



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

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# Final Audit Report

Subject:

**AUDIT OF THE 2010 AND 2011  
ATLANTIC COAST  
COMBINED FEDERAL CAMPAIGNS  
BOYNTON BEACH, FLORIDA**

Report No. 3A-CF-00-13-049

Date: February 3, 2014

--CAUTION--

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## AUDIT REPORT

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for Audits

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## EXECUTIVE SUMMARY

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### AUDIT OF THE 2010 AND 2011 ATLANTIC COAST COMBINED FEDERAL CAMPAIGNS BOYNTON BEACH, FLORIDA

**Report No. 3A-CF-00-13-049**

**Date: February 3, 2014**

The Office of the Inspector General has completed an audit of the 2010 and 2011 Atlantic Coast Combined Federal Campaigns (CFC). The United Way of Palm Beach County, located in Boynton Beach, Florida, served as the Principal Combined Fund Organization (PCFO) during both campaigns. Our main objective was to determine if the Atlantic Coast CFC was in compliance with Title 5, Code of Federal Regulations, Part 950 (5 CFR 950), including the responsibilities of both the PCFO and the Local Federal Coordinating Committee (LFCC). The audit identified eight instances of non-compliance with the regulations (5 CFR 950) governing the CFC and questions \$1,381.

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 for the 2010 campaign did not perform its review in accordance with the requirements of the Audit Guide.

## BUDGET AND CAMPAIGN EXPENSES

- **Unallowable Campaign Expenses** **\$1,381**

The PCFO charged the 2011 campaign \$1,381 in unallowable expenses.

- **Employee Salary and Benefit Expenses** **Procedural**

The PCFO did not properly track or account for its employee salary and benefit expenses that were charged to the CFC.

- **PCFO Application Missing Required Statements** **Procedural**

The LFCC accepted and approved the PCFO's application for the 2009 through 2011 campaigns even though it included incomplete statements required by federal regulations.

- **Authorization of Campaign Expense Reimbursement** **Procedural**

The PCFO's campaign expense reimbursement was not authorized by the LFCC.

## CAMPAIGN RECEIPTS AND DISBURSEMENTS

- **Pledge Form Errors** **Procedural**

We identified two pledge form errors where the PCFO recorded the wrong information.

- **Unauthorized One-Time Disbursements** **Procedural**

The PCFO made one-time disbursements to 14 organizations and federations that received designations greater than the amount authorized by the LFCC.

## ELIGIBILITY

- **Missing Local Applications** **Procedural**

The PCFO could not locate two of the local federation applications that we selected for review.

## PCFO AS A FEDERATION

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

## **FRAUD AND ABUSE**

Our review of the PCFO's 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 and conclusions resulting from our audit of the 2010 and 2011 Atlantic Coast 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; consulting with federated groups on the operation of the local campaign; and 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.

The previous audit of the Atlantic Coast CFC, which covered the 2001 campaign, was not considered when planning for this audit due to its age.

The initial results of our current audit were discussed with PCFO and LFCC officials during an exit conference held on June 27, 2013. A draft report was provided to the PCFO and the LFCC for review and comment on September 30, 2013. The PCFO's and the LFCC's responses to the draft report were considered in preparation of this final report and are included as Appendices.



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

### **OBJECTIVES**

The primary purpose of our audit was to determine if the Atlantic Coast 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 the appropriate commercial loan was used.
- To determine if expenses charged to the campaign were actual, reasonable, did not exceed 110 percent of the approved budget, and were properly allocated.

#### Campaign Receipts and Disbursements

- To determine if the 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 if 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.

#### PCFO as a Federation

- To determine if the amounts received by the PCFO as a federation reconciled to those disbursed by the CFC; if the PCFO properly distributed funds to its federation members;

if expenses charged by the PCFO (to its federation members) were documented properly; and if the disbursements made to the federation members were accurate.

Fraud and Abuse

- 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. The United Way of Palm Beach County (UWPBC), located in Boynton Beach, Florida, served as the PCFO during both campaigns. The audit fieldwork was conducted at the PCFO’s office from June 24 through 28, 2013. Additional audit work was completed at our Cranberry Township, Pennsylvania, and Washington, D.C. offices.

The Atlantic Coast 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	\$2,420,892	\$2,254,288	\$346,021
2011	\$2,507,102	\$2,302,314	\$331,378

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 properly documented.

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 included 62 transactions totaling \$81,819 (from a universe of 282 transactions totaling \$331,378) that were charged to the 2011 CFC. Specifically, we judgmentally selected 34 transactions, totaling \$53,987, based on highest dollar amounts, and we selected 28 transactions, totaling \$27,831, based on past auditor experience. We reviewed the sample to ensure that it included at least five allocated expenses.
- Reviewed the LFCC meeting minutes and verified that the LFCC authorized the PCFO's reimbursement of campaign expenses.
- Compared actual expenses to budgeted expenses to determine if they 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 sample of 76 pledge forms, totaling \$15,412, out of a universe of 10,609 pledge forms, totaling \$2,507,102, from the PCFO's 2011 campaign pledge form detail schedule and compared the pledge information from the schedule to the actual pledge forms. Specifically, we judgmentally selected this sample by picking the first pledge form from the PCFO's pledge form detail schedule and then selected every 141<sup>st</sup> pledge thereafter (10,609/75). We verified that our sample included all types of donations (i.e., cash, designated funds, and undesignated funds) and at least five pledge forms where the donor chose to release their personal information.
- Distribution checks for a sample of 10 federations and organizations, totaling \$709,733, out of a universe of 295 federations and organizations, totaling \$1,969,305, to verify that the appropriate amount was distributed in a timely manner. We judgmentally selected this sample based on the highest paid local federation, the PCFO as a local federation, and the

two highest paid charities from each of the following categories; local organizations, national federations, national organizations, and international organizations.

- 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.
- A sample of 5 pledge notification and donor letters (from a universe of 295) to verify that the PCFO accurately notified the organizations of the amounts due to them and properly released the donor information by the date required by the federal regulations. We judgmentally selected this sample by picking the first five organizations that received designations from donors wishing to release their personal information.
- 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 applications (from a universe of 62 local organization applications) to determine if the organizations met the federal requirements for participating in the CFC and if the LFCC sent the eligibility letters by the date required by the federal regulations. We judgmentally selected this sample based on the first five local federations (including the PCFO as a federation) and the first five local independent organizations listed alphabetically.
- 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.

To determine if the PCFO was in compliance with the CFC regulations as a federation (UWPBC) for the 2011 campaign, we reviewed the following:

- Data reported on the CFC Receipts Schedule, with supporting documentation, to verify that receipts were properly recorded.
- The CFC Distribution Schedule to ensure that the UWPBC did not disburse any funds to member agencies not participating in the CFC.
- Distribution checks for a sample of 6 federation member agencies, totaling \$2,374, out of a universe of 28 federation member agencies, totaling \$32,412, to verify that the appropriate amount was distributed in a timely manner. We judgmentally selected this sample by picking the first member agency in alphabetical order and then every fifth member agency thereafter.
- The UWPBC's annual report and agreements with its member agencies to determine if member fees were reasonable and supported.

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

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

### **III. AUDIT FINDINGS AND RECOMMENDATIONS**

#### **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 AUPs for 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 950 and OPM guidance.

We reviewed the IPA's work papers and audit report to determine if it followed all of the AUPs required by the Audit Guide and if the findings were properly reported. During our review, we noted one deficiency related to one-time disbursements where the IPA failed to identify and report as a finding nine organizations that received one-time disbursements with designations over \$1,000.

"Receipts and Disbursement of Funds" Step 7, required the IPA to determine if all one-time disbursements were for pledge amounts below the LFCC approved ceiling and report as a finding all instances where one-time disbursements were made for pledge amounts above the LFCC approved ceiling. The LFCC approved one-time disbursements to organizations that received designations of less than \$1,000.

The IPA failed to report this as a finding because it thought one-time disbursements were based on disbursements net of expenses and not gross designations (pledge amounts).

Because the IPA misunderstood the AUPs for reviewing one-time disbursements and failed to report this as a finding, the PCFO continued its practice of issuing one-time disbursements based on the net amount of funds received instead of the amount pledged to the organization.

##### **Recommendation 1**

We recommend that the OCFC direct the LFCC to meet with the IPA prior to and during the audit to discuss the AUPs, encourage the IPA to ask questions, and ensure that the IPA fully understands its duties.

##### **LFCC Comments:**

The LFCC agrees with this recommendation and stated that it will meet with the IPA to ensure that it fully understands the CFC regulations and encourage it to ask questions if necessary.

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

### **1. Unallowable Campaign Expenses**

**\$1,381**

The PCFO charged the 2011 campaign \$1,381 for unallowable expenses.

OPM's Directive Prohibiting the Approval of Costs Incurred for Meals and Entertainment, dated March 28, 2012, emphasized that past guidance did not authorize the expenditure of funds for meals served as a convenience to members of the LFCC, the PCFO, loaned executives, or CFC volunteers.

Additionally, 5 CFR 950.106(b) states that the PCFO may only recover campaign expenses from receipts collected for that campaign, and 5 CFR 950.105(b) states that 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.

We reviewed a sample of campaign expenses charged to the 2011 campaign to determine if the expenses were actual, reasonable, properly allocated, and supported. Our review of the PCFO's expenses and supporting documentation identified the following unallowable expenses:

- Three expenses, totaling \$731, were for meals at CFC training events. The PCFO explained that these meals were charged to the CFC in the past and approved by the LFCC. It also considered the food and beverage costs to be beneficial to the campaign since it kept the trainees on-site and allowed the training to restart on time.
- One expense in the amount of \$650 was for tickets to a sporting event. The LFCC purchased the tickets as an award for the two federal agencies that solicited the greatest amount of CFC funds for the 2010 campaign and then submitted an invoice to the PCFO for reimbursement from the 2011 campaign. While the expense itself was generally considered an allowable expense by PCFOs and LFCCs prior to OPM's Directive, the PCFO should not have been reimbursed using 2011 campaign funds since it related to the 2010 campaign. However, since the 2010 campaign is closed, we will not ask that this expense be reimbursed.

As a result of charging unallowable expenses to the 2011 campaign, \$1,381 was not disbursed to the organizations and federations participating in the CFC.

### **Recommendation 2**

We recommend that the OCFC direct the PCFO to distribute \$731 as undesignated funds to the charities participating in the 2012 campaign.

### **LFCC Comments:**

The LFCC agrees with this recommendation and stated that it will request documentation from the PCFO that shows the amounts have been distributed as undesignated funds to the 2012 campaign.

### **PCFO Comments:**

The PCFO disagrees with this recommendation and stated that the expenses in question were incurred prior to the issuance of the memo from the OPM Director regarding the prohibition of expenses on food and entertainment.

### **OIG Comments:**

We acknowledge the PCFO's comments. However, as stated in the finding, OPM's Directive emphasized that past guidance did not authorize the expenditure of funds for meals served as a convenience to members of the LFCC, the PCFO, loaned executives, or CFC volunteers. Therefore, the meal expenses, totaling \$731, were unallowable since they were served as a convenience to members of the LFCC, the PCFO, loaned executives, or CFC volunteers.

### **Recommendation 3**

We recommend that the OCFC and LFCC verify that the PCFO has implemented policies and procedures to ensure that the CFC expenses are allocated to the campaign period to which they relate and not merely to the campaign during which they were incurred.

### **PCFO and LFCC Comments:**

The PCFO and LFCC agree with the recommendation. The PCFO stated that it has instituted a review process to ensure that expenses are charged to the correct period. Additionally, the LFCC stated that it will follow-up with the PCFO to ensure that the issue is not repeated in the future.

## **2. Employee Salary and Benefit Expenses**

### **Procedural**

The PCFO charged the campaign its budgeted expense for employee salaries and benefits. Additionally, the PCFO estimated the full amount based on a calendar year instead of allocating the proportionate share to each campaign.

CFC Memorandum 2006-5 part D states, "Final expenses charged to the campaign for all categories must equal the actual amount of expenses incurred through direct invoiced costs and the allocated expenses based on actual incurred amounts, **not the budgeted expense.**"



Additionally, 5 CFR 950.106 states that (a) the PCFO shall recover from the gross receipts of the campaign its expenses reflecting the actual costs of administering the campaign and (b) the PCFO may only recover campaign expenses from receipts collected for that campaign period.

We reviewed a sample of campaign expenses charged to the 2011 campaign to determine if the expenses were actual, reasonable, properly allocated, and supported. Our review of the employees' salary and benefit expenses found that the PCFO was not tracking the amount of time its employees worked on each campaign. Instead, it charged the full amount of the employees' salaries and benefits that were approved by the LFCC in its campaign budget, which was based on a full calendar year instead of allocating it among the active campaigns.

Each campaign period spans approximately 27 months. As an example, the 2011 campaign began with PCFO activities in January 2011, had a campaign solicitation period from September to December 2011, and disbursed funds from January 2012 through March 2013. As a result of this extended campaign period, there could be up to three campaigns incurring administrative expenses at the same time.

Because the PCFO did not track its employees' salaries and benefits based on the actual time spent working on each campaign, the accuracy of the administrative expenses could not be verified and funds from other campaigns were used to reimburse the PCFO.

#### **Recommendation 4**

We recommend that the OCFC and LFCC ensure that the PCFO implements a payroll time-tracking system to track its employees' time spent working on each active campaign.

#### **PCFO's Comments:**

The PCFO agrees with this recommendation and stated that it has implemented a payroll time tracking system that will track each employee's work on CFC activities by campaign.

#### **Recommendation 5**

We recommend that the OCFC ensures that the LFCC reviews the PCFO's expense for employee salaries and benefits to verify that the amounts are based on the actual time spent working on each campaign.

#### **LFCC Comments:**

The LFCC agrees with this recommendation and stated that it will request regular written activity reports from the PCFO to assist it in verifying that the salary and benefit expense

charged to future campaigns is based on actual costs and is related to the campaign in question.

### 3. PCFO Application Missing Required Statements

### Procedural

The LFCC chose the UWPBC as the PCFO for a multi-year agreement (2009 through 2011) even though the PCFO's signed application contained incomplete statements required by federal regulations.

5 CFR 950.105(c)(2) states that any organization wishing to be selected as the PCFO must submit an application that includes a statement signed by the applicant's local director or equivalent pledging to:

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

Prior to the start of the 2009 campaign, the PCFO and LFCC entered into a multi-year agreement for the PCFO to administer the 2009 through 2011 campaigns. The objectives of our audit included a review of the PCFO's application to ensure that it was complete, included all of the signed statements pledging to administer the campaign according to federal regulations, and that it was submitted to the LFCC by the deadline listed in the public notice soliciting PCFO applications.

We reviewed the PCFO's application to ensure that it was signed by an appropriate official and it contained all of the required language per 5 CFR 950.105(c). During our review, we found that the application language contained incomplete statements when compared to the federal regulations. Specifically,

1. The first statement was missing the word “administer”.
2. The second statement was missing the language, “such as training, kick-off and other events, and fiscal operations, such as banking, auditing, reporting and distribution.”
3. The third statement was missing the word, “directions”.

The PCFO stated that the incomplete language in the application was an oversight. The PCFO has modified and updated the language used in the PCFO application to correct the issue going forward. The LFCC accepted the application because it believed the language conveyed the same meaning and message as the language within the federal regulations.

As a result of selecting a PCFO application with incomplete statements, the PCFO never pledged its commitment to administer the campaign according to federal regulations and never fully understood its responsibilities.

#### **Recommendation 6**

We recommend that the OCFC and LFCC require the PCFO to resubmit its 2012 and 2013 applications with signed statements that match the exact language required by 5 CFR 950.105(c).

#### **PCFO Comments:**

The PCFO agrees with this recommendation and will resubmit the 2012 and 2013 applications using the exact language specified by the regulations.

#### **Recommendation 7**

We recommend that the OCFC ensures that the LFCC reviews the PCFO applications for completeness and verifies that all of the required language is included and accurate before selecting a PCFO to administer the CFC.

#### **LFCC Comments:**

The LFCC agrees with this recommendation and stated that it has requested the OCFC to provide it with training on this issue.

#### **4. Authorization of Campaign Expense Reimbursement Procedural**

The PCFO's campaign expense reimbursement was not authorized by the LFCC.

5 CFR 950.104(b)(17) states that it is the responsibility of the LFCC to authorize the PCFO's reimbursement of only those campaign expenses that are legitimate CFC costs and are adequately documented.

Additionally, CFC Memorandum 2008-09 states that the approval of actual expenses by the LFCC is separate from the approval of the expense budget. The LFCC must review actual expenses, authorize full or partial reimbursement, and document this authorization in its meeting minutes.

We reviewed the LFCC meeting minutes to determine if the PCFO's 2011 campaign expense reimbursement was authorized by the LFCC. We found that the meeting minutes documented the budgetary items and individual expenses that were presented for review, but the LFCC never authorized the total reimbursement amount.

After discussions with both the LFCC and the PCFO, we found that they were both under the impression that only the budgeted expense amount needed approval and the PCFO

could reimburse itself for all expenses that didn't exceed the budget. They were not aware that the PCFO needed the LFCC's authorization to take a full or partial reimbursement of campaign expenses.

Because the LFCC and the PCFO failed to follow the proper authorization procedures for campaign expense reimbursements, the PCFO could have been reimbursed for an amount that exceeds the actual and allowable expenses incurred for each campaign. Additionally, because the PCFO never requested authorization for the reimbursement amount, the LFCC was limited in its ability to provide oversight of the CFC.

**Recommendation 8**

We recommend that the OCFC ensures that the LFCC review and authorize all of the PCFO's campaign expense reimbursements prior to any funds being removed from the CFC.

**LFCC Comments:**

The LFCC agrees with this recommendation and stated that it has requested the OCFC to provide it with training on this issue.

**Recommendation 9**

We recommend that the OCFC and LFCC verify that the PCFO implements procedures to submit the full or partial reimbursement amounts to the LFCC for approval prior to taking campaign funds.

**PCFO Comments:**

The PCFO agrees with this recommendation and stated that it will provide the LFCC with monthly financial reports and will begin to submit requests to the LFCC to approve the reimbursement of actual expenditures in the future.

**C. CAMPAIGN RECEIPTS AND DISBURSEMENTS**

**1. Pledge Form Errors**

**Procedural**

We identified two pledge form errors where the PCFO recorded the wrong information.

5 CFR 950.105(d)(1) states that it is the responsibility of the PCFO to honor employee designations.

We reviewed a sample of 76 pledge forms to determine if the information on the forms matched the PCFO's 2011 campaign pledge form detail schedule. Specifically, we verified the donor names, charity codes, amounts donated, total amounts, and the donor's choice to release their personal information. During our review, we identified two pledge

forms where the information did not match the PCFO's pledge tracking database. Specifically, we identified the following errors:

- We identified one pledge form where the donor wished to release his name and the amount of the donation to the designated charity but the PCFO failed to record this information in its database; and
- We identified one pledge form where the donor's name on the pledge form did not match the name recorded in the PCFO's pledge tracking database.

The PCFO stated that these were data entry errors where the pledge processor either did not check the appropriate release fields or confused one donor's name with another.

As a result of these two mistakes, the donor's wishes were not met, and the wrong identity could have been sent to charities for recognition.

### **Recommendation 10**

We recommend that the OCFC and LFCC verify that the PCFO institutes quality assurance procedures to help ensure the accuracy of its pledge form data entries.

### **PCFO Comments:**

The PCFO agrees with this recommendation and stated that it will supplement its quality assurance procedures to help ensure the accuracy of the pledge form data entry process.

## **2. Unauthorized One-Time Disbursements**

## **Procedural**

The PCFO made one-time disbursements to 14 organizations and federations that received designations above the amount authorized by the LFCC.

5 CFR 950.901(i) states that the LFCC must authorize and determine the amount of one-time disbursements. The LFCC's meeting minutes, dated January 18, 2012, authorized one-time disbursement for organizations with designations of \$1,000 or less.

Additionally, CFC Memorandum 2008-09 states that the sum of the designations (gross pledges) determines whether an organization is subject to a one-time disbursement.

We reviewed one-time disbursements made by the PCFO to determine if it properly calculated pledge loss and disbursed funds in accordance with the ceiling amount established by the LFCC. During our review of the 2011 campaign disbursements, we identified 14 organizations and federations that received one-time disbursements of \$1,000 or less but had designations greater than \$1,000. Additionally, we calculated the actual amount of pledge loss incurred by the 2011 campaign to determine how the organizations were affected by the application of pledge loss.

The PCFO agreed that these 14 disbursements were based on the amount of funds being distributed instead of the amount designated. It also stated that some of its employees were new hires and didn't know that the sum of designations determines if an organization or federation receives a one-time disbursement.

As a result of the PCFO not properly training its new employees or making them fully aware of the CFC regulations, the 14 organizations who received unauthorized one-time disbursements ended up with additional funds since the estimated pledge loss applied to one-time disbursements (7.59 percent) was lower than the actual pledge loss incurred by organizations receiving quarterly disbursements (8.25 percent). The additional funds received were considered immaterial.

### **Recommendation 11**

We recommend that the OCFC and LFCC verify that the PCFO only issues one-time disbursements to organizations and federations with designations below the amount authorized by the LFCC.

### **Recommendation 12**

We recommend that the OCFC and LFCC ensure that the PCFO staff fully understands the guidance and federal regulations applicable to the CFC, including how to determine whether an organization or federation receives a one-time disbursement.

### **PCFO Comments:**

The PCFO agrees with these recommendations and stated that it will begin issuing one-time disbursements to organizations with gross designations below the authorized threshold and will ensure that its staff fully understands the regulations applicable to one-time disbursements.

## **D. ELIGIBILITY**

### **1. Missing Local Applications**

### **Procedural**

The PCFO could not locate two of the local federation applications that we selected for review.

5 CFR 950.604 requires the PCFO to retain documents pertinent to the campaign for at least three completed campaign periods (i.e., 2011 campaign documentation must be retained through the 2014 campaign, ending with the final distribution in 2016).

As part of our audit, we reviewed a sample of five local federation applications and five independent organization applications to determine if they provided the required documentation to participate in the CFC and if the LFCC made accurate eligibility determinations once the applications were reviewed. When we requested the applications from the PCFO, it was unable to locate two of the local federation applications. After

reviewing the eligibility notification letters, we were able to confirm that these two local federations received approval to participate in the CFC, but we were unable to determine if their applications were complete or properly reviewed. The PCFO stated that the two applications were likely misplaced.

Because the PCFO could not locate two of the local federation applications, we were unable to complete our review to ensure that the appropriate documentation was provided and reviewed by the PCFO or LFCC for participation in the CFC.

### **Recommendation 13**

We recommend that the OCFC and LFCC verify that the PCFO retains documents pertinent to the campaign for at least three completed campaign periods as required by 5 CFR 950.604.

### **PCFO Comments:**

The PCFO agrees with this recommendation and stated that it has implemented filing and storage procedures to improve record keeping and retention.

## **E. PCFO AS A FEDERATION**

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

## **F. FRAUD AND ABUSE**

Our review of the PCFO's 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

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██████████, Group Chief, ██████████

██████████, Senior Team Leader





## ATLANTIC COAST COMBINED FEDERAL CAMPAIGN

*Serving Broward, Indian River, Martin, Miami-Dade, Monroe, Okeechobee, Palm Beach, and St. Lucie Counties*

### **PCFO Response to IG Draft Report No. 3A-CF-00-13-049 Audit of 2010 and 2011 Atlantic Coast Combined Federal Campaign**

Received on September 30, 2013  
Response Date: October 30, 2013  
Revision: November 12, 2013

Campaign Name: Atlantic Coast Combined Federal Campaign (CFC)  
CFC Code: 0189  
Local Federal Coordinating Committee (LFCC) Chair: W. Kevin Farmer  
Executive Director of FEB/ LFCC Vice Chair: [REDACTED]  
Principal Combined Fund Organization (PCFO): United Way of Palm Beach County  
Interim Chief Executive Officer: Laura George

The PCFO would like to thank [REDACTED], Auditor-In-Charge, and other members of the Office of the Inspector General (OIG) for their help and guidance through the CFC compliance audit process. The collegiality and responsiveness of the OIG team made our experience a very positive one and it allowed us to progress through the audit process efficiently.

Our responses to the audit report for the 2010 and 2011 Atlantic Coast Combined Federal Campaign are as follows:

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Not Relevant to the Final Report**

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

##### **1. Unallowable Campaign Expenses - \$1,381**

The PCFO charged the 2011 campaign four unallowable expenses totaling \$1,381.

**Expense 1 of 4:** an amount of \$650 was charged for tickets to a sporting event in the wrong campaign year.





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**PCFO Response:** PCFO concurs with the IG's recommendation.

**Corrective Action Plan:** The PCFO has implemented a review process to identify and charge expenses to the correct campaign period.

**Expense 2, 3 & 4:** unallowable expenses of \$731 were charged for meals at 3 CFC training events.

**PCFO Response:** PCFO disagrees that the \$731 should be reimbursed through the unrestricted pool of the 2012 campaign and respectively request your concurrence.

**Reason:** These expenses took place prior to the receipt of the memo from the OPM Director on March 28, 2012 regarding the prohibition of expenses on food and entertainment.

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Not Relevant to the Final Report**

### **2. Employee Salary and Benefit Expenses**

The PCFO charged the campaign the budgeted expense for employee salaries and benefits instead of allocating these expenses based on the actual costs incurred. Accordingly, the PCFO did not track its employees' salaries and benefits based on the actual time spent working on each campaign. Additionally, the PCFO charged all salary and benefit costs in the year incurred, not to the campaign benefited.

**PCFO Response:** PCFO concurs with the IG's recommendations.

**Corrective Action Plan:** PCFO has implemented a time-tracking system for payroll which is now tracking each employee's time on CFC business and correspondingly, business unrelated to CFC. PCFO will modify its time and attendance system to capture multiple active campaigns.





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#### 3. PCFO Application Missing Required Statements.

The finding indicates that incomplete language was used in the 2011 PCFO application.

**PCFO Response:** PCFO concurs with the IG's recommendations.

**Corrective Action Plan:** PCFO will resubmit 2012 and 2013 applications and submit all future applications to the LFCC with signed statements using the exact language specified in the regulations.

#### 4. Authorization of Campaign Expense Reimbursement

The finding indicates that the PCFO's total campaign expense reimbursement was not authorized by the LFCC.

**PCFO Response:** PCFO concurs with the IG's recommendations.

**Corrective Action Plan:** PCFO will continue to provide monthly financial reports for the LFCC to review and will begin to submit a request to the LFCC to approve the transfer of actual expenditures from CFC funds before doing so.

### C. CAMPAIGN RECEIPTS AND DISBURSEMENTS

#### 1. Pledge Form Errors

The finding indicates that there were 2 pledge form errors where the PCFO recorded the wrong information.

**PCFO Response:** PCFO concurs with the IG's recommendations.

**Corrective Action Plan:** PCFO will supplement quality assurance procedures to help ensure the accuracy of the pledge form data entry process.

#### 2. Unauthorized One-Time Disbursements

The PCFO made one-time disbursements to 14 organizations and federations that received designations above the amount authorized by the LFCC.

**PCFO Response:** PCFO concurs with the IG's recommendations.





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**Corrective Action Plan:** PCFO will begin to issue one-time disbursements to organizations and federations with designations below the “gross” amount authorized by the LFCC. PCFO will ensure that all staff fully understands the regulations applicable to the CFC one-time disbursements.

### **D. ELIGIBILITY**

#### **1. Missing Local Applications**

The PCFO could not locate two of the local federation applications that the IG selected for review.

**PCFO Response:** PCFO concurs with the IG’s recommendations.

**Corrective Action Plan:** PCFO will retain documents pertinent to the campaign for at least 3 completed campaign periods as required by 5 CFR 950.604 and it has implemented filing and storage procedures to improve record keeping and retention.





# ATLANTIC COAST COMBINED FEDERAL CAMPAIGN

*Serving Broward, Indian River, Martin, Miami-Dade, Monroe, Okeechobee, Palm Beach, and St. Lucie Counties*

*Laura George*

\_\_\_\_\_  
Laura George, Interim CEO

*11/21/13*

\_\_\_\_\_  
Date

*Mark Erickson*

\_\_\_\_\_  
Mark Erickson, CFO

*11/21/13*

\_\_\_\_\_  
Date

\_\_\_\_\_  
[Redacted Name]

\_\_\_\_\_  
Vice President, Resource Development

*11/21/13*

\_\_\_\_\_  
Date

\_\_\_\_\_  
[Redacted Name]  
\_\_\_\_\_  
[Redacted Name], CFC Director

*11/21/13*

\_\_\_\_\_  
Date





## ATLANTIC COAST COMBINED FEDERAL CAMPAIGN

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November 15, 2013

██████████, Group Chief  
U.S. Office of Personnel Management  
Office of the Inspector General  
Special Audits Group  
Washington, D.C. 20415

Campaign Name: Atlantic Coast CFC  
CFC Code: 0189

Dear ██████████,

Thank you for providing the Atlantic Coast CFC's Local Federal Coordinating Committee (LFCC) with an opportunity to review your draft report entitled *Audit of the 2010 and 2011 Atlantic Coast Combined Federal Campaigns, Boynton Beach, Florida* (3A-CF-00-13-049), dated September 27, 2013. On behalf of the LFCC members, we agree with the findings, conclusions, and recommendations of the report.

To address the findings and recommendations identified in the draft report, we have requested training from the Office of Combined Federal Campaign for our LFCC members and we plan to send a letter to the PCFO directing them to make the identified corrections and requesting documentation on the required changes. Please see the attached document for the specific corrective actions we plan to implement.

The Atlantic Coast LFCC values the OIG's insight as we continue our efforts to safeguard the integrity of and funds entrusted to the campaign. Should you have any questions or need additional information, please feel free to contact me.

Sincerely,

████████████████████  
W. Kevin Farmer  
LFCC Chairperson  
██████████

cc: ██████████  
Office of the Combined Federal Campaign



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### LFCC Proposed Corrective Actions

**Recommendation 1:** We recommend that the LFCC meet with the IPA prior to and during the audit to discuss the AUPs, encouraging the IPA to ask questions, and ensure that the IPA fully understands the CFC and its regulations so that it may complete the audit steps accurately.

*LFCC Comment:* The LFCC agrees with this recommendation. We will meet with the IPA to ensure that they fully understand CFC regulations. We will also provide them with LFCC members contact information so that they can reach out to us if there are questions.

**Recommendation 2:** We recommend that the OCFC and the LFCC require the PCFO to institute accounting procedures to ensure that CFC expenses are allocated to the campaign period to which they relate and not merely to the campaign during which they were incurred.

*LFCC Comment:* The LFCC agrees with this recommendation. **(Deleted by the OIG – Not Relevant to the Final Report)** We will also request copies of any new accounting procedures or an explanation of what changes they made to their current procedures to ensure that this issue is not repeated.

**Recommendation 3:** We recommend that the OCFC direct the PCFO to distribute \$731 as undesignated funds to the charities participating in the 2012 campaign.

*LFCC Comment:* The LFCC agrees with this recommendation. We will require the PCFO to provide documentation to show that the funds have been distributed as undesignated to charities participating in the 2012 campaign.

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Not Relevant to the Final Report**

**Recommendation 5:** We recommend that the LFCC verify that the PCFO's expense for employee salaries and benefits is based on actual costs incurred for each campaign prior to authorizing the PCFO's expense reimbursement.

*LFCC Comment:* The LFCC agrees with this recommendation. We will be sending the PCFO a letter directing them to institute a timecard system that tracks the amount of time each PCFO/CFC employee worked as well which of the three campaigns they worked on during the time period. In addition, we will be requesting a regular (weekly/biweekly/monthly) written



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activity report on what work was accomplished by all individuals paid by the campaign. We will use this information to verify the expense reimbursement.

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Not Relevant to the Final Report**

**Recommendation 7:** We recommend that the OCFC ensures that the LFCC review the PCFO applications for completeness, and verifies that all of the required language is included and accurate before selecting a PCFO to administer the CFC.

*LFCC Comment:* The LFCC agrees with this recommendation. The LFCC has submitted a request to OCFC to provide our members training on this issue.

**Recommendation 8:** We recommend that the OCFC ensure that the LFCC understand its responsibility to review and authorize all of the PCFO's campaign expense reimbursements prior to any funds being removed from the CFC.

*LFCC Comment:* The LFCC agrees with this recommendation. The LFCC has submitted a request to OCFC to provide our members training on this issue.

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Not Relevant to the Final Report**