

5 April 1954

MEMORANDUM FOR: Colonel White

SUBJECT : Audit Report - Project MQUITRA

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1. The attached Audit Report reveals that the project has been administered in general compliance with the requirements stipulated in the Director's approval.

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2. The amounts of \$1,021.75 and \$1,401.23 brought out in Paragraphs 12 and 13 (Items 1 and 2) did not appear to be properly accounted for. I discussed these items with [ ] at great length, and the following additional information is submitted:

A. \$1,021.75 -

This amount represents expenditures not properly accounted for. Periodically the individual at the project site (an employee [ ]) obtained cash from his official bank account by cashing checks. The cash was spent for various administrative, housekeeping and other official purposes. Over 150 cash memoranda were submitted to [ ] in the form of sales slips, cash register slips and notations signed by the individual that sums were spent. These numerous cash memoranda were listed by [ ] and applied to the total cash he received. At the time of the audit there was no cash on hand, and, accordingly, [ ] had to assume that all of the cash had been spent, though the cash memoranda did not equal the cash he had received. There was no record maintained of cash expenditures, so that the disbursements made for which no receipts were obtainable appears to cause the unaccounted for balances. The individual has been instructed by TSS to keep a complete record of all such payments and submit a detailed listing in the future to TSS, showing the amounts, payee, and purpose of all cash disbursements, and supported by documentation when available. I do not believe it will serve any useful purpose to pursue this item any further, since the deficiency was due in great part to inadequate instructions to the individual by TSS. [ ] is satisfied that proper instructions have now been given and there will be no recurrence of this type of accounting deficiency.

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B. \$1,401.23 -

The Audit Report is not clear on exactly what the deficiency was on this amount. These funds were fully accounted for, evidence

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of payment existing in the form of cancelled checks, and an itemization of each expenditure was rendered by the accountable individual. The major deficiency is in the lack of receipts and detailed explanations of the purpose of the expenditures. However, the sketchy explanations contained in the itemization of expenditures was sufficient for  audit and, although documentation should have been obtained, the cancelled checks appear to be adequate support in proof of all payments.

3. I do not recommend any further action be taken by you, since:
  - a. The project is of an extremely sensitive nature.
  - b. The individual is not under the direct control of this Agency.
  - c. Inadequate accounting instructions have been corrected and it is believed that past deficiencies will not reoccur.

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