



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

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# Final Audit Report

Subject:

**AUDIT OF THE 2008 AND 2009  
CAPITAL REGION  
COMBINED FEDERAL CAMPAIGNS  
ALBANY, NEW YORK**

Report No. 3A-CF-00-11-038

Date: March 30, 2012

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UNITED STATES  
OFFICE OF PERSONNEL MANAGEMENT  
WASHINGTON, DC 20415-1100

OFFICE OF  
THE INSPECTOR GENERAL

AUDIT REPORT

AUDIT OF THE 2008 AND 2009  
CAPITAL REGION  
COMBINED FEDERAL CAMPAIGNS  
ALBANY, NEW YORK

Report No. 3A-CF-00-11-038

Date: March 30, 2012

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

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

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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 2008 AND 2009 CAPITAL REGION COMBINED FEDERAL CAMPAIGNS ALBANY, NEW YORK

**Report No. 3A-CF-00-11-038**

**Date: March 30, 2012**

The Office of the Inspector General has completed an audit of the 2008 and 2009 Capital Region Combined Federal Campaigns (CFC). The United Way of the Greater Capital Region Inc., located in Albany, New York, served as the Principal Combined Fund Organization (PCFO) during both campaigns. Our main objective was to determine if the Capital Region 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 12 instances of non-compliance with the regulations (5 CFR 950) governing the CFC and questions \$67,768.

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

### AUDIT GUIDE REVIEW

- **Agreed-Upon Procedures not in Compliance with the Audit Guide** **Procedural**

The Independent Public Accountant did not properly complete its review of all of the agreed-upon procedures in accordance with the Audit Guide.

## BUDGET AND CAMPAIGN EXPENSES

- **Unallowable Campaign Expenses** **\$63,732**

The PCFO incorrectly charged the campaign \$63,732 for expenses that were either unsupported, related to another campaign, or were charged with an unsupported and undocumented allocation method.

- **Campaign Expenses Reimbursed Without Approval** **Procedural**

The expenses for the 2009 campaign were reimbursed to the PCFO without LFCC approval.

- **PCFO Solicitation** **Procedural**

The public notice to solicit for PCFO applications for the 2009 campaign requested that the applications be sent to the PCFO and not to the LFCC.

- **Untimely PCFO Solicitation** **Procedural**

The LFCC did not select the PCFO for the 2009 campaign by the date set in the CFC calendar of events.

## CAMPAIGN RECEIPTS AND DISBURSEMENTS

- **Allocation and Disbursement of CFC Receipts** **\$4,036**

The PCFO did not disburse all CFC funds held as required by the Federal regulations.

- **Outstanding Check Policies and Procedures** **Procedural**

The PCFO's policies and procedures for outstanding CFC checks do not adhere to the requirements of the guidance issued by the Office of the Combined Federal Campaign (OCFC). Additionally, those procedures followed by the PCFO include steps for contacting donors directly, which is expressly forbidden by the Federal regulations.

- **Pledge Card Data Entry Errors** **Procedural**

The PCFO incorrectly entered the information from donor pledge cards into its pledge card database.

- **One-Time Disbursements** **Procedural**

The PCFO did not seek approval from the LFCC before the making of or the setting of the ceiling amount for one-time disbursements. Additionally, the PCFO did not correctly calculate the pledge loss deducted from the one-time disbursements.

- **Pledge and Donor Notifications**

**Procedural**

The PCFO did not notify its participating organizations of the amount of undesignated funds due to them. Additionally, the PCFO did not retain documentation to support the sending of pledge notifications and contributor information for those organizations notified electronically.

**ELIGIBILITY**

- **Agency and Federation Applications**

**Procedural**

The LFCC accepted organizations for participation in the CFC which submitted incomplete applications. Additionally, we were unable to determine if the LFCC reviewed or made the eligibility decisions on any applications reviewed.

- **Eligibility Decision Letters Issued by Wrong Authority**

**Procedural**

The LFCC did not issue the acceptance letters that were sent to organizations applying as members for the 2009 campaign. They were issued by the PCFO instead.

**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.

**FRAUD AND ABUSE**

Our review of the PCFO's fraud and abuse policies and procedures indicated that they were sufficient to detect and deter potential fraud and abuse activities.

**DISPOSITION OF THE CAMPAIGN**

As a result of the numerous findings and the nature of the issues identified with both the PCFO and LFCC, it is our opinion that the OCFC should seek to merge the Capital Region CFC with another geographically adjacent campaign, administered and conducted by a new PCFO and Local Federal Coordinating Committee (LFCC) that are more equipped to handle the responsibilities of the CFC.

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# **I. INTRODUCTION AND BACKGROUND**

## **INTRODUCTION**

This report details the findings and conclusions resulting from our audit of the Capital Region Combined Federal Campaigns (CFC) for 2008 and 2009. 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 2009, it consisted of 226 separate local campaign organizations located throughout the United States, including Puerto Rico and the Virgin Islands, as well as overseas locations. The Office of the Combined Federal Campaign (OCFC) 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.

Each CFC is 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; encouraging Federal agencies to appoint Loaned Executives to assist in the campaign; ensuring that employees are not coerced in any way in participating in the campaign; and acting upon any problems relating to a voluntary agency's noncompliance with the policies and procedures of the CFC. Loaned Executives are Federal employees who are temporarily assigned to work directly on the CFC.

The primary goal of the PCFO is to administer an effective and efficient campaign in a fair and even-handed manner aimed at collecting the greatest amount of charitable contributions possible. Its responsibilities include training loaned executives, coordinators, employee keyworkers and volunteers; maintaining a detailed schedule of its actual CFC administrative expenses; preparing pledge cards and brochures; distributing campaign receipts; submitting to an 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. The PCFO is also responsible for establishing and maintaining a system of internal controls.

This represents our first audit of the Capital Region CFC. The initial results of our audit were discussed with the PCFO officials during an exit conference held on May 26, 2011. The LFCC did not attend the exit conference. A draft report was provided to the PCFO and LFCC for review and comment on November 18, 2011. The PCFO's response to the draft report was considered in preparation of this final report and is included as an Appendix. The LFCC did not respond to the draft report.

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

### **OBJECTIVES**

The primary purpose of our audit was to determine if the Capital Region CFC was in compliance with 5 CFR 950, including the activities of both the PCFO and the LFCC.

Our audit objective for the 2008 campaign was:

#### **Audit Guide Review**

- To determine if the Independent Public Account (IPA) completed the Agreed-Upon Procedures (AUP) as outlined in the CFC Audit Guide.

Additionally, our specific audit objectives for the 2009 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 in a timely manner; 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.

Fraud and Abuse

- To determine what policies and procedures the PCFO has in place related to detecting and preventing fraud and abuse, and if they are adequate.

**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 2008 and 2009. The United Way of the Greater Capital Region Inc. (UWGCR), located in Albany, New York, served as the PCFO during both campaigns. The audit fieldwork was conducted at the offices of the PCFO from May 23 through 27, 2011. Additional audit work was completed at our Washington, D.C. office.

The Capital Region CFC received campaign pledges, collected campaign receipts, and incurred campaign administrative expenses for the 2008 and 2009 campaigns as shown below.

Campaign Year	Total Pledges	Total Receipts	Administrative Expenses
2008	\$410,897	\$386,630	\$74,934
2009	\$355,212	\$326,707	\$75,428

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 Memoranda.

To accomplish our objective concerning the 2008 campaign (Audit Guide Review), we reviewed the CFC Audit Guide to verify that the IPA completed and documented the AUP steps.

In regards to our objectives concerning the 2009 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 expense categories over \$500 (10 expense categories) for review, totaling \$73,795 (from a universe of 21 categories, totaling \$75,428).
- 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 2009 campaign's receipts and disbursements were handled in accordance with CFC regulations, we reviewed the following:

- A judgmental sample of 45 contributors with pledge amounts totaling \$57,429 (out of a universe of 1,730 contributors with total pledges of \$355,212) from the PCFO's 2009 campaign pledge card detail schedule, and compared the pledge information from the schedule to the actual pledge cards. Specifically, we judgmentally selected the top 35 contributors for review by total amount pledged. Additionally, we judgmentally selected the next five contributors (by total amount pledged) whose donation was marked "undesignated" and the first five contributors alphabetically who pledged cash amounts.
- 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 2009 campaign receipts and disbursements.
- All bank statements used by the PCFO to verify that it properly accounted for and distributed funds.
- The PCFO's cutoff procedures and bank statements to verify that funds were allocated to the appropriate campaign year.

To determine if the LFCC and PCFO were in compliance with CFC regulations in regards to eligibility for the 2009 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 Campaign charity list to determine if it contained all required information.
- 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.

To determine if the PCFO was in compliance with the CFC regulations as a federation (UWGCR) for the 2009 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 UWGCR did not disburse any funds to member agencies not participating in the CFC.
- The UWGCR's agreements with its member agencies to determine if the fees were reasonable and supported.

Finally, to determine if the policies and procedures related to the detection and prevention of fraud and abuse were adequate we reviewed the PCFO's responses to our fraud and abuse questionnaire.

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 AND RECOMMENDATIONS**

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

##### **1. Agreed-Upon Procedures not in Compliance with the Audit Guide      Procedural**

The IPA utilized by the PCFO and LFCC to complete the AUPs did not complete its review in accordance with the requirements of the Audit Guide.

The Audit Guide contains specific procedures to be followed during the examination by the IPA with the primary objective of determining LFCC and PCFO compliance with 5 CFR Part 950 and OPM's guidance.

We reviewed the IPA AUP report and working papers to ensure that it properly followed the AUP as stated in the Audit Guide and that it properly reported audit issues as the result of its review. Our audit identified three areas where the IPA did not comply with the requirements of the Audit Guide. Specifically, we identified the following issues:

- **PCFO Budget and Administrative Expenses Step 4** requires the IPA to report as a finding "all instances where the PCFO is not properly matching campaign receipts and expenses." Our review of the 2009 campaign's expenses found that the PCFO charged the campaign expenses based on a calendar year basis and did not attempt to match expenses to the campaign for which they were related. Additionally, discussions with the PCFO determined that this was the process it had followed for years. However, the IPA did not report this as a finding.
- **Receipt and Disbursement of Funds Step 3** requires the IPA to report as a finding "all instances where the PCFO did not ... disburse all receipts, less administrative expenses by the end of the campaign." Our review of the PCFO's Receipts and Disbursements Schedule for the 2008 campaign, which was attached to its AUP report, found that a balance of \$38,493 remained for the 2008 Campaign. The IPA did not report this issue as a finding in its report.
- **Receipt and Disbursement of Funds Step 7** requires the IPA to report as a finding instances where the one-time disbursements and ceiling amounts were not approved by the LFCC. Our review of the 2009 campaign found that the PCFO, not the LFCC, authorized both the making of and the ceiling amount for one-time disbursements. Additionally, discussions with the PCFO determined that this was its normal practice for one-time disbursements for a long period. However, the IPA did not report this as a finding.

As a result of the IPA's apparent lack of understanding of the CFC and its related regulations, the OCFC, the LFCC, and the PCFO were not alerted to areas of concern which could lead to donor designations not being properly handled and disbursed.

### **Recommendation 1**

We recommend that the OCFC ensures that the LFCC meets with the IPA prior to and during the AUP engagement to discuss the Audit Guide steps and results, and encourages the IPA to ask questions of the LFCC or the OCFC if it is unsure of how to complete any of the required procedures.

### **PCFO's Response**

The PCFO agrees with the recommendation.

## **B. BUDGET AND CAMPAIGN EXPENSES**

### **1. Unallowable Campaign Expenses** **\$63,732**

The PCFO incorrectly charged the campaign \$63,732 for expenses that were either unsupported, belonged to a prior campaign, or were charged with an unsupported and undocumented allocation method.

We reviewed a sample of campaign expenses charged to the 2009 campaign to determine if the expenses were actual, necessary, and reasonable charges with appropriate supporting documentation; if the expenses were related to the CFC; and, if an allocated cost, that the methodologies used were reasonable and supported. As a result of our review, we identified campaign expenses totaling \$63,732 that we are questioning because the costs were unsupported, did not belong to the 2009 campaign, or were allocated costs that did not have supported or documented allocation methodologies. Specifically, we identified the following:

- \$54,502 in expenses allocated to the campaign (Salaries and Benefits, Occupancy, and Temporary Employees) for which the PCFO did not provide sufficient documentation to support the allocation methodology. The PCFO only provided percentages used, but did not have any other documentation to support those percentages. We therefore could not determine if the methodology reasonably allocated the CFC its fair share of the costs.

CFC Memorandum 2006-5 Section D states that allocated expenses, such as indirect salaries and overhead, “must be supported by a reasonable allocation methodology.” Furthermore, it is our expectation that the allocation methodology should be supported by quantifiable documentation.

- \$7,605 in expenses charged to the 2009 campaign that were related to earlier campaigns. The questioned expenses include \$4,700 that was related to the audit of the 2007 campaign as well as \$2,905 in expenses that were related to the 2008 campaign, such as incentives, awards, and luncheons. Finally, the PCFO incorrectly charged expenses to the 2009 campaign based on a calendar year basis, rather than based on the campaign that the expenses were related to.

According to 5 CFR 950.106(b) “The PCFO may only recover campaign expenses from receipts collected for that campaign year.” Additionally, CFC Memorandum 2008-09 clarifies regulation 5 CFR 950.106(b) by explaining “the expenses incurred for the audit of a campaign must be paid from funds from the campaign being audited.” In our opinion this clarification applies to all CFC expenses, not just audit related expenses.

- \$1,625 in postage expense for which the PCFO was unable to provide any detailed supporting documentation. A portion of the costs included in this amount were related to newsletters sent. However, we received no information to prove they were sent or how they related to the CFC. The amount questioned also includes \$630 in postage allocated without support for the methodology used and \$278 in postage that should have been charged to the 2008 campaign (incurred prior to start of the 2009 campaign).

5 CFR 950.105(d)(7) states that the PCFO is responsible for maintaining itemized receipts for the actual CFC administrative expenses charged.

As a result of the PCFO not providing documentation to support allocation methods used, charging campaign expenses on a calendar year basis, and not maintaining complete records of CFC expenses, the campaign was overcharged \$63,732.

We are not recommending that the PCFO reimburse the 2009 campaign \$7,605 in campaign expenses as well as \$278 in postage because the earlier campaigns in question (2007 and 2008) are closed and have no remaining funds.

## **Recommendation 2**

We recommend that the OCFC direct the PCFO to distribute \$54,502 in unsupported allocated expenses to the agencies and federations that participated in the 2009 campaign. Additionally, we recommend that the OCFC and LFCC ensure that the PCFO puts procedures in place which ensure that all expenses allocated to a campaign are based on verifiable methodologies.

## **PCFO’s Response**

The PCFO disagrees and states that it provided documentation to support the allocation methodology determinations and that its methodologies are based on actual time spent on the CFC by all staff on a monthly basis.

## **OIG’s Response**

The PCFO states that it provided supporting documentation for its allocation methodologies. We disagree. The PCFO provided a narrative of its methodologies which stated the percentages applied when determining the amounts allocated to the CFC. However, no supporting documentation was provided to support the

determination of those percentages, which was initially requested in our draft report. Because the PCFO has still not provided this information, we are now questioning the allocated expenses as unsupported.

### **Recommendation 3**

We recommend that the OCFC and the LFCC ensure that the PCFO understands its responsibilities when charging allocated costs to the CFC and that the methodologies used are quantifiable and supported by documentation.

### **PCFO's Response**

The PCFO agrees with the recommendation.

### **Recommendation 4**

We recommend that the OCFC and LFCC work with the PCFO to ensure that it institutes policies and procedures for the PCFO to track, document, and charge a campaign's expenses to its respective campaign period.

### **PCFO's Response**

The PCFO agrees with the recommendation. That being said, it states that it "recognizes the intent of this section of the regulations; however, 12 months of expenses are allocated to each campaign and the expenses do not fluctuate significantly. Additionally it is the PCFO's responsibility to provide the best service for the lowest cost so that the agencies receiving funds have a relatively low administrative cost charged against their designation. The process recommended may cause administrative costs to go up significantly due to additional bookkeeping requirements. The PCFO agrees to comply with this recommendation as best as possible. We find this recommendation to be cumbersome and costly to implement."

### **OIG's Response**

We disagree with the PCFO's response. The PCFO states that it recognizes the intent of the regulations. However, it also states that it will "comply with this regulation as best as possible." It is the responsibility of the PCFO to ensure that the campaign is run in accordance with the regulations at all times.

The PCFO correctly states that during the period of our review "12 months of expenses are allocated to each campaign." However, the PCFO's following of this process is in conflict with the regulations. An individual campaign occurs over a period of approximately 24 months, not 12 months as stated by the PCFO. All expenses incurred in the operation of the 2009 campaign should be tracked and charged to that campaign in accordance with the regulations. We acknowledge the PCFO's concern for maintaining a cost effective campaign. However, the PCFO's

accounting policies and procedures for a campaign's expenses are to be in accordance with the CFC regulations.

**Recommendation 5**

We recommend that the OCFC direct the PCFO to reimburse the 2009 campaign's participating agencies and federations \$1,347 in unsupported postage expense. Additionally, we recommend the OCFC and LFCC ensure that the PCFO institutes policies and procedures for maintaining appropriate expense documentation.

**PCFO's Response**

The PCFO agrees with the recommendation.

**OIG's Response**

We accept the PCFO's response. However, it did not provide a corrective action plan that demonstrates how it will maintain campaign related expense documentation for both direct and indirect costs. Additionally, as the PCFO did not provide documentation to support the charges in question, \$1,347 should be reimbursed to the member agencies and federations of the 2009 campaign.

**2. Campaign Expenses Reimbursed Without Approval Procedural**

The PCFO did not submit its actual 2009 campaign expenses for approval for reimbursement to the LFCC. Additionally, the LFCC did not take an active role in the campaign and did not request the PCFO to provide the expenses for review and approval.

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."

Furthermore, 5 CFR 950.104(b)(17) states that it's the LFCC's responsibility for "Authorizing to the PCFO reimbursement of only those campaign expenses that are legitimate CFC costs and are adequately documented."

Finally, CFC Memorandum 2008-09 explains that the approval of actual expenses by the LFCC is separate from the approval of budgeted expenses. The LFCC must review actual expenses, authorize full or partial reimbursement, and document its authorization in its meeting minutes.

We reviewed the LFCC meeting minutes to determine if the LFCC authorized and approved the reimbursement to the PCFO of only those campaign expenses that were legitimate CFC costs that were adequately documented. Our review of the minutes found no indication of the LFCC's authorization or approval of the PCFO's

reimbursement of campaign expenses. According to the PCFO, when the LFCC approved the campaign plan and budget (included in the PCFO application) for the 2010 campaign, the LFCC also approved the actual expenses of the 2009 campaign as those costs were included with the 2010 budget figures. The PCFO also stated that it has not provided the LFCC with detailed expense documentation for means of determining if the expenses were appropriate because the LFCC is not active and that it has difficulty in getting the LFCC to perform its duties.

The PCFO is correct that the 2009 actual expense figures were included in its 2010 application to become PCFO. However, the PCFO is incorrect in stating that the LFCC authorized or approved its reimbursement when it selected it as the PCFO. The sole purpose of the 2010 PCFO application (which included the campaign plan and budget) is to select a PCFO for the next campaign and not to approve the actual costs for reimbursement. Additionally, the costs known to the PCFO at the time of solicitation for PCFO applications should not be final and should only be estimates to be reconciled prior to the final disbursements to agencies.

As a result of the PCFO's misunderstanding of its responsibilities to obtain authorization and approval from the LFCC prior to reimbursing itself, the PCFO did not allow the LFCC to exercise its authority over the campaign to ensure that only legitimate CFC costs are charged to the campaign. Additionally, as a result of not taking an active role in the conduct of the 2009 campaign and not requesting to authorize and approve the PCFO's reimbursement of campaign expenses, the LFCC may have allowed costs that were not related to the CFC to be charged to the campaign.

### **Recommendation 6**

We recommend that the OCFC ensures that both the LFCC and PCFO understand that the PCFO's reimbursement for only those campaign expenses that are legitimate and adequately documented CFC costs must be authorized and approved by the LFCC prior to reimbursement. Additionally, the PCFO and LFCC should present to the OCFC a detailed corrective action plan that demonstrates how a campaign's expenses will be authorized, reviewed, and approved by the LFCC prior to reimbursement.

### **PCFO's Response**

The PCFO agrees with the recommendation.

### **OIG's Response**

We accept the PCFO's response. However, the recommendation was directed toward both the PCFO and LFCC. As the LFCC did not provide a response to the draft report, the OCFC should confirm their understanding in the resolution of this recommendation.

### 3. **PCFO Solicitation**

**Procedural**

The public notice to solicit for PCFO applications for the 2009 campaign requested that the applications be sent to the PCFO and not to the LFCC.

5 CFR 950 104(c), states the LFCC's responsibilities for selecting a PCFO, including that the "LFCC must solicit applications on a competitive basis for the PCFO..."

We reviewed the public notice issued to solicit for applications to serve as the PCFO during the 2009 campaign to determine if the LFCC solicited for the PCFO and selected the PCFO in a timely manner. Our review found that the solicitation requested that those wishing to apply for PCFO for the 2009 campaign were to send the application to the UWGCR, the PCFO during the 2008 campaign, rather than the LFCC. According to the PCFO, it made the solicitation and instructed applications to be sent to its address because the LFCC does not take an active role in its duties and that it was more effective for it to be done in the manner described.

While it is acceptable for PCFOs to post solicitation notices on behalf of the LFCC, it is a potential conflict of interest for the PCFO to receive application responses. Additionally, as a result of the PCFO receiving the application responses, the LFCC is not performing its duties as required by the regulations. Finally, the LFCC could be misinformed of viable applicants for the position due to this conflict of interest.

#### **Recommendation 7**

We recommend that the OCFC ensures that the LFCC understands its responsibilities in regards to soliciting for and selecting a PCFO [5 CFR 950.104(c)] and that it institutes procedures to ensure that the PCFO applications are sent directly to the LFCC and not to the PCFO.

#### **PCFO's Response**

The PCFO agrees with the recommendation.

#### **OIG's Response**

We accept the PCFO's response. However, as the recommendation was directed toward the LFCC, which did not provide a response to the draft report, the OCFC should ensure their understanding in the resolution of this recommendation.

### 4. **Untimely PCFO Solicitation**

**Procedural**

The LFCC did not select the PCFO for the 2009 campaign by the date set in OPM's 2008/2009 Calendar of Events.

5 CFR 950.801(a)(3) requires that the LFCC must select a PCFO no later than a date to be determined by OPM. Additionally, the CFC 2008/2009 Calendar of Events states that the deadline for the LFCC to select a PCFO was February 23, 2009.

We reviewed the LFCC meeting minutes and the PCFO selection letter to determine if the LFCC selected the PCFO by the February 23, 2009 deadline set in the CFC 2008/2009 Calendar of Events. Our review of the LFCC meeting minutes found that the LFCC selected the PCFO on March 25, 2009. Additionally, the letter notifying the UWGCR was issued by the LFCC on March 27, 2009. Discussion with the LFCC determined that it planned to meet on the deadline date. However, it could not coordinate its members to meet. Therefore, it decided to meet on March 25th when all members could be present.

As a result of not selecting the PCFO according to the timetable set by OPM, the LFCC is potentially hampering the PCFO's ability to run an effective campaign and risks delaying the PCFO's administrative responsibilities that are required to be fulfilled throughout the new campaign.

### **Recommendation 8**

We recommend that the OCFC ensures that the LFCC understands its responsibilities as related to the selection of a PCFO (5 CFR 950.801) and that it institutes procedures to ensure that the selection of the PCFO is done by the date set by OPM.

### **PCFO's Response**

The PCFO agrees with the recommendation.

### **OIG's Response**

We accept the PCFO's response. However, as the recommendation was directed toward the LFCC, which did not provide a response to the draft report, the OCFC should ensure their understanding in the resolution of this recommendation.

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

### **1. Allocation and Disbursement of CFC Receipts** **\$4,036**

The PCFO did not disburse \$4,036 in CFC funds held, as required by the Federal regulations. Additionally, the PCFO did not apply all CFC deposits to the correct campaign period.

We traced and agreed all amounts reported by the PCFO as campaign receipts and disbursements to the bank statements to determine if the PCFO properly allocated CFC deposits to the correct campaign, that the CFC funds were maintained in an interest-bearing account, and that all CFC funds received were disbursed to members

of the campaign. Our review identified two errors and a potential problem based on the PCFO's banking practices. Specifically, we identified the following:

- We identified two deposits that were allocated to an incorrect campaign. The net effect of these incorrectly allocated deposits resulted in the PCFO disbursing excess funds in the amount of \$1,259 to members of the 2009 campaign. Because the campaigns affected by these inaccurately posted CFC deposits are closed, we will not recommend that the PCFO reopen the campaigns to correct the error, as the monies have been already disbursed.

5 CFR 950.105(d)(1) states that the PCFO is responsible for honoring employee designations. Additionally, 5 CFR 950.901(i)(2) states that the PCFO is responsible for the accuracy of the disbursement that it transmits to its member agencies and federations. As such, in order to honor employee designations and accurately distribute CFC receipts, the PCFO must accurately record the deposits received to the correct campaign period.

- We found that the PCFO utilized a money market bank account to earn interest on campaign funds, as its CFC checking account was non-interest-bearing. Our review found that on December 3, 2009, the PCFO moved \$80,000 (related to the 2008 campaign) from the CFC checking account to the money market account to raise the principle in order to earn more interest. Prior to the transfer of funds the account had a balance of \$3,933 and earned less than \$1 of interest per month, but during the period of the transfer, interest of \$19 or more was earned each month. When the \$80,000 was required to make the final distributions to the 2008 campaign, it was transferred out of the money market account (on March 22, 2010) back into the CFC checking account. However, the interest of \$100 earned during the transfer period (December 2009 through March 2010) remained in the money market account and was not distributed to the 2008 campaign. No other funds were transferred into the money market account during the 2009 campaign (April 2010 through February 2011) and \$2 additional interest was earned during this time bringing the balance of CFC funds maintained in the money market account to \$4,036 (rounded).

The regulations clearly state that all CFC funds must be distributed to member agencies at the end of each distribution period. Therefore, any amounts held in the money market account should have been distributed as well when the \$80,000 was transferred out in March 2010. As a result, it is our determination that the PCFO failed to distribute the remaining balance of the money market account, which amounted to \$4,036, as of February 28, 2011 (plus any interest accumulating since that date), to the member agencies of the 2009 campaign (the active campaign at the time of our audit).

5 CFR 950.105(d)(8) states that the interest earned on all CFC accounts should be distributed in the same manner as all other CFC receipts. Also, 5 CFR

950.901(i)(2) states that at the end of the disbursement period the PCFO's CFC account shall have a balance of zero.

- Lastly, during our review we determined that the PCFO, beginning with the 2010 campaign, changed banking institutions and that the new CFC account was interest-bearing. This change resulted from a UWGCR policy of rotating banks periodically.

It is our opinion that the policy of rotating banks is unnecessary and can cause unintended problems in the receiving of and accounting for CFC funds.

As a result of withholding CFC funds from disbursement in a money market account, the PCFO did not distribute all CFC funds to member agencies of the campaign. This resulted in an underpayment to those agencies and federations of \$4,036.

### **Recommendation 9**

We recommend that the OCFC and the LFCC require the PCFO to implement more stringent procedures to properly allocate incoming CFC receipts to the proper campaign period, especially during the months where payroll deposits for different campaign periods overlap.

### **PCFO's Response**

The PCFO agrees with the recommendation.

### **Recommendation 10**

We recommend that the OCFC and the LFCC require the PCFO to close the CFC money market account and to distribute the amount maintained in the account (\$4,036 as of February 28, 2011) plus any accumulated interest to the currently open campaign.

### **PCFO's Response**

“The PCFO strongly disputes this recommendation. That fact that there are funds left in a bank account at the end of a period is a timing issue, not an undistributed balance issue. During the 30 day period after the close of a quarter, funds continue to come in which represent the amount intended for distribution in the next quarter. For example, if a quarter closes on 12/31, the distribution for that quarter includes all funds collected up to that point, but are not sent out until 1/31 at the latest. As a result of this, funds continue to be deposited into the checking account during the month, which will then be distributed in the next quarterly payout. The PCFO may not fully transfer the funds out of the money market because there may be enough funds in the checking account for that quarterly distribution. This is a cash management technique used to maximize earnings on the funds. As was explained to

the audit team, cash management of campaign funds requires a careful balance between keeping enough funds in the campaign's checking account to minimize bank fees, while utilizing the interest bearing account when beneficial.”

### **OIG's Response**

We disagree with the PCFO's response. According to the PCFO, the intent of having a money market account and a separate CFC bank account was to move funds between the accounts in order to “maximize earnings and minimize fees.” However, during the scope of our audit the PCFO did not do this. In fact, the only transfer of funds between the two accounts, as described in the finding, was a one-time transfer (in and out) of \$80,000 related to the 2008 campaign. No transfers of 2009 funds were made. In January 2011, the PCFO opened a new interest-bearing checking account for the CFC which, in our opinion, forgoes the need to maintain CFC funds in a money market account. As a result, we maintain that the PCFO should close the money market account and distribute the funds to the participating agencies and federations of the current campaign. We believe a simple interest-bearing checking account fulfills the requirements of the regulations as interest is earned on idle CFC funds while avoiding complications in the accounting, valuation, and disbursement of a specific campaign's funds at the close of that campaign.

We acknowledge the PCFO's legitimate concern to maximize interest income while minimizing banking fees on CFC funds. However, the PCFO's approaches should not stretch past the limitations of CFC regulations. Additionally, the primary concern of the PCFO should be the accurate accounting for and disbursement of CFC funds raised for a particular campaign's beneficiaries as a campaign's funds are invested and divested within a short period of time and thus do not accrue a considerable amount of interest income. If the PCFO is concerned with the cost effectiveness of maintaining an interest-bearing checking account, the PCFO may seek approval from the OCFC to maintain funds in a non-interest bearing checking account, or for the OCFC to review the PCFO's investment strategies.

### **Recommendation 11**

We recommend that the OCFC and the LFCC direct the PCFO to cease its practice of “rotating bank accounts” and, in doing so, ensure that the account maintained for the CFC is an interest-bearing account.

### **PCFO's Response**

The PCFO disagrees, stating that the “Bank Rotation Policy” that it follows is a policy of the UWGCR, in which every five years the agency's banking relationships go out for bid to ensure that the most cost effective and efficient bank products are being used.

## **OIG's Response**

We disagree with the PCFO's response. The PCFO states that the "Bank Rotation Policy" is a policy of the UWGCR. However, policies and procedures of the UWGCR for CFC funds should not conflict with CFC regulations or guidance. According to 5 CFR 950.105(c)(2)(iii), the PCFO must "abide by the directions, decisions, and supervision of the LFCC and/or Director." Additionally, CFC Memorandum 2003-11 describes that regularly changing bank accounts can cause problems because payroll offices do not always make the change in bank account and electronic routing numbers in a timely manner. Furthermore, now that the PCFO has the CFC funds in an interest-bearing bank account, it is our opinion that it should maintain the funds in that bank account unless a more cost effective and efficient bank product becomes available (as approved by the LFCC, or the OCFC if a non-interest-bearing account).

### **2. Outstanding Check Policies and Procedures**

### **Procedural**

The PCFO's outstanding check procedures do not incorporate all of the requirements set by the OCFC in CFC Memorandum 2006-5. Also, the PCFO's procedures include a step which would cause it to violate the Federal regulations by contacting donors directly regarding their designations.

CFC Memorandum 2006-5 part C states that the PCFO's outstanding check procedures should include at least three documented follow-up attempts to reach the payee by phone and E-mail. Additionally, if it is determined that the payee is no longer active, then the funds must be distributed among the remaining agencies and federations of that campaign as undesignated funds.

Additionally, 5 CFR 950.105(d)(4) states that it is the PCFO's responsibility to ensure that "no employee is questioned in any way as to his or her designation or its amount except by keyworkers, loaned executives, or other non-supervisory Federal personnel." Any contact by the PCFO of any donor is in violation of this regulation.

We reviewed the PCFO's outstanding check procedures to determine if they are aligned with the guidance set forth by the OCFC in CFC Memorandum 2006-5. From our review of the procedures we determined that the PCFO only contacts the payee once. This procedure falls short of the Memorandum's guidance for the payee to be contacted and followed up with at least three times.

Additionally, the PCFO's procedures state that if the check remains un-cashed after 90 days "the donor is contacted and asked to redirect their designation." This procedure does not follow the Memorandum's directive for outstanding checks to be distributed as undesignated funds to remaining organizations of that campaign. Furthermore, as stated earlier, it calls for the PCFO to contact the donor directly, which is strictly prohibited by the Federal regulations.

As a result of not following the procedures as set by the OCFC in CFC Memorandum 2006-5, the PCFO is not ensuring, to the best of its ability, that donor monies are distributed to those agencies designated and that monies are accounted for according to OCFC directives. Additionally, by instituting procedures that would cause it to contact donors directly regarding their designations, the PCFO is risking alienating donors who, as a result of the contact, may feel pressured by the PCFO.

### **Recommendation 12**

We recommend that the OCFC and the LFCC direct the PCFO to update its procedures relating to outstanding checks to fully encompass the OCFC instructions for outstanding checks in CFC Memorandum 2006-5.

### **Recommendation 13**

We recommend that the OCFC and the LFCC ensure that the PCFO understands its responsibilities outlined in 5 CFR 950.105(d)(4) and that it should never contact a donor directly.

### **PCFO's Response**

The PCFO agrees with the recommendations.

## **3. Pledge Card Data Entry Errors**

## **Procedural**

Our pledge card review identified 36 pledge card data entry errors which resulted in the PCFO incorrectly releasing donor information to the agencies donated to, incorrectly inputting pledge information, and accepting pledges submitted on an invalid form.

We reviewed a sample of 45 contributor's pledge cards to determine whether they were entered into the PCFO's pledge card database correctly. Specifically, we compared the actual pledge card to the pledge card database report to determine if the following items were entered correctly: donor name, each charity code and amount designated to each code, total amount donated, and the donor's choice to release personally identifiable information. Additionally, we verified that the donor signed the pledge card to authorize payroll deductions by the CFC. We identified the following errors:

- 31 instances where the PCFO incorrectly released the donor's pledge amount and name to the agencies donated to, when the donor did not check the box to release the information. Discussion with the PCFO determined that these were probably entry errors during the processing of the pledge cards.
- Two instances where the PCFO incorrectly released the donor's home address or E-mail address (one time each). On each pledge card in question, the donor wrote

in their address. However, the donor did not mark the box on the pledge card which clearly states that “only checked options will be processed.” Discussion with the PCFO determined that it felt that the donor’s intent, by writing in their address information, was to have the information released. According to the OCFC, during this time period, the donor must have marked the necessary box and have entered their respective address for the information to be released to the appropriate agency or federation. The OCFC did note that this was a point of confusion among many PCFOs and that it modified the pledge card format for the 2011 campaign to remove the checked box requirement for releasing both home and E-mail addresses.

5 CFR 950.105(d)(6) states that it is the responsibility of the PCFO to honor “the request of employees who indicate on the pledge form that their names, contact information and contribution amounts not be released to the organization(s) that they designate.”

- One instance where the donor entered what appears to be the bi-weekly or per pay period deduction amount in the “annual amount” column of the pledge card. The PCFO incorrectly multiplied that amount by 26 (number of pay periods in a year) to determine the amount designated to each agency.

5 CFR 950.402(d) states that in “the event the PCFO receives a pledge form that has designations that add up to less than the total amount pledged, the PCFO must honor the total amount pledged and treat the excess amount as undesignated funds.”

- One instance where the PCFO incorrectly identified a pledge as undesignated when the donor entered a valid 2009 campaign agency code.

5 CFR 950.105(d) states that it is the PCFO’s responsibility to honor employee designations.

- One instance where the PCFO accepted a list of additional pledges which were not entered onto a valid pledge card, but on a blank paper attached to the pledge card. Furthermore, the PCFO contacted the donor directly to confirm the designated agencies listed on the attached form.

The 2009 CFC Brochure instructs the donor that if they wish to make more than the five designations allotted on the pledge card that they may complete an additional pledge card to do so. Therefore, it is our opinion that designations provided on any other form should not be accepted by the PCFO and should be treated as undesignated funds. Additionally, 5 CFR 950.105(d)(4) states that it is the PCFO’s responsibility to ensure that “no employee is questioned in any way as to his or her designation or its amount except by keyworkers, loaned executives, or other non-supervisory Federal personnel.” Any contact by the PCFO of any donor is in violation of this regulation.

As a result of these errors, the PCFO did not accurately honor the donor's pledges. Additionally, by contacting the donor directly regarding pledges, the PCFO may have inadvertently influenced the donor's designations.

**Recommendation 14**

We recommend that the OCFC and the LFCC direct the PCFO to institute procedures to ensure that donor release of information is properly entered and that checks are made to ensure the accuracy of the information in its database to the original pledge card.

**Recommendation 15**

We recommend that the OCFC and the LFCC ensure that the PCFO understands the procedures surrounding pledge cards when the designations do not total to the amount pledged and that it understands that only those pledge modifications outlined in 5 CFR 950.402(d) are permitted.

**Recommendation 16**

We recommend that the OCFC and the LFCC ensure that the PCFO understands that only those pledges entered on authorized pledge forms represent valid designations and that it instruct its keyworkers to return any pledge cards where donors attach additional designations on an unauthorized pledge form to the donor to have the donor complete the necessary pledge forms for all of the designations.

**Recommendation 17**

We recommend that the OCFC and the LFCC ensure that the PCFO understands that, in accordance with 5 CFR 950.105(d)(4), it may not contact donors directly in regards to pledge questions and that it must work through keyworkers, loaned executives or other non-supervisory Federal personnel when reaching out to donors in this manner.

**PCFO's Response**

The PCFO agrees with the recommendations.

**4. One-Time Disbursements**

**Procedural**

The PCFO did not seek approval from the LFCC for either the making of or the setting of the ceiling amount for one-time disbursements to agencies and federations with gross designations of less than \$1,000. Additionally, the PCFO did not properly calculate the pledge loss amount deducted from the agencies and federations receiving the one-time disbursements, resulting in a reduction of the amount paid to them of \$291.

According to 5 CFR 950.901(i)(3), “The PCFO may make one-time disbursements to organizations receiving minimal donations from Federal employees. The LFCC must determine and authorize the amount of these one-time disbursements. The PCFO may deduct the proportionate amount of each organization’s share of the campaign’s administrative costs and the average of the previous 3 years pledge loss from the one-time disbursement. This is the only approved application of adjusting for pledge loss.”

Additionally, CFC Memorandum 2008-9 provides detailed instructions explaining how to calculate one-time disbursements.

We reviewed the minutes of the LFCC meetings where discussion and decisions regarding the campaign were made by the LFCC to determine if the LFCC made the decisions regarding one-time disbursements. We did not identify in those records where the LFCC approved the making of one-time disbursements or set a ceiling amount for those disbursements for the 2009 campaign. We also did not identify where the PCFO brought the LFCC a request for approval of either of these items. Discussion with the PCFO determined that it made the determination to make the one-time disbursements and set the ceiling threshold, but we were unable to determine why approval was not sought or received prior to making the disbursements.

Additionally, during our review of the one-time disbursements made, we recalculated the pledge loss percentage, using figures provided by the PCFO, to determine if the one-time disbursement amount paid was correct. Our review found that the PCFO applied too large a percentage of pledge loss to the agencies and federations receiving one-time disbursements, which resulted in an underpayment of \$291 (in total). The error occurred as the result of how the PCFO accounted for \$7,254 in pledges received over and above the amounts pledged for two government agencies. The PCFO notated that the \$7,254 should be added to the pledge amount for the two agencies and in doing so the PCFO increased the pledges receivable for the campaign in question. However, the PCFO was unable to provide support to show that the pledge amount reported for the two agencies in question should be increased. Therefore, we calculated the pledge loss without increasing the pledged total which resulted in a lower pledge loss percentage than that calculated by the PCFO and a greater amount due (by \$291) to the agencies receiving one-time disbursements.

As a result of not requesting approval for one-time disbursements and approval of the one-time disbursement ceiling amount, the PCFO did not permit the LFCC to exercise its discretion over the operation of the campaign. Additionally, by not correctly calculating pledge loss, the PCFO underpaid those agencies receiving one-time disbursements by \$291. As we consider this underpayment amount to be immaterial, we are not requesting that adjustments be made to the one-time disbursements.

### **Recommendation 18**

We recommend that the OCFC and the LFCC require the PCFO to seek approval for both the making of and the setting of the ceiling amount for one-time disbursements before they are made for future campaigns.

### **Recommendation 19**

We recommend that the OCFC and the LFCC ensure that the PCFO understands the method of calculating pledge loss as outlined in CFC Memorandum 2008-9 for those agencies and federations receiving one-time disbursements.

### **PCFO's Response**

The PCFO agrees with the recommendations.

### **OIG's Response**

We accept the PCFO's response. However, the PCFO did not articulate a corrective action plan that would have allowed us to objectively review the processes that it will take to seek approval from the LFCC for both the making of and threshold for one-time disbursements. The OCFC should review such a plan for the resolution of this recommendation.

## **5. Pledge and Donor Notifications**

## **Procedural**

The PCFO did not notify its participating organizations of the amount of undesignated funds due to them. Additionally, the PCFO did not retain documentation to support the sending of pledge notifications and contributor information for those organizations notified electronically.

5 CFR 950.901(i)(1) states that the PCFO will notify all participating organizations of the amounts designated to them and the amount of undesignated funds allocated to them. Additionally, 5 CFR 950.601(c) states that the PCFO will forward contributor information for those donors that indicated that they wished to release information to the recipient organizations.

Furthermore, according to 5 CFR 950.604, PCFO's "...shall retain documents pertinent to the campaign for at least three completed campaign periods. For example, documentation regarding the 2006 campaign must be retained through the completion of the 2007, 2008, and 2009 campaign periods (i.e. until early 2010)."

We reviewed 12 pledge notifications and donor acknowledgements to determine if the PCFO notified the organizations of the 2009 campaign of their pledge amounts (both designated and undesignated funds) and of donors who wished to be recognized for their donation by March 15, 2010. During our review we identified two issues:

- We determined that each of the PCFO's pledge notifications reviewed only notified the member organization of the amounts designated to them by donors, but did not indicate the amount of undesignated funds that were allocated to them; and
- We identified three organizations for which the PCFO was not able to provide sufficient supporting documentation to show that the notification letters and donor acknowledgements were sent to the organizations. Specifically, the PCFO provided copies of the pledge report and donor acknowledgement reports with a note stating that the information was E-mailed to the appropriate organization. Further discussion with the PCFO determined that it did not have any further documentation to support that the E-mails were sent because the sent E-mails were not maintained by the PCFO.

As a result of not reporting all funds (designated and undesignated) pledged to the agencies and federations in the pledge notifications, the PCFO did not report accurate pledged funds information to the participants of the 2009 campaign.

Additionally, as a result of the PCFO not retaining sufficient documentation to support campaign activities, we were unable to determine if the PCFO appropriately notified all member organizations of the 2009 campaign of their pledge amounts and donor acknowledgements. Timely and accurate notifications to the member organizations of the campaign are paramount to the planning of their charitable enterprises.

### **Recommendation 20**

We recommend that the OCFC and the LFCC direct the PCFO to include the amount of both the designated and undesignated funds allocated to its member agencies and federations in the pledge notifications sent for each campaign as required by the regulations.

### **Recommendation 21**

We recommend that the OCFC and the LFCC direct the PCFO to institute procedures to ensure that documentation is maintained to support all pledge notifications and donor acknowledgements sent for future campaigns.

### **PCFO's Response**

The PCFO agrees with the recommendations.

## **D. ELIGIBILITY**

### **1. Agency and Federation Applications**

### **Procedural**

The LFCC accepted applications from two local organizations and two local federations which did not provide sufficient documentation to be accepted for participation in the CFC. Additionally, we did not identify any applications where we could determine if it was an LFCC member who reviewed the application and made the eligibility decision.

We reviewed 10 applications (7 local organizations and 3 local federations) to determine whether each local organization or local federation provided the appropriate documentation and made the appropriate certifications to be a member of the campaign. Our application review found 16 deficiencies. We identified 5 deficiencies related to local federations and 11 deficiencies related to local organizations. Specifically, we identified the following deficiencies:

- We identified two applications (one federation and one local organization) in which the applicants did not check all of the certifications required to be made in the application. The local organization left three of the certifications blank and the local federation left one blank. OPM Forms 1647-C and 1647-D state that not checking the box indicates that the organization does not agree with the certification and, therefore, should have been denied entry into the campaign.
- We identified one local organization application which did not provide documentation to support and demonstrate that it has a substantial local presence in the geographical area covered by the campaign. This local organization should not have been admitted as a member of the campaign without this information.

5 CRF 950.204(b)(i) states that “Substantial local presence is defined as a staffed facility, office, or portion of a residence dedicated exclusively to that organization, available to members of the public seeking its services or benefits.”

- We identified one local federation application which did not include a copy of its annual report. Without such documentation, the local federation should have been denied membership in the campaign.

5 CFR 950.204(d)(6) states that to be eligible, the federation must “Prepare an annual report which includes a full description of the organization’s activities and accomplishments. These reports must be made available to the public upon request.”

- All 10 of the local federation and local organization applications that we reviewed did not clearly indicate an LFCC review or determination of eligibility (approval or denial).

5 CFR 950.104(b)(3) states that the LFCC is responsible for “Determining the eligibility of local organizations that apply to participate in the local campaign. This is the exclusive responsibility of the LFCC and may not be delegated to the PCFO.”

According to the PCFO, it initially reviews all applications received for participation in the CFC and compiles a list of organizations that it believes are either compliant or not compliant with the application requirements. The list is then provided to the LFCC for it to make a final determination on each organization’s eligibility.

Our review of the materials (checklists) used by the PCFO in its initial review led us to believe that the errors related to the unchecked certifications and missing documentation can be directly traced to those materials not incorporating all the regulation requirements. As a result of using incomplete checklists in its initial reviews of applications, the PCFO inadvertently proposed organizations for inclusion in the campaign which submitted incomplete applications.

Further discussion with the PCFO determined that it did not know why the application checklists were not signed by a reviewer or did not indicate approval or denial. The LFCC did not respond to our questions related to this issue during our audit. Each year OPM’s OCFC releases to all campaigns application review sheets that incorporate all regulation requirements and include space for the LFCC to indicate the results of its review and to sign the review sheet. As a result of the LFCC not indicating its review or using the OPM review sheet, we could not determine the eligibility decisions made or who made the decisions for organizations to participate in the 2009 campaign.

### **Recommendation 22**

We recommend that the OCFC ensure that the LFCC understands its responsibilities in regards to determining eligibility of local organizations applying to participate in the local campaign [5 CFR 950.104(b)(3)].

### **Recommendation 23**

We recommend that the OCFC direct the LFCC to institute procedures to completely review all incoming applications for each campaign to ensure that only those organizations meeting the regulation requirements are admitted as members of the campaign.

### **Recommendation 24**

We recommend that the LFCC use the application review sheets created by the OCFC to review the applications and that it clearly indicates the eligibility decision made (approval or denial), and that a member of the LFCC affirms the decision with a signature.

### **PCFO's Response**

The PCFO agrees with the recommendations.

### **OIG's Response**

We accept the PCFO's response. However, as the recommendations were directed toward the LFCC, which did not provide a response to the draft report, the OCFC should ensure that they understand the recommendations during the resolution phase.

## **2. Eligibility Decision Letters Issued by Wrong Authority** **Procedural**

The LFCC did not issue the acceptance letters that were sent to organizations applying as members for the 2009 campaign as required by the regulations.

5 CFR 950.801(a)(5) states that the LFCC "must issue notice of its eligibility decisions..." Additionally, 5 CFR 950.204(e) states that "The LFCC shall communicate its eligibility decisions..."

We reviewed a sample of letters sent to notify local federations and organizations which applied for inclusion in the 2009 campaign to determine if the notifications were sent within 15 days of the application closing date and if the notifications were issued and communicated by the LFCC. Our review of the eligibility notification letters determined that the letters were issued and signed by the PCFO instead of the LFCC. Discussion with the PCFO determined that it was unaware of the requirement about acceptance letters being signed by the LFCC.

Eligibility decision letters issued by the improper party risks having incorrect information communicated to the applicants and does not hold the proper authority, in this case the LFCC, accountable for its decisions.

### **Recommendation 25**

We recommend that the OCFC ensure that the LFCC and the PCFO understand the responsibilities of the LFCC as outlined in the regulations, especially those regarding the issuance of [5 CFR 950.801(a)(5)] and communication of [5 CFR 950.204(e)] eligibility decisions.

### **Recommendation 26**

We recommend that the OCFC directs the LFCC to institute procedures to ensure that it properly issues and communicates its eligibility decisions to those local federations and organizations applying for inclusion in the campaign.

### **PCFO's Response**

The PCFO agrees with the recommendations.

### **OIG's Response**

We accept the PCFO's response. However, as the recommendations were also directed toward the LFCC, which did not provide a response to the draft report, the OCFC should ensure that they understand the recommendations during the resolution phase.

#### **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.

#### **F. FRAUD AND ABUSE**

Our review of the PCFO's fraud and abuse policies and procedures indicated that they were sufficient to detect and deter potential fraud and abuse activities.

#### **G. DISPOSITION OF THE CAMPAIGN**

Based on the numerous issues identified in this report, it appears that both the LFCC and PCFO lack the ability to conduct and coordinate the local CFC. Additionally, the LFCC was clearly lax in its oversight of these campaigns.

This report documents numerous instances where both the PCFO and LFCC did not fulfill their responsibilities as outlined in 5 CFR 950.

In summary, we noted the following seven issues involving the PCFO:

1. Did not submit its actual expenses for the 2009 campaign for approval for reimbursement to the LFCC.
2. Incorrectly charged the campaign expenses that were either unsupported, related to another campaign, or were charged with an unsupported and undocumented allocation methodology. Additionally, in its response, the PCFO did not appear overly eager to comply with our recommendations and the requirements of the Federal regulations regarding properly matching expenses with the appropriate campaign.
3. Did not properly record donors' intended contributions to the CFC as well as donors' intended release of information to organizations.
4. Did not include all of the 2006-5 Memorandum's recommendations in its uncashed checks policies and procedures.

5. Did not disburse all CFC funds held as required by the Federal regulations. Additionally, in its banking policies, the PCFO seemingly asserts the priority of UWGCR policies over the CFC regulations.
6. Did not seek approval from the LFCC for either the making of or the ceiling amount for one-time disbursements. Additionally, the PCFO did not properly calculate the pledge loss amount deducted from the agencies and federations receiving the one-time disbursements.
7. Did not notify its participating organizations of the amount of undesignated funds due to them. Additionally, the PCFO did not retain documentation to support the sending of pledge notifications and contributor information for those organizations notified electronically.

In addition, we noted the following five issues involving the LFCC:

1. Did not select the PCFO for the 2009 campaign by the date set in OPM's 2008/2009 Calendar of Events.
2. Did not ensure that 2009 PCFO applications were sent directly to the LFCC.
3. Did not request the PCFO to provide the 2009 campaign expenses for review and approval.
4. Did not completely review all applications for the 2009 campaign.
5. Did not properly issue and communicate its eligibility decisions to organizations applying for inclusion in the 2009 campaign.

Furthermore, the LFCC illustrated an apparent lack of concern for the CFC as it:

1. Only assembled itself for three meetings related to the 2009 campaign: Review and approve PCFO's campaign plan and budget (March 25, 2009); Review organization applications for 2009 campaign (April 28, 2009); Review 2009 campaign results (April 21, 2010).
2. The PCFO expressed concern that it has difficulty in convening the LFCC for meetings and that the LFCC does not take an active role in its required responsibilities.
3. Did not attend the audit entrance conference or the exit conference.
4. Did not respond to any of the draft report findings and recommendations; more notably, to findings and recommendations specific to the LFCC.

As a PCFO, the UWGCR is responsible for conducting an effective and efficient campaign, acting as the fiscal agent of the LFCC, and ensuring that donor designations are honored. The LFCC is responsible for selecting a qualified PCFO, coordinating the local campaign, and being the central point of information regarding the CFC among Federal employees. To be successful, the PCFO and LFCC must work together to establish and implement policies, procedures, and controls necessary to ensure that their responsibilities are carried out in an efficient and effective manner in accordance with the Federal regulations.

**Recommendation 27**

As a result of the numerous findings and the nature of the issues identified with both the PCFO and LFCC, it is our opinion that the OCFC should seek to merge the Capital Region CFC with another geographically adjacent campaign, administered and conducted by a new PCFO and Local Federal Coordinating Committee (LFCC) that are more equipped to handle the responsibilities of the CFC.

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

### **Special Audits Group**

██████████, Auditor-In-Charge

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██████████, Group Chief, ██████████

██████████, Senior Team Leader

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**Capital Region**  
**Combined Federal Campaign** 2012 11/11 PM 12:12  
One United Way, P.O. Box 13865, Albany, NY 12212  
(518) 456-2200

December 16, 2011

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

Dear [REDACTED]

What follows are our comments to the findings and recommendations to Report No. 3A-CF-00-11-038 which is a draft report of the audit of the 2008 and 2009 Capital Region Combined Federal Campaigns in Albany, New York.

Recommendation 1

The PCFO will work closely with OCFC and the LFCC to ensure that the IPA is notified of these findings and that it fully understands the CFC and its regulations so that it may complete the Audit Guide's AUP more correctly and completely.

Recommendation 2

The PCFO will work closely with the OCFC and the LFCC to ensure that the IPA asks questions of the PCFO or the OCFC if it is unsure of how to complete any of the Audit Guide steps for future AUP audits.

Recommendation 3

The PCFO has in place and did provide to the audit team documentation to show the determination of and calculation of the allocation methodologies used for the CFC so that it incurred its fair share of expenses. The methodology is based on actual time spent on the CFC by all staff. This data is retrieved from staff timesheets monthly.

#### Recommendation 4

The PCFO will work closely with the OCFC and the LFCC to ensure that it understands its responsibilities when charging allocated costs to the CFC and that the methodologies used are quantifiable and supported by documentation.

#### Recommendation 5

The PCFO recognizes the intent of this section of the regulations; however, 12 months of expenses are allocated to each campaign and the expenses do not fluctuate significantly. Additionally it is the PCFO's responsibility to provide the best service for the lowest cost so that the agencies receiving funds have a relatively low administrative cost charged against their designation. The process recommended may cause administrative costs to go up significantly due to additional bookkeeping requirements. The PCFO agrees to comply with this recommendation as best as possible. We find this recommendation to be cumbersome and costly to implement.

#### Recommendation 6

The PCFO will work closely with the OCFC and the LFCC to ensure that supporting documentation for all costs (direct and indirect) charged to the CFC are maintained and available for audit.

#### Recommendation 7

The PCFO will work closely with the OCFC and the LFCC to ensure that legitimate campaign expenses are adequately documented and authorized and approved by the LFCC prior to reimbursement.

#### Recommendation 8

The PCFO will work closely with the OCFC and the LFCC to ensure that it understands its responsibilities in regards to soliciting and selecting a PCFO (5 CFR 950.104 (c)).

#### Recommendation 9

In the future, the PCFO will work closely with the OCFC and the LFCC to ensure that public notices for soliciting for PCFO applications are made by, or at the direction of, the LFCC, and that applications are sent directly to the LFCC.

#### Recommendation 10

The PCFO will work closely with the OCFC and the LFCC to ensure that it understands its responsibilities as related to the selection of a PCFO (5 CFR 950.801).

#### Recommendation 11

The PCFO will work closely with the OCFC and the LFCC to ensure that it institutes procedures to ensure that the selection of the PCFO is done by the date set by OPM.

#### Recommendation 12

The PCFO will implement more stringent procedures to properly allocate incoming CFC receipts to the proper campaign period, especially during months where payroll deposits for different campaign periods overlap.

#### Recommendation 13

The PCFO strongly disputes this recommendation. That fact that there are funds left in a bank account at the end of a period is a timing issue, not an undistributed balance issue. During the 30 day period after the close of a quarter, funds continue to come in which represent the amount intended for distribution in the next quarter. For example, if a quarter closes on 12/31, the distribution for that quarter includes all funds collected up to that point, but are not sent out until 1/31 at the latest. As a result of this, funds continue to be deposited into the checking account during the month, which will then be distributed in the next quarterly payout. The PCFO may not fully transfer the funds out of the money market because there may be enough funds in the checking account for that quarterly distribution. This is a cash management technique used to maximize earnings on the funds. As was explained to the audit team, cash management of campaign funds requires a careful balance between keeping enough funds in the campaign's checking account to minimize bank fees, while utilizing the interest bearing account when beneficial.

#### Recommendation 14

The "Bank Rotation Policy" is a policy of the PCFO (United Way of the Greater Capital Region) which ensures that every five years the agency's banking relationships go out for bid. This ensures that the most cost effective and efficient bank products are being used.

#### Recommendation 15

The PCFO will work closely with the OCFC and the LFCC to update its policies and procedures relating to outstanding checks to fully encompass the OCFC instructions for outstanding checks in CFC Memorandum 2006-5.

#### Recommendation 16

The PCFO will work closely with the OCFC and the LFCC to ensure that the PCFO understands its responsibilities outlined in 5 CFR 950.105 (d) (4) and that it will not contact the donor directly.

#### Recommendation 17

The PCFO will work closely with the OCFC and the LFCC to strengthen its procedures to ensure that the donor release of information is properly entered and that checks are made to ensure the accuracy of the information in our database to the original pledge card.

#### Recommendation 18

The PCFO will work closely with the OCFC and the LFCC to ensure that it understands the procedures surrounding pledge cards where the designations do not total to the amount pledged and that it understands that only pledge modifications outlined in 5 CFR 950.402 (d) are permitted.

#### Recommendation 19

The PCFO will work closely with the OCFC and the LFCC to ensure that only those pledges entered on authorized pledge forms represent valid designations.

#### Recommendation 20

The PCFO will work closely with the OCFC and the LFCC to instruct keyworkers to return any pledge cards where donors attached additional designations on an unauthorized pledge form to the donor to have the donor complete the necessary pledge forms for all of the designations.

#### Recommendation 21

The PCFO will work closely with the OCFC and the LFCC to ensure that it understands that it may not contact donors directly in regards to pledge questions and that it must work through keyworkers, loaned executives and other non-supervisory Federal personnel when reaching out to donors.

#### Recommendation 22

The PCFO will work closely with the OCFC and the LFCC in both the making of and the setting of the ceiling amount for one-time disbursements.

#### Recommendation 23

The PCFO will work closely with the OCFC and the LFCC to determine the method of calculating pledge loss for those agencies and federations receiving one-time disbursements.

#### Recommendation 24

The PCFO will work closely with the OCFC and the LFCC to ensure that both the amount of designated and undesignated funds allocated is included in the pledge notifications sent to agencies and federations.

#### Recommendation 25

The PCFO will work closely with the OCFC and the LFCC to ensure that documentation is maintained to support all pledge notifications and donor acknowledgements sent in the future.

#### Recommendation 26

The PCFO will work closely with the OCFC and the LFCC to ensure that the LFCC understands its responsibilities in regards to determining eligibility of local organizations applying to participate in the local campaign (5 CFR 950.104 (b)(3)).

#### Recommendation 27

The PCFO will work closely with the OCFC and the LFCC to institute procedures to completely review all incoming applications to ensure that only those organizations meeting the regulation requirements are admitted as members of the campaign.

Recommendation 28

The PCFO will work closely with the LFCC to use the application review sheets created by the OCFC to review applications and that it clearly indicates the eligibility decision made (approval or denial) and that a member of the LFCC affirms the decision with a signature.

Recommendation 29

The PCFO will work closely with the OCFC and the LFCC to ensure that it understands the responsibilities of the LFCC as outlined in the regulations, especially those regarding the issuance of (5 CFR 950.801 (a) (5)) and communication of (5 CFR 950.204 (e)) eligibility decisions.

Recommendation 30

The PCFO will work closely with the OCFC and the LFCC to ensure that the LFCC properly issues and communicates its eligibility decisions to those local federations and organizations applying for inclusion in the campaign.

Please feel free to call me at [REDACTED] if you have any questions.

Sincerely,

[REDACTED]  
Capital Region CFC Director