



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

---

---

# Final Audit Report

Subject:

## AUDIT OF THE 2008 THROUGH 2010 CALIFORNIA GOLD COAST COMBINED FEDERAL CAMPAIGNS CAMARILLO, CALIFORNIA

Report No. 3A-CF-00-11-037

Date: February 14, 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 THROUGH 2010  
CALIFORNIA GOLD COAST  
COMBINED FEDERAL CAMPAIGNS  
CAMARILLO, CALIFORNIA

Report No. 3A-CF-00-11-037

Date: February 14, 2012

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

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



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

OFFICE OF  
THE INSPECTOR GENERAL

---

EXECUTIVE SUMMARY

---

AUDIT OF THE 2008 THROUGH 2010  
CALIFORNIA GOLD COAST  
COMBINED FEDERAL CAMPAIGNS  
CAMARILLO, CALIFORNIA

Report No. 3A-CF-00-11-037

Date: February 14, 2012

The Office of the Inspector General has completed an audit of the 2008 through 2010 California Gold Coast Combined Federal Campaigns (CFC). The United Way of Ventura County (UWVC), located in Camarillo, California, served as the Principal Combined Fund Organization (PCFO) during the above stated campaigns. Our main objective was to determine if the California Gold Coast CFC was in compliance with Title 5, Code of Federal Regulations, Part 950 (5 CFR 950), including the responsibilities of both the PCFO and Local Federal Coordinating Committee (LFCC). The audit identified 14 instances of non-compliance with the regulations (5 CFR 950) governing the CFC and questions \$114,161.

A draft report of our findings was issued to both the PCFO and LFCC for review and comment on August 17, 2011. However, no response was received from either party within the required time frame and after several attempts to obtain a response.

As a result of difficulties encountered from the PCFO during the performance of this audit and the lack of cooperation received following the issuance of the draft audit report, the Office of the Inspector General strongly suggests that the Office of the Combined Federal Campaign (OCFC) consider sanctions against the PCFO and the stripping of its ability to participate in the CFC in the future.

Additionally, we suggest that the OCFC ensure that the LFCC understands its responsibilities as the committee charged with coordinating the campaign and determine if that committee has the time necessary to properly administer the campaign. If not, we suggest that the OCFC take steps to replace the LFCC with members that have the time and are willing to properly administer the campaign, or that the campaign be merged with another campaign that can administer it properly.

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

### **AUDIT GUIDE REVIEW**

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

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

### **BUDGET AND CAMPAIGN EXPENSES**

- **Expenses Charged to the Wrong Campaign** **\$16,687**

The PCFO charged expenses related to the 2008 and 2010 CFC campaigns, totaling \$16,687, to the 2009 CFC campaign.

- **PCFO Application Missing Required Language** **Procedural**

The UWVC's application to serve as PCFO did not include all of the specific language required by the regulations.

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

The solicitation for PCFO applications was not posted timely and was not open for a minimum of 21 calendar days, as required by the regulations.

- **Approval of Campaign Expense Reimbursement** **Procedural**

The PCFO did not submit its expenses related to the 2009 campaign to the LFCC for approval prior to reimbursement.

### **CAMPAIGN RECEIPTS AND DISBURSEMENTS**

- **Outstanding Disbursement Amount** **\$92,940**

The PCFO did not properly allocate or account for CFC funds of the 2009 campaign, resulting in an undistributed amount of \$92,940.

- **One-Time Disbursement Calculation** **\$4,303**

The PCFO incorrectly calculated the one-time disbursement amounts for agencies and federations receiving one-time disbursements from the 2009 campaign.

- **Agency with No Disbursement** **\$231**

The PCFO failed to pay one agency of the 2009 campaign.

- **Pledge Card Errors** **Procedural**

The PCFO incorrectly input four pledge cards in the pledge card database, leading to the CFC donor's wishes not being honored.

- **Untimely Initial Campaign Disbursements** **Procedural**

The PCFO did not make the first disbursement to its member agencies and federations by April, 1, 2010, as required by the regulations for the 2009 Campaign.

- **Incorrect Cutoff Procedures** **Procedural**

The PCFO incorrectly used February 1<sup>st</sup> as a cutoff date for incoming CFC payroll receipts.

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

The PCFO made one-time disbursements for the 2009 campaign without obtaining approval from the LFCC.

- **Untimely Designated and Undesignated Funds Reports and Donor Lists** **Procedural**

The designated and undesignated funds reports and donor lists were not sent to the agencies and federations of the 2010 campaign by March 15, 2011, as required by the Federal regulations.

### **ELIGIBILITY**

- **Incomplete Agency and Federation Applications** **Procedural**

The LFCC accepted six applications from agencies and federations which did not provide sufficient documentation to be accepted for participation in the CFC.

### **PCFO AS A FEDERATION**

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

### **FRAUD AND ABUSE**

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

# CONTENTS

## PAGE

EXECUTIVE SUMMARY .....	i
I. INTRODUCTION AND BACKGROUND .....	1
II. OBJECTIVES, SCOPE, AND METHODOLOGY .....	2
III. AUDIT FINDINGS AND RECOMMENDATIONS .....	6
A. <u>AUDIT GUIDE REVIEW</u> .....	6
1. Agreed-Upon Procedures Not in Compliance with the Audit Guide .....	6
B. <u>BUDGET AND CAMPAIGN EXPENSES</u> .....	8
1. Expenses Charged to the Wrong Campaign .....	8
2. PCFO Application Missing Required Language .....	8
3. PCFO Solicitation .....	9
4. Approval of Campaign Expense Reimbursement .....	10
C. <u>CAMPAIGN RECEIPTS AND DISBURSEMENTS</u> .....	11
1. Outstanding Disbursement Amount .....	11
2. One-Time Disbursement Calculation .....	12
3. Agency with No Disbursement .....	13
4. Pledge Card Errors .....	13
5. Untimely Initial Campaign Disbursements .....	14
6. Incorrect Cutoff Procedures .....	15
7. Approval of One-Time Disbursements .....	15
8. Untimely Designated and Undesignated Funds Reports and Donor Lists .....	16
D. <u>ELIGIBILITY</u> .....	17
1. Incomplete Agency and Federation Applications .....	17
E. <u>PCFO AS A FEDERATION</u> .....	19
F. <u>FRAUD AND ABUSE</u> .....	19
IV. MAJOR CONTRIBUTORS TO THIS REPORT .....	20

# **I. INTRODUCTION AND BACKGROUND**

## **INTRODUCTION**

This report details the findings and conclusions resulting from our audit of the California Gold Coast Combined Federal Campaigns (CFC) for 2008 through 2010. 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, the Virgin Islands, and foreign assignments. 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.

The CFCs are 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, and acting upon any problems relating to a voluntary agency's noncompliance with the policies and procedures of the CFC. The PCFO is responsible for training employee key-workers and volunteers; preparing pledge cards and brochures; distributing campaign receipts; submitting to an extensive and thorough 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 Order Numbers 12353 and 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. Management of the PCFO is also responsible for establishing and maintaining a system of internal controls.

All findings from our previous audit of the campaign (Report Number 2A-CF-04-91-E6, dated November 20, 1991) which covered the 1990 campaign year have been satisfactorily resolved. The initial results of our audit were discussed with PCFO and LFCC officials during an exit conference held on May 25, 2011. A draft report was provided to the PCFO and the LFCC for review and comment on August 17, 2011. However, no response was received from either party.

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

### **OBJECTIVES**

The primary purpose of our audit was to determine if the California Gold Coast CFC was in compliance with 5 CFR 950, including the activities of both the PCFO and the LFCC. Our audit objective for the 2008 campaign was:

#### **Audit Guide Review**

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

Additionally, our specific audit objectives for the 2009 and 2010 campaigns were as follows (please note: not all objectives are related to 2010, see methodology section of this report for more detail):

#### **Budget and Campaign Expenses**

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

#### **Campaign Receipts and Disbursements**

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

#### **Eligibility**

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

#### **PCFO as a Federation**

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



Fraud and Abuse

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

**SCOPE AND METHODOLOGY**

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

The audit covered campaign years 2008 through 2010. The United Way of Ventura County, located in Camarillo, California, served as the PCFO during the above stated campaigns. The audit fieldwork was conducted at the offices of the PCFO from May 16 through 25, 2011. Additional audit work was completed at our Cranberry, Pennsylvania, and Washington, D.C. offices.

The California Gold Coast CFC received campaign pledges, collected campaign receipts, and incurred campaign administrative expenses for the 2008 and 2009 campaigns as shown below. (Note: 2010 was not finalized at the time of our report.)

Campaign Year	Total Pledges	Total Receipts	Administrative Expenses
2008	\$897,613	\$829,304	\$137,271
2009	\$951,022	\$882,718	\$148,440

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 Memorandums.

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

In regard to our objectives concerning the 2009 and 2010 campaign's budget and campaign expenses, we accomplished the following:

- Reviewed the PCFO's applications to verify if they were complete. (2009 and 2010)
- Reviewed a copy of the public notice to prospective PCFOs and the LFCC meeting minutes to verify that the PCFO was selected timely. (2009 only)
- Traced and reconciled amounts on the PCFO's Schedule of Actual Expenses to the PCFO's general ledger. (2009 only)
- 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 a sample of 64 expense transactions, totaling \$96,438 (from a universe of 265 transactions, totaling \$148,440), for review. (2009 only)
- Reviewed the LFCC meeting minutes and verified if the LFCC authorized the PCFO's reimbursement of campaign expenses (2009 only).
- Compared the budgeted expenses to actual expenses and determined if actual expenses exceeded 110 percent of the approved budget.

To determine if the 2009 and 2010 campaign's receipts and disbursements were handled in accordance with CFC regulations, we reviewed the following:

- A judgmental sample of 42 pledge cards (with total designations of \$101,905) for review from a universe of 4,166 pledge cards (with a total pledged of \$951,022) from the PCFO's 2009 campaign Pledge Card Report and compared the pledge information from the report to the actual pledge cards. Specifically, we judgmentally selected the 30 pledge cards with the highest total amount pledged, the 6 pledge cards with the highest undesignated pledge amounts, and 6 additional pledge cards based on past experience. (2009 only)
- Cancelled distribution checks to verify that the appropriate amount was distributed in a timely manner. (2009 only)
- 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. (2009 only)
- The PCFO's most recent listing of outstanding checks to verify that the PCFO was following its policy for such checks. (2009 only)
- 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. (2009 only)
- 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. (2009 only)
- All bank statements used by the PCFO to verify that the PCFO was properly accounting for and distributing funds. (2009 and 2010)
- The PCFO's cutoff procedures and bank statements to verify that funds were allocated to the appropriate campaign year. (2009 and 2010)

To determine if the LFCC and PCFO were in compliance with CFC regulations in regards to eligibility for the 2009 and 2010 campaigns, 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. (2009 only)
- The Campaign charity lists to determine if they contained all required information. (2009 and 2010)
- The process and procedures for the application evaluation process. (2009 only)
- Sample eligibility letters to verify they were properly sent by the LFCC. (2009 only)
- The LFCC's processes and procedures for responding to appeals from organizations. (2009 only)

To determine if the PCFO was in compliance with the CFC regulations as a federation (United Way of Ventura County) 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 United Way of Ventura County did not disburse any funds to member agencies not participating in the CFC.
- The United Way of Ventura County'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 PCFO and the LFCC did not respond to the draft report, despite several requests by us for a response. Consequently, no comments from them are included in this report. As a result of difficulties encountered with the PCFO during the performance of this audit and the lack of cooperation received following the issuance of the draft audit report, the OIG strongly suggests that the OCFC consider sanctions against the PCFO and the stripping of its ability to participate in the CFC in the future.

Please note, the United Way of Ventura County (UWVC), which served as the PCFO for each year of our audit (2008 through 2010), was not selected to continue as the PCFO beginning with the 2011 campaign. As a result, this final report offers no recommendations on audit issues that could only be remedied if the UWVC continued as the PCFO for the 2011 campaign.

Additionally, we suggest that the OCFC ensure that the LFCC understands its responsibilities as the committee charged with coordinating the campaign and determine if that committee has the time necessary to properly administer the campaign. If not, we suggest that the OCFC take steps to replace the LFCC with members that have the time and are willing to properly administer the campaign, or that the campaign be merged with another campaign that can administer it properly.

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

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

The Independent Public Accountant (IPA) utilized by the PCFO and the LFCC to complete the agreed-upon procedures (AUP), as required by the Office of Personnel Management's (OPM) OCFC, did not properly complete its review.

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

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

- **Pledge Tracking System Step 3** required the IPA to report as a finding any instance where the PCFO did not prepare a spreadsheet to track and analyze payroll receipts by agency and payroll office. In its work papers, the IPA identified that the "PCFO has no Federal payroll offices tracking procedures to track receipts from payroll offices..." Although the IPA identified that the PCFO did not track receipts properly, it did not report this as a finding within its audit report.

- **The LFCC Processes Step 1** required the IPA to report as a finding instances where the PCFO did not include signed statements in its application for PCFO certifying its understanding of the Federal regulations [5 CFR 950.105 (c)(2)]. Our review of the 2007<sup>1</sup> application (same application reviewed by the IPA and for our audit) determined that the PCFO application did not include the complete statements required by the regulations. However, the IPA did not report this as a finding.
- **Receipt and Disbursement of Funds Step 7** required the IPA to review the one-time disbursements made by the PCFO. The IPA did not complete the steps relating to the one-time disbursements, stating that they were not applicable. However, our review of the documentation included in the IPA's report determined that the PCFO did make one-time disbursements for the 2008 campaign.
- **The PCFO as a Federation steps of the Audit Guide** required the IPA to review the PCFO's operations as a federation. Discussion with the PCFO determined that the UWVC was a federation during the 2008 campaign. However, the IPA did not complete the steps relating to the PCFO as a federation, stating that the steps were not applicable. A discussion with the IPA during our review of the work papers determined that the IPA did not fully understand the CFC and its related regulations and that the oversights noted were a result of the lack of understanding.

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

### **Recommendation 1**

We recommend that the OCFC and the LFCC ensure that the IPA contracted by the PCFO fully understands the CFC and its related regulations so that it may complete the Audit Guide's AUPs correctly and completely.

### **Recommendation 2**

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

---

<sup>1</sup> In 2007, the UWVC applied as PCFO for a three year period (2007 through 2009). Therefore, the 2007 application is applicable to both our review of the 2009 campaign and the IPA's review of the 2008 campaign.

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

### **1. Expenses Charged to the Wrong Campaign \$16,687**

The PCFO charged the 2009 campaign for 15 expenses that were related to the 2008 or 2010 campaigns. As a result, the 2009 campaign expenses were overstated and the amounts disbursed to member agencies and federations were reduced by \$16,687.

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

We reviewed supporting documentation for a sample of 64 expenses, totaling \$96,438, to ensure that the expenses were CFC-related expenses, actual costs, and charged to the correct campaign. Our review identified 15 expenses charged incorrectly to the 2009 campaign.

Specifically, we found \$8,038<sup>2</sup> in expenses relating to the 2008 campaign and \$8,649 relating to the 2010 campaign that were charged to the 2009 campaign. Based on discussions with the PCFO, these expenses were charged to the 2009 campaign based on the date incurred over a 12 month period and not based on the campaign they were related to. However, the campaign period for the CFC is not a 12 month period, but a period that begins before the start of campaign solicitations for donations and runs through the final disbursement of funds to charities of the campaign, a period which can span approximately 24 months.

As a result of the PCFO's lack of understanding of the true campaign expense period, \$16,687 in campaign expenses relating to either the 2008 or the 2010 campaign were charged to the 2009 campaign.

### **Recommendation 3**

We recommend that the OCFC direct the PCFO to reimburse and redistribute to the 2009 campaign \$8,649 (and thereby charge the 2010 campaign the same amount) for campaign expenses related to the 2010 campaign that were charged to the 2009 campaign.

### **2. PCFO Application Missing Required Language Procedural**

The PCFO application accepted by the LFCC did not include all of the statements required by the Federal regulations.

5 CFR 950.105 (c) (2) states that any federation, charitable organization or combinations thereof wishing to be selected for the PCFO must submit a timely

---

<sup>2</sup> Since the 2008 campaign is closed, we are not including a recommendation related to the \$8,038 undercharged to that campaign.

application in accordance with the deadline set by the LFCC, that includes a statement pledging to:

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

We reviewed the PCFO's 2007 application (per footnote 1, the 2007 application was applicable to the 2009 campaign) to determine if each of the statements required by the Federal regulations was included. Our review found that the UWVC wrote one of the statements as "Pledges to conduct United Way of Ventura County non-CFC operations separately from campaign operation," which should have been written as "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." Additionally, the UWVC did not include the words "directions" and "and/or Director" in the statement that it would "be subject to the decisions and supervision of the LFCC and/or Director." The LFCC did not realize that the language in the 2007 application did not include all of the required language. However, our review of the 2010 application, approved by the LFCC, found that the required language was stated correctly.

By accepting an application that did not include all of the required statements in the application letter, the LFCC approved a PCFO which did not state that it will abide by all of those things required of it by the Federal regulations.

#### **Recommendation 4**

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

### **3. PCFO Solicitation**

#### **Procedural**

The public notice soliciting for a PCFO was not posted in a timely manner. Additionally, the application period was not open for the minimum number of days.

According to the CFC Calendar of Events, the deadline for PCFO application solicitations was February 15, 2007, and the deadline for LFCC's to select a PCFO was March 15, 2007.

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

We reviewed the public notice to solicit for potential PCFO applicants for the 2007 campaign (per footnote 1, the solicitation was for a multi-year agreement which

included the 2009 campaign) to determine if the solicitation was posted timely and if it was open for the required time frame. Our review found that the opening date of the application period began after the deadline (February 15, 2007) set in the CFC Calendar of Events. Additionally, the solicitation was only open for 17 calendar days (February 21, 2007 through March 9, 2007). Furthermore, we noted that if the solicitation had been open for the minimum required number of days, ending March 13, 2007, the LFCC would have only had two calendar days to review the applications and select a PCFO by the deadline stipulated in the CFC Calendar of Events. Discussions with the PCFO determined that the late posting of the public notice was an oversight on its part and that it wasn't open for the required number of days to allow the LFCC the ability to make the selection by the required date.

As a result of not posting the solicitation for PCFO timely and maintaining the application period for the minimum period of time, the LFCC did not give applicants sufficient time to apply, and itself sufficient time to review applications.

#### **Recommendation 5**

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

#### **Recommendation 6**

We recommend that the OCFC ensures that the LFCC keeps the application period open for at least the minimum number of calendar days required by the Federal regulations.

#### **4. Approval of Campaign Expense Reimbursement**

#### **Procedural**

The PCFO did not submit, nor did the LFCC approve, a request for the reimbursement of the 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." 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.

Our review of LFCC meeting minutes did not identify where the LFCC discussed, reviewed, or approved the reimbursement of the 2009 campaign expenses to the PCFO. Additionally, discussion with the PCFO indicated that it did not understand the requirement to have the expenses approved by the LFCC because it felt that as long as the total expenses were held to near budget levels and that the expenses did not exceed the budget by 10 percent, that the budget approval gave it reimbursement authority.



As a result of not reviewing and approving the reimbursement of the 2009 campaign expenses, the LFCC ran the risk of unrelated expenses being charged to the agencies and federations of the campaign. Additionally, by not submitting its expenses for approval before their reimbursement, the PCFO did not allow the LFCC to exercise its authority over the campaign to ensure that only legitimate CFC costs are charged to the campaign.

**Recommendation 7**

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

**C. CAMPAIGN RECEIPTS AND DISBURSEMENTS**

**1. Outstanding Disbursement Amount \$92,940**

The PCFO did not properly allocate CFC funds to the appropriate campaigns and did not properly account for one month of CFC receipts, which resulted in an outstanding balance for the 2009 campaign of \$92,940.

5 CFR 950.901 (i) (2) states that the PCFO is responsible for the accuracy of disbursements it transmits, and that at the end of the disbursement period the PCFO's CFC account balance shall be zero.

Our review found an outstanding amount of \$92,940 which remains to be disbursed to the 2009 campaign. This occurred as result of two factors. First, the PCFO used incorrect cutoff procedures to allocate CFC funds to the appropriate campaign. Instead of reviewing each account deposit separately to determine the appropriate campaign to apply it to, the PCFO used February 1st as a cutoff date to determine which campaign to allocate funds to. Second, a full month of CFC deposits was inadvertently left off of the PCFO's tracking spreadsheet and was not disbursed to the members of the 2009 campaign.

As a result of incorrect cutoff procedures and a deposit omission, the members of the 2009 campaign are due a disbursement of \$92,940.

**Recommendation 8**

We recommend that the OCFC and the LFCC ensure that the PCFO disburses \$92,940 to the members of the 2009 campaign.

## 2. One-Time Disbursement Calculation

\$4,303

The PCFO incorrectly calculated the one-time disbursement amounts for agencies and federations receiving one-time disbursements from the 2009 campaign, resulting in overpayments of \$4,303 to those agencies.

5 CFR 950.901 (i) (3) states that the PCFO may make one-time disbursements to organizations receiving minimal donations from Federal employees. It goes on further to state that the PCFO may deduct the proportionate amount of each organization's share of the campaign's administrative costs and the average of the previous three-years' pledge loss from the one-time disbursement. Additionally, CFC Memorandum 2008-09 provides a detailed explanation of how to calculate one-time disbursement amounts.

We reviewed the PCFO's calculation of the amounts paid to the agencies and federations receiving one-time disbursements to determine if the amounts paid were correct. Our review found that the PCFO's method of determining one-time disbursement amounts was incorrect. The PCFO's method of determining one-time disbursements consisted of total pledges less the three-year average percentage of pledges not received, and the *three-year* average of campaign expenses incurred. The appropriate method of determining one-time disbursement amounts only deducts the proportionate amount of the *current campaign's* administrative costs. Discussion with the PCFO determined that it did not understand the proper method of determining one-time disbursement as outlined in the regulations and was continuing practices used over many campaigns.

Using the method of calculating one-time disbursements outlined in CFC Memorandum 2008-09, we determined that the PCFO made an overpayment to those agencies receiving one-time disbursements of \$4,303. This consequently led to an underpayment of the same amount to those agencies receiving monthly payments from the 2009 campaign, who should be made whole. As the accuracy of CFC disbursements is the responsibility of the PCFO, the \$4,303 should be reimbursed from its private funds. However, it may attempt recovery from the agencies to which the overpayments were made.

As a result of the PCFO's misapplication of the method for determining the amounts of one-time disbursements outlined in the Federal regulations, the agencies receiving those disbursements were overpaid \$4,303 and those receiving monthly disbursements were underpaid by the same amount.

### Recommendation 9

We recommend that the OCFC and the LFCC direct the PCFO to reimburse the 2009 campaign \$4,303 from its private funds and distribute that amount among the agencies and federations that received monthly payments.

**3. Agency with No Disbursement**

**\$231**

The PCFO incorrectly recouped an overpayment made to an agency in a prior campaign by reducing the agency's 2009 campaign distribution, and in doing so, did not make a payment to the agency for the 2009 campaign when donors made designations to that agency.

5 CFR 950.105 (d) (1) states that the PCFO is responsible for honoring employee designations. Also, 5 CFR 950.106 (b) states that the PCFO may only recover campaign expenses from receipts collected for that campaign and that it cannot recover expenses from another campaign. Therefore, it is our opinion that the PCFO may not recover campaign disbursement overpayments from receipts of future campaigns.

Furthermore, 5 CFR 950.901 (i) (2) states that the PCFO is responsible for the accuracy of disbursements that it transmits to recipients.

Our review of the PCFO's disbursements for the 2009 campaign identified one agency which received designations from donors yet did not receive a payment. Discussions with the PCFO determined that the agency, United Way International, was inadvertently overpaid during the 2008 campaign. The PCFO determined that this overpayment was greater than the amount it was to receive in the 2009 campaign, so it withheld the entire 2009 payment rather than pursue recovery of the overpayment from the 2008 campaign. The Federal regulations do not allow for a PCFO to recoup overpayments made from one campaign from the funds of another campaign, and they also state that the PCFO is responsible for the accuracy of its disbursements. Therefore, the PCFO's action in withholding payment was in violation of the Federal regulations because by doing so the PCFO is not honoring the pledges designated by donors to the 2009 campaign.

As a result of the PCFO's attempt to recover overpayments made in prior campaigns, it commingled funds of two different campaigns, failed to honor donor designations, and underpaid an agency \$231.

**Recommendation 10**

We recommend that the OCFC and the LFCC direct the PCFO to pay the agency to which no payment was made (United Way International), the \$231 they are due for the 2009 campaign.

**4. Pledge Card Errors**

**Procedural**

Our pledge card review identified four errors where either information was input incorrectly into the PCFO pledge card database, causing the donor's wishes to not be honored, or the donor failed to sign the pledge card to authorize payroll deductions.

5 CFR 950.105 (d) (1) states that the PCFO is responsible for “Honoring employee designations.” Additionally, 5 CFR 950.105 (d) (6) states that the PCFO is responsible for “Honoring the request of employees who indicate on the pledge form that their names, contact information and contribution amounts not be released to the organization(s) that they designate” and conversely to release employee information they indicate they wish to be released.

We reviewed a sample of 42 pledge cards to determine whether they were entered into the PCFO’s pledge card database correctly. Specifically, we compared the actual pledge card to the pledge card report to determine if the following items were entered correctly: donor name, each charity code and amount(s) donated, total amount donated, and the donor’s choice to release personally identifiable information. Our review identified four pledge cards with errors. Specifically, we found:

- One pledge card where the PCFO incorrectly input an agency code into the pledge card database;
- One pledge card where the donor did not sign to authorize a payroll deduction;
- One pledge card where the donor’s request to release information was not input correctly; and
- One pledge card where the PCFO incorrectly determined that the agency code selected by the donor was invalid and, utilizing a Loaned Executive, had the donor select a different agency code.

Discussion with the PCFO regarding the errors identified determined that they were the result of accidental oversights on its part.

As a result of accidental pledge card input errors, the PCFO did not accurately honor all donors’ wishes as required by the regulations. Additionally, as a result of including unauthorized payroll deductions in the pledge card database, the PCFO could overstate the amounts designated to agencies and skew the percentage of undesignated funds distributed to agencies.

*Since the UWVC is no longer the PCFO for this campaign, we are not making a recommendation for this finding.*

## **5. Untimely Initial Campaign Disbursements**

## **Procedural**

The PCFO did not make its initial CFC disbursements for the 2009 campaign by April 1, 2010, as required by the Federal regulations.

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

Our review found that the PCFO made initial disbursements for the 2009 campaign on May 1, 2010. The PCFO did not make the initial disbursement by April 1 because

of a UWVC Board of Directors directive that the UWVC must maintain three months of cash reserves on hand. At the time disbursements should have been made, the necessary reserves were not available. The PCFO informed us that its Board has since revised the directive to be two and a half months of reserves and that the 2010 campaign funds went out on April 1, 2011, as required by the regulations.

The CFC funds held by the PCFO should not have been subject to any directives issued by the UWVC's Board of Directors because those monies did not belong to the UWVC nor did the Board have purview over the use of those monies.

As a result of the PCFO's misunderstanding of its Board of Director's authority over the disbursement of CFC funds, the agencies and federations of the 2009 campaign did not receive their initial disbursements in a timely manner in accordance with the Federal regulations.

*Since the UWVC is no longer the PCFO for this campaign, we are not making a recommendation for this finding.*

**6. Incorrect Cutoff Procedures Procedural**

The cutoff procedures utilized by the PCFO were not in accordance with the directives issued by the OCFC and did not accurately allocate CFC receipts to the correct campaign in all cases.

According to CFC Memorandum 2006-05, beginning with the 2005 campaign all PCFOs were to begin tracking CFC payroll receipts by payroll office and thereby applying those receipts to the appropriate campaign.

Our review found that the PCFO incorrectly used February 1<sup>st</sup> as a cutoff date for all incoming CFC payroll receipts. The PCFO stated that it would start each new campaign with payroll deposits beginning with any received on or after February 1st through January 31<sup>st</sup> of the following year. The PCFO stated that it did not know of the directive issued by the OCFC in Memorandum 2006-05, and that it used this cutoff method for ease of tracking and accounting for incoming CFC payroll deposits.

As a result of not following directives issued by the OCFC regarding properly applying incoming CFC receipts to the correct campaign, the donor's wishes for distribution of their specific designations were not accurately honored.

*Since the UWVC is no longer the PCFO for this campaign, we are not making a recommendation for this finding.*

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

The PCFO did not request approval from the LFCC to make one-time disbursements, nor did it obtain approval of the ceiling amount from the LFCC. Additionally, the

PCFO did not request approval to make a one-time disbursement to two agencies that had designations in excess of the threshold it set.

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

We reviewed the LFCC meeting minutes to determine if the PCFO obtained approval of its one-time disbursement ceiling amount and the payment of the one-time disbursements. Our review did not identify any mention of the LFCC’s approval of one-time disbursements or ceiling amounts for the 2009 campaign. Discussion with the PCFO confirmed that it did not request approval from the LFCC for its one-time disbursement ceiling amount and to make one-time disbursements. The PCFO expressed that it did not understand that requesting approval for both making the disbursements and the ceiling amount was its responsibility and, therefore, did not request the LFCC’s approval.

Additionally, we identified two agencies (Make a Wish Foundation and ARC of Ventura County) which received one-time disbursements even though both agencies had gross designations in excess of the \$5,000 threshold used by the PCFO. Discussion with the PCFO determined that the Make a Wish Foundation verbally requested that it receive a one-time disbursement to assist its charitable giving at the time. This “special” one-time disbursement was internally approved by the PCFO. However, the LFCC was not approached for approval. The one-time disbursement to ARC of Ventura County was identified close to the issuance of the draft report and, consequently, we did not have the opportunity to obtain a detailed cause for the error from the PCFO. Instead, our draft report requested that the PCFO research this error and provide an explanation as to why it occurred in its response to the draft report. However, since the PCFO did not provide a response to the draft report, we did not receive a detailed cause for this error.

As a result of not requesting approval of one-time disbursements, the PCFO did not permit the LFCC to exercise its discretion over the operation of the campaign.

*Since the UWVC is no longer the PCFO for this campaign, we are not making a recommendation for this finding.*

**8. Untimely Designated and Undesignated Funds Reports and Donor Lists Procedural**

The designated and undesignated funds reports and donor lists were not sent to the agencies and federations of the 2010 campaign by March 15, 2011, as required by the Federal regulations.

5 CFR 950.901 (i) (1) states that the “PCFO shall notify the federations, national and international organizations, and local organizations as soon as practicable after the

completion of the campaign, but in no case later than a date to be determined by OPM, of the amounts, if any, designated to them and their member agencies and of the amounts of undesignated funds, if any, allocated to them. The date will be part of the annual timetable issued by the Director....” According to the CFC Calendar of Events, March 15, 2011 is the “Deadline for PCFOs to notify 2010 CFC-participating charities and federations of the total designations, share of undesignated amounts, and the names and contact information for donors who authorized the release of their information.”

Our review found that the PCFO sent the notification letters to the agencies and federations of the 2010 campaign on April 4, 2011. Discussion with the PCFO determined that the letters were not sent timely because of an oversight on its part.

As a result of not providing the member agencies and federations of the 2010 campaign the designated and undesignated fund reports and donor lists by the date required by the Federal regulations, the agencies and federations were not given timely information necessary to properly plan and budget for the coming year.

*Since the UWVC is no longer the PCFO for this campaign, we are not making a recommendation for this finding.*

## **D. ELIGIBILITY**

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

### **Procedural**

The LFCC accepted applications from six agencies and federations which did not provide sufficient documentation to be accepted for participation in the 2009 Campaign. Additionally, we did not identify any applications where we could determine that it was the LFCC that made the actual eligibility decision.

We selected eight applications (five local federations and three local agencies) for review to determine whether each agency or federation provided the appropriate documentation and made the appropriate certifications to be a member of the campaign. We found 14 deficiencies during our review of the applications. We identified 10 deficiencies related to local federations and 4 deficiencies related to local agencies. Additionally, we were unable to locate an application from one local federation selected for review. Specifically, we identified the following deficiencies:

- We identified one application where the local agency did not certify or demonstrate that it had a substantial local presence in the geographical area covered by the local campaign.

5 CFR 950.204 (b) (1) states that an organization wishing to be listed in the charity list is required to “demonstrate to the satisfaction of the LFCC of the appropriate local campaign, that it has a substantial local presence in the geographical area covered by the local campaign....”

- We identified three applications where the local federation did not include a listing of at least 15 member organizations that were found eligible to participate in the CFC.

5 CFR 950.303 (c) states that a federation applying for participation in the CFC must ensure that it has at least 15 member organizations, other than itself, that meet all of the eligibility requirements of 5 CFR 950.202, 950.203 and 950.204 and that it must re-establish this eligibility each year.

- We identified one application where the local federation's audited financial statements did not indicate whether it accounts for its funds on an accrual basis in accordance with generally accepted accounting principles. Additionally, the audit report submitted with the application stated that the organization "lacked complete accounting records relating to receivables and has insufficient internal controls regarding accounting records. Accordingly, it was not practicable for us to extend our audit of such items beyond the amounts recorded."

5 CFR 950.203 (a) (2) states that an organization applying for inclusion in the CFC must certify that "it accounts for its funds on an accrual basis (cash, modified cash, modified accrual, and any other methods of accounting are not acceptable) in accordance with generally accepted accounting principles...."

- All applications (8) reviewed did not include any indication of LFCC review or determination of eligibility. We had the opportunity to perform a cursory review of all of the other applications submitted for the 2009 campaign and did not identify any applications where an LFCC review or determination of eligibility was indicated.

5 CFR 950.104 (b) (3) states that it is the LFCC's responsibility to determine the eligibility of all local organizations applying for participation in the local campaign and that this responsibility may not be delegated to the PCFO.

- We were unable to locate the application for one federation which participated in the 2009 campaign. Therefore, we could not determine if this federation qualified for campaign participation.

5 CFR 950.204 (a) states that the LFCC shall establish an annual application process consistent with the regulations for organizations that wish to be listed in the charity list. Therefore, those not submitting applications should not be allowed to participate. Additionally, 5 CFR 950.604 states that "Federations, PCFOs and other participants in the CFC shall retain documents pertinent to the campaign for at least three completed campaign periods."

Discussion with the LFCC regarding these deficiencies determined that the LFCC had discovered its lack of procedures and documentation review. The LFCC stated that,



beginning with the 2011 campaign, it had instituted new procedures to ensure that all applications included the required information and that it completely documented its review by signing each application review sheet and indicating approval or denial.

As a result of allowing agencies and federations to submit an incomplete or invalid application for participation in the CFC, the LFCC potentially allowed organizations which did not meet the regulation requirements to participate. Additionally, by not including an indication of its approval or denial on any application review sheets, we could not determine if it was the LFCC that made the eligibility determinations.

**Recommendation 11**

We recommend that the OCFC ensures that the LFCC has instituted procedures to review the local eligibility applications to determine if they contain all required certifications and attachments, and that any applications with deficiencies be denied participation into the local campaign.

**Recommendation 12**

We recommend that the OCFC ensures that the LFCC uses the application review sheets to review the applications and indicate their eligibility decisions on the review sheet with a signature.

**E. PCFO AS A FEDERATION**

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

**F. FRAUD AND ABUSE**

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

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

### **Special Audits Group**

, Senior Team Leader

Auditor

---

, Group Chief,