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CENTRAL INTELLIGENCE AGENCY
SOURCE METHOD EXEMPTION 3B2B
NAZI WAR CRIMES DISCLOSURE ACT
DATE 2007

MEMORANDUM FOR: Chief Political and Psychological Staff
VIA: Inspector General
FROM: []
Deputy Inspector General for Audit
SUBJECT: Audit of Operational Activity QRPLUMB

1. Our preliminary review of Operational Activity QRPLUMB has identified several issues related to its ongoing termination which require your immediate attention. As the report of audit will not be issued before QRPLUMB is terminated, we are bringing these issues to your attention at this time. The specific issues are: appropriate approval of the [] termination payment; the initiation of liquidating activities prior to the approval of a liquidation plan; and adverse consequences which could result from the proposed method of termination.

2. The Fiscal Year (FY) 1991 OPACT and the draft Liquidation Plan for QRPLUMB prescribe a termination payment of [] to cover the one-time costs associated with the termination of the project, and a termination payment of [] to enable QRPLUMB to continue its activities while identifying alternative sources of funding. We view this payment as a termination bonus requiring DDCI or DCI approval.

3. Our categorizing this payment as a termination bonus is based on:

- the language of both the OPACT and draft Liquidation Plan which refers to a "negotiated" settlement "in recognition of the over forty years of service and contribution to U.S. Government objectives";
- the relinquishing of ownership of QRPLUMB to the three principal agents; and,
- the fact that the Agency will exercise no control over, nor be legally responsible for, how these funds are utilized because of the execution of quit claims by these agents.

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As such, this payment would be subject to the provisions of HR 20-73 which requires the approval of either the DDCI or the DCI for agent compensation which exceeds \$200,000 in a given year.

4. The liquidation of QRPLUMB is proceeding under the authority of the FY 1991 OPACT and prior to the approval of the Liquidation Plan. A portion of the [] termination payment, [] has already been made and PPS has returned the original stock certificates to QRPLUMB in order for them to transfer ownership exclusively to the three principal agents. HR 230-8 specifically states that no liquidating activities will begin until a liquidation plan has been approved. This regulation further provides that in cases of extreme urgency due to operational, security, or financial factors, approval of the DDCI may be requested for full or partial liquidation of Agency interest in an instrumentality on an expedited basis.

5. Although we have been informed that the execution of quit claims by the three principal agents will absolve the Agency of any future, legal responsibility for QRPLUMB, we are concerned with how this method of termination may be perceived should QRPLUMB, or its owners, utilize this termination settlement to engage in activities contrary to U.S. Government policy. Accordingly this concern should be addressed when seeking the approval of the DDCI or DCI for the termination of QRPLUMB.

Recommendation #1: Obtain DDCI or DCI approval for the [] termination bonus addressing potential negative ramifications which could accrue to the Agency.

Recommendation #2: Obtain DDCI approval for proceeding with the liquidation of QRPLUMB prior to the approval of the Liquidation Plan.

6. Please advise me of action taken to resolve these recommendations before any further payments are made.

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C/AS/PAG/E J:dm 31769 (17 December 1990)

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