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Central Intelligence Agency



Washington, D.C. 20505

3 February 2017

Mr. John Greenwald  
The Black Vault



Reference: F-2014-00278

Dear Mr. Greenwald:

This is a final response to your 19 November 2013 Freedom of Information Act (FOIA) request for **“a copy of the final CIA/IG report, published circa 11/14/2000 about the Allegation of Misleading Congress.”** We processed your request in accordance with the FOIA, 5 U.S.C. § 552, as amended, and the CIA Information Act, 50 U.S.C. § 3141, as amended. Our processing included a search for records as described in our 3 June 2014 acceptance letter.

We completed a thorough search for records responsive to your request and located the document that you requested, consisting of 90 pages, which we can release in segregable form with deletions made on the basis of FOIA exemptions (b)(1), (b)(3), (b)(5), (b)(6) and (b)(7)(c). A copy of the document and explanation of exemptions are enclosed. Exemption (b)(3) pertains to information exempt from disclosure by statute. The relevant statutes are Section 6 of the Central Intelligence Agency Act of 1949, as amended, and Section 102A(i)(1) of the National Security Act of 1947, as amended. As the Acting CIA Information and Privacy Coordinator, I am the CIA official responsible for this determination. You have the right to appeal this response to the Agency Release Panel, in my care, within 90 days from the date of this letter. Please include the basis of your appeal.

If you have any questions regarding our response, you may contact us at:

Central Intelligence Agency  
Washington, DC 20505  
Information and Privacy Coordinator  
703-613-3007 (Fax)

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8601 Adelphi Road – OGIS  
College Park, MD 20740-6001  
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202-741-5769 (fax)  
[ogis@nara.gov](mailto:ogis@nara.gov)

Contacting the CIA's FOIA Public Liaison or OGIS does not affect your right to pursue an administrative appeal.

Sincerely,

A handwritten signature in black ink, appearing to read "Allison Fong", with a long horizontal flourish extending to the right.

Allison Fong  
Acting Information and Privacy Coordinator

Enclosures

## Explanation of Exemptions

### Freedom of Information Act:

- (b)(1) exempts from disclosure information currently and properly classified, pursuant to an Executive Order;
- (b)(2) exempts from disclosure information, which pertains solely to the internal personnel rules and practices of the Agency;
- (b)(3) exempts from disclosure information that another federal statute protects, provided that the other federal statute either requires that the matters be withheld, or establishes particular criteria for withholding or refers to particular types of matters to be withheld. The (b)(3) statutes upon which the CIA relies include, but are not limited to, the CIA Act of 1949;
- (b)(4) exempts from disclosure trade secrets and commercial or financial information that is obtained from a person and that is privileged or confidential;
- (b)(5) exempts from disclosure inter-and intra-agency memoranda or letters that would not be available by law to a party other than an agency in litigation with the agency;
- (b)(6) exempts from disclosure information from personnel and medical files and similar files the disclosure of which would constitute a clearly unwarranted invasion of privacy;
- (b)(7) exempts from disclosure information compiled for law enforcement purposes to the extent that the production of the information (A) could reasonably be expected to interfere with enforcement proceedings; (B) would deprive a person of a right to a fair trial or an impartial adjudication; (C) could reasonably be expected to constitute an unwarranted invasion of personal privacy; (D) could reasonably be expected to disclose the identity of a confidential source or, in the case of information compiled by a criminal law enforcement authority in the course of a criminal investigation or by an agency conducting a lawful national security intelligence investigation, information furnished by a confidential source; (E) would disclose techniques and procedures for law enforcement investigations or prosecutions if such disclosure could reasonably be expected to risk circumvention of the law; or (F) could reasonably be expected to endanger any individual's life or physical safety;
- (b)(8) exempts from disclosure information contained in reports or related to examination, operating, or condition reports prepared by, or on behalf of, or for use of an agency responsible for regulating or supervising financial institutions; and
- (b)(9) exempts from disclosure geological and geophysical information and data, including maps, concerning wells.

April 2012

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*Central Intelligence Agency  
Inspector General*

# REPORT OF INVESTIGATION



## (U) ALLEGATION OF MISLEADING CONGRESS

[Redacted]

(b)(3)

17 November 2000

*L. Britt Snider  
Inspector General*

[Redacted]

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*Assistant Inspector General  
for Investigations*

*Investigators:*

[Redacted]  
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[Redacted]

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Cautionary Note: Discussion of Internal Taxes**

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**C - Letter to Mr. Nickolas Rostow from David W. Carey,  
dated 23 March 2000**

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INVESTIGATIONS STAFF****REPORT OF INVESTIGATION****ALLEGATION OF MISLEADING CONGRESS**

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**17 November 2000****INTRODUCTION**

1. (U//AIUO) In May 2000, an Agency employee who requested confidentiality approached the Inspector General (IG) with secondhand information that CIA Executive Director (ExDir) David Carey misled Congress when he testified before the House Permanent Select Committee on Intelligence (HPSCI) and also in a letter Carey sent on 23 March 2000 to the Senate Select Committee on Intelligence (SSCI) Staff Director. The employee claimed he represented a group of senior Agency officers who were afraid to approach the Office of Inspector General (OIG) for fear of retribution. The employee said the Senior Intelligence Service officers were unwilling to come forward on their own to report the allegation because they feared their names would become known to senior Agency management and they would suffer adverse career consequences.

2. (U//AIUO) The employee said he was told by another CIA officer that in February 2000, Carey chaired a meeting attended by, among others, Associate Deputy Director for Science and Technology (ADDS&T) James Runyan. Runyan attended the meeting as a substitute for Joanne Isham, the Deputy Director for Science and



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Technology (DDS&T). The employee learned, after this meeting, that Runyan reported Carey was "furious" and said the Agency was not going to talk to Congress about its policy concerning "internal taxation." Carey reportedly said the Agency is to "close ranks" on the issue of not discussing its internal taxation policy with Congress. The employee explained that the term "internal taxes" refers to fees levied on CIA components by Agency corporate management to fund other programs and needs.

3. (U//AIUO) The employee learned that [redacted] [redacted]—who served in the Office of the Directorate of Science and Technology (DS&T) as the Chief of the Planning and Resources Group—was instructed by Runyan to communicate with certain officers within the DS&T to "close ranks" and tell them that internal taxes are an internal matter that is out of bounds for discussion with the Congressional intelligence oversight committees. The employee understood that [redacted] drafted a Lotus Notes e-mail message to this effect and showed it to Runyan in draft. Runyan approved the message, saying that it reflected what Carey said, and it was sent. The employee said [redacted] is suffering retribution for this incident.

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4. (U//AIUO) According to the employee, Carey appeared at a 16 March 2000 HPSCI hearing and denied any knowledge of the existence of the e-mail message; denied that its statements represented Agency policy; and denied that any subject was out of bounds for discussion with the intelligence oversight committees. Subsequently, Carey sent a letter to the Staff Director of the SSCI dated 23 March 2000 with [redacted] message attached. In the letter, Carey wrote that the e-mail message "does not accurately articulate our policy on dealing with Congress." The employee believes this is a false statement.

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5. (U//AIUO) The employee explained that he did not wish to invoke "whistleblower" provisions to report this matter to Congress because he did not have firsthand knowledge of the matter.

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However, the employee considered this matter to be an "urgent concern" that he wanted to bring to the attention of the IG concerning a false statement to Congress.<sup>1</sup>

## SUMMARY OF THE FINDINGS

6. (S) "Internal taxation" is a term used within CIA to describe the reprogramming or realigning of funds allocated for one program to another program or need. In Fiscal Year (FY) 2000, internal taxes have been levied on all Directorates, components within the Directorates, and on individual programs. The overall magnitude of taxes has been substantial. The Directorate of Operations (DO) reported it began FY2000 by realigning over [redacted] of operational funds to support DO infrastructure programs that were inadequately funded, and paid more than [redacted] as the DO's share of Agency taxes.

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7. (S) In late 1999 and early 2000, Congressional and staff delegations visited CIA stations abroad. During this period, some Agency officers from the DO reported that their operational capabilities, especially in agent operations, were being hampered because of a lack of funds. In particular, they noted there was a downturn in their funds compared with the previous year. At the

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<sup>1</sup> (U) "Whistleblower Protection for Intelligence Community Employees Reporting Urgent Concerns to Congress," Title VII of the Fiscal Year 1999 Intelligence Authorization Act, provides ways an intelligence community employee or contractor may submit a complaint or information to Congress. An "urgent concern" is defined in 50 U.S.C. §403q (d)(5)(G)(i) to mean any of the following: (I) A serious or flagrant problem, abuse, violation of law or Executive order, or deficiency relating to the funding, administration, or operations of an intelligence activity involving classified information but does not include differences of opinions concerning public policy matters; (II) A false statement to Congress, or a willful withholding from Congress, on an issue of material fact relating to the funding, administration, or operation of an intelligence activity; (III) An action, including a personnel action described in section 2302(a)(A) of Title 5, United States Code, constituting reprisal or threat of reprisal prohibited under subsection (e)(3)(B) in response to an employee's reporting an urgent concern in accordance with this paragraph.

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time, similar expressions of concerns were being voiced to Congress by officers in Headquarters about the impact of internal taxes on their programs.

8. (U//AIUO) In early 2000, accounts of "complaints" raised during the Congressional visits and comments made by other Agency officers about the impact of taxes on their programs were registering with senior Agency management. They expressed dismay and concern that some Agency officers were speaking to Congress about budgetary issues without full knowledge of the complex issues involved. Guidance was sent to the field which, in part, explained the situation with programs that had been insufficiently funded and the need to tax the DO and the other components.

9. (U//AIUO) By Agency regulation, the Chief Financial Officer (CFO) serves as the "principal interface" with Congress on resource matters, and employees are required to refer Congressional inquiries to Office of Congressional Affairs (OCA) and the CFO prior to responding. Field Stations were explicitly instructed not to comment on Directorate or Agency budget-related matters. A 22 March 2000 statement by the CFO "reminded" all employees that budget realignment questions should be referred to the CFO and OCA. On 27 March 2000, ExDir Carey "reminded" employees to respond fully to Congressional inquiries regarding programs and activities, including budgetary and fiscal matters, following established Agency procedures in responding to Congressional questions. Senior Agency managers confirm that CIA policy on discussing budget matters, including internal taxes, was that personnel should coordinate with the CFO's office before responding to Congressional questions. ExDir David Carey explains that to avoid offices going to Congress to plead their own case, the CFO served as the one definitive source of information to Congress on budget matters.

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10. (U//AIUO) On 25 February 2000, after a morning staff meeting where there were remarks by [redacted] ExDir Carey, and DCI George Tenet about CIA officers "complaining" about the budget to Congress, Carey met with the Deputy Directors, including ADDS&T Runyan. Following that meeting, Runyan instructed a senior DS&T officer to pass on Carey's concerns regarding these budget issues to DS&T office-level personnel.

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11. (U//AIUO) The DS&T officer, [redacted] sent a classified Lotus Notes e-mail message to DS&T budget and plans officers later that day. In all, 18 DS&T officers—including Runyan and [redacted] supervisor, DS&T Chief of Staff [redacted]—received the Lotus Note. It said in part that the "7<sup>th</sup> floor" had recently become aware that some CIA officers were talking to Congressional staff about the impact of internal taxes on their programs. [redacted] Lotus Note said that CIA considered internal taxes to be "out of bounds" for discussion with Congress; internal taxes often reflected poorly on Agency performance; and DS&T personnel were instructed not to discuss taxes "even if prodded" at briefings or during Congressional visits.

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12. (U//AIUO) [redacted] asserts that she prepared the Lotus Note with points Runyan had provided to her, based on the 25 February meeting he attended. [redacted] says she provided Runyan with a draft of the Lotus Note, which he approved, and sent the note the evening of 25 February to the 18 recipients, including Runyan and [redacted] contends she is being made a scapegoat for drafting the guidance provided, and later reviewed, by Runyan.

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13. (U//AIUO) Runyan contends the guidance he asked [redacted] to disseminate was "to coordinate with the Comptroller before going down to the Hill." He cannot explain why that message was not embodied in [redacted] Lotus Note, and no witnesses to their conversation have been identified. Neither Runyan nor [redacted] made any effort to correct the guidance issued by [redacted]

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14. (U//AIUO) On 16 March 2000, [ ] Lotus Note was cited without attribution by the HPSCI Chairman during a CIA budget hearing attended by Carey and the Deputy Directors. Carey testified that the contents of the note did not represent Agency policy, and he and the other attendees were not previously aware of the Lotus Note. Carey sent follow-up letters a week later to six HPSCI members and to the SSCI Staff Director repeating this position. In the letter to the SSCI Staff Director, Carey stated that neither he nor any member of his "senior management team" was aware of the Lotus Note before the hearing.

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## PROCEDURES AND RESOURCES

15. (U//AIUO) Twenty-two interviews were conducted including all of the principals. A review of the guidance provided by the Directorates of Administration, Operations, and Science and Technology concerning policy on budget and taxes during the first quarter of 2000 was conducted. Copies of pertinent documents have been retained and selectively cited in the Report. Copies of the letters sent to the Congressional oversight committees have been obtained, and the testimony at the 16 March 2000 HPSCI budget hearing has been reviewed. Copies of notes from DCI morning staff meetings and the DS&T meetings around the time of the incident have been reviewed. A legal analysis was conducted by the Counsel to the IG to determine if the crimes reporting responsibilities imposed under 50 U.S.C. §403q(b)5 were implicated. Individuals who were interviewed were afforded the opportunity to review and comment on the factual accuracy of the OIG reports of interview.

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16. (U//AIUO) This Report of Investigation addresses the following questions:

- ◆ What is meant by the term "internal taxes" within CIA?
- ◆ What are CIA's responsibilities in dealing with Congress?
- ◆ How did the Agency practice with regard to discussion of "internal taxes" with Congress evolve?
- ◆ What guidance was issued by the Directorate of Science and Technology on 25 February 2000 concerning the discussion of "internal taxes" with Congress?
- ◆ Did the 25 February 2000 guidance conflict with CIA's obligations and policy in dealing with Congress?
- ◆ Did  supervisors recognize the possibility of misinterpretation of the guidance contained in the 25 February 2000 Lotus Note e-mail and take any action to correct it?
- ◆ What did the CIA Executive Director say to Congress on 16 and 23 March 2000 about Agency policy on discussions of "internal taxes" with Congress?
- ◆ Was the Executive Director's 23 March 2000 letter to the SSCI Staff Director accurate?
- ◆ What has been the consequence of the Lotus Notes e-mail within the Directorate of Science and Technology?

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## FINDINGS

### **WHAT IS MEANT BY THE TERM "INTERNAL TAXES" WITHIN CIA?**

17. (U//AIUO) Within CIA, the term "internal taxes" refers to a mechanism for redistributing budget funds allocated for one program to another program or need. Internal taxation requires specific programs to remand a portion of their current year funding (the tax) to a central pool of money which, in turn, is allocated to other programs in order to increase the funding of those other programs or new initiatives. Programs are "taxed" to raise money to shift to other programs. The taxation is "internal" because the overall budget of the Agency is not increased. The term "internal taxation" is often used within the Agency in conjunction with phrases such as "internal budget realignments" or "reprogramming of funds."<sup>2</sup>

18. (U//AIUO) Within CIA, internal taxes are imposed on the Directorates, on components within the Directorates, and on specific programs. Internal taxes are imposed for a number of reasons—for example, to fund operations, maintenance, and support costs that may not have been fully factored into a program when its original budget was submitted and approved. Budget officers refer to this as the imposition of internal taxes to cover "unfunded" or "underfunded" programs or needs.

19. (S) A 29 February 2000 e-mail message from a Directorate of Administration (DA) budget officer explains that "Fairshare taxes are levied to pay for corporate CIA bills. The Comptroller's Office spreads the tax Agencywide based on prorata shares of the budget." Within CIA, specific internal taxes are sometimes named. For example, one such "tax" is called the Executive Director's Reserve Tax. These internal taxes are often referred to as corporate taxes because they are imposed at the Directorate and Agency level.

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<sup>2</sup> (U//AIUO) The Agency's legal and policy authorities to realign funds will be addressed in an Inspector General audit concerning Agency reprogramming of funds.

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20. (S) References to internal taxes are common within the Agency. For example, all personnel in a Directorate of Intelligence office were told in a May 2000 e-mail that:

Taxes from the 7<sup>th</sup> floor almost always arise with very short deadlines . . . . Because this year's taxes are even larger than expected, the [office-level] funding set aside for this purpose is already accounted for . . . . The flexibility to meet these tax requirements is constrained because many budget line items are fenced off by Congress.

Moreover, the magnitude of internal taxes can be substantial. For example, a budget officer in a component of the DA asked a Directorate-level budget officer in a 29 February 2000 e-mail about the [redacted] levied in taxes on his component in December 1999 and another assessment of [redacted] in February 2000. The DA-level budget officer responded that the taxes were paying for a variety of Agency "unfunded" programs, including some within the DA.

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21. (S) By all accounts, the first half of FY2000 was a period of tight budgets and a number of internal taxes. An 8 March 2000 memorandum by the DO's Operations and Resources Management Staff (DO/ORMS) entitled "FY00 Internal DO Realignments" explained that "At the beginning of the operating year, the DO realigned about [redacted] of mostly operational funds to infuse internal DO infrastructure programs, which had never been adequately resourced."

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22. (S) DO/ORMS drafted a contribution for a "DCI Issue Paper on Budget Shortfalls" on 1 March 2000, explaining in greater detail why the DO reprogrammed funds during FY2000. It reported that:

Very early in FY2000, DO managers identified an extensive list of unfunded or underfunded activities, resulting in costs in excess of

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[ ] The activities were primarily infrastructure programs, many of them critical to the DO's operational missions. The circumstances and decisions which led to what could be termed a budget dilemma are complex and under considerable examination. In part, some infrastructure programs had become underfunded over several years as the Directorate's base funds shrank while its operational programs were supported on a year by year basis through Congressional and other adds to its budget. Large infrastructure programs were established without budgeting [operations and maintenance] funds in the future . . . .

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[DO] components who were represented most heavily on the unfunded list . . . were protected during the realignment of funds which focused the burden on the rest—primarily the operating divisions and centers. Taxes were computed on the size of their base funds . . . . In addition to critical funding within the [DO], the DO's share of Agency wide cuts and corporate bills, which prompted further internal cuts in early FY 2000, totaled over [ ]

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[ ] Further DO cuts have been necessary to pay additional, more recent Agency-level taxes of over [ ] The impact on agent operations caused by the DO's realignment of funds to cover critical infrastructure needs and pay Agency taxes is real, though perhaps difficult to quantify.

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#### **WHAT ARE CIA'S RESPONSIBILITIES IN DEALING WITH CONGRESS?**

23. (U) **Statutory Requirements.** The National Security Act of 1947, as amended (50 U.S.C. §413a), requires the DCI, among other responsibilities, to:

. . . furnish the intelligence committees any information or material concerning intelligence activities, other than covert actions, which is within their custody or control, and which is requested by either of the intelligence committees in order to carry out its authorized responsibilities.

24. (U) The National Security Act of 1947, as amended (50 U.S.C. §413a), further requires the DCI to keep the intelligence committees "fully and currently informed" of intelligence activities other than covert actions that are carried out by CIA. The meaning of

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the "fully and currently informed" requirement is discussed in a 15 May 1980 Senate Report, No. 96-730, that accompanied the Intelligence Oversight Act of 1980 (S. 2283). The report states the statutory language places responsibility on the Executive Branch to provide not only "full and complete information upon request from the committees; it also includes an affirmative duty to keep the committees fully and currently informed of all major policies, directives, and intelligence activities."

25. (U) The 19 September 1980 Conference Committee Report No. 96-1350 that reconciled and incorporated the Senate and House versions of the oversight provisions in the Intelligence Authorization Act for FY1981 lists three additional responsibilities imposed on the DCI by the legislation. One of these is to furnish any information requested by the committees in order to carry out their responsibilities.

(b)(3) [ ] 26. (U//AIUO) CIA Regulations. Headquarters Regulation [ ] dated 26 July 1993, states that the Director of Congressional Affairs serves as the "focal point for Agency contact with Congress and its individual members, committees, and staffs." Agency Regulation [ ] "Reporting of Intelligence Activities to Congress," dated 26 March 1996 reiterates statutory guidance and states that:

CIA will seek scrupulously to meet the obligation to keep the Congressional intelligence committees fully and currently informed . . . . This obligation requires, at a minimum, that . . . CIA provide the information requested by those committees in order to conduct their business.

Questions regarding the interpretation of these guidelines should be referred to the Office of General Counsel, according to the regulation.

(b)(3) 27. (U) Agency Regulation [ ] "Response by Employees and Former Employees to Subpoenas, Orders, and Other Demands by Courts or Other Authorities," dated 15 May 1997, provides that no Agency employee will respond to a request for information,

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including requests from Congressional committees, until authorized to do so by the General Counsel. 32 C.F.R. Section 1905 provides the same guidance, and authorizes CIA officials to delegate their authority to subordinate officials.

(b)(3) 28. (U//AIUO) The CFO's authorities and responsibilities in regard to Congress are set forth in a 2 March 2000, Agency Regulation [redacted] entitled "Office of the Chief Financial Officer (CFO)." This regulation defined the mission of the CFO as "to oversee all financial management and procurement activities relating to the programs and operations of the Agency . . . ." The CFO's functions, as identified in this regulation, include:

- ◆ Develop, coordinate, and oversee the Agency's program planning and resource allocation processes.
- ◆ Develop and oversee execution of the Agency budget. . . .
- ◆ Serve as the principal interface with Congress (in coordination with Director of the Office of Congressional Affairs), Department of Defense, Community Management Staff, and Office of Management and Budget regarding resource matters . . . .  
[Emphasis added.]

***HOW DID THE AGENCY PRACTICE WITH REGARD TO DISCUSSION OF  
"INTERNAL TAXES" WITH CONGRESS EVOLVE?***

29. (U//AIUO) As established in the preceding section, CIA has a statutory obligation to provide "full and complete information" to Congress. It also has regulations in effect that govern which Agency employees specifically can respond to Congressional inquiries. These regulations state that no Agency employee will respond to Congressional requests for information until, or unless, authorized. On most issues, the Office of Congressional Affairs has been delegated this authority, and in budget-related matters, the CFO and OCA share responsibility for responding to Congressional queries.

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30. (U//AIUO) **Written Guidance.** To ensure that employees are aware of their obligations to respond to Congressional queries through OCA and the CFO, the Agency has issued periodic guidance. This guidance includes a pamphlet issued by OCA on briefing Congress; instructions to Field Stations on handling budget questions that arise during Congressional delegation visits; an October 1999 Employee Bulletin reminding employees to communicate with Congress through OCA; a 22 March 2000 statement by the CFO made available to all employees reminding them that budget realignment questions should be referred to the CFO and OCA; and a 27 March 2000 Employee Bulletin reminding employees to respond fully to Congressional inquiries through established Agency guidelines for handling questions from Congress.

31. (U//AIUO) *OCA Pamphlet on the "4Cs."* Since at least 1988, OCA has issued a pamphlet entitled "Briefing Congress." In a section entitled "Guidelines for Congressional Briefings," the pamphlet states that "a CIA officer in contact with Congress—whether before a committee, an individual Member, or a staff officer—should present information that reflects the following: candor, correctness, completeness and consistency." The pamphlet defines "consistency" as "following established Agency guidelines when responding to questions or requests for information."<sup>3</sup> The pamphlet also instructs employees to "concentrate on the facts, [and] render judgments only in your specific area of expertise." Employees are further admonished not to discuss "other programs or activities that are not related to the issue being briefed."

32. (S) *Guidance Concerning Congressional Visits.* OCA periodically issues guidance to all Agency Field Stations and Bases concerning briefing Congressional members and their staffs during Congressional visits to Agency field locations. A 17 June 1999 cable

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<sup>3</sup> (U//AIUO) As discussed in the previous section, CIA regulations require that employees refer questions from Congress to OCA or the CFO prior to responding.

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provided instructions to Field Stations on answering budget-related questions that arise during Congressional visits. Field Stations were told:

On budget-related topics, feel free to provide generic funding information as it pertains to your operation but do not comment or opine on broader Directorate or Agency budget-related matters. Please remember that Congress reviews and acts on the DCI's budget, and [the DCI] has directed that only Headquarters will discuss budget specifics with members and staff, in line with their oversight or non-oversight responsibilities. [Emphasis added.]

In advance of specific Congressional visits in the period from June 1999 through 29 March 2000, individual Stations were instructed by their respective Headquarters components on many occasions to refer to the June 1999 cable. Additionally, the June 1999 instructions were retransmitted in full to more than [ ] Stations throughout the year.<sup>4</sup>

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33. (U//AIUO) *October 1999 Employee Bulletin*. Agency personnel were reminded of their obligation to communicate with Congress only through the Office of Congressional Affairs in an Employee Bulletin issued on 1 October 1999. The Employee Bulletin was made available to all Agency employees on an electronic bulletin board.

34. (U//AIUO) *Official Minutes of "DCI (Agency) Staff Meeting."* The official minutes of the DCI weekly staff meeting are posted on the Agency's Public Affairs electronic bulletin board and are available for all Agency employees to read. According to minutes of the 22 March 2000 DCI Staff meeting, [ ] "reminded components to refer to herself and OCA any queries from HPSCI staff members regarding realignment of funds. HPSCI staffers recently have directly queried some components."

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<sup>4</sup> (S) The June 1999 guidance on handling budget issues differed from the instructions issued to Field Stations in 1997 and 1998 concerning briefing Congressional visitors. The 1997 and 1998 instruction cables did not contain any reference to budget-related topics.

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35. (U) **March 2000 Employee Bulletin.** On 27 March 2000, an Employee Bulletin was issued entitled "ExDir Reminds All Employees of Agency Policy on Dealing with Congress." (See Exhibit A.) It instructed personnel "to respond fully—and to the best of your knowledge—to Congressional inquiries regarding programs and activities, including budgetary and fiscal matters." The instruction advised employees to ensure that all dealings with Congress are characterized by candor, completeness, correctness, and consistency. Employees were reminded to follow established Agency guidelines in handling questions from Congress.<sup>5</sup> The Employee Bulletin was made available to all Agency employees on an electronic bulletin board. The text also was issued as a cable to Agency Field Stations on 29 March 2000.

36. (S) **The Budget Situation Facing the Directorate of Operations.** On 6 January 2000, the Deputy Director for Operations (DDO) sent a cable to all DO Stations and Bases entitled "The State of the Directorate's FY 2000 Fiscal Health." This cable discussed "unfunded" programs and the amount of internal taxes being levied on the DO. It said:

[Y]ou have no doubt heard from your component management that this is shaping up to be a tight budget year—the tightest in memory in fact. Unfortunately, the adds to our FY 2000 budget have been more than offset by the need to cover [redacted] as the DO share of Agency unfundeds and the need to realign over [redacted] internally to cover unfunded program needs critical to the DO mission, such as operational training, improvements to management and backstopping of cover, and information technology systems supporting field and Headquarters operations. We have also had to cover [redacted] as the DO share of a Congressional cut to independent contractors and [redacted] to cover an across the board cut to all US Government agencies mandated by Congress. As the year progresses, additional Agency unfundeds are likely to arise, and we will have to help cover them.

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<sup>5</sup> (U//AIUO) CIA regulations require employees to refer questions from Congress to OCA or the CFO prior to responding.

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37. (S) In an e-mail message on 1 February 2000, a senior officer in DO/ORMS advised Associate DDO for Resources, Plans and Policy (ADDO/RPP) [redacted] of concern from HPSCI staff members that funds HPSCI had earmarked for specific DO areas or programs of special interest to the committee had been "taxed." The officer said that the "bottom line is that the areas HPSCI thought were going to be made healthy in FY 1999 were taxed."

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38. (S) A 3 February 2000 e-mail message from an officer assigned to the Office of the Comptroller to [redacted] and the Chief of ORMS said that [redacted] wanted them to have a list of significant Agency unfunded programs remaining in fiscal year 2000. Five programs totaling [redacted] were listed. The officer said that "there is a good chance that the directorates will be taxed to pay for all or part of these programs."

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39. (S) On 15 February 2000, the Chief of Budget Operations in the Comptroller's Office informed each Directorate and the DCI Area of the "next" round of taxes to be levied in fiscal year 2000 [redacted] [redacted] Subsequent e-mail messages within the DO discussed how to allocate this tax on various DO components.

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40. (S) On 29 February, an OCA officer informed [redacted] [redacted] and others in an e-mail message that the HPSCI staff was "unnappy" with not receiving tax data on each DO Division. In response, [redacted] stated that DCI Tenet had asked her to "put together the whole story on the DO funding issue." [redacted] said "the 'tax' issue needs to be addressed from an Agency's (sic) perspective—why we have them, what we are doing about it, etc."

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41. (S) In a 23 March 2000 memorandum to DCI Tenet, DDCI Gordon, and ExDir Carey entitled "Critical Budget Issues," DDO James Pavitt stated: "As you know, DO line divisions are operating on very tight budgets this year . . . . The primary cause is funding realignments at the Directorate and Agency level."

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LOAN COPY**42. (S) Field Stations' Response During Congressional Visits.**

Following Congressional visits to Agency facilities overseas, Chiefs of Station summarize the visit in a cable to OCA with an information copy to the relevant DO area division. [redacted]

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the Chief of Station (COS) [redacted] reported his discussion of "funding" issues with HPSCI Chairman Porter Goss. The COS relayed that "In reply to query from [Chairman]/HPSCI concerning funding, COS noted that monies in FY-00 were going to be tight. COS observed that Station's FY-00 counterterrorism [CT] budget was [redacted] on (sic) FY-99."

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**43. (S)** [redacted] reported on his budget-related discussions with Representative James Moran, who is a member of the House Appropriations Committee (HAC)/Subcommittee on National Security. He said:

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In reply to Rep Moran's query concerning what he could do for the Station, COS observed that all indicators pointed to a very tight FY-2000 budget for the Directorate of Operations. . . . COS noted that Station's FY-00 budget would be [redacted] of FY-99. . . . Rep Moran observed that he was not aware of the budget difficulties facing the Directorate [of Operations] and observed that he would welcome dialogue with the DCI and/or DDO to see how he might be of assistance in this area.

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[redacted] reported he spoke with Representative Peter King at Representative Moran's request that he address the issue of "resources" with King. The COS said:

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When addressing the issue of the FY-2000 budget, COS made the same points to Rep King as he had made to Rep Moran. Rep King echoed Rep Moran's comments that he too was convinced that should the Directorate [of Operations] require additional funds to counter the threat of international terrorism, the DCI and/or DDO should raise the issue directly with the Hill.



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44. (S) At the conclusion of a visit by HAC staff members to [redacted] the COS reported his budget-related discussions with them [redacted]. The COS reported he told the staff members that the Station did not have adequate resources to do its job and provided details about the situation facing the Station.

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[redacted] the COS said [redacted] was:

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... broke and it is going to have dire consequences on our operations: [redacted]

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[redacted] Station in essence will be in a retrograde movement and most if not all of the work over the past 18 months will be negated.

45. (S) [redacted] the COS [redacted] reported he "pulled no punches" in answering Congressman Goss' question about the Station's budget situation. The COS said he and [redacted]

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[redacted]:

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... stated our conviction that the ad hoc-like budgeting process is unclear and inadequate and our regret that this annual ordeal now threatens to impact field operations .... Specifically, COS and [redacted] told Goss that [redacted] Stations are facing a [redacted] reduction for FY-2000 in discretionary [operational] and [management] funds, and that [redacted] had actually received a [redacted] reduction figure, which we have appealed.

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46. (U//AIUO) Senior Officers' Views on Agency Practice Concerning "Taxes." ExDir Carey states that there is no policy within the Agency regarding discussions about "internal taxes." Carey says that, specifically, there is not a policy not to speak of taxes with the Committees. Carey says the request was not to speak about matters not personally known to a CIA officer or within the officer's purview. The policy for CIA officers was, and is, to answer questions within the officer's field of knowledge and to refer other budget-related matters to the CFO. To avoid offices going to Congress to

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plead their own case, however, Carey says the Agency leadership supported the position that the CFO was the one definitive source of information to Congress on budget matters. The advice to Agency components was if they are asked about the status of funds in their Directorate, they should not provide an answer unless they have the broad Directorate perspective, such as ADDO/RPP [redacted] alone would have in the DO.

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47. (U//AIUO) [redacted] says the practice of the CFO's office is that if a Congressional staff member requests information on budget issues, it is advisable to coordinate the response with the CFO's Office. [redacted] explains that the integrity of the budget process is important, and the Agency must have a means of ensuring the information it is providing to the Congressional overseers is accurate, complete, and timely. The objective of the CFO's Office is to provide accurate information. [redacted] does not believe there is confusion over this practice; it has not changed, and the CFO and Comptroller have always been the focal point for budget questions from Congress. At the same time [redacted] states her office has never decreed that a document cannot be provided to Congress when requested, although the CFO's office may challenge the budget numbers provided by a component. [redacted] says she has instructed components to be responsive to the Hill and has requested that any material provided to Congress also be provided to the CFO's office with a copy for the record.

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48. (U//AIUO) [redacted] says CIA practice is to coordinate issues of resources with the Comptroller's Office before an officer or operating component goes to Congress, Office of Management and Budget, or the Community Management Staff. [redacted] explains that there is no intent to get CIA officers to change what they intend to say. Rather, it is the role of the Comptroller, working with or through OCA, to explain how the entire budget is affected by specific resource decisions and to put these decisions in the context of the Agency as a whole. [redacted] explains the

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Comptroller's Office puts reprogramming decisions in context—not just where the money is being taken from, but where it is going and why.

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49. (U//AIUO) [redacted] states that since the 16 March 2000 HPSCI hearing, Agency practice on discussing internal taxes with the HPSCI and SSCI has changed. Individual offices may address internal tax issues or resource issues with the committees, but the Comptroller's Office reserves the right to disagree with budget figures presented by individual offices. [redacted], while not sure, believes this arrangement was discussed between ExDir Carey and the then-Staff Director of the HPSCI, John Millis.

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50. (U//AIUO) [redacted] who served in that position from [redacted] says the guidance to Agency employees on the subject of taxes has been not to volunteer information, but to answer any Congressional questions fully and accurately. [redacted] who currently serves as the Deputy Director of [redacted]

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[redacted] recalls ADDS&T Runyan relaying a story about either DCI Tenet or ExDir Carey pounding the table in February 2000 saying it is very important that Agency officers support the corporate budget.<sup>6</sup> [redacted] says these kinds of exhortations—support the President's budget while answering all Congressional questions completely—are made all the time.

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51. (U//AIUO) [redacted] says that prior to 16 March 2000, there was no specific guidance on handling questions about internal taxes. There are, however, long-standing guidelines to notify Congress when specifically appropriated funds are reallocated. [redacted] says she has never heard any guidance that the Agency should not talk about internal taxes. She explains there was frustration among senior Agency management in the first several months of 2000 that some Agency officers were making unilateral

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<sup>6</sup> (U//AIUO) In reviewing a draft of this Report, Carey asserted that he is "not prone to the pounding of desks."

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approaches to Congressional staff members and "whining" about cuts to their budgets. [redacted] says senior Agency management felt many Agency personnel did not understand the reasons for cuts in the budget. [redacted] does not remember anyone saying "tell your folks to stop whining," but says it is plausible.

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52. (U//AIUO) [redacted] recalls a meeting of the senior Agency managers—either at the DCI's morning staff meeting or an Executive Board meeting—where the frustration level of the ExDir's office was very high following discussions by DO officers in the field with Congressional staff members. [redacted] recalls DDO Pavitt felt field officers should be honest in their views. [redacted] recalls Pavitt was told that despite budget cuts, there were always sufficient funds for good operations. [redacted] also advised that budget concerns should be raised with the Executive Director and the CFO, and not directly with Congress. Only the CFO's Office can provide the appropriate perspective. For example, according to [redacted] many DO officers. According to [redacted] many DO officers did not realize the DO was taxing the DO divisions in addition to the corporate taxes levied by the Agency at large. [redacted] observed that DO officers were seen to be pursuing their own agenda given their access to Congressional and staff delegations in the field. [redacted] said this led to frustration that was ultimately expressed to the Deputy Directors.

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53. (U//AIUO) In regard to the specific issue of whether CIA considers the subject of internal taxes to be out of bounds for discussion with Congress, [redacted] explains that the Agency does not, as a rule, share with Congress internal Agency management deliberations. While the broader question of whether there are internal taxes in the Agency is not out of bounds, [redacted] states that the specifics of what is discussed when programs are being compared for reductions would not be discussed unless there is specific Congressional interest.

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54. (S) DDO Pavitt recalls [redacted] stating that any information given to the Hill needs to go through the CFO to ensure consistency. Pavitt says he is familiar with this comment and has heard it in other instances. Pavitt also says he has heard the sentiment expressed about not going to the Hill with budget spreadsheets without first coordinating with the CFO, and the statement that internal taxes are out of bounds for discussion with Congress. Pavitt describes this as the conventional wisdom in the Agency—from the Comptroller, CFO, and ExDir. Pavitt explains that FY2000 began with [redacted] in unfunded programs or needs. It is now down to about [redacted]. The practice was not to discuss internal taxes, until the 16 March 2000 hearing. It changed after the hearing.

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55. (U//AIUO) Pavitt says he has been at odds with senior Agency management at what he sees as the inability of the Agency to tell Congress what it needs from a resource perspective. Pavitt says his advice has been to be honest on budget requests. Pavitt believes internal taxing is not an effective way to meet resource needs. Pavitt says his views are well known, and he has spoken candidly to DCI Tenet, former Deputy DCI John Gordon, Deputy DCI for Community Management [redacted] and ExDir Carey. Pavitt believes the Agency should be honest with its resource needs. Pavitt describes himself as outspoken on this issue.

56. (U//AIUO) Pavitt says that in February 2000, when concern was expressed about Agency officers speaking about internal taxes with Congress, the DS&T was not the focus of the concern. Rather, it was the DO. Pavitt says he told senior Agency management that he would not tolerate insubordination in his officers, but if they were asked a question by a Congressman or staff member during a Congressional delegation visit to the field, they would answer the question. Pavitt says he received criticism directed at his Chiefs of Stations who spoke to Congressional delegations about resource needs. Pavitt says, however, he could not chastise them because he insists that they do the right thing.

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57. (S) ADDO/RPP [ ] explains that the DO's budget shortfalls had become acute. There were insufficient funds to operate specific programs. While the "top line" of the DO budget had increased, the DO's operational budget was declining. [ ] says when DDO Pavitt and he discussed this situation with DCI Tenet and others, they did not report good news. [ ] says that while Carey probably was not happy the DO had raised its budget difficulties, Carey never tried to tell either Pavitt or [ ] not to speak to Congress.

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58. (U//AIUO) DDS&T Isham says it is not right to say CIA regards the subject of taxes as out of bounds for discussion with Congressional staff. Isham believes an open dialogue is needed with Congress. Individual officers, however, do not always know the whole story at the Directorate level.

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59. (U//AIUO) ADDS&T Runyan recalls guidance from [ ] on 25 February 2000 that if Agency officers are talking to Congressional staff members, they should coordinate with the Comptroller and the CFO. Runyan believes [ ] statement on 25 February was probably not the first time he had heard of the need to coordinate budget information with the Comptroller and CFO.

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60. (U//AIUO) DS&T Chief of Staff [ ] explains there has been a traditional problem when CIA program managers meet with Congressional staff members. In the course of conversation, program managers have been known to complain about the lack of funding for their program. [ ] says the issue of how to respond to Congressional questions regarding internal taxes had been raised at DS&T staff meetings. [ ] has advised DS&T officers to answer as honestly as possible relative to their individual program and not to speculate. [ ] estimates that 98 percent of CIA officers who brief their programs to Congress do not know how their budget numbers were derived. Most Agency officers are not specifically knowledgeable about internal taxes.

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**WHAT GUIDANCE WAS ISSUED BY THE DIRECTORATE OF SCIENCE AND TECHNOLOGY ON 25 FEBRUARY 2000 CONCERNING THE DISCUSSION OF "INTERNAL TAXES" WITH CONGRESS?**

61. (U//AIUO) DS&T Plans Chief [redacted] issued guidance within the DS&T in a Lotus Notes e-mail message<sup>7</sup> of 25 February 2000 to 18 recipients, including the nine office-level plans chiefs. The Lotus Notes message, classified "Secret," was entitled "Cuationary Note: Discussion of Intenal Taxes (*sic*)."<sup>8</sup>

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[redacted] is a Senior Intelligence Service (SIS)-01 officer who was serving as the Chief, Planning and Resources Group in the Office of the DS&T at the time.

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62. (U//AIUO) The Lotus Note (Exhibit B) was addressed to the planning and resource chiefs in the nine offices of the DS&T. Included as a "blind carbon copy" recipient of the Lotus Note<sup>9</sup> was James Runyan, a Defense Intelligence Senior Executive Service (DISES)-5 officer serving as the ADDS&T.<sup>10</sup> An information addressee was [redacted], an SIS-04 officer, who was [redacted] immediate supervisor and serves as Director, Business Strategies and Resource Center and concurrently as Chief of Staff to the DDS&T. Seven other members of the DS&T front office were also information addressees.

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<sup>7</sup> (U) CIA uses Lotus Notes e-mail for classified and unclassified internal communications.

<sup>8</sup> (U//AIUO) Exhibit B contains the full text of this Lotus Notes e-mail message.

<sup>9</sup> (U//AIUO) As a "blind carbon copy (bcc)" recipient of a Lotus Note, Runyan's name does not appear on a copy of the Lotus Note received or printed by the sender or the other recipients. Runyan says he received a copy of the Lotus Note, and OIG obtained confirmation that Runyan was a "bcc" recipient.

<sup>10</sup> (U//AIUO) The DISES rank is a Department of Defense level that replaced the Senior Cryptologic Executive (SCE) level previously used by the National Security Agency (NSA) and is equivalent to the SIS and Senior Executive Service. Runyan was detailed to the CIA from NSA in January 1997. He was appointed to his current position on 10 January 2000.

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63. (U//AIUO) First Discussion with Runyan. [ ] recalls that sometime as early as the week of 14 to 18 February 2000 Runyan returned from the daily 8:15 a.m. DCI Staff meeting and told her that at that meeting, it had been reported that Congressional staff members had been hearing "complaints" from DO Field Stations about the impact of internal taxation on operational activities.<sup>11</sup> There was concern expressed in the DCI's morning meeting about the ramifications of such comments. [ ] says Runyan made it clear that he had no indication it was DS&T employees in the field who had made such comments.

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64. (U//AIUO) According to [ ] Runyan asked her to caution DS&T staff about the need to refrain from commenting on the issue of internal taxes to Congressional staff members. [ ] says that she did not want to telephone the nine DS&T Plans Chiefs with this message, because she feared there would be nine different versions of what she said. So, she decided to draft a Lotus Note. [ ] does not recall anyone else being present when Runyan instructed her to convey the concern over discussions of internal taxes to DS&T officers. [ ] reviewed her notebook and advised that she has no notes of this instruction.

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65. (U//AIUO) [ ] states that she is not certain when she was originally instructed by Runyan to provide this guidance to the DS&T offices. She initially believed it was during the week of 21 February 2000. Upon further reflection, [ ] best recollection is sometime during the previous workweek. She explained that prior to 16 March 2000 when she learned that Congressman Goss read an Agency Lotus Note that sounded like the one she had drafted, she did not consider the guidance in her Lotus Note to be extraordinary. She did not take notes on what occurred leading up to the issuance of the Lotus Note and did not pay particular attention if it was DCI Tenet or ExDir Carey who reportedly made the statements that were

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<sup>11</sup> (U//AIUO) The DCI presides at a staff meeting usually each weekday at 8:15 a.m. with the exception of Wednesdays. There is a staff meeting for an expanded staff on Wednesdays at 10:30 a.m.



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relayed to her by Runyan. [ ] recognizes that there are gaps in her recollection of the events leading up to the issuance of the Lotus Note. She explains that Runyan's instruction was an unremarkable event initially. The guidance she received from Runyan was similar to what she had heard previously, and for that reason, she uncharacteristically did not rush to send the guidance to her subordinate Plans Officers.

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66. (U//AIUO) Second Discussion with Runyan. [ ] says Runyan returned from the 8:15 a.m. DCI Staff meeting possibly on Wednesday, 23 February 2000. Runyan reportedly relayed the continued concern over discussion of internal taxes by personnel in the field. This time, there was fist-pounding on the table during the discussion, according to [ ] believes she heard it was Carey who pounded his fist. At a subsequent meeting later that day, Runyan repeated the message and told the DS&T Office Chiefs that the seventh floor was emphatic on this subject. Runyan told the Board of Directors that [ ] would be sending them guidance.

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67. (U//AIUO) According to [ ] the week of 21 February 2000 was very busy for her because it was the budget "roll-out" week, when the Agency's budget was presented to Congressional oversight staff. [ ] says she drafted the 25 February 2000 Lotus Note sometime on 23 or 24 February 2000 and provided it in draft to Runyan to approve. She does not remember if she carried the draft to Runyan or sent it electronically.<sup>12</sup> She says Runyan was "very, very concerned" to get the tone of the Lotus Note right so that DS&T people in the field would not feel accused. [ ] says she did not want the tone of the message to be accusatory. [ ] asserts that Runyan reviewed her Lotus Note draft and had no comments or questions nor did he make any edits to the document. [ ] believes this occurred on the day of transmission or the prior day. Runyan probably walked into her office and told her that it was acceptable. After the 25 February 2000 Lotus Note

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<sup>12</sup> (U//AIUO) No copy of a draft version of the message from [ ] to Runyan has been found.

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was sent to the DS&T office-level Chiefs of Plans, [ ] received no comments or questions until after the 16 March 2000 HPSCI hearing.

[ ] explains that the Plans Chiefs are accustomed to receiving "strict guidance" from her because of the nature of her position.

[ ] says the Plans Chiefs may or may not have forwarded the message to others, but she does not know.

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68. (U//AIUO) [ ] asserts that the statement in the Lotus Note on taxation reflecting poorly on Agency management was not her language. [ ] says she does not talk like this. She says she paraphrased it from what Runyan said. [ ] says she never thought of this point before. She says she used the expression "7<sup>th</sup> floor" in the message, rather than anyone's name, because she did not want the tone of the message to be accusatory. [ ] says her concern in drafting the message was to ensure there was not an accusatory tone. Runyan gave the specific guidance for the message and approved the Lotus Note [ ] states. [ ] says she did not immediately draft the Lotus Note when Runyan first asked her to pass the guidance because she needed to consider the tone of the note to ensure that it would not accuse DS&T people.

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69. (U//AIUO) [ ] explains she italicized the phrase in the Lotus Note "... *that the CIA regards this subject matter as out of bounds for discussion with staffers or our Committees*" to emphasize direct comments made in the DCI Staff meeting, according to what Runyan told her. [ ] says the succeeding line in the Lotus Note—"CIA taxes are an internal issue, and one that often reflects (poorly) on Agency performance in planning, managing, and executing our programs"—also was a direct comment made in the DCI Staff meeting, according to what Runyan told [ ] states that she was never instructed to tell DS&T employees to "close ranks," as was reported by the employee who made the original allegation to the OIG.

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70. (U//AIUO) [ ] says that Runyan was just advising DS&T officers to be prudent in the Lotus Note's message. [ ] did not intend to tell them to be less than forthcoming with Congress, nor did Runyan intend this. [ ] asserts that she was simply communicating Agency policy on this matter as conveyed by her senior manager: questions of internal taxation were not to be discussed with Congress. [ ] says she never even thought of the issue of dealing with Congress. [ ] says she was tired, and it was late when she drafted the Lotus Note.<sup>13</sup> She was embarrassed she had not drafted the note before Runyan mentioned it a second time at the DS&T Board of Directors meeting. [ ] says that although she never considered the issue of dealing with Congress when she wrote the 25 February Lotus Note, when she reread it on 16 March, she could recognize how it was interpreted as an instruction to withhold information from Congress.

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71. (U//AIUO) Runyan says he customarily attends the 8:15 a.m. DCI Staff meetings on Thursdays and alternate Fridays in place of Isham. By consulting his calendar, Runyan reported that Isham attended the DCI morning meetings on 22 or 23 February, and he attended the meetings on 24 and 25 February.<sup>14</sup> Runyan says there was no discussion of the issue of CIA "internal taxes" at the 24 or 25 February 2000 DCI meetings. Runyan says furthermore that he does not recall a discussion of "taxes" at any DCI meeting he has attended.

72. (U//AIUO) Runyan reviewed his handwritten notes of the 25 February 2000 DCI 8:15 a.m. staff meeting and says that at that meeting, [ ] said if Agency officers are talking to Congressional staff members, they should coordinate with the Comptroller and the CFO. According to Runyan [ ] said that there were spreadsheets with budget details being shared with

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<sup>13</sup> (U//AIUO) The Lotus Note was transmitted on Friday, 25 February 2000 at 9:19 p.m.

<sup>14</sup> (U//AIUO) According to the notes of the DCI Staff meeting, Runyan attended the Wednesday, 23 February meeting at 10:45 a.m., as well as the 8:15 a.m. meetings on 24 and 25 February.

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Congressional staff members. Runyan does not recall Carey making any remarks, and he has nothing in his notes to indicate that Carey said anything about internal taxes. According to Runyan, his notes from the 25 February 2000 DCI Staff meeting state: "Mary: Information to Committees/Staffers—Please coordinate with CFO/Comptroller. Offices going down with spreadsheets. Bad budgeting and execution is the cause."

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73. (U//AIUO) Runyan says he took notes at the DCI Staff meeting as he saw fit, and Runyan believed what [redacted] was asking was to coordinate with the Comptroller and CFO before going to the Hill. Runyan states that this instruction was the basis for his instruction to [redacted] Runyan says he told [redacted] to tell the office Plans Chiefs to be sure the DS&T was not part of the problem.

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74. (U//AIUO) Runyan does not recall hearing or being told that Carey discussed the issue of internal taxes at the DCI morning meetings during the week of 22 through 25 February 2000.<sup>15</sup> Runyan says if it was discussed, it was not important enough for him to make a note. When Runyan was informed that the notetaker's notes indicate that Carey spoke with the Deputy Directors about budget cuts after the 25 February 2000 meeting, Runyan responded that he does not recall attending a separate meeting on 25 February with the ExDir.

75. (U//AIUO) When asked if Carey slammed his fist or used profanity, Runyan responds that he has no recollection of Carey ever pounding his fist. He also has no recollection of Carey displaying anger or frustration. Runyan says he has no recollection of DCI Tenet, Carey, or others pounding the table at a DCI morning staff meeting in regard to this subject matter.

<sup>15</sup> (U) Monday, 21 February 2000 was President's Day, a legal holiday.

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76. (U//AIUO) Runyan says when he returned from the 25 February 2000 DCI meeting, he called [redacted] into his office and indicated that there was a request to coordinate with the Comptroller if Agency personnel were talking to Congressional staff members about budget matters. Runyan says he told [redacted] he did not want DS&T officers causing any problems. Runyan does not recall if anyone besides [redacted] was present at this meeting, and observes it could have been a one-on-one meeting.

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77. (U//AIUO) Runyan says he cannot explain why [redacted] Lotus Note of 25 February did not contain any reference to [redacted] statement at the 25 February DCI morning staff meeting about coordinating with the CFO before going to the Hill. Runyan does not know why—if that were the thrust of his message to [redacted]—that it was not contained in [redacted] Lotus Note of that day. Runyan thinks he did not review [redacted] Lotus Note before it was issued and cannot explain the omission. He says he sees many Lotus Notes.

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78. (U//AIUO) Runyan says that as a result of the guidance from Corrado at the 8:15 a.m. staff meeting, [redacted] drafted the 25 February 2000 Lotus Note to the DS&T office-level Plans Officers. There were also "carbon copy" addressees of this Lotus Note. Runyan says he did not intend, one way or another, for [redacted] to put his message into a Lotus Note or to issue it through phone calls. He adds that he did not specify how [redacted] should promulgate the guidance. Runyan expected that [redacted] message to the Plans Chiefs of each DS&T office would be passed to the office directors. Runyan says that as a [former] office director, he probably would have passed the instruction "If we are headed to the Hill, let's coordinate with the Comptroller" to his group chiefs. Runyan states that he did not have the impression that [redacted] instruction was aimed at personnel in the field, and he did not see it that way either, so the message probably would not have been conveyed to the field.

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79. (U//AIUO) Runyan avers that he read [redacted] 25 February 2000 Lotus Note, but he does not remember if he read it prior to its issuance or afterwards. Runyan says, in any case, he read it within 24 hours because he tries to keep current with his Lotus Notes e-mails. Runyan says [redacted] Lotus Note did not raise any particular "flags" with him. Runyan observes that [redacted] is an SIS-rank officer, and overall, he sees very few Lotus Notes from [redacted] prior to her formal dissemination.

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80. (U//AIUO) Runyan states that he read the Lotus Note either before or very shortly after it was sent. Asked to estimate the likelihood that he saw [redacted] Lotus Note prior to its issuance, Runyan says he cannot make an estimation. Runyan added that if [redacted] says she showed the Lotus Note to him before she sent it, [redacted] has a better memory than he does. Runyan does not recall forwarding the Lotus Note to Isham prior to 16 March and does not know if Isham saw the Lotus Note prior to 16 March 2000.<sup>16</sup>

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81. (U//AIUO) Runyan recalls mentioning the request to coordinate with the Comptroller at the DS&T Board of Directors meeting the following Monday, 28 February 2000.<sup>17</sup> According to Runyan, he told the Board—composed of the DS&T Office Chiefs—that there was "7<sup>th</sup> floor" guidance to coordinate and [redacted] would be sending out guidance. Runyan says it was "not a big deal."

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82. (U//AIUO) Runyan says that on 16 March 2000, following the HPSCI budget hearing that Isham attended, Isham came into his office and told [redacted] and him about the controversy that erupted at the hearing regarding the alleged Agency guidance on internal taxes. Runyan volunteered to Isham that "we" sent a note out and located it

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<sup>16</sup> (U//AIUO) No information has been found to indicate that Isham or anyone more senior than Runyan received the Lotus Note prior to 16 March 2000.

<sup>17</sup> (U//AIUO) According to the notes taken by the OTS officer who was representing the Director, OTS at this meeting, the meeting occurred on Wednesday, 1 March 2000. The only relevant portion was attributed to DS&T Chief of Staff [redacted]. The notes read as follows: "Be sure to coordinate requests from staff, OMB, etc (example HIPSCI (sic) briefing)."

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in his Lotus Note "inbox."<sup>18</sup> This was the 25 February 2000 Lotus Note sent by [ ] called "Cuationary Note (sic)." According to Runyan, there was nothing remarkable about the 25 February 2000 Lotus Note that prompted him to keep it in his Lotus Notes queue. He only periodically clears his incoming Lotus Notes queue.

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83. (U//AIUO) With respect to whether the 25 February 2000 Lotus Note was consistent with the guidance he provided [ ] Runyan says that he thinks his guidance was much more general. Commenting on the 25 February 2000 Lotus Note:

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- ◆ Runyan says he does not recall that the sentence that "CIA taxes are an internal issue . . ." was ever said at a DCI morning staff meeting or any other meeting he attended. He does not believe he said this to [ ]
- ◆ In regard to the statement that CIA taxes are an internal issue that "reflects (poorly) on Agency performance in planning, managing, and executing our programs," Runyan says that this does not sound like a sentence he would say. However, Runyan adds it is hard not to philosophically agree with the statement.
- ◆ With regard to the statement that "CIA regards this subject as out of bounds for discussion with staffers or our Committees." Runyan says he does not think that he specifically said this. His guidance was more general.

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84. (U//AIUO) Runyan explains the purpose of the Lotus Note was to say that if someone was going to discuss budget issues with Congress, they needed to be in synch with the overall Agency

<sup>18</sup> (U//AIUO) [ ] disputes Runyan's recollection that he volunteered that "we" sent out the Lotus Note. Instead [ ] contends that she volunteered this information to Isham without hesitation because she had been following Runyan's instructions when she prepared the guidance.

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program. He did not read the Lotus Note as suggesting that employees withhold information or be less than candid with Congress.

85. (U//AIUO) Runyan states he did not take note of the Lotus Note "one way or another" after reading it. He wanted to ensure that DS&T personnel were not part of the Comptroller's problem even though no one at the DCI staff meeting suggested that the DS&T was the problem. Runyan says the Lotus Note was probably not written in the way he would have worded it. Runyan states he did not dictate the note to [ ] nor did he amend or contravene it after he read it.

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86. (U//AIUO) Asked why [ ] would have garbled his message in the 25 February 2000 Lotus Note, Runyan says this question assumes [ ] garbled it. Runyan says the thrust of his message to her is in her Lotus Note. Runyan does not read the Lotus Note as a call to "stonewall" Congress.

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87. (U//AIUO) Isham says she had an appointment outside the building on the morning of 25 February 2000 and arrived late in her office that day. Isham does not recall meeting with the DCI or ExDir on 25 February in regard to any issue concerning budget cuts. She does not recall being informed of any guidance concerning budget matters resulting from the 8:15 a.m. DCI Staff meeting that day.

88. (U//AIUO) Isham says she first learned of [ ] 25 February 2000 Lotus Note in the evening of 16 March 2000 following a hearing at the HPSCI on the CIA budget program. Isham attended that hearing, where Goss raised the issue of Agency guidance on discussion of taxes with Congress.

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89. (U//AIUO) Upon returning from the hearing, Isham met in Runyan's office with Runyan and others, including [ ] who wanted feedback from the hearing. Isham reported the "rather

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excoriating language" used in Goss' opening comments. [redacted] observed that Goss' comments might refer to a Lotus Note she had sent. Runyan provided Isham with a copy of the 25 February 2000 Lotus Note. Isham said it was the first time she had seen it. Isham says she and Runyan informed the DCI the evening of 16 March of this situation. Carey was not in his office, and he was informed the next day of the DS&T Lotus Note.

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90. (U//AIUO) Isham understands that [redacted] Lotus Note was written after Runyan attended an 8:15 a.m. DCI Staff meeting. The meeting included a discussion of activities in relation to the Hill, and the attendees were instructed to talk to their staffs about working with the Hill, particularly in the area of not competing one program against another program.

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91. (U//AIUO) Isham does not know if Runyan reviewed [redacted] Lotus Note before it was issued on 25 February 2000, but she doubts it was brought to him in advance because that is uncommon. According to Isham, Carey was not aware that Runyan had seen the 25 February 2000 Lotus Note until she and Runyan informed him on 17 March 2000.

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92. (U//AIUO) Isham observes that the language used in the Lotus Note does not appear to be Runyan's words, as it is not consistent with Runyan's personality to talk like this. Isham says there is no way that he would give direction not to cooperate with the Hill. Isham views the language as "sharp" and notes that [redacted] is a very skillful writer who may have "sharpened" what Runyan said.

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93. (U//AIUO) Isham states that it is not reasonable to expect that the Lotus Notes of a senior Agency officer are reviewed before they are sent. Isham points out that [redacted] is a senior officer. Isham says the DS&T acknowledged [redacted] Lotus Note immediately after the 16 March hearing. Isham is not even sure [redacted] note was the

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one that Goss referenced. Isham states that [ ] is well aware that she would not write the 25 February 2000 Lotus Note the same way if she had to do it again.

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94. (U//AIUO) [ ], the DS&T Chief of Staff and Director of the Business Strategies and Resource Center, who was [ ] direct supervisor at the time, describes [ ] as a brilliant, independent and conscientious officer who is intense about her job and usually exhibits good judgment.

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95. (U//AIUO) [ ] explains that he did not see [ ] Lotus Note before she transmitted it. [ ] recalls that [ ] sent the Lotus Note in the evening, and he saw it the following work day. [ ] explains that it was addressed to the Plans Chiefs in the DS&T and therefore he did not read the Lotus Note closely. [ ] recalls that he deleted it from his computer e-mail queue after he received it. [ ] says he should have focused on it at the time he received it. He believes the Lotus Note was not intended to be read as to appear so harsh in tone and no one envisioned that it was going beyond the DS&T plans staff. [ ] explains that it is not unusual for [ ] to generate eight to ten Lotus Notes a day, and he does not always read them thoroughly. He adds that he is aware that neither Isham nor Runyan read the volume of Lotus Notes they receive from [ ] [ ] does not know if Isham originally received [ ] Lotus Note.

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96. (U//AIUO) [ ] states that he did not have firsthand knowledge on the genesis of [ ] Lotus Note. He understands from Runyan and [ ] that [ ] believes she was following instructions from Runyan to put out the Lotus Note to the Plans Chiefs. [ ] does not believe that [ ] received the actual language used in the Lotus Note from Runyan and states that he does not know if Runyan reviewed the Lotus Note before [ ] transmitted it. [ ] attributes the inexact message written by [ ] as the effort of someone who was working long hours and prepared the Lotus Note late in the evening. If the message came from Runyan, [ ] believes that the words would have come out more

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"benignly." [ ] says that the language in the Lotus Note did not sound like something that would have come from Runyan, and it was not DS&T policy. [ ] does not recall if this subject was raised at the weekly DS&T staff meetings that were held on Wednesdays. His calendar reflected that there was a DS&T staff meeting on Wednesday 23 February 2000 from 1:30 p.m. to 4 p.m.

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97. (U//AIUO) [ ] says [ ] told him that Runyan discussed the matter in a morning meeting after Runyan attended a DCI Staff meeting. [ ] remembers a concern being discussed about moving money to pay for infrastructure, but he cannot connect that discussion with this time period. [ ] recalls speaking with Runyan after [ ] Lotus Note was quoted during a hearing with the HPSCI on 16 March 2000. [ ] says Runyan told him the DCI Staff meeting included some discussion of concerns expressed by Tom Newcomb, a HPSCI staff member, about "moving money." [ ] does not recall if Runyan stated that Carey pounded on the table when discussing the subject. [ ] assesses there was a "50/50 chance" that Runyan said it. However, he defers to the recollections of [ ] and Runyan.

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98. (U//AIUO) [ ] states that he read [ ] Lotus Note in a different fashion than Congress may have interpreted it. When he reread it after a similar message was cited by Congressman Goss, he understood why Congress was disturbed.<sup>19</sup> He explains that if he read it as an outsider, he would have been left with the impression that CIA had instructed its officers not to discuss the financial health of their programs with Congress.

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99. (U//AIUO) [ ] believes that the intended message of [ ] Lotus Note was not to go to Congress without alerting senior management and to avoid hurting the Agency in exchanges with Congress. [ ] interprets the message as an instruction to not take special pleadings or complaints to Congress; to exercise discretion in

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<sup>19</sup> (U//AIUO) [ ] states that he has spent 11 years of his CIA career in budget-related positions and is familiar with working with Congress in developing the Agency's budget.

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"washing private laundry;" to recognize that there is give and take with the funds the Agency receives; and not to lie or dissemble to Congress.

100. (U//AIUO) Asked about the phrase in the Lotus Note, "we need to be sure that no DS&T folks raise the issues [of internal taxes] directly with staffers, even if prodded at briefings or during staff tours/visits, [redacted] responds that this is wrong and unfortunate guidance. He does not believe anyone gave [redacted] that guidance, and it was a case of [redacted] being dramatic and "embroidering with her prose."

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101. (C) [redacted] served as Runyan's Executive Assistant from February to late April 2000.<sup>20</sup> He was present with [redacted] and Runyan on 16 March 2000 when Isham returned from the hearing and recounted Goss' ire over an Agency document. At that point [redacted] asked if the document could have been the Lotus Note she prepared. [redacted] recalls Runyan explained to Isham that [redacted] was referring to a Lotus Note he asked her to transmit. Runyan then went to his computer and retrieved and printed a copy of the Lotus Note sent by [redacted] on 25 February 2000. Upon examining the Lotus Note, Isham indicated that it may be the document Goss was referencing.

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102. (C) [redacted] recalls that Isham's reaction to the Lotus Note indicated that she had not previously seen it. [redacted] is certain he did not see the Lotus Note before it was sent. He explains that he was out of the office when it was prepared. If he had been at work, it is likely [redacted] would have given the draft of the Lotus Note to him before it went to Runyan. [redacted] understands from [redacted] that she showed the Lotus Note to Runyan who approved it before she sent it out:

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<sup>20</sup> (C) [redacted] served as the Executive Assistant to former DDS&T Gary Smith from approximately June 1999 until January 2000 when Smith left the Agency.

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103. (C) [ ] recalls that during a DS&T staff meeting in February 2000—he does not remember the specific date—Runyan told [ ] to send a Lotus Note to tell DS&T staff employees not to "whine about taxation." [ ] recalls Runyan saying that the ExDir was tired of hearing about whining. If a Congressional staff delegation spoke with Agency personnel, they were instructed to say they were only program managers and the Congressional staff should talk with the Comptroller regarding taxation issues. [ ] states that Runyan issued this guidance at a general DS&T session to office chiefs. [ ] recalls at least two prior occasions where either Isham or Runyan told DS&T office directors that the ExDir was tired of discussions "outside the building" regarding taxes. [ ] also remembers Runyan telling DS&T office directors twice of Carey "pounding on the desk" about taxes when talking about not discussing internal taxes outside this building. [ ] was present at these meetings. As was customary at that time, no minutes of the staff meetings were made.

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104. (U//AIUO) [ ] served in the DS&T from 1996 until April 2000, with his last position as Director of the Administrative Resources Center (ARC).<sup>21</sup> [ ] remembers a particular occasion when Runyan spoke at the Wednesday, 1:30 p.m. DS&T staff meeting that he attended.<sup>22</sup> [ ] could not remember the exact date of it, but it was shortly after Runyan was appointed ADDS&T.<sup>23</sup> [ ] recalls that Isham was on leave that week<sup>24</sup> and Foggo thought this was the first or second occasion where Runyan represented the Directorate in the DCI Staff meeting. [ ] recalls that Runyan came to the meeting "atwitter" as a result of what he heard at the DCI Staff meeting. Runyan spoke about Carey's annoyance with CIA personnel "tattling to Congress."

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<sup>21</sup> (U//AIUO) As Director of the ARC, [ ] was one of the nine office directors in the DS&T.

<sup>22</sup> (U//AIUO) According to [ ] the most likely dates for this to have occurred were 9 or 16 February or 1 March 2000. [ ] was away from Headquarters on 23 February 2000.

<sup>23</sup> (U//AIUO) Runyan became the ADDS&T on 10 January 2000.

<sup>24</sup> (U//AIUO) According to Isham, she was away from the office the week of 14-19 February 2000.

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105. (U//AIUO) [ ] says he cannot remember if Runyan's presentation at the DS&T staff meeting was during the "open session" or the "sensitive session" which occurs with fewer DS&T senior representatives. [ ] remembers Runyan saying that the ExDir was angry that there had been "whining" and "leaks" to Congress. Agency program managers were running to Congress. Carey wanted the components to tell their people to stay "within guidance." That is, after the DCI had made the decision regarding allocation of funds and the levying of "internal taxes," Agency personnel were to be loyal and support the decision. According to [ ], Runyan explained that Carey stated that the taxes were necessary and it was an executive decision in a brutal process. [ ] stated that he has destroyed his notes of that meeting.

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106. (U//AIUO) [ ] states that none of what he heard Runyan say that day was new to him. He had heard for years while working at Headquarters that internal taxes are an internal matter and should not be talked about with Congress. [ ] specifically remembers Runyan saying that Carey pounded the table and Runyan mimicked that motion in his staff meeting.

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107. (U//AIUO) [ ] Deputy Director of [ ] recalls attending a weekly DS&T staff meeting she believes was on 23 February 2000 chaired by Runyan. At the meeting, Runyan relayed a story about either DCI Tenet or Carey pounding the table saying that it is very important Agency officers support the corporate budget. [ ] specifically recalls Runyan pounded the table to indicate that Carey or Tenet forcefully conveyed this message. [ ] says that these kinds of exhortations are made all the time—support the President's budget while answering all Congressional questions completely. This is not a novel message, and was not a "big deal" at the time.

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108. (U//AIUO) OIG reviewed notes taken by a representative from the DS&T/OTS during the 23 February 2000 DS&T staff meeting. There was no reference to any discussion of the need to support the corporate budget or anything similar to the message in the 25 February 2000 Lotus Note.

109. (U//AIUO) OIG also reviewed notes taken during the Friday, 25 February 2000 DCI 8:15 a.m. staff meeting. These notes contained the following entries:

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[redacted] Receiving Hill questions re: budget any info given to Hill needs to go thru CFO to be consistent (plus up, taxes) no direct info

Dave [Carey] Some offices going down with spreadsheets

DCI [Tenet] very angry offices had to take cuts across the board going down to Hill complaining [Entry in the margin<sup>25</sup>].

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110. (U//AIUO) [redacted] the notetaker, interpreted her notes as follows. The term "taxes" meant cuts. [redacted] was saying that she was receiving calls from Congress on budget figures different from the approved figures and that the source of the inaccurate figures was Agency officers in various meetings with Congress. Carey affirmed [redacted] statements adding that some offices were going downtown with spreadsheets. [redacted] says that DCI Tenet appeared incredulous and commented he could not believe—implying that after all the meetings with offices on budget and budget cuts shared across the board—CIA officers were acting in that manner "behind our backs" when there was an agreement on the budget allocation figures that each component is to receive.

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<sup>25</sup> (U//AIUO) The notetaker [redacted] explains that if the DCI responds to something said by a principal at the meeting, she adds the DCI's comment to the left margin next to the speaker's name.

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111. (U//AIUO) [redacted] notes taken during the Monday, 28 February 2000 DCI 8:15 a.m. staff meeting contain the following entries:

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[redacted] budget roll-out staffers (Fri) Newcomb reassignment or funds, have to go down follow-up. May lead to new restrictions.

Dave [Carey] talked to DDs [Deputy Directors] about it (budget cuts) [Entry in the margin]

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112. (U//AIUO) [redacted] states [redacted] was apparently reporting the events on the preceding work day, 25 February, when HPSCI staff member Tom Newcomb expressed concern about CIA reprogramming funds. According to [redacted] interpretation of her notes in the margin [redacted] comment led Carey to say that he had spoken to the Deputy Directors about budget cuts, seemingly in reference to the comments made by the DCI on 25 February 2000 (above).<sup>26</sup>

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113. (U//AIUO) [redacted] states that she has never heard any guidance provided at the DCI Staff meetings that could be interpreted to mean that internal taxes should not be discussed with Congress.<sup>27</sup> [redacted] says that the guidance regarding taxes came only from [redacted] and it was that she did not want CIA employees taking erroneous numbers to Congress. [redacted] has never heard anything to suggest that an Agency employee should not raise the issues with Congressional staffers "even if prodded." It was [redacted] impression that the guidance was not to avoid going to Congress, but rather to first check with the CFO.

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<sup>26</sup> (U//AIUO) According to [redacted] Carey would have had to hold this discussion with the Deputy Directors between the conclusion of Friday's 8:15 a.m. meeting and the beginning of Monday's meeting.

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<sup>27</sup> (U//AIUO) [redacted] has served as the Chief of the [redacted] since August 1999, and she has been the primary notetaker for these meetings throughout this period.

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114. (U//AIUO) [redacted] could not locate any notes from the DCI Staff meetings for the period of 22 through 28 February 2000. [redacted] does not remember either DCI Tenet or Carey expressing anger or frustration at the morning staff meeting. She does not remember Tenet or Carey pounding on a table. [redacted] remembers Tenet urging proper coordination with the CFO and OCA. That is, resource information given to Congress should be vetted with the CFO's office. [redacted] recalls that some documents went to Congress before they were reviewed for accuracy by the CFO. [redacted] recalls Carey saying "in stronger terms" that [redacted] was being too polite when she requested the information from components and urging that the matters should be properly coordinated with the CFO.

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115. (U//AIUO) Carey recalls being approached by Isham on 17 March 2000, the day after they attended the HPSCI budget hearing. Isham informed Carey that she had identified the memorandum referenced by Goss as being a Lotus Note emanating from DS&T. Carey understands that upon Isham's return to the office following the hearing, Isham described the Lotus Note to members of her staff. Based on Isham's description, Runyan produced the Lotus Note which had been created by [redacted]. Carey requested a copy of the Lotus Note from Runyan, and Runyan forwarded a copy electronically on 17 March.<sup>28</sup> In forwarding the Lotus Note to Carey, with a copy to Isham, Runyan included the following note:

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Dave, here is the note we sent out that was most likely the note mentioned to you in your hearing yesterday. As I said, the intent was to ensure that our folks in the DS&T were not compounding an issue by discussing "taxes" with visitors to sites etc (*sic*). I had asked that something be said to our office plans chiefs to remind them of their responsibility. The note was sent from our S&T plans

<sup>28</sup> (U//AIUO) OIG obtained a copy of this e-mail message in the course of this investigation. It contained the "To" and "cc" (carbon copy) addressees, including [redacted] but did not include Runyan, who received a "bcc" (blind carbon copy). OIG has not been able to determine how the "bcc: James L. Runyan" was removed from this e-mail message.

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chief to the office plan chiefs (*sic*) and was not for broad distribution, but I have no idea if it was forwarded broadly out of the offices. Jim.<sup>29</sup>

116. (U//AIUO) Carey states that Isham told him on the day after the HPSCI hearing that Runyan told her of the Lotus Note. Carey emphasizes that Isham did not tell him that Runyan had seen the Lotus Note prior to the HPSCI hearing or that Runyan had commissioned it. Carey states that he did not know that Runyan had seen the Lotus Note contemporaneous with its creation until his OIG interview on 11 July 2000.

117. (U//AIUO) Runyan states that he is not certain about what specifically prompted him to forward [redacted] Lotus Note to Carey on Friday, 17 March 2000. Runyan explains that, on the evening of 16 March, Isham acknowledged that the DS&T was probably the source of the message quoted by HPSCI Chairman Porter Goss at the HPSCI hearing. Runyan explains that it "just made sense" for him to send the Lotus Note to Carey. Based on a review of DS&T office records, Runyan is reminded that Isham was out of the building the morning of 17 March, and the customary 8:15 a.m. DCI staff meeting was canceled that day. Runyan is further reminded by the office records that he had a breakfast meeting in Headquarters with four officials, including ExDir Carey, at 8:00 on 17 March. Upon reflection and recognition of the significance of the words from his Lotus Note to Carey, "As I said," Runyan reasoned that there may have been a personal conversation or phone call between Carey and him prior to Runyan's transmission of the Lotus Note to Carey. Runyan says he may have told Carey that he would send the Lotus Note to him.

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118. (U//AIUO) Runyan states he is readily aware he was an original recipient of [redacted] Lotus Note. However, prior to the involvement of the Inspector General in this matter, he had not focused on the fact that he was a blind carbon copy (bcc) recipient of

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<sup>29</sup> (U//AIUO) The date of the Lotus Note was 17 March 2000 at 11:09 a.m.

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the note. Runyan says he does not know why the "bcc: James L. Runyan" line did not appear on the copy of [redacted] Lotus Note that he forwarded to Carey on 17 March 2000. Runyan says he thinks he would recall if he removed that line before he forwarded [redacted] note to Carey. He recognizes that it would take a conscious effort to edit out or remove that line, and Runyan says that would cause him to remember it if he had taken such a step. Runyan explains that his sole goal was to get the Lotus Note into Carey's hands. Runyan adds that he had no reason to remove the line listing him as an addressee. He does not think he needed to remove his name from the distribution of [redacted] Lotus Note. In sum, Runyan stated that "there is zero chance" that he removed that line. Runyan is emphatic that he did not remove the "bcc" line.

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119. (U//AIUO) Runyan states that he does not know specifically how and when Carey came to learn that Runyan had been an original addressee of the 25 February 2000 Lotus Note of [redacted]

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120. (C) Upon a review of the 25 February Lotus Note, Carey says he considered its content as "outrageous." Carey spoke with Isham and Runyan about how it was created. According to Carey's understanding, the note was inspired by one or more of the 8:15 morning staff meetings. It stemmed from the fact that Congressional and staff delegations had traveled to Field Stations [redacted]

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[redacted] Carey explains that the Stations had received instructions to which the CFO was not privy, and Station officers commented regarding their Station's budgets to the visiting Congressional delegations. A "disconnect" arose, according to Carey, from the fact that the budget data cited by the Stations was not reflected in the figures available to the rest of Agency managers via the CFO, and from the fact that Station personnel opined on the causes of their financial troubles. Runyan carried the message back to his Directorate from the staff meetings that officers should not extrapolate on what they do not know. Only the Comptroller has authority to speak on a broad scale.

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121. (U//AIUO) Carey explains that the discussions at the 8:15 a.m. DCI staff meetings and elsewhere focused on the need for employees to avoid generalizations and speculation regarding taxes or other budget matters beyond their personal knowledge. According to Carey, questions pertaining to a Station budget, for example, should be answered directly by the COS, but questions asked of that same COS regarding DO or CIA budget issues should be referred to the CFO. The issue was not how much information on taxes should, or should not, be shared with Congress, but rather that individual employees should not attempt to answer questions beyond their direct knowledge.

122. (U//AIUO) Carey believes that the Lotus Note was [redacted] interpretation of what she heard from Isham or Runyan. Carey says that "apparently [redacted] embellished what Runyan told her." Carey states that Runyan told him that [redacted] "felt badly about what had happened." Carey was unequivocal that he did not want any follow-up actions regarding the Lotus Note which may appear to be retribution for creating the Lotus Note or to the person who passed it to John Millis, the then-HPSCI Staff Director.

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123. (U//AIUO) Carey believes the addressees to the Lotus Note were [redacted] subordinate Plans Officers in the DS&T divisions. He did not ask who was the highest level official who received the Lotus Note. Carey says he did not know prior to OIG's interview with him that Runyan was on distribution of the Lotus Note.<sup>30</sup>

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124. (U//AIUO) After reviewing the notes of the 8:15 a.m. DCI Staff meetings for 25 and 28 February 2000, including the entry "Dave [Carey] - some offices going down w/spreadsheets," Carey recalls the issue at the 25 February meeting to be related more to CIA officers talking with staff delegations in the field than going up to

<sup>30</sup> (U//AIUO) As reported previously, the distribution line "bcc: James L. Runyan" did not appear on the 25 February 2000 Lotus Note that Runyan forwarded to Carey. The interview with Carey was conducted on 11 July 2000.

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Capitol Hill. With respect to the marginal note in the handwritten minutes "DCI very angry offices had to take cuts across the board going down to Hill complaining," Carey responds that the notation that DCI Tenet was very angry is misleading. Carey observes that the DCI "being exercised is normal operating procedure."

125. (U//AIUO) Carey explains that he had not remembered the issue in the context described in the notes of the meeting. He says that there had been a number of conversations since February with SSCI and the HPSCI regarding DO Stations talking about the reduction of operations funds. Carey explains that there was a "disconnect" because the budgetary figures in the hands of Congress did not correlate with the information maintained at Headquarters. To avoid offices going to Congress to plead their own case, the Agency leadership supported the position that the CFO was the one definitive source of information on budget matters.

126. (U//AIUO) Carey reviewed the notes from the 28 February 2000 DCI morning staff meeting which contained the marginal note, "Dave talked to DDs [Deputy Directors] about it [budget cuts]." Carey believes that he met with Deputy Directors on 25 February 2000, probably after the 8:15 a.m. staff meeting and prior to the budget roll-out briefings that began mid-morning. His calendar for that date does not reflect any scheduled meeting with the Deputy Directors. Carey does not remember what guidance he provided to the Deputy Directors at this meeting nor who represented the DS&T during the meeting.<sup>31</sup>

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<sup>31</sup> (U//AIUO) According to the notes of the 8:15 a.m. meeting which apparently immediately preceded this meeting, the DS&T was represented by Runyan. Runyan recalls he attended the 8:15 a.m. meeting.

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LOAN COPY***DID THE 25 FEBRUARY 2000 GUIDANCE CONFLICT WITH CIA'S OBLIGATIONS AND POLICY IN DEALING WITH CONGRESS?***

127. (U//AIUO) Senior Agency officers agree that Agency practice at the time the 25 February Lotus Note was issued called for individual officers to coordinate or to refer Congressional questions concerning budget matters, including internal taxes, to the CFO or Comptroller before responding. As discussed,<sup>32</sup> they explain the intent of this policy was to provide accurate information to Congress and to explain resource decisions in the context of the Agency as a whole. These officers state that this practice was not meant to withhold information from Congress, but rather it limited *who* was permitted to answer a Congressional query. According to Executive Director Carey, in the DO, only the ADDO/RPP had a sufficiently broad perspective to answer tax and resource questions. This practice did not mean that a Congressional query would go unanswered. As explained by one senior officer, it is a prerogative of the Executive Branch to make such designations.<sup>33</sup>

128. (U//AIUO) ExDir Carey says the statements in the 25 February Lotus Note that CIA taxes are an internal issue and the subject of taxes is out of bounds for discussion with Congressional staff are absolutely not accurate. Carey says he has never heard nor provided any guidance to this effect. Carey describes as "nonsense" the statement in the note that taxes often reflect poorly on Agency performance in planning, managing, and executing programs. Carey

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<sup>32</sup> (U) See the section entitled "Senior Officers' Views on Agency Practice Concerning "Taxes," paragraphs 46-60.

<sup>33</sup> (U//AIUO) By statute, CIA is required to provide "full and complete information" to Congress." Agency regulations further provide that no Agency employee will respond to a request for information, including requests from Congressional committees, until authorized to do so by the General Counsel. 32 C.F.R. Section 1905 provides the same guidance, and authorizes CIA officials to delegate their authority to subordinate officials. The assignment of the CFO as the "principal interface" with Congress on budget matters appears to be such a delegation. This subject is discussed in greater detail in the section of this Report entitled "What are CIA's responsibilities in dealing with Congress?," paragraphs 23-28.

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further states that he has neither heard nor provided guidance that CIA personnel should not discuss the issue of taxes with Congressional staff members even if prodded.

129. (U//AIUO) DDS&T Isham says it is not correct to say that CIA regards the subject of internal taxes as out of bounds for discussion with Congressional staff. Isham says taxes are not an internal matter and an open dialogue is needed with Congress. Individual officers, however, do not always know the whole story at the Directorate level. Isham further disagrees with the statement that internal taxes often reflect poorly on Agency performance in planning, managing, and executing programs. Finally, Isham says the statement that Agency personnel should not discuss taxes with staff members, even if prodded, is absolutely untrue.

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130. (U//AIUO) [redacted] describes [redacted] 25 February 2000 Lotus Note as a poor choice of words. [redacted] says the subject of taxes is not out of bounds for discussion with Congress. [redacted] explains, however, that the Agency has a responsibility to assure the integrity and accuracy of the information that is passed to Congress. Regarding the Lotus Note's statement that CIA taxes are an internal issue, [redacted] notes the DCI has the authority to reprogram funds within guidelines, and reprogramming notifications are done within the required thresholds. [redacted] says that, nonetheless, whenever questioned about a reprogramming by Congress, the Agency provides the information.

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131. (U//AIUO) Regarding the point in the 25 February Lotus Note that internal taxes often reflect poorly on Agency performance in planning, managing, and executing programs, [redacted] says this is poorly written but reflects the state of the Agency. [redacted] explains that if a program has been proposed without funds for operations and maintenance, it is an example of poor planning. Concerning the point in the Lotus Note that corporate taxes erode program dollars and top line gains and Agency personnel should not raise the issue with Congress "even if prodded," [redacted] says she does not believe

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[redacted] meant not to talk to Congress. However, [redacted] is not sure what [redacted] specifically meant. [redacted] comments that while the Lotus Note reflected poor terminology, overall its content was acceptable guidance except for the statements about taxes being "out of bounds" for discussions and the instruction not to discuss taxes "even if prodded." According to [redacted] the Agency has never had a policy of not talking to Congress. Rather, the policy is that there should be coordination with the Comptroller or CFO first on resources matters. [redacted] opined that the impact of the language in the Lotus Note is still a factor in CIA's relationship with Congress. She expects CIA to be under a spotlight for a year or so to come until CIA can regain the confidence of the oversight committees.

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132. (U//AIUO) [redacted] says she regards the statement in [redacted] Lotus Note that CIA taxes often reflect poorly on Agency performance in planning, managing, and execution programs as a true statement since the Agency has done a poor job in "closing bills." [redacted] also says the second paragraph of [redacted] 25 February Lotus Note generally is an accurate reflection of the views of the CFO's office. (This paragraph, as shown in Exhibit B, says the Agency does not consider internal taxes a matter to which the Agency would wish to draw Congressional attention and says the subject is out of bounds for discussion with the oversight committees or staff members.) [redacted] states that [redacted] 25 February Lotus Note was not "unusual," but the language was inappropriate. [redacted] says the question of whether there are internal taxes is not a subject that is out of bounds for discussion with Congress. However, internal management discussions about taxes generally are considered out of bounds for discussion with Congress. Once decisions about taxes are made, however, the information is shared with Congress, as appropriate and consistent with reprogramming guidelines.

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133. (U//AIUO) [redacted] says the 25 February 2000 Lotus Note is understandable to him, but he wishes the author, [redacted] had said it differently. According to [redacted] the

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phrase "out of bounds for discussion" could have been better explained as being more appropriate for the Comptroller's Office or senior resource managers to discuss. Individual officers or program managers do not know the context regarding taxes and are not the proper persons to answer such questions, according to [redacted] [redacted] does not read the Lotus Note as an instruction to "stonewall" Congress.

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134. (U//AIUO) [redacted] describes [redacted] 25 February 2000 Lotus Note as "unfortunately phrased" and open to being read in different ways. As [redacted] [redacted] says she was not aware of similar type guidance being issued during her tenure as [redacted] says it is not true that CIA taxes are an internal issue, and she describes as "very unfortunate" the statement that internal taxes are out of bounds for discussion with Congress. In regard to taxes reflecting poorly on Agency performance, [redacted] says that the level and timing of Agency operating adjustments reflect poorly on CIA's ability to properly budget for activities. However, [redacted] states that all government agencies function under operating year adjustments because a budget formulation made 18 months earlier cannot accurately predict all spending requirements.

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135. (U//AIUO) ADDO for Resources, Plans and Policy [redacted] says that at no time was he ever told not to answer a question asked by Congress. However, [redacted] says [redacted] Lotus Note was not far off the mark. [redacted] statement that taxes are an internal Agency matter, and the Hill should not be involved, was part of the attitude of the Agency. [redacted] believes, however, that [redacted] instruction not to discuss taxes "even if prodded" was a poor choice of words.

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136. (U//AIUO) [redacted] supervisor [redacted] says the guidance in [redacted] Lotus Note not to discuss the issue of internal taxes directly with Congressional staff members "even if prodded" is wrong and unfortunate guidance. Regarding the statement that CIA

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regards internal taxes as "out of bounds" for discussion with the oversight committees or staff, [ ] says he believes this means there should not be any special pleadings to Congress by Agency personnel. [ ] says he interpreted the instruction as meaning that an Agency officer should talk only about his or her program, and not the programs of others.

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**DID [ ] SUPERVISORS RECOGNIZE THE POSSIBLE MISINTERPRETATION OF THE GUIDANCE CONTAINED IN THE 25 FEBRUARY 2000 LOTUS NOTES E-MAIL AND TAKE ANY ACTION TO CORRECT IT?**

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137. (U//AIUO) [ ] first and second line supervisors were recipients of her 25 February 2000 Lotus Note to the DS&T office Chiefs of Plans.<sup>34</sup> [ ] states that because the Lotus Note was addressed to the Plans Chiefs in the DS&T, he did not read it closely. He read [ ] Lotus Note in a different fashion than Congress may have interpreted it. He states that when he reread it after the 16 March 2000 HPSCI hearing, he understood why Congress was disturbed. [ ] explains that if he read it as an outsider, he would have been left with the impression that CIA had instructed its officers not to discuss the financial health of their programs with Congress.

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138. (U//AIUO) [ ] states that his decision to not disavow or specifically correct [ ] Lotus Note was based on his assumption that it had stayed within the narrow confines of its written distribution, what he considered a small and knowledgeable audience who would put it in context. He explains that he did not specifically rescind the note because he did not view it as formal policy. Moreover, he did not wish to appear to undermine [ ] publicly, especially because of his view that no malice or malfeasance was intended or recommended. Additionally, the recipients of the note also heard subsequent guidance from more senior officers. [ ] contends that although he did not subsequently issue a written

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<sup>34</sup> (U//AIUO) As stated earlier [ ] is an SIS-04 officer, and Runyan is a DISES-05 officer.

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correction to [ ] specific note, he did point out to DS&T Plans Officers, the Planning and Resource Staff, and to the DS&T Board of Directors at various times and in various forums the need to avoid uncoordinated special pleadings with Congress. [ ] instructed these officers to never sacrifice honesty or candor in their interface with Congress.

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139. (U//AIUO) Runyan states that he read the Lotus Note within 24 hours of its issuance and it did not raise any particular "flags" with him. Nevertheless, according to Runyan, the guidance that he passed to [ ] was more general than the text of the Lotus Note, and he cannot explain why [ ] note did not contain the guidance he reported to her.

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140. (U//AIUO) Asked if he had any concern that he was the highest level Agency officer to see the Lotus Note and had a chance to correct it, but did not, Runyan says if he had thought it would be a problem, he would have done something. However, he read the Lotus Note differently, and not as an instruction to stonewall or be less than complete. Runyan says that on a "cold reading," the Lotus Note could be read as intending to give direction to withhold information from Congress.

141. (U//AIUO) Asked if Runyan had a responsibility to correct the record if [ ] note were inaccurate, Isham responded that [ ] drafted many Lotus Notes e-mail messages. Isham observes that she does not know how many e-mail messages a busy executive can correct.

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142. (U//AIUO) When Carey was asked if he would have expected Runyan or [ ] to correct the record when they initially saw that the Lotus Note contained erroneous guidance, Carey responded "absolutely." Carey adds that he left it to the discretion of Isham and Runyan to take any corrective action they felt necessary with the few addressees of the Lotus Note.

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LOAN COPY**WHAT DID THE CIA EXECUTIVE DIRECTOR SAY TO CONGRESS ON 16 AND 23 MARCH 2000 ABOUT AGENCY POLICY ON DISCUSSIONS OF INTERNAL TAXES WITH CONGRESS?**

143. (U//AIUO) **The HPSCI Hearing.** During the 16 March 2000 budget hearing on CIA's FY2001 Program, the following relevant exchange occurred among Chairman Goss, Congresswoman Heather Wilson, and ExDir Carey.<sup>35</sup> It is the only instance during the transcript when Carey testified regarding the content of the Lotus Note:

The Chairman: Ms. Wilson

Mrs. Wilson: Thank you, Mr. Chairman. I wasn't here to hear your opening statement, but I have just read it, and I would like to know what your reply is specifically. I assume this is a memo that has been quoted from. Have you heard of that? Have any of you heard of or seen that?

Mr. Carey: I have not. I don't know what memo the Chairman is quoting. It is not any that I have written or am familiar with.

Mrs. Wilson: Anybody here in this room know anything about taxing?

Mr. Carey: No. I thought you were referring to the memo that said -

The Chairman: The specific quotes.

Mr. Carey: There were specific quotes that had to do with not sharing information. With regard to taxing, let me explain, what I said in my opening statement is we are trying to invest for the future, that is the nature of the Strategic Direction program, as well as continue current operations. We try to do both with equal energy and commitment. That requires a constant series of

<sup>35</sup> (S) OIG reviewed the transcript of the 16 March 2000 hearing and confirmed that portions of [redacted] 25 February 2000 Lotus Note were quoted by Chairman Goss.

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reassessments and reestablishing priorities. That gives rise to so-called unfundeds, not a very helpful term. But inasmuch as those –

Mrs. Wilson: My time is limited, as you know, and I would like to get a direct answer to this question.

Mr. Carey: I am trying.

Mrs. Wilson: I don't think it is out of line to ask. "The CIA regards this subject matter as out of bounds for discussion with our committees." Also, CIA taxes are an internal issue and one that often reflects poorly on Agency performance in planning and executing our programs. Is that news to everyone in this room?

Mr. Carey: Yes.

Mrs. Wilson: Ms. Dempsey?

Ms. Dempsey: Yes. I was not aware of that quote before I walked in and heard the Chairman say it.

The Chairman: Will the gentlewoman yield?

Mrs. Wilson: Yes, sir.

The Chairman: Just let me ask then, is that the policy?

Mr. Carey: No.

The Chairman: Good. I yield back.

**144. (U) The Executive Director's Congressional Letters of 23 March 2000.** ExDir Carey sent letters to Representatives Goss, Julian Dixon, Nancy Pelosi, Norman Sisisky, Sandford Bishop, and Heather Wilson responding to issues and questions raised at the 16 March 2000 hearing on the CIA's FY2001 Program. Carey also sent a letter to then-SSCI Staff Director Nicholas Rostow. The seven letters differed in their specific content because each addressed individual issues raised by the member during the 16 March hearing. However, all the letters addressed the subject of the Lotus Note and

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**Agency policy in speaking with Congress. A summary of the statements Carey made to the HPSCI members concerning this subject is detailed in the box "Excerpts of Executive Director Carey's Letters to HPSCI Members and SSCI Staff."**

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HPSCI Members and SSCI Staff**

On 23 March 2000, Carey sent letters to six HPSCI Members and then-SSCI Staff Director Rostow addressing the 25 February 2000 Lotus Note and Agency policy on candor with Congress. Excerpts of this correspondence follow:

(U) **To Chairman Goss:** I assure you that I take with the utmost seriousness your opening remarks at the hearing concerning the perceived lack of candor and forthrightness of CIA officers in working with the Committee Members and Staff. Although I was not aware of the internal CIA note referenced in your opening remarks, I have subsequently obtained a copy and have been able to review it. Let me say emphatically that the note does not accurately articulate our policy on dealing with Congress. Quite the opposite; taken literally it is in contradiction to our policy. Clearly, however, that policy is not as well understood within the Agency as it should be. I will take immediate action to redress that situation by publicizing both here and in the field the need for candor, completeness, correctness, and consistency to characterize all our dealings with Congress. [Emphasis added.]<sup>36</sup>

(U) **To Ranking Member Dixon:** Finally, I want to let you know that I personally take with the utmost seriousness the Chairman's opening remarks concerning the perceived lack of candor and forthrightness of CIA officers in working with Committee Members and Staff. It is our policy to ensure that we provide the information, visibility, and access necessary to accomplish your oversight responsibilities. Clearly from the Chairman's remarks this policy is not as well understood within the Agency as it needs to be. I will take steps immediately to communicate to all CIA employees that candor, completeness, correctness, and consistency must characterize all our dealings with Congress.

(U) **To Representatives Bishop, Pelosi, Sisisky, and Wilson:** Finally, I want to let you know that I personally take with the utmost seriousness the Chairman's opening remarks concerning the perceived lack of candor and forthrightness of CIA officers in working with Committee Members and Staff. Clearly, however,

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<sup>36</sup> (U) Goss and Dixon received copies of the letters sent to the other four members.

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that policy is not as well understood within the Agency as it should be. I will take immediate action to redress that situation by publicizing both here and in the field the need for candor, completeness, correctness, and consistency to characterize all our dealings with Congress. To that end, it is our<sup>37</sup> policy that all requests for budget-related information be coordinated through our Chief Financial Officer, who is best positioned to ensure that all budget-related information is accurate and reflects our broad corporate priorities. [Emphasis added.]

(U) To then-SSCI Staff Director Rostow: Mr. Goss made reference to an internal CIA note indicating that certain budgetary information relating to internal CIA "taxes" should not be shared by individual Agency employees with the Committees. Neither I nor any member of my senior management team was aware of this note prior to the hearing. Subsequent to the hearing, I was able to obtain the email the Chairman quoted (attached). I emphatically underscore that the note does not accurately articulate our policy on dealing with Congress. Clearly, however, our policy is not as well understood as it should be. I will take immediate action to ensure that all CIA employees, both here and in the field, understand that candor, completeness, correctness, and consistency must characterize all our dealings with Congress.<sup>38</sup> [Emphasis added.]

145. (U//AIUO) Isham says she offered to see Goss in regard to [redacted] Lotus Note, and she volunteered to write a letter to clarify the Agency's policies.<sup>39</sup> Carey responded that he had decided to send a "global" response to the Hill following the 16 March hearing. Isham offered to provide text, but in the end, she did not provide anything.

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146. (U//AIUO) Isham recalls either seeing the letter to Rostow or seeing a package of letters from Carey to the Hill following the 16 March 2000 hearing that would have included the

<sup>37</sup> (U) The letters to Representatives Bishop and Wilson from Carey use the word "my" policy instead of "our" policy.

<sup>38</sup> (U) The Minority Staff Director at the SSCI, Al Cumming was listed as a carbon copy recipient of the letter to Rostow.

<sup>39</sup> (U//AIUO) Isham served as Director of Congressional Affairs from 1994 to 1996.

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Rostow letter. The text of the letter to Rostow (see Exhibit C) looked familiar to her. Isham does not recall if she saw the letters in advance of sending them, but certainly saw them afterwards.

147. (U//AIUO) Runyan believes the first time he saw the 23 March 2000 letter from Carey to Rostow was when OIG investigators showed it to him during his 10 May 2000 interview. Runyan says if Isham were present in the office, the letter would have been routed to her. Runyan does not recall if he saw it in March 2000.

148. (C [redacted] who was Runyan's Executive Assistant at the time, recalls the packet of letters coming to him in the review process. During his review, [redacted] recognized that the letter to Rostow bore [redacted] Lotus Note as an attachment. [redacted] explains that it disturbed him that CIA was needlessly providing a copy of the Lotus Note to Congress as a "smoking gun." He approached [redacted] about it. [redacted] indicated that he had seen some of the letters in an earlier draft format, but had not known that a copy of [redacted] Lotus Note was being sent in a letter to Congress.

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149. (C) On the following day, [redacted] says he approached Runyan about the letter to Rostow with the Lotus Note and questioned why [redacted] Lotus Note was being attached and sent to Rostow. [redacted] recalls that Runyan did not offer much of a response to his question. [redacted] had the impression that Runyan was signaling that it was none of [redacted] business. [redacted] recalls Runyan's response was something like "we're looking at this" or "we're dealing with this." [redacted] sensed that he may have overstepped his bounds and did not pursue the issue further with his senior, Runyan. [redacted] adds that the packet was not at hand at the time. However, based on Runyan's response to him, it was very evident that Runyan had seen the packet and knew precisely the issue [redacted] was raising—otherwise Runyan would have told him so.

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150. (U//AIUO) [ ] states that he had seen Carey's letter to Rostow during the internal coordination. He understood that Carey tasked [ ] with preparing response letters to the members of the HPSCI. He explains that the draft letter he saw was a "generic copy for negative coordination." That is, when he reviewed it he would only respond to the drafter if there was a disagreement with the text. The copy of the draft letter he reviewed did not include a copy of [ ] Lotus Note, although it was probably in the packet he received. He learned later that a copy of the Lotus Note was sent with Rostow's letter. [ ] provided a copy of [ ] Lotus Note to [ ] the day after the HPSCI hearing.

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151. (U//AIUO) [ ] a program analyst in the Office of the Comptroller, was tasked to prepare testimony for Carey before the HPSCI which was held on 16 March 2000. During the hearing, there were questions or comments that the HPSCI members posed about various aspects of the Agency's budget and operations that were not fully addressed due to time constraints and other limitations. Within two days of the hearing [ ] learned that Carey had decided to respond to select questions or comments made by the members. The plan was to prepare letters in response to the questions or comments made by the specific HPSCI member at the hearing. Included in the letter to the HPSCI member would be comments regarding the inaccuracy of the guidance quoted in the Lotus Note.

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152. (U//AIUO) According to [ ] the notes taken by two CIA officers during the hearing were reviewed to identify the appropriate questions and comments from HPSCI members for response. Carey played the principal role in selecting which members and which questions to address. Next, the questions or comments were referred out to the respective Directorate referents for the appropriate response in the same manner used for questions for the record. When the responses were received from the Directorates, [ ] then fashioned the first draft of letters to the

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(b)(7)(c) members identified by Carey to receive responses. [redacted] first draft underwent the normal review process in the Office of the Comptroller and the CFO's office before going to Carey for signature.

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(b)(7)(c) 153. (U//AIUO) In order to respond to the comments and questions regarding candor with Congress, [redacted] conducted an online search for Agency materials available that addressed Agency policy on dealing with Congress. He reviewed copies of "What's News at CIA," worldwide Stations and Bases cables, Agency Notices and obtained a brochure from OCA.

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(b)(7)(c) 154. (U//AIUO) In reviewing the letter signed by Carey to Chairman Goss dated 23 March 2000, [redacted] says he initiated the first draft of this letter. He says the language in paragraph two of the letter must have been added during the review process. Specifically, he had no role in the drafting of the portion of the paragraph that contains the sentence, "Although I was not aware of the internal CIA note referenced in your opening remarks, I have subsequently obtained a copy and have been able to review it."

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(b)(7)(c) 155. (U//AIUO) With respect to the letter to Ranking Member Julian Dixon, [redacted] explains that each letter was customized to address the specific concerns cited by a member during the hearing. [redacted] observes that the language alluding to the Lotus Note was different between the Goss and Dixon letters and adds that he does not know how the customization process occurred regarding the Lotus Note issue. He believes the language in the letters to the non-leadership members of the HPSCI was more standardized, but cautioned not to suspect any "evil intent" if there was a difference. [redacted] explains it was easy to understand how some language may have changed during the staffing process in the rush to get the letters sent to the HPSCI addressees.

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156. (U//AIUO) [ ] was asked about the particular language appearing in a portion of the letter from Carey to Representative Heather Wilson of the HPSCI. That language was:

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To that end, it is my policy that all requests for budget-related information be coordinated through our Chief Financial Officer, who is best positioned to ensure that all budget-related information is accurate and reflects our broad corporate priorities.

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[ ] responds that this is the accurate policy of CIA. It was accurate before and after the 16 March 2000 hearing. [ ] explains that the intent of the policy is to defer questions on taxes to the CFO, explaining that those CIA employees outside of the CFO's office do not have the complete picture.

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157. (U//AIUO) [ ] reviewed a copy of the 23 March letter from Carey to Rostow, and states that despite the fact that his name appears on the originating office line of the file copy of this letter as the author, he had never seen it previously.<sup>40</sup> [ ] says he is unfamiliar with Rostow's name and position in the SSCI, and he is certain that Rostow was not on the original list of those who were going to receive letters from the ExDir. He is confident that it would only have been assigned if Carey added it to the list of letters to go to the Intelligence Committees. [ ] assumes the Rostow letter was drafted by someone in the CFO front office who drew the information from the source material contained in the other draft memoranda [ ] had assembled and then cut and pasted material from the other letters, including the originating office line.

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158. (U//AIUO) [ ] states that he does not know of any discussion regarding the prudence of providing a copy of the 25 February Lotus Note to Dixon or any other member of the HPSCI.

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<sup>40</sup> (U//AIUO) The originating office line on the file copy appears "DCI/CFO [ ] (20Mar00)."

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He assumes the reason that it was not sent as an attachment to the letter to Goss was the recognition that he already had a copy of it that he cited during the hearing.

159. (U//AIUO) Carey explains that on the day after the hearing, he received a telephone call from Al Cumming of the SSCI staff whom Carey said he has known for a long time.<sup>41</sup> Cumming asked Carey about the Lotus Note issue from the HPSCI hearing, and it appeared evident to Carey that John Millis had briefed the staffs of SSCI and probably the HAC about the matter. Carey says he called Rostow to inform him of the matter and the circumstances surrounding the Lotus Note. Carey found Rostow to be somewhat familiar with the controversy. Rostow claimed that he had not seen the Lotus Note and requested that Carey forward a statement about the issue and include a copy of the Lotus Note. Carey then drafted the letter to Rostow himself and included a copy of the Lotus Note as requested. Carey obtained a copy of the Lotus Note forwarded to him by Runyan.<sup>42</sup>

***WAS THE EXECUTIVE DIRECTOR'S 23 MARCH 2000 LETTER TO THE SSCI STAFF DIRECTOR ACCURATE?***

160. (U//AIUO) As discussed in the introduction of this report, this investigation arose from an allegation brought to the Inspector General that ExDir Carey provided false and misleading information in his 23 March 2000 letter to Rostow. There is no indication that the source of this allegation had access to the six

<sup>41</sup> (U//AIUO) SSCI staff member Al Cumming appears on the Rostow letter as a recipient of a copy of the letter.

<sup>42</sup> (U//AIUO) The copy of the Lotus Note that accompanied the Rostow letter contained no text in the following fields: "Memorandum For" [nine Plans Officers in the DS&T]; "From" [redacted] and "Office" [ODDST]. The lines for "cc" [redacted] and seven other DS&T officers]; and "bcc" [James L. Runyan] were also absent.

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letters to HPSCI members. The specific information the source alleged to be inaccurate concerned the statements in the letter to Rostow that:

Mr. Goss made reference to an internal CIA note indicating that certain budgetary information relating to internal CIA "taxes" should not be shared by individual Agency employees with the Committees. Neither I nor any member of my senior management team was aware of this note [the 25 February Lotus Note] prior to the hearing . . .

I emphatically underscore that the note does not accurately articulate our policy on dealing with Congress.<sup>43</sup>

**161. (U//AIUO) Defining "the Senior Management Team."**

There is no formal body in CIA known as the DCI's or the ExDir's "senior management team." According to Agency Regulation [redacted] the CIA Executive Board consists of the DCI and the DDCI (both *ex officio*), the Executive Director, the Deputy Executive Director, and the Deputy Directors for Administration, Intelligence, Operations, and Science and Technology.<sup>44</sup> According to Agency Notice [redacted] the DCI personally selects the Executive Director, Deputy Executive Director, the Deputy Directors, the Associate Deputy Directors, and a limited number of other very senior positions.

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**162. (U//AIUO) Views on the Accuracy of the 23 March 2000 Letter.** ExDir Carey affirms that the information contained in the 23 March 2000 letter to Rostow was accurate at the time he drafted it as well as currently. Carey says that when he composed the letter to Rostow and used the term "my senior management team," he was thinking in terms of the staff that accompanied him to the 16 March

<sup>43</sup> (U) Carey made essentially the same statement in his letter to HPSCI Chairman Goss, saying "Let me say emphatically that the note does not accurately articulate our policy on dealing with Congress."

<sup>44</sup> (U//AIUO) The Executive Board acts as an advisory body to the DCI, the DDCI and the ExDir. The Board advises these officials on decisions affecting the Agency's mission and functions and its relationship with the Intelligence Community, the Executive Branch and the Congress.

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HPSCI hearing. Carey believes that it is plain from the context of his letter to Rostow, but much of the misunderstanding could have been avoided if he had added the words "then present" or "present at the Hearing" for clarification. That group consisted of Isham, Deputy Director for Administration Richard Calder, DDO Pavitt, and then-Deputy Director for Intelligence John McLaughlin. Carey says that as a result of their responses at the hearing and a subsequent discussion on the ride back to Headquarters that day, it was clear to Carey that no one who accompanied him to the hearing knew about the Lotus Note prior to the hearing.

163. (U//AIUO) Carey explains that he considers the Associate Deputy Directors, and specifically Runyan, as part of his senior management team. Carey states there is no consistent definition of the term. He adds that some have interpreted it to include the so-called "Gang of 120" which includes 120 senior Agency officers, including office directors. Carey says that he did not know until interviewed by OIG that Runyan was on distribution of the 25 February Lotus Note.

164. (U//AIUO) DDS&T Isham says there is nothing inaccurate in the statements in Carey's letter to Rostow that the 25 February 2000 Lotus Notes e-mail does not accurately articulate CIA policy on dealing with Congress. Isham also does not believe Carey was inaccurate in his statement that neither he nor his "senior management team" were aware of the e-mail prior to the 16 March hearing. Isham says Carey is referring to "full" Deputy Directors in the context of the letter and the hearing. Isham adds that there is not a consistent definition of the senior management team. In all cases, it includes the four Deputy Directors, but it can also refer to senior staff and even to office-level personnel.

165. (U//AIUO) ADDS&T Runyan does not recall if he saw Carey's 23 March 2000 letter to Rostow in March 2000. Runyan believes the first time he saw the letter was when OIG investigators showed it to him in May 2000. Runyan believes Carey's statement in

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showed it to him in May 2000. Runyan believes Carey's statement in the letter to Rostow is accurate that the 25 February Lotus Notes e-mail does not accurately articulate CIA policy. Runyan says [redacted] Lotus Note was not intended to tell employees to be less than candid with Congress. Carey's letter wanted to be clear that Agency policy was to be candid. According to Runyan, the purpose of [redacted] note was to say that if someone were going to the Hill to make sure the person was in synch with the overall Agency program. Runyan did not read the Lotus Note as suggesting to withhold information. Runyan considers himself part of the senior management staff of the Agency, and he "takes it for granted" that Carey would also consider him part of the senior management team.<sup>45</sup> All Associate Deputy Directors are part of the senior management team, states Runyan. Runyan explains that if Isham is unavailable, he is expected to attend meetings and her other duties in her place.

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166. (U//AIUO) [redacted] did not see the 23 March 2000 letter to Rostow with her Lotus Note attached during the internal Agency coordination process. [redacted] learned of the existence of the letter on 30 March 2000, and the following day, she says she went to her supervisor, [redacted] and told him she believed there were two false statements in Carey's letter. These were the statements that no member of the senior management team was aware of the e-mail prior to the 16 March HPSCI hearing, and Carey's statement that the Lotus Note did not represent Agency policy. [redacted] says she told [redacted] that Runyan was aware of the 25 February Lotus Note and had approved its release. According to [redacted] said Runyan is not part of the senior management team.

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167. (U//AIUO) [redacted] says she also told [redacted] on 31 March that she believed Carey's statement in the Rostow letter concerning there being no Agency policy not to share internal tax information

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<sup>45</sup> (U//AIUO) As discussed earlier in this Report [redacted] included Runyan as a "blind carbon copy" recipient of her 25 February e-mail message, and Runyan states he read the Lotus Note within 24 hours of its date.

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with the Intelligence Committees was untrue. [ ] says it was not written policy, but it was verbal policy that had been in effect throughout her tenure as the DS&T Plans Officer. [ ] states the guidance not to share internal tax information with the Hill was virtually the same guidance as was provided in the previous year in the DS&T. [ ] says she told [ ] the statement in the 25 February Lotus Note, "CIA taxes are an internal issue and one that often reflects (poorly) on Agency performance in planning, managing, and executing our programs," was a statement that Runvan had told her, and he attributed it to Carey. According to [ ] said that he had heard Carey say similar things on several occasions.

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168. (U//AIUO) DS&T Chief of Staff [ ] who coordinated on the letter to Rostow during internal Agency review, says he strongly agrees with the statement in Carey's letter to Rostow that the 25 February 2000 Lotus Note "does not accurately articulate [CIA] policy on dealing with Congress." [ ] however, says he does not want to speculate on the accuracy of the statement in the letter that "Neither I nor any member of my senior management team was aware of this note prior to the hearing." [ ] says he does not know if Carey included the Associate Deputy Directors in the definition of his senior management team. [ ] states that he has heard Carey use the term to mean the DCI, DDCI, CFO and Chief Information Officer.

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169. (U//AIUO) [ ] explains that the genesis of Carey's letter to Rostow arose after a conversation between SSCI staff member Al Cumming and Carey. Carey wanted to take appropriate steps to set the record straight after the 16 March hearing that [ ] Lotus Note did not accurately reflect Agency policy. [ ] believes the statements in Carey's letter about the Lotus Note not accurately articulating Agency policy is correct. [ ] also says Carey's statement that neither he nor his senior management team were aware of the note is accurate, although [ ] considers the Associate Deputy Directors to be part of the senior management team.

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170. (U//AIUO) [redacted] believes Carey's statements in the letter to Rostow appear accurate concerning the fact that the Lotus Note does not articulate Agency policy. [redacted] interprets the term "senior management team" as referring to the Executive Board, which includes the Deputy Directors. [redacted] would also include the Associate Deputy Directors as part of the senior management team since they regularly fill in for the Deputy Directors at the Executive Board.

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171. (U//AIUO) [redacted] says that although she knows of nothing in writing that defines the senior management team, the Associate Deputy Directors are absolutely part of the senior management team. They are the alter egos of the Deputy Directors. They attend Executive Board meetings with or without the Deputy Director and can sign for the Deputy Director.

**WHAT HAS BEEN THE CONSEQUENCE OF THE LOTUS NOTES E-MAIL WITHIN THE DIRECTORATE OF SCIENCE AND TECHNOLOGY?**

172. (S) Even after the 16 March HPSCI hearing brought the issue of Agency policy on discussion of internal taxes to the fore, Agency instructions continued to tell officers not to respond directly to Congressional inquiries. This is reflected in the following Lotus Notes e-mail exchange from [redacted] On 20 March 2000, DS&T Plans Chief [redacted] told several DS&T officers who were about to brief Congress: "If asked about taxes, you should be honest in noting that there have been execution year adjustments within your programs."

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173. (S) An e-mail the next day from [redacted] however, entitled "Answering the Tax Question," informed DS&T Office Chiefs that:

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The Comptroller has weighed in with guidance to OTS [the Office of Technical Services] and FBIS [Foreign Broadcast Information Service] (and the Agency writ large) on how to answer Congressional questions about funds redirected to cover internal

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taxes . . . . **If [Congress asks], none of us are to respond but to say that the Comptroller will provide this information for OTS in the context of the whole DS&T. [Emphasis added.]**

[redacted] supervisor, DS&T Chief of Staff [redacted] was an information recipient of this e-mail message.

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174. (S) On 22 March 2000 [redacted] reiterated the previous day's guidance to DDS&T Isham and ADDS&T Runyan. In an e-mail message [redacted] wrote that the policy was not to discuss specific dollar amounts if offices are asked by Congress about internal taxes. [redacted] said:

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Joanne and Jim,

I wanted to ensure you knew the guidance we have received from the Comptroller related to the OTS and FBIS briefings this week on the Hill, and any other briefings that ensue during this session . . . . First, [redacted] wants no specific discussion of dollars if the offices are asked about internal taxes. He asks that we say that we are working with the Comptroller to provide that information for the entire DS&T, as part of an Agency-wide request for such information. This is a significant point, because OTS has been pretty concerned about how to answer the tax question, because they (and I) suspect it will come up. [Emphasis added.]

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175. (U//AIUO) Treatment of [redacted]. According to the employee who brought the allegation of misleading Congress to the IG and requested confidentiality, as of late April 2000, [redacted] was suffering from recriminations and had been isolated and ostracized by DS&T senior management. He cited that, in her position, [redacted] needs access to information, which she was no longer getting. She goes home in tears and is suffering psychologically. The employee believes that [redacted] is being made the scapegoat, and that Carey has tried to suggest she is a well-meaning, but rogue, employee who did not accurately reflect Carey's policy in her Lotus Note.

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176. (C) [redacted] who served as Runyan's Executive Assistant until late April 2000, does not believe that Runyan's role in the generation of the Lotus Note has eroded his relationship with Isham. [redacted] assesses that, at the time, the revelation that the DS&T had sent out this Lotus Note appeared to be a big issue within the Agency [redacted] says [redacted] was greatly affected by the issue.

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177. (U//AIUO) [redacted] states that [redacted] has not suffered retribution for the issuance of the Lotus Note. According to [redacted] [redacted] offered to resign after the incident and has been consoled by Isham, Runyan and himself. He added that, as [redacted] supervisor, he retained confidence in her.

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178. (U//AIUO) Isham states that she does not know if [redacted] was counseled. Isham does not know what [redacted] was told to write in the Lotus Note, and she does not think a person in a position like [redacted] should be removed from his or her job for this action.

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179. (U//AIUO) Carey states that on 16 March 2000 during a break in the hearing, he met with then-HPSCI Staff Director John Millis and staff member Tom Newcomb at Millis' request. Carey also said that he had an interest in seeing the Lotus Note to fully understand its content and thus reach some judgment as to how the misinterpretations that led to the note occurred. According to Carey, Millis told him that he wanted to "bury the hatchet" and move forward. Millis cautioned Carey that he did not want any retribution directed to the author of the Lotus Note. Carey responded that no retribution was intended.

180. (U//AIUO) [redacted] recalls that after Runyan provided her Lotus Note to Isham following the 16 March HPSCI budget hearing, both Isham and Runyan told [redacted] not to worry. Both told her they understood the context in which the note was sent and Runyan reminded her that he had approved it [redacted] says they told her that the message Goss referred to in the hearing did not appear to be [redacted] Lotus Note. [redacted] then learned that Isham went to Carey

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that evening with a copy of her Lotus Note. In the subsequent days, [redacted] learned that a copy of the Lotus Note had been given to [redacted] and [redacted] says she thought she was going to be fired. She next learned that a copy of her Lotus Note had been provided as an attachment in a letter from Carey to Rostow. After a discussion with [redacted] on 31 March 2000, [redacted] concluded that there was a lack of support and candor from her management, and [redacted] says she told [redacted] she believed she could no longer be effective in her position. [redacted] says [redacted] told [redacted] he thought her concern was unnecessary, and Runyan told her that day that she had no reason to fear repercussions from the matter. While [redacted] does not claim to have suffered retribution for the Lotus Note, she told OIG investigators that the fact of the investigation has caused her to fear the potential for retribution.

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181. (U//AIUO) [redacted] contends that she did not tell [redacted] after the incident that she was willing to resign. Rather she told [redacted] that she would be willing to step down as Chief of the Planning and Resource Group if DS&T management lacked confidence in her. She adds that she has never been "consoled" by Isham on this matter. [redacted] states that the only conversation that Isham had with her on this entire matter occurred on the evening of 16 March 2000 when Isham told [redacted] "no one can be sure it is your note." Additionally, [redacted] states that Runyan also told her that she had no reason to fear repercussions because [redacted] had been "following his [Runyan's] instructions."

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182. (U//AIUO) When interviewed on 30 May 2000, [redacted] states that she sensed that her relationship with her management chain had eroded. She felt [redacted] had not been supportive and had distanced himself from her position. [redacted] says she recognizes that she is in conflict with Runyan's recollections regarding the origin of the Lotus Note. She further cites, for example, that she originally received three calls a week from Isham who would be checking in with her when outside of Headquarters. There has been only one such call in the intervening months since 16 March, and her contact

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with Isham has been greatly reduced. [ ] adds that in late April or early May 2000, after a computer system upgrade, there was a change in the ability of herself and other select DS&T staff members to be able to view the electronic calendars of Isham and Runyan.

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[ ] says that when she questioned [ ] about the change to this long-standing procedure, which assisted her in her carrying out her job duties, she was informed that Isham maintained quasi-personal appointments on the calendar. Reportedly, Isham did not want this information shared outside of the DS&T. [ ] states that she does not know if this change was related to her involvement with the Lotus Note, but it left the impression that Isham no longer trusted her.

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183. (U//AIUO) When reinterviewed on 30 August 2000, Runyan states that as far as he is concerned [ ] status or position has not changed since 16 March 2000. Runyan says she is the DS&T Plans Chief and has a job to do. Runyan still has meetings with her, and he expects her to continue to do her job. Runyan is [ ] second-line supervisor. Runyan says [ ] is a full participant and has respect. Runyan says there has been no direction to take job tasks or responsibilities away from [ ] Runyan says [ ] has actively sought other employment within the Agency. Runyan cannot say this search is a function of the events surrounding the Lotus Note. [ ] is looking for a career change and more responsibility. She has accepted a new appointment.

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184. (U//AIUO) Isham describes [ ] performance in the DS&T as terrific and says she would love to have her return to the DS&T. Isham says she believes [ ] withdrew after the 16 March 2000 hearing and felt uncomfortable around Runyan and her. Consequently, she and Runyan had to work around this, and they worked more through [ ] Isham says she tried to help [ ] find other jobs in the DS&T because she was an excellent employee. Isham hopes [ ] will return to the Directorate, and she would like to work with [ ] again.

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185. (U//AIUO) On 5 September 2000, [ ] began a rotational assignment with the Directorate of Administration, Information Services Infrastructure. [ ] had served in the DS&T front office since November 1998. As of 27 September 2000 [ ] has not received a Performance Appraisal Report (PAR) for her past assignment. According to [ ] the last PAR she received was in 1998.

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186. (U//AIUO) [ ] says that, in September 2000, she was told by a colleague of an instance when Isham reportedly expressed to her successor as DS&T Plans Chief Isham's lack of confidence in [ ]. In this instance [ ] says the colleague advised her that the new DS&T Plans Chief said that Isham wanted someone in the position whom she could trust.

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187. (U//AIUO) In another instance, [ ] says a different colleague told her that [ ] successor said Isham had cut off [ ] access to Isham's daily calendar because she could not trust [ ]. [ ] states that she called her former supervisor [ ] on 4 October 2000 to surface these reports that she had received. According to [ ] said both he and Isham were aware that on at least one occasion that [ ] successor had publicly commented on Isham's alleged lack of trust in [ ]. Further, [ ] told [ ] that at Isham's request [ ] counseled the successor on this matter. [ ] expresses concern over receiving this second-hand information, sourced to an individual who cannot speak with first-hand knowledge of her performance.

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188. (U//AIUO) [ ] asserts that Isham never directly offered her a position. All offers to "direct" her into assignments came from [ ] supervisor [ ] explains that it is important to recognize that Isham offered her two directed assignments in the DS&T of less responsibility than the job she held as the Directorate's Chief of Planning and Resources Group. These positions were to perform at the office level the same function [ ] held at the directorate level. Further, when [ ] rejected these

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offers, Isham asked [redacted] through [redacted] to consider an industrial exchange. [redacted] asserts that no fewer than three DS&T officers told her that [redacted] had approached them about taking her position before [redacted] accepted a new position. [redacted] adds that she specifically chose to take an assignment outside of the DS&T in a field that was completely new to her rather than accept a directed assignment of this nature.

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## CONCLUSIONS

189. (U//AIUO) The 25 February 2000 DS&T Lotus Note was intended as informal guidance to a limited number of DS&T employees and not as a statement of Agency policy. Its author was attempting to convey what she believed to be the wishes of her superior, but the wording was not carefully considered and was inartfully drawn. The statements that "the CIA regards this subject matter [internal taxes] as out of bounds" for discussion with Congress, "even if prodded," could be read to mean that Agency employees should not be candid with Congress, which was not and is not Agency policy. Agency policy at the time was that employees coordinate with the CFO before responding to Congressional questions about budget-related matters, including "taxes," but this policy was not enunciated in the Lotus Note at issue.

190. (U//AIUO) The guidance was sufficiently open to misinterpretation to expect DS&T management to have recognized the need to issue a correction or clarification. Yet, two senior officers in the DS&T who received the note—ADDS&T James Runyan and Chief of Staff [redacted]—failed to do so. They explained that they did not interpret the note as suggesting that Agency employees be less than candid with Congress. Runyan said it raised no particular "flags" with him, and [redacted] deleted it from his e-mail queue after reading it without taking further action.

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191. (U//AIUO) It is impossible to determine if the text of the Lotus Note accurately reflects Runyan's instructions to the author of the Lotus Note. [redacted] asserts that Runyan gave her the specific guidance contained in the 25 February Lotus Note.

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[redacted] who did not take notes of her meetings with Runyan, says she coordinated the note in draft with Runyan in advance of its issuance because Runyan was concerned about getting "the tone right." Runyan does not recall reviewing a draft, but says [redacted] memory is better than his. Executive Director Carey states that he does not remember what he told Runyan and the Deputy Directors on 25 February 2000 that may have given rise to Runyan's instruction to [redacted] and Runyan does not recall the meeting with Carey. We have found no other information to clarify this issue.

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192. (U//AIUO) Regardless of whether he saw a draft of the Lotus Note before it was sent, Runyan read [redacted] Lotus Note shortly after it was sent. By his own admission, it did not contain the guidance he had given [redacted], i.e., that responses to Congressional inquiries concerning internal taxes had to be coordinated with the CFO. Moreover, the guidance it did contain was open to misinterpretation, i.e., as an instruction to withhold information from the Congress. Runyan, therefore, bears some responsibility for failing to recognize the potential problem and taking appropriate steps to correct or prevent any misunderstanding.

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193. (U//AIUO) [redacted] read [redacted] Lotus Note shortly after it was sent. While he noted that dissemination of the Lotus Note was limited to DS&T addressees, it nonetheless addressed a sensitive issue, i.e., what DS&T employees could say in response to Congressional inquiries regarding "internal taxes." As [redacted] supervisor and a senior officer in the DS&T with 11 years experience in dealing with such issues, [redacted] also bears some responsibility for failing to recognize the potential problem and taking appropriate steps to correct or prevent any misunderstanding.

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194. (U//AIUO) The actions of [redacted] should be considered with several mitigating factors in mind. [redacted] guidance was not a statement of Agency policy, but rather issued as informal guidance to subordinates. [redacted] says Runyan gave her the specific guidance contained in the Lotus Note, and reviewed it prior to issuance. In sending the Lotus Note [redacted] believed she was only carrying out the directions of her supervisor and did not intend it to mean that subordinates should be less than forthcoming with Congress. Nonetheless [redacted] as a senior officer also bears a measure of responsibility for drafting and passing on guidance that could reasonably be interpreted as an instruction to withhold information from Congress.

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195. (U//AIUO) Senior Agency managers, who sought to manage the flow of information to Congress on budget reallocation, bear some responsibility for the circumstances which resulted in the issuance of the 25 February 2000 Lotus Note. While these officials were understandably concerned that the Congress receive an accurate and complete explanation of the "taxation" issue, their emphasis was solely upon ensuring that all communications with Congress on this subject were channeled through the CFO. Had they also emphasized that this guidance was not meant to change the responsibilities of employees to provide candid and complete responses to requests from Congress, the environment which led to the creation of the 25 February 2000 Lotus Note might have been different.

196. (U//AIUO) Extant Agency policies (e.g., [redacted]) fall short of providing employees with clear guidance on how to respond to Congressional inquiries which may be posed to them in formal settings (e.g., hearings and briefings) or in informal settings (e.g., visits by Congressional delegations in the field). In fact, a conscientious Agency employee with access to all published policy statements could reasonably conclude that he or she is not permitted to respond to any Congressional inquiry without prior approval from the Office of General Counsel or OCA.

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197. (U//AIUO) Agency employees are instructed in a brochure issued by OCA to be "candid, complete, correct and consistent" in their dealings with Congress. But even this guidance, which is not available in any Agency database and strictly speaking not a statement of policy, is ambiguous. The OCA brochure states that in order to meet their obligation of "consistency," employees must follow "established Agency guidelines when responding to questions or requests for information." Agency regulations, in turn, require employees to refer questions from Congress to OCA or, in the case of resource matters, to the CFO. Thus, a conscientious Agency employee, with access to the OCA brochure, could conclude that he or she would have to obtain permission from OCA or the CFO before responding to any Congressional inquiry for budgetary information. Even the Executive Director's 27 March 2000 instruction, which was distributed as an Employee Bulletin, did not establish new policy, but rather restated existing policy.

198. (U//AIUO) Carey accurately stated at the 16 March 2000 HPSCI hearing that he had not seen the Lotus Note prior to the hearing. The statement in Carey's letter to then-SSCI Staff Director Rostow that no member of his senior management team was aware of the Lotus Note prior to the 16 March 2000 hearing proved to be inaccurate, although this was apparently not known to Carey at the time he signed the letter. In fact, ADDS&T Runyan read the 25 February Lotus Note shortly after it was issued. Although DDS&T Isham recalls having told Carey, the day after the 16 March hearing, that Runyan had seen the Lotus Note, Carey says he did not learn of this until several months later when he was interviewed as part of this investigation. Carey's version is bolstered by the fact that the copy of the Lotus Note that was forwarded to him on 17 March by Runyan did not show Runyan as a recipient of the original note.

199. (U//AIUO) Carey testified at the 16 March HPSCI hearing that the DS&T's Lotus Note did not represent CIA policy on dealing with Congress. In his 23 March letter to then-SSCI Staff

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Director Rostow, Carey reiterated his testimony to the HPSCI, writing "I emphatically underscore that the note does not accurately articulate our policy on dealing with Congress." Insofar as the note suggested that the subject of taxation was "out of bounds for discussion" with the oversight committees or that DS&T employees should refuse to answer questions from committee staff "even if prodded," the note did not, in fact, accurately articulate Agency policy on dealing with Congress. Earlier in his letter, however, Carey refers to the Lotus Note in question as "indicating that certain budgetary information relating to internal CIA 'taxes' should not be shared by individual Agency employees." When this description of the note is juxtaposed with the statement made later in the letter that the note "does not accurately articulate our policy on dealing with Congress," it conveys the impression that it was *not* the Agency's policy that information relating to internal CIA taxes should *not* be shared by individual Agency employees. In fact, it had been the Agency's practice, if not its policy, that individual Agency employees should not attempt to share information with the Congress on internal CIA taxes, but rather to refer such inquiries to the CFO or those with broad Directorate knowledge who were better positioned to answer them. Thus, the 23 March letter could be read as conveying an incorrect impression of the Agency's policy. The investigation developed no evidence to suggest a deliberate attempt to mislead Congress, however, and several days after the letter was sent, Carey issued new guidance instructing all employees to respond fully to Congressional inquiries, including budgetary and fiscal matters, following established Agency guidelines.

200. (U//AIUO) The disclosure of the 25 February 2000 Lotus Note to the HPSCI created a difficult situation for [ ] in the DS&T. She felt that her superiors were placing responsibility for the episode exclusively on her shoulders and did not support her specific explanation of the genesis of the Lotus Note. This led [ ] to believe that she was being marginalized in her position. While OIG

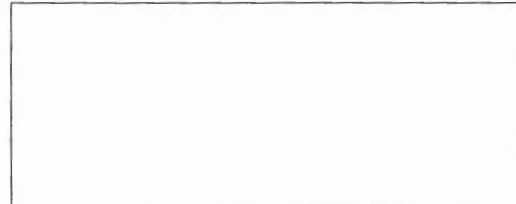
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was made aware of difficulties that ensued, we do not conclude that there was a deliberate effort on the part of DS&T senior managers to take retribution against her for her issuance of the Lotus Note.

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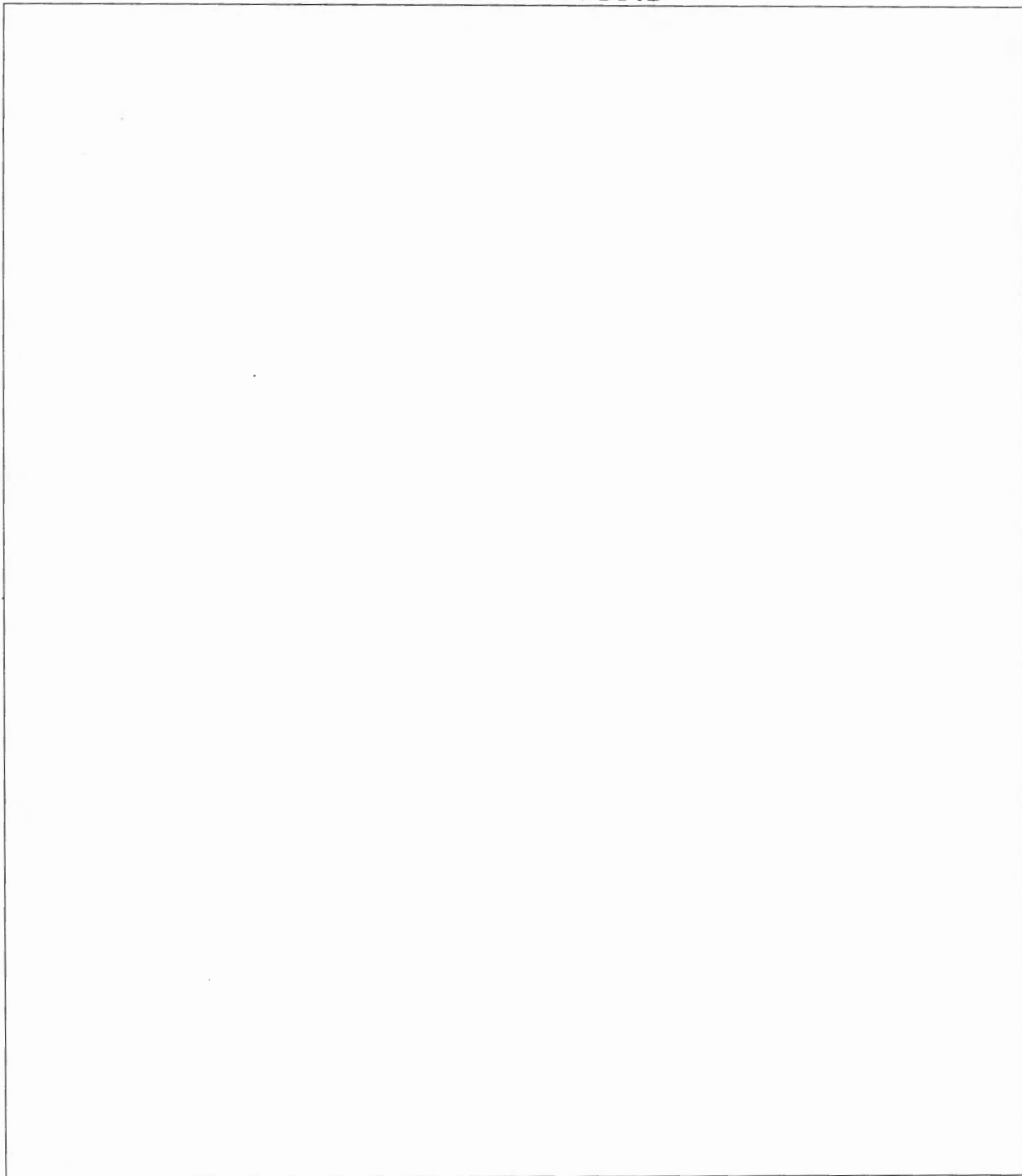
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**RECOMMENDATIONS**

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CONCUR:

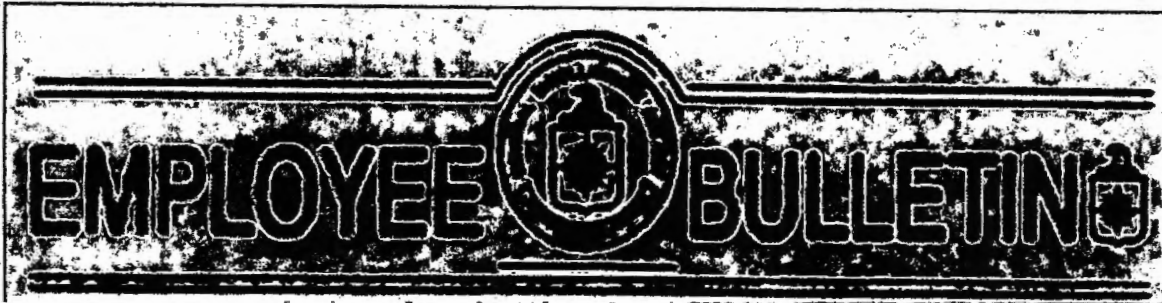
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L. Britt Snider  
Inspector General

Date 11/17/00

UNCLASSIFIED



EXDIR

EB No. 0001-00  
27 March 2000**EXDIR REMINDS ALL EMPLOYEES OF AGENCY POLICY  
ON DEALING WITH CONGRESS**

This time of year traditionally is marked by a busy agenda of Congressional meetings and hearings. Therefore, this is a good opportunity to remind all employees of the Agency's longstanding policy on dealing with Congress.

Earlier this month, as I presented the Agency's FY 2001 Program to the Congressional Oversight Committees, it became clear to me that our policy is not as well understood as it needs to be. During one of my briefings, the Chairman indicated that he perceived a lack of candor and forthrightness by Agency officers in responding to requests for information from his Committee. I take the Chairman's comments with the utmost seriousness because a strong partnership between CIA and its oversight committees is critical to the success of US intelligence.

The purpose of this notice is to make clear to all employees my expectations on this fundamental issue. I expect all employees to respond fully--and to the best of your knowledge--to Congressional inquiries regarding programs and activities, including budgetary and fiscal matters. In that regard, all of us--both in Washington and the field--must ensure that all of our dealings with Congress are characterized by the so-called "Four C's":

- **Candor:** Ensuring that the information you provide is, to the best of your knowledge, true and accurate.

- **Completeness:** Responding to questions in a full and



forthright manner.

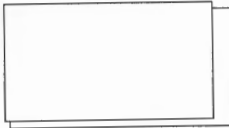
- **Correctness:** Correcting as soon as possible any incorrect information that you may have provided.

- **Consistency:** Following established Agency guidelines--available from the Office of Congressional Affairs--when responding to questions or requests for information.

I am committed to providing the oversight and appropriations Committees with the information, visibility, and access necessary to effectively carry out their roles. I need your help in fulfilling that commitment so that we can maintain and build upon the trust that exists between the Agency and the Congress.

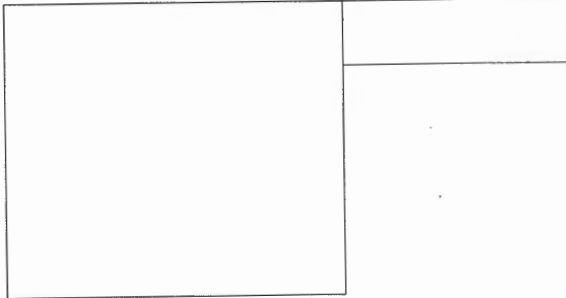
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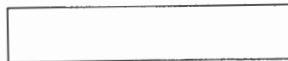
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25 February 2000



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**FROM:**



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**OFFICE:**

ODDST

**SUBJECT:**

Cautinary Note: Discussion of Internal Taxes

**REFERENCE:**

Chiefs,

I need to make you aware of an issue, and enlist your help.

The 7th floor has recently become aware that some CIA officers/program managers are talking to Hill staffers about the impact of CIA taxes on the health of their programs. No specific directorates or programs were identified, but I want to remind you (and ask you to remind your managers, both here and in the field), that the CIA regards this subject matter as out of bounds for discussion with staffers or our Committees. CIA taxes are an internal issue, and one that often reflects (poorly) on Agency performance in planning, managing, and executing our programs. The Agency does not consider this a matter where we would wish to draw Congressional attention.

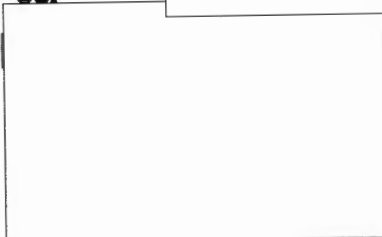
I know, just as you know, that corporate taxation erodes program dollars and topline gains...the Hill knows it too (Tom Newcomb raised such issues at today's budget rollout with the authorizers), but we need to be sure that no DS&T folks raise the issues directly with staffers, even if prodded at briefings or during staff tours/visits.

Thanks for ensuring your folks get this word; I know these messages are not easy to receive...or to pass along.



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Sent on 25 February 2000 at 09:19:03 PM

SECRET  
Central Intelligence Agency



Washington, D.C. 20505

23 March 2000

Mr. Nickolas Rostow  
Staff Director  
Senate Select Committee on Intelligence  
Washington, DC 20510

Dear Mr. Rostow,

(U) As a follow-up to our telephone conversation on Monday 20 March, I am writing to provide you further details regarding an issue raised by the Chairman of the House Permanent Select Committee on Intelligence during his opening remarks at the FY 2001 Central Intelligence Agency program hearing. Mr. Goss's remarks indicated that he perceived a lack of candor and forthrightness by Agency officers in responding to requests for information from his Committee. I want to assure you, as I did Mr. Goss, that I take his comments with the utmost seriousness. The partnership between the Agency and its oversight committees is critical to the success of US intelligence. It is incumbent on us to provide the Committees with the information, visibility, and access necessary to carry out effective oversight.

(U) Mr. Goss made reference to an internal CIA note indicating that certain budgetary information relating to internal CIA "taxes" should not be shared by individual Agency employees with the Committees. Neither I nor any member of my senior management team was aware of this note prior to the hearing. Subsequent to the hearing, I was able to obtain the email the Chairman quoted (attached). I emphatically underscore that the note does not accurately articulate our policy on dealing with Congress.

(U) Clearly, however, our policy is not as well understood as it should be. I will take immediate action to ensure that all CIA employees, both here and in the field, understand that candor, completeness, correctness, and consistency must characterize all our dealings with Congress. If at any time you feel that the CIA is not being

Unclassified when Separated  
from Attachment

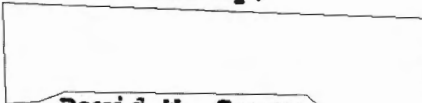
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Mr. Nickolas Rostow

responsive to the Committee please alert me. It is my sincere desire to maintain and build upon the trust that exists between the Agency and the Congress.

Sincerely,

  
David W. Carey  
Executive Director

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Attachment  
As Stated

cc: Mr. Al Cumming

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SECRET

**FROM:****OFFICE:****SUBJECT:** Cautionary Note: Discussion of Internal Taxes**REFERENCE:**

Chiefs,

I need to make you aware of an issue, and enlist your help.

The 7th floor has recently become aware that some CIA officers/program managers are talking to Hill staffers about the impact of CIA taxes on the health of their programs. No specific directorates or programs were identified, but I want to remind you (and ask you to remind your managers, both here and in the field), that the CIA regards this subject matter as out of bounds for discussion with staffers or our Committees. CIA taxes are an internal issue, and one that often reflects (poorly) on Agency performance in planning, managing, and executing our programs. The Agency does not consider this a matter where we would wish to draw Congressional attention.

I know, just as you know, that corporate taxation erodes program dollars and topline gains...the Hill knows it too (Tom Newcomb raised such issues at today's budget rollout with the authorizers), but we need to be sure that no DS&T folks raise the issues directly with staffers, even if prodded at briefings or during staff tours/visits.

Thanks for ensuring your folks get this word: I know these messages are not easy to receive...or to pass along.

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Mr. Nickolas Rostow

SUBJECT: (U) Courtesy Letter to SSCI Regarding the  
16 March Budget Hearing with HPSCI

Distribution:

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- 1 - Mr. Al Cumming, SSCI
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DCI/CFO,  (20Mar00)  
(CFO 00-1088)

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