



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

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# Final Audit Report

Subject:

**AUDIT REPORT OF THE 2008 AND 2009  
TACONIC VALLEY  
COMBINED FEDERAL CAMPAIGNS  
WHITE PLAINS, NEW YORK**

Report No. 3A-CF-00-11-036

Date: April 26, 2012

--CAUTION--

This audit report has been distributed to Federal officials who are responsible for the administration of the audited program. This audit report may contain proprietary data which is protected by Federal law (18 U.S.C. 1905). Therefore, while this audit report is available under the Freedom of Information Act and made available to the public on the OIG webpage, caution needs to be exercised before releasing the report to the general public as it may contain proprietary information that was redacted from the publicly distributed copy.



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

OFFICE OF  
THE INSPECTOR GENERAL

AUDIT REPORT

AUDIT OF THE 2008 AND 2009  
TACONIC VALLEY  
COMBINED FEDERAL CAMPAIGNS  
WHITE PLAINS, NEW YORK

Report No. 3A-CF-00-11-036

Date: 04/26/12

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

Michael R. Esser  
Assistant Inspector General  
for Audits

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## BUDGET AND CAMPAIGN EXPENSES

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

The PCFO charged the 2009 campaign \$26,000 in salary-related expenses which were based on estimated hours worked instead of actual hours.
- **Inappropriate Expense Payment** **Procedural**  

The PCFO inappropriately paid for IPA audit fees directly out of the CFC bank account rather than absorbing the costs and receiving a reimbursement as required by the regulations. Additionally, the audit fees in question were related to an earlier campaign (2008) and were paid from 2009 receipts.
- **Inappropriate PCFO Solicitation** **Procedural**  

The solicitation for the PCFO of the 2009 campaign was made on the UWWP website and was not advertised by any other public notifications. Additionally, the applications were directed to be sent to the PCFO and not to the LFCC.
- **Campaign Expenses Reimbursed Without Approval** **Procedural**  

The PCFO did not submit, nor did the LFCC approve, a request for reimbursement of 2009 campaign expenses to the PCFO.

## CAMPAIGN RECEIPTS AND DISBURSEMENTS

- **Undistributed Campaign Funds** **\$3,521**  

The PCFO did not properly account for all incoming CFC receipts and expenses. As a result, the PCFO did not distribute \$3,521 in campaign receipts to members of the 2009 campaign.
- **Pledge Card Errors** **Procedural**  

The PCFO incorrectly entered one charity code and did not identify one pledge card where the donor did not sign the payroll deduction authorization.
- **LFCC Approval of One-Time Disbursements not Obtained** **Procedural**  

The PCFO made one-time disbursements to agencies without requesting approval from the LFCC.

## **ELIGIBILITY**

- **Application Review Deficiencies**

**Procedural**

We identified two areas of deficiency in our review of the Local Agency, Federation Member, and Local Federation applications.

- **Eligibility Notifications Sent After Due Date**

**Procedural**

The LFCC did not issue local agency and federation eligibility notifications by the date required by the 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**

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, the high expense percentage of the campaign, and the PCFO's recognition of its lack of understanding of the CFC regulations, it is our opinion that the OCFC should seek to merge the Taconic Valley 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 Taconic Valley Combined Federal Campaigns (CFC) for 2008 and 2009. The audit was performed by the Office of Personnel Management's (OPM) Office of the Inspector General (OIG), as authorized by the Inspector General Act of 1978, as amended.

## **BACKGROUND**

The CFC is the sole authorized fund-raising drive conducted in Federal installations throughout the world. In 2009, it consisted of 226 separate local campaign organizations located throughout the United States, including Puerto Rico and the Virgin Islands, as well as overseas locations. The Office of the Combined Federal Campaign (OCFC) at OPM has the responsibility for management of the CFC. This includes publishing regulations, memoranda, and other forms of guidance to Federal offices and private organizations to ensure that all campaign objectives are achieved.

Each CFC is conducted by a Local Federal Coordinating Committee (LFCC) and administered by a Principal Combined Fund Organization (PCFO). The LFCC is responsible for organizing the local CFC; determining the eligibility of local voluntary organizations; selecting and supervising the activities of the PCFO; encouraging Federal agencies to appoint Loaned Executives to assist in the campaign; ensuring that employees are not coerced in any way in participating in the campaign; and acting upon any problems relating to a voluntary agency's noncompliance with the policies and procedures of the CFC. Loaned Executives are Federal employees who are temporarily assigned to work directly on the CFC.

The primary goal of the PCFO is to administer an effective and efficient campaign in a fair and even-handed manner aimed at collecting the greatest amount of charitable contributions possible. Its responsibilities include training loaned executives, coordinators, employee keyworkers and volunteers; maintaining a detailed schedule of its actual CFC administrative expenses; preparing pledge cards and brochures; distributing campaign receipts; submitting to an audit of its CFC operations by an Independent Certified Public Accountant (IPA) in accordance with generally accepted auditing standards; cooperating fully with the OIG audit staff during audits and evaluations; responding in a timely and appropriate manner to all inquiries from participating organizations, the LFCC, and the Director of OPM; and, consulting with federated groups on the operation of the local campaign.

Executive Orders No. 12353 and No. 12404 established a system for administering an annual charitable solicitation drive among Federal civilian and military employees. Title 5 Code of Federal Regulations Part 950 (5 CFR 950), the regulations governing CFC operations, sets forth ground rules under which charitable organizations receive Federal employee donations. Compliance with these regulations is the responsibility of the PCFO and the LFCC. The PCFO is also responsible for establishing and maintaining a system of internal controls.

This represents our first audit of the Taconic Valley CFC. The initial results of our audit were discussed with the PCFO and LFCC officials during separate exit conferences held on June 10, 2011. A draft report was provided to the PCFO and LFCC for review and comment on February 17, 2012. The PCFO and LFCC's responses to the draft report were considered in preparation of this final report and are included as Appendices.

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

### **OBJECTIVES**

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

Our audit objective for the 2008 campaign was:

#### Audit Guide Review

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

Additionally, our specific audit objectives for the 2009 campaign were as follows:

#### Budget and Campaign Expenses

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

#### Campaign Receipts and Disbursements

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

#### Eligibility

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

#### PCFO as a Federation

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

Fraud and Abuse

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

**SCOPE AND METHODOLOGY**

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

The audit covered campaign years 2008 and 2009. The United Way of Westchester and Putnam (UWWP), located in White Plains, New York, served as the PCFO during both campaigns. The audit fieldwork was conducted at the offices of the PCFO from June 6 through 10, 2011. Additional audit work was completed at our Washington, D.C. office.

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

Campaign Year	Total Pledges	Total Receipts	Administrative Expenses
2008	\$200,054	\$199,043	\$43,158
2009	\$134,443	\$126,816	\$38,543

In conducting the audit we relied to varying degrees on computer-generated data. Our review of a sample of campaign expenses and supporting data, a sample of pledge card entries, and the distribution of campaign contributions and related bank statements, verified that the computer-generated data used in conducting the audit was reliable. Nothing came to our attention during our review of the data to cause us to doubt its reliability.

We considered the campaign’s internal control structure in planning the audit procedures. We gained an understanding of the management procedures and controls to the extent necessary to achieve our audit objectives. We relied primarily on substantive testing rather than tests of internal controls. The audit included tests of accounting records and such other auditing procedures as we considered necessary to determine compliance with 5 CFR 950 and CFC Memoranda.

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

In regards to our objectives concerning the 2009 campaign's budget and campaign expenses, we accomplished the following:

- Reviewed the PCFO's application to verify 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. We judgmentally selected all expenses for review, totaling \$38,543.
- Reviewed the LFCC meeting minutes and verified that the LFCC authorized the PCFO's reimbursement of campaign expenses.
- Compared the budgeted expenses to actual expenses and determined if actual expenses exceeded 110 percent of the approved budget.

To determine if the 2009 campaign's receipts and disbursements were handled in accordance with CFC regulations, we reviewed the following:

- A judgmental sample of 25 contributors with pledge amounts totaling \$15,165 (out of a universe of 895 contributors with total pledges of \$134,433) from the PCFO's 2009 campaign pledge card detail schedule and compared the pledge information from the schedule to the actual pledge cards. Specifically, we judgmentally selected the top 15 contributors for review by total amount pledged. Additionally, we judgmentally selected the next five contributors (by total amount pledged) whose donation was marked "undesignated" and the first five contributors (by total amount pledged) who agreed to release personal information.
- Cancelled distribution checks to verify that the appropriate amount was distributed in a timely manner.
- One-time disbursements to verify that the PCFO properly calculated pledge loss and disbursed the funds in accordance with the ceiling amount established by the LFCC.
- The PCFO's most recent listing of outstanding checks to verify that the PCFO was following its policy for such checks.
- The pledge notification letters to verify that the PCFO notified the CFC agencies of the designated and undesignated amounts due them by the date required in the regulations.

- The donor list letters sent by the PCFO to organizations to verify the letters properly notify the organization of the donors who wish to be recognized.
- CFC receipts and distributions from the PCFO's campaign bank statements, campaign receipts and agency disbursements, and campaign expense support to verify whether the PCFO accurately recorded and disbursed all 2009 campaign receipts and disbursements.
- All bank statements used by the PCFO to verify that it properly accounted for and distributed funds.
- The PCFO's cutoff procedures and bank statements to verify that funds were allocated to the appropriate campaign year.

To determine if the LFCC and PCFO were in compliance with CFC regulations in regards to eligibility for the 2009 campaign, we reviewed the following:

- The public notice to prospective charitable organizations to determine if the LFCC accepted applications from organizations for at least 30 days.
- The Campaign charity list to determine if they contained all required information.
- The process and procedures for the application evaluation process.
- Sample eligibility letters to verify they were properly sent by the LFCC.
- The LFCC's processes and procedures for responding to appeals from organizations.

To determine if the PCFO was in compliance with the CFC regulations as a federation (UWWP) for the 2009 campaign, we reviewed the following:

- Data reported on the CFC Receipts Schedule with supporting documentation to verify whether receipts were properly recorded.
- The CFC Distribution Schedule to ensure that the UWWP did not disburse any funds to member agencies not participating in the CFC.
- The UWWP's agreements with its member agencies to determine if the fees were reasonable and supported.

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

The samples mentioned above, that were selected and reviewed in performing the audit, were not statistically based. Consequently, the results could not be projected to the universe since it is unlikely that the results are representative of the universe taken as a whole.

### **III. AUDIT FINDINGS AND RECOMMENDATIONS**

The current LFCC, who was not the LFCC during the scope of the audit, provided the LFCC response to the draft report. Since it was not involved with the Taconic Valley CFC during the 2009 campaign and was unaware of the circumstances related to the errors identified, the LFCC stated that it could only concur with all of the findings (except for the Disposition of Campaign) and will work to correct the audit issues. As such, we are not including a LFCC response to each of the audit findings below.

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

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

The IPA utilized by the PCFO and the LFCC to complete the AUP audit of the 2008 campaign did not complete its review in accordance with the requirements of the Audit Guide.

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

We reviewed the IPA's work papers and report in detail to determine if the IPA followed the AUPs as stated in the Audit Guide and to determine if the IPA failed to identify and/or report any findings. Our review identified four areas where the IPA did not comply with the requirements of the Audit Guide. Specifically, we identified the following issues:

- **LFCC Processes Step 1** required the IPA to report as a finding where the PCFO did not include a signed statement in its application certifying its understanding of the Federal regulations [5 CFR 950.105(c)(2)]. In its working papers the IPA indicated that neither the PCFO nor the LFCC could locate the application. Consequently, without the application, the IPA could not have completed this step. However, the IPA did not report this as a finding in its report.
- **Receipt and Disbursement of Funds Step 3 (b)** required the IPA to determine if the PCFO began disbursements by April 1 (2009) and continued the disbursements at least quarterly thereafter. Based on our review of the documentation included in the IPA's AUP report for the 2008 campaign, it is clear that the PCFO did not make quarterly disbursements to agencies and federations. The first payment made to agencies and federations not receiving one-time disbursements was made in October 2009 and a second payment was made in March 2010 (five months later). The IPA did not report this as a finding in its report.
- **Receipt and Disbursement of Funds Step 7 (b)** required the IPA to review meeting minutes to verify the LFCC's approval of one-time disbursements and related ceiling limits. The IPA's working papers indicated that the program used by

the PCFO (CFC Assistant) had a \$250 ceiling limit and that no LFCC approval was necessary. As a result, the IPA did not report this as a finding it is report.

- **Receipt and Disbursement of Funds Step 7 (d and e)** required the IPA to calculate the pledge loss percentage and determine that the correct pledge loss percentage was used in the calculation of one-time disbursement amounts. The IPA did not complete the steps relating to pledge loss, stating that they were not applicable. However, the “Schedule of Disbursements” included in the IPA’s AUP report clearly shows that one-time disbursements were made to all agencies and federations with gross pledges below \$250.

As a result of not completing the reviews required by the AUPs, the IPA is not providing OPM’s OCFC and the LFCC with the assurance that the PCFO is operating the CFC appropriately. Additionally, based on the errors made in its review, it is our opinion that the IPA did not fully understand the CFC and its related regulations when completing the AUPs.

**PCFO Response:**

The PCFO agrees with the finding.

**Recommendation 1**

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

**B. BUDGET AND CAMPAIGN EXPENSES**

**1. Unallowable Campaign Expenses**

**Procedural**

The PCFO charged the 2009 campaign \$26,000 in salary-related expenses which were based on estimated hours worked instead of actual hours.

5 CFR 950.106(a) states “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.*” (Emphasis added)

We reviewed all 2009 campaign expenses, totaling \$38,543, to determine if the amounts charged to the campaign were CFC-related expenses, were actual costs with supporting documentation, and were charged to the correct campaign. Our review identified salary-related charges, totaling \$26,000, which we could not determine to be based on actual expenses.

During our review we requested that the PCFO provide documentation to support the \$26,000 charged to the CFC for salaries. We were provided a spreadsheet outlining the allocation of salaries to the 2009 campaign. In it the PCFO's total allocated salaries and benefits totaled \$33,794 and the PCFO chose to charge \$26,000 (the amount of salaries in the approved campaign budget). However, no support was provided for the hours or rates charged in each line item. Upon discussion with the PCFO it was determined that it did not track the actual hours worked on the CFC. Therefore, we could not determine if the amounts related to the CFC were accurate, even though the PCFO charged a lesser amount. The PCFO has subsequently provided more detailed documentation on the employee's salaries. However, the hours worked are still based on estimated hours worked. We do acknowledge that salary expenses were incurred and we will not question the amount. However, the current methodology used for charging salaries remains unsubstantiated.

As a result of the PCFO not tracking actual hours worked and not maintaining accurate supporting documentation for salary expenses incurred during the administration of the 2009 campaign, we could not verify if the \$26,000 charged to the campaign was an accurate expense of administering the campaign.

**PCFO Response:**

While the PCFO states they do not concur with our finding, they acknowledge that they did not provide supporting documentation of actual hours worked. The PCFO indicates that a schedule of hours worked for each employee will be maintained in the coming year.

**Recommendation 2**

We recommend that the OCFC and the LFCC direct the PCFO to institute procedures to ensure that all costs allocated to the CFC are supported both by verifiable and quantifiable methodologies and documentation.

**2. Inappropriate Expense Payment**

**Procedural**

The PCFO inappropriately paid for audit fees, totaling \$2,750, directly out of the CFC bank account rather than absorbing the costs and receiving a reimbursement as is required by the Federal regulations. Additionally, the audit fees in question were related to an earlier campaign (2008) and were paid from 2009 receipts.

5 CFR 950.106(b) states that the PCFO may absorb the costs associated with conducting the campaign from its own funds and be reimbursed, or that it may obtain a commercial loan to pay for the costs associated with conducting the campaign.

Additionally, 5 CFR 950.106(a) states "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."

Furthermore, CFC Memorandum 2008-09 provides instructions for the accounting of IPA audit expenses and directs that the estimated audit expense should be accrued and withheld from the last distribution of the campaign.

During our expense review we noted that the PCFO's expense spreadsheet indicated that the "PCFO was not reimbursed" for audit fees charged to the 2009 campaign and that the fees were paid directly to the IPA. As a result, we reviewed the CFC bank statements and expense invoices to determine how much the IPA was paid and the method of payment. We found that the IPA was paid \$2,750 via a check from the CFC general account and not from the PCFO's account. Additionally, we determined that the \$2,750 was related to the IPA's audit of the 2008 campaign.

As a result of the PCFO inappropriately paying an expense directly from the CFC account, the PCFO is not allowing the LFCC its opportunity to review and approve CFC expenses prior to reimbursement. Additionally, by reimbursing expenses related to a prior campaign from 2009 campaign funds, the PCFO reduced the funds available to be disbursed to the agencies and federations of the 2009 campaign.

*As the funds in question should have been paid from the 2008 campaign, which is closed, we are not recommending reimbursement of these funds to the 2009 campaign.*

**PCFO Response:**

The PCFO concurs that it paid the IPA fee directly from the CFC bank account and going forward the IPA fee will be paid by the PCFO and reimbursed at the completion of the campaign.

The PCFO does not concur that it paid the IPA fees from the wrong campaign year's funds. The PCFO states that it maintains one bank account for all campaign receipts and that the audit fee for the 2008 audit was withheld from the final distribution for 2008, using campaign software. The PCFO contends that although the payment was made the following year, after the completion of the audit, the funds from 2008 had been held aside in the bank account and therefore payment was made from the appropriate receipts.

**OIG Comments:**

We disagree with the PCFO's response. The PCFO stated that it withheld funds from the 2008 campaign to pay for the 2008 IPA audit, and therefore did not pay from the wrong campaign year's receipts. However, as part of the 2008 IPA audit, a review was done of the 2008 campaign receipts and disbursements. The schedule of 2008 campaign receipts and disbursements shows an ending balance of zero, indicating that all funds were disbursed for the 2008 campaign and that no funds were withheld. As a result, the evidence indicates that the PCFO used 2009 campaign funds to pay for the 2008 campaign audit expense.

### **Recommendation 3**

We recommend that the OCFC and LFCC ensure that the PCFO understands that it may not pay campaign expenses directly from CFC funds and that it sets up procedures to ensure that this does not occur for future campaigns.

### **Recommendation 4**

We recommend that the OCFC and LFCC ensure that the PCFO institutes procedures to accrue the costs related to the required IPA audits of the campaign so that funds are accrued and withheld from the campaign's final distribution until the audit is completed and a bill submitted as outlined in CFC Memorandum 2008-09.

### **3. Inappropriate PCFO Solicitation**

### **Procedural**

The solicitation for PCFO of the 2009 campaign was made on the UWWP's website and was not advertised by any other public notifications. Additionally, the applications were directed to be sent to the PCFO and not to the LFCC.

5 CFR 950.104(c) states "The LFCC shall solicit applications via outreach activities including: Public notice in newspapers, postings on Web sites, advertising in trade journals, dissemination among participating CFC organizations and federations, and/or outreach through local or state nonprofit associations and training centers, among others."

We reviewed the advertisement for solicitation of PCFO for the 2009 campaign to determine if the solicitation was open for at least 21 calendar days and if the LFCC selected the PCFO by the date required by OPM. Our review found that the PCFO solicitation was only done on the UWWP's website and that no other method of advertising was done. It was also noted that the solicitation on the UWWP's website directed that the applications should be sent to the PCFO and not to the LFCC.

By not posting an advertisement in a more public form of media (newspaper, trade journal, etc.) the LFCC is limiting the possible applicants for PCFO. Additionally, having the PCFO receiving applications from potential competitors creates a conflict of interest and the LFCC may not be able to ensure that they have received all applications.

### **PCFO Response:**

The PCFO does not agree with this finding and states "It was the understanding of the PCFO that we were compliant with the regulations by soliciting for PCFO for the 2009 campaign by listing on the United Way of Westchester and Putnam website. In years past an ad was placed in a local newspaper, but four or five years ago the PCFO was told by OPM that website placement was sufficient and we have followed that ruling." The PCFO stated that it will place ads in local newspapers going forward.

### **OIG Comments:**

We disagree with the PCFO's response. According to 5 CFR 950.104(c) it is the LFCC's responsibility to solicit applications via newspapers, posting on web sites, advertising in trade journals, dissemination among participating CFC organizations and federations, and/or outreach through local or state nonprofit associations. However, according to the OCFC's *Guidelines for the Use of E-Technology in the CFC*, requests for PCFO proposals published on the internet must be on a CFC website that is separate and distinct from the website of the PCFO. Therefore, the solicitation for the PCFO on its own website was inappropriate.

### **Recommendation 5**

We recommend that the OCFC direct the LFCC to solicit for the PCFO by means of other public advertising such as that described in 5 CFR 950.104(c), to cease soliciting for PCFO proposals on the PCFO's website, and that the applications be directed to the LFCC and not the PCFO.

#### **4. Campaign Expenses Reimbursed Without Approval** **Procedural**

The PCFO did not submit, nor did the LFCC approve, a request for the reimbursement of 2009 campaign expenses to the PCFO.

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

Additionally, 5 CFR 950.106(a) states the PCFO shall recover campaign expenses, *approved by the LFCC*, which reflect the actual costs of administering the campaign. (Emphasis added)

Our review of LFCC meeting minutes did not identify where the LFCC discussed, reviewed, or approved the reimbursement of 2009 campaign expenses to the PCFO. The PCFO indicated that it understood that it may reimburse itself within the parameters of the approved budget providing that agencies have been paid according to OPM regulations and when funds are available to do so. Therefore, the PCFO did not submit the expenses to the LFCC for review and approval.

The PCFO's misunderstanding of the Federal regulations regarding reimbursement of campaign expenses led it to not submit the expenses for the 2009 campaign to the LFCC for review and approval, which resulted in the PCFO bypassing the authority and responsibilities of the LFCC. Additionally, as a result of the LFCC's lack of understanding of its responsibilities and not requesting to review and approve the campaign expenses, the LFCC ran the risk of non-CFC related expenses being charged to the campaign.

**PCFO Response:**

The PCFO concurs with our finding and states that going forward it will obtain approval from the LFCC before reimbursement.

**Recommendation 6**

We recommend that the OCFC ensures that the PCFO has instituted polices to request the LFCC to review and approve its campaign expenses prior to making reimbursement of those expenses.

**Recommendation 7**

We recommend that the OCFC ensures that the LFCC understands its responsibilities under the Federal regulations, especially in regards to the PCFO's reimbursement of campaign expenses [5 CFR 950.104(b)(17)].

**C. CAMPAIGN RECEIPTS AND DISBURSEMENTS**

**1. Undistributed Campaign Funds** **\$3,521**

The PCFO did not properly account for all incoming CFC receipts and expenses. As a result, the PCFO did not distribute \$3,521 in campaign receipts to members of the 2009 campaign.

5 CFR 950.901(i)(2) states that at the close of each disbursement period, the PCFO's CFC account shall have a zero balance.

We reviewed the PCFO's CFC bank statements and distributions to determine if it allocated incoming receipts to the correct campaign and if it disbursed all funds received during the campaign. Based on our review, the PCFO incorrectly accounted for items not reimbursed to it directly (banking fees offset in the bank accounts and the IPA audit fee incorrectly paid directly out of the CFC account). Additionally, the PCFO did not account for a January 2010 deposit as belonging to the 2009 campaign. The net result of these errors was an outstanding balance of \$6,271 that remained undisbursed. From this amount, the \$2,750 in IPA audit fees paid directly out of the CFC account was removed, leaving a remaining amount outstanding and due to the campaign members of \$3,521.

As a result of not properly accounting for all incoming CFC receipts and expenses, the PCFO did not disburse \$3,521 in receipts to members of the 2009 campaign.

**PCFO Response:**

The PCFO concurs with our finding.

## **Recommendation 8**

We recommend that the OCFC and LFCC ensure that the PCFO distributes \$3,521 in campaign funds inadvertently withheld from distributions of the 2009 campaign as undesignated funds to the currently active campaign.

## **Recommendation 9**

We recommend that the OCFC and LFCC ensure that the PCFO institutes procedures to properly account for incoming receipts and campaign costs that are not directly reimbursed to it.

## **2. Pledge Card Errors**

## **Procedural**

The PCFO incorrectly entered one charity code and did not identify one pledge card where the donor did not sign the payroll deduction authorization.

5 CFR 950.105(d)(1) states the PCFO's specific responsibilities include honoring employee designations.

Additionally, the CFC pledge card, OPM Form 1654, includes a payroll deduction authorization to be signed by the donor, authorizing deductions from their paychecks.

We reviewed a sample of 25 pledge cards to determine whether they were entered into the PCFO's pledge card database correctly. Specifically, we compared the actual pledge card to the database to determine if the following items were entered correctly: donor name, charity code(s) and amounts donated, total amount donated, the donor's choice to release personally identifiable information, and signed authorizations for payroll deductions. Our review identified two pledge cards with errors. Specifically, we found:

- One pledge card where a charity code was entered incorrectly in the pledge system.
- One pledge card where the donor did not sign the payroll deduction authorization.

The PCFO stated that the errors identified were accidental and/or typographical. We understand that accidental and typographical errors are expected from time to time. However, pledge cards with unsigned payroll deduction authorizations are troubling for two reasons. First, government payroll offices should not authorize the deduction, which would result in an overstatement of pledges. Second, because the pledge card could be falsely prepared and lead to an unwanted donation if not caught by the government payroll office.

As a result of inadvertently permitting a pledge card with an incorrect charity code, the PCFO did not honor all donor designations for the 2009 campaign. Additionally, by

allowing a pledge card submission without a signed payroll deduction authorization, the PCFO may have overstated pledges to the 2009 campaign.

**PCFO Response:**

The PCFO concurs with our finding.

**Recommendation 10**

We recommend that the OCFC and LFCC direct the PCFO to ensure that its keyworkers are instructed to not only verify the mathematical accuracy of the pledge card, but also to ensure that those pledge cards with interval payments include a signed payroll deduction authorization.

**Recommendation 11**

We recommend that the OCFC and LFCC direct the PCFO to institute policies and procedures to ensure that all information from the pledge cards is entered accurately into the pledge card database.

**3. LFCC Approval of One-Time Disbursements not Obtained Procedural**

The PCFO made one-time disbursements to agencies without requesting approval from the LFCC.

5 CFR 950.901(i)(3) states the PCFO “may make one-time disbursements to organizations receiving minimal donations from Federal employees. The LFCC must determine and authorize the amount of these one-time disbursements.”

We reviewed the PCFO’s distribution schedule to determine if it made one-time disbursements during the 2009 campaign. Our review determined that it made one-time disbursements to all agencies with gross pledges of less than \$250 on March 26, 2010. We then reviewed the LFCC meeting minutes to determine if the LFCC approved the making of one-time disbursements and the ceiling amount for the disbursements. We were unable to identify where the LFCC approved either. Discussion with the PCFO determined that it did not seek approval from the LFCC because the LFCC was aware of the practice of making one-time disbursements. However, when one-time disbursements are made, even if both parties are aware of the practice, approval must still be sought in accordance with the regulation.

By not seeking approval for one-time disbursements, the PCFO is not allowing the LFCC to exercise its authority and judgment in regards to the campaign as required by the regulations.

**PCFO Response:**

The PCFO concurs with our finding and states that it “had no understanding that the approval from the LFCC was needed in order to make one-time disbursements. The PCFO will request approval for one-time disbursements from the LFCC, however, if the LFCC does not respond in a timely manner the PCFO will move forward in order to meet disbursement deadlines.”

**OIG Comments:**

While the PCFO concurs with this finding, they go on to state that if the LFCC does not respond in a timely manner, they will move forward to meet disbursement deadlines. According to 5 CFR 950.901(i)(3) “The LFCC must determine and authorize the amount of these one-time disbursements.” Therefore, without LFCC approval, one-time disbursements may not be made and should be treated as a regular disbursement.

**Recommendation 12**

We recommend that the OCFO ensures that the PCFO and LFCC understand that one-time disbursements and the ceiling level for those disbursements must be authorized by the LFCC before the payments are actually made.

**D. ELIGIBILITY**

**1. Application Review Deficiencies**

**Procedural**

Our review of the Local Agency, Federation Member, and Local Federation applications for participation with the CFC identified two areas of deficiency.

5 CFR 950.104(b)(3) states that it is the responsibility of the LFCC to determine “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 selected 4 local agencies and 2 local federations for review to determine whether all items on the local application review sheets were documented as reviewed, application review sheets that showed an organization did not meet one of the requirements was recommended for denial, and whether the application review sheets were signed by an LFCC reviewer. Additionally, we determined if the information documented on the review sheets agreed to the related application. Our review identified the following two areas of deficiency:

- One application where the organization did not mark all certifications as required. This application should not have been accepted by the LFCC, because the application states that “by checking the box next to the certification, the organization named in this application acknowledges and agrees to comply with

that certification.” Therefore, by not checking the certification the federation did not agree to all the required certifications.

- One application which was not signed by the approving official. Therefore, we could not determine if the application was reviewed and approved by the LFCC.

As a result of accepting incomplete applications, the LFCC runs the risk of accepting an agency or federation for participation in the local campaign that does not meet CFC standards. Additionally, by not signing the application review sheet, we could not determine if the LFCC made the eligibility decisions for all applications accepted.

### **PCFO Response:**

The PCFO replied that they are awaiting direction from the LFCC to institute procedures to ensure all applications are thoroughly reviewed.

### **Recommendation 13**

We recommend that the OCFC direct the LFCC to institute procedures to ensure that all applications are thoroughly reviewed and that the LFCC clearly indicates its approval or denial of the application.

## **2. Eligibility Notifications Sent After Due Date**

## **Procedural**

The LFCC did not issue local agency and federation eligibility notifications by the date required by the regulations.

5 CFR 950.801(a)(5) states “Local Federal Coordinating Committees must accept applications from organizations seeking local eligibility for 30 calendar days as determined by the LFCC, and must issue notice of its eligibility decisions within 15 business days of the closing date for receipt of applications.”

We reviewed a sample of local agency and federation eligibility notification letters sent for the 2009 campaign to determine if the notifications were issued within 15 business days of the application closing date. Our review found that the solicitation period for local applications closed on March 20, 2009. As per the regulations, the eligibility notifications must be issued within 15 business days, making April 13, 2009, the latest date to issue the notification eligibility. However, the notifications were not issued until April 29, 2009; 16 days after the due date. The LFCC stated that the eligibility notifications were not sent timely due to the fact that the OCFC gave it an extension in selecting the PCFO for the 2009 campaign which led to delays in other campaign functions.

As a result of not issuing the local eligibility notifications within the 15 business days required by the regulations, the LFCC ran the risk of misleading the local agencies and

federations which applied for the 2009 campaign to believe their applications were denied or not received by the LFCC.

**PCFO Response:**

The PCFO concurs with our finding.

**Recommendation 14**

We recommend that the OCFC ensure that the LFCC understands its responsibilities under the Federal regulations, especially in regards to eligibility notifications to local agencies [5 CFR 950.801(a)(5)].

**E. PCFO AS A FEDERATION**

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

**F. FRAUD AND ABUSE**

Our review of the PCFO's 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 numerous findings, the nature of the issues identified in this report, the high expense percentage of the campaign, and the PCFO's recognition of its 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 PCFO did not fulfill their responsibilities as outlined in 5 CFR 950.

In summary, we noted the following six issues involving the LFCC:

1. Did not ensure that the 2009 PCFO applications were sent directly to the LFCC.
2. Did not advertise for PCFO applications by other public notifications outside of the PCFO website.
3. Did not request the PCFO to provide the 2009 campaign expenses for review and approval.
4. Did not request the PCFO to provide one-time disbursements for approval.
5. Did not completely review all applications for the 2009 campaign.
6. Did not issue its eligibility decisions to organizations applying for inclusion in the 2009 campaign by the date required by the regulations.

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

1. Only assembled itself for three meetings related to the 2009 campaign: Review and approve PCFO's campaign plan and budget and review organization applications for the 2009 campaign (April 27, 2009); Discuss how to improve campaign over last year and kick-off reports (October 14, 2009); Review 2009 campaign results (April 28, 2010).
2. The PCFO expressed concern that it has difficulty in convening the LFCC for meetings and that the LFCC does not take an active role in its required responsibilities.

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

1. Did not submit its actual expenses for the 2009 campaign for approval by the LFCC prior to reimbursement.
2. Incorrectly charged indirect (salary) expenses based on an unsupported allocation methodology.
3. Did not properly record donors' intended contributions to the CFC and did not ensure that required signatures for payroll deduction authorizations were obtained.
4. Paid campaign expenses directly from CFC funds rather than absorbing the cost and then being reimbursed. Additionally, paid for 2008 campaign expenses from 2009 campaign receipts.
5. Did not disburse all CFC funds received for the 2009 campaign.
6. Did not seek approval from the LFCC for either the making of or the ceiling amount for one-time disbursements.

We also found that the percentage of campaign expenses related to the 2009 campaign was 30 percent and reported costs for the 2010 campaign were 27 percent, both of which are far above the average campaign expense for all CFCs in 2009 and 2010 (10 percent).

Lastly, the PCFO itself expressed, and demonstrated, a lack of understanding of the regulations regarding the administration and operation of the CFC (5 CFR 950).

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

Although the PCFO stated its willingness to institute corrective actions, the numerous errors specifically attributable to the PCFO, its high CFC expense ratio, and its lack of understanding of the CFC regulations do not make us confident in its ability to conduct an effective and efficient campaign.

It should be noted that the current LFCC was not in place during the 2008 and 2009 campaigns. However, based on our observations and concerns expressed to us by the PCFO, there still appears to be a lack of oversight of the campaign and cooperation with the PCFO by the new LFCC. These concerns do not boost our confidence that the current LFCC can properly oversee its campaign's operations.

**Recommendation 15**

As a result of the numerous findings, the nature of the issues identified in this report, the high expense percentage of the campaign, and the PCFO's recognition of its lack of understanding of the CFC regulations, we recommend that the OCFC seek to merge the Taconic Valley 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

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██████████, Group Chief, (202) 606-4745

██████████ Senior Team Leader

United Way  
of Westchester and Putnam

2012 MAR 20 PM 4: 22

March 16, 2012

Office of Personnel Management  
Office of the Inspector General

1900 East Street, NW, Room 6400  
Washington, DC 20415-1100

Dear [REDACTED]

Enclosed are our responses to the findings of the Fall 2009 Taconic Valley CFC (#0644) audit.  
Both hardcopy and electronic documents are enclosed.



Enc.

**TACONIC VALLEY COMBINED FEDERAL CAMPAIGN #0644  
RESPONSES TO 2008 AND 2009 AUDIT FINDINGS**

**AUDIT GUIDE REVIEW**

**Agreed Upon Procedures Not in Compliance with the Audit Guide**

PCFCO concurs. Audit findings have been shared with IPA. Recommendations will be addressed in upcoming audit.

**BUDGET AND CAMPAIGN EXPENSES**

**Unallowable Campaign Expenses**

PCFO does not concur. PCFO prepared detail schedule of salary and benefits of all staff involved with the campaign, however did not provide supporting documentation of actual hours worked. While the PCFO did not maintain a schedule of actual hours worked, the PCFO did incur salary and benefit expenses related to the campaign and therefore should be reimbursed. The PCFO will discuss with the proper committee the reimbursement of \$26,000 to the 2009 campaign. A schedule of hours worked for each employee will be maintained in the coming year. (see attached documents)

**Inappropriate Expense Payment**

PCFO does not concur. While the PCFO did pay the IPA fee directly from the CFC bank account, it did not pay from the wrong campaign year's receipts. The PCFO maintains one bank account for all CFC campaign year receipts. The fee for the 2008 audit was withheld using campaign software, from the final distribution for 2008. Although the payment was made in the following year, after the completion of the audit, the funds from 2008 had been held aside in the bank account and therefore payment was made from the appropriate receipts. Going forward the IPA fee will be paid by PCFO and reimbursed at the completion of the campaign.

**PCFO Solicitation**

PCFO does not concur. It was the understanding of the PCFO that we were compliant with the regulations by soliciting for PCFO for the 2009 campaign by listing on the United Way of Westchester and Putnam website. In years past an ad was placed in a local newspaper but four or five years ago the PCFO was told by OPM that website placement was sufficient and we have followed that ruling. PCFO will place ads in local newspapers.

**Campaign Expenses Reimbursed without Approval**

PCFO concurs. It is the understanding of the PCFO that expenses incurred within the approved budget may be reimbursed without further approval from the LFCC. Going forward the PCFO will obtain approval from the LFCC before reimbursement.

**CAMPAIGN RECEIPTS AND DISBURSEMENTS**  
**Undistributed Campaign Funds**

DELETED BY OPM-OIG

NOT RELEVANT TO FINAL REPORT

*PCFO has again reviewed records, recalculated income, and concurs with OIG.*

**Pledge Card Errors**

PCFO concurs. The PCFO makes every effort to enter data efficiently and correctly and with adherence to the guidelines set forth by OPM. During the course of a campaign mistakes on pledge cards are found by staff and are handled appropriately using our policies and procedures which are already in place for guidance. It is the belief of the PCFO that the noted errors were not detected by staff and therefore were not addressed at that time. The PCFO will continue to make every effort to be cognizant of these types of errors and will take corrective action as they occur.

**LFCC Approval of One-Time Disbursements**

PCFO concurs. PCFO had no understanding that approval from the LFCC was needed in order to make one-time disbursements. PCFO will request approval for one-time disbursements from the LFCC, however, if the LFCC does not respond in a timely manner the PCFO will move forward in order to meet disbursement deadlines.

**ELIGIBILITY**

**Application Review Deficiencies**

The PCFO awaits direction from the LFCC to institute procedures to ensure all applications are thoroughly reviewed.

**Eligibility Notifications Sent After Due Date**

PCFO concurs and will check with LFCC re eligibility due date compliance.



Senior Vice President for Finance/Controller



March 19, 2012

Taconic Valley Draft Report - Draft Report Responses

Auditor - Special Audits Group  
U.S. Office of Personnel Management  
Office of the Inspector General  
1900 E St. NW Suite 6400  
Washington DC 20415  
202-606-2096

Dear 

I have reviewed the Taconic Valley Draft Report - Draft Report Responses with the PCFO team of United Way.

As I was not the LFCC at the time of the campaign, I can only concur and make recommendations for the future.

The PCFO United Way of Westchester will provide the Independent Public Accountant with the information to complete the agreed-upon procedures in accordance with the Audit Guide.

They will also provide the expenses list related to administering the campaign.

They used the 2009 receipts vs. 2008 and will make the necessary change so this does not occur again.

PCFO solicitation will be placed in a public newspaper.

They will not reimburse themselves without LFCC approval in writing.

They will work to stay within the deadlines to provide timely campaign funds.

They will check for pledge card errors.

One-time disbursements will be made, if necessary after a review and only upon written agreement by the LFCC.

The PCFO will work with the committee to ensure timely dispatch of eligibility notification.

Again, I can only concur with the changes to come as I was not the LFCC during the campaign year.

