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How the world's premier police corporation totally hit the skids

BY CHITRA RAGAVAN

As brands go, they don't get much better. In the swaggering world of big-time law enforcement, no other agency could touch the Federal Bureau of Investigation. Not even London's fabled Scotland Yard. Cybercrime, tracking terrorists—you name it, when it comes to police work, the FBI was the hands-down best. That's probably still the case. Just

look at the numbers. The FBI's more than 11,000 special agents and its \$3.6 billion annual budget make most other police agencies look like Dogpatch deputies. Yet for all its resources—and despite all its headline-grabbing successes—the FBI today is staggering through one of the worst periods ever, with much of the damage caused from within.

And it's not simply the latest blunder—the FBI's failure to disclose 4,000 pages of evidence to lawyers for Timothy McVeigh, the Oklahoma City bomber. That's why McVeigh's scheduled execution this week alone won't repair the damage. A survey con-

FBI Director Louis Freeh will leave with a mixed legacy

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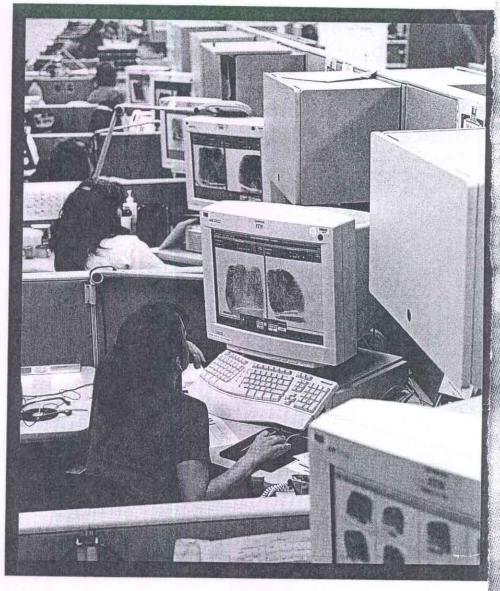


ducted for U.S. News found that 37 percent of Americans have less confidence in the FBI today as a result of its handling of the McVeigh prosecution. Since McVeigh was such a heinous killer (he called the children killed in the bombing "collateral damage"), the erosion in public support for the FBI is clearly not due just to this one case. The McVeigh screwup closely followed another, infinitely more devastating disclosure. The arrest of a veteran FBI agent, Robert Hanssen, on charges of spying for Moscow for 15 years, is a blow from which the bureau is still reeling. The FBI is the nation's premier spy-chasing agency, and though Hanssen has asserted his innocence, the lengthy indictment filed against him offers damning evidence that the bureau's top mole hunters failed repeatedly to recognize a spy from within. Before Hanssen, the litany of embarrassments stretches back years, a conspiracy buff's string of worry beads-Ruby Ridge, Waco, Wen Ho Lee.

Echo chamber. When the FBI makes a big case, as it did this month with the convictions of four terrorists in the bombings of the two U.S. embassies in East Africa, the echo-chamber effect is enormousbanner headlines, glowing TV highlights, and all the rest. But when it stumbles, as it did with McVeigh, the echo chamber resounds with a thunderous clang. That's the nature of high-wire police work. But a look behind the big wins and losses shows an agency at once beset by troubles and, in some respects, unready for the future. One of the FBI's divisions still uses computers with 386 microprocessors-chips so old that they haven't been sold for nearly a decade. FBI computers don't have rudimentary Internet browsers. Agents can't even send E-mail outside the bureau's internal network.

With Director Louis Freeh stepping down after eight turbulent years, the challenges of fixing what's broken and redirecting resources falls to someone else. President Bush is expected to name a successor to Freeh shortly. An examination by U.S. News shows that whoever replaces Freeh must do more than restore the luster to the FBI brand tarnished by embarrassments like McVeigh. In fact, some of the toughest criticism of the bureau comes from current and former high-ranking agents. Within the bureau, says John Sennett, president of the FBI Agents Association, "there's a lot of soul-searching, a lot of befuddlement."

There are problems within the ranks as well. While many mature corporations have trouble with an aging workforce, the FBI has the opposite dilemma. Freeh has deliberately kept the bureau overstaffed.

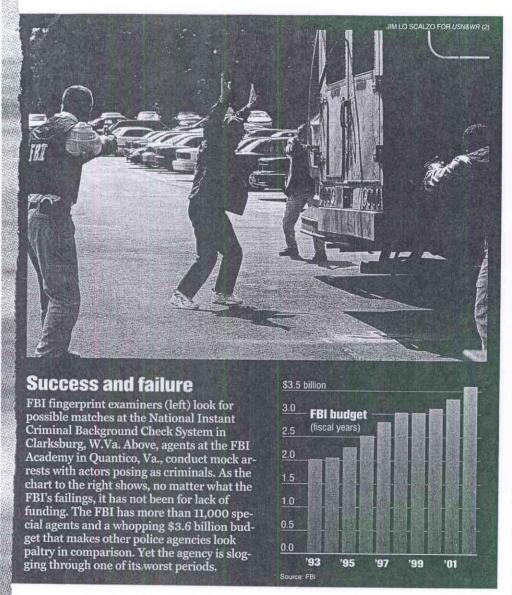


"He really wanted to invest in shoe leather," says one former justice official. But that ramping up of staff was combined with a rapid retirement of senior agents in charge and deputies (lured in part by lucrative pensions and large private sector paychecks), leading to a young workforce. "You've got the new leading the new," says the FBI's deputy director, Tom Pickard. "They're going to make mistakes. It's hard to absorb that many young employees, [to] have adequate management supervision over them."

The FBI, many current and former agents say, is a corporation in crisis. Over the years, the bureau has worked hard to nurture its "always gets its man" legend. The Hoover legacy had become an increasing embarrassment, and it wasn't just the alleged penchant for party dresses and the paranoia that made Richard Nixon look

like Mister Rogers. A Vietnam-era generation of agents and supervisors upended the Hoover approach to crime, which piled up penny-ante busts of gamblers and treated organized crime as a creature of myth. The new guys (and they were almost all guys) thought big. Using new racketeering laws and sophisticated surveillance tools, they took on the Mob (Page 20). By the mid-1980s, they had brought the five big Italian crime families in New York to their knees, putting capos of every one away for long stretches. Whether it was Italian mob bosses then or Islamic terrorists now, the FBI makes its cases with singular flair. "Among all the government agencies," says branding expert Al Ries, "the FBI is probably the best known and most respected. [But] that doesn't mean it doesn't have a lot of negatives."

Some of those negatives, even admirers



of Freeh say, must be laid at the outgoing FBI director's door. When President Clinton named him to head the FBI, in the summer of 1993, Freeh seemed sent by Central Casting. A square-jawed street agent who worked undercover against the Mafia, Freeh rose to the top of the FBI, with stops along the way as a top federal prosecutor and a no-nonsense federal judge. A driven moralist, Freeh brooks no opposition on issues of right and wrongeven when those issues involve a sitting president. On the sunny day Clinton announced his nomination, Freeh declared that the FBI "must stand for absolute integrity, be free of all political influence."

This, in the end, may be Freeh's true legacy. Freeh has tried to nourish the values that have made the FBI's corps of agents relatively free of corruption. He has ordered all agents to attend a two-day

refresher course in ethics and law at the FBI Academy and expanded the regular ethics training for agent recruits. Obsessed by the horrors of Nazi Germany, Freeh implemented a program requiring every new FBI agent to spend a full day at the Holocaust Museum to learn about the evils of abused power. He also reached out to street agents at all levels. Says Sennett: "There was nothing imperious about the man."

Opening doors. In another first, Freeh also worked hard to break the walls of an agency that had long prided itself on its insularity. For years, FBI brass refused to let outside experts review procedures in the vaunted crime lab. Then, once it became evident that the lab, in fact, had bungled all kinds of important forensic tasks—Freeh ordered changes, inviting in outside consultants to help fix the lab's

problems and hiring others to run whole divisions. "We've recognized," says Deputy Director Pickard, "that we don't have all the answers."

The problems that arose on Freeh's watch shouldn't obscure the other successes the FBI has had during his eight years at the top-or cloud the triumphs in the day-to-day work of the bureau. During that time, FBI agents opened nearly 800,000 cases on every kind of criminal activity-conspiracy, bank robberies, drug deals, homicides, credit-card crime, child pornography, and terrorism. Because of the burgeoning, global nature of crime, Freeh traveled to 68 countries and substantially increased the number of legal attaché offices at U.S. embassies, a prescient move given that today 40 percent of all FBI cases have a foreign component. "The real irony here," says FBI spokesman John Collingwood, "is that despite the commotion over McVeigh, everything Freeh has done for the bureau will all still be here when he walks out the door, but it will be largely unnoticed by the public."

But Freeh's lack of management training clearly didn't serve him, or the FBI. well. He could talk the talk of "empowerment" and "decentralization," but he failed to fully address the FBI's desperate technology and record-keeping problems. When the Oklahoma City bombing case erupted, the FBI was still using a records system based largely on paper. Most of the investigative paper records were mailed to Oklahoma City by Express Mail for entry into a separate database. In a case with some 1 million pages of documents, the records system was doomed to implode. "We've watched this fiasco in every one of these superinvestigations which create millions of records," says a senior FBI official. "Not only was our record keeping bad to begin with, we don't know what we don't have. We're hanging ourselves." "Looking back," says Agent Sennett, "it had to be treated as a Code Red situation requiring active attention at the top,"

But the bureau didn't get it. Despite its reputation for deploying whiz-bang technology, the FBI has been slow to enter the Internet age. Retired IBM executive Bob Dies, 52, recently hired to fix the bureau's computer woes, says that for half a century "agents and friends of agents" ran everything. "What do they know about computers? Beats me." Almost every corporation upgrades its computer networks every two or three years, Dies says, but at the FBI, 60 percent of the desktop PCs are four to eight years old, the networks 12 years old. "The system," he says, "is not built for the level of complexity agents must deal with today."

But the FBI bureaucracy seems to de-

feat any attempt at change. After Dies learned how long it would take to get his new FBI business cards ordered, he decided to go out and buy his own. The FBI's macho culture also added to the ills. The FBI, like many government agencies, has been plagued by a culture that says "real men don't type," Sennett says. "Twentyfive years ago, senior agents asked Molly, Cathy, or Peggy to come in from the steno pool and sit primly on the chair and take shorthand."

Lone wolf. If Freeh failed to make significant changes in that culture, critics and admirers say, it may be due in part to the fact that he was too much the lone wolf. Freeh went through seven deputies in eight years; he relied on a clutch of trusted friends, many from his days in New York. But he often failed to heed input from his agents, supervisors, and even from some of those trusted friends, relying instead on his own instincts and judgment. In the Hanssen debacle, Freeh and top aides ignored warnings of a mole in the FBI's holiest of holies-its supersecret spy-chasing division. FBI investigator Thomas Kimmel said he warned Freeh and other top officials two years earlier about a spy within the bureau.

Where Freeh clearly has not had success-and where his successor will face one of his greatest challenges-is in breaking what many see as an unfortunate FBI penchant for keeping secrets. In a light most favorable to the FBI, perhaps the failure to locate more than 4,000 pages of evidence in the McVeigh case and turn them over to his lawyers was due to lousy recordkeeping procedures. But the FBI has a long, disturbing track record of playing keep-away. Years after the deadly inferno at the Branch Davidian compound near Waco, Texas, former Missouri Sen. John Danforth was enlisted to investigate the FBI's failure to disclose key evidence in the affair. FBI agents and supervisors had already concealed from Justice Department lawyers the use of incendiary devices during the standoff. During his review, Danforth said, it became clear that some of the FBI's lawyers viewed his request for documents as a "nuisance" and "with resentment." "It was asking people to clean their attic," Danforth told U.S. News. "They just didn't want to deal with it."



The greatest hits

The past nine years have not been stellar for the Federal Bureau of Investigation-to say the least. The agency is still taking hits for allegedly bungling major cases, some that ended in tragedy. Following are some of the most controversial actions leading up to and during the Freeh years.

RUBY RIDGE

Aug. 21, 1992: U.S. marshals approach white separatist Randy Weaver's log cabin in Ruby Ridge,



Weaver

Idaho, to arrest him for failing to appear in court on gun charges. In the ensuing gunfight, a deputy U.S. marshal, William Degan, and Weaver's 14year-old son.

Sammy, are killed. The FBI is called in. The next day, FBI sniper Lon Horiuchi wounds Weaver and his friend, Kevin Harris, and fires a controversial shot that kills Weaver's wife, Vicki, as she stands behind the door



Branch Davidian compound

of the cabin, holding their 10month-old daughter. Weaver and Harris surrender 10 days later. Weaver serves 16 months in prison on weapons charges. The feds pay \$3.1 million to Weaver and his three surviving daughters and revamp regulations on FBI rules of engagement. "Bureau performance during Ruby Ridge and after was . . . terribly flawed," Freeh tells a Senate panel.

WACO

Feb. 28, 1993: Agents of the federal Bureau of Alcohol, Tobacco and Firearms (ATF) try to serve search and arrest warrants on the Branch Davidians, an apocalyptic sect holed up in a compound near Waco, Texas. A 51day standoff begins between Davidians leader David Koresh and the FBI. Four agents and six Davidians die in a gunfight. On April 19, an FBI tank knocks down walls, punches holes in the main building, and pours tear gas inside. Fires break out and the compound burns to the ground, killing Koresh and 80 followers, including 17 children.

OLYMPICS BOMBING

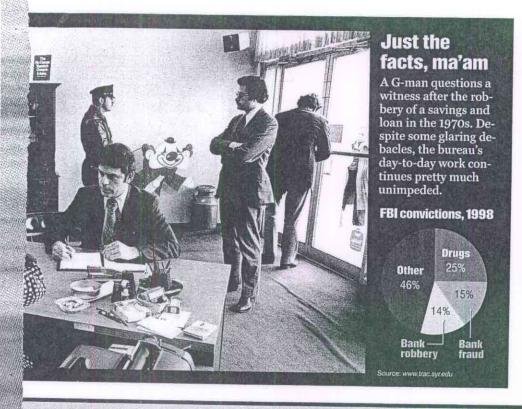
July 27, 1996: A homemade pipe bomb explodes during the Summer Olympic Games in Atlanta, killing one person and injuring 111 others. Security guard Richard Jewell, who alerted authorities to a knapsack containing the bomb, emerges as a hero. A few days later, senior FBI agents name Jewell as a suspect. He's later exonerated and accuses the FBI of trying to trick him into confessing.

FBI CRIME LAB

April 15, 1997: The Justice Department's Inspector General concludes its 18-month-long investigation into whistleblower Frederic Whitehurst's allegations of mishandling of evidence by the FBI's crime lab. The I.G.'s report slams the once renowned crime lab for sloppy, inaccurate work and for providing testimony slanted in the prosecution's favor in several major cases, including the Oklahoma City bombing.



An FBI agent scours the beach

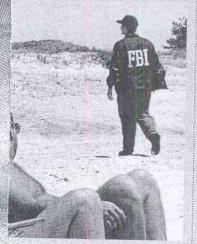


The same thing happened with Ruby Ridge and the FBI's attempt to arrest separatist Randy Weaver, holed up in a mountain cabin with his family. Even before he arrived at the siege, the commander of the FBI's Hostage Rescue Team unilaterally changed the rules of engagement, allowing snipers to shoot on sight any armed person out in the open. An FBI sharpshooter shot and killed Weaver's wife as she was holding their 10-monthold infant daughter. But once again FBI brass were less than forthcoming during a trial of Weaver and Harris on charges of murder and conspiracy to murder a federal marshal. U.S. District Judge Edward Lodge, furious with the FBI's delay in turning over documents, fined the government \$1,920. The FBI, Lodge said, had shown a "callous disregard for the rights of defendants and the interest of justice,' and a "complete lack of respect for the court." Last week, a federal appeals court ruled that the sharpshooter could be tried for manslaughter.

In the case of Wen Ho Lee, the nuclear scientist accused by the FBI of spying at the top-secret federal Energy Department

TWA FLIGHT 800

May 10, 1999: A Senate subcommittee raises serious questions about the FBI's probe of the July 17, 1996, crash of TWA Flight 800 off the coast of Long Island, N.Y., in which 230 people died. Sen. Charles Grassley, an lowa Republican, accuses the FBI of jeopardizing flight safety by trying to bottle up a Treasury Department report that blamed the crash on a mechanical failure and not a terrorist attack.

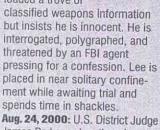


for witnesses of TWA 800 crash.

LOS ALAMOS

Dec. 10, 1999: Wen Ho Lee, a former nuclear weapons scientist at Los Alamos National Laboratory, is arrested and charged with 59 counts of illegally removing classified weapons data

from the lab, in violation of the Atomic Energy and Foreign Espionage acts. Lee, suspected of selling secrets to China, had been dismissed from the job in March 1999. He downloaded a trove of



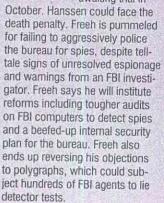
Wen Ho Lee's homecoming

Aug. 24, 2000: U.S. District Judge James Parker orders the release of Lee on \$1 million bail. On September 13, Lee pleads guilty to one felony count. The federal judge in the case apologizes to Lee for the government's conduct.

RUSSIAN SPY

Feb. 18, 2001: Longtime FBI agent Robert Philip Hanssen, a specialist in Russian counterintelligence, is arrested in a public park in Virginia after a document drop for the Russians at an agreed location.

He's charged with espionage and conspiracy to commit espionage for allegedly selling secrets to Moscow for 15 years before getting nabbed. He pleads not guilty May 31 and is awaiting trial in



OKLAHOMA CITY

May 11, 2001: Attorney General John Ashcroft delays the execution of convicted Oklahoma City bomber Timothy J. McVeigh, citing the FBI's failure to turn over pertinent documents and evidence to McVeigh's attorneys. The April 1995 incident, which killed 168 people and injured hundreds, was the largest terrorist attack on U.S.

soil. Some 4,000 pages of related FBI documents are recovered after 46 of 56 field offices admit they failed to follow 16 directives to turn in all records. But Justice officials say those files have no bearing

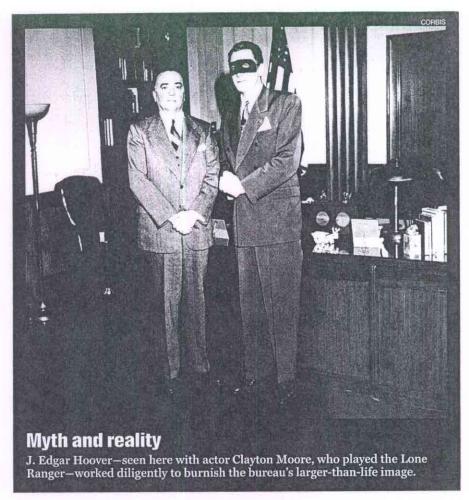


McVeigh

on McVeigh's guilt or innocence. A federal judge agrees and refuses to stay the new June 11 execution date. But the FBI's credibility is further eroded. Freeh acknowledges the bureau's failure, taking responsibility for the FBI's management problems. He expands the ethics courses for agents in training. McVeigh abandons appeals and prepares to die.

lab at Los Alamos, the FBI's conduct was even more egregious. Lee was kept in near solitary confinement for almost a year while the government prepared its caseonly to have a senior agent admit in the end that he had misrepresented a key piece of evidence in courtroom testimony. Lee, facing dozens of felony charges, pleaded guilty to a single count-not of spying but of mishandling sensitive documents. "They did not embarrass me alone," U.S. District Judge James Parker said of the FBI and the prosecutors. "But they embarrassed this entire nation and everyone who is a citizen of it." In the poll conducted for U.S. News, 36 percent of those surveyed said they had more confidence in the FBI's effectiveness at fighting crime than in its honesty in doing so. Citing these and other problems, U.S. News has learned that Freeh will reverse a long-standing position and acknowledge that Attorney General John Ashcroft should seek the appointment of an independent inspector general as a watchdog over the bureau.

For all its woes, the FBI's problems aren't due to lack of money. The FBI's budget has nearly doubled from \$2.1 billion in 1993 to \$3.6 billion in the current budget request—and that at a time when the budgets of many other federal agencies are being slashed. According to TRAC, a Syracuse University database of Justice Department statistics, the FBI's workforce of special agents and support personnel has



GOODFELLAS

Getting it right: the FBI and the Mob

or 40 years, J. Edgar Hoover denied that the Mafia even existed. Only in the 1960s, faced with Attorney General Bobby Kennedy's aggressive push to crack down on La Cosa Nostra, did the bureau finally take on organized crime. By then, the Mafia's influence extended from America's largest unions into trucking, construction, longshoring, waste disposal, gambling, and garment making. The Italian-American Mafia had grown into a multibilliondollar syndicate of criminal enterprises run by 26 "families" nationwide.

Over the next 20 years, the FBI's anti-Mob efforts showed only modest progress.

But starting in the mid-1980s, the bureau spearheaded an unprecedented assault on the Mafia, putting away two generations of godfathers on racketeering charges. Among the attorneys involved in those cutting-edge cases was a young federal prosecutor named Louis Freeh, who never lost his Mob-busting zeal. Whatever failures marked his tenure as FBI chief, Freeh pushed forward "the most significant organized crime prosecution effort in U.S. history," says Virginia Commonwealth University criminologist Jay Albanese.

Winning big. Key to the feds' success: their aggressive use

of RICO statutes, under which entire criminal enterprises can be indicted, and steppedup bugging of Mob cars, phones, and meeting places. Another breakthrough was cracking omertà-the Mafia's enduring code of silence. Faced with damning disclosures from wiretaps and the prospect of life in prison, top goodfellas have "flipped" to the prosecution's side, By keeping the pressure on, the feds have cut the number of active Mafia families from 22 in 1990 to just nine today, FBI officials told U.S. News. And while the number of fullfledged members has stayed at about 1,100, half of those wise guys are now in jail or

inactive. Mob experts believe the Mafia's Commission-a ruling body of godfathers who mediate disputes-has not met since 1996. Once thriving Mafia families in Cleveland, Detroit, Kansas City, and Milwaukee are "down to two to three guys doing low-level scams," says Thomas Fuentes, chief of the bureau's Organized Crime Section. One result: Relative novices are now running the show. Officials are unclear if New York's Gambino family-once the nation's most powerful-even has a boss anymore.

The FBI can take wellearned credit for the Mafia's change in fortune. During the Freeh years, the feds piled up 274 convictions of Mob figures, including 20 top bosses. Over the past year alone, the FBI and New York City police grown to 25,000 under Freeh-a recordat a time when the rest of the government's civilian workforce has declined by

nearly 20 percent.

The engine driving the budget increases, of course, is terrorism. Since 1993, the FBI's counterterrorism budget has exploded, from \$77 million to \$376 million. The biggest increases came after the carnage wrought by McVeigh in Oklahoma City. Just recently, Freeh asked for an additional \$26 million to expand a joint terrorism strike force. Not surprisingly, the terrorism pitch is a winning one on Capitol Hill. But the big increases have come at a time when terrorist attacks against Americans have sunk to a 20-year low. Last year, the State Department listed 153 significant terrorist incidents around the world, but only 17 against Americans. Of those, five were bombings-one of them the attack in Yemen on the USS Cole, which killed 17 Americans. "The FBI quickly found that terrorism was better than an American Express Gold Card," says Larry Johnson, a counterterrorism specialist: "You can get what you want."

But the numbers, as always, fail to tell the full story. The FBI's Collingwood says chasing terrorists is a lot tougher, and

more expensive, than bank robbers. In going global, the FBI also has increased its ranks of intelligence officers. According to TRAC, the number of FBI intelli-

arrested more than 70 people tied to New Jersey's DeCavalcante family, decimating its leadership. And in March came indictments of 48 alleged mobsters tied to New

gence analysts increased nearly fivefold from 224 in 1992 to 1,025 in 1999. They represent just a small part of the cost associated with chasing terrorists in remote redoubts on foreign soil.

"Latte division." Still, many in the FBI wonder how much is too much. While terrorism has become a top FBI priority, the fact is that most agents still focus more on old-line cops-and-robbers cases. TRAC statistics show that 54 percent of convictions still come from drugs, bank robberies, and bank fraud cases. David Burnham, TRAC co-director, says, "it's very clear the FBI is spending far too much time on matters that mostly could be handled by local officials." Some FBI agents resent the massive reallocation of resources away from traditional FBI pursuits to an area where the threat, while real, is less than all-consuming. Agents working violent-crime cases often refer to the new Counterterrorism Division created by Freeh to fight terrorism as the "latte division." On days when there's no new intelligence about a suspected terrorist or bomb attack, these agents say, many in the division spend their time reading newspapers, going out for coffee, and knocking off early to beat the evening rush home. "It's nice work if

you can get it," says a veteran agent in Washington. "But it's not the FBI I signed up for, I'll tell you that."

Congress has been responsible for broadening the FBI's mandate not just in the counterterror arena, but by federalizing crimes like car-jacking and drug sales near public schools. Freeh, who declined to be interviewed for this article, recently told Congress that the FBI cannot continue to be all things to all people. "My successor," he said, "is going to have to

make some choices.'

Whoever he or she is, the FBI's new CEO will have to fix the fundamental tools that just aren't up to the job. But he will also have to fix the FBI brand. Like other corporations that have suffered public embarrassment, the FBI can still come back. "Tylenol killed seven people, and the brand lived on," Ries says. "Virtually every major airline has had problems and accidents. Yet the brand lives on. Look at Richard Nixon, how he came back. Look at Bill Clinton. The thing that helps powerful brands is people's ability to forget the bad." .

With David E. Kaplan and Douglas Pasternak



A bodyguard for Mob boss Paul Castellano, who is in the car

York's infamous five families. Good guys. Few law enforcement officials are willing to declare victory, though. They warn that the Mob has proved remarkably resilient and is moving into sophisticated white-collar crimes like stock swindles. "They're down but not out," says the FBI's Fuentes. "It's like a cancer in remission." And while the FBI still considers the Mafia the nation's top organized crime threat, other ethnic gangs have moved into the picture. Among them: Latin-American drug traffickers, Nigerian con artists, Chinese gambling

bosses, and Russian mobsters. Unlike the U.S. Mafia, many of the new gangs are based overseas and are more fluid in structure. FBI officials concede they are badly in need of linguists and eth-

nic cops who can penetrate the new wave of mobsters.

Ironically, the FBI's mobbusters may be victims of their own success. As the agency's budgets for counterterrorism and cybercrime have soared,

funding for its Organized Crime Section has stayed largely static. So far, the good guys are winning, but, warns Albanese: "As the police get better, the bad guys get better too." -David E. Kaplan