

MEMORANDUM TO THE FILE:

May 3, 1962

SUBJECT: Meeting with the Comptroller and Deputy Comptroller, CIA

Messrs Pahl and Keithline, GAO, met on April 25, 1962, with the CIA Deputy Comptroller, [REDACTED] who serves also as GAO's liaison with CIA.

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Mr. Pahl advised [REDACTED] that the Director of CAAD and Mr. Pahl desired an appointment to meet in the near future the new Director of Central Intelligence (DCI), Mr. McCone, and that the Comptroller General would be pleased to attend such a meeting if it could be arranged. Mr. [REDACTED] stated that he would arrange such a meeting on the assumption that the Comptroller General would attend, and inquired concerning the general purpose of the intended meeting. Mr. Pahl stated the basic purpose of the meeting was to discuss with Mr. McCone the status of and limitations on the GAO comprehensive audit of CIA, and to advise him that under present limitations we do not believe an effective audit could be accomplished and that we believe the audit should be continued. *Not*

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Mr. Pahl asked what recent major organizational changes had been made in CIA. [REDACTED] stated only a few changes had been made but that they were significant changes, including: (1) separating to the extent possible the functions of the DCI from those of the Director of the Central Intelligence Agency; (2) creating two new committees, an Executive Committee and a Financial Policy and Budget Committee; (3) creating a Research Component; (4) elevating in CIA's organizational pattern the stature of the Offices of the Comptroller and General Counsel; and (5) transferring the CIA Audit Staff from the Deputy Director for Support to the Office of the Inspector General.

Under Mr. McCone's interpretation, the position of DCI will be used primarily to coordinate the foreign intelligence activities of the entire intelligence community of the United States in accordance with existing law and applicable National Security Council directives. He will use his position as Chairman of the United States Intelligence Board (USIB) to accomplish this. The USIB is composed of representatives from CIA; the intelligence components of the Departments of State, Defense, Army, Navy and Air Force, and the Joint Chiefs of Staff; the Federal Bureau of Investigation, the Atomic Energy Commission; and the National Security Agency. We were advised that Mr. Dulles and others who had served as DCI had functioned primarily as the Director of Central Intelligence Agency.

A newly created Research Component is being organized, but its precise mission in the CIA organization has not been fully defined. It will be directed by a Deputy Director for Research and will be at the same organizational level as Plans, Intelligence and Support. Current thinking is that the Technical Services Division and Development Projects Division (covert operations) and part or all of the Office of Scientific Intelligence and Office of Research and Reports in the Intelligence Component (overt operations) will be transferred to the Deputy Director for Research. [REDACTED] (and later the Comptroller's) statements could be construed to

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mean that the Research Component would be involved in the gathering of intelligence on ~~military~~ "hardware" of foreign countries, and doing research work leading to the development of such "hardware" for U.S. use.

The Deputy Director of Central Intelligence will direct CIA operations through a newly created position of Executive Officer which will be filled by Mr. Kirkpatrick, previously the CIA Inspector General; an Executive Committee, which will be chaired by General Carter; and a Financial Policy and Budget Committee, which will be chaired by the Comptroller.

The Deputy Directors for Plans, Intelligence, Support, and Research; the Comptroller; the General Counsel; and the Executive Officer will serve on the Executive Committee. This Committee will consider both operational and administrative policy matters.

The Assistant Deputy Directors for Plans, Intelligence, Support, and Research, and the Assistant General Counsel will serve on the Financial Policy and Budget Committee. This Committee will replace the Project Review Committee but will carry on its review and approval processes with respect to projects proposed to be undertaken by the various CIA components at costs estimated to exceed certain predetermined amounts. The Committee will play an active part in the budget preparation process in CIA. It will consider and take action on matters arising in the initial budget preparation that are not resolved between the Budget Division and the operating units, and will recommend to the DCI the initial CIA budget for submission to the Bureau of the Budget. It will also consider and take action on changes made in the CIA budget by the Bureau of the Budget.

To complete this reorganization, the Office of the Comptroller, the Office of the General Counsel, and the Audit Staff have been transferred from the Support Component. The Comptroller and the General Counsel now report to the Director, as do the Deputy Directors for Plans, Intelligence, Support, and Research. The Audit Staff has been assigned to and will report to the CIA Inspector General. The extent to which the availability of Audit Staff working papers and reports for review by GAO may be affected by placing Audit Staff under the Inspector General is not now known by either [redacted] or the Chief of the Audit Staff, [redacted]. In the past, however, we have been denied access to all working papers and reports prepared by the Inspector General.

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By way of background information, [redacted] stated that Mr. Bross, who was named to succeed Mr. Saunders as CIA Comptroller, is a lawyer with many years of operating experience in the Plans Component, both in the United States and overseas. [redacted] advised that it is the intention of the new DCI to hold the Comptroller's Office responsible for performing substantive evaluations concerning the operating plans and accomplishments of the four CIA operating components. He stated such evaluations of Plans Component activities had not always been possible in the past, but had generally been limited to self-evaluations within the Plans Component. The naming of Mr. Bross as Comptroller, therefore, is intended to gain the services of an individual well qualified in operations and the international political situation, and well respected by the operating people, to design and place into operation the organizational and procedures necessary to the performance of substantive

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evaluations. [REDACTED] advised that the Comptroller's staff will not be substantially increased to perform these evaluations because it is expected that only a few people - say two or three - will be engaged in evaluating Plans Component activities.

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Mr. Bross, the Comptroller, also participated in part of the discussion with [REDACTED] and stated that he would take up later in the day with Mr. McCone our request for a meeting with the DCI. Mr. Bross anticipated that Mr. McCone may call the Comptroller General directly to arrange such a meeting.

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We advised Messrs Bross [REDACTED] that we presently were engaged in a limited review of the Intelligence Component, and that this review may lead to additional reporting by GAO, but that the review had not yet been completed, and that our reporting to date has been limited to the Comptroller General's letters of May 1961 to the DCI and to the Kilday group. We advised him also that a detailed report had been prepared and reviewed by CIA officials, but that this report had not been released. At [REDACTED] request we made a copy of this detailed report available to him for the purpose of briefing Mr. Bross more fully on the status of our work.

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At Mr. Bross' request we briefly summarized the comprehensive audit work that we had done to date. We advised him that, as stated in our May 1961 letters to the DCI and to the Kilday group, our Office did not believe that we could make an effective audit contribution on a continuing basis under the present limitations on our audit. We advised him, however, that our Office had not made any suggestions on changing the limitations on our audits of CIA. We advised Mr. Bross also, that over a year ago Mr. Samuelson had advised Colonel White, DD/S, that we did not plan to undertake voucher and payroll audits of "vouchered fund" expenditures. Mr. Bross expressed the belief that such audits would be beneficial to the Government. We advised him, however, that such audits usually are not productive of findings of interest to the Congress, and perhaps the agency head, because usually they are limited to disclosing isolated instances of errors in computing pay and of non-compliance with law or regulation.


E. L. Pahl


S. J. Keithline