

CIA's 'Loose' Spending

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Washington

More than eight of every ten contracts awarded to private industry by the Central Intelligence Agency are let without competitive bidding by contractors, the House Select Committee on Intelligence has found.

The House panel, which undertook an extensive inquiry last year into how the CIA spends its share of the \$10 billion federal intelligence budget, said in its still-secret final report that the agency entered into "hundreds of millions" of dollars worth of such agreements each year.

Eighty-five per cent of the contracts reviewed by the committee, the report said, were "sole-source" contracts awarded primarily on the basis of past performance by the contractor and his expertise in the relevant field.

"Financial administration" abilities were secondary consideration, the committee said, but the panel found no evidence to disprove the CIA's assertion that in only 2.5 per cent of its contracts did the costs exceed the original agreements more than 15 cents on the dollar.

Federal procurement experts said that the percentage of "sole-source" contracts awarded by the CIA has the highest for any government agency.

The Defense Department, the next highest, awarded 80 per cent of its contracts without competitive bidding, and the General Services Administration, which spends twice as much money as the CIA, let "probably less than five per cent" of its contracts on a sole-source basis, one expert said.

The experts said that under the 1947 National Security Act, which established the CIA, the agency is exempt from letting its contracts in accordance with federal laws that require other government agencies in most cases to seek competing bids for goods and services.

The House report, a copy of which was obtained by the New York Times, also questioned "accommodation procurements" by the CIA of American-made goods for dignitaries abroad, a practice that the report said was "sometimes used to satisfy little more than the whims of foreign officials."

In one instance, the report said, a foreign official had the CIA purchase three model airplane kits for his son from a Baltimore store. In another, the agency obtained two armored limousines for a Third-World leader, whom committee sources identified as South Korean President Park Chung Hee.

The CIA told the House committee that it had been reimbursed in cash, usually dollars, for such purchases by the governments or officials who received such favored treatment.

But the panel's report said that it had found such reimbursements "difficult to verify," and one committee source said it was "not at all clear" from evidence presented by the agency that the payments had been made.

In either event, the report said, the administrative costs of such purchases have been "borne by American taxpayers."

Many of the accommodation purchases, including the three airplane kits, were made by the CIA through its "covert procurement branch."

The report said that the branch had been set up to obtain supplies for the agency's overseas stations in a "non-attributable manner" that prevented their being traced back to the CIA or even the U.S. Government.

The report described the process as a costly one, involving various "sterility codes" and special procedures that had "become an over-used, expensive and often uncontrollable technique for questionable purchasing," the report said.

The agency makes such purchases through its operational proprietaries and "notional" or "paper" companies, which supply not only weapons, electronic equipment and other paramilitary supplies, but also small quantities of low-cost items like ball-point pens and hams, and more expensive consumer goods, like refrigerators, cameras and watches.

The House report said the system was "an expensive way to buy a refrigerator," and it questioned the use of such procedures for the purchase of "a Smithfield ham," which would, in any event, be untraceable to the CIA, the report said.

In 1966, the agency asked the accounting concern of Peat, Marwick, Livingston to study its purchasing procedures, and the company responded that it had found "an excessive use of these

(sterility) codes, without justification."

But the House committee found that that situation had not been remedied by the agency.

The panel also said that some of the high-priced consumer appliances purchased through the covert process had not been equipped for operation on electrical voltages used abroad, "which raises the possibility that these items are being covertly purchased for use in the United States."

The report criticized the CIA's low degree of accountability to outside authority for the way it

spends its money, and said that of the six Office of Management and Budget accountants who watched fulltime over all federal intelligence agencies, three were former CIA employees.

In addition, the report said, the CIA official in charge of the agency's budget "has recently arrived from the Office of Management and Budget, where he had primary responsibility for the CIA budget."

The committee said that it had set out to discover whether "intelligence agencies themselves adequately audit their own operations" and had concluded that they did not.

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