

ARTICLE APPEARED
ON PAGE /

COMPUTERWORLD
16 NOVEMBER 1981

Electronics Underworld

Former CIA Agent Implicated in DP Contract Scam

By Christopher Simpson
Special to CW

The amazing case of Ed Wilson and Frank Terpil — the two former Central Intelligence Agency agents accused of shipping explosives to Libya — has led to criminal investigations on three continents, a congressional inquiry and a purge of senior U.S. intelligence officials in the last three years.

But that may be only the beginning.

Allegations of corruption in the traditionally top-secret procurement of computers and other sophisticated electronics by U.S. intelligence agencies have been brought to light recently by new press and government inquiries. Such contracts are worth tens of millions of dollars each year to U.S. manufacturers.

The federal indictment of Wilson, Terpil and one other defendant has focused on their alleged role in supplying C-4 plastique explosives and military fuel thickener (the basic ingredient in napalm) to Libya's Muammar Qaddafi. Missing from the government's indictment, however, is the fact that Wilson was employed by the U.S. government long after he left the CIA.

Interviews with former Wilson associates and a check of government records reveal that between 1971 and 1976 Wilson was a top procurement officer for a secret naval intelligence group known as Task Force 157. Former Task Force 157 agents now allege that Wilson used his position on the task force both to enrich himself and to lay the groundwork for his later career as an export "consultant" specializing in military technology.

Along the way, according to Kevin Mulcahy, a former Wilson business associate, Wilson made a small fortune in kickbacks from companies for which he arranged government contracts both in the U.S. and abroad. Mulcahy, a former CIA computer and electronics specialist hired by Wilson for his technical expertise, also told a Washington, D.C., grand jury that one of Wilson's best customers was Control Data Corp., the mainframe manufacturer.

A spokesman for CDC denied that charge. Wilson himself is presently a fugitive in Libya and could not be reached for comment.

'Foreign Intelligence Unit'

What exactly was Task Force 157? According to documents obtained from former naval intelligence officers, it was a "human source foreign intelligence unit" staffed by "clandestine intelligence Case Officers."

Task Force 157's tasks ranged from systematically infiltrating international maritime unions to collecting intelligence on Soviet nuclear bomb shipments. It was involved in almost every major intelligence operation in the last 15 years, according to informed sources, from the bloody overthrow of the Allende government in Chile to Henry Kissinger's secret trip to Peking in 1971. One important function of the group was providing secure communications channels and data processing support for clandestine operations.

Most Task Force 157 agents worked for front companies — called "proprietarys" — of the Naval Intelligence Command. These companies were often "nonexistent corporate entities ... created by federal officials under the guidance of U.S. Navy auditors," according to former Task Force 157 Agent Gerald Walters. Two such proprietarys of particular interest to the computer industry were Pierce Morgan Associates, a now-defunct "computer systems consulting" firm whose offices in Alexandria, Va., provided cover for Task Force 157 agents, and Consultants International, Inc., a Washington, D.C.-based import/export consulting firm.

Wilson's Navy Job

Wilson had a desk and his own staff at Task Force 157 headquarters, according to eyewitnesses. His Navy assignment included the creation of a network of corporations, many of which he personally controlled, to provide cover for sensitive Task Force 157 purchases and agents. Pur-

continued

chases ranged from sophisticated communications and surveillance equipment to luxurious gifts and entertainment for maritime union officials and congressmen.

It is virtually impossible today to separate Wilson's role as a private entrepreneur from his work as a naval intelligence officer. Some of Wilson's companies enjoyed exclusive contracts as "laundries" for Navy spy money and equipment. Federal investigators are now looking into charges that Wilson routinely received kickbacks from American manufacturers and foreign governments in return for procurement contracts handled by his private companies. Some of these contracts were allegedly financed by taxpayer money allocated to him in his alter-ego role as purchaser for Task Force 157.

According to Wilson's attorney, John Keats, Wilson is "unavailable for comment" on these charges. Keats, who said Wilson "retired voluntarily" from Task Force 157, commented that Wilson "denies any wrongdoing" with respect to Task Force 157 procurements.

During the period he was employed by Task Force 157, Wilson purchased more than \$3 million worth of prime real estate, according to Virginia land records. It could not be determined from public records whether a direct connection exists between Wilson's business affairs during that period and the land purchases.

Wilson's alleged abuse of his procurement authority to channel government contracts to companies he set up and controlled was an important factor in the 1976 decision by then-naval intelligence chief Adm. Bobby Ray Inman to disband the task force. Inman's move was opposed at the time by several high-ranking intelligence officials, who argued that the task force was an important asset.

'Too Hot to Handle'

Sources familiar with the debate at the time, however, told the *Washington Post* that the spy unit had become simply "too hot to handle."

Wilson has bragged of holding a controlling interest in more than 100 corporations. Some provided cover employment for Task Force 157 agents who were paid by the government, but worked full- or part-time for Wilson.

One Wilson/Task Force 157 company of particular interest is Consultants International. Wilson assumed directorship of that company at the same time he was hired by Task Force 157, and the company is believed to have provided cover for several Task Force 157 agents.

Interestingly, an early director of Consultants International was Robert Keith Gray, an influential Republican party figure who has served more recently as cochairman of President Reagan's Inaugural Committee. Gray now claims that he never knew he was listed in corporate records as a board member of Consultants International.

Another director of the firm was W. Byron Sorrell, now a judge of the Washington, D.C., Superior Court.

It is through Consultants International that one gets a glimpse of the range of Wilson's activities involving the computer and closely allied industries. It was with Consultants International, for example, that CDC negotiated a 1976 contract that is presently under investigation by federal authorities.

Former Consultants International officer Mulcahy alleges the contract was a cover for a scheme to bribe U.S. defense and intelligence procurement officials and gain secret marketing information for CDC. According to Mulcahy, he was a dupe during negotiation of the scheme, but discovered later that Wilson intended to bug meetings of the U.S. Army Material Command and had several key military officers on his payroll. Wilson's attorney described Mulcahy's charges as "a lot of hooey." A spokesman for CDC had a different explanation for his company's association with Wilson. Wilson was hired in mid-1976, according to CDC's Bill Shaffer, to market obsolete subassemblies and parts for previous-generation computer technology to Third World countries.

CDC "absolutely did not" know of any scheme to provide bribes to government officials or bug meetings, he maintained. Shaffer pointed to CDC's strict marketing ethics policy, which provides for immediate termination of any CDC employee who knows of such schemes and does not report them, as further proof that the incidents could not have happened as Mulcahy described them.

Confidential correspondence found in Consultants International files, however, raises questions about CDC's version of events. The main-framer's contract with Consultants International, for example, says nothing about sales of subassemblies in the Third World. The contract, No. 9540-143644, describes Wilson's duties as simply "consulting services in the area of Department of Defense programs. Specific responsibilities will be defined by the Contract Monitor." According to Shaffer, such language is "standard" in CDC contracts. However, another person at CDC who served as the company's contact with Wilson was "flabbergasted" when he saw that "a secretary" had typed it into the Wilson contract, Shaffer said.

On CDC Payroll

Other confidential correspondence between Consultants International and CDC months after the contract was signed shows that Consultants International had not received a list of the parts it was supposed to sell. CDC admits that Wilson and Consultants International never did sell the parts, but were kept on the CDC payroll for three years nonetheless.

Be that as it may, it is worth noting that CDC's strict marketing ethics policy was imposed only in the wake of disclosures that the company had expended more than \$4.5 million in bribes and other questionable payments overseas in order to obtain contracts between 1967 and 1976. The company was eventually convicted of related charges in 1978.

CDC was not the only major computer-related company involved in making such payments. By late 1976, Sperry Rand Corp., Honeywell, Inc., Burroughs Corp., AT&T, ITT and numerous others had been forced by the Securities and Exchange Commission to admit to bribes totaling tens of millions of dollars.