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5 May 1952

TO: Deputy Director (Administration)  
VIA: Chief, General Services  
FROM: Chief, Organization and Methods Service  
SUBJECT: Budget and Fiscal Staff Study

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1. PROBLEM.--How can the CIA covert budget and fiscal mechanism be improved?
2. ASSUMPTIONS.--The Deputy Director (Administration) is answerable to the Director of Central Intelligence for the effectiveness of CIA administration. This includes budget and fiscal matters, regardless of where or by whom the work is performed.

3. FACTS BEARING ON THE PROBLEM.--

a. Quantitative Aspects of the Problem.--

(1) Generally speaking, the overt offices of CIA are less extravagant in the use of budget and fiscal personnel than are the covert offices. The newness and complexity of many of the covert offices, their individual histories, and their attitudes in the past regarding the need for independent covert support have all served to create excesses which are most predominant in the case of OPC. Position inventories of administrative activities in the covert offices, especially OPC, are inaccurate because of position vacancies, misassignments, scrambled position responsibilities, and utilization of personnel destined for overseas duty on Headquarters assignments.

b. Qualitative Aspects of the Problem.--

(1) Office of Training.--The Administrative Services Branch containing the budget and fiscal responsibilities is poorly organized and confused. Of the 22 positions on the T/O, position inventory records indicate that eight are filled, and there are actually 18 persons performing work for the Administrative Services Branch. Insufficient

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work exists for their Budget and Fiscal Officer and his clerk-stenographer. The Comptroller's Office is not exercising technical supervision over the budget and fiscal work done here.

- (2) Office of Special Operations.--Two people are providing extremely efficient and expert supervision over OSO's budget and fiscal activities. Most of the work is centralized, and their geographic divisions do little budget work except for voucher preparation and the handling of advances, which their secretarial and clerical personnel have been trained to do. This offers a striking contrast with OPC. The OSO budget and fiscal mechanism is working well in the absence of detailed technical supervision from the Comptroller's Office.
- (3) Office of Communications.--The budget and fiscal mechanism here, having been sired by OSO, is organized in a fashion similar to that of OSO's. It is naturally not functioning as efficiently as that of OSO because of its newness.
- (4) Technical Services Staff.--This situation is somewhat similar to that in the Office of Training. Indicative of the absence of a workload justifying a full-time Budget and Fiscal Officer and a clerk is the fact that there is a candidate in process as Budget and Fiscal Officer but not yet aboard. Voucher review at this level constitutes a duplication of an auditing function performed within the Finance Division. The fact that TSS is a support activity tends to confuse their budget and fiscal activities with those of OSO and OPC. The question of who budgets and accounts for what is perpetually arising.
- (5) Office of Policy Coordination.--The budget and fiscal activity here lacks standardization, efficiency and control. The FE Division has centralized and over-specialized. The EE Division has decentralized to the point where case-officer generalists are being burdened with specialized finance problems. The WE Division is now decentralized, but intends to centralize. The NE Division has merged administratively and one Budget and Fiscal Officer is attempting to coordinate their mechanism with that of the OSO and OPC Budget and Fiscal Officers.

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This came about as a result of merger and is not

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utilize one Budget and Fiscal Officer on the T/O of the former, and the mechanism is centralized. The Western Hemispheric Division is largely centralized. Superimposed upon this heterogeneous mass of work being done in the Divisions is the office-level budget and fiscal activity of OPC. This type of layering is not unique in OPC's budget and fiscal activities. The same pattern of layering, echelon-ing in depth, duplication at various executive levels, and over-staffing exists in general throughout their entire organizational structure. Standards and practices regarding the use and accounting of unvouchered funds are entirely inadequate. Con-fusion in this area is therefore causing transfers from vouchered to unvouchered funds and, vice versa. The impact of this situation manifests itself in the form of unnecessary paper work in the finance and personnel fields. This situation impinges also upon the travel and procurement activities. Decentralization of budget and fiscal responsibili-ties has, among other things, resulted in ineptness, technically inaccurate advice, unnecessary delay, and loss of continuity through personnel turnover and shuffling. Additional details appear attached as Annex E.

4. DISCUSSION.--The central issue for consideration in the budget and fiscal field as well as other areas of administration involves a decision as to responsibility for control of and specific supervision over administrative functions. At the present time, the Deputy Director (Administration) is charged with a responsi-bility which he is not and cannot fulfill so long as the assets involved are under someone else's control. Placing these assets under the Deputy Director (Administration)'s control should not serve to deny substantive operators the general administration of an internal character needed at operating levels.

The deficiencies pointed out in the succeeding annexes can be best eliminated through proper technical control over highly specialized functions. In the case of the budget and fiscal func-tion, the Comptroller should be held accountable to the entire Agency for the performance of this activity. This can be done in either of two ways. The Comptroller could be held responsible for the direct supervision of those now working for him and technically responsible for staff supervision over the budget and fiscal work now being done in the operating offices; or, wherever a specialized

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workload in sufficient volume exists, the Comptroller could send down one of his own men to do the job. The placing of budget and fiscal specialists in operating offices on their T/O's but under the technical supervision of the Comptroller would be analogous to the organization of the Army Medical Department, wherein the medical doctors and technicians take all of their professional instructions from the United States Army Surgeon General, but are under the administrative control of a field commander. Giving the Comptroller administrative and technical control over budget and fiscal specialists in operating offices is analogous to the sales department organizational structure of many manufacturing companies, i.e., all of the salesmen work for the sales manager.

The Agency's basic organizational structure and the responsibilities delegated to the Deputy Director (Administration) militate against any pattern of administrative organization other than horizontal. Direct administrative control carries an implied obligation for supporting the covert offices in accordance with their true operational needs.

The central issue is not the question of on whose T/O these operating office specialists appear. It is rather a question of the placement of responsibility. The assets have not been properly managed under present arrangements. Only by placing this entire responsibility upon the Comptroller can the situation be corrected. He cannot do this unless all of the people involved work directly for him, with his specialists located contiguous to large operating segments requiring frequent contact.

In examining the deficiencies of our present system, we must not lose sight of our future requirements. When and if overseas Theaters are established, it will be necessary to include on Theater staffs large numbers of budget and fiscal and other administrative specialists. It will be necessary to delegate to these Theaters certain authorities and responsibilities now vested in Headquarters. Large numbers of experienced personnel for Theater jobs can be selected easier if they all work for one organization. Operating offices should not select specialized administrative personnel for these jobs, nor should they attempt to establish administrative procedures. To do so would invite chaos.

Details in the annexes attached support the need for relieving covert geographic divisions of their autonomous control over foreign field stations. They are presently denying Central Administration officials expeditious access to their field counterparts. Additional emphasis is needed on the budget and fiscal work being done in the field. This increased emphasis will require direct communication by the budget and fiscal people in Headquarters and field. [REDACTED] of the Office of Security, has stated that such counterpart communication would not violate security concepts.

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The attached annexes bear out a considerable number of deviations in the utilization of personnel. T/O approvals assume performance of functions and jobs in accordance with the concepts agreed to at the time of approval. If pressure is not brought to bear on these irregularities, the top officials of CIA, as well as the Assistant Directors, will lose control of performance. This may be the case already in OPC.

It should be borne in mind that the Bureau of the Budget has repeatedly disallowed the specialized administrative positions appearing on the Headquarters T/O's of operating offices.

This study does not include the budgetary and fiscal aspects of the OPC Commercial Division, the CCC, and the PRC. If this problem is studied, and it is believed that it should be, it should be done on a committee basis with representation from the fields of banking, organization and methods, and industry.

The deficiencies noted in this report have resulted from a natural evolution. The officials of Central Administration have accepted no real responsibility for their counterpart functions in operating offices and, concomitantly, the officials of operating offices have attempted to do for themselves things in which they are inept.

#### 5. CONCLUSIONS.--

- a. The covert budget and fiscal mechanism throughout the Agency lacks standardization, efficiency and control. Duplication, layering, echeloning in depth, and inordinate processing delays have resulted. The Comptroller is not exercising authority over all CIA budget and fiscal matters.
- b. The covert offices have been extravagant in the use of specialized budget and fiscal personnel and have not adhered to prescribed patterns of organization. OSO has offended least in this regard.
- c. Covert Geographic Divisions are acting as artificial barriers between the Comptroller and his foreign field counterparts.
- d. Procedures manuals are sorely needed.
- e. The Comptroller's Office has not projected itself into operating offices sufficiently.
- f. A committee, appropriately staffed, should be designated to study the complex relationships among the Comptroller's Office, the OPC Commercial Division, the CCC, and the PRC.
- g. The entire CIA mechanism related to travel requires attention.

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6. ACTION RECOMMENDED.--It is recommended that:

- a. The Comptroller be directed to assume complete authority and responsibility over all CIA budget and fiscal work. Slots and incumbents performing budget and fiscal work in operating offices be transferred to the Comptroller's T/O, provided that the Comptroller be not required to take over anyone whom he considers unqualified for this work. (If this pattern holds for subsequent studies in Personnel, Procurement and other Central Administration fields, a small residual of administrative generalists should remain under each covert office.)
- b. Appropriate action be taken to prevent all elements of CIA, especially OPC, from unauthorized T/O, procedural and functional deviations.
- c. The covert offices be divested of any supervisory responsibility for foreign field budget and fiscal matters; that the Comptroller place budget and fiscal personnel of his choice where necessary outside of Washington; that the Comptroller be authorized direct communication to and from his field counterparts; and the Comptroller be charged with the issuance of technical instructions to his field counterparts. (In the field, budget and fiscal personnel would be on the Field Station T/O's.)
- d. The Comptroller be instructed (with O&M Service assistance) to develop manuals completely covering budget and fiscal procedures.
- e. The Comptroller's key people leave their desks and begin developing better working relationships with the covert (and overt) offices.
- f. A committee consisting of a banker, an industrialist, and an organization and methods examiner be constituted to study the functions and procedures of the OPC Commercial Division, the CCC, and the PRC.
- g. The O&M Service be directed to study the entire CIA travel situation and mechanism including:
  - (1) Procedure for entering persons on duty in Washington prior to overseas duty.
  - (2) Procedure for processing travel orders and travel vouchers.
  - (3) Processing of both staff employees and staff agents to and from overseas destinations.

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**ANNEXES:**

Annex "A", Office of Training; Annex "B", Office of Special Operations;  
Annex "C", Office of Communications; Annex "D", Technical Services  
Staff; Annex "E", Office of Policy Coordination.

**ACTION BY APPROVING AUTHORITY:**

Date \_\_\_\_\_

Approved (disapproved), exceptions, if any.

\_\_\_\_\_  
Deputy Director  
(Administration)

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