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**RUSSIAN INTELLIGENCE ACTIVITIES DIRECTED AT
THE DEPARTMENT OF STATE**

HEARING
BEFORE THE
COMMITTEE ON FOREIGN RELATIONS
UNITED STATES SENATE
ONE HUNDRED SIXTH CONGRESS
SECOND SESSION

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FEBRUARY 10, 2000
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RUSSIAN INTELLIGENCE ACTIVITIES DIRECTED AT THE DEPARTMENT OF STATE

THURSDAY, FEBRUARY 10, 2000

U.S. SENATE,
COMMITTEE ON FOREIGN RELATIONS,
Washington, DC.

The committee met, pursuant to notice, at 2:37 p.m., in room SD-419, Dirksen Senate Office Building, Hon. Rod Grams presiding.

Present: Senator Grams.

Senator GRAMS. I would like to bring this hearing to order.

Thank you very much for coming.

Mr. Carpenter, thank you for coming and testifying here today.

Now, in just a brief opening statement, I just wanted to say, you know, first and foremost, that we have worked closely together during the last year to secure an Embassy Construction and Counter-Terrorism Act to improve the security of our diplomatic facilities abroad, and I also hope that we can continue to work closely together now to tighten security at the State Department itself.

I think we can all agree that given that we have a security system that has been porous to the extent that the Russians can rip out a piece of molding in the State Department on the very floor that contains the Secretary of State's offices and to replace it with a similar one that contained a bug, I think we have got a major problem.

I do not want to imply that the Bureau of Diplomatic Security [DS] has not tried to impose stricter security measures. You have, but I believe that you have been fought every step of the way by the diplomats and policymakers.

I am concerned that the State Department has become a soft target for foreign intelligence services, because of a lack of security consciousness in the State Department culture.

For example, controlling access at the State Department is a contentious issue. Diplomatic Security's first attempt to restrict access to the State Department's corridors in 1998 met with failure.

The mandate for all visitors to be escorted at all times was rescinded 6 days after it was issued due to complaints from senior Department officials at the State Department.

In addition to creating the opportunities for espionage, the lack of access control makes it difficult to determine when the Russian listening device was installed and by whom. There is speculation that the Russians planted the bug in the conference room before the access control policy was reinstated 9 months later. Now, I hope we can clear up some of that speculation as well today.

Another issue in question is the question of access to sensitive systems by individuals who do not have appropriate clearance.

Now, according to a report by the GAO, dozens of foreign citizens, including British, Chinese, Pakistanis and Ethiopians, were given access to sensitive computer systems at the Federal Aviation Administration without undergoing security checks. Comparable concerns have arisen regarding DOE's Stockpile Stewardship Program.

Now, I am concerned that similar security lapses could have occurred at the State Department. And I am particularly disturbed that Secretary Albright, in response to my questions on Tuesday, indicated that she believed all foreign citizens who work at the State Department, including all contractors, have to go through background checks.

Now, you and I know that that is not the case. Commercial contractors are given unsupervised access during regular business hours and do not all have security clearances. In fact, clearances are not required for contractors to perform sensitive computer hardware or software work in the building.

And I am sure you share my concerns that DS is not necessarily informed of the type and location of work that is being done by these contractors.

Now, in addition to the top-to-bottom security review that you are doing right now for the Secretary, I want to make sure that she is being adequately briefed in this area, because this should be attended to, and it should be attended to at the highest levels. We cannot safeguard our national interests, if we cannot safeguard our Nation's secrets.

So, again, I want to thank you very much, Mr. Carpenter, for coming and your willingness to testify today. So if you have an opening statement, I would like to take the opportunity to hear it.

STATEMENT OF HON. DAVID G. CARPENTER, ASSISTANT SECRETARY OF STATE FOR DIPLOMATIC SECURITY, DEPARTMENT OF STATE

Mr. CARPENTER. I do, Mr. Chairman. And I would like to thank you for the opportunity to appear before this committee today and for the committee's past and continuing interest in and support for the counterintelligence and security programs at the Department of State.

As you no doubt understand, the Department's operational counterintelligence responsibilities are vested within the Bureau of Diplomatic Security.

The responsibility for protecting the Department of State facilities in the United States and the facilities and personnel of nearly all U.S. Government agencies assigned abroad also is assigned to our Bureau.

We have a number of programs designed to counter an array of security challenges presented by elements ranging from common criminals to terrorists and spies.

In the context of counterintelligence, these programs include safeguarding classified and national security information, security investigations, security awareness programs, and the conduct and

coordination of counter-espionage and counterintelligence investigations.

We closely coordinate all of our security and counterintelligence activities with our colleagues within the Department and the law enforcement and intelligence communities.

On August 11, 1998, 4 days after the bombings of our Embassies in Africa, my recess appointment was confirmed by the U.S. Senate. Necessarily, my immediate focus and nearly all of my attention was on the bombings and our efforts to prevent further similar tragedies.

Indeed, in those first few months following the bombings, most of the Bureau's resources were focused in one way or another on terrorism matters.

As the weeks and months progressed and the press of daily business resumed its normal, albeit all consuming, course, requiring DS resources for other responsibilities such as dignitary protection, criminal investigations, physical security, technical security, and, yes, counterintelligence, I began to see firsthand just how superb the Bureau's employees perform.

I also saw firsthand just how much the State Department's budget had been cut and, to my regret, how hard those budget and personnel cuts had hit Diplomatic Security and its ability to provide the type of protection I believe to be required for the Department's facilities and employees.

I found that DS had people in all areas of its responsibilities who, in my experience, were second to none in other similar agencies who had—but who had precious little support in terms of tools to do their jobs. That is to say, to use a sports analogy, we had no bench strength.

Bureau employees pointed out to me that, following the fall of the Soviet Union, DS was authorized to hire only a handful of agents, engineers, and Civil Service security personnel.

The budget cuts were so severe that DS imposed a 5-percent reduction in the worldwide guard program.

I was told that a number of positions had been abolished, and rules and regulations concerning security were loosened to the point that holding employees accountable for serious security issues became difficult at best.

I was told that during those years, budget and personnel cuts had essentially permitted the Bureau to conduct properly only the most essential services.

We had reached the point that if there were a major peace conference in the U.S. requiring DS to conduct large-scale protection, numerous operations, including counterintelligence, would be virtually shut down to support it. In some respects, this type of scenario still continues to this day.

Among the offices affected during the period of cuts was our Office of Counterintelligence. The number of positions was reduced from 41 to 26. The funding for the program was cut from \$225,000 to \$65,000.

Our technical countermeasures programs suffered a similar fate, and limited funding forced the Bureau to decide to fund other programs rather than to invest in upgrading its countermeasures equipment within main State.

In essence, the Department appeared to have been reacting to both fiscal constraints and a general sense after the fall of communism that the world was a better place and that the cold war had ended.

I was not with the Department during those years, but I believe that the Bureau's priorities reflected this thinking.

Since 1997, the Bureau's hiring has picked up considerably. And while it appeared that we were making strides in restaffing DS to the point of making it ready to meet its challenges, the bombings occurred in 1998. Nearly all of the new positions acquired since that time have been directed at overseas staffing and with antiterrorism in mind.

Other programs such as counterintelligence, dignitary protection and domestic facility security continue to be largely understaffed.

But I want to make it clear that the President and the Secretary's budget submission before you is moving to correct this inadequacy.

I have given you a very general view of where DS has been in terms of resources over the past few years. And with that as a general backdrop, I will take a few minutes to discuss the reason for being here today, the Russian bugging of the seventh-floor conference room.

Major security incidents generally are not spontaneous. They take planning. Planning involves time, which perpetrators use to study vulnerabilities, security defenses, and to learn anything that will help them in their efforts.

This is true of common burglars who case a home, terrorists who blow up buildings, kidnapers who abduct people, and intelligence officers who operate against the U.S. Government.

I have told you of how, as a newcomer to the Department, I quickly learned that our security programs had been weakened in the early post-cold-war years. It takes very little imagination for one to surmise that the Russian intelligence service took advantage of our posture.

How relaxed were we? Let me first talk about the access to the Department.

In 1982, the Department established a required escort policy for 31 countries.

As the cold war was won, that number was whittled down so that in 1992, 10 years later, the remaining three countries were taken off the list.

One of my first comments to my senior staff after assuming my Assistant Secretary's duties was to question this lack of an escort policy. During my Secret Service career, I had been in many buildings containing sensitive information and had never seen one without some reasonable escort policy for non-cleared visitors.

In keeping with Secretary Albright's instructions to me to thoroughly review and improve where necessary all aspects of the Department's security program, I had my senior staff give me an overview of this escort policy as well as their perception of the general attitude toward security at State.

Their comments confirmed my initial uneasiness about the lack of an effective escort policy and solidified my resolve that we needed to implement more stringent escort procedures.

On November 17, 1998, we issued a new policy requiring for the first time in the history of the Department of State that all visitors, with the exception of U.S. Government agency personnel with photo identification, be escorted at all times when in the Department of State.

Literally, within minutes of the policy's announcement, my office received word that there was concern that the policy had not been vetted or cleared properly throughout the Department. We rescinded the policy in order to do the necessary spade work.

Completely separate from the escort issue, but running relatively parallel to the escort policy review, our counterintelligence division was engaged in a sensitive and classified effort, which gave us an additional concern regarding access to the Department by uncleared persons—uncleared and unescorted persons.

With this additional information in hand, we decided to renew our efforts to implement the escort policy.

Our counterintelligence agents briefed all the executive directors of the various Department Bureaus and the Undersecretary for Management, and there was universal agreement that a required escort policy would have to be established.

On August 6, 1999, the escort policy was implemented. Do we wish that it had been implemented earlier? Certainly. But I cannot undo the problems caused by this past mistake. We can only move forward and not make similar errors in the future.

I have attached to this statement a copy of the Department's current policy together with related information.

As you know, several months ago, the FBI detected Russian Intelligence Officer Stanislav Gusev on the street near the State Department. His behavior appeared unusual, and a plan was implemented to surveil him.

It was noted that the Russian visited the immediate vicinity of the State Department twice or more per week, walked the streets, and fussed about in his car.

Sensitive technical countermeasures later revealed the presence of a listening device located in the Oceans and International Environmental Scientific Affairs', OES, conference room.

Further investigation revealed that this was, indeed, a Russian intelligence operation directed against the Department. Confirmation in hand, agents of DS and the FBI arrested Gusev on December 8, 1999. He was subsequently asked to leave the country.

I have attached to this statement an unclassified chronology of the case for your use. If the committee needs the specific dates showing the developments in this case, we can give you the classified chronology.

The FBI, assisted by DS, is leading the investigation into how the device was placed in the OES conference room, which we believe was picked as a target of opportunity.

Additionally, we are in the process of jointly conducting a damage assessment.

In response to many questions we have had regarding the device, I must refer you to the FBI regarding the sophistication of the device itself, but I can tell you that it was a very cleverly installed and concealed device.

Also, while I would be pleased to answer any questions that the committee may have concerning the investigation leading up to the discovery of the device and subsequent arrest of Mr. Gusev, I must refer any questions concerning the continuing aspects of this case to the FBI.

The escort policy that I have referred to is now in place and, though not perfect, it has improved our access procedures.

The policy does require more effort on the part of the Department's non-security personnel but, to date, we have had excellent cooperation in its implementation.

We are also looking to improve our security in other respects and are currently talking in-house about what resources we would need if we are to upgrade the Department's access control systems and to install enhanced access control devices in the most sensitive areas of the Department.

We all need to beef up our counterintelligence division. That division is responsible for protecting the Department's and tenant agencies' most sensitive information and communications at over 260 facilities in the United States and abroad.

Unfortunately, it is still underfunded. This year's operational budget is \$113,000, barely half of what it was at its peak.

Further, the division remains woefully understaffed; and far too often I have to task them with other duties, usually dignitary protection, totally unrelated to their counterintelligence mission. This cannot continue.

Again, I must state that the current budget submission is a welcome improvement to that problem.

We have learned from construction of the new embassy in Moscow, which is due to open soon, how resource intensive it is for our counterintelligence efforts to be successful in the most aggressive environments.

Now, we have similar projects planned for other countries who are known to have ongoing, aggressive programs aimed at gaining intelligence information via technical or human means.

We simply must find a way to give that division the resources it needs to do its job. And we must find a way of doing this without taking resources from our domestic life safety programs.

These programs are also underfunded and understaffed, and we cannot take risks with the lives of traveling dignitaries or with the lives of my employees who are sworn to protect them.

In other words, we must continue building the missing bench strength that I referred to earlier for counterintelligence, and other important programs, a process we have already begun in this year's budget.

Finally, let me say a few words about inter-agency cooperation. While the down side of this affair is obviously in terms of potential compromises of information, there are a couple of positives that came out of it.

This clearly was a U.S. counterintelligence success story, and the Secretary has acknowledged the superb investigative work of the FBI throughout this operation.

In her view, the successful resolution of this case is a classic example of what can be accomplished when law enforcement agencies cooperate with each other.

I want to add my own praise for the FBI's work in this matter and want to assure the committee that the close cooperation in this case will continue and that Neil Gallagher, Assistant Director for National Security Division, and others at the FBI continue to be in frequent touch with me on this and other matters.

I am pleased to report to you that the sort of close cooperation exhibited in this case is reflective of our cooperation on other sensitive investigative matters.

A second benefit of this case, coming on the heels of other widely publicized espionage cases, is that it puts to rest in the Department the notion that since the cold war is over, we can let down our guard against espionage.

While most acknowledge that so-called economic espionage flourishes, this case is proof positive that the more traditional targets are still ripe and of interest to foreign intelligence services.

I am certain that my colleagues in the intelligence community would agree that the boldness of this operation illustrates that the technical threat faced here in the United States is real and cannot be ignored.

Given the resources, we intend to reinvigorate our own counterintelligence awareness programs and urge the rest of the government to follow suit.

In summation, I know that we have much work to do in the counterintelligence and security arenas.

The major challenges for us are twofold. First, we must make the case for, obtain, and manage additional resources to improve our counterintelligence program across the board.

The President and the Secretary have taken a positive step in this direction with the budget that is currently before you.

Second, once we obtain the necessary resources and put them in place, we have to guard vigilantly against reallocating them to other areas.

DS must have, obtain and retain sufficient resources for its broad range of security programs, and break the cycle of its responding to the most recent crisis at the expense of other programs.

Mr. Chairman, thank you for your interest. And I would be happy to answer any questions you or the committee may have.

[The prepared statement of Mr. Carpenter follows:]

PREPARED STATEMENT OF HON. DAVID G. CARPENTER

INTRODUCTION

Mr. Chairman and Members of the Committee:

I would like to thank you for the opportunity to appear before the committee today and for the committee's past and continuing interest in and support for the counterintelligence and security programs of the Department of State. As you no doubt understand, the Department's operational counterintelligence responsibilities are vested within the Bureau of Diplomatic Security. The responsibility for protecting Department of State facilities in the U.S. and the facilities and personnel of nearly all U.S. Government agencies assigned abroad also is assigned to our Bureau. We have a number of programs designed to counter an array of security challenges presented by elements ranging from common criminals to terrorists and spies. In the context of counterintelligence, these programs include safeguarding classified and national security information, security investigations, security awareness programs and the conduct and coordination of counterespionage and counterintelligence investigations. We closely coordinate all of our security and counterintelligence activities with our colleagues within the Department and the law enforcement and intelligence communities.

THE STATE OF DS

On August 11, 1998, four days after the bombings of our embassies in Africa, my recess appointment was confirmed by the U.S. Senate. Necessarily, my immediate focus and nearly all of my attention was on the bombings and our efforts to prevent further similar tragedies. Indeed, in those first few months following the bombings, most of the Bureau's resources were focused in one way or another on terrorism matters. As the weeks and months progressed and the press of daily business resumed its normal, albeit all consuming, course requiring DS resources for other responsibilities such as dignitary protection, criminal investigations, physical security, technical security, and, yes, counterintelligence, I began to see first hand just how superb the Bureau's employees perform. I also saw first hand just how much the State Department's budget had been cut and, to my regret, how hard those budget and personnel cuts had hit DS and its ability to provide the type of protection I believe to be required for the Department's facilities and employees. I found that DS had people in all areas of its responsibilities who, in my experience, were second to none in other similar agencies but who had precious little support in terms of tools to do their jobs. That is to say, to use a sports analogy, we had no bench strength. Bureau employees pointed out to me that, following the fall of the Soviet Union, DS was authorized to hire only a handful of agents, engineers, and civil service security personnel. The budget cuts were so severe that DS imposed a 5% reduction in the worldwide guard program. I was told that a number of positions had been abolished, and rules and regulations concerning security were loosened to the point that holding employees accountable for serious security issues became difficult at best. I was told that during those years, budget and personnel cuts had essentially permitted the Bureau to conduct properly only the most essential services. We had reached the point that if there were a major peace conference in the U.S., requiring DS to conduct large-scale protection, numerous operations, including counterintelligence, would be virtually shut down to support it. In some respects, this type of scenario still continues to this day.

Among the offices affected during that period of cuts was our Office of Counterintelligence. The number of positions was reduced from 41 to 26, and funding for the program was cut from \$225,000 to \$65,000. Our technical countermeasures programs suffered a similar fate and limited funding forced the Bureau to decide to fund other programs rather than to invest in upgrading its countermeasures equipment within Main State. In essence, the Department appeared to have been reacting to both fiscal constraints and a general sense after the fall of communism that the world was a better place and that the "cold war had ended." I was not with the Department during those years, but I believe that the Bureau's priorities reflected this thinking.

Since 1997, the Bureau's hiring has picked up considerably, and while it appeared that we were making strides in restaffing DS to the point of making it ready to meet its challenges, the bombings occurred in 1998. Nearly all of the new positions acquired since that time have been directed at overseas staffing and with antiterrorism in mind. Other programs such as counterintelligence, dignitary protection, and domestic facility security continue to be largely understaffed and underfunded.

THE "BUGGING" OF A CONFERENCE ROOM

I've given you a very general view of where DS has been in terms of resources over the past few years and with that as a general backdrop, I'll take a few minutes to discuss the reason for my being here today—the Russian "bugging" of the 7th floor conference room.

Major security incidents generally are not spontaneous—they take planning. Planning involves time, time which the perpetrators use to study vulnerabilities, security defenses, and to learn anything that will help them in their efforts. This is true of common burglars who "case" a home, terrorists who blow up buildings, kidnapers who abduct people, and intelligence officers who operate against the U.S. Government. I've told you of how, as a newcomer to the Department, I quickly learned that our security programs had been weakened in the early post cold war years. It takes very little imagination for one to surmise that the Russian intelligence service took advantage of our posture.

How relaxed were we? Let me first talk about access to the Department. In 1982 the Department established a required escort policy for 31 countries. As the Cold War was won, that number was whittled down so that in 1992 the remaining three countries were taken off the list. One of my first comments to my senior staff after assuming Assistant Secretary duties was to question this lack of an escort policy. During my Secret Service career, I had been in many buildings containing sensitive

information and had never seen one without some reasonable escort policy for non-cleared visitors. In keeping with Secretary Albright's instruction to me to thoroughly review and improve, where necessary, all aspects of the Department's security program, I had my senior staff give me an overview of the escort policy as well as their perception of the general attitude towards security in State. Their comments confirmed my initial uneasiness about the lack of an effective escort policy and solidified my resolve that we needed to implement more stringent escort procedures. On November 17, 1998, we issued a new policy requiring for the first time in the history of the Department of State that all visitors, with the exception of U.S. Government agency personnel with photo identification, be escorted at all times. Literally within minutes of the policy's announcement, my office received word that there was concern that the policy had not been vetted or cleared properly through the Department. We rescinded the policy in order to do the necessary spade work.

Completely separate from the escort issue, but running relatively parallel to the escort policy review, our counterintelligence division was engaged in a sensitive and classified effort which gave us additional concern regarding access to the Department by uncleared persons. With this additional information in hand, we decided to renew our efforts to implement an escort policy. Our counterintelligence agents briefed all of the executive directors of the various Department Bureaus and the Undersecretary for Management, and there was universal agreement that a required escort policy would have to be established. On August 6, 1999, the escort policy was implemented. Do we wish that it had been implemented earlier? Certainly, but we can't undo the problems caused by past mistakes. We can only move forward and not make similar errors in the future. I have attached, to this statement a copy of the Department's current policy together with related information.

As you know, several months ago, the FBI detected Russian Intelligence Officer Stanislav Gusev on the street near the State Department. His behavior appeared unusual, and a plan was implemented to surveil him. It was noted that the Russian visited the immediate vicinity of the State Department twice or more per week, walked the streets, and fussed about in his car. Sensitive technical countermeasures later revealed the presence of a listening device located in the Oceans and International Environmental Scientific Affairs' (OES) conference room. Further investigation revealed that this was indeed a Russian intelligence operation directed against the Department. Confirmation in hand, agents of DS and the FBI arrested Gusev on December 8, 1999, and he was subsequently asked to leave the country. I have attached to this statement an unclassified chronology of the case for your use. If the committee needs the specific dates showing the developments in the case, we can give you the classified chronology.

The FBI, assisted by DS, is leading the investigation into how the device was placed in the OES conference room, which we believe was picked as a target of opportunity. Additionally, we are in the process of jointly conducting a damage assessment. In response to the many questions we've had regarding the device, I must refer you to the FBI regarding the sophistication of the device itself, but I can tell you that it was very cleverly installed and concealed. Also, while I'd be pleased to answer any questions that the committee may have concerning the investigation leading up to the discovery of the device and subsequent arrest of Mr. Gusev, I must refer any questions concerning the continuing aspects of the case to the FBI.

THE FUTURE—ENHANCED VIGILANCE

The escort policy that I've referred to is now in place, and, though not perfect, it has improved our access control procedures. The policy does require more effort on the part of the Department's non-security personnel, but, to date, we've had excellent cooperation in its implementation. We are also looking to improve our security in other respects, and are currently talking in-house about what resources we would need if we are to upgrade the Department's access control systems and to install enhanced access control devices in the most sensitive areas of the Department.

We also need to beef up our counterintelligence division. That division is responsible for protecting the Department's and tenant agencies' most sensitive information and communications at over 260 facilities in the United States and abroad. Unfortunately, it is still underfunded. This year's operational budget is \$113,000, barely half of what it was at its peak. Further, the division remains woefully understaffed, and far too often I have to task them with other duties—usually dignitary protection—totally unrelated to their counterintelligence mission. This cannot continue. We have learned from construction of the new embassy in Moscow, which is due to open soon, how resource intensive it is for our counterintelligence efforts to be successful in the most aggressive environments. Now we have similar projects either planned for or started in other countries with ongoing, aggressive efforts to

steal information via technical or human means. We simply must find a way to give that division the resources it needs to do its job. And we must find a way of doing this without taking resources from our domestic life safety programs. Those programs are also underfunded and understaffed, and we cannot take risks with the lives of travelling dignitaries nor with the lives of my employees who are sworn to protect them. In other words, we must continue to build the missing bench strength that I referred to earlier for counterintelligence and our other important programs, a process we have already begun in this year's budget.

Finally, let me just say a few words about inter-agency cooperation. While the down side of this affair is obvious in terms of potential compromise of information, there were a couple of positives coming out of it. This clearly was a U.S. counterintelligence success story, and the Secretary has acknowledged the superb investigative work of the FBI throughout this operation. In her view, the successful resolution of this case is a classic example of what can be accomplished when law enforcement agencies cooperate with each other. I want to add my own praise for the FBI's work in this matter and want to assure the committee that the close cooperation in this case will continue and that Neil Gallagher, Assistant Director of the National Security Division, and others at the FBI continue to be in frequent touch with me on this and other matters. I am pleased to report to you that the sort of close cooperation exhibited in this case is reflective of our cooperation on other, sensitive investigative matters.

A secondary benefit is that this case, coming on the heels of other widely publicized espionage cases, puts to rest in the Department the notion that since the Cold War is over we can let down our guard against espionage. While most acknowledge that so-called economic espionage flourishes, this case is proof positive that the more traditional targets are still ripe and of interest to foreign intelligence services. I'm certain that my colleagues in the intelligence community would agree that the boldness of this operation illustrates that the technical threat faced here in the United States is real and cannot be ignored. Given the resources, we intend to reinvigorate our own counterintelligence awareness programs and urge the rest of the government to follow suit.

In summation, we know that we have much work to do in the counterintelligence and security arenas. The major challenge for us is twofold: First, we must make the case for, obtain, and manage additional resources to improve our counterintelligence program across the board. Second, once we obtain the necessary resources and put them in place, we have to guard vigilantly against reallocating them to other areas. In other words, DS must obtain and retain sufficient resources for its broad range of security programs and break the cycle of its responding to the most recent crisis at the expense of its other programs.

Mr. Chairman, thank you for your interest. I'd be happy to answer any questions you or the committee may have.

[Attachments]

[UNCLASSIFIED]

RUSSIAN "BUGGING" OF STATE DEPARTMENT CASE CHRONOLOGY

- Gusev arrives Washington, D.C. March 1999.
- The FBI informed the Department's Bureau of Diplomatic Security of concern that Gusev had been making regular and suspicious appearances in the vicinity of the US State Department.
- After observing the Russian during the summer, specifically his activities in terms of parking and positioning of his car, peculiarities with respect to his walking patterns, and his general behavior while in the vicinity of the Department, agreement was reached that he may have been conducting some sort of technical operation.
- Investigators eventually determined that he was manipulating some type of technical device in his shirt pocket.
- Subsequently, DS and FBI agents met and planned a course of action which included a survey of the Department to ascertain possible target offices of any technical attack against the building.
- Eventually, DS and FBI technical operations located a signal, which apparently was transmitting from a conference room on the 7th floor in the Bureau of Oceans, Environment, and Science and Technology.
- On December 8, the Russian Intelligence Officer, Stanislav Gusev, was arrested while in the act of receiving classified US Government information transmitted

by the device implanted in the conference room. He was subsequently released to the Russian Embassy and expelled from the U.S.

- Investigation continues into other aspects of this case, including how the device was implanted. Our security officials are also conducting a damage assessment as to what, if any, classified or sensitive information may have been lost.
- To date, approximately 300 people have been interviewed by DS and the FBI. There are a number of investigative leads which are being pursued.

ESCORT POLICY MATERIALS

1. Department Notice dated November 17, 1998, *New Visitor Escort Requirements*
2. Department Notice dated August 6, 1999, *New Visitor Escort Requirements*
3. Notice to the Press, dated November 18, 1999, *Modifications to State Department Access Policy*
4. Two 1992 Memoranda Regarding Countries on Required Escort List

U.S. DEPARTMENT OF STATE

DEPARTMENT NOTICE

All Employees: State • AID • USIA • ACDA November 17, 1998
Office of Origin: DS/CIS/DO

NEW VISITOR ESCORT REQUIREMENTS

The Bureau of Diplomatic Security (DS), with the approval of the Under Secretary of Management, is adopting new access control policies for persons visiting the Department of State (Main State) and other DOS facilities at which classified information is processed or stored. All visitors, with the exception of active U.S. Government (USG) agency personnel who display proper photo identification, shall be escorted at all times. USG employees shall continue to be telephonically cleared into facilities prior to admittance. This change will not affect DOS facilities that have more stringent visitor escort policies. The National Foreign Affairs Training Center is also exempt. This policy shall take effect on November 23, 1998.

Background

Many employees have expressed security concerns following the recent bombings in Africa and the continued threat of both international and domestic terrorism. Additionally, within the past twelve months there have been at least two serious security incidents within the Department. One involved the Secretary's suite and resulted in extensive media coverage. These incidents resulted in the unprecedented Town Meeting hosted by Ambassador Thomas Pickering, Under Secretary Bonnie Cohen and senior DS representatives. The message was clear. We must better protect our employees and the sensitive information entrusted to the Department.

Surveys were conducted at other USG agencies handling sensitive and classified materials here in the United States and the Ministries of other countries. Based on these surveys and the requirement to better protect our employees and information, the Department has decided to adopt an escort policy for non-USG employee visitors to DOS facilities. Other physical security enhancements will soon be implemented at Main State.

Who Can Escort?

Escorts must be DOS or contract employees who possess a security clearance. Personnel who have been issued one of the following permanent DOS building passes may escort:

1. A blue border.
2. A gray border with a red diagonal stripe.
3. A red border with a red diagonal stripe.

Visitor Procedures:

Visitors shall identify themselves to the receptionist or Uniformed Protection Officer (UPO) and provide approved photo identification. They shall identify the person or office they wish to visit. The receptionist or UPO will telephonically notify the person/office to inform them of the visitor's identity. When authorized access by a cleared DOS or contract employee, the visitor shall be signed in.

Visitors producing current USG employee identification will be issued a visitor pass and authorized access without escort. Access procedures for retired DOS employees are unchanged. Retirees from other USG agencies must be escorted.

Non-USG visitors will be issued a pass that requires an escort. These visitors shall await the arrival of an authorized escort at which time the visitor will be allowed to enter the facility.

Pre-Admittance Authorization:

Employees/contractors having escort authority may obtain a Pre-Admittance Authorization Form (DS-1867) from the C Street entrance receptionist. The completed form should be returned to the receptionist. When the visitor arrives, the receptionist will notify the receiving office of the arrival and request an escort for non-USG visitors. USG employees shall be granted access.

Escort Responsibilities:

Escorts shall report to the receptionist or UPO and identify themselves. Escorts are responsible for the visitor at all times and at no time shall the visitor be left alone or unescorted. Escorts shall ensure the visitor properly wears the visitor pass at all times.

Upon completion of the visit, the office shall provide an escort to accompany the visitor out of the facility or to the next location of business. The succeeding office then becomes responsible for visitor escort. The office at the site of the visitors final appointment is responsible for escorting the visitor to the facility exit and that the visitors pass is turned into the receptionist or UPO.

Construction or repair personnel must also follow the same procedures as outlined for visitors. At Main State, all construction and repair personnel shall enter at the Service Entrance. Remember that these persons are NOT cleared and MUST be escorted at all times.

Cleaning Personnel:

There is no change to the policies of cleaning personnel access. Employees are again reminded, with few exceptions, these persons do not have a security clearance and must be escorted at all times while in office space.

Conclusion:

The Department understands that some inconvenience may arise due to these new procedures. However, based on the surveys conducted, we believe the inconvenience will be minimal. The responsibilities to provide a safe environment for our employees and guests and to safeguard sensitive information outweigh the inconvenience. These escort procedures are more consistent with the policies long in place at other Intelligence Community facilities and many other federal agencies.

This notice supercedes any conflict between this publication and the Building Pass Identification Card Handbook. Necessary FAM changes shall be made to conform to these new policies. Any questions should be directed to the DS Special Events Section. Your cooperation in making this important program successful is greatly appreciated.

Escorts may usher no more than ten visitors at a time. Additional escorts shall be provided by the sponsoring office for groups exceeding ten. Large group access should be coordinated with the Special Events Section of the DS Office of Domestic Operations, Security Support Division at 647-5925 or 5305.

VIP Visitors:

There is no change to the current policy for VIP visitors. VIP visitors are defined as Cabinet level or foreign equivalents and Ambassadors. Other exceptions are considered on a case by case basis. Escorts shall normally meet the VIP at the C Street Diplomatic Entrance. VIP's are not issued a visitor pass and shall be provided with a courtesy escort at all times by the office to be visited. VIP escorts are required to wear their DOS building pass and a DS authorized lapel pin that signifies they are escorting a VIP. All VIP requests must be coordinated through the DS/SSD Special Events Section as soon as it is known the visit is to occur. DS lapel pins may be obtained from the Special Events Section.

American and Foreign Press:

There is no change to the current policy. However, employees are reminded that neither foreign nor domestic press representatives have unrestricted access to the Department. Press representatives are restricted to the press office and briefing room, the public lobbies, cafeteria and basement garage. They are required to have scheduled appointments and must be escorted in order to be in any other part of the building. If a press representative arrives at an office uninvited or without es-

cort, employees should advise DS/SSD Uniformed Branch at 647-0099 and the PA Office of Press Relations (PA/PR) at 647-2492.

Delivery Personnel:

Delivery personnel must follow the same procedures as outlined for visitors and shall be escorted at all times. At Main State, all deliveries shall be made at either the Service Entrance or the Loading Dock located on the 21st Street side of the building.

U.S. DEPARTMENT OF STATE

DEPARTMENT NOTICE

All Employees: State • AID • USIA • ACDA August 6, 1999
Office of Origin: DS/CIS/DO

ACCESS CONTROL FOR MAIN STATE

The Department is Implementing upgraded access control procedures for Main State. This policy, in concert with physical security enhancements, will result in a safer and more secure facility. Beginning August 23, 1999, all visitors to Main State shall require escort at all times. The only exception to this policy are current U.S. Government personnel and DOS retirees who display proper photo identification.

Who Can Authorize Visitor Access/Escort?

- DOS or contract employees who possess a security clearance and who have a permanent DOS building pass with either a blue border or a gray border with a red diagonal stripe can authorize visitor access and provide escort. Red border building passes (no security clearance) with the red diagonal stripe are no longer authorized to sign-in or escort visitors.

Visitor Procedures

- Visitors will identify themselves to the receptionist or Uniformed Protection Officer (UPO), provide photo identification, and identify the person or office they wish to visit. The receptionist or UPO will notify the person/office to inform them of the visitor's identity. Once authorized access by a *cleared* DOS or contract employee, the visitor shall be signed in and issued a visitor building pass.
- Visitors displaying current USG identification and retired DOS employees will be issued a visitor pass and allowed unescorted access. Retirees from other USG agencies may use their official retirement credential for identification, but will require escort.
- Visitor pre-admittance authorization forms (DS-1867) may be completed in advance and are available from the C Street entrance receptionist.

Escort Responsibilities

- Escort personnel are responsible for meeting visitors and ensuring visitors have been issued the "Escort Required" building pass. Cleared escorts are also responsible to ensure that visitor(s) are under escort at all times and are granted access to authorized areas only while in the building.
- Escorts will identify themselves to the receptionist or UPO who shall identify the visitor(s). If a visitor is escorted to a second office, the succeeding office is then responsible for visitor escort. The office of the visitor's final appointment is responsible for escorting the visitor to the exit and returning the visitor's pass to the UPO.
- Escorts may accompany no more than 10 visitors at a time. Additional escorts are required for groups exceeding 10. Large group access should be coordinated with DS' Office of Domestic Operations (DS/CIS/DO) at 647-5925 or 647-5305.

Special Events & VIPs

- Escort requirements for conferences and special events, members of Congress, the Cabinet, their foreign equivalents, ambassadors, and other VIP visitors remain unchanged. All visitors are required to undergo security screening unless exempted by DS/CIS/DO.

Members of the Press

- There is no change to the current policy. Employees are reminded that press representatives are restricted to the second floor press office and briefing rooms. They must have an appointment for access to all areas except for the cafeteria, post office, banks, concessionaires, barbershop, dry cleaners and the Foreign Af-

fairs Recreation Association office and basement garage. If a press representative arrives, at an office uninvited, employees should advise the PA Office of Press Relations at 647-2492 and DS/CIS/DO at 647-0099.

Miscellaneous Visitors

- Vendors, delivery, construction, and repair personnel require escort. Custodial personnel require escort while inside office space. Employees are reminded that with few exceptions, these personnel ARE NOT CLEARED.
- If you have any questions on access control, contact DS/CIS/DO at (202) 647-5925 or 647-5305.

U.S. DEPARTMENT OF STATE
Office of the Spokesman

[For Immediate Release—November 18, 1999]

NOTICE TO THE PRESS

MODIFICATIONS TO STATE DEPARTMENT ACCESS POLICY

On *Monday, December 6, 1999* the State Department's Bureau of Diplomatic Security will institute the following access policy for members of the press.

Press Facilities

Press representatives who do not/not have a State Department building pass:

- *8 a.m.–4 p.m. Monday through Friday, except holidays*—Press are cleared through security at the *23rd Street lobby*.

All other times—Press are cleared through security at the *C Street entrance* and admitted by a Uniformed Protective Officer via the west Mezzanine staircase.

- Press will have unescorted access to
the Office of Press Relations (room 2109),
the Press Briefing Room (room 2118),
the Correspondents Room (room 2310), and
the Mezzanine balcony (east and west sides).

Access to any other area of the building will be granted only when escorted by a State Department employee.

Press representatives with a valid building pass:

- *7 a.m.–7 p.m. Monday through Friday, except holidays*—Press may enter or exit through a turnstile at any entrance. Press building pass holders have access to facilities on the second floor or below (cafeteria, newsstand, barber shop, post office, etc.) without escort by swiping their building pass through card readers installed on doors leading to those areas. As is the case under current policy, all journalists and technicians who have appointments with Department officials must be escorted by someone from that office to and from the meeting.
- *All other times*: Building pass holders may enter or exit through the turnstile on the west Mezzanine staircase.

Press Events

The pickup point for press representatives participating in media events (photo opportunities, press availabilities, etc.) will be as follows:

- *8 a.m.–4 p.m., Monday through Friday, except holidays*—Pick-up point will be the *23rd Street lobby*.
- *All other times*—Pick-up point will be the *C Street lobby*.

The collection point for media events will always be specified in the State recorded public schedule, available by telephoning (202) 647-2497.

State Department Building Pass

For details on eligibility and procedures for obtaining a State Department Building Pass, please call Press Officer David Denny, Office of Press Relations, (202) 647-2492.

UNITED STATES DEPARTMENT OF STATE

BUREAU OF DIPLOMATIC SECURITY—UNIFORMED PROTECTION BRANCH

Number: C92-o4
 Effective Date: April 3, 1992
 Distribution: Appropriate Posts
 Originating Unit: DS/PRD/DF
 Expiration Date: May 3, 1992

CIRCULAR

Subject: ESCORT OF BULGARIAN DIPLOMATS NO LONGER REQUIRED
 Effective immediately Bulgarian Diplomats no longer require an escort while in DOS facilities.
 They will be processed the same as any other visitor. This leaves two countries, the Soviet Union and Romania, on the required escort list.

DONALD E. BLAKE, COR

UNITED STATES DEPARTMENT OF STATE

BUREAU OF DIPLOMATIC SECURITY—UNIFORMED PROTECTION BRANCH

Number: C92-19
 Effective Date: June 24, 1992
 Distribution: Appropriate Posts
 Originating Unit: DS/PRD/DF
 Expiration Date: June 19, 1993

CIRCULAR

Subject: ESCORT OF RUSSIAN AND ROMANIAN DIPLOMATS NO LONGER NEEDED
 Effective immediately Russian and Romanian Diplomats no longer require an escort while in DOS Facilities.
 They will be processed the same as any other visitor. This leaves no countries on the required escort list.

DONALD E. BLAKE, COR

Senator GRAMS. Mr. Carpenter, thank you very much for your testimony and, again, thank you for your willingness to appear before the committee and take questions.

Just some background: As we know, the United States has a long history of being the target of a very aggressive Soviet and, subsequently, Russian electronic surveillance program.

That happened during the cold war and—and then we even discovered a bug in our Ambassador's office during the cold war in Moscow that was concealed in a wooden replica of the Great Seal of the United States.

And we now know that Soviet intelligence had a remote control radio operating bugging device installed in the seat of a chair in the Senate Foreign Relations Committee meeting room in 1969, which operated for at least 4 years.

We even are aware of another instance when the signal from a bug was being monitored from an embassy car with an antenna built into the windshield.

Well, the Russians, as we know, have inherited the Soviet intelligence apparatus and are also putting it to use.

So given that information, given that we know the Russians' modus operandi, so to speak, should we not have been more vigilant about the potential for this particular kind of attempted espionage?

Mr. CARPENTER. The answer to that question is clearly yes.

Senator GRAMS. Well, that is a good answer.

Knowing that, why do you think—and you mentioned in your testimony, “Maybe because we thought the cold war was over, maybe we let our guard down a little bit.” But you did mention the State Department budget had been cut.

Where was it cut and by whom? Was it a congressional cut? Was it inside the Department, the reallocation of funds to deal with this type of security measures, or what were you referring to specifically?

Mr. CARPENTER. It is my information that those cuts were a combination of all the things that you mentioned.

Senator GRAMS. Yes.

Mr. CARPENTER. The Department as a whole was forced to reduce its numbers of personnel and its programs. DS, being one of the Bureaus within the Department, had to take a corresponding cut.

Some of the reductions that DS took, I have to be very up front with you, are self-induced. In other words, DS had to impose priorities within its own Bureau, place importance where it felt importance needed to be placed.

I would have to say, counterintelligence was one of those areas following the cold war, that the consensus was to risk manage, and reductions were made.

Senator GRAMS. So along with the budget cuts, of course, the position allocations or the positions that you said, personnel cuts, was, again, a part of that—

Mr. CARPENTER. Yes, sir.

Senator GRAMS [continuing]. Result?

Mr. CARPENTER. Yes, sir.

Senator GRAMS. November 17, 1998, the Department noticed—or a Department notice stated that “All visitors, with the exception of active U.S. Government agency personnel who display proper photo-identification, shall be escorted at all times.”

Now, this mandate was rescinded, as we have noted, just 6 days later. Having all visitors escorted seems to be common sense and a prudent measure to take. Now, again, you mentioned in your statement that it was revoked because it did not go through the process in the bureaucracy.

If that is true, why did it take some 10 months to get it reinstated?

Mr. CARPENTER. It was—

Senator GRAMS. Well, first, was it revoked because of some complaints by agency personnel? Was that the reason it was revoked? And then the question is: Why did it take so long to get it reinstated?

Mr. CARPENTER. Well, let me go back to the first part of your question. I think this was a common sense approach, and a prudent step to take.

I had been at the Department for 3 months at the time that this brilliant idea occurred to me. I was told that this could be done relatively easily. I asked my staff to make sure that the proper vetting had been done.

In other words, the State Department has never had an escort policy in its history.

Senator GRAMS. Yes.

Mr. CARPENTER. This was a radical change to the way it operated domestically. Overseas, we have a totally different set of standards that are adhered to. But domestically, there never had been a complete escort policy at the Department.

The day that the escort policy was issued and being distributed, I was called to answer why this had not been fully vetted in the Department, and why the geographic Bureaus who are, quite frankly, a majority of the personnel in the State Department, were not aware of this. And they would be the ones that, quite frankly, predominantly would have to bear the brunt of this escorting.

I was a little bit shocked, and I must say I will take some responsibility for the fact that this had not been vetted by those whom, it is my understanding then and it is my understanding now, would be the recipients of the majority of the work. So we rescinded it. And we went back to the drawing board to get a better program together.

Questions such as "How are the press to be handled? How are special visitors and how were diplomats to be handled? How are contractors to be handled? How are the cleaning crews to be handled," had not been, to my satisfaction, properly vetted. That process unfortunately took about 9 months before we had convinced the Department of the necessity for it.

The Department signed on to it. There was some grumbling as one could imagine in any type of change of this degree.

But I must say, after it went into effect in August, it has gone very, very smoothly with very few problems and has received the collective support of the entire Department.

Senator GRAMS. Now, you have not mentioned who complained. I do not know if you want to say that. But the question is—I—I would have maybe—why did they complain again, maybe just because of the change, inconvenience? Was that basically the reason?

Mr. CARPENTER. I think "inconvenience" would not be the right word. I think that the sense was that due to the number of visitors to the Department, which we estimate to be about 1,000 a day, that the geographic Bureaus who, in most instances, may have only had one secretary to answer phones, would have to have her leave her phone duties, go down and act as an escort on a frequent basis.

Senator GRAMS. Yes.

Mr. CARPENTER. And that just seemed unworkable. We looked at other alternatives, such as hiring escorts. All these had financial obligations.

We felt very strongly that we could do this without incurring additional financial responsibilities, because we did not have the finances to put toward this.

Senator GRAMS. If it was not for this incident to, say, maybe jar this loose, do you think there would still have been opposition, you know, to the escort?

In other words, you know, it was—would it have not—would it have been in position right now if it had not been for the problem we are addressing here today, and that is the Russian bug that was found in the seventh-floor conference room?

Mr. CARPENTER. It is my belief that once properly vetted within the Department, this escort policy would have been initiated absent this bug.

Senator GRAMS. Yes. OK.

Mr. CARPENTER. And I think the proof positive of that is the escort policy went into effect prior to the bug being discovered.

Senator GRAMS. Yes. Now, has the State Department's failure to put in place an escort policy before the August 1999 date made it more difficult to determine who planted the bug for Russian intelligence and how long it had been there?

And, as you said, there had been no policy up until—up until this time; so we are not here trying to point fingers at anybody, but basically to find out how can we better protect national security.

So was it more difficult to determine, as I mentioned, who planted this bug because we do not have this policy in place?

Mr. CARPENTER. Clearly, the field of suspects is much wider when you do not have an escort policy. So the answer to your question is: Of course, it would have potentially made the investigation easier, or at least narrowed the field of possible suspects.

Senator GRAMS. Mr. Carpenter, we talked about contractors and the access of contractors to the building, commercial contractors who do work throughout the State Department, even though they are not technically Government employees.

Can you explain for us exactly what the policy is regarding security clearances for these workers?

Mr. CARPENTER. I will try, Mr. Chairman.

Senator GRAMS. OK.

Mr. CARPENTER. It is a little bit uneven as you go through different categories. All personnel having permanent passes to the Department of State, working on classified systems have full background investigations up to the "top secret" level.

Certain contractors and temporary fill-ins for the day do not have a background investigation.

If the duration of their duties at the State Department allows us to run name checks and those types of simpler police checks, we do that. But if you are not working on classified projects and you do not need access to classified areas of the Department, there are no background checks done routinely.

Senator GRAMS. Is that going to change?

Mr. CARPENTER. We are examining this to see if it needs to be changed.

The the procedures that we go through to clear people, I believe, need to be reviewed.

And I am in the process of working with my former colleagues at the Secret Service and the highest levels at the FBI and CIA to put together a team to come in and look at our programs and see what can be done to answer some of the questions that I personally have about our policies and procedures.

Senator GRAMS. Contractors are performing some very sensitive work on computer hardware, even software, inside the building. Why are they not required to go through a security clearance?

Mr. CARPENTER. A contractor working on a classified project would be required to have a security clearance.

Senator GRAMS. OK.

Mr. CARPENTER. A contractor working on a non-classified system or software would not, as of now, require a security clearance.

Senator GRAMS. OK.

Mr. CARPENTER. We are looking at the wisdom of that procedure.

Senator GRAMS. Now, given that we are discussing a Russian spy scandal, is it possible under the current practice for Russian nationals to have been given access to computers at the State Department?

Mr. CARPENTER. Yes, it is, to an unclassified system. They would not be allowed access to classified areas, as of August 1999, without being escorted.

Senator GRAMS. OK. Should the DS be informed of all the work, which is being done in the location of the contractor personnel which is doing that work? Should you have that kind of information ahead of time? And, again, at least you have got a trail then of information.

Mr. CARPENTER. It certainly makes sense that DS be included in that chain.

Senator GRAMS. Are you right now or are you not?

Mr. CARPENTER. It appears that it is a little bit uneven.

Senator GRAMS. Yes. Yes.

Mr. CARPENTER. It has been uneven over the years. A majority of the time we are, but there are clearly times when we have not been in that chain.

Senator GRAMS. Now, I was a former news anchor in the media for many years. And I am sympathetic to the need for access by the press, of course.

But I understand the security problems by—created by allowing the press corps access to all public areas in the State Department building as well. And I do not know if we can include foreign press in this as well, but we do know that the agents of foreign governments use press credentials as cover for their activities.

Are you considering any changes at all in the regulations governing press access? I know you mentioned a little bit about this in your statement, but is that another area of consideration?

Mr. CARPENTER. With the introduction of the escort policy, press do not walk around unescorted within the building into any areas other than those areas designated for them to be in, that is their own specific press areas, the cafeterias, barber shop and other public areas of the Department. Any other time they have to be escorted.

To be very candid, we are looking at the wisdom of the process by which we credential foreign press to see if we need to revise it.

Senator GRAMS. OK. Dealing with State Department personnel, there are concerns that a foreign agent could gain access to the State Department with a State Department badge.

The current system has no biometrics such as the thumb print or photograph recognition. In this area, has there been any progress in updating the I.D. system that the State Department is using, or are there plans to update it in the near future?

Mr. CARPENTER. There are clearly plans to update it. We clearly need a security system redundant to the current system that exists, whether that be biometrics, pin number or some other technological improvement.

And as part of the study that I am asking the other agencies to participate in, we are seeking the best assessment of what type of equipment we do need.

Senator GRAMS. What would be a timetable on this?

Mr. CARPENTER. We hope to have that recommendation within 90 days.

Senator GRAMS. And then implementation?

Mr. CARPENTER. Implementation as quickly as funds to procure that equipment can be obtained.

Senator GRAMS. I was going to say that I imagine it depends on budgeting.

Mr. CARPENTER. Yes, sir.

Senator GRAMS. Unlike Senate personnel, the possessions of State Department employees—their possessions like briefcases, suitcases and purses, they do not have to be, I understand, x rayed when they enter the building right now. Is that correct?

Mr. CARPENTER. Employees do not, that is true.

Senator GRAMS. That does not make sense from a security standpoint. Are you looking to change that policy as well?

Mr. CARPENTER. We, as recently as yesterday, had an in-depth discussion about this. While there are security adaptations and enhancements I would like to make, the atmosphere and the environment of that building make it very difficult. The physical setup of that building also makes that a very difficult undertaking.

And, as I alluded to it earlier, any sort of security enhancement is going to require consultations, because it could be, in some instances, very, very confining, to say the least, and cause huge backups at a very busy facility.

But we are undertaking that and we will have a decision on it in 90 days.

Senator GRAMS. What are the number of visitors a day to the State—to the building? I mean, talking about personnel, workers, just visitors.

Mr. CARPENTER. Well, there are 8,500 personnel, and about 1,000 visitors a day.

Add that to construction workers and other contracting, and the number easily would exceed 10,000 people that pass through the doors of the State Department daily.

Senator GRAMS. So when you are talking about the number of people that needed to be escorted, would you say that is maybe around 1,000? That is a high number. I mean, that is a lot of people.

Mr. CARPENTER. The number, actually, comes down to about 300 a day who require escorts.

Senator GRAMS. OK.

Mr. CARPENTER. That is our best estimate at this point since employees of other agencies visiting the building do not require escorts.

Senator GRAMS. And would they be mainly just visitors or people that are on business that would need to be escorted because of lack of credentials, or a mixture?

Mr. CARPENTER. A mixture.

Senator GRAMS. Moving on to the damage assessment itself and the Bureau of Oceans and International Environmental and Sci-

entific Affairs, the conference room—it would be a lot easier to refer to it as the OES as we did.

But your ability to conduct an accurate damage assessment appears to have been hampered, I think, by a lack of respect for security procedures by the State Department personnel.

What is the policy regarding keeping log-in books for the conference rooms, and does the OES Bureau have a log of all the meetings which have taken place in that room that are of concern to the dates that you have?

Mr. CARPENTER. First, let me respond to your first statement. We found that since the arrest on December 8 of Mr. Gusev, the Department employees that had come in contact with the OES conference room or had had meetings in the conference room over more than the past year, have been very forthcoming.

Senator GRAMS. Yes.

Mr. CARPENTER. Other individuals who have had no contact with the OES conference room since the bugging have come forward with leads about other suspicious activities they have seen in the Department.

So I would suggest that the Department has been extremely forthcoming and cooperative in an effort to find out who, in fact, put this in place.

It should be understood that the conference room in question, the OES conference room, is not what we would consider a secure conference room.

Senator GRAMS. Yes.

Mr. CARPENTER. It is simply one of the many conference rooms in the Department of State that various and sundry people use. The log that we are looking at goes back to January 1999.

It was incomplete in that it did not list every person that has gone into that room, nor does it show after-hours enterings of the room. The log is only an attempt at scheduling meetings in the room. It is a scheduling device versus an accountability device.

Now, this has to be compared to other conference rooms in the building designated for the discussions of classified information, top secret and SCI information, for which very complete logs are kept.

Senator GRAMS. Yes.

Mr. CARPENTER. Access is not through a badge swipe system.

Senator GRAMS. So you said this was an unclassified area?

Mr. CARPENTER. It is a non-secured conference room.

Senator GRAMS. Non-secure.

Mr. CARPENTER. It is also an unclassified—

Senator GRAMS. Yes, non-secure area.

Mr. CARPENTER. Yes. Yes, sir.

Senator GRAMS. But recognizing that, could there have been any chance that there was ever classified information that was discussed in the room, just because of convenience, that it was, you know, in an area where people could get into, or the logs?

So even though it was a non-secure, could there have been or was there, to your knowledge, any classified information discussed in the room?

Mr. CARPENTER. There was classified information and sensitive information discussed but none was at the top secret or SCI level.

Senator GRAMS. All right. Now, there were a lot of jokes about the poor Russians who had to listen to the boring meetings of the OES, and that is nothing against the good people who work there or the meetings they had.

But was it not also used by other Bureaus, such as Intelligence and Research? Now, again, you said not above a certain level.

Mr. CARPENTER. Yes. Records show that INR had used the conference room one time for a briefing, at which no information at the top secret and SCI level was discussed.

Senator GRAMS. But again, getting back to the fact that this conference room was very easy to access, the log books were incomplete, I understand that it was even used by the seventh floor cleaning crew on break.

Does not all this make it more difficult to assess the damage or damages assessment, or whatever you—

Mr. CARPENTER. Yes. Yes, it does.

Senator GRAMS. So this makes the whole investigation a little bit incomplete?

Mr. CARPENTER. It complicates it.

Senator GRAMS. Complicates it.

Mr. CARPENTER. Yes.

Senator GRAMS. Budget cuts, to go back, I think again, to what you alluded to in your opening statement: From 1993 to 1995, diplomatic security asked the State Department for funds, was refused those funds necessary for an active technical countermeasures program.

Now, knowing this, do you believe that the Russian activities would have been detected earlier had the State Department been able to fund the request of the DS at that time?

Mr. CARPENTER. That is a very hard question to answer, Mr. Chairman. I would suggest that the more complete the counterintelligence division of DS was, the more personnel they had to devote to their duties, the less vulnerable we would have been.

But there are so many factors that go into a strong counterintelligence program, including the physical design of the building and security policies and procedures, that a much stronger counterintelligence unit in and of itself would not have been sufficient. I think that is the crux of my statement.

Senator GRAMS. Yes.

Mr. CARPENTER. Across the board, we are lacking and forced to make tradeoffs, like many other parts of the Department, I might add.

The stronger the program, clearly the less likely it is that this would have happened. But at the same time, in the absence of an escort policy, even the strongest of counterintelligence program would have had difficulty.

Senator GRAMS. I see you brought some charts. Is there a way you can maybe give us a better idea of exactly where it happened—

Mr. CARPENTER. Certainly.

Senator GRAMS [continuing]. Where the Russian involved would stake out the building, so to speak, and the number of times during the week that he would appear?

Mr. CARPENTER. I would be glad to, sir.

The first chart is an aerial overview of the State Department. The lower part of the screen, is the C Street side of the Department.

Senator GRAMS. Yes.

Mr. CARPENTER. D Street is——

Senator GRAMS. Is this the main entrance normally, down here? [Indicating]

Mr. CARPENTER. The main entrance is——

Senator GRAMS. Right there, yes.

Mr. CARPENTER. It is right there, yes.

Senator GRAMS. OK.

Mr. CARPENTER. The park is there. The area outlined in yellow is State annex three. That is Virginia Avenue running along that direction.

Senator GRAMS. Yes.

Mr. CARPENTER. Below it, outlined in blue is the park in which Mr. Gusev had been sitting on a bench and observing.

And let me go to the conference room on the seventh floor; the OES conference room was right in that area. [Indicating] As you can see, the Virginia Avenue side is where he parked his car to monitor the device in the room.

All had to be in line of sight of the seventh floor conference room.

Senator GRAMS. That is the way the signal was being transmitted; in other words, it had to be a line of sight in order to receive the signal?

Mr. CARPENTER. Yes, it did. Yes, it did.

Senator GRAMS. OK.

Mr. CARPENTER. If you would go to the next chart.

Thank you.

This is a schematic diagram of the seventh floor at main State. Again, this is D Street side and the red indicates the OES conference room.

To try to dispel rumors that this conference room was adjacent to or even in the close proximity to the Secretary's suite, we have outlined in blue the Secretary's suite. This is a city block away from where the bugging took place.

Next are two pictures. First is what you see upon walking into the OES conference room. Do not be alarmed by the equipment there. That was set up for another conference. But this is walking in the door.

The top shows you this is not a large conference room.

Senator GRAMS. Yes.

Mr. CARPENTER. I draw your attention to the plant, the curtain and that window there. This is the D Street side of the building.

Senator GRAMS. Yes.

Mr. CARPENTER. That is——

[Pause]

Mr. CARPENTER. The plant in the upper picture, and the drapes were concealing the chair molding. And I have with me a sample of this type of molding. This is not the molding the device was secreted in, but this was the type of board that was used to plant the device.

Senator GRAMS. Yes.

Mr. CARPENTER. The bottom picture, again, shows a like piece of chair rail. That was the area in which it was found by our counter-measures sweep.

Senator GRAMS. So there had to be more than one visit to that room in order to map out the strategy and how the device was going to be planted, measurements, and then access to be able to install it and remove it. So that had to mean, you know, access without anybody else present. So—

Mr. CARPENTER. Correct. That is our assumption—

Senator GRAMS. OK.

Mr. CARPENTER [continuing]. That this was done on multiple visits to the OES conference room.

Senator GRAMS. OK.

Mr. CARPENTER. And this simply shows more clearly the view looking out of the OES conference room onto the Virginia Avenue, D Street side. The top picture is looking slightly to the right.

Senator GRAMS. So we are inside the building now, inside the conference room looking out on Virginia Avenue?

Mr. CARPENTER. We are inside the OES conference room looking out at the park back where the red light is.

Senator GRAMS. Yes.

Mr. CARPENTER. That is where Gusev did a lot of his relaxing, and his vehicle was parked in and around this area.

And the lower diagram is Virginia Avenue. And that is State annex three that we had outlined on the first diagram.

Senator GRAMS. Yes.

Mr. CARPENTER. And he also chose to park his vehicle, space available, along there. [Indicating] And once we realized what he was doing, space was always available.

Senator GRAMS. In order to oversee his activities?

Mr. CARPENTER. To oversee his activities.

Senator GRAMS. Yes. Getting back to the issue then of the OES conference room, just one thing I would like to clear up, one point for the record: If the OES conference room is not secure, looking back at it, should any classified information have been discussed—whether it was confidential or secret, any kind of level information, should that room have been used for that?

Mr. CARPENTER. Clearly, there needs to be a greater awareness of discussing any type of secure information outside designated secure areas.

Senator GRAMS. Yes.

Mr. CARPENTER. That is a part of our review. Just to put this in context, secure information, classified information is discussed daily in my office. It is not a designated SCIF. We are moving to have my conference room made into a SCIF, so that we are not victimized.

I think the escort policy goes a long way to ensure that we are not victimized. However, we do clearly have to take a better look at what areas should be made available for the discussion of classified information.

Senator GRAMS. Now, Mr. Carpenter, while you are still conducting a damage assessment—I am assuming it is still ongoing.

Mr. CARPENTER. Yes, it is, sir.

Senator GRAMS. The preliminary word seems to be that no highly classified information was lost, is that correct? We could assume that?

Mr. CARPENTER. Yes, we can.

Senator GRAMS. Is it fair to say that we barely dodged a bullet, perhaps?

Mr. CARPENTER. I think that is a fair assessment, yes, sir.

Senator GRAMS. And, again, you know, talking about whether any information should be discussed in this conference room or not, I mean, that is—you cannot have information or knowledge of every meeting going on, but this would be a policy that you think should be instituted, and everybody is aware of, and areas of the building in which those conversations should be conducted.

Mr. CARPENTER. Yes.

Senator GRAMS. So, again, it is—

Mr. CARPENTER. But I must add, Mr. Chairman, I think that it has been a universally held opinion by people at State that our vulnerabilities in the United States are not what they are in the overseas arena. So there has been a much more relaxed attitude about this. Clearly, this serves notice that that needs to be rethought.

Senator GRAMS. Yes.

Mr. CARPENTER. And I am confident that there are many in the Department who are rethinking that. And their posture has become much more attuned and aggressive about where they discuss classified information. Constantly, I am asked by people, “Where can we go to discuss this information.”

So this has sent a positive message. I mentioned a couple of benefits. That is, clearly, the level of awareness about the potential threats brought about by this bugging have had a positive impact on the Foreign Service in general, and on the employees of the United States State Department.

Senator GRAMS. So not just at this building, but at other sites as well?

Mr. CARPENTER. Not at just this building, but throughout the world, quite frankly.

Senator GRAMS. Now, if I overstate this, you can correct me on this. But the access control policy at the State Department seems to have been a matter of confrontation between the foreign policy establishment at State and the DS for a number of years, even before your arrival.

Do you believe that the culture at the State Department inhibits your ability to provide this secure environment?

Mr. CARPENTER. I think that is an excellent question. I think that is at the crux of what, quite frankly, has brought us here. There is always going to be a divide. There has always been a divide, not just at State, but throughout the society—

Senator GRAMS. Yes.

Mr. CARPENTER [continuing]. Between those persons who want a work environment to be open, friendly and inviting, and the security elements who want to secure it.

Senator GRAMS. Yes.

Mr. CARPENTER. The irony of that is: Overseas, that gap is almost non-existent. There, policies and procedures are well understood. The threat is well understood.

And I think we have excellent programs overseas, programs and policies. Those programs and policies have not translated well domestically where, absent incidents of this nature, we clearly have reduced our awareness.

The culture at State Department is, quite frankly, in the overseas arena, very aggressive toward security. It is very responsive. Like I say, I have only been at the Department a year and a half, but I have been impressed by that aggressiveness in the overseas arena.

I must say that that same attitude is starting to form since this bugging in the Department. But prior to having a visual aid or a guide or an incident like this, it was a very difficult sell, because such incidents have not been occurring regularly. The threat of this was rated to be low.

Senator GRAMS. Yes.

Mr. CARPENTER. I would suggest "low" does not mean "no." "Low" means "low," and you have to take appropriate measures. I think our baseline may have been below "low."

I would have to say in my personal experience, and I have been there since bombings and that type of activity at State, that there has been a very solid response on the Department of State toward these issues.

They have asked questions. But someone questioning me or not agreeing with my suggestions for security does not, in and of itself, mean that they are anti-security.

That simply means they have got questions about it. I need to be a better salesman. I need to market my idea. And I did market it throughout the building. That is laborious. That is frustrating. But that is the way it has to be done.

Senator GRAMS. Yes.

Mr. CARPENTER. We are growing with this. I have had tremendous support from the foreign service community in getting this done.

We have had some setbacks. We have had to go back and do our homework a little bit better, but collectively, I think the State Department is much better than it was when I came a year and a half ago. And a year and a half from now, it will be much better than it is today.

Senator GRAMS. I want to go back also. You said the counterintelligence, I believe you mentioned this, portion of DS is about a third of the size that it was at the end of the cold war. Is that correct?

Mr. CARPENTER. That—

Senator GRAMS. And in that context, do you think that the counterintelligence agency has been undervalued then by the State Department over these years, cold war over?

Mr. CARPENTER. "Undervalued" may not be the right word, but I think on a risk management continuum, when you look at the risk, it was rated at low. It received a proportionate amount of support which was low.

Senator GRAMS. Yes.

Mr. CARPENTER. And that caused us to be behind where we would like to be, where we once were.

Senator GRAMS. To go back again and talk about maybe this division or this line that might be between State and DS, Booz, Allen and Hamilton, as you know, a consulting firm, recently conducted an audit on the State Department's ability to respond to both terrorist and counterintelligence threats.

And it has been reported that one of the recommendations made in the report was to elevate the role of the Bureau of Diplomatic Security.

Do you believe that the role of DS should be elevated, and that DS should report directly to the Secretary of State? Would that be a step in the direction of ensuring greater security? Would you advocate it?

Mr. CARPENTER. I was and am supportive of the recommendations made by the Booz, Allen and Hamilton study.

I currently have an informal reporting relationship to the Secretary, in that I brief her every morning relative to security problems and hot spots around the world, issues that are important for her to know about.

Senator GRAMS. Yes.

Mr. CARPENTER. But, again, that is informal. I believe that that should be formalized. And it is currently under study for decision by the Secretary as to whether to formalize that relationship and what form that formalizing would take.

Senator GRAMS. So there has been no decision made as of yet. It is still a consideration or a recommendation?

Mr. CARPENTER. It has moved from a recommendation so that the decisionmaking is, we think, forthcoming, relatively soon.

Senator GRAMS. OK. In the near future?

Mr. CARPENTER. In the near future, yes, sir.

Senator GRAMS. All right. And, probably, my last question then, Mr. Carpenter, is kind of an open-ended question, and that is: What changes need to be made to enhance the ability of DS to engage in security and counterintelligence activities?

If you had the ability to make those requests, what would be probably a couple of top priorities you would have?

Mr. CARPENTER. Mr. Chairman, I would suggest that for everyone that comes before you that the solution to their problem is, "I need more people. I need more finances," and quite frankly I—

Senator GRAMS. You have been in my office then. That is what I—

Mr. CARPENTER. I am no different than the rest.

I would only say this: In my 28 years in the security and intelligence field, I have never seen a department where people have been so tired, where they are burning the candle literally at both ends to try to meet the challenges.

I would be less than responsive to their needs if I did not say that we do need more personnel.

Senator GRAMS. Yes.

Mr. CARPENTER. I do believe that the President and the Secretary's budget that is up here addresses that. And we are starting to see the response that we need. And quite frankly I applaud that.

I think this is a tremendous step in the right direction. It acknowledges the problem and is an attempt at satisfying it. Within the Diplomatic Security Service, we have the expertise.

Senator GRAMS. Yes.

Mr. CARPENTER. We do. We do not need to turn to other agencies for this expertise. We simply do not have the personnel to allocate out appropriately.

Senator GRAMS. Yes.

Mr. CARPENTER. We have additional needs for finances for some technical enhancements of the most sensitive nature that are available out there. We simply, at this time, do not have the finances to go procure those, install them, and be, quite frankly, cost effective.

One of our goals, both after the bombings in East Africa and after the bugging, is to see that the taxpayers are getting the best bang for the buck.

And it takes awhile to sort through all of the options to do that, and we would hope to continue to work with you and this committee to satisfy that and make available any and all information that you might need to support us in that effort.

Senator GRAMS. OK. I just wanted to make a comment here that I think a lot of your efforts and activities in security might be underappreciated.

Most of the time, you are kind of the silent group there, that as long as you do your job well, we do not hear anything. But, whether it is the security at State, whether it is security in our foreign embassies, whether it is security in our office buildings throughout the Capitol, but until we have the bombings like in East Africa, until we have the shooting deaths of two of our officers here at the Capitol, or even, the incident here at the State Department before this was really brought to light, so I know we appreciate that, as employees here, you try to make that security as least painful as possible in order to facilitate the flow of people in and out of the building.

We appreciate the work you do. And, again, it was my pleasure to have you here today and to testify and offer us this information.

And I would also like to say that we had to steal one of your people from State to be my chief of staff here recently. Gary Russell, who worked for the State Department for a number of years is now working in my office. And so any time you want to come and frisk him and pat him down, that would be fine.

Mr. CARPENTER. I would be glad to, Mr. Chairman.

Senator GRAMS. Thank you very much, Mr. Carpenter, for being here. I appreciate your testimony. Thank you again.

Mr. CARPENTER. Thank you, Mr. Chairman.

Senator GRAMS. This hearing is complete.

[Whereupon, at 3:35 p.m., the hearing was adjourned.]