



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

Final Audit Report

Subject:

**AUDIT OF THE 2004 THROUGH 2006
NORTHERN CALIFORNIA
COMBINED FEDERAL CAMPAIGNS
REDDING, CALIFORNIA**

Report No. 3A-CF-00-08-035

Date: April 10, 2009

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UNITED STATES OFFICE OF PERSONNEL MANAGEMENT
Washington, DC 20415

Office of the
Inspector General

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



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Inspector General

UNITED STATES OFFICE OF PERSONNEL MANAGEMENT
Washington, DC 20415

EXECUTIVE SUMMARY

**AUDIT OF THE 2004 THROUGH 2006
NORTHERN CALIFORNIA
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REDDING, CALIFORNIA**

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The Office of the Inspector General has completed an audit of the Northern California Combined Federal Campaigns (CFC) for 2004 through 2006. The United Way of Northern California, located in Redding, California, served as the Principal Combined Fund Organization (PCFO) during each campaign year. Our main objective was to determine if the Northern California CFC was in compliance with Title 5, Code of Federal Regulations, Part 950 (5 CFR 950), including the responsibilities of both the PCFO and the Local Federal Coordinating Committee (LFCC). We are unable to express an opinion on whether the PCFO administered the 2004, 2005, and 2006 CFCs in accordance with 5 CFR 950 due to difficulties encountered obtaining documentation during our audit.

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I. INTRODUCTION AND BACKGROUND

INTRODUCTION

This report details the results from our audit of the Northern California Combined Federal Campaigns (CFC) for 2004 through 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 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.

The initial results of our audit were discussed with PCFO and LFCC officials during an exit conference held on December 17, 2008. This was the first audit of the Northern California CFC.

II. OBJECTIVES, SCOPE, AND METHODOLOGY

OBJECTIVES

The primary purpose of the audit of the Northern California CFC was to determine compliance with 5 CFR 950. Our specific audit objectives for the 2004 through 2006 campaigns were as follows:

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.

SCOPE

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 through 2006. The United Way of Northern California (UWNCA) served as PCFO during the campaign years reviewed. The audit fieldwork was conducted at the PCFO's office in Redding, California from December 15 through 17, 2008. Additional audit work was completed at our Washington, D.C. office. At the request of the OCFCO, our audit focused on the PCFO's budget and actual campaign expenses, and the receipt and distribution of campaign funds to the participating organizations to determine whether the PCFO accurately disbursed all campaign receipts (including interest and less allocated campaign expenses) to the appropriate recipients.

METHODOLOGY

In conducting the audit we typically rely to varying degrees on computer-generated data. However, the PCFO was unable to provide adequate documentation to base any reliance upon.

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. Our audit plan relied primarily on substantive testing rather than tests of internal controls. The plan 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 regard to our objectives concerning the budget and campaign expenses, we requested the following:

- The PCFO application to complete the PCFO application checklist;
- A copy of the public notice to prospective PCFO's, and LFCC meeting minutes related to the selection of the PCFO;
- The PCFO's Schedule of Actual Expenses to trace and reconcile amounts to the PCFO's general ledger;
- The LFCC meeting minutes to verify if the LFCC authorized the PCFO's reimbursement of campaign expenses; and
- The budgeted and actual expenses per campaign to determine 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 requested the following:

- The Pledge Card Detail Schedule and PCFO's Pledge Card Report to determine if the report and schedule reconcile and to select a sample of pledge cards for review;
- The PCFO's distribution schedule for each campaign to select a sample of disbursement checks for review;
- 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 Form 1417 prepared by the PCFO and the OCFCO to identify material differences;
- The PCFO Distribution Schedule to verify whether monthly disbursements reconciled with the PCFO's Campaign Receipts and Disbursements Schedule;
- All bank statements used by the PCFO for the 2004, 2005, and 2006 campaigns to verify that the PCFO was properly accounting for and distributing funds; and
- The PCFO's cutoff procedures and bank statements to verify that funds were allocated to the appropriate campaign year.

The PCFO was unable to provide documentation supporting a majority of the above requests. As a result, we were unable to complete the audit and, therefore, could not render an opinion as to the PCFO's compliance with 5 CFR Part 950.

III. AUDIT RESULTS

Due to the difficulties encountered in obtaining adequate documentation during our audit, we cannot express an opinion on whether the PCFO administered the 2004, 2005, and 2006 CFCs in accordance with 5 CFR 950.

The PCFO had significant turnover in personnel from the end of the 2006 campaign to the start of our audit. This turnover included the Chief Executive Officer (CEO) and financial staff involved in the administration of the campaigns under review. The new CEO and staff had limited knowledge of how the campaign funds were handled and were unsuccessful in providing adequate receipt, distribution and campaign expense information requested by the OIG auditors. Therefore, due to inadequate documentation we were not able to complete our audit of the 2004, 2005, and 2006 CFCs.

The UWNCA is no longer the PCFO for the Northern California CFC. For the 2008 Campaign year, OPM's OCFCO merged the Northern California CFC with the Sacramento CFC to form the Sacramento/Northern California CFC.

Recommendation

The OIG recommends that should the UWNCA apply for a PCFO position for any future CFCs, that the UWNCA be required to submit to a full independent audit of its operations. The LFCC, in concert with the OCFCO, should review the results of this audit to determine whether the UWNCA can effectively and efficiently function as a PCFO to administer a CFC in accordance with 5 CFR 950 and CFC guidance and directives from OPM.

IV. MAJOR CONTRIBUTORS TO THIS REPORT

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