

CONFIDENTIAL

24 July 1974

NOTE FOR : OTS/D&E

SUBJECT : SRI's Financial Expenditures through 29 June 74

This is simply to confirm and elaborate upon our telecon of this date. On 23 July I received from you copies of SRI's financial statements for the periods 27 April-1 June and 1 June-29 June. There are a couple of aspects which are disturbing:

(1) the last previous financial statement we have (for the period 1 March to 1 April, appended to their 2nd progress report) shows \$9460 having been expended on our (Part 2) portion of the project; as of 29 June they show \$38,981 expended on Part 2 and (on the basis of what we've seen from them) I find it hard to account for expenditures of about \$10,000 each of for/the last three months;

(2) as of 29 June they claim to be 55.8% completed with Part 2 of the project; since, as far as we yet know, they've only selected 5 of the 9 subjects and none of them have been put through the batteries of Part 2 examinations this also seems to be out of line.

There may, of course, be rational explanations for these apparent inconsistencies. Having discussed the matter with and particularly in view of your note to the effect that their quarterly report is expected by about 1 August, it seems best not to further confuse matters by making an issue of it at this time. Hopefully, the quarterly report will provide the substantiating data. If it does not, I will certainly suggest that we consider asking for an audit.