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MAR 2 1981

The Honorable Jack Brooks
Chairman, Committee on Government Operations
House of Representatives



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Dear Mr. Chairman:

Subject: Audit of Reagan Presidential
Transition Expenditures (GGD-81-50)

As requested in your letter dated January 12, 1981, we have audited the expenditure of transition funds by the incoming Reagan administration. You asked us to report the purposes for which the funds were used, the manner in which they were administered, any problems encountered, and our comments on the adequacy of the legislation under which transition operations are carried out. You also requested that we report, to the extent feasible, on the source and use of other funds, including contributions, and on services provided by personnel whose salaries were paid from funds other than those appropriated pursuant to the Presidential Transition Act of 1963, as amended.

To provide services and facilities to the President-elect and Vice President-elect during the transition period, a total of \$2 million in appropriated funds were made available pursuant to the Presidential Transition Act [3 U.S.C. 102 (note)]. These funds were made available to the incoming Reagan administration by Public Law 96-369 and Public Law 96-536.

Our audit showed that through January 31, 1981, obligations and expenditures of Transition Act funds were made in accordance with the act. Further, we did not observe any management problems in the use of the appropriated funds.

We did not, however, audit all transition-related expenses. In addition to the \$2 million provided the incoming administration under the Transition Act, funds were solicited during the transition period from the public by the Presidential Transition Foundation, Inc., a private corporation, to facilitate the orderly transfer of executive branch power to the administration of then President-elect Reagan. The corporation's counsel denied us access to the books, records, and accounts for these private funds. Consequently, we are not able to report on the total amount of funds raised or the purposes for which the funds were used. We were advised, however, that the corporation would be audited by a public accounting firm. We do know that funds appropriated pursuant to the Transition Act were kept separate and apart from funds provided the corporation by private donors. There was no evidence of commingling.

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We are not making any recommendations for changes in the Transition Act in this report. However, we are reviewing transition team activities in selected agencies at the request of the House Committee on Interstate and Foreign Commerce. That review may result in recommendations to amend the current legislation. We also understand that the administration intends to recommend changes to the legislation.

Our audit of Transition Act expenditures included: discussions with officials of the incoming Reagan administration and the General Services Administration (GSA); an examination of the pertinent records and documents supporting the expenditure of funds; and an examination of the agreements between GSA and the incoming administration. We reviewed all payroll transactions for three of the six pay periods of the transition period, including the applicable standard Government personnel action forms where appropriate. For expenses other than salaries and benefits, we examined all the documentation supporting the obligations and, on a test basis, examined the documents supporting the payment of the expenses incurred.

PRESIDENTIAL TRANSITION ACT

The purpose of the Presidential Transition Act is to promote the orderly transfer of executive power in connection with the expiration of the term of office of a President and the inauguration of a new President. Transition Act funds were made available for the first time in 1964 when \$72,000 was provided to the newly elected Vice President. The first use of Transition Act funds for both an incoming and an outgoing administration was in 1968-9 when \$450,000 was made available to each administration.

Public Law 94-499, 90 Stat. 2380, approved October 14, 1976, amended the Transition Act by:

- Increasing the maximum amount authorized to be appropriated for one transition from \$900,000 to \$3,000,000. It authorized the appropriation of funds not to exceed \$2 million for services and facilities to be provided to the President-elect and Vice President-elect and \$1,000,000 for services and facilities to be provided to the former President and former Vice President.
- Deleting the authority to detail Government employees to either the incoming or outgoing administrations on a non-reimbursable basis.
- Deleting the \$100 per diem limitation for experts and consultants.

The act authorizes the Administrator of the General Services Administration to provide each President-elect and Vice President-elect the necessary services and facilities for their preparations for the assumption of official duties. The President-elect and Vice President-elect may designate an assistant to act on their behalf in authorizing the expenditure of Transition Act funds. Services and facilities for which the funds may be used include:

- Suitable office space appropriately equipped with furniture, furnishings, office machines and equipment, and office supplies at such place or places within the United States as the President-elect or Vice President-elect shall designate.
- Compensation of office staffs at pay rates not to exceed that of a GS-18. Any employee of any agency of any branch of the Federal Government may be detailed to such staffs on a reimbursable basis at the same rate of compensation as his regular employment.
- Procurement of the services of experts or consultants.
- Travel expenses and subsistence allowances.
- Communications services.
- Printing and binding.
- Postage.

The Administrator may use Transition Act funds only to pay obligations incurred by the President-elect and Vice President-elect from the day following the general election to the day of inauguration.

HOW TRANSITION ACT
FUNDS WERE USED

On November 5, 1980, GSA and the Office of the President-elect entered into an agreement setting forth the procedures for obtaining the services made available under the provisions of the Transition Act. Mr. Peter McPherson, Mr. Vernon Orr, or their designee were named as the President-elect's and Vice President-elect's representatives for the transition, and Mr. Perley Eaton was designated as GSA's representative to the transition staff.

An additional agreement between GSA and the Office of the President-elect concerning telephone services to be provided was signed on November 19, 1980.

Under the agreements, no obligations were to be incurred by any person on behalf of the Office of the President-elect without prior submission and approval by the Office of the President-elect. Invoices were to be forwarded to GSA for payment after certification by either Mr. McPherson, Mr. Orr, or their designee that the payment was for authorized services or facilities. After examination by GSA, the invoices were to be certified by GSA and transmitted to the Treasury Department for payment. Accounting records for Transition Act funds were to be established and maintained by GSA.

Our review showed that GSA carried out its responsibilities in conformity with the above agreements.

The bulk of the appropriated funds were used for personnel compensation and benefits to transition team employees. Many of these employees were assigned to various Government agencies for the purpose of gathering information to accomplish a smooth transition. The Office of the President-elect sent to the Departments and Agencies, lists of the transition team members authorized to conduct transition business. Transition staff were issued building passes but not official identification credentials.

The status of the Presidential Transition Act funds made available to the incoming President-elect and the Vice President-elect as shown by GSA records at January 31, 1981, was as follows.

Funds available	<u>\$2,000,000</u>
Funds obligated	
Personnel compensation	1,174,008
Personnel benefits	91,613
Rent, communications, and utilities	216,153
Travel	83,659
Printing and reproduction	45,842
Supplies and material	27,374
Transportation	17,457
Other services	<u>17,983</u>
Total obligated	a/ <u>1,674,089</u>
Unobligated balance	a/ <u>\$ 325,911</u>

a/An additional \$39,321 in obligations were recorded in February 1981, leaving an unobligated balance of \$286,590 as of February 23, 1981. All obligations were incurred during the period November 5, 1980, to January 20, 1981, as required by the Transition Act. For accounting purposes, however, valid obligations will continue to flow into the system for actual payment for some time after January 20, 1981.

Following are brief descriptions of the purposes for which the appropriated funds had been obligated as of January 31, 1981.

Personnel compensation-\$1,174,008

The President-elect's transition team consisted of a total of 1,559 staff members, of whom 311 were salaried employees. An additional 331 of the staff received a token salary of \$1.00 for the transition period and the remaining 917 staff received no remuneration from the Transition Act funds. Salary expenses totaled \$1,174,008, which included \$43,204 for eight employees detailed from Federal agencies on a reimbursable basis.

On a per annum basis, salaries ranged from approximately \$10,000 to \$49,000, with about 190 of the 311 salaried employees under \$20,000. Duties of the employees ranged from clerical responsibilities to senior policy advisor.

Personnel benefits-\$91,613

The transition team incurred personnel benefit costs of \$91,613 for its share of personnel benefits which included costs for health services, life insurance premiums, social security taxes, and contributions to the civil service retirement fund.

Rent, communications, and utilities-\$216,153

Obligations in this category included rental costs for office equipment and maintenance services by GSA for the principal transition team offices which were located at 1726 M Street, N.W., Washington, D.C. Also in this category were postage expense (both penalty mail and postage meter mail) and telephone services.

Travel-\$83,659

Costs incurred for travel included chartered aircraft furnished by the Department of Defense for several trips taken by the President-elect and Vice President-elect and in-flight services, car rentals and gas, travel expenses of the transition staff, and local travel expenses.

Printing and reproduction-\$45,842

Printing and reproduction costs consisted primarily of photocopying service, using equipment supplied and maintained by GSA, including the preparation of building entrance passes.

Supplies and materials-\$27,374

These costs consisted primarily of office supplies purchased from GSA self-service stores and commercial suppliers, such as envelopes, stationery, and subscriptions to newspapers.

Transportation-\$17,457

These obligations were for moving furniture and equipment into the building at 1726 M Street, N.W., and for express delivery service.

Other services-\$17,983

Costs included in this category were for contract guards at 1726 M Street, N.W., temporary secretarial services, and services provided to the President-elect at the Blair House.

FACILITIES AND SERVICES FURNISHED
AT NO COST TO THE TRANSITION APPROPRIATION

GSA furnished certain facilities and services at no cost to the incoming administration.

The November 5, 1980, agreement between GSA and the Office of the President-elect provided that office space and related services would be furnished by GSA. In some cases, the costs associated with these items were not charged to the Transition Act appropriation.

Section 490(j) of Title 40 United States Code, authorizes GSA to waive otherwise required charges for space and related services when it is determined that charges would be impractical or infeasible. Under this authorization, GSA determined that it would be infeasible or impracticable to charge for space or other items already in inventory, and not acquired specifically for transition purposes. 1/ The costs of other space or services would be charged to the Transition Act appropriation. A substantially identical arrangement was in force during the prior transition.

1/The Transition Act specifically directs the GSA Administrator to provide space, furniture, and like items "at such place or places within the United States" as the President-elect or Vice President-elect shall designate.

GSA provided 58,765 square feet of office space at no cost to the Office of the President-elect in the leased building located at 1726 M Street, N.W., Washington, D.C. GSA's 5-year lease on the building began in September 1978, and provides for annual lease payments of \$9.57 per square foot. GSA's cost for the portion of the building occupied by the Office of the President-elect during the period from November 5, 1980, to January 20, 1981, amounted to about \$117,000. GSA also provided furniture and equipment used in the building consisting of 886 chairs, 412 desks, 274 tables, 185 file cabinets, and 254 other miscellaneous office items. Since these items were in GSA's inventory they were provided without charge to the Transition Act appropriation.

In addition, GSA furnished about 2,500 square feet of space at no cost to the Vice President-elect in the federally owned building located at 734 Jackson Place, N.W., Washington, D.C. The Vice President-elect also used, at no cost, about 1,000 square feet of onhand office space assigned to the Office of Science and Technology Policy in the New Executive Office Building in Washington, D.C.

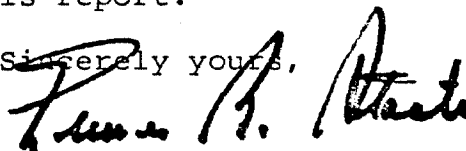
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A draft of this report was discussed with officials of the transition team and GSA, and their comments were taken into consideration in preparing this report.

We plan no further distribution of this report until 30 days from the date of the report unless you publicly announce its contents earlier. At that time we will send copies to interested parties and make copies available to others upon request.

We would be pleased to meet with you or your staff to discuss the matters contained in this report.

Sincerely yours,



Comptroller General
of the United States