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ROUTING SLIP

SUBJECT (Optional)

FROM:

SB/PPC

EXTENSION

NO.

DATE

1. (Officer designation, room number, and

DATE

2. OFFICER'S

3. (Each comment to show from whom received in each column after each comment.)

Chief, SB/POS

Chief, SB/SS

Chief, SB/B&F

CSB

REFERENCE

PO/11

DECLASSIFIED AND RELEASED BY
CENTRAL INTELLIGENCE AGENCY
SOURCE METHOD EXEMPTION 3020
NAZI WAR CRIMES DISCLOSURE ACT
DATE 2007

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ROUTING SLIP

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16 May 1969

MEMORANDUM FOR: Chief, SB Division
THROUGH : Deputy Director for Plans
SUBJECT : Report of Audit of Project AERODYNAMIC
1 January 1968 to 31 December 1968

1. Attached is a copy of subject report. Please note the action recommended in paragraph 4.

2. We appreciate the cooperation given the auditor during the audit.

[e 3]
Chief, Audit Staff

Attachment

Distribution:

Orig. & 1 - Chief, SB Div.
1 - SSA/DDS
1 - ExD/Comp(D/PPB)
1 - D/Fin.
1 - O/IG

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GROUP 1
Excluded from automatic
downgrading and
declassification

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AUDIT STAFF

REPORT OF AUDIT

This report presents the findings developed from an audit undertaken pursuant to Audit Staff responsibilities and authorities set forth in organization regulations. Unless otherwise indicated in the report, the audit included review and appraisal of internal controls and procedures and such other audit processes, test checks and verification of accounts, assets and transactions as were considered appropriate and consistent with generally accepted audit standards in the circumstances.

The objectives of the audit were to determine for management whether

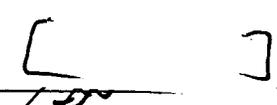
- (1) Adequate controls and procedures have been established and are being applied effectively to safeguard organization resources and assure that resources are used only for approved and legal purposes, and
- (2) Activities are being conducted economically, efficiently and in conformance with policy determinations and directives.

Project AERODYNAMIC

For the period:

From 1 January 1968

Through 31 December 1968


Chief, Group III, Audit Staff

Date 16 May 1969

This report consists of 5 page(s).

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REPORT OF AUDIT Project AERODYNAMIC

For the Period
1 January 1968 to 31 December 1968

BACKGROUND

1. Subsidy Project AERODYNAMIC consists of an Agency-owned corporation AETENURE (formerly AEBEEHIVE) a WOLADY-based emigre political group organized as a commercial taxable enterprise and a corresponding group in Europe (AETERRACE). The cover provides for the exploitation and expansion of an anti-Soviet resistance movement through the use of various communications media.

2. Our audit included an examination of the AETENURE cover company financial records, procedures, and controls and a review of related Headquarters records, procedures, and controls.

SUMMARY OF FINANCIAL INFORMATION

3. During the year the Agency advanced [] to the cover corporation and [] to the Branch office. Net expenses for the year totaled [] including those at the Branch office. Agency investment at 31 December 1968 was [] Additional financial details are contained in Exhibits A and B attached.

SUMMARY OF FINDINGS AND RECOMMENDATIONS

4. Except as noted below financial records and procedures were considered satisfactory. Recommendations resulting from this audit are summarized below and detailed in the referenced paragraphs:

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- a. Reflect cash in Swiss bank account on cover company financial reports submitted to Office of Finance. (Paragraph 5)
- b. Obtain protective documents required by Administrative Plan and forward to Office of Finance for recording and custody. (Paragraph 6)

DETAIL COMMENTS

Record Swiss Bank Account
Not Reflected On Cover
Company Financial Statements

5. \$25,000 was transferred in December 1967 from the New York office to a Swiss bank for the purpose of establishing a reserve for the New York and Munich offices. This amount was returned to the New York office in March 1968 and recorded as income. \$49,000 was transferred in October 1968 to the Swiss bank to replenish the reserve in the amount of \$20,000 and fund the New York office in the amount of \$29,000. Due to Security consideration we were unable to obtain a confirmation of the balance of this Swiss bank account as at 31 December 1968. Through examination of informal records maintained by the cover company treasurer and copies of those bank statements which were made available to us, we have reconstructed the 31 December 1968 Swiss bank balance as \$68,984.

Recommendation: We recommend the cover company obtain a confirmation of the balance in the Swiss bank account as at 31 December 1968. We further recommend the Swiss bank account be reflected on the cover company financial statements submitted to Office of Finance.

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Protective Documents Not
On File In Office Of
Finance

6. Stock certificates endorsed in blank by all the ostensible stockholders and dual Declarations of Trust for these stock certificates are not on file in Office of Finance as required by paragraph III-5 of the Administrative Plan.

Recommendation: We recommend that protective documents be obtained and forwarded to Office of Finance for recording and custody.

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Exhibit A

AERODYNAMIC/AETENURE

Statement of Financial Condition
1 January 1968 - 31 December 1968

Assets

Cash on hand.....		\$ 100
Cash in bank, New York		813
Unrecorded Swiss bank account.....		68,984
Accounts receivable.....		1,645
Furniture and fixtures.....	\$ 4,317	
Less:		
Reserve for depreciation.....	<u>510</u>	3,807
Deferred charges and prepaid expenses.....		<u>352</u>
Total assets.....		<u>\$75,701</u>

Liabilities

Payroll taxes and insurance payable.....	\$ 1,453	
Employee pension plan payable.....	7,589	
Accounts payable.....	<u>1,018</u>	\$10,060
Investment, 1 January 1968:		
Capital.....	25,000	
Advances received from Agency.....	178,078	
Advances made to Branch office.....	<u>40,000</u>	
Total Agency advances.....	\$243,078	
Net expenses.....	<u>177,437</u>	<u>65,641</u>
Total liabilities.....		<u>\$75,701</u>

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Exhibit B

AERODYNAMIC/AETENURE

Statement of Net Expenses
1 January 1968 - 31 December 1968

Expenses:		
Payroll expenses.....	\$75,671	
Research expenses.....	35,451	
Funding overseas groups.....	40,000	
Travel.....	8,759	
Free lance research.....	3,707	
Taxes.....	2,863	
Rent.....	2,671	
Telephone.....	1,971	
Stationery, office supplies.....	1,351	
Postage.....	1,101	
Books and publications.....	677	
Depreciation.....	510	
Light.....	300	
Meeting expense.....	213	
Miscellaneous other expenses.....	<u>2,205</u>	\$177,450
Less:		
Outside income.....		<u>13</u>
Net expenses.....		<u>\$177,437</u>

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