



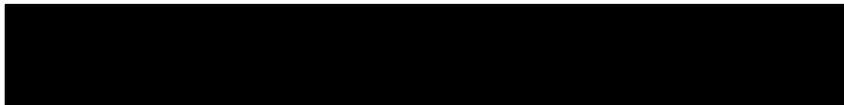
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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON D.C. 20548

March 23, 1982

B-201377



The Honorable Jack Brooks, Chairman
Subcommittee on Legislation and
National Security
Government Operations Committee
House of Representatives

Dear Mr. Chairman:

Subject: Review of Unvouchered Expenditures at the
Department of State (AFMD-82-57)

Your October 6, 1981, letter asked that we review the unvouchered expenditures from the Department of State's "Emergencies in the Diplomatic and Consular Service" account and the Federal Emergency Management Agency's "Hazard Mitigation and Disaster Assistance" account. As arranged with your office, we limited our review to the Department of State because the Federal Emergency Management Agency had no unvouchered expenditures and erroneously reported having authority for such expenditures to the Office of Management and Budget in October 1980. Our review at State identified a number of expenditures for entertainment, representation, travel, and gifts that we were unable to resolve with State officials as being clearly authorized by law. These expenditures totaled about \$137,780 or 3 percent of an account for which \$5 million was authorized by the Congress.

OBJECTIVE, SCOPE, AND METHODOLOGY

Our primary objective was to determine whether expenditures made from the Emergencies account were authorized by law. Working at Department of State headquarters in Washington, D.C., we reviewed selected expenditures made from the account during fiscal 1981. To verify the expenses, we performed such tests and examinations of supporting documents that we considered necessary. We evaluated the controls for ensuring that funds were used only for authorized purposes, reviewed accounting and related records, and interviewed responsible agency officials. Our review was performed in accordance with our "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions."

REPORTING ON UNVOUCHERED ACCOUNTS
IS RESTRICTED BY LAW

Under 22 U.S.C. 2671, the Secretary of State is authorized to expend funds "* * * for unforeseen emergencies arising in the diplomatic and consular service * * *." Neither the statutory language nor the legislative history of section 2671 provided further guidance on the intended meaning and scope of the term unforeseen emergencies or detailed criteria for how these funds are to be used. Expenditures from the Emergencies account may be made solely on the certificate of the Secretary of State. This has precluded us from reviewing covered expenditures in the past.

The General Accounting Office Act of 1980 authorizes us to examine unvouchered accounts in the executive branch except for those exempted by the President relating to sensitive foreign intelligence, foreign counterintelligence, or sensitive law enforcement investigations (31 U.S.C. 67(f)). The act restricts our congressional reporting on unvouchered accounts to unresolved discrepancies. When discrepancies cannot be resolved, they can be reported only to the Senate Committee on Governmental Affairs, House Committee on Government Operations, and House and Senate Committees having legislative or appropriations oversight with respect to the expenditures in question. We do not consider these disclosure restrictions applicable to data made available to the public by an executive agency.

The Department of State made public in a recent court case 1/ information on the general use of its unvouchered account, which includes expenditures for repatriation loans, evacuations, travel, entertainment, gifts, and passport fraud investigations. (See encl. I.)

DEPARTMENT OF STATE'S INTERPRETATION
AND APPLICATION OF 22 U.S.C. 2671
HAS EVOLVED FROM TRADITION

The Department of State has had this account for nearly 200 years. Its usage has evolved from tradition because no formal criteria were established for determining the appropriateness of expenditures as unforeseen emergencies. On October 26, 1981, shortly after our audit work began, the Department of State's Office of the Legal Adviser issued a legal memorandum establishing such criteria for expenditures from the Emergencies account. According to the memorandum, the Emergencies account is available for expenditures which, in the opinion of the Secretary of State

1/The Washington Post Company v. United States Department of State, D.C. of D.C. Civil No. 80-1092.

- "* * * 1) serve to further the realization of foreign policy objectives of the United States, and
- 2) are a matter of urgency to implement, and
- 3) as to such expenditures as are accounted for by certification, the best interests of the conduct of foreign policy of the United States require confidentiality, and
- 4) are not otherwise prohibited by law."

The above-quoted criteria were not available when the expenditures covered by our review were made. Also, the criteria have not been submitted to or approved by the Congress.

We wrote on January 25, 1982, to the Under Secretary of State for Management and asked him to explain how the Department of State's criteria met the statutory provisions of 22 U.S.C. 2671. The Under Secretary's February 6, 1982, response justified use of the criteria on the basis of (1) the practice of nearly 200 years and (2) the very general language of "unforeseen emergencies arising in the diplomatic and consular service."

In the absence of further statutory language or legislative history showing the intended meaning and scope of the term unforeseen emergencies, the Department of State's criteria generally appear to be a reasonable interpretation of 22 U.S.C. 2671. The confidentiality requirement reflects the fact that expenditures from the Emergencies account have been traditionally accounted for solely on the basis of the Secretary of State's certification under 31 U.S.C. 107. Certification authority is generally limited to those expenditures that are of a confidential or special nature. Furthermore, in requesting the Congress to appropriate funds for the Emergencies account each year, the Department of State cites the confidential character of expenditures from this account.

Also, the Under Secretary stated that the categories of expenditures (see encl. I) have been sanctioned in general terms by congressional oversight through the appropriation process. However, the Under Secretary was able to identify only one such instance, which apparently consisted of an explanation to the Senate Foreign Relations Committee concerning fiscal 1976 expenditures from the Emergencies account.

UNRESOLVED DISCREPANCIES ARE ON
USE OF FUNDS FOR ENTERTAINMENT,
REPRESENTATION, TRAVEL, AND GIFTS

Our review of selected fiscal 1981 expenditures disclosed some expenditures for entertainment, representation, travel, and gifts that we do not believe reasonably fall within the meaning of unforeseen emergencies contemplated by 22 U.S.C. 2671. This is particularly true in view of the confidential manner in which

emergency expenditures have been traditionally accounted for. In determining whether an expenditure was an unforeseen emergency, we used the ordinary meaning of these words. That is, in order for an expenditure to be authorized, it must relate to a sudden and urgent occasion for action that was not reasonably foreseeable. We also considered as allowable those expenditures having a clear need for confidentiality, given the sensitive nature of the expenditures in question.

Most questioned expenditures
do not fall within meaning of
22 U.S.C. 2671

In our letter of January 25, we asked the Under Secretary how certain entertainment, representation, and travel expenditures met the statutory provisions of 22 U.S.C. 2671. The Under Secretary provided additional information which enabled us to resolve some of the questioned expenditures; but the majority of them were not resolved to our satisfaction. The Under Secretary justified most of the questioned expenditures on the basis of only one of the recently developed criterion, namely, that they serve to further the foreign policy objectives of the United States. To rely entirely on that criterion would permit virtually any Department of State expenditure to be charged to the Emergencies account.

In contrast to the majority of the expenditures from this account, the questioned expenditures were not justified as matters of urgency or as requiring confidentiality. It is doubtful whether these unresolved expenditures such as dinners and luncheons could reasonably be considered as unforeseen emergencies. Furthermore, it is questionable whether the unresolved expenditures should be accounted for on the basis of the Secretary of State's certification because they did not involve matters of such confidential or sensitive nature that their disclosure would jeopardize our national interest in foreign policy. Because we are not satisfied that a number of the questioned expenditures reasonably fall within the meaning of unforeseen emergencies contemplated by 22 U.S.C. 2671, we have classified them as unresolved discrepancies and are reporting them to you in enclosure II as authorized by 31 U.S.C. 67(f).

Gifts could be budgeted for
in advance

We also questioned how expenditures for gifts given in support of Presidential, Vice-Presidential, and Secretary of State travel met the statutory provisions in 22 U.S.C. 2671. These gifts are given to individuals such as hotel clerks and security guards and include money clips, key rings, pens, and pencils. During fiscal 1981, the Department of State spent about \$28,000 for such gifts. In our view, the practice of giving gifts of nominal value for which an inventory is maintained could be budgeted for in advance. In commenting on these expenditures, the Under Secretary took the position that they serve to further the foreign policy objectives

of the United States. As previously indicated, we do not believe foreseeable expenditures of this nature are matters of urgency or require confidentiality and therefore reasonably fall within the meaning of 22 U.S.C. 2671.

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At your request, we did not obtain agency comments on this report. The General Accounting Office Act of 1980 requires us to report the unresolved discrepancies noted during our review and presented in this report to the Senate Committee on Governmental Affairs, the House Committee on Government Operations, the House and Senate Committees on Foreign Relations, and the House and Senate Committees on Appropriations. As arranged with your office, copies will be sent to the remaining five committees and to the Secretary of State 30 days from the date of this report.

Sincerely yours,



Comptroller General
of the United States

Enclosures

B-201377

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Sincerely yours,



Comptroller General
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Enclosures

DEPARTMENT OF STATE

Emergencies in the Diplomatic and Consular ServiceMajor Categories of Expenditures

Emergency Evacuations - evacuation of U.S. Government employees and their dependents and private U.S. citizens when their lives are endangered by war, civil unrest, or natural disaster. (Other U.S. Government agencies reimburse the Department to cover expenses incurred on their behalf. Private U.S. citizens sign promissory notes to repay the cost of their evacuation. Repayments made during the fiscal year in which the expenditures were made are used to defray expenses incurred. Repayments received following the close of the fiscal year revert to the U.S. Treasury.)

Relief and Repatriation Loans - loans to destitute citizens abroad. Loans are made to U.S. citizens to provide for their return to the United States. Promissory notes are obtained. Funds collected are deposited to Miscellaneous Receipts of the Treasury.

Visits by Foreign Chiefs of State or Heads of Government - expenses incurred in connection with official visits to the President (State dinners, receptions, other food, lodging, and travel expenses within the United States).

Presidential Delegations to Foreign Inaugurations, Funerals, etc. - travel of the official U.S. delegations.

Presidential, Vice-Presidential and Congressional Travel Abroad - expenses incurred in connection with official travel to foreign countries including advance arrangements, escort, and official entertainment.

Secretary of State Travel - expenses incurred by the Secretary in connection with travel in the U. S. and abroad including official entertainment.

Domestic Representation and Entertainment - expenses incurred by the Secretary and other principal officers in connection with official representational functions.

Special Overseas Representation - expenses incurred for official functions not covered by the Representation Allowance appropriation, e.g., American business representatives and Congressional delegations when the majority of the guests are not foreigners.

Passport and Visa Fraud - expenses incurred in connection with investigations and apprehension of groups or individuals involved in fraudulent issuance of U.S. passports and visas.

Official Gifts to Foreign Dignitaries - cost of gifts of nominal value given by the President, Vice-President or Secretary of State.

GAO LIST OF UNRESOLVED EXPENDITURES PAIDOUT OF THE EMERGENCIES ACCOUNTI. Domestic Representation and Entertainment

1. Reception for Foreign Service Day (900 guests) on May 8, 1981	\$25,138
2. Reception for Department of State Bicentennial (500 guests) on January 9, 1981	\$9,923
3. Dinner for Secretary of State's security staff (85 guests) on November 25, 1980	\$3,179
4. Reception for Secretary of State's staff (135 guests) on December 16, 1980	\$2,526
5. Dinner held by Secretary of State for former Secretary of State (20 guests) on November 18, 1980	\$649
6. Reception for the retiring Under Secretary for Political Affairs on February 3, 1981	\$753
7. Receptions for the Hospitality and Information Services staff on November 19, 1980; January 21, 1981; May 19, 1981; June 2, 1981; and September 15, 1981	\$2,068
8. Receptions for newly appointed American ambassadors on April 29, 1981; June 16, 1981; and August 26, 1981	\$1,428
9. Reception for Law of the Sea Advisory Committee (200 guests) on November 13, 1980	\$3,473
10. Receptions for press covering the Department of State on January 8, 1981, and February 3, 1981	\$733
11. Reception for journalists and television and radio commentators (275 guests) on June 2, 1981	\$3,807
12. Reception for Young Political Leaders (450 guests) on June 12, 1981	\$6,741
13. Breakfast for House Appropriations Committee (13 guests) on July 15, 1981	\$319
14. Reception for Overseas Schools Advisory Council (approx. 30 guests) on December 17, 1980	\$941

15.	Luncheon for U.S. Business Committee on Jamaica (52 guests) on July 2, 1981	\$2,434
16.	Payment of special travel allowances to the Department of State Inspector General's staff (of the total amount paid, \$570 was applicable to fiscal 1980)	\$3,780
17.	General entertainment for congressional and staff delegations while on overseas travel	\$14,647
18.	Reception for Fine Arts Committee on March 13, 1981	\$18,500
19.	Receptions for newly appointed American ambassadors on June 15, 1981; August 25, 1981; and August 26, 1981	\$1,211
20.	Reception for Foreign Service Day on May 8, 1981	\$393
21.	Luncheon for local police and military personnel on April 13, 1981	\$342
22.	Luncheon for Presidential Commission on Hostage Compensation on July 7, 1981	\$327
23.	Luncheon for a sabbatical program on August 20, 1981	\$134
24.	Reception to introduce new Assistant Secretary for Public Affairs to press on April 15, 1981	\$18
25.	Reception for Black public officials on May 14, 1981	\$26
26.	Reception at Foreign Policy Conference for Young Political Leaders on June 12, 1981	\$75
27.	Receptions for Scholar Diplomat Seminar on May 4 - 8, 1981	\$80
28.	Receptions for press on August 13, 1981, and September 2, 1981	\$72
29.	Luncheon for the Governor of Florida on May 6, 1981	\$64

II. Secretary of State Travel

1.	Luncheon for Senate Foreign Relations Committee on December 9, 1980	\$27
2.	Flowers for former Senator and his wife on March 25, 1981	\$54

III. Special Overseas RepresentationA. American Embassy, London

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| 1. Stamps for Christmas cards | \$45 |
| 2. Wrapping paper for embassy gifts and envelopes for Christmas cards | \$49 |
| 3. Theater tickets for the Secretary of State, the Ambassador, and guests on December 17, 1980 | \$153 |
| 4. Theater tickets for the wife of a personal representative of the President and guests on December 30, 1980 | \$49 |
| 5. Dinner, lunch, and cocktails on November 10, 12, and 14, 1980 (Costs could not be determined from supporting documentation.) | |

B. American Embassy, Paris

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| 1. U.S. VIPs staying at the Ambassador's residence (approx. 150 guests) | \$3,068 |
| 2. Meals and receptions at the Ambassador's residence. These include the following:

Luncheon on October 2, 1980
Luncheon on October 9, 1980
Buffet dinner on October 11, 1980
Coffee for embassy spouses on November 9, 1980
Coffee for embassy spouses on December 5, 1980
Breakfast with Secretary of Labor on December 13, 1980
(Costs could not be determined from supporting documentation.) | |

C. American Embassy, Tokyo

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| 1. Seventeen functions (breakfasts, lunches, dinners, and receptions) | \$1,385 |
|---|---------|

D. U.S. Ambassador to the United Nations

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| 1. Dinners on January 28, 1981; February 19, 1981; and March 9, 1981, at which the majority of guests were U.S. United Nations staff | \$896 |
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- E. Bureau of Near Eastern and South Asian Affairs
1. Lunches on March 6, 1981; March 9, 1981;
March 25, 1981; and May 11, 1981 \$37
- F. Bureau of Oceans and International Environ-
mental and Scientific Affairs
1. Lunches on February 5, 1981; June 8, 1981;
and June 9, 1981 \$167
 2. Breakfasts on June 8, 1981, and June 9, 1981 \$69

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