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History-
Special
Funds

Handwritten notes:
Review
of
Special

WAR DEPARTMENT
OFFICE OF THE ASSISTANT SECRETARY OF WAR
STRATEGIC SERVICES UNIT

25th & E STREETS, N.W.
WASHINGTON 25, D.C.

April 10, 1946

MEMORANDUM:

TO: Pater Karlow
Secretariat

FROM: Robert Hayden Alcorn *RHA.*
Chief, Budget & Fiscal Division

SUBJECT: Special Funds Branch History

In accordance with your recent request there is attached the Special Funds Branch History.

Please advise me of what sections are to be used for your purpose and return the attached to me.

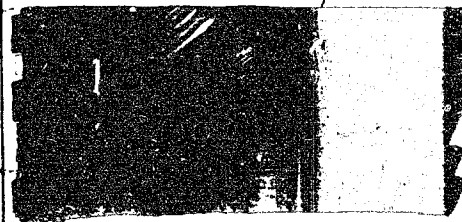
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HISTORICAL DOCUMENT

Destroy only with consent
of the Historical Officer.

Name: Robert Hayden Alcorn
Date: 5/2/69

Document No. CCCC 69 / 1




Approved for release
Date

(7)

13 August 1945

This manuscript, the History of Special Intelligence Branch - Washington, was received 11 August 1945 from Lieutenant Colonel John W. Williams, its author. We had no time to check or review it either for form or content, but simply file it for future reference.



Conyers Read
OSS Historian

OFFICE OF STRATEGIC SERVICES
WASHINGTON 25, D. C.

10 August 1945

MEMORANDUM

TO: Dr. Congress Read
History Branch

FROM: Lt. Col. John W. Williams

SUBJECT: Special Funds Branch History - Washington

1. It is with pleasure that I submit to the History Branch above subject in time to meet the specified dead-line of 10 August 1945. Please note that this History of the Special Funds Branch - OSS (now Special Funds Division of the Finance Branch) covers the Washington Headquarters from 1 January 1942 to 30 June 1945, a period of three and one half years. Likewise, please be advised that this History has been approved by Colonel W. L. Rehm, former Chief Special Funds Branch, now Chief Finance Branch.


2. The History itself is in a loose leaf binder which is included, with the attachments, in a brown manila envelope. The attachments are too long to clip in the binder itself. As per our agreement, this History is to be maintained intact, and every security angle considered in connection with its safekeeping. Much of the material should only be used under the authority of the Director, this being especially true of the coverage "Disbursing Officer - Foreign Exchange" commencing on page (34).

3. Due to the difficulty in assembling and putting together all of the material which is included, it proved impossible to strike off a complete copy of same. However, since it is our opinion that such a complete copy should be available in our Special Funds Division Registry, it is hoped that the History Branch can have such a copy completed and delivered to Room 303, South Building, attention: Lt. Col. Williams. Likewise, should it prove possible to do so, a complete copy of the History completed by Lt. Col. Williams for NATOUSA (now MEDTO) for the year 1943, be struck off from the manuscript returned herewith and also forwarded to the Special Funds Division for its Registry. We have no copy at this time of either the Washington History or the North African History which was completed at an earlier date.

[REDACTED]
JOHN W. WILLIAMS
Lt. Colonel, AUS.

[REDACTED]

Enc.-Histories (3)



31 JULY 1945

SPECIAL FUNDS BRANCH HISTORY

1 January 1942 - 30 June 1945

OFFICE OF STRATEGIC SERVICES

Washington, D. C.

HISTORIAN 

JOHN W. WILLIAMS
Lt. Colonel, AUS

SPECIAL FUNDS BRANCH HISTORYOSS - Washington, D. C.

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SPECIAL FUNDS BRANCH HISTORY

OSS WASHINGTON, D. C.

PREFACE

SECTION - I

General Statement
Pertaining To
The Usage of and Operations under
Special Funds

(a) The Nature of Special Funds

A. General.

Special or unvouchered funds are monies made available by Congress to the Office of Strategic Services to be used for objects of a confidential nature and for which no voucher is submitted to the General Accounting Office.

B. The 1944-45 Appropriation Act.

"***For all expenses necessary to enable the Office of Strategic Services to carry out its functions and activities, *** \$57,000,000 *** Provided, That \$37,000,000 of this appropriation may be expended without regard to the provisions of law and regulations relating to the expenditure of Government funds or the employment of persons in the government service, and \$35,000,000 of such \$37,000,000 may be expended for objects of a confidential nature, such expenditures to be accounted for solely on the certificate of the Director of the Office of Strategic Services and every such certificate shall be deemed a sufficient voucher for the amount therein certified." (National War Agencies Appropriation Bill, 1945).

C. Director's Certificate.

The following is an extract from the certificate used on vouchers, signed by the Director, and submitted to the Treasury Department

to secure reimbursement for amounts disbursed from Special Funds.

"I certify that expenditures were actually made in the amount on this voucher according to reports in this office and that it would be prejudicial to the public interests to disclose the name of the recipients the dates and the names of the places in which the expenditures were made. The expenditures were made incident to collecting and analyzing confidential information and data bearing upon the national security of the United States."

D. Purpose of Special Funds.

Special Funds are to be used only in such instances where the use of vouchered funds would divulge secret or confidential information prejudicial to the public interest, and where the services or materials necessary to the operations of OSS could not be purchased with vouchered funds, or acquired from the military or other government services, for security reasons.

E. General Order #9.

Section 27 of General Order #9, effective May 26, 1944, states: "The Special Funds Branch shall be responsible to the Director for the custody, use of and accounting for special funds."

F. Recapitulation.

The Appropriation Act makes the funds available and specifies that the Director's certificate shall suffice in accounting for expenditures. The first sentence of the Director's certificate states, in part, that the voucher to the Treasury Department is based upon reports in the

Office of Strategic Services. This refers to reports submitted by disbursing agents or officers covering the expenditure of Special Funds.

The justification for Special Funds is solely one of security. That is, if ordinary government funds were used, confidential activities of the Office of Strategic Services could not be accomplished or, if accomplished, the results would be of little or no value.

General Order #9 revised is the latest order which states the responsibility of the Special Funds Branch in connection with Special Funds.

(b) FOREWORD

The above is the transcription of Section I, of the so called "Special Funds Bible" and covers in as brief a form as is possible the method by which special funds are made available, the limitations imposed thereon and usage to which they can be put, and the certification used in accounting for same. This General Statement, or "Bible", from which the quotation is drawn, is included in full at the end of this History.

General Order #9 revised, issued and effective 26 December 1944, re-states in paragraph (15) "Special Funds Branch", as follows: "The Special Funds Branch shall be responsible to the Director for the custody, use of and accounting for Special Funds". The same General Order in paragraph (14) "Board of Review", outlines the duties of the Board, as follows:

"The Board of Review shall advise the Director with respect to the formulation of policies for, and the direction of, all OSS finances both in Washington and in the Field. It shall study, review and make recommendations with respect to:

(1) All financial controls, records and accountings, as may deem necessary.

(2) All proposed expenditures of unvouchered OSS funds

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requiring the approval of the Director or Assistant Director; and

- (3) Such other matter pertaining to OSS finances as the Director may approve.

The Board of Review shall consist of three members, to be assisted by the General Counsel."

The object of this History is to trace the principal activities and events of the Branch which march, like milestones, down the years from its inception in January 1942 to the present date, July 1945. It thus embraces a span of (3) crowded years and (6) months. It will endeavor to enumerate these activities, show the growth and expansion, and bring out the highlights as they developed in chronological sequence. It will confine itself principally to the Branch Headquarters in Washington: only touching on the outside Theaters and "Field" operations as they blend in, unavoidably, with the Home Office. Complete, detailed history of the activities, successes, tribulations and the Field Staffs themselves in all outside theaters in which we operate, have already been completed in some instances and in others are in the process of completion at this time. They can, of course, be included in one Special Funds Branch volume with this Washington History should it be considered advisable to do so. That decision is left to the Chief, History Branch as recommended by the Director of the Office of Strategic Services.

(a) INCEPTION CHRONOLOGY SECTION II

Throughout the Spring and Summer of 1941 (Pearl Harbor year) the machinery setting up the Office of the Coordinator of Information (from which OSS evolved) ground steadily on its way toward activation under the personal direction of Colonel (now Major General) William J. Donovan. In that early

stage his principal assistant was Mr. (now Colonel AC) D. K. E. Bruce. As of 11 July 1941, C.O.I. became, by order, an official U. S. Government Agency, and by the beginning of the year 1942 C.O.I. was an accepted fact, operating under the cover of an information "assembly and distribution" plant, staffed almost entirely by civilians and occupying the North, South and Administration and temporary Que Buildings located between E. Street and Constitution Avenue, 24th and 25th Streets, N. W., in Washington. Its actual reason for existence, and direct intent and purpose, was that of intelligence, both actual and operational, but this was not in any way disclosed. On 13 June 1942 the Propaganda Department of C.O.I. was transferred to the, then, new Office of War Information, and the C.O.I. name changed to Office of Strategic Services.

Had the original C.O.I. actually been the type of Government Bureau it professed to be, there would have been no necessity for the use of any but vouchered money to be accounted for through the General Accounting Office by the Fiscal and Finance Branch originally headed by Mr. Cecil W. Barnes. However, for the bulk of these secret activities and operations for the execution of which C.O.I. originally, and OSS eventually, was really organized, unvouchered or "under cover" money had to be made available. For such funds no accounting was necessary to the General Accounting Office, only to the Director and by him to the Joint Chiefs of Staff under which body OSS operates and to whom it is directly responsible. The original grant of \$3,108,568.90 in unvouchered funds came from the Emergency Funds for the President, National Defense. With this grant was activated the Special Funds Branch of, at that time - C.O.I., now, - the Office of Strategic Services.

(b) FIRST YEAR-1942

Mr. (now Colonel AUS) W. L. Rehm reported for duty to C.O.I. on 19 January 1942 to set up the Special Funds Branch. From that date until the

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present he has served, without break, as its Chief. On 9 March 1942 he obtained as his assistant Mrs. Evelyn K. Hall and on 11 March 1942 Mr. (now Lt. Col. AUS) John W. Williams came to Washington as the third member of the staff. At that time the Branch occupied (2) rooms on the ground floor of Que Building and (1) safe and (1) file cabinet were its principal fixtures (as it turned out, the (3) original members became "fixtures" likewise).

As the year of 1942 advanced and the activities of Special Funds Branch multiplied, the late Mr. Francis M. Barker, Mr. Rolfe Kingsley, a secretary for Mrs. Hall were added to the department. Later, toward the close of 1942, Mr. Emerson Bigelow reported in to handle the Foreign Exchange Division, also came Mr. (now Captain Ord.) Edward M. Lucas, Mr. D. M. Dimond, Mr. Edward Fay and Mrs. Eve Caswell. An additional room adjoining the original (2), and a room across the corridor were then added to the Special Funds Branch suite. In October 1942 Mr. Williams and Mr. Kingsley were loaned to the African Desk under SI and proceeded to West Africa for temporary duty. The former returned to Washington at the end of the year but Mr. Kingsley, now a Lieut. in the Marine Corp^s, remained with the SI Branch on duty in Monrovia. Mr. Barker was disconnected from the Special Funds Branch to become Administrative Officer at approximately the same time. Mr. Dimond, as an Agent Cashier, assumed the work of Clearance Officer for SO accounts, and Mr. Lucas organized the Accounting and Auditing Department with Mrs. Caswell in charge of the Bookkeeping Division under his direction. It is to be noted that in the period of (1) year the Special Funds Branch had greatly increased in personnel and the first sub-divisions of the Branch were established. However, it was not until the following year that any representatives for Special

Funds went out to the Field in the capacity of Special Funds Officers.

In those early days, operating under the cloak of C.O.I., almost the entire personnel of the two principal operational Branches ie: SO and SI, were paid from Special Funds. Likewise a sizeable proportion of the general overhead and the purchase of equipment, were defrayed from the unvouchered appropriation. It was believed essential for security reasons that such be the case. As time passed, however, and the original Office of the Coordinator of Information became the Office of Strategic Services, it was decided that certain members of the personnel and other regular expenses could be safely transferred to vouchered funds. Close cooperation was established with the Finance and Fiscal Branch and more and more of the financial burden on Special Funds was allocated to the vouchered department. Many sizeable purchases which had already been contracted for under Special Funds were taken over by the Finance Branch as "Confirming Orders". In the late summer of 1942 the Special Funds Branch materially assisted in the establishment of the first training area located in Maryland approximately (20) miles from Washington and, at that time, known as "the Farm". This area was under the direction of Dr. (now Lt. Col. AUS) Kenneth Baker. At the termination of the year, area "E" was likewise established with Special Funds as a larger and more elementary training location.

In the summer of 1942 an OSS Branch Office was established at 630 Fifth Avenue in New York City with an additional "under cover" office further down town. It was decided to institute a telekrypton service between Washington and New York and the Special Funds Branch investigated this proposition thoroughly and was instrumental in having the Western Union Telegraph Company install the

system. All special equipment and many articles of regular equipment as well, both for the Home Office and for the Field, were at this time placed on a priority basis and often difficult to secure. The Special Funds Branch worked very closely with the priority officer and was successful in obtaining needed automobiles, a great number of safes of all varieties, special operational requirements, as well as regular office supplies, typewriters etc., through this cooperation. It is readily understood that the war demand for all such "impedamenta" far exceeded the available supply. From the above examples it is to be noted that the drawing of checks and accounting for expenditures were but a very small part of the Special Funds Branch activities. Our principal unvouchered funds deposit was placed with the Riggs National Bank in Washington in the name of W. L. Rehm; no association with OSS was in any way involved, - and the same was, and still is, true of the two additional accounts which were later established with the Bankers Trust Company and National City Bank in New York. As additional Agent Cashiers to Mr. Rehm were appointed, similar accounts were opened in the names of these individuals. This same system has been adhered to throughout. As the first year ended, the Branch was well established and operating on definite, clearly defined lines.

(c) 2ND YEAR-1943

Sizeable further increase in personnel, greatly accelerated tempo in activities as a whole, and the establishment of the first overseas bases for the Branch highlighted the year of 1943. OSS expanded very rapidly and Special Funds, as an essential "service" organization for all operations, necessarily expanded with it. New OSS Branches were added to the original SO and SI and

Foreign Theaters, small at first and then suddenly greatly enlarged, came into existence outside the continental limits of the United States. ~~and~~ With the establishment of each new Branch and each new Field post, came increased demand and added responsibility on the Special Funds staff. To the initial appropriation of approximately \$3,100,000.00 granted for 1942-44 was added a second allocation in the amount of \$9,734,511.07 for 1942-45. This likewise came from the Emergency Fund for the President, and brought the total amount available for Special Funds to slightly less than three million dollars.

Early in January the late Mr. Charles J. Lennihan and Mr. R. George White joined the staff. Additional secretaries and clerk stenographers were secured for the various Special Funds departments, and enlisted men were attached to the Accounting and Auditing and the Foreign Exchange staffs. In March out to London flew Major (now Lt. Colonel) Robert H. Alcorn to act as both Executive and Special Funds Officer for ETO. He was the first official representative of the Branch to take over a Field post. Close behind him went Mr. Edward Fay (now an Army Captain) to Gibraltar to act as guardian and custodian of the large gold reserve held on The Rock to meet OSS requirements. Later in the summer the then 2nd Lt. Fay who was commissioned overseas, flew the thousands of Louis d'Ors to Cairo and to Algiers and he himself then transferred to England. In April Major (now Lt. Colonel) John W. Williams left by sea convoy for North Africa in charge of a detail of (28) enlisted men for Services Branch. The following month, in May, Lt. (jg) J. Holt Green (now missing in action in the Balkans) left Washington for Cairo. Thus, in the course of the first (6) months of 1943, Special Funds Branch Offices were established and operating in (3) important theaters, ie: ETO -

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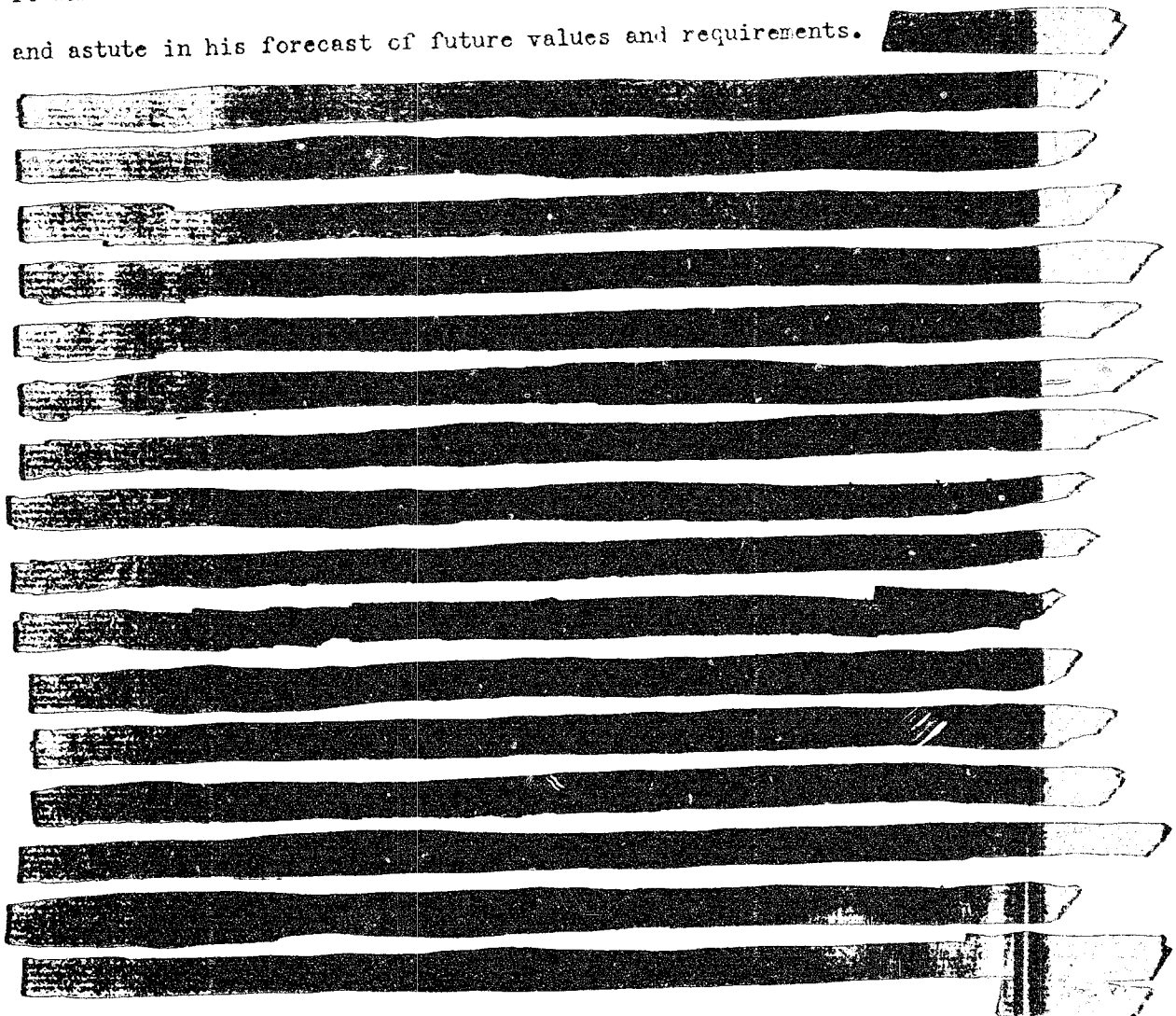
London, MEDTO (then NATOUSA) - Algiers, and NETO (then METO) - Cairo, under Alcorn, Williams and Green, with a special representative, Fay, sitting on his gold on the British Rock, gazing wistfully seaward.

Special Funds Branch Saga was thus already in the making. In the Fall, October to be exact, 2nd Lt. David C. Crockett was sent out to help Major Williams in Algiers since the Major's original assistant, Lt. (jg) Henry R. North, USNR, had been transferred shortly after his arrival to the SO Branch for special duty in the Bay of Naples. In November Lt. Green likewise was transferred to more advanced duty and in his place Mr. Thomas F. Blair was appointed Special Funds Officer in Cairo for the Middle (now Near) East Theater. In October Mr. Gardner McPherson was dispatched to Lisbon, cleared by State Department as a clerk attached to the U.S. Embassy, and in December Mr. Iver Olsen, under Treasury cover, went out for Special Funds to Stockholm. By the close of the year, all of these Field Stations had enlarged their staffs by either assistants sent out from Washington or secured through transfers in the Theaters themselves.

Before the establishment of these official Special Funds units in foreign lands, and at other Bases still not represented by a Special Funds officer, either the C. O. in the theater, or a qualified individual, was entrusted with the funds, disbursed same, and maintained as complete records and accountings as was possible under the circumstances. At that time it was generally necessary for all those going out of the country to take either a small, or very sizeable, amount of Special Funds with them. Numerous individual advances, scattered to the four corners of the earth, were the inevitable result. When additional cash was needed "outside" it was generally transferred via the State Department. As the various Field Bases enlarged in personnel and in operations, the desired control and accountings for Special Funds became increasingly more difficult and complicated. In con-

sequence, trained, official Special Funds Branch Officers and assistants were dispatched from Washington to all theaters as rapidly as proved possible. Due to the increase in Financial activities in the New York office, Mr. E. F. Merrill assumed the duties of Special Funds Officer at 630 Fifth Avenue in April of 1943.

Probably the most important individual development which occurred in Washington in 1943 as far as the Special Funds Branch is concerned, was the activities of the Foreign Exchange Department. Throughout those (12) months the demand for large supplies of the currency of our Allies, of neutral countries and of our enemies, was a constant one. Mr. Emerson Pigelow, whose responsibility it was as Head of the Department, was especially far sighted in this connection and astute in his forecast of future values and requirements.



[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] During that year the greatest demand was in the Mediterranean Theater where Army operations were proceeding very rapidly, but ETO and the Middle East were likewise in the market. The MEDTO history for 1943 discusses this subject from the Field angle and it will be covered later in this Special Funds Branch Washington History with the notes on the Foreign Exchange Department.)

Another important development of the year was the tackling of the extremely confused and moral^linfluencing problem of civilian per diems and living and quarters allowances in the Field. The situation which Major Williams found to exist in North Africa resulted in his reporting the matter to Washington and requesting that a final and official decision be arrived at. Begun, then, in the summer of 1943, the entire subject was cleared up in the following year with the issuance of General Order 75-7 (and Supp. I) effective 20 August 1944 which stated that living and quarters allowances for all places as established by Bureau of the Budget, circular A-8, would be accepted as standard for the Office of Strategic Services civilian personnel and its regulations adhered to in every case. Only on recommendation by the Board of Review and approval by the Director, can exceptions be made to the A-8 figures. Primarily, the reason for the early confusion and misconception of this per diem matter was the sending of civilians to the Field from Washington on authorized allowances averaging \$7.00 per day, not realizing that in almost all cases these individuals would be quartered and fed in their theaters without cost to them. Much span

hurriedly crossed many mess tables before the final, and sound, solution was reached to the almost universal satisfaction of all concerned. It was likewise before the close of 1943 that the first decision was reached to endeavor to use vouchered funds whenever possible in the Field as well as in Washington. Until that time, for security reasons, it was considered necessary to defray all expenses from Special Funds for all overhead, including rentals, salaries, equipment, etc., as well as for agents' payments and for actual operations. This matter, discussed in Algiers with Colonel Charles Vanderblue by Major Williams, was called to the attention of the Director and on his recommendation referred to Washington for consideration and action. It also reached its culmination in 1944 when large Field expenses were transferred to vouchered funds and, eventually, many of these charged to Reverse Lend Lease (Reciprocal Aid) whenever it was possible to do so. By the end of 1944 the Finance Branch likewise had its representatives in almost all theaters, and worked in close cooperation with the Special Funds Officers in handling the (2) separate types of funds made available to OSS. An appreciable saving to the unvouchered appropriation has now resulted.

These two subjects, ie: the per diem or living and quarters allowances matter, and the vouchered funds versus Special Funds question, are likewise covered in greater detail in the MEDTO History for 1943 which is in the hands of the History Branch. Although the final decision had to be reached in Washington, these are both essentially Field problems and therefore need be only touched upon lightly in this Washington History.

The new officers and enlisted men required for the various Theater positions were secured with the assistance of the Personnel Procurement Branch in some cases but, especially in connection with the officers, the Special Funds Branch ^{USIA} arranged for their transfer to OSS from Army Finance.

Colonel Rehm personally went to the Army O.C.S. School at Winston-Salem, and later to Fort Benjamin Harrison, to interview and select those young Lts. of the desired calibre for our Branch. Colonel Morton, Army Finance Officer, was most cooperative and an exceptionally high class group of men were secured by this means. For the training of these officers and men it proved necessary to establish a "school" under the direction of Captain Lucas in the Special Funds Branch, Washington. Under the direct guidance of S/Sgt. Vernon Turner, these men were thoroughly indoctrinated in all Special Funds Branch activities and procedures as well as in the systems used in accounting, bookkeeping, monthly reports etc. It is gratifying to note that, with very few exceptions, the Special Funds Branch personnel in all theaters have been very highly commended and in numerous instances have been selected to handle other positions, such as Executive Officer, Security Officer or Services Officer, in addition to their regular Special Funds Branch work. As a result of this exceptional ability on the part of certain of these officers, several were transferred in the Field and thus lost to this Branch, and in other cases, the SSQ requested that they remain in their theaters even after our Branch activities would have permitted their transfer to a new post.

(d) 3RD YEAR-1944

As mentioned in the 1943 coverage, 1944 saw the final settlement of such problems as the living and quarters allowance and the transfer of numerous accounts, both in Washington and in the Field, from Special Funds to vouchered funds. The Board of Review was established and commenced operations with Lt. Colonel Charles Sears as Chairman and Captain Julius

Morgan U.S.N.R. and Mr. R. H. I. Goddard on the staff. Likewise the year was blessed (at least in the majority of cases) with many new General Orders pertaining to Special Funds operations. These will be discussed in the summary of this history and included as additions.

Additional new Branch Field Offices were set up in 1944 and some changes in the theater's Special Funds Chiefs were effected. In January Mr. James McMillan went to Madrid under State Department cover, similar to that approved for Mr. MacPherson in Lisbon. Captain Joseph D. C. U.S.M.C.R. flew to SEAC (Southeast Asia Command) in March to set up his Headquarters in Kandy while in the following month, April, Commander Joseph F. Leste U.S.N.R., moved out to Calcutta, and later to New Delhi, to act as Chief of the Branch in the, at that time, C & IB Theater. To Istanbul in July was sent Army Captain John C. Young, in civilian clothes, to handle the finances in Turkey under the direction and control of the Cairo Office, while in Cairo itself, in December, 2nd Lt. Nick J. Steichen took over as Chief for Mr. Thomas F. Bland who returned to Washington for a new assignment. At this same time 2nd Lt. William Peratino was transferred from Cairo to Athens to be in charge of Special Funds operations in Greece on a temporary assignment. Ensign Gunnar Mykland U.S.N.R., under the C & IB Theater of Commander Leste, in November became the Special Funds Head in Kunning, the first Headquarters for the Branch to be established in China.

The only other new office opened in that year, was established by Lt. (jg) William Mackintosh U.S.N.R., who was sent to the San Francisco Headquarters. We then had two U. S. bases in operation besides here in the Capitól, one being in New York and the other in California. In

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addition to the Chiefs appointed to the outside theaters, the majority of the Field staffs were augmented in all theaters by extra Officers, enlisted personnel to serve as assistants, and clerk stenographers to handle bookkeeping, correspondence, filing, etc. MEDTO, ETO and FETO, all were sent many additional personnel during the year.

Just as our Field Offices were on the steady increase, so, necessarily, was likewise the case in Washington. This required additional room and the Branch, from its original location, was moved on four separate occasions. In 1943 it was transferred from the first floor of Que Building to the second floor, and later up to the South Building. In 1944 it moved again, this time to the North Building, while early in 1945 it proved necessary to again pack up and this last change was back again to the South Building, where it is now located in a suite of (12) rooms of assorted sizes on the 3rd floor. Each of these moves resulted in added space, sufficient for the moment, but required a complete new floor plan arrangement, the physical transfer of all equipment, and the installation of new telephones, buzzers, etc. They proved to be man-sized undertakings in every case but were completed with little interference to operations and in fast time.

Accompanied by Colonel S. C. Missal, Chief OSS Surgeon, Colonel W. L. Rehm left Washington late in July on an extended inspection tour by air of all Special Funds Branch installations. He proceeded first to ETO and after a brief stay in London picked up Lt. Col. Robert Alcorn and flew on to Lisbon for consultation with Mr. Gardner MacPherson and likewise with Mr. James McMillan who came down from Madrid to meet him. Their business finished in Portugal, the Colonel and Lt. Col. Alcorn went on to North Africa and thence to Italy where all MEDTO bases were visited.

Leaving Alcorn at Caserta, Colonel Rehm's next stop was Cairo and from there on to India with stops at New Delhi, Calcutta and at 101 (Nazira). He next "hopped the hump" to Kunning and on his return from China proceeded to Ceylon and visited the SEAC Headquarters at Kandy. His job finished, Colonel Rehm made the long flight across the Indian Ocean to Australia, the South Pacific air route to the Territory of Hawaii, on to San Francisco and, at long last, across the continent to Washington. Gone, in all, approximately (3 1/2) months, Colonel Rehm was one of the comparatively few individuals who have circumnavigated the globe entirely by air route. During the period of his absence from Washington on this most important and successful inspection trip, Mr. R. H. I. Goddard served as Acting Chief of the Special Funds Branch, besides giving a part of his time to the Board of Review.

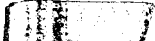
For the fiscal year ending June 30, 1944 Congress appropriated \$21,000,000. for Special Funds, OSS, of which the net allocation or apportionment was \$14,960,000. This was the first time that the unvouchered funds were granted by Congress direct, having formerly, as previously noted, come from the Emergency Fund for the President, National Defense. The \$21,000,000. appropriation for Special Funds was not, of course, the total appropriation for all ^{OSS For} 1943-44. An additional amount was granted for vouchered funds expenditures, to be cleared in the usual manner through the General Accounting Office in Washington. Under the existing regulations, vouchered funds can avail themselves of, and be reimbursed by, Special Funds, but the opposite is not the case. In other words, Special Funds can neither borrow from, or be reimbursed by, cash appropriated for the vouchered funds accounts.



In order to make as completely uniform as possible all the book-keeping and reporting systems used in the various theaters, Captain Lucas with the assistance of Lt. Geer, "sweat out" a new formula to be used in all Fields and conform to the Washington system. This was forwarded to all Special Funds Chiefs with a letter of full instructions. It is as simplified and fool-proof as possible and was only completed after a great deal of effort. At this time it has become the standard for all Branches everywhere. Likewise in 1944, the need for Traveling Auditors for the Special Funds Branch was recognized and a drag-net put out to locate and secure competent officers or civilians to take on this work. The following year saw these men off to cover the Mediterranean and European Theaters and also the Far East.

The Special Funds Branch files became necessarily so voluminous in size and complicated from the standpoint of efficient handling that a registry for all material, with its own staff, was found to be essential and was set up in March under the direction of Mrs. Dorothy King in a separate room adjacent to the front office. It immediately proved its value and bore out the belief that a master file was indispensable. Before this, many files were kept by the individual departments and certain records, in many cases, were at times hard to locate.

When the 7th Army under General Patch invaded Southern France in October 1944, 2nd Lt. Peter Sichel, from the Algiers staff, accompanied the CSS unit as Special Funds Officer, taking with him Sgt. Poyant as assistant. At this same time several new bases were established in Italy and Special Funds personnel were located in Bari, Brindisi, Siena and Florence, besides at the Caserta Headquarters. Additional



officers and men were sent out to Captain Crockett for this purpose and likewise (3) officers were shipped to Lt. Col. Alcorn for future operations in France. The Special Funds operations on the coast of North Africa were closed out before the end of the year. All activities and the bank account in Algiers were consummated, the Tunis base was transferred under the jurisdiction of Cairo, while Oran and Casa Blanca were disassociated from MEDTO and commenced reporting direct to Washington. However, the SI-Africa activities increased and [✓]Sgt. Joseph George, in from Istanbul, was loaned to SI by Special Funds to handle these books and keep the financial records under control.]

The year 1944 unquestionably found OSS at the peak of its activities and the Special Funds Branch "hit the heights" with it. The orders were for full speed ahead for all Branches as the Allies closed in on Germany for the kill which was, at long last, in actual view. ETO and MEDTO had very large staffs at the end of the year while FETO, both China and India-Burma, was expanding rapidly. Special Funds activities were of considerable magnitude in these (3) theaters and also, although to a more limited degree, the same was the case with Cairo and the numerous bases in the neutral countries. The New York and San Francisco Offices, likewise, were more active than had previously been the case. Since, of course, the European War officially ended on 8 May the following year, it is doubtful if OSS can ever experience a year of greater activity than featured 1944. In the Washington Office it was a full (6) day week, every week, with only the briefest of vacations taken by Special Funds Branch personnel.

(e) 4TH YEAR-1945 (\$ MO. PERIOD)

The appropriation from Congress of Special Funds for the year ending 30 June 1945 was \$35,000,000 of which \$14,000,000 later was withdrawn. Of this balance of \$21,000,000 the apportionment requested was \$19,000,000 and the actual net allocation was \$15,996,356.00. As of this date, 30 June 1945, the new appropriation for Special Funds by Congress for the year which lies ahead and will terminate as of 30 June 1946 is \$10,000,000 a very sizeable reduction from the two previous appropriations. But, the House Committee points out, the German war is ended, V-E Day has come and gone and our operations in the Pacific will not, in the opinion of Congress, be as extensive as were those in Europe. So a condensing of our physical coverage, a very sizeable reduction in personnel, and a more strict control over Special Funds in general must, unavoidably, be the case. Just what the OSS picture will look like on 1 July 1946, is difficult to forecast at this time; the sands must run their course through the glass.

During the first (6) months of 1945 additional Special Funds personnel were sent to China and to India-Burma but no new members were needed in MEDIO and just one individual, Mr. Ned E. Ball, was sent to ETO. However, some changes were made in the neutral countries. Mr. Bland, formerly of Cairo, went to Bern to relieve Mr. MacPherson who had taken over the work in Switzerland on a temporary basis. Mr. MacPherson returned to his home base Lisbon, then moved to ETO to prepare for his new position as head of the Special Funds unit assigned to Germany. Since 1942 the funds in Fern had been handled by Mr. Dyar who had been an acting Special Funds Branch Officer along with his

other duties. Mr. Paul Harris assistant to Mr. MacPherson, took over as Chief in Lisbon. Mr. Iver Olsen, after a trip to the States, returned to Stockholm to carry on until a Special Funds Officer could be sent out to relieve him. Captain Young stayed on in Istanbul and Mr. McMillan remained at his Madrid post.

In addition to Mr. Merrill, Agent Cashier in the New York Office, there were (5) Agent Cashiers in Washington in 1945. Colonel W. L. Rehm, Chief Finance Branch, Mr. D. M. Dimond, Chief Special Funds Division, Emerson Bigelow, head of the Foreign Exchange Department, Mr. R. G. White for SI, and Mr. D. P. Hartshorne for Communications, Security, etc. Mr. Dimond handled SO, MO, etc. These Agent Cashiers processed their vouchers through the Treasury, maintained bank accounts in their individual names, and transferred funds to the various theaters for all Field requirements, as well as handling the regular United States expenses under their jurisdiction. Through their hands and bank accounts passed the millions of dollars made available to, and used by, the Special Funds Branch of OSS.

Under date of 11 May 1945 was issued General Order #9 Supp. 38. This established a Finance Branch under the jurisdiction of the Deputy Director-Administrative Services. This combined the original Special Funds Branch and Finance Branch under one control. Colonel W. L. Rehm was appointed Chief of the new Finance Branch and he in turn, with Mr. Louis Ream, designated Mr. Dimond as Chief for the Special Funds Division and Lt. Kenneth Woodring^{W.S.R.} as Chief of the Fiscal Division which he had headed when it was called the Finance Branch. The original Special Funds Branch had been placed under the direction of Services then, in 1944, became an independent Branch in which capacity it remained until the new Finance

Branch was established by the General Order in May.

This amalgamation necessitated the appointments of a Field Chief to head both Special Funds Division and the Fiscal Division in all Theaters. The appointment was left to the SSO in each case when a base had such representation; in other cases the appointment was made by Washington. In the majority of cases a former Special Funds Branch Officer was placed in Charge since the Special Funds operations in the Field usually exceeded those of the Fiscal Division and maintained a considerably larger staff. The combine of these two monetary departments appears to be a sound move and should result in more close cooperation under a single head than was formerly the case.

SPECIAL FUNDS BRANCH DEPARTMENTS SECTION III

When the new Finance Branch was established there existed under the former Special Funds Branch, now Special Funds Division, the following units or departments:

1. Front Office of the Chief, Finance Branch.
2. Disbursing Officer - Operational Branches.
3. Disbursing Officer - Intelligence Branches.
4. Disbursing Officer - Miscellaneous Branches.
5. Disbursing Officer - Foreign Exchange.
6. Accounting and Auditing.
 - (a) Payroll Section
 - (b) Accounting Section
7. Legal Advisor
8. Personnel Officer
9. Registry
10. Field Liaison Officer
11. Field Auditors

(NOTE - A complete roster of the entire staff in each of the above Departments as of 30 June 1945 will be found later in this History under "Personnel" heading).

All Departments will be covered individually and as far as it is possible to do so, the material used will be in the form submitted by the Department Head or by his assistants. In this manner, the point of view and departmental angle should be better and more thoroughly covered and more personally expressed than could otherwise be the case. Where the data supplied to the Historian "in the rough" so to speak, and not in a finished form, then an effort will be made to compile said data in a readable form. In those cases where exact quotations are used in the following Department write-ups, quotation marks will be used and the name of the Department Historian will be given.

(a) FRONT OFFICE OF THE CHIEF

"When I reported for duty 19 January 1942, D. K. E. Bruce (now Colonel) was just starting S.I. and Lt. Col. Robert Solborg, S.O. Both were to be secret organizations, hence would require "unvouchered" money. I was to handle the "unvouchered" money for both S.I. and S.O.

"Having come into the organization through Col. Bruce, I was, for several years, identified more closely with S.I. and was more familiar with its development. From the beginning, it was understood by every one that S.I. was to be a "secret" organization, and according to the way older governments had developed intelligence, "secrecy" was all important. We were at War, the enemy, Germany, had developed a large espionage system, which would try to know about this development to follow it or destroy it, hence "secrecy" was absolutely necessary. Everything that was done at the beginning was considered and initiated

with "secrecy" or "security" in mind.

All procedures established in Special Funds had "security" as first consideration. It was only by means of this "unvouchered" money that the members of the organization could be kept off government payrolls, and expenditures made, which could not be or should not be described in regular government vouchers. It was all important that secret agents be not identified with this organization. As a consequence, it was understood at the beginning that the only money used by S.I. and S.O. was to be "unvouchered".

"At my arrival, Lester Armour appeared the same morning. Waller Booth had been with S.O.I. for a short while but I did not see him until later on. Mrs. Clara Clements as Bruce's secretary completed the S.I. organization.

"Lt. Col. Solborg in S.O. had Frank Canfield and Miss Waters as his staff. Both organizations grew quickly from this time on.

"My appointment as Agent Cashier, was arranged by Cecil Barnes, then Chief, Budget and Finance. I obtained my bond from the Hartford Accident, Indemnity Company. The Treasury approved my appointment, and upon receiving my first check, opened a personal account with the Riggs National Bank. Subsequently, I opened similar accounts with the Bankers Trust Company of New York and the National City Bank of New York,

"The accounting system I started followed instructions received from the Treasury Department. This was a simple set of accounts, designed, I believe, for unvouchered money, recording each procedure from the initiation of a voucher, to the cashing of a Treasury check allowing for expenditures, or an expense account, and advances to subordinate agent-cashiers. For security, I opened two other books in which were entered all transactions with "agents". Totals

from the "agent" journal were transferred to the main set of books which made possible a record without divulging the names of the agents. For security, pseudonymous for agents were used for some time, until this procedure became too complicated. This accounting system proved inadequate in a short time, as our transactions grew and became more complicated and the successive improvements in the accounting system, with the help of James D. Miller, will be recounted in this history.

" Soon after starting my work, I learned of Wallace B. Phillips and subsequently met him. Phillips, I understood, had started a small intelligence organization for the Navy, at least he was using some Navy Funds. Eventually it was decided that all of Phillip's work be turned over to Colonel Bruce to become a part of S.I. This was done and I was given the names of Phillips' agents, together with the contracts. I was also given the money Phillips had on hand when he finally left, which was more than enough to settle accounts with his agents, which took some time to do, all cases not being settled as of that date.

" An office in New York for S.I. was established by Allen Dulles early in February of 1942. I advanced Dulles \$5,000.00 after which, early in March, George Bowden was made a subordinate agent-cashier. In March Van R. Halsey opened another small office from which he recruited agents for S.I. As he had small expenditures, I too made him a subordinate agent-cashier. In February I was authorized to make money available to Foreign Nationalities so I appointed F. F. Bowman subordinate agent-cashier.

" For S.O., I originally made Major Garland H. Williams subordinate agent-cashier and later when Colonel Goodfellow succeeded Colonel Solborg, Miss Ellen Dockery assumed this responsibility. By April of 1942 both S.I. and S.O. were expanding their organizations rapidly. I continued handling

all of S.I. payments myself, leaving all of the S.O. transactions to Miss Dockery until D. M. Dimond joined Special Funds to be Agent-Cashier for all of the Operational Branches.

"In February 1942, Ellery Huntington joined C.O.I. to start the Security Department for S.I. and S.O. Kenneth Baker in March began organizing the first agents' school near Clinton, Maryland. All of these operations required money, all were secret activities, so could only use unvouchered money. Agents were being employed as well as staff members for Washington.

"All of these activities developed problems concerning which no one had had any experience. Even to discuss them with people outside of S.I. or S.O. was unwise because the individuals or activities were not to be known. As a consequence, we used our best judgment assuming that our first responsibility was to assure General Donovan that the money entrusted to me was spent for the proper activities of C.O.I. Sometimes particularly difficult problems arose.

"Some of the first agents sent out by S.I. went under State Department "cover". It was also necessary for S.I. to use in many countries the communication facilities of the State Department. For agents under "State" cover we devised various methods of salary ~~payments~~ payments in order not to disclose these men as C.O.I. To reimburse the State Department for cable charges, Mr. W. E. deCourcy, Assistant to G. Howland Shaw, asked me to make a special deposit with them out of which these C.O.I. charges could be defrayed. This deposit I established and replenished several times.

"For each new step that the organization took, it seemed that we could never handle the financial and accounting details as we would have wished. For instance, the first missions to Portugal and Spain presented a number of problems. Both countries being neutral, it was not easy to get agents in, and

not easy to finance them once they were in. After all agents had become established and I realized the money being spent was larger than I had anticipated I wanted to send someone to act as the financial man. I was told, however, that it was so difficult finding "covers" for men that we could not afford one for a man to act solely as a Special Funds representative.

"The first mission to North Africa, following the invasion, was undertaken with so much uncertainty as to the number of personnel that would be accepted, we had to give money to all of the Officers, none of whom wanted that responsibility. Then, as it happened, our work and organization developed so fast that, without a surplus of Officers to draw from, I found it difficult to keep up with the demands for Special Funds personnel."

The above statement covering the activation of the original Special Funds Branch and its growth was prepared for the History by Colonel W. L. Rehm, present Chief, Finance Branch, and original Chief, Special Funds. Throughout the entire period of Colonel Rehm's direction of the Branch Mrs. Evelyn K. Hall has served as Chief Assistant and proved herself indispensable to the Front Office. It is to be noted that Colonel Rehm puts particular emphasis on the "security" angle in connection with the large part it played in all of the Branch operations. This was especially true during the first two years of C.O.I. and C.S.S. activities. Practically no development or contemplated mission was originally instigated which did not belong, without qualification, in the "secret" category. Thus unvouchered, or Special Funds, formed the platform, or base, upon which the growth and development of the Bureau rested during a large part of the period covered by Colonel Rehm in his statement.

(b) DISBURSING OFFICER-OPERATIONAL BRANCHES

This Department is under the control of Mr. D. M. Dimond who, in May 1945, was likewise appointed by Colonel Rehm as Chief of the Special Funds

Division, Finance Branch. Mr. Dimond thus occupies the same position for unvouchered funds as does Lt. Woodring, USNR for the Fiscal Division or vouchered funds.

On October 5, 1942, Mr. Dimond reported for duty with OSS and on 27 December 1943 Mr. Roger Simpson was transferred from the War Department to OSS to act as his assistant. On 27 November 1944 Mr. Roby Read replaced Mr. Simpson since the latter was transferred to the MO Branch. Mrs. Ferne Losby is the clerk-steno for this Department.

As Agent Cashier for the SSO group (operations) Mr. Dimond's Department is responsible for all Special Funds operations for the following Branches:

Secret Operations	Operational Group
Moral Operations	Special Projects
Maritime Unit	Field Experimental Unit

Besides the usual activities in connection with the SSO group, Mr. Dimond has also been in charge of the special Thai operations in the Far East Theater.

(c) DISEURSING OFFICER-INTELLIGENCE BRANCHES

The following is quoted from statement presented by Mr. R. G. White, Head of above Department:

"I reported for duty with the Special Funds Branch OSS on 2 January 1943. After two weeks at Area "E" I returned and was given the job of determining the amount of salary paid to employees on the Special Funds payroll during the calendar year 1942, so that Internal Revenue Bureau forms 1099 could be prepared for each employee. This proved difficult as the 1942 salary payments were not posted to individuals pay cards and it was necessary to compute the amount received by each employee by referring to payroll data cards, payrolls, etc.

"Beginning in 1943 individual cards were prepared for each employee showing the salary, E.O.D. date, and all pertinent information. On the reverse side of these cards each salary payment was posted, showing the gross, overtime, total salary, tax withheld, amount withheld for purchase of war bonds, etc. At the end of the year it was simple to compute the total salary paid and the total income tax withheld by adding the amount posted in the appropriate column.

"The matter of security in reporting the amounts of salaries paid to employees paid from Special Funds was taken up with the Internal Revenue Bureau and permission was granted by said Bureau to disregard the provisions on the income tax law requiring that such payments be reported on certain forms prescribed for such purpose, but that a record would be kept in this Branch so that after the war it would be possible to furnish the Internal Revenue Bureau with such information. It was agreed that we would prepare an Internal Revenue Bureau Information Form 1099 in duplicate indicating the employer as "U. S. Government" showing the total salary paid to each employee. One copy of this form was to be attached to the income tax return of the employee and one copy was retained in our files for the inspection of the Internal Revenue Bureau, if and when such inspection was requested. To date they have not been inspected. The income tax returns then could, if the employee wished, be filed in Colonel Rehm's office in a sealed envelope. These envelopes would then be delivered to a designated individual in the Internal Revenue Bureau who would be the only person that would know of the connection with OSS.

" The above method of having income tax returns filed in Colonel Rehm's office was not used in 1943 and 1944 as it was not deemed necessary to preserve security. Also the withholding tax went into effect in 1943 and it was decided that a record of the amount of tax withheld would have to be filed with the Internal Revenue Bureau so that the employees would be properly credited. Accordingly it was decided, with the approval of the Security Officer and the Internal Revenue Bureau, to file information returns, form W-2, with the Internal Revenue Bureau covering each employee, showing the total salary paid and total tax withheld, but would indicate the employer as U. S. Government. These forms were filed with Mr. Perry Sherwood an official of the Internal Revenue Bureau who was the only person in the Bureau who knew they covered OSS employees. The tax withheld was paid out to the Internal Revenue Bureau in accordance with the regulations of the Internal Revenue Bureau.


" Mr. Charles J. Lennihan Jr. entered on duty with the Special Funds Branch a few days after I did and we attended Area "E" together. Mr. Lennihan was appointed an Agent Cashier by the Director and Colonel Rehm made him responsible for payments in connection with the Intelligence Branches, which at that time consisted of SI, R & A and Foreign Nationalities. SI was the only one of these three Branches at that time that used Special Funds to any great degree. Mr. Lennihan asked Colonel Rehm if I could work with him as an assistant and Colonel Rehm gave his consent so that I became familiar with the

work of financing the Intelligence Branches from the beginning of my connections with OSS.

" Since the job as Mr. Lennihan's Assistant did not take up all of my time, Colonel Rehm asked me to assist Captain Lucas in preparing monthly statements. In the summer of 1943 after the departure of Major Williams for Algiers, Lt. (jg) Holt Green for Cairo and Captain Alcorn for London, all as Special Funds Officers, Colonel Rehm asked me to act as liaison with these Officers and any others to be sent out. Beginning in the Spring of 1943 all the Branches began sending people to the Field and before long we found that in order to keep the payroll records straight, with regard to overseas payments, etc., it would be necessary to devise some form to be completed by the employee before leaving for his foreign assignment showing the disposition of his salary payments, living allowance or per diem, amount of travel advance, etc. This "need" resulted in the overseas data sheet, which is still in use. A copy of this sheet after it is completed by the employee is sent to the Special Funds Officer for his information in making salary payments.


" At this time the question of the amount of per diem or living allowance to be paid was very troublesome. There were no regulations to be followed and often the desk man in the Branch, who usually did the recruiting, would contract with the prospective employee to pay him a certain per diem. Some employees were promised a \$7.00 per diem, some \$10.00, and some other amounts. It soon became evident that an overall policy would have to be established, but it was not until 1 July 1944, after the establishment of the Board of Review, that a policy regarding per diems and living allowances was definitely established for employees paid from Special Funds. The confusion meanwhile was very great.

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For instance; in Algiers the Strategic Services Officer, Colonel Glavin, ordered no per diems would be paid after 31 January 1944. You can imagine the outcry from employees who had been promised \$7.00 per diem; London paid \$6.00 to all the male employees and paid the women a living allowance based on Bureau of the Budget Circular A-8, the same as vouchered funds employees; this resulted in some male employees paid from Special Funds receiving less living allowance than they would have under standard government regulations and others receiving more. Cairo paid living allowances in accordance with Bureau of the Budget Circular A-8, which in some cases was less than the employee had been promised by his desk Head; Madrid paid various amounts and often paid all living expenses to an employee who was also receiving per diem from the Washington Office. We are still trying to straighten out tangles resulting from the lack of a definite per diem policy. Since General Order 75-7 was issued on 16 August 1944, all per diems and living allowances both in the case of Special Funds employees and Vouchered Funds employees are to be paid in accordance with standard government regulations.

"Mr. Lennihan's health was not good and he was away in the Spring of 1943 for two weeks and in August he was advised by his Doctor to go away the entire month of September. At this time Colonel Rehm was abroad and Mr. Goddard was Acting Chief of Special Funds Branch. At Mr. Lennihan's suggestion Mr. Goddard asked me if I would be willing to become an Agent Cashier so that I could take over Mr. Lennihan's work. I reluctantly agreed and have been an Agent Cashier ever since and have made a majority of the payments for the Intelligence Branches since that time. Beginning in the Spring of 1944 Mr.



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Lenniham spent most of his time on special projects such as P.M., George Office, C.R. #1, etc. which were not being followed very closely by anyone at that time. He received orders direct from General Donovan on these matters and made a number of trips to New York in connection therewith. As a result I carried the load on the day to day payments. I also took care of the correspondence with the Special Funds Officers in the Field in connection with salary matters, etc., and up until Mr. Hartshorne's appointment I ~~XXXX~~ talked with all persons going abroad paid from Special Funds, other than personnel going out for SO, MO and other Branches handled by Mr. Dimond. Mr. Lenniham always signed the payroll checks for the Intelligence Branches until he left for good when this job was taken over by Mr. Hartshorne. Mr. Lenniham left the end of August, 1944, to go on leave for a month and never returned to active duty for more than a week at a time after that date. He was hospitalized in October 1944 and died in the Spring of 1945.

"During the time I was employed in the Special Funds Branch, ie from 1 January 1943 to date, we have made great strides in tightening controls, securing better accountings for advances etc. When I first became an Agent Cashier there were no orders to follow with regard to proper approvals for payments, the type of expenditures allowed, etc. Gradually orders evolved such as General Order #14 and the orders written by the Board of Review which now define practically all types of payments allowed from Special Funds. It is much easier and more economical to operate, in my opinion, since we have ~~XXXX~~ these orders to follow."

Mr. White's Department services the following Branches:

S.I. X-2 C.D. R&A

(d) DISBURSING OFFICER-MISCELLANEOUS BRANCHES


Mr. Douglas R. Hartshorne, who handles this Department, came to OSS 3 July 1944 so has been with the Special Funds Branch for just one year at this time. The Branches which come under his jurisdiction, and whose financial affairs he handles, are as follows:

Communications	Registry
Field Photo	Schools & Training
OSS Theater Office	Security Office
Medical Services	Services
Presentation	Procurement and Supply
R & D	Reproduction
Special Relations	Civilian Personnel

Soon after Mr. Hartshorne's arrival Colonel Rehm departed on an extended air tour to inspect all Field Offices and Mr. R. H. I. Goddard became acting Chief for the Branch. Consequently, Mr. Hartshorne took over the duties originally assigned to Mr. Goddard. In October 1944, Mr. Charles Lennihan being unwell, he likewise took over the signing of the payroll for SI, X-2, CD and R&A and still performs that function. When it was decided that OSS would be represented at the San Francisco Conference in April 1945, the Finance operations as far as Special Funds were concerned, were placed under Mr. Hartshorne's jurisdiction.

(e) DISBURSING OFFICER-FOREIGN EXCHANGE

Due to the fact that the Chief of the Department, Mr. Emerson Bigelow, was absent from his office because of illness soon after he commenced work on this part of the History, the coverage for Foreign Exchange is not as complete as would otherwise have been the case. However, the data that follows was finished either by Mr. Bigelow himself or by his first assistant 2nd Lt. John Schaefer. The material submitted by Lt. Schaefer has been carefully read and edited, however, by Mr. Bigelow. So much could be written on the Foreign Exchange





subject that, if all were to be included, it would actually be a complete History in itself. However, it is believed that the following coverage supplied by Mr. Bigelow and his Lt. will serve to present as complete a picture ~~xx~~ of the operations under this Department as is possible under the limited time and space available.

(The Foreign Exchange Division of the Special Funds Branch of OSS was activated when its Chief, Mr. Emerson Bigelow, reported for duty on 15 August 1942. Because of Mr. Bigelow's experience along similar lines in World War I and more especially on account of his more recent work with certain United States Government Agencies and Departments, he was assigned the task of organizing the Foreign Exchange Department. He had spent approximately twenty years between World War I and World War II in foreign exchange activities, a part of this time in South America, and upon his assignment to OSS it became his duty to not only transfer that portion of the secret United States funds abroad which were necessary to maintain OSS intelligence and other special operations but also to provide for certain extra foreign balances in certain areas in such a manner as not to, so far as possible, disclose the fact that the United States Government had sizeable cash deposits in these areas.

)} The following was submitted by Lt. Schaefer:


"The first to enter the Foreign Exchange Department of Special Funds to aid its Chief, Mr. Emerson Bigelow, was Mrs. Alice B. Sweeney who began on 12 October 1942, coming to OSS from the Department of the Interior. Her duties were first as general assistant, secretary, and receptionist for Mr. Bigelow, but as time went on and the Department grew she assumed many important





responsibilities. Mrs. Sweeney took charge of Mr. Bigelow's Agent Cashier bank account, having charge of receipts and disbursements, initiating and preparing necessary requisitions for reimbursement of funds, and maintaining ledgers required by the U. S. Treasury in connection therewith. Mrs. Sweeney handled the buying and selling of more than (60) foreign currencies to OSS personnel and maintains the necessary records as well as having charge of the inventory of the various currencies of this office. Mrs. Sweeney also briefs and paraphrases various intercept material for forwarding to other departments of the government. She is familiar with all transactions of the office, and in Mr. Bigelows absence has acted for him.

"Mr. Bigelow and Mrs. Sweeney carried the work of the Department from October 1942 until 25 January 1944 when Pvt. John H. Schaefer entered the Department from the QMC at Camp Lee, Virginia. Pvt. Schaefer was given the tasks of handling Mr. Bigelow's files, the accounting for funds sent to and between foreign offices, the maintaining of the gold records, preparing the "WLR Report", the assisting in the purchases and sales of foreign currency and the records thereof, maintaining current rates on some (80) foreign currencies and gold coins, the preparing of a special report of the distribution of foreign currencies and the value of each in all OSS offices for Colonel Rehm and General Donovan, and the accounting for special transactions identified as "F", "Kappa", and "Seal". On 28 October 1944 Pvt. Schaefer left Special Funds to attend the Army Air Force Officers Candidate School, at San Antonio, Texas, and returned on 1 March 1945. Subsequent to 1 March 1945 Lt. Schaefer was charged with the establishing and maintaining of working rates of foreign currencies and gold coins, assisting Mr. Bigelow in special matters, and assuming responsibility in Mr. Bigelows' absence.








"On 10 August 1944, Mr. John J. Haggerty joined the Department, coming here from the Navy Department. Mr. Haggerty took over the duties of maintaining the Department's files and the accounting of the transfers of foreign currencies to and between foreign offices, and later the secret recording of "gift" and "slush" currencies. Mr. Haggerty assisted in the buying and selling of foreign currency to OSS personnel.

"Cpl. Robert McIntosh was transferred to the Department on 25 October 1945 from the Fourth Air Force Headquarters Detachment in San Francisco, California. Cpl. McIntosh prepares the "WLR Report" and keeps a substantiating ledger for the report, maintains gold records, compiles a photographic manual of foreign currencies together with identifying notes and intelligence, reading and processing intercepts to be sent to other departments of the government, and sends to the Schools & Training Branch such photographs, notes and other material useful to the training program of that Branch. Cpl. McIntosh also wraps and seals packages of currency and gold for shipment abroad.

GOLD "Early in 1942 it was foreseen that a large supply of gold would be necessary for OSS operations. Mr. Emerson Bigelow and Colonel W. L. Rehm consulted the Treasury and were advised that the Treasury was fully cognizant of the value of gold "for purposes vital to the war effort and in connection with certain operations for which other forms of payment would be inadequate."

"The cooperative attitude of the Treasury was enthusiastically received by the Director, and Special Funds immediately started to secure a sizeable stockpile of foreign gold coins. The sources were as varied as the types of coins sought. 



[REDACTED]

Special Funds representatives aboard had been instructed previously in U. S. regulations pertaining to U. S. minted gold.

"The initial purchase of [REDACTED]

[REDACTED] purchases of mixed French pieces, and English Sovereigns quickly followed. By 1 January 1943 we had purchased gold coins to the approximate value of \$800,000. [REDACTED]

[REDACTED]

Later some of this gold was sent to Col. Williams at Algiers and some to Lt. Holt Green, then at Cairo, for use throughout the Mediterranean theater. With this on hand, Special Funds Officers were able to secure sizeable stockpiles of almost every useable Mediterranean currency and thus were able to produce a readily acceptable coin or currency for use of agents and teams for all operations which we might be called upon by the Commanding Officer to perform for him.

[REDACTED]

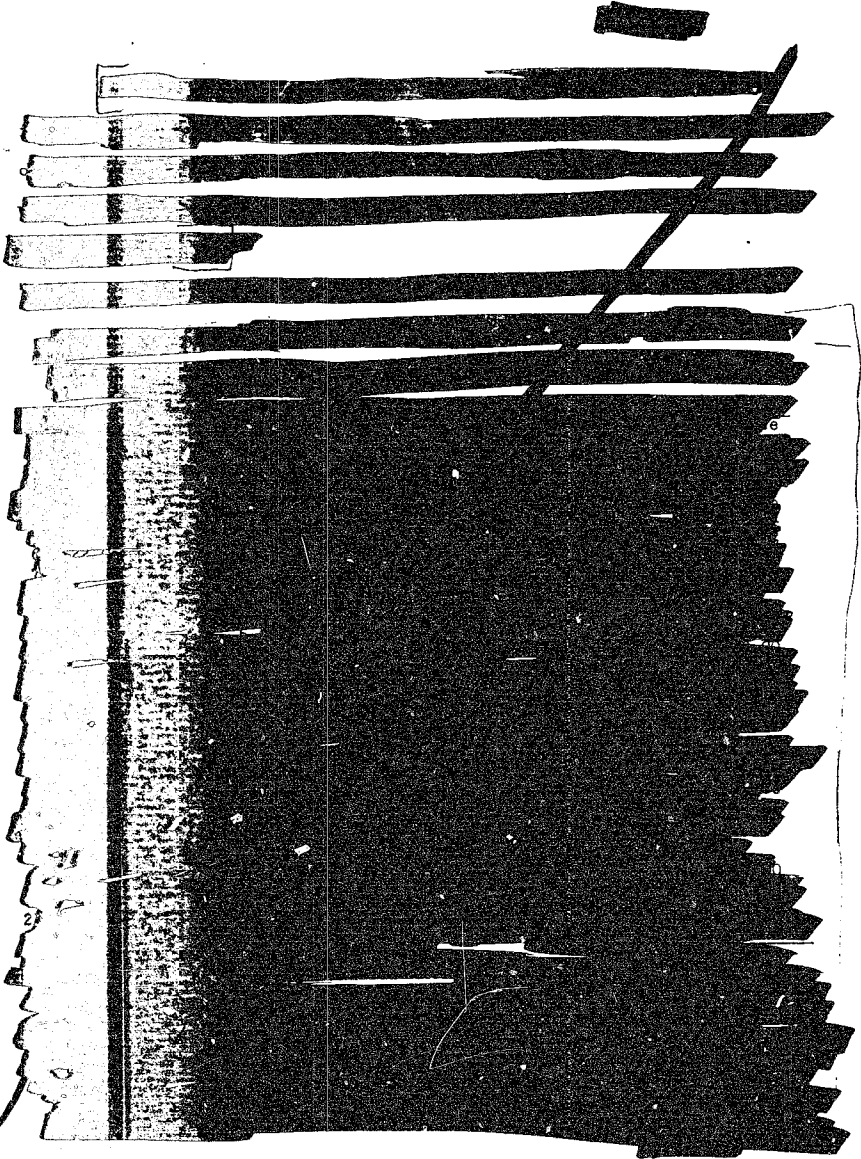
- 00 -

[] Gold purchases continued from that time until by 1 June 1945 we had secured gold coins of all types having a total value of almost two million dollars. Our pieces of gold ranged in value from \$3.43 for the smallest to \$33.26 for the largest -- the U. S. Double Eagle. These different mintages were purposely acquired for their difference in value and acceptability anywhere in the world. []

[] We had accomplished our job in Europe with an expenditure of less than \$500,000 worth of gold and had on hand for further operations approximately \$1,500,000 in gold including French, English, Italian, Swiss, Belgian, Austrian, German, Dutch and American. [] We also acquired some tolas which have been always acceptable for use in the Far East. []

"The tola is a unit of gold in wide use throughout the Far East. It is a $3/8$ oz. disc which has no distinguishing marks except the "chop" mark of the private dealer or goldsmith who assays it. It is made in discs of (1) or (5) tolas, or a long bar of (10) tolas. The convenience of this type of gold for OSS operations is apparent and a working supply was secured in January, 1945.

[] They were made in bars of approximately (5) oz. each and were about the size and shape of a domino sugar loaf. [] furnished a unit of small size and weight, but of high value, and could easily be transported and were readily accepted anywhere.



"The following foreign currencies have been handled by the Special Funds

Division:

- | | |
|---|--|
| 1. Angolare | 31. Lev |
| 2. Baht or Tical | 32. Lire |
| 3. Iraq Dinar | 33. AEG Lire |
| 4. Serbian Dinar | 34. Milreis |
| 5. Old Yugoslavian Dinar | 35. Peseta |
| 6. Yugoslavian F.D. Dinar | 36. Philippine Peso |
| 7. Chinese National Dollar | 37. Piaster |
| 8. Central Reserve Bank (China)
Dollar | 38. Australian Pound |
| 9. Drachma | 39. British Military Authority Pound |
| 10. Escudo | 40. British West African Pound |
| 11. Guine Escudo | 41. British East African Pound |
| 12. Mozambique Escudo | 42. Egyptian Pound |
| 13. Albanian Franc | 43. Gibraltar Pound |
| 14. Belgian Franc | 44. Irish Pound |
| 15. Belgian Congo Franc | 45. Malta Pound |
| 16. French Franc | 46. Palestine Pound |
| 17. Supplemental French Franc | 47. Union of South Africa Pound |
| 18. Algerian Franc | 48. British Pound |
| 19. French Equatorial Franc | 49. Syrian Pound |
| 20. Morocco Franc | 50. Turkish Pound |
| 21. Tunisian Franc | 51. Reichmark |
| 22. French West African Franc | 52. Allied Military Mark |
| 23. Swiss Franc | 53. Rials |
| 24. Netherlands Guilders | 54. Chervonetz (Rubles) |
| 25. Netherlands E. Ind. Guilders | 55. Burma Rupee |
| 26. Norwegian Kroner | 56. British Military Administration
Burma Rupee |
| 27. Swedish Kroner | 57. Jap Burma Military Rupees |
| 28. Kuna | 58. Ceylon Rupee |
| 29. Lei | 59. Indian Rupee |
| 30. Pengo | 60. Zloty |

"Information was constantly being gathered on the following additional foreign currencies for dissemination to the field and for Schools and Training Branches:

- | | |
|---|---|
| 1. Federal Reserve Bank (of China) Dollar | 11. Japanese Straits Settlements Dollar |
| 2. Hong Kong Dollar | 12. Aruba Guilder |
| 3. Straits Settlements Dollar | 13. Curacao Guilder |
| 4. Military Yen (Jap) | 14. N. G. Guilder |
| 5. Imperial Yen (Jap) | 15. Danish Kroner |
| 6. Philippine Military Peso (Jap) | 16. Russian Occupational Pengo |
| 7. Supplemental Military Yen (USA) | 17. Cyprus Pound |
| 8. Macao Dollar | 18. New Zealand Pound |
| 9. Malay States Dollar | 19. Hong Kong Military Yen (Jap) |
| 10. Malay States Military Dollar (Jap) | 20. Singapore Military Dollar (Jap) |
| | 21. Korea Yen (Jap) |

Samples of the first seven listed above are held in our office.

On all of the above (81) currencies intelligence is maintained for the following:

1. Dollar Exchange Rates
2. Exchange Rates of one foreign currency to other foreign currencies.
3. Exchange rates in terms of gold or silver.
4. Black Market rates in all principle centers.
5. Counterfeiting activities (if any) of these currencies, location of activities, and by whom done.
6. Legality of currencies.
7. Locality in which currencies are used.
8. Acceptability of currencies.
9. Restrictions placed on importation, exportation, and use of foreign currencies.

The following is submitted by Mr. Bigelow himself for this History:

"All funds sent abroad fell into two categories - (a) work funds (b) task funds. Work funds were those used to pay salaries and to maintain individuals who were ostensibly engaged in open above-board legitimate businesses (unless a man so engaged were openly paid, his "cover" would soon become suspect, because he would appear to have no source of pay.) Task funds were those used (often by the same individual) for the obtaining of confidential information,



bribes, and other secret operational purposes.

"In the early days the transmittal or local procurement of work funds presented no problems. In fact, operations for this purpose were openly conducted in order, if possible, to direct suspicion away from our surreptitious activities. However with each agent in need of more and more funds as time went on, even these open transfers of capital became difficult because of certain local government regulations. For example - in one neutral country an alien could receive from abroad funds to an annual total of only \$ 100 without a special license having to be obtained from the local government. In another neutral country there were no limits on capital transfers but the amounts which could be withdrawn weekly in cash from the banks were strictly limited.

"The obtaining of task funds on the other hand presented a two-fold problem. All countries in Europe, belligerent and neutral alike, had imposed censorship on communications and had promulgated regulations on capital movements. Under these regulations, in most countries all banks within the country were required to report to the government any sizeable or unusual bank transactions, particularly cable transfers of money from outside of the country and more particularly when done for the benefit of a resident alien. During the initial period when our overseas staff was small




we were reduced virtually to the buying of actual currency notes and shipping these notes into the countries involved




The secret movements of money into any country to be later used for secret purposes, and not for the purchase of goods for export,





is never easy, particularly during war periods. Our problem involved (a) the quiet circumvention of the regulations of each country without arousing the suspicions of the banks, which we knew were under orders to inform their respective governments, and (b) to do this if possible, without having the enemy learn about it. We had been informed that the enemy had sent agents into all neutral countries to spy out black market and other under-cover financial operations. These agents had been especially trained and had, in many cases, actually been placed in responsible positions by the enemy in some banks with the result that the danger of information reaching the enemy through these trained agents was ever-present.

"It was at this time that currency notes appeared to us to be our best medium, but the exclusive use of currency notes in turn was not too simple and raised many questions. Where were we to get currency notes in amounts adequate for our needs? Where were we to safekeep them since we were short of safes and since in many cases the Embassies and Legations did not serve our purposes? Whom were we to use as middle men for the local procurement of these notes? What steps could we take to protect ourselves against using notes the numbers of which had previously been taken and recorded by the enemy? (In certain capital cities we learned that this practice was being carried on on a very wide scale.) How were we to guard against having counterfeits foisted upon our personnel many of whom had not known the currency notes sufficiently well to detect counterfeits? In view of all this it will be seen that much planning and training of personnel had to be done. We are informed that not a single one of the currency notes which we acquired in [Lisbon] through many devious channels was ever traced back by the enemy to the United States Government or to the American Legation - let alone to OSS. We are pleased to record that these precautions paid off. With a further view of protecting our agents we did not



repeat a successful operation too often nor did we, longer than was necessary, rely upon any single pipe line for our flow of funds. As soon as the initial funds had been successfully put at the disposal of our agents, means were studied to keep the agent in funds currently through multiple operations, for example - in one country at one time we channeled money into this country through seven distinct types of operations.


"While the original few had gone abroad with currency in their pockets they soon found that this currency was inadequate. We learned that the two most active markets for the obtaining of currency notes were [Lisbon, Portugal and Bern, Switzerland.] To these two centers we remitted funds in amounts over and above our current or projected local needs and thereby accumulated stockpiles of local currencies which could in turn be used to acquire other currencies through either bank channels (where this was permitted) or through the black markets.

"After the successful occupation of North Africa and after the directive placing OSS under the command of the Joint Chiefs of Staff, we found ourselves being asked by the Commanding Officer in this theater to perform several services, which called for the expenditures not only of additional funds but of different kinds of currencies. It became necessary therefore for us to set up a system whereby our Algiers Office, for example, might call upon our Lisbon Office for the purchase of, let us say, Italian Lira, not locally obtainable in Algiers. All of these inter-office requests were cleared (when time permitted) through Washington, because Washington had to keep each office supplied with sufficient local funds to enable it to successfully to respond to the demands which might be made upon it by some other office. This in turn called for increased remittances and enlarged bookkeeping system of over-all control.

Although all countries adopted certain regulations, designed to regularize certain transfers, the actual transfer of U. S. funds to certain areas presented, at this time, relatively little trouble. However, surreptitious movements of funds by ways constantly croaked for security reasons did call for such study. There was, at this time, no precedent to follow and no universally accepted practices to resort. The setting up of bank balances and the reduction of those bank balances into currencies of the countries involved soon developed into individual operations. Each capital transfer had to be a special "tailor-made" job. Moving sizeable sums of money within and without a country under masked operations is never simple. Moreover the importance of the constant secrecy of the operation was so great that a slight disclosure at this time on this point is perhaps verifiable. Without an understanding of the importance of the secrecy of capital movement, the problems facing the Special Funds Branch of OSB and their progressively successful solutions cannot be fully appreciated. The foreign countries fell roughly into three categories:

- a) Enemy and about to be occupied by the enemy.
- b) Allied
- c) Neutral


"No small part of the German master plan of World domination was the creation of foreign exchange balances in certain key countries and their transfers from those countries to others where they might be used surreptitiously and most advantageously in the successful completion of the master plan. Spies and saboteurs must be used. Propaganda space must be bought and quisling Government officials must be bribed. And all of this takes money. That a country planning to engage in war makes financial preparations in anticipation of the capture of other, as well as military



preparations, is a fact well recognized by some, but it is often lost sight of by many. The actual methods of acquiring capital and its transfers to certain localities must, of necessity, be kept secret from the authorities and Governments of those countries and certainly from the Agents of the potential enemy because if ordinary available bank transfer channels were used, these transfers of capital would become obvious and suspected. For some time prior to Pearl Harbor several U. S. Government Agencies and Departments had been actively engaged in ferreting out the accumulations of ^{Axis} capital in this country. A unit was established to engage in secret intelligence and other special operations abroad. It became obvious that the enemy would attempt to learn of U. S. plans through the tracing of U. S. funds. One, therefore, was faced with the problem of how best to secretly finance its foreign operations. No one knowledgeable in matters of surreptitious German financial operations holds the enemy and their ingenuity in low esteem and it was because on this account that Mr. Fiske, whose primary job it was to transfer U. S. funds abroad, made immediate arrangements with many of his former associates to have current reports of these German manipulations made available to him in the Special Funds Branch. The Reporting Board within CCA, the Office of Censorship (both Postal and Cable) and other connections were instructed to turn over to the Foreign Exchange Division of the Special Funds Branch any reports pertaining to German financial operations. The Foreign Exchange Division of the Special Funds Branch utilized these reports in a twofold manner -

a) as a defensive mechanism and b) as a semi-offensive mechanism.

The report now to the early fall of 1940, however, at that time, represented in the capital cities of the four neutral countries in Europe and in London. The Special Funds Branch had no individual representatives to make secret contact





make out detailed accounting reports. As a result, in the early stages, anyone going abroad for OSS, regardless of his position, was equipped with cash funds of the country of his ultimate destination. This called for the Foreign Exchange Division of the Special Funds Branch equipping itself whenever and wherever possible with a multitude of foreign currencies. As a matter of interest, the currencies of the Iberian peninsula were acquired for a while in Buenos Aires because it was ascertained that in this market and through certain individuals and firms there was good security and the currencies could be bought on an immediate basis even though the Argentine currencies had to be purchased first. While the Foreign Exchange Division of Special Funds was authorized to negotiate over the current account, in order to assure security, economy had to be practiced, in order that the costs of these foreign currencies, in terms of American money (which, in turn, came from a rigidly fixed budget), would be as low as possible. The German had frequently outlived certain issues of currencies in certain countries under their control, and, as a result, the Foreign Exchange Division of the Special Funds Branch had to run the risk of being caught with currencies which had been previously outlawed by such German edicts.

As the personnel of OSS increased abroad and as the Special Funds Branch was able to send its own representatives, not only to receive but to disburse their secret funds to its agents, different methods (always marked and secret, and very unobtrusive) were devised. These methods, however, were not to allow special currencies to be kept in the hands of individuals, but rather to be controlled centrally, and to be used only in the most extreme circumstances.

When the market for foreign currencies was not so good, it was necessary to resort to the purchase of the currencies in the form of bonds or other securities, and to use these



resistance which could, in spite of French foreign law, be converted into foreign currency.

[REDACTED]

"After the successful occupation of North Africa and the driving out of the enemy from that continent, our Aides Office (then under a C. O. of the Army) was called upon at my request to continue to supply funds for certain military operations. Furthermore, Aides was used as a special agent for operations outside of the African continent. This introduced a new factor into the need for foreign talances for OSS. For example, no sooner had the French set up their provisional Government in North Africa than they approached the high command of the American and British armies there to obtain funds with which to set up their own chains of intelligence in Spain. We found ourselves, therefore, not only called upon to supply the direct needs of OSS but any and all other needs arising from the demands of our allies.

[REDACTED]

[REDACTED]

[REDACTED]

In this connection, knowledge of the operations of the Foreign Branch Division of the Special Funds Branch would be complete without an acknowledgment on its part of the willingness of effective cooperation always rendered it by the U. S. Treasury.

[REDACTED]

It was, therefore, not surprising that, as mentioned above, the Provincial Government in Manila would have it made available to the Bureau certain assets. It may be well to mention here the fact that it was within the power of the Bureau to cause the export of such assets out of Manila. It is to be noted, however, that certain conditions were set in any export of such assets.

Such restrictions were necessary in view of the Bureau's inability to determine the exact whereabouts of such assets and the Bureau's inability to determine the exact whereabouts of such assets.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] As the ice limit on the [REDACTED] water, it is [REDACTED] to be [REDACTED] [REDACTED]

[REDACTED] water are [REDACTED] [REDACTED] approximately [REDACTED] [REDACTED]

[REDACTED]

[REDACTED] The [REDACTED] was to have [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

[REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] Since [REDACTED] [REDACTED] notes are [REDACTED] to [REDACTED]

[REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]



[REDACTED]

Foreign Exchange Division of the Special Funds Branch of OSS was called upon

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

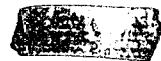
[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

"Another activity of Mr. Pielow, although not strictly the purchase and sale of foreign exchange and/or currency might well be introduced at this time, since without it the real work of the Foreign Exchange Division of the Special Funds Branch would not be complete. Reference is made to the loan of Mr. Pielow by Col. Lahn to the Schools and Training Branch. At one time Mr. Pielow took an active part in the briefing by the same name and lectures of those going to the European Theater, both as Intelligence Agents and as Operational Agents. These lectures covered the "do's and don'ts" of handling secret task funds in the field and the manner of combining these task funds with the work funds which an agent receives in payment of the job he assumed as his cover.



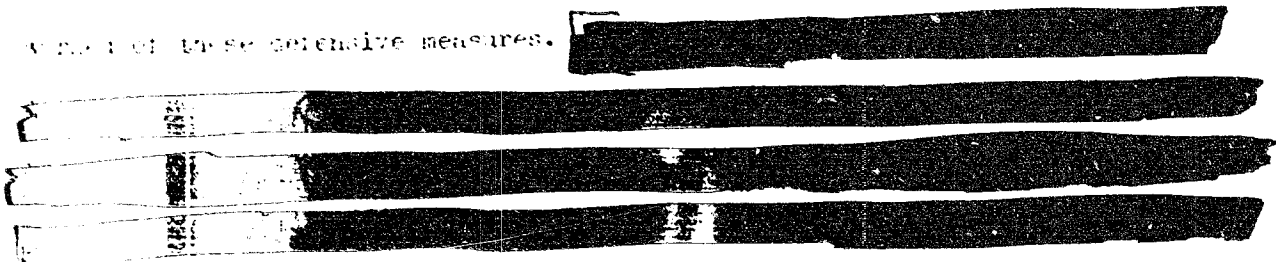
Shortly after the occupation of North Africa, OSS was put directly under the Joint Chiefs of Staff and many of the personnel of OSS were militarized. While these militarized personnel were paid by the War Department, they handled secret funds supplied them by OSS and it was the handling of these funds, if not properly accomplished which would have, in many instances, endangered, not only their projects and missions, but their lives. Whenever a cover had to be supplied a person going into a neutral country, his cover had, or necessity, to be either as a Clerk or an Attache to the State Department or as a representative to some other Government agency or a private American commercial firm. Here too the danger of a man using his task funds to supplement his work funds would have also endangered the project. In this connection, we refer to work funds as funds that he received in payment of his theoretical services and task funds as those which were supplied him from the secret funds of OSS to carry out effectively his real work. Cases are too numerous to enumerate here where inadequately trained personnel have lived ^{on} ~~at~~ a \$10,000 a year scale when their cover work called for a \$1,000 a year remuneration. One of the best examples of this type of blunder is supplied by a young German chemist who had been introduced by Wilhelmsstrasse into Lisbon at the invitation of the Portuguese Government. In justice it must be said that he was not properly trained and as a result his cover and his effectiveness were blown within a period of some three weeks.

Another phase of the training of the men going out was the proper use of currency and covered to bank balances in certain countries. Most countries at the outbreak of ^{the} world war prohibited result tant to the blocking of certain bank accounts and as to the introduction of currency into their covers. As a matter of fact in the summer of 1941 no one was permitted to enter a certain



with more than a nominal amount of Swedish currency and the Swedish Government interpreted the meaning of the word nominal as 1,000 crowns, nor was anyone permitted to enter Finland with more than 100, in currency, nor to enter the United States with more than \$250.00. Suddenly and without any previous warning the Swedish Government announced that no one would be allowed to enter Sweden with more than 100 crowns. At the same time the British lowered their limit to 10 and the United States their limit to 100.00. One of the reasons for these regulations was that a person would have to ~~XXXXXX~~ negotiate his checks at a bank in order to replenish his funds after the original sum had been spent. As all of the banks had been put under Government regulations this meant that in order to get cash through the banks a check had to be surveilled by the respective Governments. Some countries went so far as to limit the amount of cash withdrawn which an alien might take from his bank account. These regulations were changed from time to time and it was the obvious duty of the Foreign Exchange Division of Special Funds to keep abreast of these changes and to report on its briefings these changes to those going abroad.

When it became obvious that most of the surreptitious and clandestine financial operations were being carried on in cash, defensive mechanisms were set up by the enemy and by the respective foreign governments to trace the movement of cash. The usual methods of marking money, recording serial numbers and the issuance of special notes, were indulged in and OSB airbound personnel were advised of these defensive measures.



[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

where Americans are prone to believe that surreptitious financial operations, when improperly handled, are a constant source of revelation. Europeans, on the other hand, after years of being required to register with the police, are inclined to regard highly the work that can be done in tracing financial operations.

It suffices it to say that ~~the~~, because the operations of the Foreign Exchange Division of the Special Funds Branch were carried on with the safety of OAS agents as of paramount importance, so far as has been reported back to this Division, and the fate of this writing, no agent who was briefed by this Division in Washington before going abroad or who was supplied with funds under the direction of Washington ever lost his life. No OAS mission was ever cancelled due to the lack of proper funds previously screened for safe use and no friendly group ever sought the financial aid of this Division without its being promptly supplied."]]

(OAH) It is believed by the Historian of this History of the Special Funds Branch - Washington, that an excellent picture of the difficulties and pitfalls which faced the Chief of the Foreign Exchange Division and his assistants during the past (5) years, is presented in the above cover submitted by Mr. Pifer and Lt. Schacter. The record of this Division's successful operations, referred to in the final paragraph above, speaks for itself and is, indeed, an enviable one.

END

[REDACTED]



(f) ACCOUNTING AND AUDITING

Practically since the inception of the Special Funds Branch the functions of the Accounting and Auditing Department have been under the supervision of Captain E. M. Lucas, its Chief. The original books and records handled by Colonel Rehm were turned over to this officer in 1942 and the expansion and development of the Department remained under Captain Lucas' direction throughout the years to follow. The two sections of the Accounting and Auditing Department, ie: (a) Payroll Section and (b) Accounting Section, are likewise his responsibility. A brief but thorough resumé, as supplied by Captain Lucas himself for this History, follows:

"On 17 September, 1942, Colonel Rehm employed E. M. Lucas as an assistant to him to perform such functions as he might assign. The first assignment consisted of taking charge of a secret journal and ledger into which all payments made to agents were recorded. This journal formed a basic part of the accounting records as totals were transcribed from this journal into the Standard Set of Accounts established by Colonel Rehm, on instructions from the Treasury Department. All items posted in the journal were reposted to an account in the secret ledger. This ledger formed the first set of accounts. It is important to note that all advances were charged to expenses at the time of issuance, so that the ledger was primarily an internal control for determining that all such advances were accounted for. The entire set of accounts as maintained was a single entry system and as accountings were received they were credited to the respective accounts, but not charged to an expense category.

"In approximately November, 1942, Colonel Rehm employed B. M. Dimond, who took over the accounts of the SC Branch, not only as disbursing agent cashier, but also as to recording of the accounts of individuals associated with that Branch.



" In approximately December, 1942, Colonel Rehm employed C. J. Lennihan, Jr., who became the disbursing agent cashier for the SI Branch and subsequently all Intelligence Branches. Mr. Lennihan did not take over the maintenance of the accounts into a separate unit such as Mr. Dimond had done, but continued the accounting practice as set up by Colonel Rehm.

" It is interesting to note that at the time that the organization was formed each agent was given a code name and all reference to him in the financial records was by that code name. The key to the code was maintained in the personal safe of Colonel Rehm. It was an excellent attempt at maintaining security but from a practical point of view soon became absolutely unworkable, as the number of agents increased and as domestic personnel began to take on the role of agents.

" In the Spring of 1943 Colonel Rehm was requested to keep his accounts by projects which had been specifically approved by the Director. At the same time it became impractical to continue the division of the payments to agents from other types of secret expenditures. Therefore, the special agents journal was eliminated on 30 June, 1943, and posting of agents accounts was carried directly to the agents ledger pages from the agent cashier disbursing records. The agents ledger was then broken down into the various projects to which the agents were assigned. E. M. Lucas (who had been commissioned a 2nd Lieutenant on 13 November, 1942, and assigned to OSS) continued to keep the agents project ledger and Mrs. Eve Caswell continued to keep the agent cashier records and the payroll records.

" About this time some of the larger projects developed into the large OSS Theater Missions, such as London, Algiers, and Cairo, and Special Funds Branch dispatched officers to each of these locations to handle Special Funds. These Special Funds officers then reported back to Washington, where the expenses were recorded on the project ledger. This recording became a tremendous job because the Special Funds officers took credit for advances which they had made to local personnel, necessitating the Washington Office charging the advances to the individuals advanced the funds and following the advances until they were accounted for. The unworkableness of this system became apparent in December, 1943, and so in the Spring of 1944 Washington devised a simple accounting procedure which it pouched to all the field offices except Cairo, which had already set up a satisfactory system of accounts. Under this system the Special Funds Officers were requested to set up a balanced account for each currency in which it dealt, and report to Washington in the form of balance sheets monthly showing:

Cash on hand beginning	Cash on hand end of period
Advances beginning	Advances end of period
Transfers in	Transfers out
Conversion credits	Expenses
	Conversion debits

Total

Equal to total

This method kept the responsibility for advances in the hands of the Special Funds Officer abroad and his total accountability was kept on the project ledger in Washington.

" During the Spring of 1944 it became evident that the method of accounting for funds was satisfactory to show that accounting was made, but did not indicate the expenditures in relation to dollars. Likewise it developed that

it was unwise to separate the books into two separate sections between Mr. Dimond and the other agent cashiers. Colonel Rehm requested Captain Lucas to take charge of all bookkeeping and accounting on 1 July 1944. Captain Lucas requested and received the assignment of Lt. B. O. Geer^{U.S.N.R.} to the accounting section. A completely new double entry system of accounts was devised with all entries tied into the books by numbered voucher. The advances previously made and outstanding were carried forward into the new books as of this date. All accountability of the field offices was transcribed into dollars at a rate, as close to cost as possible to ascertain, and carried forward into these books. The accounting system was set up so that all expense charges would be charged to the expenses of the branches by Government classification for domestic and foreign account. The agent cashier ledger accounts were broken down to show receipts and disbursements as applied to the respective appropriations. S/Sgt. Vernon Turner was immediately placed in charge of the foreign accounts with Sgt. Arthur Todd to assist him. All reports received from the field offices were transcribed to dollars and the accountability carried forward monthly. The payroll section was expanded and Mrs. Caswell was placed in charge.

"About this time the General Counsel advised Special Funds that the Comptroller General, in an informal ruling, had declared that all dollars expended for the purchase of foreign exchange could be considered expended for the purchase of commodity. Therefore, all dollars held abroad as of 1 July 1944, were credited to the 1944 appropriation and charged to the 1945 appropriation, but all foreign currency was considered in the light of a commodity with no adjustment between appropriations. In disposition of foreign

currency during fiscal year 1945 have been considered as a miscellaneous receipt.

"The accounting system sent to the field in the Spring of 1944 continued in effect throughout the fiscal year 1945. However, it became apparent that this system should be revised because (1) the rates of various currencies were being carried at varying amounts in different theaters, (2) advances repaid in dollars invariably raised questions as to the rate to be applied, (3) expenses were charged on the books at rates considerably below the official rates. After discussion with Mr. Bigelow, it was decided to stabilize all foreign currency rates to the dollar on a basis as close to the official rate or rates set by the Army or Treasury as possible. With this revision of rates in mind a revised accounting system was devised in May, 1945, and sent to all Special Funds Officers, for application 1 July, 1945. This method contemplates the use of a one currency system. Copy No. 15 of the procedure is attached for your information.

"The Accounting Section has endeavored to cooperate closely with the agent cashiers in the capacity of a service unit, handling all disbursements and accountings, duly approved by the agent cashiers."

ACCOUNTING AND AUDITING
(A) Payroll Section

Mrs. Eve C. Jones (formerly Mrs. Caswell), as Head of the Payroll Section which comes under the Accounting and Auditing Department, has outlined the activities under her jurisdiction and given a brief description of the growth of her sections, as follows:

"The first payroll compiled by Special Funds Branch covering

employees paid from unvouchered funds was prepared by the Special Funds Officer, Colonel W. L. Rehm (then a civilian) in February, 1942 with the names of (35) employees appearing thereon. As one views that first simple payroll of two sheets of pad paper and compares it with the present complicated sheets numbering (50) per month, it is difficult to believe that only three years have elapsed. Since that time, overtime has been introduced, withholding tax is deducted with additional deductions for War Savings Bonds, over seas payments and insurance premiums.

"In April of that year Mr. Francis M. Barker joined Colonel Rehm's Staff and the June 1942 payroll appears in his handwriting with 101 employees listed. In May 1942 Mrs. Eve Caswell was added to the Staff and from September of 1942 to the present day, the Special Funds payroll has been administered by her with a complement of assistants ranging in number from one in the summer of 1943 to three at the present time. The number of employees paid from Special Funds continued to increase monthly from (157) in September 1942 when she prepared her first payroll to (442) in July 1943 when the first monthly personnel report was compiled. The peak was reached in August 1944 with a total of (1131) employees listed on the payroll for that month. The number has decreased since that time due to transfers to civil service as well as to

terminations resulting from the cessation of hostilities on the European continent and the 30 June 1945 payroll listed (870) employees paid from Special Funds."

ACCOUNTING AND AUDITING
(b) Accounting Section

The following report was prepared by Sgt. Arthur Todd covering the handling of this Section from 1 January 1944 to 30 June 1945. S/Sgt. Vernon Turner, originally Head of the Accounting Section, was transferred to the Field Auditors Department in May 1945 and went overseas on his first assignment. Sgt. Todd then took over this Section.

"The Accounting Section was divided into two parts as of January 1, 1944. S/Sgt. Vernon Turner was in charge of reconciling all Field Office reports in the European and North African Theaters. Sgt. Arthur Todd was in charge of the Far East Theater. Our duties were to reconcile all reports from the start of operations in the Field, and to determine the accountability of each Field Office as of 30 June 1944.

"As of 1 July 1944 a set of Master Control Books were installed consolidating all Field Office accounting into one unit. S/Sgt. Turner was placed in charge of this unit with Sgt. Todd and Mrs. Newland as his assistants. Additional personnel was added as the volume of work increased as follows: September, Cpl. Louis Kalloneck, November, S/Sgt. Joseph George, February, 1945, T/Sgt. Oswald Connell.

"The monthly reports received from each Field Office are submitted in all types of Foreign currency. In reconciling these reports they must be reconverted to a U. S. dollar equivalent. Then all transfers of accountability between Washington and or other Field Offices must be made or completed. The expenses of each Field Office are recorded by Branch and Object classification, and all miscellaneous receipts are recorded for future pay-

ment to the U. S. Treasury.

"In addition to maintaining this master control of Field Office books, we keep the accumulated cost of Projects, the book of outstanding advances and prepare the Financial Statement of Special Funds for the Director."

LEGAL ADVISOR

Mr. A. W. Asmuth, Jr., Chief of the Legal Department, has himself prepared for this History the following article:

"Special Funds is serviced on legal matter by the Office of the General Counsel. In early 1944 Mr. A. William Asmuth, Jr. of the Legal Division (the forerunner of the present General Counsels Office) was given a desk in Special Funds Branch. Mr. Asmuth had been recruited by Lt. (then Ensign) James B. Donovan, Chief Legal Division, in the Fall of 1943 and reported for duty at OSS on 30 October 1943. He is a member of the Bar of the State of Wisconsin, admitted to practice in 1941 following his graduation from Law School. After practicing law in Milwaukee as an associate in a law firm, he served with the Office of Scientific Research and Development in Washington for approximately one year prior to joining OSS.

"It was intended that, after a period of general indoctrination in the Legal Division of OSS, Mr. Asmuth would devote the major share of his attention to Legal matters of Special Funds Branch and would serve as an officer and legal advisor for several "dummy" corporations which were then about to be organized. Shortly after Mr. Asmuth's arrival at OSS, Lt. Donovan was assigned to temporary duty at Princeton University. During the six weeks absence of Lt. Donovan, Mr. Asmuth was required to spend his time

on the general legal affairs of the Agency and his assignment to Special Funds was necessarily delayed until early 1944.

Mr. Asmuth's duties have consisted of (a) the drafting of legal instruments involving payment from Special Funds, such as agents' agreements, leases for secret training areas, special confidential contracts, releases, assignments, powers of attorney, employment contracts, notices of termination, affidavits, certifications, trust agreements, bills of sale, and other legal instruments, (b) formulating procedures for handling, and processing, death and disability cases of Special Funds agents and employees, (c) handling certain of the affairs of "cover" corporations, such as preparing the minutes of stockholders' and directors' meetings, securing tax exemptions, reviewing contracts and leases as to legal form, etc. (d) maintaining liaison with other government departments on legal matters pertaining to Special Funds Branch, including the Treasury Department, United States Employees Compensation Commission, Bureau of the Budget, State Department, War Department, Department of the Interior, and others, and (e) advising on such legal matters as are referred to him by the personnel of Special Funds Branch. In addition to these duties, Mr. Asmuth serves as Secretary and a member of the OSS Medical Board, Secretary of the Training Board, Chairman of the Efficiency Rating Committee, and legal advisor, in the absence of the General Counsel, to the Board of Review.

"Since it is the established policy of the Agency to adhere as closely as is practicable in the expenditures of Special Funds to laws and regulations covering the expenditure of ordinary vouchered funds, Mr. Asmuth is frequently called upon to interpret and construe statutes, regulations, opinions of the Attorney General, decisions of the Comptroller general, etc. Such opinions are

advisory and for the guidance of those who make the final policy and administrative determinations. For example, it is provided by an OSS General Order that the Living and Quarters Allowances established by Budget Circular A-8 shall be paid to all civilian personnel of OSS, except agents. Hence, the provisions of the circular are applied by administrative action to all non-agent personnel paid from Special Funds. Questions as to whether an employee qualifies as having "dependents" within the meaning of Budget Circular A-8 may be referred to Mr. Asmuth for legal opinion.

"Procedures for processing death and disability cases of personnel paid from Special Funds have been worked out by Mr. Asmuth with the United States Employees Compensation Commission. These arrangements permit the filing of claims of secret personnel without jeopardizing security. In addition, a plan was concluded with the War Agencies Employees Protective Association whereby life insurance is made available to personnel on the Special Funds payroll who are performing duties overseas including agents on missions behind enemy lines (at no increase in premium rates). This is considered to be one of the most unusual life insurance arrangements ever entered into.

"Legal questions arising out of operations in overseas theaters are occasionally referred to Special Funds, Washington, for decision (and then in turn referred to the General Counsel or Mr. Asmuth). These matters are, of course, primarily the responsibility of the Theater Counsel. Mr. Asmuth is not on the distribution list of cables or overseas reports, and hence is necessarily confined to handling those matters which are specifically brought to his attention.

"Captain John S. Warner was assigned to OSS on 15 December 1944, at which time he was a 1st Lt. He had served seven months overseas as a pilot of a Flying Fortress and had completed 35 combat missions over Europe prior to his return to the United States. Captain Warner is a member of the Bar of the District of Columbia. Since his assignment to the General Counsel's Office of OSS he has served as a general assistant to Mr. Asmuth.

"Because of a lack of stenographic personnel, Mr. Asmuth was required to function in Special Funds Branch without services of a secretary until February 8, 1944 when Mrs. Frank Keenahan reported for duty. Mrs. Keenahan left the Agency on 5 August 1944, and Miss Marianne Clarke reported as Mr. Asmuth's secretary on 23 August 1944. The services performed by Mr. Asmuth and Captain Warner involve a large amount of paper work, and the lack of adequate stenographic assistance has been a severe handicap."

The invaluable assistance given to the Branch by the tireless A. W. Asmuth cannot be over emphasized. With the help of Captain Warner, an almost incessant series of Special Funds problems which required a legal scanning or "Bar" interpretation, were referred to his Department for action, - and received it.

Realizing the definite value of having subordinate Legal Advisors in the principal outside theaters as well, competent young lawyers were dispatched from Washington under Mr. Asmuth's direction. Being in a position to answer and handle many legal questions "in the Field", these representatives of the General Counsel's Office, saved valuable time and accomplished much towards standardizing and properly interpreting OSS procedures and directives.

With the activation of the Legal Advisors Department, much responsibility was transferred from the shoulders of other Branch executives to those of A. W. Asmuth.

(h) PERSONNEL OFFICER

This position was originally occupied by Lt. Col. Williams in addition to his duties as Field Liaison Officer but in February 1945 a separate Personnel Department was established with 2nd Lt. Eugene Steuert, just returned from C.C.S. as Chief. In March 1945 Sgt. Stephen Kostick was appointed assistant to Lt. Steuert.

This department is responsible for all personnel matters pertaining to the Special Funds Division, Washington Office, including the procurement of additional personnel, transfers, furlough and leaves, promotions etc. Besides handling the usual personnel matters, Lt. Steuert is likewise in charge of all policies issued by the War Agencies Employees Protective Association for OSS civilians either in the field or to be assigned to duty outside the continental limits of the United States. Over (300) of these policies have been written. The Personnel Department also is in charge of all petty cash, keeping an adequate supply available and honoring all military and government checks for OSS individuals. The amount kept on hand averages \$15,000 per day and as much as 60,000 over pay days.

(i) REGISTRY

In March 1944 it was considered not only advisable, but necessary, that a separate Registry be established in the Special Funds Branch in order that copies of all correspondence, - cables, letters and air dispatches, both incoming and outgoing, as well as copies of all General Orders, Administrative bulletins and Branch memorandums, might be expertly filed in a separate file room. Before this was done, the records in most cases were kept in the individual cabinets of the various departments and consequently often difficult, or almost

impossible, to locate quickly. Only the rather cumbersome chrono file contained any sort of a semi-complete roster and this was, for ready reference, anything but adequate.

Mrs. Dorothy King, competently trained, set up the new Registry in its own room with (1) assistant. From a small beginning, the Department expanded rapidly and an efficient system was installed. As of 30 June 1945 the department had a staff of (3) file clerks and its (6) large cabinet-safes, with combination locks, contained several thousand separate files with all correspondence and documents inserted in chronological form under the proper classification. These cabinets contained complete files for the Washington Headquarters and all Branches, also files for each outside theater, individual personnel files, those for special activities, contracts etc., with the necessary cross-references.

Unquestionably, the Registry played a very large part in the efficient operating of the Special Funds Branch from its inception to the present date. After it was once established and functioning, it proved difficult to comprehend how it had been possible to handle the complicated branch activities before its organization.

(j) FIELD LIAISON OFFICER (AND HISTORIAN)

This position was established by Colonel Rehm with the appointment of Lt. Col. John W. Williams in the capacity of F.L.O. in March 1944. Col. Williams had just returned from North Africa where he had served as the first Chief for Special Funds Branch in that theater with Headquarters in Algiers. It was believed that an Officer appreciative of Field conditions and with personal experience with the difficulties often encountered "outside", could

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do much to coordinate and expedite theater activities with the Washington Headquarters.

All correspondence, both incoming and outgoing, between Washington and Special Funds Branch advance bases was routed via Col. Williams desk. It was his duty to see that prompt and efficient action resulted in connection with all Field requests, requirements and problems. In other words, on his shoulders, rested the responsibility of making sure that all advance bases got "action" at this end. The procurement, training and clearing to Ports of Embarkation of new personnel for the Field likewise came under his direction and in the same connection, it was his responsibility to forecast future Field personnel requirements. On the first of each month Col. Williams dispatched a report on all Special Funds Branch activities, both in Washington and in outside bases, to all theaters. This included pertinent general information as well and was intended to keep all Special Funds Branch personnel cognizant of all developments and activities.

At the request of Colonel Rehm, the Field Liaison Officer completed the History of the Branch operations in MEDTO for the first year of operations in North Africa and in Italy, and he was also designated Historian for this Washington History. His first assistant was Mrs. T. A'Hearn who was succeeded by Miss Claire Crook in January 1945. Likewise, until he was transferred to the San Francisco Office for the Conference, 2nd Lt. Roger Gartner handled a part of the Travel Sponsor work for Col. Williams.

(k) FIELD AUDITORS

For some time prior to the establishment of this Department, it was felt that competent officers and men, preferably C.P.A.'s, should be

available to go out from the Branch Headquarters in Washington to complete official audits of the Special Funds books in the various theaters. These men to be a part of the continental T.O. and sent to the Field on temporary duty. In this way no theater Table of Organization would in any way be involved.

Securing a staff with the necessary qualifications for this important, specialized work, proved difficult. Several possibilities were located and their transfer to OSS was requested, but for one reason or another they could not be made available. At the time no one could be spared from Headquarters who could competently handle the work, and none of the outside bases were in a position to release a trained auditor for this traveling position.

Early in 1945, two separate requirements necessitating the prompt formation of the Field Auditing Department, and the appointment of at least a temporary staff, were received. One was a cable from the SSO in the China Theater asking for an auditor for the Kunming accounts as soon as possible. The other, which came in the Spring, was the information that MFDTG was shortly to close down, and the resulting necessity of auditing the Caserta books before the Special Funds Branch personnel could be released, was an immediate requirement.

At last a qualified 2nd Lt., Frederick Richards, was secured from Army Finance and immediately started training for the auditor position in FEB, to proceed first to China, then to India-Burma. Back to Washington

from NETO came 2nd Lt. William Peratino, an expert in Special Funds Branch operations as a result of long experience in both Cairo and in Athens. To act as assistant to Lt. Peratino, S/Sgt. Vernon Turner was relieved from duty as Head of the Accounting Section in Washington and these two men proceeded by air to Italy to start the work in Caserta, then to proceed to London for the ETO job, and finally to tackle the four bases in the neutral countries. Since no other qualified EM could be transferred from the Accounting Section, an application was made through PPB for an assistant for Lt. Richards also. This would give the Far East a team of (2), an officer and an EM likewise, similar to the team sent out to the European Theater.

As of 30 June 1945, therefore, the Field Auditors Department was definitely activated, and it was believed that the staff of four men, divided into two separate teams, would prove sufficient to handle this important work.

(1) THE NEW YORK OFFICE

The following data in regard to the Special Funds Branch set-up at the OSS New York Headquarters at 630 Fifth Avenue, is quoted from a memorandum dated 18 June 1945 from Mr. E. K. Merrill:

"I assumed the position of Special Funds Officer for the New York Office on 30 March 1943. During the whole time that I have handled this work, I have been assisted by Miss Alice Conway, as secretary. There have been no others assigned to this office.

The duties of this office have, of course, been mainly those of carrying out the New York end of financial transactions for Special Funds Office, Washington, and attending to the payments of Special Funds required to meet payments of payrolls, consultants' fees and certain projects incident

to the operations of the OSS New York office. The former included the procurement of foreign currencies and credits through banks, business corporations and individuals, in accordance with instructions from Special Funds, Washington. In addition to acting as agent cashier for the direct expenditures of money, there have been - from time to time - certain projects established which required their own bank accounts, for which funds were advanced from my agent cashier account to the accounts of a subordinate agent cashier or others directly in charge of such projects.

Other miscellaneous assignments arose from the fact that it was convenient to handle details in certain dealings in New York, rather than in Washington, - and this office was requested to act in numerous capacities to facilitate matters of business for the Washington office. These properly belong in the records of the Washington office, rather than of this one."

(m) THE SAN FRANCISCO OFFICE

With the expansion of OSS operations in the Pacific Theater, Special Funds activities in California were considerably increased in 1944. Besides the Headquarters located in San Francisco, likewise was maintained an office in Los Angeles and extensive training areas on Catalina Island. Almost all personnel being processed for FETO attended school on the Island and those who proceeded to the Far East by sea transportation were ordered to a POE on the West Coast. Originally, the bulk of the overhead for OSS in California was defrayed from Special Funds but at this time a part has been transferred to vouchered accounts and it is now contemplated that all, or almost all, of our West Coast expenses will be handled by the Fiscal Division and a Special Funds representative no longer required in that area.

The Special Funds Branch operations were such in the Fall of 1944 that it was considered advisable to have our own officer in charge. Consequently, in September of that year, Lt. (jg) William Mackintosh, USNR, proceeded from Washington to California and opened a Special Funds Branch Headquarters located at 406 Montgomery Street, San Francisco. Funds, as required, were advanced by Mr. Hartshorn to Colonel Connely who in turn made same available to Lt. Mackintosh. The Lt. was responsible for the maintaining of all accounts and records in connection with all money expended from our Branch in both the Los Angeles and San Francisco Areas.

Since a comparatively large detail from OSS was dispatched to California for special operations during the United Nations Conference in May 1945, it was considered advisable to send an assistant to aid Lt. Mackintosh. Consequently, 2nd Lt. Roger Gartner flew to the West Coast before the Conference opened and handled conference expenses for a period of approximately three months. Lt. Mackintosh came to Washington for a consultation in June and it was then decided that West Coast expenses could be almost completely transferred to the Fiscal Division. Upon his return to San Francisco, Lt. Gartner was transferred back to Washington and the Special Funds Branch Office in California is now in the process of being closed down.

FOREIGN THEATERSSECTION IV

As of 30 June 1945 the Finance Branch maintained a Headquarters and a staff in (10) foreign locations and likewise in New York and in San Francisco. These staffs varied in size from a single individual to those maintaining several Officers and a large number of enlisted personnel and civilians. Also, in some instances, a single Headquarters handled the territory in which it was located, but in other cases there were many subordinate bases and advance posts. The Foreign Theaters were as follows:

- | | | |
|-----------|--------------|-------------------|
| (a) ETO | (e) China | (i) Bern |
| (b) MEDTO | (f) Istanbul | (j) Stockholm |
| (c) NEFO | (g) Lisbon | (k) New York |
| (d) IF | (h) Madrid | (l) San Francisco |

(a) EUROPEAN THEATER OF OPERATIONS (ETO)

This was the first outside Headquarters established for Special Funds. Lt. Colonel Robert H. Alcorn has acted as Chief for the Branch since inception and now has a staff of (4) officers (4) enlisted personnel, (2) male civilians and (1) civilian secretary. Included in the enlisted personnel are (2) WACs. Headquarters is at the London office known as "Main" with an advance Headquarters in Paris known as "Forward". The ETO theater comprises all of England and France and ~~also~~ handles Finance Branch operations in Luxembourg, Holland, Belgium, ^{Denmark} and Norway, as well as the new stations to be established in Germany and in Austria.

(b) MEDITERRANEAN THEATER OF OPERATIONS (MEDTO)

Lt. Col. John W. Williams established the Branch for this theater in Algiers, the then Allied Force Headquarters for North Africa. Upon his return to Washington Captain Crockett took over as Chief and as of 30 June 1945 was still acting in that capacity. The staff under Captain Crockett

included (5) officers, (2) enlisted men and (7) civilians. The original North African bases located in Casa Blanca, Oran and Tunis were transferred directly under Washington after the Headquarters was moved from Algiers to Caserta, Italy. At its height the bases and staffs handled by the Special Funds Branch of the 2677th Regiment OSS (Prov) included not only all of North Africa but likewise Sardinia and Corsica, Sicily and all Italy. Some operations in the Balkans and in Yugoslavia were also under its control. Besides the Headquarters in Caserta there were (6) separate posts where finances were taken care of in various parts of the Italian Peninsula.

(c) NEAR EAST THEATER OF OPERATIONS (NETO)

With Headquarters in Cairo the original Special Funds Officer in charge was Lt. (jg) Holt Green, USNR, now missing in operations. Lt. Green was succeeded by Mr. Thomas F. Bland and later by Lt. Nick J. Steichen, the present Chief. NETO for a time controlled operations in Bari on the Adriatic coast of Italy, later transferred to Caserta. Cairo also handled all Greek operations through the advance base in Athens and the Istanbul base in Turkey also came under the jurisdiction of the Headquarters in Egypt. Including the Greek and Turkey zones, the personnel for NETO in addition to Lt. Steichen comprised (1) officer, (2) enlisted men and (4) civilians.

(d) INDIA-BURMA THEATER (IBT)

This theater was originally a part of C & IB (including China) and, together with South East Asia Command (SEAC), was under the Far East Theater of operations. The original Chief for C & IB was Commander Joseph Leete USNR, but when the theater was divided into a China Theater and an India-Burma Theater, with SEAC coming under IB, Lt. (jg) Gunnar Mykland took

over the China Headquarters and Captain Emmett D. Echols replaced both Commander Leete^{USMA} in IB and Captain Joseph Croll USMC, in SEAC. All operations in India and in Burma as well as those which formerly came under SEAC in Ceylon were on the 30th of June under Captain Echols. Original Headquarters for IB under Commander Leete was in Calcutta and later in New Delhi. The final Headquarters, under Captain Echols, was established in Kandy, Ceylon. The staff under the Captain included (6) officers, (9) enlisted men and (4) civilians. Besides the Headquarters in Kandy as many as (6) advance posts were handled by the Special Funds Headquarters. Among these was 101 located in Nazira, Assam which is at a later date to be transferred to the China Theater.

(e) CHINA THEATER

As stated in the above IB coverage, this theater was originally a part of India-Burma. After the separation Lt. (jg) Gunnar Mykland was in charge of operations with Headquarters in Kunming. The present Chief, Lt. Charles N. Davis, took over when Lt. Mykland returned to Washington. Besides the Headquarters in Kunming the Branch was represented in Chungking, and, as of 30 June 1945, at (4) advance posts. Besides the Lt., the staff consisted of (2) officers and (3) enlisted men.

(f) ISTANBUL

As noted under (c) above, Istanbul operates through Cairo and is controlled by NETO. The staff in Istanbul consists of the Special Funds Chief, Captain John C. Young and one Sgt.

(g) LISBON

Mr. Gardner P. MacPherson acted as Chief for Special Funds in

Portugal with (1) civilian assistant. On or about the date of the termination of this history ie: 30 June 1945, Mr. MacPherson transferred to Finance operations in Germany and his assistant, Mr. Harris, assumed the position. As in other neutral countries Headquarters, the Lisbon staff was connected with, and operated under the cover of, State Department.

(h) MADRID

Mr. James McMillan served as Chief for the Special Funds Branch in this station with (1) civilian assistant. Madrid handled all operations in Spain and worked in close liaison with Lisbon.

(i) BERN

The Special Funds Branch activities were originally handled in Bern by No. 227, a Treasury representative, who was replaced in 1945 by Mr. Thomas P. Bland, formerly of Cairo. The Bern Headquarters operated in close conjunction with both EFC (London and Paris), MEDTC (Caserta) and with Madrid and Lisbon.

(j) STOCKHOLM

Mr. Iver C. Olsen of United States Treasury acted as Special Funds representative for Sweden with (1) civilian assistant. Shortly before the close of this History, Mr. Richard Huber, formerly of SI, proceeded to Stockholm to bring all accounts up to date. (It is to be noted here as referred to earlier in this work, that we had on the Rock of Gibraltar on a temporary assignment Lt. Ed Fay in charge of the gold reserve. Also, although the Branch was not officially represented in Tangiers, Special Funds operations were likewise carried on there,.

PERSONNELSECTION V(a) WASHINGTON

As of 30 June 1945 the personnel of the Special Funds Division (formerly the Special Funds Branch) of the new Finance Branch at the Washington Headquarters was as follows:

1. Front Office of the Chief, Finance Branch
 Colonel W. L. Rehm (Chief)
 Evelyn K. Hall (Admin. Officer)
 Ruth Dunahoo (Clerk-Steno)
2. Disbursing Officer-Operational Branches
 D. M. Dimond (Chief, Special Funds Division)
 Roby C. Reed (Assistant)
 Ferne L. Losby (Clerk-Steno)
3. Disbursing Officer-Foreign Exchange
 F. M. Bigelow (In Charge)
 Lt. John H. Schaefer (Assistant)
 Cpl. Robert McIntosh (Assistant)
 John J. Haggerty (Assistant)
 Alice E. Sweeney (Clerk-Steno)
4. Disbursing Officer-Intelligence Branches
 R. G. White (In Charge)
 Vladimar S. Olive (Assistant)
 Winifred Robertson (Clerk-Steno)
5. Disbursing Officer-Misc. Branches
 D. R. Hartshorne (In Charge)
6. Accounting and Auditing Department
 Captain E. M. Lucas (In Charge)
 Lt. F. C. Geer (Assistant)
 Virginia Lester (Clerk-Steno)

6 - (a) Accounting Section

Sgt. Arthur Todd (in charge)
 Sgt. Joseph George
 Sgt. Oswald Connell
 Cpl. Louis Kalloneck
 Katherine King
 Evelyn Newland
 Elsie Holtgreve

6 - (b) Payroll Section

Eve Caswell Jones (in charge)
 Marie F. Welcome
 Dorothy Gumper
 Virginia Buckley

7 Registry

Jean McIntosh (in charge)
 Aurelia F. DeLozier
 Lenore Longest

8 Legal Department

A.W. Asmuth Jr. (in charge)
 Capt. John S. Warner (Assistant)
 Marianne F. Clarke (clerk-steno)

9 Personnel Officer

Lt. Eugene A. Steuert
 Sgt. Stephen Kostick (Assistant)

10 Field Liaison Officer

Lt. Col. John W. Williams
 Claire F. Crook (Clerk-steno)

11 Field Auditors

Lt. Frederick Richards - FETC
 Lt. William Peratino - ETO
 Sgt. Vernon Turner (Assistant)

TOTAL PERSONNEL - WASHINGTON - (42)
As of June 30, 1945

(b) IN THE FIELDLONDON - ETO

Lt. Col. Robert H. Alcorn
 1st Lt. Clinton Webb
 Mr. Ned K. Ball
 Mr. Hoke S. McDonald
 Miss Anna D. Howell
 S/Sgt. Ralph D. Roberts, Jr.
 WAC T/3 Celia Kent

PARIS

Captain Gerard J. Hodgkinson
 1st Lt. Robert E. Springsteen
 WAC Sgt. Doris Werntz

GERMANY

Gardner V. MacPherson
 1st Lt. P. M. F. Sichel
 T/4 Armand R. Poyant

CASERTA - MEDIO

Captain David C. Crockett
 Lt. (jg) R. Lee Covington
 2nd Lt. Thomas R. Yale
 Miss Laura Jo Mallowell
 Miss Patricia Malmsted
 Mrs. Lorraine H. White
 Miss Greta Olson
 Miss Evelyn N. Veith

SIENA

Cpl. Gene Sorisi

FRINDISE

T/4 Manlio Alacevich

IBRI

Captain Anthony J. DeSicco
 2nd Lt. Santo Cardito

CAIRO - NETO

1st Lt. Nicholas J. Steichen
 Cpl. William Gasperow
 Miss Florence C. Larson
 Miss Evelyn H. Giovanetti
 Miss Rachel Shugars
 Miss Telpi Rose

ISTANBUL

Captain John C. Young
 T/Sgt. Paul Weatherill

KUEMING - China

1st Lt. Charles N. Davis
 Sgt. Robert C. Sunday

CHUNGKING

E/Sgt. Earle E. Hiatt

CHIEKIANG

1st Lt. Andrew A. M. Innes

HSIAN

2nd Lt. William F. Graff

SZEMAO

T/Sgt. Lloyd G. Davis

RANDY - IB

Captain Emmett D. Echols
 1st Lt. R. F. Hatchford
 2nd Lt. George M. Lorel
 Sgt. Robert T. Davis
 T/4 Charles H. Jeffs, Jr.
 S/Sgt. A. Hays
 Miss Eleanor E. Woodent
 Miss Lemira Bennett

SO. WEST BURMA

1st. Lt. Donald S. Packer
Cpl. Robert J. Shaw

101 - NAZIRA-ASSAM

Major George D. Gorin
M/Sgt. W. O. Schieffelin
Sgt. M. G. Black
T/4 Vincent P. Gallagher

MYITKYINA

T/Sgt. Edward S. H. Pendergast

BHAMO

2nd Lt. Luther E. Julian

CALCUTTA

1st Lt. Frank Mangeng
Cpl. Ralford C. Price
Mr. Samuel Jacob
Miss Helen Valerius

LISBON

Paul T. Harris

MADRID

Mr. James H. McMillan
William C. Bryant

STOCKHOLM

Mr. Iver C. Olsen
(Richard Huber)
Miss Mary E. Thompson

BERN

Mr. Thomas F. Bland

SAN FRANCISCO

Lt. (jg) William C. Mackintosh

NEW YORK

Mr. E. K. Merrill
Miss A. Conway

RESERVE POOL

(Personnel in Training and Returnees)

Commander Joseph Leete
Lt. Donald Soliday
Captain Joseph Croll, USMCR
2nd Lt. Roger W. Gartner
M/Sgt. Robert F. Vogel
Arline Knapp

TOTAL PERSONNEL - IN THE FIELD - (75)
As of June 30, 1945

CONCLUSIONSECTION VI

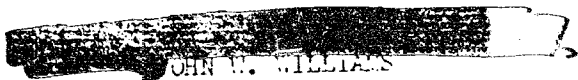
During the entire period covered in this History, from the inception of the Special Funds Branch in January 1942 through to this date of termination 30 June 1945, the Special Funds Branch has endeavored to operate as an efficient "service" unit for all Branches of OSS both in Washington and in each outside theater of operations. It has maintained close liaison with the Director and the Secretariat, with the Chiefs of each and every Branch and likewise with the vouchered funds personnel. Because of the type and scope of operations both in this country and abroad for which unvouchered funds were necessary, it likewise proved essential for the Branch to maintain close alliance with many other government bureaus. This was of course especially the case in regard to the United States Treasury and the United States Department of State. Liaison has been maintained throughout with high officials of these (2) government bureaus and just as we required and obtained their cooperation and support, so likewise did the Special Funds Branch offer them every possible aid whenever requested. The same was true, only to a slightly lesser extent, in regard to the War Department, Navy Department, USCC, OWI and other bureaus.

The Treasury, of course, supplied the necessary funds against vouchers drawn by the Agent Cashiers and ~~XXXXX~~ its representatives worked with the Special Funds personnel in outside theaters as well as in Washington. Its officials worked in complete harmony with our ^{Washington} Department Heads and Chiefs in the Field in regard to necessary regulations, clearances, transfers and foreign currency purchases. The State Department permitted its use as ~~XXXXX~~ "cover" for Special Funds Branch personnel in neutral countries, furnished the necessary official passports for civilian travel and through its Embassy and Consulates worked in close cooperation with all operations. The Army, and

on occasions the Navy, transmitted millions of Special Funds dollars to all parts of the world for unvouchered money operations and their paymasters were closely allied with the Special Funds Branch Chiefs in all Theaters. The other government bureaus with which an allegiance was maintained, aided the Branch in special cases and were, in turn, given assistance when and where desired.

As stated earlier in this History, individual histories covering all outside theaters have either been completed or, it is presumed, have been requested and are "in the works". Those Theater Coverages, in conjunction with this report on the Washington Headquarters, should, it is believed, give as complete a report as is possible on Special Funds Branch activities and operations. Here endeth the first lesson; the second must be ready, and is in the laps of, future Gods.

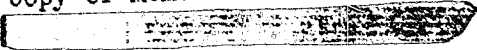
For the Chief, Finance Branch


JOHN W. WILLIAMS
Lt. Colonel, AUS

Dated 31 July 1945



(a) ATTACHMENTS

1. General Statement Pertaining To The Usage of and Operations under Special Funds.
2. Schedule of Unvouchered Funds - Fiscal Year 1942 through 1945.
3. Memorandum - Subject -- Budget 1946.
4. General Orders - 37 (Supp. 2) - 51 - 73 - 79 - 9 (Supp. 38) and General Orders series 75 - 1 through 13.
5. Foreign Currency Working Rates (Accounting and Auditing Department).
6. Uniform Accounting Procedure with Sample Books (Accounting and Auditing Department).
7. Copy of memorandum from Bigelow to Rehm with paraphrase of telegram


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