

APF-B-1

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Attached are [redacted] (adutor)
recommendation for our established
procedures.

Credit period 1 March 1960 - 30 Sept. 1960

APF-B-2

11 July 1962

MEMORANDUM FOR: Chief, Technical Services Division

SUBJECT: Special Accounting Procedures for Funds Disbursed Under
KULUNA

1. After the issuance in January 1962 of the Report of Audit of project KULUNA for the period 1 March 1960 - 30 March 1961, the findings were discussed by the Deputy Director/Support, Comptroller, Chief, Audit Staff, and the Chief, Technical Services Division. As a result of the discussion, I was given the assignment of reviewing the accounting procedures then in effect, and revising them to provide control of cash disbursed under the authorities prescribed for KULUNA.

2. It was found in the review that the documentation in use was for the most part sufficient for the management of funds disbursed, and it was necessary only to establish proper accounting standards to be applied at the various points of cash accountability. These accounting standards have been reduced to a written procedure in the form of a Fiscal Annex. As these funds are disbursed only by direction of the Technical Services Division, the management of and responsibility for these funds by TSD is the basic tenet around which the Fiscal Annex was written.

3. In establishing the controls provided by the Fiscal Annex, it will be necessary to analyze past transactions in order to bring into the control records the amount of cash disbursed but not yet accounted for. When these amounts have been determined, it is suggested a schedule be prepared to support the initial entries to the control records. The schedule should reflect the amounts held by each grantee, project, and cut-out, identified by your sub-project designations. It is requested that a copy of the schedule be furnished to the Finance Division. When the unaccounted for cash held by grantees, projects and cut-outs has been determined and entered in the control records, subsequent transactions will be subject to routine handling. It is emphasized that implementation of the Fiscal Annex procedures should be accomplished in the month of July 1962 as it is not dependent upon completion of the analysis of past transactions.

4. The assignment was facilitated to a considerable degree by the friendly cooperation and assistance of Messrs. [redacted]. In our last discussion on 9 July 1962, these gentlemen expressed the opinion, with the exception of unforecasted problems, the Fiscal Annex provides the necessary guidelines for discharging the financial management responsibilities

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inherent in the disbursement of funds under the NSULTRA authorities. When unforeseen problems arise they will be handled on a case-by-case basis. It is planned to work closely in the future with Messrs. [redacted] and [redacted] and others of your staff engaged in the financial management of this activity to provide whatever technical assistance is necessary.

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5. This memorandum is delivered by hand due to the sensitivity of the activity and the desire to implement the Fiscal Annex procedures as soon as possible. After your approval it is suggested that the Fiscal Annex be delivered by hand to the undersigned for further delivery to the Chief, Finance Division and the SSA/DDS.

[redacted] A
Chief, Operations and Liaison
Finance Division

Attachment

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GROUP 1
Excluded from automatic
downgrading and
declassification

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APF-B-3

FISCAL AGENCY MKULTRA

1. BACKGROUND AND AUTHORITY

A. On 6 June 1952, the Project Review Committee approved the DD/P/TSS Research Program. The PRC approval authorized the Director of Research, at his discretion and with the approval of the Research Chairman, to obligate research funds and to apportion them among individual research projects, such projects to be subject to the usual Agency procedures and administrative controls.

B. However, in a memorandum to the DD/A, dated 13 April 1953, the DCI recognized that the ultra-sensitive nature of certain research projects in the Research Program precludes the handling of these projects by means of usual direct contractual relationship. In order to conceal US Government interest in or sponsorship of such projects the DCI memorandum authorized the Technical Services Division to consummate agreements with others to act as ostensible principals or cut-outs in developing and maintaining the desired relationships with organizations engaged in research in those ultra-sensitive areas of interest to TSD. The ultra-sensitive portion of the Research Program was identified in the DCI memorandum by the cryptonym MKULTRA.

C. The purpose of this paper is to establish procedures for the control and financial administration of funds advanced or disbursed on behalf of MKULTRA activities.

D. For the purposes of this paper, the following definitions will apply:

- PROJECT** - Operational activity subject to formal Agency approval procedures to which funds and other resources are allotted for use in performance, established by TSD or other elements for the support including funding of MKULTRA activity.
- CUT-OUT** - Entity or individual used by TSD for sole purpose of providing covert funding channel for MKULTRA activity.
- GRANTEE** - Ultimate recipient of funds for research provided under MKULTRA activity.

II. AGENCY CONTROL OF FUNDS

A. The degree of control to be exercised by the Agency over funds advanced under program MKULTRA, and the point at which accountability for these funds is relinquished shall be determined by the Agency relationship with elements holding such funds. Funds advanced to and held by cut-outs, an entity under the control of any Agency component, and other Government Agencies are considered to be within the control of the Agency and will be so treated in Agency records. Funds advanced or passed to non-Agency personnel engaged in research are considered to be grants and will be charged to costs upon evidence the funds have been passed to the grantee. Control over funds held by grantees will be exercised through the use of memorandum accounts.

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III. APPROVALS

A. Budget proposals from prospective grantees will be reviewed by the responsible Branch Chief and forwarded by memorandum to the Chief, Technical Services Division. This memorandum will include a statement regarding the type and depth of accounting expected from the grantee and the frequency of such accountings. After approval by the Chief, TSD, the amount of the budget proposal will be obligated on the allotment records maintained by TSD.

B. The Technical Services Division is authorized to advance funds directly to grantees, to cut-outs, or to funding mechanisms (projects) under the control of TSD or other Agency components, in amounts consistent with requirements stated in the budget proposals. At the discretion of the Chief, TSD, or his designee, funds may be advanced in the total amounts of budget proposals but should be limited to partial amounts in those instances where the relationship with the grantee permits.

IV. ACCOUNTING TREATMENT

Since the Agency relationship with each project in the MKULTRA activity largely determines the choice of funding methods to be used, this relationship will govern the accounting treatment to be given advances and accountings. The accounting treatment will be based on the following general precepts:

A. Memorandum accountability for funds passed directly or indirectly to grantees will be dropped upon receipt of evidence that the funds have been used for the purposes intended.

B. Accountability for funds passed to projects under the control of TSD or other Agency components for the purpose of funding grantees will follow the transfer of such funds, and will be dropped upon receipt of evidence the funds have been passed to a grantee or otherwise accounted for.

C. Accountability by cut-outs for funds passed to them will be dropped upon receipt of evidence that the cut-out has passed the funds to the project.

D. Claims for reimbursement of disbursements made from funds belonging to a project, another entity, or an individual, will be charged to costs when paid and no follow-up will be required other than evidence that the payee actually received payment.

V. FINANCIAL ADMINISTRATION

Financial Administration of MKULTRA funds under each of the circumstances cited in Para. IV, A through C above are further delineated in attachments A through C.

APPROVED _____
Chief, Technical Services Division

APPROVED _____
Chief, Finance Division

APPROVED _____
DDS

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[Stamp: 68071, 68072, 68073]

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Attachment A

ACCOUNTING FOR MULTIA FUNDS TRANSMITTED TO GRANTEES

I. GENERAL

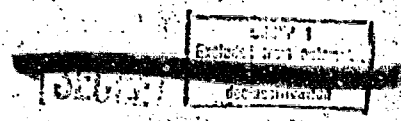
Where the relationship between the Agency and the grantee is such as to permit direct passage of the funds to the grantee, it is presumed the funds are within the effective control of the Agency until utilized. However, since these funds are in fact grants, memorandum accountability only will be maintained and will be dropped upon receipt from the project of evidence that the funds have been used for the purpose intended.

II. FINANCIAL ADMINISTRATION

A. Memorandum control records will be maintained in TSD to reflect the status of all funds advanced to each grantee. Each record will reflect the cryptonym or other identification assigned to the project and will have columns entitled Recording Date, Transmittal Letter Date, Advances, Accountings, and Balance. The record will be posted in the Advances column with amounts passed to the grantee, and in the accountings column with amounts disbursed as shown on approved accountings from the grantee. Accountings will be reviewed and, if deemed satisfactory, approved by the chief of the responsible branch prior to recording in the control record. If the accounting information is included in progress or operating reports, a certification from the chief of the responsible branch reflecting the amount expended may be used in lieu of an accounting. In those instances where a grantee fails to submit and diligent efforts have been made to obtain an accounting, the responsible Branch Chief may prepare a memorandum to the Chief, Technical Services Division requesting his approval for write-off of the amount involved. This memorandum will reflect the follow-up action previously taken and the reason(s) why the Branch Chief feels further action is considered useless. When approved the memorandum will be used in lieu of an accounting from the grantee.

B. The responsible branch of TSD will prepare and forward to the Finance Division a separate "statement" for each accounting received, identified to the appropriate grantee. The statement may be in the form of a memorandum to the Authorized Certifying Officer reflecting the use and status of funds held by the grantee, and will contain the certificate of the chief of the responsible branch that "I certify that to the best of my knowledge and belief the amount shown above was disbursed to or used for Agency authorized activities and services or material have been received, and further advances as may be directed by the Agency are warranted. The documents upon which this statement is based are maintained in the files of TSD for security reasons and will be made available for review by the Certifying Officer at his request."

C. The Finance Division Certifying Officer is empowered to accept the statement in paragraph II B above for the amounts shown therein as the basis for entries to the memorandum accounts subject to his later examination of the grantee accounting maintained in the files of TSD.



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Attachment B

ACCOUNTING FOR MKULTRA FUNDS TRANSMITTED THROUGH PROJECTS UNDER AGENCY CONTROL

[REDACTED] H

I. GENERAL

A. Accountability for funds passed through projects under the control of TSD or other Agency components will follow the transfer of such funds, and will be dropped only when the funds have been accounted for or passed to an entity over which the Agency exercises no control. Agency components controlling such projects will be directed to furnish TSD and Finance Division with documentary evidence of each such transfer made on behalf of MKULTRA.

B. Control of the movement of such funds rests with TSD and appropriate control and memorandum records will be maintained within TSD to indicate the status of these funds at all times for management and audit purposes.

II. FINANCIAL ADMINISTRATION

A. Advances made to projects or other entities under Agency control for purposes of funding MKULTRA grantees must be clearly identified as such, in order to separate them from advances provided for the operation of the project. Thus MKULTRA funds advanced to funding entities will be treated as funds in transit and accountability for these funds will be maintained until receipt of evidence that the funds have been passed to the grantee.

B. Projects or other Agency entities will be directed to furnish TSD and Finance Division with documentary evidence of each disbursement made to grantees on behalf of MKULTRA.

C. Control records will be maintained in TSD to reflect the status of all funds advanced to Agency entities for funding MKULTRA grantees. Each record will reflect the cryptonym assigned to the entity holding the funds, and will have columns entitled Recording Date, Grantee Identification, Transmittal Letter Date, Advances, Accountings, and Balance. The record will be posted in the Advances Column with amounts passed to the project, and in the Accountings column with amounts disbursed to MKULTRA grantees as shown on approved accountings from the project. Accountings will be reviewed and, if satisfactory, approved by the chief of the responsible branch prior to their being recorded in the control record.

D. The responsible branch will prepare a separate statement for attachment to each such accounting. The statement may be in the form of a memorandum to the Authorized Certifying Officer and will contain the certificate of the chief of the responsible branch that "I certify that to the best of my knowledge and belief, the amount(s) attributed to MKULTRA on the attached accounting were disbursed at Agency direction to authorized activities, services and/or material have been received, and further advances as may be directed by the Agency are warranted."

[REDACTED]

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|------------------------|
| Control and Accounting |
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2. The Authorized Certifying Officer is empowered to accept the statement in para II B above for the amounts therein as the basis for entries crediting the account of the project which transmitted the funds and for making appropriate cost entries. Concurrently the Certifying Officer will record the amounts in the memorandum account of the grantees where they will be handled as advances to grantees as described in attachment A.

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MOULTRA FUNDS PASSED THROUGH CUT-OUTS



I. GENERAL

A. Funds advanced to and held by cut-outs for the purpose of funding MOULTRA grantees are considered to be within the control of the Agency and will be so treated within Agency records. Accountability for such funds will follow the transfer of the funds and will be dropped only when funds have been accounted for or passed to a grantee.

B. Agreements made with cut-outs will be reduced to writing; will contain the basic elements of a contract, including the fee to be paid by the Agency; will provide for financial reports as prescribed by the Agency; and will provide that any unused grants are the property of the Agency.

C. Agency funds advanced to cut-outs will be deposited to bank accounts established for the sole purpose of receiving and disbursing Agency funds. The cut-out will execute a Declaration of Trust that the funds therein are the property of the United States Government.

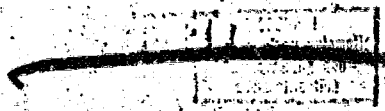
D. Appropriate control records for management and audit purposes will be maintained at all times within TSD to indicate the status of funds advanced to cut-outs.

II. FINANCIAL ADMINISTRATION

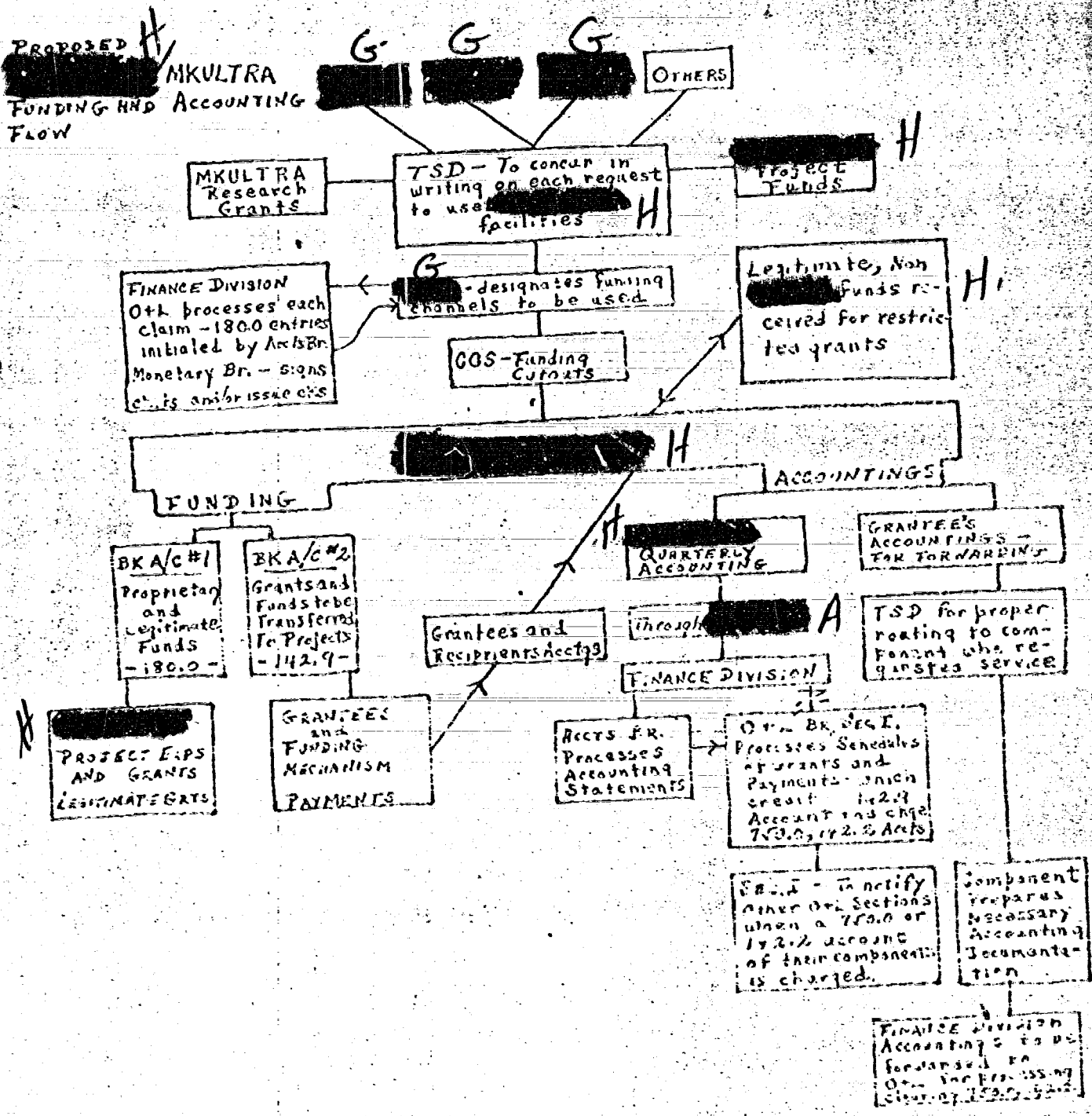
A. Funds advanced to cut-outs will be treated as funds in transit and accountability for these funds will be maintained until receipt of evidence that the funds have been passed to the grantee. Requests for advances will indicate the amount of the advance which will be passed to the grantee and the amount which will be retained by the cut-out as fees.

B. Cut-outs will be directed to submit a report at least quarterly reflecting the status of all funds advanced by the Agency. The report will reflect the disbursements identified to specific grantees and/or projects, and the balance on hand at the end of the period. The cut-out accounting will remain in the files of TSD. A photostatic copy of the bank statement together with copies of the cancelled checks will be submitted as soon as possible after their receipt by the cut-out.

C. Individual control records will be maintained in TSD to reflect the status of all funds advanced to cut-outs for MOULTRA activities. Each record will reflect the name or cryptonym assigned to the cut-out and will have columns entitled Recording Date, Grantee Identification, Transmittal Letter



30



1. Establish 4 Central ledger sheets as follows - Exhibit: A -
 - a - [REDACTED] B
 - b - [REDACTED] B
 - c - [REDACTED] B
2. This central will be debited for amount of advance, showing date, sub project. When funds are passed by cut out this central will be credited on the basis of copies of bank statements and cancelled checks or copies of Monthly financial statements or receipts from the collectors.
3. Establish Central sheets in each sub project folder to show date amount and no of each advance from cut out - Credit this central with accountings.

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1/ Represents evidence from cut out
(Cancelled check or Financial Statement)
that funds have been passed to college.

2/ Accounting received from college
or certificate by responsible official
that funds have been spent for intended
purpose and satisfactory reviews have
been performed.

1/19/62

Control of
[REDACTED] B

APF-B-8

Advances

FY 1960

| Description | Dr | Cr | Balance | Remarks |
|------------------------------|-----------------------|-----------------------|-----------------------|---------|
| Jan 61 - Adv for SP# 74 | 5000.00 ^{1/} | | | |
| Disbursed to SP# 74 - CK 104 | | 3000.00 ^{2/} | 2000.00 | |
| 1 Mar 61 - Adv for SP# 74 | 5000.00 | | | |
| Disbursed to SP# 74 - CK 300 | | 2000.00 | 5000.00 ^{3/} | |

1/ Supported by wire transmitting check to cut out.

2/ Supported by cancelled check to College as financial statement, do not use receipt from cut out

3/ Should reconcile to Cash as book held by cut out.

APF-B-8

Adp. [redacted] B

60 12,917.88 }
✓ 185,000.00 } Handwriting
✓ 95,331.05 }

[redacted] B

47 - 49,498.00

[redacted] B

22 - 9,646.38

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APF-B-9

23 January 1964

MEMORANDUM FOR: Chief Support, TSD

ATTENTION : Mr. [REDACTED] A

H

1. Subject MKULTRA vouchers on 21 January 1964, vo. #43088 (\$4,500), and #428942 (\$8,468) were adjusted by transfer from the [REDACTED] 142.9 account to the [REDACTED] 142.9 account. In the future it is requested that similar vouchers contain the crypto of the funding mechanism to be used as originally requested and shown on the sample vouchers furnished to your office.

H

2. The last two vouchers submitted for MKULTRA sub project 110, invoices 9 and 10, were submitted on Request for Advance forms and not Request for Payment forms as the payment requires.

3. Due to the complexity of MKULTRA's program, you are kindly requested to use care in preparing vouchers for their submission to this office.

[REDACTED]

A

Chief, O&L/1, CFD

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Check 1
Excluded from automatic
downgrading and
declassification

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(When Filled In)

NAME OF ADVANCE PAYABLE TO: **[REDACTED]**
 ROOM: **[REDACTED]** BUILDING: **[REDACTED]** CITY: **[REDACTED]**
 DATE: **5 February 1964** AMOUNT: **\$ 5,000.00**
 TELEPHONE EXT.: **[REDACTED]**

[REDACTED] for funding MULTRA Sub-Project 201, Invoice 1, which activity was approved by **[REDACTED]** Chief, ISB on accounting to be in accordance with MULTRA Fiscal Annex, Attachment B.

| STATUS OF OUTSTANDING ADVANCES | | REPORTING POINT | DUE DATE |
|--------------------------------|--------|---|------------------------------------|
| DATE | AMOUNT | UNACCOUNTED BALANCE | |
| | | FINANCE DIVISION - HEADQUARTERS | (18 months from this month) |
| | | ON ARRIVAL AT DESTINATION | |
| | | ON OR ABOUT | |
| | | MONTHLY - ON THE LAST WORKDAY OF EACH MONTH | |

I agree that I will fully account for this advance by submission of vouchers and refund of any unexpended balance to the reporting point stated and by the due date checked below. In the event of my failure to so account and refund any unexpended balance, I authorize deduction from my salary to effect settlement.

REQUESTING OFFICER: **[REDACTED]**
 SIGNATURE: **[REDACTED]**
 DATE: _____

APPROVED: **SIDNEY GOTTILIEB, DC/TSD**
 SIGNATURE OF APPROVING OFFICER: **SIDNEY GOTTILIEB, DC/TSD**
 DATE: _____

CERTIFIED FOR PAYMENT OR CREDIT: _____
 AUTHORIZED CERTIFYING OFFICER: _____
 DATE: _____

RECEIPT FOR FUNDS ADVANCED: _____
 I acknowledge receipt of funds in the amount stated hereunder to be used for the purpose stated and accounted for as shown above.
 DATE: _____ AMOUNT: _____

SPACE BELOW FOR EXCLUSIVE USE OF FINANCE DIVISION

| DESCRIPTION | 40-42 EXP N D | 43 F U N D S | 45-46 PAY PER LIQ | 47-52 OBLIG REF ADVANCE | 53 CA TR | 54-57 GENERAL LEDGER ACCT NO | 58-57 ALLOT OR COST ACCT NO | 68-70 DUE DATE | 71-80 AMOUNT | DEBIT | CREDIT |
|-------------------|---------------|--------------|-------------------|-------------------------|----------|------------------------------|-----------------------------|----------------|--------------|-------|--------|
| REQUEST FOR FUNDS | | | | | | | | | | | |
| TOTALS | | | | | | | | | | | |