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March 22, 1960

MEMORANDUM TO THE FILE

A. T. Samuelson, Director, CAAD, and E. L. Pahl, Supervisor, CIA audit, met on March 21, 1960, in Mr. Samuelson's office to discuss the GAO audit at CIA.

Pahl expressed the opinion based on our work to date under the restrictions placed upon the audit by CIA it appears that only a very limited comprehensive audit would be possible, and that no broad evaluations of CIA activities would be possible. To firmly support such an opinion, however, Pahl suggested that it would be necessary to perform (to the extent possible) at least one limited, and one general evaluation of CIA activities.

The principal restrictions on the GAO audit of CIA activities are as follows.

1. The audit will have to remain outside the area of sensitive security operations.
2. The Agency regulations setting forth the policies, procedures, and practices under which CIA activities are conducted are not available to GAO.

The first restriction means that the GAO will not be permitted to review or audit the CIA clandestine activities or the activity of an administrative organization where the activity of such organization is in support of a clandestine activity. Where such an administrative, or support, organization is involved in the support of both clandestine and overt activities, GAO will be permitted to review or audit only the overt activities of such an organization.

The second restriction means that the regulations issued by the Deputy Director for Support (DDS), or the Director of Central Intelligence (DCI) and setting forth the policies and procedures of the CIA are not available to GAO. The only exception to this is the general organizational material on the main CIA organizational groups and on the intelligence and support areas in particular.

Document No. _____
Review of this document by CIA has determined that

- CIA has no objection to declass
- It contains information of CIA interest that must remain
- Authority: HR 76-2
- It contains nothing of CIA interest

Date 24-3-81

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We were advised by the DDS that this was necessary because the policies and procedures on both clandestine and overt activities are so intermingled in the regulatory issuances that it is not possible to sterilize them for GAO use. The DDS has agreed that the CIA policies and procedures on overt activities would be orally made available to GAO. Recently the internal instructions of the Fiscal and Finance Divisions in the Office of the Comptroller have been made available to us on a selective basis, with the selection being made by CIA.

Fahl suggested that, if Mr. Samuelson determines that the audit is to be continued, we should have a GS 12 or 13 comprehensive auditor, and a payroll auditor assigned to the CIA audit staff.

Fahl suggested a payroll auditor since the bulk of the overt dollar obligations (Fiscal expenditures charged to Fiscal Allotments) are for personal services. Based on fiscal year 1959 obligational data, it appears that, as CIA had previously informed us, about 30 percent of CIA obligations are against overt allotments and are generally subject to GAO audit. However, 77 percent of 1959 overt dollars are for personal services (82 percent including Civil Service contributions), leaving the remaining 23 (or 18) percent for all other categories of obligations. Through a payroll audit we could account for the great bulk of overt dollars and a substantial amount of the total CIA dollars.

Based on the 1959 obligational data, the Office of Communications is the largest support activity, and the Office of Logistics is the second largest support activity. It is believed that the Logistic operation would be more susceptible to audit under the present restrictions. A heavy GS 12, or a 13 comprehensive auditor is necessary to work with Fahl in meetings with CIA officials and to perform contract audit work in Logistics, with perhaps the assistance of Mr. Williams.

Mr. Samuelson agreed to try and free an AEC - cleared GS 12 from other audit responsibility for about 4 to 6 months assignment on the CIA audit. It was estimated that it would take from 4 to 6 months to complete say a limited audit of contracting in Logistics and perhaps, also, a broad evaluation in an area such internal audits and other internal reviews.

Mr. Samuelson advised that he would arrange a meeting with Mr. White (Colonel), DDS, for sometime next week, for the purpose of introducing Mr. Abbadessa to Col. White.

for the purpose of discussing the possibility of quick clearances of additional audit staff, and to discuss generally, perhaps, the present audit and the present audit restrictions.

Mr. Samuelson agreed that we had been led to believe in several meetings with Cia Support officials and the CIA General Counsel that the regulations and other documentation setting forth the policies, procedures and practices under which CIA and its operating units carry out their responsibilities would be available for GAO. He, Mr. Samuelson, does not believe that our audit can be brought to any satisfactory conclusion without these materials.

E. L. Pahl

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