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21 December 1988

MEMORANDUM FOR: C/EPS/OG
INFORMATION: C/PPS/SEO/SIB
FROM: []
Chief, Central Cover Staff
SUBJECT: Approval of 1989 OPACT QRPLUMB

1. The Central Cover Staff concurs in the conversion of this OPACT from a proprietary to a controlled subsidiary. It should be noted that once the ownership of the stock in the corporation has been transferred to new private owners, our rights of ownership will be relinquished. In case of the new owner's death, and there is a subsequent dispute among the heirs of the new owner over the ownership in the corporation, our operational control over this subsidiary may cease.

2. Once the ownership of the corporation has been transferred, we ask that the new Administrative Plan be prepared for this controlled subsidiary.

[]

Attachments: a/s

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CENTRAL INTELLIGENCE AGENCY
SOURCE METHOD EXEMPTION 3828
NAZI WAR CRIMES DISCLOSURE ACT
DATE 2007

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MEMORANDUM FOR: Deputy Director for Operations/EPS
Deputy Director for Administration/SSA

FROM:
Chief, Political and Psychological Staff

SUBJECT: Administrative Plan for PPS/SEO Controlled
Subsidy Activity QRPLUMB

1. A new Administrative Plan for Operational Activity QRPLUMB is attached for your approval. This plan replaces the current Administrative Plan because of its ^{Proprietary} conversion from a Proprietary to a Controlled Subsidy. A Liquidation will be prepared in accordance with the current Administrative Plan upon approval of the conversion.

2. Background: QRPLUMB is ~~an controlled subsidiary~~ ^{at present - Proprietary} located in New Jersey with affiliates in Paris, London, and Munich. Its publications include a Ukrainian-language monthly political-literary magazine, a Russian-language socio-political journal, bulletins, pamphlets, leaflets, and books which are infiltrated into the Ukraine.

3. The Principal Agent and President of QRPLUMB is QRPLUMB/57 (P57). P57 is perhaps uniquely qualified to run this operation. He has worked for QRPLUMB for more than 21 years and specifically groomed by his predecessor to handle the administration and operations of this company. His contacts within the Ukrainian emigre community are extensive. The Vice President and Treasurer of the company are witting. Its 15 domestic and 7 overseas employees are not. In response to an Audit Staff recommendation earlier this year, we have ~~an~~ arranged technical accounting assistance for QRPLUMB from a retired auditor.

3. QRPLUMB, formerly a Controlled Subsidy, was converted to Proprietary status in 1983. QRPLUMB receives almost all its income from Agency sources. According to HR 230-8c(c)(1), "...an instrumentality whose income is derived primarily from Agency funds and which is therefore largely dependent upon such support..." is the definition of a Controlled Subsidy. We do not believe that the percentage of said support is relevant to the status of the cover instrumentality. QRPLUMB was owned by

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SUBJECT: Administrative Plan for PPS/SEO Controlled
Subsidy Activity QRPLUMB

the principal agents prior to the Agency's assuming ownership and the increased burden of Agency funding was not sufficient cause for the Agency to assume ownership. We propose to return the organization to its rightful owners.

4. Furthermore, the presence in the U.S. of very large and active Ukrainian-American group has made it very difficult for QRPLUMB not to have an impact on American public opinion as required by Executive Order 12333. We understand also that, for cover reasons, QRPLUMB may compete with U.S. businesses. However, we believe that we are pushing the intent of the Order at present due to the popularity of the QRPLUMB journal among Ukrainian-Americans. QRPLUMB efforts to hold demand down has created serious cover concerns. This no-win situation can best be resolved by converting this instrumentality to a Controlled Subsidy and ensuring that PPS funding is only for those publications that are directed overseas.

5. The Headquarters management and operation of QRPLUMB will be conducted under the direction of Chief, Political and Psychological Staff, Soviet East Europe Operations (C/PPS/SEO). He has assigned a case officer to oversee the activities of the instrumentality.

6. To improve and simplify administration of the QRPLUMB Activity, Chief, Political and Psychological Staff (C/PPS) delegates authority to C/PPS/SEO for the operational and administrative management of the Activity, subject to the financial limitation authorized by C/PPS on Form 725. As a result of this delegation, numerous references to the Operating Official in HHB 230-8 have been changed to read "C/PPS/SEO".

7. The attached plan has the concurrence of appropriate Agency components, as indicated, and is recommended for your approval.

Attachment:
As Stated

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SUBJECT: Administrative Plan for PPS/SEO Controlled
Subsidy Activity QRPLUMB

CONCUR:

Director of Finance

Date

Chief, Central Cover Staff

Date

General Counsel

Date

Comptroller

Date

Director of Personnel

Date

Director of Security

Date

Director of Logistics

Date

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SUBJECT: Administrative Plan for PPS/SEO Controlled
Subsidy Activity QRPLUMB

APPROVED:

DDA/SSA

Date

Deputy Director for Operations/EPS

Date

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SUBJECT: Administrative Plan for PPS/SEO Controlled
subsidy Activity QRPLUMB

PPS/PMO: (]:3D13:54474:15Nov1988
Distribution:

Orig - (To Be Returned)

- 1 - OGC
- 1 - C/CCS
- 1 - Comptroller
- 1 - D/PERS
- 1 - D/OS
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- 1 - D/LOGS
- 1 - D/FIN
- 1 - C/EPS
- 1 - SSA/DDA
- 1 - PPS/PMO
- 1 - PPS/PA
- 1 - C/PPS
- 1 - C/PPS/SEO

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PROPRIETARY ADMINISTRATIVE PLAN FOR PPS/SEO
OPERATIONAL ACTIVITY QRPLUMB*

1. MANAGEMENT: The ultimate management and control of QRPLUMB rests with the manager who is appointed by the governing body of the organization; the present manager is QRPLUMB/57. The Agency exercises management control by agreement with the manager and by the powers implicit in the control of the major part of the organizations's annual funding. This Agency control ultimately rests with Chief, Political and Psychological Staff (C/PPS). C/PPS has appointed Chief, Soviet East Europe Operations as the Headquarters manager of the Agency's interests in QRPLUMB. P/57 is under the guidance of a case officer from Headquarters.

2. The authorities vested in the on-site manager are in appendix (A).

3. BUDGETING: The annual renewal of Operational Activity QRPLUMB provides for formal Deputy Director for Operations (DDO) approval of the Activity. It is at this time that the DDO approves the operating budget and authorizes continuation of the Activity. It is also the point at which he authorizes the procedures under which funds may be advanced, controlled, expended and accounted for within the terms of the operating budget.

4. In order for the DDO to make an objective evaluation of the Activity, an operating budget for QRPLUMB will be provided on the last page of the annual Operational Activity approval request (OpAct). This budget will cover the past, current, and next fiscal years. There must be clear identification of funds available to QRPLUMB from the Agency and all other sources during the period of the proposed budget which will include:

a. any prior-year funds: that is, any beginning cash balance, including liquid assets (this is normally the ending balance from the year before);

b. other U.S. Government (non-Agency) funds;

* The purposes, limitations, business policy, operational objectives and general terms of QRPLUMB as stated in the attached Presentation Memo are to be considered a part of this Administrative Plan.

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- c. Agency funds from other than a budgeting component with specific identification of that component;
- d. funds from other Agency proprietaries or subsidiaries;
- e. all other income by source including operating income, interest income, investments, and any other sources; and
- f. the fiscal year amount budgeted for QRPLUMB.

5. Proposed expenditures: After income, there will be a list of all proposed expenditures broken down in sufficient detail to separate fixed expenses (overhead) from operating expenses. The source of these expenditures for the past fiscal year would be the quarterly accountings. For the current and future years, projected expenses of any new activities should be factored in or projected reductions subtracted, as applicable.

6. Proposed investments, returns of excess funds or transfers to other proprietaries or subsidiaries must be listed separately.

7. Finally, there will be an estimated cash balance at the end of the fiscal year (that is, the beginning year balance plus all sources of income minus all expenditures and investments will be the balance at the end of the year) which, in turn, becomes the beginning balance for the next year.

8. Scheduling: Scheduling of approvals of operating budgets will conform with the schedules established by the DDO for annual renewal actions (OpActs). The provisions of this Administrative Plan are to be reviewed for validity and effectiveness each year at the same time the operational approval is requested.

9. FUNDING: QRPLUMB is expected to manage its cash assets in accordance with sound commercial including any German rules with regard to adequate reserves for statutory obligations.

10. Appropriated funds will be made available as needed to QRPLUMB in the following manner:

- a. Finance Form 264, Request for Reimbursement or Payment, with an attached Form 1864, Request for Covert Payment. The voucher will indicate, at a minimum, the QRPLUMB

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name, specific purpose of the advance (i.e.; quarterly funding, special funding for..., etc.), and the period the funding is to cover;

b. the voucher will be approved by C/PPS/SEO or an appropriate approving officer;

c. the voucher will be forwarded to PPS/B&F where they will certify funds available, certify, and will make the appropriate entries to record the funding in the proper advance accounts;

d. the voucher will be forwarded by PPS to Central Cover Staff (CCS) for coordination; and

e. the voucher will then be forwarded to OF/Monetary Division which will use its various funding mechanisms as appropriate.

11. Any given fiscal year funds appropriated for the Activity may be reprogrammed by the DDO up to limitations imposed by the Comptroller. Reprogramming of funds in excess of this amount may be authorized by the Comptroller up to Congressional limitations. Reprogramming of funds between Directorates requires the approval of the comptroller.

12. REFUNDS All refunds from QRPLUMB to the Agency will be handled in accordance with applicable regulations. These refunds must be explained by a memorandum from the Headquarters officer responsible for the instrumentality to C/PPS/SEO stating the purpose of the refund and the effect of the refund on the overt records and statements of the QRPLUMB. Based upon the information provided, C/PPS/SEO in coordination with the Director of Finance and the Chief, CCS, will devise the method of repayment.

13. OPERATIONAL CERTIFICATION AND APPROVAL: The Headquarters case officer will review financial statements submitted by QRPLUMB (see paragraph 15 below). The financial statements will be approved by C/PPS/SEO and forwarded to PPS/Budget and Finance Branch at the earliest possible time and not later than 60 days after the close of the reporting period. Extensions of time will be granted by the C/PPS/SEO upon appropriate and reasonable request.

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14. ACCOUNTING IN AGENCY RECORDS: The project desk officer will review financial statements submitted by QRPLUMB. The purpose of this review is to use financial records to review the operation and monitor cost-effectiveness and expenditures on such items as salary, operational entertainment, travel, etc. to ensure such items are in keeping with the goals of the project. The desk officer is not expected to perform a financial audit.

15. After this review, the project desk officer will attach a signed certification that "to the best of my knowledge and belief, the statements are true and correct, and the reported expenditures are within the scope of the Activity authorization." The Headquarters desk officer is to support this certification by questioning those expenditures that he/she does not understand or has reason to believe are inappropriate.

16. These financial statements, with the concurrence of C/PPS/Soviet Internal Branch (C/PPS/SIB) and the PPS/Proprietary Management Officer (PMO), will be approved by C/PPS/SEO and forwarded to the Chief/PPS/B&F at the earliest possible time but not later than 60 days after the close of the quarter. Extensions of time will be granted by C/PPS/B&F upon appropriate and reasonable request. C/PPS/SEO and C/PPS/SIB will occasionally test the "knowledge base" of the project case officer's certification to ensure the certification is properly supported.

17. QRPLUMB will maintain an accounting and financial reporting system consistent with the dictates of cover and security and reviewed, if possible, by the Director, Office of Finance, or his designee.

18. The accounting system will provide:

- a. full recording of the financial operation of QRPLUMB;
- b. control over and accountability for all funds, property;
- c. information required for integration of QRPLUMB accountings into the accounting records the Agency; and

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d. any other financial or cost information required by the C/PPS/SEO, the Director of Finance, or the Comptroller.

19. QRPLUMB will submit, so as to be in Agency hands not later than 60 days after the close of the reporting period, the following financial statements and related data on at least a quarterly basis:

a. A schedule of income and expenses - QRPLUMB will provide a cash receipts/cash disbursements schedule (cash basis accounting) in lieu of a balance sheet and statement of income and expense (accrual method);

b. annually, QRPLUMB will submit a balance sheet and a statement of income and expense prepared for them by their German accountant for tax purposes;

c. any changes to the schedule of salaries paid to all employees hired by QRPLUMB;

d. schedule of cash in bank accounts with a certification that reconciliation with QRLANE accounts has been made;

e. any other financial reports required by O/F and concurred in by C/PPS/SEO.

20. The manager of QRPLUMB shall be primarily responsible for and will certify to the accuracy of all information supplied in conjunction with these financial statements.

21. PROTECTION OF U.S. GOVERNMENT INTEREST: The Agency has an interest in perpetuating QRPLUMB as a viable instrumentality as long as it serves Agency interests. Nevertheless, the Agency does not have the powers implicit in ownership and can only impose its will through control of the financial resources available to QRPLUMB.

22. PERSONNEL POLICY: QRPLUMB personnel policy will follow the customs and practices of a business in Germany. Neither the manager nor anyone he employs will be paid in excess of the maximum rate of a GS-15 unless approved by the DCI.

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23. INSURANCE COVERAGE: QRPLUMB will follow the local customs and practices of an American commercial business located in New Jersey with regard to insurance.

24. LEGAL SERVICES: Legal issues which bear on QRPLUMB's relationship to the Agency will be reported to the Office of General Counsel (OGC) on a timely basis for review and guidance before any legal action is taken

25. SECURITY POLICY: QRPLUMB will be managed in a manner consistent with its overt purpose to avoid disclosure of its true nature and the Agency's connection. No non-Agency person will be made witting of the true nature of QRPLUMB without the approval of both DC/PPS/SEO and the Director of Security. The names of all persons considered for employment in an unwitting capacity will also be submitted with appropriate biographic information for clearance approval by Headquarters.

26. AUDIT: An audit program will be developed and implemented in accordance with the requirements of HR 31-1. The prior approval of the Chief, Audit Staff, is required for the employment of either witting or unwitting public accountants for audit purposes.

27. BORROWING, LENDING, PLEDGING OF ASSETS, AND INVESTMENT POLICY: To the extent that the Agency may become morally liable for funding the liabilities of QRPLUMB in the project, or feel the necessity to provide working capital in the place of instrumentality funds in long term investments, C/PPS must approve the borrowing, lending, pledging of assets, or the making of investments by project instrumentalities.

28. REAL PROPERTY AND OFFICE FURNISHINGS: Decisions regarding the acquisition or disposal of real property, office furnishing, and other property are made by the instrumentality's governing body in coordination with the Agency with regard to budget support.

29. ACQUISITION POLICY: QRPLUMB's acquisitions will be limited to the procurement of administrative supplies and equipment necessary to carry out the overt functions of QRPLUMB. This policy is set by the governing body of QRPLUMB, and a Logistics Annex will not be required for the Agency's subsidy activities.

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30. TAX RETURNS: QRPLUMB is expected to fully comply with its U.S. tax liabilities. It is expected to conform to local and state tax laws. QRPLUMB will advise the Agency in the event of a tax audit and will provide the Agency with pertinent documentation and information on how the audit may affect Agency subsidy payments.

31. AMENDMENTS: Circumstances and requirements during the life of QRPLUMB which necessitate significant deviation in its scope or purpose will be documented by an amendment to the Administrative Plan which will be accorded the same approval and concurrences as the original Plan.

32. TERMINATION AND LIQUIDATION: When Operational Activity QRPLUMB in its entirety ceases to have operational value or will cease to have such value in the near future, C/PPS/SEO will prepare and submit to the DDO for approval a proposal to terminate the Operational Activity. Should the termination action approved by the DDO involve the liquidation of the project instrumentality (with the approval of the governing body of QRPLUMB), a Liquidation Plan, as required by HR 230-8, shall be prepared in accordance with paragraph 6, HHB 230-1, and forwarded for approval as provided in FR 230-8d.

33. CASUALTY PROVISION: Contingency plans are not needed for QRPLUMB. The instrumentality does not employ Agency staff personnel, detailed personnel, contract employees, or employees of a proprietary organization; QRPLUMB will not be engaged in hazardous undertakings or activities where a casualty incident involving an employee would likely result in a compromise of Agency security, cover, or operations.

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Appendix A

AUTHORITIES OF QRPLUMB/57 AS
THE MANAGER OF QRPLUMB

QRPLUMB/57 (P/57) is expected to manage QRPLUMB in a manner consistent with all local, county and national laws and regulations.

Should he have questions or otherwise be unclear of his obligations or responsibilities, he will seek such guidance or counsel as is required from his case officer and from appropriate legal counsel. His specific authorities and responsibilities include:

1. P/57 will manage cash assets in a sound business manner and with due consideration for responsible cash flow.
2. He will submit quarterly accountings within 30 days of the close of each quarter. The accounting will include:
 - a. a cash receipts/cash disbursements schedule;
 - b. a schedule of salaries paid, if there are changes;
 - c. a schedule of cash in bank accounts with a certification that the accounts have been reconciled;
3. He will ensure and certify to the accuracy of these quarterly reports.
4. He is expected to enforce company personnel policies. Care should be taken to ensure all company management and personnel policies conform to local, national and industry standards.
5. He will be report legal concerns to his case officer should they bear on QRPLUMB's relationship to the Agency.
6. He will assist accountants/auditors as appointed by the Agency to perform such audits as required.

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7. He will not borrow, lend funds or pledge any Agency asset without the approval of his case officer.

8. Prior approval is required to invest Agency funds.

9. Purchase of capital equipment with Agency funds requires the approval of his case officer.

10. Travel for the Agency will be approved in advance by his case officer.

11. Travel expenses covered by Agency funding should be reasonable. He should be prepared to explain, in writing, all costs, including first class air fare, that appear extravagant or unreasonable.

12. He is responsible for the preparation and filing of all tax returns for all jurisdictions in which QRPLUMB resides and providing his case officer with copies of these returns.

13. He will advise his case officer of any impending tax audit.

From time to time these instructions may be modified to conform to the policies of the Agency.

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