



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

Final Audit Report

Subject:

**AUDIT OF THE 2009 AND 2010
SUN COUNTRY
COMBINED FEDERAL CAMPAIGNS
EL PASO, TEXAS**

Report No. 3A-CF-00-12-048

Date: March 18 2013

--CAUTION--

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AUDIT REPORT

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Date: March 18, 2013



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for Audits**

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EXECUTIVE SUMMARY

AUDIT OF THE 2009 AND 2010 SUN COUNTRY COMBINED FEDERAL CAMPAIGNS EL PASO, TEXAS

Report No. 3A-CF-00-12-048

Date: March 18, 2013

The Office of the Inspector General has completed an audit of the 2009 and 2010 Sun Country Combined Federal Campaigns (CFC). The United Way of El Paso County (UWEPC), located in El Paso, Texas, served as the Principal Combined Fund Organization (PCFO) during both campaigns. Our main objective was to determine if the Sun Country CFC was in compliance with Title 5, Code of Federal Regulations, Part 950 (5 CFR 950), including the responsibilities of both the PCFO and the Local Federal Coordinating Committee (LFCC). The audit identified 17 instances of non-compliance with the regulations (5 CFR 950) governing the CFC. In addition, we made two recommendations related to the PCFO's policies and procedures that will help prevent and detect fraud and abuse. 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 Sun Country CFC 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

Our review of the Independent Public Accountant's examination of the CFC Audit Guide's agreed-upon procedures did not identify any deviations from the required review.

BUDGET AND CAMPAIGN EXPENSES

- **PCFO Application Missing Required Statements** **Procedural**
The LFCC accepted and approved a PCFO application for the 2010 campaign that included incomplete statements required by the federal regulations.
- **PCFO Solicitation** **Procedural**
The solicitation for a PCFO was not posted in a timely manner, and the application period did not remain open for the minimum number of required days.
- **Selection of PCFO** **Procedural**
The LFCC did not select the PCFO in a timely manner for the 2010 campaign.
- **Campaign Expense Reimbursement Approval** **Procedural**
The PCFO recovered campaign expenses that were not authorized or approved by the LFCC.
- **Expenses Charged to the Wrong Campaign** **Procedural**
The PCFO charged expenses to the 2010 campaign that were related to the 2008 and 2009 campaigns.

CAMPAIGN RECEIPTS AND DISBURSEMENTS

- **Pledge Form Errors** **Procedural**
Four pledge forms, with a total of six errors, were accepted by the PCFO as being correct.
- **Audit Fees Not Accrued** **Procedural**
The PCFO did not accrue monies for the future expense of the audit of the 2010 campaign.
- **Untimely Initial Disbursement** **Procedural**
The PCFO did not make the initial disbursement for the 2010 campaign by the deadline set in the CFC Calendar of Events.
- **Un-Cashed Check Policies and Procedures** **Procedural**
The PCFO's un-cashed check policies and procedures do not include all of the requirements outlined in CFC Memorandum 2006-5.

- **Approval of One-Time Disbursements** **Procedural**

There are no meeting minutes or other documentation to show that the LFCC approved or authorized the amount of one-time disbursements.

- **Pledge Loss Calculation and Application** **Procedural**

The PCFO incorrectly calculated and applied pledge loss that was charged to charities receiving one-time disbursements during the 2010 campaign.

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

The PCFO did not notify CFC participating federations and organizations of the amounts of designated and undesignated funds due to them, and of the donors who wished their information be released, by the date set by OPM in the CFC Calendar of Events.

- **Release of Donor Information** **Procedural**

The PCFO released a donor's address to an organization without authorization from the donor.

- **CFC Receipts Applied to the Wrong Campaign** **Procedural**

The PCFO did not properly allocate CFC receipts to the campaign period in which they were received, resulting in the disbursement of excess funds to the 2010 campaign charities.

ELIGIBILITY

- **Local Organization Application Period** **Procedural**

The LFCC accepted applications from local organizations and federations for participation in the 2010 campaign beyond the date set in the CFC Calendar of Events.

- **Local Organization Applications** **Procedural**

The LFCC accepted two family support and youth activities organizations which did not include the required certification from the military commander showing that the agencies met the CFC requirements.

- **Local Eligibility Notification Letters** **Procedural**

The LFCC did not issue notice of its eligibility decisions to local organizations within the time frames set by federal regulations.

PCFO AS A FEDERATION

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

FRAUD AND ABUSE

- **Fraud and Abuse Prevention and Detection**

Improvement Area

The UWEPC has limited policies and procedures in place for preventing and detecting fraud and abuse.

DISPOSITION OF THE CAMPAIGN

As a result of the numerous findings, the nature of the issues identified in this report, and the LFCC and PFCO's lack of understanding of the CFC regulations, it is our opinion that the OCFC should seek to merge the Sun Country CFC 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 Sun Country Combined Federal Campaigns (CFC). The audit was performed by the Office of Personnel Management's (OPM) Office of the Inspector General (OIG), as authorized by the Inspector General Act of 1978, as amended.

BACKGROUND

The CFC is the sole authorized fund-raising drive conducted in federal installations throughout the world. In 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 campaign (Report # 3A-CF-00-01-052, dated September 24, 2001), which covered the 1999 campaign, have been satisfactorily resolved.

The initial results of our current audit were discussed with PCFO and LFCC officials during an exit conference held on June 21, 2012. A draft report was provided to the PCFO and the LFCC for review and comment on September 14, 2012. The LFCC and the PCFO's amended response to the draft report was considered in preparation of this final report and is included as an Appendix.

II. OBJECTIVES, SCOPE, AND METHODOLOGY

OBJECTIVES

The primary purpose of our audit was to determine if the Sun Country CFC 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 agrees with the actual pledge form.
- To determine if incoming pledge monies, were allocated to the proper campaign, and that the net funds (less expenses) were properly distributed to member agencies and federations.
- To determine if the member agencies and federations were properly notified of the amounts pledged to them and that donor personal information was only released for those who requested the release of information.

Eligibility

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

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

SCOPE AND METHODOLOGY

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on the audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objectives.

The audit covered campaign years 2009 and 2010. The United Way of El Paso County (UWEPC), located in El Paso, Texas, served as the PCFO during both campaigns. The audit fieldwork was conducted at the office of the PCFO from June 18 through 22, 2012. Additional audit work was completed at our Cranberry Township, Pennsylvania, and Washington, D.C. offices.

The Sun Country CFC 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	\$1,400,037	\$1,372,841	\$98,926
2010	\$1,508,430	\$1,432,295	\$106,978

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 distributions 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 50 transactions totaling \$81,717, from a universe of 433 transactions totaling \$110,356, that were charged to the 2010 CFC. We judgmentally selected this sample based on transactions with high dollar amounts, allocated expenses, audit fees, and expenses with an incorrect categorization. The PCFO only claimed \$106,978 out of the \$110,356 incurred expenses for reimbursement.
- 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 judgmental sample of 75 pledge forms (with total designations of \$12,166) out of a universe of 9,642 pledge forms (with a total pledged of \$1,508,430) from the PCFO's Donor Pledge Form Tracking Report and compared the pledge information from the report to the actual pledge forms. The sample was selected by choosing every 171st pledge form from the Pledge Form Tracking Report.
- 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 whether the PCFO accurately recorded and disbursed all campaign receipts and disbursements.
- All bank statements used by the PCFO to verify that the PCFO was properly accounting for and distributing funds.
- The PCFO's cutoff procedures and bank statements to verify that funds were allocated to the appropriate campaign.

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 (UWEPC) 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 UWEPC did not disburse any funds to member agencies not participating in the CFC.
- The UWEPC'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 is unlikely that the results are representative of the universe taken as a whole.

III. AUDIT FINDINGS AND RECOMMENDATIONS

In part G of this section, we recommend the merger of the Sun Country CFC with another campaign that is better equipped and prepared to follow the CFCs regulatory requirements. However, if OPM's OCFC chooses not to merge the campaign, we request that it require the LFCC and PCFO to provide detailed corrective action plans for each recommendation, including specific procedures on how they will resolve the findings. We are requesting this because the responses received from the LFCC and PCFO, in our opinion, were not adequately detailed in all cases.

A. AUDIT GUIDE REVIEW

Our review of the Independent Public Accountant's examination of the CFC Audit Guide's agreed-upon procedures did not identify any deviations from the required review.

B. BUDGET AND CAMPAIGN EXPENSES

1. PCFO Application Missing Required Statements

Procedural

The LFCC accepted and approved a PCFO application for the 2010 campaign that included incomplete statements required by the federal regulations.

5 CFR 950.105(c)(2) states that any organization wishing to be selected as the PCFO must submit an application that includes a "statement signed by the applicant's local director or equivalent pledging to:

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

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

We reviewed the PCFO's 2010 application to ensure that it was signed by an appropriate official and to determine if each of the statements required by the federal regulations were included. Our review found that two of the required statements that were included in the 2010 PCFO application, and accepted by the LFCC, were incomplete. Specifically, we identified the following:

- The first incomplete statement is the pledge "to conduct campaign operations, such as training, kick-off and other events, and fiscal operations, such as banking, auditing, reporting and distribution separate from the applicant's non-CFC operations." The

approved application only stated that the PCFO pledged “to conduct the United Way of El Paso County [UWEPC] non-CFC operations separately [from] campaign operations,” which is not the exact language required by federal regulations.

- The second incomplete statement is the pledge to “abide by the directions, decisions, and supervision of the LFCC and/or Director.” The approved application did not include “and/or Director.”

Finally, we found that the approved application included a reference to 5 CFR 950.403, which was removed from the regulations in 2006.

Per the PCFO, the incomplete statements were an oversight on its behalf, and it has taken actions to correct the language within the application to comply with 5 CFR 950.105(c). According to the LFCC, it approved the application despite the incomplete statements because of timeliness issues, a lack of familiarity with the regulations, and because there was only one PCFO applicant.

As a result of selecting a PCFO application with incomplete statements, the PCFO never pledged its commitment to administer the campaign according to federal regulations and never fully understood its responsibilities as PCFO.

Recommendation 1

We recommend that the OCFC ensures that the LFCC reviews the PCFO applications for completeness, and verifies that all of the required language is included and accurate before selecting a PCFO to administer the campaign.

LFCC and PCFO Comments:

The LFCC and PCFO agree with this finding, and the PCFO states that it has taken the necessary steps to update and maintain copies of the federal regulations that show what statements and language are required for CFC applications.

2. PCFO Solicitation

Procedural

The LFCC began soliciting PCFO applications after the deadline set by OPM, and the application period was not open for the minimum number of required days.

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. Additionally, 5 CFR 950.104(c) states that the PCFO application period must be open for a minimum of 21 calendar days.

We reviewed the LFCC’s public notice to solicit PCFO applications for the 2010 campaign to determine if the application period was timely and open for the required number of calendar days. We found that the LFCC’s solicitation for PCFOs was

published on February 8, 2010, which was 55 calendar days after the deadline set by OPM to begin soliciting applications and 14 calendar days after the deadline to stop soliciting applications. The application period was open from February 8, 2010 through February 26, 2010 (19 calendar days), which did not meet the minimum requirement of 21 calendar days.

Discussions with the PCFO determined that the PCFO solicitation was published late because the LFCC Executive Committee changed members as of January 1, 2010. The current LFCC members are aware of the late PCFO solicitation and will make adjustments for future campaigns.

As a result of not soliciting PCFOs in a timely manner and limiting the application period to only 19 calendar days, the LFCC did not give applicants sufficient time to apply to be PCFO and some potential applicants may have never seen the solicitation since it was published after the recommended closing date. Additionally, the delay caused the LFCC to miss the PCFO selection deadline set by OPM.

Recommendation 2

We recommend that the OCFC ensures that the LFCC follows the dates set forth in the CFC Calendar of Events for all future campaigns as related to the PCFO solicitation.

Recommendation 3

We recommend that the OCFC ensures that the LFCC keeps the PCFO application period open for at least the minimum number of calendar days (21) required by the federal regulations.

LFCC Comments:

The LFCC agrees with this finding. The LFCC will modify the Sun Country LFCC's governance document to address the adherence to the regulatory deadlines set forth in the CFC Calendar of Events. Additionally, the LFCC will reach out to another campaign's LFCC to receive guidance, which it will replicate in part to use with future PCFOs.

OIG Comment:

We accept the LFCC's response. However, the correct entity for the LFCC to reach out to for guidance is the OCFC and not the LFCCs of other campaigns, as there is no guarantee that the other LFCC has implemented proper procedures.

3. Selection of PCFO

Procedural

The LFCC did not select the PCFO in a timely manner for the 2010 campaign.

5 CFR 950.801(a)(3) and the CFC 2009/2010 Calendar of Events sets February 19, 2010, as the deadline for the LFCC to select a PCFO.

We reviewed the LFCC meeting minutes to determine if the LFCC selected the PCFO by the date set in the CFC Calendar of Events. Our review found that the LFCC did not select a PCFO until May 17, 2010.

Per the PCFO, the LFCC's new members assumed their roles on January 1, 2010, and the first LFCC meeting did not occur until February 11, 2010. Due to scheduling conflicts between members of the LFCC, the next meeting did not occur until May 17, 2010. The LFCC stated that it was aware of the late selection of a PCFO for the 2010 campaign and would make adjustments for future campaigns.

Due to the late selection of a PCFO, the PCFO was not able to solicit local organizations within the CFC Calendar of Events time frame, and the LFCC was not able to notify local organizations of eligibility decisions by the CFC Calendar of Events deadline.

Recommendation 4

We recommend that the OCFC ensures that the LFCC follows the dates set forth in the CFC Calendar of Events for all future campaigns as related to the PCFO selection.

LFCC Comments:

The LFCC agrees with this finding. The LFCC will modify the Sun Country LFCC's governance document to address the adherence to the regulatory deadlines set forth in the CFC Calendar of Events. Additionally, the LFCC will reach out to another campaign's LFCC to receive guidance, which it will replicate in part to use with future PCFOs.

OIG Comment:

We accept the LFCC's response. However, the correct entity for the LFCC to reach out to for guidance is the OCFC and not the LFCCs of other campaigns, as there is no guarantee that the other LFCC has implemented proper procedures.

4. Campaign Expense Reimbursement Approval

Procedural

The PCFO recovered campaign expenses that were not authorized or approved by the LFCC.

According to 5 CFR 950.104(b)(17), it is the LFCC's responsibility 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 campaign expenses, *approved by the LFCC*, which reflect the actual costs of administering the campaign.

We reviewed the LFCC meeting minutes to determine if the PCFO's 2010 campaign expenses were authorized and approved by the LFCC. There was no mention in the minutes of campaign expenses by either the PCFO or the LFCC.

When we contacted the LFCC to determine if the campaign expenses were approved by the LFCC through other means such as email, fax, etc., the LFCC responded that it does not have any documentation that shows the PCFO requested approval of reimbursement other than what was presented at the beginning of the campaign year [within the approved budget].

The LFCC did not meet its responsibilities because it did not request the PCFO's expenses to authorize and approve before the PCFO was reimbursed. The PCFO also should have provided its campaign expenses to the LFCC for authorization and approval before reimbursement occurred.

Due to the LFCC not authorizing and approving the expenses, the PCFO could have charged expenses that were not CFC-related, or not related to the 2010 campaign. Additionally, by not submitting actual campaign expenses to the LFCC for approval, the PCFO did not allow the LFCC to exercise its authority over the campaign to ensure that only legitimate CFC costs were charged to the campaign.

Recommendation 5

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

Recommendation 6

We recommend that the OCFC and LFCC direct the PCFO to institute procedures to submit its campaign expenses, with sufficient supporting documentation, to the LFCC for review before it reimburses itself in the future.

LFCC and PCFO Comments:

The LFCC agrees with this finding and will modify its governance document to address the adherence to the mandatory LFCC authorizations required during the campaign. Additionally, the LFCC will reach out to another campaign's LFCC to receive guidance, which it will replicate in part to use with future PCFOs. The PCFO did not respond to this finding.

OIG Comment:

We accept the LFCC's response. However, the correct entity for the LFCC to reach out to for guidance is the OCFC and not the LFCCs of other campaigns, as there is no guarantee that the other LFCC has implemented proper procedures. Additionally, we

would ask the OCFC to require the PCFO to provide its corrective action plan to address this issue.

5. Expenses Charged to the Wrong Campaign

Procedural

The PCFO charged the 2010 campaign \$11,752 in CFC expenses that were related to either the 2008 or 2009 campaign.

5 CFR 950.106(b) states that the PCFO may only recover campaign expenses from receipts collected for that campaign period. Additionally, CFC Memorandum 2008-9 (Audit Expense Reimbursement) describes the expense period of a campaign as up to two years in length, not just the calendar year.

We reviewed a sample of campaign expenses charged to the 2010 CFC to determine if the amounts charged were accurate and reasonable, properly allocated, charged to the correct campaign period, and that all expenses had adequate supporting documentation. During our review of campaign expenses, we found the following expenses which were incorrectly charged to the 2010 campaign:

- \$7,000 for IPA audit fees. These expenses were the IPA's charges for the 2008 campaign audit. During the summer of 2010, the PCFO's IPA performed the audit for the 2008 campaign. This expense should not have been charged to the 2010 campaign. Instead, the cost for the 2008 IPA audit should have been charged to the 2008 campaign. The PCFO acknowledged that it has been expensing the audit fees incorrectly.
- \$4,752 for CFC expenses that were incurred prior to the start of the 2010 campaign. According to the CFC Calendar of events, the latest date for the LFCC to choose a PCFO for the 2010 campaign was February 19, 2010. Although the LFCC's decision was not made by the appropriate date, we found the PCFO charged the 2010 campaign 100 percent of its CFC expense incurred before that date.
- Additionally, an undeterminable amount was also charged to the 2010 campaign for both the closeout of the 2008 campaign (which was still active through March 31, 2010) and for the accounting for and disbursement of 2009 campaign receipts which occurred throughout all of calendar year 2010. When we inquired about how expenses were charged to the campaign, the PCFO indicated that most administrative expenses were charged to the campaign on a calendar year basis. However, based on the description of the campaign expense period in CFC Memorandum 2008-9, it is clear that charging expenses on a calendar year basis is not appropriate for CFCs.

Since a final disbursement has already been made for the 2008 and 2009 campaigns, these expenses, totaling \$11,752, cannot be refunded to the 2010 campaign from the 2008 or 2009 campaign funds.

As a result of charging CFC expenses on a calendar year basis, a total of \$11,752 was not properly distributed to charities participating in the 2010 campaign. The PCFO needs to institute procedures to submit its campaign expenses, with supporting documentation, to the LFCC for approval before reimbursing itself.

Recommendation 7

We recommend that the OCFC and LFCC verify that the PCFO instituted accounting procedures to ensure that CFC expenses are allocated to the campaign period to which they relate and not merely to the campaign during which they were incurred.

LFCC and PCFO Comments:

The LFCC and PCFO agree with this finding and the PCFO has corrected its accounting procedures to ensure that all CFC expenses are charged to the correct campaign.

C. CAMPAIGN RECEIPTS AND DISBURSEMENTS

1. Pledge Form Errors

Procedural

Our review identified four pledge forms with a total of six errors.

We reviewed a sample of 75 pledge forms to determine if the pledge form data matched the PCFO's pledge form report. Specifically, we verified the donor name, charity code number and amount donated, total amount donated, and the donor's choice to release their personal information. Our review of the PCFO's data entry accuracy identified four pledge forms containing a total of six errors between them. Specifically, we identified the following errors:

- Four pledge forms appeared to be altered. Three of the pledge forms in question had the "total gift" amount of the pledge form changed by either the donor or the keyworker in charge of distributing and collecting the pledge forms at the federal installations. The PCFO stated that the alterations on the pledge forms were sent to them in that manner, and they did not verify that the information was correct because they assumed the keyworker had made the alterations. The fourth pledge form had an undeterminable charity code. The PCFO stated that it read the charity code as 11704, an invalid code, and not 11714, which is a valid code. Consequently, because of this error, the donation was distributed as undesignated funds, instead of going to the charity selected by the donor.

5 CFR 950.105(d)(1) states that it is the responsibility of the PCFO to honor employee designations. Additionally, 5 CFR 950.105(d)(3) states that it is the responsibility of the PCFO to train keyworkers to check and ensure the pledge form is legible, to verify arithmetical calculations, and to ensure the donor's release of personal information is filled out properly.

The PCFO accepted as accurate pledge forms containing alterations that could not be verified without assistance from the keyworkers. It is the PCFO's responsibility to ensure that donor designations are honored.

As a result of these errors, the PCFO risked not meeting its responsibility to honor employee designations.

Recommendation 8

We recommend that the OCFC direct the PCFO to train its keyworkers to check and ensure the pledge forms are legible, have accurate charity codes, and verify that arithmetical calculations and the donor's release of personal information is properly filled out before the pledge forms are submitted to the PCFO.

LFCC and PCFO Comments:

The LFCC and PCFO agree with this finding and the PCFO states that the agenda of keyworker training has always included a section on keyworker responsibilities regarding pledge forms. The current training includes a detailed explanation of what each field requires and what the keyworker should verify. In regard to the undeterminable charity code on the pledge form, it could be read either way. The auditor is reading it as 11714 because 11704 is not a valid charity code. The draft report states that the PCFO read the charity code incorrectly. It is the PCFO's understanding that it is not to assume what charity code the donor meant and often, donors write in incorrect charity codes. The PCFO has added a step to the verification process to contact the keyworker if a pledge form looks like it has been altered without the donor's consent.

OIG Comment:

The PCFO's verification process should be to have the Keyworker return the pledge form to the donor to either verify the changes or to complete a new pledge form without any alterations. If, due to time constraints, there is not enough time to send the pledge form back for verification, then the PCFO should consider the altered elements of the pledge form to be undesignated pledges.

- Two pledge forms (which were also in the first group of errors described above) where arithmetical corrections were not applied appropriately. We identified two pledge forms where the total gift was less than the total of the individual designations listed. Rather than proportionately reducing the individual pledges to match the total gift, the PCFO reduced only one of the multiple designations listed on the pledge form.

5 CFR 950.402(d) states that if the PCFO "receives a pledge form that has a total amount pledged that is less than the sum of the individual designations, the PCFO must honor the designations by assigning a proportionate share of the total gift to each organization designated."

As a result, the PCFO did not properly honor the donor's designations.

Recommendation 9

We recommend that the OCFO direct the PCFO to institute procedures to ensure that when pledge forms with arithmetical errors are received without time for donor correction, it adheres to the directives of 5 CFR 950.402(d).

LFCC and PCFO Comments:

The LFCC and PCFO agree with this finding and the PCFO states that its' policy is to follow 5 CFR 950.402(d) "by assigning a proportionate share of the total gift to each organization designated." Pledge forms are reviewed and coded prior to data entry and then verified after data entry by an individual separate from data entry, but unfortunately, some errors are not caught.

OIG Comment:

We acknowledge the PCFO's response. However, it should be noted that although the PCFO states that its policy is to follow 5 CFR 950.402(d), in the two cases identified it clearly violated its own internal policy and the regulation.

In addition, we would like to make it clear that when pledge forms are identified with mathematical errors the PCFO's first course of action should be to return the pledge form to the donor for correction. However, if time constraints do not permit that course of action then, and only then, should the PCFO make changes to the pledge form in accordance with 5 CFR 950.402(d).

2. Audit Fees Not Accrued

Procedural

The PCFO did not accrue monies for the audit of the 2010 CFC campaign.

CFC Memorandum 2008-9 states that audit expenses must be paid from the funds of the campaign being audited. Since this cost is paid after the campaign closes, the funds should be accrued and withheld from the last distribution.

We reviewed the PCFO's receipt and disbursement schedule and determined that the PCFO did not withhold funds from the last distribution of the 2010 campaign to account for the IPA audit fees for the 2010 campaign. Therefore, the PCFO will have to use funds from a future campaign to cover the 2010 campaign IPA audit expense. In a conversation with the PCFO, it stated that it did not understand how to account for the audit expenses and it acknowledged that it was accounting for the expense incorrectly.

As a result of not accruing or setting aside 2010 campaign receipts to pay for the audit of the 2010 campaign, the PCFO will continue to erroneously pay for the current year's audit with funds from future campaigns.

Recommendation 10

We recommend that the OCFC and LFCC verify that the PCFO has instituted procedures to withhold funds from the final disbursement of each CFC campaign to pay for the future audit costs related to that specific campaign.

LFCC and PCFO Comments:

The LFCC and PCFO agree with this finding and the PCFO states it has corrected its procedures to accrue for the campaign audit costs.

3. Untimely Initial Disbursement

Procedural

The PCFO did not make the initial disbursement for the 2010 campaign by the deadline set in the CFC Calendar of Events.

The CFC Calendar of Events shows a deadline of April 1, 2011, for all campaigns to begin disbursement of the 2010 campaign funds. Additionally, 5 CFR 950.901(i)(1) states that the PCFO will distribute receipts beginning April 1, and quarterly thereafter.

We reviewed the PCFO's Receipt and Disbursement Schedule and the disbursement check support to determine if the PCFO made an initial disbursement by April 1, 2011. A review of the actual disbursement check support showed that the PCFO did not make the first disbursement until April 30, 2011, 29 calendar days after the CFC Calendar of Events deadline. We inquired as to why the disbursements were sent after the deadline, but did not receive a reply.

As a result of the PCFO not distributing the funds by the deadline set by the OCFC, the organizations and federations of the 2010 campaign did not receive their initial disbursements in a timely manner.

Recommendation 11

We recommend that the OCFC and LFCC require the PCFO to institute procedures to ensure that it adheres to the CFC Calendar of Events deadlines for disbursement of campaign funds for future campaigns.

LFCC and PCFO Comments:

The LFCC and PCFO agree with this finding, and the PCFO understands the importance of timely disbursements and will adhere to CFC guidelines.

4. Un-Cashed Check Policies and Procedures

Procedural

The PCFO's documented un-cashed check policies and procedures do not include all of the requirements outlined in CFC Memorandum 2006-5.

We reviewed the PCFO's policies and procedures for un-cashed checks to determine if the procedures were in accordance with those outlined in CFC Memorandum 2006-5. Our review determined that the procedures used by the PCFO did not include three documented follow-up attempts to reach the payee by phone and e-mail. Additionally, the procedures did not cover the potential situation where a payee becomes inactive (i.e., goes out of business) and how the funds would then be distributed. The procedures merely state that a "replacement check will be written."

CFC Memorandum 2006-5 part C provides direction to PCFOs regarding un-cashed checks. Specifically, the memorandum recommends that the PCFO's policies and procedures for un-cashed checks older than six months should "include at least three documented follow-up attempts to reach the payee by phone and e-mail." The Memorandum also directs the PCFOs to distribute funds due to payees that are no longer active as undesignated funds.

Although the memorandum uses the term "recommend," it should be noted that the memorandum also states that "The procedures outlined in this memo should be implemented..." As such, the memorandum's recommended three documented follow-up attempts should be viewed as the minimum requirement of the PCFO. Additionally, the CFC Audit Guide issued by the OCFC directs the IPA to report as a finding all instances where the PCFO's un-cashed check policies and procedures "do not include at least three documented follow-up attempts to reach the payee."¹

According to the PCFO, it was unaware that the CFC Memorandum 2006-5 recommended three follow-up attempts and felt the two attempts to reach an organization were sufficient.

As a result of inadequate un-cashed check procedures, the PCFO runs the risk of not making the minimum effort to determine the status of un-cashed checks. In addition, by not having un-cashed check procedures regarding potential inactive charities, the PCFO runs the risk of CFC funds not being distributed to other CFC charities in a timely manner.

Recommendation 12

We recommend that the OCFC and LFCC ensure that the PCFO updates its un-cashed check policies and procedures to include all the requirements outlined in CFC Memorandum 2006-5.

LFCC and PCFO Comments:

The LFCC and PCFO agree with this finding. The PCFO will revise its un-cashed check policy to "include at least three documented follow-up attempts to reach the payee by phone and e-mail."

¹ During the IPA's review of the 2009 campaign, the PCFO's un-cashed check policies and procedures did include three follow-up attempts.

OIG Comment:

We accept the PCFO's response. However, the PCFO also needs to update its un-cashed check policy to address the distribution of funds due to payees that are no longer active as undesignated funds to fully comply with all requirements outlined in CFC Memorandum 2006-5.

5. Approval of One-Time Disbursements

Procedural

There are no meeting minutes or other documentation to show that the LFCC approved or authorized the amount of one-time disbursements.

5 CFR 950.901(i)(3) states that the PCFO may make one-time disbursements to organizations receiving minimal donations, but the LFCC must determine and authorize the amount of these one-time disbursements. Additionally, 5 CFR 950.104(b)(1) states that it's the responsibility of the LFCC to maintain meeting minutes.

During our review, we found that one-time disbursements were made to organizations and federations in April 2011, but we were unable to identify notations in the meeting minutes showing that the LFCC approved or authorized the amount of these one-time disbursements. We asked for an explanation from both the LFCC and the PCFO. The LFCC stated that it never received documentation from the PCFO stating its intention to make one-time disbursements and requesting approval. The PCFO stated that a meeting was held with the LFCC on February 24, 2011, to discuss one-time disbursements up to \$1,000, but the meeting was never documented since only one PCFO member and two LFCC members attended.

As a result of not documenting the LFCC's approval of one-time disbursements, we were unable to determine if the disbursements were authorized or the approved amount.

Recommendation 13

We recommend that the OCFC ensures that the LFCC documents its approval and authorization of one-time disbursements.

Recommendation 14

Additionally, we recommend that the PCFO obtains written authorization from the LFCC showing the approved amount of one-time disbursements prior to distributing any funds.

LFCC and PCFO Comments:

The LFCC and PCFO agree with this finding. The PCFO states that it has a procedure in place to request ceiling levels and amounts of one-time disbursements. It was the understanding of the PCFO that the LFCC had approved the ceiling limit for one-time

disbursements for the 2010 campaign. The PCFO will request the approval in writing for future campaigns.

6. Pledge Loss Calculation and Application

Procedural

The PCFO incorrectly calculated and applied pledge loss charged to the charities receiving one-time disbursements during the 2010 campaign.

According to 5 CFR 950.901(i)(3), the “PCFO may deduct the proportionate amount of each organization’s share of the campaign’s administrative costs and the average of the previous 3 years pledge loss from the one-time disbursement.” Additionally, CFC Memorandum 2008-9 provides guidance and detailed instructions to PCFOs regarding the calculation and application of pledge loss.

Using the pledge and receipt totals reported by the PCFO to OPM we calculated the average of the previous three campaigns’ pledge loss and compared our calculation to that of the PCFO to determine if its calculation was correct. In addition, we also recomputed the pledge loss applied to all charities of the 2010 campaign to determine if the application of pledge loss was correct. Overall, we found that the PCFO applied excess pledge loss of \$829. Based on our review, we found that the PCFO made the following errors when calculating and applying pledge loss in the 2010 campaign:

- The PCFO incorrectly calculated each year’s pledge loss percentage. We found that the PCFO used differing totals in its calculation from those officially reported to OPM, which resulted in incorrect pledge loss calculations.
- The PCFO incorrectly calculated the average three years pledge loss. The PCFO incorrectly calculated its pledge loss percentage by averaging the yearly percentages rather than totaling the three years pledges and receipts and then determining an overall average as detailed in CFC Memorandum 2008-9. The overall average calculated by the PCFO was 4.89 percent. However, our calculated pledge loss percentage was 3.85 percent.
- The PCFO incorrectly applied pledge loss. Although the PCFO calculated a pledge loss of 4.89 percent, the average pledge loss applied to the charities receiving one-time disbursements in the 2010 campaign was 6.28 percent. Additionally, the PCFO did not apply pledge loss to the charities at the same percentage. We found that of the 156 charities receiving one-time disbursements, 151 had pledge loss applied at percentages between 2.04 percent and 6.43 percent. We also found that 4 charities had no pledge loss applied and one charity had pledge loss applied at over 66 percent.

As a result of the PCFO’s incorrect calculation and application of pledge loss, the charities receiving one-time disbursements had their disbursements reduced by \$829. As the 2010 campaign is closed and the amount in question is immaterial, we will not request that the PCFO redistribute the funds.

Recommendation 15

We recommend that the OCFC and LFCC direct the PCFO to institute policies and procedures that incorporate the directives of CFC Memorandum 2008-9 regarding the calculation and application of pledge loss to one-time disbursements.

LFCC and PCFO Comments:

The LFCC and PCFO agree with this finding. The PCFO states that it was calculating pledge loss from the general ledger entries, which had differing numbers. The PCFO will correct its procedures for calculating three year average.

7. Late Notification of Designations and Donors

Procedural

The PCFO did not notify CFC participating federations and organizations of the amounts of designated and undesignated funds due to them, and of the donors who wished their information to be released, by the date set by OPM in the CFC Calendar of Events.

The CFC Calendar of Events lists a deadline of March 15, 2011, for PCFOs to notify 2010 CFC participating federations and organizations of the total designations, share of undesignated funds, and the donor information for the individuals who authorized the release of their information.

We obtained and reviewed a sample of the dated designation letters and donor lists to determine if they were sent by the date required in the CFC Calendar of Events. Our review found that the PCFO sent the designation letters and donor lists on April 15, 2011. The PCFO stated that the delay was due to a misunderstanding of who was responsible for sending the notifications after it created a new position to assist with the CFC. Additionally, the PCFO stated that some federation notification letters contained the wrong member agencies, which had to be corrected prior to sending the notifications.

As a result of the late notification of designations and donors, the federations and organizations were not given timely information necessary to properly plan and budget for the coming year.

Recommendation 16

We recommend that the OCFC and LFCC direct the PCFO to institute policies and procedures to ensure it notifies CFC charities of the amounts of designated and undesignated funds due to them, and of the donors who wish their information to be released, by the dates set by OPM in the CFC Calendar of Events.

LFCC and PCFO Comments:

The LFCC and PCFO agree with this finding and the PCFO states that federal agencies did not submit their pledge forms to the PCFO in a timely manner, which hampers the

PCFO's ability to process pledge forms in a timely manner. The PCFO and LFCC will work with keyworkers to ensure timely turn-ins, and the PCFO is strengthening its procedures to ensure timeliness of submissions.

OIG Comment:

We respect the PCFO's willingness to work with the keyworkers on the timely submission of pledge forms. However, all of the deadlines within the CFC Calendar of Events must still be followed. The PCFO is given several months to process the pledge forms and send the notification and donor letters to the participating organizations. Any delay in pledge form submission should not limit the PCFO's ability to meet OPM's deadlines.

8. Release of Donor Information

Procedural

The PCFO did not properly release the information of one donor.

5 CFR 950.601(c) states that it is the responsibility of the PCFO to forward the donor's information for those who have indicated that they wish this information to be released to the recipient organization directly, if the organization is independent, and to the organization's federation if the organization is a member of a federation.

From our sample of 75 pledge forms, we selected 10 donors to determine if the PCFO properly released donor information to designated charities. Our selection included 8 donors that authorized the release of their information and 2 donors that chose not to have their information released. The pledge forms contain a section where donors can authorize their information be released to charities so they can be acknowledged for their donation. If a donor checks one or more of the boxes within the Recognition Options box, then the corresponding information is authorized to be released to the designated charities.

During our review, we found one instance where donor information was not properly released. Specifically, the donor wished to release only their name and the amount pledged, but the PCFO also released the donor's address. The PCFO stated that this was an oversight.

As a result of incorrectly releasing donor information, the PCFO may have caused the donor to be contacted unwillingly by the charity, which may affect the possibility of the donor contributing to the CFC in the future.

Recommendation 17

We recommend that the OCFC and LFCC ensure that the PCFO is properly releasing contributor information for those who have indicated that they want their information released.

LFCC and PCFO Comments:

The LFCC and PCFO agree with this finding. The PCFO has a procedure that pledge forms are checked and coded before data entry and then verified after data entry by an individual separate from data entry. Unfortunately, occasionally some errors are not caught. However, the PCFO will make an attempt to verify the donor's wishes.

OIG Comment:

We respect the PCFO's attempt to verify the donor's wishes. However, the PCFO needs to institute procedures to ensure it is properly releasing contributor information for those who have indicated their information to be released. To ensure the procedures are adequate, the PCFO's procedures should be submitted to the OCFC for review.

9. CFC Receipts Applied to the Wrong Campaign Procedural

The PCFO did not properly allocate CFC receipts to the campaign period to which they were received, which resulted in it disbursing \$12,103 more than what was actually received during 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.

During our analysis of the 2010 campaign receipts, we reviewed the CFC bank statements for the period of the 2010 campaign and individually allocated the deposits, interest, and banking fees received to the appropriate campaign. Our review found that the PCFO had reported excess receipts for the 2010 campaign of \$12,103. Specifically, we determined that \$11,616 was traceable to the PCFO misapplying deposits received in January 2011 to the 2010 campaign. These receipts should have been credited to the 2009 campaign since they were from the last pay period that began in December. In addition, we were unable to identify any deposits related to the \$487 reported as 2010 campaign funds received in February 2012 by the PCFO.

Due to the fact that the 2010 campaign is now closed and the excess disbursement is less than one percent of the total receipts, we will not recommend that the PCFO request refunds from the charities of the 2010 campaign.

As a result of misallocating receipts to the 2010 campaign, the PCFO disbursed an excess of \$12,103 to the 2010 campaign that rightfully belonged to other campaigns.

Recommendation 18

We recommend that the OCFC and LFCC require the PCFO to institute procedures to allocate all deposits, interest, and fees to the appropriate campaign (especially during the period when funds are received from multiple campaigns).

LFCC and PCFO Comments:

The LFCC and PCFO agree with this finding and the PCFO states that for the month in question, the applying of funds was delegated to one of the accounting assistants. The PCFO will ensure a separate staff person verifies the application of campaign funds.

OIG Comment:

We recognize the PCFO's additional oversight to verify the application of campaign funds. However, the PCFO also needs to institute procedures addressing the requirements in CFC Memorandum 2006-5 to ensure that all deposits, interest, and fees are allocated to the appropriate campaign.

D. ELIGIBILITY

1. Local Organization Application Period

Procedural

The LFCC accepted applications from local organizations and federations for participation in the 2010 CFC beyond the date set in the CFC Calendar of Events.

The CFC 2009/2010 Calendar of Events lists the local application period deadline for the 2010 campaign as April 2, 2010.

We reviewed the public notice to local organizations announcing the application period for the 2010 campaign to determine if the application period closed by the deadline set in the CFC 2009/2010 Calendar of Events. We found that the LFCC accepted applications from March 9, 2010 through April 7, 2010, which was five days after the deadline set in the CFC Calendar of Events.

According to the PCFO, the February 2010 LFCC meeting ran longer than expected due to the number of items that needed to be reviewed and discussed with the new LFCC members. As a result, specific deadlines were never formally entered into the LFCC's meeting minutes.

As a result of the LFCC accepting local applications beyond the deadline set by OPM, it did not have the appropriate amount of time to review the applications, make eligibility decisions, and notify the local organizations of their eligibility decisions.

Recommendation 19

We recommend that the OCFC ensures that the LFCC follows the deadlines set in the CFC Calendar of Events for all future campaigns as they relate to the local application period.

LFCC Comments:

The LFCC agrees with this finding. The LFCC will modify the Sun Country LFCC's governance document to address the adherence to the regulatory deadlines set forth in the CFC Calendar of Events. Additionally, the LFCC will reach out to another campaign's LFCC to receive guidance, which it will replicate in part to use with future PCFOs.

OIG Comment:

We accept the LFCC's response. However, the correct entity for the LFCC to reach out to for guidance is the OCFC and not the LFCCs of other campaigns, as there is no guarantee that the other LFCC has implemented proper procedures.

2. Local Organization Applications

Procedural

The LFCC approved two family support and youth activity organizations which did not contain a letter from the military commander certifying that the organizations met the special requirements to participate in the 2010 CFC.

According to 5 CFR 950.204(c), a family support and youth activity organization that is certified by the commander of a military installation as meeting the eligibility criteria contained in 5 CFR 950.204(d) may appear on the list of local organizations and be supported by CFC funds.

We reviewed a sample of local agency and federation applications to determine if the applications were complete and approved by a member of the LFCC. During our review, we found that two of the local agencies were family support and youth activity organizations at a military command. The applications contained a letter from the commanding officer at Fort Bliss, but the letter did not certify that the organizations met the eligibility criteria of 5 CFR 950.204(d). Discussions with the PCFO and LFCC revealed that neither party knew that the letter did not contain the required certification.

As a result of the LFCC admitting two agencies into the 2010 campaign that did not contain a letter from the military commander certifying that the organizations met the special requirements to participate in the 2010 CFC, the campaign was at risk of having ineligible organizations receiving federal employee designations.

Recommendation 20

We recommend that the OCFC direct the LFCC to institute application review procedures that verify all eligibility requirements prior to allowing a local organization or federation to participate in the CFC.

LFCC Comments:

The LFCC agrees with this finding. The LFCC will modify the Sun Country LFCC's governance document and will reach out to another campaign's LFCC to receive guidance.

OIG Comment:

We accept the LFCC's response. However, the correct entity for the LFCC to reach out to for guidance is the OCFC and not the LFCCs of other campaigns, as there is no guarantee that the other LFCC has implemented proper procedures.

3. Local Eligibility Notification Letters

Procedural

The LFCC did not issue notice of its eligibility decisions to local organizations within the time frames set by federal regulations.

5 CFR 950.801(a)(5) states the LFCC must issue notice of its eligibility decisions within 15 business days of the closing date for receipt of applications. Additionally, the CFC 2009/2010 Calendar of Events lists the deadline for LFCCs to notify local organizations of eligibility decisions as April 30, 2010.

We reviewed the public notice detailing the application period for local charities and federations for the 2010 campaign to determine the closing date of the application period. We then compared the application closing date to the date when eligibility announcements were sent out, in order to determine if the notifications were issued within 15 business days of the closing date for applications. We found that the LFCC accepted local applications through April 7, 2010. However, the initial eligibility decision letters were not sent until May 5, 2010, which was 20 business days after the application closing period. Additionally, this was after the deadline listed in the CFC Calendar of Events. When asked about the late eligibility letters, the PCFO stated the letters were sent late due to the fact that the LFCC did not meet until May 3, 2010, to review the local applications.

As a result of not issuing the eligibility notifications within the 15 business days required by regulations, and by the deadline set in the CFC Calendar of Events, the LFCC ran the risk of misleading the local organizations to believe their applications were denied or not received by the LFCC. Additionally, 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 21

We recommend that the OCFC ensures that the LFCC understands its responsibilities and sends the local eligibility decisions in accordance with federal regulations and deadlines set by the CFC Calendar of Events.

LFCC Comments:

The LFCC agrees with the finding. The LFCC will modify the Sun Country LFCC's governance document to address the adherence to the regulatory deadlines set forth in the CFC Calendar of Events. Additionally, the LFCC will reach out to another campaign's LFCC to receive guidance, which it will replicate in part to use with future PCFOs.

OIG Comment:

We accept the LFCC's response. However, the correct entity for the LFCC to reach out to for guidance is the OCFC and not the LFCCs of other campaigns, as there is no guarantee that the other LFCC has implemented proper procedures.

E. PCFO AS A FEDERATION

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

F. FRAUD AND ABUSE

1. Fraud and Abuse Prevention and Detection

Improvement Area

The UWEPC has limited policies and procedures in place for preventing and detecting fraud and abuse.

During our review, we issued a questionnaire to the PCFO in regards to fraud and abuse in order to gain an understanding of the policies and procedures in place at the PCFO. While we acknowledge that this area of review is not addressed in or required by the CFC regulations, we believe the implementation of the minimum level of controls is important because the PCFO is the organization charged with administering the campaign and the monies donated by federal employees, and any deficiencies identified could adversely affect incoming donations.

Our review of the UWEPC's responses to our questionnaire resulted in our recommending two suggestions for improvement that would not only benefit the CFC, but all of its charitable functions. Specifically, we suggest that the UWEPC implement the following:

- Create a written Anti-Fraud policy statement to be signed by all employees and volunteers to help deter misconduct, and

- Institute a formal training program on fraud awareness for all employees and volunteers to attend and gain a better understanding of what fraud is, how to prevent fraud from happening, indicators to detect fraud, and what actions to take if fraud is detected.

Recommendation 22

We recommend that the OCFC strongly suggest that the UWEPC, in its role as PCFO, implement the suggestions outlined above.

Recommendation 23

We recommend that the OCFC consider a memorandum to all PCFOs requiring the implementation of the above suggestions as a minimum requirement in the future.

LFCC and PCFO Comments:

The LFCC and PCFO agree with the recommendations, and the PCFO states that it will review its anti-fraud policies.

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 eight issues involving the LFCC:

1. The LFCC accepted and approved a PCFO application that included incomplete statements required by the federal regulations;
2. The LFCC solicited PCFOs untimely;
3. The LFCC selected a PCFO untimely;
4. The LFCC did not review or approve the expense reimbursement for the PCFO;
5. The LFCC did not authorize or approve one-time disbursements to be made by the PCFO;
6. The LFCC solicited local applications untimely;
7. The LFCC failed to properly approve local applications; and
8. The LFCC issued the notices of eligibility decisions late.

Additionally, we noted the following 12 issues related to the PCFO:

1. The PCFO failed to submit campaign expenses to the LFCC for approval prior to reimbursement;
2. The PCFO charged campaign expenses to the wrong campaign;

3. The PCFO accepted pledge forms with errors;
4. The PCFO failed to accrue audit expenses and match them with the proper campaign;
5. The PCFO issued the initial disbursement late;
6. The PCFO's policies and procedures for un-cashed checks did not comply with CFC Memorandum 2006-05;
7. The PCFO did not obtain written authorization for one-time disbursements;
8. The PCFO incorrectly calculated and applied pledge loss;
9. The PCFO issued designation and donor letters late;
10. The PCFO improperly released donor information;
11. The PCFO failed to properly account for CFC receipts by campaign; and
12. The PCFO has limited policies and procedures to prevent and detect fraud and abuse.

As a PCFO, the United Way of El Paso County 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 of the CFC regulations, do not make us confident in their ability to conduct an effective and efficient campaign.

Recommendation 24

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 Sun Country CFC 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

██████████, Senior Team Leader



Sun Country
Combined Federal Campaign

November 5, 2012

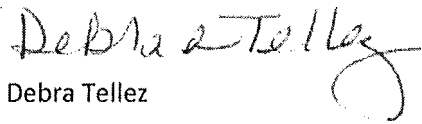
██████████
Office of Personnel Management
Office of the Inspector General
1900 E. Street, NW, Room 6400
Washington, DC 20415-1100

Dear ██████████

We appreciate the opportunity to respond to the draft report on the Sun Country 2009 and 2010 Combined Federal Campaign. We find the draft audit to be accurate and fair. The recommendations have been useful in reviewing our procedures to insure that the Sun Country CFC is in compliance with the regulations contained with Title 5, Code of Federal Regulations, Part 950.

Attached are our responses to the recommendations contained in the draft audit report.

Sincerely,


Debra Tellez

Chairperson, Local Federal Coordinating Committee



Deborah A. Zuloaga
CEO, Principal Combined Fund Organization



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████████████████████
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The LFCC is in agreement with the findings and recommendations of the audit report. In an effort to ensure that the LFCC understands the extent of its responsibilities we will be modifying the Sun Country LFCC's governance document to address the adherence to the regulatory deadlines set forth in the CFC Calendar of Events as well as the mandatory LFCC authorizations required by the PCFO during the campaign.

The LFCC chairperson reached out to the LFCC of the New Mexico-Central CFC who provided guidance which the Sun Country CFC will replicate in part. A similar Memorandum of Understanding will be used with future PCFOs which in turn will provide the direction to the PCFO addressing the specific recommendations of this report.

We do not agree with the wording in the second paragraph of the report and hereby request that IG re-phrase the language to read "although the area is not specified by the regulations, we provided suggestions for the improvement in the area of fraud and abuse prevention and detection".

A handwritten signature in black ink that reads "Debra Tellez". The signature is written in a cursive, flowing style.

Debra Tellez
Chairperson, Local Federal Coordinating Committee

PCFO response to audit draft report

The PCFO is in agreement with the findings and recommendations of the audit report. Below are the PCFO's responses to each recommendation.

Recommendation 1 - The PCFO has taken the necessary steps to update and maintain current Federal regulation copies of required statements and language for CFC purposes.

Recommendation 7 - The PCFO has corrected the accounting procedures to ensure all CFC expenses are charged to correct campaign year.

Recommendation 8 - The agenda of keyworker training has always included a section on keyworker responsibilities regarding pledge cards. The current training includes a detailed explanation of what each field requires and what the keyworker should verify.

Recommendation 9 - The PCFO has added a step to the verification process to contact the keyworker if a pledge card looks like it has been altered without the donor's consent.

Recommendation 10 - The PCFO's policy is to follow 5CFR 950.402(d) "by assigning a proportionate share of the total gift to each organization designated." Pledge cards are reviewed and coded prior to data entry and then verified after data entry by an individual separate from data entry. Unfortunately, some errors are not caught.

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Not Relevant to the Final Report**

Recommendation 12 - The PCFO has corrected its procedures for recording and disbursing audit costs.

Recommendation 13 - The PCFO understands the importance of timely disbursements and will adhere to CFC guidelines.

Recommendation 14 - Per CFC recommendations, the PCFO will revise the un-cashed check policy - "include at least three documented follow-up attempts to reach the payee by phone and e-mail."

Recommendation 15 - The PCFO has a procedure to submit a request to the LFCC for ceiling levels and amounts of one-time disbursements. It was the PCFO's understanding that the LFCC had approved the ceiling limit. The PCFO will now request the approval in writing.

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Not Relevant to the Final Report**

Recommendation 16 - The PCFO was calculating pledge loss from of the general ledger entries, which had differing numbers. The PCFO will correct its procedures for calculating three year average.

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

APPENDIX

Recommendation 17 - Unfortunately, several federal agencies did not submit their pledge cards to the PCFO in a timely manner, which hampers the PCFO's ability to process pledge cards in a timely manner. The PCFO and LFCC are working with keyworkers to ensure timely turn-ins and the PCFO is strengthening its procedures to ensure timeliness of submissions.

Recommendation 18 - The PCFO has a procedure that pledge cards are checked and coded before data entry and then verified after data entry by an individual separate from data entry. Unfortunately, occasionally some errors are not caught. In regards to the pledge to 11704 or 11714, the pledge card could be read either way. The number has a zero with a line through it. The auditor is reading it as 11714 because 11704 is not a valid agency code. The draft audit report states that the PCFO read the code number wrong. It is the PCFO's understanding that it is not to assume what agency code the donor meant. Often, donors write in incorrect agency code numbers. The PCFO will make an attempt to verify the donor's wishes.

Recommendation 19 - For the month in question, the applying of funds was delegated to one of the accounting assistants. The PCFO will ensure that a separate staff person will verify the application of campaign funds.

Recommendation 23 - The PCFO will review its anti-fraud policies.