

AIR

MOB-A-11960

SECRET SECURITY INFORMATION

Chief of Station, Frankfurt  
ATTENTION: [ ]  
Chief, Berlin Operations Base

21 March 1952

Administrative/Agent Finance

CAUTERY Chain Finance Accounting

Reference: MGB-A-9515, 16 July 1951, paragraph 10

1. Since reference letter has never to our knowledge been questioned as far as its statement of CAUTERY financial arrangements are concerned, we have continued to operate along those lines. Specifically, all expenses incurred by any chain member in the course of operations are re-imbursed upon his presentation to CAUTERY 1 of either original receipts (where possible) as in the case of maintenance, rent, etc., or blanket statements of expenses such as rail fares, gasoline, entertainment of contacts and the like. CAUTERY 1 passes to us final agent receipts and those covering normal maintenance and general chain operation. In his office he maintains a file, dating at present back to approximately September 1951, of sub-agent receipts and detailed expense accounts. He (and his agents) understand that they are individually (and he collectively) responsible for the correctness of their accounts. It is for this reason that our accounting statements covering this chain may appear somewhat skeletal compared to others.

2. In the opinion of the undersigned, short of putting a CPA on the job at least several hours per month there is no really efficient way to improve the above arrangement (which was originally made to simplify accounting while maintaining the essential element of general control), but since your office appears to differ vitally with this opinion, we would appreciate your comments, preferably in person. As a suggestion, perhaps you would like us to forward to you for dissection the current batch of receipts, plus the "administrative back-up" which would otherwise normally be retained by CAUTERY 1. With this before you, you would be in a position to let us know exactly what sins of both sorts we (and CAUTERY 1) are committing. We feel that some solution should be reached on this point promptly, since unless accounting procedures for an operation of this size are clearly defined and understood by all concerned, the receipts are likely to pile up alarmingly, and too much time must then be spent in unravelling a tangle that should have never come up at all.

3. In the hope that you will accept the suggestion in para 2, I am preparing a receipt as I would normally, and will hold it until I hear from you. It occurs to me that financing is necessary to operations, but I hope to be able to avoid hypocrisy or artistic touches in order to justify expenses normally considered essential to the functioning of any agent chain.

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BOB

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