

**[4/13/79-Not Submitted-DF]**

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DATE: 13 APR 79

FOR ACTION: JIM MCINTYRE

*4/16 -  
30 days  
in order to do it;  
will be a couple  
of weeks  
Ray*

INFO ONLY:

*5/9 - Tim et al  
5/11 - Tim et al  
5/16 - exp 6/15 - IP w/  
OMB & Treas*

SUBJECT: BLUMENTHAL MEMO RE VIOLATION OF SECTION 3679 THE  
REVISED STATUTES AS AMENDED

*6/12 - Kay  
expected  
in 6/27 -  
Steve Smith, OMB  
working on it*

+++++  
+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +  
+ BY: 1200 PM MONDAY 16 APR 79 +  
+++++

ACTION REQUESTED:

STAFF RESPONSE: ( - ) I CONCUR. ( ) NO COMMENT. ( ) HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

FOR STAFFING
FOR INFORMATION
FROM PRESIDENT'S OUTBOX
LOG IN/TO PRESIDENT TODAY
IMMEDIATE TURNAROUND
NO DEADLINE
LAST DAY FOR ACTION

ACTION

FYI

ADMIN CONFIDENTIAL
CONFIDENTIAL
SECRET
EYES ONLY

VICE PRESIDENT
JORDAN
EIZENSTAT
KRAFT
LIPSHUTZ
MOORE
POWELL
RAFSHOON
WATSON
WEXLER
BRZEZINSKI
MCINTYRE
SCHULTZE

ADAMS
ANDRUS
BELL
BERGLAND
BLUMENTHAL
BROWN
CALIFANO
HARRIS
KREPS
MARSHALL
SCHLESINGER
STRAUSS
VANCE

ARAGON
BUTLER
H. CARTER
CLOUGH
CRUIKSHANK
FALLOWS
FIRST LADY
GAMMILL
HARDEN
HUTCHESON
LINDER
MARTIN
MOE
PETERSON
PETTIGREW
PRESS
SANDERS
VOORDE
WARREN
WISE



THE SECRETARY OF THE TREASURY

WASHINGTON 20220

April 12, 1979

MEMORANDUM TO THE PRESIDENT

SUBJECT: Violation of Section 3679 of the Revised Statutes,  
As Amended (Report of Technical Violation)

In accordance with Section 71.2, Office of Management and Budget Circular A-34, the following reports a violation of Section 3679 of the Revised Statutes (31 U.S.C. 665), as amended. The violation involved an account which is administered by the Bureau of Alcohol, Tobacco, and Firearms.

<u>Title and Symbol:</u>	<u>Bureau of Alcohol, Tobacco and Firearms, Salaries and Expenses, 1977, 2071000.</u>
<u>Date of Violation:</u>	Fiscal Year 1977, Fourth Quarter
<u>Amount Involved:</u>	<u>\$372,369</u>
<u>Employees Involved:</u>	Mr. Rex D. Davis, Director, Bureau of Alcohol, Tobacco and Firearms (retired).  Mr. Glen A. McDonald, Chief, Fiscal Division, Bureau of Alcohol, Tobacco and Firearms.
<u>Type of Violation:</u>	<u>Report of technical violation. Authorization of obligation in excess of the amount permitted by the prescribed and approved administrative control system.</u>

Pertinent Facts

The violation arose because of the lack of adequate funds control procedures resulting in obligations exceeding the available appropriation. Obligations as reported on the fiscal year 1977 final Report on Budget Execution, SF 133, were understated by \$396,888. The understatement was the result of the following transactions:

- A payment to the Department of Labor in the amount of \$279,008 was obligated and paid out of fiscal year 1977 funds. Subsequently, an erroneous accounting entry was made transferring the obligation and payment back to the transition quarter.
- Orders in the amount of \$117,880 for strip stamps were placed with the Bureau of Engraving and Printing in fiscal year 1977 and later deobligated and charged to fiscal year 1978. It was subsequently determined that these stamps were in fact used to replace stock in fiscal year 1977. Accordingly, the orders should have been charged to fiscal year 1977 funds.

The final SF 133 report for fiscal year 1977 reflected budgetary resources of \$119,384,111, obligations incurred of \$119,359,592 and unobligated balances of \$24,519. Had the Bureau properly recorded the obligations for the Department of Labor payment and the strip stamp orders, the obligations incurred would have exceeded the appropriation available by \$372,369.

A review of fiscal year 1977 obligations indicated that certain obligations were overstated and could be cancelled. Principal areas of overstatement included permanent change of station authorizations, motor vehicle gasoline charges and GSA space alterations. Cancellation of the overstated obligations more than offset the amount of the violation; therefore, no supplemental appropriation is required.

#### Administrative Discipline Imposed

No administrative discipline has been imposed as of this time. The Bureau's inspection division is currently investigating the violation to insure that no willful intent was involved.

#### New Safeguards Installed

To preclude recurrence, the Bureau has strengthened its funds control system through automation of reports which provide obligational information on a daily basis, and by monthly projection of costs as compared to the old quarterly projection method. In addition, field managers and accounts examiners have been directed to more thoroughly review obligations prior to processing.

#### Adequacy of Control

The current system of Departmental administrative control as approved by OMB and as enhanced by the new safeguards mentioned above is adequate.

Other Agency Involvement

No other agency is directly involved in this violation.

Report to Congress

Identical reports of this violation have been forwarded to the President of the Senate and the Speaker of the House of Representatives.



W. Michael Blumenthal