

GAO

Report to the Chairman, Subcommittee
on Treasury, Postal Service, and General
Government, Committee on
Appropriations, House of
Representatives

October 1998

CERTIFICATED EXPENDITURES

FY 1996 Presidential and Vice Presidential Certificated Expenditures and Related Matters





**United States
General Accounting Office
Washington, D.C. 20548**

**Accounting and Information
Management Division**

B-277949

October 29, 1998

The Honorable Jim Kolbe
Chairman
Subcommittee on Treasury, Postal Service,
and General Government
Committee on Appropriations
House of Representatives

Dear Mr. Chairman:

You requested that we audit fiscal year 1996 certificated expenditures of the President and the Vice President, as authorized by 3 U.S.C. sections 105 and 106, respectively. These sections authorize the President and the Vice President to expend appropriated funds for certain specified purposes that may be accounted for solely on their certificate and as they determine, notwithstanding the provisions of any other law. 3 U.S.C. sections 105 and 106 also authorize us to examine records related to these expenditures and to report to the Congress with respect to any amounts not expended for the specified purposes. We found that fiscal year 1996 certificated expenditures of the President and the Vice President under 3 U.S.C. sections 105 and 106, respectively, were proper.

You also asked us to review the reimbursable activities of the Executive Residence at the White House. In fiscal year 1996, expenses associated with official and nonofficial events held at the White House were paid from the Executive Residence at the White House appropriation.¹ For nonofficial and some official events, the White House billed sponsoring organizations, such as a political party committee or the Department of State. We found that the White House was following long-standing procedures that had been established for handling reimbursable activities.

Further, you asked us to provide the number of overnight guests and overnight stays at the Executive Residence during 1993 through 1996. In 1997, the White House publicly disclosed that 938 guests stayed overnight at the Executive Residence during 1993 through 1996 and identified 831 of them. The White House has indicated that the 107 overnight guests who were not identified are relatives (and accompanying guests) of the

¹The Treasury and General Government Appropriations Act, 1998, Public Law 105-61, 111 Stat. 1272 (1997), appropriation for "The Executive Residence at the White House—Reimbursable Expenses" requires (1) each person sponsoring a reimbursable political event to pay in advance an amount equal to the estimated cost of the event and (2) the national committee of the political party of the President to maintain on deposit \$25,000 to be available for expenses relating to reimbursable political events it sponsors.

President and the First Lady and friends of their daughter. We examined materials the White House staff stated they used to report the names of overnight guests, and we discussed recordkeeping on overnight guests and overnight stays with White House officials and others. We could not verify the number of overnight guests or determine the number of overnight stays; however, we did not identify any notable discrepancies between the names the White House publicly disclosed and the materials we examined.

These areas are further discussed in the following sections. Our review was performed in accordance with generally accepted government auditing standards. The scope and methodology of our work is discussed in appendix I. We provided a draft of this report to White House officials for their review and comment. A Deputy Counsel to the President advised us that they had no comments on the draft report.

Certificated Expenditures Were Proper

For fiscal year 1996, certificated expenditures of the President and the Vice President under 3 U.S.C. sections 105 and 106, respectively, totaled about \$8.3 million. These sections authorize the President and the Vice President to certificate the expenditure of appropriated funds for the following purposes:

- the operation, maintenance, repair, and improvement of the Executive Residence at the White House, and official entertainment expenses of the President;
- subsistence expenses of persons in the government service while they are traveling on official business in connection with the President's travel;
- subsistence expenses of persons in the government service while they are traveling on official business in connection with the Vice President's travel; and
- official entertainment expenses of the Vice President.

We reviewed samples of fiscal year 1996 certificated transactions and found that they were made for purposes authorized under 3 U.S.C. sections 105 and 106. Based on the results, we conclude that fiscal year 1996 certificated expenditures, as shown in table 1, were proper.

Table 1: Certificated Expenditures of the President and the Vice President for Fiscal Year 1996

Category of expense	Amount
Operation, maintenance, repair, and improvement of the Executive Residence at the White House, and official entertainment expenses of the President	\$7,826,122
Travel of presidential staff	295,476
Travel of vice presidential staff	156,057
Official entertainment expenses of the Vice President	65,117
Total	\$8,342,772

Established Procedures Were Followed for Reimbursable Activities

When official and nonofficial reimbursable events were held at the White House, the related expenses were initially paid from the Executive Residence at the White House appropriation. White House records showed that, in fiscal year 1996, 144 reimbursable events were held at the White House and that these events had total reimbursable costs of about \$1.6 million.

The Executive Residence Organization and Procedures Manual describes key procedures for handling reimbursable activities. These procedures are generally consistent with those we observed in our prior audits of Executive Residence at the White House certificated expenditures.

The following outlines the Executive Residence at the White House procedures for conducting reimbursable activities.

- Generally, the White House Social Secretary advises the Chief Usher that an event is to be held at the Executive Residence.
- The Social Secretary designates an event as either reimbursable or nonreimbursable. While specifically defined criteria are not used, the nature of an event and the sponsoring organization are primary factors in these decisions.
- Expenses for food, flowers, calligraphy, and other items are incurred as an event is planned and carried out. The related vendor invoices are received by the Chief Usher's staff. Tally sheets are used to record and compute the cost of Executive Residence inventory items used for an event.
- The Chief Usher's administrative office authorizes the National Park Service² to pay vendor invoices, determines the total reimbursable cost of an event, and prepares a bill to the sponsoring organization. The total reimbursable cost does not include regular time worked by White House staff but does include the cost of overtime related to an event.

²The National Park Service provides accounting services for the Executive Residence at the White House.

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- The Chief Usher's administrative office receives reimbursable payments, which are forwarded to the National Park Service for deposit to the Treasury of the United States as offsetting collections to be credited to the Operating Expenses account of the Executive Residence at the White House. The Chief Usher's administrative office is also responsible for ensuring follow-up when reimbursements are not received promptly.

We noted that the Chief Usher's administrative staff inadvertently used incorrect salary rates to compute overtime and made computational errors that misstated the amounts billed for fiscal year 1996. We brought this matter to the attention of the Chief Usher and the White House Counsel's staff. A Deputy Counsel to the President told us that the White House would address the misstated billings for fiscal year 1996.

Reimbursement of Costs for the First Family and Their Guests

The First Family reimburses the Executive Residence at the White House appropriation for certain personal expenses, including the cost of food and beverages served to them at their residence. Amounts reimbursed by the First Family include the cost of food and beverages consumed at their residence by nonofficial guests.

There also may be other incidental costs associated with the First Family's nonofficial guests, especially those who stay overnight at the Executive Residence. These costs could include, for example, the cost of utilities and housekeeping, which are not reimbursed. We were unable to determine the amount of these unreimbursed incidental costs because the White House does not maintain, nor is it required to have, a system to accumulate these costs.

Number of Overnight Guests and Overnight Stays

In July 1997, an Associate Counsel to the President sent us the publicly-released list of 831 overnight guests at the Executive Residence during 1993 through 1996. This material indicated that 107 overnight guests were not named because they are relatives (and accompanying guests) of the President and the First Lady and friends of their daughter. We were told that the 938 overnight guests did not include White House staff and their spouses who may have stayed overnight at the Executive Residence when their duties required them to do so.

At that time, we were not shown the underlying documentation relating to the number of overnight guests at the Executive Residence. The Counsel to the President's staff has said that, until October 1997, it was their

understanding that the objective of our work in this area was related to the cost of overnight guests and not to the number of overnight guests or overnight stays. We have discussed the cost of overnight guests with White House staff and, as discussed earlier in this report, we were unable to determine the amount of any incidental costs associated with overnight guests.

In October 1997, after several discussions with staff of the Counsel to the President about our need to examine material on overnight guests and overnight stays, we wrote to a Deputy Counsel to the President to formally request that we be given access to all books, documents, papers, or other records related to the number of overnight guests at the Executive Residence and the beginning and ending dates of each guest stay since January 1993. In an October 1997 letter to us, an Associate Counsel to the President stated that the underlying documentation relating to the identity of overnight guests at the Executive Residence included personal and private materials of the First Family, including their personal and private correspondence and private notes. She stated further that none of these materials would provide support that is reliable from an auditor's standpoint and that these materials were not prepared or maintained for recordkeeping purposes. White House officials have also said that there is no requirement for a systematic approach to be in place to maintain and report data on Executive Residence overnight guests and overnight stays.

In November 1997, we testified before your subcommittee on the status of our review of the Executive Residence.³ We said that, to respond to the subcommittee's request, we needed access to documents or systems that would establish the aggregate number of guests and stays. We said that, if such documents or systems do not exist, we needed to ascertain the overnight guests at the Executive Residence during the period indicated from source documents or systems maintained by the White House or others.

In a November 1997 letter, an Associate Counsel to the President restated their previous understanding that our work related to measuring costs and the private nature of the underlying documentation. She said further, that the White House would work to determine whether documents that are not personal and private were available. Toward this end, she arranged meetings where we asked the Chief Usher, members of his staff, and the White House Social Secretary whether alternative records, information, or

³The White House: Status of Review of the Executive Residence (GAO/T-OGC/AIMD-98-12, November 6, 1997).

systems relating to the number of overnight guests at the Executive Residence were available that could be used in lieu of personal and private materials of the First Family. Based on these discussions, we did not identify any complete and reliable alternative source of information for this data.

Beginning in March 1998, a Deputy Counsel to the President gave us access to materials maintained by the President's former Director of Personal Correspondence, which the Deputy Counsel to the President and the President's former Director of Personal Correspondence stated were the basis for the publicly-released list of overnight guests and that also showed the dates on which they stayed in 1993, 1994, 1995, and 1996. For each of these years, the materials depicted summary schedules and other indications of names and dates. The Deputy Counsel to the President told us that the materials we examined had been redacted to exclude information related to the relatives (and accompanying guests) of the President and the First Lady and friends of their daughter.

White House officials said that materials from the files of the former Director of Personal Correspondence were the most reliable source of information available on overnight guests because she was the only individual attempting to track this information, though White House officials stated that these materials may not be comprehensive. In an alternative attempt to verify these materials, we asked for data on overnight guests that was available from an automated database maintained by the White House. The overnight guest listing we were shown from that database included some dates of overnight stays that were inconsistent with the materials from the files of the former Director. The former Director indicated that she had not used the database to track overnight guests, and White House officials stated that the data in the database was not used as a source because the database was unreliable.

In addition, we discussed with the U.S. Secret Service's Assistant Director for Protective Services whether there were records of overnight guests and overnight stays at the Executive Residence at the White House. He said that the Secret Service does not maintain a system to keep track of, or that identifies, White House Executive Residence overnight guests.

Overall, we did not identify a systematic approach in place to maintain and report data on Executive Residence overnight guests and overnight stays. Therefore, we could not verify the number of overnight guests or determine the number of overnight stays by undertaking audit steps such

as reviewing policies and procedures and identifying controls to ensure the completeness and reliability of underlying data. However, we did not identify any notable discrepancies between the names the White House publicly disclosed and the materials we examined.

We are sending copies of this report to the President, the Vice President, the subcommittee's Ranking Minority Member, and the Director of the Office of Management and Budget. Copies will also be made available to others upon request. Please contact me at (202) 512-9489 if you or your staff have any questions on this report.

Sincerely yours,

A handwritten signature in black ink that reads "David L. Clark". The signature is written in a cursive style with a large, stylized initial "D".

David L. Clark
Director, Audit Oversight and Liaison

Scope and Methodology

To ascertain whether certificated expenditures were for authorized purposes, we analyzed statistical samples of payroll and other payment transactions for the Executive Residence at the White House appropriation. A sample of transactions cannot provide 100 percent assurance that each expenditure in the total population was for an authorized purpose. However, our samples provided assurance at a 95-percent confidence level that expenditures for unauthorized purposes did not exceed 1 percent of the total dollar amount of the transactions in the population. In addition, we analyzed samples of other certificated transactions under 3 U.S.C. sections 105 and 106, including travel subsistence payments and the Vice President's official entertainment expenses.

We did not examine certificated expenditures for the \$50,000 presidential official expense allowance and the \$100,000 presidential travel expense allowance because legislation exempts both expense allowances from the Comptroller General's examination.

To determine if established procedures were followed for handling reimbursable events, we identified and reviewed pertinent policies and procedures and discussed them with White House representatives. We also sampled records relating to reimbursable events.

Regarding the number of Executive Residence overnight guests and overnight stays, we examined materials showing summary schedules and other indications of names and dates from the files of the President's former Director of Personal Correspondence. The materials had been redacted to exclude information related to the relatives (and accompanying guests) of the President and the First Lady and friends of their daughter. We discussed these materials with White House officials. We also discussed with them whether alternative records, information, or systems relating to overnight guests at the Executive Residence were available. In addition, we attempted to verify these materials by examining data on overnight guests and overnight stays from an automated database maintained by the White House.

We performed our work from April 1997 through September 1998 at the Executive Residence, the Office of Administration in the Executive Office of the President, and the National Park Service accounting office that performs accounting services for the Executive Residence.

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