

20 October 1950

MEMORANDUM

Attached letter prepared for signature of Secretary of the Navy in order to implement recommendation (b) contained in ONO Secret Ser. 002258P32 of 7 October 1950, approved 16 October 1950 by the Secretary of the Navy.

Op-321A

Op-321K

Op-321D

Op-321E

Originated by W. Abbott  
Op-321E - Ext 75711/75694  
21 August 1950 - Whyte, YN1  
Cut down and retyped 1 September 1950 by direction  
of Adm C.F. Espe - G. L. Sizemore  
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Ser 002258P32

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d. The Bureau of the Navy Department be directed to resolve administrative clearances of suspect individuals in favor of the Navy.

Op-00

Op-03

**FORREST SHERMAN**

Op-32

Op-32B

Op-32I

Op-32IA

Op-32IK

Op-32ID

Op-32IE

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Op-321E/jhw  
Ser 002258P32

OCT 1950

MEMORANDUM

From: Chief of Naval Operations.  
To: Secretary of the Navy.

Subj: Recommendations for Implementing the Counter-  
Intelligence Mission of the Office of Naval  
Intelligence.

1. The recent arrest of Morton Sobell, a former employee of the Department of the Navy as well as a Naval Contractors' employee who was cleared by the Army, Navy, Air Force Personnel Security Board for access to classified work with the Department of Defense, illustrates one phase of the subversive threat to the Naval Establishment. This case is not an isolated one but is merely illustrative of an alarming volume of cases representing security threats to the Naval Establishment where the warning of intelligence has gone unheeded. In this connection, attention is respectfully invited to the following situations:

a. Naval Civilian Employees

(1) ONI has forwarded to the FBI a first list of approximately 1,000 civilians within the Naval Establishment who have been cleared under the Loyalty Procedure, but who are still carried as suspects by the Office of Naval Intelligence. FBI is checking this list and is advising the ONI of those individuals who are scheduled for custodial detention in the event of hostilities. So far, eight individuals on ONI's suspect list who are currently employed by the Navy have been reported by FBI as scheduled for custodial detention.

(2) ONI is currently processing a second list of 1,000 individuals to be forwarded to the FBI. These individuals have either been cleared under the loyalty procedure or retained as Naval employees after a review of the record by the activity where they are employed.

b. Navy Contractors' Employees

(1) Intelligence analysts have been unable to reconcile the decisions of the Army, Navy, Air Force Personnel Security Board and the Industrial Employment Review Board clearing contractors' employees for access to classified work and information with records of investigation showing affiliation with

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components of the Soviet Subversive and Espionage Apparatus in the United States. In none of these cases has the ONI had access to the proceedings of these Boards and is unable to determine upon what basis the Boards decided the Intelligence reports contained insufficient evidence to effect a denial. The proceedings of the Phillips case presented to the Industrial Employment Review Board is the only instance where ONI has reviewed the record. ONI is still unable to reconcile the decision of the IERB with the Intelligence record.

c. Service Personnel

(1) There are serious defects in the Service Loyalty Program with respect to commissioned officers of the regular Navy and of the Reserves. Procedures vary depending on whether the individual is in a duty status, retired status, or inactive status. Officers on active duty or in a retired status, even though considered to be dangerous suspects, escape the operation of the Loyalty Program unless there is an overt act upon which Court Martial proceedings may be predicated.

2. Security cases involving commissioned officers of the U. S. Navy can do much to undermine the confidence of the U. S. in its Government and institutions. The case of Andrew Roth has recently been the subject of two Congressional inquiries.

3. In view of the above, it is recommended that:

a. The Office of Industrial Relations be directed to show cause why Public Law 808 (now Public Law 733, 81st Congress) should not be invoked to rid the Navy of poor security risks employed as civilians.

b. The Judge Advocate General be directed to survey the defects in the Service Loyalty Program and propose remedies.

c. The Secretary of Defense be requested to revise the procedures of the Industrial Employment Review Board and the Army, Navy, Air Force Personnel Security Board to permit hearings to be reviewed by the Service Intelligence Agencies prior to clearing suspects for access to classified work.

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TO :

DATE: 2 October 1950

FROM :

BRIEF

SUBJECT: Recommendations for Implementing the Counter-Intelligence Mission of the Office of Naval Intelligence.

1. The recent arrest of a former employee of the Department of the Navy on suspicion of working as a Soviet espionage agent in the United States illustrates one phase of the subversive threat to the Naval Establishment. This case is not an isolated one, but is merely illustrative of an alarming volume of cases representing security threats to the Naval Establishment where the warning of intelligence has gone unheeded. This paper contains four (4) recommendations which, if implemented, will help to neutralize threats to the security of the Naval Establishment.

*Carl F. Espe*  
CARL F. ESPE

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