



---

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

---

# Final Audit Report

**Audit of the Combined Federal Campaign  
of the National Capital Area for the  
2013 through 2015 Campaign Periods**

**Report Number 3A-CF-00-16-036  
January 24, 2017**

**-- CAUTION --**

This report has been distributed to Federal officials who are responsible for the administration of the subject program. This non-public version may contain confidential and/or proprietary information, including information protected by the Trade Secrets Act, 18 U.S.C. § 1905, and the Privacy Act, 5 U.S.C. § 552a. Therefore, while a redacted version of this report is available under the Freedom of Information Act and made publicly available on the OIG webpage (<http://www.opm.gov/our-inspector-general>), this non-public version should not be further released unless authorized by the OIG.

# EXECUTIVE SUMMARY

## *Audit of the Combined Federal Campaign of the National Capital Area for the 2013 through 2015 Campaign Periods*

Report No. 3A-CF-00-16-036

January 24, 2017

### **Why Did We Conduct the Audit?**

The objective of our limited scope audit was to determine if the Principal Combined Fund Organization (PCFO) complied with Title 5, Code of Federal Regulations, Part 950 (the Federal regulations governing Combined Federal Campaign operations), in regards to campaign receipts, disbursements and expenses.

### **What Did We Audit?**

The Office of the Inspector General has completed a limited scope audit of the Combined Federal Campaign of the National Capital Area (CFCNCA) for the 2013 through 2015 campaign periods. During this time, EarthShare served as the PCFO for the CFCNCA. Our limited scope audit included reviews of the PCFO's tracking of campaign receipts, disbursements to charities, and expenses. Our audit was conducted from May 9 through 13, 2016, at the PCFO's office located in Bethesda, Maryland. Additional audit work was completed at our Washington, D.C. and Cranberry Township, Pennsylvania offices.



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

### **What Did We Find?**

Our limited scope audit identified two areas of non-compliance with the Federal regulations governing Combined Federal Campaign operations:

1. The PCFO applied \$155,036 in campaign receipts to the wrong campaign period.
2. The PCFO failed to reissue \$15,230 in campaign distributions that were either returned or uncashed.

# ABBREVIATIONS

<b>5 CFR 950</b>	<b>Title 5, Code of Federal Regulations, Part 950</b>
<b>CFC</b>	<b>Combined Federal Campaign</b>
<b>CFCNCA</b>	<b>Combined Federal Campaign of the National Capital Area</b>
<b>CP</b>	<b>Campaign Period</b>
<b>LFCC</b>	<b>Local Federal Coordinating Committee</b>
<b>OCFC</b>	<b>Office of the Combined Federal Campaign</b>
<b>OIG</b>	<b>Office of the Inspector General</b>
<b>OPM</b>	<b>U.S. Office of Personnel Management</b>
<b>PCFO</b>	<b>Principal Combined Fund Organization</b>

# TABLE OF CONTENTS

	<u>Page</u>
<b>EXECUTIVE SUMMARY</b> .....	i
<b>ABBREVIATIONS</b> .....	ii
<b>I. BACKGROUND</b> .....	1
<b>II. OBJECTIVES, SCOPE, AND METHODOLOGY</b> .....	3
<b>III. AUDIT FINDINGS AND RECOMMENDATIONS</b> .....	6
<b>A. CAMPAIGN EXPENSE REVIEW</b> .....	6
<b>B. RECEIPTS AND DISBURSEMENTS REVIEW</b> .....	6
1. Campaign Receipts Applied to the Wrong Campaign Period .....	6
2. Unclaimed Campaign Distributions Were Not Reissued.....	7
<b>APPENDIX</b> (LFCC’s response to the Draft Report, dated October 20, 2016)	
<b>REPORT FRAUD, WASTE, AND MISMANAGEMENT</b>	

# I. BACKGROUND

This report details the results of our limited scope audit of the Combined Federal Campaign of the National Capital Area (CFCNCA) for campaign periods (CP) 2013 through 2015. The audit was performed by the U.S. Office of Personnel Management's (OPM) Office of the Inspector General (OIG), as authorized by the Inspector General Act of 1978, as amended.

The Combined Federal Campaign (CFC) is the world's largest and most successful annual workplace charity campaign. In 2015, it consisted of 137 separate local campaign organizations located throughout the United States, including Puerto Rico and the Virgin Islands, as well as overseas locations. OPM's Office of the Combined Federal Campaign (OCFC) has the responsibility for management of the CFC. This responsibility 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 Principle 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 impartial manner aimed at collecting the greatest amount of charitable contributions possible. Some of 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 Public Accountant 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;
- Consulting with federated groups on the operation of the local campaign; and
- 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 report represents the first audit of EarthShare as the PCFO of the CFCNCA.

The initial results of our audit were discussed with the PCFO and LFCC during our exit conference on June 21, 2016. A draft report was provided to both the PCFO and the LFCC for review and comment on September 22, 2016. Their 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 purpose of our limited scope audit was to determine if the PCFO complied with 5 CFR 950, in regards to campaign receipts, disbursements and expenses.

Specifically, our audit objectives included the following:

#### **Campaign Expense Review**

- To determine if any expenses charged to the CFCNCA were unrelated to CFC operations, for CPs 2013, 2014, and 2015 to date; and
- To determine whether total actual expenses exceeded total budgeted expenses by more than 10 percent, for CPs 2013 and 2014.

#### **Receipts and Disbursements Review**

- To determine if the PCFO's total campaign expense reimbursement reconciles to the actual expense amount reported in the general ledger, for CPs 2013, 2014, and 2015 (to date);
- To determine if the LFCC authorized and approved the expense reimbursement to the PCFO of only those campaign expenses that were legitimate CFC operating costs that were adequately documented, for CPs 2013, 2014 and 2015 (to date);
- To reconcile actual campaign receipts to those reported by the PCFO and to determine if all funds were properly recorded and disbursed, for CPs 2013, 2014 and 2015 (to date); and
- To reconcile the disbursement amount reported by the PCFO to supporting documentation, for CPs 2013, 2014 and 2015 (to date).

### **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 the 2013 through 2015 CPs (to date) during which EarthShare, located in Bethesda, Maryland, served as the PCFO. The audit fieldwork was conducted at the PCFO’s office from May 9 through 13, 2016. Additional audit work was completed at our Washington, D.C. and Cranberry Township, Pennsylvania offices.

The CFCNCA received campaign pledges, collected campaign receipts, and incurred campaign administrative expenses for the 2013 through 2015 campaigns, as shown below.

<b>Campaign Period</b>	<b>Total Pledges</b>	<b>Total Receipts</b>	<b>Administrative Expenses</b>
<b>2013</b>	\$51,221,620	\$48,910,336	\$3,895,550
<b>2014</b>	\$49,162,422	\$42,906,372	\$3,666,926
<b>2015</b>	\$46,638,466	In Progress <sup>1</sup>	In Progress <sup>1</sup>

In conducting the audit, we relied to varying degrees on computer-generated data. Our review of campaign expenses with supporting data, and the distributions of campaign contributions with 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 determine whether the PCFO complied with the Federal regulations governing CFC operations, we performed the following audit steps for CPs 2013, 2014 and 2015 (through April 1, 2016):

---

<sup>1</sup> Total receipts and administrative expenses were not known at the time of our report because the 2015 CP will not be closed until after issuance of our report (March 31, 2017).

## **Campaign Expense Review**

- We reviewed all campaign expense line items to determine if any expenses charged to the CFCNCA were unrelated to CFC operations.
- We compared the PCFO's actual expenses to the approved budgets to determine if the actual expenses exceeded the budget by more than 10 percent, for CPs 2013 and 2014.

## **Receipts and Disbursements Review**

- We compared the total of expense reimbursements made to the PCFO to the total of reimbursable expenses reported in the general ledger, to determine if campaign reimbursements exceeded actual reimbursable expenses.
- We reviewed the LFCC meeting minutes to determine if the LFCC authorized and approved the reimbursement to the PCFO of only those campaign expenses that were legitimate CFC operating costs that were adequately documented.
- We traced all receipts, bank fees and disbursements from the bank statements to the totals reported by the PCFO to determine if all CFC funds were properly recorded and distributed.
- We reconciled the disbursement amounts reported by the PCFO to various supporting documentation to determine if all disbursements were properly recorded.

# III. AUDIT FINDINGS AND RECOMMENDATIONS

## A. CAMPAIGN EXPENSE REVIEW

The results of our review determined that the campaign expenses charged by the PCFO, were in accordance with the Federal regulations.

## B. RECEIPTS and DISBURSEMENTS REVIEW

### 1. Campaign Receipts Applied to the Wrong Campaign Period \$155,036

The PCFO incorrectly applied 2014 CP receipts, totaling \$155,036, to the 2013 CP.

**\$155,036 in  
campaign receipts  
were misapplied to  
the wrong  
campaign.**

5 CFR 950.105(d)(8) states that the PCFO's "financial records and bank accounts must be kept in accordance with generally accepted accounting principles."

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

Finally, CFC Memorandum 2006-5 requires PCFOs to track CFC receipts by payroll office to ensure that receipts are credited to the appropriate campaign.

To determine if the PCFO applied the CFC receipts to the proper CP, we reviewed all CFC banking transactions from the September 2013 through April 2016 bank statements and identified the CP that each transaction should be applied to. We then reconciled these transactions back to the PCFO's record of campaign receipts and disbursements to identify any transactions that were applied incorrectly.

Our review identified CFC receipts, totaling \$155,036, that were incorrectly applied to the 2013 CP. These amounts were incorrectly deposited electronically into the 2013 CP bank account (the PCFO maintained separate bank accounts for each CP). However, these receipts were related to the 2014 CP and were not identified and transferred by the PCFO to the correct bank account. These receipts currently remain in the PCFO's bank account related to the 2013 CP and should be disbursed to charities participating in the 2014 campaign.

Discussions with the PCFO determined that due to its inexperience in administering the CFC (the 2013 CP was its first year as the PCFO) and oversight limitations (due to limited

staffing) it was unable to adequately review the campaign receipts to ensure that funds were applied to the correct campaign.

As a result of not properly tracking CFC receipts, the PCFO failed to disburse \$155,036 to charities of the 2014 CFC.

### **Recommendation 1**

We recommend the OCFO and the LFCC instruct the PCFO to disburse \$155,036 to the charities of the 2014 CFC.

#### **LFCC Response:**

*The LFCC agrees with the recommendation and confirms that the PCFO transferred \$155,036 from the 2013 campaign account to the 2014 campaign account on August 11, 2016 for disbursement to eligible charities.*

#### **OIG Comments:**

The OIG confirmed the transfer of \$155,036 from the 2013 campaign account to the 2014 campaign account. The PCFO will still need to provide supporting documentation of its final disbursements for the 2014 Campaign to the OCFC.

## **2. Unclaimed Campaign Distributions Were Not Reissued \$15,230**

The PCFO failed to reissue \$15,230 in 2013 campaign distributions that were either returned or uncashed.

**The PCFO did not properly follow uncashed check procedures.**

5 CFR 950.105(d)(8) states “All financial records and bank accounts must be kept in accordance with generally accepted accounting principles.”

Additionally, 5 CFR 950.901(i)(2) states “The PCFO is responsible for the accuracy of disbursements it transmits to recipients.”

Finally, CFC Memorandum 2006-5 instructs PCFOs to have policies and procedures for checks that have gone uncashed for over six months, to include three documented follow-up attempts.

To determine if the PCFO properly disbursed all campaign receipts, we reviewed all CFC banking transactions from the September 2013 through April 2016 bank statements and

identified the CP that each transaction should be applied to. We then compared those transactions to the PCFO's reported disbursements to determine any variances. During this step, we identified \$15,230 in 2013 CP disbursements that were either returned or uncashed.

Specifically we found:

- \$13,006 related to a May 2015 check that remains uncashed and not reissued; and
- \$2,224 in electronic campaign disbursements that were returned by the bank and never reissued.

Discussion with the PCFO determined the disbursements were not reissued due to oversights on the part of its finance staff.

As a result of returned and uncashed campaign disbursements not being reissued, charities did not receive \$15,230 in CFC receipts from the 2013 campaign.

### **Recommendation 2**

We recommend the OCFO and the LFCC instruct the PCFO to reissue \$15,230 in 2013 campaign distributions that were either returned or uncashed.

### **LFCC Response:**

*The LFCC agrees with our recommendation. The LFCC stated that the PCFO had reissued the outstanding check and it has since been cashed. All electronic disbursement returns have been resolved.*

### **OIG Comments:**

The OIG has confirmed that the reissued check has cleared. However, we did not receive supporting banking documentation to show that the reissued electronic disbursements were made and had cleared the bank. The PCFO will need to provide that support to the OCFC to confirm that all of the electronic disbursement returns were indeed resolved.

# APPENDIX

October 20, 2016

[REDACTED]  
Group Chief, Special Audits Group  
Office of the Inspector General  
U.S. Office of Personnel Management  
Washington, DC 20415

Re: Management Response to Draft Report 3A-CF-00-16-036, "Limited Scope Audit of the 2013 through 2015 National Capital Area Combined Federal Campaigns"

Dear [REDACTED]:

Thank you for the opportunity to review and comment on this draft report. The Local Federal Coordinating Committee (LFCC) appreciates the U.S. Office of Personnel Management (OPM) Office of Inspector General's (OIG) work in planning and conducting its audit and issuing this report.

The LFCC and the Principal Combined Fund Organization (PCFO) for the 2013 through 2015 National Capital Area Combined Federal Campaigns (CFC) campaigns are pleased to note the OIG's overall positive conclusion that the expenses, receipts, and disbursements for these campaigns complied with Federal regulations, except for two very minor instances which have already been corrected. The LFCC and PCFO take seriously the CFC mission to promote and support philanthropy through a program that is employee focused, cost-efficient, and effective in providing federal employees the opportunity to improve the quality of life for all. Both the LFCC and PCFO are extremely proud to have raised more than \$147 million during these campaigns to support worthy causes.

The draft report contained two recommendations with which the LFCC and PCFO concur. Attached find our detailed response to the recommendations. Again, thank you for the opportunity to review and comment on this draft report. Please feel free to contact me if you have any questions. I can be reached at [REDACTED].

Sincerely,

*(Signed)*

[REDACTED]  
Chairperson  
Local Federal Coordinating Committee

Attachment

Report No. 3A-CF-00-16-036

**Attachment: LFCC Management Response to the Recommendations  
Contained in Draft Report (3A-CF-00-16-036)**

The OPM OIG recommended that the OPM Office of Combined Federal Campaigns (OCFC) and the LFCC instruct the PCFO to:

**Recommendation 1:** Disburse \$155,036 to charities participating in the 2014 Combined Federal Campaign.

**Response:** Concur. On August 11, 2016, the PCFO transferred \$155,035.51 from the Calendar Year (CY) 2013 Campaign Account to the CY 2014 Campaign Account, for subsequent disbursement to eligible charities, as appropriate.

**DELETED BY OIG  
NOT RELEVANT TO THE FINAL REPORT**

**Recommendation 2:** Instruct the PCFO to reissue \$15,230 in 2013 campaign distributions that were either returned or uncashed.

**Response:** Concur. The PCFO has taken the following actions concerning the four individual check/automated clearing house (ACH) distributions totaling \$15,230 that were either returned or uncashed:

- On May 8, 2015, a check for \$13,005.54 was issued to the Red Cross as part of a CY 2013 special distribution. This check was subsequently cashed and cleared the bank on July 13, 2016.
- On October 13, 2016, an ACH payment was submitted through the banking system for direct deposit into a Fighters for Freedom account.
- On October 17, 2016, a check for \$22.74 was reissued to the DW Green Institute Inc., which has asked the PCFO to hold the check for pickup.
- On October 17, 2016, a check for \$1,200.13 was reissued to the Diabetes Research Assistance Fund, however, the PCFO does not have any current contact information available for this recipient. The PCFO has contacted the OCFC for guidance and was told to distribute the amount as undesignated funds in the next regular CFC disbursement, once follow-up protocols have been satisfied. The PCFO has satisfied the follow-up protocols and will distribute the funds as OPM directed.

**DELETED BY OIG  
NOT RELEVANT TO THE FINAL REPORT**

Report No. 3A-CF-00-16-036



## **Report Fraud, Waste, and Mismanagement**

Fraud, waste, and mismanagement in Government concerns everyone: Office of the Inspector General staff, agency employees, and the general public. We actively solicit allegations of any inefficient and wasteful practices, fraud, and mismanagement related to OPM programs and operations. You can report allegations to us in several ways:

**By Internet:** <http://www.opm.gov/our-inspector-general/hotline-to-report-fraud-waste-or-abuse>

**By Phone:** Toll Free Number: (877) 499-7295  
Washington Metro Area: (202) 606-2423

**By Mail:** Office of the Inspector General  
U.S. Office of Personnel Management  
1900 E Street, NW  
Room 6400  
Washington, DC 20415-1100

-- CAUTION --

This report has been distributed to Federal officials who are responsible for the administration of the subject program. This non-public version may contain confidential and/or proprietary information, including information protected by the Trade Secrets Act, 18 U.S.C. § 1905, and the Privacy Act, 5 U.S.C. § 552a. Therefore, while a redacted version of this report is available under the Freedom of Information Act and made publicly available on the OIG webpage (<http://www.opm.gov/our-inspector-general>), this non-public version should not be further released unless authorized by the OIG.

Report No. 3A-CF-00-16-036