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Army's Covert Role Scrutinized

Financial Probe Raises Fear That Special Units 'Got Carried Away'

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A wide-ranging investigation into how secret Army units spent more than \$300 million over the past five years has stirred a debate in the Defense Department about the military's covert operations.

Some senior Army officers believe the secret units—given new attention and resources after the humiliating attempt to rescue American hostages in Iran—“got carried away,” in the words of one four-star general, and failed to properly account for money used in clandestine missions.

A split has developed among active and retired Army leaders over the service's venture into “this James Bond stuff,” as one two-star general put it.

The network of secret units was built up by the Army after the failed Iranian operation in April 1980 to strengthen its ability to conduct “special operations” and work with the Central Intelligence Agency, according to military officials.

But two years ago, Army investigators began checking allegations that members of the secret units were more zealous in carrying out their missions than they were prudent in keeping track of the cash they spent.

As a result of the continuing investigation, one Army officer has been indicted for fraud in civilian proceedings; three others face courts-martial and a fourth was acquitted on all charges last weekend.

A parallel investigation has led to disciplinary action against more than 80 members of the Army's elite hostage rescue team, known

as the Delta force, according to Army sources. Among the other units under investigation is a secret Army-CIA aviation outfit known as Seaspray whose missions included White House-ordered surveillance flights over Central America with U.S. soldiers posing as civilian pilots, according to military sources.

Investigators also are scrutinizing expenses incurred by soldiers on electronic bugging missions, which included such targets as Soviet cars in Europe, visiting Soviet officials in the United States and the conference room of a head of state in Central America, the military sources said.

The Army's clandestine work was a small part of the renewed emphasis by the Reagan administration on special operations forces—which include Army Green Berets and Rangers, Navy Seal commandos and a special Air Force wing. The annual budget for these forces has doubled to about \$1.2 billion in recent years, according to public testimony by administration officials.

The Army missions, however, occasionally spawned rivalries with other covert military units and the CIA, knowledgeable military sources said.

Furthermore, the financial investigation has damaged morale in the secret units and scared away potential recruits, according to some soldiers. Others contend that those under investigation are being judged by conventional accounting rules that ignore the fact that their covert undertakings required them to disguise their movements and activities, which meant hiding the ways they spent money and where it came from.

Retired Gen. Edward C. (Shy) Meyer, who was Army chief of staff when the units were created, said in a telephone interview from Florida last week that the investigation is being conducted by “traditional investigators who operate with a clear-cut set of regulations and rules and now are in a world where there's a different set of rules.”

Last Saturday, in the first case to come to trial, an Army court-martial acquitted Master Sgt. Ramon Barron of larceny and dereliction of duty. At his trial, Col. James E. Noble, the military judge, also touched on that point.

“The Army chose this extraordinary means to circumvent accountability for money,” Noble told the prosecutor, adding that the government was “hard-pressed . . . to show that a mechanism for a claim exists”

Some officials say they believe the current Army leadership—disturbed at the units' deviation from an orthodox military role—is using the investigation to undermine the service's clandestine capability.

However, many officials interviewed for this article say the current Army leaders, who inherited the covert units, support the emphasis on special operations forces but believe they must be controlled with more vigorous oversight. One senior general, who requested anonymity, said the Army recently tightened control over special operations and intelligence forces in response to the investigation.

Army Secretary John O. Marsh, CIA officials and Gen. Max R. Thurman, the vice chief of staff who is personally directing the financial investigation, declined to be interviewed about the inquiry or the role of special operations forces.

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The legality of the missions has not been questioned, but the investigation resurrects issues that have been controversial for years: the role of the military's special operations forces and their relationship with the CIA, the duplication and competition among the services engaged in covert operations, and the adequacy of oversight of the secret funds involved.

Noel C. Koch, the Defense Department's top civilian overseeing special operations forces, said, "If there's been wrong done, the Army should be commended for trying to root it out and correct it . . . [but] it still seems a little bit unusual for the investigation to run over two years and only produce one low-level indictment.

"Now there may be a truckload [of indictments] coming along behind that," Koch said. "But after this whole process, for the mountain to have labored so assiduously and to have brought forth a mouse, obviously that's going to feed the suspicions of those people who question the motives of this whole thing."

Historically, the Pentagon leadership has cast a skeptical eye on special operations forces because of concern about morale-sapping elitism, according to several military experts. When the Iran hostage rescue operation was assigned, interservice rivalries and improvisational planning marred the Defense Department's response.

Soon after the debacle in the desert, President Carter ordered the Pentagon to begin planning a second rescue mission, code-named "Honey Badger." This time, senior military officials promised that the problems would not be repeated, according to military officials familiar with the mission.

Lt. Gen. James Vaught was placed in charge of planning Honey Badger. The mission was to include Ranger battalions and much heavier firepower than the first attempt. "It would have been World War III," joked one general who helped plan it.

The mission eventually was called off, partly because the hostages could not be located with certainty. But the Army, under the

leadership of Meyer and Vice Chief of Staff John W. Vessey Jr., who later became chairman of the Joint Chiefs of Staff, wanted to keep the skills they had developed for the next crisis, Meyer said.

Consequently, early in the Reagan administration the Intelligence Support Activity (ISA) was formed from the "Foreign Operating Group," or FOG, which had infiltrated soldiers posing as civilians into Tehran before the failed rescue mission. FOG's mission had been to collect information about what kind of locks were on the gates of the American embassy compound where the hostages were held and other critical data that CIA's satellites couldn't provide.

At the same time, the Army's Special Operations Division was created with a staff of about 20 people and underwritten with a budget of about \$100 million a year, according to sources familiar with the organization. The source of some of the money was "laundered," or disguised, so it could be used for sensitive operations without being traced to the Army, according to sources and court testimony.

This division also worked with the Army's Intelligence and Security Command (INSCOM), an umbrella organization for Army intelligence gathering.

One goal of the rebuilding effort was to create a closer working relationship with the CIA, Meyer said. With this in mind, the Army in the summer of 1981 created a special aviation unit at Fort Eustis, Va., sources said. It was officially known as the First Rotary Wing Test Activity.

The unit bought several small Hughes 500MD helicopters, and several commercial planes on the open market, without going through usual military procurement channels, according to Army sources. The aircraft were kept at civilian airports in Virginia, Florida and Georgia, the sources said.

Whether such units spent their money legitimately on such purchases and whether the cash used to underwrite their missions was properly accounted for has preoccupied Army investigators for nearly two years.

Among the secret aviation unit's missions, for example, was a covert operation in August 1981 ordered by President Reagan. In it, the unit flew Lebanese Christian leader Bashir Gemayel back to Lebanon after a trip to the United States, according to sources familiar with the mission. Gemayel, his wife and a bodyguard, who had traveled to Cairo in an Army jet, were then flown in American helicopters to Lebanon, with Israeli pilots providing search-and-rescue support, the sources said.

This followed a low-profile trip by Gemayel to Washington, where he reportedly visited senior Reagan administration officials. Gemayel announced his candidacy for the presidency of Lebanon three months later and was elected the following August; he was killed by an assassin's bomb before taking office.

The Army also developed an extensive wiretapping expertise, according to knowledgeable sources. And investigators are examining travel expenses claimed by some personnel from INSCOM and special operations units who supported them in a series of electronic buggings in the United States and overseas, sources said.

The proposed targets of the eavesdropping included Soviet military attaches, an Arab airline office in West Germany suspected of providing refuge for terrorists and Soviet trading companies in the Third World, sources said.

The buggings in the United States included a cooperative effort with the FBI, authorized under the Foreign Intelligence Surveillance Act, of eavesdropping on hotel rooms on the West Coast occupied by visiting Soviet officials two years ago.

As the Army widened its special operations capabilities, there was occasional competition, both deliberate and unwitting, with other military units and the CIA.

For example, for several years, retired general Richard G. Stilwell, who was deputy under secretary of defense, lobbied Congress for funds to start what was in effect a mini-CIA at the Pentagon. Stilwell argued that the military needed soldiers capable of acting covertly, similar to those in Tehran during the Iranian hostage rescue mission, to provide the Defense Intelligence Agency with information the CIA wouldn't or couldn't collect, according to congressional and military sources.

Stilwell, in an interview Wednesday, confirmed that "I was interested in improving the human intelligence capability in the Pentagon" but he declined to discuss specifics.

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The proposal was killed by members of Congress who feared that duplicate forces would trip over each other trying to recruit the same operatives overseas, the sources said.

Even so, different military units found themselves competing in the spring of 1981 when the Defense Department planned a secret operation in Laos to verify reports that Americans missing in action since the Vietnam war were still alive. At the same time, but without knowledge of the Army brass, the ISA had made contact with retired Special Forces lieutenant colonel James (Bo) Gritz to aid his unofficial mission into Laos for the same purpose, according to Meyer and others.

In 1982, after Gritz publicly disclosed the help he had received from what he called "the activity," the Army investigated ISA—which at the time was financed with \$10 million in Special Operations Division funds, according to one military source. The investigation concluded, according to several Pentagon sources, that ISA had been operating without proper oversight, foreshadowing the current debate; it also found that the unit's unorthodox leaders had acquired a Rolls-Royce and hot air balloon from the Drug Enforcement Administration for possible future missions.

There was occasional competition between the Army and the CIA as well. In the spring of 1982, when President Reagan wanted a surveillance plane to monitor rebel movements during the Salvadoran elections, the secret aviation unit was selected because it had a capability the CIA lacked, sources familiar with the mission said.

The unit bought a King Air plane through a front company, Shenandoah Aerolease, in the kind of discreet financial transaction that Army investigators have found so difficult to reconstruct. The plane was fitted with electronic gear bought from a New Hampshire company and flown from a Honduran airfield at San Pedro Sula while posing as a civilian aircraft taking aerial photographs, the sources said.

The real mission was to pinpoint rebel radio transmissions and relay the information to the National Security Agency in the United States; the data was then passed back to El Salvador for use by government troops there, sources said.

The Army mission was considered so successful, the sources added, that the plane was overhauled in the United States, given a new tail number and assigned to surveillance from La Ceiba in Honduras, using a cover company.

About the same time, the CIA's air branch outfitted its own Merlin aircraft for a similar mission, but the plane was nose-heavy and crashed during a test flight, one knowledgeable source said.

The financial investigation into how these and other missions were financed began

almost by accident. In September 1983, subordinates of Lt. Col. Dale C. Duncan alleged that he was diverting secret funds to his personal use while running an Army Special Operations Division front company, Business Security International, which had an office in Annandale and was known by the code name "Yellow Fruit."

The subsequent investigation of Duncan triggered a review in early 1984 of the Special Operations Division by Brig. Gen. Gerald G. Watson, of the Army inspector general's office. According to some sources who have seen Watson's final report, it applied conventional Army accounting standards to what was intended to be a "black," or secret, unit.

"If you saw it," said one source who had, "you would have said, 'Holy moly, have I got a problem with those guys in the basement!'"

One former Army official said Watson "didn't appreciate the need to do things covertly." He said, for instance, that Watson recommended that the Army get copies of each presidential "finding" authorizing covert missions so the Army's files would be complete. Presidential findings are closely held to maintain secrecy.

Watson, now commander of Fort McClellan, in Anniston, Ala., declined to discuss the matter last week.

At the Army's request, the Justice Department and the FBI began a criminal investigation in early 1984 that resulted in an indictment last week against Duncan on charges of filing false claims in accounting for \$65,000 in secret funds.

Also, the Army's Criminal Investigative Division began an investigation code-named "Task Force Catalyst Maker," that has led to courts-martial proceedings against four soldiers, including the sergeant acquitted last weekend of larceny charges. Several other members of special operations units and INSCOM were reprimanded and their security clearances were suspended.

Finally, a financial review of special operations expenditures since 1981 was undertaken by an Army team that has questioned scores of people about travel vouchers and other expenditures, ordering reimbursements to the government of at least \$50,000.

Among the questions being asked by investigators now are why soldiers on covert missions overspent the Army's per diem

allowance on travel expenses or failed to follow standard procurement procedures, such as soliciting competitive bids on large contracts, according to some military sources.

A former senior Army civilian said last week that the soldiers under investigation ran into trouble largely because "the special operations capabilities developed far in advance of the procedural guidelines . . . needed to guide them in the more mundane aspects," such as expense accounts and procurement rules.

"How can you follow Army travel regulations when you're under cover as, for example, a tourist in Botswana?" one soldier under investigation asked.

Former chief of staff Meyer agreed, adding, "I don't think there were rules to cover that."

One individual questioned by investigators added, "What makes me mad is that there is no one senior person who would stand up and say, 'Let's make sure these guys have a fair shake. It's just these 'bums' and thieves,' these 'Algerian colonels.' It's prejudice."

The probe led in early October to Fort Bragg, N.C., where dozens of Delta force members already were under internal investigation for allegedly overcharging or double billing the government for expenses incurred during assignments as bodyguards for American ambassadors. One officer said some soldiers would incur \$500 hotel bills but convince a clerk to provide a receipt for twice that amount, which then would be submitted to the government for reimbursement.

The whole ordeal appears to be disconcerting to the Army. An internal Army memo dated March 19, 1985, by a member of the staff judge advocate, warned that the public disclosure of the investigation "would, at a minimum, be embarrassing to the United States Army and the United States."

Staff writer George C. Wilson contributed to this report.