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29 March 1963

NRL (Code 5430) Mr. Lorenzen

**Summary of Unofficial Comments on Financial Reporting**

1. Your recent conference on Fiscal reporting and BUWEPS prepared suggested instruction have received considerable study. Fundamentally there are several problems.

(a) The complete accounting data which you indicated that you desire is not directly available from one area of the Comptrollers Office at NRL. In the past, for security reasons, we have avoided associating certain key job orders in this project with others in other areas. To do what you indicate as desirable would require associating these various jobs on a much wider basis and in machine processing areas of the Comptroller's Office where it is felt security cannot be maintained because it is not a part of their day to day operations. Therefore we must recommend against this additional spreading of project information among people who are not the type to appreciate security requirements.

(b) The data requested does not equate directly to the items which CDR Sperberg indicates his office is interested in, therefore it would seem since ultimately the project will be reporting to the NRO we should be more in tune with their requirements. At present the items covered in your proposed instruction would be compounded by the additional items mentioned by CDR Sperberg. We should establish one system which will ultimately fulfill the requirements of Project Director and the NRO and at present what is proposed will only require an additional reorientation later to complete the work required to satisfy the NRO.

(c) The tone of the letter on the instruction is extremely offensive to those of us who have done our best to serve this project perhaps at the expense of other important jobs we are also charged with. For instance we have never been asked for a piece of technical data or statement of finances, status report or any other type of exercise that we have not attempted to comply with on an urgent basis. It also implies that there is a lack of review of the expenditures and that there is a desire to impose an additional level of review. The Laboratory already exercises three levels of expenditure review.

  
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(d) The item of travel outside the United States being approved by the Project Director is already in effect. No one has made any plans for travel under this project without the Project Director being informed and concurring. Certainly with the "B" system control no one would be authorized clearance without ONI's concurrence. Yet the inclusion of this statement would imply that this control was not in effect.

(e) The Laboratory is also apprehensive about the supplying of extensive details on the project breakdown such as man hours, overhead, contract details, etc., unless this information be made available to NRO and eventually we become another contractor like Lockheed, Haller, Raymond and Brown etc., where price and speed of accomplishment only are important. After all, we are a government research laboratory and immensely proud of the quality of our product.

2. Presently the Laboratory has a strictly "in house" reporting system which contains the items shown below.

COST ELEMENT	
DIVISION ROUTINE COSTS: (11)	
1. Straight Time Pay	(12)
+ Fringe Benefits	(15)
2. Overtime	(13, 14) (16, & 18)
3. Materials, Travel & Misc. (73, 21, etc.)	
SERVICE DIVISION SUPPORT:	
4. ESD Pay etc.	52311) (12, 13, 14, 15, 16)
5. ESD Non-Salary Costs	52373) 52381)
6. Other Pay etc. (PW, CRA, etc.)	
7. Other Non-Salary Costs	
APPLIED OVERHEAD:	
8. Gen. & Adm. Overhead	88388
9. Division Indirect	99999
SUBTOTAL ROUTINE	
10. Lines (1) through (9)	
MAJOR CONTRACTS	
11. & PROCUREMENTS	71
TOTAL	
12. (Line 10 + Line 11)	

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This report is prepared by the IBM tabulating machines and is available about six weeks after the close of the month's business. Attempts to shorten this time have not been successful. The Comptroller's Office controls the machines and desires the report sooner but has been unable to effect any improvement. Insofar as I know the Laboratory has never distributed the information to anyone outside the Laboratory and may still adhere to this position.

3. Under the Service Division support (Item 4) there is no way of showing overtime in our present system.

Under Item 3 Materials (this is routine materials drawn from NRL Stores, etc.) travel is included. There is no way of separating travel costs without again going through a special hand operation which would require some one several days to do even on a routine basis. The Laboratory's entire reporting system is based on obligation and not expenditures. Actual expenditures are not known for months or years later when bills are finally settled. At the Laboratory for accounting purposes there is no distinction made between major procurements and contracts. All items of this type are handled by the Supply channels and the definition of the differences are not easily defined, since they are all bid competitively under the usual Navy system.

4. It is recommended that no action be taken to implement the suggested instruction until the requirements of the NRO are defined. If the indications of CDR Sperberg are sound, an entirely new category of information will be required which would not fit the subdivisions proposed. To meet this type of breakdown a new type of problem structure at NRL would be necessary and would be difficult to establish except at the beginning of a new fiscal year.

H. O. LORENZEN, Head  
Countermeasures Branch

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From: Chief of Naval Operations

To: Director  
Naval Research Laboratory  
Washington 25, D. C.

Encl: (1) Project \_\_\_\_\_ Financial Reporting Instruction  
(2) Project \_\_\_\_\_ Monthly Financial Report for Month of \_\_\_\_\_  
(3) Project \_\_\_\_\_ Proposed Expenditures for Period \_\_\_\_\_ through \_\_\_\_\_

1. Recent alterations in the \_\_\_\_\_ Project organization have introduced new reporting requirements to be met by cognizant project participants.

It has become necessary that the project director have available on a routine basis, periodic reports suitable for providing advice necessary to properly monitor all facets of the project.

2. It has been determined that the first report required will deal with project finances. It is also intended, at this time, to impose operational procedures that will require review and approval by the Project Director prior to certain types of expenditures. Two separate financial reports are desired: (1) A report of proposed expenditures for each six (6) month period; and (2) A monthly report of actual expenditures. The first report will be submitted to the Project Director for approval prior to the beginning of the period of the report. Departures from this expenditure plan once approved in excess of five (5) thousand dollars will require written approval of the Project Director. All requests for travel involving travel outside the continental limits of the United States will also require the Project Director's approval.

3. Accordingly, the Project Financial Representative has been requested to prepare an instruction for provision of the necessary financial data.

Reporting details with suggested formats are attached as enclosures to this letter and provide the basis for the financial reports to be

submitted to the Project Director via the Financial Representative on the

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schedules indicated. This request for reports is effective upon receipt and comments of the Naval Research Laboratory relative to modifications to the reports designed to make them more meaningful or easier to prepare are requested.

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## PROJECT \_\_\_\_\_ FINANCIAL REPORTING INSTRUCTION

Purpose: The purpose of this instruction is to provide periodic, routine reports of project finances.

Reports Required: This instruction requires two types of reports: (1) A monthly report of project expenditures and (2) A twice yearly report of estimated expenditures during the forthcoming six-month period.

Reporting Dates: The monthly report of expenditures to be delivered to the Financial Representative within two (2) weeks of the end of the reporting month. The Bi-Annual report of anticipated expenditures to be delivered to the Financial Representative three (3) weeks prior to the end of the previous six month period.

Number of Copies: Two (2) copies of each financial report are required.

Report Format: Sample copies of the two report are attached.

Definitions:

Manpower: Total manpower both straight and overtime supplied by NRL

Salary Costs: Total salaries paid by NRL for support of this project.

This figure to include contributions to retirement, health insurance, etc.

Overhead: Laboratory administration overhead charged to this project

Materials: Costs of all material, parts, components sub-systems, etc. purchased in support of this project.

Major Expenditures: Procurement costs of single items or groups of like items ordered during the reporting period costs of which exceed \$5,000.

Travel: Costs of all project related travel to include per diem and other incurred expenses.

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Contracts: Project costs outside the laboratory including contracts and transfer of project funds to other government agencies.

Miscellaneous: All other

Gross Commitments: Total value of documents processed to date which have reached a statutory commitment status.

Obligations: Value of commitments which have reached a statutory obligation status.

Expenditures: Actual value of vouchers processed for payment by NRAO.<sup>F</sup>  
For the monthly reports, the above type costs should be reported as an expense of the month during which the funds involved were committed for expenditure.

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PROJECT \_\_\_\_\_

MONTHLY FINANCIAL REPORT FOR MONTH OF \_\_\_\_\_ 19\_\_

Date \_\_\_\_\_

	<u>Current Period</u>	<u>Cumulative</u>
Manpowers		
Straight time		
Manhours	_____	_____
Overtime	_____	_____
Salary Costs		
Straight time	_____	_____
Overtime	_____	_____
Overhead	_____	_____
Materials	_____	_____
Travel & Per Diem	_____	_____
Major Expenditures	_____	_____
Contracts	_____	_____
Miscellaneous	_____	_____
Gross Commitments	_____	_____
Obligations	_____	_____
<i>Total</i>	_____	_____
Expenditures	_____	_____

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