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

FILE: B-192035 DATE: August 25, 1978

MATTER OF: Agency for International Development - Proper Method of Accounting for Profits from Transient Quarters

DIGEST: 1. Agency for International Development (AID) requests ruling on proper way to account for profits derived from operation of overseas transient quarters (staff houses) used by AID employees who pay a user fee. When such staff houses are established and operated by appropriated funds, all user fee revenues collected, including profits, should be paid into the Treasury as miscellaneous receipts, pursuant to 31 U.S.C. § 484, inasmuch as AID does not have authority to credit receipts to its appropriations.

2. Agency for International Development (AID) requests GAO to rule on proper way to account for profits derived from operation of overseas transient quarters (staff houses) used by AID employees who pay a user fee. When such staff houses are established and operated through use of local currency trust funds provided by host country, profits should be deposited in the trust fund account, because AID is merely a trustee of such funds which remain the property of the host country.

This is in response to a letter from the Deputy Controller, Office of Financial Management, Agency for International Development (AID), Department of State, requesting a decision on the procedure that should be employed in the handling of revenues taken in by AID staff houses.

AID operates several staff houses in developing countries where it has programs. It is necessary to establish and operate these staff houses as transient quarters for visiting AID employees, because commercial accommodations are either inadequate or non-existent. The operating expenses of some of the houses are funded with host country trust funds while others are funded with appropriated funds. These staff houses charge transients a reasonable user fee to cover the cost of providing meals and lodgings. However, the establishment of the fee is normally based on minimum occupancy rates to preclude operating at a deficit. When these occupancy rates exceed predictions, a profit, i.e., an excess of revenue over costs of operation, may result from the operation. Hence AID requests a determination from this Office as to the proper disposition of the profit.

Specifically, AID raises the following question:

"How should an excess of revenue over costs of operation of a staff house be accounted for?

"a. Where there is a profit, should such profit be returned to the Treasury as Miscellaneous Receipts, or considered as a recovery against the appropriation funding the staff house operation?

"b. Where a trust fund provided by a host country is utilized for funding the staff house operation, should staff house profits be treated as a recovery against the trust fund overall, or should such profits be returned to the Treasury as Miscellaneous Receipts?"

As the questions suggest, there is considerable difference between the accounting procedures applicable to staff houses funded by trust funds provided by host countries and those funded by appropriated funds. For this reason, we shall discuss the two procedures separately.

## APPROPRIATED FUND STAFF HOUSES

AID has not cited any statute that authorizes the use of revenues from the operation of staff houses as a reimbursement to an appropriation, nor has our research uncovered any such authority. In the absence of specific statutory authority to the contrary, such as may be found in 16 U.S.C. § 14b (1976), pertaining to the National Park Service operation of transient quarters, 31 U.S.C. § 484 (1970) would preclude the use of such an arrangement.

52 Comp. Gen. 54 (1972) and 52 Comp. Gen. 125 (1972). 31 U.S.C. § 484 states as follows:

> "The gross amount of all moneys received from whatever source for the use of the United States, except as otherwise provided in section 487 of this title, shall be paid by the officer or agent receiving the same into the Treasury, at as early a day as practicable, without any abatement or deduction on account of salary, fees, costs, charges, expenses, or claim of any description whatever."

Under the terms of the statute, the gross amount of all revenues received by each staff house are "for the use of the United States" and must be deposited into the Treasury as miscellaneous receipts without deduction on account of costs and expenses. Since the expenses incident to operating the houses come from funds appropriated for that purpose, revenues derived from operating the houses must necessarily be paid into the Treasury as miscellaneous receipts. Under this requirement, not only "profits" but all revenues are to be deposited into the Treasury and may not be offset against the expenses incurred. Profit and loss statements for each staff house are important only as a management tool in adjusting the user fees established for occupants and in controlling expenses, and are not relevant in the disposition of funds.

If revenues and expenditures for appropriated fund staff houses are not being handled and accounted for as outlined above, that procedure should be instituted at the earliest possible date so that the operation of the staff houses will conform to statutory requirements.

## TRUST FUND STAFF HOUSES

The trust funds referred to here are local currency funds advanced by cooperating countries under a trust agreement for specified local costs. The President has authority under section 625(h) of the Foreign Assistance Act of 1961, as amended (22 U.S.C. § 2385(h)(1976) to enter into arrangements with foreign countries for reimbursement to the United States Government or for other sharing of the costs of performing functions authorized by the Act. The trust fund is established under a bilateral arrangement, whereby a foreign country can make contributions toward costs requiring the use of local currency.

Where a cooperating country is prepared to finance local currency costs of AID programs or of specific activities in an AID program, the cooperating country makes local currency available either to the United States from its usual budgetary sources, from so-called "counterpart" funds, or various other sources. The funds are deposited in a United States foreign currency trust account for use by the United States on agreed-upon expenditures.

Title to the trust funds, together with any supplies or property acquired with such funds, resides with the cooperating country. In disbursing these funds for jointly agreed purposes, such as staff house operating expenses, the United States Government serves as trustee for the cooperating country and renders appropriate reports to the country as required by the trust agreement. Balances on hand when the AID program in a country is terminated revert to the cooperating country.

Income derived from trust fund operations is not received for the use of the United States within the meaning of 31 U.S.C. § 484, since title to the trust corpus remains in the country providing it. Accordingly, any profit generated from operations financed by local currency trust funds need not be covered into the Treasury as miscellaneous receipts but should be treated as a recovery against the trust fund. Whether such recoveries can be used to finance trust fund operations is to be determined under the particular trust agreement and general principles of trusteeship.

R.F. Keller
Deputy Comptroller General
of the United States