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WITHDRAWAL SHEET (PRESIDENTIAL LIBRARIES)

FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
Reports	Agency reports on violations of Administrative Control of Appropriations regulations, RS 3679, re:Personal coments on violations and violators, 80 pp.	c. 10/23/78	C

FILE LOCATION

Carter Presidential Papers-Staff Offices, Office of Staff Sec.-Presidential Handwriting File [10/23/78-Not Submitted] [CF, O/A 548] Box 107

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THE WHITE HOUSE
WASHINGTON

October 23, 1978

MEMO TO: RICK HUTCHESON

FROM: DOUG HURON

I would suggest simply sending McIntyre's cover memo to the President.

F41 only
pg 3 is proposed
McI letter

McI - President discussed it

6

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

19 OCT 1978

MEMORANDUM FOR: THE PRESIDENT

FROM: James T. McIntyre, Jr.
Director

SUBJECT: Report of the Deputy Secretary of Defense on violations of section 3679 of the Revised Statutes, as amended

There is attached a letter dated July 26, 1978, from the Deputy Secretary of Defense reporting to you, as required by law, violations of subsection (h) of section 3679 of the Revised Statutes, as amended (31 U.S.C. 665), commonly known as the Antideficiency Act.

Transmitted are nine reports of violations. Three of the cases resulted from the failure to recognize the significance of fund limitations below the allotment level; three cases resulted from misunderstanding of or failure to comply with regulations; two cases resulted from the failure to establish good accounting controls; and one case resulted from failure to establish an adequate reserve for price increases. The reported violations are as follows.

Appropriation Title and Fiscal Year	Fiscal Year Violation Occurred	Amount	Type of Violation
Military personnel, Air Force 1976	1976	$2,492,730.24	Obligations in excess of an allocation
Reserve personnel, Navy 1974	1974	1,364,994.26	Obligations in excess of a suballotment

Appropriation Title and Fiscal Year	Fiscal Year Violation Occurred	Amount	Type of Violation
Operation and maintenance, Army 1974 1975 1976	1975 1976 1976	$481,182.65 25,288.00 21,255.47	Obligations in excess of allotments and administrative limitations
Operation and maintenance, Defense Agencies 1975	1975	448,000.00	Obligations in excess of an administrative limitation
Other Procurement, Army 1972 1973 1975	1976 1976 1976	121,702.47 26,814.18 31,111.42	Obligations in excess of administrative limitations
Procurement of equipment and missiles, Army (No-year funds)	1976	47,892.62	Obligations in excess of an administrative limitation
Shipbuilding and conversion, Navy 1974	1975	2,030.92	Obligations in excess of an allotment
Operation and maintenance, Air Force 1977	1977	952.29	Obligations in excess of a suballotment

None of the violations involved overobligations of apportionments or appropriations.

The letter from the Deputy Secretary of Defense states that none of the violations were willful, and that appropriate corrective and disciplinary actions have been taken. Disciplinary action consisted of one suspension of duty without pay for a period of five working days; four written and four verbal reprimands; and four written and three verbal admonishments.

I am concerned about the number and magnitude of violations being reported by the Defense Department. As you may recall, Director Lance wrote to Secretary Brown on May 16, 1977, expressing similar concern. As a first step in improving overall financial management within the Department, he directed DOD to revise and update its administrative control of funds regulation, and submit it to OMB for approval.

After more than a year of discussion with the Defense Department, and review by my staff, I recently approved a revised fund control regulation for DOD. Although it is by no means a cure for the Department's financial management problems, I believe it will be a valuable tool in strengthening the Department's control over the obligation and expenditure of funds.

In addition to the number and size of the reported violations, I am also disturbed about the great length of time between occurrence, discovery, and reporting of them by the Defense Department. As you will note, many of the violations reported in this transmittal occurred more than two years ago; several are being reported four years after the violation occurred.

In an effort to preclude this late reporting from occurring in the future, we specifically directed the Department to include a requirement in its recently approved fund control regulation that all violations are to be immediately investigated and reported. If it is not possible to complete the investigation and submit a formal violation report within a year, an interim report is required to be submitted. My staff will be following up to see that the Defense Department meets this requirement in its handling of all future violations. In view of the approval of a new fund control regulation, and the disciplinary measures taken by the Deputy Secretary of Defense, we do not recommend further action.

Copies of the Defense reports have been sent to the President of the Senate and the Speaker of the House of Representatives.

Attachments

EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

1 NOV 1978

MEMORANDUM FOR THE PRESIDENT

FROM: James T. McIntyre, Jr.

SUBJECT: Report of the Secretary of the Department of Health, Education, and Welfare on a Violation of Section 3679 of the Revised Statutes, as Amended

There is attached a letter dated September 20, 1978, from the Secretary of the Department of Health, Education, and Welfare (HEW) reporting to you, as required by law, a violation of subsection(h) of section 3679 of the Revised Statutes, as amended (31 U.S.C. 665), commonly known as the Antideficiency Act.

This violation involves obligations as of July 31, 1978, in the appropriation "Grants to States for social and child welfare services" of $52,652,000 in excess of the amount apportioned by OMB. The Department transferred available funds from the Medicaid program to cover this overobligation, thereby avoiding the need to request additional funding. Also, a total of $675,018,000 (including the $52,652,000) was obligated without the issuance of an allotment, the basic internal control document required by the Office of Management and Budget and by the Department's fund control regulation.

There appear to be two underlying reasons for the violation: First, a lack of adequate training of key individuals in the Office of Human Development Services (HDS) led to a failure to understand and follow correct procedures. Second, a lack of good internal controls led to failure to detect overobligations, and to alert appropriate officials that correct procedures were not being followed. Such internal controls are required by HEW regulation, and by law.

The Department is aware of the above deficiencies, and has taken steps to remedy them. Currently, as mentioned in the Secretary's letter, a review of all fund control procedures used by the Office of Human Development Services is being conducted. We plan to follow this investigation closely to see that all identified weaknesses in fund control are quickly corrected.

The letter from the Secretary of HEW states that the officers most directly responsible for the violation are Armando Savet, Director, Division of Budget and Financial Management, and Lawrence Spurlock, Chief, Financial Management Branch, both of the Office of Human Development Services. It is further stated that these two officers will be severely reprimanded in writing and placed on probation until proper controls are established. We believe this disciplinary action is sufficient. From the investigation conducted by HEW, it appears that greater alertness on the part of other OHDS officials might have prevented this violation.

On August 25, 1978, we approved a revised fund control regulation for the Department. We believe this new regulation will be a valuable tool in strengthening departmental control over the obligation and expenditure of funds. In view of this, as well as the corrective measures outlined in the letter from the Secretary of HEW, and our plans to monitor these steps, we do not recommend further action.

Attachment

RECEIVED

78 SEP 25 A10:03

ID OMB 780925015 THE WHITE HOUSE OFFICE

OFFICE OF MANAGEMENT & BUDGET REFERRAL

TO: OMB DATE: SEP 25 78

REPLY: FOR APPROPRIATE ACTION

IF MORE THAN 9 DAYS DELAY IS ENCOUNTERED PLEASE TELEPHONE MS. BYRNE 456-2113

BASIC CORRESPONDENCE AND CONTROL SHEET AND COPY OF RESPONSE (OR DRAFT) MUST BE RETURNED TO: AGENCY LIAISON (ROOM 94) WHITE HOUSE.

REMARKS: PLEASE SEND COPY OF ANY RESPONSE.

R. LINDER REFERRAL

X LETTER TELEGRAM DATED: SEP 20 78

TO: PRESIDENT

FROM: HON. JOSEPH A. CALIFANO, JR., SECTY. OF HEW

SUBJECT: REPORTING ON VIOLATION OF SECT. 3679 OF REVISED STATUTES, AS AMENDED, AND SUBMITTING IN ACCORDANCE WITH PART VII, OMB CIRCULAR A-34.

RESPONSE:

CLOSED OUT:

BY DIRECTION OF THE PRESIDENT:

PAMELA ZINN

DIRECTOR OF AGENCY LIAISON

THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE
WASHINGTON, D. C. 20201

SEP 20 1978

RL

The President
The White House
Washington, D.C. 20500

Dear Mr. President:

The following is a reporting of the violation of Section 3679 of the Revised Statutes, as amended, and is submitted in accordance with Part VII, Office of Management and Budget Circular A-34.

By letter dated August 1, 1978, the Director, Division of Accounting Operations, Office of the Secretary, HEW notified the Assistant Secretary for Human Development Services of an anti-deficiency violation. The Deputy Assistant Secretary, Finance, at the request of the Assistant Secretary for Human Development Services, immediately undertook an investigation of the violation.

The facts revealed by the investigation are as follows:

1. Appropriation: 757/81634, Grants to States for Social and Child Welfare Services, Assistant Secretary for Human Development 1977 and 1978.

2. Amount of anti-deficiency violation (000 omitted): $52,652

Apportionment through July 31, 1978	$2,040,047
Obligations through July 31, 1978	2,092,699
Anti-deficiency violation	$ 52,652

No funds were lost by the government as a result of the violation.

3. Official Responsibility: Although other supporting systems also failed, the officials most directly responsible for the anti-deficiency violation are Armando Savet, Director, Division of Budget and Financial Management, and Lawrence Spurlock, Chief, Financial Management Branch, both of the Human Development Services.

4. Cause of anti-deficiency violation: The Division Director and the Branch Chief committed misfeasance in performing their delegated responsibilities by failing to establish and implement proper appropriation fund controls as provided and required by the HEW regulations.

   Specifically, they did not issue proper advices of allotment, the basic document for the control of appropriated funds apportioned by the Office of Management and Budget. The Branch Chief authorized and the Division Director approved the issuance of advices of allowance (which are supposed to be based on the allotment) to the Administration for Public Services, Human Development Services, in excess of the OMB approved apportionment. Thus, the Administration for Public Services officials who relied on the credibility of the allowances to control the issuance of grant awards (obligations) exceeded the apportioned availability.

The officials cited, whose work records are otherwise good, will be severely reprimanded in writing and placed on probation to insure that proper controls are established and monitored prior to the lifting of the probation.

In addition to the discriplinary action above, I have directed that the following steps be taken immediately in the Office of Human Development Services:

1. Development and implementation of proper fund control procedures for the Social Services programs.

2. Review of fund control procedures for other Human Development Services appropriations.

3. Development and implementation of reporting mechanisms to assure proper financial management information.

4. Reapportionment of funds from the Health Care Financing Administration (HCFA) to Human Development Services (HDS) to cover the deficiency.

To ensure that these actions are taken promptly, I have directed the Assistant Secretary for Management and Budget to oversee implementation efforts. I have also directed him to assign a senior official to supervise the day to day fund control operations of the Office of Human Development Services. This supervision will continue until the Assistant Secretary for Management and Budget concludes that the system of funds control is operating satisfactorily.

The investigation shows that the Department's prescribed procedures for control of funds are adequate for controlling obligations against appropriated funds. These procedures have been approved by the Office of Management and Budget.

I am sending copies of this letter to the President of the Senate and the Speaker of the House of Representatives.

Respectfully yours,

Joseph A. Califano, Jr.

THE SECRETARY OF DEFENSE
WASHINGTON, D. C. 20301

JUL 26 1978

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Reports of Violations of the Anti-Deficiency Act

In compliance with the provisions of Section 3679(1)(2), Revised Statutes, there are submitted herewith nine reports of violations of the Anti-Deficiency Act (Section 3679, Revised Statutes), and of Department of Defense Directive 7200.1, "Administrative Control of Appropriations within the Department of Defense." Four violations occurred in the Army, two in the Navy, two in the Air Force and one in the Defense Logistics Agency.

In reviewing the reports, no evidence was found that the violations were willful. Three of the cases resulted from the failure to recognize the significance of fund limitations below the allotment level; three cases resulted from misunderstanding of or failure to comply with regulations; two cases resulted from the failure to establish good accounting controls and one case resulted from failure to establish an adequate reserve for price increases. Appropriate corrective action was taken. Disciplinary action was taken where warranted.

In coordination with the staff of the Office of Management and Budget and the General Accounting Office, we are revising DoD Directive 7200.1, which prescribes the system of administrative control of funds. As required by Office of Management and Budget Circular A-34, the proposed Directive has been submitted to the Office of Management and Budget for approval.

To comply with the provisions of Section 3679(1)(2), Revised Statutes, copies of the reports are also being submitted to the President of the Senate and to the Speaker of the House of Representatives.

C W Duncan

DEPUTY

Enclosures 9

EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

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FROM: James T. McIntyre, Jr.
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1973	1976	31,111.42	
1975			
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