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JUN 13 1958

Mr. Robert M. Macy
Chief, International Division
Bureau of the Budget
Washington 25, D. C.

Dear Mr. Macy:

We have reviewed with great interest the report by you and Mr. Ecker entitled "Review of U.S. Overseas Personnel Practices in Certain Far East Countries". I feel that you and Mr. Ecker are to be commended on the depth of the report and the clear understanding of the problems portrayed throughout. The facts presented are correctly stated and we agree in principle with the conclusions.

General Legislation - The establishment of uniform housing and other allowances for overseas civilian personnel is an extremely worthwhile objective. We agree that the application of the various types of allowances and differentials can and should be improved, and if this Agency can be of any assistance we would be glad to participate in the implementation of an improved Government-wide allowance system. However, for operational and security reasons it will not always be possible for all of CIA's overseas personnel to conform to a uniform allowance system and this Agency will have to make exceptions in those instances where covert circumstances require special consideration.

Housing - We concur generally with the report on housing. Although we agree that a central control point [redacted] as proposed would be beneficial and appropriate for those agencies officially overseas it would have its limitations in application to our Agency. CIA does not "exist" as an agency abroad and, therefore, there are many unique covert problems which require flexibility as to types of housing and their location. Although the proposed central control point could be utilized by the Agency, there might be special Agency demands which would require special attention or recognition. Also there might be instances where a CIA Station would find that for covert and security reasons it would have to negotiate and consummate housing arrangements in other ways [redacted]

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We would also like to comment on the remarks on page 6 concerning apartment dwellings. It is our view that the advantages of living among the local population rather than within U.S. owned

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compounds should not be limited to individuals having representational and reporting responsibilities. These advantages should be extended to other individuals where practicable.

Post Differential (Hardship Allowance) - There are basic inequities in the authorization of post differentials. We believe, however, that any review of the post differential authorization for [REDACTED] should be accompanied by a general review on a world-wide basis.

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Transfer Allowance - There are expenses to individuals inherent in any permanent change of station which should be recognized.

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[REDACTED]
allowance to changes between climatic zones and that a realistic allowance should be developed to cover the expenses involved in all transfers.

Travel Per Diem - The amount of cost of lodging to official travelers is frequently beyond the control of the traveler and results in out-of-pocket costs to the traveler for expenses which are supposed to be covered by per diem. We, therefore, agree that the Standardized Government Travel Regulations should be amended to provide that the traveler may have the option of claiming actual cost of lodging with a corresponding reduction in per diem to take cognizance of non-lodging expenses only. We believe in instances of defraying the actual cost of lodging a deduction of 40 per cent of the per diem would be equitable.

Representation Allowance - The successful execution of the clandestine services mission depends to a large extent on ostensibly social contacts, which usually have operational motives or developmental undertones. This we believe is the principal reason that the Agency representational allowances appear to be somewhat more liberal than with respect to other agencies. As you know, the Agency includes provision for official residence allotment in the representation allowance to stations and this, of course, also contributes to the appearance of the CIA representation allowance being somewhat more liberal than other services. We will, however, review the representation allowances to CIA chiefs of station and adjust such allowances wherever the findings result in a determination that allowances are too high.

Official Residence Allotment - We agree that this allotment should be paid to the officials described in your report.

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Travel and Transportation Allowances - The administration by this Agency of travel and transportation weight allowances is considerably complicated by the variation in authorization by the several agencies providing cover to CIA personnel. Standardization will therefore be welcomed. We agree that a study should be made of the cost of providing U. S. Government vehicles on a rental basis to personnel stationed abroad. We are inclined to believe, however, that this could be only partially applied to the clandestine services and that such problems as liability insurance, maintenance, and repair may be difficult to resolve.

Health and Medical Services - Uniform treatment of civilian overseas personnel as proposed in pending legislation is highly desirable.

Personnel Problems - We agree that generally a two-year tour of duty is insufficient at a so-called non-leadership post. In most instances the tours should be for three years and in some instances more than three years. However, we believe that each agency must have authority to make exceptions to the general rule where operating requirements on a case-by-case basis so dictate.

If there are any portions of the report which you would like to discuss further with us, our Office of the Comptroller will be glad to make arrangements with the appropriate officials. Also, do not hesitate to call on us if we can be of assistance in furthering a program for improving current practices with respect to allowances and differentials and providing more equitable treatment of U. S. personnel overseas.

Sincerely,

WMB

William W. Dulles
Director

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Mr. Robert H. May, Bureau of the Budget, Washington 25, D. C.
From the Director of Central Intelligence dated

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(signed) H. Gates Lloyd MAY 16 1958

H. Gates Lloyd
Acting Deputy Director (Support)

SIGNED

MAY 28 1958

Lynn B. Kirkpatrick
Inspector General

SIGNED

MAY 23 1958

[Redacted]
Deputy Director (Plan)

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