

MEMORANDUM FOR: Chief, SR Division

SUBJECT : Report of Audit - Project AEACRE

1. Forwarded herewith, for the administrative action requested in Paragraph 22 a through h, is a Report of Audit for Project AEACRE covering the period ending 14 September 1955.

2. A suspense date of 16 April 1956 is established for a reply to this office of the action requested in Paragraph 1, above.

Special Support Assistant  
to the  
Deputy Director (Support)

Attachment

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CENTRAL INTELLIGENCE AGENCY  
SOURCE METHOD EXEMPTION 3020  
NAZI WAR CRIMES DISCLOSURE ACT  
DATE 2007

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CSO 3789-

REPORT OF AUDIT

OF

PROJECT AEACRE

FOR THE PERIOD

1 JULY 1954 - 30 JUNE 1955 (FINANCIAL)  
1 JULY 1954 - 14 SEPTEMBER 1955 (PROPERTY)

Headquarters Audit Division  
16 March 1956

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REPORT OF AUDIT

1. This report covers a site audit of the domestic field operations base of SR Special Project AEACRE for the fiscal year ended 30 June 1955 (audit of property extended to 14 September 1955), and a review of related accounts on Headquarters records. The base is treated as a Class B station on Headquarters records.

2. During the audit period the base received [ ] from Headquarters and Headquarters made payments for the project of [ ] These amounts, together with the accountable balance of the base at the beginning of the period of \$12,451.32, gave a total of [ ] to be accounted for. Of this amount, [ ] (including the [ ] expended by Headquarters) was expended for costs and \$1,908.75 (advances outstanding) was transferred by the base to Headquarters. The remaining \$1,661.36 represented the accountable balance of the base at 30 June 1955. Details on the financial aspects of the project are shown in statements for the audit period as follows:

- Exhibit A - Statement of Source and Use of Funds
- Exhibit B - Statement of Costs

Comments on Audit of Base

General

3. The audit included an examination of records and a review of procedures and controls at the base to determine whether funds and property received had been properly accounted for and whether activities had been carried out in accordance with approved plans in such manner as to protect the Agency's interest. Since this was the initial audit of property under control of AEACRE, the audit embraced a representative sampling of the re-usable expendable property and a sampling of 48 per cent of the nonexpendable property on record as of 14 September 1955. (At the time of audit there were approximately 1,530 line items of nonexpendable and re-usable expendable property carried on the accountable stock records)

4. Base operating funds are requested in round amounts by the finance officer as needed. In addition, specific amounts needed for contract employees' payrolls and certain other expenditures are requested separately by the finance officer. All funds advanced to the base are accounted for through monthly Class B station accountings which, after examination and certification in the Finance Division, are recorded in the official records at Headquarters.

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Approval of Advances

5. The audit disclosed that a few advances were made to employees without the prior approval of a designated approving officer. The auditor was informed that the principal reason for this was that an authorized approving officer was not available at the time the advances were needed. This matter was discussed with the Chief of Base who indicated that he is taking steps to prevent a recurrence of this situation in the future, principally by requiring the persons requesting advances to inform the finance officer of their needs far enough in advance to enable him to obtain the required approval.

Custody of Cash

6. Base funds are kept in a lock box, the only key to which is in the custody of the finance officer. The lock box is kept in a four-drawer safe, the combination to which is known only by the finance officer (other than the Security Office). AFR 30-1, paragraph 8b, requires that arrangements be made for emergency access to cash in case of enforced absence or incapacitation of the custodian. To accomplish this it would be necessary to place the safe combination and an extra lock-box key in a sealed envelope in the custody of the Chief of Base to be opened in emergency cases only. This matter was discussed with the Chief of Base who agreed to take the necessary corrective action.

Accounting Records

7. Monthly advances from Headquarters for contract employees' payrolls are shown as receipts on the monthly base accountings but are not recorded in the cash receipts book. This minor deficiency was discussed with the finance officer who agreed to correct it in the future. In addition, certain minor improvements in the records were recommended by the auditor and adopted by the finance officer.

Property

8. Because of security factors no attempt was made to inventory items located in safehouses. Selected line items of property located in the base headquarters buildings were physically inventoried and traced through the stock records which are being maintained as required by Agency regulations and the applicable administrative plan.

9. The use of vehicles is controlled through a trip ticket system and by Logistics personnel keeping vehicle keys and registrations under lock and key. Titles for the vehicles are on file in the Agency motor pool and were examined to determine the accuracy of station records. The base is in possession of a military-style jeep which was obtained from the Agency motor pool on memorandum receipt for training purposes. Base personnel advised that it has only been used on rare occasions. The chief of the Agency motor pool suggested that, if not being used,

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consideration should be given to returning the jeep for possible use by other Agency components. This suggestion was passed on to the Chief of Base.

10. The record verification disclosed that the Headquarters Supply Division, Automotive Section, maintains records on 9 of the 19 vehicles charged to the base, whereas the Agency motor pool maintains records, titles, and files on all of them. This matter was brought to the attention of the Deputy Chief of Supply and the Chief of the Supply Operations Branch and both agreed that maintenance of one of these records should be discontinued. (One of the 9 vehicles for which the Automotive Section has records was surveyed in August 1953 but the records did not contain reference to this action. However, the Agency motor pool files did contain appropriate documentation.)

11. Equipment issues are charged to the users through the use of memorandum receipts. These forms were examined and were found to be in proper order with the exception of one which had not been signed by the user. This was brought to the attention of the accountable officer and the deficiency was corrected.

12. Exclusive of training equipment charged to case officers on memorandum receipts, property located in safehouses is presently controlled through semi-annual inventories. The Chief of Base accepted the auditor's suggestion that memorandum receipts should be used for all property located in safehouses.

13. Stock record cards were filed alphabetically by line items irrespective of the expendability classification of the property. The Chief of Base and base logistics personnel accepted the auditor's suggestion to segregate the nonexpendable property records from the expendable property records. It was also noted that the cards did not contain the value of the property or the location of property not in use.

14. A few nonexpendable items and ammunition are stored at Ft. Bragg, North Carolina, and some ammunition and equipment of a bulky nature but temporarily out of use are stored at Ft. George G. Meade, Maryland. Records contain evidence as to the shipment and receipt of the former and a physical inspection and test check was made of the latter. In order to ensure that Army regulations are not being violated, suggestion was made that the base request a representative of the Supply Division, Ordnance Branch, to inspect the storage of ammunition at Ft. Meade.

15. Overages and shortages in the base stock records determined by a physical inventory of 569 line items of nonexpendable property were as follows:

Overages - (Quantities on hand in excess of stock record balances)

- 1 - Kit, photo, PH #261
- 1 - Timer, interval, "Portachron"
- 1 - Television, T/M, CE 17"

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- 1 - Tripod for transit, Sartoris #8353 (wood)
- 1 - Compass, Pocket card type, magnetic
- 1 - Compass, German 698, magnetic
- 3 - Compass, lensatic
- 3 - Watch, wrist, Barter type, E-1 kit
- 2 - Watch, wrist, Fortis, ss case, 17J
- 1 - Chair, office, wd., wal., st. bk., w/o arms
- 1 - Screen, proj., movie, 52" x 70"

Shortages - (Quantities less than stock record balances)

- 1 - Extinguisher, fire, soda acid
- 1 - Projector, slide, #3783
- 1 - Recorder, tape, Revere #16158

The accountable officer adjusted the stock records to pick up the overages but did not drop accountability for the shortages. A Report of Inventory Adjustment should be processed for the recorded adjustments. Indications are that the fire extinguisher discrepancy was caused by including in the 30 June 1954 inventory an extinguisher that belongs to the property owner. A search and re-count was to be made throughout the base building, storage areas, and safehouses before reaching a final decision as to record adjustment for the extinguisher. The slide projector was sent to NEA OPNS Account #319 with appropriate documentation; however, efforts to obtain acknowledgment of its receipt at destination have been fruitless. The accountable officer for NEA OPNS Account #319 will include the projector in the next Consolidated Memorandum Receipt forwarded to that station and accountability for the projector will be transferred when the acknowledged copy of CMR is returned to Headquarters. Diligent but unsuccessful attempts have been made to locate the missing tape recorder; however, preparation of a survey report and adjustment of the records were deferred pending audit and inventory of communication property accounts. The communication property accounts have now been audited and it was ascertained that the tape recorder was not included in the communication property. Therefore, a Report of Survey and Report of Inventory Adjustment should be prepared by AEACRE to cover the missing recorder.

16. No attempt was made to reconcile the property records of the accountable officer with property-in-use Account #925 because the total dollar value of Account #925 as at 30 June 1955 was less than \$1,500.00, whereas the value of the station's 73 typewriters alone would exceed \$1,500.00. The Office of Logistics should require the accountable officer to (1) include the unit price of each line item of nonexpendable property on the property record cards and (2) periodically furnish the Supply Division with a statement as to the total value of all nonexpendable property, broken down by family group, for which the base is accountable.

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17. Storage facilities of the base were found to be very poor but were the best available. The auditor was informed that this condition would be corrected when the base is moved to a new location in the early part of 1956.

Comments on the Review of Headquarters Financial Records

18. The records and procedures at Headquarters were reviewed and the balance reflected in Account 140 - Advances to Stations was reconciled to the accountable balance reported by the base at 30 June 1955 as shown in Exhibit A.

19. The project administrative plan currently in effect contains two provisions which are not being complied with:

- a. Funds advanced to the base are not being recorded as allotment expenditures at the time the advances are made as required by paragraph 2 of the plan. This provision should be followed in the future or the plan should be amended to omit the requirement.
- b. Monthly accountings submitted by the base to Headquarters were signed by the Chief of Base but were not approved by the Chief, SR Division as required by paragraph 36 of the plan. This approval should be given to past and future accountings.

20. Payments of salaries to contract employees as reported in monthly base accountings were in many instances charged to Account 300.2 - Accrued Compensation - Special Roll on Headquarters records, whereas the offsetting credits recorded from the payrolls were in Account 300.1 - Accrued Compensation - Regular Roll. This matter was brought to the attention of responsible Finance Division personnel who took the necessary corrective action.

21. The contents of this report have been discussed with the Chief of Base and the matters contained in paragraphs 10 and 16 were discussed with the Chief, Supply Operations Branch of the Office of Logistics.

Administrative Action Requested

22. The matters commented upon in this report which in our opinion require administrative action are summarized as follows:

Action by the Deputy Director (Plans)

- a. Consider returning the military-style jeep to the Agency motor pool. (Paragraph 9)
- b. Extend the use of memorandum receipts to cover property located in safehouses. (Paragraph 12)

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- c. Segregate nonexpendable property records from records pertaining to expendable property. (Paragraph 13)
- d. Record on property record cards the location of property not in use. (Paragraph 13)
- e. Consider having a representative of the Headquarters Supply Division, Ordnance Branch, inspect the storage of ammunition at Ft. Meade. (Paragraph 14)
- f. Process a Report of Inventory Adjustment for discrepancies between balances shown on stock records and actual quantities on hand as revealed by physical counts. (Paragraph 15)
- g. Prepare a Report of Survey to cover the missing Revere tape recorder. (Paragraph 15)
- h. Comply with the provisions of the administrative plan discussed in paragraph 19 or make appropriate amendments thereto.

Action by the Director of Logistics

- i. Determine whether records and titles for vehicles assigned to AEACRE should be maintained by the Agency motor pool or Automotive Section. (Paragraph 10)
- j. Require the accountable officer to include the unit price of nonexpendable property on stock record cards and periodically furnish the Office of Logistics with a report as to the value of such property, broken down by family group. (Paragraphs 13 and 16)

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**Exhibit A**

**Project AEACRE**

**Statement of Source and Use of Funds  
For the Fiscal Year Ended 30 June 1955**

Source of Funds

Accountable balance of base at 1 July 1954		
Cash .....	\$ 1,712.77	
Advances .....	<u>10,738.55</u>	\$ 12,451.32
Funds provided during fiscal year 1955		
Funds received by base from Headquarters ....	58,236.70	
Payments by Headquarters for project .....	<u>                    </u>	<u>                    </u>
Total funds to be accounted for .....		<u>                    </u>

Use of Funds

Costs (Exhibit B)		
Paid by base .....	\$ 67,117.91	
Paid by Headquarters .....	<u>                    </u>	<u>                    </u>
Transfer of advances to Headquarters .....		1,908.75
Accountable balance of base at 30 June 1955		
Cash .....	64.25	
Advances .....	<u>1,597.11</u>	<u>1,661.36</u>
Total funds accounted for .....		<u>                    </u>

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Exhibit B

Project ALACRE

Statement of Costs  
For the Fiscal Year Ended 30 June 1955

	<u>Total</u>	<u>Paid by</u>	
		<u>Headquarters</u>	<u>Field Base</u>
Personal services			
Regular employees .....	\$206,632.16	\$206,632.16	-
Contract employees .....	[ ]	[ ]	[ ]
Safehouse rents and			
utilities .....	22,452.74	22,452.74	-
Supplies and materials .....	23,585.07	23,585.07	-
Expenses of safehouse keepers			
(food, mileage, etc.) .....	14,780.59	-	14,780.59
Station overhead expenses .....	12,607.69	-	12,607.69
Direct expenses of training			
projects .....	7,492.93	-	7,492.93
Other .....	16,009.88	16,009.88	-
Total costs .....	[ ]	[ ]	[ ]

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