UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON 25, D.C.

CIVIL ACCOUNTING AND
AUDITING DIVISION

Jan. 19, 1957

Director, Civil Accounting and Auditing Division
Director, Accounting and Auditing Policy Staff

    Subject: Review of accounting system for the
             National Security Council, per AAPS
             memo of March 8, 1957

    Attached are (1) a proposed letter approving the National
Security Council accounting system, (2) the request of NSC for
approval, and (3) a copy of the accounting manual. Our comments
on the system follow.

    The accounting for this agency is handled by the Central
Intelligence Agency. Because of the classified nature of oper-
ations in this area, matters concerning financial management im-
provement, under the BOB bulletin, has been handled mostly by
the Bureau of the Budget.

    This manual was submitted for approval October 3, 1956, and has
been reviewed by and discussed with Mr. Ray Newbold, BOB and Mr. Ben
Williams, CAAD staff member working in this area. The system has
also been reviewed with representatives of the agency by Ben Williams.
On the basis of these reviews we recommend that the system be approved.
Mr. Newbold, BOB joins in this recommendation.

    All pertinent details in the manual have been carefully checked.
We believe it and the system described in it will be adequate to the
needs of the organization. We believe that the system conforms to
accepted accounting policy and to the principles prescribed by the
Comptroller General.

    It is our opinion that the agency's accounting is done by a
competent organization.

                    *   *   *   *   *

    Measurement against points raised in the review outline in the
memo of March 8, 1957, follows.

Document No. _____
Review of this document by CIA has
determined that
    ☐ has no objection to declass
    ☐ it contains information of CIA
        interest that must remain
        classified at TS S C
        Authority: HR 70-2
    ☐ it contains nothing of CIA interest
Date _____ Reviewer _____

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1. **Needs of management.** We believe that this system will supply the needs of internal and external management. See Section VI, Reports.

2. **Legal requirements.** The system will develop information required by law of this and other agencies. The Bureau of the Budget agrees that the means employed for administrative control of funds has been found to be in compliance with the law. Provisions are incorporated for accounting control of apportionments. See Section II, especially page 2.

3. **Internal control.** The accounting system with its accrual provisions and its fully integrated property accounting and other features provided, will facilitate internal control over resources, expenditures, costs, disbursements, and receipts and revenues.

4. **Internal audit.** We have been informed that organized provision is made for internal review of operations, but that the precise procedures are classified.

5. **Accrual accounting.** Provision is made for accrual accounting on a continuous basis. However, there is no accounting for depreciation. We agree this is not necessary. See Section II, particularly pp. 4-6.

6. **Property accounting.** Nonexpendable property is capitalized at cost, with concurrent charge to operating costs and establishment of a 100 percent reserve for depreciation. Cupboard stocks of supplies are not capitalized. We agree. See Section II, p. 5, and Section V.

7. **Cost basis.** The system does provide for accounting on a cost basis. See Section II.

8. **Cost-based budgets.** The accounting system is so set up that cost-based budgets may be prepared upon the basis of the accounts, at such time and in such form as the Bureau of the Budget may direct.

9. **Budget and accounting classifications.** The Council operations are classified into two budget activities, under one appropriation. The two activities, are quite distinct and distributions are obtained through analyses where required.

10. **Budgetary control and accounting.** As stated above, provision satisfactory to the Bureau of the Budget has been made for administrative control of budgeted funds. The agency uses one allotment for the entire appropriation and classification accounts for the two activities. The principles do provide for adequate correlation of obligation, accrued expenditure and cash data, and coordination of programming, budgeting, and reporting. See Sections II and IV.

/s/ Troy C. McCurdy

Troy O. McCurdy
Assistant Director