

SECRET
Security Information

23 December 1952

MEMORANDUM FOR: Deputy Director (Plans)

SUBJECT:

~~X~~ Bund Deutscher Jugend Apparat

DECLASSIFIED AND RELEASED BY
CENTRAL INTELLIGENCE AGENCY
SOURCE METHODSEXEMPTION 3B2B
NAZI WAR CRIMES DISCLOSURE ACT
DATE 2007

INTRODUCTION

1. The following is a review in retrospect of the now liquidated Bund Deutscher Jugend (BDJ) Apparat project. In some respects it is, of course, "Monday-morning quarterbacking". It is, however, obvious that this project was so poorly planned and so badly run that failure to correct the situation prior to the time publicity, damaging to CIA, resulted was inexcusable.

PURPOSES

2. The purposes of this report are:

a. To determine responsibilities, so far as is possible, for the series of mistakes which led to final collapse of the project; and

b. To make data available which will aid in avoiding mistakes in the future of the types made in this project.

BACKGROUND

3. The BDJ Apparat, a CIA "controlled" clandestine paramilitary resistance organization, was included in a project proposed by the Frankfurt Station on 3 June 1950 following a suggestion by a German (one Paul ~~X~~ Lueth) that an independent youth movement be organized to carry on anti-Soviet activities. The Apparat was authorized by for the Project Review Committee, on 29 August 1950 as the fourth phase of Project BDJ. Members of the Apparat were at least initially recruited from the Bund Deutscher Jugend, the overt indigenous anti-Communist organization developed and supported under the first three phases of Project BDJ. As originally conceived the Apparat was to recruit, mainly in Western Germany, a force of 7,000 persons, 3,000 to engage in retardation activities and the remaining 4,000 to be organized into small units for general resistance or guerrilla operations based in previously designated mountain areas. Before D-Day the mission of the Apparat was to "train its members in tactics, communications, and sabotage methods, and to increase their knowledge of the terrain in their areas". (Amendment #2 to Project BDJ 3 July 1951)

SECRET
Security Information

100-6-86-2-202

SECRET
Security Information

- 2 -

4. In February 1951 was sent from headquarters to become field case officer for the BDJ Apparat Project. , Chief of the OPC sub-station at Frankfurt was 's immediate supervisor.

5. A period of organizational planning for the Apparat during the fall of 1950 was followed by expansion of the organization and intermittent training of selected members until April 1952. A headquarters policy guidance statement of 19 December 1951 indicated concern over the lax security procedures which had been followed in recruiting and in operating the organization. It suggested a thorough review and overhaul of the organization with a tightening of internal security, an improvement in compartmentation, and a reduction in the size of the proposed force. (3840 CWUFC) Further correspondence resulted in a cable from headquarters in March 1952 requesting a field assessment on the security and general status of the Apparat. (WASH 31828, 18 March 1952) This assessment was made in May and June of 1952, after which the field station decided to liquidate the BDJ Apparat completely and to cauterize all points of contact. (FRAN 4050, 20 June 1952)

6. The liquidation had been substantially completed when a German police report was turned over to the CIA German Mission indicating that the police had conclusive evidence of the clandestine paramilitary activities of the Apparat with the BDJ. The police searched the houses of several Apparat members and of the American case officer and found written material confirming that the organization was engaged in weapons and partisan warfare training. This resulted in extensive publicity unfavorable to the interests of the United States.

7. Criticism of the early phases of the project could be tempered by the fact that the project was implemented in the emergency atmosphere of the critical period following the outbreak of the Korean war. In the ensuing 18 months, however, the original errors were compounded by operational blunders, to make the project one of the worst run operations that this office has had occasion to review.

ORGANIZATION OF THIS REPORT

8. The project deficiencies do not lend themselves to discussion by neat categories. Organizational, operational, administrative and security weaknesses are all closely tied together. An attempt is made, however, to discuss this project under rather broad but basic flaws reflected by (1) the great many security violations which occurred during the course of the operation (2) the meager cover provided the activity and personnel (3) the inadequate planning for the Apparat organization (4) the ineffectiveness in separating the overt and covert organization (5) the poor selection and recruitment of personnel (6) the accounting and financial inadequacies of the operation and (7) the nearly complete lack of supervision and guidance over the project. To some extent the sections inevitably overlap.

SECRET
Security Information

100-6-96-2-202

SECRET
Security Information

- 3 -

I. SECURITY VIOLATIONS

The security violations in this project point up the many weaknesses from which it suffered. This section is a compilation of the principal incidents which were clear violations of security or which had overtones of poor security.

1. Public announcement: There is evidence that an announcement was made at a public meeting in November 1950 to the effect that ~~Erhardt~~ PETERS, the man chosen as principal agent, would be leader of the resistance activity. The field station discounted the importance of this, saying ".....it does not seem avoidable to have the leading personnel of the Apparat somehow linked to the overt (BDJ) organization" (294 D FGWU, 17 Nov. 1950). Nevertheless, it would seem obvious that the entire organization was probably overt from the beginning, and that the security implications of this public announcement were not appreciated by the field station.

2. Political Rivalry: Rivalry between PETERS and Lothar CZIHARZ over the leadership of the Apparat is reported in the field review. When CZIHARZ was later appointed principal agent of another project a report states that certain individuals from that project were physically threatened by Apparat people. (Attachment N, 1328 EGQA, 25 Sept. 1952.) This would have security implications to both organizations.

3. Meager cover for case officer: The lack of cover and regular visits to the OPC sub-station at Frankfurt (from February 1951 onwards) by [], the "deep cover" case officer, are discussed in a separate section.

4. "Cover" corporation liability: The "cover corporation", also discussed in a separate section, was not only useless but was quite obviously a direct security hazard.

5. Excessive number of contacts: PETERS, at various times, had contact with approximately nine staff employees, in spite of the assurance from the field that "all steps to implement sabotage, resistance, and related activities would be handled between control officer and PETERS" (FRAN 1035, 24 Sept. 50). [] states that this was going on when he entered the picture in February 1951 and that he was not in a position to control it. This jeopardized not only the Apparat but was a security risk to all other projects with which those employees were concerned.

6. Police raids: In the spring of 1951 German police twice raided the apartment of the principal agent. This was summarily reported by the field with the comment that the raids were made in connection with tax investigations of the BDJ. This comment was not questioned by headquarters in spite of the fact that PETERS connection with the BDJ was supposed to have been terminated; that a public announcement of PETERS' leadership of

SECRET
Security Information

100 - 6 - 96 - 2 - 202

SECRET
Security Information

- 4 -

a resistance organization had been made; and that the skeleton organization for the Apparat had already been established by PETERS. If the police did not actually know of the resistance organization at that time they were quite likely suspicious of the activities of PETERS. Both field and headquarters ignored operational implications of the incident.

7. Newspaper articles: A field review of the project states that eight months before the review took place PETERS was listed by both East and West German newspapers as being the leader of a resistance organization connected with the BDJ. The 11 May 52 edition of Neues Deutschland and the 17 May 52 edition of Volkzeitung carried articles with a complete and accurate run down on PETERS' activities.

8. Uncleared leader: Leaders of the Apparat presumably received security clearances. At least one omission of this was uncovered when CIC reported interviews with Heinrich MARTENS who was involved in an underground training program. MARTENS was a Kreis leader whose name had never been put through the security office for clearance. (3628 CFGWU, 25 June 1952.)

9. Local police "clearance": [] reports that the clearance procedure established by the security section of the field station involved requests that local police make neighborhood inquiries. The police then questioned neighbors or employers of the potential members of the Apparat "for the Americans". The potential members understandably objected to being "blown" like this, particularly when many police were Socialists. [] states that PETERS, BAUDMANN, KUHNS, KAUFELS, and SCHMIDT, all of the BDJ Apparat, particularly objected to this, and that these "police and neighborhood" checks occurred even after the security section promised [] that they would discontinue the practice. This seems to give some support to statements by PETERS made in defense of his refusal to reveal true names of members of the East Zone net: "I must point out that the investigations and neighborhood check-ups on members of the organization, including the Land leaders, were made in such a clumsy and conspicuous way by agents and police, that our comrades were placed in difficult positions, not only at their places of work, but also in their residence areas. If the investigations were to be made in the same manner in the East Zone, this would certainly mean to the people the fate of being thrown into concentration camps, if not the penalty of death." (Attachment H, EGQA 1328, 25 Sept. 52.)

10. Interlinking of projects: It is nearly impossible to trace all the possible cross-ties between the Apparat and other CIA sponsored organizations. The principal agent, PETERS, continued to maintain his ties with the BDJ and used the organization as a means of backstopping his income tax returns. His comparison of the cost of upkeep of the BDJ offices with that of his Apparat office indicates that he had access to certain information on the BDJ operation, at least with respect to some of its expenses. (See Attachment D, 1328 EGQA, 25 Sept. 52) In other respects the field

SECRET
Security Information

100-6-86-2-202

SECRET
Security Information

- 5 -

station had either established or permitted to be established direct ties to other projects. A case in point is that of DTMUDCAP, which sponsored the overt political youth organization Deutsche Jugend des Ostens. One HUETTL was for a time a member of the Apparat and was trained at Grafenwohr. He was a good friend of Paul LUETH, principal agent of the BDJ, and worked closely with PETERS in the Apparat. [] reports that [] insisted that HUETTL be released from the Apparat and that he be put in touch with AMBERG, case officer for DTMUDCAP, who would establish him as principal agent for that project. This was done over the objections of both [] and PETERS. Ties between the leadership of the BDJ, the Apparat, and the DJO were thereby established. In addition to the compromise of DTMUDCAP, possible lines, due to the activities of HUETTL, may have been established back to JBTHRONG and TPREMIND. The number of projects which have had contact with the BDJ and the Apparat indicates the extent of overlapping which was tolerated. Projects cooperating with the BDJ in public meetings, the distribution of propaganda, or with a connection in other ways include JBTHRONG, KMALOANE, KMRADISH, LCBALSA, DTLINEN, BGWHEEZE, HTFULFIL, and DTBEYOND. With respect to DTRULER the field reports: "Examination of the DTRULER complex shows a variety of contacts and interlinking of the various projects. While we are unable to determine the implications of these findings from our records here, we believe the revelation of DTLINEN and TPEMBER to the West German/West Berlin authorities may well lead to the necessity of disclosing (to German authorities) most operations handled by DTRULER." (Telecon 30 Oct. 52.) With respect to TPAPLUCK, the field reports "our records show that TPAPLUCK was used for training of W/T operators for all stay-behind projects, but we cannot determine the possibilities of further compromise through W/T operators who have been placed in TPEMBER Apparat or other continuing activities, or who have returned to their homes upon suspension of their projects." (Telecon 30 Oct. 52.) As principal agent for KMHITHER, the field station chose CZIHARZ, known as the political rival of PETERS for leadership of the Apparat.

A cursory survey in the field also revealed that the OPC sub-station in Frankfort headquarters has possibly been under surveillance, that case officers compromised include [], [], [], [], [], and [], and that further investigation will probably extend this list to additional personnel and installations.

The extent to which interlinking of projects and poor security practices have damaged CIA operations in Germany is reflected by the fact that seventeen (17) projects have been ordered terminated as expeditiously as possible. (Telecon 30 Oct. 52.) Other projects are being reassessed for possible termination. The loss is not only in operational assets, the very considerable investment in these projects has been largely wasted.

11. Police visits to training site: This is discussed below with reference to the lack of cover for the training site. The security implications of a police visit to the training site are obvious, particularly

SECRET
Security Information

100-6-76-2-202

SECRET
Security Information

- 6 -

when no cover had been established for the site. Although the visit was not reported by the field station immediately, PETERS did tell [] - who states he passed the information on to [] - within two weeks of the time it occurred. Apparently the incident was not reported to headquarters nor did the field take any action on it.

12. Lack of compartmentation: The principal agent PETERS has had conventions with his Land leaders (Attachment A - Conference of the Land leaders - 1328 EGQA, 25 Sept. 52) and the field review states that the Land leaders, in turn, have had full meetings of their Kreis leaders. In addition, many Land and Kreis leaders, together with headquarters personnel, attended the school which trained more than 100 people.

13. Criminal Police inquiries: In addition to the police visit mentioned above, on 18 June 1952, the Frankfurt Criminal Police inquired of Heins/SCHIPPLACH, of the BDJ, with respect to PETERS' connection with a "ring" of approximately 30 men whose main objective is espionage and defense. Later, PETERS reported that the inquiry was prompted by an investigation of the French Security Police (Surete), and that police agent KOEBEL suspected PETERS "inasmuch as it was known to KOEBEL through his frequent investigations of the BDJ since its activation, that PETERS was given this assignment." It seems apparent that the criminal police had demonstrated a continued interest in the activities of the BDJ and that the operation was so insecure that they were able to reconstruct a fairly accurate picture of those activities. (See Attachments L & M, 1328 EGQA, 25 Sept. 52.)

14. Arrests of East Zone Apparat members: In June 1951 East Zone police arrested the leader and chief courier of the East Zone net and twenty of his contacts in the East. The leader had been recruited by PETERS and knew not only PETERS, but LUETH, of the BDJ, as well as plans for the Apparat. At this point headquarters ordered that Apparat operations be suspended and that security of the project be tightened. The field did suspend training pending receipt of clearances for all agents involved, but there is no evidence of a receipt of clearances for all agents involved, but there is no evidence of a general overhaul of organizational security. [] states, however, that training was discontinued because "training people" took over the training site, not because of the East Zone incident.)

15. Resumption of training without authority: [] states that he started operations at the second training site, unknown to [] - , during the second week in October 1951. He felt compelled to continue training since members of the Apparat had already arranged to attend the classes. Six groups were trained before all the funds were expended - in December 1951. Official sanction to resume training was received later, but [] - 's action in conducting classes without authority was a direct security violation.

SECRET
Security Information

100-C-96-2202

SECRET
Security Information

- 7 -

16. Failure to separate overt and covert organization: The ineffectiveness of this attempt is discussed in a later section. The security ramifications are obvious. Failure to effect separation increased the security risk of the covert organization and assured destruction of the overt organization when the covert collapsed.

17. Removal of arms from []'s house: Although this was done just after the "informant" had reported Apparat activities to the police, the method by which the arms were removed from []'s house might very well have prodded the police into conducting raids on the house and implicating "the American" in these Apparat activities. [] states that contrary to an agreed upon plan to remove the material at night, an army Major arrived at the house in broad daylight in an open army truck accompanied by several G.I.s. When weapons were removed from the house and spread out on the lawn, many curious villagers gathered around. [] was thus openly, notoriously and unnecessarily compromised.

18. Activities ordered by station which violated security: [] also reports the following activities were carried out by the Apparat on instructions from [] and over []'s objections:

(a) Apparat surveillance: In the spring of 1951 [] ordered to have the leaders of the Apparat run a surveillance on one GRIESMEYER, a German who was suspected of promoting the tax investigation of BDJ and who, reportedly, had been contacted by the French intelligence service. An attempt at surveillance was carried out but evidently without results. The use of the leaders of a clandestine organization for this purpose was inadvisable.

(b) Kidnapping attempt: [] reports that he was also ordered by [] to send leaders of the Apparat to Berlin to attempt to rescue one FLADA, a German Catholic youth who had been kidnapped by the Soviets. This mission, if successful, was expected to provide a valuable propaganda weapon to the West and the West Zone of Germany. PETERS and four other Apparat leaders named by [] (KLEFF, BREITKOPF, RIETDORF, and OTTO) made two trips to Berlin on this mission and three of the Apparat members made a third trip on PETERS' orders. All the missions were unsuccessful due to the failure to meet the Berlin contact man. There is no record of such a mission being authorized by headquarters. In any event it is difficult to see why overt members of the BDJ were not used for such activity. The security hazards in sending the leading members of a clandestine paramilitary organization on such a dangerous mission are obvious. If any of the leaders had been caught, the Apparat itself would have been seriously jeopardized. If the attempt had been successful it is probable that the identity of one or more of the responsible groups would have been revealed in the resultant publicity, and that inquiries on the part of the Western press would have uncovered the Apparat organization. The mission as planned reflects a lack of appreciation by field station personnel of the need for security in clandestine operations.

SECRET
Security Information

100-686-2-202

SECRET
Security Information

- 8 -

(c) Reassignment of Apparat personnel: Similar lack of appreciation of the need for security is reflected by []'s action in funneling off important members of the Apparat to other projects. The assignment of HUETTL to the DJO is discussed above. In addition, [] states that one DERCK, contact man between PETERS and the East Zone, was assigned by [] to BDJ case officer [] as a courier for BDJ pamphlets being sent into the East Zone. This increased the security risks to the Apparat and constituted another tie between the BDJ and the Apparat.

19. Rejection of proposal for CE check: In spite of various alarms sounded by the BDJ tax investigation, the raids on PETERS' apartment, the East Zone arrests of Apparat members, etc., [] emphatically rejected, as late as May 1952, a headquarters suggestion that a counter-espionage check be conducted on the BDJ. The request was made on the basis that the principal agent of the BDJ had told the informant that funds for the organization had come from Americans. []'s response of June 18, 1952 stated "I advise emphatically against a 'counter-espionage check', which presumably should mean penetration by a CE agent. You may remember that CIC agents were several times discovered inside the BDJ and their blowing always caused some minor embarrassment. If the CE agents to be used on this job would be of the same caliber, he would sooner or later be blown as well, with more embarrassment to follow. If however you could dig up a high level CE agent for this purpose, he would presumably not resist the temptation of meddling with the conduct of the BDJ and thereby create unnecessary difficulties for our control of the operation." (Enclosure A, EGQA 429, 10 Sept. 52.) This reasoning is illogical and the argument misleading. [], the BDJ case officer, reports that one CE check made by CIC uncovered an official of the BDJ who was passing secret or confidential material to unauthorized persons. CIC so reported this to CIA officials and in the process of discharging that official from the BDJ, the CE agent was evidently "blown". CIC vehemently objected to CIA handling of this matter so as to blow their CE agent and this is evidently the embarrassment to which [] refers. Obviously the success of this one CE attempt should have called for greater CE effort, not for emphatic rejection of the proposal. At any rate, [] further statement in the same dispatch, "I believe that we are applying all professional safeguards against security breaches etc. in this project" suggests either low criteria for measuring "professional safeguards" or failure to appreciate security implications in the incidents which occurred.

20. Security violations by case officer: The case officer, [], is directly responsible for serious security violations. Specifically, [] without authorization obtained Top Secret information with respect to the content and location of weapons supply caching sites in Germany, and disclosed that information to unauthorized German citizens. In addition to this grave offense, [] was also responsible for the following:

SECRET
Security Information

100-6-96-2-262

SECRET
Security Information

- 9 -

(a) For retaining in his possession information of a classified nature after being ordered by [] to turn in all documents and material relating to the Apparat, and retaining this after having reported that he had turned in all classified data in his possession.

(b) For charging gas and repairs to his car on one occasion to the account of his principal agent.

(c) For entertaining Apparat personnel in his home and allowing them to use his personal car.

(d) As reported in the field assessment, for maintaining a somewhat too social relationship with his principal agent and for other contacts with uncleared agents.

In addition, [] used poor judgment in the recruitment and handling of some of the people involved in the Apparat. His recruitment of the female courier, Rosemarie HARTZ, by advertisements in newspapers for a "portrait model" is a case in point. To a greater or lesser degree, [] also shares responsibility for the many security infractions mentioned elsewhere in this report.

21. Principal agent's apartment overlooks the field station: [] has reported that PETERS' apartment is located at 11 Hansa Allee in Frankfurt, which overlooks the front entrance of the building occupied by the field station. The field review comments on this but does not express an opinion on whether or not it was coincidental. This was not otherwise reported by the field station nor did they indicate recognition of possible security ramifications involved.

22. Recruitment of Agents: Evidently, little or no security was exercised in the recruiting process. CIC has forwarded reports concerning the recruiting activities of Heinrich MARTENS and Gerhard SCHULZE on behalf of the Apparat. These individuals recruited indiscreetly and indiscriminately, and simultaneously disclosed facts concerning the training and organizational aspects of the Apparat. A copy of a letter from Governmental President of Landkreis Stade, dated 26 February 1952, to Niedersachsen Minister of the Interior discloses that Schulze approached leading members of Veterans organizations "to recruit members of an (American) underground organization, which in case of Soviet occupation, would commit acts of sabotage as partisans." (See Attachment S to 1328 EGQA, 25 Sept. 52.) MARTENS had told SCHULZE that members were to receive training with bazookas, recoilless rifles, and other American weapons, in a deserted region in Southern Germany. Very little control seems to have been exercised over recruiting methods for the Apparat.

23. Other security infractions: Other incidents reflecting poor security judgment, such as PETERS many long distance calls to his agents, the attachment of many outside persons in the business sphere of the cover firm, and the insecure conduct of the business itself appear in the record.

SECRET
Security Information

100-6-86-2-202

~~SECRET~~
Security Information

II. MEAGER COVER

1. This project suffered from a lack of cover in all respects. The American case officer was never "deep cover" (as characterized in the EE memorandum for the DD/P, 6 October 1952). The training site was provided with no cover. The "cover corporation" not only provided no cover, it was a direct security threat to the entire operation and a rather costly (\$32,000) investment for which the Agency received nothing in return.

2. In Washington, just prior to his departure for Germany, [] worked for the Agency in a weapons supply job and visited K or J buildings at the time he was being considered for the case officer job. In Germany, immediately after his arrival, he:

a. Visited the apartments of known CIA officials;

b. Regularly attended weekly staff meetings in OPC headquarters in Frankfurt on orders of his immediate superior, [] ; and

c. Drew undue attention to himself by paying cash for both his car and his house (a transaction unusual in Germany yet done with the knowledge and permission of his immediate superior and Chief of Station, [] .

In addition, his wife worked in the OPC sub-station in Frankfurt for a cumulative period of about a month during the fall of 1951. During this period she had lunch at the nearby apartment of Peters, the principal agent.

3. The training site had no cover. It was rented in the name of the father of the principal agent. Local police soon became inquisitive. On the occasion of a visit to the house by the local mayor and the chief of police, KUHN, a member of the Apparat and manager of the house, evidently offered the explanation that it was a rest home for salesmen of the cover business. Sometime later PETERS was forced to request the assistance of his friend HUETTL to allay suspicions of the police. As a favor to his friend HUETTL allowed the police to be told that the DJO were using the building as a youth center. The DJO is another CIA sponsored youth organization of which HUETTL became the principal agent. In addition to jeopardizing the Apparat operation, the lines were thereby crossed with another overt CIA organization.

4. So far as the "cover business" is concerned, the field investigation report cites it as a perfect example of the "organizational, operational, security, administrative and innumerable weaknesses of this project". The report states: "The incredible mess

SECRET
Security Information

which attends the cover business is a perfect case in point: Its poor organization provided no cover either from the standpoint of security or expedient operations; constituted a direct security threat; reflected a costly absence of case officer control; and subscribed to no standards of financial accounting." (EGQA 1328, 25 September 1952.) Deficiencies noted are as follows:

a. In a field request for headquarters approval of a proposed cover business plan for the establishment of the company is presented with the statement "For the investment of DM 4,450 twelve full-time agents can be covered". (1087-CFRFG, 20 July 1951). This should be compared with a statement from the field report cited above "The actual amount invested in this plywood corporation amounts to approximately DM 126,000". The report also states, incidentally, that, "It is very doubtful if this amount can be recovered without open court action . . ."

b. There was apparently no justification or excuse for the very existence of the cover business. As the field report states, "The eight or nine agents who were to be provided cover by posing as salesmen were not paid from corporation funds. No entries in the books indicate that they received commission or salaries or that any sales were made by them. Instead they were drawing salaries direct from operational funds via PETERS. Therefore, they did not pay their taxes nor did they show a personal income as was intended."

c. Without proper authority, a plywood business (Saxer Company) was purchased in lieu of the originally planned record concern.

d. The entire cover business was established without proper organizational foresight and lacks legal foundation.

e. A number of supposedly binding agreements were drawn up favoring one particular individual (SAXER) not connected with the Apparat.

f. A corporation was established involving a number of outside persons, including bankers, lawyers, business consultants, accountants, and tax inspectors. None of these persons was ever cleared or investigated, thus contributing to a serious security threat.

g. Imaginary sales to a fictitious organization and forged entries were "fixed". Other transactions followed with firms involving sums of money as high as DM 91,000 at one time. These facts alone may eventually present a confused picture to curious tax inspectors or other inquisitive parties.

SECRET
Security Information

1070-6-96-2-202

h. The principal agent's father, Emil PETERS, was entrusted with the management of the corporation. It is suspected that he knows the source of the funds advanced to the corporation by CIA. When questioned about the business transactions, he was vague and unsure of himself in attempting to explain the fictitious entries. He would probably be at a complete loss if interrogated by tax inspectors or other official personnel.

There were no arrangements justifying the use of the term "cover" in this project.

III. INADEQUATE PLANNING

1. Lack of Policy Guidance as basis for plans: In the "Proposal Presented to OPC Project Review Committee" concerning activation of the Apparat (29 August 1950), EE asked for a policy guidance statement indicating under what conditions indigenous BDJ personnel trained in sabotage and guerrilla warfare could be deployed. The Chief, Staff I was directed to work up the Policy Guidance statement requested. (Para. 3, Minutes of Project Board Meeting of 29 August 1950). On 17 October 1950, Staff I advised that they had failed to act on the matter. The files indicate that, thereafter, a [redacted] was to prepare a position paper for ADPC's approval, but such a paper does not appear in the records. Apparently, no policy guidance was forthcoming apart from the broad policy direction applicable to all covert operations. The need for such guidance is reflected in a dispatch from the field requesting "a definitive statement of policy on the proposed deployment and coordination (of the Apparat with the Army)" (577 CFRFG, 13 April 1951). The same dispatch also pointed up the desirability for "a clarification of the present office of Director of Intelligence (HICOG) interpretation of the use of the Apparat. At present ODI holds that the Apparat be committed to combat in the initial stages of the war which is contrary to views held by this office." Still no policy guidance was provided by headquarters. Nor do the files indicate that any attempt was made to formulate a policy for the Apparat.

2. Confusion in organization of the Apparat:

a. Structure and Function: Organization of the Apparat for wartime resistance activities proceeded without this policy guidance, but plans for the structure of the organization, the scope of its activities, and the function to be performed by it in case of war were very confused. The project got underway on the basis of approval of a nebulous plan to begin training of selected members of the BDJ in sabotage and guerrilla warfare. (Proposal presented to Project Review Committee on 29 August 1950) The case officer's first progress report, of 13 April 1951 (577 CFRFG), presented an organizational chart with a proposed 50 man "sabotage group" which would train workers in basic industry in methods of sabotage, and a proposed "fighting force" of about 5,300. This was evidently the plan around which project amendment #2

~~SECRET~~
Security Information

was drawn, yet amendment #2 also stated that there would be a 3,000 man retardation force and a 4,000 man general resistance force. These two forces were not reconciled with the sabotage group and fighting force. The amendment was approved 3 July 1951. Prior to this approval there was a policy meeting in the field, 11 May 1951, attended by Messrs. [redacted], [redacted], [redacted], [redacted], [redacted] and [redacted]. There it was decided to divide the Apparat into two groups - "Group A" as an "expendable" group to carry on rail and communication interdiction immediately after D day, with "Group B" to retain as its mission that which was originally set forth as the mission of the Apparat as a whole. (727-CFRFG, 24 May 1951) But shortly after this was begun [redacted] and [redacted] concluded that the best interests of security were not being served by having the two groups of the Apparat under central leadership. Although establishment of the "A group" was initiated by selecting the leader and three deputies, [redacted] then reported, "Until a decision is reached as to whether the "A" group should exist as such, planning and personnel for it will be held in abeyance". (1087 CFRFG, 20 July 1951) The records are not clear with respect to whether such a decision was reached. However, re-organization under another revised plan, calling for four separate regional organizations, was begun in January 1952, (2564 CFRFG, 4 February 1952) and evidently continued until all activity was suspended in May 1952. The field investigation and assessment of this project, which took place shortly thereafter, stated that although the Apparat was originally planned as a dual purpose organization in retardation and resistance, "It was found that the intention of Peters and his organization was neither to act effectively in the retardation phase nor to assist in the staybehind aspects. This fundamental conflict of purpose is borne out by repeated statements of Peters and the case officer, [redacted], that the Apparat intended to retire to the Alps and carry on resistance from there." (Dispatch EGQA 1328, 25 September 1952). Contrary to the impression left by this statement, the proposal implementing the Apparat did state that of the 7,000 prospective members, 4,000 would be organized into small units for general resistance activities or will assemble in previously designated mountain areas which will serve as bases for guerrilla operations." It is doubtful that either the field station or headquarters ever reached a firm understanding with respect to the organization of the Apparat. Even now, in retrospect, the organizational plan at any given time is explained with very great difficulty, if at all.

In summary, therefore, it can be stated that the operation was undertaken without an organizational plan, that there was deviation from the plan subsequently approved, that the plan followed was then held in abeyance and finally revised in the field, and that the revised plan collapsed with the collapse of the project. Certainly there was no meeting of the minds between the field and headquarters with respect to the purpose, structure, and function of the Apparat.

~~SECRET~~
Security Information

100-6-90-2-202

- 14 -
SECRET
SECURITY INFORMATION

b. Details of Organization: Planning with respect to the details of the organization presents as confused a picture as that done with respect to the mission and function of the Apparat. With respect to the number of instructors which would be required, the field advised that after discussions with [] and [] " . . . under the contemplated program we do not foresee any necessity for an additional paramilitary instructor for this school (being established by Garwood)". (749 CFGWU, attached memorandum, 24 March 1951). Shortly after, on 25 May 1951, [] reports that "Tentative verbal approval was given to [] for the creation of two additional instructors at the site in Grafenwohr and one additional instructor at the site of Odenwald. The two former positions will necessarily be held by American graduates of the Fort Benning school." (736 CFGWU). The field did not explain why additional instructors became necessary, nor did headquarters question this new requirement.

In a dispatch requesting clarification of BDJ W/T plans however, headquarters did point up inconsistencies in field planning for the Apparat: "It is not clear . . . how many W/T operators are planned or how precisely the BDJ communications network will be organized. (One dispatch) proposes a network of 246 men and 81 separate sending and receiving points. (Another dispatch) requests 300 radio sets. (Another dispatch) states that the BDJ Apparat plans 526 W/T operators. In addition to these inconsistencies, the proposed W/T network organizational relationships . . . are not understood here, particularly in reference to the Kreis and Land levels". (3249 CWUFG, 11 October 1951). This was one of the few attempts to reconcile inconsistent reports from the field.

Headquarters was not alone in requiring clarification. At this same time, on 12 October 1951, the field ([]) had prepared a dispatch saying "I find it difficult to direct further preparations (in re caching, air drops, and other resistance activities) - or further progress in the Apparat altogether - unless I be provided with more specific instructions as to what exactly the Apparat is expected to do, what supplies and equipment may be expected, when clearance for caching operations will be granted, etc." (1786 CFRFG). Evidently, headquarters did not understand what the field was doing nor did the field understand what it was expected to do. The overall picture is one of confusion.

c. Reported Strength of Apparat: The same confusion exists with respect to the reported strength of the Apparat. For example - potential members of the Apparat were required to submit completed personal questionnaires. The progress report for the period 1 August to 1 October 1951 states that ". . . to date some 2,000 questionnaires have been collected." (1806 CFRFG, 15 October 1951). The next progress report, for the month of October, then states that ". . . the organization continued to expand . . . Apparat records presently contain 634 completed questionnaires". (2103 CFRFG, 30 November 1951). Apparently

SECRET
SECURITY INFORMATION

K-6-86-2-202

- 15 -
SECRET

SECURITY INFORMATION

no attempt was made by headquarters to reconcile these inconsistencies.

Nor were there any attempts to tie down other vague claims of strength made by the field. Examples of these claims, not necessarily the best examples, are the following excerpts from 1087 CFRFG, 20 July 1951:

(1) "In this area four Kreis leaders have been selected with approximately 30 fighting men each.: Query - four Kreis leaders spotted? recruited? cleared? trained? apprised of their duties? Have the 120 "fighting men" also been "selected"? If so, does that mean they have been recruited, apprised of their duties, cleared and/or trained? The same questions could have been asked with respect to such statements as:

(2) Identity A was selected as leader of a special group of 10 men for peacetime raiding activity . . ." and "Establishment of (15 rubber boat teams) was begun early in June and the 15 chief men have been selected . . . the teams are based on a five-man crew system for each of the 15 points".

In addition, there is no indication of whether these groups overlapped, or to what extent they overlapped the Apparat strength for retardation, sabotage and resistance as reported elsewhere in the dispatch. Headquarters obviously did not have a realistic inventory of the assets developed or being developed.

EE has also stated that "In East Germany approximately 450 agents have been contacted and organized, and an additional 1,700 have been spotted for possible future recruitment." (Request for budget increase for the Apparat, 26 May 1952) With respect to this force the field dispatch stated "Only approval of equipment . . . is needed and this group can be considered ready for action". (2781 CFRFG, 11 March 1952). In view of the general confusion and contradictory claims of strength one is justified in questioning whether such a force is or ever was "ready for action".

Yet these vague statements of strength reported from the field were used as a basis for determining budget allotments and equipment needs and as justification for requests for project amendments and budget increases (e.g. "It is obviously impossible to control an organization which already has approximately 4,500 contacts and is supposed . . . to have ultimately 7,000 members with only 19 paid agents. Increased provision for agents' "salaries is therefore necessary". (1870 CFRFG, 26 October 1951).

To headquarters' credit is at least one attempt to obtain a complete list of BDJ and Apparat members (3151 CWUFG, 14 September 1951). This request drew the response from the field, however, that the compilation of such names "is an enormous task which could

SECRET
SECURITY INFORMATION

100-6-86-2-262

~~SECRET~~
SECURITY INFORMATION

be carried out by our present staff only at the expense of dropping, or postponing for several weeks, several of the tasks in which they are currently engaged". (1774 CFRFG, 11 October 1951). With respect to the Apparat, this is difficult to understand in view of the statement in the 3 month progress report for the period ending the first day of that same month to the effect that "to date some 2,000 questionnaires have been collected". (1806 CFRFG, 15 October 1951). It would not seem burdensome to forward to headquarters a list of names taken from those questionnaires, if in fact they had such questionnaires.

IV. INEFFECTIVENESS IN SEPARATING CLANDESTINE APPARAT FROM OVERT BDJ

1. This failure to separate the overt and covert organizations was a basic flaw in this project. In various memoranda and amendments to the project, statements were made to the effect that "the Apparat was completely compartmentalized from the overt BDJ and all ties with the parent organization were severed" (e.g. Amendment #3 to LCPROWL). If the original plan had been carried out this might have been true.

2. The field organizational plan stated that the "Apparat of the BDJ will be entirely separate from all other activities, only connection being through Chief of Apparat to Chief of the BDJ". (FRAN 829, 31 August 1950). But the first indications that this would not be done is contained in this extract from 294-DFGWU, 17 November 1950: "Since the overt organization of the BDJ is both recruiting ground and cover for the Apparat, it does not seem avoidable to have the leading personnel of the Apparat somehow hitched to the overt organization". From that point on there was confusion with respect to the extent to which the Apparat was or was not severed from the overt BDJ. Headquarters' response to the above statement was to recognize the difficulties in attempting to achieve complete separation of the Apparat but to say " . . . we consider it imperative, for security reasons, that every practicable step be taken to achieve and maintain such separation". (1807 CWUFG, 13 December 1950). In the same dispatch headquarters asked "what will the (Apparat) trainees be told?", to which the field replied, "In our opinion, trainees should be told that the BDJ officials are undertaking this training on its own initiative . . ." and "Trainees must be expressly told that this training . . . is an enterprise undertaken by the BDJ on its own initiative". (353 CFGWU, 3 January 1951). The field personnel were obviously still thinking and planning in terms of a BDJ training program for covert activities. This thinking was further reflected by the statement in February 1951 on the "Present Desirability of Clear Separation of Overt from Apparat". (FRAN 2117). To this headquarters responded, "Unable to understand your reference to probable present desirability separate overt BDJ from Apparat."

~~SECRET~~
SECURITY INFORMATION

1000 - C - 96 - 2 - 202

~~SECRET~~
SECURITY INFORMATION

Necessity such separation Apparatus apparent from outset as indicated para. 5, 1807 CWUFG", (WASH 30745, 20 February 1951).

3. From this exchange of communication it is apparent that the extent of separation of the Apparatus was, at best, confused. The fact that members of the Apparatus were recruited from the BDJ, that a public announcement of a BDJ resistance activity was evidently made, that the principal agent for the Apparatus continued to be carried as a chairman of the BDJ, that the principal agent's connection with the BDJ was used as cover for the purpose of showing his means of income and payments of taxes, that the principal agent's apartment was twice searched in 1951 for "activities connected with the BDJ" leaves little doubt that BDJ and Apparatus activities were closely interwoven, and probably known to be sponsored by one and the same source.

4. The failure to completely separate the two projects was a serious mistake. The risks attendant the Apparatus activities were far greater than those of the BDJ. It was not necessary to subject the BDJ to these additional considerable risks, and the consequence for doing so was the loss of an apparently valuable overt political-psychological asset, as well as forfeiture of the considerable BDJ investment involved. Conversely, the ties between the BDJ and the Apparatus increased the already considerable risk involved with the Apparatus. The BDJ was under continuing severe attacks by the SPD. In efforts to find ammunition for the attacks the SPD would quite conceivably stumble upon the activities of the Apparatus (e.g. the police search of Peters' apartment for activities in connection with the BDJ) and make capital of those activities. The risk to both organizations was immeasurably increased and, of course, the fall of one brought about the collapse of the other.

V. POOR SELECTION OF CASE OFFICER AND PRINCIPAL AGENTS

1. The Case Officer: The case officer was not qualified to perform the duties to which he was assigned. He was either chosen by headquarters without regard for the scope of duties to which he was to be assigned or he was assigned by the field without regard for his qualifications. Cables from the field emphasize the need for a mature case officer with a "personality strong enough to maintain dominance and control" (FRAN 618, 4 August 1950; also FRAN 206, 1 December 1950). These cables suggest that the case officer was to be chief architect of the Apparatus with full responsibility for its control. On the other hand another cable states "We envisage control officer in position of case officer on [redacted]'s staff, under close and direct supervision of [redacted] 1". (FRAN 1035, 24 September 1950). This suggests that he would be given limited responsibility and would be closely supervised.

~~SECRET~~
SECURITY INFORMATION

100-6-86-2-202

SECRET
SECURITY INFORMATION

2. In any event [redacted]'s assignment to the responsible position which he held is hard to justify in view of various training evaluation reports which appear in his personnel folders. One report in reference to his training for an OSO assignment in February 1947 evaluates him as follows:

"This student is a very sincere, pleasant, willing young man interested in intelligence work but has no other assets which would make him interesting to this organization. He is inexperienced, immature, uninformed, and surprisingly naive. He does not possess sufficient understanding of the general nature and aims of clandestine intelligence, particularly with respect to counter-espionage and foreign intelligence services. He shows no understanding of operations problems, and his ability to think logically is extremely limited. He is a poor interviewer, and his reports work was unsatisfactory. He seems to be unable to write basic English, and his material is poorly organized. In the opinion of the Training Staff, this student does not qualify for the assignment as stated in the request for training. If he is used at all by this organization, he could possibly hold only minor positions and should be limited to strictly administrative or services duties."

3. This report could admittedly be considered "dated". The excerpts below are therefore taken from reports on the training which he received for his position as case officer for the Apparat in January 1951. The instructors comment on his likeability, pleasant and engaging personality, good motivation, emotional stability, cooperativeness, courage and daring, and make the following observations:

a. Instructor [redacted]: "Even though his ideas regarding clandestine work seem practical, he lacks thoroughness unless closely supervised . . . Through past experience, [redacted] seems to have had his confidence badly shaken regarding support for field personnel. As a result, he should be reassured along these lines before going to the field. Another result of this lost confidence is a tendency on [redacted]'s part to initiate action on his own without regard for authority."

b. Instructor [redacted]: "Until [redacted] stated that he was qualified as a 'weapons expert', we were inclined to facetiously believe that there were no limits to his abilities, by his own accounts. In an engaging and running series of conversations, expertly engineered by himself so as to avoid discussion of the training material, he related: (1) The 'true story of the Battle of the Bulge', in which he played no small role; (2) his fruitful relationship with the 'best informed man in the Philippines' who is a Pygmy chieftain in northern Luzon, and (3) a convincing analysis of the Communist orgy in Southeast Asia. It became apparent that he lacks a modest sense of self-appraisal. Whatever he has done, mostly without direction, he believes he has done well. He cannot understand why his superiors have not been blessed with the same appreciation. He talks security, but

~~SECRET~~
SECURITY INFORMATION

does not practice it. In fact, he is likely to talk his way into many a sensitive situation unless he is restricted to his primary calling as a weapons expert. It was this instructor's assignment and intention to present the subject of 'Reporting' to [redacted]. The entire matter would have been dodged by the STUDENT had he not been pinned down to those reportorial points he does not know."

c. Instructor [redacted]: "Due to some past unpleasant experience in the field with headquarters, he is distrustful of 'rear echelon commandos'. The case officer must give this man close support. Any effort made by headquarters to gain the confidence of this man will pay great dividends".

4. The unanimity of these reports with respect to [redacted]'s need for close and continuous supervision and distrust of headquarters were prophetic warnings of the situation which actually developed. Yet the only derogatory statement extracted from his file and reported to the field was the observation that [redacted] ". . . finds it difficult to adapt himself to a general program with which he is not in full personal accord . . ." [redacted] was a second choice for this assignment, but even so headquarters stated that he was a replacement with "better all around qualifications" than the original candidate. Perhaps the explanation for the choice of [redacted] is that experienced case officers required for such an undertaking were scarce in the fall of 1950. This would hardly excuse, however, the failure by headquarters to send complete information on [redacted] to the field station, nor would this explanation condone the failure by the field station to properly supervise [redacted]'s activities.

5. The Principal Agent of the BDJ: As pointed out above members of the Apparat were at least initially recruited from the BDJ, and the Apparat itself continued as an adjunct to the BDJ. At the time that the case officer of the BDJ, Paul Lueth, was recruited, an SO report declared that he had been a member of the Communist Party in 1948. Other allegations were made that he had been closely associated with the communist mayor of a town in Gross Gerau Country (Hesse) to insure himself of a livelihood. In April 1951 a former BDJ member, Bob Reinhardt, accused Lueth of being a registered member of the Communist Party in the community of Waldorf and stated that he regularly visited the East Zone. I&S was kept fully informed of the derogatory allegations regarding Lueth. Full clearance on Lueth had been granted on 2 November 1950, with the condition that he be used with caution and that additional investigation be undertaken in the field to substantiate or disprove the allegations regarding Lueth's communist connections. (See Secret memo to DD/P from EE, Subject: Alleged Communist Connections, dated 24 November 1952).

6. The EE Division states that the allegation of Lueth's membership in the Communist Party in 1948 was never verified, that he proved to be a highly satisfactory principal agent and that letter intercepts

~~SECRET~~
SECURITY INFORMATION

100 - C - 967-202

~~SECRET~~
Security Information

revealed no derogatory information on him. This office believes that it was unnecessary to expect verification of his connections with the Communist Party to disqualify Lueth for a position in which he had full knowledge of the development of the Apparat resistance organization and to some extent influence its membership.

7. The Principal Agent of the Apparat: Whether the principal agent was qualified for his task is a matter of dispute. Staff employee C 1 submits the following report on Peters:

"In general, Peters' reasoning and understanding, as far as the existence and nature of clandestine organizations is concerned, was unbalanced and immature. He displayed lack of basic principles required for leading this type of an organization. From his reasoning, it could be clearly seen that the Apparat was built without proper organizational foresight . . . Peters' personnel do not trust him and suspect him of pocketing operational funds . . . His remarks, motivations, and arguments are far from being on a par with the standard of work and importance of the assignment entrusted him . . . This should have been realized at the very start, or at least checked upon during the time of operations" (Attachment F to EGQA 1328, 25 September 1952).

8. In initial dealings with Peters at the very start of the Apparat, however, C 1 submitted the conflicting opinion that: "Peters made a very good impression. He is a tall young man of about 30. He appears level headed and reasonable, nothing of the prima donna about him, and most cooperative. He has a quick mind, and grasped immediately what we wanted. He seems satisfactorily security conscious. He appears motivated by a desire to assist the West against Communism, and also to carry on a type of activity which he finds more to his taste than commerce". (Enclosure to 335 CFGWU, 19 December 1950).

9. In view of these contrary opinions this office cannot express an opinion as to whether the field station was careless in the selection of the key man for the organization and in failing later to evaluate his qualifications and organizational efforts.

VI. ACCOUNTING AND FINANCIAL ASPECTS OF THE OPERATION

1. Accounting for operational funds: The field assessment has reported unsatisfactory accounting for operational funds for the entire period of the project. Evidently, receipts and travel vouchers submitted for accounting were not checked or questioned by the case officer. The principal agent admitted that receipts and travel vouchers were "fixed" and adjusted for one reason or another. Many of the receipts

~~SECRET~~
Security Information

100-6-96-2-202

~~SECRET~~
Security Information

looked fictitious and many of the signatures could not be identified. It was impossible to check these signatures since aliases were changed every three months. Headquarters has none of the documents and this office is therefore unable to inquire further into what appears to be a sorry state of financial affairs. The case officer was questioned with respect to this but he seems to have acted only as an intermediary between the finance office and the principal agent - receiving lump sums from his finance office for delivery to the principal agent and receipts from the principal agent for return to the finance office. He exercised no other control over the funds nor supervised the way in which they were expended. The case officer was remiss in this failure to exercise control over the funding of the operations.

2. Financial aspects of the cover business: The financial arrangements for the cover corporation and the business transactions into which it entered reflect the exercise of very poor business judgment. Negotiations for the acquisition of the title and the site and all financial arrangements were conducted between the principal agent and one Johann Saxer. It appears that Saxer agreed to lease the title to his firm for a number of financial concessions. A contract creating the corporation was drawn up and signed, on 20 July 1951, by Messrs. Erhardt Peters (principal agent of the BDJ Apparat), Otto Schill (a local banker) and Johann Saxer. The objective of the corporation was primarily the manufacture and sale of finished plywood products. The basic investment advanced in cash was DM 20,000, of which 18,000 was invested by Peters and 1,000 each by Schill and Saxer. Mr. Emil Peters, father of the principal agent, was appointed business manager. On 11 August 1951, two agreements were concluded between the corporation and the firm Johann Saxer of Worms:

a. An agreement to transfer from Saxer to the corporation about 35 cubic meters of unfinished plywood products with a value of about 20,000 DM.

b. A grant to Johann Saxer of a loan in the amount of DM 40,000, evidently for the purchase of plywood processing machines to be installed at the Saxer plant in Worms. In return, Saxer agreed to transfer these machines to the corporation as security.

This office does not understand the necessity nor rationale for this agreement nor for any of the many concessions to Saxer which are reported in the field review. One clause permits Saxer to retain the machines at his plant in Worms on a reciprocal loan basis from the corporation and to utilize these machines without reimbursement. Another clause obligates the corporation to accept a monthly supply of finished plywood and requires the payments for the anticipated deliveries be made in weekly advance installments, with the balance to be settled at the end of the month. Another clause states that the loan agreement is subject to annulment if the Saxer firm falls behind in the deliveries of plywood to the corporation and the payment of the 1,000 mark loan redemption at the expiration of a three month period. There is apparently no

~~SECRET~~
Security Information

100 - 6-96-2-202

quid pro quo in these agreements. This office agrees with the statement in the field report ". . . it can be said that this contract is totally inconsistent with accepted business standards, and that same contract as it appears serves the advantage of only one contractual member." (Attachment I, 1328 EGQA, 28 September 1952).

3. The field station failed to exercise any control or supervision over the establishment and conduct of the business. As reported above, it failed to inquire as to whether the company had proper legal foundation or was exercising prudent business judgment. It failed to clear or investigate a number of outside persons connected with the firm. It failed to determine whether the company was serving the purpose for which it was established. Yet in the absence of any of this basic information, the field reported that the one cover business would not suffice and requested approval for establishing an additional business: "The business recently acquired . . . cannot provide adequate cover for more than 15 agents at the upmost. . . Therefore, acquisition of a second cover business . . . appears absolutely indispensable". (1870 CFRFG, 26 October 1951). Provision for this second cover business was requested in Amendment #3 to the project but the Amendment was not approved.

VII. LACK OF GUIDANCE, SUPERVISION AND CONTROL

1. By the case officer: Conversations with the case officer indicates that poor control was exercised over the Apparat. The impression gained is that the principal agent ran the organization pretty much as he chose and probably made major decisions with respect to organizational structure, recruitment of members, security practices, and many administrative matters. This impression is substantiated by the fact that [redacted], in effect, lost faith in the Agency and gradually aligned himself more and more to the German point of view. He developed great admiration and sympathy toward the Germans with whom he was working and thought that the Agency could not be relied upon to deliver the support promised to the Germans in case of war. By this reasoning he rationalized and justified the unauthorized disclosure of weapons caching sites to leaders of the Apparat organization.

2. By the field station: The nearly complete lack of supervision and control by the field station is apparent. It probably contributed to [redacted]'s loss of faith in the organization. He apparently received little or no support from [redacted], his immediate superior, and reports that when presented with a plan or an idea [redacted]'s attitude was "go ahead, but don't get into trouble". By the same token, [redacted] stated that the "next higher office" seemed dilatory in performing its duties, and referred to the fact that his annual progress report remained in the field offices four months after he had submitted it - even though [redacted] had "signed off" on it.

3. [redacted]'s superiors in the field did not question him with respect to cover for the training site, details of the cover corporation, the organization and strength of the Apparat, the security violations which occurred, the method of recruiting members, and so

on. With respect to the recruitment and clearance of agents, [

] makes this comment in the field review of the project, "It is obvious . . . that action was not taken in too many cases on a variety of operational and administrative necessities, thereby causing the project to function rather disjointedly and leaving a highly undesirable situation . . . There were undoubtedly some extenuating circumstances involved which caused some of the glaring deficiencies, however if the responsible parties were aware of the . . . deplorable state of affairs over a period of time and did nothing to correct it, they can most certainly be accused of criminal negligence." (EGQA 1328, 25 September 1952, Attachment P). Although the case officer was primarily responsible for the "deplorable state of affairs" the field station must share the responsibility for failing to guide and supervise this activity.

3. By headquarters: As pointed out elsewhere in this memorandum, headquarters was remiss in its supervisory and guidance duties by the failure to provide policy guidance, by its failure to issue specific instructions to govern the aims and expectations of the Apparat, and by its failure to make detailed inquiries with respect to major phases of the project or to press for detailed reports from the field. This inattention to the project was later partially corrected by headquarters' excellent review of the Apparat of 28 December 1951 (3840 CWUFG). This critical, constructive review was made to determine the Apparat's future role in relation to overall programs for developing wartime resistance forces in Germany. As a result of this work and subsequent correspondence the field undertook the complete review and re-assessment of the Apparat, discovered its weaknesses, and decided to liquidate the project. If similar critical supervision and direction had been given by either the field or headquarters from the very beginning of the project, the Agency might have today a useful asset in West Germany and might have avoided the embarrassing and damaging situation which developed.

CONCLUSIONS:

1. This project existed without adequate control, guidance or supervision on the part of the case officer, field station or headquarters.

2. The field case officer, [], is guilty of wilful disregard of security regulations (a) by his unauthorized disclosure of top secret information on the location of caching sites to German civilians, and (b) by retaining highly classified documents in his personal possession against direct orders to turn in all such documents and after having reported that all such documents in his possession had been turned in. In addition, [] repeatedly violated practically every accepted rule for running clandestine operations.

3. The chief of the Frankfurt sub-station, [], failed to supervise and control this project for which he was responsible to the extent of culpable negligence. In addition he directly

Security Information

violated and tolerated violation of generally accepted security practices.

4. The efforts of the responsible headquarters desk to direct and keep abreast of this project were ineffectual.

5. Arrangements made by headquarters for [redacted]'s cover were unrealistic with respect both to his ability to live his cover and the requirements of his assignment overseas.

6. The cover firm established by the field station provided no cover and was a direct security threat.

7. Both headquarters and [redacted] were derelict in permitting [redacted] to remain in Germany, without an assigned job, from the time that he was removed from the Apparat in April 1952 until the time of the police raids on his home in September 1952.

8. A review of [redacted]'s transfer from the FE Division to Employees' Division and reassignment to the EE Division reveals that the new assignment was made after only informal inquiries by EE with respect to [redacted]'s past record of performance. This past performance with FE was unsatisfactory and disclosed shortcomings which reappeared in the EE assignment and contributed materially to the collapse of the project. Too, derogatory data on [redacted] was contained in five (5) training evaluation reports; none of this data was sent to the field by EE Division.

9. Loose security and improper interlinking of this project with other CIA operations either directly compromised such operations or placed them in serious jeopardy.

10. This project was an unfortunate product of the critical period following the outbreak of the Korean war. The contemplated size of the project in terms of agents, sites, money, training and arms was not compatible with security in any area which houses competent security agencies and political elements having the capacity to detect and the inclination to use information about clandestine American activities.

11. CIA apparently yielded to pressures from the EUCOM covert planning staffs, which EE Division officials states was considerable, and from other elements outside of the Agency to undertake the establishment of retardation and resistance forces beyond the scope of its capabilities for doing so on a secure basis.

RECOMMENDATIONS:

1. That [redacted] be discharged from the Agency with prejudice (Subject has been terminated under the authority of Section 102 c. of the National Security Act of 1947).

2. That [redacted] be reduced in grade and pay from GS-14 to GS-13, made ineligible for an increase in grade or pay for a period

6-96-2-202

of eighteen months, reprimanded in writing for his failure properly to supervise the BDJ Apparat project, and this reprimand be made a part of his personnel record.

3. That [redacted], Chief EE-2 from March 1951 to January 1952, and [redacted], Chief EE-2 from January 1952 to May 1952, be reprimanded for failing to provide firm headquarters direction to this project; notations of these reprimands be made in their personnel files; and they not be eligible for promotions within at least one year.

4. That general instructions be issued and enforced establishing a standard with respect to the requirements of headquarters for information of operational details from the field.

5. That all division chiefs instruct appropriate case officers to review project files and cable the field for pertinent missing operational data.

6. That CIA not attempt to establish large scale covert paramilitary activities in friendly or neutral sovereign countries without the assent of the governments concerned.

7. That inter-Agency covert office transfers of personnel not be allowed without an accompanying detailed statement signed by the transferee's immediate superior giving details of the transferee's performance in his last assignment.

[redacted] [redacted]
Chief, Inspection and Review

APPROVED

Deputy Director (Plans)