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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

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May 29, 1975

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The Honorable Ralph H. Metcalfe
House of Representatives

2 Addressees



Dear Mr. Metcalfe:

Your March 25, 1975, letter requested that we review certain issues related to the Chicago Police Department's domestic intelligence activities. Specifically, you requested that we determine (1) the extent to which any Federal funds or resources have been applied to such operations and (2) the type of operations conducted by the Chicago Police using Federal funds. You also requested our advice regarding how the Federal Government could exercise more effective oversight over the funding of State and local law enforcement agency intelligence activities. We received similar requests from Senator Henry M. Jackson, as Chairman of the Permanent Subcommittee on Investigations, Senate Committee on Government Operations, and from Senator Charles H. Percy.

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We discussed these issues with your office and agreed to furnish information on Federal funds provided the Chicago Police Department. Also, we said that efforts to obtain additional information were complicated because the Cook County grand jury was looking into the Chicago Police Department's domestic intelligence operations. Disclosing information provided to the grand jury could prejudice any subsequent legal action taken as a result of its investigation.

Subsequently, we agreed to obtain information on certain allegations reported in Chicago newspapers that the U.S. Army's 113th Military Intelligence Group had supplied equipment and funds to a Chicago citizens' group known as the Legion of Justice.

Our work showed that:

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- About \$134.6 million in general revenue sharing funds were designated as being used between December 1972 and October 1974 by Chicago to pay police salaries. These funds represented about 73 percent of all revenue sharing moneys provided Chicago.
- About \$539,000 in revenue sharing funds were designated as being used between December 1972 and October

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1974 to pay the salaries of the Chicago Police Department's Intelligence Division. However, there was no apparent pattern as to when such moneys were used to pay the Intelligence Division's salaries.

--The Illinois Law Enforcement Commission awarded about \$5.1 million in Law Enforcement Assistance Administration funds to Chicago, between May 1971 and February 1975, for use by its police department for activities that appeared to be related to intelligence activities. Moreover, Law Enforcement Assistance Administration funds have been used by other States to fund similar projects.

--The Army's 113th Military Intelligence Group was deactivated in December 1971. Army policy in effect in 1972 stated that, after the Inspector General examined basic financial and administrative records for audit purposes, the records could be destroyed. The activities noted in the press occurred in the late 1960s and early 1970s. All pertinent records of the 113th Military Intelligence Group relating to that period were destroyed after being reviewed in February 1972. Thus, we could not determine if the allegations were substantiated. Army officials referred to a 1971 court case in the U.S. District Court of the Northern District of Illinois, Eastern Division (American Civil Liberties Union, etc., et al., v. General William C. Westmoreland, Chief of Staff, United States Army, et al.), in which the plaintiffs sought a declaratory judgment and injunctive relief with respect to certain Army domestic intelligence operations. The Federal judge dismissed the complaint and stated that the evidence presented was not sufficient to warrant court action.

These matters are discussed in detail in the enclosure to this letter.

Because of the limited information we obtained regarding the Chicago Police Department's conduct of domestic intelligence activities, we are not in a position to make any substantive recommendations regarding how the Federal Government could exercise more effective oversight over the funding

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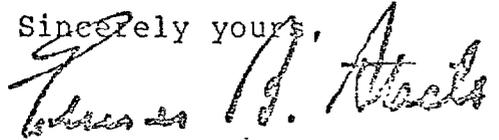
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of State and local law enforcement agency intelligence activities.

We did not obtain written comments from the Federal departments involved but did discuss our findings with department officials who generally agreed with them.

We are also providing this information to Senators Jackson and Percy.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Thomas D. Atack".

Comptroller General
of the United States

Enclosure

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SUMMARY OF FEDERAL FUNDINGPROVIDED TO THE CHICAGO POLICEDEPARTMENT FOR INTELLIGENCE ACTIVITIES

The Chicago Police Department received Federal funds from two basic sources--the general revenue sharing program and the Law Enforcement Assistance Administration (LEAA) program. Funds from both programs were used to support certain types of intelligence activities. The expenditure of both general revenue sharing and LEAA funds for such law enforcement activities is consistent with the intent of Federal laws governing the disbursement of moneys under both programs.

REVENUE SHARING FUNDS

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Title I of the State and Local Fiscal Assistance Act appropriated \$30.2 billion for periodic distribution to State and local governments during a 5-year period beginning January 1, 1972. The first funds were distributed in December 1972. Chicago received its most recent funds in October 1974.

Chicago had received about \$183,210,000 in revenue sharing funds plus \$1,580,000 in interest on these funds through October 1974, for a total of \$184,790,000. ^{1/} Approximately \$134,555,000, or about 73 percent, of Chicago's funds were used to reimburse the city's Corporate Fund for police salaries. About \$539,000 was designated as being used to pay Police Intelligence Division salaries.

Local governments may use revenue sharing funds only for priority expenditures, which are defined by the act as (1) ordinary and necessary capital expenditures authorized by law and (2) operating and maintenance expenses for public safety, environmental protection, public transportation, health, recreation, libraries, social services for the poor or aged, and financial administration. The category "public safety" includes such activities as police, courts, corrections, fire protection, and building inspection.

^{1/}As an outgrowth of Chicago not complying with LEAA's Equal Employment Opportunity Regulations, a U.S. District Court judge in Washington, D.C., on December 18, 1974, ordered the Federal Government to withhold all revenue sharing payments to Chicago until it complied with court-ordered efforts to end racial and sexual discrimination in the police department. (See p. 4.)

Chicago's budget is made up of funds such as the Park District Fund and Mental Health Fund. The primary fund is the Corporate Fund, which is used to pay the normal expenses of city administration, including public safety activities. Each city fund has sources of revenue, and the city considers revenue sharing funds as another of these sources.

Chicago has distributed its revenue sharing funds to three areas, as follows:

<u>Fund</u>	<u>Amount</u>	<u>Percent</u>
(000 omitted)		
Corporate	\$182,271	98.6
Library	1,427	.8
Municipal Tuberculosis Sanitarium	<u>1,092</u>	<u>.6</u>
Total	<u>\$184,790</u>	<u>100.0</u>

Within the Corporate Fund the distribution to public safety has been as follows:

<u>Activity</u>	<u>Amount</u>	<u>Percent</u>
(000 omitted)		
Police department	\$134,555	73.8
Fire department	45,999	25.2
Building demolition	<u>1,717</u>	<u>1.0</u>
Total	<u>\$182,271</u>	<u>100.0</u>

Revenue sharing funds are received periodically under "entitlements." Expenditures are made from the general revenues of various city funds as they are incurred and in turn are reimbursed from revenue sharing funds when they are received. The city does not follow a policy of using a set amount of its Corporate Fund to cover the costs of various programs on a recurring basis.

To reimburse the city's regular funds from revenue sharing funds requires an authorized expenditure for reimbursement. For Chicago Police Department salaries, the Comptroller's Office merely accumulates previously paid payrolls until it has an amount that approximates the amount of revenue sharing funds allotted to the police department and transfers funds from the Revenue Sharing Trust Funds

to the Corporate Fund. This accumulation can be for an entire 2-week payroll period, a partial payroll for a pay period, or for arbitrarily selected units within the department for a pay period.

The Chicago Police Department's personnel costs for calendar years 1972 through 1974 were as follows:

<u>Year</u>	<u>Amount</u>
	(000 omitted)
1972	\$201,993
1973	213,128
1974	<u>a/240,090</u>
Total	<u>655,211</u>

a/1974 budgeted amount. Actual data not available at time of our review.

The \$134,555,000 in Federal revenue sharing funds used to reimburse the Corporate Fund for Chicago Police Department salaries, therefore, accounted for about 20 percent of total salaries. Documentation available at the Comptroller's Office showed that Intelligence Division salaries appeared in the units used as the basis for reimbursement on at least three occasions for a total of \$539,000. An additional \$240,000 was possibly used for the Intelligence Division's salaries; however, the city's accounting records were not specific enough to allow us to say for certain what these moneys were used for. Possibly as much as \$779,000 in revenue sharing funds were used to reimburse Intelligence Division operations.

The city comptroller's annual report for calendar years 1972 and 1973 showed that actual expenses for the Intelligence Division totaled about \$6,756,000. The annual report for 1974 is not yet available but the Intelligence Division's 1974 budget amounted to \$3,239,564. Therefore, since a possible \$779,000 in revenue sharing funds were used by the Division, possibly as much as 7.8 percent of the Division's total expenses for 1972-74 were reimbursed by revenue sharing funds.

Revenue sharing funds thus were designated as being used exclusively for personnel costs, including Intelligence Division salaries. However, from the limited data available, we cannot show that the Chicago Police Department increased its intelligence activities as a result of the introduction of additional revenue sharing funds. The city's financial and

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accounting unit merely uses the actual paid salaries of the police department as a basis for reimbursing the Corporate Fund from revenue sharing funds. Moreover, there did not appear to be any particular pattern to the use of revenue sharing funds to pay salaries of Intelligence Division personnel.

LEAA FUNDS

The Omnibus Crime Control and Safe Streets Act of 1968, as amended, encouraged the funding of projects that used new methods to prevent or reduce crime or that strengthened the criminal justice activities at the community level. Action grants under the LEAA program consist of two types--block and discretionary. Grants can also be received for planning purposes. Discretionary grants are made according to LEAA-determined criteria, terms, and conditions. Block grants are awarded to State planning agencies--the Law Enforcement Commission in Illinois--for further distribution to programs and subgrantees.

Since the beginning of the LEAA program in 1968, Chicago has received the following LEAA funds:

<u>Type of grants</u>	<u>Number of projects</u>	<u>Amount</u>
		(000 omitted)
Planning	2	\$ 247
Discretionary	8	1,427
Block	<u>73</u>	<u>21,817</u>
Total	<u>83</u>	<u>\$23,491</u>

Note: Two grants totaling \$300,000 were also awarded to the city by the Illinois Law Enforcement Commission for a juvenile delinquency program funded by the Department of Health, Education, and Welfare.

The planning grants were awarded to the city for comprehensive law enforcement planning. The majority of the discretionary grant funds were awarded for a parolee employment program. There was no indication that any discretionary funds were used for intelligence activities.

Of the 83 projects funded with LEAA funds, 26, totaling about \$14.4 million, were Chicago Police Department projects. But as of February 28, 1975, four of these projects, totaling

about \$2.7 million, had not actually been funded because the Department of Justice's Civil Rights Division filed suit in the U.S. District Court in Chicago in August 1973 stating that the city's police department and civil service commission were not complying with LEAA's Equal Employment Opportunity Regulations.

Of the remaining \$11.7 million, approximately \$10.4 million had been disbursed as of February 28, 1975, as follows:

<u>Item</u>	<u>Amount</u>
	(000 omitted)
Personnel	\$ 2,114
Equipment	4,025
Other	<u>a/4,227</u>
Total	<u>\$10,366</u>

a/\$3,630,000 of this amount was for constructing a police headquarters building.

We examined information available at the Illinois Law Enforcement Commission for the 26 Chicago Police Department projects. The data indicated that 20 projects did not appear to be related to intelligence activities. Their objectives included purchasing such equipment as shields, body armor, radio equipment, and a forensic microscope and constructing an area police headquarters building.

The remaining six projects, which appear to be related to intelligence activities, are shown on the following page.

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<u>Grant number</u>	<u>Amount of award</u>	<u>Award date</u>	<u>Expenditure as of 2-28-75</u>	<u>Description</u>
197	\$ 36,000	5-24-71	\$ 35,939	Acquisition and modification of six panel trucks for surveillance. For use of all units of the police department.
633	21,489	6-28-72	21,191	Purchase of four night-vision scopes for surveillance and night photography. For use of Intelligence and Vice Control Divisions.
1000	30,000	10-10-73	30,000	Purchase of narcotics to infiltrate narcotics traffic. For use of Intelligence and Vice Control Divisions and C-5 Unit.
1408	461,970	2-01-75	0	To establish a new covert investigative unit completely removed from police headquarters to infiltrate the middle and upper echelon of the criminal hierarchy. The unit is to have 1 lieutenant, 5 sergeants, and 10 patrolmen whose salaries will be paid by the city. The grant is for support personnel, one accountant, three typists, vehicles, equipment, space rental, and "buy money." (No funds have been expended due to the discrimination suit.)
1434	46,200	2-01-75	0	An extension of grant 1000 above. (No funds have been expended due to the discrimination suit.)
408	4,522,854	1-28-72	3,396,000	Installation of a computer system for interface with the Federal Bureau of Investigation's National Crime Information Center. Project will permit police department to share operational data with other criminal justice agencies; create a "hot desk" system of wanted persons, stolen autos, etc.; and develop criminal histories.
Total	<u>\$5,118,513</u>		<u>\$3,483,130</u>	

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The largest Chicago Police Department project to receive LEAA funds is the computer system described on the previous page. This system, which cost \$4,613,000 (\$4,522,854 in LEAA funds), is located at Chicago's Datacenter. Since one of the purposes of the project is to develop an automated system for exchanging criminal history information, it may be used for intelligence activities. However, from the limited data available, we were unable to determine whether it was used for this purpose.

U.S. ARMY INTELLIGENCE ACTIVITIES

Recent Chicago newspaper articles alleged that the Army's 113th Military Intelligence Group (deactivated in December 1971) provided equipment and funds to the Legion of Justice, a citizens' group, to disrupt the activities of anti-Vietnam war groups from 1969 through 1971. We could not substantiate the allegations.

Lack of records

According to Army officials, if the group had provided such resources the following procedures would have been followed:

- Funds would have been obtained, through channels, from intelligence contingency funds.
- Equipment would have been acquired through intelligence property channels.

Each action involving the expenditure of such funds or disbursement of such equipment would have been logged in appropriate records.

All expenditure and property records of the group for the period in question were destroyed after the Army Inspector General audited them in February 1972. This action was in accordance with Army policy at that time, which stated that fiscal and property records audited by the Inspector General could be destroyed.

We were told that the group's activity records would describe, in general terms, significant daily actions of the group. However, the activity records of the 113th Military Intelligence Group are not readily available and may have been destroyed. According to an Army Military Intelligence officer, those records were retired when the group was deactivated and such records are periodically purged and destroyed.

The officer said that the only possible sources that might contain information pertaining to the allegations would be the personnel folders of Army staff assigned to the group during the period in question. But he did not know if information in such files would be detailed enough to be useful for determining the validity of the allegations. We did not review personnel files because there was not sufficient evidence to warrant expending the resources needed for such an effort.

Information available

In sworn testimony in the 1971 case of the American Civil Liberties Union, etc., et al., v. General William C. Westmoreland, Chief of Staff, United States Army, et al., heard in the United States District Court, Northern District of Illinois, Eastern Division, the liaison officer 1/ of the 113th Military Intelligence Group during 1969-71 denied allegations similar to those that appeared recently in the press. In the case the plaintiffs sought a declaratory judgment and injunctive relief with respect to certain Army domestic intelligence operations. The Federal judge dismissed the complaint and stated that the evidence presented was not sufficient to warrant court action. Because of more publicity the liaison officer again denied the allegations in a sworn statement to Army officials taken during April 1975.

The Subcommittee on Constitutional Rights, Senate Committee on the Judiciary, held extensive hearings during 1971 on possible abuses of U.S. military domestic intelligence operations. These hearings covered activities between 1967 and 1971. The Subcommittee's 1973 report, "Military Surveillance of Civilian Politics," discusses many of the issues and activities reviewed during the 1971 hearings. The specific allegations relating to the 113th Military Intelligence Group's dealings with the Legion of Justice were not raised during those hearings. However, the records of the hearings and the Subcommittee's report do provide a broad perspective on the scope of the Armed Forces' domestic intelligence operations.

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1/A liaison officer is the contact point for dealings between the intelligence unit and Federal and local law enforcement agencies.