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Authority 873117

By CB NAVA Date 4/12

12 March 1945

"MEMORANDUM FOR THE RECORD

"SUBJECT : Colonel Park's Comments on OSS.

"1. At 1545 today, Colonel Park came to see me. He told me of his trip with the President and the territory he had covered after leaving the Presidential party at Cairo. He then laid on my desk, a memorandum containing his evaluation of OSS activities. He suggested ~~that~~ I should read the first two pages which I did. The paper recommended a rather thorough OSS housecleaning was desirable. When I had finished reading the paper, I told Colonel Park that in my opinion it would be entirely inappropriate for me to make any remark whatever pertaining to the paper and therefore I had nothing to say.

"2. We then discussed the situation produced by General Watson's demise and the cooperation being afforded the White House map room by G-2.

(Signed by) Clayton Bissell
MG, GSC
AC/S. G-2

(MID Recs, RG ¹⁶⁵319, WPRC, Folder 334, Office of Strategic Services, 3-6-43. (Orig)(UNC)

58 pages

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MEMORANDUM FOR THE PRESIDENT:

Attached hereto is my report on activities of the Office of Strategic Services in three parts and three appendices as follows:

- Part I - Introduction
- Part II - Summary and Conclusions
- Part III - Recommendations
- Appendix I - Information regarding the O.S.S.
- Appendix II - Compromise of the O.S.S. to Foreign Governments.
- Appendix III - Possible Postwar Uses of the O.S.S.

Richard Park, Jr.
 RICHARD PARK, JR.,
 Colonel, GSC.

~~CONFIDENTIAL~~
 Downgraded to OSD Letter to Archivist of U.S.
 by authority of OSD Letter
 date 3 May 1972

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 date 10-14-86
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PART I

Introduction

12/ /44
 3/30/45

* The day the late President departed for Warm Springs he authorized me to make an informal investigation of the Office of Strategic Services and report on my findings and conclusions. Certain information had been brought to his attention which made such an investigation both timely and desirable.

Information contained in this report has been gathered in an informal manner and from personal impressions gained on a tour of the Italian and Western Fronts. It seems logical to assume that much more information of a similar nature might be obtained by a detailed investigative process. Sources of information are being withheld from this paper with the thought that they should be protected if this document were used as evidence in an open investigation. Incidents given can either be substantiated or at least checked by reference to names, places, dates and other details.

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PART II

Summary and Conclusions

From the evidence on hand most of which is in three annexes, the following summary and conclusions are presented:

1. If the O.S.S. is permitted to continue with its present organization, it may do further serious harm to citizens, business interests, and national interests of the United States.
2. The security of the O.S.S. which should be above question is poor, both here and abroad.
3. Poor organization, lack of training and selection of many incompetent personnel has resulted in many badly conceived, overlapping, and unauthorized activities with resulting embarrassment to the State Department and interference with other secret intelligence agencies of this government. General MacArthur even refuses to allow the O.S.S. to operate in his theater. The State Department likewise refuses to be responsible for the O.S.S. in countries where the State Department is accredited.
4. It appears probable that many improper persons have penetrated into O.S.S. - some who cannot handle themselves, some with questionable backgrounds, and some who may be plants for foreign intelligence and counterintelligence agencies. The Communist element in O.S.S. is believed to be of dangerously large proportions. This will be revealed by a thorough investigation.
5. O.S.S. is hopelessly compromised to foreign governments, particularly the British, rendering it useless as a prospective independent postwar espionage agency. Further questioning of British intelligence

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authorities will evince nothing but praise because the O.S.S. is like putty in their hands and they would be reluctant to forfeit a good tool.

6. If the O.S.S. is investigated after the war it may easily prove to have been relatively the most expensive and wasteful agency of the government. With a \$57,000,000 budget, \$37,000,000 of which may be expended without provision of law governing use of public funds for material and personnel, the possibilities of waste are apparent. There are indications that some official investigation of O.S.S. may be forced after the war. It is believed the organization would have a difficult time justifying the expenditure of extremely large sums of money by results accomplished.

7. Last November, General Donovan made a proposal for the organization of a new secret world-wide intelligence agency which would control all other U.S. intelligence agencies. There have been suggestions that this proposal was motivated by his personal ambitions. It has all the earmarks of a Gestapo system. This plan was submitted to the JCS who referred it to the JIC. While the matter was still under consideration by JIC this plan and an alternate one, prepared by JIC, were published verbatim in certain newspapers. It is reported that one of two warring factions in O.S.S. was responsible for releasing this very secret material to the newspapers. Much unfavorable press and Congressional comment resulted. On March 6 the JCS placed Donovan's plan in deferment.

8. All of the activities of the O.S.S., however, have not been harmful. There are elements and personnel that can and should be salvaged. It has performed some excellent sabotage and rescue work. Its Research and Analysis section has done an outstanding job. These have been the subject of commendatory letters from theater commanders and others..

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PART III

Recommendations

1. It is therefore recommended that General Donovan be replaced at the earliest possible moment by a person who shall be recommended by the Joint Chiefs of Staff, and who shall be instructed by the Joint Chiefs of Staff to re-examine the organization with the end of weeding out personnel and other elements of the O.S.S. detrimental to the interests of the U.S.

2. It is recommended that useful elements of O.S.S., such as the Research and Analysis Section and certain valuable individuals be retained either temporarily in the O.S.S. or transferred to some appropriate agency; e.g., State or G-2.

3. It is recommended that the O.S.S. confine its activities to the present theaters of operation and that, as these areas are further limited, their operations should be correspondingly curtailed.

4. It is recommended that, although a world-wide secret intelligence coverage for the benefit of this government in the postwar period is necessary, a new agency with such superstructure as Donovan proposes be vetoed in favor of an organization along the lines of the one now in operation in the Western Hemisphere in which President ~~Roosevelt~~ appointed the Directors of Military Intelligence, Naval Intelligence, and the Federal Bureau of Investigation to cooperate. Such a plan however should have the approval of the JCS, FBI, and others whom the President sees fit.

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APPENDIX I

Information Relative to the O.S.S.

As background material for incidents to be mentioned, a brief statement concerning O.S.S. training should be helpful. An analysis of available data on the O.S.S. training system reveals a basic lack of experience among its organizers who were evidently unequipped to assume the responsibilities given them. As a result of failure to benefit by tested training procedure in established intelligence organizations, the effect of inadequate training methods and lack of experience multiplied as the organization expanded, even to the extent of largely neutralizing the abilities of a few men who were known to be able and experienced. This situation extended to the lower, and very important, field echelons where unfortunate incidents proving embarrassing to this Government and its agencies, such as the State Department, have occurred in such frequency as to indicate a serious lack of training for the duties involved. Such attempts at training as were made were crude and loosely organized.

(B) Training of personnel for espionage and sabotage in foreign countries has involved efforts to gain access to restricted areas here (in some cases reportedly fraudulently employing the prestige of the office of the President of the United States) which has resulted in considerable investigative attention on the part of other Federal agencies charged with the investigation of subversive activity. This took valuable time away from investigation of matters more important to this country. An unorthodox attempt in 1942 by O.S.S. to acquaint its trainees with espionage technique was responsible for the launching of an intensive spy hunt

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by the F.B.I. In another instance, in 1943, the combination of a "practical training problem" and an anonymous letter sent by an O.S.S. employee could easily have resulted in gun play and needless injury or loss of life.

C

Originally, and when it was most important, many field personnel of O.S.S. were sent for training in German Order of Battle at the perfectly open G-2 school in the Pentagon Building. These people had their pictures taken in various group photographs with their real names listed. These photographs are not classified and probably could be obtained easily by any foreign intelligence or counterintelligence agency. It appears that no special security measures were considered necessary by their superiors.

D

An O.S.S. psychopathic training and test camp was maintained at a country club in nearby Virginia. The staff consisted of four highly paid doctors who processed twelve students at a time in a three-day test called a government classification test. It is understood that the main purpose of this school was to subject a man to liquor tests to see how he would react to drinking. A person who apparently is going to be tested is on his guard and his reaction to stimulants under known observation is not likely to prove much. British, German, French, and other American intelligence agencies make such tests under actual conditions and in mixed company to discover the individual's unguarded reactions to both liquor and women. Psychopathic tests given in an isolated spot seem a useless waste of money.

D

Before leaving the subject of this school, it is worthy of note that among the doctors connected with it were two German refugees, one of whom was an alleged Soviet agent.

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D A specific instance of failure of drinking tests is the case of one Lopez, an O.S.S. agent, in Madrid. He became intoxicated one night and told many people he was departing the next day for German-occupied France as an agent for the "U.S. Secret Service." This was reported to the U.S. Embassy in Madrid by the Spanish police and other persons and a check-up proved the story. A cable from Madrid received 10 April 1944 included the story above, stated further that the Nazis were said to be aware of all his activities and that our Ambassador wished him recalled at once for security reasons.

E It has been reliably reported that there were two O.S.S. under-cover camps and finishing schools located some 15 miles from Washington. One of these was an estate in Monkton, Maryland. A supposedly secret lease was arranged for but it was general knowledge throughout the countryside that the U.S. Government held the lease from 1941 until its termination in August, 1944. After being started by a Dr. E. H. (Colonel) Baker, "Pentagon" Building, the school was turned over to a Dr. Enders, a college professor. The experience of Dr. Enders in the field of secret intelligence is unknown. The secrecy of this school was further compromised by a disagreement between O.S.S. and the owners of the estate after the former had 160 acres of Blue Grass dug up and sold to landscape architects without paying the actual owners thereof who tried to collect. O.S.S. representatives stated that no one can sue the government without permission and that since the original lease and the school were secret, national security prohibited the owners from taking any action.

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F A further example of lack of training is the case of a prominent businessman who was sent to unoccupied France and circulated between unoccupied and occupied France. He received no training or instruction of any kind. Due to his business experience in Europe he soon discovered that the O.S.S. was making many mistakes with regard to procedure and security in Portugal, Spain, and France. He reported some of the outstanding of these. In addition he refused to be dominated by the British in France. The net result was that he was recalled and dismissed from O.S.S. Subsequently he learned that the British had subtly caused doubts as to his loyalty to arise in our London Embassy so that he could no longer circulate even in the Western Hemisphere as there was a check against him at all ports of exit. It required approximately a year for him to clear his record.

G Proof that training has not improved with time can be found in case which occurred in the latter part of 1944. One Henry T. Robertson of a Bombay cotton firm was the O.S.S. representative of the X-2 (counterintelligence) section in Bombay. He was so ignorant of his duties and the requirements of his position that he asked advice of various persons there on what to do and how to do it. Furthermore he actually tried to enroll British subjects as agents for the O.S.S. in India. Documentary proof of the latter is available in the form of a photocat of a letter from Bombay authorities to Robertson, a U.S. citizen, calling his attention to the fact that "American Intelligence" cannot enroll or enlist British subjects except through regular channels. This is a ridiculous situation for a supposed secret intelligence operative to place himself. Adequate training

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might have prevented this.

H

O.S.S. agents in enemy country are trained in and use the one-time literal pad system. Experienced secret intelligence people do not approve of this system as it not only definitely compromises the agent carrying the pad on him if captured but also affords the enemy an opportunity to break in on the system by giving him possession of the keys. Most secret intelligence agents and agencies use other cryptographic methods, the keys for which are based on memory or standard books and present the minimum chance of either incriminating the agent or falling into the hands of the enemy. Some of the O.S.S. cryptographic aids and instructions have been lost in the field by its agents and subsequently recovered. Had they fallen into the hands of the enemy they might well have compromised many O.S.S. agents as well as the success of their operations. Competent authority has stated that most of the O.S.S. cryptographic systems in the Balkans were known to and read by German Intelligence.

(I)

The record of O.S.S. personnel in Portugal has been described to an official of the U.S. Government as appalling. O.S.S. personnel were referred to as being especially poor in investigative and intelligence experience and as prone to engage in exceedingly foolish and expensive activities actually dangerous to our foreign policies. The reports of O.S.S. were said by this official to contain mainly hearsay and inaccurate observations of untrained and inexperienced personnel.

Investigative processes of the O.S.S. also seem worthy of scrutiny.

J

The first security officer of O.S.S. was a Colonel Ellery Huntington, a former corporation lawyer with no intelligence experience. It is said

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that, at the time he was appointed to this position immediately after his commissioning and enrollment in the O.S.S. from civilian life, he did not know even the definition of security. In addition to security checks, via O.N.I., M.I.S., F.B.I., and State, or sometimes ignoring these channels, he assigned security investigations of candidates for the O.S.S. to various civilian detective agencies in the U.S., particularly in New York City. Some of the investigations by these agencies were conducted in a highly inefficient manner despite the fact, according to Col. Huntington, they cost the O.S.S. \$500. per head. An example of one of these costly but inefficient investigations is the case of an individual who was approached by a representative of a private agency in New York. This man stated he had been assigned to investigate the prospect and that he would like to get the whole story of his life. The agent had in his possession the prospect's application form with references, former employers, etc., but said he would like to fill out his report from what the prospect gave him since he had already received a favorable impression from one or two persons he had addressed on the subject previously. The prospect complied with his request and the agent turned in his report clearing him on security.

K

Present methods of investigation have changed but are hardly more efficient though probably less costly. Evidently Dun & Bradstreet, Inc., are retained by O.S.S. They are well known in the mercantile field but can hardly lay claim to investigative ability along detective, intelligence, or security lines. Apparently they have streamlined their investigations whereby they have telephone conversations with some 27 references given by any candidate for a position with the O.S.S. A stenographic trans-

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script is made of the conversations. Based on these, and these alone, a report is made on the security of the candidate.

L An example of an unnecessary investigation due to inefficiency is the case of a naval officer with two years of overseas service who had received the Purple Heart and who had previously worked for the O.S.S. in the European theater in 1943, who was reinvestigated by Dun & Bradstreet after he had been hospitalized and returned to the U.S.

M From a standpoint of economy it seems probable that the richest and largest intelligence agency of the U.S. Government should, if properly organized, be able to conduct its own investigations with its own personnel at less cost to the taxpayer than through private agencies working on a profit basis.

N Despite the large sums of money spent by the O.S.S. for investigation, in addition to the four-way security check available through M.I.S., O.N.I., F.B.I., and State, security checks do not seem to have been of primary importance in accepting candidates. There are cases where personal animosities on the part of O.S.S. principals have prevented their accepting qualified persons even though their security check was beyond question. On the other hand, friends and acquaintances of persons in O.S.S. have been admitted without question. These have included members of United Nations who were doubtless loyal insofar as being anti-Nazi, but whose presence and penetration into O.S.S. nullify future uses of O.S.S. after the war as these persons are subject to loyalty to their own countries. An instance of this occurred when a Chief of the Code Room of a United Nation's Embassy, which was closed after that country was overrun by the Nazis, was taken into the Code Room of the O.S.S.

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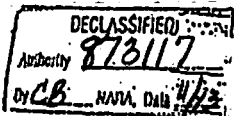
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There have also been instances where individuals with police records, which an efficient check would have revealed, have been accepted. A specific example is one John Torok who was certified to as being a member of the O.S.S. to various prominent Hungarians in the U.S. by a Col. Armstrong of O.S.S. It was later denied that Torok was a member of O.S.S. Regardless of the merits of this, he frequently interviewed prominent Hungarians in this country and tried to enroll them in the O.S.S. He made various claims as follows: that he was a friend of then Vice President Wallace; that he was in charge of Hungarian affairs for the O.S.S.; that he and Armstrong, working under General Donovan, Hugh Wilson (former Ambassador to Germany), and John Wiley (former U.S. Minister to Austria), desired to form Hungarian sabotage groups; that the O.S.S. desired to maneuver themselves into the politics of Central Europe; that the O.S.S. intended to parachute agents into Austria and Hungary; and that the O.S.S. desired to pattern a popular front in Hungary. These facts can be proven and are known to the State Department. His record indicates that in Pittsburg he is alleged to have mulcted some well meaning people of funds in a combined religious and real estate deal. He is believed to have been prosecuted for fraud and embezzlement. Later in Long Island he is alleged to have disposed of fake paintings to artistically unsophisticated people by a "front" which consisted of a large house and some very valuable original paintings which he borrowed from former art contacts of his. Another source has indicated the existence of a criminal record. His activities on the part of Bolshevism in Hungary in 1918 were not of a nature to lend confidence in his record.

(P) An example of the unskilled approach of the O.S.S. on normal secret

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intelligence and investigation of personnel is illustrated by a cast in late 1943. One V. Prifti, listing a Washington, D.C., return address, corresponded by letter with a Peter Lumi in Greenfield, Mass., offering him employment of an unspecified nature with an unnamed organization in Washington. Lumi did not know Prifti although the letters were in a personal style. After an offer had been made for Lumi to come to Washington, expenses paid, for an interview, he reported the facts to the F.B.I. in Boston because he felt this was a peculiar way for an absolute stranger to do business. Investigation revealed that the return address was a Post Office Box rented by the O.S.S. and that Prifti was an employee of the Latin Section of O.S.S.

Q A more recent example is a case which occurred in January, 1945, when a Major E. D. Parsons of the O.S.S., New York City, contacted an individual in an American business firm with an international business, saying he had obtained the individual's name from the list of members of a club. Without further preliminaries, he asked the individual if he would be interested in a foreign assignment for this country; explained the O.S.S. workings in detail, the type of operation involved explaining that it was for the postwar period and to spy on some neutral country as the U.S. would have to protect itself against all countries after the war. Such an untactful approach with utter disregard of security on such a delicate subject without investigation (which definitely had not been conducted) is difficult to understand.

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Further examples of poor investigation follow:

R

1. P. H. Haas, French born citizen, operated as an O.S.S. agent in Spain and later went to Paris. He claimed both in Lisbon and Madrid that he was a member of the F.B.I. not the O.S.S. He was a close friend and associate of a well-known French Collaborationist. In December, 1943, both he and his friend, at a dinner attended mostly by Frenchmen, spoke violently against the British and the U.S. The F.B.I. stated that Haas was not connected with him but that very often O.S.S. agents have claimed to be F.B.I. men. An investigation in New York revealed that, prior to his departure for Europe from the U.S., he claimed to be a member of the French Secret Service. His personal reputation in New York is not favorable. He does not seem to be a person who should represent the U.S. in any activity, particularly secret intelligence.

S

2. Hans F. Benhard was in the employ of the O.S.S. as a secret agent. At one time he was employed as an agent by the Germans and he may still be. The Western Defense Command considered him dangerous, unreliable and untrustworthy and thought he might be easily influenced by financial considerations. It recommended that he be dismissed by O.S.S. and interned. In 1943, he was working for a chemical plant in Cleveland.

T

3. In 1943, an Army colonel was given a key job in C.S.S. by General (then Colonel) Donovan. This colonel had been relieved from G-2 and the General Staff Corps for a flagrant violation of security which involved G-2 and the State Department. Despite this not only did the O.S.S. employ him but also assigned him to a task which brought him into contact with the State Department classified material.

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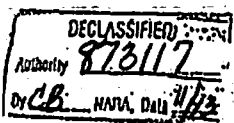
(U) 4. Another representative of O.S.S., Samuel MacNaughton, was assigned for varying periods of time to the Canary Islands and Spain. He has been described as a chronic drunkard and publicly indiscreet in his behavior.

(V) 5. In the latter part of 1942 the dubious activities of a British subject by the name of Mrs. Laurie Sharp, alias Margaret Black, were called to the attention of another intelligence agency in the U.S. An investigation disclosed among other things that she had been employed by British on some shady intelligence work apparently in connection with the U.S. Navy, and still was in close touch with a British Intelligence Officer in New York; further that she had two passports in her possession, one showing she was a British subject with residence in England and the other indicating she was a Canadian citizen with residence in Canada. She was employed by the O.S.S. for "investigative" work in this country. The O.S.S. at first denied the employment of the woman but later admitted it and attempted to justify it by saying it was in connection with certain allegedly "authorized" activities in Europe. In 1943 arrangements were made so that, upon her departure on a Spanish vessel for Lisbon, a re-entry visa would be denied her.

W The liberalness of the O.S.S. in its expenditures of public funds has caused much comment. With a \$57,000,000 budget, \$37,000,000 of which may be used without provision of law covering expenditure of funds for material and personnel, there obviously is a wide margin of error for distribution of funds.

X Civilian personnel in many cases have been guaranteed at least the

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same salary they had in civilian life, regardless of the job they may have. One instance, that of a Mrs. Frances Watts Stevens, involved a salary of about \$4,000 (just a little under that of a colonel) for no purpose that she could see. She was offered a job as receptionist after a period of doing nothing.

Y

A check of the Civil Service Commission would probably reveal that there were a greater number of jobs paying \$8,000 per year and over in the O.S.S. than in any other governmental agency, particularly in comparison to its size. The salaries and per diem paid to its field personnel are well out of proportion to that paid to members of other intelligence agencies, both American and foreign. An example of this is an executive of an American company who was recently offered in New York a base pay of \$5600, overtime pay of \$600 and a living allowance of \$3240 or a total of \$9440. In addition he would receive \$7 per diem plus expenses when traveling. He had been an important foreign executive of his concern for many years, handling a sizeable organization and millions of dollars of business and yet had not been paid that much. Naturally he was interested in the offer which placed his company in an embarrassing position with the government in wartime offering their man more than they paid him in peacetime.

Z

In another specific example, an offer was made to a businessman whereby he could go abroad and engage in some of his business. At the same time if he would work for the O.S.S. he would be compensated at the rate of about \$5600 per year plus living expenses and per diem, sometimes \$12 per day, plus entertainment and extraordinary expenses.

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AA: There are numerous reports of the liberalness of the O.S.S. both here and abroad. In Portugal business people had a joke to the effect that when one saw all of the Portuguese people on the streets in a happy frame of mind, it was because it was pay day for O.S.S. informants. Experienced Army officers are agreed that the O.S.S. is a good deal more liberal than the Army both in respect to air travel and expense accounts. A study of the payrolls and expense accounts of the O.S.S. should furnish adequate proof of high payments and waste when compared to those of the Army and Navy.

FF: The monies spent in the field, and also in New York, for entertainment has attracted a good deal of attention. In Turkey, particularly in Istanbul, reliable banking sources report that the O.S.S. spends some \$20,000 to \$30,000 per month on parties and entertainment. While this would be difficult to prove, it is believed that an affidavit might be obtained from someone who had access to banking records. However, this would be dangerous to the person involved and also to the O.S.S.

GG: Members of our legation in Stockholm can verify that large sums of money are spent by the O.S.S. for parties and entertainment there. A reliable report from Stockholm stated that there are cases where Norwegian agents working for the British in Norway are paid by the O.S.S. Further, that in early 1944 some of these agents were approaching prominent Norwegians with respect to their reaction of having Norway join the British Commonwealth.

13
In Bombay the O.S.S. desired to gain friends among Allied Intelligence agencies in Bombay and "threw a big party." As too many guests had been

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invited for the hotel suite which had been engaged for the purpose, the O.S.S. office was utilized. The party was evidently a real orgy as source reports no work was performed at the office for the following three days. This same source stated that on one occasion O.S.S. imported into India approximately \$25,000 worth of liquor which they handed out freely in an attempt to gain information from Allied Intelligence agencies who evidently held the O.S.S. in utter contempt and would not give them any data except in exchange for liquor, hosiery or lipsticks.

(CC) Late in 1943 a representative of the O.S.S. reportedly approached a Washington widow possessing unusual social connections and background and employed in a government agency at a salary of \$600 per month. The representative proposed that she lease a large apartment and undertake an extensive program of entertainment in an attempt to gain information from individuals whom O.S.S. would ask her to invite to such parties. She was told that all expenses would be paid, including rental of the apartment, a suitable wardrobe, cost of entertainment, etc., and also her existing salary, as "money means nothing."

(DD) Early in 1943 an O.S.S. officer was sent to the Near East during which time he spent \$10,000 to \$12,000 with no more specific assignment than "to get a mental picture of the situation." He considered that he had failed to accomplish anything whatsoever of value to the U.S. He further stated that O.S.S. had sent several hundred other men to the Near East with similarly non-specific assignments who were "accomplishing nothing but drawing large salaries and commercializing on unlimited expense accounts."

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(E) In November, 1947, information was received from an officer of O.S.S. that O.S.S. had had manufactured under a high priority rating about 1,000,000 cheaply constructed, one-shot, .45 caliber pistols, costing about \$5.00 each, which were to be dropped by parachute in occupied countries for use by underground organizations. The plan was never carried out. Another source, an officer in the Army, revealed that the O.S.S. official who fostered this project later attempted to have several thousand of these pistols deposited by the Army in North Africa in any manner seen fit. When it was pointed out that they could serve no useful purpose there, the O.S.S. official said that the only thing he was interested in was in getting rid of them prior to the time an investigation was started into a poorly conceived program involving about \$5,000,000.

HH Large sums of money are also being spent by the O.S.S. in China where it is generally known a tie-up has been made by the O.S.S. with Chiang Kai-Shek's own intelligence and are integrated with them as they are with the British. It appears that the arrangement here, as has been the case elsewhere, that the O.S.S. furnishes the money and the other people the information which they can color if they so desire.

II Another example of small wastes which mount up on a world-wide basis is in Istanbul where, for over a year, the U.S. Consulate had been paying \$50. per month to certain persons in the Turkish police for daily reports. The O.S.S. offered to pay \$200 per month for the same reports with the understanding they alone would receive them. Subsequently the Turks raised the price to \$500 per month although, unknown to the O.S.S., copies still go to several other U.S. agencies for the price of a few drinks. The

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The large "exclusive" payment of the O.S.S. is general knowledge there.

JJ

In September, 1944, the O.S.S. desired to have three individuals in Istanbul shadowed. They hired a Turk who was connected with the police and paid him \$1200 per month. Unknown to O.S.S. copies of his reports were supplied to others.

YK

Another example of waste and compromise of security is the case of a Mr. Van Berkel, alias Van de Steenhoven. The O.S.S. picked him up in Holland in September, 1944, and took him to Paris where he was put up in style with all expenses paid. He claimed to be a loyal Dutchman despite stating he had made over 50 round trips to Berlin and other parts of Axis Europe. The O.S.S. planned to send him to Sweden and actually planned to drop him in Germany although a study of Van Berkel, now in the U.S., has convinced many that he is either an imposter or an agent of some power. Knowledge of security measures in Axis Europe leads to the belief that he had some connection with the Gestapo or S.S. during the period of his free circulation. While in London he was mysteriously assigned a publicity job in the U.S. for the Dutch Information Bureau, supposedly by Queen Wilhelmina herself. Subsequent to his arrival here, he has toured and broadcast at will. The O.S.S. officer who picked him up and entolled him was Major Waterschoot Van de Gracht, A.U.S., who was connected with a family involved with Nazis in Austria. The names of the O.S.S. officers who were his hosts in Paris and the O.S.S. personnel who interviewed him in Washington are available. The money uselessly spent on him is probably only one sum of many spent in a similarly useless manner.

11

The O.S.S. seems to exercise an unfair leverage with its almost unlimited finances. A letter from Donovan to Adm. Nimitz, written in April,

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1944, stresses that he, Donovan, has large funds which can be spent without accounting or red tape. A copy of this letter, as well as Nimitz's reply is in the possession of a certain Congressional Committee and some newspapers and may be used in a future attack on the O.S.S. from whose files they were somehow obtained.

MM

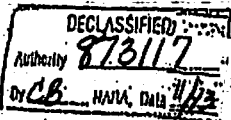
In 1942 the O.S.S. purchased an ocean-going liner. For the better part of a year it was not used in any way and finally, it is reported, the liner was resold at a loss. It appears that those who first evinced interest in the ship later could find no use for it.

NN

Also in 1942 Donovan approved the expenditure of over \$2,000,000 for a worldwide Secret Intelligence radio communications system and radio listening posts. After the expenditure and commitment of over \$2,000,000 both projects were abandoned. It is understood that pressure by the British who desired to control all S.I. radio communications was the motivating factor. Reliable reports indicate that the listening posts have only a token use to the O.S.S. and because of this most of the facilities have been turned over to the Army and Navy.

OO

The O.S.S. was so loosely organized that sometimes detachments and individual men in the field were overlooked. For example, eight radio technicians were sent to Liberia to set up a monitoring system for interception of messages from clandestine German radio stations along the coast to submarines offshore. This involved shipment of a large quantity of radio and electrical equipment. Subsequent disagreement between cer-



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tain factions of O.S.S. resulted in a decision to drop the plan although the technicians and part of the equipment had left for Liberia. The men were left in Liberia for nine months, doing nothing, until they were re-discovered and sent to England.

PP

In France an Army staff officer, Colonel Rufus Bratton, stated that some members of the O.S.S. Secret Intelligence took over a German Army ammunition dump, installed their own guards there and refused to permit anyone else in the vicinity. They awaited instructions from their superiors only to be blown up by an explosion caused by members of the S.O. of the same organization.

QQ

Despite continual warnings from the State Department, the O.S.S. organization in North Africa, in Spain, and in France made serious errors, which greatly embarrassed the State Department and caused the U.S. loss of prestige and good will. Some of these are attributed to the poor and loosely knit organization of the O.S.S. It is believed that the files of the State Department contain substantiating evidence covering numerous incidents. One Assistant Secretary of State said the O.S.S. has made mistakes which not even the Boy Scouts could be guilty of had they entered this field. As late as March, 1945, the AP printed a story about five U.S. saboteurs who were dropped in Sweden by mistake with large amounts of munitions and explosives. Ambassador Hayes probably can furnish ample proof of the most outstanding and unusual errors of the O.S.S. in Spain and Spanish Morocco which might prove incompetence through poor organization. An

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example: Once the O.S.S. armed, equipped and financed about eight Spanish Republicans and clothed some of them in U.S. uniforms - in Spain. These men plotted against the existing Franco Government, were arrested and, it is believed, executed.

(SS) Even in the United States the naive methods used by the O.S.S. have caused embarrassment to this government. In January, 1943, the Portuguese Consul at Boston was contacted by telephone by an O.S.S. representative, R. H. Howland, and asked to furnish any available photographs or plans of Portuguese harbors and shore lines on the Continent and on Portuguese Islands. It was reported that these photographs and plans were being sought on behalf of the War and Navy Departments of the United States. It will be remembered that this occurred about 1½ years before our invasion of the Continent and at a time when the topic of conversation was where, and when, an invasion would occur. The unusualness of this request for highly confidential and restricted data made in such an open and casual manner could only result in embarrassment to the U. S. Government. Both the Portuguese Minister in Washington and the Portuguese Government in Lisbon were informed by the Consul at Boston of the receipt of this request.

(TT) Two employees of the O.S.S. in Madrid, one Quoseda and a Schoonmacher, on their own initiative and contrary to the specific instructions of the American Embassy, reportedly attempted to engage on behalf of the U.S. Government in an exceedingly delicate black market money transaction involving about \$125,000. Quoseda was arrested by the Spanish Intelligence in the course of trying to consummate this transaction. He was released

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after several days but apparently watched as Schoonmacher was in turn arrested as soon as he contacted him. It is reported that it was necessary for the American Ambassador to conceal Schoonmacher, after he was released, and arrange for his secret removal from Spain. This attempted transaction on the part of two North Americans was accorded front-page publicity in Madrid newspapers.

RR The O.S.S. seemed rather short-sighted in appointing to key positions aliens who not only had no intention of becoming American citizens but whose business connections were in direct competition to American interests. The appointment of such personnel in key executive positions where they were able to penetrate into the organization, obtain any information on personnel, organization and information acquired, and were able to influence policies, seems a questionable procedure.

UV A specific instance is the case of F. A. Guepin, one of the Chiefs of the O.S.S. in the Near East with headquarters in Cairo. He is the manager of the Shell Oil interests in the Near East. He is not an American citizen nor does he intend to become one. He has jokingly confided in friends that all American businessmen in that area who joined the O.S.S. will never live it down and that many of them who have resigned and are no longer with O.S.S. are still pointed out by the British and other nationals as U.S. Secret Agents. Their business careers and the progress of their U.S. companies are likely to be handicapped to the advantage of the British and the Dutch. In the majority of cases they are with U.S. oil companies competitive to British interests. The Italian manager of a large American oil company in Cairo, who was imprisoned by the authorities, was never paroled although he was and always had been an anti-Fascist.

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All other anti-Fascist Italians were paroled and allowed to continue their employment. Several sources in Cairo indicate he was not allowed to be paroled because of the influence of the O.S.S. and its Shell Oil non-American executive.

VV

The early systems employed by O.S.S. in supplying money to the field were so amateurish that they tipped off the Gestapo and other intelligence agencies, pointing the way to O.S.S. agents in the field with the result that they were either apprehended or kept under close surveillance and fed false information. In Spain and Portugal the Gestapo knew that most of the money supplied came through Pan-American Airways and the manager of Pan-American Airways in Lisbon. In Spain and Turkey the O.S.S. were so naive they considered flooding the black market with American currency was a safe procedure. Repercussions of these operations can be found in State Department records.

III

In July, 1943, security was compromised even more by a visit of a Lt. Col. Rehm from the O.S.S. headquarters in Washington who openly went to London, North Africa, Spain, Portugal, Sweden, etc., and almost openly inspected field offices and contacted agents in an attempt to introduce some order into O.S.S. financial chaos. This incident was known to the secret police of the British and the Germans, among others. Many chains of distribution still intact are well known to various foreign intelligence agencies due to poor organization and open attempts to try to improve methods.

VI

An interesting case of poor distribution is one in which \$20,000 was to be made available to the account of a Gunnar G. Mykland in Lloyds Bank

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through the Army Finance Officer in Calcutta.

II Another example of an attempt by the O.S.S. to check up on itself in a manner which not only exposed the effort but the lines which were being checked is the case of a young man, about 18 years old, who went to Istanbul from Cairo. The U.S. Consulate thought he was most unqualified for this assignment. Within a week of his arrival the Turkish police were aware of his background and kept him under close surveillance. He began to spend large sums of money and became involved with the traffic officers of the city police for not following instructions in connection with his "permit-de-Sejour" and also for his acrobatics in getting on and off moving street cars. He made himself most conspicuous when the opposite was necessary. It took the U.S. Consulate four days to straighten him out with the police. The record of this can be verified at the U.S. Consulate in Istanbul or on the police blotter in that city.

Examples of breach of security follow:

ABB One George Sharp, a former New York lawyer, is an executive of the O.S.S. He worked out a rather insecure method of interviewing candidates for appointment as secret agents in Washington. By appointment he meets them in a park or a square in Washington, interviews them, and then openly takes them to have cocktails in some public place.

ABC Several days before the departure of the German diplomats from the U.S. to Germany, one James Warburg, Assistant Director of the O.S.S. at the time, was overheard in a Pullman car to tell two travelling

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companions that a Father Schulte, a German-American priest, was to be smuggled onto a boat with the German diplomats in the hope he would be able to get into Germany and organize an underground there for the O.S.S. This breach of security reached the Swedish Embassy in Washington and probably was conveyed overseas. It also reached the ears of some friends of Father Schulte who conveyed the information to the State Department with the request that an attempt be made to dissuade Father Schulte from departing for Germany.

AED At a social gathering in New York a naturalized Frenchman told people he was undergoing O.S.S. training after which he was going to England for them. He exhibited a knife which he was being trained to use against enemy counterintelligence agents.

ABE An outstanding example of official lack of security, proven by photostat copies, is a routine letter sent to an employee, possibly an agent, of the O.S.S. It is supposedly non-incriminating and was mailed from a "blind." The check is personal and innocent enough looking except for the fact it was accompanied by an income tax statement clearly showing that a certain portion of salary had been withheld by the U.S. Government as an employer. This is such a fundamental error it shows conclusively how insecure the organization is on the simplest security precautions. Not only is the employee exposed but also the bank, the "blind," or alleged employer, and others can be traced if an alert intelligence agency desires to follow other payments. Some six other local "blind" accounts in the U.S. alone

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are known as a result of similar fundamental errors.

ASF

An O.S.S. agent, Paul Blum by name, while undergoing training in the U.S. told a friend he was going to Portugal as an agent, with a cover as a State Department official in Lisbon. He is now in London and expects to continue with O.S.S. if it functions in the postwar period. However, he is probably known as an O.S.S. man by the State Department, the Portuguese, the British and possibly others. In the postwar period, it is questionable if the State Department will be helped by having some of its O.S.S. "plants" known to foreign countries.

ABG

Two O.S.S. agents, dressed in civilian clothes, were transported on ATC planes to Miami enroute to the Near East. They registered in Miami as members of the O.S.S., thus identifying their organization as well as their destination.

ABH

One Bruno Umberti, 1st Lt., M.C., is a naturalized citizen who was born in Trieste, Italy. By his own statement he is actually under orders of the O.S.S. and will be working for them in the Trieste area. This is a breach of security which identifies not only the area of operation but also the individual agent.

AJI

A Major Lowell J. Bradford, Cavalry, under orders of OPD, left for Australia and New Guinea in March, 1944, to make a survey of CIC and MI activities. By his own statement, he is also working unofficially for the O.S.S. and hoped to transfer to O.S.S. on his return.

AJJ

A Paul Lineau of the Socony-Vacuum Oil Company has been in the service of the O.S.S. in Turkey. His wife informed a reliable source that his activities were so well known through lack of proper security that

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he feared his future business activities had been jeopardized. O.S.S. has insisted on returning him to Turkey but he has refused for this reason and is planning to return to Yugoslavia as a company representative in the postwar period.

ABK

As the result of poor security reliable sources have obtained a number of O.S.S. documents in the field. These include instructions to French agents in sabotage; identification materials, pamphlets on radio communication and schedule for sending and receiving; cryptographic pads; and instructions to French agents behind German lines with respect to what documents and maps were wanted by the O.S.S. In connection with the latter item, many of these are not only in the possession of the G-2 Army Map Service but in some cases are available at public libraries in the U.S.

ABL

Through a breach of security, three agents of the O.S.S., disguised as British officers, contacted in Austria six leading underground followers. The same day after the meeting all six Austrians were arrested by the Gestapo and executed. It appears that this action of the O.S.S. had been well-known. This information was obtained from associates of the executed men now in Switzerland.

(AEM)

In February, 1944, it was reported that an unnamed Washington correspondent had requested General Somervell to verify a report to the effect that the Army had requested O.S.S. to assassinate certain outstanding scientists in Germany who were supposedly working on an important secret scientific project. It was said that an extremely significant angle connected with this request lies in the fact that a high official of

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the U.S. Army Engineers in charge of scientific experiments had actually asked O.S.S. to kidnap a German scientist known to be conducting these same experiments in Norway. The similarity which this request of O.S.S. bore to the subsequent inquiry by the columnist made it quite obvious to the source of this report, another Army officer, where the leak of this information had occurred and that undoubtedly the high Army officer referred to regretted that he ever asked the assistance of O.S.S.

ABW Before Pearl Harbor General Donovan made a trip to the Balkans and lost his briefcase containing important papers in Bucharest. The brief case was turned over to the Gestapo by a Rumanian dancer who was invited to attend a party at which he was present.

ABO There is an instance of an individual who was second in command of the O.S.S. in Istanbul who came uninvited to a table in a restaurant at which four foreigners were seated, one of whom was known to be connected with the Gestapo. The O.S.S. man talked openly about his position in the O.S.S. which he stated was actually the American Secret Service.

ABP Also in Istanbul the local police found strips of paper in the trash pail of the O.S.S. headquarters which contained printed letters from which an expert had no difficulty ascertaining the secret cipher being used.

ABQ Through various intermediaries the O.S.S. in Turkey made contact with a loyal anti-Nazi Colonel Kadar of the Hungarian General Staff in Budapest. He was a trusted friend of the Regent and a member of the Hungarian opposition organization which was working closely with the United Nations Intelligence Agency. Despite many warnings, the O.S.S. employed a well-known Hungarian double agent named Gyorgy whose reputation was bad. Through

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him they arranged for the delivery of a portable radio set to Colonel Kadar. Before any benefit could result, Col. Kadar and his mistress, a popular Hungarian actress at whose home the transmitter was hidden, were arrested. The colonel, according to a reliable source, was executed. Another Hungarian colonel, one of the intermediaries, was recalled from Turkey and imprisoned. Several months later Byorgy arrived in Istanbul on a German courier plane, bearing a special passport. It was well known there that he worked with the O.S.S. and enjoyed their confidence. He was finally arrested as a German agent by the Turkish police. This story of an apparently stupid blunder in the field of secret intelligence can be checked in Istanbul.

ABR In Stockholm the O.S.S. maintains a staff of some thirty people. Operations are divided among several sections of the American Legation, one of which is in the Chancery and has a special door with a peephole marked "Secret - Keep Out." All of the O.S.S. personnel and activities are well known to the Swedish secret police.

ABS In December, 1942, several O.S.S. agents, compromised themselves in their open correspondence or in letters home from Afghanistan.

ABT The lack of security of the O.S.S. is so evident that it is not only dangerous from an operational standpoint but also has given rise to so many questions and fears in the minds of numerous people as to lead to the belief that a Congressional investigation might easily occur after the war. In addition some newspapers may be interested in exposing what many claim to be an American Gestapo.

ABT For example: In June, 1943, a prominent businessman was told, at

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a formal dinner in Washington, by a member of the O.S.S., that they had just received an increase in authorized strength of 1,000 officers, 3,000 enlisted men and 5,000 WACs, two-thirds for foreign service and one-third for duty within this country. He asked why the large number of people for the U.S. when O.S.S. already had so many personnel in Washington. He was told that the O.S.S. planned to enter the field of domestic investigation and would be sort of a U.S. Gestapo with power to penetrate every government agency, trade union, large corporation, etc.

ABU

Frequently personnel in various governmental agencies in Washington publicly claim to be working also for the O.S.S. Specific example: A Pierre Crenier, with the ATC division of the then Board of Economic Warfare, stated to a friend that the O.S.S. had plants everywhere through the government and that he himself was working for the O.S.S. in the B.E.W.

As an example of how dangerous lack of security and poor judgment on the part of O.S.S. agents can be from an operational standpoint the following case is cited:

(ABV)

In 1943 certain O.S.S. representatives in Lisbon attempted to plant some agents in the Office of the Japanese Naval Attache there. A reliable source has stated that the attempts were amateurish and further that it seemed probable to him that the alleged agents were double agents whose principal job was to report to the Japanese on O.S.S. activities in Lisbon. Neither the F.B.I., O.N.I., or H.I.S. in Lisbon had attempted any such activity for fear of alarming the Japanese. In July, 1943, it was learned that the Japanese were very much concerned over reports they had received with regard to an American espionage activity in Lisbon knowing all the details of the Jap Ministry there and also having access to Japanese code

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books. A memorandum was written at that time by another U.S. intelligence agency that the Japanese were so alarmed that there was a danger of their changing codes which we had been able to break. Four days after that memorandum was written, the Japanese did change their code and it resulted in a complete blackout of vital military information for some ten weeks. The writer of the original memorandum, in confirming that Japanese code had been changed, made this statement - "How many American lives in the Pacific represent the cost of this stupidity on the part of O.S.S. is unknown."

ABW

Probably because of lack of experience in secret intelligence and investigative work the O.S.S. is not organized as are some of the leading S.I. organizations in the world. These have insulated compartments having no connection with each other which are, in fact, unknown to each other, thus giving internal security. In the O.S.S. General Donovan tries to control completely every activity and the policy boards, deputy directors and various components of the organization are all fairly well known to each other. At various times severe disagreements have arisen between them.

In addition to the clumsy handling of intelligence matters by O.S.S. personnel some of the intelligence produced by it has been incorrect with unfortunate results sustained by action taken with that intelligence as a basis..

(ABX)

Soon after the fall of Rome the Allies determined to invade the Island of Elba in order to protect a main supply base in Corsica. The problem of ascertaining the enemy strength and disposition on Elba was given to the O.S.S. After an extended period of reconnaissance the O.S.S. reported there were only 900 German troops on the island and these were described as being mediocre and untrained. The source of this information,

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a U.S. Naval officer, reports that on the basis of this information the proper force for the invasion was determined to be some 11,000 French troops of all categories. Instead of 900 Germans there were encountered almost 3,000. These were not only in different localities than reported by the O.S.S. but also were found to be crack, highly trained troops. Largely as a result of these errors and miscalculations of the enemy forces by O.S.S., some 1,100 French troops were killed in this invasion.

(ABY)

Methods by which intelligence has been obtained have been misrepresented in some instances in an apparent attempt to create the impression with the President and the War and Navy Departments that it had operatives functioning successfully in enemy occupied territory when, in fact, only a few if any, O.S.S. operatives were known to be in any occupied country in Europe. This came from an officer of O.S.S. In substantiation it was said that MID had requested O.S.S. to secure information about certain refinery installations in an occupied country. MID was advised by O.S.S. that an operative within the particular country would obtain the data. The informant stated that O.S.S. did not have a representative in the locality referred to but was successful in ascertaining that the oil refinery in question had been built several years previously by Standard Oil Company of New Jersey and a somewhat detailed report was prepared from an examination of the files of that company. The report was forwarded to MID with the comment that O.S.S. operatives in the occupied country had obtained the information, proceeded to a neutral country, and cabled it to the U.S. At the time the comment was made that, while it was realized more details would have been desirable, it was the best that could be accomplished in the allotted time.

(ABZ)

In another case, which did not involve an occupied country but is an

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interesting commentary on information supplied by O.S.S., a report was prepared in November, 1944, concerning political disturbances in Columbia. Subsequent inquiries indicated that it was merely a rewrite of an earlier report which had been prepared by British intelligence and distributed to practically the same places that the O.S.S. report was distributed.

ACA In several instances the O.S.S., violating O.S.S. and government regulations, employed lawyer friends not only for legal matters but also on a retainer basis to supposedly direct or advise competent Army officers and others how to run O.S.S. activities about which they knew less than the officers. This is not an accusation of graft. It is possible, although not guaranteed that photostats of monthly retainer checks can be furnished in one specific case. They exist and are in the hands of persons who may use them in a future attack or investigation of the O.S.S.

ACB While there is no implication of graft, it is generally known that most of the leading O.S.S. officials and executives employed various relatives in departments of the O.S.S. thus endangering security as making secret intelligence a family matter is not good practice. Among the officials who assigned O.S.S. jobs to relatives were General Donovan, Colonel Goodfellow and Colonel Huntington, to name a few. The wives of the latter two, with no particular experience, received excellent positions shortly after their husbands had joined the O.S.S. In addition many appointments followed lines of politics, law firms, the Social Register, etc. All of the partners of certain law firms, including most of the members of General Donovan's firm, became important officers in the O.S.S. The social director of the St. Regis Hotel, where General Donovan resides when in New York, attained the rank of Lt. Colonel in the C.S.S.

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There have been numerous instances of interference or lack of cooperation by the O.S.S. with other U.S. intelligence agencies, also instances of overstepping the limits within which their activities, as defined by law, are confined.

(ACO) A certain Colonel Juan Beigheder was former Foreign Minister of Spain during the Civil War and until 1940 when he was removed due to his anti-Nazi and pro-Monarchist sentiments. He was invited to the United States on a military mission on behalf of the Spanish Army although his real mission, of which the War and State Departments were aware, apparently was to attempt the correlation of Spanish Monarchists in this hemisphere in anticipation of the reestablishment of the Monarchy. At the request of MID in Washington, his activities were kept under observation by the F.B.I. from the time of his arrival in February, 1943. In November, 1943, it was learned that the O.S.S. was endeavoring to inquire into his activities using Mrs. Laurie Sharp, alias Miss Margaret Black (see Item 5, page 11 of this section) who was attempting to become his mistress. The assignment and purpose of her activities were ascertained only after extensive investigation by the agency primarily concerned in this matter.

(ACD) By Presidential Directive the O.S.S. has been restricted from active operations in South America. Early in 1943, Mr. Stephen Greene, a representative of O.S.S., proceeded to Buenos Aires to serve as a contact for other employees of O.S.S. leaving for Europe from that point. Other interested agencies of the U.S. agreed to his presence in Buenos Aires with the understanding that his activities would be restricted to the purpose mentioned above. Despite this, Greene immediately interested himself in

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many matters completely outside the jurisdiction of O.S.S. in the Western Hemisphere and in such a manner as to needlessly hamper and confuse the intelligence operations of U.S. agencies already established in the South American field. Reliable information indicates he formed a large group of informants for checking into reported subversive activities on the Buenos Aires water front, the investigation of alleged smuggling of strategic materials from that port to neutral European ports, and alleged infiltration of German sympathizers into shipping companies. Greene also injected himself into the investigation of a number of espionage suspects already the subject of intensive investigation by representatives of appropriate U.S. Intelligence Agencies thereby seriously threatening the proper handling of these investigations. Indiscreetness on his part also endangered the usefulness of a certain double agent of another U.S. Intelligence Agency.

(ACE) Despite the absence of any jurisdiction or responsibility for counter-intelligence operations in the Western Hemisphere, an officer of O.S.S. was reliably reported to have attempted in November, 1942, to secure the permission of an official of a commercial organization doing business in South America to use the companies represented by his organization as cover companies for counterespionage work in Latin America. O.S.S., presumably knowing its lack of jurisdiction in such matters, was reported to be intending to withhold from the State Department and other interested Federal agencies the identity of its operatives to be sent to Latin America. While it is not known that this plan was consummated, it is understood preparations for its execution had developed to the point where a school for these O.S.S. operatives was scheduled to begin in Washington on January 25, 1943. This was to include instruction in telephone tapping, use of secret listen-

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ing devices and other intelligence modus operandi. The possibilities that such a project might have results embarrassing to U.S. intelligence agencies already operating in Latin America; and to the United States Government itself, are obvious.

(ACF)

In January, 1945, the F.B.I. made tentative plans with the O.S.S. to bring one William Kirotar, a former Estonian diplomat, to the United States as a double agent to be used against the Japanese. It was agreed with Col. Robert Pfaff, Acting Head of X-2 Section of O.S.S., and with a Mr. Carlson, O.S.S. representative from Sweden, that Carlson would return to Sweden and immediately commence negotiations to put Kirotar in touch with the Japanese so that he might be sent to the U.S. on an espionage mission for them. An informant of Carlson's, in touch with both Japanese and German officials in Sweden, had been requested to recruit just such an individual as Kirotar who possessed every qualification expected by the representatives of the enemy and was willing to undertake the role of double agent.

(ACF)

On February 5, 1945, Col. Pfaff attempted to arrange a personal interview with the Director of the F.B.I. on behalf of Count Carl Bonde, Head of Swedish CE. He was informed that the Director was out of town and would not be back before Count Bonde's scheduled departure on February 15, 1945. However, a complete tour of the Bureau and other courtesies were offered Count Bonde through Pfaff. Pfaff seemed completely unable to appreciate the inability of the Director to see Count Bonde as a result of not being in the city and persisted in attributing the failure to accord Count Bonde a personal interview to an uncooperative attitude on the part of the Bureau.

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He permitted his feelings to take him to the length of dropping all plans which had been made to bring Kirotar to this country, thus depriving the U.S. Government of an excellent opportunity to establish, through the F.B.I., a channel of communication directly with the Japanese espionage organization.

ACH : Certain reliable sources believe, though without definite proof, that a properly authorized investigation would prove that the O.S.S. has been conducting a public relations campaign in the U.S. through several well-known public relations counselors to enhance the stature of O.S.S. and discredit G-2 and Navy Intelligence. Newspaper clippings and radio commentators have almost uniformly commented favorably on the O.S.S. and surrounded it with an aura of secrecy and accomplishment. On the other hand, negative remarks and discrediting statements against G-2 and Navy Intelligence seem to be the rule. The F.B.I. uses aids in public relations but not to the detriment of Army and Navy intelligence which seems possible in the case of O.S.S. There are several articles available which appear to contain a bid by the O.S.S. for a postwar build-up and at the same time seem to be a breach of security.

(ACI) : A completely reliable source has advised that an official identified with O.S.S. stated late in 1944 that O.S.S. plans a tremendous publicity program as soon as military security permits. He said that the well-known author, John Steinbeck, has been charged with keeping abreast of O.S.S. activities so that he will be in a position to write a book exploiting them when the proper time comes.

(ACJ) This same official stated that another evidence of a desire for publicity is illustrated by one occasion in Italy when O.S.S. members were told to collect a number of enemy guns and meet at a certain place near

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the front lines to be photographed by the Signal Corps so that when the pictures were published the American public would be given the impression that these men had just returned from enemy territory with captured enemy guns. The photographers did not appear as expected and the Espionage Section of O.S.S. was reported to be very much annoyed about the matter.

(ACK)

He further stated that it was the policy of his agency not to give any more information than necessary to the F.B.I. He pointed out that O.S.S. school instructors in the United States had discussed the F.B.I. in an unfavorable light and had painted the picture of O.S.S. replacing the F.B.I. not only outside the U.S. but also in the domestic field. The publicity campaign referred to was to be one of the means adopted to accomplish this purpose.

From all of the foregoing examples, it would appear that the O.S.S. had done no good whatsoever. This is not the case as there are examples of some excellent sabotage and rescue work which have been of material assistance to the war effort. Also the Research and Analysis Branch of O.S.S. has been of great value in supplying necessary background material and maps.

General Stilwell, in a letter to General Donovan, dated May 30, 1944, and written from C-B-I, stated that he expected to call on O.S.S. Detachment #101 for more and more operations and intelligence as the campaign progresses to the south. He approved the request for 35 additional officers and 150 men, all with O.S.S. training, for arrival in the Theater before September 1, 1944, as necessary for handling increased requirements.

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General Arnold, in a letter written September 19, 1944, thanked General Donovan for the important role played by the O.S.S. in the rescue of American airmen from the Balkans, stating that the success of rescue missions has been directly dependent upon excellent O.S.S. cooperation.

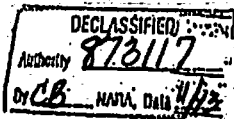
General Spaatz, in a letter to General Donovan, dated January 16, 1945, expressed his appreciation for the material aid which the O.S.S. has rendered to the U.S. Strategic Air Forces in the European Theater. He stated that it would seem unfair to single out any particular aid but did stress the wealth of timely assistance given by O.S.S. sections dealing with the periodic condition of the various German industrial complexes. He further stated that he sincerely hoped that the type of services presently being rendered by O.S.S. sections dealing with complexes will not end with this war but will continue to develop throughout the future of our country.

Lt. General Smith, Chief of Staff for SHAEF, in a letter dated September 13, 1944 to the Joint Chiefs of Staff, stated that O.S.S. has established in the European Theater an extensive intelligence and research organization which is staffed by well qualified personnel and further that an extension of its activities into the period of occupation would be of great value to the U.S. Group, Control Council, particularly in connection with disarmament and military government activities.

Major General Davidson of the 10th Air Force in India, in a letter of August 1, 1944, to General Donovan, also commended O.S.S. Detachment #101 for its excellent work in Burma.

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Major General Ridgeway of the XVIII Corps (Airborne) in a letter dated November 1, 1944, addressed to Commanding General, First Allied Airborne Army, commended the close cooperation, intelligence and general all around ability displayed by the various members of O.S.S. who had worked with his headquarters in the planning phases of operations which have been and still were under consideration. In a first indorsement, forwarding the letter to General Donovan, the Commanding General added his commendation for the excellent services performed by O.S.S. for the First Allied Airborne Army.

Colonel Hitchens, of the G-2 section, Allied Force Headquarters, in a memorandum dated October 30, 1944, stated that the very considerable contribution of O.S.S. towards providing intelligence material for the invasion of Southern France merited special emphasis, not only because of its intrinsic worth but also because the results obtained are an example of what can be done by an agency of this kind when it consents to work in closest cooperation with the Operational Headquarters which it is serving. He considered the results achieved by O.S.S. in Southern France before the invasion so outstanding that they should be brought to the attention of interested authorities together with the names of the principal individuals concerned.

Offsetting these laudatory comments, are a few others which should be mentioned.

In October, 1943, the opinion was expressed by an official of an intelligence agency of the Army that operations of O.S.S. in connection with the Sicilian Campaign had been practically useless.

It was learned from an official of the U.S. Government in December, 1943, that General MacArthur at the beginning of the war had ordered a staff of

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O.S.S. men out of Australia and had since refused to permit any O.S.S. men to operate in his theater due to their reputation for becoming involved in trouble.

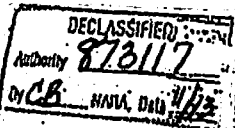
(ACN)

A completely reliable source stated that O.S.S. intends to represent to the American public that it sends its own members across the lines into European enemy territory although this is not actually the case since, due to many blunders committed by that service, SHAEF, about May 1944, instructed the O.S.S. Espionage Section to refrain from dispatching any more agents into enemy territory. The exclusive right to dispatch such agents was given to the British. This same source stated that many agents previously sent by O.S.S. to Northern Italy were arrested upon their return by U.S. Counterintelligence Corps members attached to the Army there because of the belief that they were playing a double game and were not reliable.

(ACO)

A counterintelligence officer of the French Military Mission in Washington informed a reliable source in November, 1944, that he received a poor impression of the effectiveness of the O.S.S. when he was engaged in combat intelligence in Italy. According to him, a blunder on the part of an O.S.S. representative brought about the arrest of several French undercover agents who were operating behind the enemy lines in the vicinity of Naples. The arrest of these agents occurred due to the use by this O.S.S. representative of an Italian officer who was actually a German agent. He also described an incident concerning the attempts of an O.S.S. officer to stir up the French Moroccans in North Africa. He went on to say that this information was reported by the French Intelligence Service to General

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Mark Clark and he brought about the dismissal of the O.S.S. officer responsible.

The latest incident which has arisen involves Donovan himself. He told the Polish Ambassador to the United States in effect to disregard the decisions at Yalta, that Stalin had completely dominated Churchill and Mr. Roosevelt on the Polish question, and that everything would be fixed up at San Francisco. The Polish Ambassador then called his attention to the fact that the Poles would not even be represented at San Francisco.

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APPENDIX II

Compromise to Foreign Governments

XA The O.S.S. appears to be compromised to foreign governments to an extent which makes it useless as a postwar secret intelligence, counterintelligence, or espionage agency.

XB The British, in particular, have always worked closely and cleverly with the O.S.S. While the O.S.S. knows details about normal British intelligence, it knows very little about British secret intelligence. On the other hand, the British are believed to know everything about the O.S.S. and exercise quite a good deal of control over the O.S.S.

XC There appears to be no doubt in our Embassy and Consulates in Turkey, Spain, Portugal, and Sweden that any O.S.S. activities are not known and countenanced by local police. In addition they are probably known to other intelligence agencies.

XD In Cairo, O.S.S. headquarters are next to the Embassy and worked closely with the British who have complete lists of O.S.S. Personnel although the O.S.S. has lists only of non-secret British intelligence personnel.

XE In London a high British official informed a prominent Frenchman that the British intelligence had helped the O.S.S. willingly, even to the extent of giving them credit for much that O.S.S. probably could not have done, this so that the British could control U.S. Secret Intelligence activities. As a result they could also use the O.S.S. to supply certain information about the U.S. which they might desire. The official went on to say that the O.S.S. representatives were so unintelligent that it was dif-

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ficult to build them up, even for very good British reasons.

XF

From O.S.S. sources it was learned in November, 1943, that they had abandoned positive intelligence activities in Spain and Portugal by agreement with the British but would continue certain counterintelligence (X-2) activities there. The agreement required that the O.S.S. reveal all its X-2 agents, their location and their cover, to the British so that the latter would not expose them. On the other hand, the British would disclose to the O.S.S. only a few agents who might possibly have been uncovered by O.S.S. agents in the course of their X-2 work. These X-2 agents, incidentally, arrive in the Iberian Peninsula after a course in London and remain in close touch with the local British intelligence agencies.

XG

Despite O.S.S. wishes to place its headquarters and its Spanish activities in Algiers, for geographical and other reasons, the British persuaded them to stay in London.

XH

In August, 1943, a reliable and official French source reported that there was definitely a working agreement between the British and the O.S.S. on secret intelligence activities in France. All O.S.S. secret intelligence operations there were done in cooperation with the British, although the informant did not believe the arrangements worked both ways, as the British withheld information with regard to their secret intelligence activities from the O.S.S.

XI

Mr. Allen Dulles, Chief of the O.S.S. in Switzerland, is strongly influenced, particularly on Hungarian affairs, by a Mr. Royall Tyler who is also a member of the O.S.S. This has been confirmed. Mr. Tyler is in charge of Hungarian affairs and has had a channel to Hungary for some time.

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He also sent some U.S. officers into Hungary, via parachute, two days before the Nazi occupation. Tyler is listed as a British secret agent of the Foreign Office in the top secret files of the British S.I. in Istanbul and London. The story of his enrollment into British Secret Service is known to a number of persons in the U.S.

XJ

In August, 1944, it was learned that one Victor Oswald, a Swiss citizen, married to a Dutch National, was coming to the U.S. A reliable source relates Oswald's statement that his trip was connected with a U.S. corporation for whom he was to handle all fertilizer matters. It was not known whether he planned to remain in the U.S. or whether he would return to Spain, where he formerly resided, and work in the Iberian Peninsula. It is reliably reported that he had been working for British intelligence and was, in fact, a British agent. It was also reported that he was an O.S.S. employee.

XK

In the early part of 1943 a Greek source reported that the British and O.S.S. had made arrangements with regard to respective spheres of activity in the Middle East. The source stated definitely that the British made by far the better deal in this connection.

XL

An official Czech source has admitted that the Czechs withhold certain information from the O.S.S. which they withhold from the British as they consider the O.S.S. and the British as one. They also believe the sudden gain in O.S.S. stock in 1943 was the direct result of intercession of Prime Minister Churchill with President Roosevelt.

XI

The Calcutta office of the O.S.S. is in charge of a British officer, Lt. Col. Coffey, on loan from the British Army to the O.S.S. His assist-

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ant is an American Lieutenant Schaeffer. Coffey's primary job is the recruitment of positive intelligence agents for the O.S.S. throughout the former C.B.I. Theater in which he claims to have excellent contacts. He claims to be the only recruiting agent for spies for the O.S.S. and that it is his mission to have available any such persons O.S.S. may need. He further states that whatever information he receives on occupied terrain of an economic or political nature is purely incidental and that when he receives such information he forwards it back to X-2 section of O.S.S. and to local British authorities. Both the location and telephone number of his office bears a U.S. Army classification of SECRET.

XN

General Donovan sees and corresponds with Mr. Churchill, the Duke of Windsor, and other prominent Englishmen frequently. He once made a statement that the O.S.S. owed its existence to (1) Churchill and (2) Roosevelt.

XO

Patrick A. Meade, who was a British subject until 1942 when he took out American citizenship papers, has been in the O.S.S. since 1943. He spent 15 years in the British Army, largely in intelligence work. He has had fairly important overseas jobs for the British, the most recent of which was the purchase of ordnance equipment in the U.S. for the British Government under Lend Lease.

XP

Lt. Adams, U.S. Army Signal Corps and an O.S.S. man, was for five years a British agent in San Francisco.

XQ

William Alto, a major in the Spanish Republican Army in the Spanish War, enlisted in the U.S. Army about the time of Pearl Harbor. Because of his linguistic ability and background he was transferred to the O.S.S.

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and promised a commission which did not materialize. He requested he be transferred back to the Army. This was accomplished but before his transfer came through he was offered a job in British intelligence by the O.S.S., thus indicating the close cooperation between these two organizations.

XR

There are numerous cases in New York where the British desired certain economic or commercial information in postal censorship and requested the O.S.S. to obtain it for them. In one specific case, where the British were unsuccessful in obtaining certain letters and cables in Washington via the O.S.S., they were able to do so in New York by getting the O.S.S. to go to the local F.B.I. office who sent an agent to the commercial company involved. He asked for copies of the letter and got them. It cannot be proven but it is assumed that the F.B.I. gave them to the O.S.S. who in turn gave them to the British.

XS

A Capt. Temple Fielding of the O.S.S. was stationed in Yugoslavia for the purpose of working with Tito. Upon his arrival there, arranged through and with the British, a British sergeant was assigned to him as chauffeur. Wherever Fielding went, he was accompanied by the sergeant. This aroused his suspicions and curiosity. One day, for reasons unknown to Fielding, the sergeant disappeared. Shortly thereafter, according to an unbelievable report from an authentic source, the British tried to have Fielding seized and hanged. He managed to escape to an O.S.S. base in Italy where he pleaded with U.S. authorities to take action in his behalf. The British put such pressure on the O.S.S. that he was removed to a hospital ship, locked up and listed as a mental case. He was released shortly after his arrival in the U.S. He has not been contacted for, as previously

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explained, this report is the result of information not sought out.

XI In Sweden the O.S.S. has been paying Norwegian Intelligence \$2500 a month for assistance with their radio service. It is also giving money freely to other sources there for intelligence services. In most cases, however, British Intelligence knows every move made and gets all the results from the O.S.S. contributors first. In some cases the British screen these results themselves and re-issue the information for their own credit.

XU In Stockholm O.S.S. activities are closely interwoven with those of the Norwegians and the British. One example is the projected radio operation in which the Norwegians, British and O.S.S. are all cooperating and for which it is understood the O.S.S. is underwriting 50% of the expense.

XV The British Passport Central Office in New York, believed to be headquarters of British Secret Intelligence in the U.S., is on the same floor as the New York Office of the O.S.S. where a check-up on all persons visiting the O.S.S. office is easily made. A prominent Frenchman was called several times after visits to the O.S.S. and asked for his reasons in doing so and ^{told} that the British preferred to get it first-hand although they would get it anyway from the O.S.S.

XVI A prominent Frenchman desired to make some original letters of great intelligence interest in New York available to American Intelligence. He was put in touch with a Mr. Hughes, Chief of the O.S.S. office in New York. He explained that he was under considerable duress by the British with regard to these letters and that under no circumstances should these letters, or his visit, be discussed with or made known to the British. Mr Hughes

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agreed but the very next day British Intelligence in New York contacted him and explained that they knew all about his conversation with Mr. Hughes.

KY Late in 1943 directives were issued with regard to a future breakaway from the British but it was difficult to understand how this could be accomplished as the British were believed to know almost without exception the name, location, cover, and assignment of O.S.S. agents throughout the world.

XZ Practically all the O.S.S. nets and agents in Spain were discovered by the Gestapo who informed the Spanish police of a number of them with several arrests resulting.

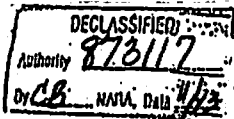
XAB Neutral diplomats in Portugal have stated that the Gestapo there have bragged of the fact that they knew every member, net, and activity of the O.S.S. and can also trace their financial dealings and payments.

XAC In March, 1945, it was reported that the O.S.S. has been able to get some of their agents into Rumania and Bulgaria but it is believed that in every case these agents are known to either the British or the Soviets.

XAD When the Soviets entered Sofia one Charles Lanius who was there announced publicly that while he was a newspaper correspondent that was only his cover and actually he was an officer in the American Secret Service. An authentic report states that he willingly gave the Soviet authorities a list of his men and his associates in that area. He was a member of the O.S.S.

XAE The O.S.S. on an official basis, and admittedly for the worthy purpose of fighting the war in which Russia is our Ally, made a tie-up and interchange of missions and personnel with the Soviets, assigning a Colonel John Haskell as O.S.S. Chief of Moscow. While Col. Haskell has a good Army background, being a West Point graduate, he has no intelligence, counterintelligence or investigative background and has the reputation of being a naive person.

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XAF

Alexander Barmine, formerly a general in the Red Army, who disavowed Communism and was condemned to death in Absentia by the Communist Russian Government, joined the O.S.S. in 1942. At that time he denounced to his superiors a list of O.S.S. persons who were Communists and/or Communist agents. No action was taken on this list. After a period in the U.S. Army he rejoined O.S.S. and still denounced certain persons and as a result was fired although the official reason for this was supposed to be an article which he wrote for the Reader's Digest.

XAG

In Istanbul the Turkish police have a dossier on all members of the O.S.S. which has a force of over 15 men in that city. Headquarters are maintained in the office of the Assistant M.A. who, it is reported, is the nephew of a British officer, formerly Chief of S.I. in Turkey. Several members of the Istanbul police are used in connection with counterintelligence activities. Before severance of diplomatic relations between Germany and Turkey, the O.S.S. used to get a daily list of arrivals and departures from the Turkish police department. For this they paid \$500 per week although several other U.S. agencies obtained copies free. This outlay has since been discontinued although other information is obtained and paid for regularly. In connection with their counterintelligence activities, they detailed three of their men to follow suspicious characters. In turn these three men are under surveillance by the Turkish police.

(XAH)

A lieutenant colonel in the Army, who has recently completed an assignment of about a year in O.S.S., reported that conditions which he found on a tour of India were unbelievable. He stated that in Bombay O.S.S. had en-

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ployed a Chinese girl, Mabel Wong. On checking with Allied intelligence sources, he learned definitely that she was a Japanese agent and that she was using an O.S.S. sergeant, named Leslie, to obtain information from O.S.S. (Leslie later absconded with approximately \$40,000 of O.S.S. funds). The source stated he called this to the attention of the responsible O.S.S. officer and was told to attend to his own business. On returning to Washington to resign from O.S.S., he called this matter to the attention of British Intelligence officers who immediately placed both Wong and Leslie in jail. He further reported that Nina and Robert Hausheer, both reputedly Japanese agents, were frequent visitors of the O.S.S. office in Bombay. (When he arrived in Bombay he observed that military installations in and around that city were being scrutinized by reputedly Japanese agents. He proposed to the O.S.S. officer, a colonel, that a security survey of such military installations be made. He was immediately informed that such an idea was assinine. He requested permission to inform military intelligence about this situation and was informed by the colonel that he should not pass such information on to them as a dereliction on their part would make O.S.S. look good in Bombay.)

(XAI) An independent source has reported allegations that one Andre Labarthe was given 20,000,000 francs by General Giraud for the purpose of disseminating propaganda in the U.S. in the interests of the French Army. The exchange of this money was handled by the O.S.S. (After considerable delay Labarthe received approximately \$100,000 American instead of the \$400,000 which he should have received and only a confused explanation was given him by the O.S.S.).

(XAJ) Among the German diplomatic internees at White Sulphur Springs in Decem-

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ber, 1941, was Paul Scheffer, a correspondent for a German newspaper who was slated to be returned to Germany. It is reported that on Hitler's accession to power in 1933 Scheffer was made Editor-in-Chief of one of the larger German newspapers. It was also said he had once been tried in Russia as a German spy and evicted from that country. Scheffer was not returned to Germany with the German diplomats from America but was interned for a time as a dangerous enemy alien, finally being released on parole in June, 1943. An officer of O.S.S. was the authority for the statement that Scheffer was an employee of the O.S.S. whose duties and activities were known only to General Donovan.

XAK

Congressman Martin Dies, in a statement appearing in the Congressional Record of February 1, 1943, asserted that Leonard E. Mins, employed by O.S.S. as a research analyst at a salary of \$4,000 per year, had been an active Communist since 1930. Mins was said to have worked for the Communist Internationale in Moscow for several years and to have contributed to the publications "The New Masses" and "The Daily Worker," the editorial policies of which were said to be controlled by members of the organization known as the Communist Party. Mins was finally removed from his position with O.S.S. in May, 1943.

(XAL)

A responsible intelligence officer of a friendly power stationed in Lisbon in January, 1943, reported the unsuccessful attempt of O.S.S. to operate as a "double agent" one Jan Charles Alexandre Alexander, alias Lima de Fonseca, who is described as a dangerous German agent. Despite the awareness of O.S.S. that he was a dangerous person to use, the O.S.S. proposed in May, 1943, to the F.B.I. that he be brought to the U.S. and operated as a double agent. No hint was given of the difficulty which O.S.S. had en-

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countered in their dealings with him and the proposal was apparently made with knowledge of the impossibility of his being successfully used as an operator.

(XAM)

In another case involving a "double agent", an O.S.S. representative employed an Italian officer who was actually a German agent and who furnished information to the Germans concerning the identity of a number of individuals operating for the French and for the O.S.S. in Italy.

(XAN)

In June, 1944, one Ellan R. Rado, an employee of the O.S.S. at that time, advised Dr. V. Palic, First Secretary of the Czechoslovakian Embassy, that O.S.S. was giving a great deal of study to the Polish situation. He promised he would keep Rado advised of developments.

XAO

It has previously been reported that affidavits can be secured from reliable and prominent sources in Stockholm that all of the O.S.S. personnel and activities are well known to the Swedish Secret Police.

XAP

In China it is generally known that a tie-up has been made by O.S.S. with Chiang Kai Shek's own intelligence and are integrated with them as they are with the British.

(XAO)

There is evidence available that the French Secret Service, at the invitation of General Donovan, is getting a foothold in the Western Hemisphere and it is also believed that Donovan is inviting Belgium officers to become involved in this Hemisphere.

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APPENDIX III

Possible Postwar Uses of the O.S.S.

The present activities of the O.S.S. are as follows:

1. Secret Intelligence
 - a. Liaison with undergrounds, minority groups, and subversive groups in various countries throughout the world.
 - b. Espionage.
 - c. Interception (radio, telegraph, telephone, etc.).
 - d. Dark chamber (cryptanalysis).
2. Secret Operations
 - a. Sabotage.
 - b. Subversive activities.
 - c. Subversive propaganda.
3. Research and Analysis
4. Counterintelligence
5. Propaganda, counterpropaganda and miscellaneous activities

After the war activities under 1 a, 2 a, b, c, cannot be engaged in by any democratic nation which seeks peace and has no ambitions for conquest.

By Presidential directive activities under 1 c and d are assigned to agencies other than the O.S.S. and a Presidential directive in 1942 specifically forbids the O.S.S. to enter into these two fields.

The current O.S.S. Research and Analysis organization covering item 3 is excellent but it seems doubtful that they will be able to keep the high-level key men they now have who are engaged by the O.S.S.

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for the duration only and who will probably wish to return to their own business or profession. Furthermore, after the war, research and analysis will fall into various categories and interests and should follow the specialization of State, War and Navy. Even if it were possible for the O.S.S. to retain this branch with its present outstanding personnel, it is still believed that it should be placed under some regular government agency, preferably the State Department which would probably use it more than any other.

It seems evident that, after the war, the activities under item 4, Counterintelligence, would be the exclusive function of the agencies who have always done an excellent job in this field both in war and in peace, namely, the F.B.I., the Army, and the Navy.

It is equally evident that activities under paragraph 5 are natural peacetime functions of the OWI, or the State Department, which presumably and normally will assimilate this wartime agency.

This leaves only the activities under 1 b, Espionage, as the major function which can be considered for the O.S.S. with respect to survival in its present form. However, this is not feasible because of the almost hopeless compromise of O.S.S. personnel and organization which makes their use as a secret intelligence agency in the postwar world inconceivable.

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