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STATEMENT OF ELMER B. STAATS
COMPTROLLER GENERAL OF THE UNITED STATES
BEFORE THE
SELECT COMMITTEE ON INTELLIGENCE
HOUSE OF REPRESENTATIVES

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Mr. Chairman and Members of the Committee:

We are pleased to accept your invitation to discuss the relationship of the General Accounting Office and executive branch agencies composing the so-called "intelligence community." The agencies generally included under this umbrella term are: the Central Intelligence Agency; the Defense Intelligence Agency; the National Security Agency; the intelligence components of the Army, Navy and Air Force; the Federal Bureau of Investigation; the Department of the Treasury; the Energy Research and Development Administration (formerly the Atomic Energy Commission); and the Bureau of Intelligence and Research in the Department of State. The intelligence community is also usually defined to include, in addition, entities whose functions are to review and evaluate the product of the intelligence agencies, to advise the President, and to prescribe policies governing activities of the intelligence agencies. These other units include: the National Security Council; the Intelligence Resources Advisory Committee; the United States Intelligence Board; and the Foreign Intelligence Advisory Board.

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Our experience in reviewing intelligence activities has been quite limited and, to a large extent, has arisen from matters not directly related to intelligence collection, analysis or dissemination but having instead to do with such matters as a comparative analysis of Soviet and United States research and development efforts, defense procurement, international narcotics control, foreign language training programs, and certain matters in international trade and economics. The other main source of experience in this area is a series of recent reviews we have conducted in response to congressional requests.

In general, we have not pressed for reviews of intelligence operations on our own initiative for the simple reason that our legal authority is quite limited and the problems of access to information have been such as to cause us to conclude that efforts to review these activities would have little practical result.

GAO's basic audit authority is contained in the Budget and Accounting Act of 1921, the Accounting and Auditing Act of 1950, the Legislative Reorganization Act of 1970, and the Congressional Budget and Impoundment Control Act of 1974. As an independent, nonpolitical agency in the legislative branch of the Federal Government, its authority is extensive, encompassing not only financial auditing, but also management reviews and evaluations of the effectiveness of programs. These statutes authorize GAO to audit the activities of most executive branch agencies, and grant it access to the records of the agencies necessary to the discharge of this responsibility.

However, certain restrictions on our audit authority are also provided for by law, including instances where moneys are accounted for

solely on certification by the head of a department or establishment. For example, expenditures of a confidential, extraordinary or emergency nature by the CIA are to be accounted for solely on the certificate of the Director. Sometimes such restrictions are contained in appropriation acts. For example, annual appropriations for the FBI have included funds to meet unforeseen emergencies of a confidential character to be expanded under the direction of the Attorney General and accounted for solely on his certificate.

In addition to legal restrictions on our audit and access to information authority, there are serious practical considerations which further inhibit our ability to perform meaningful reviews. These factors stem from an innate characteristic of all agencies involved in intelligence gathering or analysis, namely, the need and desire to maintain close security so as to reduce the risk of leakage by minimizing the number of people having access to such matters.

First is the problem of obtaining the necessary special security clearances and satisfying multitudinous "need-to-know" requirements. A "Top Secret" Defense clearance or Atomic Energy "Q" clearance is in most cases insufficient for access to intelligence data. Because of this requirement, the limited work conducted by GAO requiring such clearances, and the time and expense involved, only a limited number of our staff have these clearances at present. A closely related problem is the difficulty of developing acceptable arrangements for the reporting of our findings and conclusions to the Congress.

Second is the restrictive policy established to maintain security by the intelligence agencies. Access to basic information is, at best,

very limited. On occasion, the community cooperates to the extent of giving us certain requested information, but even then we are usually afforded insufficiently broad access to agency records to verify independently the accuracy and completeness of the material supplied to us.

We recently commented in some detail with regard to security clearances and our limited access to information in a May 10, 1974, letter to Senator William Proxmire, which was supplemented and updated in a July 10, 1975, letter to Senator Frank Church, Chairman of the Senate Select Committee on Intelligence Activities and by a more recent letter to this Committee. We would like to offer these letters to the Committee so that, if you desire, they may be included in the record of these hearings.

We know of this Committee's deep interest in information regarding the size of the Government's commitment of resources, both in personnel and financial terms, to the intelligence function. We understand that the Committee will be inquiring into the potential for achieving fiscal savings and increased management efficiencies in the execution of the intelligence activities of the Government. The magnitude of the financial resources devoted to intelligence work has been a subject of particular public concern and speculation.

I should emphasize at this point that we cannot independently verify the accuracy of any estimates which may have been made as to the size of the intelligence community budgets. And, in any attempt to calculate an overall intelligence budget, there will always be judgmental issues over how to account for the cost of such things as submarines,

reconnaissance aircraft, and satellites, where both intelligence and non-intelligence purposes may be involved concurrently. Furthermore, we understand that large segments of the total intelligence budget are concealed within the budgets of various Government departments and agencies, which would further complicate an attempt at verification of data.

As I have indicated, we have recently been engaged in several intelligence-related assignments, which were prompted by specific congressional requests. One of these, undertaken at the request of Senator Charles Percy in July of 1974, and later endorsed by the Chairman of the Senate Government Operations Committee, involved an attempt to obtain budgetary, organizational, and personnel information for all units, departments, and agencies of the Federal Government that perform police, investigative, or intelligence activities. A questionnaire was used to solicit the information from 173 units, departments, and agencies. Some data was gathered from responses to the questionnaire, while certain other agencies, apparently due to the sensitivity of the information, provided it to us during onsite visits.

A limited verification of data furnished by civil agencies was conducted by means of follow-up interviews with agency officials and through review of documents and reports. The extent of verification was limited because of time and volume constraints; we were not able to verify any of the Defense Department intelligence information which was provided to us. We also had to rely on each agency's interpretation regarding the extent to which it performed police or investigative, or intelligence activities. In some cases, existing accounting records did

not readily identify the requested information and we had to depend upon estimates made by the agencies as to their funding and personnel levels. Also, while we attempted to obtain the data in a uniform manner, some agencies did not furnish data in the requested format.

We issued two reports to Senator Percy on June 9, 1975, one dealing with police and investigative funding and personnel, and the other covering intelligence funding and personnel. The latter report, which is classified "Secret," contains data on six departments and agencies which volunteered information to us, including some data on the Defense Department. However, we were formally refused data on the Central Intelligence Agency, the National Security Agency, and certain other sensitive Defense Department intelligence activities. In some cases, statutory authority was cited as the basis for the refusal, while in most cases we were directed to the congressional intelligence oversight committees for the data. We decided, after discussion with representatives of Senator Percy's office and the Government Operations Committee, and because select congressional committees had been created to investigate intelligence operations, that we would not make further attempts to obtain such data from the agencies which had refused it to us.

We are currently conducting, at the request of the House Judiciary Committee, a review of the domestic intelligence operations of the FBI. We are examining relevant policies and procedures, and the application of resources to these operations.

In order to determine how the Bureau carries out its domestic intelligence activity, it is necessary for us to review investigative cases. The Bureau was and is concerned that if we had access to its

domestic intelligence files, the FBI's capability to develop informants and to conduct intelligence investigations would be negatively affected. In response to this concern, we worked out with the Bureau a procedure whereby the Bureau prepared special summaries of the case files which we had randomly selected for review. Through these summaries and follow-up interviews with FBI personnel associated with the cases, we are obtaining information on how the Bureau's policies and procedures are carried out in domestic intelligence investigations.

To ensure the accuracy of the summaries, we need to verify the information contained in them. We therefore proposed a verification procedure under which we would randomly select documents from the case files to assure ourselves that the documents were accurately reflected in the summaries; the Bureau would block out informants' names before allowing us to read the documents. However, the FBI Director and the Attorney General have not been willing to agree to this procedure and have so notified the Chairman of the Judiciary Committee. An alternative procedure was suggested by the Attorney General, but the Chairman has advised the Attorney General that the alternative procedure would not be acceptable and has asked him to reconsider his position. Unless the verification problem is resolved, our report to the Judiciary Committee will have to be qualified because of our inability to fully verify the information on which it is based.

In the fall of 1974, we received two requests which would have necessitated that certain information be provided to us by the Central Intelligence Agency. One request was made by the Chairman of the Subcommittee on Europe, House Committee on International Relations, concerning

the cut-off of funds for Turkey. The second was made by Senator James Abourezk, and it concerned former oil company officials currently employed by several Government agencies, including the CIA. In both cases, we did not receive the information we requested, and in one case, this precluded us from making the requested review. In the other case, our review was limited but not completely frustrated by our lack of access to CIA information.

On the other hand, we have recently performed, at the request of the Special Subcommittee on Intelligence of the House Armed Services Committee, two reviews of the reasonableness of the procedures followed by the CIA in the divestiture of certain proprietary interests. The reviews were performed by GAO staff members holding security clearances, but no special intelligence clearances, and we were given excellent cooperation by the CIA personnel with whom we worked. Our reviews were completed in an expeditious manner, and we have issued our reports to the Special Subcommittee.

Perhaps at this point I should describe to this Committee the sequence of events leading up to our termination, in 1962, of all GAO-initiated audit work at the CIA. The history begins with the enactment of the Central Intelligence Agency Act, after which the Director of the Agency requested that, in spite of the provisions of the law granting him broad and unusual powers, we continue to make a site audit of expenditures. We agreed to do so under the same arrangements as existed when we made audits at the predecessor Central Intelligence Group. However, in view of the provisions of the Act, we referred any apparently questionable payments to the CIA Comptroller's office for corrective action. No audit

whatsoever of uncouched funds was made; these are the funds expended on the certificate of the Director. Furthermore, this work did not include substantive reviews of CIA policies, practices and procedures.

About this point in time GAO began to expand to review not only agency financial transactions but also to determine whether authorized agency programs and activities were being conducted in an efficient, economical and effective manner. In light of this development, a senior GAO official attended an executive session of the Special Subcommittee, Central Intelligence Agency, of the House Armed Services Committee, to discuss our work at CIA. During this meeting the Subcommittee suggested that we submit our recommendations regarding future GAO activity at CIA. On May 29, 1959, the former Comptroller General wrote to the Chairman of the Subcommittee to the following effect:

- he believed that the broader type of audit was appropriate for GAO work at CIA and would be more likely to produce evaluations helpful to the Congress and the Agency;
- the type of limited audit effort theretofore conducted should no longer be continued;
- he would not attempt to evaluate the intelligence activities of the Agency; and
- the Subcommittee could be helpful in effecting a change in the scope of GAO work by advising the Agency of the Subcommittee's interest on behalf of a broadened GAO audit.

In July 1959, the former Comptroller General was briefed by CIA concerning activities and functions of the Agency. Thereafter, a series of staff level discussions were held on the subject of improving our audit

of the CIA. The culmination occurred in October 1959, with an exchange of correspondence among the CIA, GAO, and the Subcommittee. On October 16, the CIA Director wrote to the Comptroller General and, in substance, made these points:

- he believed GAO could expand its audit activities with respect to a considerable portion of CIA;
- expenditures made on the certificate of the Director for confidential, extraordinary or emergency purposes would not be subject to review;
- the policy of the Agency was to limit as much as possible this authority of the Director;
- consequently, many vouchered expenditures were made which were related to activities which were not sensitive in themselves but which were conducted in support of highly confidential operations;
- the Director's special authority extends protection to this category of vouchered expenditures, which would therefore also have to be excluded from any expanded audit coverage; and,
- he solicited agreement on these principles and, if agreement were achieved, suggested continuance of discussions toward broadening the scope of GAO audits.

In a letter dated October 21, 1959, to the CIA Director, with a copy to the Subcommittee Chairman, the Comptroller General

- agreed that expenditures made on the certificate of the Director were not subject to GAO audit without his concurrence;

- said that it seemed possible to expand GAO audits considerably, even though these reviews would be outside the area of sensitive security operations;
- expressed a willingness to attempt to broaden GAO activities, within the principles expressed in the Director's October 16 letter, for a trial period; and
- said that if the trial period showed that GAO reviews were so limited that it could not accomplish any worthwhile objectives, he would have to consider whether the effort should be continued.

On May 16, 1961, the Comptroller General wrote to the Subcommittee Chairman and the CIA Director to express the view that, under existing security restrictions, GAO did not have sufficient access to information to make comprehensive reviews on a continuing basis that would be productive of evaluations helpful to the Congress and that, as a result, it planned to discontinue audits of CIA activities. The GAO specifically related that, while access to overt activities of the Intelligence Component was reasonably good, its activities were not such as would be generally susceptible to productive audits. There was no access at all to the Plans Component. The overt and confidential activities of the Support Component were so integrated that a reasonably comprehensive audit could not be made. That same day, the Subcommittee Chairman discussed the contents of the May 16 letter with GAO staff; he expressed concern over plans to terminate audit activities at CIA.

On May 17, 1961, the CIA Director wrote the Comptroller General to express his opinion that GAO's reviews had been helpful in bringing

certain matters to the attention of Agency officials and had formed the basis for taking corrective action. He further expressed regret over the plan to discontinue completely GAO's work at CIA and asked that, before final action was taken, he have an opportunity to discuss the possibility of continuing an audit on some scale. On May 18, 1961, the Chairman of the House Armed Services Committee wrote to the Comptroller General, recommending strongly against the discontinuance of GAO efforts at CIA pending further discussion between CIA, GAO, and the Committee. He further stated that, despite the "inherent" restrictions on the scope of a GAO audit at CIA, even a limited audit of overt accounting actions would serve a worthwhile purpose and that precipitous action was not required. He also mentioned that there were other overriding considerations which could not be divorced, under the prevailing circumstances, from any change in the existing relationship between GAO and the CIA.

On May 23, 1961, the Comptroller General wrote to the Chairman of the Armed Services Committee and the Director of CIA to restate the restrictions GAO experienced on the scope of its audit; he also restated the conclusion that no worthwhile audit activity could be conducted under the circumstances. However, because of the views of the Committee, he said he would continue a limited audit program at CIA pending further discussion of the matter.

In June of 1962, meetings were held between GAO staff and the CIA, and between GAO and the staff of the Committee, to further discuss the matter. The GAO again restated the problems stemming from lack of adequate access to information, again proposing to terminate all effort

at the CIA. As a result of these discussions and at the request of the Committee staff, the Comptroller General recited the history of the matter in a letter dated June 21, 1962; he said that since May of 1961 nothing had caused him to change his views and that a conclusion had been reached only after having fully considered all the factors. He again specified the type of access he would need to make reasonably comprehensive reviews. He requested an expression of the Committee's views on these matters. On July 18, 1962, the Committee Chairman wrote to the Comptroller General as follows:

- the restrictions imposed by CIA were necessary;
- the comptroller and internal audit functions at CIA had been strengthened; and,
- for these reasons and because of the Comptroller General's belief that further effort at CIA was not worthwhile, the conclusion to withdraw from further audit activities would be accepted.

Therefore, since 1962 GAO has not conducted any reviews at the CIA nor any reviews which focus specifically on CIA activities, except for the two recent reviews noted earlier, which were done at the request of the Special Subcommittee on Intelligence of the House Armed Services Committee.

A somewhat different situation is presented in the case of the National Security Agency. In 1955, in response to a request by the Director of NSA, the Comptroller General assigned a GAO staff member to NSA on a permanent basis to perform limited onsite audits of NSA's vouchers and accounts. Under the present onsite audit procedures, all accounting and supporting documents are maintained at NSA or designated

records storage sites for audit purposes; these security measures are necessary because the majority of the documentation is of a classified nature. The mutual accessibility of the GAO staff members and NSA officials permits prompt and informal resolution of questionable expenditures. To the present, our audit effort has been primarily of a financial accounting nature, plus a very limited effort in the area of procurement. No formal report has been published on the results of our continuing examinations at NSA. Section 6 of P.L. 86-36 provides that no law shall be construed to require the disclosure of the organization or any function of NSA, of any information with respect to the activities thereof, or of the names, titles, salaries or number of persons employed by NSA. We do not construe this section as precluding our access on a confidential basis; we view section 6 as a prohibition on any disclosure of our findings to the public at large.

The onsite GAO representative is required to obtain a special security clearance. From 1955 to 1973, only two or three of our staff had this special clearance at any one time. However, we have recently obtained clearances for a few additional members of our staff. We have informally discussed with NSA officials the potential for GAO conducting management-type reviews of certain aspects of NSA's operations. The preliminary conclusion we reached is that these are feasible, although we recognize that there are legal and practical limitations. One area in which we preliminarily believe some constructive, broader GAO reviews could be conducted is NSA's automatic data processing and communications activities.

There are several general considerations which bear upon the question of how we can most properly relate our audit responsibilities to the special characteristics of the intelligence community. On the one hand we must keep in mind:

- legal limitations placed on the scope of the audits we could perform and the lack of explicit legislative authority to audit intelligence agencies;
- the probability of continued restricted access to information;
- probable requirements for additional staff; and
- the fact that any substantive reports would probably be available only for very limited distribution.

There are other factors, however, and they are also entitled to be given due weight. These would include:

- the certainty that, whatever the exact amount, large expenditures are made in the execution of the intelligence function;
- growing recognition of the need for improved oversight machinery in the Congress and the support role which GAO might play; and
- the indications of a potential for significant contributions toward more efficient and effective management of certain of the activities pursued by intelligence agencies.

Given the necessary charter, some of the areas where we believe that GAO studies might be conducive to improved management would be, for example,

examinations into intelligence requirements and analysis capability compared with data-collection capability. In addition, procurement, property management and personnel management usually present opportunities for economies and improved management. Furthermore, exploration should be undertaken of the potential, within and among the agencies, for a duplication or a lack of coordination of collection, analysis and research activities.

We perceive several available options:

- (1) undertake reviews only in response to specific congressional requests;
- (2) perform audits and reviews on behalf of oversight committees;
- (3) initiate, renew or continue discussions with agency officials with a view toward obtaining, independently of the interest of a specific committee, sufficient access to information to permit useful self-initiated management reviews;
- (4) assign professional staff members to the oversight committees;
- (5) seek explicit legislative authority for our audit of the intelligence agencies and access to the requisite information; and
- (6) pursue any combination of the first five options.

While we certainly do not rule out any of these courses of action, our view is that, for the present, we want to assist the oversight committees to the extent possible. Of course, other current activities, such as our work at the FBI and further discussions with NSA, will be continued.

The role of the GAO in the oversight of the intelligence community cannot be fully determined, in my view, until the oversight role of the

Congress is agreed upon and machinery established to exercise this role. The GAO shares a common problem with the Congress in balancing the need for adequate review of the operations and finances of the intelligence community, the need for public confidence in intelligence operations, and the need for confidentiality essential to the successful execution of many intelligence programs.

In closing I would like to assure you, the Committee, that we are prepared to explore these and other avenues of assistance and oversight. I appreciate the opportunity to summarize our experiences with and our thoughts about the intelligence community, and to discuss these matters further in response to whatever questions the Committee may have.