

SECURITY INFORMATION

Chief of Mission, Frankfurt

Chief, Berlin Operations Base

Operational/Cadery

DTLINEN Audit Report

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- A. EOGA-5812 (Copy to Berlin notice of work) (attached sent Wash as EOB-A-2364)
- B. EOGA-6387 (attached)
- C. EOGA-2442 (not rec'd WFSR)

1. DTLINEN's bookkeeper was interviewed to clarify the points raised in Recommendations, Reference A.

a. Re Recommendation 1, Reference A, the CADRAIN administrative/finance officer will forward the monthly statement in a separate report. The statement will be secured each month from DTLINEN.

b. Re Recommendation 2, Reference A, we must await the results of a re-check by the bookkeeper and Charles E. Newman. Rather than hold up this dispatch pending the outcome of the re-check, the results will be transmitted in a separate dispatch.

c. Re Recommendation 3, Reference A, DTLINEN resorts to a simple and fairly effective procedure. All DTLINEN salaried employees are registered with the Arbeitsamt under their true name; there is no pinpointing of overt and covert employees. Their employer is listed as Büro Dr. Hoffmann, an office for public relations and press affairs. This is actually a notional office. It serves its purpose vis a vis the Arbeitsamt, but does not provide secure cover since the DTLINEN representative who originally listed the Büro as employer gave as its address that of DTLINEN headquarters. Quite obviously an astute Arbeitsamt employee could put two and two together if it were worth the time and trouble. So far DTLINEN employees have reported no indications of a Büro/DTLINEN tie-up by Arbeitsamt officials, but we should not be too sanguine about this state of non-attributability.

We think it of interest to COM and the home office to add a clarification of DTLINEN's financial procedure vis a vis the Berlin Finanzamt and the Krankenversicherungsanstalt. The former issues yearly tax cards for each DTLINEN salaried employee

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(true names); the employer is listed as Büro Dr. Hoffmann. DTLINEN's bookkeeper keeps these true name tax cards in a special file under his personal supervision. Tax payments are made in a lump sum, credited to Büro Dr. Hoffmann. This procedure avoids pin-pointing individual DTLINEN employees. Essentially the same procedure is followed in making sickness and health insurance payments to the Krankenversicherungsanstalt. Lump sum payments are paid to the account of Büro Dr. Hoffmann. Thanks to effective liaison between Newham and the director of the Krankenversicherungsanstalt, DTLINEN employees are registered by number rather than by name at the Anstalt; true names of DTLINEN employees are not recorded. The flaw in the system is the prospect that both the Finanzamt and Krankenversicherungsanstalt can recognize the address of Büro Dr. Hoffmann as DTLINEN's.

d. Re Recommendation 4, Reference A, we can offer no fool-proof procedure for eliminating all speculation concerning covert funds channelled to Newham and entered in the overt books. However, inasmuch as ODYOKE interest and support of DTLINEN was officially revealed to Fedrep authorities, we feel that these funds can be explained (if necessary) in terms of such ODYOKE support. There is no reason for Newham to amplify this explanation.

e. Re Recommendation 5, Reference A, we do not consider DTLINEN overstaffed. Obviously personnel changes do occur in DTLINEN, but they can be attributed to normal fluctuations in personnel strength. To DTLINEN's credit, it must be said that it employs workers with an eye on their qualifications and on their character. As a general rule, well qualified persons whose character appears unsuited to the stress and strain of cold war activities are not employed. Application of this rule has been vindicated more than once when valuable employees refused to leave DTLINEN for glittering offers from ZIPPER, ODOPAL and the BfV.

f. Re Recommendation 6, Reference A, we propose a modification of Newham's present method of allocating the funds. We shall request that the bookkeeper sign a receipt for the overt section funds and that Leader do the same for the covert section funds. This will definitely record the allocation made by Newham, pinpoint responsibility, and permit us to trace the allocations as they are expended by the overt and covert sections. In addition, the overt books will only show the allocation indicated on the receipt and there can be no confusion concerning possible commingling of funds. The receipts and statements from the overt and covert sections will be submitted to us monthly.

g. Re Recommendation 7, Reference A, a schedule of non-expendable equipment is being prepared and will be forwarded when completed.

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2. Clarification of the questions raised in Paragraph 1 a, b, Reference B is as follows:

a. The bookkeeper stated categorically that DTLINEN paid no money to newspaper contacts. It was his opinion that the auditors confused that term with payments of honorare to several free-lance journalists who comprise the DTLINEN press section. These men, however, are not salaried employees; they are remunerated on the basis of articles contributed. We shall check with the covert section to determine whether it paid a bonus to specific newspaper contacts.

b. The overt section never paid a bonus to a Senate member. We will clear up this point with the covert section.

3. Our thorough discussion with the bookkeeper leaves little doubt that DTLINEN is making every effort to conduct its affairs, both administrative and financial, in a business-like manner. DTLINEN's top functionaries are fully aware of the fact that the activities of their organization entail grave responsibilities.

E J

APPROVED

E J

LJHenderson/spm

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