

Chapter 8

Internal Controls

The CIA relies on internal controls to ensure that policy commands are followed, that resources are used properly and efficiently and that activities are consistent with statutory authority.

Seven major mechanisms, none of them peculiar to this intelligence agency, play a role: (1) The chain of authority; (2) requirements for coordination among various offices within the agency; (3) written internal regulations; (4) internal “watchdogs”, including the legal counsel, inspector general, and auditors; (5) resource controllers of money, property, and personnel; (6) training courses; and (7) informal methods of communication.

A central feature of the CIA’s organization is its “compartmentation.” For reasons of security, persons in one office are not informed of activities in other offices unless they have a “need to know.” As a consequence, the number of persons who are in a position to comment on activities within the CIA is small.

Even persons whose function it is to oversee or inspect CIA activities are sometimes denied complete access to operational details.

On the other hand, compartmentation results in high-level, detailed approval of many activities—more so than in most government agencies.

In addition, the secrecy of CIA activities creates additional problems for internal control. Individuals trained and accustomed to be secretive and to use unorthodox methods to perform their tasks may be tempted to employ this knowledge and experience to avoid close scrutiny.

The sensitive and sometimes dangerous nature of the work of the CIA demands high standards of personal discipline, dedication, and patriotism. The investigation indicates that virtually all of the Agency activities criticized in this Report were known to top management, sometimes as a result of complaints of impropriety from lower-ranking employees. This shows, among other things, that the Agency’s system of internal communication can operate.

A. Management and Administration

1. Chain of Authority

The Director of Central Intelligence is the head of the CIA and at the top of its chain of authority. He is also the principal foreign intelligence officer of the government and has duties extending beyond the CIA.

The Director's duties in administering the intelligence community, handling relations with other components of the government, and passing on broad questions of policy leave him little time for day-to-day supervision of the Agency.

His chief assistant (since 1953, by statute) is the Deputy Director of Central Intelligence (DDCI). In recent years, this position has been occupied by a high-ranking military officer, with responsibilities for maintaining liaison with the Department of Defense, fostering the Agency's relationship with the military services, and providing top CIA management with necessary experience and skill in understanding particular intelligence requirements of the military. Generally speaking, the Deputy Directors of Central Intelligence have not been heavily involved in administration of the CIA.

Each of the four major directorates within the CIA—Intelligence, Operations, Administration, and Science and Technology—is headed by a deputy director. They report directly to the Director of Central Intelligence.

The Directorate of Intelligence evaluates, correlates, and disseminates foreign intelligence. It also collects information by monitoring foreign radio broadcasts.

The Directorate of Operations (formerly called the Directorate for Plans) conducts the CIA's clandestine collection, covert operation, and counterintelligence activities. Many of its employees work overseas, but it also operates an office that collects foreign intelligence from Americans who volunteer information.

The Directorate of Science and Technology conducts research and development projects related to devices used in intelligence collection and in counterintelligence. It also provides technical services and supplies for operating portions of the CIA.

The Directorate of Administration (formerly called the Directorate of Support) handles housekeeping chores for the CIA such as contracting, communications, medical services, personnel management, security, finance and computer support.

In addition to these operating branches, the CIA has a number of staff offices, including a General Counsel, an Inspector General and a Comptroller, who report directly to the Director of Central Intelligence.

The compartmented nature of CIA operations and the adherence to "need-to-know" principles has restricted communication to lines of authority within each directorate. One directorate generally does not share information with another. The Director of Central Intelligence is, as a consequence, the only person in a position to be familiar with all activities. Therefore he is the focal point for formal internal control of the CIA.

The impact of compartmentation is sharpened by the occasional practice of having lower echelon officers report directly to the Director of Central Intelligence. Such special reporting authority outside the normal chain of command existed both for the Office of Security and the Special Operations Group of the Counterintelligence Staff.

This special reporting authority arose both from the need for tight security and the Director's interest in maintaining and continuing close contact with these sensitive activities.

Informal practices have the effect of expanding the information flow within the CIA. Daily morning meetings are held by the Director with the deputy directors. Also present are the Inspector General, Comptroller, legal and legislative counsels and other top officials. These weekday meetings include discussion of issues that otherwise would be handled only through the chain of authority. In addition, top CIA officials now meet regularly without the Director in the Agency Management Committee.

A distinctive feature of the CIA is the absence of "outsiders" in top-level management. Unlike the typical executive agency, where not only the chief officer but also a group of top-level assistants are appointed from the outside, no such infusion occurs in the CIA. Almost all the top leadership for the past 28 years has been chosen from within the organization.

2. Coordination Requirements

The need for coordination has caused the CIA to supplement the chain of authority with requirements for consultation between offices. Basic CIA policies and certain types of operational activities are approved only after consultation among staff offices and sometimes several directorates. The coordination required varies with the activity.

All regulations applicable to the entire agency must be reviewed by the directorates, the Inspector General and General Counsel before being approved by the Director of Central Intelligence. Whenever an activity requires use of a new proprietary company, an administrative plan must be prepared by the operating component and approved both within the direct chain of authority and by the Offices of General Counsel, Finance, Comptroller, and Security, among others.

To the extent that CIA activities involve agency-wide regulations or proprietaries, the compartmented nature of the Agency is somewhat lessened by such coordination requirements.

Nonetheless, field operational details, although they often are approved through the chain of authority, are not normally cleared at headquarters for logistic and financial support or legal authority. Decentralized control is designed to allow the CIA to operate securely, effectively, and rapidly, though it sacrifices the opportunity for internal checks.

Current requirements for coordination would not provide significant control over most of the CIA activities which are the subject of this Report.

3. *Written Directives*

Written CIA regulations serve as an internal standard. The CIA is given its basic policy direction by the 1947 National Security and 1949 CIA acts. Directives of the National Security Council and of the Director of Central Intelligence in his role as head of the intelligence community elaborate upon the basic guidance of Congress in setting forth the CIA's duties and responsibilities. CIA regulations translate these broad intelligence directives into specifics. In addition, CIA regulations spell out the basic missions and functions of each office. They are readily available to all employees; as assignments and procedures change, amendments are made.

CIA regulations are supplemented by official notices, which deal with policies of a transitory nature. Over 100 are issued each year. Handbooks give further details on administrative practices, security, salary and benefits, travel, accounting, procurement and other items of general concern. In addition, each directorate and staff office publishes its own written guidance for employees. Some particular offices have also supplied detailed written guidance setting limits on their domestic activities.

Agency directives do not, in general, however, spell out in detail which activities can or cannot be undertaken under the CIA's statute or policies. Agency-wide regulations rarely go beyond quoting the National Security Act of 1947 prohibitions in describing the limitations on CIA activities within the United States. A handbook of required regulatory reading for all CIA employees similarly does not discuss, beyond the barest outline, the 1947 Act's prohibitions on the exercise of police powers or internal security functions.

Some changes have recently been made to improve guidance provided by written directives. A number of notices have been issued specifically dealing with CIA activities within the United States and requiring office chiefs to prevent activities not authorized by the CIA's

charter. Notices have set strict limitations on certain testing programs, surveillance of Americans at home and abroad, assistance to local law enforcement agencies, detailing of personnel to other agencies, and wiretaps, searches and seizures. Most are brief and relate to past incidents that have been questioned. These notices have not yet been written into permanent regulations.

B. Staff Offices

Three staff offices¹ are assigned responsibility to investigate activities throughout the CIA, respond to inquiries about their legality, and report their findings to the Director: the General Counsel, the Inspector General and the Audit Staff.

1. The Office of General Counsel

The CIA's legal counsel performs a dual role. On the one hand, he supplies independent advice to the Director of Central Intelligence on the propriety—under the Constitution, statutes, or regulations—of CIA activities.

On the other hand, because the legal counsel is also part of the CIA's management that is responsible for carrying out assigned tasks, he is subject to pressures to find legal techniques to facilitate proposed activities.

The absence of clear legal standards in the many unusual situations which come to him complicates his problem in maintaining professional independence of judgment.

The General Counsel and his staff of 14 lawyers are responsible for providing legal advice to the Director and all other officials of the CIA. They also do miscellaneous legal tasks not involving legislative liaison.

Two features of this legal office are distinctive. First, one person served as the General Counsel for 27 years, from the time the Agency was created in 1947 until his retirement in 1974. Many particularly sensitive matters were handled by him personally. His successor has also served in the General Counsel's office for most of this period. Second, with one exception, the staff has been recruited entirely from within the CIA.

The General Counsel is involved in policy-making. He has been an active participant in drafting the basic delegations of responsibility to the CIA: the National Security Council Intelligence Directives (NSCID's) and Director of Central Intelligence Directives (DCID's). He reviews all internal CIA regulations.

¹ A fourth, the Office of Legislative Counsel, coordinates CIA relations with Congress and therefore does not exercise a significant internal control function.

The General Counsel also participates in implementing CIA policy. His office has been active in establishing proprietaries and other cover for operations. He is consulted on CIA immigration cases and reviews procurement contracts, administrative and liquidation plans for proprietary companies, and agreements between the CIA and non-governmental organizations.

The General Counsel is sometimes asked by the Director and other officials within the CIA for formal or informal legal opinions on the legality of CIA activities. The office maintains a collection of its legal opinions; they range over a wide assortment of topics from proper use of the confidential appropriated funds of the CIA to the authority for domestic activities in support of foreign intelligence.

The General Counsel does not review and comment on all activities of the CIA. He does not have authority to initiate inquiries; rather he responds to requests for legal advice. Most of the activities reviewed in this Report do not appear to have been the subject of a legal opinion from the General Counsel until quite recently.

Absence of written opinions alone does not necessarily indicate that the General Counsel was not consulted; consultation was at times handled informally. The General Counsel and his staff have, however, testified that they were unaware of most of the specific CIA activities discussed in this Report.

2. The Inspector General

The Inspector General and his staff of five professionals report to the Director. They review employee grievances, supervise equal employment practices, investigate reports of wrongdoing, and perform special management reviews of CIA activities. Under Directors with differing styles and management approaches, the Inspector General's role has varied.

The size of the Inspector General's staff reflects the Director's view of the scope of appropriate oversight of the operating divisions and of the amount of reliance that management should place on the chain of command.

Until quite recently, the Inspector General conducted component reviews of all CIA activities. Teams from the Inspector General's office visited each component and sought to determine the propriety and efficiency with which it conducted its activities.

The teams were also concerned with morale, security and supervisor-employee relationships.

The size of the Inspector General's staff has recently been reduced from fourteen to five professionals. As a result, it no longer conducts component reviews; instead, the Director relies on each deputy director and his staff to ensure proper management in his directorate.

Even when the Inspector General's office performed component reviews, the ability of such reviews to discover information was restricted. The office could review each component only once every three to five years. In performing such reviews, the Inspector General's staff was sometimes refused access to particularly sensitive CIA activities for which the Director granted a waiver from inspection. Even with complete access, not all aspects of an office's activities could be examined.

Despite these limitations, the Inspector General frequently was aware of many of the CIA activities discussed in this Report, and brought them to the attention of the Director or other top management. The only program which was terminated as a result was one in 1963—involving experiments with behavior-modifying drugs on unknowing persons.

The focus of the Inspector General component reviews was on operational effectiveness. Examination of the legality or propriety of CIA activities was not normally a primary concern.

In the last two years, the Inspector General has become a focal point for collection of information on questionable CIA activities. In April 1973, the Director of Central Intelligence asked the Inspector General to coordinate the CIA's internal investigation of possible involvement with Watergate matters. A May 9, 1973, memorandum from the Director to all CIA employees requested that they report to him any activities that may have been improper. Although most such reports were through the chain of command, some came directly from employees of lesser rank. The obligation to report such activities to the Director or the Inspector General is now a standing order in the Agency.

3. The Audit Staff

While the Inspector General conducts general program reviews of CIA activities, more particular financial reviews are conducted by the Audit Staff. Although part of the Inspector General's office on the CIA table of organization, the Audit Staff operates separately. Its chief has direct reporting responsibility to the Director. With a staff of 36, few of whom have previously served elsewhere in the CIA, the Audit Staff conducts annual reviews of the financial records of all CIA activities. Field offices are reviewed on a random rather than an annual basis.

The purpose of the audit is to ensure compliance with proper accounting procedures consistent with CIA financial regulations. To the extent possible, CIA regulations are similar to financial regulations relied on generally in the federal government. Auditors apply the standards of the American Institute of Certified Public Accountants.

In conducting a financial audit, the Audit Staff has available computerized information on all expenses of the office being audited. The Audit Staff selects a few expenses of each office for particular examination. Activities using unusual accounting procedures or requiring large sums of money other than payroll expenses will normally be chosen.

Although an auditor often is necessarily aware of the activities of an office during this financial compliance review, he does not usually learn about the activities in great detail; his focus is on their financial aspects.

Within the past year, at the urging of the General Accounting Office, the Audit Staff has begun to review programs in addition to auditing for financial compliance. This is a limited project of about four program reviews per year and focuses on costly activities. Program reviews concentrate on the success of activities in achieving stated goals and on cost-effectiveness. They are not searches for illegal or improper conduct.

C. Control of Resources

1. The Comptroller and the Budget Process

Preparation of the annual CIA budget is coordinated by the Comptroller, who reports to the Director. The Comptroller has a staff of fewer than twenty professionals, eight of whom are specifically assigned to review the budgets of the four directorates. Because these budget reviewers usually are assigned to the Comptroller from directorates and have not had budget experience, they serve as advocates for their directorates as well as comptrollers reviewing funding requests.

Every division within the CIA prepares a budget which is reviewed within each directorate or staff office before being forwarded and compiled by the Comptroller. Detailed scrutiny of budgets is done primarily within the directorates. The Comptroller focuses only on major issues, involving large sums of money, major new initiatives or activities of special concern to the Director.

In reviewing the budget, the Comptroller's staff generally examines allocation of resources only if they exceed \$30 million or employ over 200 persons. More limited activities would not be closely examined in the budget process at the Comptroller level. His focus is on questions of cost and effectiveness. Rarely, if ever, has the propriety of an activity been an issue for the Comptroller, unless some unusual funding pattern is involved.

The Comptroller presents the budget to the Director of Central

Intelligence for approval. It is then sent to the Office of Management and Budget for review before submission to Congress. After Congress appropriates funds, the Comptroller releases them to the directorates. Lump sums are given to each directorate, with instructions that the Comptroller is to be notified only of any internal apportionments of funds that constitute substantial changes from the original budget.

The Comptroller also provides fiscal guidance to the directorates, including instructions on when the Director is to be kept advised of the progress of certain activities.

The principal detailed budgetary control of specific CIA programs—apportionment of funds, evaluation of activities, and planning for the future—is performed outside the Comptroller's office. Within the past two years, staff officers in each directorate have been using a "management-by-objectives" system that seeks to relate need for funds to the Director's program goals. Periodic reports are made to the deputy directors and to the Director of Central Intelligence.

2. The Office of Finance

While the Comptroller prepares the budget and apportions funds to the directorates, the Office of Finance handles actual payment of expenses. Within the Directorate of Administration, this chief financial officer does not report directly to the Director of Central Intelligence. The Office of Finance's responsibilities include processing the payroll, maintaining centralized financial records, auditing private contractors, disbursing cash and purchasing foreign currencies. The responsibility most closely related to internal control is the verification of all vouchers for expenditures.

Finance officers assigned to each office and station must approve all vouchers. They are responsible for preventing expenditure of funds in violation of CIA regulations. Financial regulations do not, however, explicitly describe what activities are prohibited by the CIA's charter. Finance officers therefore rarely questioned the activities described in this Report.

3. Property Controllers

A number of the activities described in this Report require use of particular types of property; wiretaps, for instance, require special electronic devices. This property is maintained in various offices within the CIA. Operating components needing to use this property must obtain it from the office that maintains an inventory. Inventory management controls exist in most offices, but they have not always been oriented toward ensuring legitimate use of equipment.

New controls have been established (since 1972) over the loan of disguise materials and alias documents. Their use must now be ap-

proved by designated senior officials who can question the contemplated use; centralized, detailed records list their location and regulations require their return when no longer needed.

4. Personnel Controllers

General personnel policies are formulated and personnel administration is conducted in the Office of Personnel in the Directorate of Administration. The Office of Personnel has some contact with operational activities when it approves agreements with contract officers and validates job ratings and salaries. In these capacities, although the Office learns some operational details, it does not monitor the activities.

Occasionally, activities whose propriety is questionable come to the personnel office's attention. For example, the CIA's special Retirement and Disability System is available only to certain employees who have served overseas or in "qualified" domestic activities; the Office has forwarded information from employee applications for this program to the Inspector General's office for scrutiny when questionable domestic activities were mentioned.

D. Other Information Channels

1. Training

The CIA's Office of Training, first established in 1951, has long worked closely with the Directorate of Operations to train agents in the special skills necessary for clandestine operations.

In recent years, the Office has expanded its curriculum and now offers more than 60 courses on world affairs, management theories and techniques, foreign languages and intelligence evaluation and production. One course is required of all new professional CIA employees; the three-week introduction to International and World Affairs deals with the nature of intelligence work and the organization of the CIA. Although a brief introduction to the statutory framework of the CIA is included in the course, detailed discussions of the domestic limitations on the CIA is not.

2. Communication Outside the Chain of Authority

The Management Advisory Group.—In 1969, the Executive Director-Comptroller (a position now vacant) established a Management Advisory Group consisting of 14 mid-level officers (three from each directorate and two from the Director's staff) to discuss CIA policies and activities with the Director of Central Intelligence. The Group meets monthly with the Director and conducts inquiries into CIA practices. CIA employees are informed of the Group's existence

through notices and are encouraged to submit suggestions for areas needing review.

The Group's focus has been on areas of improved personnel management. In 1970, however, it questioned the propriety of a number of CIA activities within the United States, particularly Operation CHAOS. The Group sought and received assurance that these domestic activities had been properly approved.

Within the last two years, similar advisory groups have been created in each directorate.

Conclusions

In the final analysis, the proper functioning of the Agency must depend in large part on the character of the Director of Central Intelligence.

The best assurance against misuse of the Agency lies in the appointment to that position of persons with the judgment, courage, and independence to resist improper pressure and importuning, whether from the White House, within the Agency or elsewhere.

Compartmentation within the Agency, although certainly appropriate for security reasons, has sometimes been carried to extremes which prevent proper supervision and control.

The Agency must rely on the discipline and integrity of the men and women it employs. Many of the activities we have found to be improper or unlawful were in fact questioned by lower-level employees. Bringing such situations to the attention of upper levels of management is one of the purposes of a system of internal controls.

Recommendation (7)

a. Persons appointed to the position of Director of Central Intelligence should be individuals of stature, independence, and integrity. In making this appointment, consideration should be given to individuals from outside the career service of the CIA, although promotion from within should not be barred. Experience in intelligence service is not necessarily a prerequisite for the position; management and administrative skills are at least as important as the technical expertise which can always be found in an able deputy.

b. Although the Director serves at the pleasure of the President, no Director should serve in that position for more than 10 years.

Recommendation (8)

a. The Office of Deputy Director of Central Intelligence should be reconstituted to provide for two such deputies, in addition to

the four heads of the Agency's directorates. One deputy would act as the administrative officer, freeing the Director from day-to-day management duties. The other deputy should be a military officer, serving the functions of fostering relations with the military and providing the Agency with technical expertise on military intelligence requirements.

b. The advice and consent of the Senate should be required for the appointment of each Deputy Director of Central Intelligence.

Recommendation (9)

a. The Inspector General should be upgraded to a status equivalent to that of the deputy directors in charge of the four directorates within the CIA.

b. The Office of Inspector General should be staffed by outstanding, experienced officers from both inside and outside the CIA, with ability to understand the various branches of the Agency.

c. The Inspector General's duties with respect to domestic CIA activities should include periodic reviews of all offices within the United States. He should examine each office for compliance with CIA authority and regulations as well as for the effectiveness of their programs in implementing policy objectives.

d. The Inspector General should investigate all reports from employees concerning possible violations of the CIA statute.

e. The Inspector General should be given complete access to all information in the CIA relevant to his reviews.

f. An effective Inspector General's office will require a larger staff, more frequent reviews, and highly qualified personnel.

g. Inspector General reports should be provided to the National Security Council and the recommended executive oversight body. The Inspector General should have the authority, when he deems it appropriate, after notifying the Director of Central Intelligence, to consult with the executive oversight body on any CIA activity (see Recommendation 5).

Recommendation (10)

a. The Director should review the composition and operation of the Office of General Counsel and the degree to which this office is consulted to determine whether the Agency is receiving adequate legal assistance and representation in view of current requirements.

b. Consideration should be given to measures which would strengthen the office's professional capabilities and resources

including, among other things, (1) occasionally departing from the existing practice of hiring lawyers from within the Agency to bring in seasoned lawyers from private practice as well as to hire law school graduates without prior CIA experience; (2) occasionally assigning Agency lawyers to serve a tour of duty elsewhere in the government to expand their experience; (3) encouraging lawyers to participate in outside professional activities.

Recommendation (11)

To a degree consistent with the need for security, the CIA should be encouraged to provide for increased lateral movement of personnel among the directorates and to bring persons with outside experience into the Agency at all levels.

Recommendation (12)

a. The Agency should issue detailed guidelines for its employees further specifying those activities within the United States which are permitted and those which are prohibited by statute, Executive Orders, and NSC and DCI directives.

b. These guidelines should also set forth the standards which govern CIA activities and the general types of activities which are permitted and prohibited. They should, among other things, specify that:

—Clandestine collection of intelligence directed against United States citizens is prohibited except as specifically permitted by law or published Executive Order.

—Unlawful methods or activities are prohibited.

—Prior approval of the DCI shall be required for any activities which may raise questions of compliance with the law or with Agency regulations.

c. The guidelines should also provide that employees with information on possibly improper activities are to bring it promptly to the attention of the Director of Central Intelligence or the Inspector General.