



US OFFICE OF PERSONNEL MANAGEMENT  
OFFICE OF THE INSPECTOR GENERAL  
OFFICE OF AUDITS

# Final Audit Report

Subject:

**AUDIT OF THE 2005 AND 2006  
NORTH CENTRAL TEXAS  
COMBINED FEDERAL CAMPAIGNS  
DALLAS, TEXAS**

Report No. 3A-CF-00-08-031

Date: June 18, 2009

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Office of the  
Inspector General

UNITED STATES OFFICE OF PERSONNEL MANAGEMENT  
Washington, DC 20415

**AUDIT REPORT**

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A handwritten signature in black ink, appearing to read "Michael R. Esser".

**Michael R. Esser**  
**Assistant Inspector General**  
**for Audits**



UNITED STATES OFFICE OF PERSONNEL MANAGEMENT  
Washington, DC 20415

Office of the  
Inspector General

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**EXECUTIVE SUMMARY**

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**AUDIT OF THE 2005 AND 2006  
NORTH CENTRAL TEXAS  
COMBINED FEDERAL CAMPAIGNS  
DALLAS, TEXAS**

**Report No. 3A-CF-00-08-031**

**Date: June 18, 2009**

The Office of the Inspector General has completed an audit of the 2005 and 2006 North Central Texas Combined Federal Campaigns (CFC). The United Way of Metropolitan Dallas, located in Dallas, Texas, served as the Principal Combined Fund Organization (PCFO) during both campaigns. Our main objective was to determine if the North Central Texas CFC was in compliance with Title 5, Code of Federal Regulations, Part 950 (5 CFR 950), including the responsibilities of both the PCFO and Local Federal Coordinating Committee (LFCC). The audit identified six instances of non-compliance with the regulations (5 CFR 950) governing the CFC.

**BUDGET AND CAMPAIGN EXPENSES**

- **Unallowable Campaign Expenses**

The PCFO charged the 2006 CFC Campaign \$85,328 in unallowable expenses.

- **PCFO Expense Reimbursement Not Properly Authorized**

The PCFO's 2006 campaign expenses were not properly authorized by the LFCC before reimbursement.

- **CFC Expenses Not Reconcilable to the Approved Budget**

The PCFO did not maintain its CFC expenses in a format that was reconcilable to the budget approved by the LFCC.

### **CAMPAIGN RECEIPTS AND DISBURSEMENTS**

- **CFC Funds Maintained Incorrectly**

The PCFO did not maintain CFC funds separate from its corporate funds and did not keep the funds in an interest bearing account.

- **Incomplete Donor Lists**

The PCFO did not provide all federations with a donor list that indicated which member organizations were to receive the donor's information.

### **ELIGIBILITY**

- **Local Eligibility Solicitation Process Documentation Not Maintained**

The LFCC did not maintain documentation to support that it accepted local charity applications for eligibility in the 2006 campaign for 30 calendar days.

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# **I. INTRODUCTION AND BACKGROUND**

## **Introduction**

This report details the findings, conclusions, and recommendations resulting from our audit of the North Central Texas Combined Federal Campaigns (CFC) for 2005 and 2006. The audit was performed by the Office of Personnel Management's (OPM) Office of the Inspector General (OIG), as authorized by the Inspector General Act of 1978, as amended.

## **Background**

The CFC is the sole authorized fund-raising drive conducted in Federal installations throughout the world. It consists of 278 separate local campaign organizations located throughout the United States, including Puerto Rico, the Virgin Islands, and Foreign assignments. The Office of Combined Federal Campaign Operations (OCFCO) at OPM has the responsibility for management of the CFC. This includes publishing regulations, memorandums, and other forms of guidance to Federal officials and private organizations to ensure that all campaign objectives are achieved.

CFC's are conducted by a Local Federal Coordinating Committee (LFCC) and administered by a Principal Combined Fund Organization (PCFO). The LFCC is responsible for organizing the local CFC, determining the eligibility of local voluntary organizations, selecting and supervising the activities of the PCFO, and acting upon any problems relating to a voluntary agency's noncompliance with the policies and procedures of the CFC. The PCFO is responsible for training employee key-workers and volunteers; preparing pledge cards and brochures; distributing campaign receipts; submitting to an extensive and thorough audit of its CFC operations by an Independent Certified Public Accountant (IPA) in accordance with generally accepted auditing standards; cooperating fully with OIG audit staff during audits and evaluations; responding in a timely and appropriate manner to all inquiries from participating organizations, the LFCC, and the Director of OPM; and consulting with federated groups on the operation of the local campaign.

Executive Orders No. 12353 and No. 12404 established a system for administering an annual charitable solicitation drive among federal civilian and military employees. Title 5, Code of Federal Regulations Part 950 (5 CFR 950), the regulations governing CFC operations, sets forth ground rules under which charitable organizations receive federal employee donations. Compliance with these regulations is the responsibility of the PCFO and LFCC. Management of the PCFO is also responsible for establishing and maintaining a system of internal controls.

Our previous audit of the North Central Texas CFC was completed in 2001 and covered campaign years 1998 and 1999. The audit identified seven areas of non-compliance which were satisfactorily resolved through the OCFCO.

The initial results of our audit were discussed with PCFO and LFCC officials during an exit conference held on May 1, 2008. A draft report was provided to the PCFO and the LFCC on

December 1, 2008 for review and comment. The PCFO and LFCC's responses to the draft report were considered in preparation of this final report and are included as Appendices.

## **II. OBJECTIVES, SCOPE, AND METHODOLOGY**

### **OBJECTIVES**

The primary purpose of our audit was to determine if the North Central Texas CFC was in compliance with 5 CFR 950, including the activities of both the PCFO and LFCC. Our specific audit objectives for the 2006 campaign were as follows:

#### **Eligibility**

- To determine if the charitable organization application process was open for the required 30 day period; if applications were appropriately reviewed, evaluated, and approved; and if the appeals process for rejected applicants was followed.

#### **Budget and Campaign Expenses**

- To determine if the PCFO's budget was in accordance with the regulations.
- To determine if expenses charged to the campaign were actual, reasonable, did not exceed 110 percent of the approved budget, and were properly allocated.

#### **Campaign Receipts and Disbursements**

- To determine if the total amount of funds received for the campaign, plus interest income and less expenses, was properly distributed to the designated organizations.
- To determine if the total amount of undesignated funds was properly allocated and distributed to the various CFC participants.

#### **PCFO as a Federation**

- To determine if the PCFO distributed funds only to member agencies.
- To determine if the PCFO charged its member agencies for expenses in a reasonable manner.

Additionally, our audit objective for the 2005 campaign was:

#### **Audit Guide Review**

- To determine if the IPA completed the Agreed-Upon Procedures (AUP) as outlined in the CFC Audit Guide (For Campaigns with Pledges \$1 Million and Greater) for the 2005 campaign.

### **SCOPE AND METHODOLOGY**

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on the audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objectives.

The audit covered campaign years 2005 and 2006. The United Way of Metropolitan Dallas (UWMD), located in Dallas, Texas, served as the PCFO during both campaigns. The audit fieldwork was conducted at the offices of the PCFO from April 28 through May 2, 2008. Additional audit work was completed at our Washington, D.C. office.

The North Central Texas CFC received campaign pledges, collected campaign receipts, and incurred campaign administrative expenses for the 2005 and 2006 campaigns as shown below:

<u>Campaign Year</u>	<u>Total Pledges</u>	<u>Total Receipts</u>	<u>Administrative Expenses</u>
2005	\$2,954,491	\$2,749,540	\$231,900
2006	\$4,552,796	\$4,258,626	\$390,122

In conducting the audit we relied to varying degrees on computer-generated data. Our review of a sample of campaign expenses and supporting data, a sample of pledge card entries, and the distribution of campaign contributions and related bank statements, verified that the computer-generated data used in conducting the audit was reliable. Nothing else came to our attention during our review of the data to cause us to doubt its reliability.

We considered the campaign's internal control structure in planning the audit procedures. We gained an understanding of management procedures and controls to the extent necessary to achieve our audit objectives. We relied primarily on substantive testing rather than tests of internal controls. The audit included such tests of the accounting records and such other auditing procedures as we considered necessary to determine compliance with 5 CFR 950 and CFC Memorandums.

In order to determine that the LFCC and PCFO were in compliance with CFC regulations in regards to eligibility, we reviewed the following:

- The public notice to prospective charitable organizations to determine if the LFCC accepted applications from organizations for at least 30 days.
- The process and procedures for the application evaluation process.
- Sample eligibility letters to verify they were properly sent by the LFCC.
- The LFCC's processes and procedures for responding to appeals from organizations.

In regard to our objectives concerning the budget and campaign expenses, we accomplished the following:

- Reviewed the PCFO application and completed the PCFO application checklist.
- Reviewed a copy of the public notice to prospective PCFO's, and LFCC meeting minutes related to the selection of the PCFO.
- Traced and reconciled amounts on the PCFO's Schedule of Actual Expenses to the PCFO's general ledger.
- Reviewed supporting documentation for a judgmental sample of 100 actual expense transactions from 10 expense accounts (out of a total of 56 expense accounts). Accounts were judgmentally selected based on a nomenclature review, as well as high dollar amounts paid.

- Reviewed the LFCC meeting minutes and verified if the LFCC authorized the PCFO's reimbursement of campaign expenses.
- Compared the budgeted expenses to actual expenses and determined if actual expenses exceeded 110 percent of the approved budget.

To determine if the campaign receipts and disbursements were handled in accordance with CFC regulations, we reviewed the following:

- A judgmental sample of 36 out of 13,368 pledge cards (selected the top 25 pledge cards by total amount pledged and judgmentally selected 11 pledge cards from 2 agencies that were not attributable to an individual) and compared them to the Pledge Card Report prepared by the PCFO.
- Cancelled distribution checks to verify that the appropriate amount was distributed in a timely manner.
- One-time payments to verify that the PCFO properly calculated pledge loss and disbursed the funds in accordance with the ceiling amount established by the LFCC.
- The PCFO's most recent listing of outstanding checks to verify that the PCFO was following its policy for such checks.
- The Pledge Notification Letters to verify that the PCFO notified the CFC agencies of the designated and undesignated amounts due them before the March 15, 2006 deadline.
- The donor list letters sent by the PCFO to organizations to verify the letters properly notify the organization of the donors who wish to be recognized.
- Forms 1417 provided by the PCFO and the OCFCO to identify material differences.
- The PCFO Distribution Schedule to verify whether monthly disbursements reconcile with the PCFO's Campaign Receipts and Disbursements Schedule.
- All bank statements used by the PCFO for the 2006 campaign to verify that the PCFO was properly accounting for and distributing funds.
- The PCFO's cutoff procedures and bank statements to verify that funds were allocated to the appropriate campaign year.
- The General Designation Options and Undesignated Funds Spreadsheet and the Allocations and Disbursements Spreadsheet to verify disbursements were accurate and proportionate to the PCFO's allocation rates.

To determine if the PCFO was in compliance with the CFC regulations as a federation (UWMD), we reviewed the following:

- Data reported on the CFC Receipts Schedule with supporting documentation to verify whether receipts were properly recorded.
- The CFC Distribution Schedule to ensure that the UWMD did not disburse any funds to member agencies not participating in the 2006 CFC.
- The UWMD contract with its member agencies to determine if the fees were reasonable and supported.

The samples, mentioned above, that were selected and reviewed in performing the audit were not statistically based. Consequently, the results could not be projected to the universe since it is unlikely that the results are representative of the universe taken as a whole.

Finally, to accomplish our objective for the Audit Guide Review, we reviewed the CFC Audit Guide (for campaigns with pledges greater than \$1 million) and determined the type of audit to be completed by the IPA for the 2005 campaign. We also completed the AUP checklist to verify that the IPA completed and documented the AUP steps.

### **III. AUDIT FINDINGS AND RECOMMENDATIONS**

The PCFO and LFCC administered the 2005 and 2006 North Central Texas CFCs in compliance with all applicable CFC regulations with the exception of the following areas.

#### **A. BUDGET AND CAMPAIGN EXPENSES**

##### **1. Unallowable Campaign Expenses** **\$85,328**

Based upon our review of the expense samples provided by the PCFO, we identified \$85,328 in unallowable expenses charged to the 2006 CFC.

5 CFR 950.106 (a) states that the PCFO “shall recover from the gross receipts of the campaign its expenses, approved by the LFCC, reflecting the actual costs of administering the local campaign.” Additionally, 5 CFR 950.106 (b) states that the PCFO “may only recover campaign expenses from receipts collected for that campaign year.”

Furthermore, 5 CFR 950.105 (d) (7) states that the PCFO is responsible for “Maintaining a detailed schedule of its actual CFC administrative expenses with, to the extent possible, itemized receipts for expenses.”

We judgmentally selected 100 general ledger (GL) transactions charged to the CFC from 10 judgmentally selected accounts to determine if the costs were actual, related to the CFC, and charged to the correct campaign year. For allocated transactions, we also determined whether the allocation was reasonable and accurate. Our review identified \$85,328 in charges that did not meet our review requirements. The errors identified resulted from the following:

- \$39,746 in charges that were not supported by actual invoices and/or receipts as required by the Federal regulations, Specifically, we identified the following:
  - \$24,910 in Regular Salaries (account 7010) where the amount charged to the GL did not reconcile to the supporting documentation (payroll registers) provided to us for transactions occurring from March 2006 through February 2007.

#### **PCFO Comments:**

The PCFO disagrees with this portion of the finding; however, no reasoning was provided for the disagreement.

**OIG Comments:**

We reviewed the payroll registers provided by the PCFO to support the charges to the CFC for regular salaries and compared the costs charged to the CFC departments (120 and 320) and found that the costs charged to the CFC exceeded the actual salary costs allocated to the CFC departments in the payroll registers. As no additional explanation was provided by the PCFO, the finding remains in our report.

- We identified \$14,836 charged to Temporary Salaries (account number 7020-320) where there was no supporting documentation provided for the charges to the CFC.

**PCFO Comments:**

The PCFO disagrees with this portion of the finding. It states that the costs related to these questioned costs do not entail an invoice and/or receipt since they are not services rendered by a temporary agency due to the sensitivity of the data handled by pledge card processors. To support that CFC work was being completed it enclosed copies of pledge processing report envelopes which contain the signature and initials of the employee in question.

**OIG Comments:**

The PCFO did not provide documentation to support the charges in question. The charges to the CFC must be supported to be chargeable to the CFC. If the costs charged were not for temporary employees (as stated by the PCFO), then the documentation supporting the charges to the CFC (i.e., payroll register and any allocation documentation – which the PCFO provided for “Regular Salaries”) must be maintained for the costs to be chargeable to the CFC.

- \$22,163 in charges that were the result of incorrect, inaccurate, or unsupported allocation methodologies. Specifically, we identified the following:
  - \$21,911 charged to Temporary Salaries (account 7020-120) where the allocation percentage used to charge costs to the CFC was not backed by verifiable documentation. Additionally, the invoices and time cards provided did not indicate that the temporary employee charges were related to the CFC.

**PCFO Comments:**

The PCFO disagrees with this portion of the finding and states that the CFC Director (a member of the PCFO) requested the use of the temporary

employees, approved the invoices, and determined the allocation percentage used to charge the costs to the CFC.

**OIG Comments:**

The PCFO did not provide sufficient documentation to support the determination of the allocation percentage used to charge costs to the CFC. As stated above, the invoices do not indicate or support what work was done by the temporary employee (the invoices only indicate the temporary employee name, hours worked, and hourly rate charged).

The PCFO provided a copy of an E-mail from the CFC Director (previously provided and reviewed) which states a 96 percent allocation to the CFC. This E-mail is not sufficient documentation because it does not show the determining factors for the allocation percentage. The E-mail simply states that the allocation was based on "this year's budget allocations." The Federal regulations require that the PCFO only recover expenses that are based on the "actual costs of administering the local campaign." Simply providing an E-mail which states it is basing the allocation of costs on a budget formula is not adhering to this regulation requirement.

- o We identified \$2,157 in the Health Benefits (account 7130) and \$310 in Regular Salaries (account 7010) accounts where either inconsistent or inaccurate allocation methodologies were applied. Our review for the health benefits account focused on GL transactions for July through August 2006, while our review of regular salaries focused on all GL transactions from March 2006 through February 2007.

**PCFO Comments:**

The PCFO agrees with this portion of the finding and recognizes that calculation errors were made. It goes on to further state that once the new Chief Financial Officer is on board (February 2009) a revised process will be implemented to alleviate repeated miscalculations.

**OIG Comments:**

We accept the PCFO's response; however, it is the responsibility of the PCFO to correct the errors identified in this audit, review the following year's calculations and make any necessary adjustments.

- o We identified \$2,215 in Electrical Utilities (account 7510) that were undercharged to the CFC. During the audit, the PCFO informed us that charges to this account were allocated based on a headcount ratio. For the CFC during this period the ratio was 4.98 percent for

department 120 and 0.35 percent for department 320. However, our review of the electrical utility invoices for June through December of 2006 showed that the actual allocation percentages used were 2.43 percent and 0.47 percent respectively.

**PCFO Comments:**

The PCFO agrees with this portion of the finding.

- \$15,229 in charges where we could not verify whether the costs charged were related to the CFC from the supporting documentation provided. Specifically, we identified the following:
  - \$11,951 in Regular Salaries paid to United Way employees that were not listed as working on the CFC in the salary allocation spreadsheets provided to us.

**PCFO Comments:**

The PCFO did not have an opportunity to respond to this portion of the finding as it was identified as a result of additional documentation provided in response to the draft report.

- We identified \$1,546 in Out-of Town Travel expenses (account number 7850) where documentation was provided by the PCFO, however, it did not tie back to the GL. Therefore, we could not determine if the costs were related to the CFC. Additionally, all of the documentation provided for this account did not indicate what the travel was for (i.e., there were no agendas or meeting invitations to show that the travel was related to the CFC).

**PCFO Comments:**

The PCFO disagrees with this portion of the finding; however, no reasoning was provided for the disagreement. Based on documentation provided by the PCFO, the finding was reduced from \$3,025 to \$1,546.

**OIG Comments:**

It is the responsibility of the PCFO to maintain documentation that not only supports the amount of the charge to the CFC, but also that the charges reflect the "actual costs of administering the local campaign." Maintaining documentation that merely shows travel occurred does not indicate if the travel was a cost necessary for administering the local campaign.

- We identified \$1,418 in cell phone charges (account 7415) where we could not tell if the charges were related to the CFC. The cell phones were assigned to specific personnel, but were charged 100 percent to the CFC. The expenses should be charged using an allocation method similar to how salaries are allocated.

**PCFO Comments:**

The PCFO agrees with this portion of the finding and states that it will make necessary changes for the 2008 campaign and thereafter.

**OIG Comments:**

It is the responsibility of the PCFO to review all cell phone charges to the CFC, determine the actual overcharge to the CFC, and make corrections for the 2006 and later campaigns, not only the 2008 campaign and later.

- We identified \$314 in Campaign Aids (account 8020) related to two transactions where the documentation provided did not indicate that the charges were related to the CFC.

**PCFO Comments:**

The PCFO disagrees with this portion of the finding; however, no reasoning was provided for the disagreement.

**OIG Comments:**

The PCFO provided supporting documentation for the two receipts questioned. However, the receipts provided as support for the transactions do not indicate that the purchases (gift cards) benefited the CFC.

- \$8,190 in Accounting Fees (account 7210) that were charged to the 2006 campaign in error. The PCFO charged the CFC for Auditing Fees related to the Agreed-Upon Procedures Audit and Financial Statement Audit for a prior year's campaign. These costs, based on the timing of the invoice (dated June 19, 2006), could not be related to the 2006 campaign as it was still in operation.

**PCFO Comments:**

The PCFO disagrees with this portion of the finding and states that the CFC regulations in effect at the time the accounting fees were incurred did not allow audit expenses to be charged to the campaign year being audited. It also states that during the audit period the regulations required CFC accounts to be brought to a zero balance at the end of each disbursement cycle.

Furthermore, the PCFO stated that there was no guidance issued by the OCFCO until November 14, 2008, and that it would follow that guidance from this point forward.

**OIG Comments:**

The PCFO is incorrect in its interpretation of the Federal regulations as they apply to the matching of expenses to campaign receipts. The regulation clearly states that it is the responsibility of the PCFO to recover expenses from gross receipts of the campaign to which they belong. The regulations do not state to recover expenses from the campaign in which they are incurred. The PCFO's assertion that the "regulations required accounts be brought to zero" at the end of each disbursement period falls short as it could have accrued (recognized the expense prior to actual payment) the expense related to the audits and then offset the accrual when the expense was actually incurred.

The PCFO is also incorrect in its assertion that the OCFCO has never (until November 2008) issued guidance on how auditing fees should be accounted for. CFC Memorandum 2004-01 (dated January 4, 2004) issued guidance related to concerns from PCFO's who recognized that no funds were left in their accounts for the 2001 campaign (first year audited). The OCFCO allowed a one time exception to 5 CFR 950.106(b) and suggested that the PCFOs plan for this expense in future campaigns. Additionally, the OCFCO in its yearly CFC regional workshops ('Accounting for the CFC' break out sessions) has specifically covered these audit expenses and provided suggestions to those PCFO's concerned with adhering to the regulations. This new CFC Memorandum does not represent new guidance or an official change in accounting for these types of costs, but a clarification to show proper accounting for them as this is a common issue to all PCFOs.

As a result of these unallowable expenses, the PCFO overcharged the 2006 participating campaign organizations \$85,328.

**Recommendation 1**

We recommend that the OCFCO ensure that the PCFO distributes \$85,328 in unallowable expenses charged to the CFC to the participating organizations of the 2006 campaign.

**Recommendation 2**

We recommend that the OCFCO and LFCC ensure that the PCFO understands its responsibilities to maintain sufficient documentation to support the charges to the CFC and that the charges are related to the CFC.

### **Recommendation 3**

We recommend that the OCFCO and LFCC ensure that the PCFO maintains appropriate allocation support (including how allocations are determined) for all costs allocated to the CFC.

### **Recommendation 4**

We recommend that the OCFCO and LFCC ensure that the PCFO makes necessary changes to properly adhere to the clarified guidance (CFC Memorandum 2008-09) related to the charging of AUP expenses related to the CFC Audit Guide.

## **2. PCFO Expense Reimbursement Not Properly Authorized**

The LFCC did not properly authorize the PCFO's reimbursement of campaign expenses for the 2006 campaign.

5 CFR 950.104(b)(17) states that the LFCC is responsible for "Authorizing to the PCFO reimbursement of only those campaign expenses that are legitimate CFC costs and are adequately documented. Total reimbursable expenses may not exceed the approved campaign budget by more than 10 percent."

We reviewed all LFCC meeting minutes provided to determine if the LFCC authorized the PCFO's reimbursement of 2006 campaign expenses. Our review of those meeting minutes did not identify where the LFCC approved the PCFO's reimbursement of expenses for the 2006 campaign year. We also did not receive any other proof of approval from the PCFO or LFCC.

As a result of not properly authorizing reimbursement of campaign expenses, the LFCC is running the risk that expenses that are not legitimate CFC costs, inadequately documented costs, and/or expenses that exceed the approved budget by more than 10 percent may be improperly reimbursed to the PCFO, thereby reducing the amounts paid to participating CFC organizations.

### **PCFO's Comments:**

The PCFO disagrees with this finding and stated that beginning in September 2007 the LFCC began reviewing year-to-date CFC expense reports at its meetings, approves expenses as they are incurred, and is aware of its responsibilities.

### **OIG Comments:**

The PCFO did not provide documentation to show the approval of its actual expenses reimbursed in March 2007. The steps taken by the LFCC, beginning in September 2007, are a good first step; but they do not ensure that the costs are accurate or that they are legitimate CFC expenses. It would be worthwhile for the LFCC to

physically review a detailed CFC transaction report (by category); and not just a summary report, to ensure that no non-CFC expenses are included and that the reports are accurate prior to authorizing the PCFO to reimburse itself for campaign expenses.

### **Recommendation 5**

We recommend that the OCFCO work with the LFCC to ensure that it understands its responsibilities as related to 5 CFR 950.104 (b) (17) and ensure that it properly authorizes the PCFO's reimbursement of campaign expenses for future campaigns.

### **3. CFC Expenses Not Reconcilable to the Approved Budget**

The PCFO was reimbursed for 2006 CFC expenses from six accounts not included or reconcilable to its budget submitted and approved by the LFCC.

48 CFR 950.105 (d) (7) states that it is the responsibility of the PCFO to maintain its expenses in a format that is reconcilable to the budget submitted to and approved by the LFCC.

We reviewed the actual expense charges of the PCFO and compared the expenses and accounts charged to those proposed to the LFCC in the budget included in the PCFO application. Our review identified six GL accounts charged to the CFC by the PCFO that were not included in the budget. Costs charged to the CFC by the PCFO for these accounts amounted to \$3,908.

Specifically, the accounts in question are:

- 7330 - Computer Software
- 7340 - Other Computer Supplies
- 7415 - Mobile Phones - Public Sector
- 7860 - Out of Town Meal Reimbursement
- 7915 - Local Meal Reimbursement
- 8212 - Workers Comp Insurance

Although these accounts, and the transactions contained within them, may be allowable, if the PCFO does not maintain its expense records in a format that is easily reconcilable to its approved budget there is a risk that unallowable charges and/or non-CFC expenses could be charged to the CFC, which would reduce the amounts paid to participating organizations.

### **PCFO's Comments:**

The PCFO disagrees with the finding and states that according to 5 CFR 950.105 (c) (1) the budget submitted to the LFCC was an estimate of the costs required to operate the CFC and that it is "impossible" to reconcile actual expenses to an estimate. It goes on to further state that it has provided support to show that the costs charged

from the accounts in question reflect the actual costs of administering the local campaign. The PCFO requests that this finding be removed from the final audit report.

**OIG Comments:**

The allowability of the costs charged from these accounts is not in question, as we recognize that these types of costs are often necessary for administering a local campaign. However, the regulations require that the budget submitted at the time the PCFO is selected reflect and be reconcilable to the costs ultimately charged to the campaign. The budget provided by the PCFO was in the format of general ledger accounts and the actual costs charged for six accounts were not included in its budget. We are requesting that the PCFO ensure that all accounts that could reasonably be chargeable to the CFC be included in the budget (even if the PCFO does not always anticipate costs to come from those accounts).

**Recommendation 6**

We recommend that the PCFO include all accounts that could reasonably charge costs to the CFC in the budget submitted to the LFCC to ensure that it is reconcilable to the format that is contained in its general ledger.

**B. CAMPAIGN RECEIPTS AND DISBURSEMENTS**

**1. CFC Funds Maintained Incorrectly**

Our review determined that the PCFO did not maintain CFC accounts separate from the PCFO's corporate accounts and that CFC funds were not maintained in an interest bearing account.

5 CFR 950.105(d)(8) states that the PCFO is responsible for "Keeping and maintaining CFC financial records and interest-bearing bank accounts separate from the PCFO's internal organizations financial records and bank accounts."

We reviewed the bank statements provided by the PCFO to determine if the PCFO maintained CFC accounts and PCFO accounts separately and in an interest bearing account. We determined that the the PCFO did not maintain a CFC only checking account. Instead the PCFO transferred the distributable funds to its corporate checking account and cut the checks from that account. Although we found no errors in the disbursement of CFC funds, this does not adhere to the regulations governing the CFC. Our review also found that the CFC funds were not maintained in an interest bearing account.

As a result of the above errors, the PCFO ran the risk of incorrectly disbursing CFC funds and reduced the distributions to participating organizations by not earning interest income.

**PCFO's Comments:**

The PCFO agrees with the finding and stated that, effective February 2009, it has segregated all CFC funds from other corporate funds and is maintaining them in analyzed interest bearing accounts.

**Recommendation 7**

We recommend that the OCFCO and LFCC ensure that the PCFO has ceased the practice of disbursing CFC funds from its corporate account and set up a CFC only checking account to disburse monies to participating organizations.

**Recommendation 8**

We recommend that the OCFCO and LFCC ensure that the PCFO has moved CFC funds to an interest-bearing bank account for CFC funds, as required by 5 CFR 950.105(d)(8).

**2. Incomplete Donor Lists**

The PCFO did not provide all federations with donor lists that indicated which member organization was to receive the donor information.

5 CFR 950.601 (c) states that "It is the responsibility of the PCFO to forward the contributor information for those who have indicated that they wish this information released to the recipient organization directly, if the organization is independent, and to the organization's federation if the organization is a member of a federation."

During our review, we requested and reviewed 10 donor lists sent to participating agencies and federations to determine if they were sent by the required date, if the PCFO did not release donor social security numbers and pledge amounts, and if the notifications to federations indicated which member organization was to receive the donor information.

Our review determined that the donor list sent to Community Health Charities of Texas did not identify which member organization was to receive the donor information.

As a result of not indicating which member organization was to receive the donor's information, the federation had no way of telling which member organization to release the donor information to.

**PCFO's Comments:**

The PCFO agrees with the finding and stated that the reports have been modified to identify the federation and member agency where the donor's information should be sent.

**Recommendation 9**

We recommend that the OCFCO and LFCC ensure that the PCFO indicates the member organization designated by the donor to receive their personal information be included in the donor list sent to the federation.

**C. ELIGIBILITY**

**1. Local Eligibility Solicitation Process Documentation Not Maintained**

The LFCC did not maintain documentation to support that it accepted applications from local charities for eligibility in the 2006 campaign for 30 calendar days as is required by the Federal regulations.

5 CFR 950.801(5) states that the LFCC "must accept applications from organizations seeking local eligibility for 30 calendar days as determined by the LFCC ...."

5 CFR 950.604 states that the PCFO "shall retain documents pertinent to the campaign for at least three completed campaign periods."

As part of our review, we requested that the LFCC provide a copy of the public solicitation of local charities to participate in the 2006 campaign to determine if the application period was open for at least 30 calendar days.

According to the PCFO, local applications for eligibility to participate in the 2006 Campaign were solicited through a public notice placed on the CFC of North Central Texas website. We also reviewed the LFCC meeting minutes (March and April of 2006) to determine the time frame of when local charity applications were accepted. Our review determined that the period opened March 10, 2006, but we were unable to identify a date where applications would no longer be accepted. Therefore, we could not determine if applications were accepted for 30 calendar days because the LFCC could not provide any other supporting documentation.

As a result of not maintaining documentation of the local charity application acceptance period, we could not determine if the application period was open for the required amount of time or if eligibility decisions were rendered within the time frames required by the Federal regulations.

**PCFO's Comments:**

The PCFO agrees with the finding and stated that it will retain electronic copies of public notices listed on its website.

**Recommendation 10**

We recommend that the OCFCO ensure that the LFCC maintains all documentation pertinent to the campaign, such as information related to the period applications are accepted from local charities wishing to participate in the CFC.

#### **IV. MAJOR CONTRIBUTORS TO THIS REPORT**

##### **Special Audits Group**

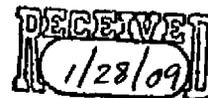
██████████ Auditor-In-Charge

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██████████ Group Chief ██████████

██████████ Senior Team Leader

██████████ Senior Team Leader




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**Combined Federal Campaign of North Central Texas**

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January 6, 2009

Office of Personnel Management  
 Office of the Inspector General  
 Attention: [REDACTED]  
 1900 E Street NW, Room 6400  
 Washington, DC 20415-1100

Dear [REDACTED]

In response to the OIG Draft Audit Report Findings for the 2005 and 2006 campaigns for Combined Federal Campaign of North Central Texas (CFCNCTX) CFC Code 0839, we are submitting the following responses and attached supporting documentation.

**1. Unallowable Campaign Expenses (\$60,398)**

- o No supporting documentation for \$21,911 charged to Temporary Salaries (account 7020-120).
  - i. A sample review of invoices (attachment 1-A) and an email authorizing expenses from the former CFC Director [REDACTED] (attachment 1-B), is provided. [REDACTED] was the authorizing agent acting on behalf of the LFCC. Her request to contract with Dunhill Staffing Systems, Inc. resulted in the hiring of [REDACTED] to which the \$21,911 was paid. According to guidance contained in [REDACTED] email 96% of [REDACTED] salary was charged to CFC.

**Request:** It is requested this finding be removed from the final audit report.

- o Inaccurate or inconsistent allocation methods were applied to \$2157 in Health Benefits (account 7130) and \$356 in Regular Salaries (account 7010).
  - i. UWMD recognize the calculation errors made in the spreadsheet used. Once the new Chief Financial Officer is onboard in February 2009 a revised process will be implemented to alleviate repeated miscalculations. UWMD will also communicate the method of future calculation to the LFCC.
- o CFC was undercharged \$2215 in electrical utilities (account 7510).
  - i. The PCFO wishes not to recoup these charges, but to offset previously mentioned unallowable expenses totaling \$2513 leaving a net unallowable expense of \$298. The method of calculation resulting in the error will be revised as stated.
- o No invoice and/or receipt for \$20,752 in charges.
  - i. Honoring employee designations and insuring anonymity of employees is the responsibility of the Principal Combined Fund Organization (PCFO) as outlined in 5 CFR 950.105 c3d1 and 5 CFR 950.105 c3d6. In fulfilling this regulatory obligation, the PCFO is responsible for hiring and providing pledge processing staff (see 5 CFR 950.104 b14) much like it does for employing the CFC Director and other staff who assist with campaign operations. These positions do not entail an invoice and/or receipt since they are not services rendered by a temporary agency. Due to the sensitivity of data handled a background check is conducted and a temp service not used for hiring pledge processing staff.

In addition, according to state and federal employment laws, the hiring organization must maintain a W-4 and provide employees with an annualized W-2. Because CFC is not a recognized organization by the Internal Revenue Service (IRS) it could not engage in this hiring contract to which a receipt or invoice would have been possible. As such, the contract agreement, by virtue of application, had to be between UWMD and the employee hired [REDACTED]. To support CFC work was being completed by [REDACTED] we are enclosing sample pledge processing report envelopes (attachment 1-C) which contain [REDACTED] signature and initials for auditing, keying, and releasing data.

**Request:** It is requested \$14,836 in Temporary Salaries (account 7020-320) be allowed as justifiable expenses in accordance with 5 CFR 950 and in adherence to state and federal employment laws. It is also requested this finding be removed from the final audit report.

- o Supporting documentation for \$1987 in salaries did not reconcile to account 7010.
  - i. Additional clarification from the OIG is needed before a response can be provided. We are however enclosing March 2006 (attachment 1-D) and July 2006 – February 2007 (attachment 1-E) general ledger detail as requested.

**Request:** OIG to clarify what additional supporting documentation is needed with a 7-10 business day response period from the PCFO.

- o Unsupported expenses of \$904.
  - i. Actual supporting documentation and source documents for the three invoices totaling \$904.22 are enclosed for your review (attachment 1-F). The actual total is \$906.14 since \$1.92 was overpaid on a previous invoice to Purple Giraffe.

**Request:** It is requested this finding be removed from the final audit report.

- o Could not verify if \$9247 was CFC related.
  - i. Supporting documentation and source documents for the three undocumented invoices totaling \$7829 (account 8020) are enclosed for your review (attachment 1-G).

**Request:** It is requested this finding be removed from the final audit report.

- ii. Cell phone charges in the amount of \$1418 were being charged at 100 percent instead of staff allocated percentages. This was an internal oversight that will be corrected for 2008 and thereafter beginning 2009.

- o The PCFO charged \$8190 in accounting fees for the completion of the Agreed-Upon Procedures (AUP) Audit and Financial Statements for a prior year's campaign.
  - i. CFC regulations in effect at the time the AUP and financial statements were conducted did not allow audit expenses to be charged to the campaign year being audited. Guidance was not issued from the Office of Combined Federal Campaign Operations (OCFCO) until November 14, 2008 (attachment 1-H). Therefore, the PCFO acted in compliance with regulations and OPM guidance in effect at the time the audit was conducted. During this time, regulations required accounts be brought to a zero balance at the end of each month. With the new guidance now in effect, the PCFO will comply with the application of these

expenses by requesting LFCC approval prior to the close of final campaign collections.

**Request:** It is requested this finding be removed from the final audit report.

**Deleted by OPM-OIG**

**Not Relevant to Final Audit Report**

3. **PCFO Expense Reimbursement Not Properly Authorized**

- o Effective September 2007, the LFCC has begun reviewing year-to-date expense reports (attachment 3-A) at its LFCC meetings and approving expenses as they are incurred. The LFCC is very aware of its role as outlined in 5 CFR 950.104.

**Request:** It is requested this finding be removed from the final audit report.

4. **Expenses not Reconcilable to the Approved Budget**

- o According to 5 CFR 950.105c1 the budget submitted to the LFCC for approval was an “estimate” of costs required to operate the CFC. Therefore, it is impossible to reconcile “actual” expenses to an estimate. CFC regulations which provide guidance on how much can be reimbursed to the PCFO states in 5 CFR 950.106a “The PCFO shall recover from the ‘gross’ receipts of the campaign its expenses, approved by the LFCC, reflecting the ‘actual’ costs of administering the local campaign.” We have provided supporting documentation to the OIG that the \$3908 in question were actual CFC expenses and are thereby reimbursable. As previously noted in section 3 of this response, beginning September 2007, the PCFO has provided the LFCC with year-to-date expense reports which is measured against the proposed budget (attachment 3-A).

**Request:** It is requested this finding be removed from the final audit report.

**Deleted by OPM-OIG**

**Not Relevant to Final Audit Report**

Deleted by OPM-OIG

**Not Relevant to Final Audit Report**

6. **CFC Funds Maintained with United Way Accounts**

- o Effective February 1, 2009 the PCFO has segregated all CFC funds from its United Way portfolio of accounts. Enclosed is authorization for the OCFCO granting these funds be maintained in analyzed interest bearing accounts (attachment 6-A) as a result of new FDIC regulations. Additionally, we are including confirmation from the holding bank that a separate CFC account was established (attachment 6-B).

7. **Incomplete Donor Lists**

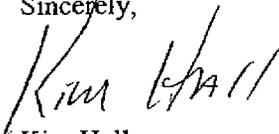
- o The PCFO recognized the inaccuracy of the donor list provided to recipient charities during the 2006 campaign. Beginning with the 2008 campaign, this report has been modified to identify the federation and member agency where the donor information should be sent.

8. **Local Eligibility Solicitation Process**

- o Beginning March 2008, the LFCC will retain electronic copies of public notices listed on its website.

Please let me know if there is any additional information needed to complete the final audit report. Once the new Chief Financial Officer comes onboard in February 2009, [REDACTED] Senior Director of Public Sector Campaigns, will insure all compliances made in this response are carried forward.

Sincerely,



Kim Hall

Interim Chief Financial Officer




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**Combined Federal Campaign of North Central Texas**

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February 10, 2009

Office of Personnel Management  
Office of the Inspector General  
Attention: [REDACTED]  
1900 E Street NW, Room 6400  
Washington, DC 20415-1100

Dear Mr. [REDACTED]:

In response to your email dated February 5<sup>th</sup> titled "OPM-OIG Audit Response" for the 2005 and 2006 campaigns for Combined Federal Campaign of North Central Texas (CFCNCTX) CFC Code 0839, we are submitting the following responses and attachments.

**1. Unallowable Campaign Expenses (\$1,987)**

- o Documentation tested during audit review resulted in a calculation inconsistent with method applied. OIG requests payroll registers for March 2006 and July 2006 through February 2007.
  - i. We have attached the requested payroll registers for further review by OIG.

**Request:** Pending OIG review, it is requested this finding be removed from the final audit report as immaterial.

**2. Unsupported Out-of-town Expenses (\$3,025)**

- o Out-of-town expenses totaling \$3025 could not be verified as CFC related expenses.
  - i. Attached is supporting documentation and general ledger entries which identifies these expenses as CFC specific.

**Request:** It is requested this finding be removed from the final audit report.

If there are any further questions regarding the OIG audit findings for CFCNCTX please contact Karra Guess, Chief Financial Officer, at [REDACTED]. Final audit reports should be sent to:

Combined Federal Campaign of North Central Texas  
c/o: [REDACTED]  
1800 North Lamar Street  
Dallas, TX 75202

Sincerely,

Kim Hall  
Interim Chief Financial Officer

cc: [REDACTED] LFCC Chairman  
[REDACTED] OIG