



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

Final Audit Report

Subject:

**AUDIT OF THE 2009 AND 2010
COMBINED FEDERAL CAMPAIGNS
OF DELAWARE
WILMINGTON, DELAWARE**

Report No. 3A-CF-00-12-047

Date: March 4, 2013

--CAUTION--

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AUDIT REPORT

**AUDIT OF THE 2009 AND 2010
COMBINED FEDERAL CAMPAIGNS
OF DELAWARE
WILMINGTON, DELAWARE**

Report No. 3A-CF-00-12-047

Date: 03/04/13



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EXECUTIVE SUMMARY

AUDIT OF THE 2009 AND 2010 COMBINED FEDERAL CAMPAIGNS OF DELAWARE WILMINGTON, DELAWARE

Report No. 3A-CF-00-12-047

Date: 03/04/13

The Office of the Inspector General has completed an audit of the 2009 and 2010 Combined Federal Campaigns (CFC) of Delaware. The United Way of Delaware, located in Wilmington, Delaware, served as the Principal Combined Fund Organization (PCFO) during both campaigns. Our main objective was to determine if the CFC of Delaware 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 15 instances of non-compliance with the regulations (5 CFR 950) governing the CFC and questions \$20,046. Due to the number of findings, the nature of the issues identified in this report, and the LFCC and PCFO's lack of understanding of the CFC regulations, we are recommending that the CFC of Delaware be merged with another 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 utilized by the PCFO and LFCC to complete the Agreed-Upon Procedures for the 2009 campaign did not complete its review in accordance with the requirements of the Audit Guide.

BUDGET AND CAMPAIGN EXPENSES

- **Untimely Solicitation for PCFO Applications** **Procedural**
The LFCC solicited 2010 PCFO applications from December 17, 2009 through February 5, 2010, which was beyond the beginning and ending deadlines set by OPM.
- **LFCC Did Not Document the PCFO Selection** **Procedural**
The LFCC did not document its selection of a PCFO for the 2010 Campaign, and there is no record of the LFCC reviewing or approving a PCFO's application, campaign plan, or budget.
- **No Authorization or Approval of the Expense Reimbursement** **Procedural**
The LFCC did not authorize or approve the PCFO's 2010 expense reimbursement.
- **2008 Audit Expense Charged to the 2010 Campaign** **Procedural**
The PCFO incorrectly charged the 2010 campaign \$4,635 for audit expenses related to the 2008 campaign.
- **2011 Expenses Charged to the 2010 Campaign** **\$7,558**
The PCFO charged the 2010 campaign for 17 transactions, totaling \$7,558, which should have been charged to the 2011 campaign.

CAMPAIGN RECEIPTS AND DISBURSEMENTS

- **PCFO Did Not Honor Three Employee's Designations** **Procedural**
The PCFO failed to honor employee designations from 3 of the 50 pledge forms we reviewed.
- **Interest Earned on CFC Funds** **\$7,313**
The PCFO did not keep or maintain an interest-bearing bank account for CFC funds received during the 2010 Campaign. In addition, the PCFO never distributed \$7,313 of interest earned on CFC funds from prior campaigns.
- **CFC Receipts Applied to the Wrong Campaign** **Procedural**
The PCFO incorrectly used a calendar year basis instead of a payroll period basis to allocate CFC receipts to the 2010 campaign.
- **Untimely Final Disbursement** **Procedural**
The PCFO issued the final disbursement after the March 31, 2012 deadline set by OPM.

- **Policies and Procedures for Un-Cashed Checks** **Procedural**

The PCFO's policies and procedures for un-cashed checks do not follow the guidance issued by the OCFC in CFC Memorandum 2006-5.

- **Unsupported Notification of Designations and Donors** **Procedural**

The PCFO was unable to provide support showing if and when it notified federations and organizations of the designated amounts, undesignated amounts, and donors for the 2010 campaign.

ELIGIBILITY

- **Review and Approval of Local Applications** **Procedural**

The LFCC approved one local organization that did not include all of the required information in its application to participate in the 2010 campaign. In addition, three applications were approved by the PCFO, not the LFCC.

- **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

- **Undisclosed Service Fees Charged to Federation Members** **\$5,175**

The PCFO as a Federation charged its members \$5,175 for CFC-related service fees that were not reported in its annual report.

FRAUD AND ABUSE

Our review of the PCFO's policies and procedures for fraud and abuse 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, the nature of the issues identified in this report, and the LFCC and PCFO's lack of understanding of the CFC regulations, it is our opinion that the OCFC should seek to merge the CFC of Delaware with another geographically adjacent campaign, administered and conducted by a new PCFO and 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 2009 and 2010 Combined Federal Campaigns (CFC) of Delaware. 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 2010, it consisted of 209 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 forms and charity lists; 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.

All findings from our previous audit of the CFC of Delaware (Report Number 2A-CF-94-222, dated October 18, 1994), covering the 1992 and 1993 campaigns, have been satisfactorily resolved.

The initial results of our audit were discussed with LFCC and PCFO officials during an exit conference held on May 25, 2012. A draft report was provided to the LFCC and the PCFO for review and comment on October 19, 2012. The LFCC and the PCFO's response to the draft report, as amended, 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 CFC of Delaware was in compliance with 5 CFR 950, including the activities of both the PCFO and the LFCC. Our audit objective for the 2009 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 2010 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 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 form format was correct and if the pledge form report matched the actual pledge forms.
- To determine if incoming pledge monies were allocated to the proper campaign and if 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 via the proper method; and if the appeals process for denied applications was followed.
- To determine if any non-federal employees or retirees were members of the LFCC.

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 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 2009 and 2010. The United Way of Delaware, located in Wilmington, Delaware, served as the PCFO during both campaigns. The audit fieldwork was conducted at the offices of the PCFO from May 21 through 25, 2012. Additional audit work was completed at our Cranberry Township, Pennsylvania, and Washington, D.C. offices.

The CFC of Delaware received campaign pledges, collected campaign receipts, and incurred campaign administrative expenses for the 2009 and 2010 campaigns as shown below.

Campaign Year	Total Pledges	Total Receipts	Administrative Expenses
2009	\$467,219	\$433,294	\$55,610
2010	\$431,143	\$389,871	\$60,932

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 form 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 2009 campaign (Audit Guide Review), we reviewed the CFC Audit Guide to verify that the IPA completed and documented the AUP steps.

In regard to our objectives concerning the 2010 campaign's budget and campaign expenses, we accomplished the following:

- Reviewed the PCFO's application to verify that 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 in a timely manner.
- 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. Our sample included 40 transactions totaling \$29,542, from a universe of 168 transactions totaling \$61,198, that were charged to the 2010 CFC. The PCFO was only reimbursed for \$60,932 of the \$61,198 since the lower amount was proposed as the expense budget. We judgmentally selected this sample based on transactions with high dollar amounts, allocated expenses, audit fees, and expenses with an incorrect categorization.
- Reviewed the LFCC meeting minutes and verified that the LFCC authorized the PCFO's reimbursement of campaign expenses.
- Compared the budgeted expenses to the actual expenses to determine if the actual expenses exceeded 110 percent of the approved budget.

To determine if the 2010 campaign's receipts and disbursements were handled in accordance with CFC regulations, we reviewed the following:

- A sample of 50 pledge forms (with total designations of \$11,102) out of a universe of 2,302 pledge forms (with a total pledged of \$431,143) from the PCFO's Donor Pledge Form Tracking Report and compared the pledge information from the report to the actual pledge forms.
- Cancelled distribution checks to verify that the appropriate amount was distributed to organizations in a timely manner.
- One-time disbursements to verify that the PCFO properly calculated pledge loss and disbursed 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 that the PCFO accurately recorded and disbursed all 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 the funds were allocated to the appropriate campaign.

To determine if the LFCC and PCFO were in compliance with CFC regulations regarding eligibility for the 2010 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.
- The LFCC member listings to verify that all members were active federal employees.

To determine if the PCFO was in compliance with the CFC regulations as a federation (United Way of Delaware) for the 2010 campaign, we reviewed the following:

- Data reported on the CFC Receipts Schedule, with supporting documentation, to verify that receipts were properly recorded.
- The CFC Distribution Schedule to ensure that the United Way of Delaware did not disburse any funds to member agencies not participating in the CFC.
- The United Way of Delaware's annual report and 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's unlikely that the results were 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 for the 2009 campaign did not complete its reviews in accordance with the requirements of the Audit Guide.

The Audit Guide contains specific procedures (AUPs) 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 guidance.

During our audit, we reviewed the IPA's working papers to determine if all of the AUP steps were completed according to the requirements of the Audit Guide. We found that the IPA did not complete seven steps related to the PCFO's participation in the CFC as a federation. These steps were to be completed by the IPA if the PCFO served as a federation, either in its own local campaign or in other adjacent campaigns during the 2009 campaign. Based on our review, we found that the PCFO did serve as a federation in its own local campaign and three other adjacent campaigns.

Additionally, Chapter III of the Audit Guide also requires the IPA to obtain a copy of the PCFO's policies and procedures for un-cashed checks to determine if the procedures include at least three documented follow-up attempts to reach the payee by phone or email for un-cashed checks after six months. If the PCFO's policies and procedures do not include at least three documented follow-up attempts to reach the payee, then the IPA is to report the PCFO's policies and procedures for un-cashed checks as a finding. Our review of the IPA's work showed that the IPA did not report the PCFO's policies and procedures for un-cashed checks as a finding because it determined that the policies and procedures were adequate with only two attempts to reach the payee.

Because the IPA did not follow the AUPs for reviewing the PCFO as a Federation, there was no review to determine if the federation disbursed CFC funds received from its own and other campaigns appropriately. Additionally, because the IPA failed to report the PCFO's policies and procedures for un-cashed checks as a finding, the PCFO continued its practice of only attempting to reach the payee twice before voiding a check, which may have kept CFC funds from being received by an active charity.

Recommendation 1

We recommend that the OCFC ensures that the LFCC meets with the IPA prior to and during the audit to discuss the AUPs, and encourages the IPA to ask questions of the LFCC or the OCFC if it's unsure of how to complete any of the required audit steps.

LFCC and PCFO Response:

The LFCC and the PCFO agree with this finding. The LFCC will follow the OIG's recommendation, and the PCFO will work with the LFCC and the IPA to ensure that all of the AUPs are completed during the audit process.

B. BUDGET AND CAMPAIGN EXPENSES

1. Untimely Solicitation for PCFO Applications

Procedural

The LFCC solicited 2010 PCFO applications from December 17, 2009 through February 5, 2010, which was beyond the beginning and ending deadlines set by OPM.

OPM's 2009/2010 CFC Calendar of Events lists December 15, 2009, as the deadline for the LFCC to begin soliciting PCFO applications and January 25, 2010, as the deadline for the LFCC to stop soliciting PCFO applications.

During our review, we found that the LFCC issued three solicitations for PCFO applications to administer the 2010 CFC. The first solicitation was issued with an application period from December 17, 2009 through January 25, 2010. The second and third solicitations were both issued with an application period from January 14, 2010 through February 5, 2010. As a result of the late application period, the United Way of Delaware delivered its application to administer the 2010 CFC on February 5, 2010, which was 11 calendar days after the deadline set by OPM for the LFCC to accept PCFO applications.

Because the LFCC did not solicit PCFO applications in a timely manner, the LFCC delayed the campaign process and reduced the overall efficiency and effectiveness of campaign operations.

Recommendation 2

We recommend that the OCFC ensures that the LFCC understands its responsibility to follow the deadlines set in OPM's CFC Calendar of Events and that it institutes procedures to solicit PCFO applications within the regulated timeframes.

LFCC and PCFO Response:

The LFCC and the PCFO agree with this finding. The LFCC has reviewed and will continue to review OPM's CFC Calendar of Events at its monthly meetings.

2. LFCC Did Not Document the PCFO Selection

Procedural

The LFCC did not document its selection of a PCFO for the 2010 campaign, and there is no record of the LFCC reviewing or approving the PCFO's application, campaign plan, or budget.

The following regulations outline the LFCC's responsibilities for selecting a PCFO:

- 5 CFR 950.104(b)(1) states that it's the responsibility of the LFCC to maintain meeting minutes;
- 5 CFR 950.104(b)(17) lists one of the LFCC's responsibilities as approving a campaign's expense budget;
- 5 CFR 950.104(c) states that the LFCC must select a PCFO to act as its fiscal agent and campaign coordinator on the basis of presentations made to the LFCC as described in 950.105(c). In addition, the LFCC must consider the capacity of the organization to manage an efficient and effective campaign, its history of public accountability, use of funds, truthfulness and accuracy in solicitations, and sound governance and fiscal management practices as the primary factors in selecting a PCFO;
- 5 CFR 950.105(c)(1) requires an LFCC to determine if the applicant could administer an efficient and effective CFC; and
- 5 CFR 950.801(a)(3) states that the LFCC must select a PCFO no later than a date to be determined by OPM. The 2009/2010 CFC Calendar of Events lists February 19, 2010 as the deadline for LFCCs to select a PCFO.

We reviewed the LFCC meeting minutes to determine if the LFCC documented the PCFO selection for the 2010 campaign and approved the PCFO's application, campaign plan, and budget prior to the February 19, 2010 deadline. We found that the LFCC scheduled a meeting to review and select a PCFO on February 10, 2010, but the meeting was cancelled due to snow. The LFCC rescheduled the meeting for February 17, 2010, but only one individual showed up. The next meeting wasn't until April 27, 2010, and there was no record or meeting minutes showing that a PCFO was selected in January or February 2010. The PCFO explained that it remembered receiving an acceptance and approval from the LFCC over the phone, but there was no record to support it.

By not maintaining meeting minutes to document the application review and selection of the PCFO, the LFCC lacks accountability in the reasoning of its decisions and failed to meet the requirements of federal regulations. As a result, we were unable to complete our audit steps to determine if the PCFO was selected in a timely manner, or if the LFCC properly reviewed the PCFO's application, campaign plan, and budget.

Recommendation 3

We recommend that the OCFC ensures that the LFCC understands its responsibilities under federal regulations, which include maintaining meeting minutes that document its review of the PCFO applications, its selection of a PCFO, and its approval of the PCFO's campaign plan and expense budget.

LFCC and PCFO Response:

The LFCC and the PCFO agree with this finding. The LFCC recorded its review and approval of the sole bid for PCFO by the United Way of Delaware during its November 14, 2012 meeting, and the PCFO stated that it would support the LFCC in taking and maintaining meeting minutes.

3. No Authorization or Approval of the Expense Reimbursement Procedural

The LFCC did not authorize or approve the PCFO's 2010 CFC expense reimbursement.

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. Additionally, 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 administering the local campaign.

We reviewed the LFCC's meeting minutes to determine if the LFCC authorized and approved the PCFO's reimbursement of legitimate campaign expenses. After reviewing the meeting minutes, we found that there was no record of the LFCC authorizing or approving the reimbursement of the 2010 CFC expenses. Instead, we were told by the PCFO and the LFCC that they misunderstood the regulations and thought that the expense budget submitted with the PCFO's application was the only item that needed approval for reimbursement to be authorized. The LFCC did not realize that it had to review and approve the PCFO's CFC expenses to make sure that they were legitimate campaign costs, applicable to the 2010 CFC, and adequately documented.

As a result of not reviewing and approving the PCFO's reimbursement of the 2010 campaign expenses, the LFCC ran the risk of unrelated expenses being charged to the organizations and federations in the campaign, thus reducing the designated amounts due to them. Additionally, by not submitting its expenses for approval before taking a reimbursement, the PCFO did not allow the LFCC to exercise its authority over the campaign to ensure that only legitimate CFC costs were being charged.

Recommendation 4

We recommend that the OCFC ensures that both the LFCC and the PCFO understand that any reimbursement of campaign costs must first be reviewed and approved by the LFCC to show that all expenses were legitimate and documented.

LFCC and PCFO Response:

The LFCC and the PCFO agree with this finding. The LFCC implemented a written policy regarding PCFO reimbursement and provided a copy to the PCFO. The LFCC has added the review of the budget and approval of all expenditures as a standing item on all LFCC meeting agendas, which will be reflected in the meeting minutes. The PCFO will

present to the LFCC a detailed spreadsheet of all campaign related expenses, including descriptions and an analysis of any variances from the approved budget. This review will be incorporated into every meeting between the PCFO and the LFCC so that discrepancies or expenses in question can be addressed and resolved.

4. **2008 Audit Expense Charged to the 2010 Campaign**

Procedural

The PCFO incorrectly charged the 2010 campaign \$4,635 for audit expenses related to the 2008 campaign.

5 CFR 950.106(b) states that the PCFO may only recover campaign expenses from receipts collected for that campaign.

Additionally, CFC Memorandum 2008-9 states that expenses incurred for the audit of a campaign must be paid from funds of 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 2010 campaign expenses, we identified two invoices, totaling \$4,635, for IPA services rendered in connection with an audit of the 2008 campaign. Both of these expenses were related to the 2008 campaign and should not have been paid using 2010 funds. The PCFO explained that it was not aware of the requirements of CFC Memorandum 2008-9 and accounted for the audit expense when the costs were incurred.

As a result of charging the IPA audit expenses to the wrong campaign, the PCFO reduced the funds available to be disbursed in the 2010 campaign by \$4,635. We are not recommending an adjustment for this amount since the 2008 campaign is closed.

Recommendation 5

We recommend that the OCFC and the LFCC work with the PCFO to implement procedures to properly account for audit expenses in accordance with CFC Memorandum 2008-09.

LFCC and PCFO Response:

The LFCC and the PCFO agree with this finding. The LFCC will work with the PCFO to develop procedures that reflect the requirements of CFC Memorandum 2008-09, and the LFCC will provide proper oversight to ensure that the PCFO complies with this action as part of the LFCC's regular, on-going evaluation of the PCFO's campaign administration performance. The PCFO has begun breaking out all expenses per campaign so that it can report to the LFCC and the OCFC all costs incurred for a specific campaign.

5. 2011 Expenses Charged to the 2010 Campaign

\$7,558

The PCFO charged the 2010 campaign for 17 transactions, totaling \$7,558, which should have been charged to the 2011 campaign.

5 CFR 950.106(b) states that the PCFO may only recover campaign expenses from receipts collected for that campaign.

During our review of the 2010 campaign expenses, we identified 17 transactions, totaling \$7,558, for expenses related to the 2011 campaign that were charged to the 2010 campaign. Specifically, we found the following:

- 16 transactions, totaling \$1,212, that were related to travel expenses and meals for CFC conferences, CFC training, and monthly LFCC meetings from February 2011 to June 2011.
- 1 transaction, totaling \$6,346, for salaries (dated June 30, 2011) that belonged to the 2011 campaign. According to the PCFO, the expense was originally a true-up adjustment for additional time spent dealing with other CFCs in 2010. When we requested support for the expense during our audit, the PCFO found that the additional time should have been charged to the 2011 campaign.

As a result of charging expenses to the wrong campaign, the PCFO reduced the funds available to be disbursed in the 2010 campaign by \$7,558.

Recommendation 6

We recommend that the OCFC direct the PCFO to distribute \$7,558 to the organizations and federations that participated in the 2010 campaign, and charge the 2011 campaign for the estimated \$7,558 in travel and salary expenses.

LFCC and PCFO Response:

The LFCC and the PCFO agree with this finding. The PCFO will distribute \$7,558 as undesignated funds for the 2010 campaign, and the LFCC will follow up to ensure PCFO compliance. Additionally, the LFCC will increase its oversight and evaluation of the PCFO in this area.

Recommendation 7

We recommend that the OCFC and LFCC ensure that the PCFO implements procedures to track and allocate expenses to the correct campaign according to 5 CFR 950.106(b).

LFCC and PCFO Response:

The LFCC and the PCFO agree with this finding. The LFCC will review the PCFO's budget and expenditures and their allocation to the appropriate campaign as a standing item on all LFCC meeting agendas. This will be reflected in the meeting minutes going forward. The PCFO has begun breaking out all expenses per campaign so that it can report to the LFCC and the OCFC all costs incurred for a specific campaign.

C. CAMPAIGN RECEIPTS AND DISBURSEMENTS

1. PCFO Did Not Honor Three Employee's Designations

Procedural

The PCFO failed to honor employee designations from 3 of the 50 pledge forms we reviewed.

5 CFR 950.105(d)(1) states that the PCFO is responsible for honoring employee designations.

Additionally, 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."

We reviewed a sample of 50 pledge forms to determine if the amounts and donor information was accurately processed by the PCFO. During our review, we found the following errors with three pledge forms:

- We identified one pledge form in which a federal employee designated an annual amount of \$60 to a charity and the PCFO processed it as undesignated funds. The PCFO reported that it was unable to identify the charity. However, during our review we identified the charity in the 2010's campaign charity list.
- We identified two pledge forms in which the total amount pledged was incorrectly split among the designated charities. In both cases, the amounts designated to the individual charities were less than the total donated by the federal employee. The PCFO incorrectly changed the amounts donated to each charity to equal the total amount donated, instead of treating the excess funds as undesignated.

As a result of not honoring the employee's designations that were listed on the pledge form, seven charities received additional designated funds, one charity did not receive its designated funds, and all charities lost undesignated funds.

Recommendation 8

We recommend that the OCFC and LFCC direct the PCFO to verify that the information input into the pledge processing system is accurate and reflects the donor's designations

as listed on the pledge form. If the designations add up to less than the total amount pledged, the PCFO must treat the excess amount as undesignated funds.

LFCC and PCFO Response:

The LFCC and the PCFO agree with this finding. The LFCC will provide proper oversight to ensure that the PCFO complies with this action. The PCFO's Audit/Pledge Processing Department will return to the PCFO administrator all pledge forms that are in question. Next, the PCFO administrator will review and send the questionable pledges back to the responsible keyworker. Then, the keyworker will remedy the situation and send the pledge form back to the PCFO administrator. If the pledge form has designations that add up to less than the total amount pledged, the PCFO will honor the total amount pledged and treat the excess as undesignated funds.

2. Interest Earned on CFC Funds \$7,313

The PCFO did not keep or maintain an interest-bearing bank account for CFC funds received during the 2010 Campaign. In addition, the PCFO never distributed \$7,313 of interest earned on CFC funds from prior campaigns.

According to 5 CFR 950.105(d)(8), the PCFO is responsible for keeping and maintaining CFC financial records and an interest-bearing bank account 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.

We reviewed the PCFO's bank statements to determine if the PCFO maintained CFC funds in an interest-bearing bank account separate from the PCFO's corporate bank accounts. Based on our review of the PCFO's bank statements, the checking account used for depositing the 2010 CFC funds was not an interest-bearing bank account. The PCFO confirmed with us that it did not maintain the 2010 CFC funds in an interest-bearing bank account.

During our review, we also found an inactive bank account that contained \$7,313 in interest earned on CFC funds from past campaigns. The PCFO explained to us that the money was built up from the early 2000s and agreed with us that the funds needed to be distributed.

As a result of not maintaining the 2010 CFC funds in an interest-bearing bank account and failing to distribute the interest earned on previous campaign funds, organizations and federations participating in the CFC lost out on the earning potential of idle campaign funds.

Recommendation 9

We recommend that the OCFC ensures that the PCFO keeps and maintains an interest-bearing bank account so that CFC funds can earn investment income payable to

organizations and federations 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).

LFCC and PCFO Response:

The LFCC and the PCFO agree with this finding. The LFCC will provide proper oversight to ensure that the PCFO complies with this action, and the PCFO has already taken steps to transfer all CFC funds to an interest-bearing account. The account has been opened, funds are being transferred to it, and notifications of the new bank account are being sent to the government payroll offices.

Recommendation 10

We recommend that the OCFC direct the PCFO to distribute \$7,313 of interest earned on previous campaign funds, and ensure that the PCFO distributes any future interest earned on CFC funds in a manner consistent with the distribution of undesignated funds.

LFCC and PCFO Response:

The LFCC and the PCFO agree with this finding. The LFCC will provide proper oversight to ensure that the PCFO complies with this action. The PCFO will distribute \$7,313 to the 2011 campaign as undesignated funds.

3. CFC Receipts Applied to the Wrong Campaign

Procedural

The PCFO incorrectly used a calendar year basis instead of a payroll period basis to allocate CFC receipts to the 2010 campaign.

5 CFR 950.901(d) states that the CFC payroll allotments will be authorized in one year terms. The term authorizations will be in effect for one full year (26, 24, or 12 pay periods depending on the allotter's pay schedule) starting with the first pay period beginning in January and ending with the last pay period that begins in December. CFC Memorandum 2006-5 requires PCFOs to track CFC receipts by payroll office to ensure that receipts are credited to the appropriate campaign.

We reviewed the CFC bank statements to determine if the PCFO properly tracked CFC receipts and applied them to the correct campaign. During our review, we found that the PCFO incorrectly applied \$14,191 in CFC receipts from the 2009 campaign to the 2010 campaign. We also found that the PCFO incorrectly applied \$9,276 in CFC receipts from the 2010 campaign to the 2011 campaign. As a result of both actions, the PCFO over disbursed \$4,915 in CFC funds during the 2010 campaign.

The improper accounting of receipts took place during the last pay period of each payroll year, which typically starts in December and ends in January. The receipts for this final payroll period should have been credited to the campaign's collection year that just

ended. However, all January receipts were credited to the next year's campaign. Per discussion with the PCFO, it was not aware of 5 CFR 950.901(d) and CFC Memorandum 2006-5. The PCFO also acknowledged that it did not keep track of the 2010 CFC receipts by payroll office because it was not aware of the end of the year pay structure used by the Federal Government.

As a result of not following the directives issued by the OCFC to properly apply incoming CFC receipts to the correct campaign, the PCFO mixed funds from one campaign to the next and was unable to honor employee designations accurately.

Recommendation 11

We recommend that the OCFC and LFCC direct the PCFO to begin tracking CFC receipts by payroll office, and develop procedures to accurately account for end of the year payroll deductions, which are usually received from January 1 through January 15 of the following year.

LFCC and PCFO Response:

The LFCC and the PCFO agree with this finding. The LFCC will provide proper oversight to ensure that the PCFO complies with this action. Going forward, the PCFO will treat payroll deductions received from January 1 to January 15 as funds for the prior year's campaign. The PCFO is also in the process of developing procedures that track the various government agencies' payroll receipts back to the pledges. The procedure will include notification to OPM if there is a significant difference between the pledges and the payroll receipts.

OIG Comments:

While the PCFO agrees with this finding, it goes on to state that it will treat payroll deductions received from January 1 to January 15 as funds for the prior year's campaign. However, this is an incorrect plan of action since beginning and ending payroll receipts vary each year. There is no established date range to properly account for payroll deductions. Therefore, the PCFO must track CFC receipts by payroll office to ensure that receipts are credited to the appropriate campaign.

4. Untimely Final Disbursement

Procedural

The PCFO issued the final disbursement of campaign funds after the deadline set by OPM in the 2011/2012 CFC Calendar of Events.

OPM's 2011/2012 CFC Calendar of Events lists March 31, 2012, as the deadline for PCFOs to make the final disbursement of 2010 campaign funds.

We reviewed the 2010 Campaign Receipts and Disbursement Schedule to determine if the PCFO made all of its CFC disbursements on time according to OPM's CFC Calendar

of Events. During our review, we found that the PCFO issued its final disbursement of 2010 CFC funds on April 11, 2012, which was 11 days after the deadline set by OPM in the 2011/2012 CFC Calendar of Events. We asked for an explanation from the PCFO as to why the final disbursement was late. The PCFO explained that it always issued the final disbursement in April and confirmed that April 11, 2012, was the date that it made the final disbursement of 2010 campaign funds. The PCFO stated that it was not aware of the disbursement deadline listed in OPM's Calendar of Events.

By making the final disbursement after the deadline set in the 2011/2012 CFC Calendar of Events, the PCFO delayed funds that the charities were planning to receive for maintaining operations.

Recommendation 12

We recommend that the OCFC ensures that the PCFO understands its responsibility to follow the deadlines in OPM's CFC Calendar of Events and that the PCFO institutes procedures to ensure that the final disbursement is issued on time.

LFCC and PCFO Response:

The LFCC and the PCFO agree with this finding. The LFCC will provide proper oversight to ensure that the PCFO complies with this action, and the PCFO will follow all guidelines in OPM's CFC Calendar of Events.

5. Policies and Procedures for Un-Cashed Checks

Procedural

The PCFO's policies and procedures for un-cashed checks do not follow the guidance issued by the OCFC in CFC Memorandum 2006-5.

Section C of CFC 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 or e-mail. If it's determined that the payee is no longer active, the funds must be disbursed among the remaining organizations as undesignated funds.

We reviewed the PCFO's current policies and procedures for un-cashed checks and found that they did not require three documented follow-up attempts after a check has gone un-cashed for six months. Instead, the PCFO's policies and procedures showed that checks over \$1,000 and older than 45 days have letters sent to the vendors requesting confirmation as to whether or not they received the checks. If a charity responds that it did not receive the check, the PCFO re-issues a new check. If a charity doesn't respond within a reasonable amount of time, the amount is reviewed annually during audit preparation to determine if any adjustment should be made.

We also reviewed the PCFO's outstanding check list and identified 2 un-cashed checks that were 11 months old during the time of our review. The PCFO did not follow up on the un-cashed checks since they were less than \$1,000. Per discussion with the PCFO, it was not aware of the requirements of CFC Memorandum 2006-5 related to the policies and procedures for outstanding checks and the fact that there is no limit to the check amount. The PCFO informed us that it's updating its policies and procedures for un-cashed checks to comply with CFC Memorandum 2006-5.

By not following the guidance to implement procedures for un-cashed checks that require three documented follow-up attempts for any check amount over six months old, the PCFO is not ensuring to the best of its ability that federal employee donations are being properly distributed and received by the designated agencies.

Recommendation 13

We recommend that the OCFC and the LFCC verify that the PCFO implements new policies and procedures for un-cashed checks so that it documents at least three follow-up attempts for all un-cashed checks over six months old in accordance with CFC memorandum 2006-5.

LFCC and PCFO Response:

The LFCC and the PCFO agree with this finding. The LFCC will provide proper oversight to ensure that the PCFO complies with this action. The PCFO has developed new procedures to handle un-cashed checks. Once a month, the PCFO will issue a report of all un-cashed checks. This report will be reviewed by the PCFO's Administrator and Finance Department. For all un-cashed checks that are 6 months old, the PCFO will contact the agency by phone (phone call will be documented) and will follow up with an e-mail. If these actions do not result in the check being cashed, a letter will be sent to the agency in question notifying them that they will have 30 days to cash the check. If after 30 days the check is still not cashed, then the check will be voided and the money will go back to the CFC to be allocated as undesignated funds. These funds will be paid out in the next distribution, and the PCFO will report the action to the LFCC.

6. Unsupported Notification of Designations and Donors

Procedural

The PCFO was unable to provide support to demonstrate when or if it notified CFC participating federations and organizations of the designated and undesignated amounts due to them, and of the names and contact information for donors who authorized the release of their information.

5 CFR 950.901(i)(1) requires that the PCFO notify federations and organizations of the amounts designated to them and their members, and of the undesignated amounts due to them, no later than the date set by OPM. OPM's 2010/2011 CFC Calendar of Events lists this deadline as March 15, 2011.

As part of our audit, we reviewed designation and donor letters to determine if the PCFO notified the federations and organizations of the designated and undesignated amounts due to them, and of the names and contact information for donors who authorized the release of their information, by the date set by OPM in the 2010/2011 CFC Calendar of Events. The PCFO provided examples of the designation and donor letters, but it could not support when or if the letters were ever mailed out. Per the PCFO, the designation and donor letters were sent by regular mail, but it did not know the actual date they were sent.

If the PCFO failed to issue the designation and donor notifications by the March 15, 2011 deadline set by OPM, then federations and organizations participating in the CFC were not given timely information necessary to properly plan and budget for the coming year.

Recommendation 14

We recommend that the OCFC and LFCC require the PCFO to properly document the notification letters by recording the dates that the charities were notified of the designated and undesignated amounts, and donor list, in accordance with CFC regulations.

LFCC and PCFO Response:

The LFCC and the PCFO agree with this finding. The PCFO will send all agencies an e-mail notifying them that notification letters have been mailed out. For the agencies that don't have a valid e-mail, the PCFO will send letters with copies for the PCFO files. The PCFO will also include a report of such activities at LFCC meetings as part of its campaign administration report. The LFCC will follow up to ensure that the PCFO complies, and it will increase its oversight and evaluation of the PCFO in this area.

OIG Comments:

While we are encouraged by the PCFO's efforts to address this issue, we would remind it that there is no requirement to send notification letters by mail. The PCFO can send notifications electronically via e-mail. Whatever method is chosen, however, the PCFO should ensure that it maintains documentation supporting when the notifications were sent.

D. ELIGIBILITY

1. Review and Approval of Local Applications

Procedural

The LFCC approved one local organization that did not include all of the required information in its application to participate in the 2010 campaign. In addition, three applications were approved by the PCFO, not the LFCC.

According to Memorandum 2008-10, Guidance on Local CFC applications, Attachment C - Audited Financial Statements, "Each applicant with revenues of \$250,000 or more

must include a complete copy of its audited financial statements, including all schedules and auditor's notes, with the application. The audited financial statements submitted with the CFC application must include an auditor's report on the Certified Public Accountant's (CPA) letterhead, and include the signature of the CPA or the auditing firm."

Additionally, 5 CFR 950.303(a) states that the LFCC must approve local federations that meet the applicable requirement, and 5 CFR 950.104(b)(3) states that LFCC responsibilities include, "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."

We reviewed a sample of four applications submitted by local independent organizations, and four applications submitted by local federations, to determine if the applications contained all information required to participate in the 2010 CFC. During our review, we found one application for a local independent organization that was missing the prior year's audited financial statements. We also identified two applications from local independent organizations and one application from a local federation that were reviewed and approved by the PCFO to participate in the 2010 CFC.

Because the LFCC failed to ensure that the applications were complete, and failed to accept responsibility for approving the eligibility of these local organizations, the campaign was at risk of having ineligible organizations receiving federal employee designations.

Recommendation 15

We recommend that the OCFC take corrective action to ensure that the LFCC makes all eligibility decisions, properly documents its review of local organization and federation applications, and ensures that all application material was submitted prior to approving their participation in the CFC.

LFCC and PCFO Response:

The LFCC and the PCFO agree with this finding. The LFCC will include verification of dates as part of its eligibility review process. The PCFO will stamp the date when the applications are received, and it will prepare a completeness review form to place in each application's file prior to the LFCC's eligibility review.

2. 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.

5 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 2010 campaign was March 5, 2010. Fifteen business days from the closing date would require the LFCC to issue notice of its eligibility decisions by March 26, 2010.

We reviewed a sample of eligibility decisions to determine if the LFCC issued notice of its decisions within 15 business days of the closing date for receipt of applications. From our review, we determined that the LFCC issued notices of its eligibility decisions during a period from May 4, 2010 to June 4, 2010. These dates are significantly later than the March 26, 2010 deadline. Based on discussions with the PCFO, we found that neither the LFCC nor the PCFO were aware of all the deadlines.

As a result of issuing late eligibility decisions, local organizations were not given sufficient time to appeal unfavorable decisions, and were unable to properly plan for annual cash flows and expenditures in a timely manner.

Recommendation 16

We recommend that the OCFC direct the LFCC to institute procedures to properly adhere to OPM's deadlines and 5 CFR 950, which include issuing notice of its eligibility decisions within 15 days of the closing date for receipt of applications.

LFCC and PCFO Response:

The LFCC and the PCFO agree with this finding. The PCFO will comply with this recommendation, and the LFCC will work with the PCFO to develop standard operating procedures necessary to ensure efficient and effective campaign administration at all levels and areas.

E. PCFO AS A FEDERATION

1. Undisclosed Service Fees Charged to Federation Members **\$5,175**

The PCFO as a Federation charged its members a 10.5 percent service fee (\$5,175) for participating in the Chesapeake Bay Area CFC and South Jersey CFC. This fee was not reported in the PCFO's annual report.

5 CFR 950.303(e)(2)(iii) requires that a federation's annual report must include an accurate description of the federation's membership dues and/or service fees received by the federation from the charitable organizations participating as members. The information must clearly present the amounts raised, the sources of contributions, the cost of fundraising, and how costs are recovered from donations.

We reviewed the PCFO's 2010 annual report to determine if it contained an accurate description of any membership dues or service fees charged to its federation members for participating in the CFC. The annual report lists a statement that the PCFO as a Federation does not charge membership dues and there is no mention of a service fee or amount charged to the charitable organizations participating as federation members.

However, our review of the PCFO's Federation Distribution Schedule found that the PCFO as a Federation was retaining a portion of funds that it received for its members participating in the Chesapeake Bay Area CFC and South Jersey CFC. We asked for an explanation from the PCFO, and it provided us documentation showing a 10.5 percent service fee being charged to its federation members for participating in the campaigns mentioned above. The PCFO explained that the charges were only for administrative services related to handling and disbursing the funds, and it was not aware that the service fee had to be disclosed in its annual report.

Because the PCFO as a Federation did not report a service fee in its annual report, the charitable organizations participating as federation members in the Chesapeake Bay Area CFC and South Jersey CFC expected to receive all funds designated to them. The 10.5 percent reduction of CFC funds likely impaired each organization's budgeting and planning abilities.

Recommendation 17

We recommend that the OCFC direct the PCFO to distribute \$5,175 to its 2010 federation members that were charged undisclosed service fees for participating in the Chesapeake Bay Area CFC and South Jersey CFC.

PCFO Response:

The PCFO agrees with this finding and will make a one-time distribution to its federation members that participated in the Chesapeake Bay Area CFC and South Jersey CFC.

Recommendation 18

We recommend that the OCFC and the LFCC require the PCFO to list in its annual report any service fees that it plans to charge its federation members for participating in CFCs.

LFCC and PCFO Response:

The LFCC and the PCFO agree with this finding. The LFCC will increase its oversight and evaluation of the PCFO in this area. The PCFO has made the necessary adjustments to its software so that federation member agencies do not pay fees and there will be a statement reflecting this in its annual report.

F. FRAUD AND ABUSE

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

G. DISPOSITION OF THE CAMPAIGN

Based on the number of findings, the nature of the issues identified in this report, and the LFCC and PCFO's lack of understanding of the CFC regulations, it appears that the LFCC and PCFO are not equipped to handle the responsibilities of the CFC.

This report documents numerous instances where both the LFCC and the PCFO did not fulfill their responsibilities as outlined in 5 CFR 950. In summary, we noted the following six issues involving the LFCC:

1. The LFCC did not ensure that the IPA properly completed the AUP audit;
2. The LFCC solicited PCFOs untimely;
3. The LFCC did not document its review or selection of a PCFO;
4. The LFCC did not review or approve the expense reimbursement;
5. The LFCC failed to properly review and approve local applications; and
6. The LFCC issued notice of eligibility decisions late.

Additionally, we noted the following 10 issues related to the PCFO:

1. The PCFO failed to accrue audit expenses and match them with the proper campaign;
2. The PCFO failed to submit campaign expenses to the LFCC for approval prior to reimbursement;
3. The PCFO charged campaign expenses to the wrong campaign;
4. The PCFO failed to honor the pledges of three federal employees;
5. The PCFO did not keep an interest bearing account for CFC funds and it failed to distribute interest earned on CFC funds from the past;
6. The PCFO failed to properly account for CFC receipts by campaign;
7. The PCFO issued the final disbursement late;
8. The PCFO's policies and procedures for un-cashed checks did not comply with CFC Memoranda;
9. The PCFO did not keep a record of when it issued designation and donor letters; and
10. The PCFO as a Federation failed to properly disclose member service fees in its annual report.

As a PCFO, the United Way of Delaware 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 federal regulations.

Although the LFCC and PCFO stated their willingness to institute corrective actions, the numerous errors specifically attributable to each party and their lack of understanding, or in

many cases even awareness, of the CFC regulations do not make us confident in their ability to conduct an effective and efficient campaign.

Recommendation 19

As a result of the numerous findings, the nature of the issues identified in this report, and the LFCC and PCFO's lack of understanding of the CFC regulations, we recommend that the OCFC seek to merge the CFC of Delaware with another geographically adjacent campaign, administered and conducted by a new PCFO and LFCC that are more equipped to handle the responsibilities of the CFC.

IV. MAJOR CONTRIBUTORS TO THIS REPORT

Special Audits Group

██████████, Auditor-In-Charge

██████████, Group Chief, ██████████

██████████, Senior Team Leader



Combined Federal Campaign of Delaware
Local Federal Coordinating Committee
c/o United Way of Delaware, Campaign Administrators (or PCFO)
The Linden Building, 625 North Orange Street, Third Floor
Wilmington, DE 19801-2247

Original Submission – November 19, 2012
Amendments Submitted – December 12, 2012 – Via Email and Certified Mail
Amendments Submitted – December 13, 2012 – Via Email and Certified Mail

Office of Personnel Management
Office of the Inspector General
Attention: Stephanie M. Oliver
1900 E Street, NW, Room 6400
Washington, DC 20415-1100

Dear Ms. Oliver:

Below please find the collective responses by the Local Federal Coordinating Committee (LFCC) and United Way of Delaware (PCFO) in response to finding identified in the operation of the CFC of Delaware 2012 campaign. We agree with all the findings as articulated in your draft report. We have demonstrated herein our commitment as LFCC and PCFO to work collaboratively on the Corrective Plan of Action provided. Additionally, we have made one small correction in our response to Recommendation 17. Please let us know if you have any questions regarding the information/responses we have provided.

Sincerely,

Michael Cooper, LFCC Chair
Mail Handlers Representative for the Plant
P.O. Box 10121, Wilmington, DE 19850

Jamee Boone, PCFO Account Manager
United Way of Delaware
Linden Building, Third Floor, 625 North Orange Street, Wilmington, DE 19801

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

I. AUDIT FINDINGS AND RECOMMENDATIONS

A. AUDIT GUIDE REVIEW

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

During our review of the Independent Public Accountant's (IPA) audit of the 2009 campaign, we found that the IPA did not complete steps 1 through 7 of the Agreed-Upon Procedures for reviewing the PCFO as a Federation. Additionally, the IPA failed to report as a finding that the PCFO's policies and procedures for uncashed checks did not include three documented follow-up attempts to reach the payee.

The Audit Guide is issued each year by OPM to provide instructions for how the IPA is to conduct an audit of the CFC. Within the Audit Guide are specific steps which the IPA must follow, known as the Agreed-Upon Procedures (AUP). Chapter III of the Audit Guide requires the IPA to perform the following steps when the PCFO participates in the CFC as a federation:

1. Obtain a copy of the 2009 campaign charity list for the local campaign, all other campaigns in the state, and any campaigns in other states that are adjacent to the local campaign to determine in which, if any, campaigns the PCFO participated as a federation;
2. Obtain a copy of the "Federation Distribution Schedule" prepared by the PCFO documenting the pledges from all CFC campaigns in which it participates as a federation, the expenses charged, and the distributions made to each member organization;
3. Obtain from the PCFO copies of the pledge reports received from the campaigns in which the PCFO participated as a federation (including the local campaign), and select a judgmental sample of six federation member agencies. Compare the pledges per campaign for those agencies on the "Federation Distribution Schedule" to the amounts on the pledge reports from the campaigns;
4. Obtain a copy of the "Federation CFC Receipts Schedule" prepared by the PCFO documenting the actual receipts from each campaign in which it participates as a federation. Select a judgmental sample of six months receipts and compare the amounts of the receipts from each campaign for those months to the supporting documentation;
5. Compare the total amounts received per campaign on the "Federation CFC Receipts Schedule" to the total amounts received per campaign on the "Federation Distribution Schedule". Compare the percentage of receipts

assigned to each organization for each campaign to the percentage of pledges for that organization from that campaign;

6. Obtain a copy of the federation's annual report and compare the expenses charged to the organizations on the "Federation Distribution Schedule" to the description of the dues/service charges included in the annual report [5 CFR 950.303(e)(2)(iii)]; and
7. For the six member agencies selected in step 3, obtain the cancelled checks for the 2009 campaign distribution and determine if the Federation distributes CFC receipts separately from its other receipts, or if it combines all receipts for distribution.

Chapter III of the Audit Guide also requires the IPA to obtain a copy of the PCFO's policies and procedures for un-cashed checks to determine if the procedures include at least three documented follow-up attempts to reach the payee by phone or email for un-cashed checks after six months. If the PCFO's policies and procedures do not include at least three documented follow-up attempts to reach the payee, then the IPA is to report the PCFO's policies and procedures for un-cashed checks as a finding.

The IPA did not complete steps 1 through 7 of the AUPs for the PCFO as a Federation because it determined that the steps were not applicable since the United Way of Delaware did not act as a PCFO for any campaign other than the CFC of Delaware. Contrary to the IPA's understanding, the United Way of Delaware did not have to act as a PCFO for other campaigns to necessitate these audit steps. The justification to perform these audit steps was if the United Way of Delaware participated in other campaigns as a federation, and in 2009, the United Way of Delaware participated in multiple campaigns as a federation. Therefore, these steps should have been performed. Additionally, the IPA did not report the PCFO's policies and procedures for un-cashed checks as a finding because it determined that the policies and procedures were adequate with only two attempts to reach the payee.

Because the IPA did not follow the AUPs for reviewing the PCFO as a Federation, there was no review to determine if the federation disbursed CFC funds received from other campaigns appropriately. Additionally, because the IPA failed to report the PCFO's policies and procedures for un-cashed checks as a finding, the PCFO continued its practice of only attempting to reach the payee twice before voiding a check, which may have kept CFC funds from being received by an active charity.

Recommendation 1

We recommend that the OCFC ensures that the LFCC meets with the IPA prior to and during the audit to discuss the AUPs, and encourage the IPA to ask questions of the LFCC or the OCFC if it's unsure of how to complete any of the required audit steps.

LFCC Response

LFCC committee will follow Recommendation 1

PCFO Response

The PCFO will work with the LFCC and the IPA to ensure that all of the AUPs are completed during the audit process.

B. BUDGET AND CAMPAIGN EXPENSES

1. Untimely Solicitation for PCFO Applications

Procedural

The LFCC solicited 2010 PCFO applications from December 17, 2009 through February 5, 2010, which was beyond the beginning and ending deadlines set by OPM.

OPM's 2009/2010 CFC Calendar of Events lists December 15, 2009, as the deadline for the LFCC to begin soliciting PCFO applications and January 25, 2010, as the deadline for the LFCC to stop soliciting PCFO applications.

During our review, we found that the LFCC issued three solicitations for PCFO applications to administer the 2010 CFC. The first solicitation was issued with an application period from December 17, 2009 through January 25, 2010. The second and third solicitations were both issued with an application period from January 14, 2010 through February 5, 2010. As a result of the late application period, the United Way of Delaware delivered its application to administer the 2010 CFC on February 5, 2010, which was 11 calendar days after the deadline set by OPM for the LFCC to accept PCFO applications.

Because the LFCC did not solicit PCFO applications in a timely manner, the LFCC delayed the campaign process and reduced the overall efficiency and effectiveness of campaign operations.

Recommendation 2

We recommend that the OCFC ensures that the LFCC understands its responsibility to follow the deadlines in OPM's CFC Calendar of Events and that it institutes procedures to solicit PCFO applications within the regulated timeframes.

LFCC Response

The LFCC has reviewed/will continue to review the OPM CFC Calendar at its monthly meetings. The LFCC launched the solicitation of PCFO procedure earlier in advance of the next contract period (2013-2015). The LFCC publicized through a paid ad and sent out press releases to Delaware media outlets advertising the

campaign administration RFP open solicitation period. We received one bid from United Way of Delaware.

2. LFCC did Not Document the PCFO Selection

Procedural

The LFCC did not document its selection of a PCFO for the 2010 campaign, and there is no record of the LFCC reviewing or approving a PCFO's application, campaign plan, or budget.

- 5 CFR 950.104(b)(1) states that it's the responsibility of the LFCC to maintain meeting minutes.
- 5 CFR 950.104(b)(17) lists one of the LFCC's responsibilities as approving a campaign's expense budget.
- 5 CFR 950.104(c) states that the LFCC must select a PCFO to act as its fiscal agent and campaign coordinator on the basis of presentations made to the LFCC as described in §950.105(c). In addition, the LFCC must consider the capacity of the organization to manage an efficient and effective campaign, its history of public accountability, use of funds, truthfulness and accuracy in solicitations, and sound governance and fiscal management practices as the primary factors in selecting a PCFO.
- 5 CFR 950.105(c)(1) requires a LFCC to determine if the applicant could administer an efficient and effective CFC.
- 5 CFR 950.801(a)(3) states that the LFCC must select a PCFO no later than a date to be determined by OPM. The 2009/2010 CFC Calendar of Events lists February 19, 2010 as the deadline for LFCCs to select a PCFO.

We reviewed the LFCC meeting minutes to determine if the LFCC documented the PCFO selection for the 2010 campaign and approved the PCFO's application, campaign plan, and budget prior to the February 19, 2010 deadline. We found that the LFCC scheduled a meeting to review and select a PCFO on February 10, 2010, but the meeting was cancelled due to snow. The LFCC rescheduled the meeting for February 17, 2010, but only one individual showed up. The next meeting wasn't until April 27, 2010, and there was no record or meeting minutes showing that a PCFO was selected in January or February 2010. The PCFO explained that it remembered receiving an acceptance and approval from the LFCC over the phone, but there was no record to support it.

By not maintaining meeting minutes to document the application review and selection of the PCFO, the LFCC lacks accountability in the reasoning of its decisions and failed to meet the requirements of federal regulations. As a result, we were unable to complete our audit steps to determine if the PCFO was selected in a timely manner, or if the LFCC properly reviewed the PCFO's application, campaign plan, and budget.

Recommendation 3

We recommend that the OCFC ensures that the LFCC understands its responsibilities under federal regulations, which include maintaining meeting minutes that document its review of the PCFO applications, its selection of a PCFO, and its approval of the PCFO's campaign plan and expense budget.

LFCC Response

At the LFCC meeting held on November 14, 2012, the LFCC reviewed, discussed and approved the sole bid received by United Way of Delaware. This action was officially recorded in the minutes and a copy of same kept in LFCC files.

PCFO Response

PCFO will support the LFCC in taking and maintaining official, approved minutes for the record.

3. No Authorization or Approval of the Expense Reimbursement Procedural

The LFCC did not authorize or approve the PCFO's 2010 CFC expense reimbursement.

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. Additionally, 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.

We reviewed the LFCC's Meeting Minutes to determine if the LFCC authorized and approved the PCFO's reimbursement of legitimate campaign expenses. We did not find meeting minutes showing that the LFCC authorized or approved the reimbursement of the 2010 CFC expenses. Instead, we found that the PCFO and LFCC misunderstood the regulations and thought that the expense budget submitted with the PCFO application was the only item that needed approval for reimbursement to be authorized. The LFCC did not realize that it had to review and approve the PCFO's CFC expenses to make sure that they were legitimate campaign costs, applicable to the 2010 CFC, and were adequately documented.

As a result of not reviewing and approving the reimbursement of the 2010 campaign expenses, the LFCC ran the risk of unrelated expenses being charged to the organizations and federations in the campaign, thus reducing the designated amounts due to them. Additionally, by not submitting its expenses for approval before taking a reimbursement, the PCFO did not allow the LFCC to exercise its authority over the

campaign to ensure that only legitimate CFC costs were being charged to the campaign.

Recommendation 4

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 CFC costs and adequately documented, 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.

LFCC Response

The LFCC implemented written policy for the campaign regarding PCFO reimbursement a copy of which was provided to PCFO. Additionally, review of the budget and approval of all expenditures has been added as a standing item on all LFCC meeting agendas (and will be reflected in minutes) going forward.

PCFO Response

The PCFO will present to the LFCC a detailed spreadsheet that will include all campaign related expenses. Included will be descriptions for all expenses and variance analysis against the approved budget. This review will be incorporated into every meeting with the PCFO and LFCC. If there are any discrepancies or any expenses in question, these issues can be addressed and resolved.

4. 2008 Audit Expense Charged to the 2010 Campaign Procedural

The PCFO incorrectly charged the 2010 campaign \$4,635 for audit expenses related to the 2008 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 2010 campaign expenses, we identified two invoices, totaling \$4,635 for IPA services rendered in connection with an audit of the 2008 campaign. Both of these expenses were related to the 2008 campaign and

should not have been paid using 2010 funds. The PCFO explained that it was not aware of the requirements of CFC Memorandum 2008-9 and accounted for the audit expense when the costs were incurred.

As a result of charging the IPA audit expenses to the wrong campaign year, the PCFO reduced the funds available to be disbursed in the 2010 campaign by \$4,635.

Recommendation 5

We recommend that the OCFC and the LFCC work with the PCFO to implement procedures to properly account for audit expenses in accordance with CFC Memorandum 2008-09.

PCFO Response

The PCFO has started to breakout all expenses per campaign year. Once this has been completed we can report to the LFCC and to OCFC that all costs incurred for a campaign are the costs that were incurred for the specific campaign.

LFCC Response

LFCC will work with PCFO to develop procedures in response to referenced CFC Memorandum. LFCC will provide proper oversight to ensure PCFO complies with this action as part of its regular, on-going evaluation of PCFO campaign administration performance.

5. 2011 Expenses Charged to the 2010 Campaign \$7,558

The PCFO charged the 2010 campaign for 17 transactions, totaling \$7,558, which should have been charged to the 2011 campaign.

5 CFR 950.106(b) states that the PCFO "may only recover campaign expenses from receipts collected for that campaign year."

During our review of the 2010 campaign expenses, we identified 17 transactions totaling \$7,558 for expenses related to the 2011 campaign that were charged to the 2010 campaign. Specifically, we found the following:

- 16 transactions totaling \$1,212 that were related to travel expenses and meals for CFC conferences, CFC training, and monthly LFCC meetings from February 2011 to June 2011.
- 1 transaction totaling \$6,346 for salaries (dated June 30, 2011) that belonged to the 2011 campaign. According to the PCFO, this expense was mistakenly allocated to the 2010 campaign and represents a true up adjustment for the amount of time needed to support the CFC process. The amount was

estimated from the additional work that the PCFO's staff spent trying to remedy a situation they had with other campaigns. The PCFO understands that the expense should have been charged to the 2011 campaign, not the 2010 campaign.

As a result of charging expenses to the wrong campaign year, the PCFO reduced the funds available to be disbursed in the 2010 campaign by \$7,558.

Recommendation 6

We recommend that the OCFC direct the PCFO to distribute \$7,558 to the organizations and federations that participated in the 2010 campaign, and charge the 2011 campaign for the estimated \$7,558 in salary expense.

PCFO Response

The PCFO will make a special payout for campaign 2010 for \$7,558. The \$7,558 will be treated as undesignated and the PCFO will follow its internal procedure of prorating the money accordingly.

LFCC Response

The LFCC will follow up to ensure PCFOs compliance. Additionally, LFCC will increase its oversight and evaluation of PCFO adherence in this area as part of its regular, on-going performance review of PCFO's campaign administration.

Recommendation 7

We recommend that the OCFC and LFCC ensure that the PCFO implements procedures to track and allocate expenses to the correct campaign according to 5CFR 950.106(b).

LFCC Response

The LFCC reviews the budget, expenditures, and year charged to as a standing item on all LFCC meeting agendas (and will be reflected in minutes) going forward.

PCFO Response

The PCFO has started to breakout all expenses per campaign year. Once this has been completed we can report to the LFCC and to OCFC that all costs incurred for a campaign are the costs that were incurred for the specific campaign.

C. CAMPAIGN RECEIPTS AND DISBURSEMENTS

1. PCFO did Not Honor Three Employee's Designations

Procedural

The PCFO failed to honor employee designations from three of the fifty pledge forms sampled.

5 CFR 950.105(d)(1) states that the PCFO is responsible for honoring employee designations. Additionally, 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."

We reviewed a sample of 50 pledge forms to determine if the amounts and donor information was accurately processed by the PCFO. During our review, we found the following errors with three pledge forms:

- We identified one pledge form in which a federal employee designated an annual amount of \$60 to a charity (Child's Play Touring Theater # 10711) and the PCFO processed it as undesignated funds. The PCFO reported that it was unable to identify the charity even though it was listed as a national/international organization in its CFC brochure.
- We identified one pledge form in which a federal employee donated a total amount of \$520 and designated \$20 of those funds to four charities at \$5 each annually. Because the \$20 annual designation appeared to be the same as the bi-weekly payroll deduction, the PCFO split all funds between the four charities at an annual amount of \$130 each, instead of allocating the remaining \$500 to undesignated funds.
- We identified one pledge form in which a federal employee donated a total amount of \$390 and designated \$15 of those funds to three charities at \$5 each annually. Because the \$15 annual designation appeared to be the same as the bi-weekly payroll deduction, the PCFO split all funds between the three charities at an annual amount of \$130 each, instead of allocating the remaining \$375 to undesignated funds.

As a result of not honoring the employee's designations that were listed on the pledge form, seven charities received additional designated funds, one charity did not receive its designated funds, and all charities lost undesignated funds.

Recommendation 8

We recommend that the OCFC and LFCC direct the PCFO to verify that the information input into the pledge processing system is accurate and reflects the donor's designations as listed on the pledge form. Additionally, we recommend that the OCFC and LFCC ensure that the PCFO understands the procedures surrounding pledge forms when the designations do not total the amount pledged.

PCFO Response

MAT: Circled word “remedy.” Wrote less or more?

The Audit/Pledge Processing Department will return to PCFO administrator all pledge forms that are in question. The PCFO administrator will review and send the questionable pledges back to the responsible key-worker. The key-worker will remedy the situation and send back to the PCFO administrator. In the event 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 as undesignated funds.

LFCC Response

LFCC will provide proper oversight to ensure PCFO complies with this action as part of its regular, on-going evaluation of PCFO campaign administration performance.

2. Interest Earned on CFC Funds \$7,313

The PCFO did not keep or maintain an interest-bearing bank account for CFC funds received during the 2010 Campaign. In addition, the PCFO never distributed \$7,313 of interest earned on CFC funds from prior campaigns.

According to 5 CFR 950.105(d)(8), the PCFO is responsible for keeping and maintaining CFC financial records and an interest-bearing bank account 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.

We reviewed the PCFO's bank statements to determine if the PCFO maintained CFC funds in an interest-bearing bank account separate from the PCFO's corporate bank accounts. Based on our review of the PCFO’s bank statements, the checking account used for depositing the 2010 CFC funds was not an interest-bearing bank account. The PCFO confirmed with us that it did not maintain the 2010 CFC funds in an interest-bearing bank account.

During our review, we also found an inactive bank account that contained \$7,313 in interest earned on CFC funds from past campaigns. The PCFO explained to us that the money was built up from the early 2000s and agreed with us that the funds need to be distributed.

As a result of not maintaining the 2010 CFC funds in an interest-bearing bank account and failing to distribute the interest earned on previous campaign funds, organizations and federations participating in the CFC lost out on the earning potential of idle campaign funds.

Recommendation 9

We recommend that the OCFC ensures that the PCFO keeps and maintains an interest-bearing bank account so that CFC funds can earn investment income payable to organizations and federations 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).

PCFO Response

The PCFO has already taken the steps to transfer all banking from a non-interest bearing account to an interest bearing account. An account has been opened and the PCFO is in the process of transferring dollars and notifying all of the government payroll offices, of the new bank account.

LFCC Response

LFCC will provide proper oversight to ensure PCFO complies with this action as part of its regular, on-going evaluation of PCFO campaign administration performance.

Recommendation 10

We recommend that the OCFC direct the PCFO to distribute \$7,313 of interest earned on previous campaign funds, and ensures that the PCFO distributes any future interest earned on CFC funds in a manner consistent with the distribution of undesignated funds.

PCFO Response

The PCFO concurs with recommendation 10. The \$7,313 will be paid out as part of a special payout for the 2011 campaign. The \$7,313 will be treated as undesignated and the PCFO will follow its internal procedure of prorating the money accordingly.

LFCC Response

LFCC will provide proper oversight to ensure PCFO complies with this action as part of its regular, on-going evaluation of PCFO campaign administration performance.

3. CFC Receipts Applied to the Wrong Campaign Procedural

The PCFO incorrectly utilized a calendar year basis instead of a payroll period basis to allocate CFC receipts to the 2010 campaign.

5 CFR 950.901(d) states that payroll allotments for the CFC will be authorized in one year terms. The term authorizations will be in effect for one full year (26, 24, or 12

pay periods depending on the allotter's pay schedule) starting with the first pay period beginning in January and ending with the last pay period that begins in December. CFC Memorandum 2006-5 requires PCFOs to track CFC receipts by payroll office to ensure that receipts are credited to the appropriate campaign.

We reviewed the CFC bank statements to determine if the PCFO properly tracked CFC receipts and applied them to the correct campaign. During our review, we found that the PCFO incorrectly applied \$14,191 in CFC receipts from the 2009 campaign to the 2010 campaign. We also found that the PCFO incorrectly applied \$9,276 in CFC receipts from the 2010 campaign to the 2011 campaign. As a result of both actions, the PCFO over disbursed \$4,915 in CFC funds during the 2010 campaign. The improper accounting of receipts took place during the last pay period of each payroll year. These receipts refer to the last pay period for the month of December 2010, which was received in January 2011, and from the last pay period for the month of December 2011, which was received in January 2012. These final receipts should have been credited to the campaign's collection year that just ended. It was evident that the PCFO applied receipts to the 2010 campaign based on a calendar year rather than payroll periods. Per discussion with the PCFO, it was not aware of 5 CFR 950.901(d) and CFC Memorandum 2006-5. The PCFO also acknowledged that it did not keep track of the 2010 CFC receipts by payroll office because it was not aware of the end of the year pay structure used by the federal government.

As a result of not following the directives issued by the OCFC to properly apply incoming CFC receipts to the correct campaign, the PCFO mixed funds from one campaign to the next and was unable to honor employee designations accurately.

Recommendation 11

We recommend that the OCFC and LFCC direct the PCFO to begin tracking CFC receipts by payroll office, and develop procedures to accurately account for end of the year payroll deductions, which are usually received from January 1 through January 15 of the following year.

PCFO Response

Going forward the PCFO will treat payroll deductions received from January 1 to January 15 as prior year campaign. In addition the PCFO is in the process of developing procedures that track the money received from the various government payroll agencies to the pledges. Included in the procedure, will be the notification to the OPM if there is a significant difference between the pledges and the cash received.

LFCC Response

LFCC will provide proper oversight to ensure PCFO complies with this action as part of its regular, on-going evaluation of PCFO campaign administration performance.

4. Untimely Final Disbursement

Procedural

The PCFO issued the final disbursement of campaign funds after the deadline set by OPM in the 2011/2012 CFC Calendar of Events.

OPM's 2011/2012 CFC Calendar of Events lists March 31, 2012 as the deadline for PCFOs to make the final disbursement of 2010 campaign funds.

We reviewed the 2010 Campaign Receipts and Disbursement Schedule to determine if the PCFO made all of its CFC disbursements on time according to OPM's CFC Calendar of Events. During our review, we found that the PCFO issued its final disbursement of 2010 CFC funds on April 11, 2012, which was 11 days after the deadline set by OPM in the 2011/2012 CFC Calendar of Events. We asked for an explanation from the PCFO as to why the final disbursement was late. The PCFO explained that it always issued the final disbursement in April and confirmed that April 11, 2012 was the date that it made the final disbursement of 2010 campaign funds. The PCFO stated that it was not aware of the disbursement deadline listed in OPM's Calendar of Events.

By making the final disbursement after the deadline set in the 2011/2012 CFC Calendar of Events, the PCFO delayed funds that the charities were planning to receive in order to maintain their operations.

Recommendation 12

We recommend that the OCFC ensures that the PCFO understands its responsibility to follow the deadlines in OPM's CFC Calendar of Events and that the PCFO institute procedures to ensure that the final disbursement is issued on time.

PCFO Response

The PCFO will follow all guidelines per the OPM's Calendar of Events.

LFCC Response

LFCC will provide proper oversight to ensure PCFO complies with this action as part of its regular, on-going evaluation of PCFO campaign administration performance.

5. Policies and Procedures for Un-Cashed Checks

Procedural

The PCFO's policies and procedures for un-cashed checks do not follow the guidance issued by the OCFC in CFC Memorandum 2006-5.

Section C of CFC 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 or email. If it's determined that the payee is no longer active, the funds must be disbursed among the remaining organizations for that campaign as undesignated funds.

We reviewed the PCFO's current policies and procedures for un-cashed checks and found that they did not include three documented follow-up attempts after a check has gone un-cashed for 6 months. Instead, the PCFO's policies and procedures showed that checks over \$1,000 and older than 45 days have letters sent to the vendor requesting confirmation as to whether or not it received the checks. If the charity responds that it did not receive the check, the PCFO re-issues a new check. If the charity doesn't respond within a reasonable amount of time, the amount is reviewed annually during audit preparation to determine if any adjustment should be made.

We also reviewed the PCFO's outstanding check list and identified two un-cashed checks that were 11 months old during the time of our review. The PCFO did not follow up on the un-cashed checks since they were less than \$1,000. Per discussion with the PCFO, it was not aware of the requirements of CFC Memorandum 2006-5 related to the policies and procedures for outstanding checks. The PCFO informed us that it's updating its policies and procedures for un-cashed checks to comply with the CFC Memorandum 2006-5.

By not following the guidance to implement procedures for un-cashed checks that require three documented follow-up attempts, the PCFO is not ensuring to the best of its ability that federal employee donations are being properly distributed and received by the designated agencies.

Recommendation 13

We recommend that the OCFC and the LFCC verify that the PCFO implements new policies and procedures for un-cashed checks so that it documents at least three follow-up attempts for un-cashed checks over 6 months old in accordance with CFC memorandum 2006-5.

PCFO Response

PCFO has created a procedure to handle all un-cashed checks. Once a month the PCFO will issue a report of all un-cashed checks, this report will be reviewed by the PCFO's administrator and Finance department. For all un-cashed checks that are six (6) months or older the PCFO will contact the agency by phone (phone call will be documented) and will follow up with an email. If these actions do not result in the check being cashed a letter will be sent to the agency in question, notifying them that they will have thirty (30) days to cash the check. If after the thirty (30) days the

check is still not cashed the check will be voided. The money will go back to the fund and be allocated as undesignated funds. These dollars will be paid out at the next payout. PCFO will include this as part of its monthly report to LFCC.

LFCC Response

LFCC will provide proper oversight to ensure PCFO complies with this action as part of its regular, on-going evaluation of PCFO campaign administration performance.

6. Unsupported Notification of Designations and Donors Procedural

The PCFO was unable to provide support to demonstrate when or if it notified CFC participating federations and organizations of the designated and undesignated amounts due to them, and of the names and contact information for donors who authorized the release of their information.

5 CFR 950.901(i)(1) requires that the PCFO notify federations and organizations of the amounts designated to them and their members, and of the undesignated amounts due to them, no later than the date set by OPM. OPM's 2010/2011 CFC Calendar of Events lists the deadline for the PCFO to notify 2010 CFC participating federations and organizations of the amounts designated to them, their share of undesignated amounts, and the names and contact information for donors who authorized the release of their information, as March 15, 2011.

As part of our audit, we reviewed designation and donor letters to determine if the PCFO notified the federations and organizations of the designated and undesignated amounts due to them, and of the names and contact information for donors who authorized the release of their information, by the date set by OPM in the 2010/2011 CFC Calendar of Events. The PCFO provided examples of the designation and donor letters, but it could not support when or if the letters were sent. Per the PCFO, the designation and donor letters were sent by regular mail, but it did not keep documentation to show when or if the notifications were sent.

If the PCFO failed to issue the designation and donor notifications by the March 15, 2011 deadline set by OPM, then federations and organizations participating in the CFC were not given timely information necessary to properly plan and budget for the coming year.

Recommendation 14

We recommend that the OCFC and LFCC require the PCFO to properly document the notification letters showing the dates that the charities were notified of the designated and undesignated amounts, and donor list, in accordance with CFC regulations.

PCFO Response

The PCFO will send to all agencies an email notifying them that the notification letters have been mailed. In the event that agencies do not have an email or the email is invalid, the PCFO will send a letter, with a copy for the PCFO files. PCFO will include a report of such activities at LFCC meetings as part of its campaign administration report.

LFCC Response

The LFCC will follow up to ensure PCFOs compliance. Additionally, LFCC will increase its oversight and evaluation of PCFO adherence in this area as part of its regular, on-going performance review of PCFO's campaign administration.

D. ELIGIBILITY

1. Review and Approval of Local Applications

Procedural

The LFCC approved one local organization that did not include all of the required information in its application to participate in the 2010 campaign. In addition, three applications were approved by the PCFO, not the LFCC.

According to Memorandum 2008-10, Guidance on Local CFC applications, Attachment C - Audited Financial Statements, "Each applicant with revenues of \$250,000 or more must include a complete copy of its audited financial statements, including all schedules and auditor's notes, with the application. The audited financial statements submitted with the CFC application must include an auditor's report on the Certified Public Accountant's (CPA) letterhead, and include the signature of the CPA or the auditing firm."

Additionally, 5 CFR 950.303(a) states that the LFCC must approve local federations that meet the applicable requirement, and 5 CFR 950.104(b)(3) states that LFCC responsibilities include, "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."

We reviewed a sample of 4 applications submitted by local independent organizations, and 4 applications submitted by local federations, to determine if the applications contained all information required to participate in the 2010 CFC. During our review, we found one application for a local independent organization that was missing the prior year's audited financial statements. We also identified 2 applications from local independent organizations and 1 application from a local federation that were reviewed and approved by the PCFO to participate in the 2010 CFC. Because the LFCC failed to ensure that the applications were complete, and failed to accept responsibility for approving the eligibility of these local

organizations, the campaign was at risk of having ineligible organizations receiving federal employee designations.

Recommendation 15

We recommend that the OCFC take corrective action to ensure that the LFCC properly documents its review of local organization and federation applications, and ensures that all application material was submitted prior to approving their participation in the CFC.

PCFO Response

Going forward, all applications and subsequent documentation will be stamped date received. PCFO will conduct a completeness review form and place same in each file verifying when and that required documents have been received PRIOR to LFCC eligibility review.

LFCC Response

LFCC will include verification of dates as part of their eligibility review process.

2. 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.

5 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 2010 campaign was March 5, 2010. Fifteen business days from the closing date would require the LFCC to issue notice of its eligibility decisions by March 26, 2010.

We reviewed a sample of eligibility decisions to determine if the LFCC issued notice of its decisions within 15 business days of the closing date for receipt of applications. From our review, we determined that the LFCC issued notices of its eligibility decisions during a period from May 4, 2010 to June 4, 2010. These dates are significantly later than the March 26, 2010 deadline. Based on discussions with the PCFO, we found that neither the LFCC nor the PCFO were aware of all the deadlines.

As a result of issuing late eligibility decisions, local organizations were not given sufficient time to appeal unfavorable decisions, and were unable to properly plan for annual cash flows and expenditures in a timely manner.

Recommendation 16

We recommend that the OCFD direct the LFCC to institute procedures to properly adhere to OPM's deadlines and 5 CFR 950, which include issuing notice of its eligibility decisions within 15 days of the closing date for receipt of applications.

PCFO Response

Yes will comply

LFCC Response

LFCC will work with PCFO to build out this tool and develop the SOPs necessary to ensure efficient and effective campaign administration at all levels and in all areas.

E. PCFO AS A FEDERATION

1. Undisclosed Service Fees Charged to Federation Members **\$5,175**

The PCFO as a Federation charged its members a 10.5% service fee (\$5,175) for participating in the Chesapeake Bay Area CFC and South Jersey CFC, which was not reported in the PCFO's annual report.

5 CFR 950.303(e)(2)(iii) requires that a federation's annual report must include an accurate description of the federation's membership dues and/or service charges received by the federation from the charitable organizations participating as members. The information must clearly present the amounts raised, the sources of contributions, the cost of fundraising, and how costs are recovered from donations.

We reviewed the PCFO's 2010 annual report to determine if it contained an accurate description of any membership dues or service fees charged to its federation members for participating in the CFC. The annual report lists a statement that the PCFO as a Federation does not charge membership dues, and there is no mention of a service fee or amount charged to the charitable organizations participating as federation members. We then reviewed the PCFO's Federation Distribution Schedule and found that the PCFO as a Federation was retaining a portion of funds that it received for its members from the Chesapeake Bay Area CFC and South Jersey CFC. We asked for an explanation from the PCFO, and it provided us documentation showing a 10.5% service fee being charged to its federation members for participating in the Chesapeake Bay Area CFC and South Jersey CFC. The PCFO did not charge a service fee to its federation members for participating in the Philadelphia CFC. The PCFO explained that the charges were only for administrative services related to handling and disbursing the funds, and it was not aware that the service charge had to be disclosed in its annual report.

Because the PCFO as a Federation did not report a service charge in its annual report, the charitable organizations participating as federation members expected to receive all funds from the Chesapeake Bay Area CFC and South Jersey CFC. The 10.5% reduction of CFC funds likely impaired each organization's budgeting and planning

abilities. Additionally, the PCFO as a Federation gave an unfair advantage to the member agencies participating in the Philadelphia CFC since these members were not charged a service fee.

Recommendation 17

We recommend that the OCFC direct the PCFO to distribute \$5,175 to its 2010 federation members for service fees that were not disclosed in its annual report.

LFCC Response

The LFCC will follow up to ensure PCFOs compliance. Additionally, LFCC will increase its oversight and evaluation of PCFO adherence in this area as part of its regular, on-going performance review of PCFO's campaign administration.

PCFO Response

PCFO concurs with this and the PCFO will make a one time distribution to the two Federations (Chesapeake Bay Area CFC and South Jersey CFC).

Recommendation 18

We recommend that the OCFC and LFCC require the PCFO to list in its annual report any service fees that it plans to charge its federation members for participating in the CFC. In addition, service fees should be equal among all campaigns that the PCFO participates in as a federation.

LFCC Response

The LFCC will increase its oversight and evaluation of PCFO adherence in this area as part of its regular, on-going performance review of PCFO's campaign administration.

PCFO Response

The PCFO has made the necessary adjustments with its software that no federation member agencies will pay fees. The PCFO will make this statement in our annual report.