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**Contribution Accounts Delegated to the Assistant Secretary for  
Intergovernmental and Interagency Affairs**

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**FINAL AUDIT REPORT**



**Control Number ED-OIG/A17-B0018  
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Our mission is to promote the efficiency,  
effectiveness, and integrity of the Department's  
programs and operations.



U.S. Department of Education  
Office of Inspector General  
Financial Statements Internal Audit Team  
Washington, DC

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Statements that managerial practices need improvements, as well as other conclusions and recommendations in this report represent the opinions of the Office of Inspector General. Determinations of corrective actions to be taken by the appropriate Department of Education officials.

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# Contribution Accounts Delegated to the Assistant Secretary for Intergovernmental and Interagency Affairs

Executive Summary .....	1
Audit Results.....	2
GAO Standard - #1 Control Environment.....	3
GAO Standard - #2 Risk Assessment.....	4
GAO Standard - #3 Control Activities .....	5
GAO Standard - #4 Information and Communication .....	11
GAO Standard - #5 Monitoring.....	13
Other Matters .....	14
Department Comments .....	15
Background.....	16
Objective, Scope, and Methodology.....	17
Appendix A – Department’s Comments .....	19

## Executive Summary

The Department of Education Organization Act authorizes the Secretary of Education “to accept, hold, administer, and utilize gifts, bequests and devises of property, ... for the purpose of aiding or facilitating the work of the Department.” In August 1994, the Assistant Secretary for the Office of Intergovernmental and Interagency Affairs (OIIA) received delegated authority from the Secretary of the U.S. Department of Education (Department) “to solicit, accept, hold, administer, and utilize ... gifts that are earmarked for a specific event, such as a conference, meeting, or ceremony.” These gifts (donations) are accounted for in one of 20 accounts (also referred to as projects or limitations) within the Department’s Contribution Fund. For the delegated accounts, in fiscal years (FY) 2000 and 2001, the Department recorded the receipt of 54 donations totaling \$1,046,800. On September 30, 2001, the unobligated balance in the accounts delegated to OIIA was \$100,046.

Our objectives were to determine if (1) controls over the receipt and disbursement processes for the contribution accounts delegated to the Assistant Secretary for OIIA were adequate, and (2) controls over the accounting for the activity in those contribution accounts were adequate.

Based on our audit, we have determined that controls over (1) the receipt and disbursement processes and (2) the accounting for the activity in the contribution accounts delegated to the Assistant Secretary for OIIA are not adequate. The control system does not meet General Accounting Office’s (GAO) *Standards for Internal Control in the Federal Government*. As a result, the following occurred:

- A donation was not cleared by the Office of the General Counsel (OGC).
- Some expenses were unrelated to the purposes of the donations.
- Documentation was insufficient to determine specifically for what purpose two donations were spent.
- The unobligated balance for one account was understated by \$4,011, or four times the recorded balance.

We recommend that the Assistant Secretary for OIIA provide written delegations of authority to staff, conduct a risk assessment, strengthen control activities, prepare financial reports, and develop a monitoring strategy. We also recommend that the Chief Financial Officer designate fund balance at Treasury at the account level in the proprietary accounts and reconcile the proprietary accounts and the budgetary accounts.

During our audit, we discussed the issues above and other control weaknesses we identified with OIIA. OIIA has initiated steps to address some of the control weaknesses.

During our audit, we noted another matter that warrants consideration by the Assistant Secretary for OIIA. The statute authorizing the Department to accept gifts does not

specifically state that the Department has the authority to solicit. We recommend that the Assistant Secretary for OIIA request OGC to reexamine this issue in light of recent laws that specifically provide Federal Agencies with the authority to solicit.

OIIA generally concurred with our findings and recommendations. The full text of the OIIA's response is included as Appendix A.

## **Audit Results**

Based on our audit, we have determined that controls over the receipt and disbursement processes and the accounting for the activity in the contribution accounts delegated to the Assistant Secretary for OIIA are not adequate. We evaluated OIIA's control system over the contribution accounts delegated to the Assistant Secretary for OIIA in effect during FYs 2000 and 2001. For the purpose of this report, we assessed and classified the management control structure for the receipts, disbursement, and accounting processes under the five standards from the GAO's *Standards for Internal Control in the Federal Government*.<sup>1</sup>

1. Control environment – “Management and employees should establish and maintain an environment throughout the organization that sets a positive and supportive attitude toward internal control and conscientious management.”
2. Risk assessment– “Internal Control should provide for an assessment of the risks the agency (OIIA) faces from both external and internal sources.”
3. Control activities– “Internal control activities help ensure that management's directives are carried out. The control activities should be effective and efficient in accomplishing the agency's control objectives.”
4. Information and communication– “Information should be recorded and communicated to management and others within the entity who need it and in a form and within a time frame that enables them to carry out their internal control and other responsibilities.”
5. Monitoring– “Internal control monitoring should assess the quality of performance over time and ensure that the findings of audits and other reviews are promptly resolved.”

The Assistant Secretary for OIIA and the management of OIIA are responsible for establishing and maintaining a management control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a control

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<sup>1</sup> (GAO/AIMD-00-21.3.1, November 1999)

system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that the transactions are executed in accordance with management's authorization and recorded properly, so as to permit effective and efficient operations.

Because of inherent limitations in any management control structure, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate.

Based on our assessment, we determined that the control system does not meet GAO's *Standards for Internal Control in the Federal Government*. As a result, the following occurred:

- A donation was not cleared by the Office of the General Counsel (OGC).
- Some expenses were unrelated to the purposes of the donations.
- Documentation was insufficient to determine specifically for what purpose two donations were spent.
- The unobligated balance for one account was understated by \$4,011, or four times the recorded balance.

Below we have grouped the conditions we found under the five internal control standards from GAO's *Standards for Internal Control in the Federal Government*. During our audit, we discussed the conditions listed below with OIIA. OIIA has begun corrective actions to address some of the control weaknesses.

## **GAO Standard - #1 Control Environment**

### **Delegations of authority did not comply with Department policy.**

The Secretary's delegation of authority permits the Assistant Secretary for OIIA to redelegate. Staff in OIIA informed us that the current and previous Assistant Secretaries for OIIA have verbally authorized managers and staff in OIIA to solicit and accept gifts.

The Departmental Directive on "Delegations of Authority" states:

The transfer of authority must be stated in writing and signed by the official authorized to delegate the authority.

The control environment over contribution accounts delegated to the Assistant Secretary for OIIA can be strengthened if authority and responsibility are clearly assigned and communicated.

*GAO's Standards for Internal Control in the Federal Government* states:

Authorizations should be clearly communicated to managers and employees.

Written delegations would help ensure that authority and responsibility are clearly communicated.

### Recommendation to Strengthen Control Environment

We recommend that the Assistant Secretary for OIIA:

- 1.1 Provide written delegations of authority to staff involved with the contribution accounts. Those delegations should indicate the scope of authority being delegated.

### **GAO Standard - #2 Risk Assessment**

**A risk assessment of the contribution accounts delegated to OIIA had not been done.**

Prior to this audit, a risk assessment of the contribution accounts delegated to OIIA had not been done. As part of this audit, we discussed with staff from OIIA, OGC, Office of the Chief Financial Officer (OCFO), and Budget Service the objectives of the accounts, the risks inherent in the process, and the consequences and likelihood of those risks occurring. We also discussed what control activities had been established to provide reasonable assurance that objectives are met.

*GAO's Standards for Internal Control in the Federal Government* states:

Management needs to comprehensively identify risks and should consider all significant interactions between the entity and other parties as well as internal factors at both the entity-wide and activity level.

A risk assessment can provide the basis to determine the nature and type of control activities needed. The lack of a risk assessment coupled with weak monitoring, discussed later in this report, contributed to other control weaknesses not addressed by not identifying risk and weaknesses in control activities.

### Recommendations on Conducting a Risk Assessment

We recommend that the Assistant Secretary for OIIA:

- 2.1 Meet periodically with staff in the other offices involved with the contribution accounts to discuss the objectives, risks, and controls in the processes. Based on these discussions, update the risk assessment for the

contribution accounts. As appropriate, modify existing controls or institute new controls to address risks identified.

- 2.2 Include a requirement for a periodic risk assessment as a part of the Assistant Secretary's delegation of authority to OIIA staff involved with the contribution accounts.

### **GAO Standard - #3 Control Activities**

For the contribution accounts, the Department and OIIA have established control activities over the receipt, disbursement, and accounting processes. In this section, we discuss control activities for each process separately.

#### **Control Activities in the Receipt Process**

The Department established a clearance process for the acceptance of donations to prevent conflict of interest. For donations to the contribution accounts delegated to the Assistant Secretary for OIIA, OGC reviews a list of potential sponsors prior to the sponsors being contacted to support a particular activity. The donations from the sponsors on that list are cleared by OGC only for that particular activity. Additional donations from those sponsors require a new clearance. The clearance process is documented in e-mail messages.

During our review, we identified a donation that was not cleared by OGC. We also found that the responsibility for receiving checks was not separate from the responsibility for soliciting donations and that documentation in OIIA's central files was incomplete.

#### **A donation was not cleared by OGC.**

One of the 18 donations we selected to review was not cleared by OGC. Specifically, the Department received a donation in March 2001 from the Daimler Chrysler Corporation Fund for \$25,000 for the School Recognition or Blue Ribbon project. Attached to that donation was an OGC clearance dated April 5, 2000, for Daimler Chrysler Corporation. This April 5, 2000, clearance was also attached to a \$6,000 donation from Daimler Chrysler Corporation Fund in May 2000 for the "Building Partnerships for the New Century" event.

We contacted OGC to determine if there was another clearance for one of these two donations. OGC's records confirmed the one clearance on April 5, 2000. OGC also indicated that the April 2000 clearance might not apply to a March 2001 donation because situations may change over time, making a previously acceptable donation unacceptable at a later date. Therefore, the clearance on April 5, 2000, appears to have been intended for the May 2000 donation and the March 2001 donation was not cleared.

The Secretary's Delegation of Authority states:

The authority under this delegation to accept gifts, bequests, and devises of property, both real and personal, or unconditional gifts of services, may not be exercised without advance written concurrence by the Office of General Counsel.

Accepting donations without written concurrence by OGC could result in a conflict of interest.

**The responsibility for receiving checks from sponsors was not separate from the responsibility for soliciting donations.**

Staff in OIIA told us that sponsors were instructed to mail checks to the staff member who solicited the sponsor for the donation. When the check arrives, the staff member who solicited the donation prepared a memorandum to transmit the check to OCFO and gave the memorandum and the check to another staff member in OIIA. That person then took the check to OCFO.

*GAO's Standards for Internal Control in the Federal Government* states:

Key duties and responsibilities need to be divided or segregated among different people to reduce the risk of error or fraud. This should include separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets.

Soliciting donations and receiving the checks from the donors are key duties that should be divided among different people. To ensure that checks are received from the sponsor, the person receiving the checks would need to be diligent in monitoring the checks being received. In many cases, the timeframe between the identification of a need for funds and the need for the funds is short. Having a second person monitor for the receipt of the check and deposit that check with OCFO would strengthen overall control.

**The documentation in OIIA's central files on receipts was incomplete.**

We also found that the documentation in OIIA's central files on receipts was insufficient to demonstrate compliance with the Department's policies on clearance, timely deposit with OCFO, and recording in the accounting records. Specifically,

- The documentation in the central file for two of the 18 receipts we selected to review did not include an OGC clearance. Ultimately, the clearances for these two donations were provided.
- The central file did not include documentation of the date the check was transferred to OCFO. Such documentation provides evidence that checks are deposited with OCFO in a timely manner.

- The central file did not include documentation on the purpose of the donation, such as a letter to or from the sponsor. Such a letter provides evidence that the donation was assigned to the correct project in the accounting records.

In addition, we noticed that the e-mail messages that document the OGC clearances were not always precise about what the clearance was for. For example, the April 5, 2000, clearance for Daimler Chrysler Corporation was for “Blue Ribbon and other stuff.” Since clearances are for each activity, the activity should be specifically stated in the e-mail messages.

GAO’s *Standards for Internal Control in the Federal Government* states:

Internal control and all transactions and other significant events need to be clearly documented, and the documentation should be readily available for examination.

The documentation in OIIA’s central files should be readily available to demonstrate compliance with Department policies and procedures. To address these issues, OIIA has already begun to include the letter to the sponsor in the central files for the receipts. The letter provides documentation of the donation’s purpose. The transmittal letter to OCFO now includes a list of the attachments: OGC’s clearance and the correspondence to or from the donor. Preparing such a list should promote better documentation.

#### Recommendations to Strengthen Control Activities over the Receipt Process:

We recommend that the Assistant Secretary for OIIA:

- 3.1 Instruct staff to clearly identify the activity to receive the donation when requesting clearances from OGC.
- 3.2 Separate the responsibilities for the solicitation of funds from the receipt of checks. The person responsible for receiving the checks would also be responsible for ensuring that all the checks are received.

We recommend the General Counsel:

- 3.3 Instruct staff to clearly identify the activity to receive the donation when responding to requests for clearances and be more specific on what entities are being cleared.

#### Control Activities in the Disbursement Process

OIIA developed Request Forms for purchase orders, third party drafts, and purchase cards to document approvals and the purposes for the expense. These forms provide for the approval of expenses by the team leader, executive officer, and chief of staff. During our review, we identified some expenses that were unrelated to the purposes of the donations. We also found that for some expenses supporting documents were incomplete and evidence of approval was missing.

**Some expenses were unrelated to the purposes of the donation.**

Expenses should be assigned to accounts based on the purpose of the donation. We identified expenses that were unrelated to the account to which the expense was charged. For example, the following expenses paid from the Higher Education Meetings Account lacked supporting documentation linking the expense to that account:

- Luncheon at the National Press Club for 15 guests - \$476
- Performance at the U.S. Brazil Conference - \$500
- Luncheon for the Hero's award program - \$2,000
- A working dinner related to the Memorandum of Understanding (MOU) with Northern Ireland - \$388

The total expenses in this account were \$32,179. The remaining expenses in this account were spent for a Summit on Teacher Quality.

In another example, in December 1999, the Department paid \$21,570 for 55,000 bags to be handed out during “America Goes Back to School” events. Part of the cost, \$5,306, was charged to the Education Technology Conference project because there were not sufficient funds in the America Goes Back to School project. As of September 30, 2001, the \$5,306 had not been returned to the Education Technology Conference project nor was there sufficient balance in the America Goes Back to School project to return the funds.

In most cases, a donor specifies the use for a donation, sometimes broadly and sometimes narrowly. As with all funding, donated funds provided to the Department for a particular purpose should be used for that purpose. When donated funds are used for other purposes not specifically authorized by the donor, the Department’s integrity may be negatively affected.

**Supporting documentation for some expenses was incomplete.**

The documentation in the central files on some expenses was insufficient to demonstrate readily the appropriateness of the expense. Documentation should provide information on what the expense was for, how much the expense was, and how the expense relates to the account it is charged against.

We found that some payments from contribution accounts were for charges on a credit card used for office travel. The supporting documents for these payments in the central files were the first pages of the credit card statements. There was no explanation of the charges paid by the contribution accounts.

We also found that the supporting documents for an expense of \$150 included only the request forms. There was no invoice attached. In another example, the request form indicated an expense of \$500 while the actual expense was \$600. There was no indication that the additional \$100 expended was authorized. The explanation on the request form for another expense of \$140 was “food for special lunch.” There was no documentation on how this lunch related to the project that paid for it.

GAO’s *Standards for Internal Control in the Federal Government* states:

Internal control and all transactions and other significant events need to be clearly documented, and the documentation should be readily available for examination.

**Evidence of approval of some expenses was missing.**

We reviewed the Request Forms and other supporting documents to determine that the executive officer and at least one other person, for example, a team leader, approved each expense. We randomly selected 30 expenses for each of FY 2000 and 2001 for review.

- For FY 2000, eight expenses in the sample of 30 (or 26 percent) did not have all the signatures for approval.
- For FY 2001, seven expenses in the sample of 30 (or 23 percent) did not have all the signatures for approval.

In some cases, the Request Form, which contains a space for approvals, was not included in the supporting documents. In other cases, the spaces for approval on the Request Form were blank. The executive officer indicated that his review was to determine availability of funds and allowability in accordance with government regulations. His review did not include determining if the expense related to the purpose of the donation. By reviewing the expenses, management helps ensure that the expense is appropriate.

Recommendations to Strengthen Control Activities over the Disbursement Process:

We recommend that the Assistant Secretary for OIIA:

- 3.4 Define responsibilities in the approval process to ensure that someone is specifically charged with determining that the expense relates to the purpose of the donation.
- 3.5 Require that OIIA’s Request Forms be filled out completely.

**Control Activities in the Accounting Process**

The Department established accounts or projects within the Contribution Fund to provide accounting and funds control over the donations. Accounting control is provided by the donation and the expenses paid with that donation being recorded in the same account. During our review, we found that the unobligated balance for one account was understated by \$4,011, and that donations assigned to the Receptions Account were not

subject to specific, individual, donation-by-donation accounting or fund control, although the account itself was subject to the same accounting or fund control as every other account.

**The unobligated balance for one account was understated by \$4,011, or four times the recorded balance.**

Our review showed that the unobligated balance for one account was understated. Specifically, at September 30, 2001, the unobligated or available balance for the Hispanic American Initiative was \$651. This balance did not include a refund of \$3,015 that was received in August 2000. OIIA had the refund deposited in a timely manner, but it did not deobligate the funds from the purchase order in a timely manner. In addition, OIIA should have deobligated \$996 when the final bill was paid in April 2000 for less than the amount obligated.

**Donations assigned to the Receptions Account were not subject to specific, individual, donation-by-donation accounting or fund control.**

OIIA used 20 separate accounts to record the receipts and expenses. Nineteen of the 20 accounts were for specific activities and contain only a few donations. For donations recorded in these 19 accounts, OIIA could determine what expenses were paid with the donations.

The remaining account, the Receptions Account, was used for several activities. In FYs 2000 and 2001, 24 different donations were recorded in the Receptions Account. According to staff in Budget Service, the Receptions Account was established because setting up a project in the accounting system for every donation would place a heavy burden on the system. We determined that the information in the accounting system was not sufficient to determine what expenses were paid for each specific donation because all the donations are commingled. However, we were able to identify expenses for the Receptions Account as a whole.

We selected two donations recorded in the Receptions Account and requested OIIA to identify the expenses paid for by each donation. We found that:

- For a July 2001 donation of \$40,000 to support the Principal Leadership Summit, OIIA identified expenses of \$32,432 or 80 percent of the donation.
- For a June 2000 donation of \$50,000 to support the Early Childhood Summit, OIIA identified expenses of \$29,242 or 60 percent of the donation.

Since the September 30, 2001, unobligated balance, in the Receptions Account was \$1,028, the remainder of both donations has been spent. However, because so many donations were recorded in the Receptions Account, the specific expenses that were paid for with the remainder of these two donations cannot be identified.

GAO's *Internal Control Management and Evaluation Tool*<sup>2</sup> states:

Transactions and events are appropriately classified and promptly recorded so that they maintain their relevance, value, and usefulness to management in controlling operations and making decisions.

Not tracking donations in the Receptions Account limits OIIA's ability to account for the use of funds back to the donor. Since the number of accounts OIIA can use to track donations is limited by practicality, the accounts need to be set up efficiently. Five of the 20 accounts had a zero balance as of September 30, 1999, and received no donations in FY 2000 or 2001.

Recommendations to Strengthen Control Activities over Accounting:

We recommend that the Assistant Secretary for OIIA:

- 3.6 Reassess the separate accounts currently being used to identify those accounts that can be closed.
- 3.7 Track funds in the Receptions Account to ensure that they are spent for the purpose intended.
- 3.8 Develop and implement a mechanism for communicating to donors how unspent funds will be handled.

**GAO Standard - #4 Information and Communication**

Our review found that there were no management reports on receipts and expenses or written policies and procedures for the contribution accounts delegated to the Assistant Secretary for OIIA.

**There were no management reports on the receipts and expenses of the contribution accounts delegated to the Assistant Secretary for OIIA.**

Our review disclosed no management reports have been generated on receipts and expenses of the contribution accounts delegated to the Assistant Secretary for OIIA. OIIA staff provided to OIIA management a report on unobligated balances. The report listed the 20 accounts and the unobligated balance for each from the accounting system.

In addition, no year-end management reports on receipts and expenses were prepared. Not having these reports made it difficult for the Department to respond efficiently to requests for information by external parties. For example, to respond to a GAO request on donations received, the Department relied upon a worksheet maintained by the Budget Analyst instead of the official accounting records.

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<sup>2</sup> (GAO-01-1008G, August 2001)

*GAO's Standards for Internal Control in the Federal Government* states:

Financial information is needed for both external and internal uses. It is required to develop financial statements for periodic external reporting, and on a day-to-day basis, to make operating decisions, monitor performance, and allocate resources.

OIIA management should have periodic reports on the donations received and how those donations were spent. The Secretary should also receive periodic reports on the contribution accounts. During our audit, OIIA staff began preparing a management report on the contribution accounts.

**There were no complete, current, written policies and procedures for the contribution accounts.**

Our review found that while there were some written policies and procedures for some activities related to the contribution accounts, there were no written policies and procedures for other activities. OCFO had written policies for the deposit of funds and for the reconciliation of the proprietary accounts to Treasury. OGC provided guidance on ethics issues related to the accounts. The Secretary's delegation includes the requirement for clearance by OGC. The policy of clearance for each activity was not in writing. There were no other written policies and procedures for the process. For example, there were no written policies on what documents should be maintained in OIIA's central files.

*GAO's Standards for Internal Control in the Federal Government* states:

Internal control and all transactions and other significant events need to be clearly documented, and the documentation should be readily available for examination. The documentation should appear in management directives, administrative policies, or operating manuals and may be in paper or electronic form.

The lack of written policies and procedures hindered efficient control and management. During our review, we noted weaknesses that may have been prevented had applicable policies and procedures been communicated. Written policies and procedures also make it easier for someone else to fill in when the assigned person is absent. At the request of the Secretary of the Department, OGC is preparing written policies and procedures for all the Department's contribution accounts.

## Recommendations to Strengthen Information and Communication

We recommend that the Assistant Secretary for OIIA:

- 4.1 Prepare a year-end report on the accounts delegated to the Assistant Secretary for OIIA, obtain concurrence from OCFO and Budget Service, and submit the report to the Secretary of the Department.
- 4.2 Prepare and review periodic financial reports on donations received and expenses paid.
- 4.3 Once completed, review the Department's policies and procedures with OIIA staff involved with the process to ensure that everyone understands their role and responsibilities in the process.

### **GAO Standard - #5 Monitoring**

Our review found that the Proprietary Accounts were not reconciled to the Budget Accounts and that deposits of checks may not have been made timely with OCFO.

#### **Proprietary Accounts were not reconciled to the Budgetary Accounts.**

Even though the Contribution Fund does not include appropriated funds, the budget process of allotments and setting up obligations is still followed. The total of the available balance (money received but not obligated) plus the obligated balance (obligated but not paid) should reconcile to the fund balance at Treasury.

The Proprietary Accounts were not reconciled to the Budgetary Accounts.<sup>3</sup> At September 30, 2001, the available balance on the *Year End Closing Statement* for the entire contribution fund was \$115,581 and the obligated/unexpended balance was \$41,024. Fund balance at Treasury was \$265,418. We were unable to reconcile the difference between available balance plus obligated balance and the fund balance at Treasury of \$108,813. We identified part of the difference as a \$3,015 refund that was included in fund balance at Treasury but not in the budgetary accounts.

GAO's *Standards for Internal Control in the Federal Government* states:

It [monitoring] includes regular management and supervisory activities, comparisons, reconciliations, and other actions people take in performing their duties.

Reconciling the proprietary accounts to the budgetary accounts at the account level would provide some assurance that transactions are properly recorded. The first step in reconciling would be assigning the balance from 1996 and some accounting adjustments

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<sup>3</sup> Federal accounting involves proprietary and budgetary accounting. Proprietary accounting accounts for assets, liabilities, and capital. Budgetary accounting tracks the status of budget authorities.

to specific projects. Receipt and disbursements have been designated at the account level in the proprietary accounts but the balance from 1996 and adjustments have not been designated at the account level.

**Deposits do not appear to have been made timely.**

We reviewed the timeliness of deposits. The number of days between the date on OIIA memorandums indicating receipt of the check from a sponsor and the date on the deposit ticket (Standard Form 215) indicating when OCFO deposited the check exceeded two days for seven of eighteen donations we reviewed. The number of days for deposit ranged from three to twenty-two days. We selected the 18 donations at random from the 54 receipts recorded in FYs 2000 and 2001. We used the deposit tickets to determine the date OCFO took custody of the check because OIIA did not have documentation on when the checks were delivered to OCFO.

Recommendations to Strengthen Monitoring:

We recommend that the Assistant Secretary for OIIA:

- 5.1 Develop a monitoring strategy to ensure that policies and procedures, including timely deposit with OCFO, are being followed.

We recommend the Chief Financial Officer:

- 5.2 Designate fund balance at the account level in the proprietary accounts.
- 5.3 Reconcile the proprietary accounts and the budgetary accounts.

## **Other Matters**

### **The Department's Gift Authority**

The Department's gift authority was established by section 421 of the Department of Education Organization Act that created the Department. This statute does not specifically state that the Department has the authority to solicit for gifts. OGC provided us with a 1991 memorandum addressing the gift acceptance authority of the Institute of Museum Services. In that memorandum, OGC concluded that the Department's gift authority included solicitation, as there has been no general prohibition against the solicitation of donations, when the agency has authority to accept donations.

That memorandum relied on a 1977 memorandum opinion from the Office of Legal Counsel of the Department of Justice (Justice), which noted that only one federal statute dealt with the solicitation of gifts by federal employees. The OGC memorandum concluded that the Institute of Museum Services could, as part of its gift acceptance authority, solicit gifts as long as, among other things, it was not part of a formal, broad

scale program and staff avoided excessive involvement in solicitation. Since Justice's 1977 opinion, Congress has specifically included authority to "seek", "encourage" or "solicit" gifts in various gift acceptance statutes. In one instance, Congress amended a gift acceptance statute to specifically include solicitation authority.

We recommend that the Assistant Secretary for OIIA request OGC to reexamine whether the Department's gift acceptance statute is sufficient to authorize the solicitation of gifts on the scale conducted by OIIA and seek additional legislative authority if necessary.

### **Reimbursement Unrelated to the Contribution Accounts**

During our review of expenditures, we identified a \$42.90 reimbursement to an OIIA employee in February 2001 that was unrelated to the contribution accounts.

We recommend that the Assistant Secretary for OIIA request repayment of this reimbursement from the employee.

## **Department Comments**

In general, OIIA concurred with the findings and recommendations in the report and has begun corrective action. The full text of OIIA's response is included as Appendix A.

OIG had recommended that the requirement for periodic risk assessment be included in the delegation of authority for OIIA staff involved with the contribution accounts (Recommendation 2.2). Instead, OIIA proposed to include a procedure for a periodic risk assessment in the new policies and procedures manual. In our opinion, including a procedure for periodic risk assessment in the policies and procedure manual is a reasonable alternative to the recommendation.

OIIA notes that while developing the new Delegation of Authority, OGC reviewed the issue of solicitation and has determined that the Department's gift acceptance statute is sufficient. We were referred to a Justice directive that authorized solicitation under Justice's gift acceptance statute, which like the Department's did not include "solicit" in the statutory language. Solicitation, however, is severely restricted under the Justice directive; every proposed solicitation must be personally approved in advance by the Attorney General or the Deputy Attorney General. Since OIIA's delegation from the Secretary does not have similar controls we continue to believe that OIIA would benefit from additional review of this issue to ensure that the Department's solicitation program is fully authorized by the Department's gift acceptance statute.

## Background

The Department's gift authority was established by section 421 of the Department of Education Organization Act that created the Department. This statute states:

The Secretary is authorized to accept, hold, administer, and utilize gifts, bequests, and devises of property, both real and personal, and to accept donations of services, for the purpose of aiding and facilitating the work of the Department. Gifts, bequests, and devises of money and proceeds from sales of other property received as gifts, bequests, or devises shall be deposited in the Treasury and shall be available for disbursement upon the order of the Secretary.<sup>4</sup>

The Department has interpreted this statute to include the authority to solicit funds. In August 1994, the Assistant Secretary for OIIA was delegated by the Secretary of the Department of Education “to solicit, accept, hold, administer, and utilize ... gifts that are earmarked for a specific event, such as a conference, meeting, or ceremony.” On September 5, 2002, the Secretary signed a delegation of authority for the Assistant Secretary for OIIA.

The gifts are accounted for in the “Contribution, Department of Education – 91X8258” fund. Within this fund, the Department establishes projects or limitations to account for the various gifts. In this report, these projects or limitations are referred to as “accounts.” The 20 accounts listed below have been delegated to the Assistant Secretary for OIIA:

Nine accounts received donations in FYs 2000 or 2001:

- Receptions
- Presidential Scholars Program
- Hispanic American Initiative
- Satellite Town Meetings
- Professional Development Awards
- School Recognition or Blue Ribbon
- Family Involvement
- Education Technology Conference
- Historically Black Colleges and Universities

Five accounts did not received donations in FYs 2000 or 2001 but had expenses:

- U.S. Mexico Conference
- Higher Education Meetings
- School Design Conference
- Regional Conference
- America Goes Back to School

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<sup>4</sup> (Pub. L. 96-88; 93 Stat. 687; 20 U.S.C. 3481)

One account, OSERS/OECD Conference, had a balance of \$132 as of September 30, 2001, but no recorded activity during FYs 2000 or 2001.

Five accounts had no balance as of September 30, 1999, and no recorded activity during FYs 2000 and 2001:

- Presidential Education Awards
- High School Reform
- National Education Goals
- Professional Development
- Cooperative Publishing

Except for the Receptions Account, the other 19 accounts were set up for specific activities. In FY 2000 and 2001 for the accounts delegated to OIIA, the Department recorded 54 donations, totaling \$1,046,800. On September 30, 2001, the available balance in the accounts delegated to OIIA was \$100,046.

## **Objective, Scope, and Methodology**

Our objectives were to determine if (1) controls over the receipt and disbursement processes for the contribution accounts delegated to the Assistant Secretary for OIIA were adequate, and (2) controls over the accounting for the activity in the contribution accounts were adequate.

To accomplish our audit objective, we reviewed applicable federal laws and regulations, Department policy guidance, and program information available in reports and on the Internet. We interviewed staff in OIIA, OCFO, OGC, and Budget Service. During those interviews, we discussed the processes for receipts and disbursements, and the accounting for the contribution accounts. We tested controls over receipts and disbursements from FYs 2000 and 2001.

To test controls over receipts, for FYs 2000 and 2001, we selected 18 donations at random from the 54 donations recorded in FYs 2000 and 2001. To assure that we had a complete list of receipts, we reconciled the receipts listed in a worksheet maintained in Budget Service with the deposit account of fund balance at Treasury. We obtained the electronic file of the deposit account of fund balance at Treasury from OCFO. Our sample has a plus or minus 19 percent accuracy with 95 percent confidence.

To test controls over expenses, we selected 30 expenses at random from each fiscal year. We selected our sample from the items recorded by fiscal year in the payment account of fund balance at Treasury. For FY 2000, 227 items were recorded. For FY 2001, 156 items were recorded. Our sample was biased towards expenses in excess of \$10,000 that were paid for with Third Party Drafts. Third Party Drafts were limited to \$10,000. Expenses in excess of \$10,000 paid with the drafts appear as more than one item in the payment account. An expense paid for this way has a greater likelihood of being

included in the sample. This bias does not affect our objective of determining if controls were being followed.

To test the accounting control, we reviewed all the transactions in three projects: Historically Black Colleges and Universities, Higher Education Meetings, and School Design Conference. We selected these projects because the budgetary and proprietary data were reconciled providing some assurance that all transactions related to these projects were identified. We also reviewed all the expenses OIIA identified as related to the two donations accounted for in the Receptions Account. We judgmentally selected these two donations to review.

We performed on-site fieldwork at the offices of the OIIA, OCFO, and Budget Service located in Washington, DC, during the time period October 2001 and March 2002. We held an exit conference on April 24, 2002, with the Assistant Secretary for OIIA and staff from OIIA, OGC, and OCFO. We conducted the audit in accordance with government auditing standards appropriate to the scope of review described above.

## Appendix A – Department’s Comments



UNITED STATES DEPARTMENT OF EDUCATION  
OFFICE OF INTERGOVERNMENTAL AND INTERAGENCY AFFAIRS

THE ASSISTANT SECRETARY

### MEMORANDUM

TO: Thomas Carter  
Assistant Inspector General for Audit

FROM: Laurie M. Rich *Laurie M. Rich*

SUBJECT: OIIA’s Comments to Findings and Recommendations in OIG Draft Audit Report CAN: A17-B0018

DATE: September 18, 2002

In response to the Office of Inspector General’s (OIG) Draft Audit Report of the Contribution Accounts Delegated to the Assistant Secretary for OIIA (CAN: A17-B0018) (Report), OIIA provides the comments below in response to findings and recommendations contained in the Report.

While OIIA agrees in most part with each of the findings and recommendations, we have already implemented certain corrective actions, which address the purpose of the recommendations, but are not necessarily being implemented as outlined in the recommendations. Instead, we are following the control policies and procedures contained in the upcoming Policies and Procedures Manual (Manual), which was developed with the Office of General Counsel, and is expected to be finalized on October 15, 2002. The Manual was developed to control current and anticipated risks and, therefore, when fully implemented will address the recommendations contained in the Report. As discussed in our comments, OIIA will routinely review the Manual and assess whether it continues to control risks in the management and operations of the contribution accounts.

**OIG Recommendation 1.1:** We recommend that the Assistant Secretary for OIIA provide written delegations of authority to staff involved with the contribution accounts. Those delegations should indicate the scope of authority being delegated.

**OIG Recommendation 2.1:** We recommend that the Assistant Secretary for OIIA meet periodically with staff in the other offices involved with the contribution accounts to discuss the objectives, risks, and controls in the processes. Based on these discussions, update the risk assessment for the contribution accounts. As appropriate, modify existing controls or institute new controls to address risks identified.

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## Appendix A – Department’s Comments (Continued)

**OIG Recommendation 2.2:** We recommend that the Assistant Secretary for OIIA include a requirement for a periodic risk assessment as part of the Assistant Secretary’s delegation of authority to OIIA staff involved with the contribution accounts.

OIIA Comments: OIIA agrees with recommendations 1.1, 2.1, and 2.2 for the most part. OIIA worked with the Office of General Counsel to prepare written delegations from the Secretary to the Assistant Secretary and from the Assistant Secretary to appropriate OIIA staff. The Secretary’s delegation to the Assistant Secretary was signed on September 10, 2002. The Assistant Secretary’s delegation to OIIA staff is expected to be in place no later than October 15, 2002. Also, on behalf of the Assistant Secretary, OIIA’s Executive Officer and Deputy Assistant Secretary for Intergovernmental, Constituent Relations, and Corporate Liaison (ICRCL) will organize a semi-annual (twice a year) meeting between staff from their offices and staff from OCFO, OGC, Budget Services and other offices involved with the contributions accounts. The purpose of the meetings will be to discuss objectives, risks, and controls in the contribution process and determine whether updates to the new Policies and Procedures Manual are necessary to continue to avoid risks in the management and operations of the contributions accounts. The first two meetings will take place in December 2002/January 2003 and June/July 2003.

Although OIIA and OGC did not include language in the Assistant Secretary’s delegation to staff requiring a periodic risk assessment, the staff will participate in the semi-annual meetings organized by the Executive Officer and Deputy Assistant Secretary to assess risks and whether the controls in the Policies and Procedures Manual continue to minimize and address all risks in managing and operating the accounts.

**OIG Finding: Control Activities in the Receipt Process** – One of the 18 donations we selected to review one was not cleared by OGC.

OIIA Comments: OIIA agrees with the finding that one of the 18 donations that OIG selected for review did not have OGC clearance. The cause for this finding is difficult to address. OIIA can request and receive OGC clearance of a corporation that intends to donate; however, when issuing the gift check, the corporation may – without informing OIIA – decide to write the check from a division of the corporation or its foundation other than what was communicated to OIIA and cleared by OGC.

OIIA has initiated corrective action to prevent future incidents. We have implemented a new procedure to clear donors a second time with OGC if we have knowledge that an alternate entity with the company is issuing the check. The procedure is included in the Policies and Procedures Manual. (Procedure #10)

## Appendix A – Department’s Comments (Continued)

**OIG Finding: Documentation in OIIA’s Central Files on Receipts was Incomplete –**  
The documentation in the central file for two of the 18 receipts we selected to review did not include an OGC clearance. Ultimately, the clearances were provided.

**OIIA Comments:** OIIA agrees with the finding that documentation in the central file for two of the 18 receipts selected by OIG for review did not include OGC clearances. Although clearances were obtained in a timely manner for both donations, and OIIA followed its long-standing practice of including OGC clearances in the central files, the clearances identified in this finding were misfiled.

OIIA has taken corrective action to prevent such findings in the future. We now staple clearances directly to the check copy in the files. Additionally, per the new Policies and Procedures Manual there is now a written procedure that requires OIIA to keep a record for each gift, including OGC’s clearance of the donor. (Maintenance of Records and Reporting Procedures #3)

**OIG Finding: Documentation in OIIA’s Central Files on Receipts was Incomplete –** The central file did not include documentation of the date the check was transferred to OCFO.

**OIIA Comments:** OIIA agrees with the finding that the central file did not include documentation of the date that the check was transferred to OCFO. OIIA has implemented corrective action to ensure OIIA has documentation of when checks are transferred to OCFO. Now, all checks are hand-carried to OCFO (checks are no longer sent via internal office mail) and receipts are obtained when checks are given to OCFO staff.

Additionally, the Policies and Procedures Manual contains a written procedure that requires OIIA to obtain a receipt from OCFO (Procedure #3). There is also a written procedure requiring OIIA to keep a record for each gift, including a copy of the OCFO receipt. (Maintenance of Records and Reporting Procedures #3)

**OIG Finding: Documentation in OIIA’s Central Files on Receipts was Incomplete –**  
The central file did not include documentation on the purpose of the donation, such as a letter to or from the sponsor.

**OIIA Comments:** OIIA agrees with this finding that the central file did not include documentation of the purpose of the donation, although it has been OIIA’s practice to state the purpose of the donation in letters to donors requesting donations. Additionally, as noted by OIG, OIIA has begun to include solicitation letters in the central file.

Within the Policies and Procedures Manual, there is a written procedure that requires OIIA to keep a record for each gift, including a copy of the Request to Obtain Funds (which will state the purpose of the event or activity being funded) as well as all written materials related to the solicitation (which will include

## Appendix A – Department’s Comments (Continued)

letters to the donor stating the purpose of the donation). (Maintenance of Records and Reporting Procedures #3)

**OIG Recommendation 3.1:** We recommend that the Assistant Secretary for OIIA instruct staff to clearly identify the activity to receive the donation when requesting clearances from OGC.

OIIA Comments: Because OGC clears entities on an activity-by-activity basis, OIIA agrees with the recommendation. In the Policies and Procedures Manual, the procedure for documenting the purpose of a donation is outlined. There is a written procedure requiring that OIIA include in its request for OGC clearance a copy of the Request to Obtain Gift Funds form, which states the purpose of the donation. (Procedure #4). Also, following OGC’s clearance to solicit, OIIA will send a letter to the donor clarifying the amount and purpose of the donation. (Procedure #8)

**OIG Recommendation 3.2:** We recommend that the Assistant Secretary for OIIA separate the responsibilities for the solicitation of funds from the receipt of checks. The person responsible for receiving the checks would also be responsible for ensuring all checks are received.

OIIA Comments: OIIA agrees with this recommendation to separate solicitation and receipt responsibilities and has already implemented the recommendation. Additionally, to ensure donors are aware of the separation, the Policies and Procedures Manual contains a written procedure requiring OIIA to advise donors to send or deliver checks to a staff person other than the employee who solicited the gift. (Procedure #9)

**OIG Finding: Some expenses were unrelated to the purpose of the donation** – We identified expenses that were unrelated to the account that the expense was charged to.

OIIA Comments: OIIA agrees with the finding that some expenses were not related to the purpose of the donation. Previously, there was not a policy for returning excess donation funds. As a result, pursuant to donors’ verbal permission to use excess funds for purposes other than those for which the donation was made, OIIA would sometimes use excess donation funds to pay for events and/or activities in addition to the event/activity for which the donation was given (as was the case with the funds cited in this finding). (*see* also, OIIA Comments to Recommendation 3.8)

**OIG Finding: Supporting documentation for some expenses was incomplete** – The documentation in the central files on some expenses was insufficient to demonstrate readily the appropriateness of the expense.

OIIA Comments: OIIA agrees with the finding that for some expenses, supporting document was incomplete to demonstrate that the expenses were related to the purpose of the donation.

## Appendix A – Department’s Comments (Continued)

OIIA has taken action to ensure that documentation is readily available for all future expenses. Staff in the Executive Office has been informed of the need to ensure all supporting documentation is attached, including written documentation that demonstrates the relation between each expense and the account against which it is charged.

**OIG Recommendation 3.4:** We recommend that the Assistant Secretary for OIIA define responsibilities in the approval process to ensure that someone is specifically charged with determining that the expense relates to the purpose of the donation.

OIIA Comments: OIIA agrees with this recommendation and will require the requestor of the expense to define which event/fund code will be charged for the expense when completing OIIA’s internal purchase form.

**OIG Finding: Evidence of approval of some expenses was missing.**

OIIA Comments: OIIA agrees that in some instances all signature lines on its expense approval form were not filled out. The approval form is an internal OIIA form developed by OIIA’s Executive Officer for internal OIIA use. The form is not an “official” form for government, GAO, or even ED purposes. The failure to have all signature lines on the form signed often resulted because during transition between administrations, the necessary staff member was not available for signature.

**OIG Recommendation 3.5:** We recommend that the Assistant Secretary for OIIA require that OIIA’s request forms be completely filled out.

OIIA Comments: OIIA agrees with the recommendation and already has taken corrective action. OIIA now has a process in place that requires all signatures on the expense approval form prior to processing the expense.

**OIG Finding: The un-obligated balance for one account was understated by \$4,011:** At September 30, 2001, the un-obligated (or available) balance for the Hispanic American Initiative was \$651. That balance did not include a refund of \$3,015 that was received in August 2000. Also, OIIA should have de-obligated \$996 when the final bill was paid in April 2000 for less than the amount obligated.

OIIA Comments: OIIA agrees with the finding that \$996 should have been, but was not, de-obligated. The Primary Accounting System (and now ORACLE System) should have automatically de-obligated the excess funds. To address this finding, OIIA will begin to verify on a monthly basis that de-obligations occur automatically.

## Appendix A – Department’s Comments (Continued)

**OIG Recommendation 3.6:** We recommend that the Assistant Secretary for OIIA reassess the separate accounts currently being used to identify those accounts that can be closed.

OIIA Comments: OIIA agrees with this recommendation. On behalf of the Assistant Secretary, OIIA’s Executive Officer and Deputy Assistant Secretary for ICRCL will review all accounts to determine which should be closed for inactivity. The review will be completed by November 2002. OIIA will close out the accounts that contain a zero balance and seek guidance from OGC on how to handle the closure of inactive accounts that contain nominal funds.

**OIG Finding: Donations assigned to the Receptions Account were not subject to accounting or funding control –** We determined that the information in the accounting systems was not sufficient to determine what expenses were paid for each donation because all the donations are commingled.

OIIA Comments: OIIA agrees that information in the Department’s accounting system is insufficient to determine what expenses were paid from a particular donation since donations were commingled. OIIA has addressed the finding by developing an internal OIIA system that allows expenses to be tracked by incoming contribution check (*see also* comments to Recommendation 3.7).

**OIG Recommendation 3.7:** We recommend that the Assistant Secretary for OIIA track funds in the Receptions Account to ensure that they are spent for the purpose intended.

OIIA Comments: OIIA agrees with this recommendation and, on behalf of the Assistant Secretary, OIIA’s Executive Officer and Executive Office staff have taken steps to begin tracking funds in the receptions account. Since the Department’s financial system does not allow expenses to be tracked by incoming check, OIIA has developed its own internal system to track expenses by incoming contribution checks. Additionally, pursuant to the Policies and Procedure Manual, there is a written policy requiring that every six months a report is prepared that summarizes all gifts accepted during the previous six months. Among other things, the report will include all disbursements (date, amount and name of payee and purpose). (Maintenance of Records and Reporting Procedures #4)

**OIG Recommendation 3.8:** We recommend that the Assistant Secretary for OIIA develop and implement a mechanism for communicating to donors how unspent funds will be handled.

OIIA Comments: OIIA agrees with this recommendation, and has already taken action to implement it. Pursuant to new procedures, OIIA asks donors about the use of the excess funds during initial discussions with the donors. Subsequently, the conversation is put in writing to resolve the issue of using unspent gift funds in an account. Additionally, within the Policies and Procedures Manual, there is a

## Appendix A – Department’s Comments (Continued)

written procedure requiring OIIA to obtain written clarification from the donor on the method to be used to handle excess donations that are not expended for the purpose for which they were donated. (Procedure #8)

**OIG Finding: There were no financial reports on the receipts and expenses of the contribution accounts delegated to the Assistant Secretary for OIIA. In addition, no year-end reports were prepared.**

During our audit, OIIA staff began preparing a financial report on the contribution accounts.

OIIA Comments: OIIA agrees with the finding that financial and year-end reports were not prepared. Based on suggestions during recent meetings with OIG, OIIA has begun to prepare and coordinate these reports with the other Principal Offices involved. Additionally, reporting requirements are included in the Policies and Procedures Manual (*see also* related comments to Recommendations 4.1 and 4.2).

**OIG Recommendation 4.1:** We recommend that the Assistant Secretary for OIIA prepare a year-end report on the accounts delegated to the Assistant Secretary for OIIA, obtain concurrence from OCFO and Budget Services, and submit the report to the Secretary of the Department.

OIIA Comments: *see* comments to Recommendation 4.2

**OIG Recommendation 4.2:** We recommend that the Assistant Secretary for OIIA prepare and review periodic financial reports on donations received and expenses paid.

OIIA Comments: OIIA agrees with recommendations 4.1 and 4.2 and, on behalf of the Assistant Secretary, OIIA’s Executive Office will prepare reports every 6 months according to the reporting requirements contained in the Policies and Procedures Manual. OIIA’s first two reports will cover October 1 to March 30 and April 1 to September 30. The reports will contain a summary of all gifts accepted during the period and will include (1) the project name, (2) name of the donor, (3) amount of the gift, (4) date of receipt, (5) disbursements, and (6) the amount and source of any balances in all gift fund accounts maintained by OIIA.

OIIA will work with OCFO and Budget Services to prepare all reports and submit them to OGC when finalized. OGC will review the reports to ensure they comply with the Manual requirements and applicable law, and then forward the reports to the Office of the Secretary. (Maintenance of Records and Reporting Procedures #4 through #7)

## Appendix A – Department’s Comments (Continued)

**OIG Finding: There were no complete, current, written policies and procedures for the contribution accounts.**

At the request of the Secretary of the Department, OGC is preparing policies for all the Department’s contribution accounts.

OIIA Comments: OIIA agrees with the finding that, at the time of the audit, there were no complete, current, written policies and procedures for the contribution accounts. OIIA has taken corrective action and worked with OGC to develop the new Policies and Procedures Manual (*see* comments to Recommendation 4.3).

**OIG Recommendation 4.3:** We recommend that the Assistant Secretary for OIIA, once established, review the Department’s policies with OIIA staff involved with the process to ensure that everyone understands their role and responsibilities in the process and, where appropriate, establish written procedures to implement the Department’s policies.

OIIA Comments: OIIA agrees with recommendation 4.3 and, working with OGC, has developed a Policies and Procedures Manual to provide written policies and procedures for the control of risks in the management and operations of the contribution accounts. On behalf of the Assistant Secretary, OIIA’s Executive Officer and Deputy Assistant Secretary for ICRCL will review the policies and procedures with staff in their offices that are involved in the contribution accounts process by November 1, 2002 to ensure their understanding of roles and responsibilities in the process. Additionally, Departmental Senior Staff already has been informed.

**OIG Finding: Deposits do not appear to have been made timely** – The number of days between the date on OIIA memorandums indicating receipt of the check from a sponsor and the date on the deposit ticket indicating when OCFO took custody of the check exceeded 2 days for 7 of 18 donations we reviewed. The number of days ranged from 3 up to 22 days.

OIIA Comments: OIIA agrees that the files lacked documentation to demonstrate that checks were sent to OCFO in a timely manner. OIIA believes the checks were, in fact, deposited timely. However, we did not receive receipts from OCFO to include in the files to demonstrate timely deposits.

OIIA has taken corrective action to prevent this finding in the future. Procedures have been implemented that require OCFO to issue a receipt before OIIA releases a check to OCFO staff. (Procedure #13)

**OIG Recommendation 5.1:** We recommend that the Assistant Secretary for OIIA develop a monitoring strategy to ensure that policies and procedures, including timely deposit with OCFO, are being followed.

## Appendix A – Department’s Comments (Continued)

OIIA Comments: OIIA agrees with this recommendation. On behalf of the Assistant Secretary, and upon full implementation of the Policies and Procedures Manual, OIIA’s Executive Officer and Deputy Assistant Secretary for ICRCCL will develop a strategy to monitor whether staff are following the policies and procedures outlined in the Manual. OIIA will develop the monitoring strategy no later than March 2003.

**OIG Recommendation (Misc.):** We recommend that the Assistant Secretary for OIIA request OGC to reexamine whether the Department’s gift acceptance statute is sufficient to authorize the solicitation of gifts on the scale conducted by OIIA and seek additional legislative authority if necessary.

OIIA Comments: While working with OGC to develop the Secretary’s new Delegation of Authority to the OIIA Assistant Secretary, OIIA and OGC already have revisited the issue of solicitation. OGC determined that the Department’s gift acceptance statute is sufficient to authorize solicitation of gifts and included the authority to solicit in the Secretary’s delegation to the Assistant Secretary for OIIA.

**OIG Finding: Misc. –** During our review of expenditures, we identified a \$42.90 reimbursement to an OIIA employee in February 2001 that was unrelated to the contributions accounts.

OIIA Comments: OIIA agrees with the finding that a \$42.90 reimbursement was made to an OIIA employee for an expense unrelated to the contributions account. Through the documentation and reporting procedures contained in the Policies and Procedures Manual, OIIA will be able to monitor expenses more closely to ensure they relate to the contributions account and prevent similar findings in the future.

**OIG Recommendation (Misc.):** We recommend that the Assistant Secretary for OIIA request repayment of this reimbursement from the employee.

OIIA Comments: OIIA agrees with this recommendation, and will request repayment of the reimbursement from the employee.