

63-3737

MAY 1963

MEMORANDUM FOR: Deputy Director of Central Intelligence
THROUGH : Executive Director
SUBJECT : Agency Financial Approvals System

1. This memorandum contains a recommendation submitted for your approval. Such recommendation is contained in paragraph 9.

2. Attached is a proposed new regulation concerning Operating Budgets and project approvals. This has taken a long time to prepare but the time, I believe, has been well spent as it has given us an opportunity to understand the complexity of the problem and the implications inherent in any proposed new system. In the meantime, we have functioned with reasonable efficiency under the old system.

3. In short, the regulation establishes the Operating Budget as the basic instrument for fiscal control. It recognizes that separate approval (apart from the Operating Budget) should be required for certain specified activities. It further recognizes (what I believe to be the fact) that the disparities between various components require a separate arrangement to govern the supplemental review and approval appropriate for the activities of each individual component.

4. Most Agency efforts will be reflected in the Operating Budget and Operating Programs and will thus be approved as part of a "package". Certain undertakings, however, having substantial policy or financial implications will be staffed through for DDCI approval. The regulation provides (in Section V) that the identification of those activities requiring DDCI approval, and the determination as to what information is

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required for DDCI consideration of such activities, be worked out separately between the Comptroller and each Deputy Director. This arrangement will provide the necessary flexibility to meet the disparate needs of the four major components, and could be implemented by a DDCI instruction to each of the Deputy Directors. By way of example, a draft memorandum to the Deputy Director (Plans) is attached as Tab B.

5. The Financial Policy and Budget Committee has endorsed this proposal as a practical solution to the problem of defining a policy on financial approvals which would be applicable to the Agency as a whole, and at the same time take cognizance of the different situations obtaining in the four Deputy Directorates.

6. It occurs to me that it might be helpful to schedule a session of the Financial Policy and Budget Committee at which the new regulation and its various implementing documents could be discussed and explained to the DDCI. Any such briefing would identify the various elements in the over-all system of management control which the budget review and project approval system is designed to provide. These include:

- a. a careful review of Operating Budgets by the Office of the Comptroller;
- b. presentation by the Comptroller to the Financial Policy and Budget Committee of the significant aspects of Operating Programs;
- c. identification of those undertakings requiring separate DDCI approval;
- d. monitoring the manpower implications of new endeavors;
- e. such further review and evaluation of Operational Programs or proposals as appears warranted as a result of this process.

7. Relevant exhibits in such a briefing would be sample Operating Programs of the Area Divisions of the DD/P, sample Operating Budgets of offices of components of the Agency other than the Clandestine Services and sample projects.

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9. Pending such a briefing session, approval is requested to proceed with formal issuance of the annexed regulation and preparation of implementing instructions for signature by the DDCI.

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JOHN A. BROSS
Comptroller

The recommendation in paragraph 9. is approved.

(signed) Lyman B. Kirkpatrick

Deputy Director of Central Intelligence

MAY 1963

Date

Attachments:

- Tab A, Draft of dtd 1 May 63
- Tab B, Draft of Memo to DD/P, dtd 1 May 63

Distribution:

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It is intended that concurrent with the issuance of this regulation all of the existing [Redacted] series regulations will be cancelled. Elements which are still valid of the following regulations will be revised and published elsewhere:

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FINANCIAL APPROVALS SYSTEM

I. GENERAL

A. The preparation of plans and programs within the Agency is inseparable from the formulation of the budget. The budget is in fact a translation of plans and programs in terms of manpower, material and money. As such it is a central artery of management control.

B. The process of budget submissions and reviews which leads up to an appropriation from Congress provides a mechanism whereby successive levels of management can tie together program planning, budget formulation and execution; assess past performance and future requirements; ascertain priorities and make recommendations through the chain of command as to distribution of resources. Such recommendations from lower levels in the organization are necessarily refined and their detail condensed as they move upward from echelon to echelon. Because of their scope, complexity or importance, some Agency activities require a more thorough-going, separate presentation. Also, there are occasions when annual plans as expressed in the Budget must be revised and adjustments made in the original distribution of

resources.

II. THE BUDGET CYCLE

A. The first step in the budget cycle takes place in the spring in the form of a preliminary estimate, which is an approximation of the budget which will be required for the fiscal year some fifteen months away. During the summer months the estimate is reviewed and staffed out in detail for submission to the Bureau of the Budget. During the autumn the Bureau analyzes this estimate in context with previous Agency budgets and with prevailing Government-wide fiscal policies. Adjustments are made in concert with the Agency and the revised estimate then goes forward as part of the President's Congressional Budget.

B. The Operating Budget formulated in the spring prior to the beginning of the fiscal year details the financial data necessary to up-date the Congressional Budget so that it reflects current conditions and costs within the Agency as compared with those conditions and costs prevailing at the time the original budget was prepared for Congress. Upon approval of the Deputy Director of Central Intelligence the Operating Budget becomes the financial plan under which the Agency will operate for the immediately ensuing fiscal year.

III. SOURCE OF FUNDS

A. The funds required to carry out the missions assigned to the Agency are secured through the foregoing budgetary process. The amount of the appropriation by the Congress is the authorized ceiling within which Agency activities must be conducted.

B. The Deputy Director of Central Intelligence, in approving the operating budget, also approves:

- (1) the allowance, or share, of the total appropriated funds to be earmarked for each Deputy Directorate;
- (2) the allocations of funds to be made to major Staffs, Divisions, and Offices within the Deputy Directorates (and also within the Office of the DCI).

Finally the Comptroller issues to these subordinate components allocations which provide the authority to obligate and expend funds within the limits of that particular allocation.

IV. OPERATING BUDGET APPROVAL

A. Each spring the Comptroller will provide to the Deputy Directors instructions for preparing:

- (1) an operating budget for the upcoming fiscal year, and
- (2) a preliminary estimate for the succeeding fiscal year. The Comptroller will also furnish policy guidelines with respect to funding and manpower limitations.

B. Deputy Directors will prepare their budgets in accordance with these instructions and within the limitations and submit same to the DCI, via the Comptroller, according to schedule.

C. The Comptroller will review the operating budgets of major Staffs, Divisions, and Offices, holding hearings as necessary. In coordination with the appropriate component, the Comptroller will summarize selected operating budgets and arrange for a detailed presentation of those portions of the total budget to the Financial Policy and Budget Committee. The FPBC, on

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the basis of these detailed presentations, and having reviewed the budget as a whole, will develop final recommendations to the DDCI on the proposed operating budget.

D. The Agency operating budget, in summarized form, will then go forward for DDCI approval. Approval of the operating budget by the DDCI determines the allowances to be made to each Deputy Directorate, and also the allocations to subordinate components within the Deputy Directorates. However, certain Agency activities as described in paragraph V. below must be presented separately and in detail for final DDCI confirmation.

E. Following DDCI approval of the operating budget, and subject to the foregoing caveat, when the Congress appropriates the funds, the Comptroller will issue allotment advices and property authorizations which will constitute authority to enter into commitments, to obligate and expend funds, and to requisition property.

V. SEPARATE ACTIVITY APPROVALS

A. The annual process of review and approval of the operating budget provides top management with much of the knowledge required to administer effectively Agency operations for the ensuing fiscal year. However, there are activities funded within the operating budget which by nature or their scope and cost, their policy implications, or for other considerations warrant review and study apart from, but in context with, the over-all Agency budget. Such a separate activity, for example, may be a complete operational entity, such as a major covert action undertaking, or a group of related items, such as several small contracts constituting an external research program. Moreover any expenditure or commitment shall be subject to any other/Agency regulations (e.g. procurement of real estate, construction, procurement of vehicles, etc.).

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B. The Comptroller, in consultation with the appropriate Deputy Director, will formulate for DECI approval recommendations:

- (1) identifying those activities within the operating budget of each Deputy Directorate which require separate DECI approval;
- (2) establishing a reporting format most suitable for presentations from that particular Deputy Directorate.

C. Requests for approvals of such separate activities will be submitted to the DECI via the Comptroller after the operating budget is approved and in accordance with the reporting format furnished by the Comptroller.

VI. REPROGRAMMING

The approved operating budget, as a major instrument of management control, is a command direction to subordinate echelons to distribute Agency resources according to a formal plan. Within a Deputy Directorate, the allocations made to major Staffs, Divisions, and Offices will not ordinarily be subject to redistribution within the Deputy Directorate. However, it is recognized that departures from the fixed plan will occasionally be necessary during the operating year to align resources with changing requirements. Such reprogramming actions will be effected by a request to the Comptroller for a change in allotments. With respect to shifts in the use of resources within a given allotment, the Comptroller will develop in concert with each Deputy Director an appropriate reporting system designed to keep the Agency financial plan in step with program decisions.

VII. FINANCIAL POLICY AND BUDGET COMMITTEE

A. General - The Agency desires internal decisions that reflect the most effective, efficient, and economical use of its resources. To assist in this objective, there is established a Financial Policy and Budget Committee.

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This Committee will evaluate Agency over-all annual budgetary requirements and provide advice to the Deputy Director of Central Intelligence with respect thereto and, as requested by the Comptroller, will evaluate and provide advice relating to specific proposals involving the use of Agency resources.

B. Organization -

(1) The Financial Policy and Budget Committee shall be organized as follows:

Chairman

Comptroller

Members

Assistant Deputy Director (Intelligence)
Assistant Deputy Director (Plans)
Assistant Deputy Director (Research)
Assistant Deputy Director (Support)
Deputy General Counsel

Secretary (non-voting) selected by the Chairman

(2) The Financial Policy and Budget Committee will meet upon call of the Chairman.

C. Functions - The Financial Policy and Budget Committee shall:

(1) Review and recommend to the DDIC for annual Initial Agency budget submissions and Agency operating budgets.

(2) At the request of the Comptroller, review and make its recommendations with respect to:

(a) Reprogramming proposals occasioned by significant changes in policy or scope of action not contemplated when the original budget was approved.

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(b) Requests for approval of separate activities of general concern and which require approval of the Deputy Director of Central Intelligence;

(c) Requests for releases from the Agency's Reserve for Contingencies; and

(d) Any other matters which, in the opinion of the Comptroller warrant consideration by the Committee.

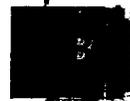
D. Procedures - The Secretary of the Committee will, upon request of the Chairman:

(1) Schedule Committee meetings, and notify members of special meetings.

(2) Effect distribution to the Chairman and members of the Agenda of the meetings and copies of documents for consideration, with all supporting material.

(3) Provide the Chairman and members with a record of action taken on each document.

(4) Prepare the reports and recommendations of the Committee for submission to the Deputy Director of Central Intelligence.



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