

**DECISION**

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

369-159

**FILE:** B-212447**DATE:** December 7, 1983**MATTER OF:** Expenses of President's Commission on  
Executive Exchange**DIGEST:**

1. President's Commission on Executive Exchange may use its private sector participation fees maintained in OPM revolving fund described in 5 U.S.C. § 1304(e)(1) for the costs of a word processor and postage machine as those expenditures are directly in furtherance of the statutory purposes, i.e., the costs of education, set forth in Public Law 97-412.
2. Expenses for the reupholstered furniture and insurance for works of art are general administrative costs that must be paid out of OPM salary and expense account rather than from private sector participation fees.
3. As the insurance is for privately-owned works of art temporarily entrusted to Government on condition that they be insured, Government's self-insurance rule does not apply. Government would achieve no economy by applying rule and would lose the benefit of using the property to be insured.

The President's Commission on Executive Exchange asks whether monies in the Commission's private sector account, an account maintained in an Office of Personnel Management (OPM) revolving fund, can be used for (1) a word processor; (2) a postage machine; (3) reupholstering furniture in the Commission's reception room; and (4) commercial insurance for works of art that are to be hung on the Commission's conference room walls. Consistent with our views below, we have no objection to the expenditures; however, we believe the reupholstery and insurance should be paid out of OPM's salary and expense appropriation.

**BACKGROUND**

The President's Commission on Executive Exchange (originally named the President's Commission on Personnel Interchange) was established in 1969 by executive order. Exec. Order No. 11451, 34 Fed. Reg. 921 (1969). Its current functions are set forth in Executive Order No. 12136, 44 Fed. Reg. 28771 (1979). Under this order the Commission is directed to develop a program in which executives from the Government's executive agencies and the private sector are exchanged and placed in

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positions in the other sector. The order also directs the Commission to develop an education program designed to assist the exchanged executives to place their work experiences within the broader context of government and the private sector.

Currently, the Commission is funded both from private and public monies. Funding for Commission staff salaries and administrative expenses comes from OPM's annual appropriation for "salaries and expenses." Public Law 97-412, 96 Stat. 2047, codified at 5 U.S.C. § 1304(e)(ii), authorizes the Commission to impose participation fees for private sector participation in its executive exchange program and place the fees in a special account in an OPM revolving fund. The Commission may use funds from this account for the following purposes:

" \* \* \* for costs of education and related travel of exchanged executives; for printing \* \* \* and, in such amounts as may be specified in appropriations Acts, for entertainment expenses."

The materials submitted by the Commission show that the word processor will be used in direct support of the Assistant Director of Education, and the postage machine during bulk mailings of brochures and educational materials in conjunction with the education program schedule. The reception room in which the reupholstered furniture will be kept is to be used by speakers who are invited to the Commission headquarters to participate in the Commission's education program, by the executives who are nominated for the program, and by nominees who have been invited to the townhouse for interviews for possible participation in the program. About 75 percent of the reception room use is directly related to the education program since this is the major reason for people visiting the Commission's offices.

The art works will decorate the Commission's conference room walls. This room, as well, is mostly, although not exclusively, used for the education program. The Corcoran Gallery, a private art gallery, is offering the Commission the works of art on condition that the Commission insures them. The Commission has informed us that the loan is temporary and that the works of art will be returned when Ms. June Walker, the Commission's Executive Director, leaves the Commission. We understand that Ms. Walker arranged the loan and feels responsible for returning the works of art.

In view of OPM's relationship with the Commission, we requested OPM's views on the questions presented. OPM concluded that the word processor and postage machine could be purchased from the private sector participation fees since they are to be used in direct support of the

Commission's programs. OPM suggested the same conclusion for the reupholstery and insurance. OPM also thought the Commission could use appropriated funds from OPM's salaries and expenses appropriation for the described purchases, as well as the participation fees, on the basis that they are legitimate administrative expenses.

#### LEGAL DISCUSSION

This request raises two questions: (1) whether the proposed purchases are for the purposes for which the special account in OPM's revolving fund was established, and (2) whether the proposed purchase of insurance is a proper exception to the rule that the Government, as a self-insurer, does not buy commercial insurance.

Except as otherwise provided by law, appropriations may be used only for the objects for which they have been made. 31 U.S.C. § 1301(a) (formerly 31 U.S.C. § 628). It is a well-settled corollary to this law that where an appropriation is made for a particular object, by implication it confers authority to incur expenses that are necessary or proper or incident to proper execution of the object. B-211531, July 18, 1983; 6 Comp. Gen. 619, 621 (1927). As it is difficult to state precisely what is and is not a necessary expense, the role of agency discretion is important. Although administrative determinations pertaining to necessary expense questions are not binding on the Comptroller General, normally GAO will not substitute its own judgment for that of an agency. 18 Comp. Gen. 285, 292 (1938). We have held that revolving funds are appropriations, B-193573, December 19, 1979 and, accordingly, that the legal principles governing appropriations also apply to revolving funds. B-203087, July 7, 1981; see 35 Comp. Gen. 436, 438 (1956). It follows that the principles described above would apply to the OPM revolving fund in which the private sector participation fees are maintained.

Applying these principles to the proposed purchase, we find that as the word processor and postage machine are to be used for the Commission's educational program, expenditure of the participation fees for their purchase would be directly in furtherance of the purpose set forth in Public Law 97-412, that is, for costs of education. Accordingly, the private sector account may be used for these expenses.

As regards reupholstering the furniture, although the Commission points out that the reupholstered furniture is to be kept in the reception room used by participants and prospective participants in the Commission's education exchange program, we believe this cost must be considered to be a general administrative expense. The reception room is also used for non-education program purposes. Costs of maintaining such

areas are usually assigned to overhead or general administrative costs and we do not believe they can properly be paid out of an account with the limitation imposed on the Commission's private sector account. For similar reasons we do not believe the insurance of works of art used to decorate a general purpose board room can be paid for out of the private sector account; rather they should be paid, if otherwise proper, out of the salary and expense account.

We next consider the question of insuring loaned works of art. As a threshold matter, agencies are authorized to acquire, by purchase, loan, or otherwise, decorative items, paintings, or similar objects when the purchase is consistent with work-related objectives and the agency mission, and is not primarily for the personal convenience or personal satisfaction of a Government officer or employee. 60 Comp. Gen. 580, 582 (1981). We think that the information furnished by the Commission provides adequate justification for acceptance of the borrowed art work.

The rule on self-insurance referred to earlier, is a rule of policy rather than statute. We have generally stated that it does not make economic sense to expend appropriated funds for the purchase of insurance to cover loss or damage to Government-owned property or for the liability of Government employees for damage to someone else's property. The extent of the Government's resources is generally sufficient to absorb such a loss or liability should the contingency actually occur. See B-158766, February 3, 1977; 19 Comp. Gen. 798, 800 (1940). Nevertheless, we have made exceptions in the case of privately-owned property temporarily entrusted to the Government where the owner requires insurance coverage as part of the transaction. 42 Comp. Gen. 392, 393 (1963). In such situations the Government would achieve no economy by applying the rule against purchasing insurance and would lose the benefits of using the property to be insured. In this instance, the Corcoran Gallery of Art, a private entity, is requiring, as a condition of the loan of several of its works of art, that the Commission purchase insurance. The self-insurance rule need not be applied to that purchase as long as the costs of the insurance are paid from the salaries and expenses appropriation.

In summary, the word processor and postage machine may be paid for out of the special account in OPM's revolving fund; however, the re-upholstery of the chairs and the cost of insurance for the loaned art should be paid out of the OPM salaries and expense account.

  
for Comptroller General  
of the United States