

Ch. III B
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Office Memorandum • UNITED STATES GOVERNMENT

DATE: SEP 8 1949

TO : The Assistant Director, OSO
FROM : Chief, Inspection and Security
Chief, Inspection Branch

SUBJECT: Special Security Inspection of the [REDACTED]

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AUTHORITY AND MISSION

1. Pursuant to oral instructions from the Chief, Inspection and Security, a special security inspection was made by [REDACTED] and [REDACTED] on August 23, 24 and 29, 1949, of the security conditions connected with the classified contracts of the [REDACTED] now being performed for CIA (OSO/Commo) under numbers [REDACTED] UNV.

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2. This inspection included the checking or observation of the contractor's offices and plant with particular reference to physical aspects and controls related to security and protection; the procedures for the selection and control of personnel; and the safeguarding of classified information, documents and material.

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FINDINGS

1. The [REDACTED] main office and plant is housed in modern manufacturing type buildings covering approximately the area of a city block in a suburban commercial district of [REDACTED]. All entrances from the street to the buildings and grounds are guarded by uniformed guards. Satisfactory security procedures and controls are in effect to regulate admittance and egress of visitors and employees.

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2. Knowledge of the existence of contracts with CIA is the sensitive feature of the subject contracts. This knowledge is restricted to approximately thirty-five persons in the company. The names of those persons who know of or are in a position to learn of these contracts are listed in Tab A. This inspection disclosed that the names of eighteen persons in the categories mentioned above had not been considered for submittal to CIA for security clearance. Officials of the corporation stated that such submittal would be made immediately. It was disclosed that procedures within CIA do not insure the submittal of all names concerned with classified contracts for security clearance; personnel security clearances are performed by I & S on a name check basis; OSO is notified of the results of name checks which take

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approximately from three to six weeks to perform; contractors are not notified if the checks are negative; employees are engaged in classified work before security clearance checks are made, and continue on such employment unless the contractor is notified that derogatory information has been developed; a record of the status of security clearances on names submitted by contractors is maintained by Communications Division, USO.

25X1A9a Mr. [REDACTED] (USO/Commo) does not consider the function of maintaining security clearance records as properly belonging to his office.

3. The actual development work on [REDACTED] performed by four persons, is in a physically restricted and rigidly controlled area of the plant. Classified Army and Navy contracts are also being performed in this area under security regulations of these Services. [REDACTED] officials stated that the Departments

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25X1A5a of Army and Navy are interested in the equipment being developed for CIA and information concerning it has been supplied them with the permission of Mr. [REDACTED] (USO/Commo).

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25X1A 4. Contract [REDACTED] is for a standard item of equipment, but the identity of CIA with the contract and the quantity of the order is considered as classified information. Officials of the company were cognizant of the need for safeguarding the identity of CIA and had planned to do so in shipping and billing, but they were confused by the apparent lack of instructions or conflicting or unexplained instructions in that connection. It was noted that the original purchase order (Form 36-103), issued preliminary to the executed contract, instructs that shipment will be made to "Central Intelligence Agency." The company officials were advised by the inspectors to disregard that instruction and to ship to the "Supply Officer," using the [REDACTED] Maryland, as set forth in the contract. The officials expressed concern regarding the identification of CIA appearing on Government voucher forms when billing is made. Upon their request for guidance they were advised by the inspectors to contact the CIA contracting officer for instructions in this matter. There was also some confusion with regard to the use of a P. O. Box address for some correspondence and a street address for other correspondence. It was explained to the company officials that the street address was for addressing the contracting officer, but that in either event the words "Central Intelligence Agency" should not be included in the address. The above disclosures indicate the need for adoption in CIA of uniform procedures for concealing the identity of CIA when such concealment is determined to be necessary, and the institution of procedures to indoctrinate contractors in this regard.

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5. The handling of classified correspondence in several particulars was found to be below acceptable CIA standards as discussed hereunder. This disclosure further reflects the lack of and need for proper security indoctrination of contractors engaged in classified contracts.

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a. In the [redacted] plant classified correspondence and documents are kept in locked compartments of a satisfactory combination time-locked safe, except that occasionally documents classified "Confidential" are kept in desks. This exception was said by company officials to be in conformance with Army and Navy security requirements. The company officials were advised that CIA security standards require all classified documents above "Restricted" to be deposited in combination lock cabinets. They stated that henceforth all classified documents relating to CIA contracts would be stored in the combination safe.

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b. Some instances of unclassified correspondence disclosing the identity of CIA with relation to Contract [redacted] were noted in the files. There were also indications that some correspondence, classified "Confidential," had been sent through the mails without having been registered. The officials stated that all correspondence relating to CIA contracts will henceforth be properly classified and registered when sent through the mails. They are conversant with the requirement for the use of double envelopes.

c. Existence of excess numbers of carbon copies of classified correspondence was indicated on file copies of some letters, some of which listed as many as six different individual recipients of copies in the [redacted] office. The problem of security control of such copies was discussed and the officials agreed that copies for distribution would no longer be made; when necessary the original will be circulated for information and returned to its original recipient for proper deposit in the safe. Existing excess copies will be collected and properly disposed of.

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d. Contacts between the [redacted] CIA are conducted principally through [redacted] Washington representative for the company, located at [redacted]

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[redacted] Inspection of Mr.

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[redacted] office and his procedures disclosed inadequate provisions for safeguarding classified correspondence and documents. Mr. [redacted] was advised to obtain a combination lock cabinet, which he stated would be done. He was also

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instructed in the proper disposition of classified waste. He stated that he had already received instructions from the [redacted] office regarding the proper security standards for classified correspondence and the elimination of extra copies for distribution.

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III.

CONCLUSIONS

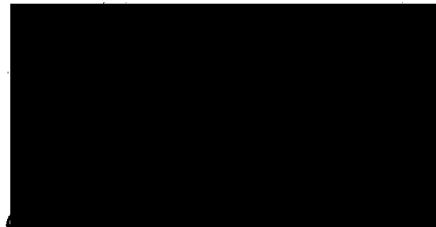
1. The officials of the [redacted] are security conscious and are earnestly endeavoring to maintain a secure operation. Excellent cooperation was reflected by the spirit with which all the recommendations of the inspectors were received and adopted.
2. The procedures within CIA in connection with security clearances do not appear to be adequate.
3. Indoctrination of the contractor on security requirements has been inadequate, resulting in security lapses and uncertainty in the minds of contractor officials.

IV.

RECOMMENDATIONS: It is recommended that:

1. Action be taken to insure the submittal and processing of personnel security questionnaires for all personnel listed in Tab A as "uncleared."
2. The responsibilities and procedures within CIA connected with personnel security clearances be reviewed and coordinated by the offices concerned with a view toward correcting any deficiencies therein.
3. CIA adopt uniform procedures for use when determined necessary in concealing the identity of CIA in correspondence, shipments, and billing connected with classified contracts, and that all contractors concerned be fully advised.
4. CIA compile and issue pertinent security requirements for classified contracts, covering personnel clearances and the safeguarding of classified information, documents and material; that all contractors currently engaged on classified contracts, and those awarded such contracts in the future, be thoroughly indoctrinated in such security requirements; and that they be made a part of applicable future contracts.

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