

ROUTING AND TRANSMITTAL SLIP

Date

TO: (Name, office symbol, room number, building, Agency/Post)		Initials	Date
1.	EO/DDA	<i>R</i>	<i>Dec</i>
2.	ADDA	<i>Jr</i>	<i>7 DEC 1983</i>
3.	DDA	<i>D</i>	<i>7 DEC 1983</i>
4.			
5.			

Action	File	Note and Return
Approval	For Clearance	Per Conversation
As Requested	For Correction	Prepare Reply
Circulate	For Your Information	See Me
Comment	Investigate	Signature
Coordination	Justify	

REMARKS

Original will be copied for other addressees after DDA has signed.

DO NOT use this form as a RECORD of approvals, concurrences, disposals, clearances, and similar actions

FROM: (Name, org. symbol, Agency/Post)	Room No.—Bldg.
	Phone No.



STAT

I want a statement from each of the Office Directors similar to the one I give the DES.



STAT

ROUTING AND TRANSMITTAL SLIP

Date:

5 December 1983

TO: (Name, office symbol, room number, building, Agency/Post)	Initials	Date
1. Mr. Fitzwater		
2.		
3.		
4.		
5.		

Action	File	Note and Return
Approval	For Clearance	Per Conversation
As Requested	For Correction	Prepare Reply
Circulate	For Your Information	See Me
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REMARKS

[redacted] from OF called to ask if you could announce at the DCI Staff Meeting tomorrow that the DCI approved a paper on "Internal Accounting and Administrative Control Directive" that will require each Deputy Director to forward to the Inspector General by 16 December, a certification that says: (highlighted at paperclip). This is as an alert to the DDs that this short deadline requirement is forthcoming.

Karen

P.S. Office of Finance is in the process of getting the notice out.

DO NOT use this form as a RECORD of approvals, concurrences, disposals, clearances, and similar actions

FROM: (Name, org. symbol, Agency/Post)	Room No.—Bldg.
	Phone No.

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ROUTING AND RECORD SHEET

DD/A Registry

83-5040/1

SUBJECT: (Optional) Proposed Headquarters Notice - Internal Accounting and Administrative Control Directive

FROM: Director of Finance
1212 Key Bldg.

EXTENSION

NO.

Ref: 83-3040

DATE

14 November 1983

STAT

TO: (Officer designation, room number, and building)

DATE

OFFICER'S INITIALS

COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)

RECEIVED

FORWARDED

DDA
7D18 Hqs.

5 Dec R

Change in wording paragraph 5 of the memoranda and in paragraph 5d of the notice.

2.

Registry

3.

4.

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15.

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DD/A Registry
83-3040/1

14 NOV 1983

ADPP 163-83-48

MEMORANDUM FOR: Director of Central Intelligence

VIA: Deputy Director of Central Intelligence
Executive Director
Inspector General
General Counsel
Deputy Director for Administration

FROM: Allen R. Elkins
Director of Finance

SUBJECT: Proposed Headquarters Notice - Internal Accounting and
Administrative Control Directive

1. Attached is a recommended Headquarters Notice which would prescribe Agency policies and standards for internal controls as required by the Federal Managers' Financial Integrity Act of 1982 (PL 97-255, approved 8 September 1982). The intent of internal controls is to reasonably ensure effective control over, and accountability for, assets and make certain of the day-to-day involvement of Agency chains of command in the process of appropriate authorization and approval, consistent with standards prescribed by the Comptroller General.

2. As further required by the Act, the Director of Management and Budget has established guidelines that the head of each Executive agency shall follow in evaluating the internal control systems of the agency to decide whether the systems are providing the necessary effective control and accountability for assets. By 31 December of each year (beginning in 1983), the head of each Executive agency, based on the foregoing evaluation, shall prepare a statement on whether the internal control systems of the agency are in compliance with the requirements of the Act. If the head of an agency decides the systems are not in compliance, the statement shall include a report identifying any material weakness in the systems and describing the plans and schedule for correcting the weakness. All statements and reports will be signed by the head of each Executive agency and submitted to the President and Congress.

3. Essentially, the Federal Managers' Financial Integrity Act is an expansion of the Budget and Accounting Procedures Act of 1950. It is a positive effort to transform the expectations of the 1950 Act into reality by affixing personal responsibility and definition of requirements for reducing fraud, improving management controls, and eliminating errors in the administration of Government programs. This Agency is in substantial compliance with the requirement for systems of internal controls through its organizational structure and regulatory system. The assignment of individual authorities and responsibilities to senior Agency officials for activities within their organizations provide the on-going planning, direction, and control mechanisms for evaluation of the effectiveness of our systems throughout the Agency.

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4. The OMB guidelines require a periodic review of the susceptibility of a program or function to the occurrence of waste, loss, unauthorized use, or misappropriation. Such reviews are known as vulnerability assessments and are the mechanism with which an agency can determine the relative potential for loss in programs and functions and schedule internal control reviews and related action. Although not specifically addressed in the proposed notice, it is intended that these assessments be accomplished by the Executive Committee based on their own working knowledge of the programs and administrative functions, their general impressions about the control environment, and the effectiveness of existing controls. This can be done at periodic sessions of the Committee called to review selected subjects such as operational approval and regulatory systems, etc. The requirements for vulnerability assessments are that: (1) the process and the major considerations in determining the relative rankings are documented and (2) the agency head will approve and defend their rankings.

5. In sum, publication of the proposed notice will formalize the structure and methods of the Agency's internal control systems. It provides for annual statements, assessing the operation of these controls, to be prepared by the Directors of ICS and NIFSO, Deputy Directors, Heads of Independent Offices, and the Director of Finance. The statements will be reviewed by the Inspector General and serve as the basis for your report to the President and Congress. A proposed internal control statement has been prepared as an attachment to the notice. As required by the Act, it includes a statement concerning conformance of the Agency accounting system to the principles, standards, and requirements of the Comptroller General.

6. Given your approval of this document and any revisions that may be required, I will forward the final version to Regulations Control Division, OIS, for processing and publication under your signature.

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Allen R. Elkins

Attachments As Stated

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Page Denied

This Notice Expires Only
Upon Publication of a Regulation

MANAGEMENT

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INTERNAL ACCOUNTING AND ADMINISTRATIVE CONTROL DIRECTIVE

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1. The purpose of this notice is to share with you my interest in and commitment to the effective application of the Agency systems of internal accounting and administrative controls and to carry out my responsibilities under the Federal Managers' Financial Integrity Act of 1982. These responsibilities include both those assigned to me as Director of Central Intelligence and as head of the Central Intelligence Agency as well. Although policy independent of the Agency, the National Intelligence Emergency Support Office (NIESO) and the Intelligence Community Staff (ICS) receive overall administrative and financial operations support from the Agency and are governed by and derive their administrative authority from the statutes, Executive Orders, directives, regulations and procedures applicable to the Agency. This notice will be issued as a permanent regulation at the earliest possible time. It is effective immediately.

2. The objectives of the Agency internal accounting and administrative control systems are to provide management with reasonable, but not absolute assurance that financial and other resources are safeguarded from unauthorized use or disposition; that transactions and operations are appropriately authorized and approved; that financial and statistical reports and records are timely, accurate and reliable; and that resources are efficiently and effectively managed.

3. The President and the Congress have shown a keen interest in this subject as evidenced by the enactment of the Federal Managers' Financial Integrity Act of 1982 (PL 97-255, approved 8 September 1982). That Act requires the Head of each executive department and agency to report annually to the President and to the Congress on the effectiveness of the agency's systems of internal accounting and administrative control.

4. The Central Intelligence Agency has a long and proud history of effective management and adherence to law and policy. The nature of our business requires that we have strong internal accounting and administrative control systems and a high degree of disciplined compliance with those systems. We therefore need to make only minor changes to comply with the Act.

5. The following paragraphs define internal controls, describe the internal accounting and administrative control systems of this Agency and set forth the policy and procedures by which control systems are to be reviewed and reported by senior officials. These reports will culminate in corrective action wherever necessary and will form the basis of my annual report to the President and the Congress.

a. Internal Controls Defined

(1) Internal control is the plan of organization and all of the methods and procedures the management of an entity adopts to ensure that:

- activities are conducted in accordance with applicable laws, regulations and policies;
- information is recorded and reported properly;

- resources are safeguarded against loss due to errors and deliberate acts of wrongdoing; and
- activities are carried out with due regard for economy, efficiency and effectiveness.

(2) Internal controls do not require separate systems within an entity. On the contrary, they should be an integral part of the management system which is established to operate programs.

b. Agency Internal Accounting and Administrative Control Systems

(1) The Agency's organizational structure and the regulatory system are essential components of its internal accounting and administrative control systems. The DCI and DDCI assign authority and responsibility to the Executive Director; the Director of the Intelligence Community Staff; the Director of NIESO; the Deputy Directors for Operations, Intelligence, Science and Technology, and Administration; and the Heads of Independent offices. These managers are responsible for activities within their organizations and are expected to direct officials at descending levels of management in the specific methods and procedures to be used in discharging the responsibilities of the lower level components. The internal control systems also have a built-in series of checks and balances through the assignment of specific Agency-wide functional responsibilities to such senior Agency officials as the General Counsel and the Directors of Personnel, Security, Finance and Logistics. These divisions of responsibility provide a control over limited resources to ensure

their proper use and help to identify any negligence, carelessness and inefficiency which may occur. Performance appraisals for employees having significant management responsibility will contain appropriate comments on execution of assigned internal control duties.

(2) The internal accounting and administrative control systems are not limited to financial activities and resources but apply with equal force and importance to the acquisition and use of personal services, property, and contractual services required for the execution of program activities throughout the Agency.

(3) The internal accounting and administrative control systems are further strengthened by:

(a) employees who, under the provisions are responsible for reporting any instance in which the employee has reason to believe that

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- government funds are being obligated or expended contrary to policies set forth in regulations;

- past, current, or proposed activities might be construed to be illegal, improper, questionable, or not authorized by applicable law, Presidential directive, Executive order, or regulation;

- instructions received in any way appear to be illegal, improper, or questionable; or

- claims of employees or any other person are based on fraud.

(b) the independent review functions of the Office of Inspector General to evaluate the effectiveness of internal accounting and administrative controls and to conduct inspections, audits and investigations of activities and programs. The Inspector General also is responsible for ensuring management follow-up of findings and recommendations.

c. Policy

It is the policy of the Central Intelligence Agency to operate a system of internal accounting and administrative controls designed to ensure that;

- activities and transactions are appropriately authorized;
- activities are carried out efficiently and effectively;
- resources are protected against fraud, misuse and misappropriation;
- transactions are accurately and reliably recorded and reported; and
- recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

Within this policy is the express intention to be in reasonable compliance with standards prescribed by the Comptroller General for accounting, auditing, and internal accounting and administrative control systems.

d. Procedures

(1) At the close of each fiscal year and no later than 30 November, the Directors of ICS and NIESO, Deputy Directors, and Heads of Independent Offices will prepare a statement assessing the operation of internal accounting and administrative controls within their respective organizations during the fiscal year just ending. The statements for ICS and NIESO will be submitted directly to the DDCI through the Inspector General. The other statements will be submitted to the Executive Director through the Inspector General. Assuming no material weaknesses, all of the above statements will include the following:

"To the best of my knowledge, the activities taking place during FY__ within (appropriate organizational name) have been appropriately approved and carried out in accordance with law and Agency regulations. Obligations are valid and are supported in accordance with Agency regulations. Expenditures have been properly approved. Due care has been exercised to protect resources from misuse and misappropriation. Activities have been managed in an efficient and

effective manner. Internal accounting and administrative controls are operational and effective." Exceptions are to be incorporated in the statement together with an explanation of proposed corrective action.

(2) The Director of Finance will file a statement as described above and will include the following:

"To the best of my knowledge, during FY _____ revenues and expenditures applicable to operations for which the Agency is responsible were accounted for, certified and recorded so that reliable financial and statistical reports could be prepared and accountability of assets maintained." Exceptions are to be incorporated in the statement together with an explanation of proposed corrective action.

(3) The Inspector General will review these statements and indicate concurrence or non-concurrence with their substance based upon overall perception of the effectiveness of the

internal accounting and administrative control system as demonstrated by inspection and audit activities conducted during the year. The basis for any exception will be explained. In his report to the DCI, the Inspector General will provide relevant comments and recommendations regarding changes, enforcement of controls, and compliance with Comptroller General standards. The Inspector General will send the appropriate statements to the Executive Director and DDCI for their review and recommendations to me. My report to the President and the Congress will include NIESO and ICS and be issued no later than December 31 as required by law.

William J. Casey
Director of Central Intelligence

Proposed Internal Control Statement
(assuming no substantive weaknesses)

Dear Mr. President:

As required by the Federal Managers' Financial Integrity Act of 1982, this is to inform you that for the year ended September 30, 19--, reviews of the results of application of the systems of internal accounting and administrative controls for the Agency, National Intelligence Emergency Support Office (NIESO), and Intelligence Community Staff (ICS) satisfy me that those controls provide reasonable assurance that

- obligations and costs comply with applicable law;
- assets are safeguarded against waste, loss, unauthorized use, and misappropriation; and
- revenues and expenditures applicable to operations are recorded and accounted for properly so that accounts and reliable financial and statistical reports may be prepared and accountability of the assets may be maintained.

This is also to inform you that Comptroller General principles, standards and related requirements for accounting systems have been and continue to be used as the guidelines against which the Agency accounting system has been developed and is being maintained.