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DD/S

72-2932

24 JUL 1972

MEMORANDUM FOR: Deputy Director for Support

SUBJECT : Agency Annual Report

REFERENCE : Memo to Office Heads dtd 6 Jul 72,
same subject (DD/S 72-2676)

There is attached the Office of Finance contribution to the
Agency Annual Report for FY 1972 as requested by reference.

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Thomas B. Yale
Director of Finance

Att

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SENSITIVE INTELLIGENCE SOURCES
AND METHODS INVOLVED

NATIONAL SECURITY INFORMATION
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Office of Finance

Annual Report

(In Format Prescribed by DD/S 72-2676)

I. Major Developments

D. CIA in the Intelligence Community

1. Office of Finance

- (a) Among the more significant events of the year were changes in the leadership of the Office of Finance. Mr. W. Edward Brooks was appointed as Director of Finance effective 25 November 1971, replacing Mr. Lester E. Bush who retired 30 November 1971. Mr. Brooks then suffered a fatal heart attack on 2 February 1972. He was succeeded in office by the Deputy Director, Mr. Thomas B. Yale.
- (b) Economic decrees by the President on 15 August 1971 to protect the dollar resulted in severe currency fluctuations in all major currency centers. The situation remained unstable until the 19 December 1971 Washington agreement

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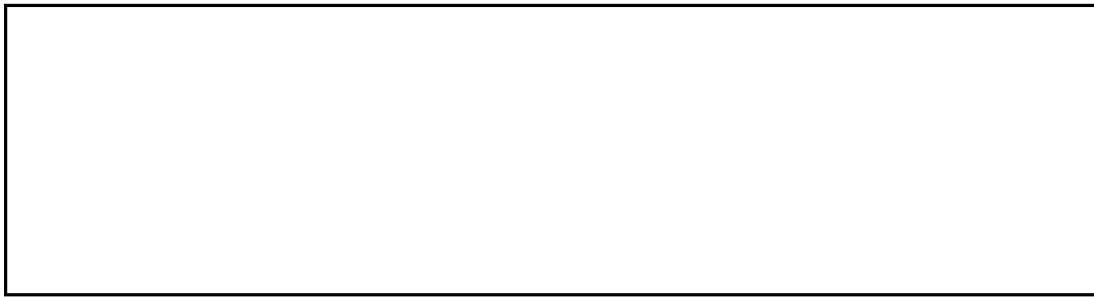
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E. Budget Trends

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1. Office of Finance

(a) The Office of Finance budget for FY 1972 was [redacted]

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Actual expenditures were [redacted] of which 96 percent represented personnel costs. The remainder was for other normal operating costs (travel, routine procurement of non-stock supplies and equipment, etc.). Total FY 1972 expenditures were up by some two percent over FY 1971 expenditures

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of [redacted] It should be noted that the January 1972

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Federal salary increase more than offset the budgetary savings resulting from the reduced staffing level in FY 1972 (average

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on duty strength of [redacted] for FY 1972 in comparison with an average of [redacted] for FY 1971).

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II. Major Accomplishments and Failings

D. Support

4. Other

a. Office of Finance

(1) Management

(a) Effected a reorganization of the Office of Finance designed to streamline the chain of command, improve overall financial support activities, and provide for more effective utilization of senior personnel resources. The changes involved are summarized as follows:

- (1) Modification of the former multiple Deputy Director concept by eliminating the three directorates as separate organizational entities.
- (2) Separation of the financial analysis function from the intra-Governmental liaison function.
- (3) Establishment of two new senior positions--an Assistant to the Director (of Finance) for Liaison concerned with intra-Governmental liaison and funding, and a Chief, Plans and Systems concerned with policy, planning, financial analysis and ADP liaison.

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(b) Effected organizational changes within several of the staffs and divisions of the Office of Finance to streamline operations and to make more effective use of manpower.

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- (1) In the Compensation and Tax Division, two main branches were established with the objective of optimizing support to Agency components on the basis of the geographic location of the employees rather than by type of employees.
- (2) The merger in May 1971 of the Proprietary Systems and Accounts Division and Industrial Contract Audit Division to form the Commercial Systems and Audit Division was accompanied by a change in management philosophy under which increased responsibility for audit reporting in a final product format was assumed by the auditors. This has resulted in an increase in production and in an improved quality of reporting.
- (3) Two functional branches within the Certification and Liaison Division were combined into a single branch designated as the Certification Branch.

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This merger was made practicable in part by the completion of a secure area on the fifth floor of the Key Building.

- (c) Increasing emphasis was placed on internal and external training in the ADP, computer, and information science areas in preparation for effectively staffing the planned Data Management Center and to improve our capability for carrying out our increasingly more complex and sophisticated financial analysis and related responsibilities.
- (d) Several affirmative actions were taken during the year to enhance communications between management and the Career Service membership.
 - (1) There was formally established a Financial Advisory Group of SF Careerists to serve in an advisory capacity to the Director of Finance (as Head of the SF Career Service) and to other senior SF management officers by identifying and making recommendations about issues, problems and procedures pertinent to the SF Career Service and to the functions with which its members are concerned.

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(2) The Director of Finance also initiated a series of informal discussions with small groups (6) of SF Careerists selected at random to represent a cross section of the Career Service without reference to grade, position or sex. These discussions also are for the purpose of identifying topics of mutual interest and concern within the general area of activities for which the Director of Finance is responsible.

(3) As a result of ideas generated in part from the above forums, the Office of Finance for the first time

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(a) In April 1972 circulated to all SF Careerists in Headquarters a list of field SF positions to be filled in 1973.

(b) In May 1972 published a "Newsletter" for SF Careerists in the Headquarters area containing information considered to be useful and informative. Principal topics for future issues of the "Newsletter" will be recent and pending personnel assignments, procedural developments and other topics of general interest.

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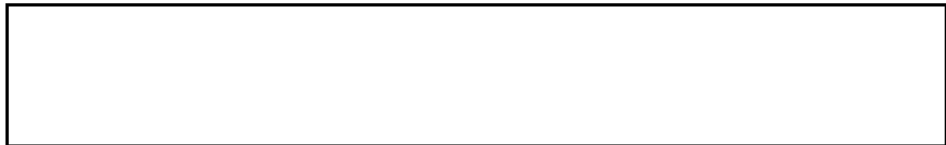
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(2) Operations

(a) Attempted in conjunction with SIPS to implement a revised computer payroll system to become operational on the first pay period in 1972. In preparation for this action, printed payroll forms, prepared and distributed instructional material, processed a complete conversion of required master file data for the new payroll system and processed all payroll data for the last four biweekly pay periods in 1971 in parallel to satisfy the requirements of the ongoing system as well as to satisfy requirements for the new payroll system. Unforeseen programming difficulties resulted in a decision to delay implementation of the revised payroll system.

(b) Promulgated a book dispatch (No. 8368, dated 4 May 1972) outlining for the first time in "layman" terms

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The dispatch provides comprehensive coverage and explanation of these programs in a format which will serve as a continuing reference

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document for field personnel. A principal purpose of the dispatch was to enhance the understanding of field personnel of the scope of the programs as they relate to local support requirements and the manner

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[REDACTED]

A reduction of correspondence concerning local application of these programs has already been noted.

- (c) Adopted a single world-wide factored man-year cost for distributing administrative costs billed by the

[REDACTED]

These factored costs are now distributed (1) based on the total number of man years overseas and (2) only to the Office of Communications and to the DDP divisions. Other components with

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on their rolls budget only for salaries and related benefits. This procedure has greatly simplified the financial process for all components concerned.

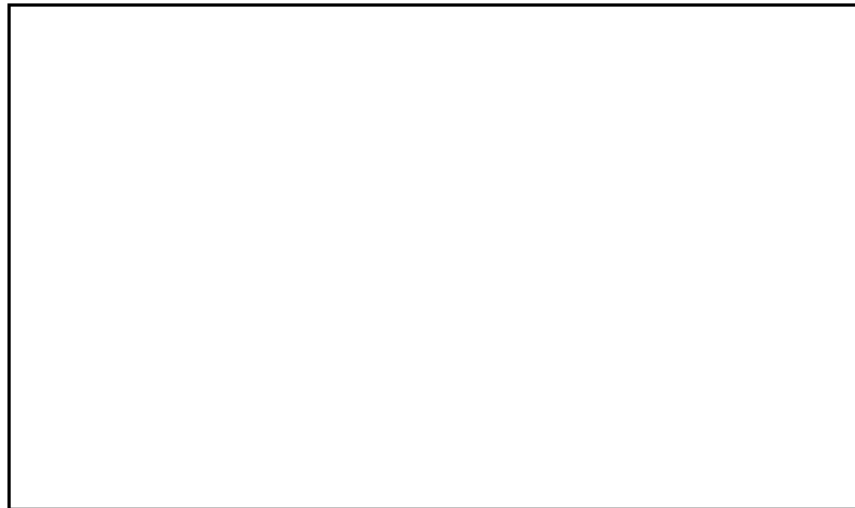
- (d) In coordination with the Central Cover Staff concluded arrangements with [REDACTED] for the use of

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[REDACTED]

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- (e) Initiated a pilot microfilming project in March 1971, which has continued through FY 1972, to ascertain the feasibility of microfilming records normally retired to the Records Center in hard copy for twelve (or more) years. The microfilming effort has been determined to be both feasible and practical and the program will be continued on a limited basis until sufficient personnel resources are available to keep pace with current receipts of record material. We expect to be operating on a current basis with the use of contract personnel in early FY 1974.

During FY 1972, 998 microfilm reels were produced, replacing approximately 500 cubic feet of paper records. Through the end of FY 1972, 505

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reels had been deposited in the Records Center, occupying some 7-8 cubic feet of storage space. When our microfilming program is fully implemented, yearly deposits in the Records Center of Finance records included in this program will be reduced from about 800 cubic feet per year to approximately 25 cubic feet, a reduction of 97%. Since these records are kept for 12 years (with certain payroll records kept for 56 years), this will ultimately result in a net savings of over 9,000 cubic feet of storage space. This is in addition to the one-time reduction in storage space noted in the paragraph immediately following.

As a result of negotiations by the Office of Finance and the Deputy Director for Support with the Deputy Director for Plans, concurrence was obtained to reduce the retention period for most field and certain Headquarters finance records from 30 years to the legal requirement of 12 years. As a result of this agreement, 3,202 cubic feet of Office of Finance records dated prior to 1960 immediately became subject to destruction. Some 1,300 cubic feet of these pre-1960 records were destroyed during the past year and the

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remainder will be destroyed as necessary screening
can be completed.

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(f) In cooperation with other agencies dealing with world-



(g) A joint Civil Service Commission - CIA Project was initiated to review pertinent CSC records to identify employer retirement contributions of employees who transferred to the CIA Retirement and Disability Retirement System prior to 31 December 1970. The transfer of such contributions to the CIA Retirement Fund was required by PL 91-626. The Project was carried out by four Agency employees under the supervision and guidance of CSC personnel and required the review of [] employee retirement files and resulted in a transfer to the CIARDS Fund of []

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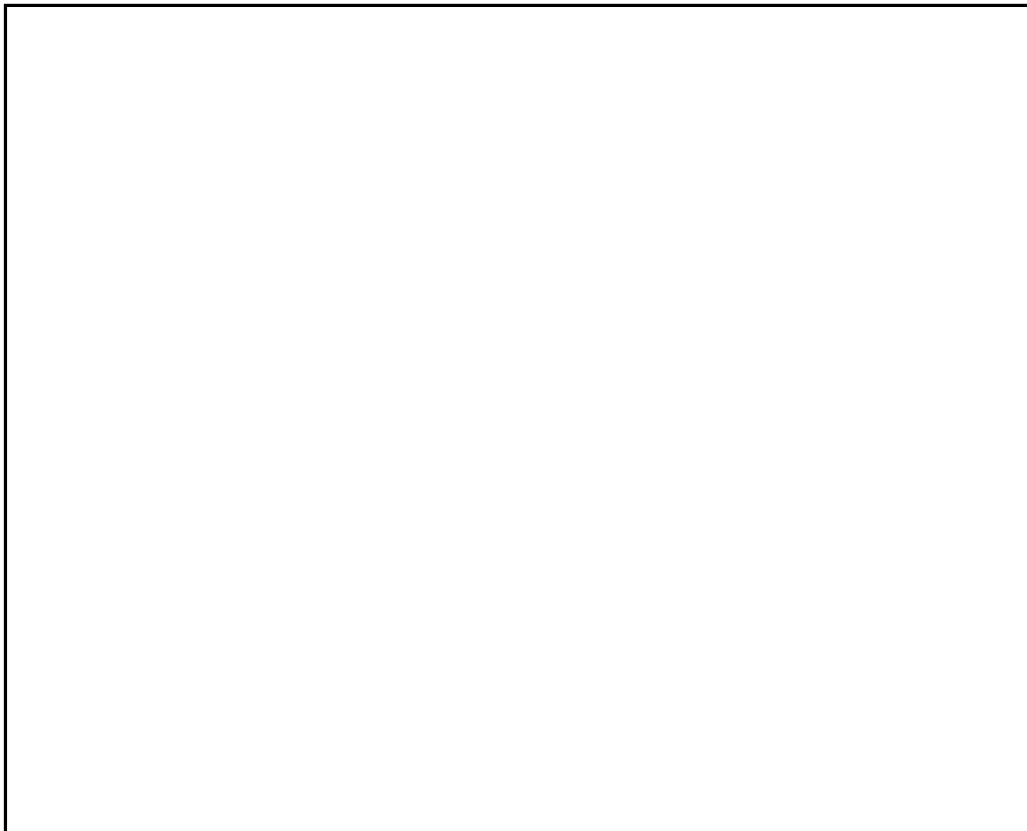
- (h) Improved the process for maintaining a master register of Agency officials having authority to authorize travel and/or approve financial transactions. Such an up-to-date register is essential to the proper discharge of certification responsibility of certification officers.
- (i) Completed the first full year test of computer processes to determine the correctness of monetary values on posting vouchers. During the year some 90,000 vouchers representing 900,000 line items were processed through this program. Errors identified by the computer for correction averaged only one for each 2,000 line items.
- (j) Published the narrative and supporting statistical tables for the CIA Retirement System evaluation as of December 31, 1968, updated to June 30, 1970.
- (k) Completed the Office of Finance contribution to the Agency History for the period from organization through 1966.
- (l) Prepared a Procedures Manual for the Staff covering the highlights of the procedures of that office.

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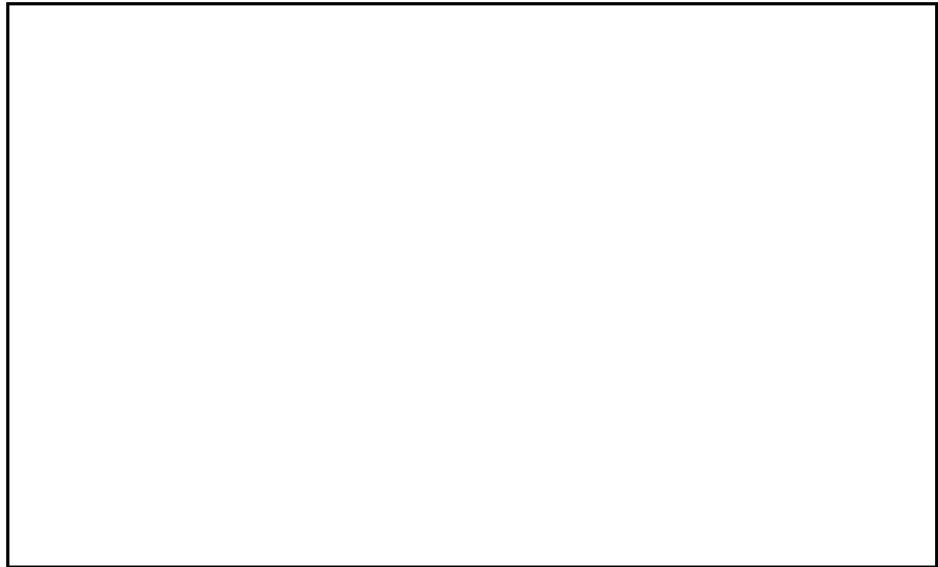
- (m) Hard copy computer financial outputs for FY 1969, 1970 and 1971 destined for long-term storage as part of the records retirement plan were converted to microfilm. Current outputs are now produced on microfilm by the computer and the film is used for both reference in current operations and eventual long-term storage.
- (n) Established procedures and implemented withholdings from the annuities for CIARDS annuitants for UBLIC insurance and for Credit Union share accounts. 25X1



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- (q) Established in coordination with the Office of General Counsel a proposed policy statement now in coordination for criteria to be observed in recording obligations for procurement of services or property from other agencies. Except for special guidelines established for construction related activities, orders (other than those required by law or statutory authority to be placed with another agency) must be placed in time to permit obligation by the other agency prior to 30 June of the current year; obligations for such orders not so obligated by the other agency are invalid.

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(r) Provided all aspects of the financial support required for the new and rapidly expanding Voluntary Investment Plan for which initial investment was made on 25 June 1971. A considerable amount of time and effort has been involved in the support of this program from the standpoint of accounting and reporting transactions as well as from the standpoint of developing and refining procedures and reporting formats.

(3) Financial System

Continuing attention and increased resources were applied during the year to the improvement of the existing financial system and related procedures and to the development of a highly automated, Integrated Financial Management System which will permit management to take full benefit of current technology of computer capabilities. Principal achievements in improving the present system and in developing the proposed system are summarized as follows:

(a) Significant progress was made during the year on the Integrated Logistics and Finance Contract System (CONIF III) being developed on a working team basis with a SIPS Task Force. The proposed system will eliminate duplicate contract records and will provide

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a combined data base for both logistical and financial contract information with required data captured at document source.

- (b) Progress was made during the year in developing a concept for a simplified financial accounting process for field stations. Under the concept a minimum amount of accounting would be done in the field with information recorded to be appropriately coded for computer processing. In concept the computer would on the basis of coded inputs perform all operations related to the financial accounting and reporting process except audit and certification of transactions.
- (c) An Office of Finance/SIPS work group was established to plan for the financial aspect requirements of the Data Management Center.
- (d) Methods were implemented to simplify the Financial Property Accounting system by modifying financial control of nonexpendable property at non-depot type installations. This simplification eliminated (a) duplicate handling and transmission of shipping documents, (b) some 75,000 financial entries per year and (c) the tracing and reconciliation of detailed property reports from some installations per year.

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III. Ahead

A. Resource Outlook

1. Office of Finance

Based upon the present budget outlook for FY 1973, it appears the resources available to the Office of Finance in terms of manpower will be slightly less than were available during FY 1972. It is contemplated that the average on-duty strength during FY 1973 will be in comparison with an average of for FY 1972.

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C. Techniques

4. Other

a. Office of Finance

(1) Financial System

It is apparent based upon an objective review of the overall operations of the Office of Finance, recognizing the volume and complexity of transactions and the wide geographical dispersion of locations at which transactions originate, that any basic and fundamental improvements in the efficiency with which activities are conducted must come through the development of procedures and systems which will take full benefit of current technology of computer

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capabilities. Much work has already been done toward such developments. Positive efforts have been and are continuing to be made to train and stimulate the interest of SF Careerists in current technology and in innovative processes. Accomplishment goals in this area for the current year include the following:

- (a) Complete and implement the revised payroll system.
- (b) Continue to participate with the SIPS Task Force in development of the Financial Resources System; first priorities are being given the Budget Control sub-system, the automated CONIF III system, and a phased implementation of the Key Building Data Management Center.
- (c) Develop an improved data base and reporting format for recording advances and reimbursements to and from other Government agencies. Recent requirements for information generated in part from congressional sources has entailed lengthy research and it is believed that an improved data base must be developed.

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- (d) Develop and implement an automated system for controlling property requisitioning authorizations. Such a system will eliminate a manual record keeping requirement and would improve the data base available for budgetary purposes.
- (e) Continue work on concept for simplified financial accounting process for field stations including participation with the Office of Communications in an experiment utilizing current communications technology for transmission of financial information for direct input to the computer.
- (f) Participate with the Office of Training in the development of a custom tailored course primarily for SF Career personnel to be offered by the recently acquired Information Science Training facility.

(2) Other

Accomplishment goals in other areas of Office of Finance activity include the following:

- (a) Continue positive action to upgrade the quality and professional competence of the Office and of the SF Career Service as a whole through highly selective

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recruitment, both external and internal training with particular emphasis on the acquisition and/or improvement of technical (e. g., financial analysis, information science, etc.) and managerial skills, and rotational assignments designed to maximize staff development while at the same time increasing and broadening our budget and finance experience base. Participate with representatives of SIPS and OTR in the development of the first of several budget courses.

- (b) Complete the development of Inbound Commuted Rate Schedules for use in conjunction with return PCS travel from posts abroad and for home leave travel between tours abroad.
- (c) Compile and publish a Digest of decisions by the Director of Finance, General Counsel and other management officials which relate to general finance entitlements of employees. The purpose of the Digest would be to provide the Certifying Officer with a common source of material for guidance in dealing with questions similar to those which may have been previously resolved by competent authority.

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- (d) Attempt in coordination with Office of Logistics to develop ways and means of accelerating the process for closing contracts with industrial contractors. Under present practices final settlement of contracts is seldom effected prior to the lapse of the appropriation against which the contract was obligated.
- (e) Institute a comprehensive review process of decentralized financial facilities at Headquarters and selected field stations. The objective is to provide a general review on behalf of the Director of Finance of activities for which the Director of Finance is responsible.
- (f) Give more attention to the expanded audit requirements levied by the "Truth in Negotiations" act which is applicable to procurement by fixed price contracting.
- (g) Increase use of Computer Originated Microfilm in our day to day operations as well as the microfilming of archives records for better use of space, here and at the Records Center.
- (h) Develop a mechanism for gaining secure access to proprietaries in order to perform in-depth surveys of their accounting systems and procedures.

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Chronology

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