

A Review of the FBI's Performance in Uncovering the Espionage Activities of Aldrich Hazen Ames (April, 1997)

Explanatory Note

On April 15, 1997, we delivered our report entitled A Review of the FBI's Performance in Uncovering the Espionage Activities of Aldrich Hazen Ames to the House Permanent Select Committee on Intelligence, the Senate Select Committee on Intelligence, the Attorney General, and the Director of the Federal Bureau of Investigation (FBI). We also delivered a copy to the Director of the Central Intelligence Agency (CIA). The report itself is nearly 400 pages long and constitutes a careful and comprehensive review of the FBI's performance in uncovering the espionage activities of Aldrich Ames. The report is the culmination of a lengthy effort by a dedicated group of people from the Office of the Inspector General (OIG) and the FBI.

The report contains extraordinarily sensitive classified information, thus making it impossible for us to distribute the report itself to a wider audience. We have therefore developed this unclassified executive summary to provide the outline of our findings. We thought it important to report on the scope of our investigation, our findings, and our recommendations. We believe this unclassified executive summary accomplishes that objective.

We wish to acknowledge the very substantial cooperation we received from Frederick P. Hitz, the Inspector General of the CIA, and his staff during the course of our review. We also wish to acknowledge the full cooperation of the FBI in enabling the investigative team to obtain pertinent documents and interview witnesses with knowledge of the relevant facts.

Most of all, I want to pay tribute to the members of the team whose efforts are well-reflected in the full report but can only be glimpsed in this necessarily abbreviated unclassified executive summary. They made many personal and professional sacrifices over the course of this review, and I am greatly in their debt for the outstanding work they did during this investigation and in the drafting of our report. The Special Investigative Counsel and the OIG members of the team are listed on the signature page of this unclassified executive summary. We did not list the members of the team from the FBI at their request. Nevertheless, I deeply appreciate their efforts in this shared enterprise.

Michael R. Bromwich

Inspector General

April 21, 1997

UNCLASSIFIED EXECUTIVE SUMMARY

I. Introduction

In this report, the Office of the Inspector General (OIG) of the Department of Justice (DOJ) examines the performance of the Federal Bureau of Investigation (FBI) in uncovering the espionage activities of former Central Intelligence Agency (CIA) Directorate of Operations officer Aldrich Hazen Ames. Because Presidential Executive Order 12333 gives the FBI primary responsibility for combatting espionage conducted within United States borders, Ames' espionage on behalf of the Soviet Union, and later Russia, fell within the FBI's jurisdiction.

Ames served as a CIA officer for nearly thirty years, spending a significant portion of his career in the CIA's Soviet/East European Division. On February 21, 1994, Ames was arrested by FBI agents and charged with conspiracy to commit espionage. Ames pleaded guilty, and on April 28, 1994, he was sentenced to life imprisonment.

After his arrest, Ames disclosed that he had engaged in espionage for nine years -- from the spring of 1985 until his arrest in February 1994. During that time, Ames provided a wealth of classified information to his handlers. In particular, Ames provided information to the KGB that led to the compromise and execution of at least ten CIA and FBI intelligence sources. Assessments following Ames' arrest have indicated that Ames' betrayal will continue to have a negative effect on this nation's intelligence efforts for years to come.

After Ames' arrest, the Senate Select Committee on Intelligence (SSCI) recommended that the CIA Inspector General investigate the CIA's performance in connection with Ames. In September 1994, the CIA Inspector General issued a report detailing deficiencies in the CIA's counterintelligence effort and management of personnel. After reviewing various issues relating to the Ames matter, the House Permanent Select Committee on Intelligence (HPSCI) issued a report recommending an examination of the FBI's performance in connection with Ames. We initiated our review in response to that recommendation.

II. Summary of the DOJ Inspector General Investigation

The Inspector General assembled a team of eleven agents and analysts to pursue this review. The team was led by an Assistant United States Attorney on detail to the OIG. Ultimately, the team reviewed more than 26,000 pages of material from the FBI, the CIA, SSCI, and HPSCI. These documents concerned the full nine-year scope of Ames' espionage activities, as well as the debriefings and damage assessments that followed his arrest. While our review was largely driven by questions and issues raised in the reports issued by HPSCI and SSCI, our own investigation disclosed additional areas for inquiry.

The team conducted more than one-hundred interviews during the course of the review. We sought to interview all FBI and CIA personnel who had significant involvement with what became the Ames investigation during the 1985 to 1994 period. We interviewed much of the operational hierarchy of the FBI's Intelligence/National Security Division during this same period, as well as the leaders of the CIA's Soviet/East European Division and the Counterintelligence

Center. We also interviewed Ames at the United States Penitentiary in Allenwood, Pennsylvania.

Our final report is nearly 400 pages in length. Because of the extremely sensitive information it contains, it is classified at the top secret level. Copies of our final report were provided to a very limited audience including the Attorney General, the Director of the FBI, the Director of the CIA, and the Chairman, Vice Chairman, and Staff Directors of both HPSCI and SSCI. We prepared this unclassified executive summary as a means of disseminating the results of our review more widely.

III. The FBI's Performance in Uncovering Ames

The story of the Ames case begins with a catastrophic and unprecedented loss of Soviet intelligence sources suffered by the CIA and the FBI in 1985 and 1986. Both agencies initially mounted efforts aimed at determining the cause of these losses (which stemmed from Ames' collaboration with the KGB) but as time passed, the level of attention devoted to this issue by the FBI and the CIA sharply declined. In our report, we examine in detail the flow of information between the CIA and the FBI concerning the 1985-86 losses, and the FBI's actions in response to the information it received. We also focus on what information the FBI received from the CIA concerning Ames (who fell under suspicion at the CIA in late 1989), and evaluate whether the FBI's actions related to this information were reasonable under the circumstances. We did not examine in detail the FBI's performance after it opened an investigation of Ames. That investigation, once it was initiated, was handled by the FBI with professionalism and thoroughness.

In conducting our review, we found it useful to divide the 1985 to 1994 time period into three phases. The first phase concerns the time span between the first reported loss of CIA and FBI Soviet intelligence sources in 1985, and the completion, in September 1987, of a report by an FBI task force created to determine what caused valuable FBI Soviet sources to be compromised. In its report, the FBI reached no firm conclusions concerning the cause of its intelligence losses and did not analyze those losses and their relationship to losses suffered by the CIA.

The second phase described in our report reviews relevant events occurring between September 1987, when the FBI task force issued its report, and mid-1991, when the CIA and the FBI embarked on a joint review of the 1985-86 losses. During this period, the FBI investigated other unrelated espionage cases and made attempts to obtain intelligence information about the 1985-86 compromises. However, the FBI did not pursue any analytical or investigative effort focused specifically on determining the cause of both the FBI's and the CIA's 1985-86 losses. Potentially incriminating information concerning Ames was developed at the CIA in November 1989, but was not provided to the FBI.

The third phase of the chronology developed during our investigation concerns the time span between mid-1991 and Ames' arrest in February 1994, and focuses on the work of a joint FBI/CIA team that was formed in mid-1991 to determine the cause of the 1985-86 losses. By August 1992, this team had collected compelling circumstantial evidence implicating Ames, but the team did

not suggest to anyone at FBI Headquarters or at the FBI's Washington Field Office that the FBI should open an investigation of Ames. Although certain supervisors at FBI Headquarters and at the FBI's Washington Field Office were aware that Ames was a top mole suspect, none of these managers requested a written report detailing any of the information concerning Ames. The FBI waited until after the joint team's final report was issued in March 1993 before opening an investigation of Ames. That investigation ultimately led to Ames' arrest in February 1994.

Our review revealed that throughout nearly the entire nine-year period of Ames' espionage, FBI management devoted inadequate attention to determining the cause of the sudden, unprecedented, and catastrophic losses suffered by both the FBI and the CIA in their Soviet intelligence programs. Indeed, FBI's senior management was almost entirely unaware of the scope and significance of the mid-1980s losses and of the FBI's limited efforts to determine their cause. FBI senior management's lack of knowledge concerning the intelligence losses contributed to the FBI's failure to devote priority attention to this matter, particularly after 1987. Moreover, the FBI never showed any sustained interest, prior to mid-1991, in investigating the enormous intelligence losses suffered by the CIA. Even when a joint effort was initiated in mid-1991, that effort suffered from inadequate management attention as well as insufficient resources.

The inadequate briefing of senior FBI managers also led to the FBI's failure to fulfill its statutory obligation under Section 502 of the National Security Act of 1947 (50 United States Code, Section 413(a)) to notify the Congressional intelligence committees of "any significant intelligence failure[s]." Clearly, the entire scope of the losses sustained by the FBI and CIA in 1985 and 1986 falls within the meaning of the statute's notice provision. The FBI's senior managers never understood the scope and significance of these losses, however, and therefore were in no position even to consider briefing Congress on this matter.

A. Findings Concerning The FBI's Performance During the 1985 To September 1987 Period

In 1986, the FBI learned that two of its most important Soviet assets had been compromised. The FBI quickly formed a task force of six agents, code-named ANLACE, to determine how these critical assets had been compromised.

The ANLACE Task Force soon encountered serious obstacles in attempting to determine how the FBI's assets were compromised. When agents attempted to construct an access list showing the FBI personnel who had knowledge of the assets, they determined that as many as 250 FBI employees at the FBI's Washington Field Office alone likely had knowledge of these cases. Given this fact, the ANLACE team made no effort to determine whether any FBI employeewith knowledge of the cases had any special vulnerabilities, such as unreported contacts with Soviets, alcohol or drug dependency, or a sudden and unexplained increase in wealth. Instead, once the task force had completed its examination of the operational details of the compromised cases, the investigation of their compromise turned largely to potential explanations outside the FBI, and primarily at the CIA, about which the ANLACE team knew very little.

Ultimately, the ANLACE Task Force issued a final report in September 1987 that failed to resolve the cause or causes of the FBI's recent losses. While the report stated that the ANLACE team had found no evidence of a current penetration of the FBI, the report did not reveal that the team had essentially conducted no investigation of FBI personnel with access to the compromised cases. In addition, the ANLACE report failed to disclose that the CIA, which had had access to information concerning the FBI's compromised cases, was simultaneously suffering unprecedented asset losses in its Soviet program.

As a result of the information Ames delivered to the Soviets in June 1985, the CIA had suffered major losses in its Soviet asset pool. Those losses were reported to ANLACE team members and to their FBI Headquarters supervisors at a series of joint FBI/CIA conferences between December 1986 and December 1988. By early 1987, CIA personnel attending these joint conferences had reported to the FBI that the CIA's Soviet program had rapidly suffered unprecedented losses of its most significant assets at the same time the FBI was experiencing its asset losses. The ANLACE team did not disclose this fact in the ANLACE report, however, and our investigation revealed that senior FBI managers at that time, including the FBI Director and the Assistant Director-in-Charge of the Intelligence Division, never gained a true understanding of the scope and significance of the CIA's asset losses in 1985 and 1986.

In sum, between 1986 and September 1987, the FBI was a passive recipient of information concerning the serious losses suffered by the CIA in its Soviet program. Senior FBI managers were unaware of the CIA's losses, while mid-level FBI supervisors and FBI line personnel appear to have believed that receipt of this information imposed no responsibility on the FBI. Although the events of 1985 and 1986 strongly suggested that the CIA and FBI asset losses were related, the FBI made little effort to convince the CIA to embark on a joint investigation of this problem. Numerous FBI and CIA personnel whom we interviewed agreed that the FBI and the CIA should have pursued a joint investigation of the 1985-86 compromises once the scope of the losses became clear. The FBI's failure to press for a joint investigation with the CIA stemmed primarily from the inadequate briefing of the FBI's most senior management and from the FBI's understanding, at this time, that the CIA would resist sharing sensitive intelligence information.

If the FBI and the CIA had initiated a joint investigation of these losses in 1987 or 1988, there is reason to believe that Ames would have emerged as a mole suspect. Access lists developed after mid-1991, but which could have been prepared earlier, showed that Ames was one of only about forty CIA employees with across-the-board access to the assets compromised in 1985 and 1986. If certain investigative steps were undertaken with respect to these individuals, such as determining whether any had had unreported contacts with Soviets, or had suddenly evidenced unexplained wealth, Ames would have come under suspicion. Indeed, the most compelling circumstantial evidence against Ames -- the correlation between several meetings he had in 1985 and 1986 with a Soviet diplomat and large cash deposits that he had made to his bank accounts the next business day following those meetings -- was available in record form in 1987 and 1988. However, because there was no joint investigation at this time and because the necessary investigative steps were not taken, this

information was not requested by either CIA or FBI investigators until the summer of 1992.

B. Findings Concerning The FBI's Performance During The September 1987 To Mid-1991 Period

During the September 1987 to mid-1991 period, the FBI investigated other unrelated espionage cases and made some attempts to obtain information about the 1985-86 compromises. However, the FBI did not initiate any analytical or investigative effort specifically dedicated to resolving the cause of both the FBI's and the CIA's 1985-86 asset losses. Moreover, the FBI showed no interest in pursuing a joint investigation with the CIA regarding these losses even after learning at the joint FBI/CIA conferences in 1988 that the number of compromises in the 1985-86 period was vastly higher than any previous two-year time period.

In addition to revealing the CIA's unprecedented Soviet asset losses at these joint meetings, CIA personnel also conveyed their realization that potential non-mole explanations for the losses were fading. During the 1986-87 period, the CIA had struggled to determine former CIA employee (and later defector to the Soviet Union) Edward Lee Howard's access to the compromised cases, investigated whether United States Marine guard Clayton Lonetree had permitted Soviets to enter the United States Embassy in Moscow, and tested CIA's communications systems in the United States and Moscow. At the FBI/CIA joint meetings in 1988, FBI personnel were told that no evidence had been found that Lonetree had permitted the KGB to enter the Moscow Embassy and that tests of CIA's communications systems had found no penetration. The FBI also learned that Howard could not have betrayed some of the compromised cases, particularly those that had been initiated after his 1983 resignation from the CIA.

By 1988, the FBI's own counterintelligence experts were convinced that the 1985-86 asset losses had been caused by a human penetration. The quick, decisive arrest and execution of FBI and CIA sources indicated that the Soviets had obtained reliable, detailed information from a mole who likely had across-the-board access to sensitive Soviet operations. And a 1988 FBI analytical study detailing the continuing, serious disruption and unexplained compromises that were taking place in the FBI's Soviet program indicated that a mole could still be at work. FBI personnel were also beginning to recognize at this time the obvious relationship between the CIA and FBI Soviet asset losses. Indeed, the FBI's 1988 analytical study concerning the FBI's Soviet program explicitly suggested that a relatively well-placed penetration of the CIA could have compromised the lost FBI operations.

None of this information or analysis, however, led the FBI to intensify its own efforts to resolve the cause of the 1985-86 losses, or to consider joint action with the CIA. After the ANLACE Task Force issued its report in September 1987, the team disbanded, leaving the FBI without any analytical or investigative effort aimed at resolving the cause of the FBI's and the CIA's 1985-86 losses. In addition, the FBI's limited efforts at cooperation with the CIA on the penetration issue during this period ended with the last joint FBI/CIA conference in December 1988. The personnel at each agency who had focused on the lost

assets issue went on to other duties and largely ceased communications on this subject.

The failure of the CIA and the FBI to pursue a joint investigation of the lost assets issue prior to 1991 significantly delayed the detection of Ames' espionage. Neither internal CIA and FBI records concerning Ames' 1985-86 unreported meetings with a Soviet diplomat, nor bank records showing Ames' subsequent large cash deposits, were examined. Moreover, potentially incriminating information concerning Ames that became available at the CIA at this time was not properly referred to the FBI for investigation.

By late 1989, CIA personnel began to receive highly disturbing information concerning Ames' finances. A CIA colleague of Ames reported to CIA counterintelligence personnel that Ames, who had been experiencing financial difficulties prior to 1986, experienced a sudden, unexplained improvement in his finances. This CIA employee reported that Ames had purchased a \$540,000 house in 1989 and engaged in lavish spending, all on a Government salary of \$40,000 to \$50,000 a year. The CIA employee's tip also specifically linked Ames' sudden wealth to his knowledge of the cases compromised in 1985 and 1986.

The CIA's investigation of this lead regarding Ames quickly revealed more disturbing information, including the fact that Ames had purchased his \$540,000 home in 1989 for cash, *i.e.*, with no mortgage, and that he had engaged in three substantial cash transactions, totalling more than \$50,000, between 1985 and 1989. Despite these facts and the existence of a 1988 FBI/CIA Memorandum of Understanding stating that the CIA would provide timely notice to the FBI of any conduct by CIA officers that raised counterintelligence concerns, no information concerning Ames was provided to the FBI prior to mid-1991.

If a joint FBI/CIA team had existed during the 1987 to 1990 period, it is reasonable to assume that the CIA employee's tip in November 1989 and the other financial information discovered by the CIA concerning Ames would have come to that team's attention, as it did to the joint team that was established in 1991 (the Special Investigations Unit). And once the joint FBI/CIA team learned of the potentially incriminating information concerning Ames' sudden increase in wealth and his access to the compromised cases, the FBI would have had sufficient information to justify an investigation of Ames.

Early FBI involvement in the investigation of Ames also would have had the potential to accelerate significantly his eventual identification as the source of the asset losses. Instead, the financial investigation of Ames from November 1989 to March 1993 was pursued exclusively by a CIA officer who had limited training and experience in conducting financial investigations. And because this CIA officer had numerous other responsibilities, several years passed without any sustained effort to resolve questions concerning the source of Ames' sudden wealth.

Because the CIA possessed information that cast suspicion on Ames, and chose not to share this information with the FBI prior to 1991, the CIA must bear primary responsibility for the failure of investigators to focus on Ames during the September 1987 to mid-1991 period. The FBI's subsidiary responsibility

stems primarily from its continuing failure during this same time period to seek a joint investigation with the CIA of the catastrophic losses sustained in 1985 and 1986.

The FBI's failure to focus on this matter resulted from management inattention and inadequate briefing of senior management. Our investigation revealed that during the 1987 to 1991 period, the FBI's most senior management, particularly the Director and the Assistant Director-in-Charge of the Intelligence Division, had little awareness of the 1985-86 asset losses, the FBI's continuing operational difficulties in its Soviet program, or FBI projects related to these issues.

This lack of management attention to and involvement with the lost assets issue led the FBI to devote inadequate resources to resolving the cause of this problem during the 1987 to 1991 period. By 1988, it was clear that United States intelligence had suffered catastrophic damage in its most important program. Espionage was the most likely cause of the damage. Yet the FBI's stance was passive concerning the lost assets issue throughout the 1987 to 1991 period, both with respect to the CIA's losses and with respect to the FBI's own disrupted operations. Given the significance of the losses suffered in 1985 and 1986, and the continued disruption in the FBI's Soviet operations, the FBI should have initiated an intensive effort aimed at determining the cause or causes of these setbacks. Unfortunately, no such effort was undertaken.

While management inattention and the inadequate briefing of senior management were important elements in the FBI's failure to take action, our review also revealed some confusion at the FBI with respect to the FBI's responsibility to address extraordinary intelligence losses, particularly at the CIA. We conclude that once espionage has emerged as a leading candidate for explaining such losses, the FBI, as the lead counterintelligence agency in this country, must aggressively investigate those losses. Here, the FBI ignored the obvious disaster at the CIA, even when the FBI's own operations had suffered -- and were continuing to suffer -- disruptions and compromises.

C. Findings Concerning The FBI's Performance During The Period From Mid-1991 To Ames' Arrest In February 1994

In mid-1991, CIA officials independently decided to undertake a new effort to resolve the cause of the 1985-86 losses. When FBI personnel learned of this effort, they expressed an interest in participating, and the concept of a joint CIA/FBI investigation of the 1985-86 losses was born. This joint effort, referred to as the Special Investigations Unit (SIU), was based at the CIA; its staff consisted of two CIA counterintelligence officers, an FBI Special Agent, and an FBI Analyst.

While reaching agreement on the personnel who would be assigned to this joint effort, the FBI and the CIA had little discussion concerning the new team's mission, the time period in which it would complete its work, and the product the new team would produce. It was never clear to team members whether the SIU was supposed to conduct an analytical study of the 1985-86 losses or to pursue an investigation of certain leading mole suspects. As a result, part of the

SIU pursued each strategy, resulting in the dilution of personnel resources that were already inadequate.

Once assigned to the SIU, the two FBI representatives had little substantive contact with their supervisor at FBI Headquarters. While the supervisor had told his FBI superiors that the FBI members of the SIU would be required to submit reports on a monthly basis and that the CIA and FBI would meet monthly concerning the SIU, our review revealed that the two FBI members of the SIU submitted written reports to their supervisor on only three occasions during the two-year life of the SIU, and that only two joint meetings concerning the unit took place between CIA and FBI supervisory personnel.

The two FBI members of the SIU also had little substantive contact with a special investigative squad formed at the FBI's Washington Field Office to investigate mole suspects identified by the SIU. Agents on this special squad were told by FBI supervisors that the SIU team would produce a list of suspects for investigation by the spring of 1992. However, the SIU did not issue its final report until March 1993, by which time the special investigative squad had largely disbanded.

After arriving at the CIA, the FBI members of the SIU quickly became aware of the information developed by CIA personnel concerning Ames. This evidence included Ames' broad access to the cases compromised in 1985 and 1986; the sudden increase in wealth he enjoyed in the mid-to-late 1980s; the absence of a mortgage on his \$540,000 home purchased in 1989; and his large and unexplained cash transactions in 1985, 1986, and 1989. The FBI members of the SIU also interviewed the CIA employee who had provided the original tip concerning Ames' finances. This individual outlined the improvement in Ames' financial circumstances and further explained that Ames' in-laws could not account for this change.

While the FBI members of the SIU were given full access to the information that had been developed concerning Ames, and were kept apprised of additional information as it was obtained, they had almost no involvement in the investigation of Ames. One of the CIA members of the SIU collected information for a chronology concerning Ames' access and duties at the CIA, while another CIA officer pursued a financial investigation of Ames in the same intermittent fashion that had characterized the 1989 to 1991 period. The other members of the SIU, including the FBI participants, undertook a traditional analytical approach to resolving the cause of the 1985-86 losses. This approach involved a comprehensive analysis of numerous files concerning the compromised CIA and FBI Soviet cases in an effort to discover patterns and similarities.

In the spring of 1992, the CIA officer pursuing the financial investigation of Ames was directed by his CIA superiors to complete an in-depth analysis of Ames' finances. In June 1992, the CIA officer sent letters to Ames' banks and credit card providers requesting financial information. The resulting credit card statements showed that Ames was charging expenditures of as much as \$30,000 per month, while the monthly statements for Ames' bank accounts showed that hundreds of thousands of dollars had flowed through those accounts over the previous five years.

At this same time, the CIA member of the SIU who had developed the Ames chronology was analyzing information obtained from CIA and FBI files concerning Ames' contacts with Soviets in 1985 and 1986. In August 1992, this CIA employee discovered a strong correlation between several of Ames' meetings with a Soviet diplomat in 1985 and 1986 and Ames' large cash deposits into his bank accounts. These deposits were usually made on the next business day after Ames met with the Soviet. In addition to this financial information, the SIU's analytical study of the compromised cases had revealed that Ames had had access to nearly all of the operations that were compromised in 1985 and 1986.

All of this information was shared with the full SIU team, including the FBI members, and with certain CIA supervisors. Despite the compelling circumstantial evidence of Ames' involvement in espionage, however, no member of the SIU and no one in CIA's management suggested to anyone at FBI Headquarters or at the FBI's Washington Field Office that an investigation of Ames should be opened. Although certain supervisors at FBI Headquarters and the Washington Field Office were aware that Ames was a top mole suspect, none of these managers requested a written report detailing any of the information concerning Ames. Both CIA and FBI personnel decided to wait for the SIU's final report before taking any action.

The SIU issued its final report in March 1993, approximately a year later than expected. After concluding that there was a penetration of the CIA, the report presented a series of access lists showing which CIA employees had had broad access to the compromised cases. By the time the report was issued, however, the squad formed at the FBI's Washington Field Office to investigate mole suspects identified by the SIU had almost entirely disbanded. Having never received a list of prime suspects from the SIU, the squad members had returned to their home offices. After the report was issued, the FBI assembled another investigative team at its Washington Field Office. This team opened an intensive investigation focusing on Ames which resulted in his arrest in February 1994.

We found that the SIU effort and the FBI's contribution to that effort were undermined by a number of factors. The failure of FBI and CIA managers to reach an understanding as to the mission, duration, and objectives of the SIU led to confusion on these subjects both within the SIU and at the FBI. Given the unusual nature of the SIU effort and its important objective, the FBI's supervision of FBI personnel assigned to the SIU was inappropriately lax. Coordination between the SIU and the FBI's investigative squad was poor, as evidenced by the squad's dissolution before the SIU had even issued its final report. And the decision that the FBI members of the SIU would report to FBI Headquarters rather than to supervisors at the FBI's Washington Field Office isolated the FBI members of the SIU from the investigators who were charged with pursuing the mole suspects that the SIU identified. In addition, because of continuing communications and reporting failures, top FBI management had virtually no knowledge of the pursuit of an active and extremely damaging mole at CIA Headquarters.

III. Summary of Recommendations

We found that the lack of knowledge and experience in counterintelligence work among certain FBI senior managers seriously hampered the FBI's effort in uncovering Ames' espionage. We recommend that the FBI promulgate a policy mandating that the Assistant Director-in-Charge of the National Security Division, and his/her Deputy Assistant Director-in-Charge for Operations, possess a strong background in counterintelligence work.

Former FBI Directors told us that they had not been informed of important facts concerning the 1985-86 asset losses and the Ames case. The FBI should establish policies designed to ensure that the Director is informed of significant counterintelligence successes and failures. Records reflecting such briefings should be maintained by the Director's office. The FBI should also promulgate policies designed to ensure that officials responsible for briefing Congress on intelligence matters are familiar with the FBI's statutory briefing obligations under Section 502 of the National Security Act of 1947.

We also recommend that the Director of Central Intelligence (DCI) work together with the FBI, the CIA, and other members of the Intelligence Community, as appropriate, to draft policies ensuring that the CIA, the FBI, and other Intelligence Community members cooperate to resolve significant intelligence losses involving operations about which they collectively have information. The DCI should also work with the CIA, the FBI, and other members of the Intelligence Community to formulate guidelines designed to ensure that the FBI, the CIA, and other Intelligence Community managers reach agreement concerning the mission, strategy, resources, objectives, duration, and reporting structure for any joint efforts. In addition, written FBI policies should require that FBI managers closely supervise their personnel during such joint operations.

While all FBI personnel interviewed agreed that in the Ames investigation the correlation between Ames' meetings with a Soviet diplomat and his cash deposits provided sufficient information to open an investigation of Ames, these facts were not communicated in writing to an FBI supervisor until after initiation of the Ames investigation. The FBI should review its policies and procedures to ensure that when FBI personnel learn of specific facts that might justify an investigation, they inform their supervisors in writing of this information.

Throughout our review, we encountered analytical reports prepared by FBI personnel that had not been evaluated or effectively used by FBI supervisors. We recommend that the FBI adopt a policy mandating an evaluation of such reports to determine whether the conclusions are valid and whether any further action is warranted.

Finally, the FBI was unable to provide our review team with a definitive answer concerning the distribution of various top secret documents. Given the sensitive nature of such documents, the FBI should develop and maintain a better record-keeping system for tracking their dissemination.

IV. Conclusion

Our review found that the FBI allocated enormous resources to the investigation of Ames once it was initiated, and that the Ames investigation was efficiently

and professionally pursued. Based in part on incriminating documents recovered from Ames' residential trash, the FBI built an overwhelming case against Ames that led him to plead guilty to espionage charges following his February 1994 arrest.

The ultimate success of the Ames investigation, however, highlights the damage caused by the failure of the CIA and the FBI to fully cooperate earlier in investigating the 1985-86 asset losses. The success of the investigation also indicates that proper attention by FBI's senior management to the serious intelligence losses sustained in 1985 and 1986, and better communication concerning these matters within the FBI, would have likely led to an earlier discovery of Ames, thus cutting short his career of espionage.

Michael R. Bromwich

Inspector General

April 21, 1997

Special Investigative Counsel

Paul G. Gardephe

Team Members from the

Office of the Inspector General

Susan Woodside

Ann Ihnat Prentice

Joseph Cuffari

Thomas Huggins

Cynthia McGrory

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