

Spy Agency Hoards Secret \$1 Billion

- *Satellite Managers Did Not Tell Supervisors Of Classified 'Pot of Gold,' Hill Sources Say*

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The agency that manages the nation's spy satellite program has accumulated unspent funds totaling more than \$1 billion without informing its supervisors at the Pentagon and CIA or its overseers in Congress, according to Capitol Hill sources.

The ability of the National Reconnaissance Organization to salt away so much money from its classified, multibillion-dollar budget reaffirmed long-standing concerns in Congress that intelligence agencies sometimes use their secret status to avoid accountability.

After complaints from the House and Senate in June about the NRO's finances, CIA Director John M. Deutch launched an inquiry. Based on its findings he recently ordered a restructuring of the NRO's financial management and a complete review of its spending.

The 35-year-old agency, whose operations were so cloaked in secrecy that even its name was classified until three years ago, supervises design, development, procurement and launching of satellites and maneuvers them, at the direction of CIA



CIA Director John M. Deutch has ordered review of NRO spending.

and Pentagon program managers, to cover designated targets.

The unspent funds, dubbed a "pot of gold" by one Senate aide, were discovered after the Senate intelligence committee raised questions a little more than a year ago about a luxurious, \$300 million new head-

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NRO, From A1

quarters complex NRO was building in Fairfax County, whose officials had been told the building was for Rockwell International Corp. The committee learned that the four-building complex, which congressional staffers believe was financed in part by the unspent funds, contained 30 percent more office space than NRO needed and that the agency was paying for construction out of base operating funds it already had, without seeking a specific appropriation for building.

The pool of unspent money accumulated as a result of NRO's practice of having Congress pay in advance for multiyear, billion-dollar-plus satellite programs, Deutch said in an interview. Agency managers allowed incoming funds to pile up when NRO's spending on contracts took place at a slower-than-planned pace.

Although the CIA inquiry found nothing illegal about how the NRO handled the money, Deutch said, he put a new chief financial officer in the agency. He also ordered a "separate budget scrub," or thorough look at funding for all its programs, before presentation of next year's spending plan.

Maj. Pat Wilkerson, spokesman for NRO, said agency officials could not comment on the fund because "both the programmatic and dollar content of the NRO budget are still considered classified."

NRO's funding is part of the Pentagon budget, but many of the agency's intelligence programs are under CIA supervision. Senate investigators, sent by angry members of the Senate intelligence and Appropriations committees, have begun for the first time to take a close look at NRO's previously accepted accounting practices.

One congressional aide put the total of unspent funds as high as \$1.7 billion, and another source familiar with the issue made a similar estimate. Some other sources, however, said the total may turn out to be less than \$1 billion. Deutch, in the interview, declined to put a figure on the unspent money.

House intelligence committee Chairman Larry Combest (R-Tex.) said Friday he has demanded a complete accounting of the funds, "what money is in what account . . . how it got there and how the money will be dispensed in the future."

Describing the situation as "disturbing," Combest criticized NRO manag-

ers and said they had "fallen quite short about being open about this." Combest said he wanted to be certain it "doesn't become a slush fund" but refused to say how much money was involved.

Combest said he had no problem with NRO contractors wanting to have a pool of unspent money carried over

from one year to the next in the budget to guarantee payment. But he questioned "how long it should be there and how big it gets." Other congressional sources said part of the accumulated fund was originally appropriated to pay for launching four or more completed, classified satellites, which from space

would collect photo and radar images and electronic messages. These billion-dollar vehicles are in storage and have not been put into orbit because the ones already in space are operating far longer than expected.

The behind-the-scenes congressional concerns about NRO financial dealings were triggered by statements made on the House floor earlier this month when Rep. Norman D. Dicks (D-Wash.), normally a strong supporter of the agency, referred to his displeasure with "NRO's performance in keeping the committee informed about the expenditure rates for certain programs and the annual funding needs based on those rates."

At the recommendation of Combest's committee, the House made a 1 percent reduction in NRO's fiscal 1996 budget. While the exact amount is classified, sources said last year it was around \$7 billion, indicating the reduction totaled \$70 million. It was one of the few cuts made by the House in the intelligence budget, which rose by 1.3 percent over President Clinton's recommendations and is said to total around \$29 billion. On the House floor, Combest joined in Dicks's criticism saying, "I, too, am not pleased with NRO's performance regarding expenditure rates and funding needs."

Concern has risen over high costs and secrecy at the NRO since the Cold War ended, according to congressional sources. Previously, Congress was generally satisfied with the agency because its super-secret electronic devices were extraordinarily successful in obtaining intelligence for policymakers and military commanders.

In closed hearings before amazed members, NRO officials would display detailed space photos of Soviet missile sites and examples of message intercepts. The quality silenced potential complaints about cost. "In those days of the Cold War, it was just a question of getting technology up there as fast as possible," one member said.

With the end of the Cold War, however, it became apparent the intelligence budget would have to be cut and, by then, the NRO made up a substantial part of the government's \$30 billion-plus total. Some Senate Armed Services Committee members and staff began to raise questions about "gold plating" intelligence satellites.

Staff writers Bradley Graham and R. Jeffrey Smith contributed to this report.