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

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# Final Audit Report

**Subject:**

**AUDIT OF THE 2004 AND 2005  
COMBINED FEDERAL CAMPAIGNS OF  
NEW YORK CITY  
NEW YORK, NEW YORK**

**Report No. 3A-CF-00-07-039**

**Date: February 4, 2009**

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UNITED STATES OFFICE OF PERSONNEL MANAGEMENT  
Washington, DC 20415

Office of the  
Inspector General

**AUDIT REPORT**

**AUDIT OF THE 2004 AND 2005  
COMBINED FEDERAL CAMPAIGNS OF  
NEW YORK CITY  
NEW YORK, NEW YORK**

Report No. 3A-CF-00-07-039

Date: February 4, 2009

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 2004 AND 2005  
COMBINED FEDERAL CAMPAIGNS OF  
NEW YORK CITY  
NEW YORK, NEW YORK**

**Report No. 3A-CF-00-07-039**

**Date: February 4, 2009**

The Office of the Inspector General has completed a performance audit of the 2004 and 2005 Combined Federal Campaigns (CFC) of New York City. The United Way of New York City, located in New York, New York, served as the Principal Combined Fund Organization (PCFO) during both campaigns. Our main objective was to determine if the CFC of New York City 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 10 instances of non-compliance with the regulations (5 CFR 950) governing the CFC.

**AUDIT GUIDE REVIEW**

- **Agreed-Upon Procedures Not in Compliance**

The Independent Public Accountant did not identify a reportable condition or maintain sufficient documentation to verify if the agreed-upon procedures were satisfactorily completed.

## **BUDGET AND CAMPAIGN EXPENSES**

- **PCFO Selection Not Properly Documented**

The LFCC did not provide documentation to support that it selected a PCFO by the deadline set by the Federal regulations; however, based on the information provided we were able to determine that the selection was made after the deadline date.

## **CAMPAIGN RECEIPTS AND DISBURSEMENTS**

- **Undistributed Campaign Receipts**

The PCFO did not distribute \$2,843 in CFC receipts received for the 2005 campaign.

- **Campaign Expenses Charged to the Incorrect Campaign Year**

The PCFO inappropriately charged \$26,250 to the 2005 Campaign for administrative expenses that were charged to the incorrect campaign year.

- **Campaign Expense Reimbursement Not Authorized by LFCC**

The PCFO's campaign expenses were not approved by the LFCC before reimbursement.

- **Incorrect Cut-off Date for CFC Payroll Receipts**

The PCFO used the incorrect cut-off dates for CFC payroll receipts and did not identify the deposits by payroll office.

- **Uncashed Check Procedures Not Implemented**

The PCFO did not follow the guidance for uncashed checks as set forth by the Office of Combined Federal Campaign Operations.

- **Commingling of CFC Funds**

The PCFO commingled CFC cash receipts with cash receipts from other charitable campaigns.

- **Untimely CFC Distributions**

The PCFO did not make distributions of CFC receipts to all participating agencies and federations in accordance with the Federal regulations.

## **ELIGIBILITY**

- **Lack of Support for LFCC Eligibility Decisions**

The LFCC did not maintain sufficient documentation to support that it made the eligibility decisions of local organizations' applications.

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## **I. INTRODUCTION AND BACKGROUND**

### **Introduction**

This report details the findings, conclusions, and recommendations resulting from the audit of the New York City Combined Federal Campaigns (CFC) for 2004 and 2005. 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 at Federal installations throughout the world. It consists of 299 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, deciding on 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 12353 and 12404 established a system for administering an annual charitable solicitation drive among federal civilian and military employees. Title 5, Code of Federal Regulations (CFR) 950, the regulations governing CFC operations, set 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 CFC of New York City was completed on December 5, 2003, covering the 2000 and 2001 campaigns. The audit report identified 13 areas of non-compliance with 5 CFR 950. All findings have been resolved.

The initial results of our audit were discussed with PCFO and LFCC officials during an exit conference held on July 27, 2007. A draft report was issued to the PCFO and LFCC on

April 24, 2008. The PCFO's response to the draft report was considered in preparation of this final report and is included as an Appendix.

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

### **Objectives**

The primary purpose of the audit was to determine if the New York City CFC was in compliance with Title 5, Code of Federal Regulations, Part 950. Our specific audit objectives for the 2005 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 prepared in accordance with 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 2004 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] (Audit Guide) for the 2004 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 2004 and 2005. The United Way of New York City, located in New York, New York, served as the PCFO during both campaigns. The audit fieldwork was conducted at the United Way of New York City from July 23 through July 27, 2007. Additional audit work was completed at our Washington, D.C. office.

The New York City CFC received campaign pledges, collected campaign receipts, and incurred campaign administrative expenses for the 2004 and 2005 campaigns as shown below:

<u>Campaign Year</u>	<u>Campaign Pledges</u>	<u>Campaign Receipts</u>	<u>Administrative Expenses</u>
2004	\$2,820,060	\$2,424,766	\$279,306
2005	\$2,802,309	\$2,566,262	\$308,077

In conducting the audit we relied to varying degrees on computer-generated data. We relied on our limited reviews of samples of campaign expenses and supporting data, pledge card entries, and the distribution of campaign contributions and related bank statements to verify that the computer-generated data used is reliable. Nothing 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 actual expenses from 10 expense accounts (out of a total of 20 expense accounts). Accounts were selected based on a nomenclature review, as well as high dollar amounts paid.
- Reviewed the LFCC meeting minutes and verified that 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 25 out of 27,833 pledge cards (selected 15 pledge cards with total pledges greater than \$1,000, 4 high dollar pledge cards with more than 5 designated codes per card, and 6 high dollar pledge cards donated on behalf of an organization) 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 2005 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 the 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 (The United Way of New York City) we reviewed the following:

- Data reported on the CFC Receipts Schedule with supporting documentation to verify whether receipts were properly recorded.
- The CFC Disbursement Schedule to ensure that the United Way of New York City did not disburse any funds to member agencies not participating in the 2005 CFC.
- The United Way of New York City's 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 and determined the type of audit to be completed by the IPA for the 2004 campaign. We also completed the AUP checklist to verify that the IPA completed and documented the AUP steps.

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

#### **A. AUDIT GUIDE REVIEW**

##### **1. Agreed-Upon Procedures Not in Compliance**

We found that the PCFO's IPA did not comply with all aspects of the January 2006 CFC Audit Guide's AUPs.

The Audit Guide states that the IPA performs "specified agreed-upon procedures (AUP) over the PCFO's compliance with CFC regulations and OPM guidance, and the effectiveness of the PCFO's internal controls over its compliance as of the end of the Fall 2004 campaign period and prepares an AUP report on the results ...." Chapter III of the guide outlines the specific AUP for the IPA to perform in its annual audit of the campaign.

Our review consisted of verifying that the IPA performed the required audit steps identified in the AUP and re-testing of certain transactions relating to campaign expenses and pledge card verification. As a result of our review, we identified three steps which were not completed in compliance with the AUP:

- Pledge Card Tracking System, step two, required the IPA to determine if the information entered onto the pledge card agreed with the information in the PCFO's pledge records. The IPA's review of the pledge cards did not identify and report that there was one pledge card that had the incorrect agency code and designation amount.
- PCFO Budget and Administrative Expenses, step two, required the IPA to review available information (LFCC meeting minutes and/or correspondence from the LFCC to the PCFO) to determine if the LFCC selected the PCFO by the March 15th deadline. The IPA did not maintain copies of the information reviewed to complete this step; therefore, we could not determine if it completed this step adequately.
- PCFO Budget and Administrative Expenses, step five, required the IPA to select a sample of 10 CFC expenses and trace those selected back to the supporting documentation to determine if the costs were accurate and CFC-related. We requested supporting documentation from the PCFO for five of the expenses reviewed by the IPA and one was not located by the PCFO. The supporting documentation maintained by the IPA did not include any of the expense samples reviewed; therefore, we could not determine if the IPA completed this step adequately.

As a result of not reporting a pledge card error and not maintaining documentation to support its review, the IPA's audit of the 2004 CFC Campaign is not in compliance with the Audit Guide requirements.

**PCFO Response:**

The PCFO stated that it forwarded the finding to its IPA for review and comment.

**OIG Response:**

The PCFO did not provide any comments and/or documentation from its IPA in response to this finding.

**Recommendation 1**

We recommend that the OCFCO and the LFCC work with the PCFO and their IPA to ensure that the AUP are completed correctly and that sufficient documentation is maintained to support the work completed.

**B. BUDGET AND CAMPAIGN EXPENSES**

**1. PCFO Selection Not Properly Documented**

The LFCC did not provide documentation to support that it selected a PCFO by the deadline set by the Federal regulations.

According to 5 CFR 950.801(a)(3), the LFCC “must select a PCFO no later than March 15th.”

We reviewed the LFCC meeting minutes to determine if the PCFO was selected by the March 15<sup>th</sup> deadline. Review of the March 7, 2005 LFCC meeting minutes indicated that the LFCC would review the PCFO application but did not state that the PCFO application was approved. The PCFO and LFCC were unable to provide a copy of the 2005 PCFO selection letter or any other documentation to support when the PCFO was selected.

As a result, we were unable to determine if the LFCC selected the PCFO by the deadline set in the Federal regulations.

**PCFO Response:**

The PCFO agrees with the audit finding.

**Recommendation 2**

We recommend that the OCFCO ensures that the LFCC selects the PCFO by the date set forth in the Federal regulations, maintains documentation to support the selection, and understands its responsibilities under the Federal regulations regarding the selection of a PCFO for future campaigns.

## **C. CAMPAIGN RECEIPTS AND DISBURSEMENTS**

### **1. Undistributed Campaign Receipts \$2,843**

The PCFO did not distribute \$2,843 in CFC receipts received to the CFC campaign's member agencies.

5 CFR 950.901(i)(2) states "The PCFO is responsible for the accuracy of disbursements it transmits to recipients." It further states that at "the close of each disbursement period, the PCFO's CFC account shall have a balance of zero."

Our review consisted of comparing the PCFO's CFC cash receipts and disbursements. Specifically, we identified the following errors:

- A \$1,635 balance in the PCFO's cash receipts and disbursements schedule that was not disbursed.
- Errors in recording payroll receipts totaling \$1,208.

As a result of the PCFO not properly closing out the CFC account, the CFC's member agencies did not receive their proportional share of \$2,843.

#### **PCFO Response:**

The PCFO agreed with \$1,208 of the questioned amount and did not respond to the remaining questioned amount.

#### **OIG Response:**

The original finding in the draft report questioned \$1,635 simply as undistributed CFC receipts. The documentation provided by the PCFO and LFCC did not address this amount and the changes made to our review as a result of the documentation provided did not affect it. Therefore, the amount remains questioned and is rolled into the total amount questioned.

#### **Recommendation 3**

We recommend that the OCFCO and LFCC ensure that the PCFO distributes \$2,843 to the member agencies of the 2005 campaign due to the PCFO not closing out its CFC account properly after the end of the campaign.

### **2. Campaign Expenses Charged to the Incorrect Campaign Year**

The PCFO inappropriately charged \$26,250 to the 2005 Campaign for expenses related to an earlier campaign.

5 CFR 950.106(b) states, "The PCFO may only recover campaign expenses from receipts collected for that campaign year. Expenses incurred preparing for and conducting the CFC cannot be recovered from receipts collected in the previous year's campaign." Likewise, prior campaign year expenses should not be recovered from the receipts of a future year's campaign.

During our review of the administrative expenses we judgmentally selected 13 CFC expense transactions, totaling \$231,728 in CFC costs charged to the 2005 campaign, to determine if the expenses were actual, reasonable, and properly allocated. Our review determined that \$26,250 charged to the 2005 campaign was related to an audit of the 2003 CFC campaign. Any audit fees related to the current campaign (2005) would likely be incurred after the close of the campaign. However, these fees were incurred and billed during the 2005 campaign and thereby could not be related to the 2005 campaign. The PCFO stated that the audit expenses were "accounted for on a cash basis rather than an accrual basis" and that it felt the difference was "not significant."

As a result of charging campaign expenses to the wrong campaign, the PCFO is not properly matching expenses with receipts for that campaign period.

**PCFO Response:**

The PCFO does not agree with this finding and stated that any audit of a given CFC campaign cannot begin until all funds collected have been paid to the charities. The PCFO has found it reasonable to estimate the amount chargeable to any given campaign to be the actual amounts paid during the given year. The PCFO stated that the \$26,250 was reserved for the 2005 audit based on the cost incurred from the 2003 audit.

**OIG Response:**

The PCFO did not provide any documentation to support its assertion that the costs identified were reserved for audits related to the 2005 campaign year. Our review determined that the questioned costs were related to actual invoices and were paid to the IPA out of 2005 campaign year funds and were not "reserved."

Additionally, the OCFCO has recently updated its guidance to clarify this issue and further support our position. It states that because IPA audit expense is "paid after the close of the campaign, the amount should be accrued and withheld from the last distribution. We encourage campaigns to negotiate a fixed cost agreement with the Independent Public Accountant (IPA) so that the actual amount can be known prior to the close of the campaign. If campaigns are unable to negotiate a fixed cost agreement, an estimated amount should be withheld based on prior experience and discussions with the auditor." According to discussions with the OCFCO, although the memorandum (CFC Memorandum 2008-09, dated November 14, 2008) was

issued after the date of our audit, this has been the opinion of the OCFCO since the inception of the CFC Audit Guide.

**Recommendation 4**

We recommend that the OCFCO direct the PCFO to follow the guidelines set forth in CFC Memorandum 2008-09 in regards to CFC Audit Expense Reimbursement for future campaigns.

**3. Campaign Expense Reimbursement Not Authorized by LFCC**

The LFCC did not authorize the PCFO reimbursement for 2005 CFC campaign expenses as required by the Federal regulations.

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.”

We reviewed the LFCC meeting minutes to determine if the LFCC authorized the PCFO to reimburse itself for expenses pertaining to operating the 2005 campaign. Our review of those minutes did not identify where the LFCC authorized the PCFO’s 2005 campaign expenses for reimbursement. Per discussion with the LFCC it was determined that it believed that the approval of the PCFO application and budget also approved the PCFO’s expenses and that no other approval was necessary.

As a result of not reviewing and approving the PCFO’s reimbursed expenses, the LFCC runs the risk of the CFC being charged for expenses that are not legitimate CFC costs.

**PCFO Response:**

The PCFO disagrees with the finding and states that the LFCC has been reviewing the year-end expenses incurred by the PCFO since 2006 (for campaign year 2005-2006).

**OIG Response:**

The PCFO did not provide any documentation to support that the LFCC reviewed and approved the PCFO's 2005 campaign expenses prior to reimbursement, as is required by the regulations.

**Recommendation 5**

We recommend that the OCFCO ensures that the LFCC understands its responsibilities in regards to authorizing reimbursement of legitimate and adequately documented campaign expenses and that it does so in the future.

**4. Incorrect Cut-off Date for CFC Payroll Receipts**

The PCFO incorrectly used January 15th as its cutoff date for determining which campaign to allocate incoming receipts to and does not track each receipt individually by payroll office as recommended by the OCFCO.

CFC Memorandum 2003-11 states, "Any checks received on or before January 31 without supporting documentation should be applied to the prior campaign. Checks received after January 31 should be applied to the current campaign."

CFC Memorandum 2006-5 states that, "all campaigns should be tracking receipts by payroll office. Discrepancies should be brought to the attention of the payroll office and/or OCFCO as soon as possible so that resolutions can be made in a timely manner."

We reviewed the PCFO's responses to the policies and procedures questionnaire to determine how they handle cut-off dates for deposits. In addition, we interviewed personnel to gain an understanding of the cut-off dates used by the PCFO.

Per our discussions with the PCFO it was determined that it uses January 15th as its cut-off date because many payroll offices do not provide the needed documentation to determine which campaign year the distributions belong to. However, the PCFO did state that the payroll offices began improving recently and that the issue may resolve itself in the future.

As a result of not tracking each receipt by payroll office as recommended by the OCFCO and using an incorrect cut-off date, the PCFO runs the risk of misapplying incoming CFC payroll receipts to the wrong campaign year.

**PCFO Response:**

The PCFO agrees with the audit finding.

**Recommendation 6**

We recommend that the OCFCO and the LFCC ensure that the PCFO follow the guidance outlined in CFC Memorandums 2006-5 and 2003-11.

**5. Uncashed Check Procedures Not Implemented**

The PCFO did not follow the guidance set forth by the OCFCO in CFC Memorandum 2006-5 and implement policies and procedures for uncashed checks.

CFC Memorandum 2006-5 Part C states that the "PCFO must develop and follow policies and procedures regarding uncashed checks." The memorandum also provided suggested procedures to be followed for checks uncashed for more than six months.

We reviewed the PCFO's responses to the policies and procedures questionnaire regarding uncashed checks. Also, we reviewed the PCFO's outstanding check log to determine if any CFC distribution checks older than six months were outstanding at the time of the audit.

Discussions with the PCFO determined that it has no formal policy in place other than reissuing the check after it is one year old. It also stated that if the Finance Department noticed a significant uncashed check, it may try to call the agency, but that those calls were not documented.

If CFC disbursement checks are allowed to go uncashed without following procedures similar to those recommended by the OCFCO, the PCFO runs the risk of not properly disbursing CFC funds as required by the regulations.

**PCFO Response:**

The PCFO agrees with the audit finding.

**Recommendation 7**

We recommend that the OCFCO and LFCC ensure that the PCFO institutes the policies and procedures necessary to adequately handle uncashed CFC checks as suggested in Part C of CFC Memorandum 2006-5.

**6. Commingling of CFC Funds**

The PCFO commingled CFC cash receipts with cash receipts from other charitable campaigns.

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

We reviewed all bank transactions related to the 2005 CFC campaign to determine if the monies were properly accounted for, received and disbursed. We determined that the PCFO used a separate account to deposit cash donations. The PCFO stated that the account was used "for internal control, safety and security purposes. The amounts [CFC funds] are then drawn and sent to the appropriate campaign account."

Our review noted that CFC cash donations were deposited into the account; however, we were unable to ascertain the transfer of these monies into the CFC checking

account. In addition, we determined that the account where CFC cash donations were deposited included other monies unrelated to the CFC campaign.

As a result of depositing CFC cash donations in a non-CFC dedicated account, the PCFO runs the risk of not properly accounting for and disbursing all CFC donations as is required by the Federal regulations. The commingling of funds by the PCFO could have had an impact on the \$2,843 in undistributed CFC funds noted in the "Undistributed Campaign Receipts" finding on page 9 of this report.

**PCFO Response:**

The PCFO agrees with the audit finding and stated that a CFC-only bank account has been set up for this purpose.

**Recommendation 8**

We recommend that the OCFCO and LFCC ensure that the account(s) set-up by the PCFO removes all potential risk of commingling CFC and PCFO funds.

**7. Untimely CFC Distributions**

The PCFO did not distribute all CFC receipts to participating agencies and federations in accordance with the regulations.

5 CFR 950.901(i)(2) states, "For campaigns with gross receipts in excess of \$500,000, the PCFO will distribute all CFC receipts beginning April 1, and monthly thereafter."

We reviewed the PCFO's Distribution Schedule and cancelled distribution checks to determine if the PCFO distributed funds by April 1 and monthly thereafter.

Our review identified three instances where the PCFO did not adhere to the regulations. Specifically, we found that:

- The PCFO did not make initial payments to 212 member agencies or federations by April 1, 2006, as required by the regulations.
- The PCFO did not make monthly payments to 239 member agencies or federations as specifically required by the regulations.
- The PCFO did not make disbursements of CFC receipts to any of the 344 member agencies or federations receiving designations in June or November 2006.

It should be noted that the CFC regulations (5 CFR 950) were revised November 20, 2006. This revision effected the regulation cited in this finding to state that the PCFO shall transmit disbursements to member agencies and federations at least quarterly beginning April 1.

As a result of not making distributions of CFC receipts in accordance with the Federal regulations, the agencies and federations may not be able to effectively manage their operations.

**PCFO Response:**

The PCFO agrees with the audit finding.

**Recommendation 9**

We recommend that the OCFCO and the LFCC ensure that the PCFO distributes all CFC receipts beginning April 1, and quarterly thereafter.

**D. ELIGIBILITY**

**1. Lack of Support for LFCC Eligibility Decisions**

The LFCC did not maintain sufficient documentation to support that it made the eligibility decisions of local organizations' applications.

5 CFR 950.104(b)(3) states that the LFCC is responsible for "Determining the eligibility of local organizations that apply to participate with the local campaign."

According to 5 CFR 950.104(b)(1), the LFCC is responsible for "Maintaining minutes of the LFCC meetings ...."

During our review of the LFCC's local organization application evaluation process, we reviewed the LFCC's meeting minutes to determine if it made the local eligibility decisions, and not the PCFO. From our review of the minutes, we were unable to discern if the LFCC made the eligibility decisions. Per discussions with the LFCC and PCFO, there were some meetings (conference calls) where no meeting minutes were taken. As a result, the minutes provided were incomplete.

As a result of not documenting or maintaining detailed LFCC meeting minutes regarding eligibility decisions, we could not determine that the LFCC made those decisions as required by the regulations.

**PCFO Response:**

The PCFO agrees with the audit finding.

**Recommendation 10**

We recommend that the OCFCO ensures that the LFCC puts policies and procedures in place to document and maintain support for its decisions regarding the eligibility of local organizations that apply to participate in the local campaign.

**Recommendation 11**

We recommend that the OCFCO ensures that the LFCC understands its responsibilities regarding determining the eligibility of local organizations that apply to participate in the local campaign.

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

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

 Auditor-In-Charge

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 Chief 

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Jill S. Henderson, Deputy Assistant Inspector General for Management



APPENDIX

The New York City Combined Federal Campaign

June 5, 2008

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'08 JUN 16

Dear [REDACTED]

Enclosed you will find the United Way of New York City (PCFO) response and attachments for the Audit draft conducted by the Office of the Inspector General, Special Audits Group.

On behalf of the LFCC, we would like thank you for giving the NYC-CFC the opportunity to address areas of non-compliance. If you have any further inquiries on any of the items, please feel free to contact me or any member of the United Way of New York City staff.



**A. FISCAL MANAGEMENT**

**1. Expenses Charged to the Incorrect Campaign Year \$26,250**

**PCFO Response:**

The audit of any given CFC campaign cannot commence until all funds collected have either been paid to the charities or disbursed to the PCFO for expenses paid in the name of the campaign. The PCFO must make an estimate of the amount of the audit by an independent CPA firm. UWNYP has found it reasonable to estimate the amount chargeable to any given campaign to be the actual amounts paid (or accrued) during the given year. In this way, each campaign bears the cost of one audit. The \$26,250 was reserved for the 2005 audit based upon the cost incurred for the 2003 audit.

The final disbursements for the 2005 campaign were made March 21, 2007. The independent CPA auditors completed their audit June 15, 2007. The first progress billing in connection with the 2005 campaign was made in the amount of \$17,000 on June 7, 2007. The final billing (which UWNYP is obligated to pay) had not been rendered.

**2. Unaccounted and Unsupported Campaign Receipts \$8,280**

**PCFO Response:**

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- \$1,175 error in recording payroll donations
    - Internal cash log was reconciled with the Amalgamated Bank Statements (0310). It was noted that there were two deposits that were not reported in the cash log. Specifically, from the April 2006 statements, a deposit for \$758 was not reported; and from the May 2006 statements, a deposit for \$450 was not reported. (Note: It is not clear where the amount of \$1,175 derives since we are coming up with a total of \$1,208. The \$758 and \$450 are highlighted on the cash log. The \$450 was originally deposited 03/30/06. The bank returned the check which was re-deposited 05/02/06)
- Cash Log Documentation Attached and relevant amounts are highlighted.

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4. **Campaign Expense Reimbursement**

**PCFO Response**

The LFCC has been reviewing the year-end expenses incurred by the PCFO since 2006 (for campaign year 2005-2006). This has been on-going to the present year.

5. **Incorrect Cut-off Date for Deposits**

**PCFO Response:**

The PCFO concurs with the findings of non-compliance and accept the Auditors recommendation.

6. **Un-Cashed Check Procedures**

**PCFO Response:**

The PCFO concurs with the findings of non-compliance and accept the Auditors recommendation.

7. **Commingling of CFC Funds**

**PCFO Response:**

The PCFO has set-up another bank account specifically for this purpose. The PCFO concurs with the findings of non-compliance and accept the Auditors recommendation.

8. **Untimely Disbursements**

**PCFO Response:**

The PCFO concurs with the findings of non-compliance and accept the Auditors recommendation.

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B. **ELIGIBILITY**

1. **Unsupported PCFO Selection**

**PCFO Response:**

The PCFO concurs with the findings of non-compliance and accept the Auditors recommendation.

2. **Lack of Support for LFCC Eligibility Decisions**

**PCFO Response:**

The PCFO concurs with the findings of non-compliance and accept the Auditors recommendation.

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**D. AGREED UPON PROCEDURES**

**1. Agreed Upon Procedures not in Compliance**

**Procedural**

**PCFO Response:**

The PCFO forwarded section D. Agreed Upon Procedures to PriceWaterhouseCoopers, the external auditors for review and comments.