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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

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MAY 19 1966

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Dear Mr. Chairman:

This is in further reference to your letter of March 18, 1966, requesting a decision as to the availability of Department of Defense appropriations for payment for examinations by the Bureau of Federal Credit Unions of credit unions established at overseas United States military installations. Before considering your request we asked for, and obtained, the views and comments of the administrative offices concerned.

Department of Defense Directive No. 1000.10, dated March 3, 1966, provides for the establishment of overseas credit unions on overseas United States military installations and, pursuant thereto, examination of the credit unions would be carried out by "U.S. accounting firms duly certified by appropriate civil authorities preferably with branch offices overseas." The directive provides that costs incident to such examination will be paid by the individual credit union.

Your concern in the matter relates to the examination of the credit unions and the view is expressed that it would be far more desirable to have the examinations conducted by the Bureau of Federal Credit Unions, which is responsible for the examination of all federally chartered credit unions. The Bureau of Federal Credit Unions has determined, however, that it may not accept examination payments directly from overseas credit unions since such unions are not chartered under the provisions of the Federal Credit Union Act, 12 U.S.C. 1751, et seq. The Bureau has expressed the view that the only legal basis for its participation in the overseas program would be by contract with the Department of Defense under section 601 of the Economy Act of 1932, as amended, 31 U.S.C. 606, if it is determined that said Department has the authority and the funds available to request such examinations.

It is stated in your letter that the Department of Defense is more than willing to form such a contract but is uncertain if such a contract can be authorized under existing legislation. Also, that they have agreed to enter into such a contract if our Office feels that appropriated funds may be used to pay for the examinations. In this connection it is stated in your letter that the Department would be reimbursed on a dollar-for-dollar basis by the credit unions so there would be no loss to either the Department of Defense or the United States Treasury.

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It is further stated in your letter that credit unions have been designated as welfare and morale resources by the Department of Defense and that the good which they have accomplished for servicemen cannot be outlined in your brief letter. You say however, that to establish them as full-fledged financial institutions on military bases overseas and to provide for their proper recognition, it is imperative to secure examinations by the Bureau of Federal Credit Unions.

Department of Defense Directive No. 1000.10 provides for the establishment, operation and regulation of credit unions on United States military installations located in overseas areas. The credit unions are to be organized and business conducted in accordance with the policies and procedures (except in those specific instances where they are not applicable) set forth in the Federal Credit Union Act, 12 U.S.C. 1751^{et seq.}, and the recommendations and direction of the Bureau of Federal Credit Unions (BCFU) including the BCFU rules and regulations as modified, as necessary, by the BCFU, the BCFU forms, reports, manuals (including the Handbook for Federal Credit Unions). Overseas credit unions are thus to be patterned after Federal Credit Unions to the maximum extent possible, and it may reasonably be assumed that the provision in the Directive relative to "examinations" of overseas credit unions by private accounting firms is to serve the same purpose examinations by the BCFU serve federally chartered credit unions. However, as above-indicated, it is your position that an examination by BCFU is imperative to the success of the operation.

Insofar as Federal Credit Unions are concerned, examinations by the BCFU are made for the purpose of supplying the Director of the BCFU or other administrative officer of the Government with information necessary to perform his regulatory function, and are not made as a service to the credit union. Such examinations are of a type which can best be performed by the BCFU. See Social Security Administration Baltimore Federal Credit Union v. United States, 138 F. Supp. 639, 646. Overseas credit unions, pursuant to DOD Directive 1000.10, are subject to the direction, authority, and control of the Secretary of Defense and, analogous to the examination of Federal Credit Unions, examinations of overseas credit unions may reasonably be viewed as an aid to the regulatory functions to be exercised by such officer under the provisions of the Directive. The authority for the issuance of the Directive stems from the provisions of 10 U.S.C. 121^{1/2} authorizing the President to prescribe regulations to carry out his functions with respect to the management and operations of the Armed Forces of the United States. The provisions in 10 U.S.C. 133^{1/2} constitute the Secretary

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of Defense as the principal assistant to the President in matters relating to the Department of Defense with direction, authority and control over the Department of Defense. Thus by statute the authority to direct and manage the Department of Defense and the Armed Forces is placed in the Secretary of Defense subject to direction and control of the President. This authority would include the right to prescribe programs within the Armed Forces promoting morale, welfare, and recreation activities, and to support these programs with appropriated funds. We do not question the statement in the Directive that overseas credit unions are important morale and welfare resources.

The Department of Defense has pointed out in their report to us on this matter that activities which have traditionally and uniformly been used to justify to the Congress the request for funds for welfare and recreation purposes in the various Operation and Maintenance appropriations, are sports, crafts, hobbies, entertainment, service clubs, i.e., youth activities, motion pictures, rest centers and recreation areas, open messes, and special interest groups (hiking clubs, sailing, square dancing, etc.). However, if the examinations such as now proposed are administratively deemed essential to the successful operation of overseas credit unions patterned after Federal Credit Unions, a morale and welfare service not heretofore conducted, we do not view the absence of a specific budget justification as a bar to the use of current appropriations, otherwise available for morale and welfare purposes, for such examinations. Accordingly, it is our view that appropriations of the Department of Defense may be used on a reimbursable basis for payment of such examinations in the event the procedures as suggested in your letter are adopted.

Sincerely yours,

FRANK H. WETZEL

Assistant Comptroller General
of the United States

The Honorable Wright Patman, Chairman
Committee on Banking and Currency
House of Representatives

