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Executive Registry
65-581

SUMMARY REPORT
OF
1964 COMPTROLLER ACTIVITIES

1. During 1964 the Executive Director-Comptroller met the Director's call for forceful management of resources by increased direction and overview of Agency programs, funds and manpower. Critical attention was placed on program execution and financial management at all levels of the Agency through the newly created Office of Budget, Program Analysis and Manpower and its independent program analysis and review within the budgetary process. New regulations were introduced and existing regulations modified to incorporate reporting systems designed to increase and sharpen program assessment. Project proposals, organizational shifts and manpower adjustments were brought under close review to weigh the resource cost against the net intelligence gain likely to result from implementation. Where dollar and manpower factors were involved, such reviews included Agency-sponsored projects prepared for the 303 Committee and USIB consideration. Special attention was given to improving coordination between directorates in the planning and execution of their programs.

2. The year 1964 also saw an increase in "capital investment" in improving the financial management of the Agency. Important advances in the financial oversight of proprietary programs had their genesis during this period. A Financial Analysis Numbering (FAN) system using automatic data processing was introduced into Agency accounting and is currently being programmed to improve review of use of funds and long-term planning. A Manpower Analysis Numbering (MAN) system designed to provide information on the use made of our people is presently in the testing phase. For the first time in the history of the Agency, a program is underway to inventory and control the number of contract and non-staff personnel, their location, compensation and responsibilities. [redacted] 50X1 50X1

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3. Probably the most significant advances in 1964 were the concerted economy programs which saved millions of Agency dollars and the reversal in the buildup of Agency manpower levels. This progress has been accomplished without reducing the capability of any directorate to perform its mission. The manpower reductions were accomplished after careful study of total Agency activity and were of sufficient magnitude, over a two-year period, to allow some flexibility in undertaking new programs, such as an expanded Junior Officer Training effort, and to allow R&D programs to be built up at the expense of lesser priority activity of other directorates.

4. The "barons' war" has abated somewhat as "Spanish customs" uncovered. However, the historic philosophy of separate services, administered, except in the broadest terms, apart from the remainder of the Agency, continues to be upheld in some quarters. While there are arguments that do support "uniqueness" for selected programs, even these have tended to crumble under the cold review of dollars and manpower management. However, an extremely delicate balance must be maintained in this area if we are to nurture the individual initiative and ingenuity which are so necessary to the development of intelligence techniques and operations and, at the same time, provide a system for assessing the results of programs and achieving a proper balance in the allocation of manpower and financial resources among the wide range of programs of the Agency. Opposition to the movement toward centralized overview of programs and resource use has been met by steady pressure applied through the allocation of funds, the approval of personnel levels, independent program evaluation, Inspector General surveys, audits, and the regulation of administrative services rendered to the directorates and divisions. Where poor and impractical management practices have prevailed over the years, these have been cited and brought forcefully to the attention of the directorates for corrective action.

5. In this context, a multiple approach to the review of management problems has been taken.

a. Regular visits have been initiated by the Executive Director-Comptroller to all operating divisions. During these visits, briefings on key management and operating problems are provided by the supervisory personnel of the divisions. The program is having a most satisfactory impact.

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b. Selected activites have been identified for special attention. Communications concerning these activities have been reviewed for a period of time and records of achievement and purpose examined functionally. A close liaison between BPAM program analysts and the Inspector General has evolved. Issues have been brought to the Inspector General's attention by BPAM for use in IG inspections. Follow-up of IG recommendations is being made through more extensive use of budget hearings, and consideration in the allocation of funds takes into account the response of the directorates to such matters.

c. "Inventories of Ignorance" are being undertaken as management tools. These inventories are affording the base of information needed to get a total look and to identify weak spots in our management that can be corrected. The following are a few examples of these inventories. 50X1

(1) The Agency has never had a total inventory of its research and development activity. With the centralization of responsibility for program budgeting, BPAM has been able to develop an R&D catalog which provides the base for relating purpose to dollars invested. Machine processes are being explored for keeping this information current.

(3) As indicated, BPAM is developing ways of recording all Agency contract personnel and relating their use to program cost. In this manner, it will be possible to measure true manpower resource investment against results.

(4) An inventory of Agency space owned or leased has been made by the Office of Logistics and is providing BPAM analysts a further cross cut to the investment in this important support cost.

6. Considerable attention has been given to developing our relationships with the Congressional Appropriations Committees and their staffs. A careful review and monitoring of legislative matters bearing on contracting practices, manpower utilization in the government, personnel practices, retirement policies, supply and logistic practices, to name a few, have been made by BPAM and weighed in their application to Agency program and manpower planning. Liaison with the Bureau of the Budget has been close and, we believe, fruitful. In all of this liaison, caution has been exercised to restrict discussions to those matters wherein the Bureau of the Budget or Committee staffs have a clear need-to-know; all such liaison is recorded.

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7. During 1964 continued attention was given to CIA communication support to the National Communication System. Demands for Agency support from this quarter have not abated. Our record of performance within the NCS has been excellent. There has been recognition by the Bureau of the Budget of Agency need for dollar and personnel adjustments upward to support the communications workload in Europe and Africa. More support for Africa will have to be established in upcoming months.

8. Looking to the future, the program for 1965 calls for more of the same plus a penetrating look at Agency organization and planning mechanisms. The value of applying operations research techniques to Agency planning is being investigated. The establishment in BPAM of an Agency Program Control Room of information will facilitate examination of the totality of the Agency effort. This control room will take on more sophisticated form in 1965. The training of a few carefully selected junior officers located with BPAM is underway. These officers will play an important role in vigorously pursuing the application of operations research to costing and planning problems of the Agency. We hope to standardize the base of information used in the preparation and review of budgets through increased application of machine processes. Improvement in the communication and timely reporting of obligation data from the field will permit more effective utilization of funds for reprogramming. Further steps will be taken to relate manpower use to productivity levels in selected operations.

9. In 1965 it appears timely to take a hard look at the manner in which all directorates are organized to meet today's requirements and to improve the utilization of manpower and substantive responsiveness.

a. Overt collection undertaken by the Agency should be appraised as to its effectiveness and location in the command structure. 50X1

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[redacted] 50X1

f. There continues to be an ever-increasing problem of information management. Aggressive attention to the CHIVE system must continue. Additional studies need to be made in improving the selectivity of that information processed.

g. The growth and orientation of R&D activities of DD/S&T will need continued overview in CIA. Coordination of R&D within a community context is also on the horizon.

h. The Agency's personnel structure must be under constant scrutiny. We must strengthen management of our qualification standards. Classification and organization reviews can be qualitatively improved and supported.

i. The trends closely point to increasing coordination of Agency activity with other intelligence programs through such vehicles as the CCP, CIP, IAP, etc. The role of the Executive Director-Comptroller and the Agency's budget people in these reviews should be strengthened. Reappraisal of the Agency's training and [redacted] 50X1 programs and their relationship to substantive requirements is in order.

j. The development of an orderly and imaginative retirement system and a supporting out placement service will need continued attention. Managed attrition must be organized and forceful.

10. In summary, the Executive Director-Comptroller, during 1965, will concentrate on program and planning systems for the Agency and on the organization maintained in the various directorates in terms of their productivity and responsiveness. Controls will be tightened over manpower and salary administration. Use of funding authority will be reviewed. The 1965 emphasis is consistent with the charter the President

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has assigned to the Director to take personal charge in improving the management and effective utilization of personnel and dollar resources. The facing up to organizational changes, the alterations of old methods of doing business, and the application of new and imaginative approaches require hard and objective review and command. The decisions will not be easy. They will require a cooperative attitude on the part of all directorates working together toward improved productivity. The solicitation of this cooperation and the confrontation of the issues involved are the responsibilities of the Executive Director-Comptroller in support of the DDCI and DCI.

50X1

12. In these and several other approaches not listed, it is essential that the Director continue to support the requirement for a careful overview and independent and informed assessment of Agency programs by the Executive Director-Comptroller. Only if this is the case will it be possible to assure that the management of Agency activities by and within directorates is sound and evaluation as to its effectiveness unbiased.

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ANNUAL REPORT
of the
Office of Budget, Program Analysis and Manpower

1. In 1964 the Office of Budget, Program Analysis and Manpower moved forward toward full maturity as a central instrument serving the needs of top management. Although the organization was created during the previous calendar year, it did not really begin to function as an integrated totality until well into 1964. During the year the Office grew in its base of experience, gradually engaging a staff with sufficiently broad capabilities to carry the responsibilities imposed [redacted] The staffing problem was particularly serious at the time of formation of the Program Analysis Staff. By the end of the year, however, the positions were filled with mature, senior people embracing a wide range of experience adequate to cope with the problems ahead.

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2. To a significant degree BPAM should be regarded in its relationship to the Office of the Director as analogous to the Bureau of the Budget in its relationship to the President. Its role is to provide staff support essential to the coordination of inter-related activities and to assure that problems are viewed from an Agency-wide rather than a single component perspective. Thus, BPAM assists in providing a balanced judgment on program and management problems and on the most efficient and effective utilization of dollar and manpower resources available in the Agency.

3. The technical budgetary role of the Office is not new, of course, since this function is as old as the Agency itself. Looked at in the broader sense, however -- namely that type of budgeting which depends on thorough program knowledge -- we find a growing awareness of the need to integrate closely program judgments with the dollar and manpower availabilities within the Agency. As a consequence, the BPAM staff both in the review of the operating budget for Fiscal Year 1965 and the submission of the Fiscal Year 1966 budget to the Bureau of the Budget placed greater stress on substantive matter than had heretofore occurred. This does not mean that previous budgets lacked sound program justification but rather that the perspective which comes from an objective, non-vested-interest review which emphasizes program content, had not always been present. Nor had full attention been devoted to program inter-relationships among components.

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4. The Manpower Control Staff, although small, had an extremely demanding year because of the continuing pressures occasioned by White House personnel policies. Vigorous efforts were applied to effectuate controls on hiring in order to pare down the total number of employees as well as maintain a check over the average grade of employees.

5. Finally, the Program Analysis Staff devoted much time and thought to ad hoc reviews of projects from the DD/P and the DD/S&T requiring the Executive Director's attention. Because the Staff was not complete during much of the year, it was not possible to plan its program in a systematic way; rather it was fully occupied in reacting to problems which came up through the Directorates to the Executive Director-Comptroller. Now that staffing has been completed, however, it is expected that the Staff will be able in the future to plan a program of activities which will include the initiation of studies of problem areas before issues come to a head. This may result in a continuing series of joint survey team efforts such as the one currently scrutinizing the Big Three proprietaries. The knowledge born of such teamwork can be of great benefit in facilitating sound decisions at top Agency levels when issues arise.

6. While the above describes the general forms and philosophy of BPAM's efforts during the past year, the broad myriad of activities incidental to the successful implementation of the Agency's budget continued in the normal way. These included such matters as issuing calls for preliminary FY 1966 estimates and transmitting them to the Bureau of the Budget, following much the same procedure for the final FY 1966 estimates, preparing materials for the FY 1965 Congressional budget submission, conducting extensive hearings on the FY 1965 financial plan, issuing allocations and allotments to all components, obtaining apportionments from the Bureau of the Budget, preparing monthly reports on obligations, making monthly status-of-fund reports to the Bureau of the Budget, assuring that property procurement is conducted in a balanced way, and so on ad infinitum. These things happened and will continue to happen; they merit no more attention because they constitute the raison d'etre of the Office.

7. Of greater interest, perhaps, are those areas in which innovations were made to improve in a systematic way the discharge of BPAM's responsibilities. In the technical budgetary area the foremost innovation was the successful institution of the [redacted] 50X1
[redacted] Its purpose was to lay the groundwork 50X1
for more varied and more penetrating analyses of all inputs in the Agency's activities, as well as to place budgeting and accounting

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on the same basis. With the system installed and working, we are now in the position to devise analytical reports on project dollars, manpower and many other aspects of activity. Also in the somewhat technical field, most of the work was completed toward achieving a new object classification code in accordance with Bureau of the Budget guidelines. This will provide additional data for budget justification and also delineate more clearly between various expenditure categories. Yet another accomplishment in the technical area is the creation of a new funding and accounting system for external training. Under this system all funds for external training are now being budgeted for by the individual offices but administered by the Office of Training [redacted] Each office will receive a monthly report indicating its costs for external training. 50X1

8. Toward the end of the year the groundwork was laid for instituting an R&D catalog system which will go into effect in January 1965. The purpose is to provide information internally to the Office of the Director and elsewhere which will facilitate responses to queries about Agency R&D efforts as well as permit easier coordination of programs, thereby eliminating unnecessary duplication which might otherwise occur. Further, in the area of R&D we worked closely with the Office of Logistics to accelerate contractual action in order to prevent traditional year-end log jams on contract negotiations. The results of this effort will be cumulative since many of the contracts are subject to annual renewal and we expect to continue to press for earlier contracting in the current year.

9. A review was made of all budgetary material currently at the Records Center, and a records retirement schedule was established and regularized. The responsibility of actually retiring unneeded materials still needs to be discharged and remains a chore, time permitting, for 1965. In the way of establishing better records and presentation materials, BPAM has now completed the construction of a work/control room which will enable group application to budget and manpower methods and a pictorial presentation of data related to existing programs. This should be of considerable assistance in evaluating and applying budgetary formulation and execution policies and in viewing total inter-relationships.

10. BPAM has initiated a systematic review of all DD/P memoranda to the 303 Committee to determine budget and manpower implications. This activity relates closely to the project review responsibility which the Office has undertaken under which there have been numerous ad hoc studies made of large and small projects

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50X1

11. Perhaps the most extensive innovations have occurred in the area of manpower control. Here we find that the continuing pressures from the White House for personnel restraints have led to a series of policy decisions requiring control techniques new to the Agency. For the first time an effective system of controlling position ceilings was imposed at the budgetary component level. Further, a more restrictive policy concerning approval of waivers to Agency retirement was enunciated and efforts have begun in the Agency to establish retraining opportunities for employees with unneeded skills as well as to strengthen the outplacement service. In the manpower informational reporting area, a project was conducted to permit the review of the allocation of manpower authorizations by Agency activity and function as well as by organization. Upon its implementation it will be possible to consider the distribution of manpower in relation to the priority missions of the Agency. Furthermore, in the area of non-permanent personnel it became apparent that Agency data were inadequate and a project is well on the road to establish a system which will provide complete information on this large group of people.

12. Another timeconsuming area of activity has been in responding to the Bureau of the Budget requests for more detailed information related to Agency resource utilization. This has included the provision of a quarterly economy report as well as an extensive one-time report describing the Agency's system for controlling average grade, and numerous other items of information such as the number of people overseas, the number of people filling positions at grade GS-14 and above, etc. Reporting to the Bureau of the Budget has also included what was once a quarterly but is now a semi-annual report on the balance of payments impact on Agency operations.

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13. In all of the above there has been a notably high level of cooperation among the various segments of BPAM. This was particularly apparent during the hearings and deliberations attendant upon approval of the operating FY 1965 budget. Inputs were made by the Manpower Control Staff, the Program Analysis Staff and, of course, the Budget Division which, taken together, permitted coordinated recommendations to be made regarding operating levels. It is expected that this teamwork concept will continue and in fact grow as the impact of the Office's efforts becomes apparent and the assistance which we can provide to the Office of the Director makes its mark.

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I commend the first report to your attention and hope you both will read it. The second paper supplements the first and may also be of interest.

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