



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

Final Audit Report

Subject:

**AUDIT OF THE 2010 AND 2011
GREATER INDIANA
COMBINED FEDERAL CAMPAIGNS
INDIANAPOLIS, INDIANA**

Report No. 3A-CF-00-13-048

Date: January 10, 2014

--CAUTION--

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AUDIT REPORT

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for Audits

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EXECUTIVE SUMMARY

AUDIT OF THE 2010 AND 2011 GREATER INDIANA COMBINED FEDERAL CAMPAIGNS INDIANAPOLIS, INDIANA

Report No. 3A-CF-00-13-048

Date: January 10, 2014

The Office of the Inspector General has completed an audit of the 2010 and 2011 Greater Indiana Combined Federal Campaigns (CFC). Federated Campaign Stewards, located in Indianapolis, Indiana, served as the Principal Combined Fund Organization (PCFO) during both campaigns. Our main objective was to determine if the Greater Indiana 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 and questions \$3,593.

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

AUDIT GUIDE REVIEW

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

The Independent Public Accountant utilized by the LFCC to complete the Agreed-Upon Procedures audit of the 2010 campaign did not perform its review in accordance with the requirements of the Audit Guide.

BUDGET AND CAMPAIGN EXPENSES

- **Campaign Expenses** **\$3,593**

The PCFO charged the 2011 campaign \$3,593 in expenses that were either unallowable, belonged to the prior campaign, or were attributable to other campaigns administered by the PCFO.

- **Improper PCFO Application Statement** **Procedural**

The PCFO's signed 2011 application contained an incorrect statement.

- **LFCC's Selection of a PCFO** **Procedural**

The LFCC did not document its selection of a PCFO for the 2011 campaign. Additionally, there is no record of the LFCC reviewing or approving the PCFO's application, campaign plan, or budget.

- **Expenses Reimbursed Before LFCC Approval** **Procedural**

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

CAMPAIGN RECEIPTS AND DISBURSEMENTS

- **Pledge Form Alterations** **Procedural**

The PCFO accepted as accurate two pledge forms containing alterations that could not be verified as being made by the donor.

ELIGIBILITY

Our review of the campaign's eligibility process showed that it complied with all applicable provisions of 5 CFR 950.

FRAUD AND ABUSE

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

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I. INTRODUCTION AND BACKGROUND

INTRODUCTION

This report details the findings, recommendations, and conclusions resulting from our audit of the 2010 and 2011 Greater Indiana Combined Federal Campaigns (CFC). The audit was performed by the Office of Personnel Management's (OPM) Office of the Inspector General (OIG), as authorized by the Inspector General Act of 1978, as amended.

BACKGROUND

The CFC is the sole authorized fund-raising drive conducted in federal installations throughout the world. In 2011, it consisted of 197 separate local campaign organizations located throughout the United States, including Puerto Rico and the Virgin Islands, as well as overseas locations. The Office of the Combined Federal Campaign (OCFC) at OPM has the responsibility for management of the CFC. This includes publishing regulations, memoranda, and other forms of guidance to federal offices and private organizations to ensure that all campaign objectives are achieved.

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

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

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

This represents our first audit of the Greater Indiana campaign. The initial results of our audit were discussed with PCFO and LFCC officials during an exit conference held on June 14, 2013.

A draft report was provided to the PCFO and the LFCC for review and comment on August 30, 2013. The LFCC, PCFO, and IPA'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 Greater Indiana CFC was in compliance with 5 CFR 950, including the activities of both the PCFO and the LFCC.

Our audit objective for the 2010 campaign was:

Audit Guide Review

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

Additionally, our audit objectives for the 2011 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 PCFO charged the campaign for interest expenses and if so, that the appropriate commercial loan was used.
- To determine if the 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 pledge form format was correct and if the pledge form report agrees with the actual pledge form.
- To determine if incoming pledge monies (receipts) were allocated to the proper campaign and that the net funds (less expenses) were properly distributed to member agencies and federations.
- To determine if the member agencies and federations were properly notified of the amounts pledged to them and that donor personal information was only released for those who requested the release of information.

Eligibility

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

Fraud and Abuse

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

SCOPE AND METHODOLOGY

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

The audit covered campaign years 2010 and 2011. Federated Campaign Stewards (FCS), located in Indianapolis, Indiana, served as the PCFO during both campaigns. The audit fieldwork was conducted at the office of the PCFO from June 10 through 14, 2013. Additional audit work was completed at our Washington, D.C. office.

The Greater Indiana CFC received campaign pledges, collected campaign receipts, and incurred campaign administrative expenses for the 2010 and 2011 campaigns as shown below.

Campaign Year	Total Pledges	Total Receipts	Administrative Expenses
2010	\$1,469,761	\$1,442,737	\$165,357
2011	\$1,477,719	\$1,394,043	\$164,032

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

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

To accomplish our objective concerning the 2010 campaign (Audit Guide Review), we compared the IPA's working papers to the requirements of the CFC Audit Guide to verify that the AUP steps were completed and documented properly.

In regard to our objectives concerning the 2011 campaign's budget and campaign expenses, we accomplished the following:

- Reviewed the PCFO's application to verify that it was complete.

- Reviewed a copy of the public notice to prospective PCFOs and the LFCC meeting minutes to verify that the PCFO was selected in a timely manner.
- Traced and reconciled amounts on the PCFO's Schedule of Actual Expenses to the PCFO's general ledger.
- Reviewed the PCFO's budgeted expenses, the LFCC's approval of the budget, and matched a sample of actual expenses to supporting documentation. Our sample consisted of 90 expense transactions, totaling \$65,161, from a universe of 684 transactions, totaling \$164,032. Specifically, the expense samples were judgmentally selected in the following manner:
 - We selected the first full month of transactions from seven natural accounts which had repetitive transactions. This resulted in the selection of 15 expense transactions, totaling \$7,025;
 - We selected the first occurrence of each type of employee benefit (insurance) expense, which resulted in the selection of four expense transactions, totaling \$6,437;
 - We selected 64 transactions, totaling \$50,912, based on highest dollars; and
 - We selected seven expense transactions, totaling \$787, based on past auditor experience.

We reviewed the sample to ensure that it included IPA audit expenses and at least five allocated expenses.
- Reviewed the LFCC meeting minutes and verified that the LFCC authorized the PCFO's reimbursement of campaign expenses.
- Compared the budgeted expenses to the actual expenses to determine if the actual expenses exceeded 110 percent of the approved budget.

To determine if the 2011 campaign's receipts and disbursements were handled in accordance with CFC regulations, we reviewed the following:

- A judgmental sample of 99 pledge forms (with total designations of \$226,589) out of a universe of 4,794 pledge forms (with a total pledged of \$1,477,719) from the PCFO's Donor Pledge Form Tracking Report and compared the pledge information from the report to the actual pledge forms. The sample was initially selected by choosing the top 75 designation amounts from the Pledge Form Tracking Report. However, due to the selected sample having only 23 paper pledge forms (the remainder were electronic pledges), we expanded our sample to include more paper pledge forms. We selected the five pledge form envelopes that contained the top five pledge forms (highest designation amount) and requested the top five pledge forms from each of the envelopes. However, some of the envelopes selected did not contain 5 pledge forms, which resulted in an additional sample size of only 24 pledge forms. The sample was selected to ensure that all types of donations (i.e., cash, designated funds, and undesignated funds) and that at least five pledge forms where the donor chose to release information were included in the review.

- A judgmental sample of cancelled distribution checks from 10 organizations to verify that the appropriate amount was distributed in a timely manner. Specifically we selected the following number and types of organizations based on highest designation amounts:
 - Three local organizations;
 - Three national federations; and
 - One each of the following:
 - Local federation;
 - National organization;
 - International federation; and
 - International organization.

- One-time disbursements to verify that the PCFO properly calculated pledge loss and disbursed funds in accordance with the ceiling amount established by the LFCC.

- The PCFO's most recent listing of outstanding checks to verify that the PCFO was following the guidance issued by the OCFC.

- The pledge notification and donor letters sent to a judgmental sample of 5 organizations (from a universe of 144) to verify that the PCFO notified the CFC agencies of the designated and undesignated amounts due them and properly released donor information by the date required in the regulations. Specifically, using the pledge form sample items where donors chose to release personal information, we judgmentally selected the first five organizations receiving designations in pledge form numerical order.

- CFC receipts and distributions from the PCFO's campaign bank statements, campaign receipts and agency disbursements, and campaign expense support to verify whether the PCFO accurately recorded and disbursed all campaign receipts and disbursements.

- All bank statements used by the PCFO to verify that the PCFO was properly accounting for and distributing funds.

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

To determine if the LFCC and PCFO were in compliance with CFC regulations regarding eligibility for the 2011 campaign, we reviewed the following:

- The public notice to prospective charitable organizations to determine if the LFCC accepted applications from organizations for at least 30 days.

- Campaign charity lists to determine if they contained all required information.

- The PCFO's responses to questions regarding the process and procedures for the application evaluation process.

- A sample of 10 local organization (from a universe of 58 local organizations) applications and local application review sheets to determine if any organization did not meet the federal regulation requirements for participation in the CFC and if the LFCC sent the eligibility letters by the date required by the federal regulations. Specifically, we selected the top five local organizations and local federations based on highest designation amounts for our review.
- The LFCC's processes and procedures for responding to appeals from organizations.
- The LFCC member listings to verify that all members were active federal employees.

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

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

III. AUDIT FINDINGS AND RECOMMENDATIONS

A. AUDIT GUIDE REVIEW

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

The IPA utilized by the LFCC to complete the AUP audit of the 2010 campaign did not perform its review in accordance with the requirements of the Audit Guide.

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

We reviewed the IPA's work papers and report in detail to determine if the IPA followed the AUPs as stated in the Audit Guide and to determine if the IPA failed to identify and report any findings. Our review identified two areas where the IPA did not comply with the requirements of the Audit Guide.

Specifically, we identified the following issues:

1) The IPA failed to report noncompliance in the following areas:

- **LFCC Processes, Step 1(e)** requires the IPA (if 2010 was a renewal of a multi-year agreement) to review the LFCC meeting minutes to determine if the LFCC performed a review of the PCFO's 2009 performance prior to renewing the PCFO agreement. FCS was in a multi-year agreement to serve as PCFO for the 2009 and 2010 campaigns. However, the meeting minutes maintained by the IPA did not include any mention of a performance review of the PCFO's 2009 performance. The IPA did not include this in its report.
- **LFCC Processes, Step 2** requires the IPA to obtain a copy of the LFCC meeting minutes documenting its approval of the budget. Additionally, the IPA was required to compare the date of the meeting minutes to the deadline set by 5 CFR 950.801(a)(3) and the Campaign Calendar of Events (February 19, 2010). The meeting minutes maintained by the IPA included the approval of the budget at a meeting held on February 25, 2010, which was after the date set by regulations and calendar of events. The IPA did not mention this in its report.

2) The IPA incorrectly completed a step.

- **LFCC Processes, Step 8** requires the IPA to obtain a list of LFCC members, their agency affiliations, their contact information and the LFCC meeting minutes for calendar years 2010 through 2012 to determine if all LFCC members are current Federal employees and are active participants at LFCC meetings. The IPA auditors provided a listing of LFCC members, but did not show any evidence that they are active participating members.

As a result of not completing the reviews required by the AUPs, the IPA is not providing OPM's Office of the Combined Federal Campaign (OCFC) and the LFCC with the assurance that the PCFO is operating the CFC in accordance with the regulations. Additionally, based on the errors made in its review, it appears as if the IPA did not fully understand the CFC and its related regulations when completing the AUPs.

Recommendation 1

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

Recommendation 2

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

IPA Comments:

The IPA does not agree with our finding.

LFCC Processes, Step 1(e): The IPA stated that there was an implied acceptance of the PCFO's performance in the LFCC's approval of the budget.

LFCC Processes, Step 2: The IPA acknowledged that the meeting minutes documenting approval of the budget were six days past the required date, which was primarily due to scheduling conflicts of individuals involved, and requested leniency.

LFCC Processes, Step 8: The IPA provided documentation showing a list of LFCC members including names, addresses, telephone numbers, and email addresses. The IPA believes that the documentation provided is sufficient to close the finding for LFCC Processes, Step 8. The IPA has also implemented a different work paper format to document these procedures in the future.

The IPA believes that the findings identified in no way support a lack of understanding on its part of either the CFC or the CFC Audit Guide.

OIG Comments:

LFCC Processes Step 1(e): The IPA's statement that the LFCC implied the approval of the PCFO's performance by approving the budget clearly indicates that it does not understand the purpose of this portion of the AUPs. The step required the IPA to determine "if the LFCC performed a review of the PCFO's... performance prior to

renewing the PCFO agreement.” Then the IPA was to report as a finding if “the LFCC did not perform an annual review of the PCFO’s performance prior to renewing a multi-year agreement.” The IPA is relying upon implied meanings of unrelated LFCC actions. However, there is no implied meaning in the AUP step which requires the IPA to determine if a performance review was done and report it as a finding if the performance review wasn’t completed. The IPA did not do either.

LFCC Processes Step 2: The IPA has asked that its non-reporting of the LFCC’s late approval of the budget be forgiven. The IPA’s original non-report and request for leniency again shows its lack of understanding of this portion of the AUPs. The AUPs state clearly that the IPA is to report as a finding all instances where the LFCC did not approve the budget by February 19, 2010. An approval made one day late should be reported, just as this approval made six days late should have been reported.

LFCC Processes Step 8: The IPA’s response to our finding shows its lack of understanding of the AUP step. The list of LFCC members provided by the IPA in response to the draft report included three individuals who are not LFCC members (the FCS Company Director and two Loaned Executives). Additionally, the list included three LFCC members that did not have government or military email addresses (two were blank and one was a private email address). Although those individuals were listed as working for a government agency, without a government or military issued email address the IPA cannot claim that it confirmed that these individuals were current Federal employees. Lastly, the IPA’s review did not indicate that it determined that the LFCC members were active or participate in the LFCC meetings, but only that they were Federal employees.

B. BUDGET AND CAMPAIGN EXPENSES

1. Campaign Expenses **\$3,593**

The PCFO incorrectly charged the 2011 campaign \$3,593 for expenses that were either unallowable, belonged to a prior campaign, or belonged to another region’s campaign that was also managed by the PCFO.

According to 5 CFR 950.105(b), the PCFO is responsible for conducting an effective and efficient campaign in a fair and even-handed manner aimed at collecting the greatest amount of charitable contributions possible.

Additionally, 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.

Finally, 5 CFR 950.106(b) states that the PCFO may only recover campaign expenses from receipts collected for that campaign. In other words, the PCFO may only be reimbursed for its 2011 campaign expenses from the funds received for the 2011 campaign.

We reviewed a sample of campaign expenses charged to the 2011 campaign to determine if the expenses were actual, necessary, and reasonable charges with appropriate supporting documentation; if the expenses were related to the CFC; and, if an allocated cost, that the methodologies used were reasonable and supported.

Our review questions campaign expenses totaling \$3,593 that were unallowable costs to the CFC, did not belong to the 2011 campaign, or were costs related to a different CFC that was also managed by the PCFO. Specifically we identified the following errors:

- \$2,400 in management fees. Management fees were described as “Professional Services” which include the campaign’s share of time to manage the board of directors, line of credit, and the general liability insurance for the company. The actual costs of performing these duties should already be reflected in the salaries of the employees performing these functions.
- \$690 in expenses that are attributable to other area campaigns which FCS also manages as PCFO.
- \$360 in expenses that belong to the 2010 campaign. The PCFO charged the 2011 campaign for storage costs that should have been charged to the 2010 campaign. We will not ask this expense to be reimbursed, since this is a valid campaign expense and the 2010 campaign is closed.
- \$98 for lunches that were provided to the LFCC Eligibility Committee which provided no benefit to the campaign.
- \$45 for a membership renewal and a personal item that were not CFC-related expenses.

As a result of charging the CFC for unallowable charges and charging expenses to the wrong campaign, \$3,593 was not disbursed to the charities of the 2011 campaign.

Recommendation 3

We recommend that the OCFC and the LFCC direct the PCFO to distribute \$3,233¹ in unallowable expenses as undesignated funds to the charities participating in the campaign currently disbursing funds.

Recommendation 4

We recommend that the OCFC and the LFCC ensure that the PCFO implements procedures to ensure that only those expenses related to the CFC are actually charged to the campaign and that the PCFO codes allowable expenses to the proper campaign region.

¹ \$3,593 less \$360 in expenses related to the 2010 campaign, but charged to the 2011 campaign.

Recommendation 5

We recommend that the OCFC and the LFCC ensure that the PCFO follows CFC regulations and OPM guidance when determining to which campaign period an expense belongs.

PCFO's Comments:

Management Fees: The PCFO disagrees with our finding and states that it sought reimbursement for costs related to the oversight and management of the organization, which is entirely devoted to the CFC. It believes that these costs are appropriate and were included in the "Professional Services" portion of the annual budget that was approved by the LFCC. However, the PCFO's Board of Directors will discuss how to bill these costs in the future and may include these costs in employee salaries or seek other alternatives.

Expenses Attributable to Other Campaigns: The PCFO agrees with our finding and states that this should be an allocated expense and has taken steps to correct this and has allocated the expense for 2012 to all of the campaigns that it administers.

Expenses Belonging to 2010 Campaign: The PCFO agrees with our finding and will ensure that future payments for all campaign expenses will relate to that campaign year only.

Lunches Provided for LFCC Eligibility Committee: The PCFO disagrees with our finding. The PCFO stated that the lunches were for the CFC Eligibility Committee while they reviewed local charity applications on two occasions. The PCFO noted that the LFCC approved these expenses as part of the annual budget that was submitted. Lastly, the PCFO stated that these expenses were incurred well before the memorandum issued by OPM (dated March 28, 2012) which prohibited campaigns from incurring expenses related to the purchase of food and beverage and should, therefore, be allowed.

Membership Renewal and Personal Item: The PCFO partially agrees with our finding. The PCFO agrees that a personal item in the amount of \$10 was accidentally included on a receipt submitted for reimbursement.

The PCFO maintains that the \$35 spent for the Sam's Club membership was used mainly to purchase food and beverages for the Coordinators and Keyworkers attending the CFC training sessions. The PCFO believes that the savings of purchasing the food at a discounted rate was more than sufficient to pay for the membership. The PCFO feels that if the expense was approved by the LFCC and it is able to prove cost savings of greater than \$35 that the expense should be allowed. The PCFO will bring this matter up with the LFCC in the near future and will closely review purchases in the future to ensure that only campaign related items are included in purchases.

OIG Comments:

Management Fees: Although the management fees were part of the budget approved by the LFCC, the management fees charged to the CFC must be actual expenses that are quantifiable. The management fee does not equate to an “actual expense” and gives the appearance that a fee or profit is being charged to the campaign, which is unallowable.

Lunches Provided for LFCC Eligibility Committee: As stated in OPM’s memorandum to all LFCCs and PCFOs dated March 28, 2012, prior OPM guidance had instructed that meals served in conjunction with a special event such as a kickoff rally, victory celebration, or awards ceremony could be charged as an expense to the campaign subject to LFCC approval. However, the memorandum further states that the guidance previously provided by OPM “did not authorize the expenditure of funds that would otherwise go to charity for meals served as a convenience to members of the LFCC, or to employees of the PCFO or to Loaned Executives and other CFC volunteers.” Therefore, the meals questioned in this finding have never been an allowable CFC expense.

Membership Renewal and Personal Item: Since the OPM Memorandum of March 28, 2012 explains clearly that “meals served as a convenience to members of the LFCC, or to employees of the PCFO or to Loaned Executives and other CFC volunteers” have never been an authorized expenditure, the membership renewal fees are an unallowable and unnecessary expense to the CFC and should be returned.

2. Improper PCFO Application Statement

Procedural

The LFCC chose FCS as the PCFO for the 2011 campaign even though the signed application contained a statement which is no longer applicable.

5 CFR 950.105(c)(2) and 5 CFR 950.105(c)(3) no longer require a signed statement from the PCFO stating that they are subject to 5 CFR 950.403.

We reviewed the PCFO’s application to ensure that it was signed by an appropriate official, contained all required language per 5 CFR 950.105(c), and did not include a statement that the PCFO was subject to the provisions of 5 CFR 950.403.

The PCFO application was signed by an appropriate official and contained all of the required language. However, it also contained a statement saying it was subject to the provisions of 5 CFR 950.403. This citation was removed from the regulations in 2009 and should have been omitted from the PCFO’s application.

The PCFO indicated that it was unaware that the provision no longer existed and it was included in the 2011 application because they thought the provision was applicable.

As a result of selecting a PCFO application with inaccurate statements, the PCFO is subjecting itself to regulations that are no longer applicable.

Recommendation 6

We recommend that the OCFC ensures that the LFCC understands the language requirements of the PCFO application before its next application period.

Recommendation 7

We recommend that the OCFC ensure that the PCFO and LFCC understand the regulations as they pertain to the CFC and that they are alert to changes when they occur.

LFCC Comments:

The LFCC agrees with this finding.

OIG Comments:

We accept the LFCC's comments. However, the PCFO did not respond to this recommendation. We request that the OCFC follow-up with the PCFO in regards to recommendation number seven.

3. LFCC's Selection of a PCFO

Procedural

The LFCC did not document its selection of a PCFO for the 2011 campaign. Additionally, there is no record of the LFCC reviewing or approving the PCFO's application, campaign plan, or budget.

The following regulations outline the LFCC's responsibilities for selecting a PCFO:

- 5 CFR 950.104(b)(1) states that it's the responsibility of the LFCC to maintain meeting minutes;
- 5 CFR 950.104(b)(17) lists one of the LFCC's responsibilities as approving a campaign's expense budget; and
- 5 CFR 950.104(c) states that "the LFCC must select a PCFO to act as its fiscal agent and campaign coordinator on the basis of presentations made to the LFCC as described in 950.105(c)." In addition, "the LFCC must consider the capacity of the organization to manage an efficient and effective campaign, its history of public accountability, use of funds, truthfulness and accuracy in solicitations, and sound governance and fiscal management practices as the primary factors in selecting a PCFO."

The LFCC was unable to provide a copy of its meeting minutes or any other documentation showing that it reviewed and approved the PCFO's application, campaign plan, and budget prior to the February 11, 2011 deadline. The PCFO indicated that a meeting was scheduled for January 11, 2011, but it did not attend this meeting and did not have a copy of the meeting minutes.

By not maintaining complete meeting minutes, the LFCC was unable to document the application review and its selection of the PCFO. As a result, we were unable to determine if the LFCC properly reviewed the PCFO's application, campaign plan, and budget prior to its selection.

Recommendation 8

We recommend that the OCFC ensures that the LFCC understands its responsibilities under federal regulations, which include maintaining meeting minutes that document its decisions (including review of the PCFO applications, selection of a PCFO, and approval of the PCFO's campaign plan and budget).

LFCC Comments:

The LFCC agrees with this finding and states that prior to making any decisions they must vote as a group.

OIG Comments:

The OIG accepts the LFCC's comments. However, the LFCC did not address the main issue of documenting its decisions. Going forward, the LFCC must document all decisions made in its coordination of the CFC.

4. Expenses Reimbursed Before LFCC Approval

Procedural

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

According to 5 CFR 950.104(b)(17), it is the LFCC's responsibility to authorize the reimbursement of only those campaign expenses that are legitimate CFC costs and are adequately documented. Additionally, 5 CFR 950.106(a) states that the PCFO shall recover campaign expenses, approved by the LFCC, which reflect the actual costs of administering the campaign.

We reviewed the LFCC Meeting Minutes to determine if the PCFO's 2011 campaign expenses were authorized and approved by the LFCC. We found that the LFCC did authorize reimbursement of campaign expenses on March 20, 2012. However, our reimbursement reconciliation found that all expense reimbursements were made prior to the LFCC's authorization on March 20, 2012. The PCFO should have requested

reimbursement authorization from the LFCC prior to making any reimbursement of expenses.

The PCFO indicated that they made reimbursements for expenses as soon as cash receipts were received to pay down the line of credit and to reduce the amount of interest incurred.

Due to the LFCC not authorizing and approving the expenses before reimbursement, the PCFO could have charged expenses which were not CFC-related or not related to the 2011 campaign. Additionally, as a result of not submitting actual campaign expenses to the LFCC for approval prior to reimbursement, the PCFO did not allow the LFCC to exercise its authority over the campaign to ensure that only legitimate CFC costs are charged to the campaign.

Recommendation 9

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

PCFO Comments:

The PCFO agrees with this finding and states that it will present the LFCC with a list of expenses to date as well as pledges to date at the end of each month. The PCFO will ask for reimbursement of those expenses to date so that it may pay down the line of credit and reduce interest expenses.

C. CAMPAIGN RECEIPTS AND DISBURSEMENTS

1. Pledge Form Alterations

Procedural

The PCFO accepted as accurate two pledge forms containing alterations that could not be verified as being made by the donor.

5 CFR 950.105(d)(1) states that it is the responsibility of the PCFO to honor employee designations. Additionally, 5 CFR 950.105(d)(3) states that it is the responsibility of the PCFO to train key workers to check and ensure the pledge form is legible, to verify arithmetical calculations, and to ensure the donor's release of personal information is filled out properly. Finally, the PCFO's pledge form policies state that if a mathematical error or invalid charity code exists the keyworker may contact the donor and the correction must be documented in writing or email by the donor and attached to the paper pledge form in the report envelope.

We reviewed a sample of 99 pledge forms to determine if the pledge form data matched the PCFO's pledge form report. Specifically, we verified the donor name, charity code number and amount donated, total amount donated, the donor's choice to release their

personal information, the donor's signature authorizing payroll deduction if applicable, and if any changes/edits to the pledge form were handled appropriately. Our review of the pledge forms identified two forms that were altered.

We identified two pledge forms which had the designation amounts written over the original amount. However, we could not determine who made the changes. One pledge form was initialed by someone other than the donor. The second form was not initialed at all, making it undeterminable as to who made the change.

The PCFO could only speculate as to why the changes were made. However, it should be noted that it did not follow its own internal pledge form procedures which require it to document any changes made by writing or email and attaching the document to the report envelope that accompanies the pledge form.

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

Recommendation 10

We recommend that the OCFC direct the PCFO to train its keyworkers to check and ensure that the pledge forms are accurate and that any alterations to the pledge form be initialed by the donor or make sure that other materials documenting the change are attached to the pledge form.

PCFO Comments:

The PCFO agrees with this finding and states that it will ensure that campaign workers are aware that no changes should be made unless approved and documented by the donor.

D. ELIGIBILITY

Our review of the campaign's eligibility process showed that it complied with all applicable provisions of 5 CFR 950.

E. FRAUD AND ABUSE

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

IV. MAJOR CONTRIBUTORS TO THIS REPORT

Special Audits Group

██████████, Auditor-In-Charge

██████████, Group Chief, ██████████

██████████, Senior Team Leader