The Association for Diplomatic Studies and Training
Foreign Affairs Oral History Project

SHERMAN M. FUNK

Interviewed by: Charles Stuart Kennedy
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INTERVIEW

[Note: This transcript was not edited by Mr. Funk.]

Q: Today is Bastille Day, July 14, 1994. This is an interview with Sherman M. Funk on behalf of the Association for Diplomatic Studies. I'm Charles Stuart Kennedy.

Sherman, could you tell me first about your background, when and where were you born, and about your family.

FUNK: I was born in New York City, 1925. My father was second generation. His father had come here as an immigrant in the 1880's. My mother was literally born on the ship coming over here. Her mother had come here earlier and had missed her parents desperately. So she went back to Europe, which was not easy in those days. With very little money, you traveled steerage. And as soon as she reached her home, she realized that she was pregnant.

Q: Where was her home?

FUNK: It was on what we consider the Polish-Russian border now, and my father's family came from Germany. She had to scrape up enough money to come back again. But by the time the money was raised, even though by current standards it wasn't very much, and she was able to get passage and work her way over to the port in Germany -- usually left from Hamburg -- she was ready to pop, and she popped. It was an American ship, of course, so she was born on an American ship. She was an American citizen.

I went to school in New York. I went to the Army in 1943.

Q: What were you doing in the Army?

FUNK: I was a grunt, dog-face, in the Rainbow division, the 42nd infantry division.

Q: Where...

FUNK: They fought in France, and I was wounded and captured.

Q: Can you tell a little about that, because I think this is interesting.

FUNK: We came in through southern France, which was a bit of a piece of cake. It was always a real high class way to go to the war zone. That lasted about a week. Then my unit was the liaison between the First French Army and the 7th American Army, so we were in the gap between the two. We worked our way up to Alsace-Lorraine, first to the mountains and then down into the lowlands near the Rhine. On January 5th, 1945, the Germans counter-attacked in the south to ease the pressure on the Battle of the Bulge in the north. It was called Operation North Wind -- Norwind. We didn't know it at the time, but we were attacking to the face of a complete German division, the 21st Panzer Division.

Q: It was one of their elite.

FUNK: Yes, it was. They'd fought in North Africa, they were the spearhead of Rommel in North Africa, real veterans, good troops. My unit was the lead unit of our attack which saved my life. I was in the lead squad of the lead platoon of the lead company. So the artillery was so close to the Germans they had to fire in behind us. My company lost about 142 people between 5:00 a.m. and 11:00 a.m. What was left we formed into a combat foot patrol. Two days later we were in the town of Haltern, which we'd occupied. The same German division counter-attacked and I was wounded in the morning by somebody very close to me, no further than you are from me, in street fighting which is a nasty business. I took refuge in the basement of a house with two other American wounded, and we stayed there for three days trying to evade Germans. On the third night the Germans took cover from shelling, and literally stumbled across us. It's a funny story, but if you want I'll go into that later. I was taken to an aid station mostly full of French wounded, seriously wounded, who were being ignored. A German doctor came out from behind literally a bed sheet; he was covered with blood. He looked like a butcher. He looked at me, looked at my uniform, and he said, "I was in Chicago in 1932; it stunk." That was my introduction to Germany.

They took me to the University Hospital, Heidelberg, where they did a brilliant job of saving my arm, just a magnificent piece of surgery. That was made up for later by some very adverse, very poor treatment. From there I went to a prison hospital. I was the first American in the hospital, and after that more Americans came in. We were liberated the end of March. I came back to the States and spent the year in a hospital in the States. I went to college, to Harvard. I majored in history and literature. After that I started my work.

Q: At Harvard did you learn about Henry Kissinger at all?

FUNK: He was in my class. Nobody knew him. I literally have found nobody who ever knew Kissinger. He was in the class of '50 with me. Jim Schlesinger was in my class. I knew Jim, old friends. I knew Bill Harrop who was my predecessor as IG (Inspector General). He's the last FSO IG. Bill was in my class. Freddie Chapin, who was one of my team leaders when I became IG. A whole bunch of people in my class or the preceding class of '49.

Q: What attracted you towards history and literature?

FUNK: I've always been a history buff, still am. I have a very large library, which I'm now in the process of trying to do something with. I'm moving to an apartment, and I'm in the throes of agony trying to...it's like pulling my teeth to get rid of books and I have to get rid of several thousand. I've just been interested, particularly in American history, and particularly in early American history including pre-Columbian history. And I've found a home. Samuel Eliot Morison was one of my teachers, Crane Britain in intellectual history. Frederick Merck, history of the west. So I had some great teachers, and I thoroughly enjoyed it. But there's no connection between that and being an IG.

Q: I was just going to say, you started off in this course, were you pointing yourself towards anything, or was this...

FUNK: Well, I've always wanted to write, and I did a lot of writing, magazine writing and things like that. I did a newspaper column when I was in the Army Specialized Training Program. I wanted really just to see the world first, and I took a job in Fort Yukon, Alaska, as a teacher. That is way way up in the northern interior of Alaska. One of the coldest spots in the world. My father died two weeks before I was supposed to leave. My mother asked me to go into the family business and help out for a while, act as an anchor between my brother and brother-in-law who were not hitting it off too well. So I had to quit my teaching job which I hadn't even started yet. It was my first experience with the civilian side of government, because I'd paid $1,000 in advance for food, and it took me over two years to get it back from the Department of Interior.

Q: What business was your father in?

FUNK: He was in the toy business, imported mostly, toy imports, lead soldiers... Mostly lead toys came originally from Germany and England. He always stayed with the lead soldiers but, of course, during the war that was totally gone. My father was quite a patriot. In 1937 when the *Panay* was sunk, he argued with the other people in the toy business, they shouldn't handle Japanese toys. Why should we allow Japan to benefit from this kind of behavior, and he refused. He had several warehouses in California full of toys, and he refused to handle them. Kresge, then a big chain, Woolworths and one other chain that is now defunct, bought him out for a song. My father also was instrumental in changing the law about country of origin. They would place the city of origin, and there's a town in Japan called Usa, USA. So my father took that case, together with the Toy Manufacturing Association, and fought that in court. He held that it had to be country of origin, not place of origin, it had to be country. But he lost a lot of money in that because he refused to handle Japanese goods. We never had any toys in the house because my father was of the old school and felt that he should not look to be a source of toys for the children. At Christmas time my mother would frantically go out and buy toys. We had the irony that my father would have unbelievable amounts of that stuff in showrooms in New York. But it was probably not a bad precedent to follow.

Q: How long did you stay with the toy business?

FUNK: Just a few years. I decided to write and realized I couldn't make a living at that right away and I moved to Woodstock, New York. I got married in Iceland. My wife was working for the Air Force in Iceland. I went up and I had a glorious two weeks in Iceland. She was in the hospital a while up there. I fell in love with the place. I still have a very warm feeling for Iceland. We were married and came back and I moved to Woodstock. I took a job teaching in high school in upstate New York in a town called Catskill, which is a fairly grim Hudson River mill town. I taught there for three years. Then I went to the University of Arizona teaching government. I had moved over to government at that point. I really cannot answer why. Somebody asked me the same question not long ago, why did I shift over from history to...in high school I taught history, which I dearly loved. And to the best of my recollection, I called somebody in Tucson, at the University of Arizona. They said they had no history vacancies, but they always needed teachers in government because the State of Arizona required a course in Arizona's state history and government before you could teach in a school system. You had to have that course in the government of Arizona. So, he said, "We always have a backlog of need." So I switched over and I became a government teacher. I did some graduate work in government before that too at Columbia. I stayed a little over a year, then, on a bet, I took the federal service entrance examination, management intern it was called then. I took it on a dare. Somebody from the Civil Service Commission had come down to Tucson and was eating with me in the faculty lounge with a number of other teachers. I mentioned to him that I'd be happy to have him talk to my class about urging them to go to the federal government to become management interns, if possible. But I said it was a bit strange because I could never do that. And he asked me why not, and I said I could never pass the math, my math is horrible. I said I scored the lowest score, up to that time at least I don't know after that, ever in the history of Harvard when I took my exams to get into Harvard -- not to get in, but the qualifying exams when you get there. I think you got the first one right, you know 2 and 2 is 4, and after that it gets progressively more difficult. He said, "No, we balance these things out in the scoring, and if you do very well in one, we have a weighing system." I said, "I don't believe that." He said, "Try it, I dare you." And I laughed about it. And then when he came to my class and spoke to my class, he did the same thing publicly in front of the kids and I couldn't really back down at that point. So I said, "Okay, I'll call your bluff, I'll do it." And to my astonishment I scored very high, both in the federal exam and the management intern exam which is a five hour exam, and then on the orals -- the two different sets of orals.

So the next thing I know I got a telegram from the Secretary of the Air Force offering me a job with the Air Force in Washington. I'd already wired my acceptance to Berkeley, the University of California, to get my Ph.D. And after a night of agonizing, I wired my regrets to Berkeley and my acceptance to Washington. And I came to the government July 1, 1958.

Q: When you said you were going to write, what were you trying to write?

FUNK: Essentially fiction. I did a number of pieces, but I was never very happy in fiction I found out.

Q: Did you write your World War II experience novel?

FUNK: No. I did a number of individual pieces. I did a piece for the UPI when I was liberated that was nationally syndicated by United Press. I don't enjoy writing. Anybody says he like to write, to me, is a liar, because it's very hard work. But something I have a facility for. I don't really know beyond that, but I'm finding out now because it's something I'm doing now.

Q: Here you were off in a career that seemed to be suiting you, you were going for a Ph.D.

FUNK: It didn't really suit me because I wasn't happy with the nitpicking nature of some of the research that was required. I saw my friends and colleagues on the faculty who were holding up trying to cut a little piece of something for themselves for their Ph.D. dissertations. And virtually none of them really had any passion about it. They were trying to find something which had not been worked to death before, and it was more important that they had something they could claim as their own, whether or not it was really meaningful or cause any big concern to people. I saw myself doing that with horror.

Q: You're in the academic world right now. I'm not part of it, I don't have a Ph.D. but I find it a terrible system.

FUNK: Yes, it really is. I enjoyed teaching, I thoroughly enjoyed teaching. I got a kick out of that. I've got to tell you a funny story about that. Shortly after I got to Tucson, I'd told them I was interested in teaching at night to get extra money because I was broke, and I mean stony broke. So they told me, okay, I could teach government and I was signed up to teach a course in Douglas and a course in Bisbee. And the first night I was there I got a call at home from the dean, the head of my department, they called them assistant deans then. He said, "We have a course up in Casa Grande," which is a rather wealthy cotton town of a special high type cotton, midway roughly between Tucson and Phoenix. And he said, "We really want to put our best foot forward because the wife of the school board head of that town is very influential on our board here at the university. So we'd like you to teach the course." I said, "Well, I just got here." I had arrived in Arizona two days earlier. My wife had come earlier and got the house and I followed. He said, "Don't worry about it, the course is meeting tomorrow, just go up and register people, and then you start the course the following week and you can read up. Don't worry about it, you can do it blindfolded. You have a whole week to prepare." So I said, "All right."

So the next night he and I drove up to Casa Grande and went to the high school where the course was being taught. And there were about 30-35 adults there waiting and we finished the registration literally in 15 minutes. So the dean turned to me in front of the whole

class, and he said, “Sherman, why don’t you start tonight and that will give us a heads-up and you’ll be finished a week earlier, and I’ll come back at 10:00 and pick you up.” So he went out with the head of the school board to drink, I guess, somewhere and these 35 people opened their notebooks and looked at me expectantly. And I didn’t know squat about Arizona state government. All I knew was that they came in in 1912, that’s all I knew. But thank God I had a good background in western history. So in desperation I said, “Well, you really cannot understand the government of Arizona unless you know the history of it.” And I went back to the days when they crossed the Bering Straits when there was still a land bridge there, 50,000 years or so. I covered the Indians moving south, and I had Cortez coming into the southern cities. And I had Cardenas discovering the Grand Canyon. I had them baking to death in the desert. And I went on like that, and I went up to the Civil War, and thank God I did remember the western-most battle of the Civil War was fought right outside of Tucson. I forget the name, there’s a mountain pass there. And a troop of quasi-Confederate had run into a troop of quasi-Union soldiers. They were not regulars, but they were in uniform, and they encountered each other by accident and they had a battle. Nobody was killed, nobody was wounded, but it was a battle. And I mentioned that they’re right near the site of the western-most battle of the Civil War. And I gradually went on to the Indian wars, and I ended up precisely in 1912 when the young Arizona ranger Carl Hayden tried to run for office. Just then it was 10:00 and the dean came in and he said, “Sherman, you have to stop now.” And the class got up and gave me an ovation.

Q: I always like to pick up little slices of Americana. This is in the ‘50s at the University of Arizona, I’m not talking about the adult courses. The GI Bill was really just kicking in, it was still going, and it was a whole different breed of cats.

FUNK: It certainly was.

Q: I’m a class of ‘50 at Williams so I was not a veteran then. They caught me later on. How did you find the student body? I’m talking about being informed, with it...

FUNK: Remember, that was late, it was after the veterans had come back. I came back to school in ‘46 and all my roommates were veterans; one Canadian, two others were American. Most of our friends and classmates were veterans, and the whole business had changed. The social snobbery which had been such a factor in Harvard before was simply not possible to repeat. Of course, these guys had been through a war, and they stopped pulling this crap on them. They’d take it in a dim light. But more than that, people came to college who would normally never go to college before. Not because they couldn’t afford it; it never entered their mindset that it was something to do. The war had unintended consequence; it was never intended to promote social legislation, it really wasn’t. Look at the FHA (Federal Housing Administration) which allowed the people to go into the suburbs and buy houses in mass numbers, an even greater effect than social security in some ways.

Q: I would suspect so, plus the intercontinental highway system.

FUNK: Absolutely. I made more loose cash when I was at Harvard. I wasn't on the GI Bill, it was called Public Law 16 for disabled vets, so I got more money. Number one, they paid for everything. On top of that I delivered the New York Times. I worked in the Harvard library, and I also did a lot of ghost writing, which I shouldn't say being an IG, but I did a lot of ghost writing at that time.

Q: Ghost writing, you mean you wrote papers.

FUNK: Term papers, weekly papers and things like that. I got to the point where faculty members would stop me in the Harvard yard and say, "Sherman, that was a damn good paper you did for so-and-so." Of course, I would look at them blankly making believe I didn't know what they were talking about. But you had your own style, and they would recognize it. And I made a hell of a lot of money then and, of course, my taxes were minimal. I bought a car -- cars weren't very expensive then, I think I paid $1,400 for the damn thing. But I had a car, I had living expense money. I never since then have had so much loose cash in my pocket as I had then.

Q: What about when you got to the University of Arizona? Because this seems to be for somebody out of the Harvard eastern establishment, way out in the sticks. How did you find the students at that point?

FUNK: They were pretty much non-vets, with very few exceptions. I had a large number of Indians. But the people in the school told me it was the first time they had so many Indian students. This is before the civil rights battles, of course, but the American Indian movement had started to raise up then, and they had gone deliberately to the reservations and tried to promote people to go into the university. And it was a rather substantial number, some of whom became and remain to this day some of my good friends, hunting on the reservations and things like that. But they were unusual students in that they were desperately afraid, partially because of the Indian psychology -- you don't try to one-up to somebody else, it isn't done. So they are very bashful in class. I had to pull something out of them. They were not good in discussion. In papers they tended to be very good, they did their homework. They were very serious students, largely because they felt almost a personal messianic desire to do something for their tribe, and doing good in college was one way of doing that. There was only a handful of students that were really interested in anything more than getting a piece of paper or passport, or punching in the schedule for four years. The women were startlingly beautiful. Almost every coed looked as if she were trying to get into Hollywood. The faculty was top notch. A lot of people had come there because of health reasons. Ironically the only time in my life I ever had asthma was in Arizona. But quite a few of my colleagues on the faculty were there because they had health problems and that was where they went.

While I was there the Russian sputnik went up in 1957. Then the Air Force flubbed two successive attempts at putting something into space, and finally the Army Jupiter did it. I couldn't help but have a tremendous sense of satisfaction that the Air Force flubbed it up,

and that the Army had to bail them out with the Jupiter program. There was no sense of competition with Russia. The people felt the way they read about it in the newspapers, but there was no sense of competition. There was no sense of worry even. Oddly enough, the worry came later. When I was there in the late '50s, people weren't worried about atomic war, they really were not.

Q: Then you came into the Air Force as a civilian. Can you talk about what you were doing? You were in the Air Force from...

FUNK: From July '58 until 1970 roughly. I had a number of things. As a management intern you circulate through various agencies trying to figure out what you like, what you're good at. There was a cracker-jack intern program but the government dropped it in the early '70s because it was considered too elitist. And as a result there were several civil court cases and rather than try to fight them the government rolled over and just dropped the program. There's no national intern program anymore. That's a tragedy because we're the only major industrial power that doesn't have something like that. And one result is that the Civil Service was, I thought, badly badly hit. When I came in there were 176,000 people who took the management intern exam. There were roughly 220 people who were picked as interns, so it was a weeding out process which included just the written exams and the several orals; first a board of four people who were given a series of problems and must try to solve it together, and then the individual interviews. Fifteen of us went to the Air Force, and the rest of the 220 were scattered through the federal government. And there was a high level of achievement. In my group we had a deputy general consul in Treasury, we had a head of personnel for NASA. We had an assistant attorney general who went up over the years. It was a good training ground, and we had a high sense of ideals and what we wanted to do with the government. We were buddies in that we had to work our way up. It was a fast track program, but you had to deliver, and we all worked our asses off. We had a strong work ethic and we used to be infuriated by the talk about the civil service as clock watchers, and things like that. None of us were. We all worked 12 hour days routinely and that was pretty much uniform throughout all the interns. Then I thought it was a tragedy when the federal government chose to drop it rather than fight it through the Hill. A few individual agencies have programs, but the State Department does not. I had a strong disagreement with Ed Perkins about this...

Q: Director General.

FUNK: Yes, Director General, and Ed Knight. He also thought that we couldn't afford that kind of a supposed elitist program. And I said I thought this a very condescending thing on your part because I would assume there would be a hell of a lot of minorities in the program, and why do you think otherwise? I said I thought that was condescending of him. And I liked Ed, but we differed strongly about that.

I had a fascinating career in the government. I spent my initial years in logistic war plans. We had all the various war plans, and helped develop the logistic portions of them, made sure they were do-able. I worked in the missile program, ballistic missile program. That

was when money was no object, we were buying time we thought. Nobody then realized how tenuous the hold of the communists was economically in Russia. We were all party to the same thought then, that Russia was an immensely powerful country with resources that didn't quit. I worked closely with Curtis LeMay for a while, and General Tom Gerrity. For a period of many months I'd go every week back and forth to California, from Washington to Wright Patterson Air Force Base where they housed the Logistic Command, to the missile division in California and back to Washington -- come back on Saturday morning and leave again on Monday morning. This went on for many months. I took part in several very key task forces on the missile program, on tech data, and things like that. It saved really lots of money.

That was when I began to be irritated by the way that money was pissed away by the federal government. The ultimate irony was you threw the money away, but didn't really gain in efficiency. So I was appointed head of the Air Force cost reduction program when Robert McNamara triggered that just before he left.

Q: In the late '60s, or mid-'60s?

FUNK: It was mid-year of President Johnson's term, I guess, and he directed that there be a cost reduction program in the Defense Department and I headed up the Air Force's part which is the largest component of the defense program. These were hard savings. We had a large staff of auditors who would audit our hard savings, so they had to be legitimate. We saved 3-4-5 million dollars a year. One way we were able to save it, we'd give some of it back to the unit that made the saving. That, of course, was money in the bank for them, they loved it. We were the only ones that did that, the rest in the Defense Department didn't do that.

Q: One of the real problems with the government is that there is no advantage...

FUNK: Yes, this is central to the fact. We basically said that if you saved a million dollars at Pease Air Force Base, you could keep $500,000 for anything else you want. It would differ with requirements, but we didn't question it, we just simply took it for granted, and it worked. But the Hill gave us static because we were reporting savings but then only half of it was real. We still had more in the savings that was taken out of our budget than the Army and Navy put together. Of course, we had the largest buying department then.

In 1970 President Nixon had started what he called the black capitalism program. And a friend of mine asked me if I would come over there to help out, set up for minority entrepreneurs for the post exchanges and in the base exchanges around the world. So I went to see my boss who was then Lieutenant General Goldsworthy, the deputy chief of staff, and he said, "Hell no, you can't go. We need you here Sherman." So I went and said no. So Bob Brown called him from the White House, who was Nixon's special assistant for minority affairs, Bob Brown called him and put the arm on him, and he consented to spare me for half time. So in the morning I'd go over to the Commerce Department where

this thing was located, Office of Minority Business Enterprise, work there and then go back to the Air Force. In effect, I had two full time jobs.

Q: The usual compromise.

FUNK: Of course. So finally I said no, I'm not going to do it and so they put me on detail to the White House and I went full time over to the Office of Minority Business. I became assistant director of that. I did that for eight years. It was a good program at first. One of my first meetings with George Shultz, he was director of the budget when I was at Commerce, and Nixon had decided to expand the Minority Business program. When I went over there we had a budget of three million dollars a year. It was strictly a jawbone operation, and it was working fine.

Q: What's a jawbone operation?

FUNK: We talked to American corporations and tried to persuade them to do minority franchises. McDonald's had minority franchises, and General Motors had minority franchise deals, and things like that, and put franchises in places where there was public money like bases and public buildings. We ran into the law that favored blind people. So for a while we had a huge fight going on between the Congressmen who were in favor of the disabled, and the black caucus who wanted, of course, the other. Anyway, I stayed there for a number of years. At my last job I was assistant director for planning and evaluation. I was intensely frustrated because we had a very good evaluation program, good tough people working in it, and I didn't believe in contracting it out which most of the federal government did. We did it in-house, and I had a crackerjack staff of people -- overwhelmingly minority, by the way. I was one of the very few senior people in the agency who was not a minority. But I was intensely frustrated because we'd come up with overpowering reasons to knock something out because it wasn't performing, or it was even performing fraudulently. But there was no IG then and the FBI, whenever I referred it to them, they didn't want to bother; it wasn't the kind of case they made a lot of brownie points with. The FBI didn't want to be perceived as cracking down on minority businessmen. Now they have changed their thinking but at that time I couldn't get any support from them. So I had this experience in evaluation and, of course, I was delighted when the Inspector General Act passed. I thought it professionalized the...

Q: When did the Inspector General Act pass?

FUNK: 1978.

Q: Could explain the genesis of the Act?

FUNK: In the '60s there was an enormous amount of fraud in several big federal programs. The one that comes to mind because it got the most publicity, although there were others, was the Billie Sol Estes scandal in agriculture where many hundreds of million dollars were skimmed off in programs by Estes. In effect, by intense bribing of

people in the government. So the House Government Operations Committee held a long series of very thorough hearings on how this could be identified and corrected. They found to their astonishment that in agriculture where this major problem had happened -- there were others -- but in agriculture they had hundreds of auditors and hundreds of investigators, but they were all separate. They found that the Billie Sol Estes scam had been reported by auditors, and also separately by investigators, but the people they reported it to, two different assistant secretaries, were both on Billie Sol Estes' payroll, and nothing was done about it. And there was no way for them to go higher than that. So the Congress in its wisdom came up in 1978 with the Inspector General Act. Which by the way, was fought by every cabinet agency that was involved in the White House, the Carter White House then. Nobody wanted it, but the Hill got the bit in it's teeth and it was passed with only six dissenting votes in the House, and unanimously in the Senate. What it did was get around the previous problems by saying each major agency would have a senior official at the assistant secretary level called an Inspector General, which has a long and hallowed tradition in government circles going back to the middle ages. This Inspector General would be a presidential appointee, but unlike other presidential appointees, it would not be on the basis of politics. It had to be nonpartisan, and the Inspector General could not take part in any partisan activity whatever. Unlike other jobs, it specified the kind of background required, criminal law, investigative, auditing, or in my case, general management. I was the only person, I think still am, the only IG ever appointed as a general manager rather than one of those specific disciplines.

It also said that the IG will be appointed by the president with, of course, Senate confirmation but should not be fired and would report to his agency head -- but cannot be fired by the agency head. He can only be fired by the president.

There's a funny story when I first met with Jim Baker at Christmas of '88. He asked me to come down and meet with him and his first question, he said, "Sherman, what kind of tenure do you have?" And I said, "I don't have any tenure. I'm appointed by the president as you know, and I serve at the pleasure of the president." "Also," I said, "you can't fire me, only the president can." So he looked startled, and I said, "But don't get bent out of shape, all it takes is a telephone call from you, I'm sure." Then he smiled, and after that we had no problem.

We must report to our agency head but we cannot by law be fired, as I say, except by the president, and our reports cannot be changed by the agency head. One of the unique things about the IG Act is that we are required to report concurrently to the Hill. And we're the only federal officials who report both to our agency head and to the Congress, which means in essence that we straddle the barbed wire fence. The Hill is always thinking we're being dominated by our agencies, our agencies always think we're finking to the Hill. So we walk a very difficult line. But it does give us a certain amount of clout because everybody is afraid we can always go to the Hill, which I've done and others have done, although I've done it very rarely.

Also, unlike in the past, all audit and investigative authority in each agency is centered in the IG. He has a complete staff representing both. I've added inspections to that and other IGs also have inspection components. That, of course, goes back to the Teddy Roosevelt days when they formed the inspection corps in State. But I started that in Commerce before I even came to State based on my experience in the Pentagon.

Among the other authorities we have is subpoena power. We are required by law to refer things to the Justice Department if we have reasonable grounds for believing there has been a violation. But the unique powers are our ability to go to the Hill. We're called on to testify independently. Many is the time that I have in both Commerce and State. I've sat there physically sat there next to an assistant secretary, or in some cases under secretary, and he says A, and I say B. He says something is working, and I say it is not working, it's falling apart. That often makes for a very tense situation. In State it happened in the drug program. Repeatedly, Mel Levitsky, when he was the Assistant Secretary for International Narcotics Matters, he and I would testify together. He would say it's working, and I would say I've no evidence that it's working. It's improving maybe, but I could not see any firm indication that we had reduced the flow of narcotics into the United States with all the money and great effort, the courageous effort, expended by ourselves and DEA and others. That kind of thing. I did the same thing at Census. One of my last major testimonies before I left Commerce to come to State was on the Census Bureau, the 1990 census. This was back in 1987. I testified that as best I could see it, the 1990 census would be a disaster, and I gave reasons for it. And I strongly urged that they start taking -- the constitution requires a head count for the census -- I said without changing the constitution, you can't abandon that, but I would strongly recommend that the census take an urban track, a minority group track, a suburban track, and a rural track, and a rural minority track for different types of things, and do each both by head count and concurrently and separately by statistically sampling. I said we can't afford to keep doing head counts. It will have to come to a stop, we will have to rely on sampling. And the Census Department director spoke right after me, and the deputy secretaries disagreed with me sharply, and said, "No, we can't go with the sampling." And ironically, what happened for the 1990 census was a disaster. It cost about three billion dollars to do it, and it was a disaster, and now they're talking about reluctantly going into sampling. We could have done that and been ready for 1990 if they'd done it that way. But that's some of the background.

Q: The first time as an Inspector General under the Act where did you go?

FUNK: I went to the Commerce Department.

Q: This is in...

FUNK: 1981. I was appointed June 1st by President Reagan. Somebody asked me, "How did I get to the position without any strong political backing to become an IG?" After Reagan won in 1980, I volunteered to work on the Reagan transition team, and I was picked up on that -- they have Civil Service people, and still do, who are assigned to

transition teams so it's not something you do out of pocket. I had that experience with the Reagan team, and therefore I knew people in the Reagan administration. I also had some personal friends who were in the White House.

Q: You had some personal friends in the White House. Who were these?

FUNK: One was my former boss in the Office of Minority Business Enterprise, who was in charge of minority relations. I also had a friend who was an attorney working in the personnel area. So when I put my name in the hopper, I asked somebody to present it for me. I had all this experience in evaluations, I was frustrated, I wanted to do things and was not able to and now I had the ammunition as an IG.

Q: So your first IG job, which lasted for basically most of the Reagan administration, was in Commerce.

FUNK: '81 to '87.

Q: My background is that of a Foreign Service officer, and I've been told ever since I came into the Foreign Service, watch out for the Department of Commerce only because of all the departments it's the most both political and inept. This to me is pure hearsay because I really haven't had any particular experience with this. I mean that was the reputation so you might say almost a government-wide reputation to the Department of Commerce, and I still hear this around. Could you address that?

FUNK: At the Pentagon for 12 years, administrations came and went, but I saw literally no political impact of that. I was not in the upper echelons to be sure, but I was working at fairly significant jobs by the time I left, and I had no scintilla of evidence that there was a political change going on even when the administrations changed. I came to Commerce and I was startled by the number of Schedule C's, and the political appointees, and by the senior political appointees, and by the short tenure. In fact, the GAO study just released a couple of months ago and they said the highest changeover was in the Department of Commerce. There were six assistant secretaries of trade development in nine years.

Q: And that being sort of number one on our foreign agenda.

FUNK: One of my first audits, by the way, was in the foreign commercial service. I talked about this in my speech to AFSA, American Foreign Service Association. I had no real contact with State Department until that time. I was married in Iceland, and I had a consul who gave me a certificate of witness to marriage. I traveled frequently with the Defense Department. I used to get a good solid kick every time I passed the embassy or consulate and saw the flag. It really did make me fell good. I'm an old fashioned silly patriot, I guess you could say, but I get warm fuzzies when I see the flag -- that sounds corny, I know.

But I came to Commerce basically without any knowledge of State, and I was asked to do an audit of the foreign commercial service. And I sent my auditors to Foggy Bottom to do some research at State. And what they found absolutely appalled me because the people they interviewed, with very few exceptions, said that trade was not something that they should be concerned with. After all, Foreign Service officers did not do trade. There was a kind of condescending attitude toward that aspect of diplomatic activity which actually stunned the hell out of me. The guys were telling me this, and I said they were exaggerating. In fact I asked them to show me their notes of the interviews because I couldn't believe anybody would be that silly. This is 1981 we're talking about. Anyway, we did that and that gave me some insight into State, admittedly an adverse insight, because I couldn't believe anybody would be that ill advised in this time and era to take that attitude toward trade. But to most FSOs overwhelmingly, good riddance, we don't need it, it takes time away from what we should be doing.

Q: I find this just incredible.

FUNK: I do too really.

Q: When did the Foreign Commercial Service move away?

FUNK: The law was passed in '79, and I think it was organized in '80, and the first year I audited it was just becoming operational.

Well, the shortsightedness of it is what really bothered me. It should have been obvious by 1980 that diplomatic activity is going to be more and more concerned with trade, not less and less. That was not the attitude of the FSOs we spoke to. The other thing was that, well, we're going to lose those people who were working with trade, no loss, these are really the dregs, these are not paid to be an FSO worrying about trade. When I spoke about that to AFSA and also in the thing I did for the Foreign Service Journal, an astonishing amount of people nodded their heads when I said that because they remembered the same attitude. I've had people come to me when they couldn't get any satisfaction in personnel, they would come to me in State and complain because in certain assignments they were in small non-FCS countries, and they spent a large part of their time doing trade work. And for that they were taken down in their EERs, never in so many words, but they were told flatly as paying too damn much time on trade activity. It's hard for me to get into making a decision on something like that not being privy to the scene. But most of them would tell me that other diplomatic activity was not that important where they were located. And yet when they did trade work they were hurt in their careers. It's a death wish.

Q: It's also a class hangover that the people coming from this don't really come from...I mean, it's sort of the new class of the well educated...

FUNK: Do you know what it reminds me of? There's a wonderful story they tell of Claiborne Pell, head of the Foreign Relations Committee. Claiborne Pell invited a

Senator to spend the weekend with him in Providence. And they picked him up at the airport in his limo and were driving through the city to get out to Pell's home, and they pass a park. And Pell turns around and said, "My father donated the land for that park, and what's more he left such a large amount of money to go with it that the interest from that pays all the maintenance costs, it doesn't cost the city a penny to maintain that park." They drive on a bit further and they come to another park and he said, "That's a state park. My father donated that and again he gave them money so there's no state budget required to maintain the park." So the guy said, "Claiborne, what did your father do?" And he said, "Do?" You get the point.

Q: Here was sort of a brand new thing, the Foreign Commercial Service had been yanked not unwillingly from the State Department and tossed over to the Department of Commerce. At that time, we're talking about the early '80s, how did you find the Foreign Commercial Service, its personnel and its effectiveness?

FUNK: It has come a long way since, but in those days some of these fine commercial service officers were smarting at what they regarded as a rejection by State. They were just beginning to bring new blood into it when we did the audit work. For our findings we went to the ASEAN countries, for example, and we used them as a testing area.

Q: Southeast Asia.

FUNK: Indonesia, Malaysia, Singapore, that area. We interviewed about 300 CEOs, and another 350 or so marketing people for the corporations, medium and large firms. It just almost was a wash, about half said they received help from the FCS that really was material in their success, the other half said as far as they were concerned they didn't need them at all. The larger companies, virtually without exception, they saw no reason for the FCS. They had their own intelligence network. They didn't need them, the DuPonts, GM, they didn't need them. Medium size firms, yes, about half. The other half said, useless. We interviewed a sample of small firms and, of course, they said they're wonderful because they had no other source of information. On the other hand their sales were so small that it was almost negligible. I was not knowledgeable enough to ask then, we do it now, but in that first audit I didn't differentiate between the rest of the embassy and the FCS. And looking back, after I came to State, I realized that some of the people who had answered our questions were talking about helping the ambassador, to help the DCM, personal help as opposed to that from the commercial officer. Also, it was still a new service then and there weren't that many out there. And the network of data that they were developing was still fairly primitive. Now they have all kinds of data about middle-men, about trade opportunities, they can give you all kinds of demographic data, income data. You didn't have that then. They were just beginning they have primitive reporting on wholesalers, the middle men type of area. Now they have a very sophisticated program for that. So it has come a long way in all fairness. But even in those days 50% said they couldn't do it without the help of the American embassy, which we took as a surrogate meaning for the FCS. And I realize now that was a mistake on our part.

Q: For years back in the mid-'50s I was doing trade reports in the Persian Gulf. This is in Dhahran as a junior officer on the toy market. All sorts of little things, but looking around and all of that. They had extensive reporting on trade opportunities.

FUNK: But they didn't have the system that they have now where you punch a couple of key figures into a computer and you get a read-out on the type of specialties you need, the location and everything. Digressing for a minute, you mentioned Dhahran. The inspection before last that we did of Saudi Arabia, we found not a single person in Dhahran who was qualified in Arabic, not one. That's the center for the Shiite area, and I was so appalled at that that I went to the Secretary of State and I raised hell. How can it be?

Q: When I was there when it had no military of importance, it was oil, I was not an Arabist but I had at least 2.

FUNK: I just can't tell you how shook I was. They were totally dependent on the FSNs. To be sure, our inspection report came out with a thunderbolt, and they immediately transferred some people into Dhahran. But for that they would still have nobody for the entire tour there.

Q: How effective did you find the system? I mean by the time you left the Commerce Department...you were there?

FUNK: Not quite seven years.

Q: What was your impression?

FUNK: You're talking about the FCS?

Q: Yes, well both, the IG system. It was still in the testing stage, the first decade of its existence. Was it working the way they thought was effective?

FUNK: I had generally remarkably good luck throughout my entire IG career, that's 13 years. But beginning with Mac Baldrige, who was a very great Secretary of the Commerce Department, tragically killed in a rodeo. The very first investigation I initiated at Commerce was about the secretary. I'd been there about three days after I was sworn in, and a group called the Better Government Association released a press report on Mac Baldrige chartering a plane to fly out of the country. So I started my own investigation of that, and sent him a note saying I'm doing it, and subsequently confirming it in a personal conversation. He was furious. He's a tough Scot, a real tough guy, bright as hell. Took a business and built it up from a couple hundred million to six billion dollars. He was pissed off that I would question his authority. I said I'm not questioning your authority boss, I questioning your wisdom, a difference. I released a report when we finished taking him to task and said it was legal, what he did was not illegal contrary to what the press reports had said. It wasn't illegal it was just dumb basically, it was ill-advised. But it was essentially taking him down for doing it. He had a good reason for doing it, but it was not

as good as the reason would have been not to do it. He had to agree with me in retrospect. But on the other hand he hated having somebody say this publicly. So it worked interestingly. Our personal relationships took about a year to recover from that. Afterwards it was fine. But at the same time I sent a message to the department that I was not going to look at the GS-2s and GS-5s, I'm going to look at the secretaries as well. Although I didn't do that intentionally, it worked out well.

The Washington Monthly did a story on the IGs a couple of years after that, and they only cited favorably two IGs, myself and one other. They mentioned the fact that I had taken on a secretary as soon as I got there. They seemed to think I did it from a Machiavellian standpoint. It just happened to come across that way, but it worked out. I found it an absolutely fascinating department. It has NOAA in it, which is in itself a sub-agency.

Q: NOAA is...

FUNK: National Oceanic and Atmospheric Administration. They have a weather service, they have fisheries, unbelievable stuff, satellites, Comsat, just a fantastic operation. Commerce has the census bureau. They have the National Bureau of Standards, now called National Institute of Science and Technology, the cutting edge of robotics and a bunch of other things. It's a fascinating department. It has never been well managed because each of its separate entities is so powerful that nobody has ever been able to grab it and try to impose an overall will on it. It's artificial because each unit is almost wholly unto itself. The mission doesn't correspond with the rest. For example, it has the National Travel & Tourism Administration -- that's not the right title -- which is really a mission without any kind of need. There's no need for it. But because the restaurant and hotel lobby is so big, and the airline lobby is so big, it carries on. There's the Economic Development Administration which is pure pork, several hundreds of millions of dollars every year, pure pork. I did an audit on the four billion dollar jobs bill, Emergency Jobs Bill it was called, four billion dollars to put out in a short period of time. We showed that number one, by the time the money had actually arrived the emergency had disappeared. The country was on an upswing now, and the '82 recession was over, the money was wasted. Two, the amount of people who got jobs, who needed them, infinitesimal. And the hardcore unemployed that they were really hoping to get at weren't touched by it. And the jobs that were created cost anywhere between 85 and 110,000 dollars a year. So we were paying enormous amounts of money to create jobs that weren't really needed. And on top of that it was fraught with graft because it was a political program from the outset. Things like, we're paying for a city hall in East St. Louis. We were paying for a new city hall with three floors, but they built only two floors. Half the employees never existed; they never showed. They were on the record, and were getting paid. This kind of thing. The mayor went to jail, and we sent about 12 people to jail as a result of that. But its a fascinating department.

Q: How did you find Congress? These are preachers in Congress, so here they created this monster, the Inspector General running around...

FUNK: Stuart, let me tell you something. It was an exercise in ambivalence. I met then, and some are my very good friends, people on the Hill of enormous integrity and workaholics whose work is virtually unrecognized by their constituency at home, and certainly by the media. Although they come in very high when they have polls. My normal reaction I would get from the Hill...we had a big grant program, they don't have that at State, but we had economic administration, Office of Minority Business where I came out of myself, big grant programs. We find a grant program that would be phony. I recommend that the grant be shut down, definition of instantaneous: my letter would go out recommending usually to the secretary with info copy to the agency, recommending that this be shut down. Within hours I'd get a call from the Hill. The Senator would get on the phone and say, "Sherman, you know I'm a strong supporter of the Inspector General." I said, "Yes, sir, you sure are and I'm grateful." "You know all I've done personally." "Yes, sir, I am and I'm grateful." "Then why are you trying to knock 4,000 employees in a state that desperately needs jobs?" I'd say, "Senator, let me come over and talk to you about it." So I'd bundle up my paper work, and I call in my chief auditors involved, and investigator, and we'd go over and sit down. I'd show him. I'd say, "Do you really want to support this guy? He's a bummer. They can crucify you in your next campaign by showing your support for this guy." And I'd show him that and he'd back off like a shot. Frankly, I used to use that kind of indirect intimidation. I personally was saying that if I know it, other people can know it. That was the only thing that worked. And in a couple of cases even that didn't work. Al Gore was one of them who called me like that. "We recommend you shut down." "I can't shut down." When we recommend something it's very hard for them to turn it down, so it usually works. We recommended a shut down at a big big grant in Tennessee. Gore immediately called me and asked me to come over and talk about this. So I did and I brought my auditor who was in charge of that audit. Gore, by the way, was one of six people who voted against the IG Act. I went to Gore and showed him what was wrong, and I showed there's a guy who is running this grant who is an ex-con, who lied about it, who was guilty of all kinds of shit in his background. I said, "I'm not worried about his background, I'm worried about his current associations and people he's still working with." And I said, "We can't explain half of the money." Half of the money that went to that grant disappeared down a rat hole. Then I showed him quotes from people we interviewed who were supposed to have gotten aid from that grant. They never heard of it, and didn't get a penny. I said, "They give a revolving loan fund in there, the buddies are getting most of the money, it's not going to the people they said it is." So he backed off. They don't like it. They'd rather go forward on the quiet, but they back off. That happened all the time.

Strom Thurman comes to mind because we had a lot of problems in South Carolina. They'd raise bloody hell, and then realize they couldn't publicly support something. Yes, so I found that. But on the other hand, I had the same thing in the State Department, with the programs with State, which aren't as politically popular because the big dollars aren't here in State that are spent anywhere in the states rather than overseas. But I found people who were very wonderful to me in some cases. I won't mention names in the Foreign Relations Committee, and the Foreign Affairs Committees both, who I gored one of their

axes and they reacted fervently, not just violently, but fervently. At the same time they were very supportive in other ways. So it's a mixed breed of cats.

Q: We're sticking still with Commerce, but when you were doing this did you feel...you must have had to be very sure that the facts were on your side.

FUNK: Oh, sure.

Q: In a way it was a form on your part of blackmail by just saying...blackmail is not the word.

FUNK: Of course it was.

Q: But it's a threat by saying, look I'm just doing my job but also my job is one which requires public disclosure.

FUNK: That's right, these were public reports, absolutely. I made that point.

Q: So it's not as though you're coming and saying, boy, you better do this or else this is...

FUNK: It was implicit in everything I said. I just said our reports are public, it's going to get out.

Q: Which in a way the Act has a great validity in that other things can happen but people aren't required to publicize them so...

FUNK: Well, see that was the point. Going back to the Billie Sol Estes scandal, there was report after report that went in to the Department of Agriculture; none of them were ever made public, ever. Our reports, by law, unless they're classified or something, must be made public. And on top of that we have to send them to Congress, we have to file a semi-annual report to Congress. There are some IGs that don't have relations with the Hill that are very good, but they do have to furnish a report every six months, which is public by law. I found that my relations with the Hill were wonderful, but I had to work at it. I had people first at Commerce and then at State whose full time job was working on the Hill for me.

Q: Had you by this time developed a rabbi, or a guru, or whatever you want to talk about?

FUNK: Not in my first six months, no.

Q: In Congress...

FUNK: I had a rabbi at State, but Commerce, no. The only rabbi I had was Jack Brooks who was the chair of the Government Operations Committee at the time, and he later

went over to the House Judiciary. Brooks always called me general, since I was a corporal in the war, to satisfy my ego. But I could always go to him or his staff. I had good relations with the staff people, and that's where it's at in most cases. Basically, I didn't have any intelligence committees at State. But I had the Government Operations and Government Affairs, Senator Glenn and Jack Brooks. I had the Appropriations Committee, Neil Smith in both cases in State and Commerce, by the way. Neil Smith was chairman of that on the Appropriations. The trouble at Commerce, I had 22 committees because the nature of the Commerce activity is so...I had 22 committees I reported to, unlike at State where basically I had Foreign Affairs and intelligence committees on appropriations, that's all.

Q: I'm trying hard to get away from this Commerce thing, because it's fascinating. Did you almost feel that you had to go with armed guards to approach some of these agencies, because they'd obviously been living on their own and to have all of a sudden somebody come sniffing around must have caused a lot of problems.

FUNK: Only in the very beginning. For ill or good I adopted a philosophy of candor with the agency heads. I said, "My job is to help you guys out. I have sources of information which you're not going to like. There are people in your own shop who report to us on the Q.T., whistle blowers who were sometimes public, sometimes not. I have auditors to go into the pockets of your people, and get into your knickers very tightly. I have investigators who go all over." That was mostly a domestic agency, unlike State, except for the FCS and when I was there it wasn't really that big. I did two audits a year on the FCS, that's all, and only one or two investigations. Those were usually headed up by other agencies overseas because I didn't have overseas investigators. But my working policy was, "Whether you believe it or not, we're here to help you do a better job in management, and I'm not going to blindside you. The one thing you get from me, I'll never blindside you. You'll know what I'm doing so when you hear about it, you've known about it for some time before it becomes public, and by that time you can prepare your answer if you want. Whether it's public in terms of the Hill, or in terms of the media, it varies from place to place, but you'll always know in advance."

It got to the point where it was embarrassing. One assistant secretary for economic development, Hollis Campbell, asked me to come to a meeting of his regional directors in St. Louis to speak with them. So I went out there. He was having a meeting of all his regional directors, his first meeting with them after he was appointed by Reagan -- he was the second one appointed by Reagan. And he started off by saying, "Look, I want you to know that if you say something, and Sherman Funk's people say something else, I'm going to believe Sherman Funk's people." It's the worst thing he could tell people but that's how he started off. And I was in the unfortunate position of almost having to correct him in front of his own regional directors, but I said, "No, that's not the way I work. We gather information, we think we're right, we have all kinds of safeguards built in to make sure we're right, but we make mistakes, we're fallible. We try not to, but we're fallible. So please don't say that we're always right. We try not to be wrong but I'm sure we'll make mistakes." That eased it somewhat, but it was almost embarrassing. He

took our position and every order we put out after that, if they didn't follow it to the line. That was exceptional, usually it was not that easy.

Trade development was the hardest because, number one, the turnover was so great, as I mentioned before in the assistant secretaries. I didn't like the Director General. Their Director General are not like ours. Their Director General is an operational function as well. Ours is personnel only. The Director General of the Foreign Commercial Service actually operates it, also the domestic area as well. They didn't really have a good one until Bush, and then they had a crackerjack, Susan -- I forget her name now -- she was terrific.

But Commerce was fascinating. I started an inspection program there because I felt we had too much to look at, and too few people to look at it, and it would take years and years to get to everybody. They had labs, they had fishery boats, they had fishery research. Basically Commerce is now becoming a technological agency. Anyway, so I started an inspection program, essentially copied after the inspection I worked with at the Defense Department. I used to be an observer on several SAC inspections. May was the CINCPAC commander in chief. And I'll never forget. Once we were flying into a base in Chico, California, and we radioed for landing. And they asked the purpose of the visit, and I said it's a SAC inspection team. By the time we landed the base commander and the wing commander were there in freshly pressed uniforms, their faces snow white, knowing their careers were on the line right then and there. That's the way SAC operated. You were dead if you did a bad inspection, that's it, you're out of the service. So I started something like that at Commerce, no notice inspection program. Monday morning a team of my people would materialize outside the doors of a field office, or a district office, or a regional office, or a lab, or a ship. We did everything in the Department, except overseas. We never inspected overseas. But we did everything and to my astonishment, and delight, it became a winner because, number one, the no notice aspect of it terrified everybody. And the way I ran it, we spent a week on site, they'd come back to the office on Monday, no more than a week, get their stuff together, on Tuesday they would brief me and my deputy, on Wednesday they'd brief the agency head. So this worked out beautifully. My people for the first time were given a chance to meet person-to-person with agency assistant secretaries, in some cases higher. They met with me, of course, as the IG and it would be fresh. The audit team worked for a year -- really, worked for a year on a subject -- they'd get into enormous depth, and then they'd put their report together. It's very tedious, and they never see anybody higher usually...I'm the first one. Most of the auditors I met with personally, usually with an assistant IG. But here my inspectors were all auditors, by the way, who volunteered for this on a rotational basis. They met with me, with the agency head, and they'd see change almost immediately because they'd give their recommendations to the agency head and almost right there on the spot the agency would say, I want this done, I want that done, maybe they'd argue about some, but almost always they agreed with us because we had overwhelming arguments. It was an astonishing success.

So when I came to State I inherited the inspection program here. I loved it.

Q: Could you give how you went to State, and what was the history of the inspection business up to the time you got there?

FUNK: Take the last thing first. In 1906 Teddy Roosevelt sent a memo to John Hay, the Secretary, and he said that when he traveled before he became President, he used to stop in at consulates. He never mentioned embassies, he always mentioned consulates. He said that, "He found that some of our people representing the United States were very jolly, very well socially connected, but not very competent, and they really couldn't answer questions about America. So, John would you establish some way of inspecting these consulates to prevent this kind of thing? And make sure these people can be get rid of if they weren't doing the job." So he established a corps of consular inspectors.

Q: They were actually called Consul Generals at Large.

FUNK: That may have been but they had amazing power. They could relieve the person on the spot. I never heard of Consul Generals at Large. They had the power of relieving somebody, and one of them would replace him. In those days the only pay was for visas.

Q: They got for consular services, there were invoices and other things.

FUNK: Well, they got the services stuff. But some of them...a dollar a visa was a lot of money in those days.

Q: It wasn't a visa. It was for the trade, I mean you had to have an invoice if you were shipping anything to the United States you had to have it stamped, and there were fees. In some places, Liverpool, for example, it was substantial.

FUNK: I'm sure it would be. But that worked, and it was changed again in 1922.

Q: Yes, '24 was the Rogers Act.

FUNK: The Rogers Act changed the whole thing.

Q: These inspector generals it was the first time really that it pulled together these consular inspectors, the consular services, it was a major change.

FUNK: But they didn't look at the embassies though.

Q: No, they didn't. They looked at the...

FUNK: ...at the consular functions in the embassies.

Q: Also they served as sort of traveling psychiatrists, some of these people were out there for 30 years in a God forsaken post. I mean it was a very healthy institution, and also get

people transferred out of places where they might be going gaga, and moving them on to another more healthy place.

FUNK: Some of them had enormous areas they covered for a long period of time.

Q: There would be one for South Africa, one for South America, and one for the Middle East, and Africa, one for Asia, one for Europe, and then one for...

FUNK: It was a long tradition. I had a lot of fun when I came to State. You asked how I came to State. In 1982 the GAO did a review of the inspection process at State. At that time there was virtually no audit function, only two or three auditors, and a tiny handful of investigators. The big thing was the inspection corps. And the GAO did a review of that in response to congressional pressure which I believe came from Jesse Helms. They found that without exception the members of the inspection corps said they could not be impartial, and they could not really tell it like it was because their careers would suffer. They said that if they were to give a bad mark to a senior officer, that senior officer might be on their promotion panel, might be on an award panel, and they'd be marked. So as a result of that the Senate Foreign Relations Committee...I assume, although I never documented this on the Jesse Helms leadership, a move for an independent IG at State, and the law was passed in 1986 as part of the Diplomatic Assistance Act, I think. The same law that created DS, the Bureau of Diplomatic Security. It also created an independent IG, with the full powers of the IG Act. Also, by reference, the full powers of the inspections in the old State Department Act.

I had already passed the word to the White House that I'd be interested in one or two jobs in either State or Defense. I didn't think it was good to stay too long in any one department because I was going to be...

Q: ...become part of the process.

FUNK: Yes. I said to maintain independence if you're there too long pretty soon the senior people become so close to you that it's difficult. Anyway, you get to be a bit blasé after a while. So I passed the word to Defense and it had just been filled, so they asked me if I'd be interested in State, and I said yes. At that time they were still negotiating the language of the Act of '86. And the draft language said that no Foreign Service officer could serve with the IG at all.

Q: With the IG, or as the IG?

FUNK: With the IG. Neither the IG himself or herself, nor any member of the staff could be Foreign Service. I thought that was cutting off the nose to spite the face. I really thought there was a good chance I might be coming to State, so I went to the Hill, did some frantic lobbying, and I got that part excised. They did keep in effect that no member of the Foreign Service could be Inspector General. The White House sent my name to

State. I was asked to meet with...my first time I heard or met with them was George Vest and Ron Spiers.

Q: George Vest was the Director General.

FUNK: Director General and Ronald Spiers was the Under Secretary for Management. So I came over to Foggy Bottom, and spent a delightful hour and a half session with both of them. I forget how it happened but the Department told Helms that Mr. Funk had met with Mr. Spiers and Mr. Vest. Helms erupted in fury. He said, "The IG doesn't work for the Under Secretary, he doesn't work for the Director General, he works for the Secretary." Subsequently one of the senior staff members called me up, from Helms staff, and read me the riot act, and said, "You're not to meet with anybody other than the Secretary or Deputy Secretary." I thereupon met with John Whitehead, and then with George Shultz, and they agreed they would take me as the IG and they put that thing in process and I started. It took six months to move me from 14th Street to 22nd Street, and Shultz was always wondering what kind of government we have that after everybody had agreed that the Senate committee wanted it, the two committees involved -- Government Affairs and Senate Foreign Relations -- wanted it, the White House wanted it, and State reluctantly would accept it, it took six months. That was because of the problem I had with some people in the Government Affairs committee. Nothing to do with me, but I was the surrogate involved for a problem, and they refused to do anything until this other thing was handled, which finally took care of itself. So I came to State and I was sworn in in August of '87.

Shultz was very forward about this. Shultz said that he had testified three times against an IG, didn't want one, an independent IG. But now that we have one by law, we're going to have the best possible, and could have my total support. About a week after I arrived he asked me to brief a big staff meeting held in the Op center, which I did. All the assistant secretaries and the DASs were there. I carefully crafted how I wanted to approach this thing. And I was quite firm. I told Shultz in my first meeting with him, even before I was sworn in, he said, "Sherman, you're going to be regarded with fear and loathing, doesn't that put you off before you come some place?" I said, "The loathing I could do without but the fear may not be a bad thing." But anyway, I spoke at the Secretary's staff meeting, and I was quite blunt. I figured it was much easier to say no now, and say yes later, than the other way around, which is generally true. And there was total silence after I finished, could hear the proverbial pin drop. And Shultz is not a demonstrative person. When I came back to my sheet at the big head table, Shultz stood up and said, "Well, I guess that concludes it," and he put his arm around my shoulder, which is something I'd never seen him do, by the way. He put his arm around my shoulder, and he looked at everybody, specifically around the head table, and said, "I want you all to know that Sherman has my total and unswerving support, and his office has my support... (end of tape)

Shultz said, "You've got total support. You can disagree with him." He mentioned that, he said he encourages disagreement if there was a basis for it. But he said, "I don't want to hear any sniping, I don't want to hear of any..." he even said log-rolling. I didn't really

know what he was talking about then. He made it plain that I had his support. And by the way, at the next Christmas, he came to my Christmas party. He went to every single person in my office and shook their hand, which I'd never seen before and have never seen since. Certainly Jim Baker wouldn't do that, Baker would come make a fast appearance and get out. And he physically couldn't do much more than that. I never saw anybody do that except Shultz, and what he was doing was sending a message to my staff that he was behind them. I'll never forget that. Anyway, that was how I came to State.

Q: Again, I was hearing this sort of second-hand, and what I hear second-hand is probably what goes on. That Jesse Helms was mad.

FUNK: Yes, he was.

Q: Could you explain for the record why he is a name to be reckoned with in the State Department? And your relationship with him?

FUNK: I had never known, never worked with Helms.

Q: A Senator from North Carolina.

FUNK: A Senator from North Carolina and very right wing Republican. A courtly gentleman. People who hear of him only in a negative sense are always startled when they meet him because he can be very gentle; he can be very sweet in a way which is strange to say about a man like Jesse Helms. Chuck Redman and I both were at confirmation hearings at the same time. Chuck had two darling little children there, and I had my daughter, my son was in the service then. And he made a point of asking Chuck's children and the wife to come forward to meet him, and he complimented Chuck on having such wonderful children, and he said something similar to me with my daughter. It's very disarming. He's a southern gentleman in that context, that's always so off-putting to people who have this other impression of him. I smoked cigarettes then quite heavily and the first time I met him I was smoking, and the first thing he told me, "Thank you for smoking."

Q: From a tobacco...

FUNK: Tobacco area. The fact is he has a deep-rooted suspicion of the State Department. In his political thinking he's quite narrow, very powerful, and he plays the rules of order of the Senate like a master. He knows exactly how far he can go, and he's had the State Department intimidated because he single handedly stopped more ambassadorial appointments than anybody else in the Senate by far. And sometimes he's kept them on the limb on a string twisting for months and months and months. Melissa Wells probably comes first to mind who for almost seven months was kept twisting because Helms simply didn't like her position on the right-wing group in Mozambique. And I found to my delight that Melissa Wells was so strong she was able to work trying to arrive at some

kind of modus vivendi, not because she was afraid of Jesse Helms, but because she thought it was right. And I was afraid she would have been intimidated by Helms.

Anyway, Helms was my supporter, not because of anything about me, except he had heard good things about me, he heard I was tough. He heard I was fair, but he heard I was tough.

Q: You say he heard that you...had you...

FUNK: I had never met him before I went around to my preliminary confirmation hearings. His staff had been in touch with me. My reputation at Commerce had apparently come to his attention, and when the Act passed in 1986 he was told I was the one the White House wanted to move over to State. Apparently liked what he heard abut me. I don't know that. All he told me was that he thought I would be a wonderful IG. And Senator Pell told me, "I've heard good things about you from Jesse." I only met with him about maybe three or four times in my total life. Ironically, he was the one who introduced legislation to get rid of me. In the summer of 1993 he introduced legislation to have me removed not later than December 30th, 1993 and to limit the tour of an IG to six years. That would be when I issued a report which he felt violently about on Nicaragua. It was classified report, I can't discuss it. But it was a report of a covert program which I reviewed at his request and Senator Dodd's request, and they both disagreed with it for totally different reasons. But he became not just an opponent of mine, but such a strong opponent he introduced legislation to get rid of me. The only time it has ever happened in the case of an IG. It didn't pass.

Q: You mentioned Jesse Helms' staff, and again I'm speaking from hearsay, that there are several members of Jesse Helms' staff who either thought they were done in by the Foreign Service, or didn't get in, or if they got in...

FUNK: Only one. There's one ex-Foreign Service officer. He'd served in Laos. He was also an administrative assistant in AID later...when I see the tape I'll think of it. [Ed note: John Christianson] I'd met him, but not before I was put forward. I met him only during my negotiations making the rounds of the Senate before my confirmation, both Senate and the House. I did the House also. I didn't know anybody in Helms' office at the time.

Q: As you were going there, were people filling your ears full of, boy, you've got to get those guys at State?

FUNK: No, not really. I got that from Helms' staff, but not really. I had a number of friends in the Foreign Service whom I knew from before. They were senior people and they would give me both sides. My only impression I had was from my prior work with Commerce Department involving relations between the FCS and the Department of State. That's the only prior knowledge I had of State. The people I knew at State, either as neighbors or friends or classmates in some cases, would give me both sides. They would emphasize the good rather than the bad. Also, letting me know how fearful the

Department was of my arrival, and saying that I better be careful how I handled that. So, no, I wasn't being filled full of phony stories. If anything the reverse. Most people were afraid I would be so pumped up with bad information that my friends were giving me the good side of State, and God knows there's plenty of that. No, I hit it pretty much cold. And I also learned at Commerce to be very careful about what people told me because invariably even with the best interests in mind they'd give me a loaded deck. So I tried not to be swayed too early before I got there.

My major role long before I was sworn, was to pick a staff because I felt that was critically important at State more than anything else. State is a department unlike any in the federal government. The people at State treasure good writing. They respect and treasure articulate speech as well as writing. I didn't want to have a bunch of auditors or accountants who were not good with the word as well as with the profession.

Q: Which I imagine is rather difficult to find.

FUNK: It was a difficult thing. A Foreign Service officer, Byron Hollingsworth, was the acting IG when I arrived and I made him one of my two deputies. And Byron and I interviewed -- and I'm not exaggerating -- we interviewed 60 people to select six audit division directors. I had already picked my head of the office, John Payne. He was the head of the GAO section in the State Department, so he knew the Department for years and was very good and a very fine professional, and he certainly has borne that out. But we wanted six division directors. We interviewed 60 people, an hour interview each. That's a lot of time, and we finally picked out six people who I think were just absolutely outstanding.

I did the same thing with my investigative shop. I scouted around. I wanted somebody who is articulate who would not just be viewed as a street cop. That was even more difficult. The head of my administrative shop is now a DAS, and DS, she is a presidential award winner.

Q: DAS is a Deputy Assistant Secretary.

FUNK: Deputy Assistant Secretary. I had to select a large staff. The way we selected 6 out of 60, my audit staff in turn, the people I selected, and the assistant IG for auditing, interviewed together 1000 people to select 100 auditors. And I'm not talking about screening, just paper work, I'm actually talking interviews. So we picked a body of auditors I thought have been extraordinary. And, of course, with the inspection program which came under my direction about two months after I came to State, Bill Harrop went to Zaire as ambassador. His position came over to me, and I inherited some absolutely fine wonderful people. Ed Dejarnette was the senior person there after Bill left. He's now in Rwanda. I was advised by Shultz and John Whitehead to take a Foreign Service deputy. Byron Hollingsworth, who was only a short-termer anyway, would be leaving. He wasn't Foreign Service, he was a specialist. He came in as an auditor from the

Department of Defense long long ago. I didn't know anybody well enough to pick a deputy and I asked for suggestions. Whitehead recommended Tony Quainton who was then the ambassador in Kuwait. Shultz had asked me before that to go to a division inspection on site to see what it was like to go overseas. I still hadn't been sworn in yet. So I went to Vienna. I called Tony Quainton in Kuwait. I asked him if he could meet me in Vienna, and he did and we spent the day together at a restaurant around the corner from the embassy drinking 1000 cups of coffee. And by the end of that day I knew I'd never find anybody better. Tony became my deputy and was my deputy for the next two years, after which he went to Lima as ambassador. I've been fortunate. I've had an extraordinary group of people in that shop as my deputy: Tony Quainton, then Bob Fritz, then Rocky Suddarth who is an Arabist. People in my inspection shop have been essentially Foreign Service, have been outstanding also. My current one I just can't think highly enough of him. But the whole group of people I had from the Foreign Service, with one or two exceptions which I did not suffer easily, most of them were transferred, with a very few exceptions like that, were the best the Foreign Service had to offer. And people like Freddie Chapin, who died tragically. I wish I would have been a fly on the wall when Dick Walters was ambassador in Bonn and Freddie and I were a team that went to Moscow in '87. It was my first trip to Moscow. He peeled off and went on to take over the inspection in Germany; the team was already in Bonn. I wish I'd been there because Dick got into a fight with him, and he challenged his ability, his record, and his talent for being an inspector. Well Freddie Chapin was born in the Service, his father and grandfather were in the Department. And Freddie was very ill at the time although nobody knew it. I knew it because I'd seen him under difficult circumstances in Moscow. He took up the challenge from Dick Walters and they went eyeball to eyeball, and Dick backed down. And Dick is not someone physically, or socially, or intellectually, to back down easily. But I understand that was quite a fight, in public in front of the whole embassy.

Q: We're going to stop here and we'll pick up later about moving into State.

Today is July 26th, 1994. Sherman, we've now got you starting out in the State Department. You assembled your team. To begin with, how did you get along with Bill Harrop who was the old Inspector General -- not that Bill Harrop was that old, but he was the last of the old style thing. I would have thought this would be a rather uncomfortable transition time.

FUNK: No, not really. For one thing, because of one of Jesse Helms' amendments, he was no longer the Inspector General. He was something called the Program Inspector General, and that had been abolished when I came on board. He was the head of the Office of Policy Review, or something like that, basically the inspection program that was his sole charge, the inspection program. He was treated brutally by the Department, by the way, which told me something about the way in which the Department takes care of its own.

Q: He was ambassador to Israel...

FUNK: I'm talking about before because he was in the office that I moved into. He was pushed out of there long before I came on board, as soon as I was nominated. They moved him out and put him in a small office on the 7th floor, I mean a tiny office on the 7th floor. They put the inspection staff in quarters on the 2nd floor that I thought were appalling, I've never seen worse conditions in my life. I had known Bill at school, we were classmates. The deputy was Ed Dejarnette who was the operating head of the inspection program, and I worked very closely with Ed and Bill both. We never had a problem. One of the documents I had read with most interest before I came was an interview with State magazine that Sandy Weisman had done with Bill when Bill first came on board as IG. I thought it was very thought provoking, very much on point, and I was very pleasantly surprised that the Department was doing all the things that Bill said it was going to do. It turned out that he wasn't able to do much of it because of other factors, mostly resource constraints. But his attitude, I thought, was perfect. Then he was moved out, somebody else had to come in, a new political appointee, and within 24 hours Bill was out of his office, put in some other quarters, and was treated appallingly by the Department. If he was a GS-2 he wouldn't get treatment as bad as that. And he lived in a kind of limbo until he went as ambassador to Zaire. It sent me a lesson. It was the first time I had come across this kind of personnel conduct, and it shaped the background for one of the themes I almost adopted. And that was that the Department makes much of the big happy family nature of the Foreign Service, and yet the treatment that they accord, and still does accord today to members of the Foreign Service, sometimes is nothing short of appalling. And it seemed to me a basic contradiction in attitude. On the one hand they spoke glowingly of the Foreign Service, it was truly the backbone of our foreign policy operation, and you would think that the Department would go out of its way to nurture members of the Foreign Service the way the military does. Remember, I come out of 12 years in the Pentagon, and the Pentagon officers generally were taken care of fairly well. Not so in the Foreign Service, and that was my first experience when I saw the way Bill Harrop...a senior officer.

Q: A very distinguished one. I mean he was ambassador to a number of countries.

FUNK: Zaire, and he was ambassador to Kenya before that.

Q: I've noticed this. I've found the Foreign Service I think it's an extremely important instrument, otherwise I wouldn't be doing this chronicle of it. But at the same time there's a coldness there. Can we talk a little about this attitude?

FUNK: Yes, let me jump ahead a bit because another case involving Harrop I thought was even worse. When Bill was ambassador in Kinshasa he had the horrible incident with Congressman Gus Savage when Savage put the arm on a Peace Corps worker. They wanted a black Peace Corps worker to come into Kinshasa to meet with him. He specifically asked for that, and apparently this quite attractive young lady was pulled in from the bush, and went in with his motorcade somewhere. She was sitting in the limo with Savage in the back seat, and he made a very blunt, and not very diplomatic pass at

her, and she was horror stricken. When she went back she complained to the head of the Peace Corps director in the country who immediately went to Bill Harrop, who was having dinner at the time, and told him about it. Bill leaped up when he heard about it, and immediately took his car to the hotel where Gus Savage was staying. Savage happened to be coming in at the same time Bill arrived and they had a very blunt session in the lobby, not so other people could hear it, but very blunt and very candid. Savage complained about it when he got back. This was before I was doing the investigation on Savage but I heard all this detail later. I also found out that the Department didn't support William Harrop at all in this thing, that they made quite a point. And I don't think it was the AF Bureau that did it either, I don't think it was the Bureau, probably was H, legislative liaison people. And they were very, very unhappy with Bill because he had the temerity to tackle a congressman, even though right in any conceivable circumstances...

Q: Obviously this is cowardice.

FUNK: That's just word I would use, by the way. Shameless cowardice.

Q: This is not a policy matter, I mean it's unthinkable that you would not support your...

FUNK: But this happened all over with Savage. He went to one country and they laid on a very extensive series of briefings and policy analysis that he asked for. He had the embassy tied up in knots doing all the preparatory work for it. The morning of the briefing when the people were ready in the big conference room waiting for him, he sent word that no, he had to do some other stuff, and he asked the embassy interpreter to come and help him do shopping, and he spent the whole day shopping. This kind of behavior...

Q: For the record, who is Gus Savage? What was his position?

FUNK: He was a congressman from Illinois. He was very poorly thought of by everybody. He consistently made the ten worst congressmen list prepared any number of operations. Poorly thought of in the black caucus even, although they never had the courage to say so publicly but several members told me privately that they didn't think much of him. He was a totally incompetent congressman in terms of legislation -- he produced no legislation. If he ever attended hearings, which he did not do regularly, his questions were a joke. And yet we treated him as if he were the House majority leader. The Speaker of the House said it was an appalling bit of cowardice on the part of the Department overall. They did this wherever he went. Ironically, Bill Harrop had had a similar problem when he was in Nairobi with another congressman, and he came down equally hard on that congressman and I admired him when I heard about that, not from him but three or four other people. I admired the hell out of him for that. I mean, there's a time when you have to take a stand. There's a wonderful expression in Yiddish my mother used to relate to me, "if you're a horse you're going to eat hay." And the Department, when it comes to congress, acts like a horse. As a result of that we gain no points on the Hill because we're regarded as a patsy. We still to this day have no Foreign Service officers stationed on the Hill working with the committees.

Q: Whereas the military has...

FUNK: The military has battalions. The only people we have on the Hill are those that are disgruntled and left the Department and have a hard-on for the Department. So we have the worst of both worlds.

Q: In talking about this thing, did you run across this problem of the departmental, and departmental is really within you might say the professional ranks as opposed to just being the political appointees, the treatment of Foreign Service officers when they needed backing.

FUNK: It wasn't just more than that, it was more than just the lack of backing although that was notorious also. I once told Jim Baker, in one of our meetings, that I was shocked to find out that the Department not only took very poor care of its people more often than not, but went as far as to virtually shit on them. And his eyes opened, and he said, "Can you give me some examples?" And I told him when I went to Havana there was an officer there who had been there nine months and she hadn't received her household belongings as yet. Nobody worried about it. The people in Havana did, of course, the mission, and they kept trying to raise hell back in Washington. But the stuff was lost, it was moving around and they couldn't get a plane for it, and she sat there without any furniture. I've came across this repeatedly where we have officers...this happened in a place like Kazakhstan, where you were recently, when we set up new embassies. We thought very little of pulling people out of other assignments and sending them on very short notice to some of the new republics, which we did. We needed that, I'm not objecting to that. But then we didn't follow it up with the kind of care that should be taken. And if it hadn't been for the agency birds that were flying in periodically in the beginning, we would have had nothing. But the agency is much more forthright about helping.

Q: The agency is?

FUNK: Central Intelligence Agency. I found that this attitude permeated the Department, and yet there was always so much noise made about our being a family, and the fact that we want to help each other, we nurture everybody. That's not true.

Q: Were you able as Inspector General to do anything? Or was this an attitudinal thing that was beyond the scope of what you were trying to accomplish?

FUNK: I wish I could tell you the truth, and say I made a major contribution to changing that. I don't think so. We did something, but we did it almost on an ad hoc basis, case by case. We were not able to institutionally break it. It sounds odd, but I found that the permanent career staff in Washington, the Civil Service staff, in transportation for example, and basically in the AID bureau, tended to care more about providing service than the State Department did. And where it happened the other way, it was a case not of the system, but some very brilliant, innovative, imaginative, hard working officers who

sat there on their own usually without Department support, and cut through red tape and did a fantastic job. And I can name a number of those that were just absolutely sterling. It cut through the entire Department. It was almost as if helping people were a nuisance, that they had to worry more about affairs and policy, not our job to worry about logistical support. As a result of which the State Department perhaps has the worst logistical support arrangements of any federal agency. And the function, of course, this is self-fulfilling purposely because the administrative area was not much thought of so that officers who were assigned to administrative jobs felt it was not career enhancing to begin with, particularly if it was only a brief assignment. They hated it and they tended to want to get back into econ or more likely political as soon as possible. There were some brilliant, brilliant admin officers who adopted that and became expert and God knows saved the Department's tail repeatedly, but it was not a systematic planned thing. It was the result of a few people.

Can I give you a kind of specific example which I thought was perfect? I was in Tbilisi.

Q: Capital of Georgia?

FUNK: Georgia, yes. The embassy then was in a hotel, we had no building yet. And an officer came to me in the lobby and he said, "Mr. Funk, can I speak to you about a problem I have?" I said, "Certainly." So I scheduled a meeting with him later, and he said...I'll never forget this because it was a classic example. He said that his wife and children were in the States, two of his kids were in different schools quite far apart, and they wanted to get together for Christmas. They hadn't had a Christmas together in a couple of years. Now, the trouble was that it was a non-dependent post. The Department told him by cable, and he showed me the cable, that they would not pay for dependent travel to come to visit him because it was not a dependent post. He said that he offered, he said, "Why don't you pay for their transportation to Frankfurt? I'll fly up to Frankfurt, I will personally pay the transportation costs from Frankfurt to Tbilisi," which is quite expensive, by the way, usually Lufthansa or Aeroflot. The Department said no, we don't pay partial, we can only pay all the way, we can't pay part of the way, and they refused to pay for transport from their school, or the wife, to go to Frankfurt. So he cabled back saying, "I'm saving the Department a substantial sum of money, all you have to do is pay for Frankfurt, I will pay the balance." And again the answer came back, no, regulations preclude this. I kept notes, of course, and as soon as I got back I asked my auditor to look into this as I found this horrendous, I could not believe it. And sure enough they ran into this situation and the people in the allowance office said no, we can't do it. At that point I went almost ballistic, and I said to them very coldly that, "You tell the s.o.b. who is running that operation that I will personally take this case to the Secretary and have the son of a bitch's balls nailed to the wall if he doesn't make a change in that policy. There is nothing in writing ever which says we must be inhumane." Well, they did it, they backed down and they paid the transportation to Frankfurt. But no policy, they refused to change the policy, and that policy as far as I know is still in effect to this day.

I find that kind of attitude so reprehensible, Stu, that I even get angry now thinking about it. But it's left to do this on a case by case basis.

Q: This is the problem. One is always fighting the system. You've worked in other institutions, is this just bureaucratic, or is there something about the State Department?

FUNK: There's always bureaucracy in action, that's everywhere and God knows in the Pentagon, Commerce, and everywhere I've been, even in universities. But its done with a particular lack of thought in the State Department. As if everybody must take refuge in the FAM (Foreign Affairs Manual). If it's in the FAM, no matter how stupid and ill-advised, it's perfectly legitimate. If it is not blessed by the FAM, nobody wants to touch it. One of the reasons that irritates me, is the fear of the IG. The IGs will come and hit us if we violate the FAM, which is one of these nightmares that everybody is afraid of, which is totally untrue, by the way. I can't speak for my successor, I can speak for the seven years I was there, we never did that ever. If we saw that a waiver was incurred, we'd ball them out but we'd never asked for punishment or anything like that. Sometimes I do it in writing, and said this is wrong, but if I was in your place I would do the same thing. But they find a its a convenient excuse to rationalize stupidity and say, I'm afraid to do this because the IG will get me for it. I've never come across it as severely as I did in the State Department.

Q: I was basically a consular officer and you kind of made your judgment, you figured out matters and the whole idea was not to ask the Department for anything, but if you could possibly do it, go ahead and do it, and not tell anybody as long as you felt it was rational. And the worst officers were those that memorized all the regulations which were essentially to say no, rather than to figure out...you know what you're supposed to do, and then you figure how you can do it.

FUNK: Let me ask you a question if I may. Consular officers are put, perhaps more than anybody else in the State Department, in the position where they must make interpretations of statute constantly which have very often a life-long effect on people; that's an understatement. And yet I've known consular officers who'd go both ways, who would go by the letter of the Immigration Act, and I've known some you used considerable discretion. I've known very few who used considerable discretion who were punished for that, very few. I've known quite a few who've made careers and become very senior people, so it can be done. There's no bar to that. But I find on the admin side, and certainly on the political side, political officers they talk everyday about the constraints. They can't do this and they can't do that, but very often they themselves are very loathe to do anything to break the log jamb. Again, they're afraid of that note on the EER.

Q: I must say that as a career consular officer, I moved ahead very nicely, thank you, by not really being overly picky on the regulations. In fact, I've always felt that those that did this were closer to being marginal officers because they didn't use basically common sense.

FUNK: I was in Cairo and I wanted to see, after about my third or fourth day, the warehouses. It's a monstrous post, the biggest we have. So the admin counselor took me on a tour of the warehouse and motor pool. Part of my concern, I wanted to see how closely he was duplicating what AID was doing, and how much AID was duplicating what we did -- and it was total duplication, by the way. Anyway, I found an officer who was an O-4. She was superb. I was so startled to find a woman. It turned out she had a Ph.D., she had taught college for many years and she retired from the school, and for the hell of it she took the Foreign Service exam. Now, in a rational world people might have said, we can't take you on, you're eligible to retire right now, what the devil are we going to do with you. And that was, indeed, a problem. She was wonderful. When I went back I was talking to people in PER about it. They had moved heaven and earth to find a way of not letting her into the Service. She didn't want to spend 20 years in the Service, but she made a contribution that was remarkable. She had a lot of common sense, and she was good with languages, never went to FSI, she picked it up on her own. And I'll tell you something, I was so pleased, but this was done entirely on her own with virtually no support from our personnel people. They said it set a precedent, it scared the hell out of them, but they were afraid of age discrimination complaints so they let her in. On the other hand, she was clearly somebody who could make a contribution, and she did.

Rules are made for reasons that people have to have guidance. But unless it's something which is concrete as a law, there aren't that many of those things that affect people in daily life. It's amazing how the Department in particular feels hidebound, a straight jacket.

Q: You came in when?

FUNK: 1987.

Q: Towards the end of the Reagan era. I can recall walking around, this is after I retired, walking around the Department of State and here are people going out...every year we add a couple more names on the plaque of people who get killed, people going out to very difficult posts, and yet there were plaques on the wall, report waste, fraud, and mismanagement. Obviously this is like motherhood, but the point being as an inspiration to people going out doing a really very difficult job under difficult circumstances, reporting waste, fraud, and mismanagement was not the main thrust of the Department of State. But as Inspector General you came in under an administration which was out to get the crooks, out to get the waste, fraud, mismanagement, when you got there on this particular aspect of this, how did you find this?

FUNK: The acting IG when I came, Byron Hollingsworth, told me that whenever I used the term management, the State Department should be in Italics, a foreign word. And basically he was correct. The difficulty was that the Congress had virtually no confidence in the ability of State to manage its affairs. Shortly after I got there, I had one of my first Congressional testimonies. I very frequently went to te4stify. One of the first times was

before the Government Operations Committee in the House. Ron Spiers, the Under Secretary for Management, testified and I did, and it was a crucifixion. Jack Brooks was in charge.

Q: Jack Brooks was the...

FUNK: He was then the head of Government Operations. And they asked Spiers how much he had paid for claims of small firms that had not been paid on time because there was a law which now required if you were more than 60 days in arrears in payment of the bill, you had to pay interest on that. So Spiers turned to the comptroller who was there, Roger Feldman, who was a back-up witness, and asked Roger. Roger turned to his book and found it and gave it to him. And Spiers read the answer, and then Spiers said...this is the Under Secretary for Management, a brilliant man, and was a brilliant ambassador by the way, whom I liked personally, worked closely with him in the United Nations. Anyway, he said, "Mr. Chairman, this is a very new piece of legislation, we really haven't adopted it yet to the State Department, but we will. I assure you we will implement it effectively." The Chairman said, "Mr. Secretary, do you understand that this bill was passed and became law five years ago. Does it take you five years..." That showed two things: number one, he hadn't been adequately briefed because you knew this was one of the topics that would come up in the hearing. Whose fault that was, either his not wanting the briefing, or the people in A who never gave him the briefing. I don't know that. And it went downhill from there. And by the time it was finished Spiers was just cut to pieces because he didn't have knowledge of some very basic things. For example, the paying off on travel claims, paying people by the name of Mickey Mouse, George Washington, Abraham Lincoln, Jules Verne, Ernest Hemingway, all phony claims. Nobody had ever questioned it, and they were paid in full. And they read these things off, it came from one of our reports, and the GSOs, the two of us had plowed the same ground on this one. And it made the Department a laughing stock. So it happens when it came to budget time, Neil Smith, who was the chairman of our House committee, Hollings was chairman of the Senate Appropriations Committee, were reading nothing but bad news about the State Department's ability to manage itself. So if you ask why this was an important area, it was important because literally nobody on the Hill had any faith in the ability of the Department to manage itself efficiently or effectively. And because of that, we suffered. Part of the difficulty is self-imposed, we're not willing to fight back, true, I grant that. But there were reasons for it, and this permeated every time the State Department testified. I went back and read some of the old testimony, and was appalled.

Q: Well, looking at this, we've had managers come from outside, and after a year or two they say its unmanageable and they just leave.

FUNK: I don't accept that.

Q: This is what managers do. You come in and you manage, nothing is unmanageable. What's the problem? Here you were looking at this animal.

FUNK: Let me give it by example, then I'll generalize. My first visit to Moscow was in October of '87 and I spent about two weeks there. I spent about 11 days in Moscow, three days or so in St. Petersburg, Leningrad then. It is impossible for me to overemphasize how badly that embassy was being managed. Jack Matlock was ambassador then and for a long time after too, and he was a brilliant Sovietologist, he really was. He was perfectly wonderful in his command of the language, and many regional dialects, but he never gave the slightest support or evidenced any interest in the management of that embassy. They had a number of warehouses, one was right across the street from the embassy in the basement of an apartment building. And I asked to see it and everybody was embarrassed and tried to talk me out of it and I said, "No, I want to see it." And I walked down with the admin counselor and two of the GSO people.

I'm not exaggerating this. We get to the entrance door, with a very cheap 25 cent padlock on it -- a dollar padlock, which could be cut with snippers if you wanted to but it wasn't necessary because everything else was open. And I saw a window that was propped open with a stick. Went down and hanging on a door were flashlights and a big broom handle. The broom handle I discovered was to fend off the rats, and a flashlight was necessary because the light was so poor, maybe a ten watt lamp. And they had, some on the floor, some on the shelves, cartons and cartons and cartons packed in stacks of forms going back to the 1940s-1950s that were yellow, unusable. I'm not joking. They had canned goods that were so dented nobody would touch them, they were afraid of bacteria or something. There were stacks and stacks of toilet paper, which is a very precious commodity by the way...

Q: Oh, yes. I served in Yugoslavia.

FUNK: ...which had been ripped open by rats, and paper was all over, nobody wanted to use it, especially with rat droppings all over. Paper towels the same way. The whole thing was like that, rats everywhere. And the reason the windows were propped open was because the cats would come in and feast on the rats, and that was their rat control, their only rat control.

We then went to the furniture warehouse. In doing my prep for the visit, I found out there were horrendous amounts of reorders for furniture. There weren't that many people in the embassy. So I go to the furniture warehouse, which is about three or four miles away. And the furniture was stacked up just in wild profusion, operable furniture, inoperable furniture, stuff that worked and didn't work, nobody could tell by looking at it, and there was no control. So what happened, they simply kept ordering new stuff, they couldn't use the old one, and furniture they didn't know what they had, they kept ordering new things. Have you been to the embassy in Moscow?

Q: No, I never have.

FUNK: In a complex on the compound, there is a wonderful gym, they have halls that are just bright and clear and shiny, beautiful -- not the embassy itself, it's a piece of shit, but

the housing complex. It was all lined as far as the eye could see with ovens, washing machines -- by the way which are much too big for Russian purposes, they can't get the money to make them work effectively. Refrigerators, huge refrigerators, monstrous, that they had great difficulty getting into the Russian apartments because the stairs are so narrow and sometimes they couldn't use them at all. But as far as the eye could see, and they kept getting new ones all the time because basic inventory control was lacking. Now, was this going to sink American foreign policy in Moscow? No, it's not, of course not. When Strauss took over, I had a long talk with him before he left. We talked three hours, and he called me when he got to Moscow and said it was the most unbelievable situation he had ever come across. He said everybody, everybody from the top down, said they had no support from the Department, which was not true. They were getting support, it was just the wrong support. The people living in the worst conditions I've ever seen in my life, which is an exaggeration because some of them were quite good. But the ones on the economy were bad. In his own house, he had a three foot hole in his kitchen. Anyway, he did something no other ambassador did, I give him credit for it. He made the embassy feel like a family, met all the people, got to know them, would meet them regularly, he'd eat in the cafeteria. Matlock, or no other ambassador would eat in the cafeteria. Pickering does that, by the way, did it before he left. But Pickering was best. Anyway, that was an example of an embassy that was crying out for help, crying out for good management help.

I came back from Moscow, I was so down in the mouth, and I figured I'd taken on a job which was virtually impossible because there was no way of directing people to correct themselves in such a short time when things were that bad. It became a cause for me, I guess, for my remaining time at State. I think things improved. We had good people at the top, good people and that's the thing that always bothered me so much. It wasn't as if we had a bunch of nincompoops, and asses. No, we had good people running things. It was a matter of the whole mystique, the whole policy, of where does management stand in the State Department's scheme of things. Do you get brownie points for your career if you're a political officer running things, which they mostly are. Do you get brownie points for making something run smoothly. If you're a consular officer who's a Consul General along the Mexican-American border, and you take a situation that was just horrendous and improve it, is that going to really help you rise to the top in the consular field, or beyond that? Probably not. I've known officers who have got EERs who are good about these things and it made no perceptible difference. The flavor of the State Department is something which says that all that counts is policy, and at the Department I've got to tell you, they produced some of the most brilliant policy papers I've ever seen in my life. People write like angels in the State Department. But the fields that deal with human beings, as opposed to officials, the consular field, the admin field, were short-circuited.

Q: To move to the particular and they we'll move to the general. But back in Moscow...I mean, could you come back and say, God this needs a hot-shot administrator to come and clean up this thing?

FUNK: We did that. That's exactly what I did.

Q: Could you find somebody to go in and clean out this stable?

FUNK: Yes, we put a double deputy assistant. They appointed a political officer as the double deputy for management. They ended up for a while with two deputy chiefs of mission, which is something I would never countenance. I thought it would not work, and it did not work. I came back from my trip to Moscow, and I had meetings with all of the M family.

Q: The M family being management.

FUNK: Management including CA, consular affairs, diplomatic security, all the family that reports to the Under Secretary for management. And I said I was very very upset, and I gave a blistering report. I talked about the fact that our rebuilding of the old embassy, the new embassy was verboten, the rebuilding of the old embassy which is a priority matter because they couldn't use the new one, and it had to be made secure, was being held up not by high tech problems, but because we weren't getting 2x4s, we weren't getting nails, we weren't getting screws, we weren't getting angle irons, the bases of construction. The stuff was coming in, FBO was not trying to break up the packages in ways that could be useable at the receiving end, they just shipped stuff in bulk. Then at the warehouse in Helsinki they're taken apart and try to figure out what the hell they needed. There again there was an FS-2, made FS-2 that year, who was running things in Helsinki, who was baling out the whole Department of State almost single-handily. He was a 3 when I met him, he was made a 2 right after that. Thank God for people like that. He was not an admin officer at that point. Anyway, they did appoint this special person to handle matters thinking that would solve the problem. It didn't solve the problem. Nobody looked to him for major decisions, they'd go to what they called the regular DCM. And that problem persisted for about another year before we shamed the Department literally into correcting it.

Another aspect which bothers me is waste. The Department of State has almost a mindset that it never tries to collect from bad contractors. The Department tends to shake its head and say, we won't use this guy again. We'll get somebody else, but that doesn't always happen either. The Department of Defense, maybe because they were bloodied themselves so badly for a while, but if there's a contractor not delivering, they'll stop the contract, and force him to make payments, or push him to the wall. I've never came across a single case where the Department made a real policy of trying to collect when somebody screwed up. There are many cases in the diplomatic security program in the early days when DS had eight hundred million dollars for construction. And there were cases of shoddy construction. There were cases of earth being built up for defense of moats that were defective. The berms would simply collapse again, and we kept on paying the guy to make them better. He kept on submitting new bills, and we paid him, instead of saying, we paid you to do it right the first time. The mindset permeates the State Department.

Q: We're hiring the wrong people, or...?

FUNK: Yes, that's a large part of it. The State Department has a lot of clout, more so than any other department in the federal government. It has prestige, more so than any other department. The State Department, if it went to the universities and colleges during the recruiting period in the middle of the senior year, they'd attract people like mad. They can go to the B schools, the business schools and say, "Look we have a thing called the administrative cone, and that you can be relatively sure that in the beginning you're not going to be making administrative policy, you'll be doing grub work, but you have to learn to do the same thing to a certain extent in industry. But when you get out you'll be able to rise and you'll be managing a multi-million dollar embassy, or managing a multi-multi million dollar program back in Washington. We need your skills." We've never done that. Just now the current DPs they're beginning to do that for the first time. We've screamed, and yelled and hollered about that. Actually, I got Shultz to say this at two staff meetings. Baker said it at a staff meeting, and everybody listens, everybody makes notes, and nothing happens. So we're not getting the right people. Everybody who comes to the Foreign Service wants to be a political officer, maybe an econ officer. Hardly anybody wants to be a consular officer, and nobody wants to be an admin officer. Every time I used to be with an A-100 class, I asked for hands, what do you want to do? So now we're seeing it's even worse than before. Now we're saying you're not going to get a cone at all, when you do get coned, we'll decide what you're going to be. So people come in wanting to be a political officer and end up in an admin job. They get sullen, it's not what they wanted, they don't feel any sense of pride in the job. How do you expect him or her to perform nobly? So, no, we're not getting the right people.

Q: Going back to sort of the gross picture, on the management, how did you find the managers? The Ron Spiers and others. How many people did you have in management when you were there, Under Secretary.

FUNK: I had Ron, and John Rogers, and then when George H. W. Bush left, first Brian Atwood came in for a short time and then he left to go to AID, and Dick Moose came in. In no case was it the fact that they didn't want to do something. Spiers desperately wanted to and was beaten up every time he went to the Hill. It's so difficult to try to summarize because you're dealing with tradition. It blows my mind that we have embassies, consulates, where we rely almost totally upon the FSNs to do the job in administration, because there's nobody in-house to do it. The Defense Department puts them overseas for five years, and they have thousands and thousands. Germany would fall tomorrow morning if it hadn't been for Defense civilians there to manage the air bases, hospitals and everything else. The Department never said they'd do that so we rely on a tiny cadre of admin officers, augmented by Foreign Service nationals. In many cases in Europe we were bailed out because we have superb FSNs. But large parts of Africa, Asia, and Latin America, we don't have that quality and we take it on the chin. I can give you dozens and dozens of examples where we've paid through the nose. So when you talk about waste, it's a waste and not something that's imaginary, it exists.

Q: Was there any effort to get the equivalent of the military to get civilians to go out?

FUNK: No, because basically the feeling was that the Civil Service people could not operate overseas. They had to get somebody in the Civil Service that was so restricted to travel somewhere. Hell, it was very easy. I did it all the time. When I was in Commerce, I required that anybody that took a job in my office had to sign a statement that they would travel and move at the discretion of the Inspector General. And I closed seven field offices and enlarged the remaining eleven so that I moved people around. Did they like it? No, people don't like to move but in order to stay with us this was part of the job. The same thing in the Civil Service; nobody says you can't do that but the Department says we'd have train in languages, payments and everything. Well, sure, do it anyway. As a result of which we don't have many professionals. Our senior procurement jobs overseas are in Tokyo and in Bonn, that's where we do all of our local procurement, basically those two shops. For the first time in history, just before I left, they put a Civil Servant -- on an excursion tour -- to run the one in Bonn. That's a hundred million dollar a year operation. But before we had somebody and said, "You're a procurement person." The person knew nothing about procurement, and they asked him to manage and supervise a bunch of FSNs. Thank God they were very good, but with the lack of supervisory ability. Not because they weren't good people, they simply didn't know anything about the area, and procurement is a very highly specialized field, so is inventory, so is warehouse management. I couldn't believe some of the stores I'd seen in warehouses. We had somebody who knew nothing about it managing a warehouse, and they were robbing us blind.

Q: Looking around at the picture, you talked about Moscow, where did you find some of the worse problems? Take a look at Latin America, Africa, Middle East, the Far East.

FUNK: It varies. For example, in Rome, which has a magnificent embassy and residence, everybody was delighted with the quality of service. If you wanted that corner painted, you would call in one of the senior GSO-FSNs and describe what you wanted painted. That day, people would be in there painting. If you wanted faster service in the motor pool, they'd rent a car to get it beyond there. What nobody realizes is that the senior GSO-FSN or GSO was building a villa outside of Rome that cost over a million dollars, and that many of the other FSNs were putting their kids in schools in the United States. And they were talking about this, nobody thought to ask why. That was the price we paid for that kind of service. It was millions that we wasted.

There's a story which nobody believes that is absolutely true and people are still in jail as a result of it, the Japanese. This story sounds incredible, but it is absolutely true. When they built the new embassy in Tokyo, and a compound, the specifications called for two manholes on access points in the rear courtyard where the oil tank was buried. Nobody thought of asking why you needed two. And the embassy opened, and shortly after it opened the truck appeared, a big oil tank truck, guys wearing uniforms driving it. And the night before the security called in and said that they were getting oil, and they went through and opened up one of the manholes, put a hose down and they filled the tank. A

couple days later another truck appeared in the morning, also a call to come through saying we were getting a delivery. Nobody thought of asking why deliveries so close. The truck came in, opened up the other manhole and put a thing down and it was true half of the oil had been pumped in a couple days before. This went on for sixteen years, and in the sixteen years only one person, a young assistant GSO, ever inquired why we were buying so much oil. One person. And the admin counselor called in the senior FSN, the GSO type, and said make a study of why we're spending so much money. The guy came back with the report that the weather is so volatile here, we have equipment which needs the oil. The person who did that report was the guy in charge of the scam. Toward the end one of the workers got disgruntled, that he wasn't getting enough money on the scam, and went to the assistant security officer, our assistant regional officer, and said that, "You're being robbed." The assistant legal security officer went to the same FSN and asked him to look at it. The guy came back and said no problem. That went on for another year. Now people who listen to that story say it's not possible. Sixteen years we used enormous volumes of oil. In fact, we prosecuted. One of my lawyers and two of my investigators went out, we went to Tokyo, worked with the courts. It was hideously embarrassing for the Japanese by the way, and they were very tough on these people involved. We're getting back most of the money, we're suing the companies because they should have had controls to prevent that. But one of their biggest arguments, and if that were argued in the States, they would win, was you guys are so stupid why didn't you guys know something was wrong. We just deliver for your requirements. To me, I find that so incredible, and it went on for sixteen damn years, but we're getting millions of dollars back now. But we had to sue for it.

What kind of naiveté is it to ask somebody who would benefit from it? And if the thing was going on, he would certainly know what was going on. How much management moxie does it take? How much common sense does it take? Twice they went back to the same person who was the contact point in the embassy, who would make the telephone calls to have the deliveries come in the next morning. Incredible.

Another case in Colombia, in the warehouse in Bogotá where we were being robbed blind. We were sending equipment into the embassy to be distributed to the Colombia National Guard, the Colombia police, for the drug program. The stuff was coming in and the next day it would go out. And the FSNs in the warehouse were running the thing. They had their own computer program, none of the American staff had access to that computer program. None of them had expressed any interest in it. And then somebody asked me why on earth I wanted them penalized, the FS-1 who was in charge of that warehouse. He swore he didn't do anything wrong. You get my gist, I guess.

Q: On this type of thing, one of the problems being the FSNs, the Foreign Service Nationals are there, you have this revolving group of Foreign Service people coming in...was there any effort to say, okay, here are the problems of fraud. Here are the things you want to watch for, you have to do this. In other words, people would be coming in and they were not...I mean, how would they be trained to know what to look for, or to be suspicious about?

FUNK: It's a basic part of training if you manage a warehouse. We have many warehouses around the world. It's a basic element to look for the stuff coming in, going out, what the controls are, what the shelf life is, is it stored properly, is the inventory checked periodically. Every year every embassy is required by FAM to complete a certification of personal property. I sent out cable after cable saying that the ambassador will sign that, and if you have reason to know that that inventory was not done property, you're at risk. And two ambassadors got chastised, civilian appointees, and both are leaving the Service because there were huge gaps in their inventory, and they signed the certification that came in over their signature that everything is fine. They didn't ask any questions. They were given a piece of paper, and it was signed.

In Manila we built hotels, we built tennis courts, we built sports buildings with phony money. With money that was given to them for something else. I'm not saying it was needed, that's not the point. They couldn't justify it, so they spent the money. The guy got an award as the best administrative officer of the year at the time.

Q: And what was the problem?

FUNK: They built something that was not...they went to the FBO and said they wanted to build this, that, and the other thing. FBO said no, your higher priority requirements, and they turned them down. So they took money, and from another thing, and built it. We found out about it and I sent somebody to look at it, and they whited out papers and made all kinds of changes. At that point it's fraud. We had a hell of a time getting it through that the person should be punished for it. I don't mean sent to jail, or hung by their thumbs or anything, but there should be some reasonable punishment.

We got worse than that. We got somebody in Panama who went ahead and negotiated on his own for the lease of whole buildings, expensive buildings, that we didn't need and nobody wanted. We had the buildings and nobody was put in them. They were empty buildings, we were paying for them. Well over two million dollars we paid for that. And the Panamanian said, I negotiated with somebody from the embassy in good faith, it's not my fault if...we had to pay.

Q: What was the motivation for this type of thing. One, we're talking of using initiative, of looking at things, but here's an initiative that's being used but there doesn't seem to be a purpose for it.

FUNK: We're putting the wrong people in the jobs, Stu, it's that easy, it's that simple, we put the wrong people in the jobs who are not trained for it, have no motivation to do it properly. Have you been to Paris? There's a very nice little...like a commissary downstairs in the embassy. You can get wine, you get gifts and stuff, Congressmen use it, everybody comes. It's very simple if you're in a hurry you can go to shop there and get some good stuff. My auditors were doing an audit of another aspect of the embassy and somebody told them this thing doesn't seem to be run well. So, they weren't looking for

fraud, they just went down and did a study on it. And they presented a whole series of recommendations which everybody agreed to. Two years later the person in charge of the operation of the commissary, a woman, disappeared, she stopped coming in. It turned out there was a quarter of million dollars that was stolen. She took off, went to the States, and they haven't found her yet. She was convicted in absentia in France. If they had done half of what we'd asked, and what they'd agreed to do, there would be controls in place to have prevented that. Simple controls, don't have the same person go buy something and swear to it afterwards. It wasn't done. And nobody could ever satisfactorily explain why it wasn't done when they said they would do it. The embassy said in writing, yes, it's a good idea, we'll do all these things. None of it was done. And a quarter million bucks disappeared -- a little over a quarter million, I think.

These things are very upsetting. Now are they decisive in terms of foreign policy? Hell no. But are they important to giving a picture of the State Department as a bunch of technical incompetents? Yes.

Q: Well, yes. There's just the plain thing this is tax payers money.

FUNK: Absolutely. Well, no it wasn't...

Q: Let's take Africa for example. Africa, one's vision is that here's a place as a continent is poorly managed, just in Africa, not our doing but just...

FUNK: Why don't we discuss Africa?

Q: Yes, let's talk about Africa.

FUNK: I'd always found it strange, that if you're in the admin field the chances are good you'll get your first few assignments in AF. But what happens is, as you go up the line and you become more and more competent, more and more knowledgeable, your goals are not Africa. You want to be in Paris, or London, or Bonn, or Tokyo, where we need very good people even less because there we usually have very good FSNs. We have a huge network of vendors that are very competent, and the prices are fairly well established. So we put our new people in Africa supervising poor FSNs, with inadequate training, and the better they get themselves, the less they stay in Africa. I can never understand this. It goes contrary to common sense, and that's part of the problem, a staffing problem. Your dealing also in governments that tend to be quite corrupt where payoffs are a way of life, and where they expect to be asked to be paid off, and they do it. So the FSNs, of course, are happy to oblige them. In all my seven years at State, I have met very few corrupt Foreign Service officers. I met a few, but very few. Corruption is not an aspect of the Foreign Service, it really is not. So I'm not saying that fraud is the driving ingredient here. But the lack of sensitivity to this, the lack of awareness, the lack of recognition that a place like the sub-Sahara in Africa, and many times in Saharan Africa as well, you're going to find situations where your staff is damn well going to be bored. And you'll be paying either for incompetent stuff, or you'll be paying too high.

I mentioned when I was here the other day with you that Ed Dejarnette, when he was ambassador in Dar es Salaam, did something that no other ambassador had the fortitude to do. He fired about half of his FSNs, just about half, he doubled the pay of the ones that were left, on top of which he also had a very aggressive post language program, taking the money out of other things that other people didn't want to give up, but he had a very aggressive post language program. We saw the difference by two inspections before and after this had happened. When the team went there for the last inspection after Dejarnette had arrived, they had the previous inspection, of course, to look at and the interviews with people who had been there. They were shocked when they got to the post. They couldn't believe there had been that much of a turn around. The FSNs were motivated, they were getting higher pay with the clear understanding their ass would be fired if they don't perform well. They were not asked for anything unusual, they were not asked to have perfection, recognizing they were not Swiss craftsmen, but they were expected to do a good job. And their morale was sky high, the work they were turning out was better than normal. And what was the reaction of the Department, what was the reaction of the bureau? Ed was criticized, severe criticism by his peers, the other ambassadors in Africa and by people in the AF bureau. Because he was rocking the boat. First of all, numbers of reports. He only had half the FSNs that the other posts had or that he had had in Dar himself. And no one likes to see these numbers when congressmen come on a visit or something.

But what was interesting to me was not only what he did and accomplished, but the fact that the rest of the bureau was opposed to it, because he was setting a standard they were going to find hard to meet with the quality of FSNs that they have.

[Editorial comment: We arrived in Dar es Salaam in late 1989 and served there until 1993. My recollection from early 1990 is the FSNs were allowed/encouraged to come in on weekends and be paid overtime. Ambassador Dejarnette worked with the bureau to reduce the number of companies in the Wage Comparison Survey from 15 to 4. The new salary scale, at a minimum, doubled FSN salaries. In many cases the salary was more than doubled. Now that the post was paying a living wage, the practice of routine overtime was stopped. The FSNs were held to a higher standard of work and they rose to meet it. I don't recall that any FSNs were fired. Marilyn Bentley]

Q: Let's take Africa and then we'll move to other places, but the problem of corruption. One of the things has been to say, in order to get something done no matter who you are everybody pays somebody off, and that's just a way of life. How did you deal with this attitude?

FUNK: Nobody put a gun to anybody's back and said you must work for the American embassy. They came to the embassy because initially in those days, not any longer, we were paying better salaries than most, and to be sure there was some training that was available. Now dollars are preventing it, but they were getting travel. For an FSN coming out of a village in Uganda, outside of Kampala, all of a sudden he would be flown to

Paris for a training session, and that was heady things for an FSN. There was no reason that part of that training could not include the tacit understanding by them and by us that by God I'm going to be honest, and that if they were not honest, we were going to crack down hard. Don't say it can't be done because it can be done. I don't know if I told you before. In Mali we had an FSN that stole $12,000, cashier, it was so bad that nobody knew what was going on until somebody...a junior consular officer started asking questions and it turned out that $12,000 was gone. So I got a frantic call to send somebody out and two of my investigators went out and found out in one day who it was and told the police in Bamako, the capital, and the person was arrested. The next day they went to visit the jail and the God damned person was chained to the wall, arms and legs chained to the wall. So my investigators had a fit. This is something you can't do, this person was an American employee still. And they remonstrated with the police, and the put the person back in a regular cell. But they also made it very plain that unless the money was returned, this person was going to jail. The only jail in Mali is a salt mine below Timbuktu, which is notoriously harsh and bad. The next morning the $12,000 was returned to the embassy.

The police are corrupt as everywhere else. I suspect that they got paid more than $12,000, they got their share. Twelve thousand came to us, I don't know that but I suspect so. And somebody else got taken over the coals, I don't know. But we have to live with that. We have to live with areas where the police are corrupt. It's true in the drug countries as well. God knows it's true in Thailand. Yes, is it difficult when you live in a high corrupt area? Yes, it's very difficult. But we have to take a very hard line, because if we don't and you start nibbling away at these things... The trouble is people don't know where to take a stand. We had one ambassador who was so fervent about this that they were running a pool, a soccer pool, in the embassy. And he sent his security officer one day. He took all the money from everybody and walked off with it. He said, "We're not going to have any pools." Now that to me is overreacting. Who gives a rat's ass about pools? That's always a difficulty, people overreacting.

What I tried to do was say that we stand for something. The God damned flag outside your embassy or consulate stands for something and one of the things it stands for is honesty. And that once we let this thing go, and our people are corrupt, the line between FSN and FSO is going to be more and more abridged. We don't want that to happen.

Q: Speaking of my old stamping grounds, the consular bureau, the American visa is very valuable, and people were paying. I mean every consular officer knows the problem, and every once in a while some consular officers, probably more than even in the administrative side, get caught up in the corruption. Could you talk about your work and whatever detail you like to go into about the consular operation, and the problems there.

FUNK: Ironically, the largest amount of money that we were aware of was not coming in Africa. It was coming in the Near East, and in the Far East, to a lesser extent Latin America. In Tel Aviv, by the way, we got tipped off by the Israelis about a major ring that was giving visas. In some cases passports, a few cases, but mostly visas. So I sent two

people over to investigate it, and as covers had them working in the embassy. I didn't want it to get out that they were working for the consular people. We said we were looking at warehouse fraud. And we put cameras in the ceiling over the consular FSN section. The ambassador, of course, knew about it, and the security officer but nobody else. We put cameras in there, we tapped the phones, and this is very sensitive because tapping a phone on an outgoing line gets extremely sensitive. So we worked out a deal that one of the political officers would review the telephone conversations before we would. We don't want to get involved in some matters of policy, they are not the secure lines, of course, but the other regular lines. And we had two Israeli detectives fluent in Hebrew to work with us. We not only found, by the way, the consular fraud, we also found warehouse fraud, an unexpected management fraud. But anyway, we found seven FSNs in Tel Aviv who were on the take, seven. One Christian, one Arab, and the rest Israelis, I guess. We took pictures, we had pictures of the guy looking around, taking a passport out of his pants, stamp it, and put it back in his pants, this kind of thing. What we did is, I recommended disciplinary action against the consular officers, particularly the ones who were literally outside this room, and would give a stamping machine to the FSNs whenever they asked for it. Never made any cross check. There are some basic checks you can make on a visa machine stamp. And the consular affairs bureau had a fit when we did that, because the person otherwise had a good record, although the Consul General came down and agreed with us completely.

We had similar situations in Bangkok, with the money in Bangkok and in Tel Aviv. By the way, the trials in Tel Aviv went on for almost two years. It was very labor intensive for us. We also had one on Christmas day which pissed me off immensely. I hid the seal of the embassy here and it didn't do any good. They wanted changes so two of my agents had to go and testify on Christmas day which I thought was beyond the pale. Anyway, Bangkok, Manila -- Manila was terrible -- Seoul. Seoul now puts out about 175,000 visas each year, something like that, it's enormous. Tel Aviv cleared up after that, a couple of places in Latin America. The African numbers, except for Cairo, the numbers aren't that large.

Q: Yes, well there's not much immigration to the U.S. from Africa.

FUNK: There really isn't, tourism maybe a little bit, and they have to see things like in Praia, for example. Praia became, and Chinese were so easily being stopped everywhere else -- I'm not talking immigration -- these people traveled carrying drugs. They used to go to Praia and pick up...

Q: To go to where?

FUNK: Praia, Cape Verde Islands, and pick up a visa from there to come to the United States. So finally we took off INS so they started taking a real hard look at anybody coming in from Cape Verde.

Q: Could we talk a bit about Manila first? I mean, Manila is endemic. What did you feel you were doing?

FUNK: In Manila we felt it was like putting a finger in a dike, a hole in the dike. The numbers were so overwhelming, and the graft was extremely high. We found that there were -- I forget the exact number, hair raising -- there were over 300 people who, according to the record, were in excess of 110 years of age, getting social security. And we put in a special program and made everybody come to Manila to pick up their check, or if they couldn't they had to send a written explanation why they couldn't. And about three-quarters of the people who were getting checks stopped immediately, rather than come in, they just stopped it. This went on, by the way, for years. Again, nobody questioned why there were so many people of such age according to the records.

Q: This would be really more a social security matter, wouldn't it?

FUNK: Yes, but the trouble is social security doesn't have offices over there. VA has an office, but not an investigative office. It's a large part of the consular workload in a place like that. With one exception, we've never found a consular officer, a number of civil service passport clerks were on the take, quite a few of those. Only one consular officer.

Q: What about the consular officer? Can you talk about the case?

FUNK: No, just a blatant case of corruption. An American visa is worth so much money, and an American passport. He'd been offered $40,000 for a single passport. Somebody offered to buy ten passports at $8,000 each, and had the money right there to pay for it. What we do is negotiate with C and get passports that look real, in fact are real, and we register them with INS and copies to the Department. And we use them as bait, and we do sting operations that way. We're not interested in individual cases, we try to get rings with big activity. Manila has been a center for that for some time, but we made it so tough that they were going offshore, going to Taiwan, to Japan, and in some cases to Guam even. The big problem we found was not in Manila in theft so much, it was its inability to do the job which had to be done because of the size of the work load.

Seoul is another case. In Seoul, and this is not an exaggeration, I had people in Seoul stationed at the windows for several days. The average time with an applicant was twelve seconds, that included translation time. Very few of the consular officers could speak Korean. I was stunned at the amount of good work being done. As I say, we didn't find consular officers there grafting. You asked about consular cases. The only case, I really can't talk about it, had to do with a visa ring which suborned one consular officer. It could make a good movie some day. It was a honey entrapment and everything that goes with it. We have found officers who did...one officer in Delhi conditioned a visa on sexual favors from an applicant. That person got fired and he just lost pay for three weeks or something like that. He was very young, and I suspect he was carried away with his testicles, otherwise a good officer. We found things like that, but the only case of graft we had was one person suborned by a visa ring.

Q: Back in '76-'79 I was consul general in Seoul and I just heard a lot of stories about it. I knew it was a graft riddled society, and I couldn't get the security officer to do anything, he was rather inactive. So I got CA, they sent out a special thing and they got rid of a major ring in the consular section. At the same time that we were doing it a whole new one of fake petitions was starting which we didn't pick up, which was picked up by my successor.

FUNK: It's a terrible problem. In Korea it was particularly egregious. You know we're using the airline people to do visas for us now, which I find rather strange. But in Korea we had the case of the largest ring we'd ever come across in the States. A former fraud investigator from the consular FSN, another consular FSN, came to the States, and they worked as runners for a ring which charged $5,000 a visa, and it was paid in advance to somebody in the States. The money would go back to the people running it. Who, by the way, outside the embassy, with their contact inside the embassy, and it varied. Somebody would get $500 out of the $1,000, sometimes they'd get $1,000. We never found a case more egregious than that. The money would be brought back personally by guys who traveled back to Seoul and the States. We got tipped off about it, where we find most of our stuff, by an angry native. They complained to the embassy, and the embassy told us, and we found one of the individuals, led us to other individuals. I had, oh God, a huge amount of my investigative staff working on this thing. And we finally, by judicious overhearing of conversations, we found out where they were having a meeting to get a whole bunch of money from people, Koreans, outside Charleston, South Carolina. We arranged to bug the place, we had carpenters, we had everything. We did it beautifully. They came in with a big pile of money from a lot of applicant visa families, usually relatives in the States, of course, and we got the whole thing on tape. We busted them, the cooperative informants were there. We made believe this person was not an informant so they wouldn't be suspicious. We broke the ring, including a number of American lawyers involved who handled the legal work for them, travel agents. It was a big operation. One of the guys got away. We didn't want to arrest everybody, the ones that give leads. One person escaped from New York got back to Pakistan. We finally found him in Pakistan, now we have an extradition against that person, we want to bring him back. That was one of the biggest that was ever broken. The money is here, not in Korea.

Q: How did you find consular affairs attitude towards fraud, and management?

FUNK: It varied. I have to tell you that most of the consular officers that we work with are 1) overburdened, 2) a little bitter -- that comes back against the State Department, 3) they were envious of some of the other people in the mission, and 4) totally honest. Hard working. To me it's a never ending miracle that so many people are honest, and we basically make good decisions under the gun. It's an obsolete system hammered by the Immigration Nationality Act of 1990, which is flawed in many ways. INS is probably the most inept agency in the federal government, and the fact that we are so totally dependent upon INS in many ways is a major problem. That's at a higher level than most people experience in the field.

We did the investigation of Sheikh Omar Abdel-Rahman, the blind Sheikh in New York.

Q: This is a man who got a visa in Sudan...

FUNK: He got a visa in Khartoum, and two in Egypt.

Q: And he was involved in the Islamic Fundamentalist bombing of the World Trade Center in New York in 1992.

FUNK: We did a full examination of that, investigating both how he got his visas, in other places that he'd gone to and did not get visas. Some of it's classified, I can't get into it. But we didn't come out shining on this one, and the person who was worst of all was in Washington, not the field. In Cairo, for example, I can talk about it. A cable went in with a double zero on his system.

Q: A double zero is?

FUNK: Yes, means he can't immediately get a visa. You can get a visa but you must go back to the original embassy which marked him as that and get the story from them, and then you make your own decision. Anyway, the embassy went to Washington and requested he be put on the watch list, and it took two years for his name to get on the list. And that was when he got the last visa from Khartoum. They realized about a week later it was given in error, and tried to find him. By that time he had already left, but not to go to the States. He went to Pakistan. So they wired INS, and wired Washington, for them to make sure that he be stopped. So a warning went to INS at the Gateway airport that he had been using, particularly JFK. He came in and walked right through. This is not somebody difficult to identify, he's blind, he always wears the Arab costume, he always has attendants with him, and he walked right through. This was what I was telling to Congressman Lantos at the open hearing, and in the closed one before that when I gave him all the details and the whole committee was there. And they were incredulous, absolutely incredulous that this could have happened. The problem was not in the individual consular officer at the post, the systems were bad. For example, we didn't have a real-time system, we didn't have the current system at Khartoum. We were still using the old microfiche. Well, microfiche is difficult in an Arab country because there are so many transliterations of names, and you try to find for Rahman it went to about six different names, and the lighting is bad in the microfiche and it's difficult to use. And on top of that there are so many ways of transposing a name that it's impossible to get it clear. There's no reason for us to use microfiche, by the way, that's a no no. That technology went out 50 years ago.

Q: Right now I'm just asking about consular affairs. Did you find that the management...I mean, consular affairs has spent more time, I think, on management than almost any of the other bureaus. One, it's unmanageable operation, and it's so overwhelmed by work. How did you find the management of consular affairs?

FUNK: The problems were in Washington, the bureau, not in the field. With rare exceptions, we found that the guy who was coming out was generally good. But when it was bad it resulted from, to use a kind word, ill advised thinking in Washington. Take Rahman, for example. The guidance that went out from CA reaffirmed that the Immigration Nationality Act of 1990 did not bar people who had been a member of a terrorist organization. The thinking was that we were getting away from the old Frances Knight days of guilt by association. So simply because somebody belonged to a terrorist organization we shouldn't penalized them. And so, that was how they interpreted the law. That was not the way Congress interpreted the law. Congress had a perfect fit when this was related to them. But anyway, this kind of guidance would go out, and it became impossible to live with all the time. You were asking consular officers, very often junior officers, brand new in the business, to make decisions which were really of some moment, and required a very deep knowledge of the immigration law. I have very little problem with our people in the field. I watched them myself. I've been to consular windows and I watched them, and I've got to tell you I was just flabbergasted at the amount of work they do, and under appalling conditions very often.

I found that CA was a troubled bureau. It was particularly troubled under Betty Tamposi (1989-1992). She had fired a principal deputy, Mary Ryan, when she took over. Of course, I had trouble with Tamposi in the Bill Clinton passport business (Fall, 1992) and she was fired. But I said then, and I'll repeat it anytime, I give her credit because she was the one, more than any other person in CA, who tried to make it look human. Particularly, in the PanAm 103 bombing.

Q: It was blown up by terrorists and the response in the State Department was cold.

FUNK: I saw what happened about the consulate at Edinburgh. All the effects were picked up and sent to the consulate, and they packed this up and mailed the packages to each of the next of kin, with a card, "Compliments of the U.S. Consulate." This drove people berserk. I went into one of the meetings that John Kelly was having at the time on this...

Q: ...Middle East.

FUNK: ___ in Hawaii. It was an ugly, ugly meeting because they felt so bitter at the State Department. Tamposi changed that dramatically, and she did the same thing in Romania with the adoption issue. I mean she and the Consul General in Bucharest, also in Vienna who helped out because INS had a clearing house in Vienna. I was so impressed by what Betty had done there, and with the work of the Consulate General in Bucharest, and to a much lesser extent in Vienna. It was an example of American State Department people doing something, performing a service for the public which very few people ever recognize. Betty did that and I give her credit for it. But she was an appallingly bad manager. She knew nothing about consular matters, and she just gave everybody their head, so there was no effective guidance coming out.

Q: She kept getting rid of...I mean, people couldn't work with her in the front office.

FUNK: I felt awful because number one I was a political appointee like she, and second, she had an office right in back of mine so we were next to each other, and I would be very candid talking to her. Most of the other officers were not that candid. They'd talk around the subject with her, and Betty is the kind of person you've got to lay it out on the line. I would say, "Betty, that's fucking stupid," excuse my language, but she'd understand that. It's a shame. She was not served well by her staff, and she served them even more poorly. So there was no consistently constructive dialogue between Betty and her own staff. And consular affairs to me does have the single largest job in the State Department. And every time I hear people tell me, Stu, that the State Department has no constituency, I say, that's horse manure. Look at the people concerned in visas, not just passports, but visas. Look at the other work that we do overseas, with tourists and everything. We have an enormous constituency if we handled it properly, but we never did. A case in point, the visits to Americans in jails abroad. I found out that in many countries we haven't got the money to visit the prisoners anymore, so we're sending maybe a consular agent, if anybody. That we're not doing a good job. And I found out again that there were a lot of cables that I wasn't seeing, I don't get all the cables -- I got too many as it was -- but a lot of cable traffic coming in complaining about this. How can we do an effective job of visiting prisoners when my budget doesn't allow me to travel to this one, to that one? And either stop saying we're doing a good job, or else give us money. And that had come in, there's a big file. I pulled the whole file and looked at it, and I was appalled that nobody had told me about it. But that was a fault with people in CA. It was a very ass covering situation, nobody wanted to be naked. And again, it was a fear of the Hill. It was a report that went to the Hill, and there was a fear of the Hill. That was totally incoherent. That fear could have been handled.

Q: So we don't have the money, we can't do it.

FUNK: That's right.

Q: Give us more money, and we'll do it.

FUNK: These are justifications for budget that they will understand.

Q: Today is August 22nd, 1994. Shall we start? This is sort of episodic, I think, but it's the nature of the beast, about the whole passport Tamposi business, and how this thing developed?

FUNK: At a little before 6:00 on the evening of October 1st, 1992 Betty Tamposi called me and she said she must see me urgently on a matter that could not wait. So I told her to come in and she did with two other people. I found out later that one was the acting deputy assistant secretary for passport, Carmen DiPlacido, and the other was a schedule C employee of hers who was handling public relations, a fellow named Brennett. I didn't

know that then, I didn't know either one then. And she introduced me but she didn't give the titles, the names didn't mean anything. She told me that, rather disingenuously as it turned out, but she told me that in response to a Freedom of Information request her office had been looking into Bill Clinton's passport file. And when they came across it, this was in the national record center in Suitland, Maryland, when her people came across it they were startled to see that in the 1968 records under C for Clinton, they found a file upended, standing vertical whereas all the other files were the normal horizontal bases. And they found a file in there for Clinton and in it they found a '68 passport application with what appeared to be something hastily torn off the upper left. They found a '68 passport application and it was a normal application for William Clinton.

I'd better back up because the crux of the story relates to the reason for the search. I asked her why was there such a high priority, she said the Associated Press had requested the file under the Freedom of Information Act, and she said they were looking for a letter. What kind of a letter? She said, there are allegations going around that while Clinton was at Oxford as a student on a Rhodes scholarship, he was obviously anti-Vietnam war, and he'd written a letter to the State Department renouncing his American citizenship, and announcing his intention concurrently to become a citizen of Norway.

I jumped ahead a bit, but to keep it in sequence. She showed me the file, she'd taken it, and it appeared that something had been torn off the upper left hand corner. Whether that was normal or not, at that point I did not know. As I say, it was about 6:15 and the person who was familiar with such consular matters was no longer in the office at that time. He left early that day. And then she said they went to look for other passport applications, in other Clinton files, and they found a second one, in 1976, as I recall, also standing upright in the file cabinet, whereas all the others were horizontal. I recall asking the question in passing, if somebody wants to do something nefarious with the files, why the hell would they call attention to it by leaving the file upright. She didn't know. But she thought it appeared the files had been tampered with, and she thought that we should look into it, and she was notifying me. I got the distinct impression I was the first person outside of CA to be made aware of the potential problem.

Q: CA being Consular Affairs.

FUNK: I found out later that she'd already spoken to the Under Secretary, and she had also spoken to a number of other people including the acting head of Legislative Affairs. She asked me if I wanted to take the two files she had, the '68 and '76. I said, no, but you should lock them up in your safe right away, and keep track of them for chain of evidence purposes. What I did not know was the preceding night she had taken them home, somebody brought them to her, and the night after she left my office she gave them to Mr. DiPlacido who took them to his house. As it turned out, aside from finger printing, there was nothing in the files that was of usefulness to us, but we did, of course, have it fingerprinted. The next morning I immediately ordered my assistant IG for investigations to open up an investigation into possible tampering with the passport files. That was about 7:00 in the morning, and at 7:30 I went down to see Mr. Eagleburger who was then

acting Secretary, and told him about it, and said if in fact it appeared there had been tampering that we should immediately notify President Bush, and of course, Mr. Clinton. And he agreed. He later called me back to reaffirm that we were both in agreement on that. I found out from Eagleburger that she had told John Rogers about this thing the preceding night, although she gave me the impression everything had happened that one day. It turned out she had been doing this the preceding night as well.

I went back to my office and we thought about it, and in view of the enormous political potential of this, I called Eagleburger and said, I think this should be turned over to the FBI. Not that we couldn't do it, but because of the unbelievable sensitivity in an election year when Bush was starting to run further and further behind, that this could look like a dirty trick like what was pulled back in the '72 campaign with Mr. Nixon. I also sent later that day a memo for record. I said this could be the October surprise to end all October surprises. We talked about it on the phone, as we did first thing in the morning, I pointed out that for the Republicans this could be a no-lose situation. If a letter like that could be found, Clinton was dead. There was no way he could become President if he at one time said he renounces his American citizenship, just impossible. On the other hand, if no letter could be found, and a charge could be made that the files had been tampered with, and that charge could have validity, that would make it appear that he had removed the letter surreptitiously from the files with the power of the presidency behind him. So therefore, whether or not the letter was written, if the story got out that we were looking at a tampering investigation, it would be a very dicey situation, particularly inasmuch as Jim Baker, the former Secretary of State, was now running the campaign for Bush. And I said I would not want to be in that position because obviously I had worked closely with Baker while he had been Secretary. So Eagleburger, personally I don't think he was too happy, but he didn't argue, he said Sherman you call it the way you want to. So I called the Attorney General, Bill Barr, whom I knew rather well, I had worked with him on a number of things before, and in fact helped him get the deputy attorney generalship. It's a long story, but I had some working relationship with him. And I told him something that I had only read about in books before. He said is it important? I said, "Yes, Bill, this is a matter of national moment." So he broke up his schedule and my chief counsel and I went over and met with him, told him we thought it appropriate that the Justice Department take this over rather than State. Not that we couldn't do it, I think, professionally, but it would help if the Department was insulated. So he agreed, and within the space of an hour the FBI turned up in my office, we briefed them, and they took over the case.

I had been planning a trip with John Rogers, the Under Secretary, to the new nations of the former Soviet Union, the CIS states, Commonwealth of Independent States, beginning in Moldavia and going through Georgia, Armenia, Azerbaijan, Kazakhstan, Turkmenistan, two other including Kyrgyzstan and Uzbekistan. Because we couldn't get to them in a reasonable time unless we had an Air Force plane, when Rogers said he got an Air Force plane I said, in that case I'll go with you although I had never before or since traveled with a program officer. And it was an important trip and I was anxious to go because I had some severe reservations after what I'd heard about how the embassies were being put together in such a hurry, and that were paying a frightful price for it. So I

did want to go. The FBI was working on the other case and just before I left they came up with a note, no tampering, conclusion. So it seemed to be dying out and I thought that would be the end of it.

Meanwhile my people had not even spent more than three hours, my guys just went out to Suitland to look at the passport archives and we pulled them back. So I thought everything was under control, and I left on the trip.

I get as far as Georgia and I was in Tbilisi, the embassy at that point was in a hotel in Tbilisi. We had a secure telephone arrangement there. And I got a call from the Secretary's office on the secure line relating several matters to me, but one of them the most important of which was that my office was involved in investigating the way the passports and files had been searched. The why and the what, etc., and did I believe my office could handle it in my absence. And I absolutely did, I had total confidence in my deputy who was an ambassador, a very trained person with a good background in my investigator staff, and also thoroughly professional. Anyway, I assured him I had no problem with that, and I'd be back in a little over two weeks, but if there was any problem call me later. He didn't play it up too much at the time and this was just a routine I thought. I get to Azerbaijan and I get a call in the clear at the hotel. I took the call in a kind of open conference area with everybody around me so I couldn't talk too freely. It was my office telling me that the thing had mushroomed into a sizeable thing, they couldn't go into details on the clear line obviously, but did I want to come home. And I said, "Can you handle it?" And they said, "Yes, but it's very very sensitive." I said, "No problem, you can do it." And at the end of the trip after we went to all these CIS states and we ended up in Russia. I spoke to my office again on a secure phone from Moscow and they filled me in on some of the problems. They told me my plane was coming in on a Sunday and they'd have a delegation at my house to meet with me, and it was very important, for reasons they could not discuss even on the secure phone, that I be briefed thoroughly on what had happened before Monday morning.

So I finally arrived home after a fascinating stay in Moscow, and there was a big delegation from my office in my house which I got to about a little after 6:00 p.m., and they briefed me until roughly about 10:30-11:00. And the urgency of the briefing basically derived from the fact that a very sensitive issue could come up which Eagleburger did not want me to know about until after I made up my mind on a course of action in the absence of that information. I assumed it was something that was illegal that he had come across and that would taint my knowledge, but I really didn't know what it could be. And specifically he wanted to know how I felt about dismissing Ms. Tamposi. So I saw him first thing in the morning, on Monday morning, and he asked me that, and I told him that based on what I'd been told the night before, and I'd been given a full briefing, I frankly did not feel we had sufficient evidence to warrant dismissal. I said, "Of course, it's your prerogative and the President's. All you have to do is lose confidence in somebody and you can dismiss them if they're a political appointment. On the other hand if you're asking me as IG to justify it, I felt it was early days." I said, "If some of the information that we've been seeking, and I was pretty sure we'd get it, was in hand, at

that point I could change my view, but at that point, no." And then he told me what the information was that was so tainted. What had happened was my office had discovered that Betty Tamposi's telephone call to the acting assistant secretary for H for legislative liaison, had been monitored by the watch in the State Department. They had taken down part of the conversation although they were not supposed to do that, and that posed a real question of whether the State Department watch, which has been a traditional and very important element in communications in the State Department, whether the watch was in fact doing something that was criminally culpable. My office had immediately put out a cease and desist as soon as they found out about it, and they were preparing some rough guidelines on how to handle it together with Robert Pearson who was then the Executive Secretary. But at the time nobody knew what was going to happen, it was a very sensitive matter, and it appeared to be a flat violation of the law, witting or unwitting.

I went back to the office where they gave me more details about that and we decided how we were going to crank that into it, and they gave me copies of the notes of the conversation which was quite interesting. My counsel said that we had to work together with Justice on this because it is intensely, intensely sensitive. And he showed me the statutes which is the most ___ thing I've seen. If it's an illegal intercept or monitoring of a telephone conversation, and one party hasn't consented to it, then you are in very deep trouble. If one party consents, or better yet both parties, there's no problem. And the purpose of having people on the line in the watch was a very good purpose, that it was used for senior officers in the State Department primarily. If they wanted to call somebody, say overseas which was what they usually did, you might want to have somebody on the line to take notes for the record, or even to look up certain references that might come up which not infrequently occurred. I've used the watch myself when I called ambassadors overseas. If it was after hours I'd simply call the watch and that was the fastest way of getting through, unless it was secure then I used the secure phone. So I was accustomed to the watch being there, and they always asked me, "Do you want me on the line," and I'd say no. It never entered my mind that they would stay on the line after that.

It got worse. I'm sorry, I left something out. Before I left on my trip, on a Saturday night my wife and I went to a Chinese restaurant. And in the middle of the meal the waitress came over and said, "Mr. Funk, a telephone call for you." I was so flabbergasted, nobody even knew...we didn't know ourselves until we left, I couldn't figure how anybody knew we were there. And it's Eagleburger on the line. I was absolutely awed that he could find me in a place I didn't know myself I was going until I got there. He was home in Charlottesville and he had gotten a call from a reporter for Newsweek, he told me

It was Margaret Warner who covered the State Department, and she was aware of this alleged letter, and was he aware of it, and was he aware that people had been looking for it, and things like that. So he said, "If this thing gets out it will be dynamite." I said that we better let the Attorney General know." He said, "Will you take care of it?" "I'll take care of it." I drove my wife back and I went back to the State Department. And I called the watch and asked them to get me Attorney General Barr. It turns out that he was at a

party somewhere in Georgetown and they got through as they always do, and we had a chat on the phone. What neither of us knew was that the watch was taking notes on this. And later when we found out that this note taking had been going on, and the Justice Department found out the Attorney General had been monitored by somebody in the State Department, they went bloody ballistic. They went absolutely off the wall, as I did. Maybe I've got thicker skin, but the fact that their Attorney General, the head of the department, had been monitored by somebody in the State Department. It drove them absolutely wild.

I also found out from the briefing I had on Sunday night from my staff that Betty Tamposi had not been forthcoming with me. That in fact she was responding more to a letter from a Congressman Sullivan, a letter that had been written at the urging and provocation of Steve Berry who's the acting assistant secretary for legislative liaison, who had virtually drafted it for him and faxed it to his office, and it was faxed back in the properly signed form. There was a lot of collaboration on this, which Berry later said was normal practice, he'd do the same for any congressman. And that, of course, was the Republican position on this thing.

But anyway, there had been a frantic search for Clinton's passport record, as I said in my report and to the press at the end of it. Never had any fuller search in history been done with such urgency, and such grave level of participants. The acting deputy assistant secretary for Passport participated. The head of the Passport Office participated. Two schedule Cs participated, which is wrong in itself to have done that. She called another schedule C in from leave. Then they brought it back to her house at 10:00 at night whereupon she got on the telephone to Berry and they talked for one hour. I don't know what they said, of course, we didn't have notes on that. I take it back, those notes we do have on that, but they talked for an hour. The next morning they did the search again, a different expanded search desperately trying to find that supposed letter.

And that day, during the course of their search, they looked up Clinton's mother's passport file, and also Ross Perot's passport file. That was blown way out of proportion by the media, and it became a national event. It was simply looking up the cross references, and when they came across Perot's file they took a casual look to see if anything had been in there. And what they really wanted to do was take it and put it back in the vault in K Street. They weren't even searching the file, in fact to my knowledge, but they didn't go through Perot's file, except to make sure all the papers were there that should be there. Getting off the trail a bit, but Ross Perot called me about that after the newspapers had blazoned it in headlines. He called Eagleburger, and Eagleburger told him to call me. I was the most knowledgeable. So Perot called me, and we had a very funny conversation. It was vintage Perot. He started off very hostilely, but he mellowed rapidly as soon as I told him what had actually happened in that it was an attempt to save the files. In fact, the Bushes' files were already there as a routine measure for the sitting President were already in the vault. So they put Clinton's and Perot's in the vault as well. Then he became very cordial, first name basis, and he said, "Sherman, you and I could clean up that whole mess in Washington." And I said, "It's quite a mess, where do you

want to start? Besides I have a job to do, I can only handle the State Department." "Well, no, no, I'm sure you have a lot of expertise, I hear good things about you." And he said, "Well, you and I working together we could really get a handle on that town." It was a very amusing conversation. It went on for about 20 minutes on a whole bunch of things.

Anyway, the pressure began mounting. There was a drum fire everyday in the newspapers. You have to understand that this was a presidential election, with an extremely controversial candidate, Bill Clinton, who had received all kinds of attacks during the early days of the primaries before even the general election -- for his womanizing, for other difficulties he had, or allegedly had. Bush had started out with almost a 90% favorable rating at the time of the Persian Gulf when he was thought unbeatable. And now, in October, Clinton was getting ahead of Bush in the polls. And the Republicans were being attacked for running a very laid back campaign. And Baker himself was being personally attacked by Republicans for not being aggressive enough. And anything like this, if it could get out as I mentioned earlier, would be meat and drink.

Q: Oh, yes. It would have won the election.

FUNK: It would have been the election, quite seriously, would have been the election. So there we were, thank God as an independent officer even though I happen to be a registered Republican, I've always been an independent, and certainly as an IG. I blasted whoever had to be blasted in my opinion. But the Department was really coming to pieces. I've never seen anything quite like it. People would stop me in the halls with tears in their eyes, and say, "You've got to do something about this. We're being taken over by politicians." Because every day there were different leaks in the newspaper. Newspaper reporters are very aggressive, particularly during a campaign. So they go to some GS-4 clerk in the national archives and say, "If you don't tell me what's going to happen, we'll put you all over the paper and your career will be dead." Somebody actually told me this, and they'd be crying when they talked to the reporter. And some of the reporters, who were absolute shits on this thing, unbelievable bastards in the way they operated. There were some noble people. There were some excellent reports, particularly in the Wall Street Journal and to some extent the New York Times, and by and large, the Post wasn't too bad. But the Washington Times, the Daily News, the New York Post. It wasn't a matter of politics, it was a matter of just scandals and little journalism. And every night there was something on the evening news about this. And people honestly in the State Department began to think that the Department had been totally corrupted and had been taken over. I've never seen a man as devastated in my life as Eagleburger, who was a lame duck until the election was over, who wanted to end his career on a high note, had been a brilliant officer, I think. I happen to think immensely of the man. And here he was leaving on a note that was so low that he was totally despondent. A period of immense gloom, and everyday I'd see him it would be terrible. He kept telling me, "Don't feel you have to do this before the election, do not feel you're bound by the election." I told him it was very doubtful that we could have the results by the time of the election date. He said, "Don't feel bound by that. You do what you have to do."

So along about the middle of November I thought we had enough.

Q: The election was over by that time.

FUNK: The election was over, yes. By the way, when Perot's thing came out, when they had gone through Perot's file, Bush called Eagleburger and said, "I've had enough, get rid of her." And Larry called me and asked me to come and see him, and I passed Betty in his outer office. She was waiting to get in also but he wanted to see me first. He told me that he had just spoken to Bush, and Bush said he wants her out. Every day he was waking up to see more and more in the papers about this terrible thing and he wants to get rid of her. So he said, "Could I now support a dismissal?" I said, "Yes, there's no problem now because we've got all the information about the telephone calls she made. We've done enormous amounts of interviewing, over 100 people." We got all kinds of information by this time. I said, "Yes." And I said, "I would have preferred a few more days so I could have something printed, but you can do it now. We can certainly back it up." So I left, and she was looking at me in a totally distraught way.

Let me digress for a moment and say something I said on one of the TV shows I was on. I think it was MacNeil/Lehrer. I said, "Everybody is dumping on Betty Tamposi now, the Assistant Secretary for Consular Affairs, and I certainly think she did something that was very, very dumb, and maybe worse. But I want to also point out, not in her defense, but at least in the element of fairness, that she helped to put a human face on Consular Affairs, an office that was badly lacking in that. I give her credit for that. I can never excuse what she did otherwise, but I will give her credit for that, and I still do." Anyway, so Betty was dismissed that day, that was October 14th, as I recall.

Q: November 14th.

FUNK: No, no. It was October before the election, maybe not the 14th, later than that but it was before the election. I'd been back a week by that time, whenever it was. And by that time we'd audited the telephone logs, and the telephone records, and we had all kinds of other data. My people were working almost around the clock on this thing. We drafted a report, a very critical thing. The day I came back, and I found out about the monitoring by the watch in the State Department, and the fact that we had in our possession notes, not a transcript, but notes made of parts of the conversation of Tamposi and Berry. I called the assistant Attorney General in charge of the criminal division, whom I worked with in the past during the BCCI matter particularly -- not too friendly with him but...I called him and I told him that, "We're in a real bind on this thing, and that I'd like to get some recommendations from Justice on how we play this thing. What I did not want to happen is for us to come up...It was really an administrative investigation we were pursuing. If it were to turn criminal, however, and there's a possibility it could turn criminal, I wouldn't want it to be shot down because we were using illegally obtained information." So we had the deputy assistant Attorney General in the criminal division call me, together with the head of the public integrity section, we had a four-way conversation because my attorney was on too. And they suggested that I should have a

complete new team take over the investigation. They realized it would be disruptive, but if I had the resources, they said it would be enormously helpful if we could only use people who had not been exposed to that tainted information. So we thought long and hard about it, and had several conversations back and forth, and I finally agreed to do that. That meant my assistant IG for investigations was out of it, all the people who had been working on it were out of it. One of the attorneys that had been working full time on it, was out of it, one of my attorneys. I picked my assistant IG for security affairs, a former DS senior officer, Diplomatic Security, Terry Shea. He took over the investigation with people from his shop who had been investigatively trained from DS, and the rest of investigators who had not worked on the matter as yet. And all the interviews that had been done in the past were screened, and any conceivable reference to the information that had been obtained by phone was wiped out so they couldn't see it. So we had IG l, it was called, the original groups, and IG 2 that took it from there. And I had written a letter for the record to Shea saying that all matters relating to this investigation, he was to act as the Inspector General. But they were briefing me, I wanted to be kept advised so I would know what was going on, but I would not participate in the investigation, only to be briefed on the results of it, and that happened.

And finally on November 16th we received an investigator's interview of Janet Mullins. Janet Mullins had been the assistant secretary for legislative affairs, her deputy had been Berry. She went to the White House as senior political officer for the campaign, assistant political assistant to Baker in the campaign. In her interview she said things which to us conflicted with the facts. Under the Independent Counsel Act which then existed and now has been put back in, but it was out for a while, under the Independent Counsel Act if somebody is executive level 2 or higher in the government -- basically that's under secretary or higher -- but she was now executive 2 with the White House. She had been promoted up so she met the dividing line. If they commit something which could be a felony, it's grist for the Independent Counsel. So we referred the matter to Justice with the understanding I couldn't talk about it, I was totally barred from saying anything about this referral. This put me in a very uncomfortable position because on the 18th we issued our report and I held a press conference with Eagleburger who left and I took over the press conference for an hour and a half. The room was full of people who were just like tigers in a feeding frenzy, or sharks in a feeding frenzy is probably more like it. Here I had dynamite news but I couldn't even imply, I couldn't do anything, so it put me in a very difficult position. I had to bite my tongue four or five times, but you do what you've got to do.

I'm jumping ahead a bit now, but the last day of Barr's tenure as Attorney General, he referred our referral to the court which appoints the Independent Counsel, and he recommended that the court appoint an Independent Counsel to look at the IG referral of the information going in to Janet Mullins. That was the last referral under the old Independent Council Act, and Joseph diGenova, U.S. attorney for Washington was picked as the Independent Counsel and that was the first week in January when that was done and ___ is still finishing up on inquiries since January '93. And that report should be out shortly, by the way. I don't think there will be any indictments. Anyway, on the

18th we issued our report on the search and retrieval of the passport files of William Clinton, and it received national attention, front page publicity. Basically, what we concluded was that there was no direct evidence of the White House orchestrating this attack as everybody had said. I said flatly that the Department had gone down a slippery slope of immense danger by letting itself be used in this fashion. That was totally reprehensible. And the worst thing about it wasn't what happened because what happened wasn't actually bad, but the fact that it was allowed to happen and the Department had laid itself open. The resources and the records of the Department of State were being used for political purposes, clearly, and that was I said a heinous act. But that lanced the boil, and after that the thing died out within a few days, except the Independent Counsel is still looking at it now and picking up the pieces. Do you have any questions about it?

Q: Government seems to learn very slowly, but usually through disaster. Did this lead to changes in how, at least from the State Department's point of view, how files were looked at and kept, and dealt with.

FUNK: We issued a report which contained a whole bunch of recommendations, administrative as well as relating to people, and one of the things was the way you handle FOIA requests. Now all FOIA requests are handled back on the queue, taken in order. At the time they had special procedures for making a priority, and the ultimate irony was although they declared it a priority, it wasn't handled that way. I said in the report, this speaks about the ability of the Department to recognize management. But they came up with new procedures for handling FOIA requests. In terms of the files, there was nothing wrong with the way the files were handled, they were handled well. And by the way, people should have access to the files. There's no choice in the matter. When you have a FOIA request, and it saves really to a passport file, the passport files per se are not releasable under FOIA. But there could be material in there which is releasable, and the wording of the Freedom of Information Act requires, requires, it doesn't make it voluntary, it requires that when you conduct a search you have to find out if there's anything releasable there. So that was perfectly legitimate to access the files. What bothered me, and what I thought was improper, was the haste, the urgency, and the level of participant, and the frantic way they ordered the people at the national archives to go down the files. Also, the information was wrong. As it turns out, ___ not true. It turns out that a good number of files are left like that for later reference. The people who told me that in the first meeting subsequently recanted. Said we really misjudged, it wasn't that at all.

Q: Nobody will ever know completely but when I heard that as an old consular hand, I knew that young American students, unless they were maybe in the Army, weren't renouncing their citizenship. They were raising hell all over, but...

FUNK: Well, some did. We found out that some people did renounce citizenship, but there wasn't the flood of people to do that. Somebody who is a political animal like Bill Clinton would never in a million years do that.

Q: It just didn't ring anything.

FUNK: I should mention, by the way, that Tamposi called the Consul General in London, and asked him as a matter of complete urgency to check the files and see if the letter was in the files in London. And they did that search, but of course they don't keep records like that in the embassy, it's back in Washington. And she also called the ambassador in Norway, Loret Miller Ruppe, and Ruppe said is the Consul General going to handle this, it's out of my area and I don't want to get involved in election stuff, very properly. So Betty spoke to the Consul General who wrote a memo for the record and refused to do anything about it. Good for him.

Q: Obviously it's one of these things...I mean, here was the scalp that could have really changed American political life.

FUNK: But it does speak volumes about using the bureaucracy, and about how vulnerable a bureaucracy is in the nature of our system.

Q: Well, the scary thing is that it also leaves these things open so things can be inserted, not only taken away, but also inserted. And once you think about this, then you realize the integrity no matter what. All it would have taken was somebody using the third carbon of something.

FUNK: Well, I made the point in my press conference, we have a tape, that it made no difference if there was a trick, of whether or not this letter existed. If you make the charge it gets enough attention that this letter is alleged to exist, its going to get into peoples' mind, and the damage is done, and you've wiped out a President -- a potential President right on that alone.

Q: Well, turning to some other things. You had actually three Secretaries, Shultz, Baker and Eagleburger...

FUNK: Four, Christopher.

Q: From your point of view as the Inspector General, compare, contrast, what have you, was there any difference in the way they looked upon, or were interested in your work?

FUNK: I think I mentioned how Shultz reacted to me when I came. He did not want an independent IG because he thought that the Foreign Service IG was perfectly capable of taking care of matters. He told me that he was startled when he heard that the Inspection Corps had all said to a person that they could not be dispassionate, "couldn't let the chips fall where they should." For example, he called me up when he found out there was a good chance that Colin Powell, the then National Security Adviser, would be compelled to take security away from State as a responsibility overseas. He thought that was something beyond the pale, as Secretary of State that should be his responsibility, not the Director of Central Intelligence. He called me in even before he knew the purpose of it. I

wasn't familiar with the ins and outs of the shenanigans with the agency at that time. He asked me if I could take over the role of security oversight. And after I said yes, he asked me to prepare a briefing which I did, and we gave it to all these several people I mentioned in my last talk. So then he gave me this additional responsibility which no other IG has to this day. He pledged himself to give the resources that went with it, and he did, which meant paying about 340-350 people every pay period. People from the other agencies that were working with us in security we just paid their expenses, they paid their own salary. But Shultz is a very strong supporter that way.

When we came up with our first drug audit it was devastating saying that it was not working -- interdiction was not working. And I told Shultz when I briefed him verbally and he said, "What do you recommend?" I said, "Do you want to know honestly? And he said, "Of course." I said, "Scrap it, it's not working, it's not going to work and I don't see how it can work, short of giving it immensely more resources that we're not going to get." He told me to feel free, to make as tough an attack as I wanted on anybody, including the woman who was then running INM, International Narcotics Matters, "but don't for heaven's sake take our marbles and go home, we can't do that politically." That was something I understood. I understood the Secretary of State looks at a broader picture than I did.

I presented James Baker...I'm getting into classified area here. He was on the verge of visiting a country in an extremely sensitive area -- the purpose of the meeting -- when on an even more sensitive area I presented him information that showed that that country was violating an arrangement that we had with them. It was the last thing he told me he wanted to hear, because he was leaving the next morning. He asked that his briefing book be brought in to him and, of course, there's nothing in the briefing book because we just found out ourselves with the help of some intelligence sources. So I presented him with this extremely difficult problem, and I told him, "Thank God it's your baby to wrestle with and not mine. I just have to come up with the facts, you've got to come up with how you handle it." But he didn't shy away from it. I'd given it to Eagleburger first as Deputy, and Eagleburger immediately called Baker and said we've got to see you right away, Sherman and I. So when it came to a tough decision, he didn't back away from it. He faced it head on, and to the best of my knowledge he handled it as well as could be expected. And, in fact, beautifully.

Warren Christopher I felt was very distant from the whole concept of an IG. It was new, it was not government. When he was here last (1980) he did not really understand it, he was skeptical of the concept, I believe, although he certainly never said it to me. There were several discussions in staff meetings about IGs during the transition period. Doug Bennett, for example, who had the grace to apologize to me several times since then...when he had been in the government before with AID and had great difficulty with the AID Inspector General, and he made that point that he didn't have any respect for it, and we're a bunch of storm troopers, and this kind of thing. And I suspect that Christopher may have had some of those same thinkings. He never told it to me, he was always forthcoming with me when I asked him for something or needed something, he

was very quick to give it. But I never had close contact with him the way I did with Shultz, Baker, and Eagleburger. Also, to be very candid, and this is all history, I never could warm up to Christopher the way I did the other three even though they were three different personalities entirely, but I could never warm up the way I could to the other three, and I don't know why.

Q: I've never talked to...but he has the reputation of being -- and I'm using it to the good rather than the bad sense -- a back room lawyer, working out, taking care of problems, there isn't that personality thing.

FUNK: It capsulates my problems with him as Secretary. He regards each foreign policy issue as almost a legal issue to be solved in and of itself without realizing it's almost impossible to handle these things in total abstraction, won't try something else, and there's no consistent policy.

Q: This is one of the criticisms, and I must say I share this as a professional, its not really a seamless web, but I mean it's a web with lots of seams in it, but you've got to have a policy and know where you're going. Sherman, one of the things I'm sure you've had laid at you, not charged, but things I hear often from my colleagues in the Foreign Service is, okay, we've got this independent Inspector General and you've got umpteen number of extra auditors, inspectors, and its tripled-doubled, maybe you can supply the size, but anyway it's a lot bigger, and what has it accomplished? And does it need scalps in order to keep it alive? This is a general feeling.

FUNK: A fair question. First, the matter of size. To my shame, when I came in I said, "I want to keep the office lean." When I came in because Jesse Helms had been successful in his fight with Shultz, I could have asked for a thousand people, I think, because State had been bloodied so badly on the Hill. But instead, we arranged for something like 250 I believe was our first figure -- 260 I think. So from then on that became our base. Basically it hovered around 260 and I always kicked myself for being so goddamned level headed in the beginning and not thinking big.

What do we do? We saved the Department from itself in many ways. One of the things I found was that the people who complained, not whiners, complained about the fact we don't need an IG, they were the first to get irritated when somebody came in with something gross and nothing was ever done. Pretty much the IG has stopped that. When we had people who built tennis courts and swimming pools by misusing money that wasn't allocated for that. When we had people who physically abused others, or who were very, very, severely bigoted about gays, about women, about blacks, although that wasn't our area. When it became a serious method of abuse I would usually step in.

Q: This is the gay, minorities, and women discrimination.

FUNK: The EEO office was supposed to handle that but basically if it involved a senior officer, the Secretary would ask me to look at it, or the bureau head would sometimes ask

me to look at it because we were faster than the EEO office. We had more resources, we had more professionals, so it was easy for us. We had more money to travel, for example. And there were about four or five ambassadors who were let go because of that one discrimination problem. We had one ambassador, believe it or not, who got one of the first Marine women in his embassy detail, and he made life for her a living hell. He'd tell her to straighten up, chest out, this kind of thing, and finally she complained to her battalion headquarters, the battalion Commander at Quantico. He called me and that ambassador was very short lived. But that was gross. And we had similar contacts about gays. I didn't get into the gay business except I met three or four times with the official gay group so-called. Am I biased, yes, I have a son who is gay. My wife was the national treasurer of Parents and Friends of Lesbians and Gays. And I remember some people saw her name on the stationery and they were aghast that I would let her name be used, and I said, "My God, I admire her for it." But I had a reputation for stepping in on things like that. For example, I was picked up by newspapers as the highest ranking member of the administration to walk in the Gay parade in Washington two years ago.

I'm getting off the point. Do we make a difference? Yes, we made a difference in several ways. And in several ways you'll think of it as almost inconceivable. For one thing we did away with silly recommendations. I have a horror of unnecessary regulations. It turns out that people at the end of the year have money, they say they haven't spent it. They want to buy wine...the ambassador wants to lay in a supply of wine for the next year if he can buy it cheap at the end of the year. He can buy three-four-five cases of good California or New York wine or whatever the case may be. The regulations said you couldn't do that. And we had to actually take action against an ambassador, Reggie Bartholomew in Spain, when it turned out he took a lot of money from his end of year supply and bought wine with it. I thought that was insane. We had to take him down. We wrote him a note and said it was wrong but we hoped to change this regulation. So it wasn't really much of a disciplinary action. It took us three full years to get that into the FAM.

Q: Foreign Affairs Manual, essentially the regulations.

FUNK: It took us more than three years, it was four years to get that damned thing changed. It made no sense because you can buy stuff, stack it in with the commissary supplies, and draw down as you need it and pay for it. And you save a hell of a lot of money, and get a good wine that way. There were all kinds of things like that. I may have mentioned the case about the person who traveled to...

Q: Yes, from Frankfurt to Jordan.

FUNK: Yes, we had those regulations changed. So in a very specific way, despite the accusations that we were encumbering things, were making things more difficult, we acted to ease things up. That's a real monomania of mine, and I'm very proud of that and there's a whole range of things that we did like that. Cars, for example. I raised bloody

hell about having to use American cars in places where you couldn't get parts for American cars.

Q: Oh, I know. We've all suffered.

FUNK: The regulations in Congress said you've got to buy American cars. I said, that's horse shit, there's no way we should be forced to buy cars that we cannot maintain reasonably, not reasonably, but in good time. If you needed a part, you needed the damn thing then if you don't have it in the warehouse. And we changed that. We were able to get that modified considerably.

Q: You say, getting regulations modified. Were these self-generated within the State Department?

FUNK: No, these were generated by us.

Q: So in other words it took three years to get something, almost four years, that much to get something which probably had been...

FUNK: The Administrative Bureau was against it. The lawyers were back and forth on the thing.

Q: I find the Law Department is usually the greatest way to stall things.

FUNK: They can stall indefinitely.

Q: You refer something to the L, or Legal Department, if you don't want to make an action. At least that has been my experience.

FUNK: In my very first trip to Moscow they told me about the difficulties of getting cash. And we were paying $1.80 for a ruble then. Now its about 1,500 rubles for $1.00. And we were paying for our utilities, rent, everything else we were paying in rubles. We had to pay in rubles which is better than hard currency, so we needed rubles. We couldn't get them. But you can buy rubles for seven for $1.00, four for a $1.00, three for $1.00 but its better than a $1.80 for one outside Russia. I said, "Let's do that and ship it in in the pouch." Can't do that, it's a violation of the Vienna Convention. You can't ship stuff in a pouch. I said every other God damned embassy does it in Moscow, they're all doing it. You can buy the damn rubles in Vienna, you can buy them in Geneva, on any money markets overseas, even in Frankfurt although probably Vienna is better, and put them in the pouch and get them into...can't do that. I said, "Wait a minute now. We're bringing guns in the bloody pouch right now, that's barred by the Vienna Convention. You're not going to put guns for our Marine Guards in the pouch? Of course we are, so what the hell are we playing games for?" L and MFP, or whatever it was at that point, just dug in their heels, "We can't do that. Treasury will be upset by it." So I went to Treasury and met with the Assistant Secretary for Monetary Policy. I said, "Do you have any God damned

concern if we bring rubles into Moscow by pouch?" He said, "Of course not. What's the problem?" I told him they were raising questions about the Vienna Convention, and he began to laugh. He said, "Do other people do it?" I said, "Of course they do." "What's going to happen if we get caught?" I said, "Its unlikely we'd get caught because a diplomatic pouch is sacred." "But suppose something is torn open in transit, what's going to happen?" "They're not going to do business with us. So he said, "No, we're not going to give any static on it." So they still did nothing but point the finger at Treasury, they came up with other legal problems. That took...they're doing it now. They started about two years ago. So we acted in a way totally contrary to the normal picture of an IG as clamping down. Do we clamp down on certain things? Hell yes, we did. When I thought it was important that we clamp down, we clamped down.

Q: Looking at it, you're out of the government now Sherman, why does the administrative section, or what have you, why do these people...they keep raising...

FUNK: I can say it very simply. It's a fear of accountability. One of the great things that Christopher tried to do, and it was aborted almost as soon as he proposed it, he said, "I want no more than three clearances in each bureau." Then they changed it to one clearance. But you know what? Now you can look at a clearance sheet on a piece of paper going up to the Secretary's office for his signature, and there may be nine or ten signatures per bureau sometimes. From three then to one. So all they do is create internal paper and we had to clear internally on the front sheet. So the fact is, nobody wants to be responsible for a change because very few people have been criticized for inaction. But you get criticized for doing something. If you do something you stand out loud and clear, and that's what bothers me. And that's what happens particularly in an administrative area. It was unconscionable to me that people were living in absolute misery, and working in the most horrible conditions in the old building in Moscow. It was, and is, an incredibly difficult building to work in although now at least its been cleaned and fixed up. Renovations should have been finished years go.

Q: And Consular officers. I'm sort of jumping around but something that had fallen into disuse, this is before you came under the old system where the Inspection Corps got more involved in policy matters, and looking at the overall things. It used to be that the Inspectors going around were often the salvation of junior officers. I can't tell you how many oral histories I've had of very distinguished people who have had fine careers, how they said, "My first or second post I had a lousy boss, it was a terrible situation. The Inspector came and talked to me and said this was bad and it looked like I was on the skids out, but the Inspector's report saved me." Then it appeared to me anyway that by about the '70s or so, the inspection thing got up into the policy kind of area, and this counseling and saving, looking at the individuals got sort of lost. Can you talk about that under your regime? Because it's an extremely important area.

FUNK: When I found out I was coming to State, long before it was official, I started to pull all the unclassified stuff I could get my hands on. And I got batches of inspection reports from State, not audits but inspection reports. There were very few audit reports,

only a handful of auditors then. And I read them, and my reaction was number one, these things are written magnificently. I've never come across prose in the federal government that was as consistently as high as that. But second of all, they didn't say a God damned thing. They were very rarely pungent, and they were concerned about things like the location of a coke machine, the location of waste baskets, and discussions of policy were in the very broadest context without coming to any conclusions. There were hardly any recommendations relating to policy, but very long egghead-type discussions about it in the inspection reports. As if somebody writing for posterity wanted to make sure that somebody who picked up this report ten years downstream, or 100 years downstream, they would recognize this guy was a really fine political officer writing it, or econ officer. I was totally bemused, and I was unhappy about it. We had some excellent officers. There were a few to be sure who never made the cut, never made the senior Foreign Service. They tended to be a bit bitter. They tended to focus on policy because then they could safely criticize others. That was a bit of a problem, and remained a problem. I never really circumvented that except by careful judicious chewing and editing. I expect it will always be a bit of a problem. But by and large we tried to get away from the repetitiveness of the reports. The concentration on policy almost as an academic exercise, and get into discussions of real things. Did we succeed as well as I would have liked? Not wholly, but I'd say 80%, maybe more than 80%.

The one thing I didn't know anything about until I got to the Department was the counseling function of Inspectors. I went on my first trip to Vienna, with the team headed up by Ray Gonzalez, Ambassador Gonzalez. And I saw the way they were counseling, I watched them for a while. I realized how important counseling is. I tried to meet junior officers when I go. We used to have an informal dinner, if I had time, with the JOs at post. And if there had been an inspection, one of the things I asked them how did that happen? Invariably they told me this was one of the things they prized most. The one-on-one situations, the counseling situations they had with the inspectors.

Q: It is the only time...I mean it's an extremely important element.

FUNK: I have a hard time selling that to the Hill. I was criticized very severely by one of Senator Glenn's staff assistants for being too close to management. He said, "Your inspection reports, why do you have to have all these senior people out there? Why can't you have more civil service?"

This was a pretty interesting subject. I got into a nasty fight with this very senior assistant to Glenn because she said that she had a complaint from one of my civil servants. The complaint said that these Foreign Service officers were running the inspection group in my office, and they were boondoggling all the time, they didn't do any work, and that they were taken care of immaculately when they traveled unlike the civil service people who had to get their own way to the airport, to the post, this kind of thing. I knew who wrote the letter and I was quite bothered by it, although I understood it. But the fact is that when I went to explain what we did in inspection, I described this counseling function in some detail, that absolutely meant nothing to them on the Hill. She was there, the one

who gave me the bad time, and two other assistants to her. They said, "It's not your job to do that." I said, "What are you telling me my job for? The State Department I can't speak for, it certainly wasn't my job in Commerce. In the State Department it's a function of the inspection job. It always has been since 1906, and it's the way it should be."

Q: I wrote this book, The American Consuls, and I think the most important thing was these Consuls General at large going around and really talking to these people for the first time.

FUNK: They never had it before.

Q: No, and it meant a great deal just the fact they could sit down and talk to them.

FUNK: I said if you lived in an ideal world, everybody would be fully trained, completely trained before they go to the field, and they'd have ample experience and work their way up. That's not the way it works in the real world. You get posted to a position, they have 17 weeks of training or whatever it is, it's not enough. And I said it was just the way it was in the Army. Sure, I had 17 week basic, I had division maneuvers and everything, but still when you go into a fire fight, you damn well wish you had more training. And that's the way it is particularly in the consular and admin area, both those two areas, where technical training is terribly important. And we have to make decisions on the spot. They didn't understand that, and the GAO never understood either. The GAO reviewed me once and the guy gave a good mark but they raised an eye at the inspection function. They didn't understand that. We did that and I've heard nothing, with one exception which is minor, nothing but praise from the people about the time that our guys took to spend with them. Now in the political area that didn't apply too much because in the political area they were using their judgment, rather than specific discreet facts. But they would make a judgment that this policy was not as wise as the policy that they would have liked to have found. But that's something you can argue forever and a day.

But in the consular area, to some extent in the EST area, we have some good people.

Q: EST is?

FUNK: Environmental, Science and Technology, but very much in consular and in admin. The painful amount of counseling, and time spent, hours and hours. And that time was taken away from their normal time, they had to make it up when they did the rest of their inspection. So they were working weird, weird hours. So when this guy, an auditor, wrote to the Hill anonymously that the inspectors were living high off the hog, and eating in good restaurants, and being taken care of immaculately, and go sight seeing all day because they don't work, I blew my stack.

Q: You've always got one of those. But it's not just the technical side, but it's also the problem of supervision and the junior officer who is under somebody let's say who is not

a good supervisor, or there's a personality conflict because the junior officer is so vulnerable in that situation...

FUNK: Yes, because if they object their EER could kill them right there on the spot.

Q: And it's just one EER and that's practically...so this could be a political, economic, admin counselor...

FUNK: The problem was only in supervision. It was doing the job in the consular and admin area, but pretty much in the other areas it was a supervisory problem. That was very common. Eleanor Constable, now she is the head of the Science and Technology Bureau. Before that she was one of our team leaders, and she went to a major country on an inspection, and she found that one of the senior officers at the post was deplorable as a supervisor, and took this person down accordingly. And we wrote a corrected effectiveness rating. It hit the fan. This person objected, went to the Director General and complained about it. I was asked to personally intercede, go over the whole case which I did, and I totally supported Constable. I admired her courage in doing that because it was very difficult, somebody who was well connected, to take the person down. But it turns out that the supervisory advice given by this individual was not just bad, it was awful, and phrased and presented in a manner that was degrading to the people getting it. So I thoroughly supported the statements now in the person's file.

Then another function, by the way, that we do, we don't publicize it, but I think it's very effective, and that is that we issue corrective EERs. And I've encouraged that. I think we've done maybe about 30 in my time.

Q: These can be very important. I've sat on an appeals board one time, and you end up looking rather hard at some of the inspector's reports to get a feel of balance. I realize they only have a small bit of time, but at least they're not in that pressure cooker.

FUNK: I've been told by the panel chairman, or the board chairman. We started that in January '89, and by the time I left we had accumulated such a body of these IERs, Inspector Evaluation Reports, that the chances were more often than not we're going to find them in somebody's file. In the beginning, of course, there were few but they said that they serve a very great purpose.

Q: Well, now, taking a look at it...looking at the overseas operation particularly, looking at the Foreign Service, the career people, particularly the career supervisors, where did you find the greatest strengths and weaknesses would you say? That would appear to you.

FUNK: The greatest strength and weakness. The weakness were the EERs which we use and are critical. They were life threatening in some cases, and life sustaining in others. I'd have to say that I find it very difficult to pick out any one area aside from the tendency to evade responsibility. It's also in EERs. If you draft an EER well, and God knows the State

Department has the best writers in the world, when you draft an EER well you can use language which virtually insulates you from a personal decision on the damn thing. It's amazing how you can do that, by putting a qualifier in. At the same time you don't take out the adjectives to upgrade the EER. It's a real knack. I admire the hell out of anyone that can do that.

Q: But sitting on a board and try to...

FUNK: ...and make head or tails of it. Particularly in the old days it was so terribly important that where the person was, was almost more important than what they did. We've changed that. My office takes credit for that.

Q: How did you do that?

FUNK: In the early days one of our first personnel audits was on the award system, the Foreign Service award system. And we concluded after a very exhaustive look over many months that what really counted in getting an award was where you were. If you were in a post that was receiving a lot of attention, you were going to get an award, unless you were just lousy. Whereas you can be doing an infinitely superior job measured in the abstract at another post and never be noticed.

Q: A political officer in Geneva has got a problem.

FUNK: Yes, forget it.

Q: And a political officer in Cairo is...

FUNK: But the precepts then encourage that. So we recommended that the precepts be revised, and the place of the assignment itself be much subordinated to the actual performance of the job as demonstrated by examples. George Vest was very goosey about that, and he and I had a long conversation, a very heart felt conversation before he agreed not to fight it. But it was finally accepted, and went into effect, and we changed the precept. And that made a very profound impact. Again, people don't know that.

Q: I served on a promotion panel from counselor to minister counselor rank when George Vest was the chairman, this is in '81. And where somebody served, I mean the Middle Eastern people all seemed to have been intimately involved in Middle Eastern policy no matter what they did. Outside of the efficiency reports, how did you find the Foreign Service as administrators, managers, supervisors?

FUNK: Generally poor, that is a weak point in the Department. And for the life of me I find it difficult to explain. When I first came Shultz asked me my initial impressions of the Department. I had been here about six weeks. And I told him that I never in my life had encountered such an absolutely superb bunch of people. And he sort of smiled at me, and I said, "But what bothers me is that on the other hand I'd never in my life

encountered such a thoroughly screwed up organization, and what I don't understand is how you can have both. How the people could be so God damned good, and the organization be so thoroughly screwed up." And I'm still bothered by that, because I don't know any other place where you find such high caliber persons, where you also find things so badly run. And I still find it. I happened to think the world of many of the people in PER now. Yet they went ahead and they gave an award of $100,000, more than $100,000 U.S. dollars, to somebody to get that person to stop suing the State Department. A clear case of blackmail. And their rationale was, "We have so many class action suits for women, and class action suits for blacks, we don't want to get involved in other class action suits on a religious basis." And that was totally ___. There was ample information, they could have fought this one. It was a lack of will, and people sensed that. I've seen again and again that we make a recommendation for disciplinary action and unless the thing is so heinous that they're afraid to say no -- afraid the newspapers would find out about it -- the chances are they'll dick around and try to knock it down. We don't want to be that harsh on the person. I'm not talking about guillotining somebody, or hanging, or boil them in oil. I'm talking about a few weeks suspension for something that is very serious -- misuse of a lot of money, millions of dollars. It was like pulling teeth because nobody wants to be responsible for it.

Q: Again, I keep coming back to my thing as a consular officer where somebody appears at the desk and you've got to make a decision that day. I went to one of these places where we played the war game, there were cases, and a group of FSO -- in those days 3, which is now the FS-1 -- and we sat around with problems. And I found that I was about the only consular officer, I think there was an administrative officer, we tend to make decisions where the others coming from political or economic would tend not to make...I mean at a certain point we fire people, I mean these are theoretical, but they wouldn't do it and to me it was very clear, you just do it and get on with your business.

FUNK: Let me project that. If I were to say the problem in American foreign policy, as developed and operated by the State Department, is exactly that same problem. A reluctance to make a hard call, and as a result of that we have a situation where we go on and on perpetuating a status quo because status quo is safer.

Q: I think it makes excellent sense. Well, now, going away from the Foreign Service to the other manifestation the way we run our foreign affairs policy. Political appointees, they're obviously a very mixed bag, but for the Inspector General...I mean, there are some that are very obviously highly qualified and they're stars in anybody's program. I'm not talking about those, but there are a significant number, even maybe a small percentage, who are really either a horse's ass, or worse. How do you deal with that?

FUNK: Let me address that. First, of course, we had to deal with it. The fact of the matter is that I'm trying to be absolutely honest, I would say that we have about the same percentage of duds in the Foreign Service positions as ambassadors, as we do percentage-wise: a feeling that there are one-third of each as we do in the political area. Maybe it's because we're smart enough to give a fairly good DCM to somebody who is bad. But the

bad dissenters tend to be black-balled or insulated. We've had some tragedies. We've had some absolute horse's asses, and I could name a dozen. But for that dozen I could name you a hell of a lot more who do wonderfully, and their good things in business tend to be carried over. I am not persuaded, by the way, that if you're a good businessman, you make a good manager of an embassy. It doesn't follow at all. I've had some people tell me that on the Hill. "You have to understand, Sherman, that we need people who have come out of a business background." To some extent I could go along with that, but only to some extent. The fact is that the differences are so vast that if you can run a company effectively doesn't mean you can run an embassy effectively. It really does not. And we've had some academics who were as good ambassadors as anybody that has run a business. And we've had some writers, people of widely different backgrounds. We've had some people for heaven's sake in small embassies who did a beautiful job.

I think that part of the difficulty is that our ambassadorial seminar, the charm school, should be more blunt than it is. I was always brought in as a kind of corrective, always introduced...I would give them the straight skinny, as though all the stuff before was not straight. We should be blunter in our conversations. For example, I went to the charm school myself -- Shultz told me to go through that, and I went through that, my wife and I, and my assistant went also. Maybe because I spent twelve years in the Pentagon where I worked closely with the intelligence operations, but I was amazed when we got the briefing on the intelligence side before we went out to Langley to meet with the agency people. We got the most cursory, elementary briefing. It was almost worse than useless, and then we get out there and you're romanced by the agency people, who know how to do this magnificently, by the way. They're pros at this, and most of the political types were just so impressed they were goggle-eyed, and they just rolled over and put their little paws in the air. There were a few who were smart enough to ask tough questions. I've gone along with several other trips since then. I went over just to see if there had been a change, just being nosey about it. It depends. If there is somebody in the group who asks tough questions there's enough sharp people who will pick up on it, not always, but usually. And usually they will be career people, by the way, usually career people, not necessarily. But the romance that the agency has in the eyes of most political types means that they don't really ask good questions. So they can be romanced by their station chief who is very candid in answering questions, but the ambassador doesn't know what questions to ask.

Q: This has always been one of the major problems, that it's career-non career for an ambassador, or staff, to take with greater value information that comes that says we got this from a secret source, than we got this from the normal contact, newspaper, or traveling around source. Often it's almost maybe diametrically opposed, and one or the other might be right, but the secret ones you paid for so it sounds like it's fancier.

FUNK: There's another side to that. Ever since we took on the security function, and I had agency people assigned to me, when I go overseas since January of '89, I'd always have cables sent to the COS, chief of station, at the post. They'd be receptive and I'd come there and I'd talk candidly to them. And I have been in some very large and

significant missions where I was given information of greater utility to me, and certainly more candid by the station chief, than I ever got from the ambassador, DCM, or the political counselor. Twice I've been in places involved in drugs where the COS knew far more, infinitely more, about the business of addicting drugs than INM people at the post.

Q: It's a matter of knowing how to use what comes at you. It comes at you from different sources.

FUNK: I worked with a political ambassador, by the way, who to my total astonishment refused to even look at information coming from NSA. And even though his DCM protested, he said, "No, I don't want to see that shit." So his entire career there, and I tried to get the bureau head to lean on him and he refused.

Q: Was this an ethnical problem?

FUNK: You never knew what it was. And it turns out some very critical things happened that he did know about, and the guy stopped beating his head against the wall, stopped trying to tell him. But by and large, to make a fair comment about political, I'll say this. When you make really bad mistakes, really bad mistakes, its more often by a political appointee. Really dumb things. On the other hand, when you do very good things, it could be either one.

Q: Obviously your people and you were looking closely at the marriage between DCMs who are almost always career people, and the political ambassadors.

FUNK: I don't know of any DCMs that were not career.

Q: I don't either.

FUNK: And now it's much better than before. Before it was a kind of a match that was picked by the bureau based on who was available. Now they try to make a concerted effort to get somebody to balance the political ambassador. Where it's difficult is in a small post where there's no DCM. For example, a SEP post, a special embassy post, which doesn't have a DCM. Then you get the luck of the draw, you get a political ambassador with a political officer who may not be worth a damn. Then we've had troubles. The DCM relationship is much better now because the ambassador who is the designee has a hand in selecting the DCM, and also there's usually a designated period of coverage. So there will be a three-four-six month period when the previous DCM stays on. So the guy is getting the lay of the land before the other one comes on board. So it's being handled more intelligently now than it was before.

Q: You were there during the time when, because of court suits, there was a tremendous emphasis on getting women officers, particularly as DCMs, particularly at small posts, and medium size posts. This was done because DCM is the way to the top, and it was fair enough, but at the same time I was getting, I was not in the Service then, but getting

emanations from people saying there were some pretty awful assignments. If they're female they get the job, that's it, it's off our hands, and our statistics look good. Were you seeing problems from this?

FUNK: I don't think it was as bad as some claimed. I have seen some people that shocked me to be sure, but for every one of those I saw Molly Williamson in Jerusalem, the Consul General, doing a superb job, although God knows there are people who differed with me on that. Mary Ryan, head of Consular Affairs now, was ambassador in Swaziland and did a very competent job, better than competent. The woman political officer in Norway. Shirley Temple Black I think was just wonderfully effective, she has become a very good friend. She did something -- she walked around. I always recommend that ambassadors do that, get the hell out of their office and walk around, get the people to know you. She used to have lunch in the cafeteria everyday with the staff in Prague. Was she a great political genius? I've heard some nasty comments about that. On the other hand I think she comported herself well. She certainly pursued American business interests effectively. She was there during the changeover, in fact my special team was on the balcony the night of the big riot in Wenceslas Square in Prague. And she had the respect of her peers.

Q: Shirley Temple Black is well regarded by the Foreign Service, and also setting up the ambassadorial seminar.

FUNK: She was there when I was taking my seminar myself, and at lunch my wife and she both were on a diet thing together, so they became fast friends. And when I was sworn in she flew in from California for my swearing in, which I thought was very nice. You don't forget things like that. She's a handsome person, and I think she did a damn good job in Prague.

Q: The Department of State is continually trying to find a balance for serving what really are internal, or political needs, and that is to have the proper mix of Blacks, Hispanics, women, and various things, but this is really for justly so to get a good balance in the American context.

FUNK: Let me address bias, if I may. I spent from 1969, almost ten years in the office of minority business enterprise where I became very close with a number of congressmen, including the chairman then of the Black Caucus, became very close to a number of doing very well minority entrepreneurs. I also saw how misdirected that kind of program can be, and that it can do literally sometimes more damage than good. I am very much afraid the State Department in its fear of lawsuits, of having a court make decisions on our personnel system, overreacted. And I think in so doing it caused no little harm. And as usual in the State Department when it tried to do good, it did good in an ineffectual way. One, by blindly seeking numbers, and two by not really doing as good a job in reaching out as it should have. I had conversation after conversation beginning with George Vest...

Q: George Vest was Director General...

FUNK: Then Ed Perkins who succeeded him, and then the present one, Genta Holmes. And now they tell me they're doing it. I kept saying that in going to the historically black colleges, only, seeking help, you're omitting one of the very best sources: that is the very, very high type of individual who seeks his opportunity either through academic merit, or through scholarship accessibility, to the Ivy League and other top schools, the public Ivys and private Ivys. And this is the market you should be looking for in the State Department. We have the clout to attract people if they're aware of it, and they were not doing that. They were going to the Spellmans and Howards, good schools but not on a par with the other schools.

Q: No. I was with the Board of Examiners back in the '70s and we knew this. They were nice people, but they were the equivalent to a nice agricultural school for whites. It was just not the place to go looking.

FUNK: And now Holmes is trying to do that. But I think that Vest, for reasons I don't know, I really don't know, and Ed because I believe he was afraid not to do it the other way.

Q: It sounds good. It sounds safe PR-wise.

FUNK: The woman thing is more subtle. The women's problem is more subtle. Was there discrimination? Absolutely, unquestionably. We had an old boys network, and to a large extent we still do. It's ironic that the women countered with their own little network among themselves which I think is very amusing. But I think the Department, as I mentioned before, moved too quickly and we had a number of people who received senior jobs, DCM jobs in particular, who were not ready for it. That applies to minorities and it applies to women. One of the crucifixions that Ed Perkins went through is that a number of the people that he put into DCM slots did not work out. There's one week I'll never forget. Within the space of one week, I had to go to him with recommendations that two DCMs be terminated and brought back. He told me with a look of pain on his face, I hope to never see again, that in that same week he had to take that action against three others. So five within one week that serious complaints had come to his attention, and he was a very shook up individual at that point. There were very few mid-level entries who were women, that was another problem. Mid-level entries don't work out usually.

Q: They don't, and I think women now are coming in in sufficient numbers so that the problem is going to take care of itself.

FUNK: Well, the last A-100 class I took there were more women than men, and a good bunch.

Q: Sherman, to sort of wind this up, you can always add incidentally, and I urge you to do this when you get the draft, but what do you think makes for a good Inspector?

FUNK: A good Inspector, or a good Inspector General? They are two different things.

Q: Okay. A good Inspector General number one, and number two, Inspector.

FUNK: Let's take it in reverse, a good Inspector. One, it takes knowledgeability. I tried, when I first came to bring in junior people in the Inspection Corps. I got a bunch of bright young kids coming in, real good college graduates who were sharp as hell, wanted to come into State. Well, they'd be good in an office but not in the Inspection Corps it turned out because the counseling function, that you mentioned, in the field an inspector has to know something. He can't keep going back to the FAM. He can't be calling back to Washington. So particularly in the Consular, Admin field, and possibly econ also, lesser in political, it's absolutely imperative that they have the knowledgeability before they go out in the field on inspection. Second, you have to have the moral fiber to make difficult calls, and that's something which is difficult to spell out but it's needed. Third, you have to be willing to live a life of disruption because you're away sometimes for ten-twelve weeks in a period.

Q: And hard weeks.

FUNK: Depending on where you go they can be very hard weeks. And then at least two-three-four weeks except for the one session when you're at home in the entire quarter. That makes it tough if you're a married person with children, it's very tough, and we've had some difficult situations, including divorces, because of that. Also, and this sounds funny, but a love of the Department. You have to have a driving feeling that this Department is capable of great things, and you want to feel you're making some contribution toward that albeit however small it may be.

An Inspector General? I guess all of that would apply as I just mentioned, although knowledgeability would be different. You simply can't know everything when you come into the Department. One, you have to be a quick read. It sounds almost silly but the amount of paper than an IG puts out is awesome. In our shop we put out maybe 600 reports a year -- investigative inspection, audit, oversight, internal reports -- all of which had to be read. So you have to be a quick read. Some IGs in the bigger shops simply can't do it, like in Defense and HHS. They don't read most of their reports, and they always suffer from the problem if a bomb may go off, and they're not aware of it. Second, you have to have, again, the moral fiber and the recognition that you can't be loved, and if you want to be liked -- that's one of Bill Clinton's failings by the way -- he simply doesn't like not to be liked. An IG, if he or she is going to be effective, must be willing to take unpopular stands. Even if most people are with you, some will be against you, and you have to be prepared to face that. And that means you need a very thick skin, and you need a leather-clad ass, and anything short of that you're in trouble. You have to be self-confident, and be like Harry Truman when it comes to making a decision. If you keep revising decisions, you'll be a wreck. You certainly need the ability to pick good people. That again is hard to do. It's easy to say but it's something which is incomparably valuable when you have it. I guess that about wraps it up.

Q: When you speak of getting good people. I would assume that you would have had a continual problem of people being recommended to you as inspectors because they happened to be loose, and they may be wonderful, and they also may be loose because nobody really wants them. Did you have a system where you could...you couldn't tell.

FUNK: One of the things I told Shultz about when I first came, is that I would hope our office would become a lodestar for the people in the Department. I was told it was not that when I arrived, and that it was an office of terminal assignments. And the IG was not considered a high thing of esteem. I hope I've changed that to some extent. I believe I did. We got some awfully, awfully good people. On the other hand, there were some ambassadors who said, "Hell, no." I called to speak to them on the phone and they said, "Sherman, I'm not going to do it. I want another type of assignment." Above all another mission is what they wanted, of course.

The fact is I could make a case now in retrospect that we should only have people in the Foreign Service on their last assignment. That could be a very tenable working philosophy. Don't take anybody else from the Foreign Service -- which you have to have, you cannot be without Foreign Service -- only take those people who are near retirement as their last assignment.

Q: I think this also, frankly, applies and should apply to the Director General of the Foreign Service.

FUNK: Yes, I would agree with that too. That unfortunately will never happen.

Q: Because that should not be a stepping stone because you need somebody to be fairly hard nosed.

FUNK: George Vest had that, by the way. I've seen him make very tough decisions.

Q: But George Vest was definitely there because that was his last...that's why he could do this, and I think why people look upon him as probably the most respected of the Director Generals. He was a fine person, a real gentleman in the best of gentlemen tradition. But also was not playing games waiting for his next post.

FUNK: I've seen him do some very painful things.

Q: This is really the last question. Part of the inspection was inspecting bureaus. And from your impression, you came from the outside so you're not wedded to a bureau, could you give me a ranking, both geographic and other. The ones that were doing whatever they were going to do, how effective they were. Did you see any fall out on this?

FUNK: There was a direct connection with the quality of the bureau head. A case in point, there's INR, Intelligence and Research. They've had the most appalling working

conditions of any bureau in the State Department. I mean unbelievably bad quarters. Yet the quality of the Secretary's morning summary, the quality of the intelligence distribution and analyses they make, just absolutely stupendous. Is it managed well? It depends upon again the top. Under Mort Abramowitz it flowered. You had a situation where Shultz looked to it, liked it, worked with it, expected it, and got it. Baker never was that high on it, and he had a bureau head at the time who reflected that attitude. It was a direct correlation between the access to the Secretary, and the success of the bureau. The best managed bureau? A couple of the regionals -- I'd have to say the two best in my opinion, were ARA, and EUR. EUR because number one it had the resources, and the clout. The Soviet desk at the time when the Soviet Union still existed was enormously powerful, a beast. ARA because they had a succession of very potent and powerful bureau heads. Some of whom I didn't like personally, but were very competent. EUR also had the unbelievable advantage of having one of the great ladies of the Department.

Q: Roz Ridgeway.

FUNK: Roz Ridgeway will always be a fan in my heart of hearts. She's superb. Superb is putting it mildly. We lost a lot when she left. But she ran the shop. Bernie Aronson in ARA was a tough person, no one to cross. But Bernie Aronson ran a shop that was well managed. And it also depends on the quality of the Executive Directors of the bureaus, and both EUR and ARA had a succession of really top notch Executive Directors. CA is perhaps a bureau that was never managed, through my tenure, as well as it should be. And that's an understatement. It was never managed that well. I didn't know Joan Clark when she was there. Not Joan, she was the Director General.

Q: Joan Clark had been there.

FUNK: She was leaving just as I came in, so I wasn't really knowledgeable of her. It was never run very well. DS, of course, is almost impossible to manage. Sheldon Krys did try to do the impossible. He tried to match information in DS and it never worked out. And Sheldon is just inherently a ___ manager, and if he couldn't do it, nobody can. We helped solve that by...Sheldon never forgave me because I recommended taking information out of it. I think I was right and it's proven right now. What is left in DS is easier to manage, although it is an inherently difficult one to manage.

Q: DS being?

FUNK: Diplomatic Security. That was probably the same time as my shop was, the same law in 1986. I don't know. It's a difficult one to call the best run bureau. I would say the best were the two regionals, EUR first, and ARA. Some of the bureaus were just so bad...the econ bureau, the science bureaus. That was begun by Tom Pickering. He set it up and I don't think it ever met his qualifications after that.

I've got to tell you I've been privileged to work with some great people. Tom and I have argued, fought about many things but we worked together very closely on some very

tough projects. He's brilliant. The Department has some brilliant people. Roz Ridgeway was outstanding any place she'd be. Dick Walters in a different way entirely.

Q: One of the things I think Kissinger was quoted as saying is, "The Department of State is less than the sum of its parts." Maybe it's inherent to the...

FUNK: It's true, it's not an aphorism, but it's a true one. It is less than the sum of its parts.

Q: Why don't we stop at this point. This is great.

End of interview