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UNITED STATES GENERAL ACCOUNTING OFFICE  
WASHINGTON, D.C. 20548

NATIONAL SECURITY AND  
INTERNATIONAL AFFAIRS DIVISION



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APRIL 10, 1985

B-208137

The Honorable Bill Nichols  
Chairman, Subcommittee on Investigations  
Committee on Armed Services  
House of Representatives

Dear Mr. Chairman:

Subject: Department of Defense Distinguished Visitors'  
Program Fund (GAO/NSIAD-85-63)

This responds to the former Committee Chairman's request dated September 20, 1984, to determine if Department of Defense (DOD) has implemented recommendations in GAO's 1982 report, DOD Use of Official Representation Funds to Entertain Foreign Dignitaries (GAO/ID-83-7, Dec. 29, 1982). The request included a copy of a U.S. News & World Report article dated September 3, 1984, which alleged that DOD had not complied with GAO recommendations for improving procedures to account for expenditures incurred to entertain visiting foreign dignitaries. The former Chairman asked that we inform you of the results.

Our work focused on guidance issued by DOD for the use of funds to entertain visiting foreign dignitaries. We found that an interim DOD directive issued in September 1982, which addressed many of the issues surfaced during our prior audit, was superseded by a March 1984 directive. The revision provided further clarification and guidance and incorporated our recommendations. We also found that expense items charged complied with the revised DOD directives and were documented in case files.

PURPOSE OF THE PROGRAM

According to DOD, invitations to visit the United States are extended to foreign officials to strengthen ties with important military allies. Justifications for the visits include resuming or securing ties with foreign governments, establishing rapport between top U.S. and foreign military officials, and demonstrating U.S. interest in and strategic importance of a

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foreign country. In most cases, foreign guests are provided demonstrations of military equipment while visiting U.S. military installations, and in a few cases, they visit military contractors' plants. Although military sales are not a stated purpose of the program, DOD officials acknowledged that this aspect is very important.

#### DISTINGUISHED VISITORS' PROGRAM FUNDING

DOD is authorized (10 U.S.C. 140) to use money from its Operations and Maintenance Appropriations for emergencies or extraordinary expenses. Over the years, this appropriation has been used, in part, as the source of an Official Representation account from which courtesies extended to U.S. and foreign dignitaries and officials are funded. During fiscal year 1984, DOD charged \$3,217,850 to the Official Representation account for activities ranging from ceremonies honoring Black History Month and Congressional Medal of Honor winners to luncheons for distinguished guests such as local, state, and national dignitaries. Of this amount, \$651,359 (about 20 percent) was used for DOD's "Distinguished Visitors' Program." Distinguished Visitors' Program is not an official DOD designation, but it is the description most commonly used within DOD when discussing the use of funds from the Official Representation account to entertain invited foreign dignitaries.

The amounts expended for the Distinguished Visitors' Program are shown in the table below.

#### Program statistics--fiscal years 1980 - 1984

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>
Official Representation account funds expended	\$1,757,436	\$2,214,808	\$2,388,624	\$2,661,495	\$3,217,850
Distinguished Visitors' Program funds expended	\$288,529	\$381,055	\$425,678	\$332,556	\$651,359
Total visits	64	63	70	63	81
Total foreign dignitaries and officials hosted	625	720	548	484	768

The Distinguished Visitors' Program has been, and will probably continue to be, vulnerable to criticism because of the nature of some of the related expenses--monies spent by the U.S. military to host foreign visitors, including dining and lodging at some of America's finest facilities. In response to criticisms of the program, DOD officials cited the relatively low level of program funding compared to what they characterized as potentially large national security benefits to be derived by establishing and maintaining good relations. Stationing U.S.

military installations in a foreign country and foreign military sales were given as examples of benefits derived from the program.

GAO RECOMMENDATIONS INCORPORATED IN  
DOD DIRECTIVES--EXPENSES COMPLY

In December 1982, we reported that all expenses reviewed for DOD's Distinguished Visitors' Program for fiscal year 1981 were authorized by law. We pointed out that the statute authorizing emergency and extraordinary expenses (10 U.S.C. 140) gave the Secretary of Defense and each of the Secretaries of the military departments the authority to spend Official Representation funds "for any purpose he determines to be proper." Since a Secretary's determination to fund visits by foreign dignitaries under 10 U.S.C. 140 were final and conclusive, we could not take exception to any of the expenses incurred.

We also reported that some of the expenses charged to the Official Representation account were inconsistent with DOD's and the military departments' guidance. For example, DOD, as a matter of policy, prohibited the use of Official Representation funds for conferences; however, the military departments made an exception for conferences between U.S. and visiting foreign officials. We recommended that DOD clarify the uses of Official Representation funds for certain types of expenses such as rental cars, tolls, and meals for vehicle drivers, and identify expenses which should be charged to other appropriations. We also recommended that DOD direct the military departments to conform to the DOD guidance and to coordinate and share mutually beneficial information about the administration of programs.

DOD directives and instructions revised

These report recommendations took into consideration guidance that DOD issued during our audit on the use of official representation funds (DOD Directive 2001.1 dated Sept. 15, 1982). This directive addressed many of the concerns surfaced in our audit. We reported that DOD's action was a step in the right direction; however, further clarification by DOD and closer adherence by the military departments were needed. The directive was further clarified, and additional guidance was provided in a revised DOD Directive 7250.13 dated March 22, 1984, which superceded the original version dated May 31, 1974, and DOD Directive 2001.1. During the period from April 1984 to January 1985, the military departments issued new instructions or revised existing ones to incorporate the provisions of the March 1984 directive. We found that DOD had incorporated our 1982 recommendations into its directives and that the military departments had changed their regulations to comply with DOD guidance.

Expenses documented and in compliance

We examined expense vouchers charged to the Distinguished Visitors' account to determine DOD's compliance with the directives and regulations. This included all of the cases cited in the U.S. News & World Report article. The vouchers were for 13 visits which occurred between August 1981 and September 1983. Our examination also included eight visits which occurred between March 1983 and June 1984. These represented expenses charged before and after the revised DOD Directive 7250.13 dated March 1984. We found that all of the expenses (hotels, meals, and entertainment) were within the definition of allowable expenses as provided by Directive 7250.13 and individual service regulations and were adequately documented in individual visit files.

Military transportation provided to visiting parties for their trips to various locations in the United States are not charged to the Distinguished Visitors' account and thus are not fully disclosed in the costs reported by DOD for each visit. Most case files we reviewed disclosed very little information about military aircraft used. This lack of disclosure was recognized in our 1982 report. The position of DOD officials then, and now, was that the cost of flying military aircraft is charged to the military service responsible for aircraft as required by the regulations, and that transporting foreign dignitaries is one of many uses of aircraft charged to the service accounts. DOD officials cited security, convenience, and lack of commercial facilities at some military installations as reasons for using military instead of commercial aircraft.

Funds frequently audited by DOD

During the period from May 1982 to July 1984, the military departments and the DOD Inspector General performed five audits related to the Official Representation funds. (The Air Force is currently conducting another audit with an early fiscal year 1986 reporting date.) In November 1984, the DOD Inspector General initiated a follow-up review of outstanding recommendations, including those of GAO. These audits are reflected in the enclosed chronology of pertinent events.

In determining DOD compliance with recommendations in our 1982 report, we focused on the guidance provided in DOD directives for expenditure of Official Representation account funds. We reviewed selected cases to determine whether expenses conformed to the directives. Finally, we interviewed responsible agency officials concerning the objectives of the Distinguished Visitors' Program, the validity of expenditures in support of the program, and DOD's initiatives to comply with GAO's recommendations. Our review was performed from December 1984 to February 1985 in accordance with generally accepted government

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auditing standards. As requested by your office, we did not obtain DOD comments on this report.

As arranged with your office, we are sending copies of this report to the Secretary of Defense and the Secretaries of the Army, Navy, and Air Force as well as other interested parties.

If we can be of further assistance in this matter, please let us know.

Sincerely yours,

A handwritten signature in cursive script that reads "Frank C. Conahan".

Frank C. Conahan  
Director

Enclosure - 1

CHRONOLOGY OF PERTINENT EVENTS

<u>Date</u>	<u>Description of Event</u>
05-31-74	DOD Directive 7250.13 issued--Official Representation Funds
04-15-80	AR-37-47 issued--Contingency Funds of the Secretary of the Army
11-24-80	AFR-11-16 issued--Contingency Funds-Miscellaneous Current Expenses-Official Representation
01-15-81	SecNavInst 7042.7E issued--Use of Official Representation Funds Within the Navy Secretariat
05-17-82	Army audit report issued--Secretary of the Army's Contingency Funds
07-14-82	Notification to all Army General Officers--Audit of the Secretary of the Army's Contingency Funds
08-01-82	Army <u>All Points Bulletin</u> --Audit of the Secretary of the Army's Contingency Funds
09-14-82	Navy audit report issued--Emergency and Extraordinary Expenses of the Navy
09-15-82	DOD Directive 2001.1 issued--Visits by Foreign Dignitaries
12-29-82	GAO report issued-- <u>DOD Use of Official Representation Funds to Entertain Foreign Dignitaries</u> (GAO/ID-83-7)
07-27-83	Air Force Audit Report--Management of Air Force Contingency Funds-Official Representation Funds
11-11-83	DOD/IG report issued--DOD Official Representation Funds
03-22-84	DOD Directive 7250.13 issued to incorporate Directive 2001.1; expanded guidance and clarification of GAO recommendations provided
04-03-84	SecAF Order 530.4 issued--Contingency Funds
05-30-84, 06-14-84	AFR-11-16 revised--Contingency Funds-Miscellaneous Current Expenses-Official Representation; clarified regulations
07-12-84	Air Force Audit Report--Management of Official Representation Funds

ENCLOSURE I

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- 07-20-84 AF Operating Instruction 11-16 issued--Policy and procedural guidance to AFR-11-16
- 11-01-84 DOD/IG request for action report sent out to various branches for report on outstanding audit recommendations
- 11-13-84 AR-37-47 revised--Contingency Funds of the Secretary of the Army
- 12-84 to 01-85 GAO received and reviewed responses of the three military services to DOD/IG request for action report on outstanding audit recommendations
- 01-02-85 SecNavInst 7042.7E revised--Use of Official Representation Funds within the Navy Secretariat

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