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### ROUTING AND RECORD SHEET

SUBJECT: (Optional)

FROM:

C/IO/2

NO.

DATE AUG 1957

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

1. C/PP 2031-K

7 AUG 1957

**HAND CARRY**

2. DCP

0840  
8 AUG 1957

[ ]

3. PP/DOES/PP

0840  
8 AUG 1957  
12/10

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DECLASSIFIED AND RELEASED BY  
CENTRAL INTELLIGENCE AGENCY  
SOURCE METHOD EXEMPTION 3B2B  
NAZI WAR CRIMES DISCLOSURE ACT  
DATE 2007

DTPILLAR

8-8-13-3

I-12299

MEMORANDUM FOR: Chief, Budget Division

SUBJECT: Project DTPILLAR Budget Management

REFERENCE: Memorandum for C/IO from C/Budget Division; subject: Project DTPILLAR - Comparison of Expenditures with Budget for FY-1956 and Ten Months of FY-1957, dated 11 June 1957

1. The referenced memorandum expressed concern regarding Project DTPILLAR budget management. This memorandum comments further on this important subject.

2. In response to Paragraph 1 of the reference, which reviewed your previous comments on this subject:

a. Attached for your information is a copy of a memorandum of 29 August 1956 to me from C/IO/2 outlining FY-1956 Project budget management problems not taken into consideration in your analysis.

b. I find that large expenditures in the final month of the fiscal year are common to other projects in IO Division, e.g., [ ] and QKACTIVE. I understand that this is also true in the Agency as a whole as well as throughout the Federal Government.

c. In addition to the detailed record of DTPILLAR expenditures maintained in IO/2, comprehensive monthly financial statements prepared by Project DTPILLAR are distributed for information and analysis to IO/Support, Budget Division, Finance Division and the Commercial Staff. Regarding the overspenditure for FY-1956, it should be remembered that it actually took place during the last month of the fiscal year. At the end of May, 1956, the project was underspent by 11.8 per cent (\$663,400) of its budget, which sum was 3.5 per cent (\$194,150) in excess of 1/12 of the budget. I do not feel that the first nine months total expenditures, which you selected for comparison with later months, is an especially valid base for comparison since DTPILLAR did not receive an approved budget until December, 1955, and therefore attempted to keep expenditures to a minimum pending final approval of their FY-1956 budget.

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d. Arrangements have been made to forward a copy of all FY-1958 budgetary adjustments to the Budget Division upon receipt by 10/2.

3. With regard to Paragraphs 2a and 2c of the reference which are critical of the approval of more projects by DTPILLAR than funds are available to finance, I wish to make two comments:

a. Although the financial statements at 31 May indicated an overprogramming of [ ] the Program budget was not over-expended in FY-1957; to the contrary, DTPILLAR returned more than \$100,000 to the Agency representing unexpended FY-1957 funds.

b. The problem of relating project approvals to country program budgets was discussed during DTPILLAR's Hong Kong Conference last November, in which C/10/2 participated. The result was a "Routh-Stewart formula": "When the total of the approved projects for a particular country is within 10 per cent of the country's total program allotment, the representative requesting approval of additional projects should indicate what existing projects will be curtailed, and the amount, in order to carry out the new projects." However, the necessary procedures and instructions could not be established prior to January, and by that time the Project was overprogrammed by [ ]. After attempting for some time to apply the Routh-Stewart formula, it was found infeasible for FY-1957 due to the overprogramming already in existence. Therefore, for the duration of FY-1957 DTPILLAR relied on a careful monthly review of Program expenditures to prevent overexpenditures.

If, at first glance, it seems prodigal to approve projects in excess of funds available, allowance must be made for Project experience which indicates that a representative will fail to implement a number of approved projects during any fiscal year. DTPILLAR Headquarters approval of a project does not necessarily signify that the project is ready for complete development. It may simply mean that the project is in its primary stages and the representative wishes to secure Headquarters approval before initiating further development with the indigenous personnel involved. There is, after all, a point beyond which project possibilities cannot be discussed on a contingent basis even though it may take many additional months of planning and negotiating before the project matures - and in some cases, it may never mature. This problem of project default which is inherent in

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DTPILLAR operations means that DTPILLAR would have failed to take advantage of all opportunities to carry out its mission if project approvals were limited to the Program budget ceiling. There would also be the danger of a year-end rush of ill-considered projects if such a system were adopted. To summarize, we believe that it would be unrealistic to limit project approvals to the authorized Program budget although we recognize that excessive overprogramming tends to aggravate the problem of controlling expenditures. We feel that the most practical solution would embody procedures less restrictive than the South-Stewart formula without being open-ended. Therefore we are considering with Project personnel the advisability of adopting a formula whereby the total of approved projects would not exceed 115 per cent of each country's approved Program budget.

4. Paragraph 2b of the referenced memorandum states that concurrence of Chief/PP and the Comptroller should have been secured before utilization of the Targets of Opportunity funds for country programs. DTPILLAR for the past several years has operated on the basis of four major line item categories - Contingency, Administration, Capital Outlay, and Program. No transfer of funds was to be made between these four categories without prior concurrence of Chief/PP and the Comptroller. Since Targets of Opportunity was considered by us to be an integral part of the Program budget, it was not considered necessary to obtain the formal prior concurrence of Chief/PP and the Comptroller - a view in which both offices concurred informally in February before the utilization of these funds was authorized by IO. We regret that written notification did not occur sooner than it did.

5. Notification regarding the adjustment of Capital Outlay described in referenced Paragraph 2d was sent to the Budget Division on the same day that the referenced memorandum was prepared.

6. Referenced Paragraph 2e suggested adjustment of the Administrative budget based upon reported allotments. I believe this will prove unnecessary for the following two reasons:

a. The Project's estimated expenditures for Administrative are almost \$84,000 less than budgeted.

b. As of 31 May, actual Administrative expenditures totaled  leaving a balance of  for June expenditures. Since average monthly expenditures equal only  this would appear to represent a substantial margin.

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7. Avoidance of overexpenditures by DTPILLAR, in total and by major line item categories, is a matter of first importance to DTPILLAR and IO as well as to the Office of the Comptroller. In the case of an operation like DTPILLAR, where program possibilities shift unpredictably over the course of a year, it is a difficult matter to handle. It seems to us that the levers of control in respect to expenditures are:

- a. An annual budget which is as realistic a forecast as is possible.
- b. A formula for relating project approvals to authorized program budget.
- c. Careful monthly checks of country-by-country expenditures.
- d. Control of each representative's bank account.
- e. Continual education of each representative concerning administration of his program budget.

We believe that continued progress is being made on these points, although both we and DTPILLAR realize that there remains room for improvement. Your recent concurrence in a set of criteria governing carry-over of program expenditures from one fiscal year to the next helped substantially in resolving another troublesome aspect of budget management, and I feel that somewhat closer liaison between IO/2 and your office on this whole subject will result in further improvements.

[ C ]  
[ ]

Chief

International Organizations Division

Attachment:

As stated

IO/2, [ ] mc (5 Aug 57)

Distribution: Orig. and 1 - Addressee  
1 - C/FP  
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