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BACKGROUND DATA ON ORIGIN OF
INVESTIGATIONS BY THE
NAVAL INTELLIGENCE SERVICE.

Intro-
ductory.

The functions of the Naval Intelligence Service as regards investigative activity can be traced basically to an activation and reorganization of the entire Naval Intelligence Service in 1916. The definite date that actual investigative work commenced is not apparent, but with the entry of the United States into World War I in the spring of 1917, it is certain that such functions were immediately begun. This contention is supported by a report prepared by Admiral Roger Welles, USN, the Director of Naval Intelligence from 1917-18, which reviews in detail the investigative functions of the Office of Naval Intelligence during the World War I period. Further reference will be had to this report in subsequent data set forth.

Archives;
basic data.

From the Office of Naval Intelligence Archives, a communication has been secured which fixes the reorganization of the Office of Naval Intelligence as 1916. A copy of this communication, marked Exhibit A, is being appended hereto to avoid detailed discussion thereof. The reorganization plan alluded to in this exhibit could not be located in the Naval Archives after two exhaustive searches.

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Capt. D. W. Knox, USN (Ret.), Op-16-E, whose name is mentioned in this letter, telephonically attested on 5 November 1943 to the existence of the approved reorganization of ONI referred to therein.

Hearings,
64th Congress.

That investigative duties were being considered for the Division of Naval Intelligence in 1916 is apparent from certain testimony at the Hearings before the Committee on Naval Affairs, House of Representatives, 64th Congress, 1st Session, on Estimates Submitted by the Secretary of the Navy, 1916. Pertinent testimony on this is being reproduced herein for record purposes.

Testimony
of CNO.

Page 3133, Volume 3 of said hearings, contains the following comments of Admiral W. S. Benson, CNO at the time, in speaking of the development of the office of the Chief of Naval Operations generally on 16 March 1916:

"**** Now we are developing all the time. I want another thing in regard to the Office of Naval Intelligence; I want its utilities expanded. For instance, it now principally collects information from abroad and I think that if they had the means, their usefulness to the service, not only to the Department but to the whole country, could be very greatly increased. They should be in a position to collect all kinds of information and they should be in close proximity to the Secretary's Office so that they could be referred to at any moment and any information obtained. ****"

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Further, in testifying on the same date, Admiral Benson in outlining the general duties of Naval Operations states:

"Before any intelligent plans can be made or any effective work accomplished, complete and comprehensive information is necessary. The duty to collect and disseminate information is assigned to the Office of Naval Intelligence."

The foregoing statement appears on page 3105 of these hearings.

Testimony
of SecNav.

It is worthy also to note the testimony of the then Secretary of the Navy, Josephus Daniels, on 31 March 1916 at this same hearing which is found beginning on page 3635:

"Secretary Daniels: On page 4, there is an item added to the appropriation, the words "and at home." You approve money to obtain information abroad and I ask to have the words "and at home" put in because we very often need money to obtain information in America as well as abroad. *** And we ask an increase of \$50,000 for naval defense districts. *** The collection and tabulation of information at home under the instruction of Naval Intelligence will be done by the districts and the expense will be borne by this appropriation. ***

The Chairman:

There are 1 or 2 matters, Mr. Secretary, that I want to ask you about. On pages 4 and 5 there is

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submitted some proposed legislation. "PROVIDED, that hereafter expenditures from this appropriation shall be accounted for specifically if in the judgment of the Secretary of the Navy they may be made public, and he shall make a certificate of the amount of such expenditures as he may think it advisable not to specify." That is to allow for confidential expenditures out of that. Will you tell us for what purpose that is or the reasons for the recommendations?

Secretary Daniels: I touched upon that, Mr. Chairman, when I said "information from abroad and at home."

Mr. Butler: He wants the words "and at home" put in there.

The Chairman: That is with reference to including the words "and at home" and this is to give you the power to expand?

Secretary Daniels: And you might have to employ civilians to make investigations. This year, I know, we have had to call on other departments to make investigations of a military character because the Navy Department had no money to make them. You will observe that the increased appropriation for everything including the Naval Defense is only \$50,000.

The Chairman: Not the increase, but in other words it is to give you the same power that the State Department has?

Secretary Daniels: Exactly.

The Chairman: In dealing with matters of a confidential character abroad and at home?

Secretary Daniels: Yes; matters of a military character that

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the State Department does not account for specifically. This is upon the recommendations of the Chief of Operations.

Mr. Roberts. Would it be objectionable to you to put a limitation in here that not more than \$30,000 could be used for obtaining this information?

Secretary Daniels: Yes, that would be all right.

Mr. Roberts: And then make this account apply to the \$30,000?

Secretary Daniels: Yes."

H. R.
Report #743

After the termination of these hearings on the Naval Appropriation Bill, House Report #743 dated 24 May 1916 was prepared to accompany the Bill, H. R. 15947. Comments of particular interest by the Committee regarding the Office of the Chief of Naval Operations are quoted below:

"The last Congress created the Office of the Chief of Naval Operations.**** The Committee is of the opinion that an essential element of preparedness is the proper handling of the personnel and material after they are supplemented in sufficient quantity to afford an adequate defense to the country. **** At the present time, the Naval War College, the Office of Naval Intelligence, General Board and all the Bureaus of the Navy Department are working harmoniously to the greater efficiency of the naval establishment, but the Committee is of the opinion, however; that the office of the Chief of Naval Operations besides perfecting an organization for the supply of material and the training of personnel should pursue certain investigations and studies resulting in detailed plans for use in the naval defense of the country. This requires **** the study of inherent interest of all nations and the policies which naturally follow; the study of the theatres of possible wars from every aspect and the sources and means of supply for the military and naval forces; ****

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the study of the logistic aspects of the strategy and tactical plans involving the requirements as to supplies at the beginning of the war, during war, and organization of transportation and many other things incident to the auxiliary service including the inspection of merchant vessels; **** the study of the mobilization with a view to keeping always up to date plans for mobilizing for each of the various stations arising from or conflicting with possible enemies; **** the study of plans devised for the execution of all work connected with preparing for war."

Naval
Appr. Bill,
H. R. 15947

An examination of the Naval Appropriation bill as passed after the hearings and report set forth above, indicates that Secretary Daniels' recommendations as to the inclusion of the words "and at home" as applied to the collection of information, were incorporated in the bill and an appropriation of \$30,000 made available for such purpose.

Senate
Naval
Investigation

In 1920, the United States Senate conducted an intensive naval investigation growing out of allegations by a naval official that the Navy Department's conduct of the war had been found lacking. Responsible officials of the Department during the war period were called as witnesses and part of the testimony and evidence adduced at that time is interesting from a historical point of view insofar as a history of the investigative activity of ONI is concerned. This exhaustive investigation is a matter of public record and it should be pointed out that none of the references to ONI at the time were presented in a critical vein, but rather to show that the Department had not been derelict

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in its preparation for and ultimate prosecution of the war. It has been shown already from the hearings on the naval appropriation bill in 1916 that some investigative work and confidential expenditures for gathering information at home was contemplated for the Division of Naval Intelligence. The following evidence, therefore, introduced at the Senate Naval Investigation in 1920 shows a further trend in that direction. These latter hearings were held before the 2nd Session of the 66th Congress and are indexed at the Library of Congress under "Naval Investigation."

CNO testifies and presents plan of General Board.

Admiral W. S. Benson, USN, who was CNO from 11 May 1915 to 25 Sept. 1919, introduced as evidence a basic plan, drawn up by the General Board, and identified with Serial 666, General Board #425, bearing date of 4 February, 1917, subject "Steps to be taken to meet a possible condition of war with the Central ^{European} Powers." This plan was from the senior member of the Board, Admiral Badger, to the Secretary of the Navy. Among its provisions for readiness of the naval establishment for war were the following:

"Complete complements and allowances of all kinds, first of the A and B fleet, then of the C fleet and naval districts ***** Organize a comprehensive system of intelligence service covering the whole theatre of war in accordance with the plans of ONI. ***** Place under surveillance all citizens of the Central Powers in the Navy or in Government employ in naval establishments and remove them from positions in

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which they may do possible harm. ***"

A subsequent memorandum from the General Board to the Secretary of the Navy under the same subject and identified with Serial 688, dated 20 March 1917, reiterates all of the recommendations made in the Memorandum of 4 February 1917, including the quotations therefrom given above.

State-
ment by
CNO.

Admiral Benson then placed in the record a statement of the Chief of Naval Operations dated 12 October 1916, and stated that he endorsed this statement and everything therein. A portion thereof contains the remarks:

"A complete study of one district was worked out and was furnished to the commandants of the districts as a type organization with direction to organize each district along similar lines. This work is now being completed in the most satisfactory manner and in addition the Offices of Naval Communications Service and Naval Intelligence have prepared rules for obtaining and transmitting information within the naval districts."

SecNav
testifies
re work of
ONI in War.

In the opening paragraph of this review, mention was made to a report made by the Director of Naval Intelligence during the war period and detailing the work of ONI. It is significant that many portions of this report were offered for the record during the Senate Investigation in 1920. Those portions of particular interest to investigations are being included in this summary. This report was placed in the record during the testimony of Secretary of the Navy Josephus Daniels on 20 May 1920 and begins on page 2710,

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Volume 2 of the report:

"One of the first steps in the war activities of the Office of Naval Intelligence was the organization in every naval district of an intelligence service similar in many respects to the central organization. This was immediately begun and was created to promote and coordinate the work of the central organization. An aide for Information was appointed to direct the work in each district and funds were apportioned to those Aides. The importance of this can be realized when it is stated that at the outbreak of the European war a greater part of our foreign commerce was handled by persons who were not citizens of the United States.

"It was well known in this country that the Germans had established a wonderful spy system through which Berlin was being informed of the activities in every branch of industry in the country. It is probable that there was not a manufacturing establishment here that did not have at least one paid agent of the German Government who kept that Government informed of everything that was going on. There is no doubt that even in the departments at Washington, German agents were at work at all times. It was supposed that bases of some sort for the supplying of gasoline and supplies to German submarines were being secretly established in different points along the coast of Mexico, Central and South America. Before the United States entered the war Germans were allowed to enter this country freely.

"The day the U. S. declared war the activities of the Office of Naval Intelligence were increased tremendously for it became the duty of this office to not only continue its peace time activities but to form an investigation section to seek out the Germans who had been active in propaganda in favor of Germany; who were attempting to prevent by sabotage, by explosions, by fomenting strikes and by many other ways the manufacture of munitions of war; who were making bombs for the purpose of blowing up our ships and factories; and in general to prevent the activities of Germans and German sympathizers from continuing their nefarious pursuits.

"This meant the expanding of the office in Washington tremendously, the reorganization of its personnel and extending its activities to every country of the globe as well as covering every State in the Union.

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"The United States had, by direction of the Secretary of the Navy, been divided into 15 naval districts. Those districts covered the whole coast of the United States- the Atlantic, Pacific, Gulf, Great Lakes, in addition to Hawaii and the Canal Zone. The naval activities of each district were in charge of an officer known as the Commandant. In each district there was an aide for information, who acted at first directly under the Director of Naval Intelligence at Washington. Each district was further subdivided into sections in each of which was appointed a section aide for information who reported directly to the district aide for information. The activities of these aides, especially in our large ports of entry such as Boston, New York, Philadelphia, Baltimore, Norfolk, etc., were tremendous.

"The work handled by these district organizations was outlined by the central organization and included the following: First, subjects to be investigated by the aide for information:

"(A) Navy Personnel.

- (1) Apprehension of deserters and stragglers; investigations and surveillance of enlisted men reported to the commanding officers of all U. S. Ships; reported imposters appearing in the uniform of the Navy.
- (2) Suspects attempting to enlist in the U. S. Navy or U. S. Naval Reserve Force.
- (3) Collusion between firms holding Navy contracts and enlisted men.
- (4) Cooperation with other naval districts in the investigation of cases reported by them which fall within the field covered by the aide for information.

(B) Navy Yard Employees.

- (1) Investigation and surveillance of Navy Yard suspects.
- (2) Investigation of reported pro-Germanism of Navy Yard employees.
- (3) Thefts from the Navy Yard.
- (4) Cases referred by Commandant relating to the Naval establishment.

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- (5) Investigation of labor agitation connected with the Navy Yard.
- (C) Miscellaneous Investigations.
 - (1) All cases referred by the mail censorship bureau.
 - (2) Investigations of suspicious individuals reported in the vicinity of Navy piers, wharves, docks, warehouses, etc.
 - (3) Investigation of applicants for pilot licenses.
 - (4) Investigation of cases involving radio apparatus.
 - (5) Investigation of suspicious fires on piers, docks, and wharves under the Navy Department.
 - (6) Protection of shipyards within the naval district doing Navy work and of naval vessels building or repairing within those shipyards.
 - (7) Protection of the operation, product and personnel of plants manufacturing munitions or other material for the branch Office of Naval Intelligence.
 - (8) Investigation of enemy agents and sympathizers, and civilians, concerning any activities inimicable to the interests of the Navy.
 - (9) Investigation of addressees of such cables as may be referred to the aide for information by the cable censor.

"In order to carry on these investigations, a large number of men were enlisted whose qualifications showed them to be particularly fitted for this sort of work.

*** The Office of Naval Intelligence first made a list of all materials covering agricultural or manufactural or manufactured, in storage at the port of New York. It then became the business of the office to be informed as to all facts of a suspicious nature relating to firms, individuals, and companies

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doing business under contract with the Navy Department, as to firms whose business may be in contravention of the "Trading with the Enemy Act;" as to alien suspects and their activities; as to the apprehending of deserters and absconders; as to evidences of German propaganda; as to information relating to the enemy; enemy sympathizers, or suspected spies taking passage on vessels sailing to or from the United States, and as to suspicious ships and shipments. ****"

"**** The above named activities of ONI are those which were added as wartime activities and which had previously not been recognized as being legitimate functions of the office. ****"

The foregoing quotations conclude the references to the Division of Naval Intelligence at the Senate Naval Investigation.

Recollections
of an officer
on duty in
ONI 1917-18.

At the time of World War I, Lt. Comdr. Edward McCauley, USN, was on duty in the Office of Naval Intelligence. This gentleman is now a retired Captain and serves as one of the Commissioners of the U. S. Maritime Commission. Capt. D. W. Knox, USN, advised a representative of the Investigation Section of 5 November 1943 that Capt. McCauley had been instrumental in setting up the first investigative activity of ONI. Accordingly, after due approval had been secured, an interview was arranged with Capt. McCauley on 19 November 1943.

Capt. McCauley recounted certain details of this activity which are briefed in the following remarks and confirm to a great extent information already found from an examination of the appropriation bill headings in 1916 and the Senate Naval Investigation of 1920. Other comments by the Captain were the

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result of first hand information known to him during his tour of duty in the Department and are included in this summary for the sake of completeness of the record:

Actually, ONI began some investigative work prior to the outbreak of war in anticipation of that event; original appropriation was in 1916, and was made larger in 1917 and 1918; Asst. SecNav F. D. Roosevelt was the one in the Department really behind the move to have ONI engage in this activity; ONI was the first in the field on having undercover agents in foreign countries by sending men to Mexico and other Latin American Countries as early as 1916; that investigative work in the U. S. was first begun through the establishment of an undercover office in New York where originally the personnel served on a voluntary basis; that this practice led to the establishment of other similar offices in the larger U. S. cities with regular paid men and that these offices worked under the direction of the central organization in Washington and not under the immediate direction of the aide for information; that the domestic investigations were begun because the Navy needed such work undertaken and other agencies were not available to perform the same; and that the investigative work of ONI was functioning most smoothly at the time of the Armistice in 1918, after which, he regretted very much, it practically ceased.

Archives;
Office
Organization
1918.

From the Archives, an Office Organization of ONI dated 1 September 1918 was located in which the duties of the investigation section are shown under the "A" Section as Division V of that Section. This represents a wartime operating program, and, because of a number of parallels to the present (1943) set up, is being incorporated into this summary by reproduction below:

"The duties of this division constitute the investiga-

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tion of various suspects, classified as follows:

1. Investigation of Navy Personnel

- (a) Officers
- (b) Enlisted men

Where there is a question as to the Subject's loyalty, pacificism or pr-Germanism, or any act committed by him which might have direct or indirect bearing on the prosecution of the war.

- (c) Apprehension of deserters.

2. Investigation of Suspicious Travellers

- (a) Officers and crew of merchant marine.
- (b) Passengers.

When there is reason to suspect that they are-mail carriers, smugglers, enemy agents, enemy aliens, carriers of irregular passports, persons of doubtful nationality, sentiments or business.

3. Investigation of suspects in the U. S.

- (a) Individuals in plants having contracts with the Navy.
- (b) Civil employees of the Navy Department.
- (c) Individuals employed in shipyards.
- (d) Activities of individuals around naval property.
- (e) Radio operators.
- (f) Persons suspected or trying to obtain or transmit information pertaining to naval or shipping matters.
- (g) Suspicious signalling.
- (h) Investigations by special request.

4. Investigations of persons to determine their fitness for positions in the Navy Department, requiring special qualifications as to loyalty and capability.

- (a) Information of interest to outside organizations is disseminated to them with notations showing which organization has case for action.
- (b) Information of interest to ONI is referred to aides for information, Branch offices and other agencies, for investigation and report, for action and report, or for their information.
- (c) Information upon which no action is necessary is filed for future reference.
- (d) Cases involving legal prosecution are referred to A-2 for action.
- (e) Results of investigations and information of special interest to other offices and bureaus of the Navy are referred to them for action."

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Information
from ONI
files.

The majority of the information presented previously in this review has been from records located outside of the Office of Naval Intelligence itself. A review of 2 files in the ONI file room has resulted in the following information bearing on investigative work by the Intelligence Service.

A3-1/EN3-10
Folder #2
(1919)

(a) An unsigned and undated document in this file bearing a pencil notation at the top thereof "approximate date 1919." entitled Office of Naval Intelligence Organization reveals among the duties of ONI the quotations indicated which apply to investigations.

"Collection and classification of information from abroad and at home for the Navy Department and other naval activities that may require it. *** Cooperation with other executive departments of the Government in discovering and bringing to justice persons engaged in activities against the United States. *** Maintenance of close touch with all naval activities both in and out of the Navy Department. *** Espionage and counter espionage."

Under a breakdown by sections, this document further itemizes the following under Section B:

"District Intelligence Officers; Selection and Control of Agents; Liaison with other Departments of Government; Espionage; Counter-espionage."

A3-1/EN3
Folder #1;
(1923)

(b) In a memorandum dated 5 March 1923 the revised organization orders of the Office of the Chief of Naval Operations are formally approved by Admiral R. E. Coontz, CNO. In the

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functions of the Intelligence Division are the following statements:

"The Intelligence Division is charged with the collection of information for the Department and for other naval activities which require it. *** It cooperates with the other executive departments of the Government in bringing to justice persons engaged in activities against the United States. *** It is the duty of the Office of Naval Intelligence to keep in close touch with all U. S. activities, both in and out of the Navy Department."

A3-1/EN3
Folder #1
(1926)

(c) The organization for the Office of the Chief of Naval Operations approved by Admiral E. W. Eberle, CNO, on 15 June 1926, gives the same functions as far as investigations are concerned as in (b).

A3-1/EN3
Folder #1
(1929)

(d) In the organization of Naval Operations approved by Admiral C. F. Hughes, CNO, and dated 15 April 1929, those duties of ONI referring to investigative work are:

"It maintains a liaison between the Navy Department and the investigating services of other Government Departments with a view to apprehending and bringing to justice persons guilty of offenses against the United States. *** It is charged with espionage and counter-espionage."

A3-1/EN3
Folder #1
(1933)

(e) A memorandum of 13 January 1933 from the Director of Naval Intelligence, Captain Hayne Ellis, to the CNO, lists the following functions of Intelligence as bearing on investigations:

"It maintains a liaison between the Navy Department and the investigative services of other Government Departments. It is charged with the protection of the naval establishment against espionage."

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A diagram of the Intelligence Division accompanied this memorandum in which the following duties are listed under Branch 16-B, then called the Intelligence Branch:

"Collection, evaluation, and dissemination of foreign and domestic intelligence; espionage and counter espionage; investigations."

A3-1/EN3
Folder #1
(1934)

(f) An unsigned CNO organization memorandum bearing date of 1 July 1934 presents the duties of the Intelligence Division in outline form and under the heading "Domestic Intelligence" is included:

"Maintains a liaison between the Navy Department and the investigating services of other Government Departments. It is charged with the protection of the naval establishment against espionage and other subversive activities."

A3-1/EN3-10
Folder #2
(1939)

(g) A document signed by Admiral R. S. Holmes, Director of Naval Intelligence, and dated 18 February 1939 on the "Assignment of Various Activities in ONI, " indicates that the Investigation Section existed at that time as a functioning entity under the B Branch of ONI.

A3-1/EN3-10
Folder #2
(1939)

(h) A memorandum dated 9 October 1939 from the Director of Naval Intelligence to the CNO on the subject of additions in ONI made necessary by Neutrality Enforcement, speaks of activating certain sections of the Division which are inactive in peace times. The existence of investigative

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functions has already been shown over a period of years; however, this memorandum by inference reiterates and acknowledges the existence of such a duty in peace time. This memorandum was signed by Admiral W. S. Anderson, DNI at the time.

Chronologically, this last item should occur after the Executive Memorandum of 26 June 1939 which formed the basis for the delimitation agreement between ONI, FBI, and MIS, but was included in the above summary because items (a) through (h) have constituted a review of information reflected in the ONI files.

Resumé.

All of the foregoing has been by way of showing the origin of the investigative activities in the Division of Naval Intelligence during World War I and the existence of some such duties and interests after the cessation of hostilities in 1918. It has been seen how, when war was declared against the Central European Powers in 1917, the investigative functions of ONI were manifested in response to the need for such an undertaking.

Activation
1939;
Conclusion

Similarly, when war again loomed in Europe in 1939

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and it was evident that any such conflict would have an effect on the outlook and activities of the United States, it became necessary to give consideration to the needs of the Naval Service in the investigative field. Once again, the Office of Naval Intelligence was recognized as the only agency of the naval establishment equipped for and authorized to conduct investigations. Fortunately, authority for such work is still fresh in the minds of those who were familiar with present activities in this endeavor.

Appendix II lists those sources of authority which have been interpreted as being applicable to investigative work by ONI. Inasmuch as these items are self-explanatory and have been included in Appendix II in some detail, discussion of them is being omitted from this summary.

For record purposes, a diagram of the Investigation Section as functionin in November 1943 has also been included in Appendix II. This diagram is interesting in that it represents the organization and work of the section not only as of November 1943, but as it existed and functioned well prior to the actual outbreak of war in December 1941.

The achievements and operations of the investigations section from June 1939 to October 1943 have been compiled

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for submission to Op-13 in compliance with a CNO directive to prepare such a document. Information reflected in that paper is not incorporated herein in view of the fact that the purpose of this review has been more concerned with historical data and precedents for conducting investigations than in a report of the everyday actual work of the section.

Note:

Appendices not included herein but ARE AVAILABLE IN the "B" copy of ABOVE.

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