



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

Final Audit Report

Subject:

**AUDIT OF THE 2007 AND 2008
INLAND NORTHWEST
COMBINED FEDERAL CAMPAIGNS
SPOKANE, WASHINGTON**

Report No. 3A-CF-00-10-035

Date: March 17, 2011

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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



Office of the
Inspector General

UNITED STATES OFFICE OF PERSONNEL MANAGEMENT
Washington, DC 20415

EXECUTIVE SUMMARY

**AUDIT OF THE 2007 AND 2008
INLAND NORTHWEST
COMBINED FEDERAL CAMPAIGNS
SPOKANE, WASHINGTON**

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DATE: 3/17/2011

The Office of the Inspector General has completed an audit of the 2007 and 2008 Inland Northwest Combined Federal Campaigns (CFC). The Spokane County United Way, located in Spokane, Washington, served as the Principal Combined Fund Organization (PCFO) during both campaigns. Our main objective was to determine if the Inland Northwest CFC was in compliance with Title 5, Code of Federal Regulations, Part 950 (5 CFR 950), including the responsibilities of both the PCFO and the Local Federal Coordinating Committee (LFCC). The audit identified six instances of non-compliance with the regulations (5 CFR 950) governing the CFC.

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 Accordance with the CFC Audit Guide** **Procedural**

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

BUDGET AND CAMPAIGN EXPENSES

- **CFC Expenses Charged to the Wrong Campaign** **\$5,834**

The PCFO incorrectly charged the 2008 CFC campaign for 10 expense transactions, totaling \$5,834, which were charged to the wrong campaign year.

- **Expenses Not Identified as CFC-Related Charged to the Campaign** **\$1,420**

The 2008 CFC campaign was charged \$1,420 for expenses that could not be identified as belonging to the CFC.

CAMPAIGN RECEIPTS AND DISBURSEMENTS

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

The PCFO did not comply with the Federal regulations in regards to five pledge cards that were not properly completed by donors.

- **Excess Disbursement of CFC Funds** **\$1,944**

The PCFO disbursed \$1,944 in excess of the amounts received for the 2008 campaign.

ELIGIBILITY

- **CFC Charity List Not in Compliance with Regulations** **Procedural**

The 2008 campaign brochure's Charity List order did not comply with OPM Memorandum 2008-6.

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.

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I. INTRODUCTION AND BACKGROUND

Introduction

This report details the findings and conclusions resulting from our audit of the Inland Northwest Combined Federal Campaigns (CFC) for 2007 and 2008. 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 2008, it consisted of 242 separate local campaign organizations located throughout the United States, including Puerto Rico, the Virgin Islands, and foreign assignments. The Combined Federal Campaign Operations (CFCO) 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, deciding on 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 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 represents our first audit of the Inland Northwest CFC. The initial results of our audit were discussed with PCFO and LFCC officials during an exit conference held on May 27, 2010. A draft report was provided to the PCFO and the LFCC on September 15, 2010, for review and comment. The PCFO and the LFCC'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 Inland Northwest CFC was in compliance with 5 CFR 950, including the activities of both the PCFO and the LFCC. Our specific audit objective for the 2007 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 of \$150,000 to \$999,999).

Additionally, our specific audit objectives for the 2008 CFC campaign were as follows:

Budget and Campaign Expenses

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

Campaign Receipts and Disbursements

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

Eligibility

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

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 2007 and 2008. The Spokane County United Way, located in Spokane, Washington, served as the PCFO during both campaigns. The audit fieldwork was conducted at the offices of the PCFO from May 24 through May 27, 2010. Additional audit work was completed at our Washington, D.C. and Cranberry, Pennsylvania offices.

The Inland Northwest CFC received campaign pledges, collected campaign receipts, and incurred campaign administrative expenses for the 2007 and 2008 campaigns as shown below:

Campaign Year	Total Pledges	Total Receipts	Administrative Expenses
2007	\$480,244	\$469,251	\$61,748
2008	\$493,426	\$470,871	\$71,312

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 when 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 for the Audit Guide Review, we reviewed the CFC Audit Guide (For Campaigns with Pledges of \$150,000 to \$999,999) and completed the AUP checklist to verify that the IPA completed and documented the AUP steps.

In regard to our objectives concerning the 2008 campaign's budget and campaign expenses, we accomplished the following:

- Reviewed the PCFO's application to verify if it was complete.
- Reviewed a copy of the public notice to prospective PCFOs and the LFCC meeting minutes to verify that the PCFO was selected timely.
- Traced and reviewed amounts on the PCFO's Schedule of Actual Expenses to the PCFO's general ledger.
- Reviewed the PCFO's budgeted expenses, the LFCC's approval of the budget, and matched a sample of actual expenses to supporting documentation. Specifically, we judgmentally selected 27 expense transaction samples (the highest dollar transactions from the Supplies, Printing, Support, and Meetings budget categories occurring from March 2008 through December 2008; all 11 expenses incurred before March 2008; the 5 highest dollar travel-related expenses; all 4 CFC Audit Expenses; and the top Salary, Office Space, and Computer Time expenses allocated to the 2008 CFC campaign) for review. The sampled expenses totaled \$60,282, from a universe of 84 expense transactions totaling \$71,312.
- 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 2008 campaign's receipts and disbursements were handled in accordance with CFC regulations, we reviewed the following:

- A judgemental sample of pledge cards from the 2008 PCFO's Donor Pledge Campaign Report and compared the pledge information from the report to the actual pledge cards. Specifically, we judgmentally selected 45 pledge cards (selected the top 35 pledge cards by total amount pledged; 5 pledge cards that had more than 5 agency codes listed; and the top 5 undesignated pledge cards) amounting to a sample amount of \$107,021 from a universe of 1,729 pledge cards with a total of \$493,426 pledged.
- Cancelled distribution checks to verify that the appropriate amount was distributed in a timely manner.
- One-time disbursements to verify that the PCFO properly calculated pledge loss and disbursed the funds in accordance with the ceiling amount established by the LFCC.
- The PCFO's most recent listing of outstanding checks to verify that the PCFO was following its policy for such checks.
- The Pledge Notification Letters to verify that the PCFO notified the CFC agencies of the designated and undesignated amounts due them by the date required in the regulations.
- The donor list letters sent by the PCFO to organizations to verify the letters properly notify the organization of the donors who wish to be recognized.
- CFC receipts and distributions from the PCFO's campaign bank statements, campaign receipts, and agency disbursements and campaign expense support to verify whether the PCFO accurately recorded and disbursed all 2008 campaign receipts and disbursements.
- All bank statements used by the PCFO to verify that the PCFO was properly accounting for and distributing funds.

- The PCFO's cutoff procedures and bank statements to verify that funds were allocated to the appropriate campaign 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.

To determine if the LFCC and PCFO were in compliance with CFC regulations in regards to eligibility for the 2008 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 process and procedures for responding to appeals from organizations.

Finally, to determine if the PCFO was in compliance with the CFC regulations as a federation (Spokane County United Way) for the 2008 campaign, we reviewed the following:

- Data reported on the CFC Receipts Schedule and supporting documentation to determine if receipts were properly recorded.
- The CFC Distribution Schedule to ensure that the Spokane County United Way did not disburse any funds to member agencies not participating in the CFC.
- The Spokane County United Way's 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.

III. AUDIT FINDINGS AND RECOMMENDATIONS

A. AUDIT GUIDE REVIEW

1. AUPs Not in Accordance with the CFC Audit Guide

Procedural

The IPA utilized by the PCFO and the LFCC to complete the AUPs outlined in the CFC Audit Guide did not properly complete 9 of the 20 steps/procedures.

Chapter III of the Audit Guide prepared by the CFCO “contains specific procedures for four requisite elements to be followed during the examination by the IPA.”

We reviewed the IPA’s working papers to ensure that it properly completed and documented its review of the PCFO’s operations for the 2007 campaign. During our review, we determined that rather than utilizing “Chapter III IPA Agreed-Upon Procedures” from the Audit Guide as its audit program, the IPA chose to re-write the audit steps and use its document as the audit program. Consequently, many of the details and instructions from the Audit Guide were not included in the IPA’s review. Specifically, we identified the following problems:

- **Pledge Form Tracking System Step 1**: The step required the IPA to select a representative sample of 25 pledge forms (cards) from the 2007 campaign. The pledge forms selected should represent all types of donations, including cash, designated, and undesignated funds. Fifteen should be selected from the pledge tracking system and traced to the pledge forms. Ten should be selected from the pledge forms and traced to the pledge tracking system. We found that the IPA only selected 24 pledge cards for review. Additionally, because the IPA rewrote the audit step from the Audit Guide, it did not include all of the review details required in the Audit Guide. Specifically, the IPA did not verify whether the pledge cards selected represented all types of donations (cash, designated, and undesignated funds). Additionally, the sample selected by the IPA did not meet the Audit Guide requirements regarding how many cards should be selected from the pledge tracking system and how many cards should be selected from the pledge forms. As a result, the IPA did not select the sample per the instructions of the Audit Guide.
- **Pledge Form Tracking System Step 3**: The step required the IPA to review the PCFO’s spreadsheet used to track and analyze payroll office receipts to determine if it included the following: the amount of payroll deductions by payroll office, an estimated amount due from each payroll office by pay period, a comparison of the estimated amount due from each payroll office to the actual amount received, and any identified instances where actual amounts received from a payroll office exceeded the estimated amount. Our review found that the IPA did not include this step in its re-written audit procedures. As a result, the IPA did not review this area.

- PCFO Budget and Administrative Expenses Step 1: The step required the IPA to obtain a copy of the PCFO's 2007 application and review it for signed statements required by the Federal regulations. However, because the IPA re-wrote the audit step from the Audit Guide, it did not include all of the review details required in the Audit Guide. Specifically, the IPA's audit step did not include a review for the specific statements required by the regulations. As a result, we could not determine if this step was properly completed.
- PCFO Budget and Administrative Expenses Step 2: The step required the IPA to report all instances where the LFCC did not select the PCFO and approve the PCFO's campaign plan and budgeted expenses on or before March 15th (2007). However, because the IPA re-wrote the audit step from the Audit Guide, its revised audit step did not include a review to determine whether the LFCC made the approval by the required date. Additionally, the supporting documentation included in the work papers was related to the 2008 campaign and not the 2007 campaign. As a result, the IPA did not properly complete the audit step.
- PCFO Budget and Administrative Expenses Step 4: The step required the IPA to obtain a list of actual expenses incurred by and reimbursed to the PCFO for administering the 2007 campaign, and to trace the expenses to the PCFO's general ledger. Our review found that the expenses reviewed by the IPA were those charged to the 2008 campaign, not to the 2007 campaign. As a result, the IPA reviewed the wrong information.
- PCFO Budget and Administrative Expenses Step 5: The step required the IPA to compare the actual and budgeted expenses for the 2007 campaign to determine if the actual expenses exceeded 110 percent of the budget. Our review found that the IPA compared the actual expenses of the 2007 campaign to the actual expenses of the 2008 campaign. As a result, the IPA did not complete the step properly.
- PCFO Budget and Administrative Expenses Step 6: The step required the IPA to report as a finding all instances where the PCFO did not properly match campaign receipts and expenses. The actual expense listing included in the IPA's working papers clearly shows that the PCFO charged expenses on a calendar year instead of a campaign year basis. This is incorrect because the 2007 campaign did not begin until the PCFO was officially selected by the LFCC. The deadline for this selection in 2007 was March 15, 2007. Therefore, any costs incurred before that date do not belong to the 2007 campaign. As a result, the PCFO was not properly matching campaign receipts and expenses. The IPA did not report a finding in this area and, as a result, OPM and the PCFO were not made aware of this issue.
- PCFO Budget and Administrative Expenses Step 7: The step required the IPA to review a sample of expenses for the 2007 campaign. Our review found that

the IPA reviewed expenses related to the 2008 campaign. As a result, the IPA reviewed the wrong information.

- Receipt and Disbursement of Funds Step 9: The step required the IPA to determine if the PCFO's procedures regarding un-cashed checks were appropriate. Our review found that the IPA did not include this step in its re-written audit procedures. As a result, the IPA did not review this area.

As a result of not completing the Agreed-Upon Procedures properly, the IPA inadvertently misled both OPM and the LFCC to believe that the PCFO was in compliance with and had effective controls over compliance with 5 CFR Part 950 and OPM guidance.

LFCC and PCFO's Comments:

The LFCC and the PCFO agree with this finding and state that they will ensure that the IPA follows the OPM audit guidelines. In addition, the LFCC and the PCFO will advise the IPA to contact OPM to obtain clarification when necessary.

Recommendation 1

We recommend that the CFCO ensure that the LFCC fully implements its corrective actions and provides assistance to the IPA as necessary.

B. BUDGET AND CAMPAIGN EXPENSES

1. CFC Expenses Charged to the Wrong Campaign **\$5,834**

The PCFO incorrectly charged the 2008 CFC campaign for 10 expense transactions, totaling \$5,834, which were charged to the wrong campaign year.

5 CFR 950.106 (b) states that the PCFO "may only recover campaign expenses from receipts collected for that campaign year." In addition, CFC Memorandum 2008-09 states that because actual expenses are not known until the end of the campaign, which is two years from the beginning of the campaign, LFCC's are encouraged to authorize reimbursement of an estimated expense amount from the first distribution of the campaign. The PCFO then must track all expenses incurred for the campaign and make an expense adjustment to the last disbursement for the campaign, either up or down, based on the true amount of campaign expense incurred.

During our review of the PCFO's 2008 CFC campaign expense transactions, we identified five expenses totaling \$779 that were incurred prior to March 2008 (before the official 2008 CFC campaign began). We selected these transactions because we suspected that these expenses belonged to the prior campaign. After reviewing the supporting documentation, we found that the PCFO charged expenses on a calendar

year instead of campaign year basis. The PCFO indicated that this was the way things were always done and that it did not know that the process was incorrect.

We also reviewed 27 expense transactions to determine if the costs charged to the campaign were supported by source documentation, related to the CFC, allocated reasonably, and charged to the correct campaign year. We identified one transaction, totaling \$555, from April 2008 for CFC awards which included personalization (name plates). These awards could not be related to the 2008 campaign because the campaign had not begun the solicitation process.

Additionally, our review of the 2008 CFC campaign expense transactions identified four transactions, totaling \$4,500, for services related to the IPA audit. We selected these transactions for review because the 2008 campaign, to which they were charged, was still active and could not be audited at that time. A review of the transactions confirmed that the invoices were related to an audit of an earlier campaign and not related the 2008 campaign.

CFC Memorandum 2008-9 states that the audit expenses incurred for the audit of a campaign must be paid from funds from the campaign being audited. Because this cost is paid after the close of the campaign, the amount should be accrued and withheld from the last distribution. The Memorandum encourages campaigns to negotiate a fixed cost agreement with the IPA so that the actual amount can be known prior to the close of the campaign. If campaigns are unable to negotiate a fixed cost agreement, an estimated amount should be withheld based on prior experience and discussions with the auditor.

As a result of charging expenses to the 2008 CFC campaign on a calendar year basis, and not to the campaign to which they truly belong, the PCFO is not following the CFC regulations and could adversely effect the distributions to member agencies and federations.

LFCC and PCFO's Comments:

The LFCC and PCFO agree with the finding that expense transactions were charged to the wrong campaign. The LFCC stated that it has implemented a policy for the annual budget to match the campaign year. Additionally, the LFCC stated that the PCFO will establish an annual budget for the period of March 1 through February 28 that will be submitted to the LFCC. This budget will contain the estimated cost to be accrued for the IPA audit for that campaign.

Additionally, the LFCC and PCFO state that the use of the words "may" and "should" in the CFC regulations and Memorandums can be interpreted as not binding terms and that the regulations and Memorandums should be revised.

OIG Response:

We disagree with the LFCC and the PCFO's corrective action. The corrective action stated by the LFCC and the PCFO does not account for the entirety of the campaign cycle. CFC Memorandum 2008-9 clearly states that campaign expenses will be incurred over a two year period. However, the corrective action still states that the period for expenses is a 12 month cycle.

Additionally, the LFCC's and PCFO's opinion that the language in the regulations and CFC Memorandums is not binding is incorrect. Per our discussions with the CFCO, this is discussed with all PCFO's at its yearly CFC workshops.

Recommendation 2

We recommend that the CFCO and the LFCC ensure that the PCFO implements procedures to track and allocate expenses to the correct campaign year according to CFC Memorandum 2008-9.

2. Expenses Not Identified as CFC-Related Charged to the Campaign \$1,420

The PCFO charged the 2008 CFC campaign for expenses, totaling \$1,420, which could not be identified as belonging to the CFC.

5 CFR 950.105 (d) (7) states that the PCFO is responsible for "Maintaining a detailed schedule of its actual CFC administrative expenses, with, to the extent possible, itemized receipts for the expenses."

We reviewed 27 expense transactions to determine if the costs charged to the campaign were supported by source documentation, related to the CFC, allocated reasonably, and charged to the correct campaign year. We identified four expense transactions (travel reimbursements) where the documentation maintained did not indicate if the expense was related to the CFC campaign. Since the PCFO works with other campaigns, there is a risk of charging costs from other campaigns to the CFC. Therefore, the expense documentation maintained should explain in detail the nature of the expense and its relationship to the CFC campaign.

By not indicating on the expense supporting documentation how the expense was CFC-related, the PCFO could charge non-CFC expenses to the campaign.

LFCC and PCFO's Comments:

The LFCC and the PCFO disagree with this finding. They stated that the expense transactions were clearly matched as CFC-related. The LFCC and the PCFO also stated that they have developed a new reimbursement form which has the CFC logo on it, which will be used for the PCFO to reimburse its employees for local travel with a detailed explanation of the charges.

OIG Response:

We disagree with the LFCC's and the PCFO's comments. The supporting documentation provided by the PCFO for the travel reimbursements questioned did not indicate if the reimbursements were related to CFC travel (there were no itineraries or any statements regarding the purpose of the trips on the documentation provided to us for review).

Additionally, the LFCC's and PCFO's corrective action regarding the development of a new travel form with the CFC logo on it and a detailed explanation of the charges should also be supported by an itinerary and all invoices related to the trip.

Recommendation 3

We recommend that the CFCO and the LFCC ensure that the PCFO implements procedures to properly identify, on the supporting documentation, all CFC-related costs charged to the campaign.

C. CAMPAIGN RECEIPTS AND DISBURSEMENTS

1. Pledge Card Errors

Procedural

Our review for pledge card accuracy identified five pledge cards for which either the pledge information was not properly completed by donors, or designations were made to more than five agencies per pledge card. Additionally, our review of the PCFO's policies and procedures related to pledge cards determined that the PCFO does not fully understand its responsibilities for not contacting donors in regard to their pledge cards' mathematical errors.

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 designations or the amounts except by keyworkers, loaned executives, or other non-supervisory Federal personnel.

5 CFR 950.105 (d) (3) states the PCFO should ensure that keyworkers are trained to check to ensure the pledge card is legible, verify the arithmetic, and ensure that the donor's release of personal information is properly completed.

The 2008 Inland Northwest CFC campaign brochure section "Can I Specify Which Organization Will Receive My contribution?" states on page 17 that additional designations (i.e., more than five) may be completed on a second pledge card.

We reviewed a sample of 45 pledge cards to determine whether they were entered into the PCFO's pledge card database correctly. Specifically, we compared the actual pledge card to the database to determine if the following items were entered correctly: donor name, charity code(s) and amounts donated, total amount donated, and the

donor's choice to release personally identifiable information. Our review identified five pledge cards with errors. Specifically, we found:

- Two pledge cards with mathematical errors which were not identified or corrected by the keyworker prior to the cards being sent to the PCFO. Upon receipt of the cards, the PCFO identified the mathematical errors and rather than make the allowed corrections per the Federal regulations or send them back to the keyworker for clarification, it called the donor directly to correct the problem. Based on our discussions with the PCFO and its responses to related pledge card questionnaire items, it did not understand that it should not be contacting the donor directly. This is a conflict of interest issue as the PCFO should not be in charge of collecting and disbursing the funds, as well as clarifying questionable designations.
- Two pledge cards where the donor did not complete the personal information section. We found a series of four pledge cards, completed by the same donor, where two cards had the personal information section (i.e., name, agency, and work address) completed and two with that information blank. The PCFO was able to identify the two blank cards as belonging to the same donor because these were the only four cards in the envelope and because of handwriting similarities. However, the PCFO did not consider this a problem and, therefore, did not advise its keyworkers that they should ensure that all pledge cards are properly completed by the donors before they are forwarded to the PCFO for processing.
- One pledge card where the donor designated to more than five agencies. This error was not identified by either the keyworker or the PCFO. Upon discussion with the PCFO, it was determined that it did not understand that it could not be done.

As a result of contacting a donor directly, the PCFO could be seen as trying to influence the Federal employee's donation. Additionally, by accepting incomplete or incorrectly completed pledge cards, without obtaining donor clarifications via the keyworker, the PCFO is running the risk of misinterpreting donor intentions. Finally, by allowing donors to designate to more than five agencies on pledge cards, the PCFO could misunderstand the donor's designations.

LFCC and PCFO's Comments:

The LFCC and the PCFO agree with this finding. The LFCC and the PCFO stated that they will ensure that 5 CFR 950.105 (d) (3) and (4) and all regulations pertaining to Campaign pledge cards shall be adhered to. The LFCC also stated that it has implemented a policy to correct pledge card mathematical errors and the PCFO, on behalf of the LFCC, will contact the donors to inform them of the action taken to correct the errors.

OIG Response:

We accept the LFCC's and the PCFO's corrective action regarding the correction of pledge card errors identified. However, the PCFO's statement that it will contact the donor on behalf of the LFCC and inform the donor of the action taken to correct mathematical errors is in violation of the regulations and is unnecessary. According to the regulations only "non supervising Federal personnel" may contact donors directly. Correction of mathematical errors on a donor's pledge card does not effect the "total" pledged. The only changes made as a result of correcting mathematical errors are to the amounts designated to individual charities. Therefore, it is not necessary to contact the donor in these cases.

Additionally, we also noted that the LFCC's and the PCFO's corrective action did not address the recommendation of training keyworkers to ensure that donors complete the pledge forms correctly, legibly, and precisely before they are turned into the PCFO.

Recommendation 4

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

Recommendation 5

We recommend that the CFCO and the LFCC ensure that the PCFO properly trains its CFC keyworkers to ensure that donors complete pledge forms correctly, legibly, and precisely before sending them to the PCFO.

2. Excess Disbursement of CFC Funds \$1,944

The PCFO disbursed \$1,944 in excess of the amounts received for the 2008 campaign.

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

Using the PCFO's bank statements and disbursement schedule, we traced all campaign receipts from the bank statements to the PCFO's records of receipts and disbursements to determine the following: if the PCFO was properly accounting for 2008 campaign receipts, if the receipts were allocated to the correct campaign year, and if all receipts received were disbursed to members of the 2008 campaign. Our review found that the PCFO inadvertently disbursed \$1,944 more to the members of the 2008 campaign than was received. As of the time of our audit, the PCFO did not understand why this over-disbursement occurred, however, it was looking into it.

As a result of this over-disbursement of funds to the 2008 campaign, other campaigns will receive less funds to distribute to the participating agencies and federations, causing donor wishes to not be followed.

LFCC and PCFO's Comments:

The LFCC and the PCFO agree with this finding and state that the LFCC Chair or Vice-Chair will review the financial statements each month with the PCFO during the disbursement of campaign donations to ensure that all CFC funds are disbursed completely and appropriately.

Recommendation 6

We recommend that the CFCO and the LFCC ensure that the PCFO implements procedures to properly track incoming receipts and outgoing disbursements to ensure that all CFC funds are disbursed completely and properly.

D. ELIGIBILITY

1. CFC Charity List Not in Compliance with Regulations

Procedural

The 2008 campaign brochure's charity list order did not comply with OPM Memorandum 2008-6.

5 CFR 950.401 (g) (2) states that the order of the charity list will be annually rotated in accordance with OPM instructions.

Memorandum 2008-6, dated June 25, 2008, dictates the order of this list. For 2008, the CFC charity list order is: 1) Local Organizations, 2) National/International Organizations, and 3) International Organizations. The order of these parts and the order of federations in each part cannot be altered by the campaigns.

We reviewed the 2008 campaign brochure's charity list to determine if it contained the information required per CFC Memorandum 2008-6 and if the charities were in the correct order. We found that the charity list produced by the PCFO for the 2008 campaign was in the wrong order.

The CFCO designates the order of the campaign brochure each year to ensure that certain types of organizations are not treated favorably. By not producing the brochure in the order prescribed by the CFCO, the PCFO inadvertently showed favoritism to those organizations listed first and may have influenced the Federal donors.

LFCC and PCFO's Comments:

The LFCC and the PCFO agree with this finding and state that the LFCC Chair and Vice-Chair will review the charity list order prior to authorizing it to be printed to

ensure that it is in compliance with the OPM charity list issued for that campaign year.

Recommendation 7

We recommend that the CFCO and the LFCC ensure that the PCFO complies with the CFC regulations and applicable CFC Memorandums regarding the charity list order for the campaign brochure.

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.

IV. MAJOR CONTRIBUTORS TO THIS REPORT

Special Audits Group

██████████, Auditor-In-Charge

██████████, Auditor

██████████, Group Chief, ██████████

██████████, Senior Team Leader

██████████, Senior Team Leader



Inland Northwest Combined Federal Campaign

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Spokane, WA 99201

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2010 NOV 16 PM 2:27

10 November, 2010

[REDACTED]
Group Chief
Special Audits Group

The LFCC and PCFO would like to thank [REDACTED] for their help and guidance during the audit process. The information they provided prior to and during the audit helped ensure the audit went smoothly and had a minimal impact on the PCFO preparing for the 2010 campaign. Part of the feedback received indicated our procedures are fine however we could improve our procedures by adopting the procedures of other programs which are simpler and/or more cost effective.

Overall Note

The acronym CFCO is used in all recommendations but is not defined in the document. The LFCC and PCFO are unable to find the definition of the acronym CFCO. If this acronym should reflect Combined Federal Campaign Operations, identified as OCFO on page 1, it is unclear how the OCFO is able to verify or ensure the recommendations are implemented by the PCFO.

A. Agreed Upon Procedures Not in Compliance With the Audit Guide: Attached is LeMasters Daniels, Certified Public Accountants and Advisors. The LFCC and PCFO will ensure that the IPA will follow OPM Audit Guidelines. We will also advise IPA to contact OPM to obtain clarification, when necessary.

B. Budget and Campaign Expenses

1. a Improper Matching of CFC Expenses and Receipts: Expenses charged to the wrong campaign year.

The LFCC and PCFO agree with the find that expense transactions were charged to the wrong campaign year. This issue was due to setting the budget based on a calendar year (January to December) instead of a campaign year (March to February) resulting in expenses in January and February being charged to the wrong campaign.

The LFCC agree with **Recommendation 2** and have implemented a policy for the annual budget to match the campaign year. The PCFO shall establish an annual budget for the period of March 1 through February 28. The annual budget submitted by the PCFO shall contain the estimated cost to be accrued for the Independent Public Accountant (IPA) audit for that campaign.

The LFCC and PCFO do not agree with the finding of expense transactions for the months of January and February being charged to the wrong campaign year as stated

as a finding in five (5) different paragraphs in this section. As it is stated in this section, it can be interpreted as being five (5) different findings.

While the LFCC and PCFO agree to set the budget calendar to match the campaign calendar, both the LFCC and PCFO recommend the language in the Memorandum and CFR be modified to binding terms under meeting federal contracting requirements. **CFC Memorandum 2008-9, page 2, Accounting for Audit Expenses, and 5 CFR 950.106(b)** states "The PCFO may only recover campaign expense from receipts collected for that campaign year. Because this cost is paid after the close of campaign, the amount should be accrued. The LFCC should include a note in their LFCC compliance assessment report." The terms 'may' and 'should' are not normally interpreted as contractually binding terms by federal contracting standards. The LFCC shall change their policy to require the PCFO 'shall meet' these requirements and not simply reference the Memorandum and CFR.

1.b Improper Matching of CFC Expenses and Receipts: Expenses identified as not belonging to the CFC.

The LFCC and PCFO do not agree with this finding. Based on our review of the 14 expense transactions (totaling \$7,254) all expense transactions were clearly matched as CFC related. The transactions were directly matched to CFC budgeted expenses (i.e., postage, annual scheduled travel). Review of additional expense transactions before and after that period also resulted in finding all expenses were clearly matched to CFC work.

The LFCC and PCFO were unable to identify the six (6) expense transactions that were not confirmed as CFC related. See page 4, 1st bullet point, totaling \$1,334. The LFCC and PCFO do agree with expense transactions during this period were charged to the wrong campaign year.

The LFCC and PCFO do not agree with the four (4) expense transactions which did not indicate if the travel was related to CFC. Attached is the answer provided by IPA. See page 4, 3rd bullet point, totaling \$1,420. While the expense was reported on the reimbursement forms with the PCFO logo (United Way), the detailed information clearly stated CFC and the location traveled. The only information not included on the reimbursement forms was the specific person or group visited during the travel.

The LFCC and PCFO believe **Recommendation 3** and **Recommendation 4** are the same recommendation stated twice. The LFCC and PCFO request the recommendations be modified to reflect the single recommendation identified.

The LFCC and PCFO have developed a new reimbursement form which has CFC logo on it. We will ensure each reimbursement has detail explanation what the charges were for.

C. Campaign Receipts and Disbursements

1. Pledge Cards Errors

The LFCC and PCFO concur with findings and **Recommendation 5** and **Recommendation 6**. The PCFO and LFCC shall ensure that 5 CFR 950.150 (d) (3&4) and all regulations pertaining to Campaign Pledge Cards shall be adhered to.

The LFCC has implemented the following policy:

If PCFO finds any mathematical or agency code errors, the PCFO shall notify one of the following individuals requesting they contact the person making the pledge to request they correct the error. If the error is not corrected, the PCFO shall continue contacting others on the list until the error is corrected.

- Key campaign contacts for that agency
- The campaign coordinator for the person's office or agency
- LFCC members that may have contact with the individual
- Loan Executives
- Other non-supervisory federal, military, or U.S. postal personnel.
- LFCC Chair and Vice-Chair

If PCFO receives is unable to resolve the error on the pledge form, the LFCC Chair shall authorize the PCFO to take one of the following actions:

- If the error is a mathematical error resulting in the entire pledge amount NOT being assigned to a charity, the remaining amount will be assigned as Undesignated Funds.
- If the error is a mathematical error resulting in the sum of the pledge(s) exceeding the total amount pledged, the amount pledge to each charity will be reduced proportionally so the sum is equal to the total amount pledged.
- If the error is an incorrect agency code, the funds will be assigned as Undesignated Funds.

If the PCFO is required to take one of the actions listed above, the PCFO, on behalf of the LFCC Chair, will send a letter to the individual pledging informing them of the action taken and referencing this procedure.

2. Over-disbursement of CFC Funds

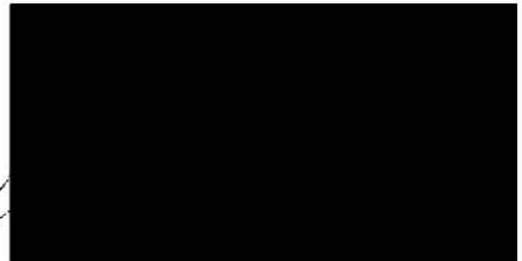
The LFCC and CFO concur with the findings and **Recommendation 7**. The PCFO shall follow LFCC polices and procedures for Monthly Financial Statement Reconciliation.

The LFCC has reviewed the established policies and procedures for Monthly Financial Statement Reconciliation with the PCFO. In addition to ensuring the PCFO is following the established policies and procedures, the LFCC Chair or Vice-Chair shall review the financial statements each month with the PCFO during the disbursement of the 2010 campaign donations to ensure that all CFC funds are disbursed completely and properly.

D. Eligibility

1. CFC Charity List Not in Compliance With the Regulations

The LFCC and PCFO agree with the findings and **Recommendation 8**. The LFCC Chair and Vice-Chair shall review the Charity List order prior to authorizing the Charity List to be printed to ensure it is in compliance with the OPM Charity List order issued for that campaign year.



OCT 6 2010

October 6, 2010

[REDACTED], CFC Account Manager
Spokane County United Way
920 N. Washington, Suite 100
Spokane, WA 99201

Re: Office of Personnel Management Audit Report

Dear [REDACTED]

You have asked us to comment on the instances of noncompliance noted by the Office of Personnel Management (OPM) in their report dated September 15, 2010, relative to the audit that agency performed on the 2007 and 2008 Inland Northwest Combined Federal Campaigns. We have reviewed the draft report and offer the comments that follow:

Under section A, "Audit Guide Review," the report lists several instances of noncompliance that pertain to the Agreed-Upon Procedures (AUP) service we performed for the 2007 campaign. Specifically, the report points out that we used a customized program for performing the procedures rather than the audit guide prepared by the Combined Federal Campaign Operations (OFCO). The draft report notes that our customized program did not contain all the steps listed in the OFCO audit guide and, as a result, some procedures that should have been performed were inadvertently omitted by us.

It was our understanding that all the procedures needed for an acceptable AUP service were included in our customized program which was tailored for your organization and developed to perform an efficient and cost effective engagement. In comparing our program to the OFCO audit guide, we do not disagree with the comments made by the OPM. If we are engaged to perform this service for the CFC in the future, we will use the audit guide prepared by the OFCO and will consult with them, as they note in "Recommendation 1," if we have any questions or need clarification on the procedures that need to be performed.

As you know, you had asked us to be available to come to the CFC office during the week that the OPM performed their audit field work last May to answer questions the auditors may have had. We, indeed, had several people "on call" to respond to their inquiries, if asked. I'm disappointed that no one contacted us at that time as we would have appreciated the opportunity to discuss the procedures that were omitted and what the appropriate action is to take in the future.

We regret that these instances of noncompliance were noted in our work and apologize for any inconvenience this has caused you or the CFC. Please contact me if you need anything further.

Sincerely,

LeMASTER DANIELS

[REDACTED]
Owner/Member of the Firm