



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

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ACCOUNTING AND FINANCIAL  
MANAGEMENT DIVISION

B-207735

JUNE 18, 1982

The Honorable John F. Lehman  
Secretary of the Navy

Subject: Additional Controls Are Needed Over Navy Relief  
Fundraising Activities (GAO/AFMD-82-62)

Dear Mr. Secretary:

The Navy Relief Society, founded in 1904, provides interest-free loans or grants to active duty and retired Navy and Marine Corps servicemen and women and their dependents during valid emergencies. The Society receives its funds through annual Navy-sponsored voluntary fundraising campaigns.

On May 5, 1981, we received an allegation from a Navy employee over our "Fraud Hotline" that plans for the 1981 Navy Relief Society Fundraising Campaign at Puget Sound Naval Supply Center (PSNSC) in Bremerton, Washington, violated State and Federal regulations and Navy policies and instructions. The PSNSC campaign plans were alleged to include the raffling of liquor and beer and the use of civilian employees as campaign organizers. The employee believes that these activities are improper and that they are also occurring at other Navy installations. The caller further alleged that employees were complaining that campaign activities interfered with official work and, as a result, jobs are backlogged.

We initiated an inquiry into the allegation under control number 18059. During the course of our inquiry, we interviewed Navy officials, collected and reviewed documents, and investigated campaign activities. As a result of our inquiry, we believe additional controls over Navy Relief fundraising activities are needed.

In February 1981, the Secretary of the Navy issued SECNAVNOTE 5340, authorizing all Navy commanding officers to begin their 1981 fundraising campaign in support of the Navy Relief Society. This authorization granted a limited exemption to the prohibition on gambling, betting, and lotteries on Government owned, leased, and controlled property by permitting commanders to conduct raffles and similar games of chance. Two conditions were placed on this exemption:



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--The commanding officer must determine that the proposed raffle will be consonant with local law and must give full consideration to all relevant community relations implications.

--The commanding officer must establish adequate administrative controls, including audit, to ensure that all proceeds after expenses, are donated to the Navy Relief Society.

PSNSC conducted its campaign from May 15 through June 5, 1981, highlighted by a 3-day carnival on May 27, 28, and 29. The campaign raised \$4,400 after expenses and collected \$700 in contributions from Navy officers. PSNSC's commanding officer made oral announcements to department heads limiting the time to be spent on the Navy Relief Campaign. For example, he limited the carnival to 2 hours per day and allowed employees an extra half-hour during lunch to attend the carnival. The PSNSC cost accounting system shows that approximately 546 hours were charged to Navy Relief activities, and approximately half of those hours were charged by 20 civilian employees who were designated as key personnel in the campaign (out of a civilian work force of 530 employees). Navy Civilian Manpower Management Instruction (CMMI) 790.9 was cited as the authority for excusing employees during working hours to solicit and collect funds for the Navy Relief Society without charging leave. However, Navy Judge Advocate General officials stated that, in their opinion, civilian employees should not be used as campaign fund solicitors.

The 1981 campaign at PSNSC did include a beer raffle but not a liquor raffle. In addition, our auditors witnessed a five-card stud poker game in which one-fourth of the winnings were donated to the Navy Relief Society. PSNSC officials were not sure whether the campaign activities were legal or appropriate, and said that the campaign had not been audited or inspected to determine the same.

Our inquiry was limited to the PSNSC campaign only. However, Navy officials informed us that other commands conduct similar or even more extensive campaigns. For example, a Navy official estimated that the 5,000 employees at the Ship Parts Control Center in Mechanicsburg, Pennsylvania, raised \$35,000 during a recent campaign.

We conclude that the Navy lacks adequate formal guidance defining (1) what activities are permissible during Navy Relief Society campaigns, (2) who may be excused from work to participate in the campaigns, and (3) how much official time may be spent on the campaigns. As a result of this lack of guidance, the PSNSC campaign exceeded what is permitted by State and Federal regulations, as well as what was intended by the Secretary of the Navy. For example, the Washington State Administrative Code prohibits liquor and beer to be raffled in Washington State jurisdictions.

Although PSNSC is not a State jurisdiction, the Navy Relief Society campaign activities are required to be consonant with local laws. Also, the Navy Office of the Judge Advocate General (JAG) indicated that poker and similar card games are not within the limited gambling exception authorized by the Secretary of the Navy.

Navy officials generally agreed with our findings and conclusions. The 1982 SECNAVNOTE authorizing the Navy Relief Society campaign has been modified to reflect that (1) civilian personnel should not be assigned to work in their official capacities in support of the campaign and (2) the gambling exception authorizing raffles and similar games of chance will not extend to card games such as poker or blackjack. JAG officials also indicated that the civilian personnel division is predisposed to amending Navy CMMI 790.9 to reflect the fact that the authorization of solicitation does not authorize commands to use civilian employees during working hours in support of the campaign.

#### RECOMMENDATIONS

We feel these actions are appropriate; however, we feel additional command attention is needed. We recommend that commands develop clear and definitive guidelines ensuring compliance with Navy fundraising policy. These guidelines should ensure consistency in the administration of future campaigns by providing for

- an emphasis on compliance with local, State, and Federal regulations;
- clear guidelines on who may be used in support of the campaign; and
- establishment of internal administrative controls over fundraising activities.

To ensure command compliance in future campaigns, we recommend that Navy Relief Campaign fundraising be evaluated under the Naval Command Inspection Program. This would assure that proper administrative controls will be established before future Navy Relief Society fundraising activities are conducted.

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This report contains recommendations to you. As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on

actions taken on our recommendations to the Senate Committee on Governmental Affairs and the House Committee on Government Operations not later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

Sincerely yours,

A handwritten signature in cursive script that reads "W. D. Campbell".

W. D. Campbell  
Acting Director