



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

Final Audit Report

Subject:

THE 2006 COMBINED FEDERAL CAMPAIGN ACTIVITIES OF THE EARTH SHARE FEDERATION BETHESDA, MARYLAND

Report No. 3A-CF-00-08-038

Date: October 29, 2008

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UNITED STATES OFFICE OF PERSONNEL MANAGEMENT
Washington, DC 20415

Office of the
Inspector General

AUDIT REPORT

**THE 2006 COMBINED FEDERAL CAMPAIGN
ACTIVITIES OF THE
EARTH SHARE FEDERATION
BETHESDA, MARYLAND**

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Date: October 29, 2009



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Inspector General

EXECUTIVE SUMMARY

**THE 2006 COMBINED FEDERAL CAMPAIGN
ACTIVITIES OF THE
EARTH SHARE FEDERATION
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Date: October 29, 2008

The Office of the Inspector General has completed a performance audit of the 2006 Combined Federal Campaign (CFC) activities of the Earth Share Federation. The primary objective of the audit was to determine if the Earth Share Federation's CFC activities were in compliance with Title 5, Code of Federal Regulations, Part 950 (5 CFR 950). The audit was conducted in Bethesda, Maryland from July 21 through July 25, 2008.

The audit showed that the 2006 CFC activities of the Earth Share Federation were administered in compliance with 5 CFR 950.

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I. INTRODUCTION AND BACKGROUND

Introduction

As authorized by the Inspector General Act of 1978, as amended, we conducted an audit of the 2006 Combined Federal Campaign (CFC) activities of the Earth Share Federation (Federation). The audit field work was conducted at the Federation's headquarters in Bethesda, Maryland, from July 21 through 25, 2008. Additional audit work was completed at our Washington, D.C. office.

Background

Executive Orders 12353 and 12404 and Public Law 100-202 established a system for administering the 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.

The CFC is the sole authorized fund-raising drive conducted at Federal installations throughout the world. It consists of 278 local campaigns. The Office of Personnel Management (OPM) has the overall responsibility for managing the CFC. This includes publishing regulations and providing guidance to Federal officials and private organizations to ensure that all campaign objectives are achieved.

The CFC organizational structure consists of a Local Federal Coordinating Committee (LFCC), a Principle Combined Fund Organization (PCFO), federations, and the individual charities. The LFCC is responsible for organizing the local CFC, determining eligibility of local charities, supervising the activities of the PCFO, and acting upon any problems relating to a local charity's noncompliance with the policies and procedures of the CFC. The PCFO conducts the actual campaign and collects the funds. The PCFO is responsible for training key workers and volunteers, preparing pledge cards and brochures, distributing campaign materials, collecting and distributing campaign contributions, and maintaining a detailed schedule of CFC administrative expenses incurred during the campaign. Charities can either belong to a federation or they can be unaffiliated.

National federations are responsible for administering applications for their membership, acting as a fiscal agent for their members, and making sure that donor designations are honored. Organizations are prohibited from using consultants in their CFC operations to perform policy-making or decision-making functions. To participate in the CFC, a federation consents to allow the Director of OPM complete access to its CFC records, as well as its members' CFC records. A federation must have 15 or more member charities that meet eligibility requirements contained in 5 CFR 950.202 and 950.203. After obtaining status as a national federation, it must re-establish eligibility each year and certify and/or demonstrate that its members meet all eligibility requirements expressed in 5 CFR 950.301(e). The Director may elect to review and accept or reject the national federation's eligibility certifications made on behalf of its members. The Director may request additional information from the federation.

The previous audit of the Federation (Report No. 3A-CF-00-00-062, dated December 5, 2000), covering campaign years 1997 and 1998, reported that the Federation complied with all applicable laws and regulations.

II. OBJECTIVES, SCOPE, AND METHODOLOGY

Objectives

The purpose of the audit was to determine if the Federation's CFC activities during the 2006 campaign were in compliance with 5 CFR 950, the regulations governing CFC operations. The specific audit objectives were to:

Local Eligibility

- Determine the adequacy of the Federation's review of applications for membership in the Federation and the level of compliance with the regulations—5 CFR 950.202, 203, and 301.

Administrative Expenses

- Determine if the Federation has agreements in place with the member agencies concerning the amount of dues/fees/expenses to be charged.
- Determine if the Federation charges its member agencies any additional dues/fees/expenses other than that prescribed by the agency agreement.
- Verify that dues/fees/expenses are accurately reported and agree to the Federation's annual report.

Governance Structure

- Determine compliance with 5 CFR 950.203 by reviewing the Federation's bylaws, board terms/appointment dates/termination dates, board minutes, ethics policy, conflict of interest statements, and the most recent IRS 990 form.

Distribution of Funds

- Determine if the Federation's procedures for processing and tracking receipts are reasonable.
- Determine if the Federation's CFC disbursement policy is reasonable and that the initial distributions to member agencies were timely for the 2006 campaign.
- Determine if the Federation's deposited amounts agree to the check amounts in the audited PCFO records.
- Determine if the Federation is maintaining CFC financial records and interest-bearing bank accounts separate from the other internal organization records and bank accounts.
- Determine if checks disbursed to agencies agree with the amounts on the Federation's distribution list and that all checks were timely distributed in accordance with the regulations.

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, 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 year 2006. The Federation served as a national CFC federation during this campaign. The Federation reported that it received \$4,258,670 for its member agencies for the 2006 campaign.

The audit fieldwork was conducted in Bethesda, Maryland, from July 21 through 25, 2008. Additional audit work was completed at our Washington, D.C. office.

In conducting the audit, we relied to varying degrees on computer-generated data provided by the Federation. Due to time constraints, we did not verify the reliability of the data generated by the Federation's information system. However, in utilizing computer-generated data during our audit testing, nothing came to our attention to cause us to doubt its reliability. We believe the data was sufficient to achieve the audit objectives.

To accomplish the audit objectives, we performed the audit procedures listed below:

- We reviewed the Federation's policies and procedures for receiving, recording, and distributing funds.
- We reviewed documentation supporting campaign expenses, cash receipts, and cash disbursements.
- We reviewed the Federation's member applications for inclusion in the CFC.
- We interviewed the Federation officials.

We sampled documentation for review and testing on a judgmental basis. To test payments to member agencies we used a judgmental sampling method to select 6 out of 57 Federation member agencies from the 2006 campaign based on the highest dollar amount paid. Because the sample was not statistically based, the results could not be projected to the universe taken as a whole.

We considered the campaign's internal control structure in planning our audit procedures. These procedures were mainly substantive in nature, although we did gain an understanding of management procedures and controls to the extent necessary to achieve our audit objectives. Our audit included such tests of the accounting records and such other auditing procedures as we considered necessary under the circumstances to determine compliance with 5 CFR 950 and CFC memorandums.

The initial results of our audit were discussed with the Federation during an exit conference at the end of our on-site work. We did not issue a draft report for review and comment since the Federation's CFC activities were conducted in accordance with applicable regulations and OPM guidance.

III. AUDIT RESULTS

Based on our review of local eligibility, governance structure, administrative expenses, and distribution of funds, we found that the Federation's 2006 CFC activities were administered in accordance with Federal regulations 5 CFR 950 and applicable CFC memorandums.

IV. MAJOR CONTRIBUTORS TO THIS REPORT

Special Audits Group

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[REDACTED] Auditor

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