

The Department of Justice Office of the Inspector General (OIG) announced today the issuance of a report examining the Federal Bureau of Investigation's (FBI) progress in implementing the recommendations contained in the OIG May 2006 report, "A Review of the FBI's Handling and Oversight of FBI Asset Katrina Leung." We found that, since that report, the FBI has substantially revised the way it oversees confidential human sources.

The OIG's May 2006 report described the FBI's handling and oversight of Katrina Leung, one of the FBI's highest paid counterintelligence assets who allegedly also worked for the People's Republic of China. Leung had a longtime intimate relationship with her FBI handler, Special Agent James J. Smith. The OIG found that the FBI was aware of serious counterintelligence concerns about Leung, but did little to follow up on the warning signals. As a result of these findings, the OIG made 11 recommendations to address systemic issues in the FBI's asset handling and vetting procedures that enabled Smith and Leung to escape detection for more than 20 years.

The OIG found that since its initial investigation the FBI has made substantial changes in its management of confidential human sources, including undertaking the Human Source Re-Engineering Project in order to consistently coordinate the manner in which all human sources are managed and validated. The FBI established an electronic record-keeping system and database designed to facilitate more meaningful and objective analytic reviews of sources and detailed supervisory reviews of source handling.

The OIG determined that as a result of these efforts, the FBI has fully implemented five of the recommendations from our 2006 report, specifically that the FBI save asset file review records indefinitely rather than just from one 90-day review to the next; require periodic background reinvestigations for long-term assets; create annual ethics training; conduct counterintelligence polygraph examinations; and prohibit blanket exceptions to asset handling rules. We therefore consider these recommendations closed.

The OIG report issued today concluded that six recommendations from the original report are resolved, but not closed. The first of these is the recommendation that the FBI continue its FBI Headquarters managed asset validation review process and provide sufficient resources for this function. In September 2013, FBI officials told the OIG that due to budgetary constraints and other considerations, the FBI proposed a reorganization that will substantially change the validation process that the OIG reviewed in its follow-up report. The FBI indicated that it expects to conduct a pilot implementation of the reorganization soon. Because this is a significant reorganization that has yet to be implemented, we cannot say whether the proposed changes will adequately address our recommendation. The FBI has committed to updating the OIG on this within six months.

The remaining recommendations that have not been fully implemented were creating a new subsection in the asset file for red flags, derogatory reporting, anomalies, and analyses; requiring alternate case agents to meet with assets on a frequent basis; limiting the time an agent can handle an asset; requiring that agents record any documents passed and all matters

discussed with the asset; and requiring that supervisors responsible for assets signify that they have reviewed the subsection on derogatory reporting.

Although the FBI has not fully implemented six of the OIG's recommendations, after reviewing a draft of this report, the FBI stated that it concurred with the steps outlined in the report to close the six remaining recommendations. The OIG will continue to monitor the FBI's progress in implementing the remaining recommendations.

The full report contains information that the FBI considers to be classified and therefore could not be publicly released. The OIG has provided copies of the full classified report, without redactions, to the Department and to Congress. The OIG released to the public today an unclassified Executive Summary of the report, which can be found on the OIG's website at: <http://www.justice.gov/oig/reports/2013/s1310.pdf>.