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MR

OLC #78-1726

MEMORANDUM FOR: Executive Advisory Group Members

SUBJECT : Minutes of the 18 April 1978 Executive Advisory Group Meeting (U)

1. (AIUO) The Executive Advisory Group (EAG) met on 18 April 1978 to discuss the Report on Industrial Contracts and Industrial Security which had been prepared by a CIA task force and distributed to EAG members.

2. (S) The EAG focused its discussion on the central issue of the report, the first of its 27 recommendations, which proposed that there be a single delegation of contracting authority from the Director of Central Intelligence to the Director of Logistics, with redelegation to the contracting officers for national, as well as CIA, programs.

3. (S) Mr. Dirks urged that the current procedure, whereby authority for national program contracting is delegated directly to the Chief, Contracts Staff, Office of Development and Engineering, be continued. He noted that the process has worked well in the past, that there are mechanisms to protect against problems and that the Air Force has modeled its contracting mechanism for national program activity after ours.

4. (AIUO) Mr. Carlucci said that he wants to ensure that the Agency's contracting procedures will withstand scrutiny by its oversight bodies. While no instances of contracting abuse have occurred, it is important that Agency contracting procedures are perceived by everyone as proper. He felt that national program managers should not have (in effect) the final authority with respect to procurement, since their primary interest is to launch projects effectively and expeditiously, not to assure that proper contracting procedures are followed. Audits, inspections, and reviews, which occur after the fact, provide insufficient guarantees. If the proposal were adopted, he hoped that the new process could function with a minimum amount of disruption to established ways of doing business.

5. (AIUO) Mr. Blake emphasized that the responsibility for contracting must be clear, and that if given full responsibility through adoption of the recommendation, the Director of Logistics must be given commensurate authority. Mr. McMahon and Dr. Stevens stressed that in making his decision, Mr. Carlucci should recognize that the current smoothly functioning procedures for national program contracting were adopted precisely for the purpose of streamlining operations and that the proposed change in delegation, to reduce the hazards of impropriety,

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would necessarily introduce delays. Mr. McMahon said he felt, however, that it was time for a change. Dr. Stevens felt that we should retain the present arrangement.

6. (AIUO) Mr. Dirks suggested that Mr. Carlucci reserve judgment until a briefing could be arranged to acquaint him with the broader context of national program management. Mr. Carlucci agreed. He asked that the briefing be scheduled soon and directed that a second EAG meeting on this same topic be held in about four weeks. He said he would like to learn why the Department of Defense, too, has no contract review board for national programs. He asked Mr. McDonald, Director of Logistics, to submit a report on how the Office of Logistics would handle its proposed role, specifically. He asked Mr. Taylor, who had expressed concern that deeper aspects of national program relationships had not been given sufficient attention in the deliberations, to articulate these for his attention during the briefing he will receive.

7. (AIUO) The EAG agreed to adopt the report's recommendations on industrial security (recommendations 3-6, in addition to those in the Industrial Security Interim Report which had already been approved by the Director of Central Intelligence). These are not affected by the basic issue which must be resolved. The rest of the recommendations, Mr. Carlucci said, will be considered at the next EAG meeting on industrial contracting.

James H. Taylor
Secretary
Executive Advisory Group

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cc: [redacted]
Mr. Gambino
Mr. McDonald
25X1 [redacted]
Mr. Waller
Mr. Yale

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