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MEMORANDUM FOR THE RECORD

SUBJECT: Comptroller Instruction No. 17, Revised

FROM : A Member of TAS

1. In a meeting on 26 February 1958, Messrs. [redacted], [redacted] discussed two questions raised by Mr. [redacted] in connection with the currently proposed revision of Comptroller Instruction No. 17.

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2. Paragraph 7a (3) of the proposed revision provided for the continuance of an existing provision of Comptroller Instruction No. 17 to the effect that collections identified as net profits of projects should be treated as Miscellaneous Receipts. [redacted] advanced the view that the present policy of treating refunds from projects (paragraph 4a (6) of C.I. No. 17, revised) as reverse expenditures also should be followed with respect to net profits of projects returned to the Agency in the form of operating dividends. Under this policy, collections by the Agency representing net profits of projects should be treated as Miscellaneous Receipts only after the Agency's investment in the project has been fully recovered. [redacted] view was predicated on the underlying philosophy that under present concepts the funding of a project should be considered a continuing activity until liquidation of the project - therefore returns of funds of any character before liquidation should be offset against advances previously made. This concept will provide comparable results on Agency records between a project which retains its profits with a resulting reduction in new funds injected into the project and a project which returns funds to the Agency with the result that a correspondingly greater amount of new funds must be injected into the project to carry on its activities. It was concluded that the proposed C.I. No. 17 should be revised to give effect to [redacted] views in this respect.

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3. Paragraph 7a (4) of the proposed revision provided for the continuance of an existing provision of C.I. No. 17 to the effect that interest on loans and notes should be treated as Miscellaneous Receipts. Consistent with the

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general philosophy discussed in paragraph 2 above, it was concluded that interest collected on notes in instances where the notes were obtained in connection with a transaction on which there had been a write off should be applied as a recovery of such write off until it is fully offset.

4. Subsequent to the meeting, we reviewed Mr. Houston's memorandum of 24 June 1954 in which the following sentence appears:

"Also, it should be noted that funds in this account which can be identified as net profits of a project must be transferred to Miscellaneous Receipts."

It is believed that the conclusion stated in paragraph 2 above can be considered consistent with the above quoted sentence by interpreting "net profits" to mean funds recovered by the Agency in excess of funds invested in a particular project.

5. These matters were discussed with [redacted] on March 14 and it was concluded that we should submit C.I. No. 17, revised along the lines proposed, to him for signature as a basis for his final determination on the matter. Mr. [redacted] signed the revised instruction as submitted.

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[redacted]

TAS/HNL/mjr (24 March 1958)

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