

FBI faces deep cuts in programs to fight crime

Agents still being transferred to counterterrorism

AN ORIGINAL ESSAY BY AUTHOR JONATHAN RABAN

Seattle Post-Intelligencer

50¢

SPORTS
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SEPTEMBER 27

MOVIES
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FRIDAY, SEPTEMBER 28, 2007

BY PAUL SHUKOVSKY AND DANIEL LATHROP
P-I reporters

The Bush administration's 2008 budget cuts deeply into the FBI's crucial criminal program, further crippling the bureau's ability to tackle white-collar fraud, police abuse, civil rights violations and many other crimes, a Seattle P-I analysis has found.

A larger budget battle is brewing between the White House and Congress, leading lawmakers to challenge the cuts to the FBI, which could take effect as soon as Monday, the start of the federal fiscal year.

But the Democratic majority's spending plan - under the ever-present threat of a presidential veto - restores only a small fraction of the FBI agents needed to keep the criminal program at current levels.

Through accounting sleight of hand, President Bush's plan concentrates the loss of thousands of unfilled staff positions

FOUND ALIVE AFTER 8 DAYS

'It's a miracle' - woman rescued from crushed SUV



Police on Thursday examine the scene where Tanya Miller, top, was crushed by a truck off Maple Valley Road near West a week earlier.



Police find Maple Valley driver by tracking cell phone

SEARCH - A search for a woman crushed in a truck on Thursday ended in a miracle. Police on Thursday found Tanya Miller, 37, in a crushed SUV on a road off Maple Valley Road near West a week earlier.

Miller was found by police after a search for her car led to a cell phone that was still on. Miller was found in a crushed SUV on a road off Maple Valley Road near West a week earlier.

Sims now opposes roads measure

Environment, cost cited for decision that arose after much self-scrutiny

After some opposition and scrutiny, the leader of the long-time measure to build a new road to bypass the I-5 bridge has announced he will oppose the measure. The change of course followed a lengthy self-scrutiny process that began in 2005.

The measure would build a new road to bypass the I-5 bridge, which is a major transportation corridor in the region. The project has been controversial due to its potential impact on the environment and the cost of construction.



'My wife said to me pretty bluntly ... she did not like what she saw. She said, "You're a public official, and people are entitled to know what you think." She doesn't care for people who do that and she questioned whether it was time for me to retire.'

Bob Sims, King County executive

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The Bush administration's 2008 budget cuts deeply into the FBI's crucial criminal program, further crippling the bureau's ability to tackle white-collar fraud, police abuse, civil rights violations and many other crimes, a Seattle P-I analysis has found.

INDEX

Breast cancer link to alcohol

Bloodshed in Myanmar

Going 'hot' at the border

Terrorism Trade-Off

Part 3

September 28, 2007

The P-I has been investigating how the FBI's focus on counterterrorism since 9/11 has drained efforts to fight traditional crime.

Read the series online at seattlepi.com/specials/fbi.

FBI: 'This is gutting the criminal program,' ex-official says

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across the FBI on its criminal program by transferring hundreds more agents to counterterrorism operations – continuing a trend that started after 9/11.

"This is gutting the criminal program. Incomprehensible. Just plain dumb," said one recently retired top FBI official who requested anonymity.

Echoing the concerns of many within the bureau, as well as state and local law enforcement officials, the former official said the impact of the cuts will reverberate nationwide.

"At a time when fraud is a huge undercurrent of the subprime mortgage crisis, this will completely wipe out the FBI's white-collar program," the source said. "The ability to investigate cases like Enron will be severely handicapped. And look at public corruption. Those are complex investigations that take about five agents to work one case."

The White House and FBI Director Robert Mueller did not respond to requests for comment.

Six years after the terrorist attacks on the nation, the White House has failed to replace at least 2,400 agents transferred to counterterrorism squads. The result has been a dramatic overall drop in FBI investigations and case referrals.

Thousands of criminals likely have escaped federal prosecution, based on comparisons to pre-9/11 prosecutions. Since 2001, according to Justice Department data analyzed by the P-1, there has been a 34 percent drop in criminal cases referred to

federal prosecutors, a 65 percent plunge in civil rights cases and a 30 percent decline in white-collar crime convictions.

In Western Washington, the drop has been even more severe. In this state, records show the FBI sent 28 white-collar cases to prosecutors in 2005, down 90 percent from five years earlier.

"It's breathtakingly frightening," said Sen. Patty Murray, D-Wash., who recently demanded that the FBI add more agents in Washington state.

Counterterror units grow

If you were to go online to look at Bush's FBI budget proposal, you wouldn't see a 10 percent cut in criminal agents, but it's there.

While 2007's spending plan called for a total of 6,423 criminal agents, in 2008 there is funding for only 5,777.

To achieve the cut, the bureau transferred 400 street agents fighting crime to counterterrorism positions and eliminated 246 vacant criminal-agent positions. The cuts can't be found on any single budget line. It becomes clear only by sifting through a mountain of budget documents.

The 246 are part of a bureau-wide cut of 2,700 positions – 614 agents and 2,100 analysts and support staff – made to reflect the fact that neither the president's budgets nor those adopted by Congress for the past several years have adequately reflected increases in costs such as pay raises and health insurance.

The net effect: The criminal program continues to lose staff so counterterrorism units na-

FBI BUDGET FACTS

The FBI receives funding both directly and through other agencies. The figures below are based on the totals for both types of funding. The 2008 figures are based on the White House budget proposal that is now pending in Congress.



Source: FBI

SEATTLE P-1

tionwide can grow, with less additional funding.

FBI budgets never match the reality of how its agents are used. Since 9/11, the criminal program has contributed a large percentage of its agents' time to work on counterterrorism. If that percentage remains the same, it would be as if there are only about 4,800 criminal agents on the street in 2008 – 26 percent below the number appropriated by Congress for 2007. Even that number may be generous, because it assumes all managers and headquarters agents assigned to crime will spend 100

percent of their time working criminal cases.

But Anthony Bladen, the bureau's current deputy assistant director for resource planning, says criminal agents won't have to spend nearly as much time on counterterrorism in 2008 as they have in recent years.

If Bladen is right, the bleeding of the criminal program will slow to a trickle.

"We're going to close the gap between what was appropriated and how the agents are actually being utilized," he said.

Bladen disputes the P-I's projection for agents working criminal cases as overly pessimistic.

Based on his projections, 5,581 agents will be working criminal cases in the coming year - 13 percent below the number appropriated by Congress for 2007. That would mean the number of criminal agents on the street would be slightly more than the 5,286 doing those jobs in 2007.

Cuts force tough choices

The new cuts come as Murray decries the effect of past reductions. In a letter sent two weeks ago to Mueller, she asked the bureau to increase the number of agents in Washington, saying the "safety and security" of people here are at risk because of low FBI staffing levels.

Murray said she talked with Mueller on Thursday, but she declined to discuss the substance of

the conversation.

In the meantime, Murray and other Democrats have been trying to boost the FBI budget.

"We added \$27 million over the president's request," the senator said. "That's not enough to get us to where we need to be. It's a step in the right direction. But then the White House is saying if you add any additional money, we will veto it."

The Senate's Democratic majority would need to be joined by at least 16 Republicans in defiance of the White House to overcome a presidential veto, Murray noted.

Just to restore the FBI's corps of criminal agents to pre-9/11 levels would require \$400 million more a year, according to a P-I analysis based on numbers provided by the bureau.

Sen. Barbara Mikulski, the Maryland Democrat who chairs the Senate panel that reviews and sets FBI and Justice Department budgets, is pushing a bill that would add 131 more agents to criminal programs.

"We must remember that we are waging a battle at home to keep our streets safe," Mikulski said in a written statement.

Mikulski "doesn't think we should have to choose between keeping us safe from terrorism or keeping us safe from violent crime in our neighborhoods," said Melissa Schwartz, the senator's spokeswoman.

The panel's top Republican, Richard Shelby of Alabama, did

not respond to requests for comment.

FBI insiders, reciting a litany of concerns, such as public corruption, violent crime and mortgage fraud, say the criminal program already has been cut to the bone.

"They are beyond looking at any body fat," one said. "They are lopping off limbs."

Former FBI congressional liaison Charlie Mandigo cautioned against cutting agents at a time when sophisticated criminals are using the Internet to perpetrate fraud across state and international boundaries.

"They're leaving the door open for crime to become global," said Mandigo, special agent in charge in Seattle until retiring in 2003. "You can't expect a detective in Peoria to address a crime being committed by a person sitting at a computer in Russia. It turns the clock back 70 or 80 years to why the FBI was started to begin with - to address interstate crime where local police don't have the capability, resources and jurisdiction."

Former FBI officials agree that cutting criminal agents will actually reduce America's ability to detect and deter terrorist attacks.

"This shows a very short memory of 9/11," said the retired FBI official. "They've not been paying attention to what is disrupting terrorist activity. It's criminal investigations that are disrupting terrorist activity all over the world."

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Mueller

FROM PREVIOUS PAGE

Gold said. "What can I say? They weren't."

Frustrated, Gold sought help from Issaquah police, but Lynnwood attorney John Tollefsen took over the case and made getting MacDonald's money back, not prosecution, his main priority. He is still fighting to help MacDonald get back her savings.

A judge ordered the man to pay MacDonald more than \$1.4 million last year. The man filed for bankruptcy. He hasn't been charged with a crime.

'Dead on arrival'

Tensions were growing inside Robert Mueller's inner circle. In the months after 9/11, when the first waves of agents were funneled into counterterrorism, the FBI director was made aware of the consequences to come.

Without a major influx of new agents, there was no way to maintain the bureau's grip on a long list of traditional crimes, particularly time-consuming fraud investigations.

Mueller asked for help from two attorneys general - John Ashcroft and his successor, Alberto Gonzales - only to be rebuffed each time.

"We were told to do more with less," said David Szady, a former FBI assistant director who stepped down last year as head of counterintelligence.

"There was always discussion on backfilling," Szady said. "Always the push that we need to ask for more bodies."

Dale Watson, who left in 2002 as the FBI's executive assistant director over counterterrorism programs, also

blames the White House Office of Management and Budget and the Justice Department for failing to heed the warnings.

"The budget should be backfilled with additional agents," Watson said. "We've got to do this. But you could request 2,000 agents for white collar, and it would never see the light of day at OMB."

By the time the bureau started putting together its fiscal 2007 budget in mid-2005, "we realized we were going to have to pull out of some areas - bank fraud, investment fraud, ID theft - cases that protect the financial infrastructure of the country," the retired top FBI official said.

Also in 2005, the FBI sent a five-year, strategic plan to the Justice Department that Szady called "the director's attempt to get this agency where it needed to be, including a robust criminal footprint. I know for a fact that the Justice Department beat that down. It was dead on arrival."

A report in September 2005 by the department's inspector general asserted that in addition to the 1,143 agents transferred away from traditional crime programs, the FBI used 1,279 agents on counterterrorism work, even though they were on the books as criminal-program agents. The inspector general concluded that the FBI "reduced its investigative efforts related to traditional crimes by more than 2,400 agents."

More recently, scaled-back staffing requests weren't granted. In fiscal 2006, the bureau sought 250 to 350 new agents. It was given money for fewer than 75, a former official said. Over the past eight years, the ranks of FBI agents have increased, from about 11,000 to 12,575, and virtually all have

been assigned to anti-terrorism duties, records show.

Officially, the Justice Department and the Office of Management and Budget assert that traditional criminal enforcement by the FBI hasn't suffered in the wake of 9/11. They say federal law enforcement agencies are working more efficiently to compensate for the continuing emphasis on homeland security.

"The administration strongly disagrees that the FBI has been anything less than effective in the years since 9/11 in combating domestic crime issues," said OMB spokesman Sean Kevelighan. "We have worked to achieve a balance between the FBI's homeland security and criminal investigative missions."

"We'll just abide by what the president's budget is," said FBI Assistant Director Chip Burrus. "We work a lot smarter than we have in the past."

Mueller, Gonzales and Ashcroft declined to be interviewed for this story.

Burrus acknowledges that the bureau has reduced its efforts to fight fraud. He likened the FBI's current fraud-enforcement policies - in which losses below \$150,000 have little chance of being addressed - to "triage." Even cases with losses approaching \$500,000 are much less likely to be accepted for investigation than before 9/11, he said.

There is "no question" that America's financial losses from frauds below \$150,000 amount to billions a year, Burrus said. The top security official for a major American bank agreed, saying unprosecuted fraud losses easily total "multibillions."

CONTINUED ON NEXT PAGE

FROM PREVIOUS PAGE

Citing the new policy, an informed source said the Seattle FBI office would have rejected the MacDonald case, despite the million-dollar loss, because she was the only victim.

Experts say American consumers are paying for banks' and businesses' fraud losses; they are passed on through higher interest rates, bank fees and retail prices.

Enforcing civil rights laws has been a core FBI mission since the Johnson presidency, but after 9/11 those efforts declined substantially. The number of cases brought by the FBI to federal prosecutors for any reason – from getting subpoenas to seeking charges – fell 65 percent between 2000 and 2005, the P-I found.

While the FBI disputes the degree of the decline, the bureau's own figures show drops in cases investigated, indictments and convictions – particularly hate crimes. Civil rights cases against local police – including allegations of brutality and misuse of power – also dropped following 9/11, but FBI data show a rebound in indictments and convictions since 2005.

There were 24 percent fewer agents working on civil rights cases in 2004 than in 2000, according to the 2005 inspector general's report.

Sarah Dunne, legal director of the American Civil Liberties Union of Washington, said the decline in civil rights investigations means "people's rights are not protected."

"It's been sort of sad to see," said Dunne, a former trial attorney in the Justice Department's Civil Rights Division. "What type of message is the Bush administration sending if they say this is not a significant concern?"

Increasing counterterrorism and security efforts may actually lead to more situations in which police are violating people's civil rights, said James Bible, president of the Seattle-King County branch of the National Association for the Advancement of Colored People.

"We're essentially put in a place that we're sacrificing civil rights in the name of security," Bible said. "It would seem that, as we build one, we necessarily have to build the other."

John McKay, the former U.S. attorney for Western Washington, said he is surprised that the FBI's post-9/11 trade-offs weren't addressed years ago.

"I can't figure out for the life of me why, with the war on terror, asking for more FBI agents isn't a priority," said McKay, who was one of eight U.S. attorneys fired last year by the Bush administration. "If the president of the United States, a law-enforcement Republican, is not going to propose an increase in FBI agents – what Democrat will? There's plenty of blame to go around."

One leading Democrat, Sen. Joe Biden of Delaware, introduced legislation in February that aims to address the problem. The bill calls for hiring 1,000 agents at a cost of \$160 million a year.

"There's no doubt that fighting terrorism should be a top priority for the FBI, but we can't forget about the risk to our neighborhoods from everyday crime," Biden told the P-I.

"To add insult to injury, President Bush hasn't replaced the FBI agents who transitioned over from working criminal cases to counterterrorism," he said. "The FBI is at a breaking point. They're overworked and overburdened and, frankly, they need some relief."

'Risk-free crime'

Eric Drew was near death when someone stole his identity. Weak and in intense pain from leukemia and chemotherapy, he was about to have a bone-marrow transplant at a Seattle hospital in 2003 when collectors began calling, demanding payments on credit-card accounts he'd never opened.

He got little response from Seattle police and called the FBI. There, he said, a duty officer told him the FBI was focused on national security and didn't deal with fraud anymore.

"Basically, I was in the hospital dying, and nobody would lift a finger or even take a statement from me," he said.

Drew was furious. After his transplant, though sick and weak, he tracked down the culprit himself. He got the Seattle addresses where some of the fraudulently purchased merchandise had been shipped, and he found surveillance footage from a hardware store where some had been bought.

A local TV station picked up on his cause and aired footage of the thief using a credit card opened in Drew's name. Tips flooded in to Seattle police, and the guy turned himself in, Drew said.

The culprit was Richard Gibson, a hospital worker at Seattle Cancer Care Alliance who had had regular contact with Drew during his hospital stay.

Drew, 39, said the FBI finally took the case – but only after it became a public spectacle that a dying man couldn't get law enforcement to help him. Once the FBI took over, Gibson was swiftly prosecuted.

Drew, who is now cancer-free after a 2004 stem-cell transplant, believes that the FBI is the best agency to handle most identity-theft cases because they often cross state lines.

But for now, he said, the message from the FBI and other law-enforcement agencies is unsettling: "It's a risk-free crime. Go out and steal identities. No one will come after you."

Crime squads tapped

In the late 1990s, the FBI in Seattle had at least 16 agents working on two white-collar crime squads.

"It was like one-stop shopping," said Jason Moulton, a former FBI official who ran one of those squads. "SPD was there, the IGs were there, the Department of Financial Institutions was there. IRS was there. They all had desks in the space. We were running (wire-taps), doing complex cases."

All of the agents "were extremely busy," and there were still plenty of cases they couldn't get to, Moulton recalled.

By last summer, the effect of shifting agents to anti-terrorism squads was clear: The FBI's white-collar effort had been whittled down to four agents statewide. Hard-pressed agents are now routinely urging banks or lawyers representing victims to do most of the investigating themselves. Even then, the FBI won't necessarily pursue criminal charges.

A few years ago, a Shoreline couple with a home-repair business allegedly used phony financial information to get Columbia Bank to loan them more than \$2 million and then stopped paying it back.

The bank sued, and a King County Superior Court judge ordered the couple to pay more than \$1.6 million. The couple moved to Colorado and declared bankruptcy. There, a judge found that the man – and to a lesser extent, the woman – purposely deceived the bank.

A dogged Columbia Bank investigator put the case together in a nice package to hand off to the FBI for possible criminal charges, according to an FBI agent. The bureau, however, declined to take the case.

The FBI also declines to investigate most cases of an increasingly common financial crime that can leave victims financially and emotionally drained: identity theft.

"When cases come in that you have to decline, you are supposed to find a home for them," an FBI agent in Seattle said. "But you've got a lot of balls in the air. You have so much you are trying to do with so little resources."

Seattle police say they have been investigating more white-collar crime cases in recent years – partly because the FBI is handling fewer, and partly owing to an explosion in identity theft and Internet-related crimes.

"We're now really having to make hard decisions about which cases will get worked, and when," said Lt. Mike Edwards, who supervises the Fraud, Forgery and Financial Exploitation Unit.

King County sheriff's detectives have also struggled to investigate an in-

*Was it me
moulted*

White House cuts to the FBI and the Drug Enforcement Administration have been disastrous for tribes – in part because the bureau in Indian Country acts like a local police department, making the felony arrests. Tribal police don't have legal authority to arrest non-Indians or charge anyone with felonies. And the maximum term in reservation jails is one year.

According to a 2006 Bureau of Indian Affairs survey, the meth epidemic on reservations has led to increases in domestic violence, assault, burglary, child abuse and neglect, weapons offenses, elder abuse and sex crimes – in that order.

"Methamphetamine is killing our people and devastating our communities," said Joe Garcia, president of the National Congress of American Indians. Reservations are "in the cross hairs of this killer epidemic without adequate resources to fight it."

Justice Department data obtained by the Seattle P-I show a 27 percent decline in FBI investigative activity on Indian lands since the terrorist attacks of 2001 – mirroring the transfer of more than 2,000 agents nationwide to counterterrorism duties, and a related sharp decline of investigations into white-collar crime, police abuse and civil rights violations.

In Washington state, FBI activity in Indian Country is down 55 percent, the data show.

Interior Secretary Dirk Kempthorne, who has heard from concerned tribal leaders, called the meth scourge "the second smallpox epidemic."

Amid growing congressional and public concern about the lack of safety on reservations, Attorney General Alberto Gonzales met with tribal leaders last week about their concerns, and touted \$3 million in new grants to tribes, mostly from funds already designated for Indian Country.

Officially, the FBI maintains that the number of agents assigned to Indian Country has increased by 7 percent, and that the number of indictments handed down has remained steady.

But special agents in the field, former FBI administrators and federal prosecutors say the real picture is bleak. They say agents who would normally respond to reservation crimes aren't doing it as much because of a domino effect of the FBI be-

ing saddled with homeland security matters. And they say federal investigations on most reservations have failed to keep pace with burgeoning crime.

FBI Director Robert Mueller declined to be interviewed.

The White House points to task force efforts – most of which are a holdover from the 1990s – as proof of its commitment to protecting reservations. But the administration's budget decisions have drastically cut the ability of the FBI and the DEA to curb the flow of drugs into rural areas, according to current and former agents in both agencies.

President Bush's first DEA administrator, Asa Hutchinson, saw the emerging problem of meth in rural America and on reservations, but could not persuade the White House to do anything about it. "We did not get significant new resources," he said.

Drug problem 'unchecked'

Neah Bay, a native fishing village at the extreme northwest tip of the continental United States, has been devastated by illicit drugs. About six in 10 homes owned by the Makah Tribe are contaminated with meth residues, according to a tribal study.

Tribal police say assaults and thefts – and fatal overdoses – are on the rise.

"It's really bad and sad to see," said tribal Chairman Ben Johnson Jr. "The children are really taking a beating. We've had meth babies born here. But it's tough to even get the FBI out here."

Drugs are also "rampant" on the Lummi Nation's lands, west of Bellingham.

"It's killing men, women and children," said tribal leader Jewell James. "If left unchecked, it's a form of extermination."

The James home is a safe haven for traumatized girls, including a 14-year-old who has suffered one drug-induced horror after another. Her baby sister drowned in the bathtub, she said, after her drunken stepfather passed out.

"I know my mom was drinking heavily and did pills and crack," the girl recalled recently. "My stepdad beat my mom up. I'd be hiding under the table. He was doing alcohol and drugs. He got her into some bad stuff. But my mom was crazy for him. She didn't care if he beat her."

The stepfather – reputed to

be a major drug dealer – was never charged, which angers James and his wife, Ramona.

"It's been such a hard battle to get the FBI out here to investigate any crimes on the reservation," he said. "We want them to make arrests. We want them to find the suppliers. We want the OxyContin stopped. We don't want crystal meth."

Not long before 9/11, when drug dealers on the Lummi Reservation raped a woman who owed them money; when the lifeless body of an addict was found hanging from a tree; when more than a dozen babies were born addicted to drugs in as many months, tribal police turned to the FBI for help. By the time Special Agent Ted Halla and his Lummi police partner, Steve Spane, finished their investigation, about a dozen dealers were behind bars.

"Those two guys made a world of difference," recalled Lummi police Chief Gary James. "They turned it around."

Six years later, the problems are back.

"We're still seeing a lot of narcotic pills coming down from Canada," Gary James said. "And we're still seeing crack cocaine. We still need that support from the FBI. We do get it – but it's not as much as we had."

Halla was on the reservation investigating crack dealers when the terrorist attacks happened. "Everyone knew things were going to drastically change in the bureau," he said. "I understand how the Lummi would love to have some federal agencies come in and provide additional support. But everyone is battling over every dollar. It's all a funding issue."

Halla personifies the terrorism trade-off. Months after 9/11, he was transferred to the Joint Terrorism Task Force in Seattle. FBI agents who remain near the Lummi Reservation are buried under a heavy workload, generated in part by the nearby U.S.-Canadian border.

Gary James is convinced that local agents, including Jim Powers, whom he praised as committed to the tribe, want to do more to help – they just can't. "I don't think it's for lack of wanting to help," he said. "It's for lack of the FBI having the resources to do it."

Justice Department data show that FBI investigative activity in Indian Country stayed about level through 2004, then

dropped 12 percent in 2005 and 19 percent in 2006.

"It broke my heart," said a recently retired FBI administrator who spoke on condition of anonymity. "Despite the desire to protect the Indian Country program, the workload on the counterterrorism side was so astronomical that it was an impossible mission for the agents-in-charge in the field. They had unlimited terrorism work and limited agent resources."

"Let's face it, the national security mission will always trump Indian Country unless it's abduction of a Native American child or something where it's life and death."

Randy Jackson, who heads the FBI's enforcement efforts on Indian reservations, agreed.

"If there is a terrorism matter, it is going to be addressed first because that is the state of the world today," he said. "It is a tyranny of the urgent."

New FBI 'priorities'

As a resident FBI agent in Silverdale, Stephanie Gleason covers a half-dozen reservations spanning the vast Olympic Peninsula. It's a nearly five-hour round-trip drive to the Makah Reservation to respond to a major crime.

And Gleason has a lot of other responsibilities. A few miles down the road from her office is one of the world's largest repositories of strategic nuclear weapons. In addition to reacting to local bank robberies, white-collar crime, civil rights violations and public corruption, Gleason would be the FBI's first responder for any security episodes incidents at the Indian Island weapons depot and Trident Submarine Base Bangor.

Makah Councilman T.J. Greene, the former tribal police chief, recalled how Gleason warned him after 9/11 that "things were going to be changing."

"She told us there were going to be certain priorities in Indian Country," Greene said. "And if it wasn't one of those priorities, the FBI would be reluctant to pursue it." Essentially, that meant the reservation was on its own to deal with the drug invasion.

"We certainly can't stop it by ourselves – not without outside agencies taking an active role in trying to catch that bigger fish," Greene said.

The police force has seven officers – barely enough to cover the reservation 24 hours a day. “If I had four more officers, I could put a pretty good dent” in crime, said tribal police Chief Lloyd Lee. “But we’re never going to stop drugs from coming on the reservation – short of declaring martial law and putting gates up on the road to the rez.”

The FBI or the DEA can follow the transportation of narcotics to its source, he said. “We can’t.”

When the Olympic Peninsula narcotics task force dismantled a drug network in neighboring towns a couple of years ago, the reservation wasn’t part of the investigation, Greene said. Within the next year, there was a dramatic increase in dealers coming to do business on the reservation, most of them Mexican, Greene said.

“They’d have some sort of contact – a Native girlfriend that they’d be with,” he said.

But by then, the FBI had all but ceased doing drug investigations. And Greene rarely saw the DEA.

DEA couldn’t pick up slack

In the months following 9/11, top FBI officials huddled around flip charts on the seventh floor of the J. Edgar Hoover Building, just down Pennsylvania Avenue from the White House. So many agents had been diverted to counterterrorism that something had to give. Like battlefield medics, they gathered to do what they called “triage.”

One chart listed “what is it that we absolutely had to do,” said the retired FBI official. Others listed “what is it that we should do, what can we bail on.”

“We never stopped asking for more resources,” the official said. “But the White House (through the Office of Management and Budget and the Justice Department) just kept saying no.”

FBI leaders reasoned that since the DEA also has jurisdiction over drugs, they could walk away and leave it to the DEA. The plan didn’t work out.

After the FBI got out of drug enforcement in 2003, the DEA did a credible job picking up the slack in major urban areas, according to the Justice Department Inspector General’s report and highly placed sources. That hasn’t happened in rural areas, however, partly because the DEA has been hamstrung by a hiring freeze and work-force cuts.

The DEA was involved in fewer than 100 cases in Indian Country from 2002 to 2006, a P-I analysis has found. Most of those were in Arizona in 2006, when the DEA was part of a task force investigating drugs on a reservation there.

Assistant U.S. Attorney Doug Whalley of the Western District of Washington said the FBI and the DEA are simply not bringing any more significant reservation-based drug cases for prosecution. “We don’t see them anymore,” he said. Before 9/11, big drug-trafficking cases involving Indians arose every year to 18 months, he said.

Scott Burns, deputy director of the Office of National Drug Control Policy, rejects negative assessments of federal drug enforcement on Indian lands. “The FBI is not gone,” he said. “They are still there, and they are still engaged.”

Burns cited the bureau’s “Safe Trails” program, which operates task forces on 16 of the nation’s approximately 300 reservations. The program unites the FBI with other federal, state and local law enforcement agencies to fight violent crime.

While he insists that the fight against drug abuse isn’t languishing, Burns said the problem is “certainly acute in Indian Country,” where there are “much higher rates of abuse and addiction.”

The Bush administration has budgeted an increase for Bureau of Indian Affairs law enforcement, although still not nearly what it would take to bring law enforcement on tribal lands in line with national standards, said BIA Deputy Director Chris Chaney.

BIA police also have felony jurisdiction on Indian lands and could theoretically fill the void left by the FBI. But the BIA police are understaffed and have a significant presence on only a few dozen reservations. In Washington state, the BIA has referred only 22 cases to federal prosecutors in the last decade.

Federal law enforcement diminished on Indian lands after 9/11, but got worse when Alberto Gonzales became attorney general, said John Dossett, general counsel for the National Congress of American Indians. Gonzales reined in local U.S. attorneys, many of whom use their discretion to keep Indian Country enforcement a higher priority.

Indian leaders point to the fact that a majority of the U.S. attorneys fired by the Bush administration last winter were members of the Justice Department’s Native American Issues Subcommittee, including John McKay in Western Washington.

“It is an outrage that we have not increased FBI agents and resources in the criminal program to deal with problems such as Indian Country crime,” McKay said.

Treaty obligation ignored?

Despite a series of congressional hearings on law enforcement woes in Indian Country, tribal leaders have been unsuccessful in their push for major changes.

The Senate Appropriations Committee recently called itself “deeply troubled” by Bush’s proposals to further cut the FBI and DEA budgets. The committee dubbed the administration’s proposal to eliminate the DEA’s mobile-enforcement teams – the primary means for fighting drugs in rural areas – “ill-advised” and is seeking to reinstate them.

The committee recommended adding \$26.1 million to the FBI budget for 167 positions, including 100 more special agents assigned to violent crimes. Bush has instead called for cutting 100 violent-crime agents.

Lummi leader Jewell James asserts that the federal government isn’t living up to its “treaty obligation” to protect reservations.

“It’s the duty of the United States to police and patrol the people coming into Indian Country, including the drug dealers and cartels that are operating and expanding inside Indian Country,” he said.

That’s not happening, complained James, “with the disappearance of the FBI since 9/11.”

P-I reporter Paul Shukovsky can be reached at 206-448-8072 or paulshukovsky@seattlepi.com.

creasing number of fraud cases without FBI help, Sgt. John Urquhart said.

There are many reasons why federal agents are better suited than the locals to conduct complex fraud investigations. The FBI has agents around the nation and the world to run down leads. Even if a local detective could get her chief to approve an investigative trip across country, she has no jurisdiction in another state.

If agents need to subpoena business records, they simply call a federal prosecutor, who can get an order easily. That's not true in many state jurisdictions, including Washington, where it can take a couple of days for the prosecutor to prepare documentation and present it to a judge for a subpoena. Federal agents can obtain warrants for wiretaps; local officers in Washington cannot, except in rare circumstances. Locals need a court order for a body wire; federal agents don't. FBI agents can record telephone calls if one party consents without going to a judge; locals can't.

And federal sentences for white-collar crimes are generally tougher than those meted out in state courts. In Washington, for example, the average federal money-launderer was sentenced to 35 months in prison in 2006, while the average state court sentence was probation.

The difference in penalties means that not only are fewer people getting prosecuted for white-collar crimes, they are also serving less time behind bars. And just when coordination among state, local and federal law enforcement in Washington and other states needed to be at its best, there were signs of major breakdowns.

In 2001, the FBI office in Seattle launched the King County Fraud Investigation Team, which included investigators from the Seattle and Bellevue police departments, the King County Sheriff's Office and the Secret Service. Less than two years later, the bureau dissolved it, according to a Seattle-area fraud investigator.

About the same time, FBI supervisors in Seattle also stopped attending monthly meetings where they talked about fighting fraud with executives from major retailers, such as Nordstrom and Costco.

Said one agent: "What did we bring to the table? We got out of that game. Why go and give them a no?"

But the bureau's new mantra of doing more with less seems to be paying off in the handling of bank robberies.

The five FBI agents in Seattle that had been assigned to bank heists have been reduced to one, but there are no complaints of languishing cases. The conviction rate last year was a lofty 85 percent.

Special Agent Larry Carr now works with local detectives to coordinate the investigations and determine whether defendants will be prosecuted in state or federal court. Increasingly, the cases are going to King County Superior Court.

"It is a testament to doing a lot more with a lot less," Carr said.

Scam artists unpunished?

A few years ago, more than 1,000 people across the country invested roughly \$70 million in a scam known as Resource Development International, led by two men who set up headquarters in Tacoma.

Though victims in Washington urged the FBI to investigate, the two men didn't face federal charges – or even a criminal case here in Washington, where they ran the scam.

The district attorney's office in Santa Clara County, Calif., ended up taking on the case after an elderly victim in the San Jose area came forward. Deputy District Attorney Paul Colin prosecuted the kingpins, John and David Edwards, a father-and-son team who are now serving 27-year sentences in state prison, and two other men who had sold the investments to people in California.

But dozens of others were involved in the scam – six to eight people who worked in the Edwardses' office, and 50 to 100 people who sold the phony investments across the country, Colin said. Most haven't faced charges. That includes nine Washington men who, according to the state Department of Financial Institutions, sold more than \$6.6 million worth of the sham investments to 53 people in Washington.

"If the feds had taken this on, it might have been caught sooner, and more of the people who assisted the Edwardses might have been brought to justice," Colin said. "These scams happen every day to the rich and the poor, and they should be a priority of law enforcement – particularly at the federal level."

After trying several times, Lloyd Martindale Jr., one of the Washington victims, finally got an FBI agent to meet with him in August 2002. The agent showed up late, explaining that he'd been out late dealing with terrorist ac-

tivities and border issues, he said.

"He wanted my evidence and a description of my role," he said. "It sounded like the FBI was going to take this thing."

Retired Tacoma schoolteacher Dick Mansfield, who said he was persuaded by one of the scam's "slick operators" to invest \$175,000 from his state pension, also finally got a special agent at the FBI's Tacoma office to hear his story.

"She did listen to me," he said, "but nothing ever came of it."

Gina Davis, supervisory special agent of the Tacoma office, said they didn't act because an FBI office in California was already investigating the investment scam. But John Gliatta, supervisory special agent in Fresno, Calif., said their investigation was limited to two men in the Fresno area. One was charged with perjury and sentenced to probation.

Mansfield and Martindale believe that many more people should have been prosecuted, and Mansfield still struggles to explain how devastating it is "to have your future ripped off."

"I feel angry that we don't have a culture that sees the horror of financial theft," he said. "It is horrendous. It is not taken seriously."

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SHIFTING FOCUS, STRETCHED RESOURCES

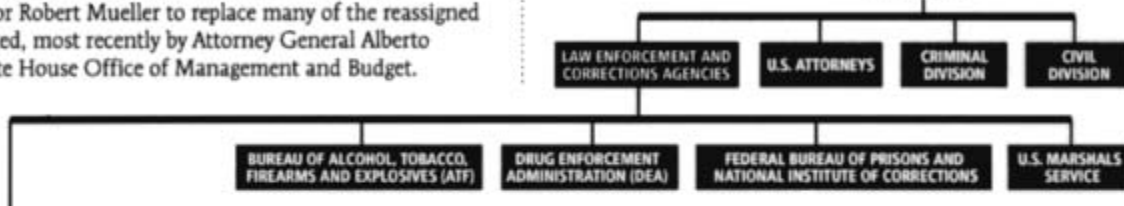
The FBI is both a national police force, with broad jurisdiction to investigate federal crimes, and an intelligence agency with responsibility to thwart terrorism and espionage on American soil. Since 9/11, the bureau has been reshaped - shifting some 2,400 agents from traditional crime investigations to counterterrorism and counterintelligence. Requests by FBI Director Robert Mueller to replace many of the reassigned agents have been rejected, most recently by Attorney General Alberto Gonzales and the White House Office of Management and Budget.

U.S. DEPARTMENT OF JUSTICE STRUCTURE

Gonzales heads the Justice Department, which includes U.S. attorneys around the country, civil and criminal prosecutors in Washington, D.C., the federal prison system and law enforcement agencies.



ATTORNEY GENERAL
Alberto Gonzales



FEDERAL BUREAU OF INVESTIGATION (FBI)

THE FBI AT A GLANCE

The FBI has 56 field offices in major cities throughout the U.S. and more than 400 resident agencies in smaller cities and towns. There are also more than 50 international offices in U.S. embassies on every continent but Antarctica.

FOUNDED: 1908
SPECIAL AGENTS: 12,575
OTHER STAFF: 18,083
MOTTO: Fidelity, Bravery, and Integrity
2006 BUDGET: \$5.7 billion
DIRECTOR: Robert S. Mueller III, right

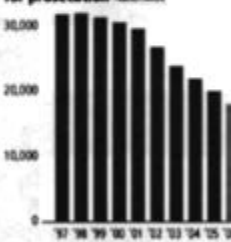


MISSION: To protect and defend the U.S. against terrorist and foreign intelligence threats, to uphold and enforce the criminal laws of the U.S., and to provide leadership and criminal justice services to federal, state, municipal and international agencies and partners.

CASES AND CONVICTIONS

A Seattle F-I analysis of data from the Justice Department shows the FBI referred more than 10,000 fewer cases for investigative assistance or criminal charges in 2005 compared with 2000. The key reason: The bureau's overall ranks have increased only slightly over the past decade, while criminal units have been heavily tapped for counterterrorism efforts.

Total cases investigated/referred for prosecution Nationwide



Convictions Nationwide



Total agents Nationwide



NOTE: 2006 cases and convictions figures are estimates based on data through June 2006.

SPECIAL AGENTS

While the FBI's budget still carries a majority of agents for criminal cases, the reality is that counterterrorism now dominates the agency's efforts.

Agent assignments Nationwide, 2006



BREAKDOWN OF CASES NATIONWIDE Cases investigated/referred for prosecution by crime category



NOTE: 2006 figures are estimates based on data through June 2006.

BREAKDOWN OF CASES IN WESTERN WASHINGTON Cases investigated/referred for prosecution by crime category



NOTE: 2006 figures are estimates based on data through June 2006.

CRIME VS. PUNISHMENT

State and federal law often both cover the same crime but federal law generally carries stiffer penalties. That's particularly true for most white-collar crimes, the area where the FBI's pullout has been most dramatic.

CRIME	TYPICAL FEDERAL SENTENCE in months	TYPICAL STATE SENTENCE in months
Bank robbery	41-51	31-41
Extortion	27-33	6-12
Racial harassment	6-12	3-9
ID theft	24	3-9
Money laundering	15-21	0-12
Fraud	6-12	0-3
Embezzlement	6-12	0-3
Forgery	6-12	0-2

NOTE: Based on state and federal sentencing guidelines. Federal sentencing in financial crimes assumes losses of \$10,001. Fraud and embezzlement are charged as theft in state court.

Sources: Justice Department, Senate Judiciary Committee, F-I research by David Laibson

HOW THE SEATTLE P-I PUT THIS STORY TOGETHER

To tell the story of how the FBI's mission has been profoundly altered by terrorism, the Seattle P-I spent more than six months analyzing more than a million records – including more than 250,000 FBI investigations touched by federal prosecutors across the country in the wake of 9/11.

Case-referral activity, indictments, conviction rates and staffing levels were examined for every federal district in the nation, based on records obtained from the Justice Department.

Last year, the P-I obtained 245 files on five DVDs and one CD, covering more than a decade of civil and criminal cases handled by federal prosecutors. These data include both cases taken to trial and those known to prosecutors but in which a case was not filed.

Using a database built from those records by P-I investigative reporter Daniel Lathrop, the newspaper was able for the first time to fully measure the dramatic decline in the number of cases and convictions resulting from the FBI moving resources to terrorism and walking away from areas of criminal enforcement.

Copies of the analysis were given to federal officials in Seattle and in Washington, D.C., who did not dispute the newspaper's findings but wouldn't make database experts available to discuss the analysis.

FBI referrals dropped 34 percent, and convictions based on those referrals dropped nearly 20 percent. Most dramatic was the drop in white-collar fraud investigations, where the FBI is considered the pre-eminent agency.

Prosecutors log cases in their database once agents bring them for any reason – subpoenas, warrants, even dropping a case. Those cases count as referrals, whether or not investigators seek charges.

This was the first attempt to quantify not only the national trends, but to evaluate whether those trends were replicated systematically across the U.S. They were.

For example, Washington state saw an 88 percent plunge in FBI white-collar referrals from 2000 to 2005, while New York saw a 69 percent drop. White-collar convictions dipped by 68 percent in Washington; the New York decline was 43 percent.

These data are valuable because prosecutors record facts about every case, including both the criminal charge investigated and the type of criminality the prosecutor believes is involved.

The data are relatively complete because federal prosecutors are much more involved in investigations than most local prosecutors. According to one Justice Department report, the data include information for federal cases in which at least one hour of investigation has been done.

The congressional Government Accountability Office and the Justice Department's investigator general have used these same data in evaluating the bureau, as have researchers at Syracuse University and elsewhere.

The data given to the P-I had been scrubbed of personal information about defendants, lawyers and agents, and also been subject to redaction of important information about cases still under consideration by prosecutors and cases where sealed indictments had been handed down.

The result of the redactions means that categories of crime do not get credit for those cases until they have either been closed or led to an indictment, and that depresses by a small amount the category totals. Even so, those cases are included in the substantial overall declines – which means the FBI is losing ground in many areas.



MOTIFOUND / P. 1
Makah tribal member Christina Pendleton – who has been clean and sober since December after a methamphetamine addiction – gives her 4-year-old son, Nicholas, a kiss goodbye. Pendleton lost custody of Nicholas and can see him only for an hour a week on Sunday, but she is fighting to regain custody. Nicholas began crying as he walked away, as did Pendleton.



SCOTT EKLUND / P-I PHOTOS

Jewell James, a Lummi Nation tribal leader, stands next to a well-known drug house on the reservation in February. James and his wife, Ramona, offer their home as a safe haven to traumatized girls. James supports more help from the FBI to fight drugs on the reservation.

INDIAN COUNTRY AND METH

Meth is the No. 1 drug problem on most U.S. reservations, a scourge that has triggered related increases in other crimes. A Bureau of Indian Affairs survey last year documented some of the toll.

Reservations where meth arrests have increased since 2005



Reservations where meth is the No. 1 drug problem



Reservations where level of meth distribution is "high" or "moderate"



Crime Wave

Percent of reservations seeing more crime attributed to meth

Domestic violence	64%	Elder abuse	24%
Burglary	57%	Sex crimes	22%
Child abuse and neglect	48%	Homicide	4%
Weapons crimes	31%	Robbery	2%

Source: Bureau of Indian Affairs stud , 2006

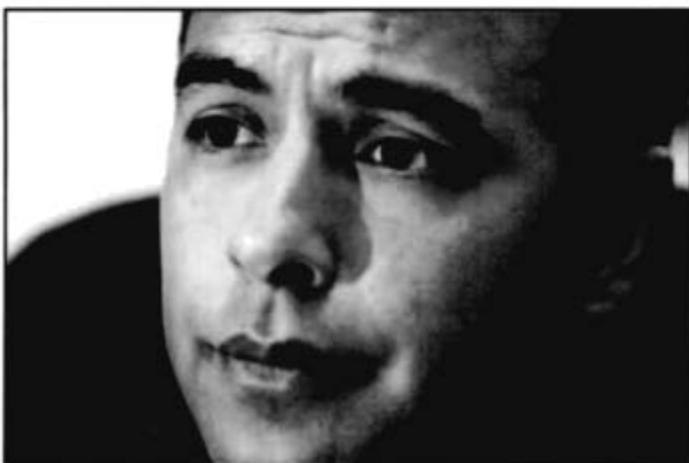
SEATTLE P-1



This bus on the Makah Reservation was a suspected methamphetamine lab. It was seized by tribal police and is due for demolition. About six in 10 homes owned by the Makah Tribe are contaminated with meth residues, according to a tribal study.



Makah tribal Chairman Ben Johnson Jr. wants federal agents to choke off the flow of illicit drugs to the reservation. But he says it's hard to get the FBI to come out to remote Neah Bay, a native fishing village at the northwest tip of the continental United States.



Makah Councilman T.J. Greene, a former tribal police chief, recalls how FBI agents became more scarce on the reservation after 9/11, even though tribal police don't have authority to arrest non-Indians.

30,000 TO PLAY FOR ALL THE BUTTONS

Seattle Post-Intelligencer

50¢

WARNING!
Why working women still fantasize about having wives



ARCHITECTURE
She's world famous but little known at home



MARINE
GUILLÉN UNRAVELS WHITE SOX

MONDAY, AUGUST 13, 2007

TOP STORIES
Storm blows over Jamaica



The eye of Hurricane Dean and its 60 mph winds passed south of the island today. Windy waves expected to increase to 100 mph in 24 hours behind the center of Dean's deadly storm.

Few choices left for Army
A 20-year-old soldier named James M. ...

I-5 work goes on
For the first time during these weeks, construction workers on Interstate 5 will face a Monday closure with only two lanes open.

ALSO IN THE NEWS
NATIONWIDE: ...

SEATTLE
...

BUSINESS
...

INDEX
...

LEFT TO FIGHT A DRUG WAR ALONE

TRIBES SEE FBI SUPPORT DWINDLE



With an eroding federal presence, tribal police forces are left to fight a drug war alone. ...

ERODING FBI HELP FOR RESERVATIONS

FBI investigative activity on reservations hit its lowest level in at least a decade, according to Justice Department data. Some states with significant Indian populations, including Washington, showed drops in FBI cases since 9/11.

State	2001	2006	Total 2001-06	Percent Change 2001-06
South Dakota	358	322	2006	-10%
Arizona	252	236	1395	-6%
New Mexico	194	82	1277	-58%
Montana	91	84	690	-8%
North Dakota	106	101	601	-5%
Washington	95	43	331	-55%
Wyoming	37	23	218	-38%
Idaho	37	31	216	-16%
Oklahoma	53	16	214	-70%
Minnesota	47	6	180	-87%
Utah	26	13	90	-50%

If house has to go, at least it can go 'green'

Deconstruction crews salvage siding, floor, even nails

There is a building boom over "green" houses, with their recycled lumber, energy-efficient insulation and solar water-heating systems. ...

DEMOLITION DETAILS
There are a lot of reasons for taking demolition companies and for ...

More opt to pause biological clocks
But freezing eggs offers no guarantees

Many women postpone childbearing until their late 20s or early 30s, but they may be regretting it later. ...

BY PAUL SHUKOVSKY AND DANIEL LATHROP
P-I reporters

NEAH BAY – Christina Pendleton is an unlikely casualty of the Bush administration's war on terrorism. The Makah woman was romanced on her remote Pacific Northwest reservation by a Mexican drug dealer who fed her methamphetamine addiction and then peddled dope to her tribe.

TERRORISM TRADE-OFF

The P-I has been investigating how the FBI's focus on counterterrorism since 9/11 has drained efforts to fight traditional crime.

Read the series at seattlepi.com/specials/fbi.

Last September, Pendleton confessed her addiction at a community meeting and pleaded for help. Clean and sober since December, she now has a job in tribal government and takes every opportunity to warn of the dangers of meth.

"They are told in Mexico, even before they come here, to find an Indian woman and marry her," she said of the dealers. "You will get a free home, a free clinic. And they basically do it and set up shop."

Pendleton knows. Her former lover made her home on the reservation his personal drug den. He's gone now, but she's fighting to regain custody of their meth-

affected little boy.

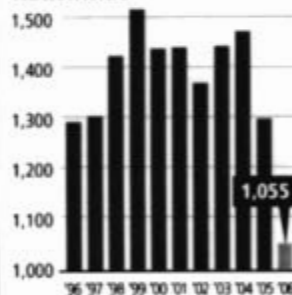
Similar stories are playing out at reservations around the country. While the FBI turns its attention to preventing another 9/11, drug traffickers are exploiting the vacuum. The result: A drug epidemic and related crime wave are plaguing Indian communities.

SEE DRUG WAR, A6

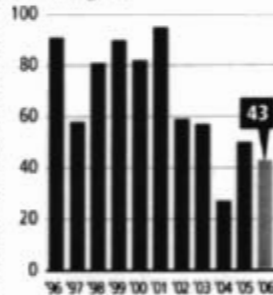
ERODING FBI HELP FOR RESERVATIONS

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Nationwide



Washington



STATE	CASES 2001	CASES 2006	TOTAL 2001-06	PERCENT CHANGE 2001-06
South Dakota	358	322	2006	-10%
Arizona	252	236	1395	-6%
New Mexico	194	82	1277	-58%
Montana	91	84	690	-8%
North Dakota	106	101	601	-5%
Washington	95	43	331	-55%
Wyoming	37	23	218	-38%
Idaho	37	31	216	-16%
Oklahoma	53	16	214	-70%
Minnesota	47	6	180	-87%
Utah	26	13	90	-50%

Source: Justice Department data

SEATTLE P-I

Terrorism Trade-Off
Part 2
August 20, 2007