



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

Final Audit Report

Subject:

**AUDIT OF THE 2008 AND 2009
GREATER ROCHESTER
COMBINED FEDERAL CAMPAIGNS
ROCHESTER, NEW YORK**

Report No. 3A-CF-00-11-041

Date: March 28, 2012

--CAUTION--

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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
GREATER ROCHESTER
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ROCHESTER, NEW YORK

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Date: March 28, 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

EXECUTIVE SUMMARY

**AUDIT OF THE 2008 AND 2009
GREATER ROCHESTER
COMBINED FEDERAL CAMPAIGNS
ROCHESTER, NEW YORK**

Report No. 3A-CF-00-11-041

Date: March 28, 2012

The Office of the Inspector General has completed an audit of the 2008 and 2009 Greater Rochester Combined Federal Campaigns (CFC). The United Way of Greater Rochester (UWGR), located in Rochester, New York, served as the Principal Combined Fund Organization (PCFO) during both campaigns. Our main objective was to determine if the Greater Rochester CFC was in compliance with Title 5, Code of Federal Regulations, Part 950 (5 CFR 950), including the responsibilities of both the PCFO and the Local Federal Coordinating Committee (LFCC). The audit identified 11 instances of non-compliance with the regulations (5 CFR 950) governing the CFC.

Please note that 2011 was the last active campaign for the Greater Rochester CFC, since it has been merged with the Niagara Frontier CFC. As a result of this merger, our final report offers no recommendations on audit issues that could only be remedied if the Greater Rochester CFC continued as an active campaign.

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 (IPA) did not complete all of the agreed-upon procedures in accordance with the Audit Guide.

BUDGET AND CAMPAIGN EXPENSES

- **PCFO's Application was Missing Required Statements** **Procedural**

The UWGR's application to serve as the PCFO did not include two signed statements required by the regulations.

- **Unauthorized Reimbursement of Campaign Expenses** **Procedural**

The LFCC did not approve or authorize the PCFO's reimbursement of campaign expenses.

- **IPA Expenses Charged to the Wrong Campaign** **Procedural**

The PCFO incorrectly charged the 2009 campaign \$2,050 for IPA expenses related to the 2007 campaign.

CAMPAIGN RECEIPTS AND DISBURSEMENTS

- **PCFO did not Properly Train Keyworkers** **Procedural**

The PCFO did not properly train its keyworkers to verify calculations and ensure the pledge cards were legible.

- **Pledge Form was not Consistent with Regulations** **Procedural**

The PCFO did not prepare the 2009 pledge forms consistent with the CFC regulations and instructions by the Director.

- **PCFO did not Distribute all CFC Receipts as Required** **Procedural**

The PCFO withheld \$28,248 in CFC receipts from the first quarterly disbursement to cover expenses reimbursed during the second disbursement. Additionally, the PCFO withheld \$8,992, \$12,332, and \$12,076 from the next three quarterly disbursements instead of distributing all CFC receipts on hand.

- **Un-Cashed Check Policies and Procedures** **Procedural**

The PCFO's policies and procedures for un-cashed checks do not conform to the requirements of Memorandum 2006-5 issued by the Office of the Combined Federal Campaign.

- **PCFO did not Keep and Maintain an Interest-Bearing Bank Account** **Procedural**

The PCFO did not keep and maintain an interest-bearing account for the CFC funds received during the 2009 Campaign.

- **Unauthorized One-Time Disbursements**

Procedural

There was no support showing that the LFCC determined and authorized a \$500 threshold for one-time disbursements to organizations receiving minimal donations from Federal employees.

ELIGIBILITY

- **Untimely Notice of Eligibility Decisions**

Procedural

The LFCC did not issue notice of its eligibility decisions for organizations seeking local eligibility in the CFC within 15 business days of the closing date for receipt of applications.

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 anti-fraud policies and procedures indicated that they appeared reasonably sufficient to detect and deter potential fraud and abuse activities.

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I. INTRODUCTION AND BACKGROUND

INTRODUCTION

This report details the findings and conclusions resulting from our audit of the 2008 and 2009 Greater Rochester Combined Federal Campaigns (CFC). 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 Greater Rochester CFC. The initial results of our audit were discussed with PCFO and LFCC officials during an exit conference held on May 27, 2011. A draft report was provided to the PCFO and the LFCC for review and comment on January 3, 2012. The PCFO and LFCC's response to the draft report was considered in preparation of this final report and is included as an Appendix.

II. OBJECTIVES, SCOPE, AND METHODOLOGY

OBJECTIVES

The primary purpose of our audit was to determine if the Greater Rochester 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 IPA completed the Agreed-Upon Procedures (AUP) as outlined in the CFC Audit Guide.

Additionally, our 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 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.

Fraud and Abuse

- Determine what policies and procedures the PCFO has in place relating 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 Greater Rochester (UWGR), located in Rochester, 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 Cranberry Township, Pennsylvania, and Washington, D.C. offices.

The Greater Rochester 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	\$203,216	\$190,205	\$50,422
2009	\$171,150	\$165,651	\$51,534

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 issued by the OCFC.

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

In regard to our objectives concerning the 2009 campaign 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 actual expenses to supporting documentation. Instead of selecting a sample, we reviewed all 12 expenses, totaling \$51,534.
- 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 35 pledge cards totaling \$24,323 (out of a universe of 897 pledge cards totaling \$171,150) from the PCFO's campaign Pledge Card Report and compared the pledge information from the report to the actual pledge cards. Specifically, we judgmentally selected 5 pledge cards with the highest designated cash donation, 5 pledge cards with the highest undesignated cash donation, 15 pledge cards with the highest designated payroll deduction, 4 pledge cards with the highest undesignated payroll deduction, and 6 pledge cards that had 5 or more agency designations listed.
- 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.
- 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.
- Donor letters sent by the PCFO to organizations to verify that the letters properly notified the organization of the donors who wished 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 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.

To determine if the LFCC and PCFO were in compliance with CFC regulations regarding 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.
- Campaign charity lists to determine if they contained all required information.
- The process and procedures for the application evaluation process.
- Eligibility letters to verify that 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 (UWGR) 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 UWGR did not disburse any funds to member agencies not participating in the CFC.
- The UWGR's agreements with its member agencies to determine if member 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

Please note that 2011 was the last active campaign for the Greater Rochester CFC, since it has been merged with the Niagara Frontier CFC. As a result of this merger, our final report offers no recommendations on audit issues that could only be remedied if the Greater Rochester CFC continued as an active campaign.

A. AUDIT GUIDE REVIEW

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

The IPA utilized by the PCFO and the LFCC to complete the AUP audit 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 the LFCC's and the PCFO's compliance with 5 CFR 950 and OPM guidance.

During our review of the IPA's AUP audit of the 2008 CFC, we found that the IPA did not follow the AUP for reviewing pledge cards. The IPA selected a sample of 100 pledge cards, as required by the AUP, but only traced and verified a single pledge from each of the pledge cards instead of all pledges included on the pledge form.

Chapter III of the Audit Guide, Pledge Form Tracking System section, step one (b), requires the IPA to select a sample of 100 pledge cards with 75 selected from the pledge tracking system and traced to the pledge cards, and 25 selected from the pledge cards and traced to the pledge tracking system. Step two requires the IPA to trace and determine that the following information from each pledge form agrees to the PCFO's automated system or pledge records:

- a) Donor Name,
- b) Each Charity Code Number and Amount Donated,
- c) Total Amount Donated, and
- d) Donor's Choice to Release or Not to Release Name, Home Address, Home Email Address and/or Pledge Amount.

Out of the 100 pledge cards sampled, 43 had more than one pledge listed on the form. Each charity code and amount donated on the sample of 100 pledge card forms should have been traced and verified to the pledge tracking system. We informed the IPA of the error when we were on site. The IPA responded that it misunderstood the instructions on how to select and review the pledge card samples.

Because the IPA did not follow the AUP for reviewing pledge cards, there is an increased risk that the IPA failed to identify errors where the PCFO may not have properly recorded and honored each federal employee's pledge from the 2008 CFC.

PCFO and LFCC's Comments

The PCFO and LFCC agree with the finding. The IPA interpreted the agreed-upon procedures differently and now understands OPM's interpretation and will perform the procedures in accordance with the regulations for the 2010 audit. The IPA will ask questions if they are unsure of how to complete any of the Audit Guide steps for the 2010 audit.

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 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.

B. BUDGET AND CAMPAIGN EXPENSES

1. PCFO's Application was Missing Required Statements **Procedural**

The UWGR's 2009 PCFO application, which was accepted by the LFCC, did not include all of the statements required by Federal regulations.

5 CFR 950.105(c)(2) states that the PCFO's application must include 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 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.

In addition, 5 CFR 950.105(c)(3) states that the PCFO's application must include a statement signed by the applicant's local director or equivalent acknowledging that the applicant is subject to the provision of 5 CFR 950.603.

We reviewed the UWGR's 2009 PCFO application to determine if each of the statements required by Federal regulations were included. Our review found that the UWGR's application was missing two signed statements. The first missing statement was a pledge to administer the CFC fairly and equitably, to conduct campaign operations separate from the applicant's non-CFC operations, and to abide by the

directions, decisions, and supervision of the LFCC and/or Director. The second missing statement was an acknowledgment that the applicant is subject to the provision of 5 CFR 950.603.

When we notified the PCFO of the missing statements, the PCFO reported that a new staff member changed the language in the 2009 application, and inadvertently omitted the statements required by 5 CFR 950.105(c)(2) and 5 CFR 950.105(c)(3).

By accepting an application that did not include all of the required statements, the LFCC approved a PCFO which did not pledge to abide by all requirements of the Federal regulations.

PCFO and LFCC's Comments

“The PCFO and LFCC agree with the finding. For the 2012 CFC, a new PCFO and LFCC will be coordinating the campaign since the Greater Rochester CFC merged with the Niagara Frontier CFC. We will not have an opportunity to correct this finding.”

OIG Comments

Since the PCFO and LFCC no longer administer the Greater Rochester CFC, which was merged with the Niagara Frontier CFC, we are not making a recommendation for this finding.

2. Unauthorized Reimbursement of Campaign Expenses Procedural

Our review of the 2009 campaign expenses found that the LFCC did not approve or authorize the PCFO's reimbursement of campaign expenses.

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

In addition, 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.

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.

Our review of the LFCC meeting minutes did not identify where the LFCC discussed, reviewed, or approved the reimbursement of the 2009 campaign expenses to the PCFO. After talking with the PCFO, we determined that both parties were unaware

of their responsibilities regarding reimbursement of CFC expenses. The PCFO stated that it was not aware that the actual expenses needed to be approved as long as they remained within the budget. The PCFO also explained that the actual expenses for the 2009 campaign were presented and reviewed with the 2010 budget, but were not officially approved in the meeting minutes.

As a result of not reviewing and approving the reimbursement of the 2009 campaign expenses, the LFCC ran the risk of unrelated expenses being charged to the agencies and federations in the campaign, thus reducing the amounts due to them.

Additionally, by not submitting its expenses for approval before its reimbursement, 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.

PCFO and LFCC's Comments

“The PCFO and LFCC agree with the finding. The PCFO’s reimbursement of campaign expenses was approved by the LFCC for the 2010 campaign prior to making reimbursement of those expenses.”

Recommendation 2

We recommend that the OCFC ensures that the LFCC knows and understands its responsibility to authorize and approve the PCFO’s reimbursement of actual campaign expenses for the 2011 campaign.

Recommendation 3

We recommend that the OCFC ensures that the PCFO has instituted procedures requiring it to submit its expense reimbursement requests to the LFCC for review and approval prior to making reimbursement of those expenses.

3. IPA Expenses Charged to the Wrong Campaign

Procedural

The PCFO incorrectly charged the 2009 campaign \$2,050 for IPA fees related to the 2007 campaign.

5 CFR 950.106(b) states that the PCFO may only recover campaign expenses from receipts collected for that campaign year. In addition, CFC Memorandum 2008-9 states that expenses incurred for the audit of a campaign must be paid from funds from the campaign being audited. Because this cost is paid after the close of the campaign, the amount should be accrued and withheld from the last distribution. The OCFC encourages campaigns to negotiate a fixed cost agreement with the IPA so that the actual amount can be known prior to the close of the campaign. If campaigns are unable to negotiate a fixed cost agreement, an estimated amount should be withheld based on prior experience and discussion with the auditor.

During our review of the PCFO's 2009 campaign expenses, we identified two invoices, totaling \$2,050, for IPA services rendered in connection with an audit of the 2007 campaign and for preparation of the 2007 CFC report. Both of these expenses related to the 2007 campaign and should not have been paid using 2009 CFC funds. When asked about the improper allocation of IPA expenses, the PCFO explained that it was not aware of the requirements of CFC Memorandum 2008-9.

As a result of charging IPA expenses to the wrong campaign year, the net designations due to charities for the 2009 campaign were inappropriately reduced.

PCFO and LFCC's Comments

"The PCFO and LFCC agree with the finding. The PCFO's understanding was that the audit fees incurred in the current year were to be reimbursed from the campaign expenses. Since the 2009 campaign has already been completely paid out, we do not have an opportunity to move these expenses to another year. We will ensure that the 2010 IPA expenses are matched with the related campaign year."

Recommendation 4

We recommend that the OCFC and the LFCC work with the PCFO to implement procedures to properly match expenses with the related campaign year.

Recommendation 5

We recommend that the OCFC ensure that the PCFO correctly implements these new procedures for the active campaign and provides guidance to the PCFO regarding audit fees received related to the closed campaigns.

C. CAMPAIGN RECEIPTS AND DISBURSEMENTS

1. PCFO did not Properly Train Keyworkers

Procedural

The PCFO did not properly train keyworkers to review and verify calculations on pledge forms to ensure that donations are accurate and legible.

5 CFR 950.105(d)(3) states that the PCFO should ensure that keyworkers are trained to check and ensure that pledge forms are legible, that arithmetic calculations are verified, and that the block on the pledge form concerning the release of an employee's name and contact information is completely filled out.

We reviewed a sample of 35 pledge forms to determine if the donor information was correctly entered into the PCFO's pledge card database. We compared the actual pledge forms to the database and determined if the following items were entered correctly: donor name, charity codes, amount donated, total amount donated, and the

donor's choice to release personally identifiable information. Our review identified the following errors:

- One pledge form was missing the donation amount. The PCFO explained that it received two envelopes from two different locations and an excel spreadsheet with the donor's name and amount donated. After identifying the donor's name, the PCFO filled in the amount according to the information provided by the agency. The PCFO did not advise its keyworkers that they were responsible for ensuring that all pledge cards were properly completed by the donors before any were forwarded to the PCFO for processing.
- One pledge form had the charity codes copied over. The PCFO stated that the internal auditor used a pen to trace three designations that were written outside the charity code boxes. Because the charity code numbers were hard to see on the pledge form, retracing over the numbers aided the data entry worker in entering the designations into the pledge card system.

Because the PCFO did not properly train its keyworkers, 2 of the 35 pledge forms sampled were incomplete and illegible. Instead of returning the pledge form to the keyworkers for correction, the PCFO made changes to the pledge form on its own, thereby increasing the risk of misinterpreting Federal employee designations.

PCFO and LFCC's Comments

"The PCFO and LFCC agree with the finding. For the 2012 CFC, a new PCFO and LFCC will be coordinating the campaign since the Greater Rochester CFC merged with the Niagara Frontier CFC. We will not have an opportunity to correct this finding."

OIG Comments

Since the PCFO and LFCC no longer administer the Greater Rochester CFC, which was merged with the Niagara Frontier CFC, we are not making a recommendation for this finding.

2. Pledge Form was not Consistent with Regulations

Procedural

The PCFO did not prepare the 2009 pledge forms consistent with the CFC regulations and instructions by the Director. Modifications required by CFC Memoranda 2009-5 and 2008-4 were not followed, and the PCFO modified the revised date of its 2009 pledge form without requesting approval from OPM.

The following three regulations hold the PCFO responsible for preparing pledge forms:

- 5 CFR 950.105(d)(5) states that the PCFO's responsibilities include preparing pledge forms consistent with the CFC regulations and instructions by the Director.
- 5 CFR 950.402(a) states that the Director will make available at least one model pledge form for each campaign period, which shall be reproduced at the local level.
- 5 CFR 950.402(b) states that no further modifications to the pledge form are permitted unless approved in advance by the Director.

CFC Memorandum 2009-5 contained the 2009 CFC Model Pledge Form and guidance for use by all local campaigns. The memorandum required the following modifications to the 2009 CFC pledge form:

- The "Recognition Options" section required the donor to check off the recognition options of their choice.
- The Revised Date in the lower right corner was changed from March 2008 to March 2009.
- Under the contribution section, a new line was added to record the "Date of Contribution" and the Other Cash and Check lines were combined to Check/Cash.
- Under the payroll deduction section, the "Other" line was expanded to include a space for Check No.

In addition, CFC Memorandum 2008-4 required the following modifications to the PCFO's pledge form in 2008:

- Under the "DESIGNATED GIFT" section, "that appear on the list provided" has been removed.
- Under the "Military Payroll" deduction, a line was added that asks "Branch of Service?"

We reviewed the PCFO's 2009 pledge form to determine if it was properly updated to reflect the changes required in Memoranda 2009-5 and 2008-4. During our review, we identified the following six errors:

- Under "DESIGNATED GIFT", the PCFO did not remove the phrase "that appear on the list provided."
- Under "Military Payroll" deduction, the PCFO did not add the line or the words, "Branch of Service?"

- Under the “Recognition Options” section, the PCFO did not add three boxes so the donor can check off three recognition options of their choice.
- The revised date (Rev) in the lower right corner of the pledge form was not changed from March 2008 to March 2009. Instead, the PCFO changed the revised date to June 2009, without obtaining approval from OPM.
- Under the contributions section, the PCFO did not add the line “Date of Contribution.”
- Under the payroll deduction section, the “Other” line was expanded, but it did not include a space for “Check No.”

Because the PCFO did not prepare the 2009 pledge form in accordance with Federal regulations and Memoranda 2009-5 and 2008-4, improvements made by the OCFC to help operate a more efficient campaign, and to obtain the greatest amount of donations, were not implemented.

PCFO and LFCC’s Comments

“The PCFO and LFCC agree with the finding. For the 2012 CFC, a new PCFO and LFCC will be coordinating the campaign since the Greater Rochester CFC merged with the Niagara Frontier CFC. We will not have an opportunity to correct this finding.”

OIG Comments

Since the PCFO and LFCC no longer administer the Greater Rochester CFC, which was merged with the Niagara Frontier CFC, we are not making a recommendation for this finding.

3. PCFO did not Distribute all CFC Receipts as Required Procedural

The PCFO did not distribute all CFC receipts with each quarterly disbursement.

5 CFR 950.901(i)(2) states that the PCFO will distribute all CFC receipts beginning April 1, and quarterly thereafter.

We reviewed the PCFO’s CFC bank account to determine if all receipts were distributed with each quarterly disbursement. During our review, we found that the PCFO withheld \$28,248 in receipts from the first quarterly disbursement to help pay for its CFC expenses, which were reimbursed during the second quarterly disbursement. The PCFO was not aware that it could request partial expense reimbursements when approved by the LFCC. As a result, \$28,248 was left idle in the account instead of being distributed to participating agencies or used as a partial reimbursement of campaign expenses.

In addition to not distributing all CFC receipts with the first quarterly disbursement, the PCFO withheld \$8,992, \$12,332, and \$12,076 from the next three quarterly disbursements instead of distributing all CFC receipts on hand. These amounts were calculated based on the account balance from the month prior to each distribution. Because the PCFO failed to distribute all CFC receipts with each quarterly disbursement, participating agencies did not receive Federal employee donations in a timely manner.

PCFO and LFCC's Comments

The PCFO and LFCC agree with the finding¹. The funds in question that were not distributed in the first disbursement should have been paid to the United Way of Greater Rochester, Inc. to cover a portion of the PCFO's administrative costs. For the 2011 CFC, the PCFO will request approval from the LFCC to allow a partial expense reimbursement for any funds remaining after paying the one-time only distributions to agencies.

Recommendation 6

We recommend that the OCFC and the LFCC ensure that the PCFO distributes all CFC receipts with each quarterly disbursement. Each quarterly disbursement should be based on the prior month's reconciled bank statement.

4. Un-Cashed Check Policies and Procedures

Procedural

The PCFO's policies and procedures for un-cashed checks do not conform to the requirements of Memorandum 2006-5 issued by the OCFC.

Section C of Memorandum 2006-5 states that the PCFO must develop and follow policies and procedures regarding un-cashed checks. The OCFC recommends that this policy be documented and implemented after a check has gone un-cashed for six months. The procedures should include at least three documented follow-up attempts to reach the payee by phone and e-mail. If it's determined that the payee is no longer active, the funds must be disbursed among the remaining organizations of that campaign as undesignated funds.

The PCFO's current policies and procedures for un-cashed checks require it to return un-cashed checks to the State of New York after five years, instead of disbursing the funds to the CFC after six months. This policy does not comply with Memorandum 2006-5 and was only implemented under state law for unclaimed property. The PCFO said it was not aware of the requirements of Memorandum 2006-5 and agree that the policy needs to be revised to comply with CFC regulations and Memorandum 2006-5.

¹ The PCFO and LFCC agree with the finding as it relates to the first quarterly disbursement. The draft report only questioned the first quarterly disbursement since it was the greatest amount withheld. The recommendation remains the same for each disbursement since the PCFO should distribute all receipts on hand.

As a result of not following the procedures set by the OCFC in Memorandum 2006-5, the PCFO is not ensuring, to the best of its ability, that donor monies are distributed to the designated agencies, or, if not possible, that the funds are distributed as undesignated funds.

PCFO and LFCC’s Comments

“The PCFO and LFCC agree with the finding. The PCFO has updated its policies to indicate that after follow-up attempts, un-cashed checks for CFC funds older than 6 months will be returned as undesignated funds and remitted according to the regulations.”

Recommendation 7

We recommend that the OCFC and the LFCC ensure that the PCFO updated its policies and procedures for un-cashed checks so that funds are disbursed to the CFC after six months in accordance with CFC memorandum 2006-5.

5. PCFO did not Keep or Maintain an Interest-Bearing Bank Account Procedural

The PCFO did not keep or maintain an interest-bearing bank account for the CFC funds received during the 2009 Campaign.

According to 5 CFR 950.105(d)(8), the PCFO is responsible for keeping and maintaining CFC financial records and interest-bearing bank accounts separate from the PCFO’s internal organizational financial records and bank accounts. Interest earned on all CFC accounts must be distributed in the same manner as undesignated funds.

Based on our review of the PCFO’s bank statements, the checking account used for depositing the CFC funds was not an interest-bearing bank account. The PCFO reasoned that an interest-bearing bank account would cost more in fees than the amount of interest that can be earned on the money deposited. Although the PCFO reasonably saw no benefit in opening an interest-bearing bank account, the PCFO did not seek approval from the OCFC in forgoing the Federal regulations.

As a result of not adhering to the Federal regulations, potential interest earned from idle campaign funds was lost.

PCFO and LFCC’s Comments

“The PCFO and LFCC agree with the finding. The PCFO will apply to OCFC to allow a non-interest bearing and no fee account to remain as the interest would not exceed the fees associated with an interest bearing account.”

Recommendation 8

We recommend that the OCFC ensure that the PCFO keeps and maintains an interest-bearing bank account so that CFC funds can earn investment income payable to agencies participating in the CFC. If the cost to maintain an interest-bearing bank account is greater than the amount of earnable interest, the PCFO should obtain approval from the OCFC to deviate from 5 CFR 950.105(d)(8).

6. Unauthorized One-Time Disbursements

Procedural

There was no support showing that the LFCC determined and authorized a \$500 threshold for one-time disbursements to organizations receiving minimal donations from Federal employees.

5 CFR 950.901(i)(3) states that 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.

We reviewed the LFCC meeting minutes for the 2009 campaign to determine if the LFCC set the threshold for one-time disbursements and approved those disbursements to agencies and federations that receive minimal donations. There was no documentation showing the LFCC's review and approval of one-time disbursements. According to the PCFO, the ceiling amount and approval of one-time disbursements were approved by the LFCC, but the approvals were not documented in the meeting minutes.

Because the PCFO could not provide support showing the authorization of one-time disbursements and the approved amount, we were unable to complete our review of one-time disbursements.

PCFO and LFCC's Comments

"The PCFO and LFCC agree with the finding. The LFCC began rotating who took minutes for the meetings and it was not documented in the meeting minutes. The PCFO will ensure before the 2011 disbursements are made that the LFCC approves and documents the recommended one-time disbursement amount."

Recommendation 9

We recommend that the OCFC ensures that the PCFO understands that the LFCC must determine and authorize the amount of one-time disbursements before the payments are actually made.

Recommendation 10

We recommend that the OCFC require the LFCC to document its approval of one-time disbursements in its meeting minutes.

D. ELIGIBILITY

1. Untimely Notice of Eligibility Decisions

Procedural

The LFCC did not issue notices of its eligibility decisions for organizations seeking local eligibility in the CFC within 15 business days of the closing date for receipt of applications.

CFR 950.801(a)(5) states that the LFCC must issue notice of its eligibility decisions within 15 business days of the closing date for receipt of applications. The closing date for the 2009 campaign was March 6, 2009.

We reviewed a sample of eligibility decisions to determine if the LFCC sent the notifications within 15 business days of the application closing date. From our review, we determined that the LFCC issued notices of its eligibility decisions on April 27, 2009, which was after the March 27, 2009 deadline (15 business days after March 6, 2009).

As a result of issuing late eligibility decisions, agencies and federations were not notified of their participation in the CFC in a timely manner or given sufficient time to appeal unfavorable decisions.

PCFO and LFCC's Comments

“The PCFO and LFCC agree with the finding. For the 2012 CFC, a new PCFO and LFCC will be coordinating the campaign since the Greater Rochester CFC merged with the Niagara Frontier CFC. We will not have an opportunity to correct this finding.”

OIG Comments

Since the PCFO and LFCC no longer administer the Greater Rochester CFC, which was merged with the Niagara Frontier CFC, we are not making a recommendation for this finding.

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 appeared reasonably sufficient to detect and deter potential fraud and abuse activities.

IV. MAJOR CONTRIBUTORS TO THIS REPORT

Special Audits Group

██████████, Auditor-In-Charge

██████████, Group Chief, ██████████

██████████, Senior Team Leader



**Combined Federal Campaign
of Greater Rochester**

75 College Avenue
Rochester, New York 14607-1009
2012 FEB 16 PM 3:00
(585) 242-6400
Fax (585) 242-6500

February 2, 2012

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

Dear [REDACTED]:

Enclosed are the comments and corrective action plan for the audit of the 2008 and 2009 Greater Rochester combined Federal Campaigns (CFC). We have enclosed a hard copy of our comments and an electronic copy on a CD in Microsoft Word.

Please let us know if you need anything further.

Sincerely,

Ignatius Vaccaro
LFCC Chair

Relationship Manager

A. AUDIT GUIDE REVIEW

1. Agreed-Upon Procedures Not in Compliance with the Audit Guide Procedural

Recommendation 1

We recommend that the Office of the Combined Federal Campaign (OCFC) and the LFCC ensure that the IPA contracted by the PCFO fully understands the CFC and its related regulations so that it may complete the Audit Guide's AUPs accurately and completely.

Response

The PCFO and LFCC agree with the finding. The IPA, Bonadio & Co., LLP, interpreted the agreed-upon procedures differently and now understands OPM's interpretation and will perform the procedures in accordance with the regulations for the 2010 audit.

Recommendation 2

We recommend that the OCFC ensures that the LFCC and the PCFO encourage the IPA to ask 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.

Response

The PCFO and LFCC agree with the finding. The IPA, Bonadio & Co., LLP, will ask questions if they are unsure of how to complete any of the Audit Guide steps for the 2010 audit.

B. BUDGET AND CAMPAIGN EXPENSES

1. PCFO's Application was Missing Required Statements Procedural

Recommendation 3

We recommend that the OCFC ensures that the LFCC reviews future PCFO applications, verifying that all required language is included and correct for future campaigns.

Response

The PCFO and LFCC agree with the finding. For the 2012 combined federal campaign, a new PCFO and LFCC will be coordinating the campaign since the Greater Rochester CFC merged with the Niagara Frontier CFC. We will not have an opportunity to correct this finding.

2. Unauthorized Reimbursement of Campaign Expenses Procedural

Recommendation 4

We recommend that the OCFC ensures that the LFCC knows and understands its responsibility to authorize and approve the PCFO's reimbursement of actual campaign expenses for all future CFC campaigns.

Response

The PCFO and LFCC agree with the finding. The PCFO's reimbursement of campaign expenses was approved by the LFCC for the 2010 campaign.

Recommendation 5

We recommend that the OCFC ensures that the PCFO has instituted procedures requiring it to submit its expense reimbursement requests to the LFCC for review and approval prior to making reimbursement of those expenses.

Response

The PCFO and LFCC agree with the finding. The PCFO's reimbursement of campaign expenses was approved by the LFCC for the 2010 campaign prior to making reimbursement of those expenses.

3. IPA Expenses Charged to the Wrong Campaign \$2,050

Recommendation 6

We recommend that the OCFC and the LFCC work with the PCFO to implement procedures to properly match expenses with the related campaign year.

Response

The PCFO and LFCC agree with the finding. The PCFO's understanding was that the audit fees incurred in the current year were to be reimbursed from the campaign expenses. Since the 2009 campaign has already been completely paid out, we do not have an opportunity to move these expenses to another year. We will ensure that the 2010 IPA expenses are matched with the related campaign year.

Recommendation 7

We recommend that the OCFC ensures that the PCFO correctly implements these new procedures for the active campaigns and provides guidance to the PCFO in regards to audit fees received related to closed campaigns.

Response

The PCFO and LFCC agree with the finding. The PCFO will ensure that the 2010 IPA expenses are matched with the related campaign year.

PCFO/LFCC Response to Draft Report
2008 & 2009 Greater Rochester CFC
February 2, 2012

**Deleted by the OIG
Not Relevant to the Final Report**

C. CAMPAIGN RECEIPTS AND DISBURSEMENTS

1. PCFO did Not Properly Train Keyworkers Procedural

Recommendation 10

We recommend the OCFC and the LFCC ensure that the PCFO properly trains its keyworkers to ensure that donor forms are complete, accurate, and legible prior to sending them to the PCFO.

Response

The PCFO and LFCC agree with the finding. For the 2012 combined federal campaign, a new PCFO and LFCC will be coordinating the campaign since the Greater Rochester CFC merged with the Niagara Frontier CFC. We will not have an opportunity to correct this finding.

Recommendation 11

We recommend that the OCFC and the LFCC ensure that the PCFO adopts a new policy that requires the PCFO to contact the keyworker if any pledge forms are incomplete, inaccurate, or illegible and have them make the appropriate corrections.

Response

The PCFO and LFCC agree with the finding. For the 2012 combined federal campaign, a new PCFO and LFCC will be coordinating the campaign since the Greater Rochester CFC merged with the Niagara Frontier CFC. We will not have an opportunity to correct this finding.

2. Pledge Form was Not Consistent with Regulations Procedural

Recommendation 12

We recommend that the OCFC and the LFCC ensure that the PCFO prepares future pledge forms consistent with CFC regulations and Memorandums.

Response

The PCFO and LFCC agree with the finding. For the 2012 combined federal campaign, a new PCFO and LFCC will be coordinating the campaign since the Greater Rochester CFC merged with the Niagara Frontier CFC. We will not have an opportunity to correct this finding.

Recommendation 13

We recommend that the OCFC and the LFCC ensure that the PCFO receives approval from OPM prior to making any of its own modifications to the pledge forms.

Response

The PCFO and LFCC agree with the finding. For the 2012 combined federal campaign, a new PCFO and LFCC will be coordinating the campaign since the

Greater Rochester CFC merged with the Niagara Frontier CFC. We will not have an opportunity to correct this finding.

3. **PCFO did Not Distribute all Receipts at Close of First Disbursement Period** **Procedural**

Recommendation 14

We recommend that the OCFC and the LFCC ensure that the PCFO distributes all CFC receipts at the close of each disbursement period so that its CFC account has a balance of zero.

Response

The PCFO and LFCC agree with the finding. The funds in question that were not distributed should have been paid to the United Way of Greater Rochester, Inc. to cover a portion of the PCFO's administrative costs. For the 2011 combined federal campaign, the PCFO will request approval from the LFCC to allow a partial expense reimbursement for any funds remaining after paying the one-time only distributions to agencies.

4. **Un-Cashed Check Policies and Procedures against Regulation** **Procedural**

Recommendation 15

We recommend that the OCFC and the LFCC direct the PCFO to update its policies and procedures for un-cashed checks so that funds are disbursed to the CFC after six months in accordance with CFC memorandum 2006-5.

Response

The PCFO and LFCC agree with the finding. The PCFO has updated its policies to indicate that after follow-up attempts, un-cashed checks for CFC funds older than 6 months will be returned as undesignated funds and remitted according to the regulations.

5. **PCFO did Not Keep or Maintain an Interest Bearing Bank Account** **Procedural**

Recommendation 16

We recommend that the OCFC ensure that the PCFO keeps and maintains an interest-bearing bank account that CFC funds can earn investment income payable to agencies participating in the CFC. If the cost to maintain an interest-bearing bank account are greater than the amount of earnable interest, the PCFO should obtain approval from the OCFC to deviate from 5 CFR 950.105(d)(8).

Response

The PCFO and LFCC agree with the finding. The PCFO will apply to OCFC to allow a non-interest bearing and no fee account to remain as the interest would not exceed the fees associated with an interest bearing account.

6. Unauthorized One-Time Disbursements

Procedural

Recommendation 17

We recommend that the OCFC ensures that the PCFO understands that the LFCC must determine and authorize the amount of one-time disbursements before the payments are actually made.

Response

The PCFO and LFCC agree with the finding. The LFCC began rotating who took minutes for the meetings and it was not documented in the meeting minutes. The PCFO will ensure before the 2011 disbursements are made that the LFCC approves and documents the recommended one-time disbursement amount.

Recommendation 18

We recommend that the OCFC require the LFCC to document its approval of one-time disbursements in its meeting minutes.

Response

The PCFO and LFCC agree with the finding. The LFCC began rotating who took minutes for the meetings and it was not documented in the meeting minutes. The PCFO will ensure before the 2011 disbursements are made that the LFCC approves and documents the recommended one-time disbursement amount.

D. ELIGIBILITY

1. Untimely Notice of Eligibility Decisions

Procedural

Recommendation 19

We recommend that the OCFC ensures that the LFCC issues notices of its eligibility decisions within 15 days of the closing date for receipt of applications in compliance with 5 CFR 950.801(a)(5).

Response

The PCFO and LFCC agree with the finding. For the 2012 combined federal campaign, a new PCFO and LFCC will be coordinating the campaign since the Greater Rochester CFC merged with the Niagara Frontier CFC. We will not have an opportunity to correct this finding.