

Speight



The Comptroller General
of the United States

Washington, D.C. 20548

Decision

Matter of: Promotional and Business Expenditures in the
Sale of Commemorative Coins

File: B-206273.2

Date: August 4, 1989

DIGEST

Due to the commercial nature of the commemorative coin program, GAO would not object to Treasury's use of coinage profit funds to host promotional functions and to give occasional coins at public events. See B-206273, Sept. 2, 1983. GAO also would not object to the giving of coins as goodwill gestures to customers whose orders have been mishandled. Based on our prior decisions, however, GAO would object to the printing of business cards for sales representatives. See Comptroller General decisions cited.

DECISION

The Treasurer of the United States has asked that we review the authority of the United States Mint, Department of the Treasury, to use the Coinage Profit Fund to pay certain promotional and business expenses related to the sale of coins and medals to the public. The expenses are of four types--the hosting of media events and receptions, the giving of occasional coins at public events for promotional purposes, the giving of medals or coins to customers whose orders have been mishandled, and the printing of business cards for sales representatives. For the following reasons, we have no objection to expenditures by the United States Mint for media events and receptions, the occasional giving away of coins for promotional purposes, and the giving away of inexpensive complimentary coins or medals as goodwill gestures to customers whose orders have been mishandled. However, we do object to expenditures on business cards for sales representatives.

BACKGROUND

The Mint produces coins and medals under the authority of 31 U.S.C. § 5111(a). Prior to 1981, the Mint's numismatic program was limited to the sale of proof and uncirculated versions of its normal circulating coins to coin collectors

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on the Mint's mailing list. Since 1981, however, Congress has passed various commemorative coin acts, dramatically altering the mission of the Mint by directing the Treasury Department to perform the role of an entrepreneur in the marketplace by mass marketing coins to the general public. As a marketer of commemorative and bullion coins, Treasury competes directly with other countries with similar programs for a share of the market. The program has expanded steadily to the point that coin sales in 1987 amounted to \$1.8 billion, with profits of \$185 million. Under 31 U.S.C. § 5111(b), sales proceeds go into the Coinage Profit Fund and are used to pay the expenses of coin production and sale, with the balance going into the Treasury.

DISCUSSION

We addressed a similar but more particularized request by the Mint in our decision, B-206273, September 2, 1983. There we concluded that the Mint could pay promotional expenses in connection with marketing of coins if (1) they are deemed necessary to fulfill the statutory responsibilities of the United States Treasury, (2) a reasonable nexus exists between each expense and a marketing benefit for the Coin Sales program, and (3) expenses are recovered from sales proceeds.

The first two categories of expenses under discussion here are similar to those we approved in B-206273, September 2, 1983. In that decision, we relied on the commercial nature of the Coin Sales program as the basis to allow the promotional expenditures as long as they met the above three tests. The Olympic Commemorative Coin Act, Pub. L. No. 97-220, 96 Stat. 222 (1982), which we analyzed in our 1983 decision, indicates that Congress intended the Treasury to market the coins as a private seller would in order to make a profit. The other coinage acts referred to by the Treasurer in her inquiry--the George Washington Commemorative Coin Act, Pub. L. No. 97-104, 95 Stat. 1491 (1981); the Statue of Liberty-Ellis Island Commemorative Coins Act, Pub. L. No. 99-61, 99 Stat. 113 (1985); the Bicentennial of the Constitution Coin Act, Pub. L. No. 99-582, 100 Stat. 3315 (1986); and the 1988 Olympic Commemorative Coin Act, Pub. L. No. 100-141, 101 Stat. 832 (1987), contain similar language. The commercial justification for promotional expenditures in the marketing of the 1982 Olympic coins applies equally to the other commemorative coins which Congress has since authorized. Accordingly, we have no objection to the Mint's use of the Coinage Profit Fund to defray the cost of hosting media events and receptions or the occasional giving of coins at public events for promotional purposes for these or other

similar future programs as long as they meet the three tests enumerated above.

Unlike the first two categories of expenses, the use of public funds to give medals or coins as goodwill gestures to customers whose orders have been mishandled was not addressed in our previous decision. However, as in the first two categories, the question presented is whether the Coinage Profit Fund is available for this purpose. Under 31 U.S.C. § 1301(a), appropriated funds may be used only for the purpose for which they are appropriated. In applying this provision, our Office has consistently held that even though a particular expenditure may not be specifically provided for in the appropriation act, the expenditure "is permissible if it is reasonably necessary in carrying out an authorized function or will contribute materially to the effective accomplishment of that function, and if it is not otherwise prohibited by law." B-230062, Dec. 22, 1988; 66 Comp. Gen. 356 (1987).

Application of the "necessary expense" rule to the facts of this case leads us to the conclusion that the proposed expenditure is permissible. While the various commemorative coin acts do not specifically address whether the Mint may use the Coinage Profit Fund to give coins or medals as goodwill gestures, we see a direct connection between the purpose of the commemorative coins sales program and the coins and medals that would be given in order to placate disgruntled customers. In other words, applying the test from our previous decision B-206273, the giving away of complimentary coins or medals to customers whose orders have been mishandled, results in a definite marketing benefit for the Coin Sales program.

The Treasury's order processing facility processes millions of orders each year, probably making the mishandling of a certain number of orders unavoidable. The mishandling of a customer's order may result not only in the loss of that order but also in the loss of future orders because of bad publicity. The coins and medals given away are a reasonable means of attempting to mollify such customers. Thus, considering that Congress intended the Treasury to market the coins as a private seller would in order to maximize profit, and that the development of goodwill to maintain or increase market share is essential to any good marketing strategy, we conclude that the giving of the coins or medals would fulfill the specific mission for which the commemorative coin program was established. Therefore, the third category of expenses is allowable because (1) it is necessary to fulfill the statutory responsibilities of the United States Treasury, (2) a reasonable nexus exists

between the expense and a marketing benefit for the Coin Sales program, and (3) expenses are recovered from sales proceeds.

In reaching this conclusion, we are mindful of the general rule against using appropriated funds for personal gifts or awards. See B-214833, Aug. 22, 1984. 57 Comp. Gen. 385 (1978); 55 Comp. Gen. 346 (1975). However, this rule is not applicable to the present situation. The common denominator in the cited cases, and others in which we applied the general prohibition, was the absence of any direct connection between the purpose for which the funds were appropriated and the gifts in question.

Here, however, we find a direct connection between the use of complimentary coins and medals as goodwill gestures when commemorative coin orders have been mishandled and the Treasury's mission to market and sell commemorative coins to the general public under the various commemorative coin acts. Cf. B-230062, Dec. 22, 1988 (Army may use its appropriations to give framed recruiting posters as prizes to potential recruits in order to fulfill its mission to conduct recruiting program). Accordingly, we would not object to the expenditure of coinage profit funds for this purpose.

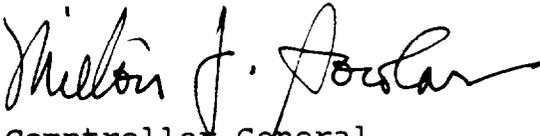
Regarding the fourth category of expenses, the printing of business cards for sales representatives, we have held that the costs of calling or business cards constitute personal rather than official expenses of the persons using them. Therefore, these costs may not be paid with government funds in the absence of specific statutory authority to do so. See, e.g., B-131611, Feb. 15, 1968, 12 Comp. Gen. 565 (1933). We have continued to apply this rule even when it was clear that the cards were being used only for official purposes. See B-231830, June 5, 1989; B-195036, July 11, 1979; 12 Comp. Gen. 565, 566 (1933).^{1/} Accordingly, the printing of cards for sales representatives at government expense is not allowable.

^{1/} The rule is also recognized in the Joint Committee on Printing's Printing and Binding Regulations, which state:

"Printing or engraving of calling or printing cards is considered to be personal rather than official and shall not be done at Government expense." S. Pub. No. 5, 100th Cong., 1st Sess. 15 (1987).

CONCLUSION

The expenses of hosting promotional functions and donating coins at public events are appropriate within the guidelines set out in B-206273, September 2, 1983. We also conclude, based upon special circumstances involved in the Treasury's Coin Sales program, that the giving of complimentary coins or medals as goodwill gestures when customers' orders have been mishandled is allowable. However, because of the long-standing prohibition, the printing of business cards is not an appropriate expenditure to be reimbursed from the Coinage Profit Fund.

for 
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