

Title: SPY AGENCY ADMITS ACCUMULATING \$4 BILLION IN SECRET MONEY
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WASHINGTON - In a complete collapse of accountability, the government agency that builds spy satellites accumulated about \$4 billion in uncounted secret money, nearly twice the amount previously reported to Congress, intelligence officials acknowledged Wednesday.

The agency, the highly secretive National Reconnaissance Office, said last year that the surplus money totaled no more than about \$1 billion. Congressional intelligence overseers said in December that the amount was about \$2 billion.

They were misinformed. The secret agency was unaware until very recently exactly how much money it had accumulated in its classified compartments. To put the \$4 billion in perspective, what the National Reconnaissance Office did was to lose track of a sum roughly equal to the annual budgets for the FBI and the State Department, combined.

John Nelson, appointed last year as the reconnaissance office's top financial manager and given the task of cleaning up the problem, said in an interview published Wednesday in a special edition of Defense Week that the secret agency had undergone ``a fundamental financial meltdown.''

Senior intelligence officials confirmed Nelson's unusually candid account, and said the meltdown was fueled by excessive secrecy, financial incompetence and a lack of accountability at the agency.

All the money spent by the secret agency, a clandestine branch of the Air Force, is hidden through various false line items that comprise the so-called ``black budget,' ' which finances secret intelligence and military programs and is shielded from public scrutiny.

The existence of the reconnaissance office was itself a state secret, though badly kept, until 1992.

The reconnaissance office issues secret government contracts to build systems and components for space satellites that take pictures, record radar images and eavesdrop on telecommunications.

It spends about \$6 billion in secret money a year building the satellites for the CIA, the Air Force and the Navy.

While technically adept, it was financially inept, senior intelligence officials said. It had 15 different accounting systems in its 15 different program offices, each kept secret from one another.

``Everybody did it a little different, none of them talked to each other, and it was a mess,' ' Nelson told Defense Week. ``This was literally a house on fire in many ways.''

The financial incompetence of the reconnaissance office meant that one of the nation's biggest intelligence agencies misinformed Congress, the director of Central Intelligence and the secretary of defense about how much money it had, Nelson said.

The agency's secrecy made Congressional oversight next to impossible, intelligence officials said. Thus, the Congressional intelligence committees kept appropriating money for the secret agency, unaware that it was building up a surplus of billions of dollars.

The reconnaissance office found itself in trouble in 1994 for constructing what several senators called a ``stealth building.' ' The Senate Intelligence Committee protested that the agency had built itself a headquarters outside Washington, costing more than \$300 million, without disclosing the building's true cost and size.

The agency's financial managers explained the lapse by saying they had treated the construction project as if it were a covert operation, and had broken the financing for the building into indecipherable fragments to hide the cost.

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