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REPORT.

The Committee appointed "to enquire and report whether monies drawn from the Treasury have been faithfully applied to the objects for which they were appropriated, and whether the same have been regularly accounted for; and to report likewise whether any further arrangements are necessary to promote economy, enforce adherence to legislative restrictions, and secure the accountability of persons entrusted with public money," submit

THE FOLLOWING REPORT:

In order to ascertain generally in what manner, and under what checks, monies were drawn from the treasury of the United States, and were afterwards expended and accounted for, the committee applied to the Secretary of the Treasury, stating the several objects to which they intended to direct their enquiry; his answers under date of the second of March, and the 9th of April, are annexed to this report; to which, as well as the statements of the accountants of the war and navy departments, on the same subject, they beg leave to refer.

The committee deem it sufficient to state here, that all public monies are drawn from the treasury in virtue of warrants signed by the Secretary of the Treasury and countersigned by the comptroller, and are paid to the officers or agents to whom the same are due, or who are entrusted with their application; or when relating to the war or navy departments, they are placed in the hands of the treasurer, as agent for those departments, who disburses them on warrants drawn by the secretary of the department, and countersigned by the respective accountant.

For the general construction heretofore given by the treasury department to the various appropriation laws, the committee refer to the communication made to them by the Secretary of the Treasury on the 2d of March, and more particularly for the construction given to the annual appropriations for the support of the navy and army respectively, they refer to a report made by the late Secretary of the Treasury on the day of May, one thousand seven hundred and ninety-six, to the Committee of Ways and Means. From both of these it appears that the appropriations for the army and navy respectively, have been considered as constituting but one general fund for each of these objects, although in most of the laws making appropriations a variety of heads of expenditure were distinctly specified. If the general construction be correct, it may perhaps be said that in most instances monies have been *drawn* from the treasury in the manner prescribed by law. Some irregularities are stated to have occurred, where monies have been advanced upon the simple application of the Secretary of the Treasury by letter, without the formality of a warrant, and sometimes even without a previous appropriation, but in these cases the irregularity has been afterwards covered by subsequent warrants and appropriations, and the committee do not discover that it has been productive of any injurious consequence to the United States. The Secretary of the Treasury, in his communication of the second of March, having expressed a doubt whether the monies advanced on account of the removal of the seat of government from Philadelphia to Washington had been authorized by any previous law, the committee directed their attention to that object, and now offer the result.

The law establishing the permanent and temporary seat of government (passed on the 16th of June, in the year seventeen hundred and ninety,) provided, "that all offices attached to the seat of government should be removed to this district on the first day of December, in the year one thousand eight hundred, by their respective holders," and declared that the necessary expense of such removal should be defrayed out of the duties on impost and tonnage. This appropriation is indefinite in its nature and perhaps some contrariety of opinion may exist as to the extent of the expence it was intended to cover; but the committee conceive that a strict adherence to the letter of the law, would confine the appropriation to the expences actually incurred in removing the books, papers, records and furniture of the respective offices. From the document (marked G) hereto annexed, it appears that the sum of 15,893 dollars and twenty-three cents were paid for the transportation of the books, papers, records and furniture of the several offices, and the furniture of the President; and the sum of 32,872 dollars and thirty-four cents for expences incurred by the officers and clerks for the removal of themselves and families. In general the vouchers produced in support of these last mentioned expences are the stated accounts and the declarations of the officers and clerks, to whom the same were allowed. Transcripts of the accounts of the officers only are annexed, those of the clerks being too numerous to be detailed. From these accounts (which are marked *g* 1, to *g* 12, inclusive) it will be seen that the charges consist of travelling expences, losses on the sale of articles thought too inconvenient to remove, packing, breakage and transportation of furniture, house rent in Philadelphia, and *extra* expences after their arrival at the city of Washington. As all the officers & clerks were, at the time, in the service and pay of the government, and received the full amount of their salaries, exclusively of these extraordinary allowances, and as the act of June, 1790, provided only for defraying the expences incident to the removal of the offices, the committee are of opinion that this sum of 32,872 dollars and 34 cents was drawn from the treasury and expended without any legal authority.

The manner in which monies drawn from the treasury under previous appropriations have been afterwards applied, presents a subject of enquiry of more difficulty and importance.

The expences in relation to the civil list, being *chiefly* for salaries, are not otherwise liable to abuse, than in cases where monies advanced to agents have not been applied to the objects for which the advance was made, and have not been afterwards regularly accounted for.—Amongst the subordinate agents to whom monies have been advanced for miscellaneous objects, of a civil nature, some appear to be delinquents, and some not to have rendered their accounts, as will be seen by a reference to the document marked D, herewith reported.

The monies necessary to defray the expences incident to the intercourse with foreign nations, have, till lately, been paid to the Secretary of State, who used to disburse the same. The accounts of Messrs. Jefferson, Marshall and Madison, who have, at various periods, filled that appointment, have been settled, and no balance is due thereon. A suit not yet decided, has been instituted against Mr. Randolph, formerly secretary of state, for a balance unaccounted for by him. The accounts of Mr. Pickering are not yet finally settled. He remains charged with a sum of 3,383 dollars and 20 cents, erroneously paid by him for the freight of a vessel supposed to have been employed by the consul at Tripoli, and with another sum of 3,289 dollars and 50 cents, being the balance of an advance made to Samuel Hodgdon, for the purpose of being remitted to Mr. Humphreys, at Madrid, in part of his salary, which Mr. Humphreys did not receive. Both these sums it is believed may, and will be recovered from the persons to whom they were respectively advanced. But the principal reason which appears to have prevented an ultimate settlement with him, arises from the circumstance of his not having applied the whole of the money drawn by him from the treasury, to the specific objects for which it was appropriated by law. For the extent and result of this misapplication, the committee refer to the statement (marked C) accompanying the communication of the Secretary of the Treasury, under date of the 2d of March. From this statement it appears, that Mr. Pickering drew from the treasury under the appropriations made "for defraying the expences incident to the intercourse with foreign nations, for negociating treaties with the Barbary powers, and for the contingent expences of government," the sum of 63,999 dollars and 57 cents more than he applied to those several objects, which, together with the sum of 14,588 dollars and 54 cents gained by him on the purchase of bills of exchange for the use of the government, form an aggregate of 78,588 dollars and 11 cents. The same statement (C) will shew that the whole of this sum was expended by him on objects of a public nature (as far as the committee can ascertain the fact,) but this expenditure having been made from appropriations designed for other objects by law, the misapplication of the money has prevented the comptroller of the treasury from settling his accounts.

Although the committee will not say there are no cases in which a public officer would be justified in applying monies appropriated to one object, to expenditures on another, yet they are of opinion that in every deviation the necessity for the application ought to be for some obvious benefit to the United States, and in every such case, a disclosure thereof to congress ought to be made, at the next session which should immediately thereafter ensue.

The monies which have been advanced to the several secretaries of state, have been remitted by them principally to ministers, consuls and other agents abroad, whose accounts are not yet rendered, (although many of them are of an old date) and the committee cannot say how, or in what manner, the money has been expended.

The advances necessary for defraying the expenses of the military and naval establishments were formerly made in part to individuals who have accounted directly with that department; but since the law of the 16th of July 1798, the whole of the monies have been paid to the treasurer as agent for these two departments, and have been subject to the drafts of the respective secretaries. The letter of the secretary of the treasury, under date of the ninth of April, accompanied by sundry abstracts, (marked from A 1, to A 9, inclusive) together with the statements of the two accountants, (marked K, e 1, e 2, e 3, and F respectively) herewith reported, exhibit the amount advanced, settled and remaining unaccounted for, in each department. From these it appears, that from the 1st day of January 1797, to the end of the year 1801, the advances made by the treasury on account of the war department, have amounted (exclusively of a sum in the hands of the treasurer) to 9,846,963 dollars 29.100.

	Dolls.	Cts.
Of which there have been paid to individuals who have accounted with, or are accountable to the treasury, a sum of	1,390,238	22
And there have been paid, by virtue of the warrants of the secretary of war, or to individuals accountable to the war department, the sum of	8,456,725	7
Making an aggregate equal to the above sum of	9,846,963	29
To which is to be added a balance remaining unaccounted for, on the books of the accountant, on the 1st of January, 1797,	1,756,391	36
Making in the whole a sum chargeable to the war department, from the year 1797 to 1801, (both inclusive) of	10,213,116	43

Of which the accountant has settled and rendered to the treasury, accounts to the amount of 6,335,923 dollars & 93 cents; leaving a balance of 3,877,192 dollars and 50 cents unaccounted for, or not yet settled.

	Dols.	Cts.
The monies advanced to the navy department, from its establishment in 1798, to the 31st of March 1801, exclusively of the sum paid by the treasury to individuals, amount to	9 981,313	73
Of which sum, accounts have been settled by the accountant, and rendered to the treasury, to the amount of	5,810,661	98
Leaving an unaccounted for or unsettled balance of	4,170,651	75
Dollars	9,981,313	73

These sums differ in amount, nominally, from those contained in the statement annexed to the letter of the secretary of the treasury, of the 2d of March, but the difference is explained, and the actual amount proved to be the same in the letter, and statements of the 9th of April.

The statements of the accountants, although they exhibit balances apparently unaccounted for, to a large amount, will likewise shew that accounts have been rendered for a considerable portion, which are in a train of settlement, but not finally closed.

The late hour at which the voluminous documents accompanying this report were received by the committee, (upon the 9th of April), and the labour necessary to investigate such a mass of accounts, and of advances unaccounted for, particularly in the war and navy departments, embracing an expenditure of 30 millions of dollars, have rendered it impossible for the committee consistently with their attention to their other duties, to form an opinion as to the manner in which this sum has been expended. But from the partial view which they have taken, they beg leave to present some facts and principles which they believe to be worthy of the notice of congress.

There are two previous requisites which are necessary to justify the expenditure of public money, and without which no legal expenditure can be made; First, that the expenditure for the object to which it is applied, should be authorised by law;—and Secondly, that an appropriation should have been made to cover that authorised expense. In the war and navy departments, this rule does not appear to have been strictly adhered to in all cases; but for the reasons above assigned, the committee have been unable to ascertain how far it has been departed from. The most prominent instances which have yet presented themselves, are herewith stated:

By an act passed on the 25th day of February, in the year 1799, an authority was given to the President of the United States, to cause to be built six ships of war, to be armed with, and to carry not less than 74 guns each, and to build or purchase six sloops of war to be armed with 18 guns each. In part of the necessary expenditures for these objects, a sum not exceeding one million of dollars was appropriated by the same law. And by another act passed on the same day, it was declared that two docks should be erected in suitable places, under the direction of the President of the United States, for the convenience of repairing the public ships, and the sum of 50,000 dollars was appropriated for that purpose, and by another act passed on the same day, the sum of 200,000 dollars was appropriated to be laid out in the purchase of growing or other timber, or of lands on which timber is growing suitable for the navy, and to cause the proper measures to be taken to have the same preserved for the future uses of the navy. Under this authority, only, the then secretary of the navy expended the sum of 135,846 dollars and ninety-two cents, in the purchase of six navy yards at Portsmouth, Charlestown, (Mas.) New-York, Philadelphia, Gosport, (Virg.) and the city of Washington. For this expenditure the committee conceive that no authority was given by law, nor any appropriation made except for the two docks abovementioned, as the sum of one million of dollars was appropriated by the act of 1799, for building or purchasing the ships only, and the sum of 200,000 dollars for the purchase of timber. As public ships of war had been, before, built under a similar authority for the use of the United States, at private yards, and as congress did, at the same time that they authorised the building or purchasing the ships, provide for the erection of *two* docks *only*, the committee are of opinion that four of the navy yards were purchased without authority, and the money misapplied which was paid for them.

In the war department there likewise appears to have been a transaction equally unauthorized. In the year a pile of buildings was commenced under the directions of the then secretary of war, on the banks of Schuylkill near the city of Philadelphia, which have, since, been carried on in a manner highly expensive. These buildings have been called a *Laboratory*, and although yet in an unfinished state, have already cost the United States 152,608 dollars and five cents, which sum has been paid out of the appropriations heretofore made for the quarter-master's department. The committee are of opinion that this expenditure of money could not be justified at any time, but more particularly at a moment when the United States were borrowing money at a high rate of interest to meet objects which the legislature considered as necessary, and had sanctioned by law.

The committee beg leave likewise to refer to an important principle formerly settled by the executive, and actually practised upon in the war department, in relation to the expenditure of public money, which they deem improper in a government like ours, where taxes cannot be imposed but by public consent, and where monies, arising from those taxes, cannot be disbursed but upon the authority of a law previously passed by the representatives of the nation. By an act passed on the ninth of February, in the year 1793, the President is directed to cause the monies drawn from the treasury, for the purpose of intercourse with foreign nations, to be settled, by causing the same to be accounted for specifically in all cases wherein the expenditure thereof may, in his judgment, be made public; and by making a certificate or certificates, or causing the secretary of state to make a certificate or certificates of the amount of such expenditure, as he may think it advisable not to specify; and such certificates are to be taken as sufficient vouchers for the sums expressed to have been expended. The policy of this law the committee do not intend to question, but it is clear that it extends only to cases of compensation for what are usually termed "*secret services*" that may be rendered to the United States in their intercourse with foreign nations. The section above recited has been ingrafted into two laws passed in the respective years of 1798 and 1800, but in every law on the subject, it has been expressly confined to foreign intercourse, and in the act of 1800 is farther limited to the *contingent* expences only of foreign intercourse. It has not, therefore, been without considerable surprize that the committee have seen the same principle applied to the expenditures of the war department.

In the instructions given by the secretary of war to the accountant of the war department, in his letter of the 28th of Dec. 1797, herewith reported and marked L, a rule is positively laid down, that expenditures for secret services rendered in relation to the duties of the war department are to be admitted. And on the 20th day of December, in the year 1799, the secretary of the treasury made a report on this subject to the President of the United States, (subjoined and marked M) in which the principle is again recognized as applicable to the departments of state, war and navy. On the subsequent day the President accordingly signed two certificates as vouchers for monies said to have been expended in relation to the duties of the war department, which certificates are annexed to this report, and are marked N and O. The committee entertain no doubt as to the illegality of this measure, as it is authorized by no law whatsoever, and they had flattered themselves that the federal government required no services of any nature which ought to be concealed from the officers of the treasury, or from the legislature. They consider these facts as coming properly under the head of expenditures, not authorized by law.

Two other cases of exceptionable expenditure in the war department, have been sufficiently examined to warrant a report upon them. The first relates to an appointment conferred by the late President on Uriah Tracey, Esq. in the summer of the year 1800, while he was a member of the senate of the United States:—The second relates to a payment made, from the contingent fund of the war department to Mrs. Ariana French, of Georgetown, in the month of July, 1800: neither of these are very extensive in amount, but both deemed important for the precedents they may hereafter furnish.

It appears, from a document herewith exhibited and marked P, that Mr. Tracey was appointed "to visit and examine into the actual state of the garrisons, Indian trading houses, factories, &c. in the North Western Territory, on the Mississippi and on the frontiers of Tennessee and Georgia," and that Mr. Tracy received for this service the sum of one thousand nine hundred and eighty five dollars and five cents; seven hundred and fifty three dollars and five cents being for travelling and other incidental expences, and twelve hundred and thirty two dollars for his compensation, from the sixteenth of June to the sixteenth of November, in the year one thousand eight hundred, at eight dollars per day: From the account exhibited by Mr. Tracy for his expences, it will be seen that during these five months he visited Pittsburgh, Presque Isle, Niagara, Detroit and Michillimackenack, but did not fulfil the other objects of his mission.

The committee cannot forbear to remark, that Mr. Tracy's acceptance of this appointment has the appearance at least of inconsistency with that part of the constitution which provides that "no person holding an office under the United States shall be a member of either house of congress." Mr. Tracy was at the time of receiving the appointment, during the whole of its continuance, and has ever since been a member of the senate of the United States; and from an inspection of the pay roll of the senate, the committee find that, for the last seventeen days of the five months of his service, under the above appointment, he not only had his expences borne by the public to a considerable amount, and received likewise eight dollars per day, but that he at the same time received, as a member of the senate, six dollars per day for travelling from Litchfield, in Connecticut, to the seat of government; a distance of three hundred and forty four miles—twenty miles being allowed for travelling one day.

James M'Henry, Esq. former secretary of war, resigned that office, it is believed, in the month of May, 1800, and