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*SSU - Fort
Report of
Survey of
[under CIG D]*

TO : Rear Admiral Sidney W. Souers
Director of Central Intelligence

SUBJECT: Report of Survey of Strategic Services Unit
under CIG Directive No. 1

I. INTRODUCTORY:

A. The Committee Directive: Under CIG Directive No. 1,

the present Committee was required:

1. To make a detailed study of SSU facilities, resources
and operations;

2. To recommend:

(a) Which of the resources, facilities and operating
functions should be continued in the national interest after the
liquidation of SSU;

(b) What disposition should be made of the preserved
resources and facilities;

(c) What assignments should be made of responsibility
for conducting the preserved operating functions;

(d) What budgetary arrangements should be made.

The Committee has considered that this assignment should be
read in the light of:

1. The President's letter of September 20, 1945, directing
the Secretary of War to liquidate SSU "whenever he deems it compatible
with the national interest;" and

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2. The absence of any final, long term, decision

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respecting this Government's institutions for the collection of foreign intelligence by clandestine methods, referred to in the CIG Directive No. 1.

The decision that the SSU as such was to be liquidated and abolished under War Department aegis the Committee considered to be irrevocable.

B. The Survey Coverage:

1. On February 21, 1946, the undersigned Committee, comprising specially designated representatives of the Director of Central Intelligence and the Intelligence divisions of the State Department, G-2, ONI and A-2 commenced a survey of the resources, facilities and operational functions of the Strategic Services Unit in accordance with CIG Directive No. 1 (Tab A).

(a) With Brigadier General Louis J. Fortier as steering member, the Committee interviewed Brigadier General John Magruder, Director of SSU and SSU staff employees (Tab D).

(b) On February 25, 26 and 27 individual Committee members conducted more intensive investigations of branches of SSU, as follows:

SI - Captain Thomas Cullen
X-2 - Mr. Samuel Klaus
Operational Auxiliaries - Brigadier General
Louis J. Fortier
Services Branch - Colonel Roy Boberg
Personnel and Staff Divisions - Colonel S. P.
Walker

(c) Following Committee consideration of the reports by the individual members upon the investigations conducted by them, the Committee determined to conduct joint investigation of a number of selected operations and facilities. Accordingly on March 4, 5 and 6 the Committee conducted a joint investigation

of the SI Office and its branches and of the Reproduction Division and certain aspects of the Budget and Fiscal Division of the Services Branch (See Tab E).

(d) The Committee invited Brigadier General Magruder to make such further statements and produce such additional witnesses as he thought should be brought before the Committee. Accordingly, in response to the Committee's invitation, Brig. Gen. Magruder produced thereafter additional witnesses and submitted certain documents for the committee's consideration (See Tabs D & E).

(e) Individual members of the Committee consulted with persons in their respective agencies who have been served by SSU. Expressions of opinion were obtained with respect to the value of the material disseminated by SSU and the effect of a termination of SSU activities on the operations of the respective agencies (See Tab E).

2. The Committee desires to note that the survey was limited in its coverage in the following particulars:

(a) No investigation was made by the Committee of the field stations and missions of SSU in Europe, Asia and Africa. In this respect the Committee had to rely on representations made by Washington Staff personnel, on the cursory perusal of some field reports, and on conversations with a few former field operatives of OSS.

(b) No detailed examination was conducted of the particular capabilities or productivity of individual Washington or field personnel;


(c) No exhaustive attempt was made to evaluate on an

individual basis the current production of the staff or the field.

II. FINDINGS.

A. History of SSU: The Strategic Services Unit is the lineal descendant of the Office of the Coordinator of Information, established by President Roosevelt in 1941 under the direction of Colonel William J. Donovan. The primary relevant function of this Office was the coordination and preparation by experts drawn from various fields of scholarship of intelligence material significant for the National defense and their analysis for the use of the President and top Government officials. Soon thereafter, in close coordination with the British, a clandestine intelligence operation was begun with headquarters in London. Early during the war propaganda functions of COI were transferred to the Office of War Information and the remaining functions and personnel of COI, under General Donovan, were placed under the supervision of the Joint Chiefs of Staff in an organization called the Office of Strategic Services. Thereafter OSS operations were performed strictly under the directives of the Joint Chiefs of Staff. OSS included a research organization called Research & Analysis; intelligence services, SI and X-2 (X-2 having been established in 1943 for the performance of counter-intelligence functions); and various special operations - including sabotage, intelligence activities behind enemy lines, etc. The only field activity performed by OSS in the United States was, it seems, by the Foreign Nationalities Branch which maintained contacts with various foreign groups in this country with a view to obtaining intelligence of use to the total OSS function.

With the progress of the war much of the OSS activity was shifted to the field and OSS missions were set up close to the


theaters of military operation, leaving general direction to the headquarters in Washington.

The personnel, like the operations, were characterized by strong military elements; the Army and Navy supplied a majority of the personnel and a considerable portion of the equipment and facilities.

Beginning with V-J Day, General Donovan ordered a liquidation of OSS.

OSS was abolished by Executive Order, dated September 20, 1945, effective October 1, 1945. The Research and Analysis and Presentation Branches (the latter concerned with preparation of charts, visual aids and the like) were transferred to the State Department and the remaining portions transferred, under the name of Strategic Services Unit, to the War Department. Brig. Gen. John Magruder was appointed by the Secretary of War to be Director of SSU with the following instructions: "Subject to the authority of and policies determined by the Assistant Secretary of War, and such persons as he may designate, you will continue the program of liquidation of those activities and personnel so transferred which are no longer necessary or desirable, and preserve as a unit such of these functions and facilities as are valuable for permanent peacetime purposes, or which may be required by Theater Commanders or occupational authorities to assist in the discharge of their responsibilities." The Assistant Secretary of War in a memorandum dated September 26, 1945, instructed Gen. Magruder to the same effect. (See Tab E).

At the present time the special, para-military operations of OSS have been substantially liquidated or are in the process of liquidation; the unliquidated functions are those which relate to or

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serve primarily the collection, analysis and dissemination of foreign intelligence.

B. Organization of SSU: A chart of the present organization of SSU is attached hereto (Tab B). Individual analyses of the main divisions, based on joint and several surveys by the Committee members, are attached hereto (Tab E).

1. Number of Employees: Attached hereto (Tab F) is a breakdown of the personnel employed by SSU, their classifications and salaries. It is to be noted that as of March 1, 1946, the operating divisions employ 400 in the field and 260 in Washington; while the auxiliary and service groups employ 1432 (including a liquidation pool of 358). Attention is called to the use of unvouchered funds.

2. General Observations:

(a) In general, it may be said that the core of present SSU operations is the field staff, which is charged with seeking information along lines of possible security interest to the United States. These operatives, belonging either to the SI office (originally charged with seeking "positive" intelligence) or X-2 (originally charged with seeking "counter" intelligence), are divisible into those attached to the military missions still functioning abroad (as for example in Germany, Italy, Austria and China) and those having civilian status and being attached for various reasons to the United States diplomatic missions (as in the case of X-2 in Europe). The Washington staff is concerned with (1) directing or evaluating field operations, disseminating the intelligence obtained among interested Government agencies, and planning directives and future operations in consultation with interested Government agencies; and (2) servicing the organization

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as a whole. The personnel in the field and in Washington are partly civilian and partly military, the percentage of the former being constantly on the increase as military personnel either leave the organization on their discharge from the military services or become reemployed as civilians.

(b) The Committee has noted that acting under the direction of the Secretary of War, General Magruder has succeeded in reducing the personnel employed from about 9,000 to about 2,000 and that he appears to be engaged in actively liquidating those operations of SSJ which could have no permanent peacetime value to the United States. It is noted however, that he is simultaneously attempting to meet the requirements of military commanders in the field in special areas and special military contingents of SSJ personnel involving intelligence duties. It is noted also, however, that valuable personnel who could profitably serve any peacetime authority engaged in analogous work have probably been leaving the organization for more secure employment elsewhere.

The loss of the Research and Analysis Branch, formerly in OSS and now in the State Department, has apparently resulted in creating a gap between the investigating units SI and X-2 and the primary consumer which also provided the day to day directives for investigation. Nevertheless the existing units, though skeleton in form, appear to operate on a day to day basis without mortal impairment.

3. Field Operations: Detailed tabulation of the distribution of field personnel of SI and X-2 is shown in an annexed exhibit (Tab C). The following, however, may be noted:

(a) By an arrangement dating from the earlier days

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of the OSS, SSU has no operating representatives in the Western Hemisphere, which is reserved to the FBI, while the FBI is largely excluded (except for liaison in Spain, Portugal, France and England) from the rest of the world.

(b) The SI office is conducting certain types of clandestine operations in connection with its work in the military missions in Germany, Austria, and Greece. Its representatives are acting in open liaison with intelligence authorities in France and Belgium, Holland and Switzerland. Otherwise SI does not appear to be engaged in clandestine or operating activities elsewhere in Europe. In the Far East a liaison representative is maintained in Siam and a considerable number of agents are attached to the military mission in China. It should be noted that information concerning areas in which SI men are not situated is to some extent obtained through the nearest SI stations.

(c) X-2 has personnel attached to the diplomatic missions in Paris, Iberian Peninsula, Switzerland, Scandinavian countries and some other countries, with representation as well in the military missions in Austria and to some extent apparently in Germany. In the Far East X-2 does not appear to be as overt as SI. The reasons for this difference do not appear.

(d) It is to be noted that the field operation is based on the skillful construction of networks of locally recruited agents, subagents and informants. To the extent that these agents are paid out of unvouchered funds or otherwise by SSU, and act under the control of the SSU representatives, they must be considered part of the SSU organization. No information is available here on this subject as a whole, although there appear to be files in which are

kept the names of these agents and pertinent data concerning them.

4. Washington Staff:

(a) SI Office: In the SI office nominally there is a division between the Processing and Planning Branch and the Operations Branch. The latter in theory is divided into areas and country desks and deals directly with the field representatives in communications, transmission of operational directions and intelligence, and the like. The former is divided more generally into geographical areas but includes also three specialized sections - economic, technical, and propaganda; the Branch is concerned with the formulation of general directives, broad syntheses and the preparation of materials for reports and dissemination to interested agencies. In practice, however, especially in the area desks, there is at present a tendency to disregard the distinctions between processing and operations.

(b) X-2 Branch: The core of X-2 in Washington appears to be its geographical area desks, directed by the Chief of Intelligence and Operations working in conjunction with the Chief of the Branch and his assistant. X-2 maintains its own liaison section.

While X-2 and SI have theoretical separation, under the direction of General Magruder attempts are being made to compel a closer affiliation between the two branches.

(c) Operational Auxiliaries: (described in Tab E). These center, in terms of importance to SSJ operations, in a communications section which is concerned with handling of ciphers and indoctrination of staff in their use. Communications between Washington and the field are either through the Army installations or through the State Department. A special cipher system is

employed for SSU communications. In addition the Operational Auxiliaries Branch includes some personnel engaged in research in such subjects as special wireless communication equipment for clandestine agents, documentation intelligence (largely deriving from the days when OSS engaged in placing agents behind enemy lines), and secret inks.

(d) Services Branch: The services organization (described in Tab E) is the central management unit. It is prepared, the Committee was told, to handle 3,000 employees. Its chief special operational function, in addition to the functions usually performed by a management unit, is the handling of unvouchered funds and procurement of secure funds for agent operations in the field and the indoctrination of field men in the use of such funds. This branch has also had a Reproduction Section, which through special security provisions was prepared to handle highly confidential printing and reproduction jobs of superior quality in reasonably small quantity. The Section, for example, has prepared secret documents for international conversations, maps for the Joint Chiefs of Staff, secret documents for the State Department and the like. The unit also contains a few individuals engaged in research in micro-photography, of use to clandestine agents in the field, and in special problems of reproduction arising from the unit's own work.

(e) Personnel: The Personnel Division (described in Tab E-Personnel) has a security section, apparently geared in cooperation with the staff officers of the operating branches to recruit and screen in the United States staff and field personnel.

C. Operating Functions:

1. Absence of Directives: SSU today operates without

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any authoritative directive for the procurement of intelligence. This arises from the fact that OSS directives were concerned solely with the prosecution of the war efforts against Germany, Italy and Japan. OSS received its directives from the Joint Chiefs of Staff. The war against Germany, Italy and Japan having ceased and the Joint Chiefs of Staff having ceased to issue directives to SSU, the organization has operated solely in accordance with instruction of the Secretary of War to preserve the intelligence elements of permanent value until the formulation of an authoritative final policy with respect to the procurement of foreign intelligence. Thus there are, strictly speaking, no de jure operating functions in SSU at all.

2. De Facto Functions: Nevertheless since VE Day, and definitely since VJ Day, the main de facto operations of SSU have been concerned with:

(a) Planning for long term foreign clandestine intelligence operations by the United States;

(b) Obtaining information in the field of an investigational character, as requested by military commanders in military zones of occupation, such as information with respect to the activities in the Russian zones;

(c) Assisting the diplomatic missions in obtaining factual information from police and intelligence sources, such as is involved in visa and passport applications;

(d) The continued maintenance of liaison with intelligence authorities of friendly and neutral countries with which the OSS representatives had maintained liaison during the war;

(e) The transmission of such information, of a more

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or less secret character as would appear to be of interest to Washington agencies, such as the activities of the Russians in their own zones and in other countries, and activities of local intelligence agencies and developments of a political and technical nature in countries to which SSU representatives have access;

(f) The residual problems of the Axis defeat, the examination of captured documents made available to SSU, the interrogation of captured enemy personnel to the extent permitted by military authorities, and miscellaneous assistance to the military commanders in the areas of military occupation; as well as dealing with aspects of the repatriation of Axis agents, enemy assets in neutral countries and the like.

3. Operational Distinctions between SI and X-2:

(a) The distinction between the activities of SI and X-2 has to a considerable extent been broken down, first with the exclusion of SI representatives from certain areas, such as the Iberian Peninsula, and to some extent Germany; secondly; with the lack of specific allocation of functions between SI and X-2 for present problems. In consequence the older distinction between "positive" and "counter" intelligence has broken down.

(b) X-2: X-2 representatives are operating under an X-2 directive to obtain information concerning (1) the intelligence organizations of the countries in which they are stationed; (2) the activities of foreign intelligence organizations in those countries; and they are required to assist the State Department missions in obtaining facts to enable the missions to pass upon applications for visas and passports, as well as in such special

assignments of a factual character which the missions may give to X-2 representatives. To some extent X-2 still "vets," that is, checks upon the security as disclosed by files of persons to be employed by SSU openly or as agents.

(c) SI: SI appears to be engaged specifically in investigations of a technical and political character. The technical work includes investigations into the atomic energy problem in cooperation with the Manhattan District. The Committee, however, has made no attempt to evaluate this work or to consult with the Manhattan District with respect to it.

(d) It is quite clear to the Committee that much of the distribution of tasks between SI and X-2 is casual and fortuitous depending on the contacts made by the field representatives rather than upon a clear division of authority. It is also clear that General Magruder, in view of the lessening distinction between the two branches, is attempting to fuse them together, at least in Washington.

D. Resources and Facilities: From a housekeeping standpoint, the Committee has been informed and believes that SSU has equipment sufficient to handle up to 3,000 employees. Unnecessary equipment and facilities, such as those used in the other operations of OSS which have been abolished, is being disposed of, we were told. The chief assets of SSU are, therefore, its registries and files, and a small amount of special equipment which may be useful for future clandestine operations.

1. Files: The intelligence files of SSU naturally relate mainly to the Axis problem. They include carded information on individuals and organizations (deriving from British

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and Allied sources and from X-2 experience); studies and reports made by SI and X-2 personnel; cables and other communications of information; lists of names of foreign agents and suspects in the subversive field in foreign countries, and the like. Studies have also been made, and are being made, of such current problems as Soviet infiltration and regional political activities. The operational files include rosters of former employees of OSS here and abroad, with personnel and biographical data that may be useful for future recruitment and investigation.

While the Committee was not authorized by CIG Directive No. 1 to conduct an examination into the Research and Analysis and Presentation Branches of OSS transferred to the State Department, the Committee deems it desirable to note that the files of those branches bear an important relation to the usefulness and value of the files of SSU. This fact arises from two causes; (1) During the existence of OSS R&A was closely geared to the secret intelligence branches as their chief customer and their chief guide in the selection and pursuit of secret intelligence targets and the evaluation of secret intelligence information; the total of OSS information in this respect is, therefore, the sum of the files of SSU and of the files of R&A, at least as of October 1, 1945, when the two organizations were separated; (2) A working arrangement exists, the Committee has been informed, between the SI and R&A by which the files of R&A up to October 1, 1945, are available to SI; indeed interchange of accession materials and to some extent mutual consultation continue between SSU and R&A personnel.

The Committee notes further that files of other branches,

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now dissolved, of OSS including especially personnel rosters and reports on experience in clandestine operations are important and should be considered as among the valuable assets of SSU.

2. Equipment: The laboratory equipment of the Reproduction Branch (see Tab E - Services), it is understood, has been transferred to the State Department. Should this transfer be reconsidered, the Committee notes that the plant is apparently of unusual value, and well-suited for exploitation by any organization characterized by a high degree of security in its operations and its literary production, at least from external appearance and the assurance of its directors.

The small laboratory facilities and intelligence collections of the Cover and Documentation Section (See Tab E - Operational Auxiliaries Branch) are likewise of considerable intelligence value, and particularly suited to any organization concerned with future clandestine intelligence operations.

The remaining equipment, such as vehicles and the like, are easily the subject of ordinary Government procedures of transfer and liquidation.

E. Evaluation of SSU: Individual members of the Committee have obtained oral or written statements from representatives of agencies which are serving as customers for the SSU production. (See Tab E). The agencies consulted were the State Department, particularly the former R&A Branch of OSS, and the Economic Security Division, G-2, A-2 and ONI. It appears quite clear from these evaluations that SSU has been producing intelligence materials of definite value to sections in the agencies mentioned and that any cessation in the gathering

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and dissemination of such intelligence would definitely impair the work of the customer agencies. It may be pointed out, however, that (1) in some agencies, such as R&A in the State Department, an impairment would be suffered also by the "going underground" of SSU since much of the value of SSU is said to lie in the close personal interchanges between individuals in both agencies; (2) much of the product of SSU is not obtained clandestinely at the present time and might well be obtained by other agencies working overtly should SSU "go underground" - as, for example, the interviewing of political figures, the collection of newspaper clippings and like services not now being performed for various reasons by diplomatic missions or other U.S. representatives abroad; (3) the product of SSU has been diminishing in quantity in many areas and in any event is of variable quality and would stand considerable improvement.

F. Security of Personnel: The Committee has been assured by various supervisory officials of SSU and particularly by the Chief of the Security Section that the loyalty of the present SSU staff is on the whole unquestioned. However, there are several qualifications to this conclusion:

1. Personnel originally recruited by OSS was not subjected to any rigorous personnel security investigation; some of this personnel is still in SSU.

2. Some of the personnel now in the R&A Branch (transferred to the State Department), which maintains close liaison in various ways with the personnel of SSU and is the chief customer of SSU intelligence procurement, has definitely been questioned as to bias in security investigations already conducted.

3. Security checks within OSS were first begun some time

after the formation of the original organization; but clearances were made in many instances on the basis of checks by other organizations of the Government, such as the Civil Service Commission, and with respect to the thoroughness of such investigations by third party organizations the Chief of the Security Section reserves his own judgment.

4. The personnel policies of SSU, being directed toward the procurement of specialists and experts in specific German, Italian, and Japanese problems, are necessarily fundamentally different from the policies of any future organization for clandestine intelligence directed toward different ideological targets.

It follows therefore that the personnel of any new organization built out of SSU elements should be selected on a case by case basis, with reexamination, in the light of new formulations of security policies, of each employee.

III. CONCLUSIONS AND COMMENTS.

A. The Committee's Assumptions. In performing the mission outlined in CIG Directive No. 1, the Committee found it necessary to proceed from certain assumptions:

1. Three possibilities were presented as alternative recommendations with regard to the distribution of the essential operating functions and the usable resources and facilities of SSU:

(a) These could be transferred to the Central Intelligence Group as a going concern to form the nucleus of permanent future CIG operations (as envisaged by paragraph 3 of the President's letter of January 22, 1946.);

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(b) They could be offered in whole or in part for distribution among existing intelligence authorities to be continued so far as convenient and possible in the national interest;

(c) They could be completely terminated, all personnel being recalled and dismissed, permitting the CIG and other interested agencies to make individual arrangements for the recruitment of likely personnel and providing for the distribution of files and equipment among interested government agencies.

These possibilities permitted such practical alternatives as the abolition of SI, the transfer of X-2 to the State Department, transfer of specialized equipment to Governmental research laboratories, etc.

2. In determining which of these solutions should be recommended the Committee was impressed by several paramount considerations:

(a) There is immediate need for the continued maintenance of foreign intelligence coverage throughout the world and for the implementation of clandestine and semi-clandestine operations in the areas hitherto covered by SSU. The national interest in an emergency sense rather than in ideal long term conditions seemed more determinative to the Committee.

(b) No other intelligence authority has been established with appropriate directions to perform throughout the world the functions of the character of those performed by SSU and there is no other operating unit presently directly available to the Director of Central Intelligence for the collection, evaluation and dissemination of clandestine intelligence, nor has any long term decision on policy and operations been made by the National Intelligence Authority.

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(c) The present SSU organization is geared to perform a minimum job in this field; it has plans and personnel with experience in the area and in the subject matter and it is a going concern, equipped with auxiliary services.

B. Conclusions:

1. The Committee, concerned with SSU alone and what the Committee conceives to be the national interest and the preservation of existing organization and facilities for tapping foreign intelligence systems, is therefore led to the conclusion that the present SSU organization provides a going concern for operations in this field. The problem facing this country are of an emergency nature. The CIG has no alternative organization now in the most important field of necessary operation. The Committee freely concedes that the organization has defects and deficiencies and its continuance will require administrative decisions with respect to jurisdictional demarcations of other Governmental agencies concerned with aspects of foreign intelligence. On balance, therefore, the Committee has concluded that the elements of value to the Government at the present time outweigh deficiencies.
2. Until, therefore, a long term plan is evolved the Committee believes the present SSU organization should be placed under CIG and properly and closely supervised, pruned and rebuilt, should function under specific directives in selected and clearly defined fields of vital interest to the United States in which clandestine operations and planning for clandestine operations are deemed necessary.
3. The Committee is aware that other intelligence

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gathering agencies of the Government with contacts in the foreign field exist - the Foreign Service, the Military, Naval and Air Attache services and particularly FBI. It does not believe, however, that it is for the committee to determine what extensions to the present functions of these agencies should be recommended especially since the Committee has not undertaken or been authorized to survey any of these intelligence agencies.

C. Jurisdictional Conflicts: The Committee is aware, however, of the possibility of some jurisdictional inconsistencies and conflicts. With respect to those activities which FBI has been reportedly performing for the diplomatic missions in the Western Hemisphere and X-2 has been performing in the Eastern Hemisphere, it is desirable that an early arrangement be made between the Secretary of State, the Department of Justice (and the Director of the FBI) and the Director of CIG, reconsidering the division now existing on a geographic basis of analogous functions between the two organizations. The subject is of importance to CIG in the clandestine problem since attachment to diplomatic missions is claimed to provide a secure channel of communications and protection for files as well as diplomatic immunity to key operators.

2. A clear demarcation in the field between the activities of the auxiliary mission members - such as the activities of the military services - and SSU is needed; but the committee concludes that a closer integration of directives, guidance and coordination of SSU in Washington and in the field are of greater importance for the success of the SSU effort.

3. The Committee believes that further consideration should be given to a plan which will permit the special development

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of purely clandestine intelligence operations under the CIG in close coordination with the total needs of CIG for foreign intelligence by whatever means obtained, leaving more overt United States Governmental intelligence collection activities to other agencies prepared and authorized to act in the field with a minimum of embarrassment to the United States.

D. Immediate Directives: The directives for immediate operations to the present SSU group, under CIG, should, based on a quick canvass overall of needs for information from sources not otherwise available, concentrate on:

1. Current activities of the Soviet Union and its satellites.
2. The preparation of plans for long term penetration by various devices of the key institutions of the Soviet Union and its satellites for information of a security nature and aid to possible military operations of the United States.
3. The observation and reporting of Soviet activities in other countries, through liaison with other intelligence agencies and the like.
4. The preparation of plans, and inauguration of operations, for sleeper intelligence networks in the period following the removal of American military intelligence authorities from Germany and Japan, with specific interest in resurgence of German and Japanese aggression and violation of American controls.

E. Liquidation Procedure: The Committee believes that the SSU liquidation should continue substantially as proposed by General Magruder in his draft letter for the signature of the Secretary of War. However, the Director of Central Intelligence

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should take over the responsibility and complete authority for the direction of the liquidation, the transfer of such personnel and facilities to the Central Intelligence group as he desires and the terms upon which new employment shall be provided.

F. Budgetary: The Committee is aware that the assumption by CIG of operational functions will require that at an early stage CIG undertake the duty of preparing the budgets, seeking funds and defending budgetary requests before the Bureau of the Budget and committees of Congress. The Committee does not believe that in the long run CIG can or should rely solely on other departments in such matters. Nevertheless, the Committee believes that the War Department should continue to provide the funds necessary both for the SSU liquidation and for the current operations to be carried on, until such time as CIG is in a position to present and defend a cohesive program under established procedures and as a going concern. The Committee is led to this conclusion chiefly by three considerations:

1. Practically speaking, it would be difficult to separate the liquidation financing from the current operation financing during the period of liquidation of SSU; since the War Department has already allocated funds for this purpose the Committee believes these funds should be so spent.

2. The current operations to be carried on beyond the fiscal year are so akin to proper continuing War Department functions that it is believed that the War Department should ask for and make available to CIG the funds proposed by SSU to War Department for the fiscal year 1947.

3. It is of great importance that so far as it is

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possible under the law the amount of governmental expenditures for secret intelligence and the nature of the items of expenditures should be concealed. The War Department Budget is especially suited for this purpose.

The Committee is recommending, therefore, that by appropriate arrangements between the Director of Central Intelligence and the Secretary of War the War Department's handling of all budget figures, supporting data and breakdown of items and expenditure be under conditions of secrecy and in accordance with the desires of the Director of Central Intelligence. A budget for SSU has already been prepared and accepted by the budgetary authorities of the War Department for the fiscal year 1947. The Committee concludes that this budget should for the time being be adopted (see Tab E).

G. Internal Reorganization: Internally the SSU organization should be reorganized with a view to redistribution of field personnel for the accomplishment of the above mentioned missions, the pruning of administrative personnel in Washington, and the closer coordination of the research and other activities of the Government with the SSU organization through CIG. The Committee emphasizes the need for security both as to the existence of the CIG operation and to its activities.

For this purpose, the Director of CIG should appoint his own staff for change-over and determination of liquidation items and procedures, to work closely with General Magruder and his office.

The Committee emphasizes the necessity for removing all personnel of CIG from Civil Service control (substituting, however, at least equivalent protections) and recommends that procedural

problems in effecting such a decision should be further explored with appropriate authorities. The problem of financing, transfer of budget allocations and the like should also be considered with special emphasis on operating completely on unvouchered funds with substantially, however, the same internal control as that provided by the unvouchered funds arrangement of SSU.

The security functions within the new unit should be emphasized with a reorientation in terms of the new problems facing the CIG and personnel chosen for transfer to CIG should be hired on an individual basis with de novo security checks in each case.

IV. RECOMMENDATIONS:

The committee recommends that:

1. The Secretary of War turn over the liquidation and further disposition of the resources, facilities, operating functions and personnel of SSU to the Director of Central Intelligence, and for this purpose the Secretary of War be requested to communicate to the Director of SSU an instruction substantially in the form of Exhibit A.

2. The Director of SSU continue the liquidation of SSU as speedily as possible under the supervision of the Director of Central Intelligence.

3. The Director of Central Intelligence designate one or more assistants (a) to effect, in consultation with the Director of SSU, an orderly liquidation coordinated with further CIG operations, and (b) to incorporate functions, personnel, resources and facilities as a branch of CIG to execute such directives as the Director of CIG with appropriate approval may issue. These assistant

should include:

- (a) A deputy for the management of the staff and field operations;
- (b) A security and personnel chief;
- (c) A planning chief; and
- (d) An operations chief.

None of these assistant should be drawn from the personnel of SSU but they should utilize existing SSU staff to the extent deemed advisable and should coordinate their activities with the policy and directives of NIA and CIG.

4. The Director of CIG issue operating directives to the working organization along the lines and in the order of priority indicated in paragraph 4 (d) of the "Conclusions and Comments" section above in this report.

5. With respect to budgetary implementation, the War Department continue to assume full budgetary responsibility for the liquidation of SSU and the current operations herein recommended as follows:

(a) Out of War Department funds, as already agreed between the Director of SSU and the War Department, to the end of the fiscal year 1946.

(b) Obtaining appropriations in the name of the War Department for the fiscal year 1947 in line with the budget recommendations previously submitted by SSU for that fiscal year accepted and approved by the budget authorities of the War Department.

(c) Keeping secret, as far as possible under the law, the existence, amounts and nature of the items of requests, appropriations and expenditures, all handling thereof and consultation thereon being in accordance with the desires of the Director

of Central Intelligence.

6. The Director of CIG make appropriate Civil Service and internal budgetary arrangements to invest the personnel and operations of the new organization with the maximum of security, secrecy and control;

7. That all action taken hereunder be secret so far as permissible

/s/ Louis J. Fortier

LOUIS J. FORTIER
Colonel, FA
Representing CIG

/s/ Samuel Klaus

SAMUEL KLAUS
Representing
Dept. of State

/s/ S. P. Walker

S. P. WALKER
Colonel, GSC
Representing G-2, WD

/s/ Thomas F. Cullen

THOMAS F. CULLEN
Capt., USNR
Representing ONI

/s/ R. H. Boberg

R. H. BOBERG
Colonel, AAC
Representing A-2

UNCLASSIFIED

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EXHIBIT A

WAR DEPARTMENT
WASHINGTON, DC

TO : The Director of Strategic Services Unit
SUBJECT: The Liquidation of SSU

1. Effective 15 March 1946 you are directed to continue the liquidation of SSU, as instructed in paragraph 3, Executive Order 9621, dated 20 February 1946, under the immediate supervision of the Director of Central Intelligence.

2. The Director of Central Intelligence may make determinations with respect to the operations of the Strategic Services Unit and any part thereof and the disposition of all property, records, physical assets and unobligated funds, and the reassignment, severance or appointment of personnel.

3. The facilities of the War Department shall continue to be available for the purpose of the above mentioned liquidation.

Secretary of War

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