

shall be given all necessary security protection in accordance with applicable laws and regulations. Each member of the PFIAB, each member of the PFIAB's staff and each of the PFIAB's consultants shall execute an agreement never to reveal any classified information obtained by virtue of his or her services with the PFIAB except to the President or to such persons as the President may designate.

Sec. 3.2. Members of the PFIAB shall serve without compensation but may receive transportation expenses and per diem allowances as authorized by law. Staff and consultants to the PFIAB shall receive pay and allowances as authorized by the President.

Sec. 3.3. Executive Order No. 12334 of December 4, 1981, as amended and Executive Order No. 12537 of October 28, 1985, as amended, are revoked.

WILLIAM J. CLINTON
THE WHITE HOUSE

September 13, 1993.



President, Bill Clinton

IN THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF VIRGINIA

Alexandria Division

UNITED STATES OF AMERICA
v. Criminal No. 94-64-A
ALDRICH HAZEN AMES,
A/K/A "Kolokol",
a/k/a "K"

STATEMENT OF FACTS

In the event that this matter were to proceed to trial, the government would prove the following beyond a reasonable doubt:

I. INTRODUCTION

ALDRICH HAZEN AMES is 52 years old, born on May 26, 1941. In June 1962, ALDRICH HAZEN AMES accepted employment with the Central Intelligence Agency (CIA) of the United States, and he has been a full-time CIA employee for more than 31 years. At the time of his arrest, AMES was a GS-14 Operations Officer in the Counternarcotics Center at CIA Headquarters in Langley, Virginia.

During his employment with CIA, AMES held a variety of positions including the following: from 1983 to 1985, AMES was the Chief, Soviet Operational Review Branch in the Operational Review and Production Group of the Soviet/East European (SE) Division of the Directorate of Operations (DO) of the CIA; from 1986 through 1989, AMES was assigned to the United States Embassy in Rome, Italy; from September 1989 through December 1989, AMES was Chief, Europe Branch, External Operations Group, SE Division; from December 1989 through August 1990, AMES was the Chief, Czechoslovak Operations Branch, East European Operations Group, SE Division; from September 1990 through August 1991, AMES was assigned to the USSR Branch, Analytical Group, Counterintelligence Center; from September 1991 through November 1991, AMES was Chief, KGB. ¹ Working Group, Central Eurasia (CE) Division; from December 1991 through August 1993, AMES was a

referant for CE Branch, regional Programs Branch, International Counternarcotics Group, Counternarcotics Center (ICG/CNC) and from August 1993 to February 1994, AMES was Chief, Europe and CE Branch, ICG/CNC. Throughout AMES' employment with the CIA, he held a TOP SECRET security clearance and had regular access to information and documents classified SECRET and TOP SECRET pursuant to Executive Order 12356.

On August 10, 1985, AMES married Maria del Rosario Casas Dupuy in the Commonwealth of Virginia. Prior to their arrests on February 21, 1994, ALDRICH and ROSARIO AMES resided at 2512 North Randolph Street, Arlington, Virginia, in the Eastern District of Virginia, with their minor son.

II. ESPIONAGE RELATED ACTIVITIES

In 1984, as part of his duties as a CIA Operations Officer, ALDRICH HAZEN AMES began meeting with officials of the Embassy of the Union of Soviet Socialist Republics ("U.S.S.R." or "Soviet Union." in Washington, D.C. These meeting were authorized by the Central Intelligence Agency and the Federal Bureau of Investigation, and were designed to allow AMES to assess Soviet officials as possible sources for intelligence information and recruitment. AMES was required to report each of his meetings with these Soviet officials to CIA officials.

In approximately April 1985, AMES agreed with Soviet officials to sell classified information from the

Central Intelligence Agency and other branches of the United States government to the KGB, in return for large sums of money. In May and July 1985, AMES engaged in authorized meetings with Soviet officials, meetings he used as a cover to provide classified information to the KGB in exchange for money. Although AMES stopped regularly reporting these meetings to the CIA in July 1985, over the next year AMES continued to meet with the KGB in Washington, D.C. During many of these meetings, AMES provided classified information relating to the national defense of the United States to the KGB in return for cash payments.²

In July 1986, ALDRICH HAZEN AMES was assigned to the United States Embassy in Rome, Italy, where he served until July 1989. During this time, AMES met with his KGB handler, codenamed "SAM." AMES reported a few of these meetings to the CIA, claiming that he was obtaining information from "SAM," a Soviet Embassy official. During these meetings, AMES continued to disclose classified information relating to the national defense of the United States which AMES obtained through his work for the CIA in Rome.

In the Spring of 1989, as AMES was preparing to return to CIA Headquarters in Langley, Virginia, the KGB provided him with two written documents. The first document was a financial accounting which indicated that as of May 1, 1989, AMES had already receive approximately \$1.8 million and that some \$900,000 more had been appropriated for him. The



Aldrich Hazen Ames

second document was a nine-page letter which listed the types of classified information the KGB wanted AMES to obtain for them upon his return to CIA Headquarters,³ discussed arrangements for cash payments to AMES upon his return to the United States, warned AMES to avoid traps set by the CIA, and detailed a communication plan governing further communications between AMES and the KGB. Pursuant to this communication plan, AMES would pass documents to and receive money from the KGB in the Washington, D.C. area at set times throughout the year using signal sites and dead drops. AMES would also meet personally with the KGB at least once yearly in meetings outside the United States. The fixed site for these meetings would be in Bogota, Colombia, on the first Tuesday every December, although additional meetings could be held in other cities, including Vienna, Austria, on an as needed basis.

In 1990, the KGB provided AMES with a communications plan for 1991 through a dead drop in the Washington, D.C. area. The 1991 communication plan provided for impersonal contacts through signal sites and dead drops, and for personal meetings between AMES and the KGB in Vienna, Austria, in April, and in Bogota, Colombia, in December. On December 17, 1990, AMES obtained valuable intelligence information regarding a KGB officer cooperating with the CIA. AMES prepared a letter for the KGB on his home computer advising the KGB of this information and the cryptonym of the KGB officer.

Pursuant to AMES' communication schedule with the KGB, on April 25, 1991, AMES traveled to Vienna, Austria, to meet with his KGB handlers. Although

AMES was present in Vienna and prepared to exchange classified information for money, the KGB failed to meet with AMES at that time. Later that year, in December 1991, AMES met personally with the KGB in Bogota, Colombia, where he exchanged classified information for a large amount of cash. At that meeting, the KGB provided AMES a communications plan for 1992, pursuant to which they would communicate through signal sites and dead drops in March and August, and meet personally in Caracas, Venezuela, in October of 1992.

In March 1992, defendant ALDRICH HAZEN AMES communicated with the KGB by placing a signal at signal site SMILE and leaving a message with a package of documents at dead drop BRIDGE. In this message to the KGB, AMES requested that they promptly transmit more money to him through a dead drop. Again in June, 1992, AMES prepared a message on his computer to the KGB in which he complained of their failure to provide him money in response to his previous message, indicated that he was forced to sell stocks and certificates of deposit in Zurich to meet pressing needs, and asked them to deliver to him up to \$100,000 in cash through dead drop PIPE. This message was transmitted to the KGB by placing a signal at signal site SMILE and leaving the message at dead drop BRIDGE.

On August 18, 1992, AMES typed a letter to the KGB on his home computer, at his home in the Eastern District of Virginia, discussing dead drops and his access to classified information, stating: "My lack of access frustrates me, since I would need to work harder to get what I can to you. It was easier to simply hand over cables! Documents are enclosed in this package which should be of interest."

In discussing his possible transfer to a different position within the CIA, AMES stated that, "If this job offer becomes serious during the next week or so, I will surely take it. It would be more interesting and productive for us." In this letter, AMES agreed to a personal meeting with the KGB in Caracas, Venezuela and AMES also provided them with information on the level of CIA operations in Moscow, U.S. conclusions about Russian technical penetrations of our embassy in Moscow, and CIA recruitment plans for Russian officials. The letter also stated that, "My wife has



One of Ames' dead drop sites.

accommodated (sic) herself to understanding what I am doing in a very supportive way.”

AMES attempted to transmit this letter and accompanying classified documents to the KGB on August 19, 1992, by placing a pencil mark at signal site HILL in the morning and thereafter leaving the documents and letter at dead drop GROUND at 4 p.m. that day. Early the next day, however, AMES returned to the signal site and determined that his signal to the KGB had not been erased, signifying that they had not picked up his package from the dead drop. AMES thereafter retrieved his package, and on September 1, 1992, typed a second letter to the KGB on his home computer. This letter advised them that he had been forced to retrieve his earlier drop and would signal them again. This message, along with the earlier package, was retransmitted to the KGB in early September through dead drop GROUND.

On October 2, 1992, pursuant to his communications plan, AMES traveled to Bogota, Colombia, and then on to Caracas, Venezuela, to meet with officers of the KGB. During this meeting, AMES provided the KGB with classified information and received in return approximately \$150,000 in cash. The KGB also provided AMES with a communications plan for 1993, pursuant to which AMES would transmit information and messages to them by dead drops in January, April, July, and October, receive money and messages from the KGB in March, June, and September, and would meet with them personally in Bogota, Colombia, in

November or December 1993. Upon his return to the United States, AMES deposited more than \$85,000 of the KGB money received in Caracas into accounts he controlled with his wife in banks in Northern Virginia, all deposits in amounts of less than \$10,000.

On March 9, 1993, AMES typed a message to the KGB on his home computer discussing a variety of topics including the morale of the CIA division concerned with the former U.S.S.R and Russia, personnel changes and budgetary matters in the CIA, and the fact that he was transmitting to them a “variety” of documents. AMES opened this message telling the KGB, “All is well with me—I have no indications that anything is wrong or suspected.” This message, along with a package of classified documents and information, was transmitted to the KGB through a dead drop in March 1993.

On May 26, 1993, AMES transmitted an “urgent” message to the KGB, asking for money to be delivered to him immediately through a dead drop in the Washington, D.C. area. Four days later, the KGB transmitted a package containing a substantial amount of cash to AMES through dead drop BRIDGE. In July 1993, the KGB transmitted to AMES additional money through a dead drop, as well as a message discussing an upcoming personal meeting, and their plan to test a dead drop to determine whether it was secure. In this message, the KGB advised AMES that they would provide additional money shortly, unless the money was postponed due to the “diplomatic pouch schedule.”

In preparation for his trip to Bogota on September 8, 1993, AMES drafted a message to the KGB stating that he would be available to meet with them on October 1, 1993. On September 9, 1993, AMES left this message for the KGB, and that evening drove with his wife into the District of Columbia to determine whether the KGB had received the message. Later that month, the KGB signaled AMES through signal site NORTH, advising him they would be unavailable to meet with him on October 1, 1993, and transmitted a message to him through dead drop PIPE stating they would meet with him between November 1 and November 8, 1993. On October 18, 1993, AMES signaled his willingness to attend this meeting in Bogota by placing a chalk mark at signal site SMILE.



One of Ames' signal sites.

Thereafter, on October 30, 1993, AMES traveled to Bogota, Colombia, where he met with officers of the KGB. In Bogota, AMES provided the KGB with classified information in exchange for a substantial amount of cash. In Bogota, AMES also received a communications plan for 1994 which established new signal sites throughout the Washington metropolitan area and provided for dead drops in February, March, May, August, and September, face-to-face meetings in Caracas, Venezuela, or Quito, Ecuador, in November 1994, and a face-to-face meeting in 1995 in either Vienna, Austria, or Paris, France. During this meeting, the KGB also advised AMES that they were holding \$1.9 million for him.

III. COMPROMISE OF CLASSIFIED INFORMATION

When ALDRICH HAZEN AMES began spying for the KGB in the Spring of 1985, his position within the CIA guaranteed him access to most information relating to penetrations of the Soviet military and intelligence services and intelligence operations against the Soviet Union. AMES disclosed substantial amounts of this information, including the identities of Russian military and intelligence officers who were cooperating with the CIA and friendly foreign intelligence services, including but not limited to, sources codenamed GTACCORD, GTCOWL, GTFITNESS, GTBLIZZARD, GTGENTILE, GTMILLION, GTPROLOGUE, GTWEIGH, GTTICKLE, and others.⁴ AMES' disclosures included a substantial amount of TOP SECRET information including signals intelligence. AMES' compromise of these penetrations of the Soviet military and intelligence services deprived the United States of extremely valuable intelligence material for years to come.

During his assignment to the U.S. Embassy in Rome from 1986 to 1989, AMES provided the KGB with valuable intelligence information concerning CIA activities against the Soviet Union, including a large number of double agent operations launched against the Soviet Union. AMES compromised a substantial number of double agent operations organized by U.S. intelligence agencies, and also advised the KGB of our knowledge of Soviet double agent operations targeted against the U.S. AMES informed the KGB of important CIA strategies involving double agent operations and answered detailed inquiries regarding past penetrations

of the Soviet intelligence services. During this period AMES also disclosed to the KGB the identities of an Eastern European security officer who had begun cooperating with the CIA, code named GMMOTORBOAT, and a soviet official cooperating with CIA, codenamed GTPYRRHIC.

Following his return in 1989 to CIA Headquarters, AMES continued to provide the KGB with valuable classified information related and unrelated to his specific CIA job assignments. AMES also provided the KGB with a substantial amount of information regarding CIA and other U.S. intelligence agencies, including information on budgets, staffing, personnel, morale, strategy, and other issues affecting the Soviet Union and Russia.

IV. THE FINANCES AND FALSE TAX RETURNS

During this conspiracy, defendant ALDRICH HAZEN AMES received approximately \$2.5 million from the KGB for his espionage activities. AMES received this money primarily in face-to-face meetings overseas, but also through dead drops in the Washington, D.C. area. While AMES was stationed in Rome, he deposited the bulk of this cash into two accounts at Credit Suisse Bank in Zurich, Switzerland.⁵ For example, on June 29, 1989, prior to departing Rome for the United States, AMES deposited a total of \$450,00 in cash into two accounts he controlled at Credit Suisse.

AMES and his wife, Rosario Casas Ames, used the money received from the KGB to purchase a residence in Arlington, Virginia for \$540,000, property in Colombia, expensive automobiles, extensive wardrobes, and to pay approximately one-half million dollars in credit card bills. A portion of the money was used to support Rosario Casas Ames' family in South America as well. Most of the money deposited in cash into United States banks was deposited in sums less than \$10,000 to avoid having the financial institutions file a Currency Transaction Report.

Of the approximately \$2.5 million paid to AMES by the KGB, none of the money was declared on AMES' United States income tax returns. ALDRICH HAZEN AMES subscribed and filed false Joint Income Tax Returns for tax years 1985, 1986, 1987, 1988, 1989, 1990, 1991, and 1992.

In committing the foregoing acts, ALDRICH HAZEN AMES acted knowingly, willfully, and unlawfully, not by accident or mistake.

Respectfully submitted,

HELEN F. FAHEY
UNITED STATES ATTORNEY

(NOTE: On 28 April 1994 Rick Ames was sentenced to life imprisonment.)

Central Intelligence Agency

Washington, D. C. 20505

Immediate Release

31 October 1995

DIRECTOR OF CENTRAL INTELLIGENCE JOHN DEUTCH STATEMENT TO THE PUBLIC ON THE AMES DAMAGE ASSESSMENT

For the past year and a half, an independent team of Intelligence Community analysts and operations officers has conducted a Damage Assessment of the actions of Aldrich Ames, who, while a CIA Directorate of Operations officer from 1985 to 1994, committed espionage for Soviet (and later Russian) intelligence. This Damage Assessment, commissioned by my predecessor, is now complete. I testified before the House and Senate Permanent Select Committees on Intelligence on October 31st and laid out the findings and actions that I have put in place to remedy the shortcomings it identified.

The Ames case is one of those landmark events which defines the course of an organization. It requires some public discussion because the American people need to know that the Central Intelligence Agency has drawn the right lessons from the incident, and is moving determinedly to make fundamental changes which will reduce the chance that something like this will happen again. Smart organizations use every experience—whether good or bad—as motivation to improve. I am determined to use the Ames case as the basis for bringing bold management changes to the CIA.

I have provided the congressional intelligence oversight committees with details concerning the damage caused by Aldrich Ames' treachery. But let me describe a basic outline of the damage that was done, the weaknesses in the CIA which the incident revealed, and the corrective actions which have been and are being taken.

The damage which Aldrich Ames did to his country can be summarized in three categories:

— By revealing to the Soviet Union the identities of many assets who were providing information to the United States, he not only caused their executions, but also made it much more difficult to understand what was going on in the Soviet Union at a crucial time in its history;

— By revealing to the Soviet Union the way in which the United States sought intelligence and handled assets, he made it much more difficult for this country to gather vital information in other countries as well;

— By revealing to the Soviet Union identities of assets and American methods of espionage, he put the Soviet Union in the position to pass carefully selected "feed" material to this country through controlled assets;

The damage done by Aldrich Ames is documented in the Damage Assessment Report which I have submitted to the intelligence committees. I endorse the Report. I have also made this painstaking work of many months available to other agencies of government so that damage control actions can be taken.

While Ames damaged our intelligence activities in a number of areas, his betrayal of our most important assets is particularly egregious. In a single disclosure, he revealed the identities of CIA's most valuable Soviet/Russian assets.

The Report also revisits deficiencies in the organization, procedures, and management of the Central Intelligence Agency. These deficiencies fall into two major categories:

— The counterintelligence function in the CIA had become neglected by management compared to other

functions. It was poorly staffed and organized, and characterized by lax procedures. Its coordination with the Department of Justice was badly flawed by turf-tending and bureaucratic infighting.

— Most troubling of all was an important new finding of the Assessment, which is substantiated by a Special Inspector General Report I requested this summer, that consumers were not informed that some of the most sensitive human intelligence reporting they received came from assets that were known or suspected of being controlled by the KGB/SVR. This finding disturbs me greatly, and this deficiency is one of the first I have moved to correct.

These are the major issues underlying the damage done and the shortcomings that were revealed by Aldrich Ames' espionage activities, and are documented in the thorough report which has been submitted to the intelligence committees.

What is critically important in this incident is the future. What is the Central Intelligence Agency doing as a result of this incident, and its aftermath, to reduce the chance that this happens again?

My most urgent task is to re-establish credibility with our consumers. I will establish a new, independent Customer Review Process for sensitive human reporting that will be managed by the National Intelligence Council. Both the Directorate of Operations and our customers agree with this mechanism to improve customer knowledge without excessive intrusion into operations.

When I took office six months ago, I found that many corrective actions in the wake of the Ames case were underway, well documented in a strategic plan for change. I have taken additional actions in my time as Director of Central Intelligence, particularly in the areas of personnel, organization, and accountability.



DCI, John Deutch

The major categories of the corrective actions and improvement are these:

— A major changeover in the management of the Central Intelligence Agency, including the replacement of the top three levels of Agency management and much of the fourth level with new leadership committed to change. This new management team includes a new Deputy Director for Operations, as well as Associate Deputy Directors for Operations, Counterintelligence, and Human Resources, and seven Directorate of Operations component chiefs.

The Ames Notebook

Ames passed the names of two CIA officers, who were handling compromised CIA agents, to the KGB in an effort to throw suspicion on them for the loss of American intelligence penetrations of the Soviet Union.

In an endeavor to be promoted, Ames asked the KGB to provide a Russian spy for him to recruit but the KGB denied his request as too risky.

The KGB changed their dead drop *modus operandi* after Ames gave them an FBI report on Soviet intelligence dead drop methodology. For the first time, the KGB used public parks to clear dead drops and to communicate with Ames.

Despite missing three personal meetings because of drunkenness, Ames met with the KGB 11 times between 1985 and 1993. The KGB recorded the 40 hours Ames spent with them.

The KGB expressed interest in their former republics and asked Ames about CIA operations in these areas and if CIA communicated directly with agents there.

The KGB asked Ames about a suspected KGB officer in Vienna, Austria.

After the Soviets advised Ames that they had set aside \$2 million for him, he attempted to have the money transferred to his bank account in the United States. The Soviets refused fearing he might stop spying for them.

Ames never considered living on the property the KGB arranged for him in Moscow; instead he thought about retiring in southern France or Colombia.

—The establishment of the National Counterintelligence Center at CIA, headed by a senior FBI officer;

—Significantly increasing the application of counterintelligence to operations, and emphasizing counterintelligence awareness and training in all activities;

— New guidelines for Agency managers on handling employee suitability issues and strengthening internal discipline procedures;

— Policies to ensure that new emphasis is placed on the quality of agent recruitment and agent handling, rather than on the quantity of recruitment. This includes a complete scrubbing of standards and criteria for personnel evaluation as well as a system of rewards that moves away from quantity to quality in asset recruitment as the prime measure of success;

— A revitalized system within the Directorate of Operations to validate assets, bringing in a team approach involving analysts and counterintelligence officers from the very beginning of cases;

— Clearly defined standards and expectations for the performance of Chiefs of Station along with a clearly defined policy for their selection;

— Initiatives aimed at improving the Agency's records management system and bolstering computer security; and,

— Perhaps most important, insistence from the top down on integrity and accountability in the Central Intelligence Agency. This includes the establishment of component-level accountability boards within the Directorate of Operations and a senior Directorate-level accountability board.

I also considered the accountability of certain CIA officers in connection with the Damage Assessment Team Report and the Inspector General Report on the same subject. In making my determinations I applied the following standards:

— That the performance deficiency at issue must be specific;

— That, unlike military practice, the individual being held accountable must have had a direct responsibility and role—that is, the individual, by virtue of his/her position, had the opportunity or responsibility to act; and,

— That high levels of professionalism are required.

The Inspector General, in the special report provided to me last month, recommended 12 CIA officers be held responsible for their roles in this matter. All but one of those individuals has retired, thereby restricting my options for disciplinary action. Based on the information in the Damage Assessment Team Report as well as the IG report, if these officers were still employed, I would have dismissed two individuals from CIA and taken no disciplinary action against five. I have reprimanded the one officer who is currently employed. As for the two I would have dismissed, both now are banned from future employment with the Agency. Four other former officers have been given reprimands or warnings.

I want to emphasize that the Ames Damage Assessment, in all of its detail, does nothing to shake my conviction that we need a clandestine service. Of all the intelligence disciplines, human intelligence is, indeed, the most subject to human frailty, but it also brings human intuition, ingenuity, and courage into play against the enemies of our country. Often there is no other way to penetrate a terrorist cell or a chemical weapons factory or the inner circle of a tyrant. At critical times human intelligence has allowed our leaders to deal with the plans and intentions—rather than the weapons—of our enemies.

I believe that the right actions are underway for the Ames incident to become the most powerful catalyst for change in the history of the Central Intelligence Agency. The key is drawing unflinchingly the right lessons and making the necessary changes. It will take time to implement all these reforms and accomplish required changes to some aspects of the CIA's habits, practices, and attitudes. The United States must have the best intelligence capability in the world, and that capability includes the Operations Directorate of the Central Intelligence Agency.

The Directorate of Operations must be staffed by top-notch people. This means that first-class people are

hired, their careers are managed properly, and the promotion system rewards those who maintain the highest standards of integrity, but also who are prepared to take risks. By clearly defining the rules and management expectations, we will encourage these officers to take the risks necessary to produce the critical intelligence needed by our Nation.

It must have solid procedures which ensure a quality product for decision-makers throughout government. This means emphasizing quality and authenticity over numbers and volume. This also means that safeguards against false information are comprehensive and effective.

I believe that the changes which were taken before my watch, and the additional measures I have taken—coupled with the desire for fundamental, positive change by the overwhelming majority of CIA officers themselves—ensure that we are on the right track.

Statement of the Director of Central Intelligence on the Clandestine Services and the Damage Caused by Aldrich Ames

7 December 1995

Introduction and Overview

From the earliest days of the Republic, the United States has recognized the compelling need to collect intelligence by clandestine means. For much of our history, this collection could only be done by human agents. Recent technological developments have, of course, vastly increased our ability to collect intelligence. The capacity of these technical systems is awesome and our achievements are astonishing. However, these technical means can never eliminate the need for human sources of information. Often, the more difficult the target is, the greater is the need for human agents.

Throughout our history, the contribution of the clandestine service of the United States has frequently been the difference between victory and defeat, success and failure. It has saved countless American lives.

In recent years, human agents have provided vital information on military and political developments in the Soviet Union, terrorist groups, narcotics trafficking, development of weapons of mass destruction and other grave threats to the United States. These agents often provided the key piece of information that formed the United States' understanding of a critical international situation.

For decades, information from human agents inside the Soviet Union gave us vital insights into the intentions and capabilities of the Soviets. Ames clearly dealt a crushing blow to those efforts. Nonetheless, I am convinced that when the full history of the Cold War is written, American intelligence-and human intelligence in particular-will be recognized as having played an important role in winning that war.

It must be remembered that for over forty years the United States faced a hostile state with enormous nuclear power. A misstep by either side could have destroyed the world. That nuclear war did not occur and that the Soviet Union ultimately collapsed is in no small part attributable to the brave, tireless and too often thankless efforts of the clandestine intelligence service of the United States. The DCI has a great responsibility to preserve and nurture this vital capability.

That said, it must be pointed out that while human agent operations have the potential for high gain, they also entail high risk. Human agent operations are almost always in violation of another country's laws. It is therefore imperative that they be subject to tight policy control and carried out within the scope of American law. These operations must be carried out in secret, for secrecy is vital to success.

The American public is often troubled by activities that are done in secret. This is a natural and healthy instinct. It has served our democracy extremely well for over two hundred years. However, I believe the American people understand the need for secrecy in human agent operations. They agree with a letter written by George Washington when he was Commander-in-Chief of the Continental Army in the summer of 1777:

"The necessity of procuring good intelligence is apparent & need not be further urged-All that remains for me to add is, that you keep the whole matter as secret

as possible. For upon Secrecy, Success depends in Most Enterprises of the kind, and for want of it, they are generally defeated, however well planned & promising a favorable issue."

The American people will accept secret intelligence activity only if four conditions are met. First the acts must be consistent with announced policy goals. Second, they must be carefully controlled under U.S. law. Third, the operations should be consistent with basic American values and beliefs. And fourth, when American intelligence services make mistakes—as we have and will surely do again—we learn from those mistakes.

Because much of what the intelligence services do is secret, Congressional oversight is the key to providing the American people the confidence that their intelligence services are meeting these four conditions. Indeed Congressional oversight is the best way this confidence can be assured.

We must not quit simply because we have made errors, even serious ones. The need for effective intelligence is too important. We must constantly learn from our mistakes, make the necessary changes, and continue to take the risks necessary to collect vital intelligence so urgently needed by the President, the Congress, and other senior policy-makers.

With this in mind, we have moved quickly to strengthen the capabilities of the clandestine service across a broad spectrum. Counterintelligence programs have been significantly enhanced, tradecraft techniques are being tailored for the world in which we now live, and the technologies needed for the future are being rapidly developed. Underpinning these efforts has been a renewed emphasis on quality management that pays attention not only to what we do, but how we do it. All these initiatives, imbedded in a strategic plan developed by the clandestine service this past year, position the clandestine service to meet our future challenges.

The Actual Damage

On the 31st of October, I appeared before the House and Senate Intelligence Committees in closed session to describe the results of the Ames damage assessment commissioned by my predecessor, Jim Woolsey. Following that testimony, we have continued to review

the report of the Damage Assessment Team (DAT) and to consult with both Committees, the Department of Defense, the Department of State and other interested agencies. Accordingly, I believe it is appropriate to report to you on our continuing review and our consultation with other agencies. I also believe it is important that additional information be made available to the American public so that they can understand the nature and extent of the damage caused by Ames. (It should also be recalled that in the 1980's, the U.S. experienced a number of other espionage cases. Edward Lee Howard, an agency officer, like Ames, caused considerable damage to US HUMINT Operations against the USSR. John Walker and Ronald Pelton caused immense damage to US interests. (In Walker's case, vast amounts of information on our military capabilities and plans were exposed which could have had tragic consequences in the event of war.) I have attached a copy of the public statement that I issued on the 31st of October. Let me add some detail on the scope of the damage.

Aldrich Ames' espionage on behalf of the Soviet Union and Russian from April 1985 through February 1994 caused severe, wide-ranging and continuing damage to US national security interests. In addition to the points that I made in my public statement on 31 October, Ames did the following:

In June 1985, he disclosed the identity of numerous U.S. clandestine agents in the Soviet Union, at least nine of whom were executed. These agents were at the heart of our effort to collect intelligence and counterintelligence against the Soviet Union. As a result, we lost opportunities to better understand what was going on in the Soviet Union at a crucial time in history.

He disclosed, over the next decade, the identity of many US agents run against the Soviets, and later the Russians.

He disclosed the techniques and methods of double agent operations, details of our clandestine tradecraft, communications techniques and agent validation methods. He went to extraordinary length to learn about U.S. double agent operations and pass information on them to the Soviets.

He disclosed details about US counterintelligence activities that not only devastated our efforts at the time, but also made us more vulnerable to KGB operations against us.

He identified CIA and other intelligence community personnel. Ames contends that he disclosed personal information on, or the identities of, only a few American intelligence officials. We do not believe that assertion.

He provided details of US intelligence technical collection activities and analytic techniques.

He provided finished intelligence reports, current intelligence reporting, arms control papers, and selected Department of State and Department of Defense cables. For example, during one assignment, he gave the KGB a stack of documents estimated to be 15 to 20 feet high.

Taken as a whole, Ames' activities also, facilitated the Soviet, and later the Russian, effort to engage in "perception management operations" by feeding carefully selected information to the United States through agents whom they were controlling without our knowledge. Although the extent and success of this effort cannot now be determined with certainty, we know that some of this information did reach senior decision-makers of the United States.

As the Committee knows, one of the most disturbing findings of the DAT was that consumers of intelligence were not informed that some of the most sensitive human intelligence reporting they received came from agents known or suspected at the time to be under the control of the KGB, and later the SVR. This finding was substantiated by a detail audit done by the CIA's Inspector General. Because this aspect of the assessment is so important and has generated so much public interest, I would like to discuss it in some detail.

In response to requests from the DAT, some consumers of sensitive human reporting identified just over 900 reports from 1985 to 1994 that they considered particularly significant. These consumers included CIA's Directorate of Intelligence, the Defense Intelligence Agency, the National Security Agency, the Military Services and other agencies. The DAT then reviewed the case files of the agents who were the source

of just over half of these reports and conclude that a disturbingly high percentage of these agent were controlled by the KGB, and later the SVR, or that evidence exists suggesting that they were controlled.

Although some of the reports from these sources were accompanied by warnings that the source might be suspect, many other reports did not include adequate warning. The IG was asked to review reporting from the sources that the DAT concluded were known or suspected to be controlled. They concluded that CIA did not provide adequate warning to consumers of 35 reports from agents whom we have good reason to believe at the time were controlled and 60 reports from agents about whom we had suspicions at the time. Of these 95 reports, at least three formed the basis of memoranda that went to the President: one of those reports was from a source who we had good reason to believe was controlled.

The DAT intended to review the source of each of these reports but, for a variety of reasons, was not able to do so. For example, the filing system of the DO was incomplete and the sources for some reports could not be identified. To expedite the review, the DAT did not review the files of sources who produced only one or two reports. In the end, the Team examined and thoroughly reviewed the sources who produced roughly 55% of the reports cited by consumers as significant suspicions. While these and other reports could well have been reflected in other such analytic products, we have not identified them.

The fact that we can identify only a relatively few significant reports that were disseminated with inadequate warning does not mitigate the impact of Ames' treachery or excuse CIA's failure to adequately warn consumers. We believe that, whatever the numbers of such reports, the provision of information from controlled sources without adequate warning was a major intelligence failure that calls into doubt the professionalism of the clandestine service and the credibility of its most sensitive reporting.

The situation requires us to take two steps. First, and most importantly, we must ensure that such information does not reach senior policy-makers in the future without adequate warning that the information comes from sources we know or suspect to be controlled. Second,

we must examine certain important decisions taken by the United States to ensure that they were not influenced by these reports. If any decisions were influenced by faulty reports, we must determine what, if any, corrective measures should be taken.

With respect to the first step, I have established a new Customer Review Process under the National Intelligence Council. This process, which will include appropriately cleared representatives to our customer agencies, will work with the Directorate of Operations to ensure that recipients of extremely sensitive human intelligence reports are adequately advised about our knowledge of the source of the reports. This does not mean that these representatives of other agencies will be told the identity of the source of the information. Rather, our goal is that recipients of especially sensitive information can adequately understand and evaluate the intelligence.

With respect to the second step—reviewing decisions that might have been made using controlled information—it is important to understand that our knowledge of the details of a Soviet perception management effort is limited, as is what can be said publicly about the subject. Also, it is not the job of the DCI to review decisions made by other agencies. However, it is very likely that the KGB and later the SVR, sought to influence U.S. decision-makers by providing controlled information designed to affect R&D and procurement decisions of the Department of Defense. The DAT believes one of the primary purposes of the perception management program was to convince us that the Soviets remained a superpower and that their military R&D program was robust.

In an effort to understand the impact of this Soviet/Russian program, the DAT reviewed intelligence reporting relevant to a limited number of acquisition decisions taken by the Department of Defense to determine whether any reports from controlled or suspect agents had an impact on the decisions. The reporting covered eight categories of weapon systems, including aircraft and related systems, ground force weapons, naval force weapons, air defense missiles and cruise missiles. The DAT concluded, in coordination with DIA and the intelligence components of the military departments, that the impact varied from program to program. In some cases the impact was

negligible. In other cases, the impact was measurable, but only on the margin.

The dissemination of reports on Soviet/Russian military R&D and procurement programs from questionable sources had the potential to influence U.S. military R&D and procurement programs costing billions of dollars. The DAT surveyed a number of intelligence consumers in the Department of Defense. They found that consumers were often reluctant to state that this reporting had any significant impact. Determining damage always involves much speculation, but the team concluded that “clear cut damage” to intelligence analysis may have been limited to a “few cases.” They cited three in particular:

A report in the late 80's that would have influenced debates on U.S. general purpose forces,

Analyses of Soviet plans caused us to revise logistics support and basing plans in one overseas theater (see also above), and

Studies of certain Soviet/Russian cruise missile and fighter aircraft R&D programs may have overestimated the pace of those programs.

In addition, the team reviewed intelligence reporting that supported decisions in a number of defense policy areas, including U.S. military strategy. The team found that reporting from controlled or suspect agents had a substantial role in framing the debate. The overall effect was to sustain our view of the USSR as a credible military and technological opponent. The DAT found that the impact of such information on actual decisions, however, was not significant. In some cases, our military posture was altered slightly. In one example, changes already underway to enhance the survivability and readiness of the basing structure in an overseas theater was justified by information received from a controlled source. However, before the changes could be fully carried out, the Soviet Union collapsed, obviating the need for the change.

The DAT also reviewed a handful of national security issues that were the most likely to have been impacted by Ames' actions. For example, Ames passed U.S. all-source analysis of Soviet motives and positions in arms control negotiations. His espionage assisted their efforts to feed us information that supported the Soviet

positions. The DAT interviewed a limited number of officials with respect to arms control issues and related programs. The DAT found no major instance where Soviets maneuvered U.S. or NATO arms control negotiators into giving up a current or future military capability or agreeing to monitoring or verification provisions that otherwise would not have been adopted. This conclusion is buttressed by the fact that the Soviet's bargaining position grew increasingly weak as its economy deteriorated and Gorbachev struggled to maintain control.

After reviewing the DAT report, I believe it is incorrect to maintain that this reporting was completely irrelevant or completely determinate in U.S. weapon system decisions. The process by which U.S. weapons system development and acquisition decisions are made is complex and involves many considerations. These include technical feasibility, force modernization, life cycle cost, and industrial base considerations, as well as estimates of the near and long term threat. No single strand of intelligence information ever serves as the full justification for undertaking a large program.

The kind of impact that intelligence does have is:

Influencing the pace and timing of a development program to meet an anticipated threat. This is an influence at the margin of system acquisition.

Shaping the thinking of the technical and contractor community on the threat envelope facing a system under development.

Creating an impression, in combination with other information, of the status and vitality of an adversary's military R&D and procurement activities.

All of this affects the context in which U.S. acquisition decisions are made. I believe the net effect of the Soviet/Russian “directed information” effort was that we overestimated their capability. Why the Soviet/Russian leadership thought this was desirable is speculative.

A DoD team, working at the direction of the Deputy Secretary of Defense, recently completed the Department's review of the impact of directed reporting

on military policy, acquisition, and operations. That report has been briefed to the Secretary and Deputy Secretary of Defense and the Congress.

The combination of the loss of key human sources compromised by Ames, plus the directed information the KGB and SVR provided to the U.S. through controlled sources, had a serious impact on our ability to collect and analyze intelligence information. The DAT concluded that Ames' actions diminished our ability to understand:

Internal Soviet development, particularly the views and actions of the hard liners with the respect to Gorbachev in the late 1980's;

Soviet, and later Russian, foreign policy particularly Yeltsin's policies on non-proliferation and Russian involvement in the former CIS states; and

The extent of the decline of Soviet and Russian military technology and procurement programs.

The Ames case—and the other espionage cases of the 80s—remind us that other issues must be addressed. These include the serious lack of adequate counter-intelligence during much of the 80s and early 90s. My predecessors, the Attorney General and the Director of the FBI have made great progress in repairing this extremely important function. We have continued to make progress, but much work remains to be done. I detailed in my statement of 31 October a number of steps that are underway to correct these serious problems.

I look forward to working with the Committees to ensure the adequate implementation of these measures. I assure you that my colleagues in the Intelligence Community are fully committed to achieving these important reforms.

Conclusions

I regret that I cannot discuss in public more detail about the actual damage done by Aldrich Ames. To do so would compound that damage by confirming to the Russians the extent of the damage and permit them to evaluate the success and failures of their activities. That I cannot do.

However, it is extremely important that we not underestimate the terrible damage done by Ames' treachery. It is impossible to describe the anger and sense of betrayal felt by the Intelligence Community. It reverberates to this day and has given all of us renewed motivation to do our jobs. Across the board, in all areas of intelligence activity—from collection, to counter-intelligence, to security, to analysis and production, to the administrative activities that support the Community effort—we must renew our efforts to ensure that our activities are conducted with integrity, honesty, and the highest standards of professionalism. To do less is to fail.

I believe that the most important value the Intelligence Community must embrace is integrity—both personal and professional. We operate in a world of deception. It is our job to keep this nation's secrets safe and to obtain the secrets of other nations. We engage in deception to do our job and we confront deception undertaken by other nations.

But we must never let deception become a way of life. We must never deceive ourselves. Perhaps more than any other government agency, we in the CIA must have the highest standards of personal and professional integrity. We must be capable of engaging in deceptive activities directed toward other nations and groups while maintaining scrupulous honesty among ourselves and with our customers. We must not let the need for secrecy obscure the honest and accurate presentation of the intelligence we have collected or the analyses we have produced.

I believe we have approached the damage done by Ames with honesty and integrity. We have made the hard calls. We may have to make more. We have taken the steps necessary to discipline those responsible, to reduce the likelihood of such damage recurring and to begin to restore the confidence of our customers and the American people.

As I said at the beginning of this report, clandestine human operations remain vital to this country's security. They are often the most dangerous and difficult intelligence operations to conduct. But I want to assure the Congress and the American people that the American clandestine service will continue to conduct these operations and do so in the highest tradition of integrity,

courage, independence and ingenuity that have made our service the best in the world.

Unclassified Abstract of the CIA Inspector Generals 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' 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' supervisory chain discharged their responsibilities in the manner expected of them and directed the Executive Director of CIA to prepare a list of Ames' 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' 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' 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' 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' 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' 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



Aldrich Hazen Ames

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 (Soviet East European Division, later renamed Central Eurasia Division, directed operations related to the Soviet Union and its successor states) 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 Counter-intelligence 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.

4. In late 1989, after his return from Rome, Ames’ 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’ 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' 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 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 of 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 it 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



Rosario Ames

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 investigative 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' 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 psycho-

logical 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' 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' 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' 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' 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' 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' 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 attache, 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' 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 Counter-intelligence 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 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' 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 1970's, 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' 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 1990's, 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 attention 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' career, managers reported that they frequently counseled and reprimanded him, or cited in his PAR Ames' 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



L to R: NACIC officers Rusty Capes and Anna Kline; FBI Special Agent Les Wiser; who was in charge of the Ames Investigation and NACIC Branch Chief Frank Rafalko.

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 operational 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' 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' 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' alcohol abuse, several Agency managers say that alcohol abuse was not uncommon in the DO during the mid-to late-1980's and that Ames' 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 correlation 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 his 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 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’ 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’ lifestyle change was apparent to others as well as several employees state that they noticed at that time a marked improvement in Ames’ 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 Ames 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 to 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’ 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 consideration 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 if 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, particular 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 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 reinvesti-



Ames arrest at his car.

gation 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 inspection 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' polygraph examination in 1991. This 1991 BI is deemed by OS personnel to be a very professional and in-depth investigation of Ames' 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 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' 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 significant 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' 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 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’ investigation 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 in 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 qualifications 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 investigative 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 1986-86 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 the 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. Supervisors 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 process 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 as an integral part of the 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 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 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 phases appears to have been a model of cooperation.

The White House

Office of the Press Secretary

For Immediate Release

May 3, 1994

Statement By The Press Secretary

U.S. Counterintelligence Effectiveness

President Clinton signed today a Presidential Decision Directive on U.S. counterintelligence effectiveness to foster increased cooperation, coordination and accountability among all U.S. counterintelligence agencies. The President has directed the creation of a new national counterintelligence policy structure under the auspices of the National Security Council. In addition, he has directed the creation of a new National Counterintelligence Center, initially to be led by a senior executive of the Federal Bureau of Investigation. Finally, the President's Decision Directive requires that exchange of senior managers between the CIA and the FBI to ensure timely and close coordination between the intelligence and law enforcement communities.

The President's decision to take these significant steps of restructuring U.S. counterintelligence policy and interagency coordination, followed a Presidential Review of U.S. counterintelligence in the wake of the Aldrich Ames espionage investigation. The President, in issuing this Directive, has taken immediate steps to improve our ability to counter both traditional and new threats to our nation's security in the post-Cold War era.

Fact Sheet:

U.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



Keith Hall, first Chairman of National Counterintelligence Board.

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, the President directed 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.

The following specific initiatives will 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 PDD-44.

The National Counterintelligence Center will implement interagency CI activities as described in PDD-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 on U.S. counterintelligence effectiveness.