

MEMORANDUM FOR: THE DIRECTOR

STAT  The attached proposed change in Regulation No.  redefines the Mission and Functions of the Auditor-in-Chief. It goes into greater detail in spelling out his responsibilities and is, I believe, a great improvement over our present Regulation. In view of its importance I believe it would strengthen the hand of the Auditor-in-Chief if it were signed by you personally.

STAT Request signature.

L. K. WHITE  
Deputy Director  
(Administration)

*Concurrence  
of  
DDCI*

3 Aug 54  
(DATE)

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JUL 21 1954

MEMORANDUM FOR: Chief, Regulations Control Staff

SUBJECT: Proposed Regulations: [redacted] (Change 2),  
"ORGANIZATION AND FUNCTIONS, OFFICE OF THE  
DD/A - AUDITOR-IN-CHIEF". [redacted] "AUDIT  
OF CIA FUNDS AND PROPERTY"

50X1

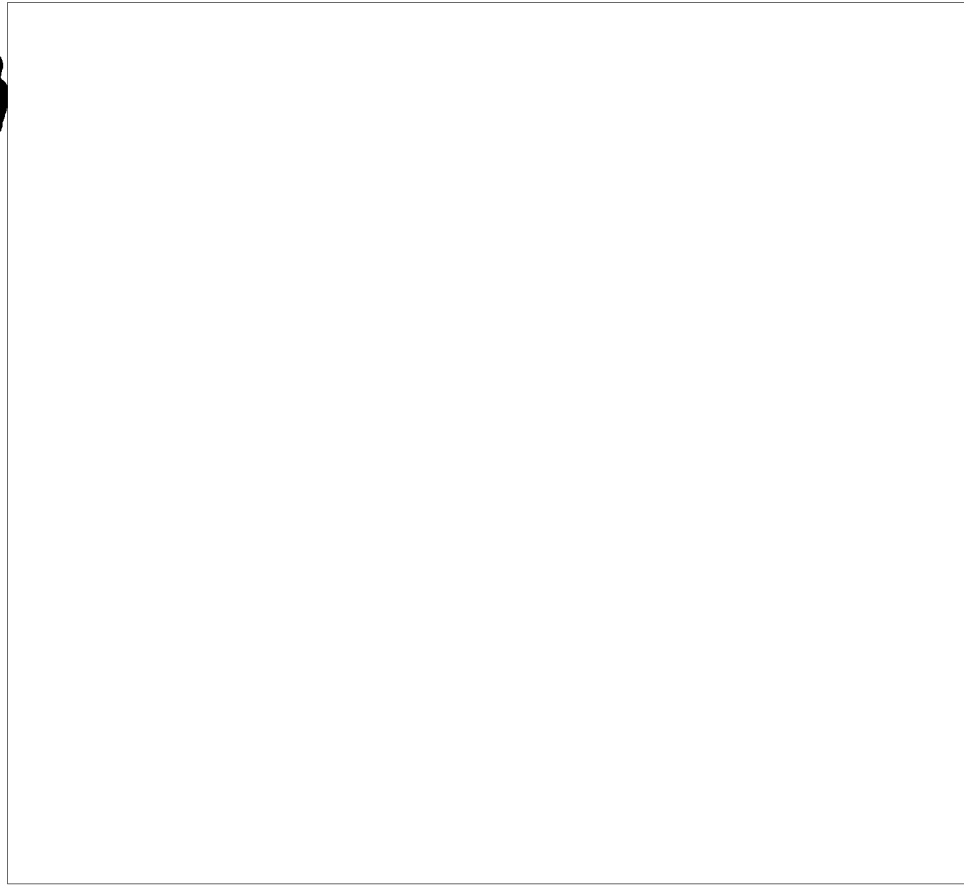
50X1

*Comments  
checked marked  
on copy - See*

1. This office concurs for the Deputy Director (Plans) in the above proposed publications, subject to the following changes:

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STANDARD FORM NO. 64

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# Office Memorandum • UNITED STATES GOVERNMENT

TO : Chief, Regulations Control Staff

DATE: JUL 21 1954

FROM : Deputy Comptroller

SUBJECT: Proposed Change to [redacted] (Auditor-in-Chief)  
OFFICE OF THE DEPUTY DIRECTOR (ADMINISTRATION) and  
Proposed [redacted] AUDIT OF CIA FUNDS AND PROPERTY  
(Job #546 and #582 - IH)

This Office has reviewed subject proposed regulations and concurs in their classification and distribution. Our concurrence in the substance of such regulations is contingent upon consideration being given to the following:



*Stenographic copy of these comments sent to Auditor-in-Chief 7/23/54.*

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50X1  
50X1

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SECRET

19 July 1954

MEMORANDUM FOR: Chief, Regulations Control Staff

SUBJECT : (1) Proposed Change to Agency Regulation [redacted]  
(2) Proposed Agency Regulation [redacted]

REFERENCE : Your Memorandum, Same Subject, Dated 14 June 1954

1. Your memorandum requested the concurrence and comment of this office with regard to the proposed regulations.

2. This office perceives no legal objection to either of these. However, certain changes in the language of each are suggested. Such changes, and the reasons therefor, are set out following.

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14 June 1954

MEMORANDUM FOR: Addressees Noted Below with Distribution

50X1 SUBJECT : (1) Proposed Change to [ ] (Auditor-in-Chief)  
OFFICE OF THE DEPUTY DIRECTOR (ADMINISTRATION)

50X1 (2) Proposed [ ] AUDIT OF CIA FUNDS AND  
PROPERTY

(Job #546 and #582 - IH)

50X1 1. The proposed Change to [ ] (Auditor-in-Chief), Office of the  
50X1 Deputy Director (Administration) and proposed [ ] Audit of CIA Funds  
and Property are submitted for your concurrence and comment.

50X1 2. The proposed Change to [ ] redefines the mission and functions  
of the Auditor-in-Chief and will replace paragraphs 2 and 3 of the existing  
50X1 [ ] The proposed [ ] prescribes the authority and defines the  
responsibilities for the auditing of all moneys and property accounts of  
the Agency.

50X1 3. Both the change to [ ] were developed by the  
50X1 Auditor-in-Chief, [ ], and any questions pertaining thereto may  
be referred directly to him, extension [ ]

4. It is requested that your comments and concurrences be indicated  
on the attached Concurrence Sheets and returned to this Staff by 15 July  
1954.

[ ]  
Chief, Regulations Control Staff

cc: Deputy Director (Administration) - 2  
General Counsel - 1  
Comptroller - 3  
Deputy Director (Intelligence) - 10  
Deputy Director (Plans) - 14  
Assistant Director for Communications - 3  
Assistant Director for Personnel - 5  
Director of Training - 3  
Inspector General - 1  
Auditor-in-Chief - Info - 1

Add: *Chief of Logistics*

SECRET

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TO: REGULATIONS CONTROL STAFF, Room 126 - [redacted]

CONCURRENCE SHEET

PROPOSED ISSUANCE: [redacted] Change 1 (Auditor-in-Chief)  
DRAFT DATED 8 JUNE 1954

CONCUR:

- (a) Substance See comments
- (b) Rescission of Paragraphs 2 and 3 of [redacted] dtd 5 April 1954 See comments
- (c) Classification Yes
- (d) Distribution Yes

[redacted] STAT

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Chief, Administrative Staff, LO  
Office

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Date

COMMENT

Concur with proposed [redacted] as revised by agreements (see attached) with the Auditor-in-Chief 28 July 1954.

4 210

JOB #546 - DUE 15 July 1954

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SECRET

TO: REGULATIONS CONTROL STAFF, Room 126

CONCURRENCE SHEET

PROPOSED ISSUANCE:  Change 1 (Auditor-in-Chief)  
DRAFT DATED 8 JUNE 1954

CONCUR:

- (a) Substance
- (b) Rescission of Paragraphs 2 and 3 of  dtd 5 April 1954
- (c) Classification
- (d) Distribution

STAT

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Signature

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SCS/SO

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Office

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23 July '54

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Date

COMMENT

JOB #546 - DUE 15 July 1954

(ER-5-6642)

SECRET

TO: REGULATIONS CONTROL STAFF, Room 126 - [redacted]

CONCURRENCE SHEET

PROPOSED ISSUANCE: [redacted] Change 1 (Auditor-in-Chief)  
DRAFT DATED 8 JUNE 1954

CONCUR:

- (a) Substance
- (b) Rescission of Paragraphs 2 and 3 of [redacted] dtd 5 April 1954
- (c) Classification
- (d) Distribution

[redacted]

STAT

Signature

*Inspector General*

Office

July 20 1954

Date

COMMENT

JOB #546 - DUE 15 July 1954

SECRET

TO: REGULATIONS CONTROL STAFF, Room 126 - [Redacted]

CONCURRENCE SHEET

PROPOSED ISSUANCE: [Redacted] Change 1 (Auditor-in-Chief)  
DRAFT DATED 8 JUNE 1954

CONCUR:

- (a) Substance
- (b) Rescission of Paragraphs 2 and 3 of [Redacted] dtd 5 April 1954
- (c) Classification
- (d) Distribution

[Redacted Signature Area]

Signature

*D. T. [Signature]*

Office

*28 July 54*

Date

STAT

COMMENT

*Concur*

JOB #546 - DUE 15 July 1954

m 10518  
oc-4510

SECRET

TO: REGULATIONS CONTROL STAFF, Room 126 - [redacted]

CONCURRENCE SHEET

PROPOSED ISSUANCE: [redacted] Change 1 (Auditor-in-Chief)  
DRAFT DATED 8 JUNE 1954

CONCUR:

- (a) Substance
- (b) Rescission of Paragraphs 2 and 3 of [redacted] dtd 5 April 1954
- (c) Classification
- (d) Distribution

[redacted]

STAT

Signature

*[Handwritten Signature]*

Office

*[Handwritten Office]*

Date

*19 July 54*

COMMENT

JOB #546 - DUE 15 July 1954

SECRET

TO: REGULATIONS CONTROL STAFF, Room 126 -

CONCURRENCE SHEET

PROPOSED ISSUANCE:  Change 1 (Auditor-in-Chief)  
DRAFT DATED 8 JUNE 1954

CONCUR:

- (a) Substance
- (b) Rescission of Paragraphs 2 and 3 of  dtd 5 April 1954
- (c) Classification
- (d) Distribution

Signature

Deputy Director/Intelligence  
Office

19 July 1954

Date

STAT

COMMENT

JOB #546 - DUE 15 July 1954



SECRET

TO: REGULATIONS CONTROL STAFF, Room 126 -

CONCURRENCE SHEET

PROPOSED ISSUANCE:  Change 1 (Auditor-in-Chief)  
DRAFT DATED 8 JUNE 1954

CONCUR:

- (a) Substance
- (b) Rescission of Paragraphs 2 and 3 of  dtd 5 April 1954
- (c) Classification
- (d) Distribution

Signature *[Handwritten Signature]*

Office

*2/19/54*  
Date

STAT

COMMENT

As noted on enclosure

JOB #546 - DUE 15 July 1954

SECRET

TO: REGULATIONS CONTROL STAFF, Room 126 - [redacted]

CONCURRENCE SHEET

PROPOSED ISSUANCE: [redacted] Change 1 (Auditor-in-Chief)  
DRAFT DATED 8 JUNE 1954

CONCUR:

- (a) Substance
- (b) Rescission of Paragraphs 2 and 3 of [redacted] dtd 5 April 1954
- (c) Classification
- (d) Distribution

[redacted]

\_\_\_\_\_  
*SJ* <sup>Signature</sup>  
 Deputy Assistant Director for Personnel  
 Office of Personnel  
 Office  
 \_\_\_\_\_  
 28 June 1954  
 \_\_\_\_\_  
 Date

STAT

COMMENT

Since it is anticipated that Form 37-189, Fitness Report, will replace the Personnel Evaluation Report about 1 July 1954, it is suggested that references to the PER be adjusted to read Fitness Report subject to a final check immediately prior to publication.

*miss*

JOB #546 - DUE 15 July 1954

SECRET

TO: REGULATIONS CONTROL STAFF, Room 126 -

CONCURRENCE SHEET

PROPOSED ISSUANCE:  Change 1 (Auditor-in-Chief)  
DRAFT DATED 8 JUNE 1954

CONCUR:

- (a) Substance
- (b) Rescission of Paragraphs 2 and 3 of  dtd 5 April 1954
- (c) Classification
- (d) Distribution

Signature

*NDA*

Office

*17 June 1954*

Date

STAT

COMMENT

*No comments or suggestions except:  
 This may be a regulation of such significance  
 relative to the Director's statutory authorities  
 for the expenditure of confidential funds,  
 that it should be signed by the Director.  
 I suggest you secure the opinion of the  
 OGC + the Auditor in Chief =  
 AIC on 21 June is of opinion not  
 DCI should sign*

JOB #546 - DUE 15 July 1954

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10 20 14

MEMORANDUM FOR: Colonel White

SUBJECT: Regulation [ ] as Drafted by [ ]

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- 1. Do you want to forward your handwritten comments to him?
- 2. Don't you want to clarify and adjudicate his and your concepts of the audit function before any other action is taken?
- 3. Incidentally, both [ ] and myself believe that the General's concept is probably quite sound. Both big business and government generally have the following audit or review processes:

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- a. Administrative examination - performed by the component responsible for the function; by technical specialists having such review as their primary responsibility.
- b. Internal Audit - performed by an audit staff responsible to senior administrative executive with direct access to the top official and often to the Chairman of the Board of Directors.
- c. External Audit - performed by Public Accounting firms or GAO - responsible respectively to the Board of Directors or the Congress.

4. In CIA, administrative examination has in the past been quite weak, In the Comptroller's Office it is done by Certifying officers, the Contract Audit Branch and by the Technical Accounting Staff. Its value has been limited by the fact that these same officials also must perform functional duties which are very heavy. Thus the internal check and balance is weak and there is a lack of objectivity.

5. [ ] function can only be regarded as internal audit. Since his authority can only stem from the Director who is finally responsible for all Agency funds, it is impossible to claim that the function of the Auditor-in-Chief is that of external audit. However, since CIA activities receive no external audit, [ ] apparently believes that his function should embrace as closely as possible the combined functions of internal and external audit.

STAT

STAT

SECRET

50X1 6. I believe he is correct in this, and this would appear to be the intent of the present Regulation [redacted] and directives from the previous Director. In this connection it should be pointed out that GAO has responsibilities which go beyond the mere scrutiny of financial disbursements (voucher examination). Their most important function is to look behind the financial transactions for practices and policies which either violate government statutes and regulations or constitute unethical evasions of legal or policy requirements. The GAO for example recommends new or revised legislation, or makes determinations as to the ethical intent of law and regulations whenever statutes or regulations are ambiguous or are inadequate to prevent abuses.

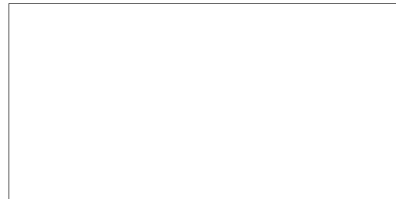
7. In addition to GAO, the Civil Service Commission audits or monitors personnel practices and Government Services Administration monitors certain procurement activities. Lastly numerous congressional committees investigate the practices of the various Agencies. Since none of these external bodies are "auditing" CIA, the Director presumably will want a rather comprehensive internal audit system.

8. The Auditor-in-Chief, obviously, should be restricted to matters dealing with funds, property, and other physical assets which require bookkeeping control and which involve financial transactions either at acquisition or disposal. The Inspector General and other staff officials might be given similar responsibilities in other areas warranting objective scrutiny.

50X1 9. I recommend that you develop a clear-cut audit function in collaboration with [redacted] and secure the general approval of the Director before we proceed with detailed coordination of either [redacted] or the General's new audit regulation. Otherwise I'm afraid that a lot of hard feelings will be generated at numerous points in the Agency.

STAT

STAT



SECRET

18 March 1954

MEMORANDUM FOR: Acting Deputy Director (Administration)

SUBJECT : Proposed Change to

50X1

Forwarded herewith is a draft of Change 2 of Regulation

Mission and Functions of the Auditor-in-Chief. No change in former policy is contemplated except a statement has been included to the effect that matters not acted upon to the satisfaction of the Auditor-in-Chief shall be referred to the Director through the Deputy Director (Administration). Otherwise this Change constitutes only an amplification of language to clarify certain points. Your concurrence is requested.

50X1

Auditor-in-Chief

STAT

EMF:map

Attachment

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