



U.S. OFFICE OF PERSONNEL MANAGEMENT
OFFICE OF THE INSPECTOR GENERAL
OFFICE OF AUDITS

Final Audit Report

Subject:

**AUDIT OF THE 2007 AND 2008
WIREGRASS AREA
COMBINED FEDERAL CAMPAIGNS
DOTHAN, ALABAMA**

Report No. 3A-CF-00-10-032

Date: June 16, 2011

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Office of the
Inspector General

UNITED STATES OFFICE OF PERSONNEL MANAGEMENT
Washington, DC 20415

AUDIT REPORT

**AUDIT OF THE 2007 AND 2008
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COMBINED FEDERAL CAMPAIGNS
DOTHAN, ALABAMA**

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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

EXECUTIVE SUMMARY

**AUDIT OF THE 2007 AND 2008
WIREGRASS AREA
COMBINED FEDERAL CAMPAIGNS
DOTHAN, ALABAMA**

Report No. 3A-CF-00-10-032

Date: June 16, 2011

The Office of the Inspector General has completed an audit of the 2007 and 2008 Wiregrass Area Combined Federal Campaigns (CFC). The Wiregrass United Way, located in Dothan, Alabama, served as the Principal Combined Fund Organization (PCFO) during both campaigns. Our main objective was to determine if the Wiregrass Area 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 eight instances of non-compliance with the regulations (5 CFR 950) governing the CFC.

The following findings represent the results of our audit work as of the date of this report.

AUDIT GUIDE REVIEW

Our review of the Independent Public Accountant's audit of the 2007 campaign did not identify any areas of non-compliance with the CFC Audit Guide.

BUDGET AND CAMPAIGN EXPENSES

- PCFO Application Missing Required Language Procedural

The Wiregrass United Way's application to serve as PCFO did not include any of the specific language required by the regulations.

- **Approval of PCFO Reimbursement of Campaign Expenses** **Procedural**

The LFCC did not approve the 2008 campaign actual expenses prior to their reimbursement to the PCFO.

- **Campaign Expenses** **Procedural**

The PCFO did not properly match campaign expenses incurred with the related campaign receipts. Additionally, for expenses related to salaries and management fees, the PCFO reimbursed itself directly out of CFC funds.

- **Campaign Expenses Exceeded 110 Percent of Budget** **\$13,572**

The PCFO's actual expenses charged to the 2008 campaign exceeded the budget presented to and approved by the LFCC by more than 110 percent.

CAMPAIGN RECEIPTS AND DISBURSEMENTS

- **Outstanding Check Procedures** **Procedural**

The PCFO did not follow the Office of Personnel Management's Combined Federal Campaign Operation's (CFCO) guidance regarding outstanding checks during the 2008 campaign.

- **Cutoff Procedures Not in Compliance** **Procedural**

The PCFO improperly used January 1st as a cutoff date to allocate CFC receipts to campaigns receiving funds concurrently.

- **Pledge Card Errors** **Procedural**

The PCFO incorrectly input donor release of information data into its pledge card database on five pledge cards. Additionally, the PCFO was unable to provide copies of two pledge cards for review.

ELIGIBILITY

The LFCC did not follow the regulations concerning local agency and federation eligibility during the 2008 campaign.

PCFO AS A FEDERATION

Our review of the PCFO's activities as a federation showed that it complied with the applicable provisions of 5 CFR 950.

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I. INTRODUCTION AND BACKGROUND

INTRODUCTION

This report details the findings and conclusions resulting from our audit of the Wiregrass Area Combined Federal Campaigns (CFC) for 2007 and 2008. 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. In 2008, it consisted of 242 separate local campaign organizations located throughout the United States, including Puerto Rico, the Virgin Islands, and foreign assignments. The Combined Federal Campaign Operations (CFCO) at OPM has the responsibility for management of the CFC. This includes publishing regulations, memoranda, and other forms of guidance to Federal offices and private organizations to ensure that all campaign objectives are achieved.

The CFCs 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 the 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 the LFCC. Management of the PCFO is also responsible for establishing and maintaining a system of internal controls.

This represents our first audit of the Wiregrass Area CFC. The initial results of our audit were discussed with PCFO and LFCC officials during an exit conference held on August 5, 2010. As a result of the merger of the Wiregrass Area CFC into the Heart of Alabama CFC, no draft report was provided to the PCFO and the LFCC for review and comment.

II. OBJECTIVES, SCOPE, AND METHODOLOGY

OBJECTIVES

The primary purpose of our audit was to determine if the Wiregrass Area CFC was in compliance with 5 CFR 950, including the activities of both the PCFO and the LFCC. Our audit objective for the 2007 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 between \$150,000 and \$999,999).

Additionally, our specific audit objectives for the 2008 campaign were as follows:

Budget and Campaign Expenses

- To determine if the PCFO solicitation, application, campaign plan, and budget were in accordance with the regulations.
- To determine if the expenses charged to the campaign were actual, reasonable, allocated properly, approved by the LFCC, and did not exceed 110 percent of the approved budget.

Campaign Receipts and Disbursements

- To determine if the pledge card format was correct and if the pledge card report agrees with the actual pledge cards.
- To determine if incoming pledge monies were allocated to the proper campaign year and that the net funds (less expenses) were properly distributed to member agencies and federations.
- To determine if the member agencies and federations were properly notified of the amounts pledged to them and that donor personal information was only released for those who requested the release of information.

Eligibility

- To determine if the charity list (CFC brochure) was properly formatted and contained the required information; if the charitable organization application process was open for the required 30-day period; if the applications were appropriately reviewed, evaluated, and approved; if the applicants were notified of the eligibility decisions timely; and if the appeals process for denied applications was followed.

PCFO as a Federation

- To determine if the amounts received by the PCFO as a federation reconciled to those disbursed by the CFC; if the PCFO properly distributed funds to its federation members; if expenses charged by the PCFO (to its federation members) were documented properly; and if the disbursements made to the federation members were accurate.

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 2007 and 2008. The Wiregrass United Way, located in Dothan, Alabama, served as the PCFO during both campaigns. The audit fieldwork was conducted at the offices of the PCFO from August 2 through August 5, 2010. Additional audit work was completed at our Cranberry, Pennsylvania, and Washington, D.C. offices.

The Wiregrass Area CFC received campaign pledges, collected campaign receipts, and incurred campaign administrative expenses for the 2007 and 2008 campaigns as shown below:

Campaign Year	Total Pledges	Total Receipts	Administrative Expenses
2007	\$242,691	\$233,433	\$56,120
2008	\$266,700	\$241,176	\$57,809

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 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 the 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 tests of accounting records and such other auditing procedures as we considered necessary to determine compliance with 5 CFR 950 and CFC Memorandums.

To accomplish our objective for the Audit Guide Review, we reviewed the CFC Audit Guide (for campaigns with pledges between \$150,000 and \$999,999) and completed the AUP checklist to verify that the IPA completed and documented the AUP steps.

In regard to our objectives concerning the 2008 campaign's budget and campaign expenses, we accomplished the following:

- Reviewed the PCFO's application to verify if it was complete.
- Reviewed a copy of the public notice to prospective PCFOs and the LFCC meeting minutes to verify that the PCFO was selected timely.

- Traced and reconciled amounts on the PCFO's Schedule of Actual Expenses to the PCFO's general ledger.
- Reviewed the PCFO's budgeted expenses, the LFCC's approval of the budget, and matched a sample of actual expenses to supporting documentation. We judgmentally selected all CFC campaign expenses, totaling \$57,809, for review.
- 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 2008 campaign's receipts and disbursements were handled in accordance with CFC regulations, we reviewed the following:

- A judgmental sample of 41 pledge cards (totaling \$47,988, from a universe of 1,516 pledge cards, totaling \$266,700) from the 2008 PCFO's Pledge Card Report and compared the pledge information from the report to the actual pledge cards. Specifically, we judgmentally selected the top 11 pledge cards with the highest cash donations, the top 14 pledge cards with the highest pledged the top 10 pledge cards with five agencies listed, the top 3 pledge cards with undesignated cash donations, and the top 3 pledge cards with undesignated pledges.
- Cancelled distribution checks to verify that the appropriate amount was distributed in a timely manner.
- One-time disbursements 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 by the date required in the regulations.
- 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.
- CFC receipts and distributions from the PCFO's campaign bank statements, campaign receipts and agency disbursements, and campaign expense support to verify whether the PCFO accurately recorded and disbursed all 2008 campaign receipts and disbursements.
- All bank statements used by the PCFO 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 LFCC and PCFO were in compliance with CFC regulations in regards to eligibility for the 2008 campaign, 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.

Finally, to determine if the PCFO was in compliance with the CFC regulations as a federation (Wiregrass United Way) for the 2008 campaign, 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 Wiregrass United Way did not disburse any funds to member agencies not participating in the CFC.
- The Wiregrass United Way's agreements 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.

III. AUDIT FINDINGS

A. AUDIT GUIDE REVIEW

Our review of the IPA's audit of the 2007 campaign did not identify any areas of non-compliance with the CFC Audit Guide.

B. BUDGET AND CAMPAIGN EXPENSES

1. PCFO Application Missing Required Language

Procedural

The PCFO application accepted by the LFCC did not include any of the statements required in the Federal regulations.

5 CFR 950.105 (c)(2) states that any "federation, charitable organization or combinations thereof wishing to be selected for the PCFO must submit a timely application in accordance with the deadline set by the LFCC, that includes a statement signed by the applicant's local director or equivalent pledging to:

- (i) administer the CFC fairly and equitably;
- (ii) conduct campaign operations, such as training, kick-off events and other events, and fiscal operations, such as banking, auditing, reporting and distribution separate from the applicant's non-CFC operations, and;
- (iii) abide by the directions, decisions, and supervision of the LFCC and/or Director."

Additionally, 5 CFR 950.105 (c)(3) states that the application should include a statement signed by the applicant's local director, or equivalent, acknowledging that the applicant is subject to the provisions of 5 CFR 950.603.

Specifically, we reviewed the PCFO application, submitted by the Wiregrass United Way on February 11, 2008, to determine if each of the statements required by the Federal regulations was included. Our review found that none of the statements required by the regulations was included in the application. However, the LFCC accepted the application and permitted the Wiregrass United Way to be PCFO for the 2008 campaign.

By accepting an application that did not include any of the statements required by the Federal regulations in the application letter, the LFCC approved a PCFO which did not state that it will abide by any of those things required of it by the Federal regulations.

2. Approval of PCFO Reimbursement of Campaign Expenses

Procedural

The LFCC did not approve the 2008 campaign actual expenses prior to their reimbursement to the PCFO.

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 administrating the local campaign.”

According to 5 CFR 950.104 (b)(17), the LFCC’s responsibilities include “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 the LFCC meeting minutes for the 2008 campaign to identify when the LFCC approved the PCFO’s reimbursement for campaign expenses. When we determined that there was no documentation of the LFCC approving the PCFO’s reimbursement, we requested the PCFO to provide a copy of its request for approval and the LFCC’s response. We found that the PCFO has never requested approval for expense reimbursement because they assumed approval of the budget inferred approval of the actual reimbursement. As a result of not approving, and thereby determining if the costs charged were legitimate CFC expenses, the LFCC is running the risk of the PCFO charging the campaign for non-CFC expenses or incurring expenses in excess of 110 percent of the estimated budget (as did occur in the 2008 campaign, see audit finding B.4.).

Due to the LFCC and PCFO not understanding their responsibilities regarding campaign expense reimbursement, the LFCC did not approve the PCFO’s reimbursement of campaign expenses for the 2008 CFC.

3. Campaign Expenses

Procedural

The PCFO did not properly match campaign expenses incurred with the related campaign receipts. Additionally, for expenses related to salaries and management fees, the PCFO reimbursed itself directly out of CFC funds.

5 CFR 950.106 (b) states that the PCFO may only recover campaign expenses from receipts collected for that campaign and that expenses incurred cannot be recovered from the receipts of another campaign. Additionally, the PCFO may absorb the costs associated with conducting the campaign from its own funds and be reimbursed, or it may obtain a commercial loan to pay for the costs associated with conducting the campaign.

We reviewed the expenses charged to the 2008 campaign to determine if the expenses were related to the campaign, properly supported, and allocated correctly. During our review, we determined that the PCFO charged the campaign expenses based on a calendar year basis and not based on the campaign to which they related. Discussion with the PCFO determined that it did not understand that this should be done to meet the requirements of the regulation. As a result, the PCFO charged expenses totaling \$47,360 which were related to the 2009 campaign to the 2008 campaign.

Additionally, during our review of the expenses, specifically salaries and management fees, we found that the PCFO was not absorbing the costs of the expenses and being reimbursed from campaign disbursements. Rather, the PCFO transferred CFC receipts to its corporate account to cover CFC-related salaries and management fees. Discussion with the PCFO determined that it did not understand the regulations related to absorbing CFC expenses. As a result, the PCFO incorrectly reimbursed itself for \$43,679. This amount is fully included in the \$47,360 noted above as charged to the wrong campaign.

As a result of not properly matching expenses with CFC receipts, the PCFO charged the 2008 campaign for expenses related to the 2009 campaign. Additionally, as a result of reimbursing itself for salaries and management fees directly from CFC receipts, the PCFO did not allow the LFCC to review and approve those expenses prior to reimbursement.

4. Campaign Expenses Exceeded 110 Percent of Budget \$13,572

The PCFO's actual expenses charged to the 2008 campaign exceeded the budget presented to and approved by the LFCC by more than 110 percent. As a result, the expenses charged to the 2008 campaign exceeded 110 percent of the approved budget by \$13,572.

5 CFR 950.106 (a) states that the amount recovered for campaign expenses shall not exceed 110 percent of the estimated budget submitted as part of the PCFO's application for that campaign unless approved by the OPM.

We reviewed the proposed 2008 budget included by the PCFO in its application to continue as PCFO for the 2008 campaign year. The 2008 budget called for \$40,215 in campaign expenses. We calculated 110 percent of the budgeted amount to be \$44,237. However, the actual campaign expenses charged to the 2008 campaign were \$57,809, which exceeded 110 percent of the budget by \$13,572. According to the CFCO, no request was made by the PCFO to obtain permission to exceed the expense threshold.

As a result of exceeding the campaign expense threshold, the PCFO overcharged the member agencies of the 2008 campaign by \$13,572.

C. CAMPAIGN RECEIPTS AND DISBURSEMENTS

1. Outstanding Check Procedures Procedural

The PCFO did not follow the CFCO's guidance regarding outstanding checks during the 2008 campaign. As a result, four outstanding checks were not properly redistributed among member agencies as undesignated funds and could be returned to the state of Alabama if outstanding over three years.

CFC Memorandum 2006-5 states that if a check remains outstanding for six months the PCFO should make at least three documented attempts to contact the payee. If it is determined that the payee is no longer active, the funds must be redistributed to the remaining organizations for that campaign as undesignated funds.

We reviewed the PCFO's outstanding CFC check schedule and identified four checks that were over six months old where the agency was not promptly contacted and the checks were not voided and redistributed as undesignated funds to members of the 2008 campaign. The PCFO follows the United Way's outstanding checks procedures, which call for it to begin contacting agencies by letter after 11 months, with follow-up phone calls 60 and 120 days later. Their procedures then call for any outstanding monies over three years old to be escheated to the state. In discussion with the PCFO it was clear that it did not understand that the CFCO had set guidelines that it should follow in regards to outstanding checks.

As a result of following procedures that are not in accord with CFCO guidelines, the PCFO is allowing un-cashed CFC checks to remain outstanding five months longer than allowed and could escheat CFC monies to the state rather than redistribute the funds to CFC member agencies.

2. Cutoff Procedures Not in Compliance

Procedural

The PCFO improperly used January 1st as a cutoff date to allocate CFC receipts to campaigns receiving funds concurrently.

CFC Memorandum 2003-04 (dated February 11, 2003) provides guidance for PCFOs to correctly track and record CFC receipts to ensure an accurate cut-off of CFC receipts between campaigns. The memorandum directs the PCFOs to ensure that funds received from payroll offices are accompanied by a statement which identifies the agency, dates of the pay period, and the total number of employee deductions.

CFC Memorandum 2006-5 (dated February 7, 2006) section A (Tracking Receipts by Payroll Office) is a follow-up to Memorandum 2003-04 and states that most payroll offices are providing the information required and that all campaigns should be tracking receipts by payroll office. It further stated that if any PCFOs need any assistance that they should contact the CFCO.

We reviewed the PCFO's responses to our policies and procedures questionnaire and the CFC bank statements to determine if the PCFO was allocating CFC funds to the appropriate campaign year. In response to the questionnaire, the PCFO stated that it used January 1st through December 31st as its "campaign year" for CFC receipts. Additionally, the PCFO stated that it was not successful in obtaining detailed information from the payroll offices to determine which campaign the incoming deposits belong to at the close of one year and beginning of the next. Memorandum 2006-5 clearly states that the PCFO should contact the CFCO when they require assistance in this process. However, this step was not taken by the PCFO. The

PCFO's accounting for CFC receipts and disbursements, using the incorrect cutoff procedures, closed the 2008 campaign with \$12,417 in disbursements in excess of receipts. However, in our review of the same information, we allocated the CFC receipts by payroll office and determined that for the 2008 campaign the disbursement of funds to agencies and federations was done correctly (only an immaterial undisbursed amount identified).

As a result of not tracking CFC receipts by payroll office, the PCFO is running the risk of not properly disbursing CFC funds and thereby not adhering to donor designation requests.

3. Pledge Card Errors

Procedural

The PCFO incorrectly entered donor release of information data into its pledge card database on five donor's pledge cards, which resulted in it not honoring the donor's wishes. Additionally, the PCFO was unable to provide two pledge cards for our review.

5 CFR 950.105 (d)(6) states that the PCFO's responsibilities include honoring the request of donors who indicate on the pledge form that their names, contact information and contribution amounts not be released to the organization(s) that they're designating to.

5 CFR 950.601 (c) states that it is the responsibility of the PCFO to forward the donor information for those who have indicated that they wish this information be 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.

5 CFR 950.604 states that the PCFO must retain all pertinent CFC documentation for at least three completed campaign periods.

We reviewed a sample of 41 pledge cards to determine whether the PCFO entered pledge card information into its database correctly. Specifically, we compared each pledge card to database information to determine if all information (donor name, charity code(s), amount donated, total amount donated, and the donor's choice to release or not release personal information - home address, E-mail address, and/or amount donated) was entered correctly. Our review identified five pledge cards where the PCFO entered the donor's wishes to release information incorrectly.

Specifically, the errors we identified were:

- Three pledge cards where the PCFO incorrectly entered data indicating that the donor wanted to release their personal information when there was no indication on the pledge card.
- Two pledge cards where the PCFO incorrectly entered data and did not release donor personal information when there was an indication on the pledge card.

Additionally, the PCFO was unable to provide copies of two of the pledge cards we requested for our review.

As a result of data entry errors by the PCFO, it did not honor the donor's wishes in regard to the release of their personal information to designated charities. As a result of the PCFO's lack of controls in regard to maintaining campaign information, we could not determine if two of the pledge cards selected for review were properly input into the pledge card database.

D. ELIGIBILITY

The LFCC did not follow the regulations concerning local agency and federation eligibility during the 2008 campaign and in doing so displayed a lack of understanding of its responsibilities under the Federal regulations. Errors identified included an insufficient application period, approved applications with either unsupported or missing documentation, and incorrect eligibility notifications.

Insufficient Application Period

The LFCC did not accept applications from organizations seeking local eligibility in the CFC for 30 days as required by the regulations.

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

We requested that the LFCC provide a copy of the solicitation for applications from agencies and federations in its local area. We were informed by the PCFO that no official solicitation is placed in a newspaper or on its website, but that local agencies and federations which have previously participated are called or notified via E-mail. The LFCC was unable to provide proof of the E-mails sent. However, it did provide a copy of the application process sent to the potential applicants of the 2008 campaign. In its "application process" the LFCC indicates a five day application acceptance period (from March 10 through March 14, 2008). This is well short of the 30 calendar day requirement in the Federal regulations.

As a result of not accepting applications for the required time period, the LFCC severely limited the time agencies and federations could apply, possibly causing some to miss the deadline or not apply.

Approved Applications Missing Documentation or Wholly Unsupported

The LFCC does not have adequate procedures in place to ensure that only those local independent agencies and federations which meet the requirements of the Federal regulations are approved for participation in the CFC.

5 CFR 950.104 (b)(3) states that it is the LFCC's responsibility to determine the eligibility of local organizations that apply to participate in the local campaign and that this is the domain of the LFCC and not the PCFO. Additionally, 5 CFR 950.204 and 5 CFR 950.303 provide specific requirements that local agencies and federations (respectively) must meet.

We requested that the LFCC provide us with copies of the applications submitted by eight local organizations approved to participate in the 2008 CFC for review to determine if all necessary information was provided and that the LFCC made the appropriate eligibility decision. The LFCC was unable to provide supporting documentation for three of the organizations we requested. As a result we could not verify the eligibility review of these organizations, and without a proper application we can only determine that the applications should have been denied, not approved.

Additionally, one application did not include a copy of the audited financial statements required by the regulations. This application, as a result of the missing financial statements, should have been denied as well, as the LFCC's notification of the application process states "failure to prepare applications in accordance with OPM instructions may result in delay or denial of eligibility."

Lastly, our review of the documentation provided did not identify any obvious review (no checklist, review sheet, signoffs, etc.) by the LFCC or PCFO. During our review we inquired if the LFCC used the OPM supplied local eligibility application review sheets. We found that both the LFCC and PCFO did not know that these review sheets existed and were available to them. Use of these review sheets would not only assist the LFCC in its review of the applications (everything required is listed), but it also provides the LFCC a signature line to indicate approval or denial of the application.

As a result of the LFCC's lack of application review procedures, we could not obtain reasonable assurance that four of the eight organizations reviewed and approved by the LFCC met the requirements of the Federal regulations to participate in the CFC. Additionally, by not using review sheets or some other means of documenting its review, we could not determine if the applications provided to us were reviewed by the LFCC or PCFO prior to approval.

Incorrect Eligibility Notifications

The LFCC did not properly notify applicant agencies and federations if they were approved or denied participation in the 2008 CFC.

5 CFR 950.801 (a)(5) states that the LFCC must notify organizations seeking local eligibility within 15 business days of the closing date for receipt of applications. Additionally, 5 CFR 950.204 (e) states that application denials must be sent via U.S. Postal Service certified or registered mail with a return receipt requested and approvals may be sent via U.S. Postal Service regular first class mail.

We reviewed the LFCC's responses to detailed questions relating to the agency and federation eligibility process to determine its understanding of the process. Specifically, we found that the LFCC's responses to our questionnaire did not display any knowledge of the time frames involved in notifying the agencies. Additionally, the LFCC's response stated that agencies and federations approved for participation were informed "by telephone and email." Our review of the LFCC meeting minutes found that the LFCC reviewed the applications for the 2008 campaign on April 28, 2008, which was 16 business days after the date (April 4, 2008) when agencies and federations should have been notified. The regulations state that approvals must be sent via first class mail (not via E-mail or phone call) and within 15 business days of the closing date for receipt of applications.

During the 2008 campaign, the LFCC only denied one application. The LFCC responded to the questionnaire question related to denials correctly, stating that denials would be sent via registered letter. However, the LFCC was unable to provide documentation supporting that the denial letter was sent via that method. The letter to the agency denied participation in the CFC was dated April 28, 2008, which was after the regulation deadline (April 4, 2008) for announcing the denial.

As a result of the LFCC's lack of understanding of its responsibilities regarding eligibility notifications, the agencies and federations applying for participation in the 2008 CFC were not promptly notified of the eligibility decisions.

E. PCFO AS A FEDERATION

Our review of the PCFO's activities as a federation showed that it complied with the applicable provisions of 5 CFR 950.

IV. MAJOR CONTRIBUTORS TO THIS REPORT

Special Audits Group

, Auditor

, Senior Team Leader

, Senior Team Leader

, Group Chief, (