



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

Final Audit Report

Subject:

**AUDIT OF THE 2006 AND 2007
ILLOWA BI-STATE
COMBINED FEDERAL CAMPAIGNS
DAVENPORT, IOWA**

Report No. 3A-CF-00-09-041

Date: February 25, 2010

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Office of the
Inspector General

UNITED STATES OFFICE OF PERSONNEL MANAGEMENT
Washington, DC 20415

AUDIT REPORT

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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

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Inspector General

EXECUTIVE SUMMARY

**AUDIT OF THE 2006 AND 2007
ILLOWA BI-STATE
COMBINED FEDERAL CAMPAIGNS
DAVENPORT, IOWA**

Report No. 3A-CF-00-09-041

Date: February 25, 2010

The Office of the Inspector General has completed an audit of the 2006 and 2007 Illowa Bi-State Combined Federal Campaigns (CFC). The United Way of the Quad Cities Area (UWQCA), located in Davenport, Iowa, served as the Principal Combined Fund Organization (PCFO) during both campaigns. Our main objective was to determine if the Illowa Bi-State 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 12 instances of non-compliance with the regulations (5 CFR 950) governing the CFC.

The following findings represent the results of our audit work.

BUDGET AND CAMPAIGN EXPENSES

• **Prior Year Campaign Receipts Used for 2007 Campaign Expenses**

The PCFO used 2006 CFC receipts to reimburse part of the 2007 campaign expenses.

• **Estimated Expense Charged to the Campaign**

The PCFO charged its administrative cost for operating the 2007 campaign based on estimated costs.

- **PCFO Expense Reimbursement Not Approved by the LFCC**

The PCFO did not request approval from the LFCC prior to reimbursing itself for campaign expenses.

- **LFCC Did Not Solicit for a PCFO in a Timely Manner**

The LFCC did not solicit applications for the PCFO by the date set by OPM in the CFC calendar of events.

- **Untimely PCFO Selection**

The LFCC did not select the PCFO by the date established by OPM in the CFC calendar of events.

CAMPAIGN RECEIPTS AND DISBURSEMENTS

- **Pledge Card Errors**

The PCFO incorrectly applied two donor designations. Additionally, the PCFO incorrectly contacted a donor directly regarding one of the errors identified.

- **PCFO Made One-Time Disbursements Without LFCC Authorization**

The PCFO did not obtain LFCC authorization prior to making one-time disbursements to agencies of the 2007 campaign.

- **Pledge Loss on One-Time Disbursements Incorrectly Applied**

The PCFO applied pledge loss incorrectly to those agencies receiving one-time disbursements in the 2007 campaign.

ELIGIBILITY

- **PCFO Application Not in Compliance**

The UWQCA's application for PCFO did not include all of the statements required by the Federal regulations.

- **Lack of Support for LFCC Eligibility Decisions**

The LFCC did not maintain documentation to support that it made the eligibility decisions of local organizations' applications.

- **LFCC Eligibility Decisions Not Communicated Timely**

The LFCC did not communicate its eligibility decisions to the agencies and federations by the appropriate date or via the proper delivery method for the 2007 campaign.

PCFO AS A FEDERATION

- Our review of the PCFO's activities as a federation did not identify any problems.

AUDIT GUIDE REVIEW

- **Agreed-Upon Procedures Not in Compliance**

The Independent Public Accountant's audit of the 2006 campaign did not comply with all aspects of the 2008 Audit Guide.

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I. INTRODUCTION AND BACKGROUND

INTRODUCTION

This report details the findings and conclusions resulting from our audit of the Illowa Bi-State Combined Federal Campaigns (CFC) for 2006 and 2007. 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. It consists of 260 separate local campaign organizations located throughout the United States, including Puerto Rico, the Virgin Islands, and foreign assignments. The Office of Combined Federal Campaign Operations (OCFCO) at OPM has the responsibility for management of the CFC. This includes publishing regulations, memorandums, and other forms of guidance to Federal officials and private organizations to ensure that all campaign objectives are achieved.

CFC's 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 non-compliance with the policies and procedures of the CFC. The PCFO is responsible for training employee keyworkers 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 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 LFCC. Management of the PCFO is also responsible for establishing and maintaining a system of internal controls.

This report represents the results of the first audit of the Illowa Bi-State CFC by the OIG.

The initial results of our audit were discussed with PCFO and LFCC officials during an exit conference held on June 5, 2009. A draft report was provided to the PCFO and the LFCC on October 5, 2009, for review and comment. The PCFO's response to the draft report was considered in preparation of this final report and is included as an Appendix.

II. OBJECTIVES, SCOPE, AND METHODOLOGY

OBJECTIVES

The primary purpose of our audit was to determine if the Illowa Bi-State CFC was in compliance with 5 CFR 950, including the activities of both the PCFO and LFCC. Our specific audit objectives for the 2007 campaign were as follows:

Budget and Campaign Expenses

- To determine if the PCFO's budget was in accordance with the regulations.
- To determine if expenses charged to the campaign were actual, reasonable, did not exceed 110 percent of the approved budget, and were properly allocated.

Campaign Receipts and Disbursements

- To determine if the total amount of funds received for the campaign, plus interest income and less expenses, was properly distributed to the designated organizations.
- To determine if the total amount of undesignated funds was properly allocated and distributed to the various CFC participants.

Eligibility

- To determine if the charitable organization application process was open for the required 30 day period; if applications were appropriately reviewed, evaluated, and approved; and if the appeals process for rejected applicants was followed.

PCFO as a Federation

- To determine if the PCFO distributed funds only to member agencies.
- To determine if the PCFO charged its member agencies for expenses in a reasonable manner.

Additionally, our audit objective for the 2006 campaign was:

Audit Guide Review

- To determine if the IPA completed the Agreed-Upon Procedures (AUP) as outlined in the CFC Audit Guide (For Campaigns with Pledges \$150,000 to \$999,999).

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 2006 and 2007. The United Way of the Quad Cities Area (UWQCA), located in Davenport, Iowa, served as the PCFO during both campaigns. The audit fieldwork was conducted at the offices of the PCFO from June 1 through June 5, 2009. Additional audit work was completed at our Washington, D.C. office.

The Illowa Bi-State CFC received campaign pledges, collected campaign receipts, and incurred campaign administrative expenses for the 2006 and 2007 campaigns as shown below:

Campaign Year	Total Pledges	Total Receipts	Administrative Expenses
2006	\$614,191	\$587,477	\$39,935
2007	\$625,194	\$599,351	\$40,978

In conducting the audit we relied to varying degrees on computer-generated data. Our review of a sample of campaign expenses and supporting data, a sample of pledge 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 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 such tests of the accounting records and such other auditing procedures as we considered necessary to determine compliance with 5 CFR 950 and CFC Memorandums.

In regard to our objectives concerning the 2007 campaign's budget and campaign expenses, we accomplished the following:

- Reviewed the PCFO application to verify if it was complete.
- Reviewed a copy of the public notice to prospective PCFOs and LFCC meeting minutes to verify that the PCFO was selected timely.
- Traced and reconciled amounts on the PCFO's Schedule of Actual Expenses to the PCFO's general ledger.
- Reviewed supporting documentation for all campaign expense transactions greater than \$400 (11 transactions) to verify that the expenses were allowable.
- Reviewed the LFCC meeting minutes and verified if the LFCC authorized the PCFO's reimbursement of campaign expenses.
- Compared the budgeted expenses to actual expenses and determined if actual expenses exceeded 110 percent of the approved budget.

To determine if the 2007 campaign's receipts and disbursements were handled in accordance with CFC regulations, we reviewed the following:

- A judgmental sample of 36 out of 2,761 pledge cards (selected the top 25 pledge cards by total amount pledged and judgmentally selected 11 pledge cards that raised questions to the auditors) and compared them to the Pledge Card Report prepared by the PCFO.

- Cancelled distribution checks to verify that the appropriate amount was distributed in a timely manner.
- One-time payments 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.
- Forms 1417 provided by the PCFO and the OCFCO to identify material differences.
- The PCFO Distribution Schedule to verify whether monthly disbursements reconcile with the PCFO's Campaign Receipts and Disbursements Schedule.
- All bank statements used by the PCFO to verify that the PCFO was properly accounting for and distributing funds.
- The PCFO's cutoff procedures and bank statements to verify that funds were allocated to the appropriate campaign year.
- The General Designation Options and Undesignated Funds Spreadsheet and the Allocations and Disbursements Spreadsheet to verify disbursements were accurate and proportionate to the PCFO's allocation rates.

In order to determine that the LFCC and PCFO were in compliance with CFC regulations in regards to eligibility for the 2007 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 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 (UWQCA), 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 UWQCA did not disburse any funds to member agencies not participating in the 2007 CFC.
- The UWQCA contract with its member agencies to determine if the fees were reasonable and supported.

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.

Finally, to accomplish our objective for the Audit Guide Review, we reviewed the CFC Audit Guide (for Campaigns with Pledges \$150,000 to \$999,999) and determined the type of audit to be completed by the IPA for the 2006 campaign. We also completed the AUP checklist to verify that the IPA completed and documented the AUP steps.

III. AUDIT FINDINGS

The PCFO and LFCC administered the 2006 and 2007 Illowa Bi-State CFCs in compliance with all applicable CFC regulations, with the exception of the following areas:

A. BUDGET AND CAMPAIGN EXPENSES

1. Prior Year Campaign Receipts Used for 2007 Campaign Expenses

The PCFO used 2006 campaign receipts to pay for the 2007 campaign expenses.

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

During our review of 2007 CFC expenses we noticed that the PCFO did not pay for CFC related expenses out of its corporate account. Instead, the PCFO paid for 2007 CFC expenses as they were incurred directly from the CFC account. CFC receipts for the 2007 campaign were received beginning in October 2007 and ending January 2009. The PCFO made 17 CFC expense payments (related to the 2007 campaign) from March 2, 2007 to September 4, 2007; therefore, these expenses were paid with funds from the 2006 campaign.

There are typically no CFC receipts available for the PCFO to offset CFC expenses incurred for the first six to nine months of the campaign. As a result, 5 CFR 950.106 (b) gives the PCFO two options.

1. To absorb the costs of the CFC expenses upfront and be reimbursed later; or
2. To obtain a commercial loan to pay for the costs associated with the campaign.

Rather than do either of these options, the PCFO chose to use receipts related to another campaign to pay for 2007 campaign expenses.

PCFO and LFCC's Comments:

The PCFO and LFCC agree with this finding and state that beginning with the 2009 campaign, the PCFO will absorb the costs of the CFC expenses upfront and then be reimbursed by the campaign when appropriate campaign funds are sufficient.

Recommendation 1

We recommend that the OCFCO ensure that the PCFO has properly implemented the corrective actions stated and that it fully understands its responsibilities under the Federal regulations.

2. **Estimated Expense Charged to the Campaign**

The PCFO charged its administrative costs for operating the 2007 campaign based on estimated hours and not the actual costs for administering the campaign as is required by the regulations.

5 CFR 950.106 (a) states that the "PCFO shall recover from the gross receipts of the campaign its expenses...reflecting the actual costs of administering the local campaign."

We reviewed a sample of 2007 campaign expenses to determine if the charges were properly supported and necessary for administering the CFC campaign. Our review identified \$24,200 in PCFO operating expenses that were charged based on budgeted (anticipated) hours to be spent on the campaign and not the actual hours worked by the PCFO. We requested actual supporting documentation for the hours worked by the PCFO, but that information was not available.

As a result of charging costs to the CFC based on estimates, we could not determine if the \$24,200 charged for operating expenses were necessary costs to the campaign.

PCFO and LFCC's Comments:

The PCFO and LFCC agree with this finding and state that beginning with the 2009 campaign it will complete time studies to more accurately allocate costs to the CFC based on actual time spent on the CFC.

Recommendation 2

We recommend that the OCFCO ensure that the PCFO properly implements its corrective action and that it fully understands its requirements under the regulations.

3. **PCFO Expense Reimbursement Not Approved by the LFCC**

The PCFO did not request LFCC approval prior to reimbursing itself \$25,522.

5 CFR 950.106 (a) states that the PCFO shall only recover expenses that are approved by the LFCC.

During the period May 2007 through January 2008, the PCFO reimbursed itself 12 times directly from CFC funds for its expenses incurred in relation to the operation of the CFC. We reviewed LFCC meeting minutes to determine if the PCFO received approval from the LFCC prior to making these reimbursements. Our review did not identify where the LFCC approved any of the reimbursements the PCFO made to itself (totaling \$25,522). Per discussion with the PCFO we determined it did not understand the LFCC approval requirement in 5 CFR 950.106 (a) and did not seek approval of these reimbursements.

As a result of not understanding the regulations regarding expense reimbursement, the PCFO may have been reimbursed for expenses that were not related to the CFC.

PCFO and LFCC's Comments:

The PCFO and LFCC agree with this finding and state that beginning with the 2009 campaign the PCFO will provide an expense summary to the LFCC for approval, and that the approval will be documented in the LFCC meeting minutes.

Recommendation 3

We recommend that the OCFCO ensure that the corrective actions noted by the PCFO and LFCC are properly implemented and that both the PCFO and LFCC understand their roles in the expense approval process.

4. **LFCC Did Not Solicit for a PCFO in a Timely Manner**

The LFCC did not solicit applications for the PCFO by the date set by OPM in the CFC calendar of events. In addition, the LFCC did not accept applications for the minimum time period.

5 CFR 950.104 (c) states, the "LFCC must solicit applications on a competitive basis for the PCFO no later than a date to be determined by OPM..." and that the "PCFO application period must be open a minimum of 21 calendar days."

We reviewed the certificate of publication for the LFCC's public PCFO Solicitation to determine if it was posted by the date determined by OPM. The OCFCO set the date for the solicitation to be posted by January 12, 2007, in the CFC calendar of events. However, the LFCC posted the solicitation on February 10, 2007. Additionally, the PCFO applications were only accepted through February 23, 2007 (14 days), which is less than the minimum period stated in the regulations.

As a result of these errors, the LFCC may have restricted other potential PCFO candidates from applying for the position.

PCFO and LFCC's Comments:

The LFCC agrees with this finding and states that it will comply with the regulation in future campaigns when solicitation of a PCFO is necessary (as the LFCC selected the current PCFO to administer the 2007 through the 2009 campaigns).

Recommendation 4

We recommend that the OCFCO ensures that the LFCC properly complies with this regulation in future campaigns and that the LFCC understands the requirements under 5 CFR 950.104 (c).

5. Untimely PCFO Selection

The LFCC did not select the PCFO by the deadline stipulated in the CFC calendar of events.

According to 5 CFR 950.801 (a) (3), the LFCC “must select a PCFO no later than a date to be determined by OPM.” For the 2007 campaign, the OCFCO set March 15, 2007, as this date in the CFC calendar of events.

We reviewed the LFCC meeting minutes for the 2007 campaign and found that the LFCC did not meet to discuss the PCFO selection. According to the PCFO, there were no LFCC meetings related to the 2007 campaign prior to June 27, 2007. We also reviewed the LFCC’s letter notifying the UWQCA that it was selected as PCFO. This letter was dated March 21, 2007, which was six days late.

As a result, the LFCC was not in compliance with the regulations for selecting a PCFO by March 15, 2007.

PCFO and LFCC’s Comments:

The LFCC agrees with this finding and stated that, in the future, it will select a PCFO according to the date set forth in the regulations.

OIG’s Comments:

We accept the LFCC’s corrective action as noted above. However, we feel that it falls short because it does not address documentation of the PCFO selection. It is our opinion that the selection of the PCFO should be documented within the body of the LFCC meeting minutes when the selection is made.

Recommendation 5

We recommend that the OCFCO ensures that the LFCC selects the PCFO by the date set forth in the Federal regulations, maintains documentation to support the selection, and that it understands its responsibilities under the Federal regulations regarding the selection of a PCFO.

B. CAMPAIGN RECEIPTS AND DISBURSEMENTS

1. Pledge Card Errors

The PCFO incorrectly applied two donor designations. Additionally, the PCFO incorrectly contacted a donor directly regarding one of the errors identified.

5 CFR 950.105 (d) (1) states that the PCFO is responsible for “Honoring employee designations.” Also, 5 CFR 950.105 (d) (2) states that the PCFO is responsible for

“Helping to ensure no employee is coerced in any way regarding participation in the campaign and that allegations of coercion are brought to the attention of the appropriate Federal officials.” Finally, 5 CFR 950.105 (d) (4) states that the PCFO is responsible for “Ensuring that no employee is questioned in any way as to his or her designation or its amount except by key workers, loaned executives, or other non-supervising Federal Personnel.”

We reviewed a sample of 36 out of 2,761 pledge cards for the 2007 campaign to determine if the pledge cards were accurately input by the PCFO. We found the following errors:

- One pledge card where the PCFO applied a designation to the wrong agency code.
- One pledge card where the PCFO misapplied a designated amount as undesignated when a valid designation code was clearly listed. Additionally, the PCFO noted contacting the donor directly regarding this designation in violation of the Federal regulations.

Discussion with the PCFO indicated that the misapplication of the designations was the result of typographical errors. However, the PCFO expressed that it was easier and more efficient for it to contact donors directly when it finds unclear or incorrectly completed pledge cards. We stressed to the PCFO that the regulation prohibiting the PCFO from making direct contact with donors was done to separate the entity in charge of handling and disbursing the charitable donations from the one clarifying questionable designations.

As a result of these errors, two donor designations were not honored. Additionally, by having internal policies to contact donors regarding questionable designations, the PCFO could be seen as trying to coerce employee donations.

PCFO and LFCC’s Comments:

The PCFO and LFCC agree with this finding. The PCFO will no longer contact the Federal employees directly regarding discrepancies on their pledge cards. Instead, the PCFO will contact the Organizational Chair.

OIG’s Comments:

The PCFO and LFCC’s comments in response to the finding do not address the actual pledge card data entry errors made by its personnel. One of the PCFO’s major responsibilities is that it honors Federal employee designations. We would suggest that the PCFO implement procedures to have the designations report be reviewed against the actual pledge cards to ensure that the data entry is accurate.

Additionally, the comments state that in the case of pledge card discrepancies, the PCFO would contact the “Organizational Chair.” This is not a correct course of action because only “non-supervising Federal personnel” may contact the donors

directly. The correct course of action is to contact the Key Worker and have them ask the donor any necessary questions. If the donor cannot be contacted in a timely manner, then the designation in question should be considered undesignated. Additionally, Key Workers should be trained to ensure that the pledge cards are properly completed and legible before they are turned in to the PCFO.

Recommendation 6

We recommend that the OCFCO and LFCC direct the PCFO to verify that the information input into the system is accurate to ensure donor's wishes are honored, in accordance with 5 CFR 950.105 (d) (1).

Recommendation 7

We recommend that the OCFCO and LFCC work with the PCFO to ensure that it understands its responsibilities regarding the direct contact with Federal employees concerning their donations.

2. PCFO Made One-Time Disbursements Without LFCC Authorization

The PCFO incorrectly made one-time disbursements without obtaining authorization or a set threshold amount from the LFCC. Additionally, the PCFO exceeded its self-imposed threshold for two of the one-time disbursements made.

5 CFR 950.901 (i) (3) requires that the PCFO obtain approval from the LFCC prior to making any one-time disbursements. Additionally, the LFCC is to set the threshold amount of these one-time disbursements.

We reviewed the LFCC meeting minutes for the 2007 campaign to determine if the LFCC approved the making of one-time disbursements. Our review did not identify where this approval was made or the threshold set. Discussion with the PCFO determined that it felt approval of one-time disbursements, at a threshold of \$1,500, from a prior campaign was sufficient, and it did not request approval from the LFCC.

We reviewed the PCFO's disbursements to agencies and federations and found that it made 107 one-time disbursements for the 2007 campaign. Additionally, from those one-time disbursements made, we identified two payments made to agencies that were over the \$1,500 threshold.

It is the PCFO's responsibility to seek approval of the LFCC to make one-time disbursements and to establish a threshold for the one-time payments. As a result of not obtaining the approval of the LFCC, the PCFO made unauthorized one-time disbursements.

PCFO and LFCC's Comments:

The PCFO and LFCC agree with this finding and state that the LFCC will annually review the threshold amount and note it in the meeting minutes.

OIG's Comments:

We agree with the corrective action that the LFCC will annually review the threshold amount and note it in the meeting minutes. However, the corrective action does not address the portion of the finding regarding obtaining the approval of the LFCC to make one-time disbursements. It is the responsibility of the PCFO to ask the LFCC for approval to make one-time disbursements each year. An approval in a prior year does not constitute approval in future years.

Additionally, the comments did not consider the two incorrect one-time disbursements made. The PCFO should put procedures in place that ensure only those agencies with designations at or below the threshold amount receive one-time disbursements.

Recommendation 8

We recommend that the OCFCO and LFCC ensure that the PCFO understands its responsibilities regarding one-time disbursements and only makes them after obtaining approval and receiving the threshold set from the LFCC.

Recommendation 9

We recommend that the OCFCO and LFCC ensure that the PCFO has policies and procedures in place that guarantee only those agencies meeting the approved one-time disbursement threshold receive them.

3. Pledge Loss on One-Time Disbursements Incorrectly Applied

The PCFO applied pledge loss incorrectly on those agencies receiving one-time disbursements in the 2007 campaign year.

5 CFR 950.901 (i) (3) states that the PCFO may deduct pledge loss (prior three years average) from those agencies receiving one-time disbursements.

We reviewed the pledge loss reports from the last three campaigns (2004-2006) to determine the average percent pledge loss over that period (4.32 percent). We then compared our calculated pledge loss to that applied by the PCFO to those agencies receiving a one-time disbursement. Our review found that the PCFO applied pledge loss to those agencies receiving one-time disbursements in a completely inconsistent manner. Rather than deduct the 4.32 percent from each one-time disbursement, the PCFO applied pledge losses ranging from a negative 1.82 percent (resulting in a

disbursement greater than the amount pledged) to 10.28 percent (resulting in a lower disbursement than what was pledged).

As a result of not applying pledge loss appropriately, those agencies receiving one-time disbursements received an extra \$158 in 2007 campaign receipts. Conversely, those agencies receiving monthly disbursements received \$158 less.

PCFO and LFCC's Comments:

The PCFO and LFCC agree with this finding and state that the PCFO will accurately apply the pledge loss beginning with the 2009 campaign.

Recommendation 10

We recommend that the OCFCO and the LFCC ensure that the PCFO understands the pledge loss calculation and applies the appropriate percentage to one-time disbursements in future campaigns.

C. ELIGIBILITY

1. PCFO Application Not in Compliance

The UWQCA's application to be considered for PCFO did not include all of the statements required by the Federal regulations.

5 CFR 950.105 (c) (2) (ii) states that the application must include a statement pledging that the applicant will "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, 5 CFR 950.105 (c) (2) (iii) requires the application to state that the applicant pledges to "abide by the directions, decisions, and supervision of the LFCC and/or Director."

We reviewed the UWQCA's PCFO application to determine if it complied with the Federal regulations. Our review found that the application submitted did not include all of the statements and pledges required by the regulations. Specifically, the application did not include the following statements either in full or in part:

- That the UWQCA would 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
- That it would abide by the directions, decisions, and supervision of the LFCC and/or Director.

By not submitting an application that completely complied with the Federal regulations, the UWQCA did not fully acknowledge or accept all of the responsibilities of the PCFO.

PCFO and LFCC's Comments:

The PCFO and LFCC agree with this finding and state that the LFCC will ensure that future PCFO applications are completed in compliance with the Federal regulations.

Recommendation 11

We recommend that the OCFCO and LFCC ensure that future PCFO applications are completed so that they comply with the requirements of the Federal regulations.

2. Lack of Support for LFCC Eligibility Decisions

The LFCC did not maintain documentation to support that it made the eligibility decisions for local organizations' applications.

5 CFR 950.104 (b) (3) states that the LFCC is responsible for "Determining the eligibility of local organizations that apply to participate in the local campaign."

During our review of the LFCC's local organization application evaluation process, we reviewed the LFCC's meeting minutes to determine if it, and not the PCFO, made the local eligibility decisions. Our review of the minutes found that the June 27, 2007, meeting minutes only briefly mentioned that all applications received were approved. The PCFO's response to the policies and procedures questionnaire indicated that an eligibility review committee is overseen by a Vice Chair from the LFCC. However, in the case of the LFCC meeting minutes and eligibility committee decisions, we could not verify or document that the applications were reviewed and approved by the LFCC.

As a result of the LFCC not documenting local organization eligibility decisions, we could not determine that the LFCC made those decisions as required by the regulations.

PCFO and LFCC's Comments:

The PCFO and LFCC agree with this finding and state that the LFCC will put policies and procedures in place to document and maintain support of the eligibility decisions.

Recommendation 12

We recommend that the OCFCO ensures that the corrective actions indicated by the LFCC are in place and that it understands its responsibilities as outlined in 5 CFR 950.104 (b) (3).

3. LFCC Eligibility Decisions Not Communicated Timely

The LFCC did not communicate its eligibility decisions to the agencies and federations within the appropriate timeframes during the 2007 campaign. Additionally, the PCFO's procedures for notifying agencies denied admittance to the campaign are not in line with the regulations.

5 CFR 950.801 (a) (5) states that the LFCC "must issue notice of its eligibility decisions within 15 business days of the closing date for receipt of applications." According to the CFC Calendar of Events, the deadline for the LFCC to notify local organizations of eligibility decisions was May 4, 2007. Additionally, 5 CFR 950.204 (e) states that denials must be sent by the LFCC "via U.S. Postal Service regular first class mail with a return receipt requested."

To determine if the LFCC notified local organizations of its eligibility decisions by the deadline, we reviewed the PCFO's responses to a policies and procedures questionnaire and requested that the PCFO provide sample copies of the notifications sent for the 2007 campaign. In its answers to the questionnaire the PCFO did not indicate when approval or denial notifications were sent, but just mentioned that those approved agencies were invited to the CFC Kickoff event. In additional discussions, the PCFO stated that it viewed invitations to the CFC kickoff event (sent August 31, 2007, for the 2007 campaign) as approval notification and that notifications were not sent because the decision was pending OCFCO approval. Discussion with the OCFCO determined that its review should not delay notifications of the local organizations. The review performed by the OCFCO is to verify the IRS tax exempt status of each approved organization. Per the OCFCO, the PCFO should merely state in its notifications that approval is pending OPM review.

Further review of the responses to the questionnaire determined that the LFCC's procedures for notifying agencies denied admittance to the CFC did not require the notification to be via U.S. Postal Service regular first class mail with a return receipt requested. The policy stated that if an agency was found to be ineligible that "they are made aware of that during the follow-up phone call."

As a result of not notifying local agencies of its eligibility decisions in a timely manner via the proper delivery method, those organizations accepted could not properly plan and budget for the coming year and those denied could not properly appeal the decision.

PCFO and LFCC's Comments:

The PCFO and LFCC agree with the finding. However, they stated that their timeliness is directly related to OPM's prompt response in regards to its IRS verification of each approved agency and federation. They indicated in a follow-up conversation with the OIG that it fears OPM's late rejection of previously approved

agencies would cause problems (i.e., having OPM rejected agencies included in the CFC charity brochure).

Additionally, they stated that beginning with the 2009 campaign the LFCC will notify all agencies and local federations of their acceptance into the campaign via a letter inviting them to the kickoff event and stating that their approval was still pending the final OPM review.

OIG's Comments:

The comments provided by the PCFO and LFCC indicate further confusion regarding communication of the LFCC's eligibility determinations. LFCC eligibility determinations must be made by the dates set forth in the Federal regulations. They are not to be held and included with invitations to kick-off events, as those events are typically held after the date the letters are required to be sent. The letters should be prepared and sent by the correct date and have (as stated in the comments above) a caveat that states that the approval is subject to OPM approval.

Recommendation 13

We recommend that the OCFCO direct the LFCC to notify all applying organizations of its eligibility decisions by the deadline set in the Federal regulations.

Recommendation 14

We recommend that the OCFCO ensure that the LFCC and PCFO understand the requirements of the regulations regarding the delivery method used to notify agencies of eligibility decisions.

D. PCFO AS A FEDERATION

Our review of the UWQCA's activities as a federation did not identify any problems.

E. AUDIT GUIDE REVIEW

1. Agreed-Upon Procedures Not in Compliance

The PCFO's IPA audit of the 2006 campaign did not fully comply with the 2008 CFC Audit Guide (For Campaigns with Pledges \$150,000 to \$999,999) [Audit Guide]. The Audit Guide includes AUP's that the IPA must perform in its annual audit of the campaign.

We reviewed the IPA's working papers to determine if it complied with the requirements of the Audit Guide applicable to the 2006 campaign. As discussed below, we identified three areas where the IPA did not fully comply with the requirements.

- The IPA did not determine if the PCFO was properly matching campaign receipts and expenses.
 - Step six under the PCFO Budget and Administrative Expenses element of the Audit Guide requires the IPA to obtain a copy of or document the PCFO's policy for campaign expense reimbursement and compare the policy to 5 CFR 950.106 (b), which states that the PCFO should cover all campaign expenses at the start of the campaign and then recover their costs from the gross receipts of the same campaign. The IPA reviewed the campaign expense invoices, however, it did not review the PCFO's policy for campaign expense reimbursement. According to the PCFO, the policy for campaign expense reimbursement is not documented. The IPA did not report this instance as a finding in the financial statements.

- The IPA identified, but did not report, that all CFC receipts for the 2006 campaign were not disbursed by the PCFO.
 - Step three under the PCFO Receipts and Disbursement of Funds element requires the IPA to review the cash receipts for the campaign and to verify that all funds (less expenses) were distributed. The IPA performed a reconciliation showing a balance of \$55 that was not disbursed to the campaigns and noted that the amount was immaterial. As a result of deeming this amount immaterial, the IPA did not report this as a finding. However, the Audit Guide clearly states that the IPA should report "all instances where the PCFO did not disburse all receipts, less administrative expenses, by the end of the campaign."

- The IPA did not acquire the information necessary to determine if the PCFO received approval to make one-time disbursements and the threshold amount for those disbursements.
 - Step seven under the PCFO Receipts and Disbursement of Funds element requires the IPA to obtain LFCC meeting minutes documenting the LFCC's approval of the one-time disbursements and the one-time disbursement threshold amount. Rather than request meeting minutes, the IPA relied upon its knowledge of the PCFO from prior audits regarding one-time disbursements. However, the Audit Guide specifically requires the IPA to obtain LFCC meeting minutes and to verify the approval of each campaign's one-time disbursements and threshold amounts. As a result, the IPA did not complete this step properly.

Completion of the AUP's as provided in the Audit Guide is important because it helps the OCFCO and LFCC to more effectively monitor CFC campaign activities.

PCFO and LFCC's Comments:

The PCFO and LFCC agree with this finding and state that they will notify the IPA of the finding and review future audits to make sure the Audit Guide's AUP steps are accurately completed.

Recommendation 15

We recommend that the OCFCO ensure that the LFCC and PCFO work with their IPA to make certain that the Audit Guide's AUP steps are fully and accurately completed.

IV. MAJOR CONTRIBUTORS TO THIS REPORT

Special Audits Group

██████████ Auditor-in-Charge

██████████ Group Chief ██████████

██████████ Senior Team Leader



Combined Federal Campaign

'09 OCT 20 RCU

Illowa Bi-State Combined Federal Campaign #0259
 3247 East 35th Street Court
 Davenport, IA 52807
 (563) 344-0340
 Fax: (563) 355-3308

October 13, 2009

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

To the Office of Personnel Management,

The Illowa Bi-State Combined Federal Campaign (#0259) is responding to the Executive Summary Report No. 3A-CF-00-09-041.

'09 OCT 20 RCU

Below we are detailing our comments and corrective action plans for each section of your Executive Summary Report.

Agreed Upon Procedures

Corrective Action: We will notify our Independent Public Accountant of the information provided and review the audit to make sure the Audit Guide's AUP steps are accurately completed.

Eligibility

PCFO Application not in Compliance

Corrective Action: The LFCC will take steps to ensure that future PCFO applications are completed in compliance with the Federal regulations.

Lack of Support for LFCC Eligibility Decisions

Corrective Action: The LFCC will put policies and procedures in place to document and maintain support of the eligibility decisions by documenting them in the LFCC meeting minutes.

LFCC Eligibility Decisions not Communicated Timely

Comment: Timely communication is a direct result of receipt of timely response from OPM regarding eligibility, via the 5-digit coding process. OPM's lack of timeliness regarding this information resulted in us unable to accept agencies that were rejected by OPM because we didn't have time to follow-thru with seeking the additional information before our brochure had to go to print.

Corrective Action: With the 2009 campaign, we notified all agencies and local federations of their acceptance into our campaign via a letter inviting them to a kickoff event and stating that their approval was still pending the final OPM review.

Budget and Campaign Expenses

Prior Year Campaign Receipts Used for 2007 Campaign Expenses

Comment: Your recommendation that PCFO's acquire a commercial loan is poor use of donor dollars. Please revisit this in the regulations and consider the option of pre-paying expenses out of the previous year's campaign receipts to be reimbursed by the current year's campaign receipts.

Corrective Action: With the 2009 campaign, the PCFO is paying all of the campaign expenses to be reimbursed by the CFC when the current campaign receipts are sufficient to cover the expenses.

Estimated Expense Charged to the Campaign

Corrective Action: With the 2009 campaign, PCFO staff is completing a time study to accurately reflect how much time it is putting towards the CFC. We will use this data to compile the 2010 campaign application.

PCFO Expense Reimbursement Not Approved by the LFCC

Corrective Action: With the 2009 campaign, a summary of expenses is being presented to the LFCC and being accepted by noting in the minutes that the items were reviewed.

LFCC did not Solicit for a PCFO in a Timely Manner

Comment: Please review this regulation regarding PCFO's that have a multi-year contract.

Corrective Action: When it is necessary to open the PCFO application process we will comply with the dates in the regulations.

Untimely PCFO Selection

Corrective Action: The LFCC will comply with the March 15 date the next time they need to accept a PCFO.

Campaign Receipts and Disbursements

Pledge Card Errors

Corrective Action: The PCFO no longer will contact the Federal employees directly regarding discrepancies on their pledge cards—the Organizational Chair will be contacted.

PCFO Made One-Time Disbursements Without LFCC Authorization

Corrective Action: The LFCC will annually review the threshold amount (\$1500) and note it in the meeting minutes.

Pledge Loss on One-Time Disbursements Incorrectly Applied

Corrective Action: With the 2009 campaign, the PCFO will accurately apply the pledge loss to the One-Time Disbursements only.

Sincerely,

