

ROUTING AND RECORD SHEET

SUBJECT: (Optional)

FROM:

EXTENSION

NO.

Director of Finance

DATE

14 Mar 1974

25X1

TO: (Officer designation, room number, and building)

DATE

OFFICER'S INITIALS

COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)

RECEIVED

FORWARDED

1. Deputy Director for Management & Services
7D26 HQS

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14 MAR 1974

MEMORANDUM FOR: Deputy Director for Management and Services

SUBJECT : Report

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1. We believe that the Report on their review of Agency audit practices represents an objective evaluation even though somewhat boilerplate in reflecting GAO general positions.

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2. Our comments on particular recommendations of interest or relevant to the responsibilities of the Office of Finance follow:

a. The suggestions relating to the Commercial Systems and Audit Division have been carefully reviewed. We have established an MBO objective for FY 1975 for the purpose of fully exploring the recommendation for shifting the emphasis of audits to provide more useful information for procurement personnel. The remaining suggestions for CSAD activities relate principally to technical aspects of audit operations. In such matters there are typically as you know differences of view among professionals on the details of techniques to be applied in particular situations. In any event we will give full consideration to each suggestion and modify our practice whenever it would be beneficial to do so.

b. We have some reservation about the suggestion that three year audit cycles for financial and compliance audits would adequately satisfy Agency requirements. In view of the uniqueness of Agency activities we believe the annual concept for financial and compliance audits should continue to be observed at field locations operating under Class A Accounting and Reporting

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E.2...IMPDET CL B

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SUBJECT:

Report

25X1

Procedures. We believe further there is adequate justification for continuing the biannual concept for installations operating under Class B or C Accounting and Reporting Procedures. We agree there is merit in the suggestion that the so called "component audits" at HQS could be performed less often than annually.

c. We believe it is significant and worthy of emphasis to note the conclusion on page 26 that the Audit Staff function should remain separate from the CSAD function, with the Audit Staff being responsible for the review of CSAD activities in the same manner as any other Agency activity.

d. The most substantive recommendation of the report is, of course, the suggested shift in emphasis from financial and compliance auditing to audits of the economy, efficiency and effectiveness of Agency programs. The extent to which such a change should be implemented is a top management policy decision which in our view should be contingent in part on the degree to which it is judged such evaluations could be effectively accomplished by augmenting current Audit Staff skills through identification and assignment of highly qualified professionals of other disciplines. Such assignments of Engineers, Intelligence Analysts, Senior Case Officers, Computer Specialists, Finance Officers, Planning Officers, etc., could be on a rotational or permanent basis. Assuming that the requisite degree of independence would be maintained, the rotational basis of assignment would seemingly be more attractive to highly qualified professionals who might wish to avoid permanent assignments outside their areas of primary professional competence.

Thomas B. ~~Yale~~
Director of Finance

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