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Web of suspicion, an agent's career ruined

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Rick Loomis / LAT

OUT IN THE COLD: Rita Chiang is suing the FBI for discrimination because she believes her ethnicity prompted suspicions, which proved erroneous, at headquarters.

When a high-profile sex-and-spy scandal touched the FBI's Los Angeles China Squad, a prized investigator became collateral damage.

By H.G. Reza, Los Angeles Times Staff Writer
September 14, 2007

The two male agents pictured with Rita Chiang in the FBI poster were smiling, but her stare left no doubt that she was all business. Chiang was a recruiting magnet for the FBI, but it was her skill as an investigator that got her noticed.

The photo appeared in magazines and on billboards throughout the country in the 1990s, the picture cropped so tightly that only a sliver of her face could be seen. Anonymity was an asset in her job, where she matched wits with agents from the People's Republic of China in the furtive world of counterintelligence.

But on Jan. 14, 2002, Chiang was stripped of her badge and gun and escorted out of the West Los Angeles office. FBI Director Robert S. Mueller III suspected that she was a mole for Chinese intelligence and ordered her suspended with pay while she was investigated.

Chiang was later cleared when her boss was identified as the security leak, but she contends that by then her reputation was ruined and her career derailed. She filed a discrimination suit against the agency, but it was tossed out of court. The case is on appeal, but her lawyer concedes it has been all but impossible to overcome the FBI's position that her case -- if it went to trial -- could jeopardize national security.

To this day, Chiang says she has never seen the evidence that triggered her suspension, not even the results of a failed polygraph test that apparently provided the first suspicion that she was a mole.

During her 10-month suspension, Chiang said she was uncertain why she had been whisked from the bureau that day.


"It was torturous. I lost 20 pounds. I had to seek counseling to make sure I wasn't going to do something stupid to myself," Chiang, 53, said during a recent interview. "They took me back, but it wiped out my whole career. I'm ruined in terms of my identity as an FBI agent and professional."

Chiang's story is virtually unknown outside the covert world she traveled in, and her fight for justice became a mere detail in one of the biggest sex-and-spy scandals to rock the FBI.

But her discrimination lawsuit offers a rare glimpse into the inner workings of the Los Angeles China Squad during one of the FBI's lowest moments.

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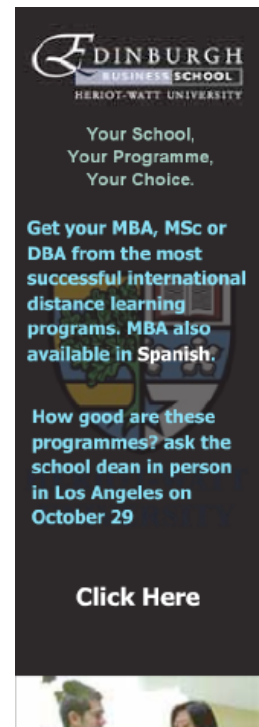
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Information gleaned from the 2005 lawsuit and an FBI inspector general's report filed the following year shows that Chiang popped into the bureau's cross hairs in the summer of 2001, when the FBI began looking into reports that Chinese intelligence had infiltrated the China Squad. The unit is a special team that keeps tabs on Chinese spies and their attempts to steal U.S. technology.



A subsequent investigation identified Chiang's boss, squad leader James J. Smith, as the security risk. Katrina Leung, a Chinese American described in the inspector general's report as Smith's informant and lover and a spy for the People's Republic of China, was also exposed.

Chiang returned to her job in November 2002 but with several caveats, including that her computer use would be monitored, Chiang said. Court records show that she worked under a "risk mitigation" plan, because, FBI officials said, she "probably harbors significant resentment for the process she has been through."

The price of the investigation was steep: Though cleared, she was viewed with even deeper suspicion. "They said I was a bigger security risk because now I had a grudge against the bureau," said Chiang.

She retired in 2006 after a 21-year career.

Chiang believes she came under suspicion because she is Chinese American. "That's the only explanation I can derive from self-examination and review."

But Mueller, in a statement filed with the court, said it was the polygraph test, not ethnicity, that led to her suspension. FBI officials declined to comment.

Government attorneys argued that Mueller acted legally and for national security reasons when he suspended Chiang while the FBI attempted to "locate a suspected mole." A U.S. District Court judge in Los Angeles dismissed the suit, ruling that she could not sue the FBI because federal law prevents employees from challenging an employment action taken for national security reasons.

Getting a job as an FBI agent was not easy for someone born in Taiwan. Chiang's family settled in South San Francisco after her father retired as a Taiwanese diplomat. She was hired in 1984 after becoming a U.S. citizen and undergoing an extensive background check.

"She's a recruiter's dream," said retired FBI Agent Chris Loo, who recruited Chiang. "She's sharp, analytical and speaks Cantonese and Mandarin. Rita was no ordinary agent." Loo said she was the FBI's first female Chinese American agent.

Jo Craycraft, a retired FBI agent who also worked in counterintelligence in Los Angeles, said she never doubted Chiang's honesty and loyalty.

"Without resorting to exaggeration, Rita is a great agent. She was an excellent mentor for me and for her squad," Craycraft said. "She didn't have very many equals."

According to court records, Chiang received "the highest annual performance rating possible," even while she was on suspension.

Mueller's statement, dated March 31, 2004, said he suspended her because she failed the polygraph test, in which she was asked if she had ever spied against the United States. He said the suspension was also based on his personal "knowledge of other specific national security risk and vulnerability factors," which he did not list.

In a signed statement included in court documents, one of her supervisors said Chiang probably would not have failed the polygraph had it been administered by an examiner experienced in conducting National Security Division exams. Agent Daniel K. Sayner went on to note, "I believe that Chiang was discriminated against because of her ethnicity."

According to court records and the FBI inspector general's report, it appears FBI officials in Washington feared that Chiang might be providing information to Leung, the suspected spy.

The inspector general's report released in May 2006 said authorities believed Leung had a secret contact in the China Squad. Suspicions about Leung, who earned \$1.7 million as an informant, surfaced as far back as 1987, five years after Smith became her handler. Concerns about Leung's loyalty continued for more than a decade.

For reasons not explained in the report, 14 years after the first red flag went up, the FBI finally began investigating Leung. A "special squad" from the Los Angeles office led the investigation, and each member was required to pass a polygraph test.

Chiang believed she had been tapped for a role in the investigation because she was asked in August 2001 to take a polygraph examination. A 2003 affidavit by

Agent John J. Quattrocki, then head of counterintelligence programs for the National Security Council, suggests that the FBI had no reason to believe Chiang would have "a problematic polygraph." Quattrocki called her "a very good agent" who "would be the best person to conduct the investigation."

But she apparently failed the polygraph, and FBI officials began investigating her too. Quattrocki and Sayner said in affidavits that they expected Chiang would remain at work while under investigation. Quattrocki said he was "shocked" when Mueller ordered her suspended.

On Feb. 13, 2002, barely a month after Chiang's suspension, FBI officials in Los Angeles recommended that she be immediately reinstated, her attorney, Marvin L. Rudnick, said. The attorney said the recommendation turned up in a classified report Chiang found in her personnel file, which she obtained through a Freedom of Information Act request.

But it was an additional nine months before she was reinstated.

Rudnick charged that Mueller invoked national security in Chiang's case to protect the FBI from liability.

"Mueller used national security to hide behind a discriminatory action. A mistake was made he knew the FBI would pay for, and the only way he could get immunity was by saying it was a national security matter," Rudnick said.

Sayner, who supervised Chiang, said in his statement, "I cannot understand why the bureau treats people the way Chiang was treated when the bureau has a need for a specific expertise."

There was a final irony that troubled Chiang: Smith and Leung got off relatively easy, though they compromised national security.

Leung pleaded guilty to lying about the affair and filing a false income tax return. She was fined \$10,000 and put on three years' probation. She had been charged with illegally copying and possessing classified documents, but the case was dismissed because of prosecutorial misconduct. Leung spent three months in jail after her arrest on this charge.

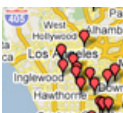
In 2005, Smith also pleaded guilty to lying about his affair with Leung and was sentenced to three months' house arrest and three years' probation and fined \$10,000.

"Smith got three months' house arrest. I spent 10 months at home with restrictions," Chiang said. "Smith went on with his life. My life and career were ruined."


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