review would not jeopardize or otherwise undermine the Department of Justice's investigation of Ames or

prosecution of the charges against him and his wife. The Committee scrupulously adhered to that standard, to the point that it tolerated delays in the provision of information it requested to further its legitimate oversight responsibilities. The Committee notes that these delays continued beyond the date when Ames pled guilty to the charges, thus obviating the need for the Committee to subordinate its needs to those of the prosecutors.

Nonetheless, in the end, the documentary record the Committee compiled and upon which this report is based included essentially the complete files developed during the course of the CIA's investigation. The material which the Committee holds in its files amounts to over twelve linear feet of records. Upon agreement with the CIA, some of this material was redacted to protect sensitive intelligence sources and methods. However, another three linear feet of unredacted documentary evidence related to the investigation was made available to a portion of the staff team which the Committee assembled for this inquiry. That information was held for the Committee's use at CIA headquarters.

The Committee also reviewed the transcripts of the FBI interviews of Aldrich Ames, the reports of interviews the FBI conducted with over three hundred agency employees in the immediate aftermath of Ames' arrest, and the transcripts of the damage assessment team, although the provision of all these documents was not as timely as it should have been and delayed the Committee in completing its inquiry.

The Committee viewed the Ames case and its inquiry into it with utmost seriousness, and accorded it a commensurate level of priority and commitment of resources. The record which the Committee has developed, discussed and summarized in this report, will form the foundation for the Committee's future oversight of counterintelligence activities.



## CONGRESSIONAL OVERSIGHT

---

*"The report 'U.S. Counterintelligence and Security Concerns -- 1986,' noted a number of weaknesses in our ability to undertake counterintelligence operations against espionage by other countries. A central theme was that, while any one of the weaknesses would be of individual concern, taken together, they signify an emerging problem of poor management in U.S. counterintelligence and security programs. . . . I know you agree that we cannot simply become concerned about security when we have a major counterintelligence failure or a new espionage case. Too often in the past, we have had lip service paid to these critical issues when they are in the forefront of media attention only to see concerted long-term action get lost in the bureaucracy."*

Letter from Honorable Louis Stokes, Chairman, House Permanent Select Committee on Intelligence to Director of Central Intelligence William Webster, June 23, 1987.

The current congressional intelligence oversight process has been in effect since the late 1970s, and has made important contributions in ensuring that intelligence programs are conducted effectively, efficiently, and lawfully. Oversight of highly sensitive intelligence activities, however, relies to a great degree on the intelligence agencies providing all necessary information in a timely manner. While there is rarely a reluctance to provide information when there is an intelligence success, the Committee's experience when there is bad news has been uneven at best. Notification, however, is not discretionary. Section 502(1) of the National Security Act requires the Director of Central Intelligence as well as the heads of all United States Government departments, agencies, and other entities involved in

intelligence activities to keep the intelligence committees fully and currently informed of all such activities, including "any significant intelligence failure."

The Committee believes that the compromise of assets in the Ames case was among the worst intelligence failures in CIA history. Yet the Committee has no evidence that it was informed, either collectively or through the chairman and ranking Republican, about the compromises or the subsequent efforts to determine their cause until Ames was arrested. The reasons for the lack of notification have not been explained.

What makes the failure to notify all the more inexplicable is that the Committee had conducted extensive oversight on counterintelligence issues. In 1985 alone, the Committee held over twenty-five hours of hearings in executive session; additionally, Committee staff conducted numerous interviews, meetings and travel to investigate counterintelligence activities. This pace was continued through 1988. Two unclassified Committee reports were issued during that period: *United States Counterintelligence and Security Concerns -- 1986*, (February 4, 1987) and *U.S. Counterintelligence and Security Concerns: A Status Report -- Personnel and Information Security* (October 19, 1988). The conclusions extracted from those reports can be found at Appendix 4. Despite these clear expressions of Committee interest in

**counterintelligence, no information was provided about the loss of important assets on the Soviet Union.**

**In 1988, when the investigation at the CIA languished, the Committee staff conducted over twenty-five meetings in a nine-month period with various agencies of the intelligence community. Those meetings were focused on security and counterintelligence matters such as background investigations, polygraph examinations, organizational issues targeted directly at the CIA, and the split between counterintelligence and security that was criticized in reports from the congressional intelligence committees and in the findings of the Stillwell Commission, an executive branch review of counterintelligence. The effort was also directed at ensuring the execution of a memorandum of understanding between the CIA and the FBI to improve cooperation in conducting espionage investigations.**

**Despite neither the CIA nor the FBI providing any information about the loss of assets or the investigation, beginning in 1988 members of the Committee began to ask direct questions about counterintelligence problems. In that year, a senior member of the Committee met with the Assistant Deputy Director of Operations for Counterintelligence [ADDO/CI] to express concern about the slow pace of counterintelligence reforms, specifically in**

the Soviet/East European Division, which had been allowed to retain the authority to conduct its own counterintelligence activities despite the consolidation that was supposed to result from the establishment of the CIA's Counterintelligence Center. At the time of the meeting, the ADDO/CI knew the scope of the losses and that there was an investigation then underway, but failed to inform the Committee member.

In 1990 and 1992, two other members of the Committee, who had received a very general description of what was characterized as a worldwide Soviet counterintelligence problem involving losses in the Soviet program and an investigation, met separately on several occasions with senior CIA counterintelligence officials. No details about the problem or the investigation were provided at these meetings. While one of the members was later told that the chairman and ranking Republican had been briefed, the CIA can furnish no record of such a briefing, and neither the chairman nor ranking Republican at the time has any recollection of it. The then ranking Republican subsequently met with DCI Webster and UDCI Kerr and asked about a newspaper story in which a KGB general allegedly reported on the execution of Soviet citizens suspected of spying. A written response, provided at the direction of the DCI, can best be described as artful and provided no information about the Soviet agent losses. It does not appear

that the DCI was even fully informed about the losses at the time. The foregoing is not exhaustive but is illustrative of a pattern of a lack of candor by senior CIA officials in answering questions of Committee members about the losses of Soviet assets. To date, the CIA has not provided a satisfactory explanation as to why two Committee members, one of whom met twice with counterintelligence officials, were "stonewalled" or why one member received an incomplete response about the reported execution of spies by the KGB.

The Committee has learned that during the summer of 1993, after the FBI had opened a full investigation of Aldrich Ames, officials from the Directorate of Operations briefed a retired Deputy Director on developments in the case since his retirement and sought his advice. Even then no one at the CIA thought to bring the matter to the attention of the Committee.

While the Committee could not have managed the search for the cause of the compromises, it might have, by the questions it would have asked about the progress of that effort, forced the CIA and FBI to develop standards of performance by which to measure effectiveness. The absence of such standards produced some of the delays in bringing this case to a conclusion. In addition, the wisdom of conducting separate FBI and CIA

investigations might have been questioned and suggestions that the two agencies work more closely together at an earlier period would undoubtedly have been made. While it cannot be said with certainty that these expressions of Committee interest and concern would have resulted in a more expeditious identification of Ames as a spy, that possibility cannot be dismissed. Regardless of the result that would have been achieved, however, the fact remains that notifying the committees was not optional, it was a statutory requirement that was not fulfilled.

## **ROLE OF THE FBI**

---

In the fall of 1986, the Federal Bureau of Investigation learned from the CIA that two of its most valuable Soviet assets had been arrested and were about to be executed. Bureau officials considered these losses devastating. Although fewer in number, the losses were as significant and important to the FBI's operations as were the CIA compromises to CIA operations. Surprisingly, however, the Director of the FBI at the time, William Webster, does not recall being informed of the extent of the losses.

In response to the compromises, the FBI's Deputy Assistant Director for Intelligence established a six-person analytic effort known as the ANLACE Task Force, to investigate the cause of the compromises. Members of the task force were special agent investigators and worked full time on the problem. Their report, issued in September 1987, however, was inconclusive. It found that Edward Lee Howard could have revealed the identity of one of the FBI's compromised assets to the Soviets, but was unlikely to have known of the other operation. The task force concluded there was no evidence of a penetration of the FBI and that insufficient information existed to determine that the CIA was penetrated. The task force recommended several measures to improve the handling of FBI recruitments and to limit the dissemination of information which might identify FBI sources.

The report also recommended that efforts be made to improve the relationship between the FBI and CIA. Despite this recommendation, when the Director of Central Intelligence William Webster established a Counterintelligence Center within the Directorate of Operations at the CIA in 1988, the FBI never responded to an invitation to have Bureau representation in the Center. Later, when the Center was designated the DCI's Counterintelligence Center, the Director of the FBI went on record to assert that the designation should not be understood to minimize the FBI's central role in the United States government's counterintelligence activities.

Nevertheless, as part of the ANLACE Task Force, FBI counterintelligence officials had, in fact, begun both formal and informal discussions with their counterparts at CIA on the 1985-1986 compromises. The groups met seven times between late 1986 and the end of 1988 and minutes of the proceedings indicate that CIA officials shared detailed information with FBI officials concerning both the FBI's and CIA's compromised cases at these meetings. Although the FBI never had full access to CIA files, it does not appear that additional access was ever sought. Even after some in FBI counterintelligence concluded in 1988 that the most likely reason for the losses suffered by the FBI and CIA in 1985-1986 was the penetration of the CIA by a Soviet spy, the matter seems to have been considered a CIA problem that the CIA itself would have to resolve before the FBI could get more deeply involved. In retrospect, this



**wait-and-see attitude on the part of the FBI is difficult to comprehend, particularly in light of the damaging blow the Bureau had suffered and its responsibility to investigate espionage.**

**Once the ANLACE Task Force concluded that it could go no further with its own analysis, it evolved into an effort to investigate and resolve allegations relating to Soviet penetrations of the FBI dating back to the 1970s. Also, during this period prior to 1991, the Soviet section of the FBI participated in the investigation and prosecution of numerous espionage cases unrelated to the ANLACE effort as well as a program to identify and recruit Soviet intelligence officers who might have information about the 1985-1986 compromises. Nevertheless, the FBI appears to have allowed the specific inquiry into the 1985-1986 compromises to go moribund from 1989-1991.**

**The FBI returned to the question of the 1985-1986 compromises in April 1991 after officials from the DCI's Counterintelligence Center met with the Assistant Chief of the Soviet Section of the FBI to discuss their belief that the cause of the compromises was current, not historical, and human, rather than technical. In advance of this meeting, the Deputy Director for Operations of the CIA had given notice to DCI William Webster that his help might be needed in persuading the FBI to participate in an unspecified effort at the CIA. However, the characterization of the problem by the CIA officials seized the attention of FBI officials, and a decision was made to send an FBI**

agent and analyst to the special investigative unit (SIU) at CIA to undertake a joint and systematic effort to find the spy. In addition, the FBI Intelligence Division soon established an investigative unit recruited from headquarters and field personnel under the control of the FBI's Washington Field Office (WFO) to finish certain pending espionage investigations and prepare for the results of the SIU's analysis, expected in late spring 1992. William Webster reports he was never later informed by CIA officials that FBI personnel joined a molehunt investigation at the Central Intelligence Agency.

The CIA Inspector General's report noted that "the FBI could have taken over the Ames case completely in 1991 but apparently concluded it did not have sufficient cause to open an intensive CI investigation directed specifically at Ames." The Committee believes the reference in this context to the "Ames case" to be misleading. The issue in 1991 as understood by the CIA and conveyed to the FBI was the need for a further examination of the 1985-1986 compromises, not the "Ames case."

According to several FBI officials interviewed by the Committee, even if information concerning Ames's wealth and his access to the identities of the compromised sources had been made known to the Bureau in 1991, that information alone would not have been sufficient to open a full investigation, nor meet the higher standards required for more intrusive measures such as electronic surveillance. Under the Attorney General guidelines for FBI foreign counterintelligence investigations, a full investigation may be opened on a

U.S. citizen by FBI headquarters but only when there are specific and articulable facts giving reason to believe that the person is engaged in espionage. In order to utilize the more intrusive techniques of electronic surveillance, the FBI must seek Attorney General approval to apply for an order from the Foreign Intelligence Surveillance Court (FISC). The FISC judge must find there is probable cause to believe based on the facts and circumstances included in the application that the target of the surveillance is an agent of a foreign power. While there does not appear to have been sufficient information developed in 1991 to open a full investigation on any CIA employee, the Committee is troubled that various FBI officials gave different interpretations of what facts and circumstances would form the basis for a full investigation and a Foreign Intelligence Surveillance Act order.

The FBI officials responsible for the SIU's effort envisioned it as a fresh review that would only take one year. Although the SIU began to brief FBI and CIA officials on the results of its efforts in the final months of 1992, because its written report was not completed until March 1993, almost a year after it was expected, FBI managers were unable to hold in place personnel in the WFO unit and a mostly new field investigative unit had to be recruited and familiarized with the information the SIU developed.

The delay of the SIU in completing its work also sparked a debate within the FBI on where control of the analytic effort at CIA should reside.

Senior FBI officials decided it should continue to be controlled jointly by FBI headquarters and the CIA, rather than the Washington Field Office. FBI officials are reported to have been concerned that the SIU produce as complete and systematic a report as possible. Even though by late 1992 it was agreed among those knowledgeable of the SIU's work that Aldrich Ames's finances clearly indicated criminal activity, it was not universally agreed this necessarily meant espionage. Although it is now disputed when sufficient information was communicated to the FBI to allow it to open a full investigation on Ames, in the end, the delay between the conclusions reached in October 1992 and the opening of the full investigation in mid-1993 did not harm the effort to bring Ames to justice. How the national security may have been threatened, however, between October 1992 and the point at which controls were placed on Ames' access to information while the analytic effort and the investigation proceeded, is another question.

The Committee believes that the FBI could have conducted its inquiry into the lost assets in a more effective and expeditious manner. It is not clear that there were sufficient or the right personnel dedicated to the effort. After the ANLACE task force was dissolved, the inquiry into the problem could have been pursued in a more systematic fashion. When the investigation was reconstituted in 1991, there were awkward lines of authority between headquarters and the Washington Field Office. The CIA Inspector General report made a significant contribution to the CIA's examination of what went wrong and in developing remedial measures to

**ensure the same management problems will not surface in the future. The Committee believes the FBI could benefit from a similar examination.**

**Once the investigation by the Washington Field Office into Ames got underway in 1993, it was conducted with great dillgence and competence. The quality of the evidence amassed by the investigators had an undeniable effect on Ames' decision to admit guilt rather than exercise his right to a trial on the merits of the case.**

## **REMEDIAL ACTIONS TAKEN IN RESPONSE TO THE AMES ESPIONAGE CASE**

---

### **ADMINISTRATIVE ACTIONS**

The Committee supports the administrative actions implemented by the DCI and components of the intelligence community in the wake of the Ames case. Many of these reflect specific recommendations made by the Committee, and their implementation will be monitored to make sure they address the deficiencies identified by the IG, internal and external commissions, and the intelligence committees. These actions are detailed at Appendix 5, "Counterintelligence, Security and Management Accountability Initiatives: The Response to the Ames Case," which was prepared by the CIA's Director of Public Affairs. Broadly speaking, they can be divided into two categories: procedural reforms and structural reforms.

In response to recommendations in the Joint Security Commission Counterintelligence and Security Panel Report (Smith Report), the CIA's Executive Committee issued new management accountability guidelines and approved a set of procedures to enhance security processes, including the ability of security investigators to gain improved access to employee financial records. These steps reinforced DCI directives aimed at increasing counterintelligence awareness training and initiatives, and reviewing performance standards for managers within the Directorate of Operations. In addition to the establishment of a new position of Special Assistant to the

DCI for Counterintelligence and Security, other significant structural reforms which the DCI has undertaken include: transferring all counterintelligence functions of the Office of Security to the Counterintelligence Center; creation of an Information Security Center to improve computer security; merging of personnel, medical, and security functions into a new Office of Personnel Security; and establishment of the Personnel Assessment Center, designed to upgrade agency personnel management criteria and procedures.

The most comprehensive reforms undertaken in the aftermath of the Ames case were those instituted by Presidential Decision Directive (PDD) 24. In addition to restructuring the government's counterintelligence activities within a new National Counterintelligence Center, an FBI officer was appointed to head the Counterespionage Group within the DCI's Counterintelligence Center. Further details on the PDD can be found at Appendix 6.

## **REPRIMANDS**

In testimony before the Committee on September 28, 1994, DCI Woolsey said:

*"[T]he principal conclusion I have reached about the Ames case [is] that it represents a systemic failure of the CIA -- and most significantly -- for the Directorate of Operations; a failure of management accountability, in judgment, in vigilance. A failure that consisted of passing along rather than tackling head-on*

*problems which were apparent to many officers in the directorate. . . [M]anagement inattention was. . . not only palpable. . . [it] fell to the level of serious or sustained inattention."*

The director's response to this failure was to reprimand eleven current and former agency personnel for their roles in the investigation into the compromise of Soviet assets. The DCI has the authority to take twenty forms of disciplinary action against active Agency employees. A description of these measures can be found at Appendix 7. The most severe action available to the DCI with respect to an active employee is termination, which may be ordered whenever the Director deems such action "necessary or advisable in the interests of the United States." In decreasing severity, the range of actions short of termination include: involuntary retirement, reduction in grade, reassignment, denial of promotion, and probation. The least severe is an oral warning or admonition.

Reprimands ordinarily consist of three components: a discussion of the suitability or performance issue giving rise to the action; the corrective measures to be undertaken; and the period of time to remedy the deficiencies. Once issued, the Office of Personnel retains the original version of the reprimand for the predetermined period stated in the reprimand. During the period the reprimand is in effect, promotion and assignment panels may, but are not required to, consider the reprimand in their actions with respect to the employee.



The DCI's authority to discipline former/retired employees is limited to the revocation of the retired employee's annuity and/or barring the individual from reemployment or contracting with the Agency. The revocation of an annuity can only be done when the retired employee was involuntarily terminated for disloyalty or convicted of certain federal crimes including espionage. A former employee may also be reprimanded either as the sole disciplinary action or in combination with a bar on reemployment or contracting.

Based on his various statements about the way he assessed responsibility and imposed discipline, the DCI viewed his role in imposing sanctions to be that of a civilian judge, weighing evidence amassed by the Inspector General, and applying civil standards of due process in determining guilt and innocence. For purposes of this sort of inquiry, some on the Committee believe it would be more appropriate to view the CIA, and especially the DO, as more of a quasi-military organization, with individuals in command being held to higher standards of responsibility and accountability. While the effect on an individual may be more stringent, the long-term effect on the Agency could be positive in promoting the highest standards of discipline and accountability.

## **FINDINGS**

---

The Committee has made four principal findings based on its review of the Ames espionage case.

- **SYSTEMIC WEAKNESSES IN COUNTERINTELLIGENCE WERE EXACERBATED BY INDIVIDUAL FAILURES IN CONDUCTING AND MANAGING THE INVESTIGATION.**

Neither the complexity of assessing the losses it realized in 1985 and 1986 nor the later crush of competing priorities exculpate senior CIA management for missing several opportunities which would have accelerated the investigation which eventually led to Ames' detection.

The Committee's inquiry has identified four errors which caused these weaknesses:

- ◆ First, Agency leaders had not moved quickly enough to overcome the distaste for internal security functions which had been engendered by the excesses of the Angleton years. The CIA did not have a

**fully functioning internal counterespionage capability when Aldrich Ames compromised the Agency's most important Soviet agents in 1985.**

Until the late 1980s, counterespionage was a much maligned discipline suffering from the lingering reputation it had earned during the tenure of James Angleton as chief of counterintelligence. Some of the most important programs of the Directorate of Operations (DO), including its whole Soviet program, had been tied up in knots over Angleton's belief that the Soviets had penetrated the CIA and were running operational circles around it. Under Angleton, each new asset, especially those in the Soviet Union, was subject to an inquisition so severe that many potentially valuable intelligence sources were rejected, creating a sense of paranoia among DO personnel. Agency officers were also subjected to this inquisition and a number of careers were ruined because individuals were unfairly and without basis suspected of espionage. As a result, a pervasive fear developed not only of Angleton, but of what he represented. Many junior officers who observed the events of the Angleton era vowed that when they were in positions of authority they would never subject themselves or their personnel to similar treatment. In compensating for these excesses, however, a reluctance to scrutinize Agency employees developed. Consequently, the Agency failed to develop a corps of security and counterespionage professionals well qualified by training and attitude to investigate a potential human penetration.

**When Angleton was finally removed in the mid-seventies, the Soviet operations element of the DO was able to focus on the recruitment of spies. In counterespionage, however, the pendulum swung to the other extreme: an unwillingness to look at problem employees as security problems. Moreover, the firing of Edward Lee Howard in 1983 and his subsequent defection to the Soviet Union in 1985 did not encourage taking prompt action to rid the DO of substandard employees.**

**Even with the formation of the Counterintelligence Center in 1988 and the doubling of resources, counterintelligence did not win acceptance quickly. In particular, the ability of the CIA to address counterintelligence problems with its own employees remained crippled due to the bureaucratic and personal rivalries which existed between the Counterintelligence Center of the Directorate of Operations and the Office of Security in the Directorate of Administration. Those two offices were responsible for what should have been the complementary disciplines of counterintelligence and personnel security. Nonetheless, when the Soviet asset losses became known, there was no established organization or trained cadre of counterintelligence specialists to investigate them. Instead, the CIA had to cobble together an investigative effort using a limited range of techniques. Even with the expansion of counterintelligence capabilities and the partial rehabilitation of counterintelligence as a discipline, the lack of structure in the early investigations of the 1985-1986 compromises would continue to influence the approach of later investigators.**

Three major components of the CIA -- operations, counterintelligence and security -- failed to work together initially as part of the investigation. Each organization viewed each of Ames' problem areas -- unexplained wealth, inconclusive polygraph results, alcohol abuse, access to compromised cases, weak performance, failure to report contacts with Soviets -- separately and in isolation, without a coordinated analytical effort. It is the Committee's judgment that the state of counterintelligence at CIA at least through the mid-1980s was a systemic problem, resulting from the low priority assigned to this discipline by the DCI and other senior Agency officials. It contrasted unfavorably with the ability of other parts of the DO, such as the Soviet/East European Division, to quickly change operational procedures to reconstitute capabilities lost through Ames' treachery.

◆ The second error was that those given responsibility for the investigation of the 1985-86 losses failed to keep Directorate of Operations managers and those above them in the Agency's chain of command advised of critically important information on leads. All of the senior officials interviewed by the Committee made it clear that had they been aware of all of the available information about Ames, a more aggressive investigation would have been started much earlier. For example, an important fact which does not appear to have been accorded much weight by the IG report is that the small analytic unit which was responsible in 1989 for the continuing investigation into the 1985 losses failed to advise senior managers of the critically important lead information provided by an Agency employee in

November 1989. According to at least one senior DO manager, this information, which dealt with Ames' apparently unexplained wealth, should have produced a rigorous examination which might have resulted in Ames' detection and arrest by 1992. The chief of the unit and the unit's chief investigator did not believe the information to be of particular importance and the information was not brought to the attention of DO leadership until 1992.

The Committee's inquiry has also revealed that other information which showed that the 1985-86 losses reflected an ongoing counterintelligence problem was not brought to the attention of senior management in a timely manner. The failure to recognize the value of such information was an egregious error in judgment which cannot be excused by the fact that those responsible were later to play critical roles in the joint CIA-FBI investigation which uncovered Ames.

While the directors and deputy directors of Central Intelligence who succeeded William Casey were apprised of the fact that there were losses in Soviet operations, the Committee concludes that they were not given a full appreciation of the magnitude of the losses or the fate of the assets. Instead, the matter was portrayed as a troubling operational anomaly that was being examined rather than the most serious operational disaster that had befallen the Agency. Those who conducted the investigation and their immediate

superiors in the Counterintelligence Center bear full responsibility for this failure.

◆ The third error was the laissez-faire supervisory style adopted by senior DO officers to manage the counterintelligence investigation, a shortcoming shared in part with FBI counterintelligence officials.

The Committee faults senior CIA managers for the priority they assigned the investigation. Only four individuals were initially assigned specifically to the case, and they had other responsibilities. Only four were primarily dedicated to the effort when it was resuscitated in 1991, two from the CIA and two from the FBI. Only much later was a financial investigator added full time. The tendency to limit access to protect the security of the investigation overshadowed the need to augment the effort, especially when it became obvious, because of the amount of information being developed, that more people would have been useful.

CIA's senior management could have insisted that the investigation expand its approach to include intense, methodical scrutiny of a suspect pool as well as operational analysis, but did not do so. Similarly, responsible officials of the FBI, who were aware in 1986 of the scope of losses, failed to see the weaknesses in continuing to pursue a program of passive analysis.

Although the level of cooperation between the FBI and CIA was unprecedented, the sharing of information was not always timely. While several officials interviewed by the Committee had concluded by the late 1980s that the losses had been caused by a human penetration, some CIA investigators were reluctant to share source information, even with the FBI, although the FBI is the principal government agency responsible for the conduct of espionage investigations. While there is no evidence that the reluctance to share information affected the outcome of this investigation, it is indicative of the distrust between the two agencies which in the past has jeopardized counterintelligence investigations.

The Committee also concludes that the FBI was reluctant to take full advantage of the degree of openness exhibited by the Agency. The failure to combine the investigative efforts of the FBI and CIA from the outset on a case of this magnitude was at least partially a result of the historic rivalry between the agencies for primacy in counterintelligence investigations. The conduct of independent CIA and FBI investigations of the lost assets from 1986 until 1991 is particularly illustrative of this problem. Even after a joint investigative effort was initiated in 1991, there was not a sufficient assignment of trained personnel, notably FBI financial analysts, to it.

The Committee acknowledges that the CIA has a responsibility to examine internal security problems. When that examination begins to point to espionage, however, trained law enforcement personnel from the FBI must



be given full access to all available information. Presidential Decision Directive 24 (Appendix 6), issued in the wake of the Ames case, is designed to ensure that better cooperation occurs and that the FBI has the information it needs to investigate potentially criminal conduct.

◆ The fourth error was a failure to coordinate the activities of the investigators at the Counterintelligence Center and the Office of Security.

Although information on Ames' wealth was received in November 1989, the initial financial data on him was not summarized until a December 5, 1990 memorandum was forwarded to the Office of Security from the Counterintelligence Center (Appendix 8). It should have been used in conjunction with Ames' five-year background reinvestigation and polygraph that was due in early 1991, but was not. Consequently little was learned from the polygraph about his finances and unexplained wealth. It was not until March 1992 that a thorough effort was undertaken to probe Ames' finances, a sad record of managerial inattention.

The counterintelligence officials involved in the investigation should have provided questions for, and pursued the results of, Ames' 1991 reinvestigation polygraph. Although a memo discussing concerns about Ames was sent to the Office of Security before the polygraph was administered, nothing else was done. The 1991 polygraph was considered a routine event, and after it was concluded, neither the financial investigator

**nor others involved in the investigation who knew of the unexplained wealth allegation ever reviewed the transcript or the audio tapes to determine whether they raised counterintelligence concerns.**

**When interviewed by Chairman Glickman and Ranking Republican Combest on August 8, 1994, Aldrich Ames indicated he might not have spied had he realized he would be subjected to periodic polygraph examinations. He was, in fact, surprised and worried when he was called for his 1986 polygraph because it had been ten years since his previous examination. Although he had been spying for the Soviets for a year, he passed, despite having problems with the question of whether he had ever been approached for possible recruitment by a foreign intelligence service. His successful completion of the polygraph would seem to indicate that his concern was misplaced. He also passed in 1991, after having considerable difficulty with the question of unreported contacts with foreign nationals. Nevertheless, the prospect of a periodic polygraph examination, if the results are rigorously reviewed and interpreted as objectively as possible, can be a useful deterrent to misconduct.**

**● ELEMENTS OF THE DIRECTORATE OF OPERATIONS CULTURE CONTRIBUTED TO WEAKNESSES IN THE INVESTIGATION.**

**The Committee finds that some deficiencies of the investigation resulted from the organizational norms and commonly accepted values which together form the Directorate of Operations' (DO) culture.**

When the average American thinks of a spy in the service of the U.S., he or she is imagining, wittingly or not, a DO officer. Most serve overseas, clandestinely collecting foreign intelligence through the recruitment of individuals and otherwise supporting the missions of the intelligence community. The DO headquarters staff in Washington is dedicated to supporting those activities. The human intelligence the DO collects plays a critical role in the analysis the Directorate of Intelligence produces. Moreover, significant amounts of resources in the CIA's other two directorates, the Directorate of Administration and the Directorate of Science and Technology, support the work of DO officers.

In many regards, the DO, of the four CIA directorates, has always been considered the most prestigious. The DO's mission is unique. While the mutual support, camaraderie, and sense of duty of the DO have contributed to its successes, its insular environment has engendered a distinct culture, a collective mindset rooted in and reinforced by its mission and advancement system.

On the basis of the interviews conducted during the course of its inquiry, the Committee concludes that the following attributes of the DO culture affected the conduct of the investigation:

First, the high value placed on the recruitment and running of agents, or spies which is the heart of the DO's mission;

Second, the notion that successful operations are the product of teamwork, which in turn depends on implicit trust within the corps and between officers; and

Third, the belief that the clandestine service, being a unique and select corps, is best understood by insiders and, therefore, DO problems are best dealt with internally.

The intentional diminution of counterintelligence in the post-Angleton era created a culture in which most counterintelligence positions were accorded lower esteem than positions directly involved in recruitment operations. As a result, many of the best DO officers shunned counterintelligence and the directorate was ill-prepared to conduct a complex espionage investigation such as the one called for by the 1985-1986 losses.

The DO is an operationally oriented organization and that aspect of its culture colored the initial response to the problems with its Soviet operations which appeared in 1985 and 1986. As early as January 1986, DO management mounted three operations designed to discern the cause of the losses. Such an approach was consistent with their training and their mission, and it relegated investigatory defensive assessments to second place behind offensive operations. Increased communications security methods were implemented and severe restrictions on access to operations against the Soviet Union were imposed. With increased security for new

operations afforded by those procedures, management reasoned that any further losses would drastically narrow the range of possible explanations for the earlier ones.

The DO culture holds that it best understands its problems and therefore is in the best position to develop appropriate remedies. This attribute was reflected in the DO's dogged self-reliance even when its investigative efforts were not productive. This insular attitude is consistent with apparent DO reticence to discuss its operations and may explain the failure to notify Congress of the losses and resultant investigation as required by law, in spite of several opportunities to do so.

This finding does not constitute a condemnation of the DO culture. Rather, it acknowledges that the culture is a mixed blessing. For example, the DO cannot operate successfully without a large measure of implicit trust among its officers. But that trust can breed ties which sustain mediocrity and reward managers who avoid personnel problems rather than confront them. In this case, it also led to shunting historical problems aside while concentrating on new operations and not keeping the chain of command fully informed on the extent and seriousness of the problem. Organizational reforms must be complemented by cultural change to avoid repeating serious errors of judgment.

- **THE CIA PERSONNEL SYSTEM WAS DEFICIENT; IT WAS OVERLY TOLERANT OF MEDIOCRE PERFORMANCE AND IGNORED BEHAVIORAL PROBLEMS.**

If the CIA's personnel system had been effective at identifying and handling problem employees, it is possible that Ames never would have been put in a position allowing him to commit espionage. At the least, Ames would have worked in less sensitive positions. Ideally, his weaknesses as an employee, if not remedied, would have resulted in the termination of his employment.

The CIA's Directorate of Operations has perhaps the U.S. government's best program for vetting potential new employees. The process is strict; the standards are high. The results are that the majority of DO personnel are competent and dedicated. Substandard employees do, however, make their way into the system. Regrettably, until the last few years, the DO's practice was not to deal with these individuals but too often simply to ignore them by placing them in marginal jobs or unsuspecting offices. Managers were rewarded for working around problem employees rather than directly confronting their weaknesses. The IG report documents how Aldrich Ames' career was a testimony to this system of management-by-avoidance.

By mid-career, Ames had compiled a record which, had it been assembled in one place and objectively analyzed, should have caused his superiors to question his suitability for continued employment. Elements of his personnel records, however, were divided between at least four offices in different parts of the Agency. In spite of his poor performance, which included alcohol abuse, violations of operational security, careless handling of classified documents, and failing to adhere to such requirements as the timely filing of financial accounts and reports of meetings with Soviet officials, Ames was able to move from one sensitive position to another in counterintelligence, Soviet and East European operations, and the Counternarcotics Center.

CIA managers have had a tendency to overlook alcohol abuse, perhaps because social situations where alcohol is consumed can play a role in attempting to recruit a potential spy. However, in the case of Ames, alcohol abuse was more than occasional. It was a frequent problem of long duration, and it was well documented, particularly during his assignment to Mexico City.

The Committee, as did the CIA IG and the DCI, faults CIA managers for assigning Ames, in the fall of 1990, to a promotion panel for GS-12 operations officers, given his record of performance. As a member of the panel, Ames had access to the names and files of junior officers who were eligible for promotion. Particular care should have been paid to the selection

of individuals for this important function. Yet Ames, a poor performer with a mediocre record as a case officer, who was suspected by some of his colleagues of being a spy, was placed in an excellent vantage point for spotting potential sources for recruitment.

Similarly, Ames' assignment in December 1991 to the Counternarcotics Center appears to have been made without any consideration of the adverse information available about him. Although his work in the Center did not give him as much access as he would have had if he were working in the Russia or counterintelligence sections, he still worked on Central Eurasian regional issues. He retained access to classified material, including computer databases from which he gleaned extensive information.

- **THE CIA FAILED TO KEEP THE COMMITTEE FULLY AND CURRENTLY INFORMED OF A SIGNIFICANT INTELLIGENCE FAILURE.**

The Committee finds that the CIA failed to fulfill its statutory obligation to keep Congress informed of the lost Soviet assets and subsequent investigation. While candid and complete information should not be dependent on asking "the right question," in this case the right questions were asked. On numerous occasions between 1988 and 1992, four members of the Committee, to include two different ranking Republicans, separately asked for information about counterintelligence problems and the



loss of Soviet assets. In each case, their questions were either not responded to at all, or responded to in an incomplete and misleading manner by senior Agency counterintelligence officials. If there was any doubt in the minds of these officials about whether the questions should have been addressed, there is no record they brought those doubts to the attention of their superiors, including two different Directors of Central Intelligence. The Committee believes this failure violated not only the reporting requirements set forth in the National Security Act, but also the pledges of DCIs Webster and Gates that Agency responses to the Congress would be complete, candid and correct.

The Committee, despite an exhaustive review of the documentary record and interviews with some of the key officials involved, is not convinced it has received a full explanation as to why notification was not provided, or why complete information was not furnished when requested. The Committee requests that the DCI examine the issue and provide a written report by December 31, 1994, which includes identifying what remedial actions he plans to take. This will be the subject of a full Committee hearing in the next Congress.

## **CONCLUSION**

---

The ability of Aldrich Ames to commit espionage for nearly a decade was the product of his own treachery and greed, systemic shortcomings, and mistakes made by individuals. The judicial system imposed a punishment on Ames. To DCI Woolsey and others in the executive branch fell the responsibility for addressing the structural and procedural problems highlighted by the Ames affair in areas such as counterintelligence, security, personnel administration, and organizational culture. As has been noted, the Committee is in agreement with the responses to these problems thus far, and with the DCI's commitment to doing more in the future as needs dictate.

The DCI also had a responsibility to determine an appropriate sanction for those individuals whose actions, or lack of action, resulted in the prolonging of Ames' espionage. The discharge of this responsibility was made more difficult by the fact that there was no single individual, except Ames, responsible for his conduct, and no single act the omission or commission of which could be identified with certitude as sufficient to detect his spying appreciably earlier than it was. There were instead a number of errors in judgment which, when taken together, created a situation in which Ames could commit espionage.

The Inspector General's report identified eighteen CIA personnel and three former DCIs as having had some responsibility for the creation and maintenance of that situation. DCI Woolsey determined that the degree of responsibility was sufficient in the case of ten of those individuals, and one individual not cited by the IG, to warrant some form of sanction. In the view of the DCI, the conduct of four individuals was so unacceptable as to have warranted the termination of their employment had that been possible. However, all of these individuals were either retired or within a few days of retirement. Furthermore, their conduct was not of the type which would have authorized adjustments to their annuities. Severe reprimands including bars to contracting with the CIA were determined to be the stiffest sanctions available, and they were imposed. The remaining seven individuals, whose conduct the DCI determined was not of a character warranting the termination of employment, were given less severe reprimands. No individual whose management responsibilities touched upon the investigation after 1991 when it was reconstituted as a joint effort with the Federal Bureau of Investigation was subjected to a sanction based on the discharge of those responsibilities.

The DCI's decisions on sanctions have been criticized as being too lenient or too exclusive. Even within the Committee, there are differences of opinion on these points. For instance, a case can be made that even the post-1991 investigation did not proceed as quickly as it could have if additional personnel, particularly those expert in financial analysis, had been

dedicated to it, and that the ability of senior managers to judge the progress of both pre- and post-1991 investigative efforts was severely handicapped by an insufficient flow of important information. More people could conceivably have been disciplined for these failures. While the DCI believes that those who made the most serious mistakes have been identified and, given the options available, appropriately sanctioned, the Committee does not unanimously share that belief.

The Committee strongly believes that the highest standards of managerial responsibility and accountability must apply within the CIA and the intelligence community. Those standards should be not unlike those which apply in the military. The Committee is concerned that the DCI make it clear that senior Agency officials have a responsibility for the systemic failures of the Agency.

The assignment of blame for past mistakes is but one element, albeit an important one, of the overall response to the Ames affair. That has been done, and the Committee believes it is essential that the focus now turn toward the successful implementation of policies and procedures needed to diminish decisively the possibility that others could commit espionage on the scale of Aldrich Ames.

## **RECOMMENDATIONS**

---

- The Committee recommends that hearings be held during the next Congress to monitor the implementation of all matters related to the security and counterintelligence initiatives that have been proposed in the aftermath of the Ames case and that the President's National Foreign Intelligence Program budget submission for fiscal year 1996 adequately fund these new initiatives.
- The Committee recommends that the CIA's Inspector General should, within one year, undertake an inspection of the Counterintelligence Center and the Office of Personnel Security. The Inspector General should place special emphasis on examining how the Agency has modified its procedures on the use of the polygraph to ensure that there is full coordination among the components involved in security and counterintelligence. The Director of Central Intelligence and the Director of the Federal Bureau of Investigation should also review the efforts of the National Counterintelligence Center to ensure that these organizations are working cooperatively and that mechanisms exist to resolve problems promptly.
- The Committee recommends that the Inspector General of the Department of Justice conduct an independent inquiry, similar to that conducted by the CIA's Inspector General, into its investigation of the

loss of its assets in 1985-86, and its role in the cooperative effort later undertaken to explain the compromised CIA and FBI cases of that period.

- The test of the new organizational structures to deal with improving counterintelligence and personnel security will be whether they rectify recurrent problems in this area, especially the failure to resolve in a timely fashion allegations against government employees that raise security and counterintelligence concerns. The investigative process has often taken an inordinate period during which the individual may continue to have access to classified information. Such delay can no longer be tolerated. The Committee recommends that the Director of Central Intelligence establish procedures and guidelines for the timely resolution of these matters, including as necessary a procedure for forwarding certain cases to the National Counterintelligence Board for disposition.
- The Committee recommends that the Director of Central Intelligence and the Director of the FBI jointly apprise, in writing, the intelligence committees on a semi-annual basis, of all open counterintelligence and counterespionage investigations each agency of the intelligence community has underway. In the 104th Congress, the Committee intends to develop legislation which will make this report a statutory requirement. The Committee also intends to consider legislation which

**will require notification to the Committee whenever assets are compromised and an investigation is begun.**

- **The Committee recommends that the Directorate of Operations (DO) retain responsibility for counterintelligence activities designed to penetrate foreign intelligence services. However, the counterespionage group at the Counterintelligence Center needs to establish a cadre of trained investigators who could initially gather information in response to reports of possible espionage activities by CIA personnel and later work with agents of the Federal Bureau of Investigation in the conduct of cases arising from those leads.**
- **The Committee recommends that counterintelligence training at the CIA be improved. In particular, officers selected to participate in counterespionage investigations need to be well versed in modern investigative techniques, particularly those relating to the examination of financial data. To maximize the ability of CIA and FBI investigators to work together, CIA security personnel specializing in espionage cases should complete the FBI's counterintelligence training courses.**
- **The Committee recommends that the intelligence community develop an aggressive system for identifying problem employees for counseling and, if necessary, terminating their employment.**

- The Committee recommends that the intelligence community's personnel evaluation and promotion systems be revised to ensure that marginal performers will be subject, at any point in their career, to a process which results in the termination of their employment.



## APPENDIX

---

Appendix 1

**Statement of Frederick P. Hitz**  
**Inspector General, Central Intelligence Agency**  
**on the Ames Investigation**  
**Before the**  
**Permanent Select Committee on Intelligence**  
**United States House of Representatives**  
**and the**  
**Select Committee on Intelligence**  
**United States Senate**  
**28 September 1994**

**Mr. Chairman, Mr. Vice-Chairman, Members of the  
Committee and Staff:**

**Thank you for the opportunity to discuss our investigation of issues relating to the Agency's handling of the Ames case. The investigation has been an unusual one for the CIA Office of Inspector General. First, our inquiry was requested directly by the Chairman and Vice-Chairman of this Committee in late February 1994 -- shortly after Aldrich H. Ames and his wife were arrested. Normally, the intelligence oversight committees of the Congress ask the Director of Central Intelligence to request an IG investigation, but on this occasion your request was directed to me. The request underscored the oversight committee's intense interest in this particular investigation.**

**Second, DCI Woolsey asked us not to delve fully into the Ames matter until some time had passed after Ames's arrest for fear of disrupting the Ames prosecution. Based on the DCI's concern and also that of the Department of Justice and the United States Attorney for the Eastern District of Virginia that we do nothing which would potentially complicate any trial of Ames, we confined ourselves to background file reviews and interviews of non-witnesses until the Ames family pled guilty in April 1994. The consequence was, however, that we had to cover a great deal of ground in a much shorter time in order to have our Report ready**

for the DCI and our Congressional oversight committees by September 1994. I am extremely proud of our 12-person investigative team. Their efforts are evident in the depth and breadth of the Report.

A third unusual feature was that in March 1994, the DCI asked us to seek to determine whether individuals in Ames's supervisory chain discharged their responsibilities in the manner expected of them. In this regard, the DCI directed the Executive Director of CIA to prepare a list of Ames's supervisors during the relevant periods. The DCI also directed that awards and promotions for the individuals on the Executive Director's list be held in escrow pending the outcome of our investigation. Neither I nor any member of the team investigating the Ames case has viewed the DCI's escrow list. We wanted to be as completely unaffected by the names on the list as we could be in order to discharge our responsibility to advise the DCI objectively of possible disciplinary recommendations. As a precautionary measure, I did ask my Deputy for Inspections, who was otherwise uninvolved in the Ames investigation, to compare our interview list and the escrow list and determine whether any individuals on the escrow list had not been afforded the opportunity to comment on their actions with respect to Ames. That has been our only involvement with the escrow list.

In addition to the unusual circumstances that attended this investigation, it was clear from the outset that the Ames case

presented several major substantive issues of the most serious concern to the DCI, our oversight committees and the American people. Thus, we chose not to tell the story in the normal chronological way. Instead, we focused on themes: Amēs's life, his career, his vulnerabilities, how he was handled from a management standpoint, and how the system dealt with him. We have also discussed in the context of this particular case how counterespionage investigations have been conducted in CIA since the Edward Lee Howard betrayal and the 1985 Year of the Spy.

At this point, I would like to summarize for the Committee the major findings and conclusions of our investigation. These findings and conclusions were developed after the review of almost forty-five thousand pages of documents, ten years of prior studies, thousands of hours of interviews with over 300 employees and other individuals, painstaking analysis, and countless hours of planning, deliberation and vigorous debate.

The key, inescapable conclusion of our investigation is that the effort to identify the reasons for the loss of virtually all of CIA's human sources reporting on its primary target in the 1980s, the Soviet Union, did not receive the attention that it rightfully deserved. In view of the scope and nature of the losses the Agency suffered, the Agency should have expended every effort and resource necessary to identify the cause. If it had, Ames might have been apprehended sooner and subsequent losses avoided.

**Although the damage assessment is still underway, the estimates at this time of the damage attributable to Ames are truly staggering. As stated in our Report, we now know that he provided the Soviets with information on 36 cases in June 1985. Based on his debriefings, Ames now acknowledges providing the Soviets with information on a large number of additional Soviet and East European cases. In addition, Ames disclosed the identities of many Agency employees and non-official cover officers, as well as technical operations, finished intelligence, and Agency planning and policy documents.**

### **PROBLEMS WITH MANAGERIAL ATTENTION AND TIMELINESS OF THE INVESTIGATION**

**The effort to find the source of the losses, which we have referred to as the molehunt, began in 1986. However, that effort was plagued after 1987 by senior management inattention and failure to apply an appropriate level of resources to the effort until 1991. For an extensive period of time between 1988 and 1990, the molehunt virtually ceased despite information obtained from several Agency components in 1989 that should have focused attention directly on Ames. Factors that contributed to this delay included the Agency's reluctance to believe that one of its own could betray it and a continuing general distaste for the counterespionage function of investigating Agency employees. In**

1991, the molehunt effort was rejuvenated, the FBI offered to participate, and the investigation gradually began to show results.

## **SOVIET CONTACTS**

Ames was authorized to engage in contacts with Soviet Embassy officials in Washington in 1984, 1985 and 1986. Agency management failed to monitor his contacts with these officials more closely in 1985 and failed to pursue them adequately after they were requested by the FBI in 1986. This provided Ames with the opportunity to consummate the espionage he contemplated based upon his financial situation and the influence on his thinking that resulted from his prior contacts with Soviet officials in New York. If his failure to submit timely contact reports had been questioned vigorously at the time, Ames might have been told to break off the contacts or been caught in a lie regarding their nature and extent. Ames, albeit not the most trustworthy of witnesses, has said that he would have had a hard time explaining these contacts had questions been raised. If the contacts had been pursued as they should have, appropriate attention might have been drawn to Ames in 1985 or 1986 rather than years later. As it was, Ames ignored the request to report on the contacts and it was soon forgotten.

## **FINANCIAL INQUIRIES**

The inquiry into the Ames's finances should have been completed much sooner by CIC than the more than three and one-half years that the inquiry consumed. After it was discovered in 1989 by CIC that Ames had paid for his house in cash and moved large sums of money from abroad to domestic bank accounts, a full financial inquiry should have been undertaken by CIC and the Office of Security on a priority basis. This effort languished despite a December 1990 memorandum from CIC to the Office of Security requesting a reinvestigation of Ames on the basis of his finances and noting his potential link to the 1985-86 compromises. In addition, other available information was not correlated with the financial information.

## **POLYGRAPHS**

The 1986 polygraph of Ames was deficient because the examiner failed to establish the proper relationship with Ames and did not detect Ames's reactions even though Ames says he had great apprehension at the time that he would be found out. The 1991 polygraph sessions were not properly coordinated by CIC with the Office of Security after they were requested. The polygraph examiners in 1991 were not given complete access to the information that had been provided to the Office of Security by CIC in December 1990 regarding Ames's finances and they did not have the benefit of the thorough background investigation that



had been completed on Ames on the very day of the first examination session. Once they had developed suspicions about Ames, the responsible CIC officers, especially with their Office of Sécurité backgrounds, should have participated more aggressively and directly in Ames's polygraph. Since the polygraph was handled in a routine fashion, no CI emphasis was placed on formulating the questions or selecting examiners with the appropriate levels of experience. There was no strategy for the questioning and no planning how to handle any admissions he might have made. The result of the 1991 polygraph was to divert attention from him for a time.

## **PERSONNEL RESOURCES**

In view of the number of Soviet sources that were compromised, insufficient personnel resources were devoted to the molehunt effort virtually from the beginning. The failure to request additional resources has been acknowledged by several of the key officials involved. Additional resources could have been used to systematically develop and narrow a list of potential suspects based upon employee access to the compromised cases. Prior to 1991, no formal lists of suspects based on access were created or reviewed. This was partly because access or "bigot" lists for the individual cases did not exist or were inaccurate. Although the investigation clearly had to be conducted with discretion, concerns about compartmentation must be balanced at some point against the overriding need to resolve the serious

problems the compromises created. There clearly were more than three trustworthy and capable officers available in the Agency with the necessary expertise to assist in the molehunt effort. With more focused involvement by senior Agency management, additional personnel could have been added to pursue the financial inquiries and create a better mix of analytical and investigative skills.

## **DIVISION OF RESPONSIBILITY FOR COUNTERINTELLIGENCE**

The ambiguous division of responsibility for counterintelligence between CIC and the Office of Security and excessive compartmentation contributed to a breakdown in communication between the two offices, despite the fact that CIC was created in part to overcome such coordination problems. This breakdown in communication had a highly adverse impact on the Ames counterespionage investigation. There was a general absence of collaboration and sharing of information by CIC with the Office of Security at critical points in the reinvestigation of Ames in 1991. Office of Security officers who were assigned to CIC minimized the contribution that could be expected to be received from the Office of Security and their resulting failure to collaborate in fact produced the minimal contribution they expected. These problems and others persisted despite the fact that prior Inspector General inspection reports on Counterintelligence, the Office of Security and Command and

Control in the Agency pointed out the jurisdictional and communication ambiguities in counterintelligence matters.

## **SECURITY REINVESTIGATIONS**

The lack of an effective and timely reinvestigation polygraph program in 1985, when Ames began his espionage activities, enhanced the breakdown of inhibitions that Ames had experienced and led him to believe that he would not be required to undergo a reinvestigation polygraph before his contemplated retirement in 1990. By 1985 the Office of Security reinvestigation polygraph program had fallen seriously behind its targeted five-year schedule and Ames had not been polygraphed for almost ten years. Although the Agency gave the program increased attention in 1985 and made a commitment to provide the resources necessary to maintain a five-year reinvestigation schedule, the hiring of new polygraph examiners created other problems, such as the need for increased management and supervision of inexperienced examiners. These problems were compounded by an exaggerated concern about the reaction of Agency officers and managers to adverse results from polygraph examinations. Employee, management and congressional concerns regarding the intrusiveness of the polygraph led Office of Security management to soften the polygraph program and cater to "customer satisfaction," which seems to have meant not offending employees. These developments reduced the effectiveness and reliability of the polygraph program, which must be based upon an

apprehension of the consequences of untruths, and encouraged employees and managers to resist the program.

## **DEFICIENCIES IN PERSONNEL MANAGEMENT**

No evidence has been found that any Agency manager or employee knowingly and willfully aided Ames in his espionage activities. Allegations in the so-called "poison fax," sent to the SSCI earlier this year, that the Chief of CE Division from 1989 to 1992 warned Ames regarding Agency suspicions about him appear to be without foundation. Many of the other statements made in the fax also appear to have been unfounded. That said, it is clear from comparing Ames's personnel file with the knowledge about him that was shared orally by employees and managers, that Agency managers consistently failed after 1981 to come to grips with a marginal performer who had substantial flaws both personally and professionally. His few contributions to the work of the Agency were exaggerated while his deficiencies and cost to the organization were minimized and not officially documented or formally addressed. He had little focus, few recruitments, no enthusiasm, little regard for rules and requirements, little self-discipline, little security consciousness, little respect for management or the mission, few good work habits, few friends, and a bad reputation in terms of integrity, dependability, and discretion. Yet his managers were content to tolerate his non-productivity, clean up after him when he failed, find well chosen

words to praise him, and pass him on with accolades to the next manager.

## **SUITABILITY FOR ASSIGNMENTS**

Despite his deficiencies in performance, Ames continued to be selected for positions that gave him considerable access to highly sensitive information. In the face of the strong and persistent evidence of performance and suitability problems that was available, this access is difficult to justify. Our Report reviews most of these assignments in detail. While Ames's poor performance would probably not have led to termination of his employment, it did not justify permitting him to fill positions where he was perfectly placed to betray almost all of CIA's sensitive Soviet assets. Despite doubts about his performance and suitability among officials who previously supervised him, he was placed in positions that gave him access to the most sensitive Soviet sources. After a disastrous tour in Mexico, Ames was placed in charge of a counterintelligence unit that was responsible for Soviet operations, and it was there that he acquired much of the information he turned over to the KGB in 1985.

Ames was selected to participate in debriefings of Vitaliy Yurchenko, described by the Associate Deputy Director for Operations at the time as the most important defector in CIA's history. Little in his previous performance merited that selection

and the task should have been reserved for the very best SE Division had to offer. His assignment to a sensitive position in SE Division after his return to Headquarters in the Fall of 1989 from Rome is inexplicable in light of the reservations about him that were held by the departing Chief of SE Division who had considered Ames's Rome assignment as a means of getting rid of a problem employee.

Ames's selection in October 1990 to serve in CIC is hard to explain given the knowledge that was then available to SE Division's management and CIC regarding the 1985-86 compromises, Ames's work habits, his unexplained affluence, and the nature and scope of the access to information that he would have. His CIC managers had been warned that there was reason to watch him closely and certainly could have sought more specific information from their superiors in CIC. Once suspicions concerning Ames had crystallized in August 1992 when his bank deposits and contacts with the Soviets had been correlated and Agency management had been advised, he should have been placed in a position where his access would have been limited and his activities closely managed. No evidence was found that senior Agency managers were fully advised or that such alternatives were ever discussed by Agency management, and neither CIC nor the Office of Security played any role in decisions regarding his assignments until after the FBI investigation began in the spring of 1993.

Necessarily, we have made analytical judgments about what we have learned--some of them quite harsh. We believe this is our job--not just to present the facts, but to tell the DCI, our oversight committees and other readers how our findings strike us. We have the confidence to do this because we have lived with the guts of Ames's betrayal for countless hours, we know the information we have developed better than anyone else at this point, and it is our responsibility to make these judgments. In this sense, our 12 investigators are like a jury--they find the facts and make recommendations to the DCI for his final determination. And the investigative team and I, like a jury, represent the peers of the intelligence professionals from whose ranks we are drawn. We have been sometimes shocked and dismayed at what we have learned, intrigued by the complexity of the Ames story and appreciative of the individual acts of competence and courage, of which there are many outlined in our Report.

In this latter regard, several individuals deserve special praise: the Deputy Chief, CIC for his persistent efforts to get to the bottom of the matter despite the passage of time; three CIC members for their work that paved the way for identifying Ames as a spy; four employees and managers who made known their concerns about aspects of Ames's wealth, suitability and performance; and finally, the officer who conducted a timely and thorough background investigation of Ames in 1991 and the Deputy Chief, Counternarcotics Center and another officer who

provided substantial assistance to the FBI in the FBI phase of the investigation.

In the end, however, the Ames case is about accountability, both individual and managerial. The DCI and our oversight committees have made this the issue, but if they had not, we would have. In this regard, let me note that we had already assembled a small team to look into the Ames case on our own prior to any request from the SSCI or the DCI. We did so because we believed that the statute setting up our office required it. The issue of managerial accountability has been one of my office's principal points of focus since its inception in 1990--and we have enjoyed mixed success in our efforts to assist in bringing it about.

Fixing managerial accountability in the Ames case has not been an easy task. On the individual level, we have uncovered a vast quantity of information about Ames's professional sloppiness, his failure to file accountings, contact reports, and requests for foreign travel. Ames was oblivious to issues of personal security--he carried incriminating documents in his checked airline luggage; he left classified files on a subway train; he openly walked into a Soviet compound in Rome and the Soviet Embassy in Washington. We have noted that Ames's abuse of alcohol, while not constant throughout his career, was chronic and interfered with the performance of his duties. By and large, these deficiencies were observed by Ames's colleagues and supervisors and were tolerated by many who did not consider



them highly unusual for Directorate of Operations officers on the "not going anywhere" promotion track. That an officer with these observed vulnerabilities should have been placed in positions involving counterintelligence and Soviet operations where he was in a prime position to contact Soviet officials and thus massively betray his trust is difficult to justify. The IG investigative team has found fault with management's tolerant view of Ames's professional deficiencies and the random indifference given to his assignments, and our recommendations reflect that view. We have not made these recommendations, which are primarily systemic and institutional in nature, a formal part of our Report, but have given them to the DCI in an advisory capacity.

In conclusion, on the grander scale of how the Agency's reaction to the unprecedented loss of Soviet cases in 1985-86 was managed, our team has been strict and demanding. The pivotal point of our logic is that, if Soviet operations--the effort to achieve human penetrations of the USSR for foreign intelligence and counterintelligence information--were the priority mission of the clandestine service of CIA in 1985-86, then the rapid loss of most of our assets in this crucial area should have had a profound effect on the thinking and actions of the leaders of the Directorate of Operations and CIA. The effort to probe the reasons for these losses should have been of the most vital importance to U.S. intelligence and should have been pursued with the utmost vigor and all necessary resources until an explanation--a technical or human penetration--was found. In this investigation we have

concluded that the intelligence losses of 1985-86 were not pursued to the fullest extent of CIA's capabilities, and our findings, analytical judgments and recommendations reflect that conclusion.

Thank you Mr. Chairman. I will be glad to try to answer any questions you or other Members of the Committee may have.

**The CIA and the Aldrich Ames Case**

**Statement of R. James Woolsey,**

**Director of Central Intelligence**

**Before the Permanent Select Committee on Intelligence**

**US House of Representatives**

**Wednesday, September 28, 1994**

Mr. Chairman, a year ago this very day I appeared before this committee to discuss the issue of greater openness to the intelligence community. My main message at that time was that we in the intelligence community must never forget that we work for the American people.

A year later I am appearing here to discuss with you and your colleagues -- the elected representatives of the American people -- the Ames case, its consequences, and the actions I am taking. Over the course of the last nine months I have emphasized that we owe the American people answers. The time has come.

Mr. Chairman, last February when Aldrich Ames was arrested I commissioned three reviews. The Security Commission Report, which recommended specific security improvements for the CIA, was completed in July. The Damage Assessment Report has completed extensive interviewing of Aldrich Ames, and

should complete its work by next Spring. The report of the Inspector General is now complete.

In commissioning these reports I have been guided by three principles:

First, our investigations had to be thorough -- we had to go back as far as we could to piece together the complete story of Aldrich Ames's treachery.

Second, they had to be comprehensive. We had to look beyond Ames himself, to a system, a culture that allowed Ames to spy against the United States.

Third, they had to be fair. As I said publicly last March, I will not reward the crimes of Ames by undermining the integrity of the CIA by responding to calls for, essentially, a witch hunt and for retribution based on flimsy or inadequate information.

The IG report identified significant mistakes on the part of senior management and a number of cases of insufficient attention to issues which proved of critical importance in the Ames case. That said, the IG concluded that there was no intentional wrong-doing and no gross negligence on the part of members of the CIA.

Today, I want to share with you and the members of the committee the principal conclusion I have reached about the Ames case. It represents a systemic failure of the CIA -- and most significantly -- for the Directorate of Operations; a failure in management accountability, in judgment, in vigilance. A failure that consisted of passing along rather than tackling head-on problems which were apparent to many officers in that directorate. The consequences have been horrid for us at the CIA, for the American people, and for those who helped us overseas and who, in a number of cases, in effect, were murdered by Ames.

In what follows, I will note both points at which, in my judgment, management inattention was palpable and also those points at which it was not only palpable but fell to the level of serious or sustained inattention. I would stress that these judgments are entirely my own, based on the facts set out in the IG report.

Ames began building up his dossier as a spy in 1985. Yet, his performance before 1985, and later in his career as well, included substance abuse (in his case alcohol abuse), sloppy operational and financial accounting, undisciplined behavior, and poor judgment. Admittedly this behavior was sporadic, and in some areas Ames's competence helped him to continue sliding by. However, during his 32 year career he received not one single letter of reprimand for any of his

behavior. Nobody wanted to take on the task of seeing what the problem was. As a result, what began as an officer's showing poor performance and judgment ended up as an officer's becoming a spy for the KGB.

Let me highlight several specifics.

Ames's tour in Mexico City was notable for several features.

-- First was his mediocre performance, which was documented in his personnel evaluations.

-- Second was Ames's drinking problem, a recurring problem throughout his career. The Chief of Station in Mexico City did report this problem to the Office of Medical Services -- but he was the only one who placed his concern on record. We now know that Ames's alcohol abuse problem was apparent to others during his career, but it did not raise concerns sufficient to warrant re-evaluation of Ames's suitability for operations work.

As I have said in the past, not all employees with alcohol or other substance abuse problems turn to spying. But statistically spies often do have a substance abuse problem -- several times higher than in the rest of the employee population. We do no one a favor by looking the other way. Alcohol abuse is, in some forms, a disease, but it is also a

management problem -- and can be quite a deadly problem in the spy business. Alcohol abuse is also a vulnerability targeted by hostile intelligence services. We must, and we will, take substance abuse extremely seriously at the CIA.

-- Third, Ames began his relationship with Rosario -- who was then a paid agent -- a clear violation of the rules of conduct for CIA employees.

Because of Ames's performance in Mexico City, the Latin American Division of the Directorate of Operations no longer wanted him. But neither did it share its concerns about Ames's performance with other components. Thus, an official with a record as a poor performer now found himself moved into an extremely sensitive job in counterintelligence in the Directorate of Operations' Soviet and East European Division.

In December 1983, back in Washington, Ames and Rosario, a foreign national, began living together. Yet Ames did not immediately notify his superiors -- another violation of the rules.

All CIA employees who intend to marry a foreign national must submit a formal memo requesting that they be allowed to continue to work at the CIA. When Ames submitted his memo in April 1984, he explicitly stated that Rosario had quite

recently been a paid CIA asset. His superiors paid no attention to this fact, nor its implications about Ames's previous conduct.

While the question whether to approve the request was pending, Ames and Rosario went to New York, and he took her to a CIA safe house. Yet another violation. This violation was reported, yet again, nothing was done.

The Directorate of Operations recommended to the Director of Personnel that, while approval for the marriage be given, the Director of Personnel should require that Ames be transferred out of his sensitive position until Rosario became a naturalized citizen. The Director of Personnel approved the marriage. It referred back to the Directorate of Operations the question whether Ames should be transferred out of his sensitive job, noting that personnel assignments in the DO were the responsibility of the DO in consultation with the Office of Security. Again, no one took action. The inattention had serious consequences. Ames stayed in his sensitive position. A few months later he betrayed a large number of our Soviet agents, a number of them to their deaths.

I want to stress, in discussing management inattention to Ames's behavior, that the issue up until mid-1985 was not one of Ames's spying, but the fact that he had developed a



pattern of poor judgment, mediocre performance, and the flaunting of rules. Even after mid-1985, my judgments are based on management's inattention to his suitability. At several critical points, some action affecting Ames's career could have been taken based on his several clear problems, or he could have been sent to counseling, or both. Alternatively, a determination could have been made about his suitability for case officer work, and he might have been offered a different line of work more suited to him. At a minimum, had he been placed early in a far less sensitive position -- had management paid sufficient attention to suitability issues -- his treachery might never have begun. Yet, none of that happened.

By 1984 Ames began to meet with Soviet officials, not unusual for a case officer assigned to the Soviet and East European Division. What was unusual was that he subsequently stopped reporting his meetings, another clear violation of DO policy. Such a failure runs fundamentally counter both to policy and to a normal desire for career advancement -- the heart of DO work is establishing and developing contacts. Ames's failure to report the number or frequency of his contacts could only have meant that he was not interested in advancing his own career, or that he was trying to hide something. But again, no action was taken. Although junior and mid-level officers tried to solicit information from Ames -- one quite persistently --

management dropped the matter, a most serious lack of attention to duty. Ames did not bother to respond.

The management failures continued: ignoring or downplaying poor performance, transferring Ames rather than tackling the problem. One could almost conclude not only that no one was watching, but that no one cared. In any case, the Soviets had landed and begun to run their prize asset.

At this point, management in the Directorate of Operations picked the path of least resistance and shipped Ames to Rome, where his performance was a repeat, in even bolder colors, of what it had been in Mexico City. He demonstrated poor record keeping, mediocre performance, and alcohol abuse. In one instance he fell drunk in a gutter, to be retrieved by the Italian police. While in Rome, Ames continued his pattern of not reporting all of his contacts with Soviet officials.

When Ames returned to Washington in 1989, he was assigned to a management position in SE: a failed case officer put into a management position. He settled into his new job -- and continued providing the Soviets with information.

The lack of sound judgments about Ames grew worse. Ames, who had been ranked as 3rd from the bottom out of 200 officers, was selected to serve on a promotion panel --

placing an individual of demonstrated poor judgment and record in a position to pass judgment on others. Moreover, in that assignment Ames was in a position to do substantial damage, for he was given easy access to the files of a group of our mid level officers.

In the mid 1980s the CIA began to try to breathe new life into its counterintelligence functions, principally as a result of the Edward Lee Howard case, and other sensational spy cases which was then dominating the news. In 1988 the counterintelligence staff was elevated into a DCI center. Yet, at the very time that efforts were being made to strengthen counterintelligence, Ames's DO managers again saw an easy solution to what they erroneously thought was no more than a personnel problem. They assigned Ames to the Counterintelligence Center. It was there that Ames got access through the computer system to a number of U.S. government double agent cases, which he passed to the KGB.

The investigation that finally led to Ames's arrest was hampered by problems as well. Beginning in 1986, those involved in the search did try to track down leads and sort through the evidence. But sufficient resources were not allocated in their search to find out why they had been losing Soviet agents, even after a dedicated employee alerted the CIC to Ames's spending late in 1989.

Admittedly, those engaged in this search were also responsible for tracking down many dozens of counterintelligence leads on other cases. Successful CIA counterintelligence efforts during this period included: Jeffrey Carney, a US Air Force enlisted man working for the East Germans; James Hall, a US Army sergeant who volunteered his services to both the East Germans and the Soviets; Steven Lalas, a State Department communicator in Athens; and Virginia Baynes, a CIA secretary in our station in Manila. And of course there were leads that seemed to be related to the 1985 Soviet losses, and had to be investigated, but that did not bear fruit.

By early 1991, additional resources were finally allocated to the 1985 loss problem and a partnership with the FBI was begun. Over the next two years the list of potential suspects relating to the 1985 losses began to narrow. Yet it wasn't easy. As a result of poor coordination between the CI Center and the Office of Security, the polygraphers who administered a general reinvestigation polygraph to Ames early in 1991 did not have full and effective access to what was then known about him. Far too much faith was placed in the polygraph's having an almost automatic ability to unmask a spy -- it was forgotten that the polygraph is a tool to assist interrogation, not an automatic lie detector. An excellent background investigation on Ames was not effectively utilized. Ames beat the reinvestigation

polygraph in 1991, helping to delay the mole hunt -- and helping him continue to spy.

No one would contend that the investigation was perfect after early 1991, including the investigators who brought it to focus on Ames during 1991 and 1992. No investigation is perfect. But in my judgment those who assigned the resources and oversaw it prior to early 1991 deserve being reprimanded; those who oversaw it after that period do not.

Mr. Chairman, I've outlined the story of Ames in some detail in order to highlight the nature of the systemic failures at the CIA -- inattention to serious personnel problems, inadequate resources devoted to counterintelligence, and poor coordination between counterintelligence and security. That system must be changed, and it will be changed. But we cannot only fix processes, procedures, and systems. We must also take into account that those who were entrusted with making critical decisions during these years on this matter must bear responsibility as well. As I told this committee in May, managers must never forget that they do not only manage issues or regions, they manage people.

Mr. Chairman today I am announcing that eleven senior officers, all but one of them from the DO, are to be officially reprimanded for errors in management, as well as for failing to devote sufficient resources to the

counterintelligence effort as questions arose. Four of those reprimands are very serious -- such reprimands would normally accompany dismissal or involuntary retirement. Three of these four officers have already retired and the other will retire within the next few days. All these officers will be barred from further relationships with the Agency during retirement.

Of the other seven senior officers receiving reprimands, three are retired and four are currently active.

The individuals who I am reprimanding do not stand guilty of the crimes Ames committed. They did not betray their colleagues or their country. But they did help sustain an environment where problems were passed along, not tackled. That cannot be tolerated -- where national security can be damaged. In this case it produced a tragedy.

I am not naming these individuals publicly, with one exception, our current Deputy Director for Operations, Ted Price. After careful study of the IG Report, I have decided that those who were responsible for allocating resources to the mole hunt before it entered a new and more vigorous phase in early 1991 deserve reprimands. Accordingly, I have issued a reprimand to Mr. Price for his failure to devote additional resources during the ten month period that he

served as Director of the Counterintelligence Center in 1990.

I have determined that his reprimand should not be a severe one, because his tenure as Director of the CIC was relatively brief and those who conducted the mole hunt are explicit that they reported to him only during this period. Neither his superior nor his subordinates were calling for increased resources during this ten month period.

I have confidence in Ted Price's ability and professionalism, and I have asked him to stay on as Director of Operations.

There is another part to the Ames story. There are a handful of individuals, most of them mid level officers, who worked long and tirelessly to uncover Ames. Because of the nature of their work, they will receive our thanks and commendations in private. But I would like to take the opportunity of this hearing to acknowledge who they are by what they did: the principal investigator -- dogged and determined for seven hard years; the officer who moved the task force from the analytical to the investigative stage and who the IG report credits with revitalizing the CIA investigation; the researcher who established the links between Ames and the missions that were compromised; the two FBI officers who worked tirelessly to maintain the link

between the CIA and FBI parallel efforts; the financial analyst who uncovered the flow of funds; the investigator who conducted a thorough background investigation of Ames that helped fit the pieces of the Ames puzzle; the officer who continued to raise questions about Ames's unwillingness to file reports of contacts he had with Soviet officials; and the individual who came forth and expressed her concern about Ames's unexplained wealth. We owe each of them a debt of gratitude. When one speaks of dedication in this business, one should begin with these nine public servants.

Mr. Chairman, the Inspector General's report is complete. But that is not the end of it. As you are aware, and as we have discussed in the past, much needs to be done in this agency, even as we preserve that which remains valuable, relevant -- and indispensable to our nation.

The restructuring of counterintelligence coordination as mandated by the President in Presidential Decision Directive 24 has been implemented to help ensure that counterintelligence coordination problems of the past do not resurface in the future.

In addition, I have instituted a series of changes in counterintelligence, management accountability, and personnel security. I outlined many of these steps in my meetings with the members of Congress and in my public



statements. If you permit me, Mr. Chairman, I'd like to highlight several key initiatives -- some ongoing, some which we are beginning.

First, I am establishing the position of Special Assistant and Ombudsman for Counterintelligence and Security, and I have asked one of the individuals I have cited for his contribution in the Ames case -- indeed I would give this individual the principal credit for the ultimate success of our efforts in catching Ames -- to serve in that position. He will report directly to me. His mandate will be to oversee all aspects of counterintelligence reforms, including revisions in the polygraph program and coordination between security and counterintelligence.

Second, earlier last Spring I issued a directive on management accountability throughout the CIA, including mandatory training in counterintelligence. To date, over 75% of our senior officers have taken this training. Every employee of the CIA, from top level managers to those beginning their careers, will take this course, promptly.

Third, to help ensure that the mistakes outlined in the IG report do not happen again, and to help advance the systemic changes that I believe are needed, I am ordering that every CIA officer in consideration for promotion into the senior ranks demonstrate that he or she has been fully exposed to

the details of the Ames case and the lessons that flow from it. I have ordered the Executive Director in cooperation with the Inspector General to initiate this immediately.

Fourth, as a result of the overhaul of personnel security which I earlier ordered, a new office, the Office of Personnel Security, will begin operations next week. This office will be staffed by representatives from security, personnel and medical services, and an individual from our counterintelligence center. Their task is to assess and investigate any concerns bearing on the personnel and security suitability of the members of our work force.

Fifth, because many of the systemic failures in the Ames case were unique to the Directorate of Operations, I am placing top priority on changing the procedures for advancement, and promotion within the DO. These changes include the work of Accountability Review Boards to develop strong management responsibility, the overhaul of training, and changes in the selection to promotion panels. The nation simply cannot afford to maintain an environment that nurtured an individual like Aldrich Ames.

The Security Commission report concluded that it takes time to change procedures, even longer to change attitudes and the culture of the CIA. But we will change. We will succeed.

Mr. Chairman, as we make these changes, I believe that the time has come to leave Ames behind. Some have clamored for heads to roll in order that we could say that heads have rolled -- regardless of the particular merits of each case.

That's not my way. And, in my judgment, that's not the American way, and it's not the CIA way. Ames's treachery began in the mid 1980's. This is 1994. Those who bear the heaviest responsibility for allowing Ames's treachery to develop and go on for as long as it did are no longer with the CIA.

All of us the CIA know we have a job to do -- for the President, for the Congress, for the American people. Its time we left Ames where he is today, and turn our attention resolutely to the future.

**UNCLASSIFIED**

**UNCLASSIFIED**

# **TRANSCRIPT**

**CHAIRMAN DAN GLICKMAN  
and CONGRESSMAN LARRY COMBEST**

**INTERVIEW WITH ALDRICH AMES**

**AUGUST 8, 1994**

**UNCLASSIFIED**

**UNCLASSIFIED**

**August 8, 1994**

**Interview with Aldrich Ames**

**(start tape)**

**Chairman:** . . . Law enforcement side of the picture because we're as much interested in how the intelligence process works and what we ought to be doing, if anything, in terms of how history would motivate us to make changes in the future, if necessary, those kinds of things.

**Chairman:** Mr. Cacheris, we appreciate . . .

**PC:** You'll find him totally cooperative. There's nothing to hold back from you.

**Chairman:** We are aware that you spoke with Senator DeConcini. Our focus is pretty much the same and this is going to be a pretty much "free flow" between Mr. Combest and myself. No real, necessarily, order or structure.

**PC:** There will be no objections. (Laughter)

**Chairman:** It's more, as I said, our perspective is to, our role is oversight over the intelligence community. We are entrusted by our colleagues to watch how they spend their money and watch how they perform their activities and, obviously, this case is a very serious one and, to some extent, we are representatives of the other 435 people who are not here. They want to know what went on and why and how did it happen and the circumstances. So, maybe I'll just start and you just chime, you know, back and forth. I would like to get a characterization from you as to why you entertained this relationship with the Soviets and then later, Russian intelligence. What motivated you?

**AA:** The initial and continuing motivation was for the money. It happened, however, in a sense, in two stages. I conceived the idea in February or March of 1985. I believe I felt very much under heavy financial pressure. I had mismanaged, sort of, the household budget which was not extravagant at all, and I had incurred some debts. I had bought a car. I was negotiating a divorce which involved a cash settlement of \$12,000 to be paid over time. But, more than the, I exaggerated to myself, in retrospect, the financial straits I was in. In retrospect, I have exaggerated it in my own mind. But, I felt it at the time and I felt embarrassed and potentially humiliated to be in a situation in which I had sort of lost control of the household budget and getting from one paycheck to the next was getting increasingly difficult.

I also was embarking on what I very much felt, though, as a new life with Rosario and we planned to have children and I had no savings, no house, and so I conceived the idea of using the opportunity that I felt I had to sell two items of what were useless information to the KGB, but that they would value, in exchange for a one-time payment of \$50,000. \$50,000 was an appropriate sum. It was a sum they had frequently offered Agency officers in recruitment approaches over the past 5-10 years. So, that helped fix in my mind, and \$50,000 seemed like an appropriate sum to get out of the hole and provide a bit of a nest egg for the future.

And I had an opportunity. I had earlier become involved in a developmental operation against a Soviet official in the embassy in Washington on behalf of our Washington office and so I had an overt covered relationship with the Soviet embassy, a trusted Soviet embassy official, through which I felt I could pass a message to the KGB securely, without detection or suspicion since I was operating with the FBI's knowledge. So, I did that in April.

But, I think it is important to realize at the same time, and I have thought about this many times, that many people in the Agency and in the Directorate of Operations have presumably been in financial trouble or some trouble or another and may have entertained the idea, however briefly, of perhaps they could somehow get money from the Soviets. But, I think few, if any, of them before me,

apart from a few cases, ever did so. In my case, some of the barriers that, I think, would have kept other people from doing it, weren't there.

**Chairman:** Explain what you mean by "the barriers weren't there."

**AA:** Ah, I had begun at that point, I think, to distance myself from the Agency as an institution and to place my own interests and, in a sense, my own judgment about that as the institution, the organization, the loyalties that I had to the Agency. I did not have, at that time and in April when I did pass this message to the KGB, I did not have the intention of becoming an agent of the KGB over a continuing basis, nor did I have the intention of selling and compromising real operations to them. I saw it as, basically, a one-time criminal act but also an act of deception of the KGB.

**Chairman:** Deception because they thought it was going to be long-term?

**AA:** No, I put it on the basis of a one-time exchange. But, the information I was representing to them as valuable, and they would have perceived of it as valuable, we had earlier gotten a report that the KGB would attempt to run into us two or three agents under their control but ostensibly volunteering to us [REDACTED] and, indeed, two such people did appear on our screens, volunteering to us. And, we believed, in Soviet/East European Division, we believed that these were



the two cases that we had been warned about and that they were actually under KGB control.

**Chairman:** So, you really thought that you were . . .

**AA:** That's right. These two names were an opportunity. The information that the KGB would believe we took seriously and that we believed were CIA agents [REDACTED] but when they checked, of course, they would realize that they were actually their double agent cases. But, as frequently happens, this would not cause, they would still value what I was giving them. But, to make especially sure that they would respond positively, I identified myself in that message and that was an especially unusual step. I identified myself by true name in a note passed through the Soviet official. I identified myself in true name, by position, a little bit about my career background, and what job I currently held in the Soviet/East European Division. And, I calculated that this would guarantee a positive response, even though I was putting it on a one-time basis, their reaction and we had had examples of KGB guidance to their stations, to their residences on how to handle things like this. In other words, they would not pressure me. They would not try and twist my arm. They wouldn't try and blackmail me. They would sit back. They would be accommodating and they would hope that this would eventually turn into something of permanent value. And, I presented myself to them as I was

as a rather unique opportunity for them, and they accepted this. A month later, they gave me the \$50,000.

**Mr. Combest:** You gave them the information first?

**AA:** That's right. And said, in exchange for this, I want \$50,000. Knowing that I had identified myself to them, I was sure that they would respond positively, and they did.

**Chairman:** What, then, motivated you to continue the relationship beyond that?

**AA:** That's . . . it's very hard. I can reconstruct the rational, the more or less rational elements of my plans before April and then I know why I thought what I did and why I did it the way I did it. What happened between the middle of May when I got the \$50,000 and the middle of June when I passed through that embassy official the identities or information clearly identifying virtually all of our current Soviet agents, what I was thinking, what took place in my mind, I've only been able to kind of reconstruct. I've used the term a couple of times that it was as if I were sleepwalking through that. What I think happened after I received the money was it came home to me the enormity of what I had done and irretrievability of what I had done and something that I had not, that had not factored in what had before been a kind of a clever plan to do something and in this reaction, I think I

was in a kind of a state of shock, under the realization that I had actually gone to the Soviets and sold them information. In that situation, the knowledge that this information was valueless or was not damaging in any significant way doesn't really make any difference. What I had done could never be undone and that I would be forever at hazard because of it.

But, there was certainly another element, and that was that their positive response, which I had fully expected, did make clear to me that there was as much money from the KGB as I could ever ask for, or as I could ever conceivably need. That the value of what I had for them was beyond price for them. So, by the middle of June before I was to have lunch with the Soviet embassy cut-out or intermediary, I simply in a not very conscious way, I simply delivered myself to them with the information that I had as an act of, some part in desperation, some part in knowing that I would be financially well off, and in a secondary way, also as a measure of protection. While I believed that the KGB would go to very great lengths to compartment and to keep knowledge of me to a very few people in the KGB, other penetrations of the KGB could represent a continuing danger, especially since two of our KGB assets were in the Washington residency. So, there was an element of self-protectiveness to my decision to turn over some of those people. But, on the larger scale, it was an act of, in a sense, a switching of loyalties.

**Mr. Combest:** You said you made yourself available to them. Did you mean, like you told them at that time then that you would be a source of information?

**AA:** That's exactly right. I provided in the documents and the letter that I passed in the middle of June. I provided most of the sensitive operations that we had at that time. But, I did not place any conditions or made any demands on them. I didn't say, for example, now for this, I want X or anything like that. I just said, well, here it is and I will continue to be in touch through the intermediary.

**Chairman:** But you expected more financial remuneration?

**AA:** Yes, I did. Yes, I did, even though I did not condition it.

**Chairman:** Okay. But you gave them the information without having any assurance you were going to get anything.

**AA:** That's right. I was convinced, without having to say so, without making demands with the KGB, and my knowledge of the KGB was as extensive at that time, I guess, as anyone in the community.

**Chairman:** Let me just say something. The information you gave them was, I mean, that particular transfer of information was probably . . . .

**AA:** The most dramatic they ever got.

**Chairman:** . . . damaging or dramatic information . . . .

**AA:** That they ever got.

**Chairman:** . . . that they ever got. I'm just curious why, in one fell swoop, you gave them . . . .

**AA:** I didn't parcel it out.

**Chairman:** . . . the kitchen sink.

**AA:** That's why I'm saying it was an act of, it was an uncalculated act in that sense. It was an act of just throwing myself at them. Though with many of these different reasons that I've alluded to playing their roles and, as I've said, it was not a decision that I consciously thought through and that I can recall calculating, as I did prior to April.

**Mr. Combest:** Would you say that that was when they really recognized how valuable an asset you would be?

**AA:** I think they saw that in April because I had identified myself rather clearly to them. So, their attitude in April would have been, and I think was, accept what he has, don't push him, give him what he wants, and tell him that you will be grateful for any more. They did not, in May when I got the money, they did not make any argument asking for more information or try to induce more by offering money. They just took it as was as said, you know, we are very grateful and, as you know, we will be grateful for any more information you care to share with us but they played it very low key.

**Mr. Combest:** This information though, it was June, then, that you gave them the second.

**AA:** That's right.

**Mr. Combest:** That was a monumental . . . .

**AA:** It was. But it was what they had hoped for but maybe didn't know if I would ever come through.

**Mr. Combest:** Over the entire period of time that you were working for the Soviets and the Russians, was that the most valuable chunk?

**AA:** Yeah.

**Mr. Combest:** So, I guess what I'm trying to . . . .

**AA:** The totality of the information from then on never approached the real impact and value of just that single delivery.

**Mr. Combest:** Of that.

**AA:** That's right.

**Mr. Combest:** That's what I'm wondering is, here you come to them in March . .

..

**AA:** That's right.

**Mr. Combest:** April.

**AA:** April.

**Mr. Combest:** And then in June, . . .

**AA:** Enticement.

**Mr. Combest:** . . . two months later, I mean, there's this huge chunk.

**AA:** Uh-huh.

**Mr. Combest:** And, I'm wondering, then, if that led into them expecting maybe that same type of thing on a continuing basis. The question being that, I mean, you were paid more than apparently anybody ever has been and, as if that was, as if they're recognizing the value of that asset to them early on was something that they just felt like there was . . . .

**AA:** I think that they had a realistic appreciation over the years of what my access was and after I left that position at the end of the summer of 1985, they knew that I would not have access. It was unlikely that I would ever have such broad and sensitive access again, or at least in the foreseeable future. My position in Rome didn't give me access to that kind of information and then, later on, I did



not. That's not to say that what I had and what I passed in the subsequent years were not extremely valuable to them but the extraordinary nature of what I gave them in June and then continuing that summer was unparalleled in terms of my access. In terms of the money, it wasn't until October that I received a message from them passed through the intermediary in which they simply said that they had set aside \$2 million for me in recognition of what I had done for them. There was no question of salary or that they would pay more for future, they simply said, well, they had set aside \$2 million and would hold it for me and would pay it out as appropriate.

Later on in Rome, I suggested a salary and that was fixed at \$10,000 a month and that's the money that was paid out to me and presumably was held for me consisted of the initial \$2 million, plus \$10,000 a month over those eight years, minus what was actually paid to me in cash over that time.

**Chairman:** You said that there was other information that summer. Did you, you were with the SE Division until when, the end of the summer?

**AA:** 'Til the end of the summer. That's right.

**Chairman:** So, you continued to pass information.

**AA:** And I continued to pass sensitive information, although I had given them sort of the cream of what existed, there was still extremely sensitive information that I passed over.

**Chairman:** And this was generally available to you and others, of course.

**AA:** A few others.

**Chairman:** A few others but, to get this information that you passed them, you didn't have to do anything?

**AA:** No, it was in the course of my normal work. That's right.

**Chairman:** You had all the names . . .

**AA:** Yes, that's right.

**Chairman:** . . . of our agents . . . .

**AA:** Technically, in most cases, not the names.

**Chairman:** The codenames.

**AA:** Codenames or traffic from our field stations that could unerringly identify them.

**Chairman:** Have you ever been recruited, attempted to be recruited by the Russians or Soviets?

**AA:** No, no, I've never been approached by them. This had come up in my polygraph in the following summer when I dinged on the question, "had I ever been pitched," and I had not, but, for some reason, that evoked a little response.

**Chairman:** So, you were asked a year later, "had you ever been pitched," and you said "no," and it blipped.

**AA:** And it blipped. That's right. I did not blip on the question, was I in any unauthorized contact with a foreign intelligence service. That I did not blip on.

**Chairman:** Which you had been?

**AA:** Which I had been. That's the nature of the polygraph, imprecise.

**Mr. Combest:** Looking back, you said that there were some barriers, I think, the word you used, you said others might have had that you didn't have.

**AA:** Uh-huh.

**Mr. Combest:** Looking back at your situation, what could have been done, or what kind of safeguards should have been in place to keep you from doing what you did?

**AA:** There is only one significant one, I think, that would have had any effect, and that is the deterrent effect of the polygraph. At that time, the Agency had a formal program of 5-year reinvestigations and included in that reinvestigation would be a polygraph, which would cover areas, unauthorized contact with foreigners, unauthorized contact with foreign intelligence services, and a series of questions like that. But, that program had fallen into disuse over the years. I hadn't had a reinterview polygraph since 1976 and I knew . . .

**Chairman:** In 1985, nearly ten years.

**AA:** That's right. And other people I knew hadn't had one for 15 or 20 years. It had fallen behind. They didn't have enough polygraph operators, whatever. So,

while I did not think that I would never have to take another polygraph, it did not appear to me likely that I would have to face a polygraph test in the near future and I did not, at that time, think in terms of spending another five or ten years working for the Agency. I had the idea that I would retire or resign sooner than that. So, I did not have a certain expectation of having to take a polygraph test. So, when it came up in the spring of 1986, I was surprised but I also was under the impression that they were reimplementing the program and that what was happening, indeed, was what happened, they started tightening up and they started giving them every five years.

**Chairman:** Were you worried?

**AA:** I was extremely worried. Yeah. I wasn't a particular believer and I certainly am not now in the real efficacy of the polygraph or the validity of the technique, but it is a black box and it's kind of rolling the dice.

**Mr. Combest:** That's what surprised me.

**AA:** Even if it cannot reliably tell if you are lying, you can't be sure that you can beat it.

**Mr. Combest:** You're saying, had you known that every five years, three years, what the case may be, that would have been the thing that would have potentially prevented you . . . .

**AA:** That's the one thing that I can think of that would have been a real deterrent. The fear of facing the polygraph.

**Mr. Combest:** I ask you that because I have read some of the things you have said about that and I found that very interesting.

**AA:** As I say, it's a matter of, I don't think you can control the outcome of the polygraph test very well.

**Chairman:** But you were able to beat the polygraph.

**AA:** Yes, I have.

**Chairman:** Why, or how?

**AA:** I honestly can't tell you. I can tell you what happened.

**Chairman:** Okay. Were you taking a beta-blocker or something?

**AA:** No, no. I did . . . .

**PC:** Tell them what the Russians advised you. (Laughter)

**AA:** That's right. I got the Russians' advice.

**Mr. Combest:** On how to beat it?

**AA:** Yes. I, there was time, there was time to exchange messages with the KGB.

**Mr. Combest:** This was in 1986?

**AA:** In the spring of 1986. And I warned them that I had to take that and I got a message back and I asked them "anything you can tell me to help me get through it, obviously, I would appreciate." And, I did get a message back and my first reaction in reading it their two, three, or four short items of advice, at first was rather disappointing. It said, get a good night's sleep and rest, and go into the test rested and relaxed. Be nice to the polygraph examiner, develop a rapport, and be cooperative and try to maintain your calm and be calm and as relaxed as you can.

And, my initial response was, this is all they have to tell me? Not to take some combination of drugs, or wiggle certain limbs or visualize certain things. That was the extent of their advice. And, while I was initially disappointed, I did reflect on the fact that the KGB had invested a tremendous amount of time and effort and work into the polygraph, even though they didn't believe in it the way the Agency does. They had studied it very, very carefully. And, I also thought that there probably isn't anyone that the KGB wants to help pass a polygraph more than myself. So, what I am getting is serious advice. Simple, though it looks, it's got to be the best advice there is. Which is how I finally approached it. So, I took that advice very, very seriously and implemented it as best I could, and I think fairly well, and, indeed, I passed.

**Mr. Combest:** Did you feel that there was some feeling that you were helped, unintentionally, by the polygrapher's redirection of questions and giving you another chance. Did you feel that at the time?

**AA:** No.

**Mr. Combest:** That that was . . . .



**AA:** No. There was a routine quality to the test in 1986. But, I didn't perceive the examiner as being either inexperienced or anything. So, in the sense of being helped in that way, no.

**Mr. Combest:** You didn't find the way that they approached that, particularly after you had apparently had a questionable error or two coming back and redirecting that question?

**AA:** No, huh-uh. Because they ran through it again and I got through it. They'd ask me about the question, the problem with had I been, gotten approached, and my explanation, which was the honest one, and I was totally relieved that we were talking about that question instead of the other one.

**Chairman:** You mean, being pitched? Unauthorized contact?

**AA:** As opposed to unauthorized contact with a foreign service. There was a sense of relief when that appeared to be the problem and I simply honestly replied that "well, maybe I reacted because I have been in enough situations where I might have been pitched but wasn't and so I was, maybe I was waiting for the shoe to drop or something like that." And, so after we discussed it, then we went into the test again and it came clear. I had always had a easy time with the polygraph as opposed to some of my colleagues, who would take several days to get through a

test, or even a couple of weeks. Some people are just, react differently and it is tougher to get them through the test. I'd always been, you know, in and out in one session.

**Mr. Combest:** But they are extensive?

**AA:** No, they are not extensive. They consist of maybe three or four relevant questions.

**Mr. Combest:** That was it.

**AA:** That's right. You know, they don't, in reinterviews, they don't ask lifestyle questions, for example, because of the obvious problems those come up with. They ask, they usually ask if you had an unauthorized contacts with the press. Had I divulged classified information to any unauthorized person. Unauthorized contact with foreigners. Unauthorized contact with foreign intelligence services.

**Mr. Combest:** The ability of the Agency, or whatever agency it would be within the government, to obtain more information relative to your personal finances given the type of job, would have been a deterrent as well, or concern of being found-out?

**AA:** Conceivably. Conceivably. But, at the time, in April, I was simply focusing on one \$50,000 payment, which could easily have been sort of gradually fed in and probably would not have, even had there been some mechanism for monitoring all that. Later on, of course, over the years as I had accumulated a lot more money, there's certainly the ability to see outside sources of income, which was what people gradually came to the conclusion that I had, could play a big role in looking for a situation like this. But, there is a sense in which there is a real difference and you can't always look at a specific case like mine with any assurance of protecting the future because I wound up not concealing my money much at all.

**Chairman:** You mean in terms of how you used your resources?

**AA:** In terms of how I used it and really in terms of backstopping having it. It was very casual, unbackstopped, any serious inquiry would have unraveled it very quickly and there can't be any assurance that another person doing what I did wouldn't take great care in preventing that from appearing. My initial plan on going to Rome was to have the KGB somehow transfer, in bulk, \$1 million/\$1.5 million into a European bank account, at which point, I was planning, rather vaguely, but planning to do some serious money laundering. To maybe set up a company in Colombia and basically disassociate those funds from me and backstop in a much, much more secure way as family money, as my wife's family money or

something like that. In the event the KGB never was able to do that, and so my only source of funds was actual cash passed to me by the KGB and so I never implemented any serious attempt to conceal that money.

**Chairman:** Did you request, then, to put a bulk . . . ?

**AA:** Yes, I did.

**Chairman:** And they what?

**AA:** We had many contentious discussions about that and they insisted over the years that there was no way that they felt it was secure to transfer a large amount of money like that and I made all the arguments I could think of and their constant reply was they simply could not trust the existing mechanisms for doing that. And, I tend to believe that that was pretty much in good faith on their part. There might have been a certain reserve to not worrying about I might just quit if I had enough money or I might do something with it that would really be alerting or insecure if I had that much money so a certain reluctance to turn it over to me, but I think, on balance, they just worried about the security or their own mechanisms for doing so.

**Chairman:** Do you think they believed you to be a discreet person, trustworthy, in terms of your personal lifestyle?

**AA:** I think they wondered about it.

**Chairman:** Because there have been a lot of discussion about the fact that you had an alcohol problem and . . . .

**AA:** That's right.

**Chairman:** . . . and I don't know what else they knew. I wonder if that was, could have been a motivating factor there.

**AA:** I think they may have worried about that somewhat, though they tended to deny it. On one occasion, I did it on a couple of occasions, but in the first meeting I had with a KGB handler in Rome in October, 1986, I drank too much before the meeting and during the meeting and forgot the arrangement that we had for the next night to meet again when I would pick up some money. But I had also discovered the night of that meeting that I had prostate infection and before the meeting took place, I went to the bathroom and urinated a large quantity of very bloody urine, but I had also had a lot to drink.

The next time that I saw my KGB handler, I apologized for having mixed up and misused the communications arrangements and I said to him, "and you know I drank too much before and during that meeting and that was probably the reason why I messed up the next contact." And, he dismissed that. He said, "Oh, no, no, no. You were sick. You had that infection." He didn't want to raise that, he didn't want to push that with me or appear judgmental or whatever and he wanted to talk about it in terms of that I had been ill. I suspect that whatever thoughts my handler had about my personal discipline or security, he probably didn't share at all with his superiors. He may have to some extent but in another way, he sort of wanted to keep things on an even track.

**Chairman:** Going back to this financial disclosure that Mr. Combest talked about, the fact of the matter is what you are saying is that if you really wanted to be clever and clandestine about the dollars, then no amount of financial disclosure requirements would make any difference. Right?

**AA:** I would say that's putting it in very, pretty extreme terms but I guess I'm implying that. That's right, that had I been much more careful and spent more time and effort thinking and planning, I think that's right.

**Chairman:** Because, as you know, the Director of Central Intelligence spoke to Congress to tighten up in this area so that, at a minimum, you would be required to file annual disclosure statements. You weren't, I don't think . . . .

**AA:** No.

**Chairman:** . . . and so you would at least be subject to federal penalties for perjury or lying, that kind of thing.

**AA:** That's right.

**Chairman:** Would that have made any difference to you?

**AA:** No. No. Not given the scale of what I had been, what I was currently doing. There are two special things about myself and the way I did things myself that don't offer a very good prognosis for another case like mine in the future. One is taking much more care about money, both in terms of keeping the gossip level down so people don't think you've got more money as well as concealing, truly concealing, the existence of the money. The other one is the sense of, is the quality of self-delusion that from, let's say, mainly 1989 when I came back from Rome, of being able to convince myself that everything that happened to me

professionally, and every job change, that it was really okay. That there was no serious focus on me, no serious investigation. That the investigation was primarily an analytic exercise trying to discover, you know, which of 200 people or 100 people might be a problem and that there was no specific focus and I never, in the course of time, sat down and rationally thought through all the things that people had said to me, all the job changes, all of the things and put them together. I didn't want to admit that this could be happening. I deluded myself. And, so remained up until February, totally unconscious of any serious investigative focus. Another person in my situation might not be quite so eager to delude themselves. The KGB never deluded themselves. They constantly warned me and constantly asked, you know, after my security situation and they would seize on one thing or another and they would say, "are you sure this is okay?" "are you sure this isn't a test?" or "are you sure this doesn't indicate some suspicion?" And, I would always reassure them.

**Mr. Combest:** Did you ever, at any time, feel a threat from the Soviets or the Russians?

**AA:** No.

**Mr. Combest:** They never pressured you?



**AA:** No.

**Mr. Combest:** Was there ever anything that they ever seemed to have a curious amount of need for or desire for that you were unable to deliver? Did they keep coming back to you saying "we really . . . ."

**AA:** No. Ah, I mean, it was implicit in so many discussions I had with them that the kind of access that I had in 1984/1985 was so overwhelming attractive. But, they had a realistic appreciation, just as I did, that it was not in the cards at any given time that I would have that kind of access. So they put up with that frustration philosophically, professionally. There was never the slightest sense of pressure or anything like that. The relationship was businesslike, but it was friendly.

**PC:** I might help you here. Along that line, when their reaction to your giving all that information, that you, was something that you discussed with them. And, didn't you express your concerns . . . .

**AA:** Oh, yeah. That's another . . . .

**PC:** The way they handled it. I think that's something you might want to know.

**AA:** That's another reason to be a little cautious about the lessons to be learned from my case. Because, in addition to these sort of two differences, two things that I did, perhaps differently from others who might do what I did, that is to say this ability to say, "what? me worry?" and to not backstop and cover up the money effectively, the KGB did something that was highly unusual. I had the absolute presumption that when I gave them all that information in June and through that summer, that they would approach each lead that I had given them on a case-by-case basis, study it very carefully, and take action designed, first and foremost, not to alert the Agency, the U.S. Government, to the fact that there could be any problem at all. That was my strict presumption, that's how they would do it. It's how they have done it in the past. In this case, that all went out the window. In 1985 and 1986, they went out and they recalled everybody and they arrested everybody . . . .

**Chairman:** They terminated people . . . .

**AA:** And they executed some, threw others in jail and just, without regard to a cover story for each case that would satisfy the other side. And, this is absolutely unparalleled.

**Mr. Combest:** Do you think, now, the initial reaction to that was that it was Howard. And, do you think that they put any thought to that, that if they went

ahead and acted that quickly that the presumption would be that it would be Howard rather than someone else?

**AA:** No, that was never, that could never be credible because both the KGB, as we all knew, that a large number of those cases had come into being after . . . .

**Mr. Combest:** After Howard.

**AA:** So that the Howard theory could never account for all of that. So, what happened was that quantity of information or that quantity of leads or agents and operations that I gave the KGB in June and in the couple of months just after, had a tremendous shock effect on the KGB. Just an unparalleled shock effect. It was not business as usual and they went and they chopped all those cases down. By the summer of, by the spring of 1986, it was clear to me that I had only fragmentary or anecdotal evidence because I had been in language school studying Italian, I knew that this was turning into a potential, a tremendous danger. That the signals were lighting up. I mean, the KGB might as well have taken out an ad in the New York Times saying, "we got a source." You could debate technical source, this source, that source. But, obviously, there could be only one likely, most plausible explanation.

**Mr. Combest:** Did that concern you?

**AA:** It concerned me greatly. Because it was totally unexpected, totally unexpected by me and my KGB handler in Rome in October 1986 when I met him, he brought it up before I did and he apologized. He said that you must know that we would never have chosen to do it the way we did it but the decision went up to the highest levels and it was decided it had to be done the way it was done. And, he said, and we know, you know, that the tremendous danger that this creates and, you know, we just wish it had been otherwise. And, he went on to assure me that any other leads or cases that I would give them would not be handled this way. And this is testimony, I think, to the tremendously galvanizing shock that this quantity of information I gave them in June just overloaded the circuits and turned it into a political decision. Could they really sit back and take a couple of years to slowly turn over these cases.

**Chairman:** They decided that they were so penetrated at such high levels by so many people that . . .

**AA:** Yes.

**Chairman:** . . . they just had to eliminate the problem?

**AA:** Exactly. And, the decision, as he implied, was maybe even outside the KGB.

**Mr. Combest:** You had, I believe it was in the New York Times Pincus article, the one about where you were sitting there in the tux . . . (missed -- tape 1, side 1, ended).

**AA:** It was, that I'm talking about. I was under no illusions that they would, simply to protect me, do nothing about them.

**Mr. Combest:** Right.

**AA:** It was how they went about doing it.

**Mr. Combest:** Okay.

**AA:** Ah, and the way they did handed to the Agency and anyone who read the newspapers, handed on a silver platter the high likelihood that a penetration had to be responsible and no amount of Moscow embassy talk and Lonetree and bugged typewriters and the NOB could have really washed that out.

**Mr. Combest:** What else should be done in a situation to prevent another Alridge Ames from happening?

**AA:** You know, there was, I've just gone through three or four days of being debriefed by the Inspector General team, Agency, so we have gone over a number of these issues. You know, there is always a tendency to talk about profiling. You know, what factors to watch for and, in all of the publicity that's been out in my case, I have not taken any interest or seen any point to try to defend my personal reputation or defend my professional, my career. But, in this particular context, I did not have, I was never a disgruntled employee. I had a relatively successful and satisfying career, even though it differed in some ways from a stereotypical "leading to upper management" career. I stayed very focused on certain issues and certain things and in my personal life, my problems with alcohol were not glaring and were not exceptional. They were noticed from time to time and, from time to time, mild action was taken and I, myself, was cooperative in those efforts and I was not a spectacular case of which we have had a great number of alcohol problems affecting you on the job and that sort of thing.

So, in terms of developing kind of a checklist of things to watch for in terms of looking at the population of the Directorate of Operations or the Agency, I don't think there is a lot to be learned there. There is a lot more to be learned, I think, in the area of once you think that there is a problem and you have a target group, whether it is 100 officers or ten officers, and then you get into areas, it's sort of looking at the whole person and how things relate to each other, and money being certainly one large part of it. But, the easiest problem in this situation is the one

that the Agency failed. And that was, you know, by 1986 or 1987, I wasn't part of the discussion. I was in the language school and in Rome. But, there had to have been a very strong conviction in the Soviet Division, in the counterintelligence staff, and maybe at the DDO level, that a penetration of SE Division has to be, certainly, among the most plausible hypotheses to what had happened and, at that time, nothing was done. Let me put it this way, at that point, they misunderstood or didn't recognize the scale or the nature of the responsibility to put resources into it. To say, we have to pursue this with everything we've got.

**Chairman:** And is that because of what has been referred to as the "old boy" culture there?

**AA:** Not so much the "old boy" culture, I don't think. The idea that it couldn't happen to us may have been proof against what Howard sold, a couple of cases and what happened there and it is pretty hard to believe. But, in the face of what happened in 1985-1986, the historical experience of this not having happened on this kind of scale to us before, I don't think is a sufficient explanation. I think it's more that the way resources, people, and tasks and priorities are set within the DO and within the Agency are oriented on, you know, historical, day-to-day, year-by-year basis and there is a tremendous disinclination to alter anything like that in response to the hypothesis.

**Chairman:** When were you interviewed by [REDACTED] task force?

**AA:** In 1991.

**Chairman:** '91. What was your perception of that interview?

**AA:** I thought it was routine. It was my impression that other people who had had access to a lot of these cases were also being called in and asked for their insights and input and that's the way I took it. I didn't see it as a probe at me, specifically.

**Chairman:** I want to go back for a moment. In 1985, when you passed the most valuable information, can you give me a little bit of an understanding of what the counterintelligence operations were like. I get the impression it was not one of the more favored spots in the DDO. I mean, it was after the Angleton affair and everything else. It was kind of, I don't want to say it was, it was not where the best and the brightest were sent. It is ironic that it is probably the most sensitive of all areas but I'm just curious. Here you were in that particular section and you learned the most secret of all secrets in that section and yet this particular unit did not seem to have the esprit 'd corps nor the clout within the Agency. Is that a fair statement?



**AA:** Well, I don't know what the counterintelligence staff of [REDACTED] was saying or thinking or recommending in 1986-1987. I honestly have no idea what he told the DDO.

**Chairman:** How about in 1985 when you were working there? What was it like?

**AA:** I have to make a distinction here because I was the, I worked within the Soviet/East European Division in the division's own counterintelligence branch. The counterintelligence staff itself was larger and outside the division. Now, the counterintelligence staff had a whole variety of different kinds of missions and the mission which it had of looking at potential problems was just a small part of its overall mission and they didn't have a lot of emphasis on, and that, and, in fact, that particular issue, the question of, could there be a penetration of the Agency itself, was also shared with the Office of Security. Plus, always lurking in the background the minute you start talking seriously about something like that, you know, then you have to look outside the Agency to law enforcement, to the FBI. So, the counterintelligence staff was not staffed and equipped and geared towards launching or organizing or coordinating such an investigation. And, the failure was essentially the failure of DO and CIA management in 1985-1986 as this problem was standing up in front of them to decide that a serious, extraordinary effort, that an extraordinary effort had to be made and they simply didn't do that. The much harder problem, and that they never had to face, was what if the KGB hadn't found

itself under the tremendous political pressure of whatever was going on over there at the time that caused them to go and chop these cases down. What if they had done what I and anyone, and they themselves would have expected, they would have taken it case-by-case and moved them around and done something here and done something there and no one would have perceived that there was a problem. Because cases turn over over time, people get recalled on it and go back on home leave and don't come back because their wives get sick, or they leave at the end of the tour and don't come out again for ten years. And, so these cases revolve around and they come and they go. And, so had they handled it that way, it is inconceivable how would this be recognized today, if one is given to them on a platter, they could not . . . .

**Mr. Combest:** That's a good point.

**AA:** And this resonated particularly with me and, you know, it wasn't on Woolsey's watch but he said something this spring that really surprised me. He kind of complained to the press at one point, why should I have to spend all this time on the Ames case? Well, you know, that's part of the problem. In other words, that is the kind of thing that management, even in 1985-1986 with Central America and Afghanistan and everything taking place to distract them, this was an internal problem. They weren't getting beaten on from the White House, from the Congress, to solve this problem, do that problem. This was a problem they knew

they had and they couldn't find the resources or the oomph, the motivation, to attack it.

**Mr. Combest:** If the Russians hadn't, or the Soviets hadn't acted as they did, they would never have had a reason to start closing in on . . . .

**AA:** Never, never (garbled)

**Mr. Combest:** . . . probably never come to light. Yes.

**AA:** I wouldn't be here.

**PC:** You'd still be operating.

**AA:** That's right.

**Mr. Combest:** That's scary (garbled)

**Chairman:** What's the most valuable information you passed to the Russians, the Soviets, beyond the names you did in 1985? How would you quantify the nature

of the information after that point in time? Did you ever pass any other names of agents?

**AA:** Yeah, from time to time, I got some fragmentary leads that I was able to identify other agents.

**Chairman:** I mean, this was even while you were in Rome, right?

**AA:** Yeah, and after Rome. But, on a kind of on a trickle basis and anecdotal, things that came my way. I didn't aggressively seek or elicit this kind of information. I was very conservative and the KGB encouraged me to be conservative.

**Chairman:** But you were aware of all the compartmentation channels. You talked about that a little bit yourself.

**AA:** That's right.

**Chairman:** Even with that, you were still able to get some bits and pieces of information?

[REDACTED] Agency DO resources, programs, plans, a tremendous insight over those three years into the intimate workings of the Directorate of Operations.

**Chairman:** Information that you were legitimately entitled to?

**AA:** That's right. That's right.

**PC:** Tell how you got it out of the station in Rome.

**AA:** Well, just put it in envelopes and into a shopping bag and walked out. Just as I had done in Headquarters. Yeah, you just carry it out. The KGB had trouble understanding at first the amount of uncontrolled paper.

**Mr. Combest:** That you could get out there.

**AA:** The KGB has a much tighter tradition of compartmentation and paper. They don't believe in xerox machines, much less automated cable distribution systems. But, they gradually came to believe, they had to believe, that it was as I said, that I could walk out every two months, say, I could walk out of the embassy in Rome with a stack of cable traffic like that that was unaccountable.

**Mr. Combest:** We had, in one of the trips that I've made, it was back in 1989, I guess, it was to Berlin. This was, I can't, was it Conrad, who was the army officer?

**DG:** The Conrad case.

**Mr. Combest:** I understand that he literally burned, used a copier up, making copies.

**AA:** Oh, okay. I did not.

**Mr. Combest:** One of the questions that came up about security there was to have an unannounced but regular spot check to stop people going out, open their briefcases, this sort of thing. How effective would that have been in a situation where you regularly just carried out a shopping bag?

you leave the security officer will stop you. But, it would be hard to implement that on any regular basis. It would be more effective to do that in headquarters in Washington. In fact, I was surprised that Smith Panel considered recommending it but then didn't. It would seem to me that would be a very . . . .

**PC:** Because you had no problem . . . .

**AA:** Admiral Turner introduced a spot check program when he was DCI that was extremely unpopular. In fact, it helped anathematize him to the Agency for doing that. A friend of mine was suspended without pay for two weeks on one occasion when he got caught carrying stuff out.

**Chairman:** How effective do you think compartmentation channels are, generally, how well is the "need to know" principle adhered to in the Agency?

**AA:** It is awfully hard to describe it briefly. Compartmentation as a principle is very well understood and accepted in the Agency generally and within the DO, and within SE Division, and I'm a career SE Division officer, it's even tighter and you accept this. In fact, SE Division officers are relatively less popular in the DO because of the perception that we never will talk about anything. So, there is a bred-in-the-bone kind of attitude in which if you know someone next to you is working on something, you don't know what it is, you don't ask questions. You don't ask the casual question. You don't ask a friend of yours in another branch, hey, did anything exciting happen last week? You just don't do that.

**Chairman:** So, it isn't the hall talk when you go . . .

**AA:** Yeah, there's always a little hall talk but it is not loose.

**Chairman:** It is not loose?

**AA:** It is not loose. It is not loose. As we have gone through these months of debriefings and jogging my own memory in terms of what happened, there may be fewer than half a dozen cases in which I learned something significant sort of in corridor gossip or smoking a cigarette out in the courtyard. Fewer than half a dozen cases in which something significant was talked about. It's just not in it. The real, the more real problem is the vast extent of DO operations, geographically,



topically, and the vast amount of paper that gets generated and so it is very difficult to keep compartmentation down in that respect. You know, the invention of the xerox, after the invention of carbon paper, has been a real revolution in terms of that kind of breakdown. Everybody has to coordinate with everybody else. The Office of Legal Counsel has to have copies of everything and these people have to have copies of this and the DI needs copies of that because of the intelligence needs and it is spread all around. And, that's what happens when you try to have an espionage service that's got [REDACTED] in it, spread all over the world doing everything.

**Chairman:** Now, I've got to ask you this question because one of the things when you talk about your explanation seemed kind of ridiculous to me but I want to hear it from you, which has to do with this thing that you wanted to "even the equities between the Americans and the Russians" that, like, you spied basically because you thought that maybe we were getting too far ahead of the game and you wanted to keep a balance there so nobody would get too far ahead of each other. I think I'm probably paraphrasing you somewhat correctly. I want to, I mean, you didn't mention that in your motives before.

**AA:** No. No. And it didn't play a significant role.

**Chairman:** That's not a major factor?

**AA:** No. This is more along the lines of what I have been calling the barriers.

That the barriers or even the expose facto rationales. My feeling, I had a growing feeling dating back for some time that intensified in my work in counterintelligence in 1983-1985 that our Soviet operations had become excessively, excessively inward turning in a counterintelligence sense. Historically, we have done a very poor job in the DO generally and in S/E in getting good political intelligence through espionage. We just haven't had it. We have occasionally come across and had some successes with some, a couple of military S&T sources, scientific and technical sources, here and there, fortuitously. The be-all and end-all, historically, of our Soviet successes have been penetrations of the KGB and the GRU. And these agents produced very little political or other kinds of intelligence. There are some exceptions. Penkovsky produced some very valuable military intelligence information. Gordievski produced a little bit of quite useful political intelligence. But, in general, there are sources of counterintelligence. They tell us about the agents the KGB has and then we go and arrest those and that's the nature of the game. And, I had increasingly come to find this, to think this is something of a sterile exercise. I didn't believe that, on the basis of what I had learned in my experience and my career, I didn't believe that the KGB operations agents, even a walker, represented a real clear and present danger to our security. And I felt that our operations involving the recruitment of literally scores of KGB officers had done very little for our own intelligence efforts and so there is a sense in which I felt that this didn't represent a significant dimension to American security interests.

Clearly, this is an example of a kind of an arrogance or a setting of my own judgment and ideas above and beyond that of, you know, so many others.

But, this is not a motivation for what I did. The "leveling the playing field" was something I did feel strongly about, still do to some extent. But, again, it's more in describing the effect of what I did rather than the reasons for doing it. The KGB leadership and the Soviet leadership believed with tremendous conviction that the CIA and other foreign intelligence services have penetrated all the levels of Soviet society. And that the United States was in a position to exploit this for political and possibly even military gain during the 1980's. Ronald Reagan was very surprised when an Agency briefer eventually told him that, on the basis of some of Gordievski's reporting, among others, that the Soviets took the rhetoric of the 80's very seriously and I was affected by this kind of analysis as well. And, there was a sense in which I felt that, by exposing the extent and the breadth of what we had in the Soviet Union, this would give the Soviet leadership and, at this point, Gorbachev, some assurance that the United States, (1) was not pulling the strings secretly in Soviet society and that he didn't have to listen to conservatives in the KGB or elsewhere who would argue that we were. As well as dispel a lot of the thinking about aggressive American intentions. So, it is this set of ideas and it is not terribly central . . .

**Chairman:** Yeah.

**AA:** . . . to what you are getting at.

**Chairman:** Well, I think that's the important point. It's collateral to the reasons why you did it and . . . .

**AA:** That's right.

**Chairman:** I've got to ask just a couple questions and chime in wherever. I want to ask you quickly about agent recruitment and validation. You've indicated in your debriefings that the Soviets never pressed you for information on U.S. intelligence officers.

**AA:** That's right.

**Chairman:** So, you never played a role in spotting and assessing U.S. personnel for that?

**AA:** No, I did not.

**Chairman:** Although over the course of many years, though the provision of intelligence cable traffic, you did reveal the identities of a number of CIA case officers, as well as [REDACTED] Right?

**AA:** Exactly. Exactly.

**Chairman:** Did the Soviets ever come to you and ask you to provide additional information on any of the individuals that you might have provided in cable or other traffic?

**AA:** No. They did ask me on several occasions to please think hard and come up with operational leads for them. This is something that I just didn't do. And I told them not that I didn't want to do it or that I wouldn't do it but that it was very difficult for me to see a serious lead for them. I did give them one minor lead but it's an area in which they didn't really press me, although they did ask me several times to, sort of, you know, think hard and see if I couldn't or stay alert and see if I couldn't pass them some.

**Mr. Combest:** Did they, in conjunction with that, did they ever try to get you to give them names of people who you thought might be approachable by the Soviets?

**AA:** This is what I'm talking about and no, there was not a constant pressure to do this.

**Mr. Combest:** Was there a request?

**AA:** Yes. Several times. They raised it as an issue.

**Chairman:** Usually based on the cable traffic you would have given them?

**AA:** No, it was in general. In personal meetings, they would occasionally ask about this topic.

**Chairman:** This is more a generic question about tasking and about tradecraft.

**AA:** Uh-huh.

**Chairman:** The sense one gets from what we have been able to read and get briefed as to your activities is that the Soviets did not provide you with a lot of guidance or detailed tasking.

**AA:** That's right.

**Chairman:** This leads to a hypothetical question. When you reflect on the various meetings that you held with your handlers, what they told you and how you went about providing information, in many respects, you were the one that established the threshold. It wasn't them.

**AA:** That's right.

**Chairman:** As you call it, for what you thought they were interested in and what they weren't interested in.

**AA:** That's right.

**Chairman:** Because the U.S. intelligence community has a system that appears to be driven on specific tasking of its assets, the question that comes to mind is were the Soviets not tasking you because they had other avenues to obtain the information they were interested in, whether that was from other agent assets or open sources. Perhaps another way one could speculate is that the Soviets did not have any other HUMINT access in the U.S. intelligence community of any consequence and were so happy to have you as the window on what was going on that they were reluctant to be hard taskmasters in pushing you too hard. I wonder about your view of this.

**AA:** The second aspect. I certainly never had the sense that they had other sources, though they would have been very circumspect never to even imply that they did. My own feeling was that I doubted there were any others besides me at that time. But, I think rather than not wanting to be hard taskmasters, I think that they developed a confidence over time in my judgment. In other words, that I would exploit my access to get those things, cautiously, that I could get, that would be of relatively high interest to them and ignore the relatively low access interest things. And they came, I think, to trust my judgment on that and to accept a kind of, as professional to professional, that they could trust me not to overlook something that would be of high interest to them as well as not to waste my time with a bunch of stuff that is of clearly lesser importance. That's my basic conclusion from the experience.

There's a related aspect to this which is that the , oh, wait a minute, the idea just came right through my head. Um. My handler once told me in Rome, I think I may have been mentioning something about, "you know, I do get a lot of traffic to do with such and such and, you know, is this something that you'd be interested in or not?" You know, I was unsure. And he said, "no, I think not," and he said, "you know, there's an awful lot of the information that you give us, even though it is very valuable and very interesting, we simply can't handle." And, as he explained it, briefly, the implication to me was very clear that they have a very small group of people working on may case and that when I would give them over



the course of a year in Rome, you know, 1,000 documents dealing with things, all different kinds of topics and different places, they are not going to ship those documents all over the KGB or break out the information and ship it all around. It had to be managed very carefully. And, in each case, if I passed a cable, for example, that talked about [redacted] attempt to recruit a KGB officer in [redacted] well, that's of high interest to them. They want to protect against that. They need to handle that. And, that's lot of work for a very small group of people. They have to tell the [redacted] residency something about what's going to happen or what's going on but without possibly alerting anyone in the [redacted] residency or the [redacted] department in Moscow the nature of the source of this information. They have to figure out a cover story, sanitize it in such a way that it can be made available and use. So, this put a very strong limitation on their ability to just kind of exploit the masses of information I was giving them. So, in a sense, they had a lot more than they could use and they weren't eager for more. In other words, they felt confident they were getting the most important things and then a lot of things below that, that they couldn't handle, that would sit in the bottom of the safe.

And this was the case in our own operations, our own Soviet operations, historically. We would wind up with safes full of material from sensitive assets that we felt we couldn't do anything with because it would be too dangerous for the source.

**Mr. Combest:** Woolsey did a, I guess it went public, statement on reorganization. Have you read it?

**AA:** Yes. I did.

**Mr. Combest:** What are your impressions of it as you look at it? Is it good, bad, indifferent? Will it help?

**AA:** There are some helpful things. This Office of Personnel Security, I suppose, is an approach in terms of integrating the compartments. But, I honestly think that, as a screening mechanism for the whole Agency personnel system, is not going to be very useful. You know, people will perceive it as potentially abusive and I don't know. The problem of trying to look at a very large population of people and look for signals, look for profiles, and that sort of thing, I really don't believe is very useful. I think things are tightening up, compartmentation, all of these things are contributions. But, I think as long as the Agency is as large and extensive and an interconnected as it is, there is no serious solution to the problem.

**Chairman:** Do you think it's too big?

**AA:** Sure, it's too big.

**Chairman:** What magnitude, too big, do you think it is?

**AA:** At least in order of magnitude.

**Chairman:** So, it's twice as big as it needs to be?

**AA:** No, ten times as big.

**Chairman:** Oh, is that . . . .

**AA:** That was my implication anyway.

**Chairman:** How would you reduce it?

**AA:** This is another, an idea I have that I don't think is shared by many.

Espionage is a very special technique and I don't think you can conduct espionage on the scale that we have developed it or that the Soviets have developed it without creating these problems of massive quantities of sensitive information, massive dangers in terms of political risks as well as the ethical and moral risks that espionage put to us. I mean, I think there is a place for espionage but it needs to be very small, very targeted and limited to the few most critical areas that we

have. And those are the areas we don't do well. I mean, like the North Korean nuclear program. I mean, the DO shied away from these hard areas. Over the last 40-50 years, the DO has not invested significant resources in the Soviet target. It is public relations game. The DO has put the bulk of its effort in the political requirements that come from the White House or whatever else, whether it is Cuba or Nicaragua, or Vietnam. And, apart from that, it concentrates on, it tends to go to the easy things. [REDACTED]

[REDACTED]

[REDACTED] We try to do the easy things.

Chairman: What about, let me ask you, liaison. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] You've been in Turkey,

you've served in Mexico, you've been in Rome, and you were with the

counternarcotics center. [REDACTED]

[REDACTED] What is your view on liaison? How valuable is it? [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

AA:

[redacted]  
[redacted]  
[redacted]  
[redacted] These are friendly services. [redacted]  
[redacted]  
[redacted]

[redacted] The real objective is the extent to which the liaison service can give us information we can't otherwise get. And that's pretty common. [redacted]  
[redacted]  
[redacted]

[redacted] they have a lot of useful things to tell us. [redacted]  
[redacted]

[redacted] Then you get into the question of saying, how valuable is that reporting, and that's highly questionable.

**Chairman:** I want to move just quickly to the issue of management. You had a bunch of immediate supervisors, in Rome and in Washington, who rose to pretty senior positions in the Agency. They never found out about you, I mean, as you've said you were not the most, well, I mean, the level of cautiousness may not have been as great at periods of time as it should have been. I'm trying to figure out, what's the matter with these people? I mean, if they are so smart . . .

**AA:** There isn't anything the matter with them. I really believe that.

**Chairman:** They never figured out what you were doing?

**AA:** No. How could they have figured out what I was doing? There's no particular way that could have been done by an alert chief of station or, I don't think that's a realistic charge to lay to any of them. I mean, in retrospect, you can say, well, [REDACTED] should have done a little more serious counseling with me on a couple of problems, drinking problems I had in Rome. But, this is not anything above a normal level of a personnel problem that frequently arises in the Agency, as in other places. You know, I was never a seriously disgruntled employee. I did have a number of ideas at various times and places people thought I was either, you know, very brilliant or creative or, in some cases, sort of unsound. It sort of depends how good you thought the idea was. So, I don't find that . . .

**Chairman:** So, you think that's not a particularly fair charge to make against . . .

**AA:** That's right. That's right. I mean, [REDACTED] said something nasty things but the real case was [REDACTED] whom I detected in some anonymous quotes in the newspaper.

**Chairman:** And he was where?

**AA:** Well, [REDACTED] briefly, in Turkey, and he wrote kind of a negative fitness report based on my last six months there. But, later, he was [REDACTED] and sent me to Mexico City and then he was [REDACTED] and sent me to Rome. And, he was highly complimentary in both incarnations.

**Chairman:** He's covering his butt.

**AA:** And a lot of it is after the fact and it is hard to evaluate. I was not a fast tracker. I was not an old boy. I mean, I was an old boy in the sense that I was a career DO officer, career SE officer and had a good reputation. So, there was that sense. But, I was never part of a group or I never socialized, for example, with my peers or with my superiors, which is fairly common. I just never did. I never felt, for example, protected or immunized from either problems with alcohol or lack of promotions or my work with the KGB, I never felt that I was being protected in any way, or persecuted.

**Chairman:** I want to ask you about Yurchenko. You play a role in debriefing him, I think it was in 1985.

**AA:** That's right.

**Chairman:** He defected and then he redefected.

**AA:** That's right.

**Chairman:** Was he a valid defector?

**AA:** I believe so.

**Chairman:** So, you don't think he was sent here by the KGB for some purpose?

**AA:** No.

**Chairman:** And then had a change of heart, I mean, you think he was a real defector?

**AA:** I think he was legit. That's right.

**Chairman:** You don't think he came here to give up Howard and Pelton to protect you, if we can talk about that?

**AA:** No, I don't believe that. That gets you into some really arcane speculation and I just don't think it holds water and certainly that, as far as my knowledge is concerned, is not the case.



**Chairman:** Now, when you actually played a role in debriefing him, I guess 1985, was this after you had passed information?

**AA:** Yes, I was already in contact with the KGB. And, in fact, I had had a meeting with my KGB intermediary on July 31 and the next day, at the office [redacted] called me up his office, showed me the first cables [redacted] from Yurchenko's walk-in, and he asked me to organize the reception and the first couple of days of debriefing and to take charge of it, which I did. And, it was apparent to me when I read the cables that Yurchenko didn't know anything about me so that put my mind at ease. And so, I spent the next 24 hours or so organizing, you know, the safehouse, the reception at Andrews, and reading his file and preparing the initial debriefing. I went out to Andrews and met him and we took him to the safehouse and I played the key role in the first day and a-half. two days, of debriefing and, by that time [redacted] had set up the task force that would handle it in a regular way and I was already gearing up to leave the branch and to go into Italian language and so I just stayed on as a debriefer until I went into the language school.

**Chairman:** It must have struck you as highly ironic, though, that you would be doing this.

**AA:** Yes. Yes, it did. But, from the psychological point of view, there was never a time that I can recall where I sat in a meeting, like with [REDACTED] organizing a reception for Yurchenko or something else like that and sort of said in the back of my mind, if they only knew. I kept these things very . . . .

**Chairman:** Compartmented.

**AA:** Very apart in my mind. I really did.

**Chairman:** Let me ask you this question, I mean, other people have needed money in this agency. You talked about that. I mean, the phenomenon you face is a phenomenon 50 million Americans face every week, you know, every month. Not having enough to cope. I'm just, again, I'm just curious, where did this leap of faith come?

**AA:** Here's where these elements, whether you want to call them ideological or institutional, the barriers, the lack of barriers plays a role. I can conceive of someone feeling desperate and toying with the idea and then being psychologically or emotionally unable to actually do it. In my case, I was. And, so, in a sense, my feelings of having a whole different evaluation of the kind of work I was doing from that which my peers had, my sense of political alienation, my sense of knowing and understanding more, in certain ways, more about the Soviet Union than other

people did. A lot of these factors that come up, for example, we were talking about this leveling the playing field, in a strange way, these represent or contribute the lowering of the barriers that first allowed me to carry out this deception plan. It's like robbing a bank. What I did in April is sort of like, you know, instead of robbing a bank, I decided to rob the KGB. And, my ethical barriers, if you will, or moral barriers, didn't prevent me from doing that and some other ideas I had and other knowledge I had made it more feasible for me to rob the KGB than to rob a bank. What happened in June, as, you know, this almost inevitable, the unforeseen and unexpected step, all those barriers were gone.

**Mr. Combest:** In June, when you passed over the real massive amount of valuable information, had you arranged for, or prearranged for a specific amount of money for that at that time?

**AA:** No.

**Mr. Combest:** So you just gave that, initially gave that to them?

**AA:** That's right.

**Mr. Combest:** How soon after that were you notified of a payment?

**AA:** In October.

**Mr. Combest:** It was not until October that they notified you they had the \$2 million set aside?

**AA:** They had set aside \$2 million. That's right.

**Mr. Combest:** There was no payment for that up until then?

**AA:** I had. No, I got at least one and maybe two deliveries of money through, cash, through Sam, between June and October. But, it was not, as I recall, (misheard -- end of tape 1, side 2)

**Chairman:** And narcotics traffickers couldn't try the same kind of arrangements or is the information that they would learn not that great from . . .

**AA:** You mean, to, buying narcotics information:

**Chairman:** Maybe not from the CIA but maybe from the DEA or someplace like that? Have you had any experience with that?

**AA:** No, I haven't. I mean DEA loses a dozen or more people a year to corruption and it is a serious problem with them. I think, in general, it is always going to be a more serious problem with people in law enforcement, prosecutors and judges, than it is with people in intelligence. Because we're kind of removed from the level of either detail or the processes of justice, if you will, to not be so tremendously useful to narcotics traffickers.

**Chairman:** What's your general impression of the Agency's role in counternarcotics? Do you think it's a useful role? You worked at the CNC.

**AA:** Yeah. Taking it sort of from the largest policy, from the view, I mean, I think that the war on drugs simply isn't much of a starter. I think as long as consumption in this country exists at the level it is, there is no useful or feasible way to keep it from coming in the country. We spent an awful lot of billions of dollars trying to do it and there is no measurable impact on it. So, on that level, I'm something of a skeptic.

When I was sent down to the Counternarcotics Center, it was like going into exile. No one in the Agency joined the Agency to get into counternarcotics. It's the last thing anyone wanted to do. It was the last thing I wanted to do. But, when I wound up down there and working in the areas I did - [REDACTED]

[REDACTED] areas I was really interested in - I got very stimulated

and very interested and started doing a lot of things and I think I created a lot of useful things. [REDACTED] I don't know where that stands. I hope it's not dead. If it ever lives, I'm the creator of it. So, as long as there is a role for intelligence to try and collect some useful intelligence on the international narcotics traffic, I think the Agency has a very useful role and I think we are still trying to explore what the best way to do that role and a lot of the things I did in CNC, I think, was sort of blazing new territory in trying to find a way to do it.

**Chairman:** I've got just a couple more. When the changeover in the Soviet Union took place, and you still got payments from the Russian intelligence service, what's your impression of, they were the same people, basically?

**AA:** They were the same people. Absolutely. Absolutely.

**Chairman:** So, you didn't get the impression that the revolution that had happened in the political circles had made its way into the intelligence circles?

**AA:** No in that sense. No. I was more apprehensive over the prospects of what I thought was the greatest danger to me, a defection of someone who might know something that would lead to me. That in the disarray and disorganization in the Soviet Union in general and perhaps within the service, that something like this would be more likely to happen after 1991 than before. And I talked about this

with my handlers and they agreed in general but they said, you know, we're still, the few of us working on the case, we're still here.

**Chairman:** And they still wanted to get information from you in the same capacity?

**AA:** Absolutely. Absolutely.

**Chairman:** The same kinds of information?

**AA:** Absolutely. Absolutely. [REDACTED]

[REDACTED] I mean, it got kind of a horselaugh inside the Agency. But, my own feeling was that, even if such an agreement were made, it would not impact on me nor would it impact, say, on a few KGB officers that we might have. Or SVR officers. That, certainly, these cases would keep going no matter what kind of agreement on lowering the level of espionage might take place.

**Chairman:** Right now, how would you characterize the Russian intelligence service in terms of their goals, particularly inside this country? They still out trying to recruit?

AA: I'm not a very good, I can't tell you much about that because I honestly, I haven't been involved in looking at that for a long time. I was given to understand in some studies that had been written in the last year or so, couple years, was that the SVR was scaling back. [REDACTED]

[REDACTED] So, the SVR is, I think, adjusting to the new kinds of risks that an aggressive espionage program would present. [REDACTED]

[REDACTED] And all of this tends, while a no-espionage pact clearly is going to be violated when whichever service decides that it's important enough, it does raise the threshold of political risk tremendously and that, of course, is why, I mean, I remember [REDACTED] reacting to it and saying, who do they think they are? We're the guys who run the war. So, that's how it starts out.

The GRU, as I understood it, as of a couple of years ago, was soldiering right on, being very aggressive and not changing their role at all but I would imagine by now that has probably changed and I would think the SVR is simply going to be less interested in recruiting or handling volunteers that aren't of (1), really high value, and (2), are really solid agents in the operational circumstances are such that they can assure themselves that the risk of detection is very, very low.



**Chairman:** You interviewed, the Tim Weiner interview got a lot of play. You were asked about the ongoing debate about the mission of the CIA and you said, "everyone is pretending things have not changed and that we don't have a special mission, that we have been deluding ourselves politically and convincing ourselves that we have a special mission." I think that's quoting the story.

**AA:** Um-hmm. Okay.

**Chairman:** If there is no special mission, what-should the intelligence function be, then? Collection, satellites?

**AA:** Well, I think that we certainly have to have intelligence collection and we certainly need the technical resources but I think there is a legitimate question of how much money we should be paying for what we really need. And, the focus of my remarks was more on my own professional background, in other words, espionage, in which I feel that we collect entirely too much useless information at too great risk in too many friendly countries. And, it is largely an evasion of the hard tasks that we have to penetrate Cuba, which we haven't been able to do, North Korea, and instead, you know, we run around still trying to recruit the [REDACTED] [REDACTED] And it is this kind of mismatch. There is a sense in which Moynihan's views are okay but I think I would think that we still need to have somewhere a small espionage service but it should be kept rather poor and outside

political influence. I mean, it should not be a powerful service. An espionage service should be kind of on a short string and poor and have very little influence.

**Chairman:** Then you are talking pretty much focused on the Directorate of Operations and related . . . .

**AA:** Yeah. I think when you talk about what need do we have for [REDACTED] technical collection program, I think there are some legitimate questions but it is not one that I feel tremendously qualified to address.

**Chairman:** I wonder if John or Dick have any questions.

**DG:** Yeah, I just have a couple. I guess one question that comes to mind is that, you touched upon this briefly in some responses you made to Congressman Glickman and it was in relation to when you might have come under suspicion and the KGB took the information, acted on it quickly, as opposed to, you know, letting it go out over time in terms of pursuing all of these cases, so all of these cases sort of came to fruition at one point and a lot of these folks got rolled up. So, at this time, you are basically in Rome and you are coming back to the United States, I guess, sometime in 1989, while you were in Rome, did you ever hear about what kind of investigations may have been underway at Headquarters? Did you ever hear of the Stein Study, for example?

**AA:** No, I never did. Never heard of the Stein Study.

**DG:** You never heard of the Stein Study as one effort to kind of look at this issue?

**AA:** Never did. Never did. I heard bits and pieces that the concern continued at a high level. [redacted] went to a COS conference that [redacted] was at on one occasion and he came back to the station and briefed me and a few other people about how [redacted] was thinking, and this was in the immediate wake of the Lonetree and Moscow station investigations and [redacted] was very concerned that perhaps there had been a significant leakage somehow through the station. I reported that to the KGB but I had only the most fragmentary and anecdotal things. And, things like the Stein Study, I had never heard of until you mentioned it.

**DG:** So, your knowledge of this, when you got back to Headquarters, you went into SE Division and then you were in the CI analytic group, your knowledge of what efforts were being undertaken probably grew a little bit.

**AA:** A little more, but still on the anecdotal, vague basis that allowed me to conclude, or convince myself, that it remained sort of in the area of an internal CIC analytical . . . .

**DG:** Academic.

**AA:** Academic sort of, still trying to see what we have here.

**DG:** So, did you know at that point in time, during that period that [REDACTED]

[REDACTED] had this small group that was involved . . . .

**AA:** That's right. I was aware of the small group and the fact that a Bureau officer which whom I was acquainted with had joined them at some point.

**DG:** [REDACTED]

**AA:** No, [REDACTED] came back to the Division but I think he eventually went up. There was another Bureau officer who went up there, maybe in 1990 or 1991. So, yeah, I had a vague awareness of it but I thought it was still a relatively unspecific and certainly not a focused or likely to becoming a real investigation.

**JM:** You said after 1986, you had access really to bits and pieces, anecdotal information about active Soviet cases at that point.

**AA:** That's right. That's right.

**JM:** To your knowledge, were you able to provide enough identifying data to the Soviets and then the Russians later on, that they were able to actually identify . . .

**AA:** Yes. I think so. I think in three or four cases.

**JM:** Three or four?

**AA:** Three or four cases, perhaps.

**JM:** Were those principally CI cases or FI cases?

**AA:** One of them was a CI case. That was GTPROLOGUE. The others were - another one was a KGB case, a volunteer [REDACTED] I had a general story on a [REDACTED] very knowledgeable of [REDACTED] but what I had I doubt enabled the KGB to get very far with it. But, I don't know. And there were two or three other cases that I heard stories about or became involved with.

**JM:** Other than these, were you able to identify any ongoing cases in Moscow?

**AA:** Well, PROLOGUE was in Moscow. Other than that, in Moscow, no, huh-uh.

**JM:** Let's see. The CI Center was formed in 1988.

**AA:** Yeah, while I was in Rome.

**JM:** And they subsumed the old roles that you used to play in the SE division.

**AA:** That's right.

**JM:** Do you think, from your perspective, was, is this a step forward in getting an outside look at SE, now CE, operations?

**AA:** No, I don't think so. I mean, I think, in a sense, we need more, not less. In other words, to shift it to say that SE doesn't need its own internal CI-oriented group and also looking after the security of its operations, instead located in CI, I think you can make a case for a capability in both places, working together, difficult though that would be.

You know, this brings up the Angletonian problem. You know, Jim Angleton, in his long tenure in CI staff, he didn't create any serious CI culture or doctrine or MO within the DO. He was not interested in that. He didn't inculcate people with critical thinking and with skepticism about sources and that sort of

thing. He pursued a lot of different agendas, including his own sort of fantasies. In fact, Angleton's problem was the reverse of what the Agency faced in 1986. Angleton's problem was he conceived sort of out of thin air the idea that we had to be penetrated, but there was no evidence for such a penetration. So, his problem was to somehow find evidence of a penetration that he could then investigate. So, he wound up embarking on this long tortuous path of trying to convince everyone that there was a problem. The problem in 1986 was very different. The problem was staring everyone in the face. And, so, to talk about going back to an, you know, some kind of neo-Angletonian philosophy is quite fallacious and rather dangerous.

**JM:** In one of your interviews, you used the expression "cross-over." You mentally crossed over at one point.

**AA:** That's true.

**JM:** And you have talked today about the lack of barriers which allowed you to do that.

**AA:** That's right.

**JM:** Presumably, those lack of barriers are still there.

**AA:** That's right.

**JM:** You crossed over so as to help the Russians. Is it your intention to continue helping them in whatever way that you can? Why would you not?

**AA:** Um. Well, the situation I'm in now is very different from the situation I was in in 1985 or in January 1994. I have not, under the shocks of everything that has happened since February, I have not recovered faith in the Agency and its mission or a loyalty to the institution. I did not change loyalties to another country. In a minor, in some way, I transferred a loyalty, I had lost an institutional loyalty somewhere along the way to the Agency and the goals and the culture of the Agency. And, to some extent, to a limited extent, I formed a new identification in June and after that with the KGB or with my handlers in the KGB, though not on a personal basis. The KGB, as an institution, is not an institution I could feel any loyalty to. I mean, it is an expression of Russian and Soviet history is rather repellent, to me and abhorrent in that sense. In the sphere in which I was working and in those narrow bounds, I could find that connection. But, there is, as I evolved my thinking I became convinced that the practice of espionage in this century has grown into almost a positive evil. And, in the fall of 1991, when I was, when I headed the KGB working group, [REDACTED] charge to me was to put a stake through the KGB's heart. In other words, that's his dramatic expression of it, the point being that the coming dissolution of the Union and the



shocks to the KGB after the coup were such that the KGB was extremely vulnerable or was at least potentially vulnerable to what we may be able to do to discredit it politically, bureaucratically with the new Russian leadership and that was the charge he gave me. And, I took that charge in good faith and I began working out a series of programs to implement that. By the time I had my next meeting with my KGB handler, that had been finished and I believed that nothing more would be done and I told my handler about that program and I told him that I thought that it was unlikely that anyone was going to carry on with it and it was unlikely that the CIA would actually carry programs like that through. But, something very interesting happened.

Then I went down to the Counternarcotics Center and I started thinking and I wrote up a paper that I gave to [REDACTED] the new chief, CE, in January of 1992. And, in that memo I recalled the work I had done in the KGB working group and I said it is extremely important to carry this on, or especially this one central program that I had elaborated. I said the KGB is still vulnerable, or the SVR at that time, is vulnerable and we need to do this. We need to hit them and we need to reduce, increase the political risk to Russian espionage in the United States, in Europe, in Japan, around the world, and that there were valid ways we could do it. I never told the KGB about that and I went and I talked to [REDACTED] gave him the memo and I think he just didn't find, there were too many other things to do and he didn't pursue it. Later on, a few months later, when the KGB officer defected in

[redacted] this was part, it was using an opportunity like this that was part of my proposed program and I suggested it again to [redacted] I sent him a memo saying, you know, we can still do this and so this was the only area in which I purposefully deceived the KGB or the SVR in withholding what I was doing.

**Chairman:** Could you believe in this? This is a really striking turn . . . .

**AA:** I believed it could be done. I had come to believe that we shouldn't be doing all of what we were doing.

**Chairman:** We, being the CIA?

**AA:** The CIA, with the DO.

**Chairman:** And so you . . . .

**AA:** That espionage should be small and off in the corner and doing the hard jobs.

**Chairman:** So, at the same time, I mean, you are still collecting money from them, you are also writing a memo to . . . .

**AA:** That's right. I believe the same thing should be true of the Russians.

**JM:** Early on, in your response, you said more or less all this motivation - lack of barriers - was still standing and you also said you believed espionage is a positive evil and, from that, then I am right in assuming that you intend to continue to do whatever you can to limit that evil.

**AA:** I have no, there is nothing for me to betray at this point.

**JM:** Do you think you are in a position where you can damage either the CIA or the KGB in the future?

**AA:** I don't think so. No. What I said in my court statement is, I still believe, that is, to the extent that a debate in strange way, if a debate over the value future or the functions of American intelligence, if there is a role, however indirectly or strangely that I am involved or can play that role, I will. That's in the sense that I mean it. I don't think anyone, including the Congress, is, would want to, or should offer me any kind of platform for that. But, by the same token, discredited though my motives are and impeached though my views are, if they are worth anything, I will happily contribute them. And, if I, for example, ever found myself interviewed by the Russian press or anything like that, I would be equally outspoken about Russian espionage.

**JM:** Let me ask one more question.

**AA:** Sure.

**JM:** As part of the plea agreement, I know your lawyer is here, so you may want to consult him on this, but I would like your initial response if you are willing to give it on your own. As part of the plea agreement, paragraph 21, you say that you will clear all statements and I think the wording was "including but not limited to information provided through interviews" to the CIA for their review. I believe you've had interviews to this point where there have not been CIA personnel present.

**AA:** That's right.

**JM:** Do you think that is living up to the . . . .

**AA:** No. I don't. Well, I don't think it conflicts with it. This was a matter of considerable discussion at the time we were negotiating the plea agreement and I was concerned that paragraph 21 should apply only to classified information, not to information that's not classified, or interviews that didn't involve classified

information and we subsequently clarified this with the government with a side letter but I think maybe Plato is much better . . .

**JM:** Is there a side letter?

**PC:** We have an understanding with the government that that applied to classified information. Therefore, any interviews which he has undergone, which you know about, nothing secret about them, was information that was not classified. Nobody has complained to us that he has given any classified information out in the interviews. As a matter of fact, I have sat in on every interview that he has given for the specific purpose, but not that I am with the CIA and an expert in this, to see that he does not cross the line into discussing classified information.

**AA:** But that there is a responsible person present.

**Mr. Combest:** You did send a clarifying letter to Justice relative to paragraph 21, or just relative to classified information?

**PC:** Yeah, just to say that all of the clearing that was required by that paragraph applied to classified information.

**JM:** However, the idea is that they do have a chance to review it to make sure that there is no classified.

**PC:** That is true.

**JM:** And there is no opportunity for that when the interview is given directly without the presence of someone from the CIA.

**AA:** I think the side letter said that we interpreted paragraph 21 to refer only to information that is arguably classified. In other words, it kind of left it open and basically the side letter said if you have problems with this, get back to us.

**Chairman:** So, your feeling was under that side letter was that if you did an interview with columnist A about your childhood, they would not have to be around.

**AA:** Precisely.

**PC:** Well, not only would not have to be around but they shouldn't be around. He's entitled to give those interviews under whatever rights he has left.

**Mr. Combest:** Has Justice specifically complained to you about the violation of paragraph 21?

**PC:** No. They have complained to me about the fact that he has been giving interviews, after they knew that he had been giving interviews, because, as I said, the interviews are a matter of public record and I said to them that he has given no interviews that had violated paragraph 21, nor has he discussed any classified information and to the best of my knowledge, they agree with that.

**Mr. Combest:** You did not agree with them that there has been a violation of paragraph 21?

**PC:** I do not agree there has been a violation of 21. I do not agree that there has been.

**AA:** We had a meeting with the prosecutor in which he didn't allege that we had given any classified information but he requested, he asked me if I would desist from giving any interviews and I agreed.

**PC:** I think the problem came in a different way, if I may say so. The fact that you wanted to see Mr. Ames and the Senate wanted to see Mr. Ames and you

were put off on the basis that he was the middle of debriefings with the FBI and the CIA was a reason for you not to be seeing him and the complaints I got were that you heard, when I say "you," I mean the Congress, that he had been giving interviews and that you people had not had a chance to get interviews and that was the basis of the complaint to me. So, I told them, one, that the interviews had been completed and I promised that we would give no more until September and here we are with you people today and last Friday. The complaints were not that we had violated 21, not that we had given up classified information but that the fact is that I had made, Mr. Ames had made himself available for interviews with the press more at a time when he had been made available for interviews with Members of the Congress. That's really what the complaint was about.

**JM:** We've had several lawyers on the staff look at paragraph 21, obviously their interpretation tends to be somewhat different.

**AA:** Have they seen our side letter?

**JM:** No. That isn't . . . .

**AA:** No, we need to . . . .

**Chairman:** Could we . . . .



**Mr. Combest:** Because we are unaware of that . . . .

**Chairman:** This has come up in hearings and briefings and, you know, obviously, there are some members who are concerned about, you know, every Diane Sawyer request for an interview or whoever else you are thinking of and what is disclosed in these interviews and were there any controls on them. And, I realize that you are prohibited from making money on any of these things but still there is some concern.

**PC:** He is also prohibited from disclosing classified and everybody that has been in to see him, Diane Sawyer types are a different category, if I may, since we are on the subject of enlightening on that. They have come in for the purpose of saying, why don't you do my show. Connie Chung, Diane Sawyer, and the rest of them. And, they have all been told that Mr. Ames will not and cannot discuss anything classified and they have all said they understand that. So, that's a different prospect than the interviews that have already been written about.

**AA:** I've given how many, four or five?

**PC:** Four or five. He's done all the major networks, basically, an "off-the-record, here I am, we'd like to do you." That kind of nonsense(?).

**Chairman:** But none have been broadcast?

**PC:** No. No.

**Chairman:** He has given interviews.

**PC:** He has given no interviews to the media that can be broadcast. They were merely, "hello, I'm Diane Sawyer, and I can do the best job for you."

(garbled)

**AA:** They were sales pitches to me to do an interview with them at some future time.

**PC:** They were pitches, in other words, for them to be the one that he would do the interview with. What they said to each other in those half-hour interviews was off-the-record and definitely not classified.

**Chairman:** Well, we thank you for the time. It has been very useful for us.

**AA:** I'm glad.

-87-

**Chairman:** And, you know, I guess we are finished. We thank you for taking the two hours.



Union Calendar No. 640

107TH CONGRESS  
1st Session

HOUSE OF REPRESENTATIVES

REPORT  
100-1001

**U.S. COUNTERINTELLIGENCE AND SECURITY  
CONCERNS: A STATUS REPORT  
PERSONNEL AND INFORMATION SECURITY**

**R E P O R T**

OF THE

**PERMANENT SELECT COMMITTEE ON  
INTELLIGENCE  
HOUSE OF REPRESENTATIVES**

PREPARED BY THE

**SUBCOMMITTEE ON OVERSIGHT AND EVALUATION**

TOGETHER WITH

**ADDITIONAL VIEWS**



**OCTOBER 19, 1988.—Committed to the Committee of the Whole House on  
the State of the Union and ordered to be printed**

**U.S. GOVERNMENT PRINTING OFFICE**

**WASHINGTON : 1988**

89-545

—Too much information is classified.

In this first of a series of inquiries into remedial steps being taken by the executive branch, the Subcommittee focused on personnel and information security. Personnel security is particularly important since virtually all of the most damaging espionage losses in recent years have been the result of the actions of an individual and not a result of a physical or technical penetration of a sensitive facility by a hostile foreign intelligence service. For example, the personnel security screening process failed dramatically in the cases of Edward Lee Howard, Jonathan Pollard, and Glen Michael Souther. The recent Souther case is particularly distressing, since the security background investigation conducted on him failed to turn up the fact that he was actively engaged in espionage at the time. Eighteen months after he was granted access to sensitive compartmented information, he defected to the Soviet Union.

The Subcommittee received testimony for the record from defense agency and intelligence community witnesses. In addition, a former Defense Department official who served in numerous personnel security-related positions provided a written evaluation of the Department's personnel security programs. Through this inquiry, the Subcommittee found that numerous efforts are under way in the executive branch to address problems identified in various congressional reports and executive branch study panels over the past few years. While some positive steps have been taken, progress has been limited to improvements within the context of the government's existing programs.

The evaluation of an individual's ability to protect sensitive national security information currently focuses on two distinct periods—a pre-employment investigation phase, followed by routine security evaluations while that person is employed. The record of previous espionage cases and testimony from government witnesses indicated that a third area may be of equal importance—that of the former employee who once had access to classified information and is now out of the direct control of the government's personnel security system. While the executive branch has attempted to improve its programs in the first two areas, the third has been addressed only in a limited way.

This report addresses each of these areas and makes the following findings.

## II. FINDINGS

### GENERAL

- The Subcommittee found that both the Department of Defense and the intelligence community have initiated steps to improve the scope and quality of personnel security programs. Many of these efforts, however, have suffered from a lack of attention at the working level and the lack of a dedicated commitment of management to provide the necessary leadership and resources.

- The 1985 "year of the spy" spurred some initial improvements in the poor state of U.S. counterintelligence, although witnesses acknowledged there is still a long way to go. Moreover, at least in the area of personnel security, the 1986-87 burst of energy and support has largely dissipated. Momentum is being lost as numerous initia-

tives are stalled or slowed and as plans progressively are trimmed back.

- Attempted improvements thus far have focused on making the existing system work better at the margins and on incremental steps rather than on innovation and fresh thinking. Testimony indicates the need to step back and consider whether the underlying philosophy, focus and methods of this system are adequate. The usefulness and relevance of current security screening methods and security evaluation procedures require thorough reexamination.

- Personnel and information security continue to receive less attention than other security disciplines. While programs related to electronic countermeasures, surveillance, and physical security receive high levels of funding in the intelligence and defense communities, personnel and information security programs continue to go begging. This is especially bothersome inasmuch as virtually all known espionage losses in the United States in recent years have been a result of human weaknesses and not as a result of technical or physical penetrations of sensitive facilities.

- The large numbers of personnel security clearances and volume of classified information noted in the Committee's report of last year continues. While the Department of Defense has made progress in reducing clearances, this accomplishment appears to have been partially cosmetic and has been undermined by an upward trend this year. Effective oversight within the Department is nonexistent, and the accuracy of the clearance reductions reported is questionable. Continued management attention to this problem will be required to assure that any past achievements are not reversed.

- Security clearances can no longer be considered an infinite resource with no limit on their number. Management must carefully review and justify each request for a security clearance. Granting clearances based on the information requirements of the job, rather than tying them to individuals, would be a critical first step to enforcing this notion.

- Security oversight in Department of Defense Special Access Programs [SAPs] remains a problem. While policy guidance has been clarified, the military services, particularly the Air Force, continue to resist security inspections by an independent oversight entity.

- Turf consciousness and resistance to centralization long have plagued the U.S. counterintelligence community and continue to impede consideration and implementation of different methods of organization.

- Improvement in personnel security practices on Capitol Hill remains an important priority. At present, there is not a central repository of clearances so one can determine the level of access granted to individual staff. The Senate has begun to implement some changes, and the House should make improvements as well.

#### PRE-EMPLOYMENT SECURITY CONCERNS

- Many of the government's existing personnel and information security programs are outmoded and require revision. Continued emphasis on pre-employment background investigations appears

misplaced, since it is extremely rare that clearances are denied on the basis of these investigations.

- Security clearance adjudication procedures and training are a significant problem area, particularly in the Department of Defense. In many instances, adjudication criteria and guidance are not being followed. The resulting low standards explain why 99 percent of applicants are granted initial or continued access. In effect, a clearance normally is granted unless there is serious recent drug abuse, alcoholism, a criminal record or psychiatric problems. More difficult issues of integrity and character are avoided. Despite this lack of selectivity, the adjudication process has also become a major bottleneck in DOD's personnel security system, and is in dire need of at least partial automation. Centralized adjudication in the military services, a key recommendation of the Stillwell Commission, has proceeded slowly.

- The government's current National Agency Check (NAC) is inadequate for granting access to secret information. Recommendations for an expansion of its scope by numerous panels over the years have been ignored. Although this would require only about \$10 million yearly, resources for such an expansion have never been budgeted.

- The Director of Central Intelligence, in cooperation with the Department of Defense and Office of Personnel Management, should finally implement as recommended by numerous panels a "single scope" background investigation for access to top secret and sensitive compartmented information (SCI). Such a step might drop the current requirement for a 15-year life history review and add a more productive interview with the subject, while reducing costs. Intelligence agencies may wish to retain the 15-year personal history investigation. Interviews with relatives, now avoided, could also make background investigations more effective.

#### SECURITY EVALUATION OF CURRENT EMPLOYEES

- Recent espionage cases have highlighted the importance of "continuing evaluation"—the process of assessing an employee's reliability and suitability for continued access to classified information after gaining employment. The quality of such programs varies widely among the defense and intelligence agencies, and they are not receiving the attention they deserve.

- Increased efforts are required especially in the area of assessing financial vulnerability among personnel holding security clearances. With recent espionage cases showing an increasing tendency toward espionage for the sake of greed or relieving financial distress, employees' financial health must receive increased scrutiny. The executive branch needs to be more skillful in utilizing the automated data bases at its disposal that go beyond mere credit reports, such as reports of casino transactions, currency transactions, and foreign bank and financial accounts.

- The Subcommittee found that strict adherence to the "need-to-know" principle still appears to be receiving little serious attention among defense and intelligence agencies. Fear of leaks and espionage has sometimes led to over-compartmentalization that impedes efficiency and lowers the quality of analysis and of staffing for



essary to initiate a relationship with a foreign intelligence service. These variables cannot be predicted accurately at the time of the initial background investigation. Sometimes they cannot even be detected during on-the-job security reviews. Whatever the exact usefulness of the security background investigations, these facts point out the importance of continuing evaluation of cleared employees as a critical component of the personnel security process. As one DOD research expert noted, "... continuing assessment is an area where (we) can potentially make major improvements if innovative procedures can be developed."

The improvements suggested in this report should in no way be construed as advocating a "big brother" approach. What they do commend is utilizing current state-of-the-art automated technologies coupled with a hands-on approach down at the lowest management level to better protect our nation's secrets. Bureaucratic policy revisions and the issuance of agency directives are simply not enough if they are not effectively implemented.

Since the Committee's report was released in January 1987, there have been several additional spy cases with the Navy's Glen Michael Souther and the Army's Clyde Lee Conrad being the most significant. In both, the background investigation and reinvestigation process failed dismally. It is well proven that hostile intelligence services are actively attempting to procure sensitive intelligence information and sophisticated military technologies. The government must do a better job in assuring that our cleared population will keep the highly important trust placed in them.

The attention of senior management must become more focused and sensitized to the importance of personnel and information security programs. Despite verbal acknowledgment that some espionage losses have been truly devastating and have negated enormous defense investments, top managers remain unwilling to budget relatively modest sums for improved counterintelligence and security measures that would help protect much larger investments. The U.S. Government as a whole still is not comprehensively addressing past counterintelligence and security problems, although consciousness has been heightened in some quarters. No substantive improvements can be accomplished if the most senior officials continue to ignore the warning signals that something is fundamentally wrong. In most cases, this does not require a large investment in resources. As CIA Deputy Director Robert Gates has noted, "When it comes to human counterintelligence, my view is it is primarily a management and people problem, and not a dollar problem."

The true catalyst for change rests with those senior officials who have the power to give these programs higher visibility and the will to aggressively pursue needed changes. Only then, along with the support of the President and the Congress, will the government be able to meet the human counterintelligence challenges facing us in the 1990's and beyond.

**Union Calendar No. 3****100TH CONGRESS**  
**1st Session****HOUSE OF REPRESENTATIVES****REPORT**  
**100-5****UNITED STATES COUNTERINTELLIGENCE AND SECURITY  
CONCERNS—1986**

**FEBRUARY 4, 1987.**—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

**Mr. STOKES**, from the Permanent Select Committee on Intelligence, submitted the following

**REPORT****EXECUTIVE SUMMARY**

Over the past several years, a dangerous upward trend in successful espionage operations against the United States has occurred. Present and former U.S. Government employees with access to sensitive classified information have played the key roles in each operation. Damage to U.S. national security has been significant and is still being estimated.

Deeply concerned over these developments, the House Permanent Select Committee on Intelligence has spent a great deal of time investigating this alarming situation. This report represents one outcome of the investigation.

From its early days, the Administration has focused considerable attention and effort on improving the effectiveness of U.S. counterintelligence. Concomitantly, the House and Senate Intelligence Committees have authorized significantly increased funding for counterintelligence and urged that counterintelligence concerns assume a higher priority within the Intelligence Community. These efforts have elevated the morale, status and numbers of counterintelligence personnel, helped cope with security investigation backlogs and encouraged new initiatives in some operational and policy areas. Nonetheless, it has become apparent that historical inadequacies in counterintelligence and countermeasures are so deep-seated and pervasive that fundamental problems remain. These must be addressed now with renewed determination and vigor.

From its hearings and interviews, the Committee has determined that serious security deficiencies exist in a number of areas within

the U.S. intelligence community. These deficiencies include faulty hiring practices, inadequate and inefficient background investigations, lack of full coordination and information exchange between agencies, insufficient adherence to the "need-to-know" principle, over-classification of security documents and proliferation of personnel clearances, thoughtless firing practices, and over-classification of security documents and proliferation of personnel clearances, thoughtless firing practices, and over-reliance on polygraph exams.

The Committee recognizes that the intelligence community has acknowledged some of the problems addressed in this report and that some of the solutions suggested herein already are being implemented. The Committee applauds these efforts, but urges still greater attention to counterintelligence issues, beginning with acknowledgment that manifest failures have reflected systemic inadequacies rather than mere aberrations or unavoidable risks. In general, within the intelligence community there appears to remain insufficient appreciation for the importance of counterintelligence concerns, an attitude often reflected in internal agency budgetary and policy prioritizations. Moreover, despite some recent improvement, the fragmented components of the counterintelligence community remain uncoordinated, divided and turf-conscious in virtually every substantive area, ranging from simple information-sharing or investigation to policy formulation and counterintelligence operations. Dramatic improvement will require fundamental shifts in attitudes as well as in approaches and practices. This report concentrates almost exclusively on personnel and other security issues, but the adequacy and effectiveness of U.S. Government efforts in other counterintelligence areas should be re-examined as well.

The Committee urges the Director of Central Intelligence and other key officials within the intelligence community to undertake all possible measures, beginning with those suggested in this report, to correct these deficiencies and to raise the level of vigilance against hostile espionage activity.

The Committee further stands ready to facilitate and to support appropriate remedial actions in this vital area.

#### SUMMARY OF FINDINGS AND RECOMMENDATIONS

The Committee makes the following key findings:

(1) Security weaknesses represent a serious management failure in the U.S. intelligence community.

(2) Weaknesses in the process of selecting personnel for initial employment in U.S. intelligence agencies constitute a key threat to national security.

(3) Senior managers of U.S. intelligence agencies have downplayed the seriousness of counterintelligence and security failures and have not taken adequate measures to correct deficiencies.

(4) The polygraph is a useful tool in security screening of personnel, but the U.S. intelligence community places excessive reliance on the value of the polygraph interview.

(5) The attitude prevalent among intelligence community personnel that those who have "passed" a polygraph interview are an elite of unquestionably loyal employees with respect to whom secu-

rity precautions may be relaxed is dangerous, especially in light of recent espionage cases in which foreign spies successfully "passed" CIA polygraph interviews.

(6) No adequate mechanism exists within the government for ensuring that information of counterintelligence and security value possessed by one intelligence agency is available to other intelligence agencies which would benefit from it.

(7) The potentially most damaging long-term development in classified information security practices is erosion of the principle that access to classified information requires not only the requisite clearances and special access approval, but also a need to know the information to perform official duties.

(8) Too many clearances are granted.

(9) Too much information is classified that would not reasonably cause damage to the national security.

(10) Superficial background investigations often do not discover alcohol, drugs, and financial problems.

(11) No focal point exists within the government for centralized storage, retrieval, and dissemination of background investigation information.

(12) Financial pressure, not ideology, constituted the primary motivation of many spies apprehended in the United States in recent years.

(13) In several recent espionage cases, intelligence agency employees satisfied security standards at the time of employment, but after employment decided to engage in espionage, and never were subject to routine security reinvestigation after employment.

(14) Former employees of intelligence agencies who had access to sensitive secrets may pose as potentially great a risk to security as current employees with such access.

(15) Other than the intelligence committees of the House and the Senate, the Congress has no personnel, physical, document and communications security programs which meet or exceed all applicable executive branch security standards.

(16) Dangerous laxity exists in the communications and computer security practices of many federal agencies.

The Committee makes the following key recommendations:

(1) U.S. intelligence agencies should undertake a coordinated review of their hiring practices.

(2) The President should authorize an independent group of experts outside the intelligence community to examine thoroughly the damage to U.S. intelligence capabilities resulting from recent espionage cases and to urge needed adjustment of U.S. intelligence collection techniques.

(3) All U.S. intelligence agencies should be required to report as appropriate to the Director of the Federal Bureau of Investigation or the Director of Central Intelligence information they possess which raises a suspicion of possible espionage.

(4) U.S. intelligence agencies should institute a rigorous need-to-know policy to govern access to classified information and back that policy by disciplinary action against employees who breach that policy.

(5) The Director of Central Intelligence should consider establishing a system for dissemination of intelligence with minimal source

- Sharon Scranage betrayed the identities of CIA agents in Ghana and perhaps in other African countries. Her disclosure crippled CIA capabilities in Ghana.
- Edward Howard betrayed the most sensitive operations of the United States in Moscow, which had a severe adverse impact on U.S. collection of intelligence in Moscow.

Most of the Americans who were caught spying between 1984 and 1986 had no ideological commitment to another foreign country. They sold U.S. secrets for financial reasons. Although some—like the Walkers, Whitworth and Chin—had exemplary careers, the behavior of others—Pollard, Miller, Scranage and Howard—offered warning signs to their superiors and co-workers. Often these problems were ignored or given insufficient attention by management. In the Jonathan Pollard case, co-workers' reports of his suspicious behavior led to apprehension and arrest.

#### SCOPE

The Committee has pursued the questions raised by recent espionage cases by examining the intelligence damage assessments on each spy, reviewing the investigations that led to each arrest, and studying carefully the conclusions drawn by executive branch officials and the changes undertaken to rectify problems identified. The Committee concentrated in its hearings, interviews and follow-up questions and answers on cases having particular relevance to the intelligence community. The conclusions drawn by the Committee thus apply to the intelligence community particularly, but clearly have relevance to the wider national security community, which is governed by many common security standards and practices. Although the Committee's examination has been limited in terms of the numbers of cases reviewed and the short time span, the implications of this representative sample are so disturbing that they demand review. Security is a critical aspect of every intelligence function. Intelligence operations by their nature must remain secret. Threats to that secrecy threaten the viability of a wide range of essential national security functions that are critically dependent upon intelligence.

#### FINDINGS AND RECOMMENDATIONS

##### *Management*

Overall, the Committee perceives a serious management failure in the U.S. intelligence community. Major flaws exist in implementing existing security procedures, including the granting of too many security clearances, improper document handling, violations of the need-to-know principle, poor supervision of personnel with access to classified information and a lack of coordination between agencies on security matters, to name but a few shortcomings. Underlying all of these problems has been a lack of either urgency or top priority at departmental and lower levels with respect to needed security changes, despite the high priority given to counter-intelligence issues over recent years by the White House and by the Congressional intelligence committees. Once the glare of public scrutiny leaves the problems of espionage and security, the Committee is concerned that the political will to advance security pro-

grams and maintain high levels of attention and necessary funding for their implementation will not be sustained. The very size of the U.S. national security community, its complexity and lack of unitary management and the historically lower priority assigned to security concerns have produced cynicism and failure to change in the past and could once again.

### *Hiring*

The committee has discovered a disturbing lack of judgment on the part of the U.S. intelligence community in its hiring practices. Jonathan Pollard was hired even though he had frequently boasted to friends that he was an agent of Israel's intelligence agency, the Mossad. He later engaged in espionage for Israel once he had gained employment with the U.S. intelligence community.

The CIA hired Edward Howard despite an extensive history of using hard drugs. This serious error was compounded when he was then given detailed information on several of U.S. intelligence's most sensitive collection operations before his probationary period had been completed (with accompanying polygraph). The information he provided the Soviet Union has severely damaged U.S. intelligence collection capabilities.

The CIA conducted its own investigation into this case. Yet, curiously, in its investigation, CIA management focused more attention and action (including reprimands) on the manner by which Howard was fired once management had discovered he was a problem and gave relatively little attention to how he was hired in the first place. The extent of Howard's drug use was underplayed in this review.

The Committee is disturbed that one CIA manager testified that no one was responsible for hiring Howard, that "the system" hired him. That is an unacceptable way to hire people who will have access to the nation's most sensitive intelligence secrets.

The Committee recommends that U.S. intelligence agencies undertake a coordinated review of their hiring practices. Senior management needs to take a serious look at why persons with a history of hard drug usage or with serious personality flaws have been hired in the past.

The Stillwell Commission and others have assumed that basic security screening procedures are adequate and that problems connected with background investigations can be resolved through better implementation of existing procedures and through increased manpower. This assumption is questionable. Given the large number of new cases to be processed, the sizeable existing backlog and the requirements for additional reinvestigations, it is doubtful whether the current procedures can ever ensure more than a superficial background probe. Moreover, it is uncertain whether existing criteria for risk assessment and selection are adequate. The intelligence community must search for methods that highlight those cases upon which to expend intensive efforts, that establish clearer criteria for acceptance or rejection and that minimize the man-hours expended on an average case while maximizing an investigation's quality. Examples of areas which appear to deserve more research attention include: more systematic and comprehensive research on the personalities, character and life-style of

cases (Chin, John Walker), the employees who engage in espionage were never subjects of reinvestigations.

The Committee believes periodic background reinvestigations should be required for every employee with access to classified information. Periodic reinvestigations should serve as a deterrent to anyone tempted to commit espionage. Government policy is to update compartmented intelligence clearances every five years but few agencies, both for manpower and financial reasons, have consistently implemented that policy. This is of particular and obvious concern for intelligence agencies. However, as in the case of security investigators, simply increasing the frequency of reinvestigations will be effective only in connection with significant reductions in the numbers of those requiring reinvestigation.

The Committee recommends that periodic security reinvestigations should be given the same priority as original background investigations and should be carried out especially for those with access to sensitive compartmented information. The Committee believes that the nation's long term goals should be the regular reinvestigation of all cleared employees and that necessary resources to achieve this goal must be required by the President and provided by the Congress.

The Committee recommends further that, during security investigations, particular attention should be paid to each individual's financial status. Clearly, not enough attention is uniformly paid to such information at present. For example, the FBI, which conducts background investigations of the Committee staff every five years, requests no information from staff concerning individual finances in conducting such investigations. The Committee has urged that such information be requested and reviewed. The FBI has thus far only agreed to review such information for Committee staff background investigations.

#### SECURITY-RELEVANT ADVERSE INFORMATION

Government departments and agencies are authorized but not required to share with one another adverse information developed about employees. If an employee of one agency applies for employment at another agency and a background security investigation is conducted, the agency where the individual is currently employed is authorized by Executive Order 10450 to share adverse information with the prospective employer. The Committee has found that agencies sometimes will fail to share such information in order to rid themselves painlessly of a problem employee. In the case of applicants who are turned down by one agency and apply to another, there is no requirement that adverse information turned up in the first agency's background investigation be shared with the second agency.

Further, there is no focal point within the executive branch for the centralized storage, retrieval or dissemination of background investigation information. An individual denied a clearance at one agency could obtain the same level of clearance from another agency without the second agency being aware of the basis of the first agency's action. The executive and legislative branches could



*P. 1 - missing*

**CENTRAL INTELLIGENCE AGENCY**  
WASHINGTON, D.C. 20505

P.2

Appendix 5

Kent M. Harrington  
Director of Public Affairs  
Phone: (703) 482-7877

November 1, 1994

Attached is a list of actions initiated by the Director of Central Intelligence in the aftermath of the arrest of Aldrich Ames. This chronological list is a comprehensive overview of the many actions underway at present at the CIA.

The actions outlined in the chronology stem from the work of the Security Commission, the Inspector General's report, and internal reform efforts. The overwhelming majority of recommendations outlined in the SSCI Report issued November 1 are reflected in the actions the DCI has already undertaken or directed to be carried out.

-- Because the most immediate need was in the area of counterintelligence, the Director has placed top priority on strengthening counterintelligence. Programs which have already been launched include: mandatory CI training, new procedures for effective coordination between the FBI and CIA in line with Presidential Decision Directive 24, appointing a special assistant for counterintelligence reporting directly to the DCI, drafting new precepts for promotion to stress counterintelligence work, ensuring that only the top third of officers in the DO will be eligible for counterintelligence assignments, and ensuring that sufficient resources are allocated for counterintelligence.

-- At the same time, the Director's actions go significantly beyond strengthening counterintelligence to include management responsibility and accountability, and new criteria and mechanisms for handling employee suitability problems. Steps include drafting new guidance for managers, and creating the Office of Personnel Security to have the capability of making integrated assessments of agency employees.



-- The DCI actions also encompass specific detailed changes underway in the Directorate of Operations, including establishing new officer evaluation boards, instituting a system of employee evaluation of their supervisors, overhauling the DO training program, and creating performance standard teams to assess all DO operations.

The attached does not exhaust the list of steps the Director will be implementing in the future. The DCI looks forward to working with the Congress, and with the Commission on the Roles and Capabilities of the US Intelligence Community to continue to make the changes necessary to ensure an effective intelligence structure for the future.

Kent M. Harrington  
Director of Public Affairs

Attachment

**Counterintelligence, Security and Management  
Accountability Initiatives: The Response to the Ames Case**

<u>Date</u>	<u>Action</u>
1. Feb 21, 1994.	Aldrich Ames is arrested by the FBI.
2. March 9-10, 1994.	<p>The DCI announces the following steps in testimony before HPSCI and SSCI:</p> <ul style="list-style-type: none"> <li>- ordering mandatory counterintelligence training for all CIA employees.</li> <li>- establishing a counterintelligence board to ensure effective coordination of counterintelligence investigations and management within the Agency.</li> <li>- strengthening financial investigations.</li> <li>- improving the monitoring of employee foreign travel.</li> <li>- reviewing policy on marriage to foreign nationals.</li> <li>- improving integration of data held by security, medical and counterintelligence offices.</li> <li>- reducing access to our most sensitive information, especially agent identities.</li> <li>- ordering a reassessment of computer security to include examining access to data, protection of information, and improved auditing to discover unauthorized activity.</li> </ul>
3. March 10, 1994.	The DCI announces a directive to all CIA officers on management accountability, specifying their responsibilities; overall employee performance; provision of counseling when needed; and referral of any suitability and security concerns to the Office of Security and the Counterintelligence Center.

4. March 15, 1994. The DCI announces that all promotions, awards, and assignments for officers who either supervised Ames or oversaw the counterintelligence investigation are suspended, pending the Inspector General's investigation.
5. March 15, 1994. The DCI testifies before the Defense Subcommittee of the House Appropriations Committee on management actions regarding the Ames case.
6. March 15, 1994. The DCI directs the reexamination of any inconclusive polygraph cases in light of the Ames experience. The DCI also directs objective testing involving FBI and NSA polygraphers to determine whether institutional bias is a factor in CIA polygraph procedures.
7. March 17, 1994. The DCI publicly announces that he has commissioned three independent inquiries into the Ames case: an examination of security and counterintelligence policy by the Joint DoD-Intelligence Community Security Commission; a CIA Inspector General's investigation; and a damage assessment.
8. March 22, 1994. The DCI testifies before the House Foreign Affairs Committee on his management actions regarding the Ames case.
9. April 4, 1994. The DCI directs the reduction of employee access to sensitive information. The Directorates take steps to enhance compartmentation. They are required to report progress quarterly to CIA's Executive Committee.
10. April 28, 1994. The DCI signs a written directive to all CIA managers, spelling out the requirements of management accountability.
11. May 3-4, 1994. The DCI testifies before the Senate and House intelligence committees on legislative proposals to improve counterintelligence. He reiterates the importance of legislation in

the area of employee finances, the need for greater management accountability and heightened counterintelligence awareness and training.

12. May 3, 1994. The President signs a Presidential Decision Directive to restructure counterintelligence policy. PDD 24 creates a National Counterintelligence Center under a senior FBI officer. Another senior FBI officer is assigned to head the Counterespionage Group within CIA's Counterintelligence Center. Senior CIA officers are assigned to serve in the FBI's National Security Division.
13. June 3-4, 1994. At CIA's semi-annual Senior Managers Conference, the DCI reinforces the importance of management accountability and counterintelligence as critical to the Agency's mission.
14. July 1, 1994. New Information Security Center begins operations to integrate software development and computer security in order to establish Agency-wide security standards. The center and its charter respond to the recommendation of the Security and Counterintelligence Policy panel.
15. July 13, 1994. The Joint Security Commission issues report on Security and Counterintelligence Policy. DCI briefs conclusions to Congressional Oversight committees.
16. July 18, 1994. In a speech at the Center for Strategic and International Studies in Washington, the DCI announces the following: fundamental reassessment of the entire structure and operations of the Directorate of Operations, to include strengthened personnel management and counterintelligence. He also announces plans to establish new Office of Personnel Security and overhaul of computer security. In addition, the DCI announces overhaul and reductions in the Directorates of Intelligence, Science and

Technology and Administration as well as calls for fundamental changes in CIA culture.

17. August 5, 1994.

CIA's Executive Committee takes further steps to strength management accountability and security.

- establishes new, detailed management accountability guidelines;

- approves enhanced procedures for financial investigation of employees and, new financial disclosure requirements in the periodic employee reinvestigations;

- mandates that the Human Resources Review Group integrate employee security and counterintelligence performance as part of annual personnel evaluations;

- approves random package searches at CIA;

The actions respond to the July 15 recommendations of the Security Commission.

18. August 16, 1994.

Financial investigative unit, slated to become part of the new Office of Personnel Security, begins activity.

19. August 23, 1994.

Senior FBI official takes over Counterespionage Group at CIA's Counterintelligence Center.

20. September 1, 1994.

Planning for Personnel Assessment Center begins, including drafting of criteria for managers in reporting issues of employee suitability.

21. Sept 17-18, 1994.

DDO orders changes in management and personnel in the DO as a result of recommendations of internal DO task forces.

22. September 27, 1994.

CIA's Inspector General issues his report of investigation on the Aldrich Ames case.

23. September 28, 1994.

The DCI announces his actions based on the Inspector General's report. He highlights:

--systemic failures at CIA, including inattention to personnel problems, inadequate resources devoted to counterintelligence;

--establishes position of special assistant for counterintelligence and security to oversee all aspects of reform and reporting directly to DCI.

--announces that all CIA employees in consideration for promotion to senior ranks must undergo training in details of Ames case;

--announces that Office of Personnel Security will begin operations on October 1;

--announces that 11 serving and retired CIA officers are reprimanded. Serious reprimands, tantamount to dismissals, are issued to three retired and one serving officer about to retire. All officer barred from further relations with CIA.

--endorses IG recommendation for a review of polygrapher qualifications, workload, and evaluation standards. Directs strengthening of the specialist track among polygraphers.

24. Sept 28-29, 1994. DCI testifies before House and Senate intelligence committees regarding his actions.
25. September 30, 1994. Senior CIA officers complete mandatory counterintelligence training. Training programs for all employees begin in the four CIA directorates. Implementation responds to the July 15 recommendations of the Security Commission.
26. October 1, 1994. The new Office of Personnel Security (OPS) is formed, merging personnel, medical and security functions. Guidelines delineating OPS and managers' responsibilities for overseeing security and suitability of employees in process of drafting

and coordination. OPS to change cycle of employee reinvestigations, including polygraph, and to ensure coordination between background investigations and polygraphs. Reinvestigations can now occur within a 2-5 year period; those in more sensitive positions can expect more frequent reinvestigations. Procedures also are established to coordinate OPS and CIC efforts.

27. October 1, 1994. As recommended by the Security Commission, the counterintelligence functions of the former Office of Security are passed to the CIA's Counterintelligence Center, creating a single focal point for cooperation with the FBI.
28. October 5, 1994. The DCI establishes an Executive Management Panel, composed of former Secretary of Defense Carlucci, former Director of Office of Personnel Management Newman, and CNO Admiral Mike Boorda to review CIA's personnel management system.
29. October 5-6, 1994. The DCI testifies before the House and Senate Intelligence Committees, addressing changes in DO. DCI announces new personnel policies, including requirement that advancement into senior ranks will require assignments outside home directorate. He also announces establishment of partnership between Intelligence and Operations directorates designed to produce more timely and relevant products. Specifically for the Operations Directorate, the DCI stipulates that:

--first priority in evaluating DO managers is security of their operations. Their performance will be factor in next round of promotions, set for late 1995;

--counterintelligence survey teams will be expanded, covering more operations more frequently;

--performance standards teams will be established to report to the DCI with assessment of overall performance of DO operations;

--establishment of evaluation boards on January 1, 1995 as pilot program to assess suitability and career advancement;

--all DO officers will file evaluation reports on immediate superiors. Upward evaluation system will be in place by March 31, 1995;

--additional management and counterintelligence training will be required for all DO personnel;

--all positions in the DO will be reassessed;

--a specialist track for promotion will be established.

30. October 13, 1994.

The DCI testifies before the Senate Intelligence Committee, providing further information on restructuring and reform. As a follow-up:

--only the top third of the DO's officers will be eligible for counterintelligence assignments, which will be critical to further career advancement;

--new criteria for evaluating all DO operations will be set by November 30;

--permanent counterintelligence survey team to be established and fully staffed in CIA's Counterintelligence Center by November 30;

--performance standards teams to be assembled by January 1995;

--comprehensive training strategy including greater emphasis on counterintelligence to be established by January 1, 1995, and to be evaluated quarterly throughout 1995;



--teams charged with evaluating all DO positions to be assembled by January 1995.

--specialist tracks for career advancement to be established by January 1995.

31. October 31, 1994.

The Office of Personnel Security recommends enhancements in personnel security evaluations, including use of random polygraph examinations; streamlined investigations, particularly for those who may be most vulnerable to compromise; integration of information to ensure a whole person perspective in assessing employee's suitability and security; monitoring of foreign travel; policy on marriage of CIA employees to foreign nationals. The actions respond to the July 15 recommendations of the Security and Counterintelligence Policy study.

32. November 3, 1994.

At the semiannual Senior Managers Conference, senior officers review the Ames case, actions taken, and the applicability of its lessons throughout CIA.

## PRESIDENTIAL DECISION DIRECTIVE 24

FACT SHEETU.S. Counterintelligence Effectiveness

Many threats to the national security of the United States have been significantly reduced by the break-up of the Soviet Union and the end of the Cold War. Core U.S. concepts -- democracy and market economics -- are more broadly accepted around the world than ever before. Nevertheless, recent events at home and abroad make clear that numerous threats to our national interests -- terrorism, proliferating weapons of mass destruction, ethnic conflicts, sluggish economic growth -- continue to exist and must be effectively addressed. In this context, it is critical that the U.S. maintain a highly effective and coordinated counterintelligence capability.

A review of U.S. counterintelligence effectiveness in the wake of the Ames case highlights the need for improvements in the coordination of our counterintelligence (CI) activities. The recent DCI and Attorney General Joint Task Force on Intelligence Community-Law Enforcement Relations noted that changes to the basic underlying legal authorities defining the relationship between the intelligence and law enforcement communities are not required. Rather, the task force concluded that what is needed... "is for the two communities to improve their understanding of their respective needs and operating practices... to cooperate earlier, more closely, and more consistently on matters in which they both have a separate but parallel interest." This Directive outlines specific steps which will be taken to achieve the objective of improved cooperation.

Executive Order 12333 designates the National Security Council (NSC) "as the highest Executive Branch entity that provides review of, guidance for and direction to the conduct of," among other things, counterintelligence policies and programs. Consistent with E.O. 12333, I direct the creation of a new CI structure, under the direction of the NSC, for the coordination of CI policy matters in order to integrate more fully government-wide counterintelligence capabilities, to foster greater cooperation among the various departments and agencies with CI responsibilities and to establish greater accountability for the creation of CI policy and its execution. This new structure will ensure that all relevant departments and agencies have a full and free exchange of information necessary to achieve maximum effectiveness of the U.S. counterintelligence effort, consistent with U.S. law.

Nothing in this directive amends or changes the authorities and responsibilities of the DCI, Secretary of Defense, Secretary of State, Attorney General or Director of the FBI, as contained in the National Security Act of 1947, other existing laws and E.O. 12333.

I direct that the following specific initiatives be undertaken to improve U.S. counterintelligence effectiveness:

**National Counterintelligence Policy Coordination**

- ◆ A National Counterintelligence Policy Board (Policy Board) is hereby established and directed to report to the President through the Assistant to the President for National Security Affairs. The existing CI policy and coordination structure, the National Advisory Group for Counterintelligence, is hereby abolished and its CI functions transferred to the Policy Board.
- ◆ The Policy Board will consist of one senior executive representative each from DCI/CIA; the FBI; the Departments of Defense, State, and Justice; a Military Department CI component; and the NSC, Special Assistant to the President and Senior Director for Intelligence Programs.
- ◆ The Chairman of the Policy Board will be designated by the DCI in consultation with the Assistant to the President for National Security Affairs. The Chairman will serve for a period of two years. The position of Chairman of the Policy Board will be rotated among the CIA, FBI, and Department of Defense.
- ◆ The Policy Board will consider, develop and recommend for implementation to the Assistant to the President for National Security Affairs policy and planning directives for U.S. counterintelligence. The Policy Board will be the principal mechanism for reviewing and proposing to the NSC staff legislative initiatives and executive orders pertaining to U.S. counterintelligence. This Board will coordinate the development of interagency agreements and resolve conflicts that may arise over the terms and implementation of these agreements.
- ◆ A National Counterintelligence Operations Board (Operations Board) will be established under the Policy Board with senior CI representatives from CIA, FBI, DOD, the Military Department CI components, NSA, State, Justice, and Chief of the National CI Center established below.
- ◆ The Chairman of the Operations Board will be appointed by the Policy Board from among the CIA, FBI, or DOD, and rotated every two years. The Chairmanship of the Policy Board and the Operations Board will not be held by the same agency at any one time. The Operations Board will discuss and develop from an operational perspective matters to be considered or already under consideration by the Policy Board. It will oversee all coordinating subgroups, resolve specific conflicts concerning CI operations and investigations and identify potential CI policy conflicts for referral to the Policy Board.

### Counterintelligence Integration and Cooperation

- ♦ The Policy Board, with the assistance of the DCI and the cooperation of the Director of the FBI, the Secretary of Defense, and the Secretary of State, will establish a National Counterintelligence Center within 90 days of this directive.
- ♦ A senior FBI executive with CI operational and management experience will serve as the Chief of the National CI Center and a senior Military Department CI component executive will serve as the Deputy Chief of the National CI Center. These agencies will hold these positions for an initial period of 4 years, after which, with the approval of the National CI Policy Board and in consultation with the Assistant to the President for National Security Affairs, the leadership positions will rotate, for 2 year terms, among the FBI, DOD and CIA. At all such times that the FBI does not hold the position of Chief, it will hold the position of Deputy Chief.
- ♦ The National Counterintelligence Center will be located, staffed and initially structured as recommended in PRD-44.
- ♦ The National Counterintelligence Center will implement interagency CI activities as described in PRD-44 and report to the Policy Board.
- ♦ The National Counterintelligence Center will serve as the interagency forum for complementary activities among CI agencies. The CIA's Counterintelligence Center will serve as the CI component for the CIA and execute on behalf of the DCI his authorities to coordinate all U.S. counterintelligence activities overseas.
- ♦ The Chief of the CIA's Counterintelligence Center Counterespionage Group will be permanently staffed by a senior executive from the FBI.
- ♦ CIA counterintelligence officers will permanently staff appropriate management positions in the FBI's National Security Division and/or FBI Field Offices.

The Policy Board will be responsible for the regular monitoring and review of the integration and coordination of U.S. counterintelligence programs. The Policy Board will provide an annual report to the Assistant to the President for National Security Affairs and on US counterintelligence effectiveness.

Central Intelligence Agency



Washington D.C. 20505

4 November 1994

The Honorable Dan Glickman  
Chairman  
Permanent Select Committee  
On Intelligence  
House of Representatives  
Washington, D.C. 20515

Dear Mr. Chairman:

Pursuant to the Committee's request, we have reviewed the range of disciplinary actions that are available to Agency managers for employees and nonemployees, such as retirees and resignees.

The disciplinary actions that can be imposed on current employees range from termination of employment to reprimands. The range of disciplinary actions that can be imposed on nonemployees is more limited and includes imposition of a bar on reemployment or contracting with the Agency or, in very limited instances, the revocation of annuities. I have enclosed a list which summarizes this information.

I am glad to be of assistance to you. If you or your staff have any further questions, please call me at (703) 482-6122.

Sincerely,

A handwritten signature in cursive script, reading "E. Page Moffett for".

Joanne O. Isham  
Director of Congressional Affairs

Enclosure

## **Disciplinary Actions Available to Agency Managers**

### **Part I -- Employees**

#### **1. Termination of employment.**

**DCI Termination Authority:** The DCI may, in his discretion, terminate the employment of any employee whenever the DCI shall deem such termination necessary or advisable in the interests of the United States.

#### **2. Involuntary Retirement.**

**CIARDS/FERS Special:** The DCI may, in his discretion, place in a retired status an employee who is a participant in CIARDS or FERS Special if the employee has 20 years of creditable service (10 with the Agency) and is at least 50 years of age, or if the employee has 25 years of creditable service (10 with the Agency) regardless of age. The employee would then qualify for an immediate annuity.

**Civil Service/FERS:** There is no authority to involuntarily retire an individual in the Civil Service Retirement System or Federal Employees Retirement System. Instead, an employee may be terminated and qualify for a discontinued service retirement provided he meets the eligibility standards (age 50 with 20 years of service or any age with 25 years of service) and has not been terminated for misconduct or delinquency.

- "Delinquency" would include neglect of duty.
- An individual who does not qualify for a discontinued service benefit and is involuntarily terminated would have to wait until age 62 to obtain a deferred annuity.
- It would thus be preferable for such an individual to take advantage of the early out and voluntarily retire assuming that he otherwise meets the eligibility in terms of age and service.

#### **3. Refusal to consent to Voluntary Retirement.**

**CIARDS/FERS Special:** The DCI has the authority to refuse to consent to any application for voluntary retirement under the unique Agency retirement systems. The employee may be terminated notwithstanding the fact that the employee meets all of the age and service eligibility criteria for voluntary retirement.

- If this authority is exercised, the employee may still qualify for a deferred annuity (i.e., he could receive the annuity at age 62.)

**CSRS/FERS:** The DCI does not have the authority to refuse to consent to voluntary retirement under the general government retirement systems.

**4. Refusal to consent to Voluntary Resignation.**

- DCI need not accept resignation despite general rule that such resignations will be preferable to termination.
- By not accepting a voluntary resignation, the DCI can prevent a separating employee from receiving voluntary separation incentive pay.
- Deferred annuity would remain an option.

**5. Nonrecertification of SIS Officer.**

- Removal from the SIS based upon failure to meet high standards expected of SIS.
- Recertification exercise takes place in three-year intervals.
- No salary retention.
- Grade and salary fallback to GS 15, Step 10. May opt to retire in lieu of fallback.
- Conditional recertification is also an option.

**6. Reduction in Grade.**

**7. Suspension without Pay.**

- Temporary enforced absence from duty.
- Non-pay status (LWOP).

**8. Enforced Annual Leave.**

- No limit other than leave ceiling.
- Minimum of one hour.
- Employee will accrue normal benefits during forced leave period (e.g., additional annual and sick leave, creditable service.)

**9. Administrative Leave.**

- Employee will continue to receive pay and benefits.
- Often used pending outcome of official or unofficial investigation.

**10. Placement in Lower Performance Category.**

**11. Reassignment to Position of Lesser Responsibility.**

**12. Bar to Future Management Position.**

- Prevents any future management assignments.

### 13. Return Short of Tour.

- Utilized for overseas personnel.
- Can be disciplinary in nature.

### 14. Promotion Freeze.

- As an adverse action, can be continued for an indefinite period.

### 15. Within Grade/Level Increase Withhold.

- Imposed as adverse action based on an unacceptable level of performance.

### 16. Probation.

- Carried out for a fixed period.
- Performance or behavior monitored to decide upon advisability of continued employment.
- As further disciplinary measure, may set strict criteria for when termination decision will be triggered (e.g., employee will be terminated upon a certain condition being met.)

### 17. Official Reprimand. (formal memorandum)

- Outlines suitability, performance and/or conduct issues.
- Sets forth corrective measures to be taken.
- Sets forth period of time to correct deficiencies.
- Original retained in OP/SAS file for predetermined period and sanitized version included in Official Personnel File and Component Soft File.
- May be considered by promotion and assignment panels.

### 18. Denial of Certain Awards.

- Awards that accompany service in the more senior ranks of the Agency, or any other award, may be denied indefinitely.

### 19. Letter of Warning.

- Describes employee's performance and/or conduct or suitability issue.
- Sets forth disciplinary and corrective action to be taken.
- Retained in component soft file for predetermined period.



20. Admonition. (oral warning/reprimand).

- Points out deficiency in conduct or performance.

**Part 2 -- NON-EMPLOYEE SANCTIONS**  
(Annuitant or Resignee)

1. Annuity Revocation.

**CIARDS/FERS Special:** Annuities of an employee enrolled in CIARDS and FERS Special Systems may only be withheld if they are discharged from the Agency on the grounds of being disloyal to the United States (Section 234(a)(2) of the CIARDS Act).

- Although this authority can be exercised without the employee being convicted, the employee must be involuntarily terminated for disloyalty.

**Civil Service/FERS:** The annuity of an employee in the Civil Service Retirement System or FERS is not subject to forfeiture unless the employee is convicted of one of several enumerated federal crimes, including espionage (5 U.S.C. § 8312).

2. Bar to Reemployment/Bar to Contracting with Agency.

- The Agency can bar an individual from being reemployed with the Agency.
- The Agency can bar an individual from being hired as an independent contractor by the Agency.
- There is no statutory or regulatory bar to providing a post-separation letter of reprimand. Such a letter might be combined with notice to the individual that they will not be reemployed with the Agency or hired by the Agency as an independent contractor.

5 December 1990

MEMORANDUM FOR: [REDACTED]  
Office of Security

FROM: [REDACTED]  
Counterintelligence Center

1. In connection with our investigation into the compromise of a number of SE Division operations during the mid - 1980's, we request that the Office of Security open a reinvestigation on Aldrich H. Ames and review the records of his account at Northwest Federal Credit Union. Our request is based on our receipt of information concerning Ames' lavish spending habits over the past five years. Ames is an SE Division Operations Officer currently assigned to the Counterintelligence Center. While serving in SE Division, he had access to a number of operations that were later compromised. He was favorably polygraphed on 2 May 1986.

2. The Counterintelligence Center has learned the following information about Aldrich Ames and his spouse, Rosario C. Ames:

-- On 6 September 1989, Ames and his spouse purchased a home located at 2512 N. Randolph St., Arlington, VA. The home was purchased for \$540,000. There is no record of a mortgage or lien filed with Arlington County. A credit check conducted in September 1990 also failed to disclose a mortgage. Ames and his spouse lived in an apartment prior to the purchase of the above home.

-- In November 1989, [REDACTED] Ames was renovating the kitchen of his new home and redecorating. [REDACTED] Ames was sparing no expense.

-- Upon his return from Rome (July 89), Ames purchased a white Jaguar, Virginia license number QH1319. The automobile is valued at approximately \$49,500. Purchase price and place of purchase are unknown.

[REDACTED]

-- [REDACTED] on 1 August 1989, Ames exchanged \$22,107 worth of Italian Lira at First Virginia Bank, Arlington, VA (that's approximately 28,363,281 Lira).

-- [REDACTED] on 18 February 1985, Ames deposited \$13,500 into checking account number 183-40-150 at Dominion Federal Bank, Vienna, VA.

-- [REDACTED] on 18 October 1985, Ames deposited \$15,650 in checking account number 183-40-150 at Dominion Federal Bank, Vienna, VA.

3. While we are certainly concerned with the above information, there may be a logical explanation for Ames's spending habits. Between 1985 and 1990, Ames's mother died. We do not know if Ames received any money or property via insurance or inheritance. A review of public records in the county where his mother lived could answer the question of inheritance. Unfortunately, we do not know the location of his mother's last residence. We have been informed that Ames's mother's obituary was listed in the Washington Post. She was formerly employed as a teacher in Fairfax County. [REDACTED] she lived in North Carolina.

4. The money could also have come from his in-laws. Ames's in-laws were well connected politically in Colombia. Rosario was formerly the Protocol Officer for the Colombian Embassy in Mexico City. She was directly appointed to that position by the President of Colombia.

5. The deposits made into Ames's checking account could be explained by loans he may have received from Northwest Federal Credit Union. [REDACTED]

6. There is a degree of urgency involved in our request. Since Ames has been assigned to CIC, his access has been limited to a degree. Unfortunately, we are quickly running out of things for him to do without granting him greater access. It is our hope to at least get Ames through polygraph before we are forced to take such action.

7. If you have any questions regarding this investigation, please contact [REDACTED]. We appreciate your assistance in this matter.

[REDACTED]