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TO : Comptroller

DATE: 7 JUL 1960

FROM : Deputy Chief, Budget Division

SUBJECT: Fiscal Year 1961 Allotment Structure
for the DD/P AreaREF : Memo for Comptroller from Financial
Advisory Committee, Same Subject

1. I do not have any objections to the recommendations contained in paragraph 5 of the referenced memorandum. The recommendations do not propose permanent changes and, moreover, are subject to action on your part and approval of the DCI on the partial waiver of Regulation

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2. There are inferences in the memorandum, however, that I would like to comment on. The first inference is that "each operating unit" is the Deputy Director level whereas in my opinion "each operating unit" is the office, staff, or division administered by an "operating official" as defined in the regulations. This means that I think allotments should go to the operating official level as a part of the other authorities and responsibilities placed at the same level. The second inference is that the amounts of approved Operational Programs or Operating Budgets can be used as operating target levels and still serve as fund controls. I think that there are two parts to financial administration: one is fund controls through the apportionment and allotment process; and the second is operational and management controls through the cost plans system. These two controls are separable and should not be commingled, or effective fund control administration will be lost.

3. Another inference is that under the proposal the DD/P can facilitate his "savings" exercise and adjust balances to avoid "red" balances. If the DD/P exercises good financial controls, he will still have the same problems of attempting to "squeeze" an office and if successful will still cause "red" balances. What it amounts to is a proposal to adjust "red" balances after the close of the year and to anticipate unobligated balances to cover any over-obligations. This is not sound practice and should not be condoned if that is the intent of the proposal from DD/P.

4. To some extent, the DD/P proposal is a transfer of some of the functions and responsibilities of budget execution to the DD/P. It could eventually mean the establishment of a Clandestine Services budget branch, presumably under your technical guidance, but responsible to DD/P and physically located in DD/P.

5. However, as mentioned in the first paragraph, if a test operation is desired, there is no objection on my part.

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