Approved For Release 2003/05/28 : CIA-RDP93-00229R000100070005-3

MEMORANDUM FOR: PPA/PRA Study Group

SUBJECT : Extent to Which Property Acquisitions Should be Processed Through FPA

1. Attached is a copy of Subsection 12.5 (pages 2-28 through 2-39) of the "Government Accounting Office Policy and Procedures Manual for Guidance of Federal Agencies." This Subsection is entitled "Property," and states in clear and concise language the basic concept, importance, and purpose of property accounting. Further, it identifies definite requirements enacted into law by Congress.

2. Subsection 12.5(c) states that each agency should adopt accounting policies appropriate for its property and establish, as an integral part of its accounting system, an adequate and reliable system of records and related procedures to provide a proper accounting for the Government's investment in the property for which the Agency has management responsibility. Under Subsection 12.5(d), "Acquisition Cost," it is recognized that use of dollar minimums for some kind of property is a practical device that may be used to avoid unnecessarily detailed property accounts for items that are too small to warrant such accounts. Although no uniform minimum is prescribed for Federal agencies, this method should not be applied to property items which constitute a significant segment of the total investment in property or where the aggregate cost of such items is substantial.

3. Property accounting procedures for all Federal agencies must include provisions for recording in accounts all transactions affecting the Agency's investment in property, including acquisitions, property-in-use, and disposals. For the purpose of this study group, CIA's adherence to the aforementioned procedures are as follows:

a. Acquisition

(1) Stock - All purchases of stock are processed through the FPA System.

(2) Directs - Nonexpendables and expendables.

(a) Nonexpendables-Processed through the FPA System with accountability to be picked up and maintained by the consignee.

Approved For Release 2003/05/28 : CIA-RDP93-00229R000100070005-3

25X1

Approved For Release 2003/05/28 : CIA-RDP93-00229R000100070005-3

SUBJECT: Extent to Which Property Acquisitions Should Be Processed Through FPA

(b) Expendables - Process through the FPA System as a "Wash" transaction for both direct shipments and Type I activities. Summary financial accounting data is available.

(3) Local Purchases - Reported in the form of summary financial accounting data only. Nonexpendable property items are recorded on Installations' property-in-use records.

b. Property-In-Use - Within established minimum standards, records are established and maintained on in-use property items. However, there are several aspects of these accounts which may warrant examination.

(1) Headquarters Property-In-Use Account 6805 - This account contains nonexpendable items for which the Building Services Branch, LSD is responsible. The account is so large and unmanageable that it is virtually impossible to inventory and reconcile.

(2) Type II and Type III Accounts - The recent change which eliminated the Property Control Register affected, to a considerable degree, the value of these accounts. The fact that there is no control register to record debits and credits, nor a formal transfer of financial property accountability from one installation to another, degrades the System.

c. Disposals - Disposal by Headquarters and Type I activities are now processed through the FPA System. However, under present procedures there is no reporting nor centralized recording in the accounts of this Agency disposals by Type II and Type III installations.

4. Looking forward, personnel reductions and budgeting constraints dictate the necessity of streamlining our FPA system to the maximum extent possible. Changes in management concepts and mode of operations void heretofore valid arguments for processing all transactions through the FPA system. Proposed changes in our procurement process, i.e., Blanket Purchase Agreements, requirements contracting, self-help program, direct shipment by DSA and GSA

Approved For Release 2003/05/28 : CIA-RDP93-00229R000100070005-3

Approved For Release 2003/05/28 : CIA-RDP93-00229R000100070005-3

SUBJECT: Extent to Which Property Acquisitions Should Be Processed Through FPA

to our overseas installations, direct delivery by vendors to overt CIA buildings in the Headquarters area, etc., eliminate the need for this information for supply management purposes.

5. In conclusion, it is recommended that all transactions, other than for stock at Type I installations, be excluded from the FPA system. There appears to be sufficient latitude in the various congressional enactments so as not to inhibit an Agency from streamlining its FPA procedures. Major changes have been made to our FPA procedures since their establishment in the early 1950's (see attachment - summary - Agency FPA Procedures). Excluding Type I activities, there presently is little or no direct financial control of property once it has been costed or issued. Reporting procedures for property-in-use at small stations are again under discussion for revision. The Office of Communications and the Office of Technical Services have both developed unilateral reporting procedures, outside of the FPA system, for their cognizant items in order to have available, for management purposes, desired data. Past, presently approved, and proposed changes in our operating profile as well as operating procedures dictate the necessity of further refining our FPA system.

25X1

Chief, Field Support Branch, SD/OL

Attachment - Summary - Agency FPA Procedures

Approved For Release 2003/05/28 : CIA-RDP93-00229R000100070005-3

Approved For Release 2003/05/28 : CIA-RDP93-00229R000100070005-3

SUMMARY - AGENCY FPA PROCEDURES

The effectiveness of Financial Property Accounting (FPA) Procedures developed in the early 1950's is questionable. Originally, the Agency operated under two types of FPA Procedures:

(1) Type I FPA procures for those stations that were relatively large installations and where the stations were responsible for supply services in a specified distribution area in addition to the local station or base.

(2) Detached Station Supply Procedures - Stations operating under these procedures were considered a Consolidated Memorandum Receipt (CMR) Account at Headquarters, and their records were maintained by Supply Division.

The maintenance of these latter accounts and the annual reconciliation presented a significant workload and administrative burden. To alleviate this burden, Type II FPA Procedures were developed in the late 1950's. All Agency components outside of the Headquarters area, excluding some 25 or so Type I FPA Installations, were designated as Type II Installations for FPA purposes. This shifted the recording and reporting responsibility to the field [redacted] 25X1
25X1 [redacted]. The Type II procedures required an annual dollar value report of property-in-use by material category.

Numerous small stations/bases complained of their increased workload in maintaining records under the Type II procedures. As a result, Type III FPA Procedures were developed for small stations. Memorandum Receipt Accounts were established by Headquarters in April 1965 for those installations designated as Type III's. The Type III Procedures were quite similar to the Detached Station Supply Procedures referred to above except that the system was computerized.

In the late 1960's all Headquarters property-in-use accounts, with one exception, were converted to Type II's.

In 1971 Type II FPA Procedures were revised to:

(1) Eliminate the requirement for maintaining the Property Control Register. (In the opinion of this writer, this eliminated the only semblance of financial control over property-in-use assets).

(2) Eliminate reporting by material category, requiring only an annual total dollar value report. This report is directed to the Office of Finance and is of no value as a management tool.

Approved For Release 2003/05/28 : CIA-RDP93-00229R000100070005-3

Approved For Release 2003/05/28 : CIA-RDP93-00229R000100070005-3

Type III FPA Procedures were again revised in August 1972 and the recording and reporting responsibility for property-in-use assets at small installations was transferred to the field. (In essence, there is presently no difference in the recording and reporting requirements of Type II and Type III Procedures.)

Two additional significant developments occurred between the early 1950's and the present date:

(1) With the conversion of Saigon on 1 October 1973 from Type I to Type II Procedures, all overseas installations are now reporting under either Type II or Type III Procedures. [redacted] 25X1

[redacted] 25X1

(2) The criteria for nonexpendable property, established in 1953, has changed from "nonconsumable items" costing more than $10, first to more than $50 in October 1961, and then to more than $200 in July 1970.

It should also be noted that internal operating instructions and procedures relative to holding accounts, in-transit accounts, etc., were likewise changed during this time frame.

Approved For Release 2003/05/28 : CIA-RDP93-00229R000100070005-3