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STATEMENT OF THE DIRECTOR OF CENTRAL
INTELLIGENCE BEFORE THE HOUSE, ARMED
SERVICES COMMITTEE -- 8 APRIL 1948

MORI/CDF Pages 1 - 66 & 68 -

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STATEMENT OF THE DIRECTOR OF CENTRAL
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Before entering into a detailed section by section analysis of the bill before you (H.R. 5871), a little general background might be of interest. On 22 January 1946, by Executive letter, the President of the United States established the Central Intelligence Group under the direction and control of the National Intelligence Authority. The Executive directive set forth the functions and the authority of the Group in some detail, and provided that the personnel of the Agency should be assigned to the Group from the personnel of the State, War and Navy Departments. The unworkable nature of this arrangement very quickly became apparent, for it was necessary for each of these departments to hire and place on its own roles for assignment to duty with CIG the

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personnel which the Group desired to utilize. It was not until well into the summer of 1946 that arrangements were made for the Group to hire personnel directly.

Budgetary problems also were very difficult to handle until an agreement was reached which established a working fund at the disposal of the Central Intelligence Group. The Executive letter and the manner of our administrative and logistical support were always considered to be of a temporary nature pending the passage of some form of unification legislation, such as had been initiated in 1945 and which was drafted to include a centralized intelligence organization.

All of the departments and agencies of the Government and particularly the Bureau of the Budget, the General Accounting Office and the State, War, Navy and Treasury Departments, were quick to realize the special administrative problems which arose in the administration and

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operations of an intelligence agency such as we were seeking to establish, and cooperated to the best of their abilities. Without this help and understanding, we would not be in business or so advanced today. In matters of administration, personnel, budget and fiscal we had in some measure the experiences of and the lessons learned from the Office of Strategic Services on which to fall back. These could in some measure serve as a precedent. Certain steps, however, which were taken by the Bureau of the Budget and the General Accounting Office, particularly in such fields as the use of unvouchered funds, were done with an understanding that at an appropriate time we would come forward with legislation to set up the administration of the Agency on a firm statutory basis. The understanding and helpfulness with which our needs were considered by Committees of both Houses of Congress, including the Appropriations Committees, made it possible for us to

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operate a service that is of the utmost necessity to the national security of the United States.

In January of 1947, a draft of a unification bill was agreed upon and submitted to the Congress. In conferences between my predecessor as Director of Central Intelligence, General Vandenberg, and the drafters of the bill (General Norstad representing the War Department and the Air Forces, Admiral Sherman representing the Navy and Mr. Murphy representing the White House) the text of the functions of the new Central Intelligence Agency and its position under the National Security Council were agreed upon virtually as they appear in Section 102 of the National Security Act of 1947 (Public Law 253 -- 80th Congress). During these conferences, very detailed proposals for the administration of the Central Intelligence Agency substantially in the language of H.R. 5871, now before you, were presented. However,

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it was felt that to place so much detail into an overall unification bill would unnecessarily burden the latter.

As a matter of fact, it was generally agreed that this present type of detailed legislation had no place in the broad terms of the unification act which was seeking to establish a general structure rather than to outline detailed procedures. Therefore, it was decided to omit from the unification bill the administrative provisions for the Central Intelligence Agency, except to provide for transfer to the new Agency of funds, records, personnel and property and the urgently desired right of the Director to terminate the employment of any officer or employee of the Agency, if in his discretion such termination is necessary in the interest of the United States.

It was agreed that passage of the unification bill would be followed by detailed enabling legislation for the Agency and these facts were brought out in hearings in

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both the House and the Senate. An early draft in fact was shown to the House Committee on Expenditures when they were considering our section of the bill. With this background in mind, the Bureau of the Budget, the General Accounting Office and other departments of the Government have gone along with the special arrangements necessary to keep us in business and to help us develop the procedures we feel necessary in the development of a mature intelligence service for this country. It was thought, when we started back in 1946, that at least we would have time to develop this mature service over a period of years -- after all, the British, who possess the finest intelligence in the world, have been developing their system since the time of Queen Elizabeth. Unfortunately, the international situation has not allowed us the breathing space we all might have liked, and so, as we present this bill, we find ourselves in operations up to our necks,

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and we need the authorities contained herein as a matter of urgency.

Turning to the text of H.R. 5871 itself, it should be pointed out that the broad purposes which we are seeking to accomplish here are three in number. The first purpose is to extend to the Central Intelligence Agency certain provisions of the Armed Services Procurement Act of 1947 (Public Law 413 - 80th Congress), which has recently been enacted. This is requested on the basis of difficulties which have been experienced in supplying the peculiar needs of an intelligence service. When we arrive at those specific provisions in the bill, I will attempt to show by specific examples just what these problems are to justify the request for these authorities. It should only be noted here, however, that we are not requesting all of the provisions of the Procurement Act, but just those which we feel can be justified by the nature

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of our activities.

The second main purpose of this legislation is to further something which we continually seek to stress at the Agency, namely, that employment with this Agency should be considered in the light of a career service. Inasmuch as we are concerned with the coordination and production of foreign intelligence pertaining to the national security, there will be frequent need for overseas travel, overseas assignment and the establishment of overseas posts. It is felt that we have a problem similar to that faced by the Foreign Service of the State Department in the assignment of personnel to duty abroad, and therefore authorities similar to those granted in the Foreign Service Act of 1946 are necessary to the development of an intelligence career staff. / It is not necessary to belabor the point that there is nothing more useless to us than to train carefully selected

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personnel in operations abroad or develop experts in the field of intelligence research and analysis only to have them depart to greener fields outside the Government or to other Government agencies after a short tour of duty with us. We wish to make an intelligence career one of distinction and honor, desirability and attractiveness.

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The third major purpose of this bill is to include appropriations language in an effort to establish points of reference to which the administrative and fiscal officers of this Agency and other appropriate offices of the Government -- particularly the Bureau of the Budget and the General Accounting Office -- may look to determine what expenditures are authorized in the course of supporting the activities of the Agency. This is made necessary by the fact that all funds, whether vouchered or unvouchered, are not appropriated in the normal manner, and consequently their expenditure is not authorized by

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annual appropriation language. The greater portion of these sections pertains to activities necessary to the normal administration of the Agency, but for which money cannot be expended without specific authorization. These provisions authorize the spending of a portion of the money for confidential purposes where security would prohibit an audit.

The provisions proposed in this legislation are based on experiences in the field of intelligence during and since the war. Because of these experiences and the security aspects of intelligence generally, it was felt best to incorporate these administrative necessities in the one bill which appears before you.

Under date of 6 April 1948 we have been advised by the Bureau of the Budget that there would be no objection to our presenting this legislation for the consideration of the Congress. It has been strongly endorsed by the Comptroller General, The Honorable

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Lindsay C. Warren, to the Director of the Bureau of the Budget dated 12 March. In taking cognizance of the "much wider authority" granted under this bill than the Comptroller General would "ordinarily recommend for Government agencies generally", he stated that "the purposes sought to be obtained by the establishment of the Central Intelligence Agency are believed to be of such paramount importance as to justify the extraordinary measures proposed therein. . . . In an atomic age, where the act of an unfriendly power might, in a few short hours, destroy, or seriously damage the security, if not the existence of the nation itself, it becomes of vital importance to secure, in every practicable way, intelligence affecting its security. The necessity for secrecy in such matters is apparent and the Congress apparently recognized this fully in that it provided in section 102(d) 3 of Public Law 253, that the Director of Central

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Intelligence shall be responsible for protecting intelligence sources and methods from unauthorized disclosure.

Under these conditions, I do not feel called upon to object to the proposals advanced in sections 3, 6 and 7 of the act. Sections 1, 2, 8 and 9 of the act are largely ministerial and free from objection under the circumstances. Sections 4 and 5 are patterned closely to the provisions of the Foreign Service Act of 1946, 60 Stat. 999, and appear free from objection. . ."

The approval of the Civil Service Commission has also been obtained in a letter dated 10 March 1948 from the Commission Chairman, The Honorable Harry B. Mitchell, to the Bureau of the Budget.

I would like at this time to go into such detailed discussion of the sections of the bill as the Committee might presently desire.

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Section I. (Page 1, line 4). DEFINITIONS. The

**definitions included in this proposed legislation are
for the purpose of clarifying the meaning of certain
terms in the succeeding sections. These are standard
definitions in common use in many public laws already
on the books.**

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Section 2. (Page 2, line 8). SEAL OF OFFICE.

Statutory authority is needed to create a seal of office for the Agency. On several occasions members of this Agency, in contacting prospective sources of intelligence, have been embarrassed and even refused information due to the absence of proper credentials. This problem has been met by giving our contact men letters of introduction on Agency letterhead, personally signed by the Director. However, as recently as the 11th of March of this year we received an inquiry from a contact in the New England area making reference to this letter of introduction and requesting advice, first, as to the authenticity of the letter and, second, as to whether the bearer himself was entitled to the letter. We have found that most often the contact wishes to see either a pass or a document of introduction bearing the Agency's

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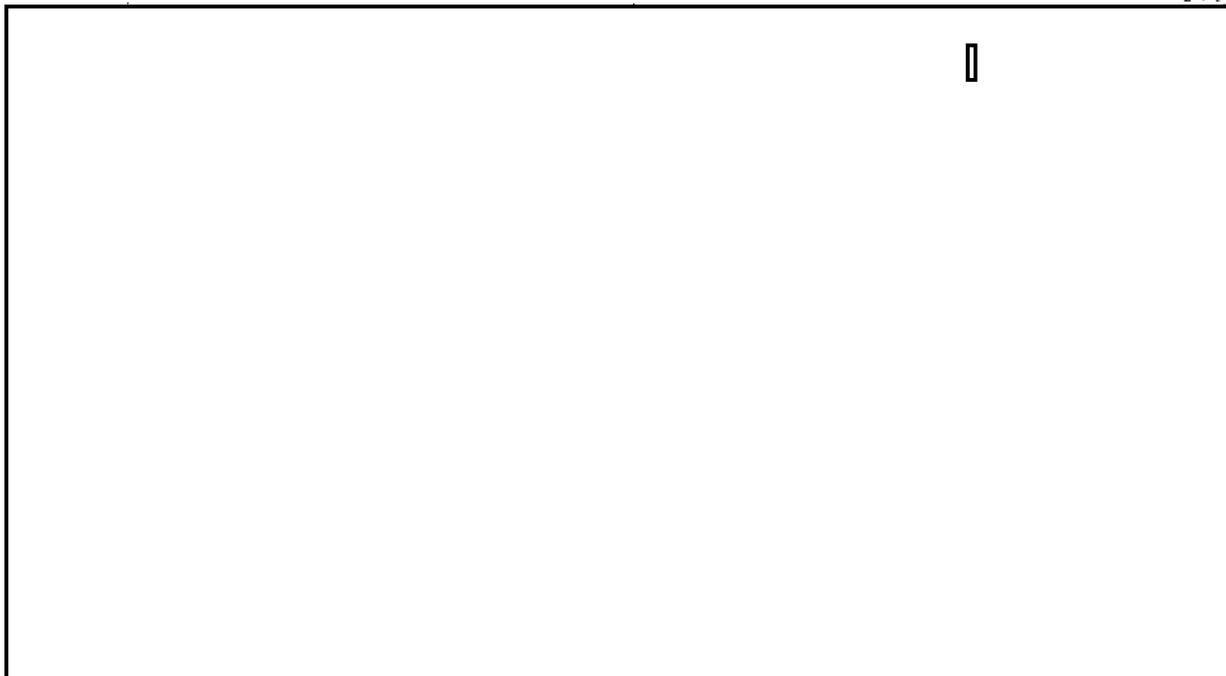
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seal, for, as a general rule, when a properly embossed seal is presented, the question of authenticity does not seem to arise.

Experience has shown that intelligence records contain information that is required from time to time for official use either in other departments or as evidence

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Unless proper authentication of copies can be made, original documents have to be produced. The law provides (28 U.S.C. 661) that copies authenticated with the seal of an executive department will be recognized and accepted in

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evidence to the same extent as the original document. For these reasons we are therefore requesting the statutory authority to prepare and adopt a seal for this Agency.

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Section 3. (Page 2, line 13). PROCUREMENT AUTHORITIES.

We are seeking certain procurement authorities on the basis of difficulties which have been experienced in supplying the peculiar needs of an intelligence service. It was felt that the best way to procure these authorities would be to request that certain provisions of the Armed Services Procurement Act of 1947 (Public Law 413 - 80th Congress) be extended to Central Intelligence. By these means we would provide for exceptions to the normal requirements for advertising which have already been granted to the National Military Establishment and NACA by Public Law 413. Inasmuch as all of the authorities given in Public Law 413 are not required by CIA, those sections deemed appropriate and necessary to us have been incorporated by reference in Section 3(a) of H.R. 5871 before you. Sections 3(b), 3(c) and 3(d) of our bill are adaptations to CIA organization of general provisions

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dealing with delegations of authority. They follow as closely as possible the original form of Public Law 413.

As a general proposition it can be pointed out that certain of our items, such as special cameras, explosives, and communications equipment, are secret in nature or in the use to which put, and consequently advertising should not be used in their procurement. In contrast to normal Government procurement, some of our equipment should not be standardized but should be diversified in order to insure the security of individuals and establishments of the Agency. For example, if all our covert stations used identical typewriters bought in a lot with consecutive serial numbers, exposure of one office would endanger all.

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Section 3(a). (Page 2, line 15).

Section 3(a) of H.R. 5871 authorizes the extension to the Central Intelligence Agency of Section 2(c)(1) of the Armed Services Procurement Act of 1947. This section provides that purchases and contracts for supplies and services may be negotiated by the Agency head without advertising if it is determined to be necessary in the public interest during a period of a national emergency declared by the President or by the Congress.

In time of national emergency, intelligence operations would, with the Military Establishment, be the first activity to require expansion of a type to meet the crisis for which the emergency was declared. At such a time, plans for emergency operations (such as utilization and supplying of underground or resistance movements in overrun countries) would be implemented by actual expansion of the Agency's activities and the procurement necessary

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to their support. Previous experience of the Military Establishment and intelligence agencies, particularly in World War II, has shown that procurement on such an emergency basis must be done by negotiation. This is required by the need for utmost speed, need for adaptability to changing conditions, and limitations on sources of supply either through Government controls or shortages in such sources. Provisions of this section would give the Agency authority to negotiate under such emergency circumstances.

No such authority was in existence at the commencement of World War I and II. It was necessary for Congress to enact legislation conferring broad powers on the Executive and then for the Executive to implement these powers by Executive order (such as Executive Order 9001 and extensions thereof by further Executive orders). The

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time lost by these steps could be crucial under foreseeable contingencies in an atomic war. In addition to the general conditions set forth above requiring blanket authority to negotiate in times of national emergency, an intelligence service would have special considerations of security involved in operations peculiar to its assigned mission.

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Section 3(a) of H.R. 5871 authorizes the extension to the Central Intelligence Agency of Section 2(c)(2) of the Armed Services Procurement Act of 1947. This Section provides that purchases and contracts for supplies and services may be negotiated by the Agency head without advertising if the public exigency will not admit of the delay incident to advertising.

This is similar to the general exception provided for in Section 9(a) of Public Law 600 of the 79th Congress (an act to authorize certain administrative expenses in the Government service) which revised Section 3709 of the Revised Statutes regarding advertising. This Section has a long history in Government procurement and its exercise is controlled by well established principles. Its application to Central Intelligence is important where there are sudden urgent requests from overseas or where it

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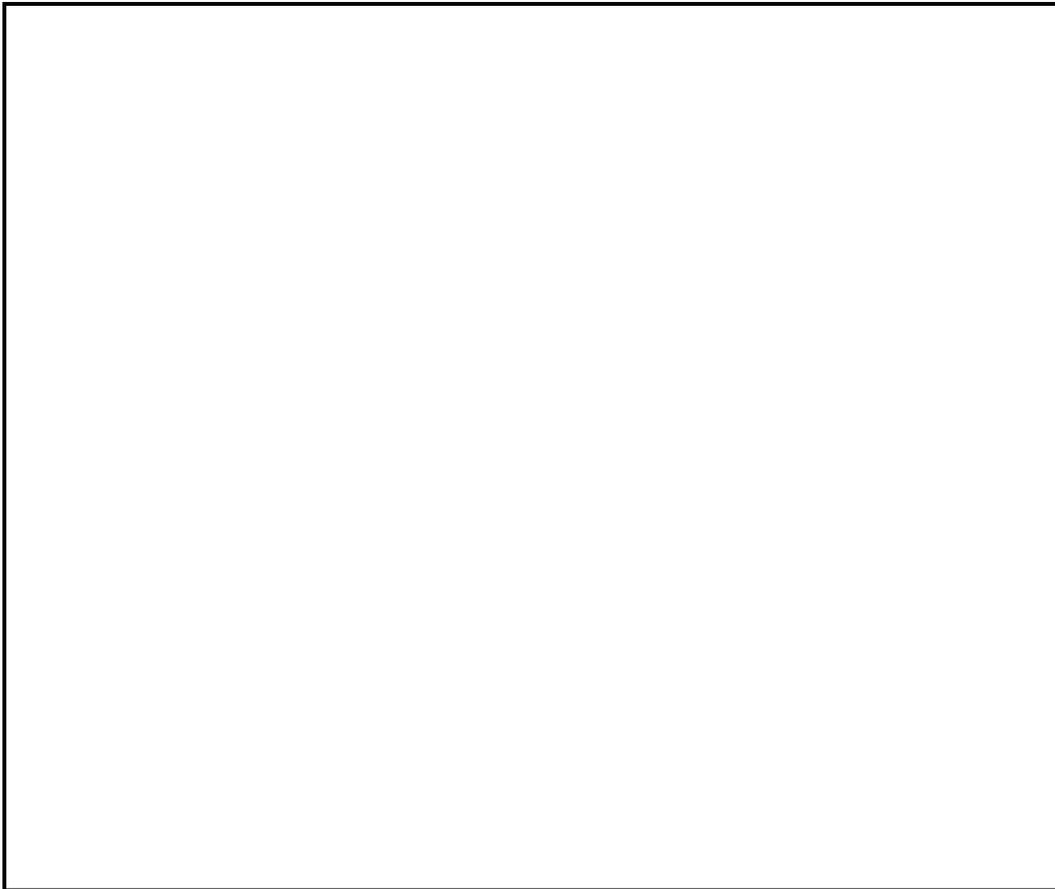
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would be very necessary in the course of operations

rapidly to implement Government policy.

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Section 3(a) of H.R. 5871 authorizes extension to the Central Intelligence Agency of Section 2(c)(3) of the Armed Services Procurement Act of 1947. This Section provides that purchases and contract for supplies and services may be negotiated by the Agency head without advertising if the aggregate amount involved does not exceed \$1,000.

This provision raises the normal exemption from \$100 to \$1,000. The lower limitation has caused the bulk of the procurement problems for Central Intelligence Agency in the past. A variety of items not available through normal procurement channels is required for the support of our activities. The bulk of this type of procurement falls below \$1,000 in the aggregate, but in large part exceeds \$100. Due to the inadequate sources of stock in supply resulting in large part from the emergency occasioned by World War II and the continuing increased inflationary cost of supplies and equipment of all types, the normal

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day-to-day operations of the Agency are considerably handicapped without this authority since a large portion of our routine procurement transactions can no longer be met under the limitation of \$100 presently in effect.

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Extension of this provision to CIA will not mean that the Agency will not make checks in order to determine the fair market prices of material, but the delays and lack of security incident in advertising for some of these items will be curtailed. This will result in a considerable saving in manpower and administrative costs to us. There has been little indication that the advertising process used heretofore has resulted in any substantial saving to the Government, whereas the load of paper work involved in advertising and the resulting delays have definitely impaired the efficiency of Central Intelligence procurement as a whole.

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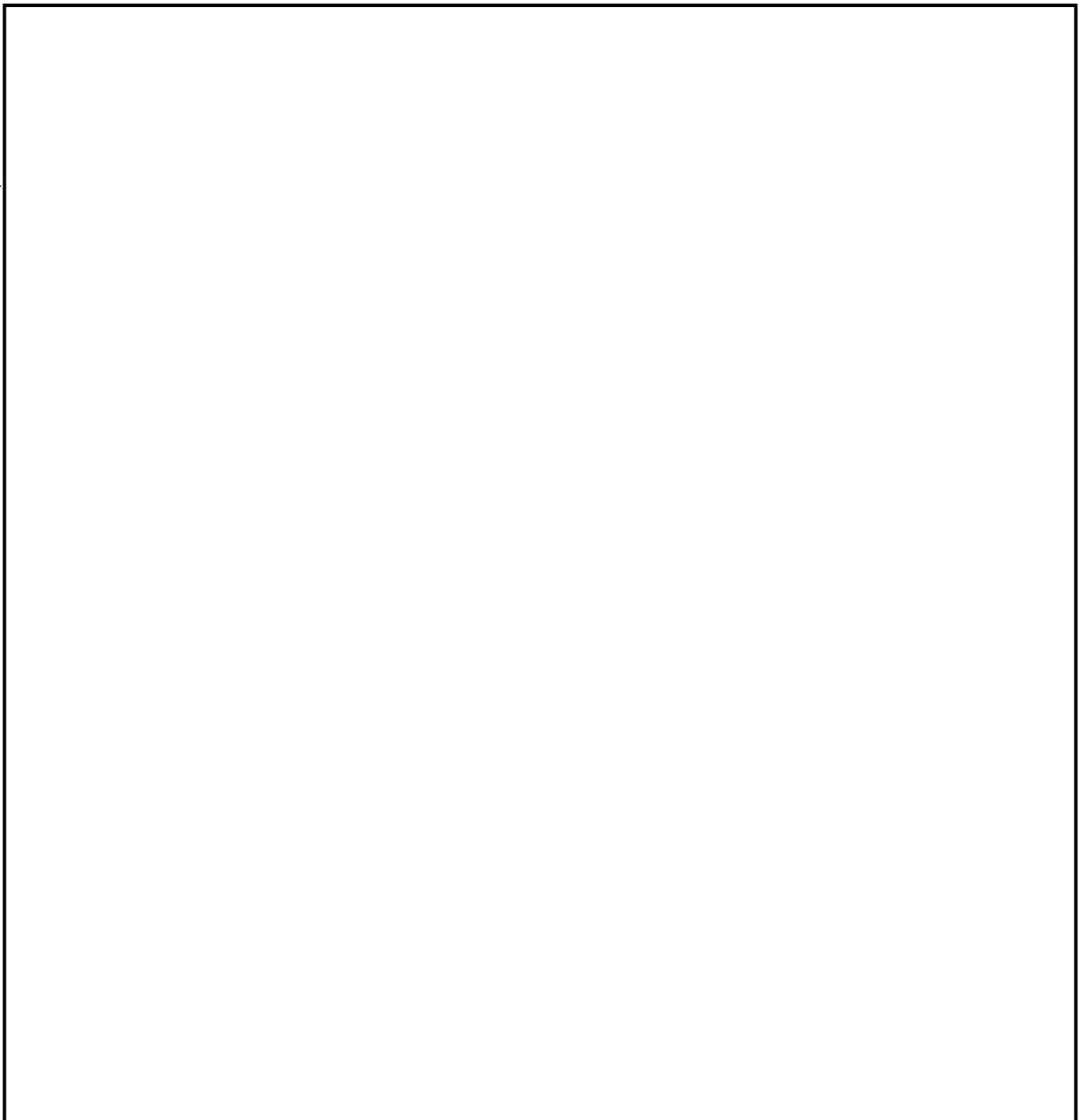
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Section 3(a) of H.R. 5871 authorizes the extension to the Central Intelligence Agency of Section 2(c)(4) of the Armed Services Procurement Act of 1947. This Section provides that purchases and contracts for supplies and services may be negotiated by the Agency head without advertising for personal or professional services.

This Section is merely a clarification of existing authorities which have been recognized by interpretation of Section 3709 of the Revised Statutes regarding advertising, and Section 9 of Public Law 600.

This Section is needed by the Agency to allow for the employment of individual specialists and professional services in connection with research into various types of special intelligence equipment, such as machine records, communications and explosives, as well as research into special academic topics of interest to the Agency. For

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On certain types of research, particularly of an unclassified nature, the personnel required to perform these functions are not needed in a long range intelligence program, but rather for short range work. Therefore, it is not practical to engage them as CIA personnel. At other times, it is more practical for them to continue to work at home or in their colleges where their own materials are available. Furthermore, the work desired may be of such a nature that any connection between the Agency and the personnel involved should not be shown, and therefore such personnel should not be placed on the rolls as expert consultants. An example of an unclassified study being undertaken by a distinguished scholar

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under contract with Central Intelligence is one which was prepared on the political-psychological background of the U.S.S.R. It was a short range project which did not require access to highly

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in compilation of such material require expert interpretation. It is also necessary that the latest developments be gleaned from authorities in certain trades and professions. Such situation may frequently arise in the future which could be handled under this section of the law.

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Section 3(a) of H.R. 5871 authorizes the extension to the Central Intelligence Agency of Section 2(c)(5) of the Armed Services Procurement Act of 1947. This Section provides that purchases and contracts for supplies and services may be negotiated by the Agency head without advertising for any service to be rendered by any university, college or other educational institution.

This authority is requested in order that the facilities of certain educational institutions may be utilized in the preparation of basic unclassified research with respect to foreign countries and areas. Such subjects as transportation systems, customs, economic data and related matters could be the subject of many basic studies outside this Agency. Educational institutions could be used for trainee programs and a certain amount of library service over a continuing period.

An example of such service is the agreement

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Section 3(a) of H.R. 5871 authorizes the extension to the Central Intelligence Agency of Section 2(c)(6) of the Armed Services Procurement Act of 1947. This Section provides that purchases and contracts for supplies and services may be negotiated by the Agency head where the supplies or services are to be procured and used outside the limits of the United States and its possessions.

This provision is a recognition of the impracticability of giving extra-territorial effect to the advertising provisions of Revised Statute 3709, as amended. In most foreign countries it is impossible to comply with the provisions of Section 3709 for the reason that local firms and vendors are not familiar with United States Government contract and procurement procedure and, therefore, to attempt to require normal compliance with advertising requirements would seriously impede local operations.

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In many cases abroad, equipment or supplies of a specialized nature can be procured locally if direct contact and negotiations can be carried on with certain sources of supply. They can be procured locally in most instances more economically and expeditiously than if purchased in the United States particularly when the elements of time and cost of shipping are considered.

In this category fall many items of supply or services which are needed abroad to give logistic support to

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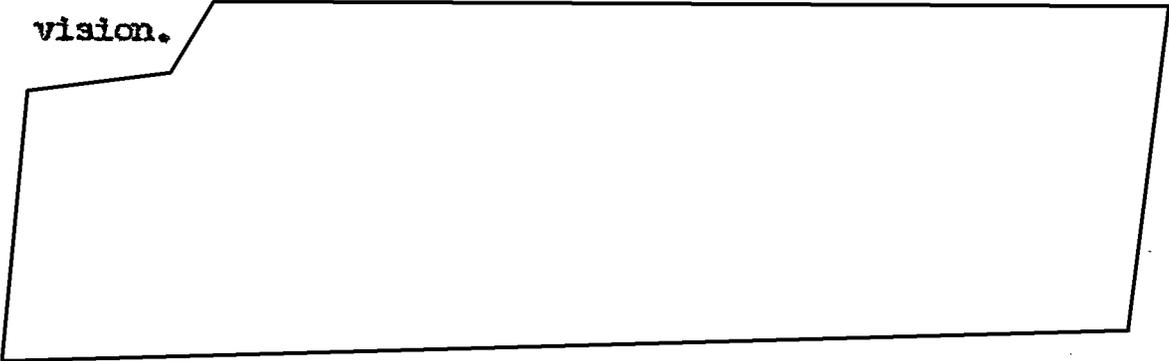
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All of these items can only be satisfactorily procured at most foreign locations if direct negotiation and contract can be made without recourse to advertising.

All types of housekeeping supplies and equipment and local office equipment are included within this pro-

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vision.



In certain foreign countries, attempts to advertise have merely published our needs to local suppliers who, not constrained by anti-trust legislation, have ganged up to boost the price and divide the proceeds.

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Section 3(a) of H.R. 5871 authorizes the extension to the Central Intelligence Agency of Section 2(c)(10) of the Armed Services Procurement Act of 1947. This Section provides that purchases and contracts for supplies and services may be negotiated by the Agency head for supplies or services for which it is impracticable to secure competition.

If special supplies or services have been satisfactorily procured from a known and trusted individual or firm over a considerable period of time, it is most desirable for reasons of security to refrain from permitting additional sources to have knowledge of the Agency's activities or the type of services or supplies being procured. It would therefore be most practicable to continue to use the same source of supply, since it would be obvious that the accomplishment and security of the Agency's objectives might be seriously impaired if

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any change in contractors or vendors were made. In this category would be included certain types of special operational supplies and equipment. 25X1

The [redacted] cited

earlier, and the Associated Press news coverage used by CIA headquarters in Washington are examples of services for which it is impracticable to secure competition. 25X1

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[redacted] use of the Associated Press service is determined by our staff on the basis that AP supplies the best service and the best world-wide coverage for our purposes. Therefore it becomes impracticable to secure competition by advertisement from the other services. In addition, in this particular case, CIA is able to tie into the government-wide contract which is held by the Federal Bureau of Supply with the Associated Press.

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Section 3(a) of H.R. 5871 authorizes the extension to the Central Intelligence Agency of Section 2(c)(12) of the Armed Services Procurement Act of 1947. This Section provides that purchases and contracts for supplies and services may be negotiated by the Agency head for supplies or services as to which the Agency head determines that the character, ingredients or components thereof are such that the purchase or contract should not be publicly disclosed.

This is one of the most important provisions for CIA in view of the peculiar nature of some of our operational equipment and the confidential purposes to which it is put. Under this provision the Director would have authority to approve the procurement of special materials and equipment, through trusted sources. In such cases any public or unnecessary disclosure to unauthorized sources would be detrimental to the national interest.

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While this section tends to overlap some of the other sections previously discussed, the distinction is drawn that in sections discussed earlier, competition is considered merely impracticable, whereas in this section are included the cases where advertisement for certain types of equipment goes beyond impracticability to the point where public disclosure would seriously impair the workings of the Agency. It should be noted in this connection that the authority to approve under this section is non-delegable and must be exercised by the Agency head.

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Section 3(a) of H.R. 5871 authorizes the extension to the Central Intelligence Agency of Section 2(c)(15) of the Armed Services Procurement Act of 1947. This Section provides that purchases and contracts for supplies and services may be negotiated by the Agency head for supplies or services as to which the Agency head determines that the bid prices after advertising therefor are not reasonable or have not been independently arrived at in open competition.

This Section is a specific statement of a basic existing principle of Government procurement. In part it is aimed at the practice of collusive bidding.

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Section 3(a) of H.R. 5871 authorizes the extension to the Central Intelligence Agency of Section 2(c)(17) of the Armed Services Procurement Act of 1947. This Section provides that purchases and contracts for supplies and services may be negotiated by the Agency head where otherwise authorized by law.

This is a catchall provision to allow the Agency to avail itself of such special procurement provisions as may from time to time be specifically authorized under various statutes.

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Section 3(a) further requests the extension to this Agency of the provisions of Sections 3, 4, 5, 6 and 10 of the Armed Services Procurement Act of 1947. These sections respectively set forth the rules for advertising, state the type of contracts that can be made, provide for advance payments under certain circumstances, authorize remission by the Comptroller General of liquidating damages for delays on recommendation of the Agency head and provide for procurement by one Agency for another or for joint procurement.

They serve to set certain limitations on the provisions of contracts entered into under Section 2(c) of the Armed Services Procurement Act requested herein.

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Section 3(b) (page 2, line 19).

This Section defines the term "Agency head" as the Director, Deputy Director or Executive Director of Central Intelligence in the same manner as it is defined in Section 9 of the Armed Services Procurement Act, where "Agency head" is construed to mean the Secretary, Under-Secretary or any Assistant Secretary of the Armed Services.

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Section 3(c) (Page 2, line 23).

This Section provides for the delegation of procurement authorities by the Agency head to other responsible officials of the Agency in a manner similar to the provisions of Section 10 of the Armed Services Procurement Act.

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Section 3(d). (Page 3, Line 8).

This Section provides that certain procurement authorities contained in the Armed Services Procurement Act shall be exercised only by the Agency head and shall not be delegable. Specifically, these are the authorities which provide for contracting without advertising for supplies or services as to which the Agency head determines that the character, ingredients or components thereof are such that the purchase or contract should not be publicly disclosed, (Sec. 2(c)(12)), and where the Agency head determines that the bid prices after advertising are not reasonable or have not been independently arrived at in open competition (Sec. 2(c)(15)).

In this connection, the distinction should be noted that in Section 2(c)(10), of the Armed Services Procurement Act the fact that it is impracticable to secure competition is a determination which can be made by appropriate

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contracting officials of the Agency, whereas in Section 2(c)(12) of that Act are included the cases where advertisement for certain types of equipment go beyond impracticability to the point where public disclosure would seriously impair the workings of the Agency. This latter decision is specifically reserved to the Agency head to make in the interest of national security.

This section of H.R. 5871 provides that such decisions shall be based on written findings which shall be maintained in the Agency for a period of 6 years following the date of determination. Included in these files are those determinations to be made under the provisions of Section 4 of the Armed Services Procurement Act which state the type of contracts that can be made and Section 5(a) of the Armed Services Procurement Act which provide for advance payments under certain conditions.

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Section 4. (Page 3, line 20). EDUCATION AND TRAINING.

The language of this section follows that of Sections 573(b) and 705 of the Foreign Service Act of 1946 (Public Law 724 -- 79th Congress).

One correction should be made in the text of Section 4(b) of H.R. 5871. The word "officials" on page 4, line 3 and page 4, line 6 should be stricken and the word "officers" should be substituted in each instance.

Section 4(a) (page 3, line 20) provides that any officer or employee of the Agency may be assigned or detailed for special instruction, research or training to specially designated types of educational and other institutions and organizations.

Section 4(b) (page 4, line 1) provides further that upon the assignment for schooling of an officer or employee of the Agency, under the provisions of Section 4(a), the

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Agency shall (under such regulations as the Director may prescribe) pay the tuition and other expenses of the officers and employees of the Agency assigned or detailed in accordance with provisions of sub-section 4(a), and in addition shall continue to pay the pay and allowances to which such officers or employees may be entitled, in accordance with their position with the Agency.

Specific authority would be needed if it were deemed appropriate to send employees of the Agency to a school within the National Military Establishment, such as the National War College. In a few highly selected cases it will be of great benefit to the Government, and the work of CIA in particular, if CIA is authorized to assign especially qualified personnel for courses of specialized

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University, and similar programs.

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It will occasionally be beneficial to send new appointees and, in some cases, old employees who have

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For these purposes specific authorization is needed
on the law so that appropriated funds may be used.

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Section 5. (Page 4, line 8). TRAVEL, ALLOWANCES,
AND RELATED EXPENSES.

An intelligence service should be a career service, and a major purpose in proposing this legislation is to support this idea. Since we must assign personnel to duty abroad, we feel that we have a problem similar to that faced by the Foreign Service of the State Department. Therefore we are requesting certain authorities similar to those granted in the Foreign Service Act of 1946. We wish, in every way possible, to make an intelligence career not only one of great service but also one which will attract men and women of real ability.

The authorities asked in Section 5 of H.R. 5871 are designed especially to advance this concept of a career service and are based on the paramount concept of a professional service. We hope to develop a corps of

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trained personnel, many of whom may enter at or near the bottom of the ladder and advance by merit to positions of authority and responsibility within the service. The compensation should be sufficient to attract able men regardless of their possession or lack of large private means.

The authorities requested in Section 5(A) are maximum grants and are subject to such limiting regulations as the Director may prescribe. Such regulations will, in general, be patterned on those of the State Department. This is

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One correction should be made in the text of Section 5(A) of H.R. 5871. On page 4, line 9, the phrase "officers and" should be inserted between the words "its" and "employees".

The language of the sub-sections of Section 5 which follow has been taken verbatim from the appropriate sections of the Foreign Service Act of 1946 (Public Law 724 - 79th Congress).

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Section 5(A)(1)(a). (Page 4, line 12).

This Section is taken from Section 911(1) of the Foreign Service Act. It provides for the payment of the normal travel expenses of the Agency's employees while in travel status to and from their foreign stations, and expenses for travel incurred abroad in pursuance of their normal, official duties for the Agency.

While the payment of these official travel expenses can now be accomplished under present provisions of law and the Standardized Government Travel Regulations, the important feature of this section will allow the Agency to pay for travel expenses in connection with the granting of home leave to employees stationed abroad. (This provision will be discussed in detail in connection with Section 5(A)(2), discussed below).

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Section 5(A)(1)(b). (Page 4, line 17).

This section is taken from Section 911(2) of the Foreign Service Act. It provides for travel expenses of the employee's family accompanying him on authorized travel, including travel for statutory home leave.

It is felt that it would be in the best interest of the Government not to burden the employee with the expense of his family's transportation when he returns to the United States on statutory leave. Failing this provision, the employee would tend to take his leave at or near the country in which he is stationed in order that he might have his family with him during vacations.

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Section 5(A)(1)(c). (Page 4, line 23).

This Section is taken from Section 911(3) of the Foreign Service Act. It provides for payment of transporting an employee's household belongings from post to post and to his home on termination.

This is similar to the authority granted under Section 7 of Public Law 600, for movement overseas. In addition, however, this proposed Section provides for moves to successive foreign posts. Where Public Law 600 provides for expenses on return to the United States to the place of actual residence at the time of assignment to duty outside the United States, this provision, similar to that given the Foreign Service, provides for expenses on termination to the place where the employee will reside. In a career service, it is believed that this change is appropriate in fairness to the individuals concerned.

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Section 5(A)(1)(d). (Page 5, line 3).

This Section is taken from Section 911(4) of the Foreign Service Act. It provides a recognition of the practical situation occurring in times of emergency which forces the officer to be absent from his official station or to store his belongings elsewhere as a result of the performance of his assigned duties.

The storing of such furniture at the officer's expense, while he is absent through no fault of his own, sometimes constitutes a considerable hardship on the officer.

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Section 5(A)(1)(e). (Page 5, line 9).

This Section is taken from Section 911(5) of the Foreign Service Act. It provides for the difficulty in obtaining quarters immediately upon arrival at a foreign station by authorizing payment for storage of an officer's or employee's belongings for a period up to three months.

This Section provides recognition of the world-wide difficulty in obtaining quarters, which often renders it impossible for an officer or employee to find quarters for some time after assignment to a new post. This often makes it necessary for him to store his furniture during the interim. The expense to which an employee is thus put is inequitable when, at the same time he is paying high prices for hotel or furnished rooms. The regular overseas allowances are inadequate to reimburse such an additional expense. A maximum of three months is considered a reasonable time for him to secure quarters.

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Section 5(A)(1)(f). (Page 5, line 15).

This Section is taken from Section 911(7) of the Foreign Service Act. It provides recognition for the financial burden which an employee may suffer if it becomes necessary to move his family and household effects away from his post temporarily due to dangerous conditions.

Like the preceding section, it recognizes the burden which an employee may suffer due to dangerous conditions arising at his official post, which necessitates moving his household away temporarily or permanently through no fault of his own.

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Section 5(A)(2). (Page 5, line 25).

This Section is taken from Sections 931(b) and 933(b) of the Foreign Service Act. It provides for the granting of statutory leave in the United States after two years' foreign service. It allows the employee, while in this country on leave, to be assigned to temporary duty in the United States. It provides further that time spent awaiting transportation shall not be counted against leave.

Since Section 5(A)(2) was drafted the Comptroller General has suggested that it might be well to amend the first paragraph as follows: Eliminate from page 5, line 25 through page 6, line 4 and substitute the following language --

"Order to continental United States on leave provided for in 5 U.S.C. 30, 30a, 30b, or as such sections may hereafter be amended every officer and employee of the Agency who is a citizen of the United States, upon completion of two years' continuous service abroad, or as soon as possible thereafter, provided that such officer or employee has accrued to his credit at the time of such order, annual leave sufficient to carry him in a pay status while in the United States for at least 30 days."

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We feel that this limitation is reasonable and recommend this change.

In conjunction with Section 5(A)(1)(e), this section permits the Agency to assume the cost of returning the employee to this country for statutory leave, a cost which might in many instances be prohibitive for an employee to bear out of personal funds. In addition, it allows an employee to bring his family back to the United States with him on such leave. This is a tremendous morale factor.

Were these provisions not included, it is probable that many employees would take their leave abroad, whereas it is considered extremely important to have them return and renew their contacts with American affairs and keep in touch with friends and relatives in this country. This "re-Americanization" was a prime factor in the passage of this section of the Foreign Service Act in 1946. It will make a major contribution to the morale of the employees

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who look upon CIA as a life career. It is felt that this provision would contribute materially to the maintenance of the American point of view among CIA personnel and to the efficacy of their activities.

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Section 5(A)(2)(a). (Page 6, line 5).

This Section provides that the Agency may utilize the services of personnel returned on statutory leave, for periods of temporary duty in the United States, which duty shall not be counted against leave. This will enable the employee to receive additional training or reorientation prior to returning abroad. The statutory provision is necessary for if the period of reorientation or temporary duty should be equal to or longer than the period of leave, the General Accounting Office might conceivably construe the primary purpose of the return as temporary duty rather than leave. Under such a ruling, the transportation of the employee's family would not be authorized. This section serves to prevent any such possibility.

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Section 5(A)(2)(b). (Page 6, Line 9).

This Section provides that the employee's leave of absence shall be exclusive of the time occupied in going to and from the continental United States or the time spent awaiting transportation. This merely takes into consideration the practical problem involved where transportation schedules are disrupted or delayed through no fault of the employee who should not be penalized leave time while awaiting transportation which has been delayed by weather or other causes beyond his control.

One change might well be made in this sub-section at page 6, line 14. The words "sailing or flight" should be deleted and the word "transportation" substituted. This would provide for necessary delay in all types of transportation, including rail.

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Section 5(A)(3). (Page 6, line 15).

This Section is taken from Section 913 of the Foreign Service Act. It provides for the payment of shipping expenses for private automobiles.

In order to clarify the reading of this section, it is suggested that the phrase "the Agency head" be substituted for the word "he" on page 6, line 18.

The expense here authorized does not come under the authority to pay for personal belongings and household goods. It is believed justified in a career service, although it is not normally authorized for Government employees. This section recognizes the fact that if you are transporting a career employee abroad together with his household and family, he should also have available to him a private automobile. In the majority of cases an employee without sizable private resources would not, or could not, support this additional expense. As in

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many public and private jobs in the United States, it would greatly facilitate the work of the office or the individual to have a private automobile at his disposal. The morale factor is also to be considered.

It should be noted that all payments made under the authority of this section will be in the discretion of the Agency head who may refuse to transport an automobile whenever he considers that the interests of the Government would not be advanced by such transportation.

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Section 5(A)(4). (Page 6, Line 22).

This Section is taken from Sections 941, 942(a) and (b), and 943 of the Foreign Service Act. It provides for a health program for CIA employees overseas by permitting the payment of travel expenses to the nearest adequate facilities when local medical facilities are inadequate, for the establishment of a first aid station and the services of a nurse at a post where the number of personnel warrants such a station, payment for cost of treatment of illness or injury incurred in line of duty overseas, and for physical examinations and payment of the cost of administering inoculations or vaccinations.

The provisions of this Section, in establishing adequate health facilities abroad, are a considerable inducement to entry on an intelligence career service. If the authorities provided herein do not exist, individuals would not desire, nor could they be expected to perform, duties at distant or out of the way posts of duty abroad where

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adequate hospital and other medical facilities are not readily available. These provisions as a whole permit American citizens, located abroad, who have been recruited for this specialized type of work, to be given adequate health protection.

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Not only do these health provisions benefit the employee, but they also benefit the Government by insuring the best treatment for illness and by authorizing the establishment of a sound, preventive health program for employees who may be stationed in areas where infectious disease is endemic or epidemic or posts where climate or conditions impose additional hardships. In many such posts local medical facilities are hopelessly inadequate.

Personnel of CIA are located at stations throughout the world. Many of the stations are located in countries where adequate medical facilities are completely absent. The unsanitary conditions of some areas involved create an additional hazard. Thus the need for authority to transport individuals from their station where facilities are lacking to the nearest point where adequate treatment can be furnished is emphasized by the above conditions.

The importance of obtaining this Section is emphasized

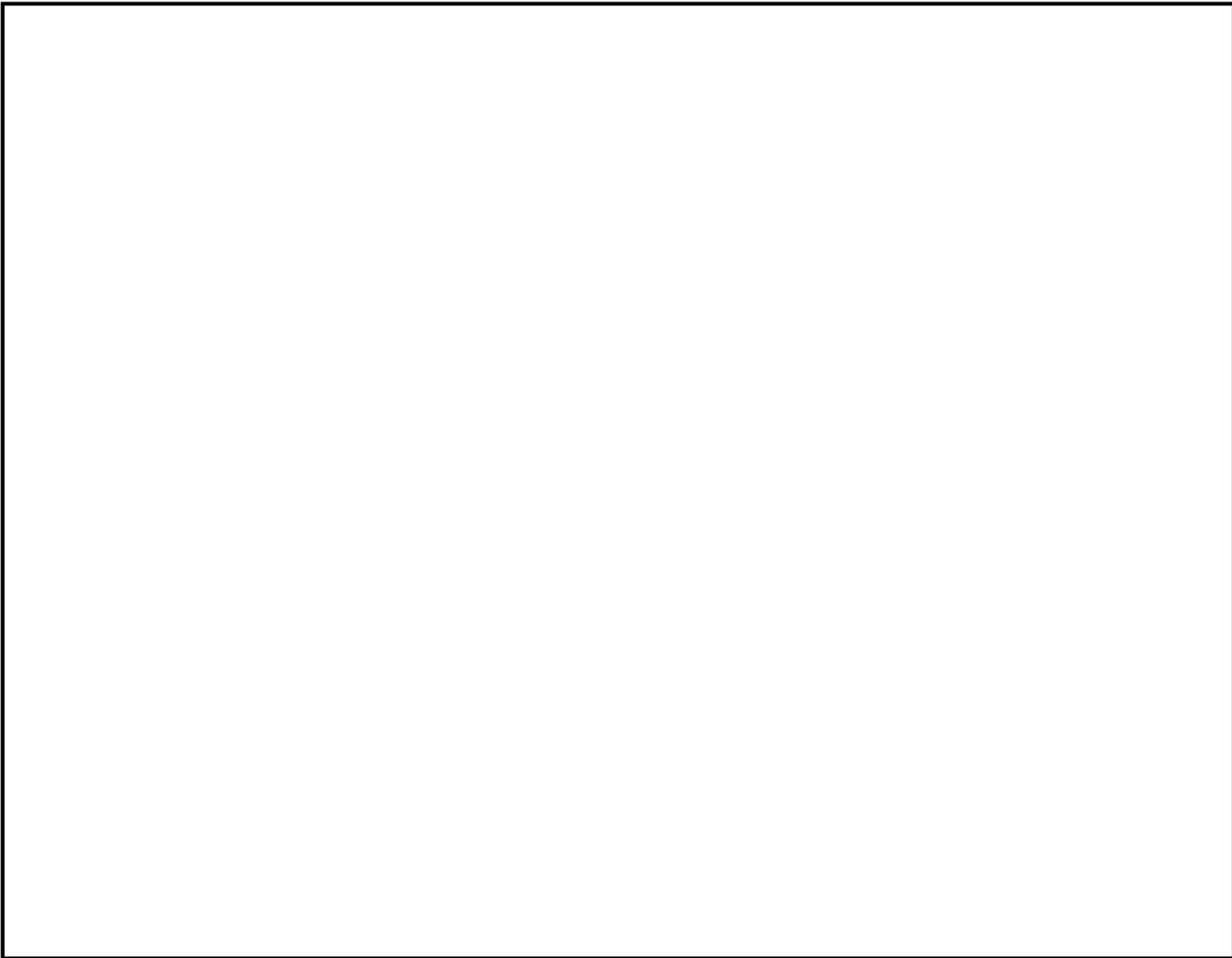
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by the fact that within the past month the Department of Commerce, in seeking permission to furnish emergency medical services to employees in out of the way places outside the United States without charge and on a non-reimbursable basis, was denied funds for this purpose. The following cases illustrate CIA's need for this authority, which is granted to the Foreign Service.

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Those cases requiring hospitalization of short duration should be handled entirely within the Agency due to the security aspects involved in attempting to process a claim to the Bureau of Employees' Compensation. The Bureau of Employees' Compensation, Federal Security Agency, has been entirely cooperative in working with the Central Intelligence Agency in an effort to preserve security.

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In many instances, however, it would not be possible to establish that the illness was compensable under their regulations. Those cases where permanent disability or death is involved will be processed through the Bureau by means of a special arrangement previously established.

It appears that it is the responsibility of the United States Government to give adequate protection to its employees who are placed in areas throughout the world where they are unable to secure adequate treatment and where the risks of disease are great. The expenses involved in getting such an individual to the nearest location where adequate facilities are available, and the treatment at such place, we believe, should be the responsibility of the United States Government.

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Section 5(B). (Page 8, line 1).

This Section is in accordance with Sections 901(1) and 901(2) of the Foreign Service Act of 1946. It provides for allowances similar to those given to Foreign Service officers and employees, including living quarters allowance, cost-of-living allowances, extraordinary expenses and others. These allowances are controlled by regulations prescribed by the President. Exception is sought from 5 U.S.C. 70, which prohibits allowances of this type unless authorized by law. It provides for allowances similar to those given to Foreign Service officers and employees but omits benefits given to the Foreign Service which are not thought applicable to CIA. One of those omitted provides for loan of furniture and household equipment owned by the Government under certain conditions, and another omitted provides for representation allowances to enable certain officers to maintain a

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standard of living necessary to support the prestige of the United States.

The allowances provided for in (B) are, first, living and quarters allowances for temporary periods, pending establishment of permanent residence overseas. This again recognizes world-wide housing difficulties and permits the Agency to keep such employees and their families on travel status until they are established, rather than have them dependent on the normal cost-of-living allowances for the post concerned. The second provides for cost-of-living allowances where expenses at a post are so high as to impair the morale and efficiency of the employees and, in some cases, to make life impossible on base salary alone. There are at present several posts where the recurrent basic expenses exceed, at least in the lower grades, salary of the employee, plus normal allowances established by

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law and regulation. Together with these general cost-of-living allowances, there is provision for extraordinary and necessary expenses not otherwise compensated for, which expenses are frequently met in unsettled periods or in localities where local law or custom impose burdens upon newly arrived individuals. Provision is also made for the establishment of separation allowances, where conditions require wife and minor children of an employee to live in a country other than that to which he is assigned. This burden of supporting two establishments is incident to performance of official duty and not due to any fault or act of the employee. It should be noted that these allowances in Section 5(B) are subject to regulations set by the President. It is felt that it would be appropriate to have those regulations which the President has prescribed for the State Department extended to include CIA.

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[REDACTED] at the same time has long concentrated on the techniques and special operations to ascertain the funds available to other secret intelligence services.

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The only satisfactory substitute for a truly secret appropriation that has so far been suggested is to earmark,

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by authorities given to CIA. Also, in conducting certain of its activities, CIA uses the facilities or personnel of other agencies. Reimbursement or payment in advance for such departmental cover is difficult to perform securely under present regulations.

It is felt that the proposed Section will eliminate the above-mentioned difficulties, while retaining sufficient control in the Director of the Bureau of the Budget to prevent abuse or improper supplementation of appropriations. In particular, it would greatly facilitate controls exercised by the budget and fiscal officers of CIA over disbursements and the audit by GAO of disbursements of vouchered funds, as it would divorce the funds spent by the Agency from their original appropriation acts and allow reference only to expenditure authorities contained in this act and the National Security Act of 1947.

Satisfactory arrangements have been made with the

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General Accounting Office, Bureau of the Budget and the Treasury Department to provide for special processing of funds transferred and reimbursements for special transactions in coordination with other Government agencies.

The authorities granted in Section 6(a) would provide the necessary authorization for the agencies concerned to effect these transfers or reimbursements without possible conflict with normal Government rules and regulations.

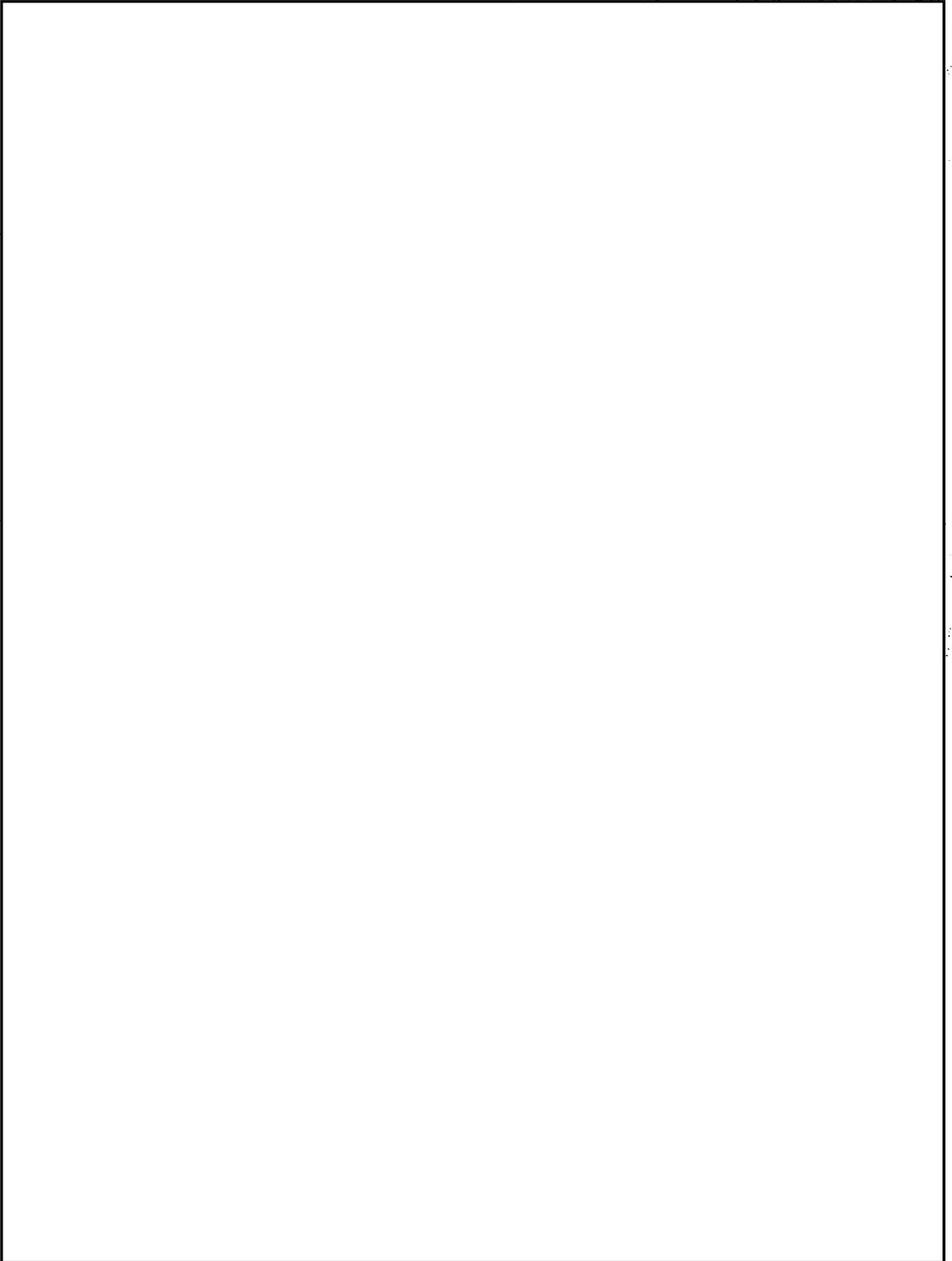
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over and operates certain sites for us in the interests of security.

As indicated above, this method of financing has the approval of the Comptroller General of the United States, who, in a letter dated 12 March 1948 to the Director of the Bureau of the Budget, stated that "the purposes sought to be obtained by the establishment of the Central Intelligence Agency are believed to be of such paramount importance as to justify the extraordinary measures" proposed in Section 6 of this bill.

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Section 6(b). (Page 8, line 24).

This Section provides for an exemption to the provision of law (Section 3651 Revised Statutes) that no exchange of funds shall be made by any disbursing officer or agent of the Government other than an exchange for gold, silver, United States Notes and National Bank Notes. That law further provides for the suspension and removal from office of any disbursing officer or agent who violates it. It is necessary to have the authorities granted in this Section in order to provide appropriately designated

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These functions cannot be performed under the restrictive provisions of Section 3651 of the Revised Statutes and therefore the general authority of Section 6(b) is requested.

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Section 6(c). (Page 9, line 1).

This Section authorizes other Government agencies to assign or detail any of their personnel to CIA and further authorizes CIA to reimburse for such services. In the performance of its functions, CIA has close relations with many other departments and agencies of the Government. There is often need for experienced personnel of other agencies to work directly with CIA in their specialist fields. Occasionally there is an urgent need for a highly qualified technician in any one of a number of fields to perform a mission under CIA direction. The simplest method to achieve this direction is by assignment of such personnel to CIA. Previous intelligence organizations have from time to time experienced difficulty in effecting such assignments or in reimbursing other departments where required.

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of the greatest secrecy to be carried out under OSS direction. The GPO was most cooperative and made the individual available. It was not until he had been working for some period of time that statutory restrictions on assignment of GPO personnel were discovered. It was most difficult to unravel the technicalities of this particular case and similar problems have arisen in reimbursing other Government agencies.

While under normal provisions of law CIA now has the authority to reimburse other Government agencies for services and personnel, nevertheless, certain exceptions could arise such as t [REDACTED] cited above, which could place limitations on the Agency's utilization of other Government personnel and this Section is designed to give such special authorities and eliminate the possibility of possible impairment of an operation at the crucial time.

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Section 6(d). (Page 9, Line 7).

This Section authorizes official CIA couriers to carry firearms when engaged in the transportation of documents and materials which vitally affect the national defense and security.

A Federal statute is needed so that CIA couriers will not be subject to arrest in jurisdictions having local laws prohibiting the carrying of firearms. (For example, the Sullivan Law in New York prohibits the carrying of concealed weapons). Several instances have arisen where members of this Agency have been ordered on trips carrying Top Secret material, the loss of which would seriously impair the national security. We have been unable to allow them to carry firearms because of the absence of this statutory authority.

The Armed Services do not operate under these limitations, as they are able to send officer couriers

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who are authorized to carry arms. This Agency does not have the military personnel to allow the utilization of officers for this purpose.

Precedent for this Section is seen in previous statutes such as 5 U.S.C.A. 300a, which authorizes and empowers members of the FBI to carry firearms, and 18 U.S.C.A. 753k, which authorizes and empowers officers and employees of the Bureau of Prisons to carry firearms under such rules and regulations as the Attorney General may prescribe.

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Section 6(e). (Page 9, line 11).

This Section seeks exemptions from those provisions of the Economy Act of June 30, 1952 which permit no more than 25% of the first year's rental for leased property to be spent on permanent improvements and a further limitation of 15% of the fair market value as the ^{yearly} rental which may be paid.

The 15% and 25% figures permitted while normally helpful as exceptions to the general rule that appropriated funds may not be used for improvement of privately owned property, in many cases do not satisfy the peculiar needs of certain installations of this Agency.

Section 278(a) of Title 40, U. S. Code, permits no more than 25% of the first year's rental for leased property to be spent on permanent improvements. This limitation has, in the past, so limited CIA on improvements to leased facilities as to qualify the security of

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some installations. While certain alterations or special equipment, as necessary for special uses, may fall within exemptions to the limitations, others are questionable and have from time to time forced the use of temporary and inefficient substitutes. An exemption is, therefore, asked in cases where the Director will certify that the exemption is necessary to successful performance of the Agency's functions, or to the security of its activities.

With very rare exceptions, every installation of
CIA must be surrounded by precautions adequate to afford

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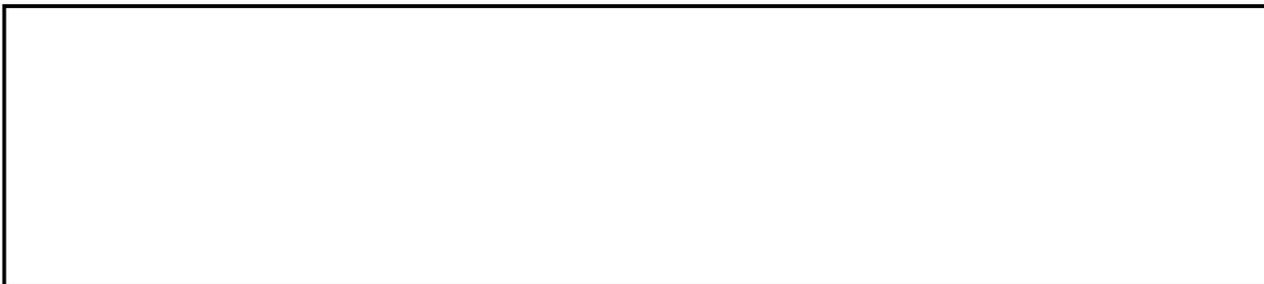
tion. It is also frequently necessary to make alterations for installation of special equipment, or to facilitate efficient use of the premises.

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premises. The premises, as leased, did not afford adequate space for administration or the proper storage and protection of valuable communications equipment and records. In order to remedy this condition, CIA was required to procure and erect houses from the War Assets Administration, which houses were considered to be of a temporary nature. Inasmuch as the is designed for extended use, and one which has involved a considerable amount of expense, the type of structure added to the premises is not the most desirable, and considerable expense is required in conditioning the premises for the purposes intended. The ordinary rule is that if the structure remains the property of the Government and may be removed from the premises upon the expiration of the lease, it may be excepted from the

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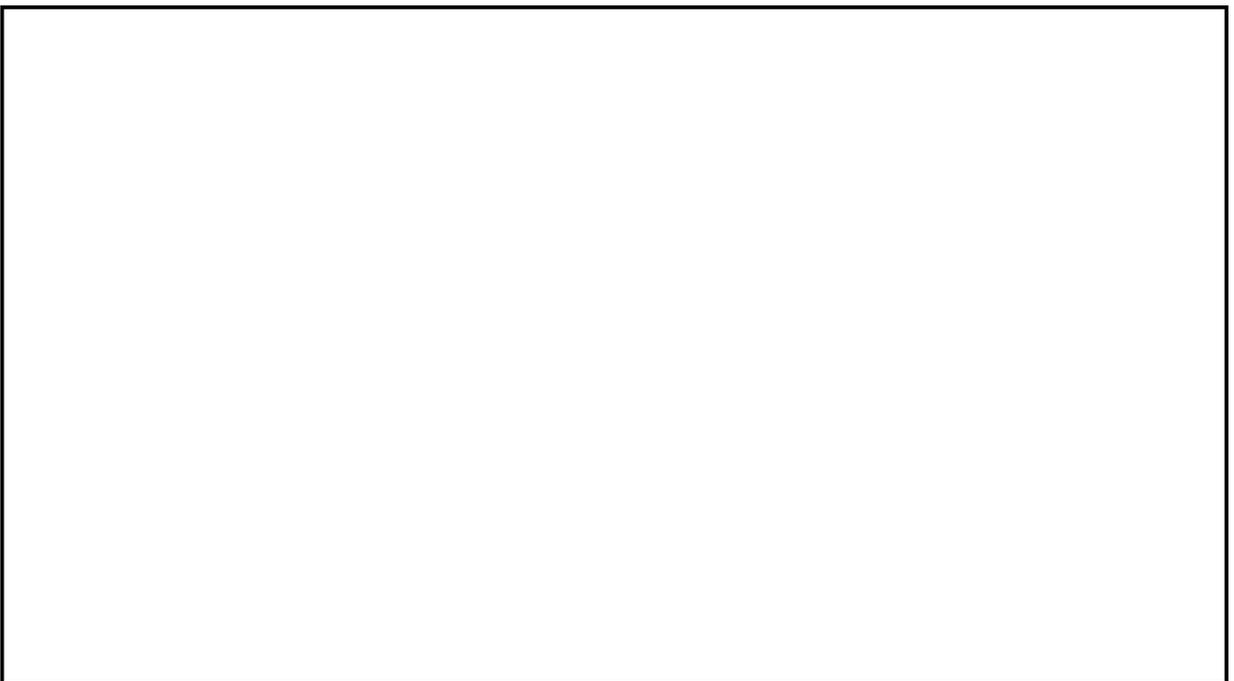
25% limitation of the Economy Act. However, the question is one of fact and, therefore, does not always provide an adequate standard for administrative determinations involving substantial sums of money. Such structures as portable pre-fabricated buildings are not adaptable to the monitoring activities of CIA and their use would seriously impair its functions.

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In seeking to obtain suitable space for a reproduction plant, this agency was, at one time, considering the

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Under the 25% limitation of the Economy Act, this agency was required to consider other less desirable alternatives.



It is a security requirement of this agency that all regional activities be equipped with vaults. Inasmuch as the amount of space occupied in regional offices is small compared to the amount of money which must be expended to secure these regional activities, there is frequent difficulty in arriving at a suitable vault installation due to the fact that the equipment is not readily removable without destroying its usefulness or damaging the property. In these cases, the 25% limitation is reached at a very early period.

The same Section of Title 40, U. S. Code, contains a limitation on the amount of rental which may be paid by an agency. This limitation is stated as a maximum of

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East, despite the huge distances involved.

Locations in particular areas within limited spheres of activity are often desired and in order to obtain proper space and place it in condition for use a waiver from the requirement of the Act of June 30, 1932^a is necessary.

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but because of the 15% limitation space elsewhere at a much less desirable location had to be secured.

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Section 6(f). (Page 9, line 19).

Exemption is sought from provisions of law (5 U.S.C. 654) which require the publication each year in the Official Register of the United States, or similar publications, of full and complete lists of all persons occupying administrative and supervisory positions in CIA, as well as their official titles, salaries and other data.

Under Section 102(d)(3) of the National Security Act of 1947 the Director of Central Intelligence is responsible for protecting intelligence sources and methods from unauthorized disclosure. It is an established fact that if it were possible to know the number of personnel or the size of the budget of an intelligence organization it would be relatively simple to ascertain its functions and the scope of its operations, particularly as the Official Register does give job titles. Therefore, for essential reasons of security, the Agency should be

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free of any legal requirement to publish this data in the Official Register of the United States or similar publications.

Similarly, exemption is sought from that section of the law (5 U.S.C. 947b) which provides that the Director of the Bureau of the Budget shall report quarterly to the Congress the Agency's personnel ceilings for the quarter. This report is also required to show the net increase or decrease in Agency personnel for the period. This proposal does not in any way alter the requirement that the Director of the Bureau of the Budget fix quarterly ceilings for CIA, but merely relieves him of the requirement to report this figure to the Congress, which report would result in the publication of such figure to the detriment of the security of the United States, as indicated above.

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the limitations of specific appropriations and the actual obligation and expenditure of funds. This Section, read together with Section 6(a), would clearly establish that, no matter how funds are made available to the Agency, they lose their identity as part of the original appropriation and are no longer bound by the limitations of the Section in which originally contained. They may, therefore, be expended by CIA under the provisions of Section 7(a) and also under certain other specific authorizations contained in previous sections of this proposed legislation.

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Section 7(a)(1). (Page 10, line 18).

The majority of the provisions of this sub-section pertain to activities necessary to the normal administration of CIA, but for which money cannot be expended without specific appropriation authorization. Hence, personal services includes employment of aliens which has for a period of years been permitted only on a very limited basis by specific authority contained in various appropriation acts.

Many of the provisions of this sub-section are routine and self-explanatory, such as rent, the return and interment of employees who die abroad in the performance of their official duties, penalty mail, payment of claims under the Federal Tort Claims Act and the maintenance of buildings and facilities. Allowance is made for a health service program as authorized by 5 U.S.C. 150, which provides that such a program may be established within the

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limits of appropriations after consultation with the Public Health Service and limited to treatments of on-the-job illness and dental conditions requiring emergency attention, pre-employment and other examinations, referral of employees to private physicians and dentists, and preventive programs relating to health. The authority for the payment for rental of new reporting services, both here and abroad, is necessary. As stated earlier, the Agency

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Another purpose for which funds may be appropriated is travel and expenses incident to attendance at professional, technical and scientific meetings where such attendance would be of benefit to the work of the Agency. In this connection it should be noted that such travel shall be subject to policies established by the Director in order to assure that the attendance at such meetings

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will be beneficial to the Agency and not be in the nature of a vacation or junket at the Agency's expense.

Appropriations for association and library dues is desired particularly in connection with the Agency's Reference Center. It has been found that many valuable books and periodicals which are in the nature of necessary tools in our work are published by organizations who make such publications available only to their membership. Often these publications are available in this manner at so considerable a discount that the membership fee in the organization is recovered by the saving in the purchase of one publication. Examples of typical organizations in which membership might be helpful are the American

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information to be obtained ranges from production of raw materials through political analysis, scientific research in foreign areas, new methods and techniques for handling, cataloguing and otherwise processing documentary information, etc. The type of information to be obtained through these memberships will be directly related to the needs of operational and research staffs in the Agency.

Other provisions of this sub-section are particularly essential to CIA activities such as all sorts of communications equipment, transportation items and reproduction equipment. /

Security requires the Agency to do a certain amount of its own printing and binding. The security which requires arming of couriers under Section 6(d) of this Act also requires authority to purchase and maintain firearms in this appropriation sub-section.

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Section 7(b). (Page 11, line 21).

This Section enables the Agency, with the approval of the Bureau of the Budget, to expend certain sums without regard to provisions of law and Government regulations relating to expenditures and to expend certain portions of their funds solely on the certificate of the Director for objects of a confidential, extraordinary or emergency nature.

In practice, it is felt that the Agency would draw up its overall budget, and the Director, with the advice of his staff, would determine what proportion could be expended as normal vouchered funds under authorities contained in the foregoing sections. The remainder of the funds required would then be available for expenditure under Section 7(b). Within this amount, the Director would determine that a certain proportion would be for confidential purposes, which would be accounted for solely on his certificate.

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These confidential funds would be available for expenditure for all purposes necessary in the conduct of confidential activities of the Agency, subject to regulations prescribed by the Director. These regulations will be based, in general, on the foregoing authorities. The proportions ascertained by the Director would have to be approved by the National Security Council before submission to the Bureau of the Budget and Congress.

There is a definite need for the utilization of funds without regard to the provisions of laws and regulations relating to the expenditure of Government funds, although normal Government procedures insofar as accounting requirements are concerned can be followed. In these cases, security is not of primary importance.

In the conduct of our activities it is impossible to determine from time to time, or in advance, when a situation

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will arise where the exercise of such powers in the expenditure of Government funds may be required. In many instances the need for conforming with local customs in foreign countries, including the making of advance payments, will require the use of this authority. The numerous restrictive statutes which are applicable often handicap what should be considered as the normal intelligence operations of CIA. Situations may, as heretofore, arise where, in order to recruit specially qualified personnel for intelligence activities, it will be necessary to pay travel expenses of a limited number of new employees. It is sometimes impractical to obtain required waivers from the Government Printing Office and the Bureau of Federal Supply, due to the need for immediate action.

The purchase of certain types of equipment which would be otherwise prohibited by law, may be required in order to refrain from impairing the Agency's operations.

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Among the type of items or services which could be procured under this authority with appropriate explanation or justi-



supplies or services which would not be required to be paid from unvouchered funds under the authority provided in Section 7(b)(2).

As indicated above, the utilization of this type of fund to avoid conforming with the laws and regulations pertinent to these matters would be used only when properly

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applicable Directives of the National Security Council, it is necessary to use funds for various covert or semi-covert operations and other purposes where it is either impossible to conform with existing Government procedures and regulations or conformance therewith would materially injure the national security. It is not practicable, and in some cases impossible, from either a record or security viewpoint, to maintain the information and data which would be required under usual Government procedures or regulations. In many instances, it is necessary to make specific payments or reimbursements on a project basis where the background information is of such a sensitive nature from a security viewpoint that only a general certificate, signed by the Director of CIA, should be processed through even restricted channels. To do otherwise would obviously increase the possibilities of penetration with respect to any specific activity or general project. The nature of the activities of CIA are

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such that items of this nature are recurring and, while in some instances the confidential or secret aspects as such may not be of primary importance, the extraordinary situations or the exigencies of the particular transactions involved warrant the avoidance of all normal channels and procedures.

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