



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

Final Audit Report

Subject:

**AUDIT OF THE 2006 AND 2007
VOLUSIA-FLAGLER-PUTNAM
COMBINED FEDERAL CAMPAIGNS
DAYTONA BEACH, FLORIDA**

Report No. 3A-CF-00-09-039

Date: December 17, 2009

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UNITED STATES OFFICE OF PERSONNEL MANAGEMENT
Washington, DC 20415

Office of the
Inspector General

AUDIT REPORT

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A handwritten signature in black ink, appearing to read "Michael R. Esser".

Michael R. Esser
Assistant Inspector General
for Audits



UNITED STATES OFFICE OF PERSONNEL MANAGEMENT
Washington, DC 20415

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Inspector General

EXECUTIVE SUMMARY

**AUDIT OF THE 2006 AND 2007
VOLUSIA-FLAGLER-PUTNAM
COMBINED FEDERAL CAMPAIGNS
DAYTONA BEACH, FLORIDA**

Report No. 3A-CF-00-09-039

Date: December 17, 2009

The Office of the Inspector General has completed an audit of the 2006 and 2007 Volusia-Flagler-Putnam Combined Federal Campaigns (CFC). The United Way of Volusia-Flagler Counties (UWVFC), located in Daytona Beach, Florida, served as the Principal Combined Fund Organization (PCFO) during both campaigns. Our main objective was to determine if the Volusia-Flagler-Putnam CFC was in compliance with Title 5, Code of Federal Regulations, Part 950 (5 CFR 950), including the responsibilities of both the PCFO and Local Federal Coordinating Committee (LFCC). The audit identified 16 instances of non-compliance with the regulations (5 CFR 950) governing the CFC. As a result of our draft audit report which confirmed previous concerns of the Office of Combined Federal Campaign Operations (OCFCO), they merged the Volusia-Flagler-Putnam CFC with the Central Florida CFC mid-way through the 2008 campaign year.

BUDGET AND CAMPAIGN EXPENSES

- **PCFO Application and Campaign Budget**

The PCFO did not submit an application or campaign budget for the 2007 campaign as required by the Federal regulations.

- **Solicitation and Selection of the PCFO**

The LFCC did not publicly solicit for the position of PCFO for the 2007 CFC nor did it formally select the UWVFC as the PCFO or approve the budgeted expenses for the 2007 campaign.

- **Disbursement of CFC Funds from PCFO Account**

The PCFO inappropriately disbursed CFC funds from the PCFO's corporate checking account in violation of the Federal regulations.

- **Approval of PCFO Expense Reimbursement**

The PCFO did not submit a request for, nor did the LFCC approve, the reimbursement of 2007 campaign expenses.

CAMPAIGN RECEIPTS AND DISBURSEMENTS

- **Pledge Card Errors**

The PCFO incorrectly input pledge information or misinterpreted the donor's intentions on four pledge cards. Additionally, our review of the PCFO's policies and procedures related to pledge cards determined that it does not fully understand its responsibilities related to contacting donors regarding their designations.

- **One-Time Disbursement Approval**

The PCFO did not obtain approval from the LFCC to make one-time disbursements for the 2007 campaign.

- **Untimely CFC Disbursements**

The PCFO did not make initial or final disbursements for the 2007 campaign by the dates required by the OCFCO guidance and the Federal regulations.

- **Un-Cashed Check Procedures**

The PCFO's policies and procedures related to un-cashed checks do not include all of the steps required by CFC Memorandum 2006-5.

- **Designated and Undesignated Funds Notifications**

The PCFO did not send designated and undesignated funds notification letters to all agencies and federations for the 2007 campaign as required by the regulations. Additionally, the notifications sent were not sent by the required date and did not include all of the information required.

- **Donor Lists**

The PCFO did not send donor lists to all agencies and federations by the dates required by the Federal regulations. Additionally, the PCFO incorrectly released donor information to the agencies.

- **CFC Receipts Applied to the Wrong Campaign Year**

The PCFO did not apply all incoming CFC receipts to the correct campaign year.

- **Accounting for CFC Funds**

The PCFO did not provide a detailed reconciliation to support the transfer of funds from the CFC account to cover campaign expenses and charity distributions.

ELIGIBILITY

- **Local Eligibility Review Process**

The LFCC and PCFO did not account for all eligibility requirements in their review of local organization applications.

- **Local Application Acceptance Period**

The LFCC and PCFO did not maintain documentation to support that local organization applications for the 2007 campaign were accepted for at least 30 calendar days. Additionally, the PCFO limited the giving potential of the campaign by only extending invitations to past participants of the campaign.

- **Local Application Denials Not Sent via the Proper Method**

The LFCC and PCFO did not communicate local organization eligibility denials via the correct method for the 2007 campaign.

- **Local Eligibility Appeals Process**

The PCFO, not the LFCC as required by the Federal regulations, overturned two agency eligibility appeals for the 2007 campaign. Additionally, these decisions were not communicated to the appealing agencies using a proper method.

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I. INTRODUCTION AND BACKGROUND

Introduction

This report details the findings and conclusions resulting from our audit of the Volusia-Flagler-Putnam Combined Federal Campaigns (CFC) for 2006 and 2007. The audit was performed by the Office of Personnel Management's (OPM) Office of the Inspector General (OIG), as authorized by the Inspector General Act of 1978, as amended.

Background

The CFC is the sole authorized fund-raising drive conducted in Federal installations throughout the world. It consists of 260 separate local campaign organizations located throughout the United States, including Puerto Rico, the Virgin Islands, and Foreign assignments. The Office of Combined Federal Campaign Operations (OCFCO) at OPM has the responsibility for management of the CFC. This includes publishing regulations, memorandums, and other forms of guidance to Federal officials and private organizations to ensure that all campaign objectives are achieved.

CFC's are conducted by a Local Federal Coordinating Committee (LFCC) and administered by a Principal Combined Fund Organization (PCFO). The LFCC is responsible for organizing the local CFC, determining the eligibility of local voluntary organizations, selecting and supervising the activities of the PCFO, and acting upon any problems relating to a voluntary agency's noncompliance with the policies and procedures of the CFC. The PCFO is responsible for training employee key-workers and volunteers; preparing pledge cards and brochures; distributing campaign receipts; submitting to an extensive and thorough audit of its CFC operations by an Independent Certified Public Accountant (IPA) in accordance with generally accepted auditing standards; cooperating fully with OIG audit staff during audits and evaluations; responding in a timely and appropriate manner to all inquiries from participating organizations, the LFCC, and the Director of OPM; and consulting with federated groups on the operation of the local campaign.

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

This report represents the results of the first audit of the Volusia-Flagler-Putnam CFC.

The initial results of our audit were discussed with PCFO and LFCC officials during an exit conference held on June 5, 2009. A draft report was provided to the PCFO and the LFCC on August 13, 2009, for review and comment. As a result of the numerous findings identified in the draft report which confirmed previous concerns of the OCFCO, they merged the Volusia-Flagler-Putnam CFC with the Central Florida CFC mid-way through the 2008 campaign year.

Therefore, the PCFO and LFCC did not provide comments to the draft report. However, they did indicate support for the merger of the campaign.

II. OBJECTIVES, SCOPE, AND METHODOLOGY

OBJECTIVES

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

Eligibility

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

Budget and Campaign Expenses

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

Campaign Receipts and Disbursements

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

PCFO as a Federation

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

Additionally, our audit objective for the 2006 campaign was:

Audit Guide Review

- To determine if the IPA completed the Agreed-Upon Procedures (AUP) as outlined in the CFC Audit Guide (For Campaigns with Pledges Less than \$150,000) for the 2006 campaign.

SCOPE AND METHODOLOGY

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

The audit covered campaign years 2006 and 2007. The United Way of Volusia-Flagler Counties (UWVFC), located in Daytona Beach, Florida, served as the PCFO during both campaigns. The audit fieldwork was conducted at the offices of the PCFO from June 1, 2009 through June 5, 2009. Additional audit work was completed at our Washington, D.C. office.

The Volusia-Flagler-Putnam CFC received campaign pledges, collected campaign receipts, and incurred campaign administrative expenses for the 2006 and 2007 campaigns as shown below:

Campaign Year	Total Pledges	Total Receipts	Administrative Expenses
2006	\$33,375	\$21,392	\$7,645
2007	\$43,271	\$33,499	\$4,276

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

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

In order to determine that the LFCC and PCFO were in compliance with CFC regulations in regards to eligibility for the 2007 campaign, we reviewed the following:

- The public notice to prospective charitable organizations to determine if the LFCC accepted applications from organizations for at least 30 days.
- The process and procedures for the application evaluation process.
- Sample eligibility letters to verify they were properly sent by the LFCC.
- The LFCC's processes and procedures for responding to appeals from organizations.

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

- Reviewed the PCFO application to verify if it was complete.
- Reviewed a copy of the public notice to prospective PCFOs and LFCC meeting minutes to verify that the PCFO was selected timely.
- Traced and reconciled amounts on the PCFO's Schedule of Actual Expenses to the PCFO's general ledger.
- Reviewed supporting documentation for all expense transactions for the campaign to verify that the expenses were allowable.
- Reviewed the LFCC meeting minutes and verified if the LFCC authorized the PCFO's reimbursement of campaign expenses.

- Compared the budgeted expenses to actual expenses and determined if actual expenses exceeded 110 percent of the approved budget.

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

- A judgmental sample of 33 out of 177 pledge cards (selected the top 25 pledge cards by total amount pledged and judgmentally selected 8 pledge cards that raised questions to the auditors) and compared them to the Pledge Card Report prepared by the PCFO.
- Cancelled distribution checks to verify that the appropriate amount was distributed in a timely manner.
- One-time payments to verify that the PCFO properly calculated pledge loss and disbursed the funds in accordance with the ceiling amount established by the LFCC.
- The PCFO's most recent listing of outstanding checks to verify that the PCFO was following its policy for such checks.
- The Pledge Notification Letters to verify that the PCFO notified the CFC agencies of the designated and undesignated amounts due them by the date required in the regulations.
- The donor list letters sent by the PCFO to organizations to verify the letters properly notify the organization of the donors who wish to be recognized.
- Forms 1417 provided by the PCFO and the OCFCO to identify material differences.
- The PCFO Distribution Schedule to verify whether monthly disbursements reconcile with the PCFO's Campaign Receipts and Disbursements Schedule.
- All bank statements used by the PCFO to verify that the PCFO was properly accounting for and distributing funds.
- The PCFO's cutoff procedures and bank statements to verify that funds were allocated to the appropriate campaign year.
- The General Designation Options and Undesignated Funds Spreadsheet and the Allocations and Disbursements Spreadsheet to verify disbursements were accurate and proportionate to the PCFO's allocation rates.

To determine if the PCFO was in compliance with the CFC regulations as a federation (UWVFC) for the 2007 campaign, we reviewed the following:

- Data reported on the CFC Receipts Schedule with supporting documentation to verify whether receipts were properly recorded.
- The CFC Distribution Schedule to ensure that the UWVFC did not disburse any funds to member agencies not participating in the CFC.
- The UWVFC contract with its member agencies to determine if the fees were reasonable and supported.

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

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

III. AUDIT FINDINGS

Due to the numerous audit findings identified, which confirmed previous concerns of the OCFCO, they merged the Volusia-Flagler-Putnam CFC with the Central Florida CFC mid-way through the 2008 campaign year. As a result of the OCFCO's action, the UWVFC is no longer the PCFO. In its response to the draft report, the PCFO and LFCC did not provide any comments. However, they indicated support for the merger of the campaign with the neighboring CFC. **Therefore, we do not include individual recommendations for the following findings as the PCFO and LFCC related to the 2006 and 2007 campaign years no longer conduct and administer the campaign.** However, if the UWVFC wishes to be considered as a PCFO for any campaigns in the future, we recommend that it undergo a thorough audit and acknowledge its responsibilities as a PCFO.

The PCFO and LFCC administered the 2006 and 2007 Volusia-Flagler-Putnam CFCs in compliance with all applicable CFC regulations, with the exception of the following areas:

A. BUDGET AND CAMPAIGN EXPENSES

1. PCFO Application and Campaign Budget

The UWVFC did not submit an application and budget to serve as the PCFO for the 2007 campaign year.

Title 5, Code of Federal Regulations (CFR) 950.105(c), states that any federation, charitable organization, or combinations thereof wishing to be selected for the PCFO must submit a timely application that includes a campaign plan; CFC budget; and signed statements pledging to administer the CFC fairly and equitably, conduct campaign operations separate from non-CFC operations, abide by the directions, decisions, and supervision of the LFCC and/or Director of the OPM, and acknowledge being subject to 5 CFR 950.603.

The PCFO confirmed that it did not submit an application and budget for the 2007 campaign and stated that "in 2007 there was a change to the LFCC Chair as well as the PCFO's CFC Coordinator. Neither the new Chair nor the new CFC Coordinator were aware of all the CFC requirements. It was not until the IPA AUP was completed in late 2008 that the PCFO and LFCC were made aware of several procedural mistakes."

As part of our review, we requested the PCFO to provide a copy of its most recent application to determine if it was properly completed. The 2009 application provided by the PCFO was lacking statements by the PCFO regarding the administration of the CFC. Specifically, the application lacked a statement signed by the applicant's local director or equivalent acknowledging the applicant is subject to the provision of 5 CFR 950.603.

By not submitting an application, the UWVFC, while operating as the PCFO, did not acknowledge nor accept the responsibilities of the PCFO. Additionally, by not requiring the UWVFC to provide an application, the LFCC disregarded its responsibilities as required by the Federal regulations and as such jeopardized the ability of the Volusia-Flagler-Putnam CFC to operate properly from the start.

2. **Solicitation and Selection of the PCFO**

The LFCC did not publicly solicit for local organizations to apply for the position of PCFO for the 2007 CFC nor did it formally select the UWVFC as PCFO or approve budgeted expenses for the 2007 campaign.

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 [5 CFR] 950.105(c). ... 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 must solicit applications on a competitive basis for the PCFO no later than a date to be determined by OPM”

The PCFO confirmed that the LFCC did not formally solicit for a PCFO nor select it to serve as PCFO. Additionally, the LFCC did not approve budgeted campaign expenses for the 2007 CFC. The PCFO stated that “In 2007 there was a change to the LFCC Chair as well as the PCFO's CFC Coordinator. Neither the new Chair nor the new CFC Coordinator were aware of all the CFC requirements. It was not until the IPA's AUP was completed in late 2008 that the PCFO and LFCC were made aware of several procedural mistakes.”

By not soliciting for and selecting a PCFO for the 2007 CFC, the LFCC is not adhering to its responsibilities as outlined in the Federal regulations. As a result, the organization operating as PCFO was not reviewed and determined to have the capacity to manage the campaign effectively, efficiently, and according to the Federal regulations.

3. **Disbursement of CFC Funds from PCFO Account**

The PCFO inappropriately disbursed CFC funds from the PCFO's corporate checking account in violation of the Federal regulations.

5 CFR 950.105 (c)(2)(ii) states that it is the PCFO's responsibility to conduct campaign operations such as banking, auditing, reporting, and distributions separate from its non-CFC operations. Additionally, CFC Memorandum 2006-5 (dated February 7, 2006) states that the use of the PCFO corporate account for distributions to agencies and federations is not in compliance with CFC regulation 5 CFR section 950.105(c)(2)(ii).

Our review of the CFC disbursements and bank accounts determined that the PCFO did not make CFC disbursements to agencies and federations out of a CFC dedicated bank account. Rather, the PCFO made disbursements to agencies and federations from its corporate account and reimbursed itself for those costs plus campaign expenses via fund transfers from the CFC account. The PCFO stated that this practice has been done for the ease of operations and that adding the additional step of disbursing checks from the CFC account would be both time consuming and costly to the campaign and that it did not intend to change its current procedures.

As a result of disbursing CFC funds from a PCFO account, the PCFO is running the risk of misapplying CFC funds and not adhering to the wishes of the Federal employees.

4. Approval of PCFO Expense Reimbursement

The PCFO did not submit a request for, nor did the LFCC approve, the reimbursement of 2007 campaign expenses to the PCFO.

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

Our review of LFCC meeting minutes did not identify where the LFCC discussed, reviewed, or approved the reimbursement of 2007 campaign expenses to the PCFO. Additionally, discussion with the PCFO and LFCC determined that both parties were unaware of their responsibilities regarding CFC expenses. We informed both the LFCC and PCFO that prior to reimbursement of expenses the LFCC must give authorization to the PCFO to do so.

As a result of not submitting its expenses for approval before their reimbursement, the PCFO's reimbursement was not authorized as required by the regulations. Additionally, by not reviewing and approving the reimbursement of 2007 campaign expenses, the LFCC runs the risk of unrelated expenses being charged to the agencies and federations of the campaign, thus reducing the monies due to them.

B. CAMPAIGN RECEIPTS AND DISBURSEMENTS

1. Pledge Card Errors

Our review for pledge card accuracy identified four pledge cards for which either the pledge information was input incorrectly or the donor's intentions were improperly interpreted by the PCFO. Additionally, our review of the PCFO's policies and procedures related to pledge cards determined that it does not fully understand its responsibilities related to contacting donors regarding their designations.

The 2007 CFC Brochure states that the donor may designate to the agency of their choice in the spaces provided. However, additional designations must be made on a second pledge card.

5 CFR 950.402 (d) states that “In the event that a PCFO receives a pledge form that has a total amount pledged that is less than the sum of the individual designations, the PCFO must honor the designations by assigning a proportionate share of the total gift to each organization designated.”

Additionally 5 CFR 950.105 (d)(4) states that the PCFO is responsible for ensuring that no employee is questioned in any way as to their designation except by keyworkers; loaned executives, or other non-supervisory Federal personnel.

We reviewed a questionnaire completed by the PCFO regarding its pledge card policies and procedures and determined that two responses by the PCFO indicated a lack of understanding of its responsibilities required in the Federal regulations. Specifically, in regards to questions related to a donor designating to a charity not listed in the CFC brochure and a pledge card with a mathematical error, the PCFO's first step was to contact the employee to clarify the situation. According to 5 CFR 950.105(d)(4), the PCFO can not make this contact directly.

We also reviewed 33 pledge cards to determine if the following areas were correctly input into the pledge system by the PCFO: a) donor name, b) amount donated, c) agency codes donated to, and d) total amount donated. Our review identified four pledge card problems. Specifically:

- We identified one pledge card where the donor incorrectly designated to more than five agencies on one card, rather than use an additional pledge card as the CFC brochure states. The PCFO did not contact the Keyworker to have the donor fill out an additional pledge card nor did the PCFO treat the additional agency designation as undesignated (to no particular agency or federation). Instead the PCFO recognized all designations. Additionally, on this same pledge card the PCFO misapplied a designation as undesignated when a correct designation code was listed.
- We identified one pledge card where the donor listed a designation to an incorrect code number. Discussion with the PCFO determined that it attempted to contact the employee directly to clarify the designation code, which as stated above is against the Federal regulations. Contact was not made with the employee and the amount was correctly accounted for as undesignated funds.
- We identified one pledge card where the donor marked through the designation code area of the pledge card making it questionable as to whether the donor wished to designate to that code or not. Discussion with the PCFO determined that it recognized the designation without contacting the Keyworker to clarify the designation.

- We identified one pledge card where the donor listed two designations for \$26 each, however, in the total gift area chose to give \$1 per pay period (\$26 total). The PCFO incorrectly chose to recognize both designations in full which resulted in the donor giving \$2 per pay period and not the \$1 listed on the pledge card. Per discussion with the PCFO, we determined that it did not contact the Keyworker to have the donor correct the total gift nor did it adjust the designations to the two charities chosen to \$13 each.

By having procedures that call for it to contact Federal employees directly, the PCFO could inadvertently cause individuals to reconsider donating to the CFC in the future. Additionally, by not following its procedures to contact Keyworkers regarding pledge cards that are either incorrectly prepared by the donor or where the donor's intent is questionable, the PCFO is making its own determinations regarding the intent of the donor.

2. One-Time Disbursement Approval

The PCFO did not obtain approval from the LFCC to make one-time disbursements to agencies and federations participating in the 2007 campaign.

5 CFR 950.901(i)(3) requires the PCFO to obtain approval from the LFCC prior to making any one-time disbursements.

Our review identified one agency to whom the PCFO made a one-time disbursement. According to the PCFO, it makes one-time payments to those agencies/federations that receive designations of \$10 or less. Our review of the LFCC meeting minutes for the 2007 campaign did not identify where the LFCC discussed or approved the payment of one-time disbursements to any agencies or federations. Further inquiry of the PCFO determined that "no formal approval" was obtained from the LFCC. Although this was a one-time occurrence for the 2007 campaign, the PCFO is still required to obtain approval each year to make one-time disbursements.

As a result of not obtaining the approval of the LFCC, the PCFO made unauthorized one-time disbursements.

3. Untimely CFC Disbursements

The PCFO did not make initial or final disbursements to the agencies and federations of the 2007 campaign according to the dates set by the Federal regulations and OCFCO calendar of events.

5 CFR 950.901(i)(2) requires the PCFO to make initial payments beginning April 1 (2008). Additionally, the OCFCO CFC Calendar of Events directed the PCFOs to make the initial payments by that same date. Regarding the final disbursement of 2007 campaign funds, the OCFCO Calendar of Events directed the PCFOs to make that payment by March 31, 2009.

Our review of the PCFO's disbursements found that no initial disbursements were made by the date required by the regulations. We also noted that 39 of the 82 final disbursements for the 2007 campaign were made after the March 31, 2009 deadline set by the OCFCO. The PCFO stated that due to turnover in the PCFO office they were unaware of the requirements. However, this error was brought to their attention by their IPA in late 2008. As such, the PCFO stated that all requirements have been met for the current (2009) campaign.

As a result of the PCFO not making disbursements (both initial and final disbursements) to agencies and federations of the 2007 campaign by the deadlines set by the regulations and the OCFCO, those charities did not receive monies pledged and donated to them by Federal employees in a timely manner.

4. Un-Cashed Check Procedures

The PCFO's policies and procedures regarding un-cashed CFC checks do not include all of the required steps outlined by the OCFCO in CFC Memorandum 2006-5.

CFC Memorandum 2006-5 recommends that the PCFO develop and follow policies and procedures regarding un-cashed checks. After a check has gone un-cashed for a period of six months, the OCFCO recommends that the PCFO set up procedures that require at least three documented follow-up attempts to reach the payee by phone and e-mail. If it is determined that the agency or federation has gone out of business, the funds must be distributed among the remaining CFC organizations for that campaign year as undesignated funds.

The PCFO's current un-cashed check procedures are limited to reviewing any un-cashed checks six months and older, contacting the payee to determine if they received the check, stopping payment on the old check (depending on amount) if it was not received, and reissuing a new check. Further discussion with the PCFO determined that the state of Florida requires escheating of un-cashed checks to the state that are over one year old. Therefore, implementation of the complete OCFCO procedures for un-cashed CFC checks would alleviate any threat that CFC monies would be escheated to the state in the future.

As a result of not fully implementing procedures that adhered to the recommendations of the OCFCO, the PCFO is risking that un-cashed CFC checks may be escheated to the state rather than distributed to other member agencies of the appropriate campaign.

5. Designated and Undesignated Funds Notifications

The PCFO did not send designated and undesignated funds notification letters to all agencies and federations of the 2007 campaign by the dates required by the Federal regulations and OCFCO Calendar of Events. Additionally, the notifications sent did not include all of the required information.

5 CFR 950.901 (i)(1) requires that the PCFO notify federations, national and international organizations, and local organizations of the amounts (if any) designated to them and their members and of the undesignated amounts due them no later than a date set by OPM.

Discussion with the PCFO determined that for the 2007 campaign it only provided funds notification letters to those agencies and federations requesting them and that the notifications were not sent by any particular date, but at the time of the request. A review of the notifications sent to the agencies and federations of the 2007 campaign also determined that the notifications were only related to the quarterly payment just issued and did not report to the recipient the total designated and undesignated funds due to them for the entire campaign. The PCFO stated that it was unaware of this requirement in the regulations and would endeavor to send them by the appropriate date in future campaigns.

As a result of not sending designated and undesignated funds notification letters to all agencies and federations of the 2007 campaign and not reporting all funds pledged to them, the agencies and federations could not have known the monies due to them for that campaign. Not knowing the monies due to them could severely restrict the planning and budgeting abilities of the agencies and federations depending upon the monies donated by Federal employees.

6. Donor Lists

The PCFO did not send donor lists to all agencies and federations of the 2007 campaign by the dates required by the Federal regulations and OCFCO Calendar of Events. Additionally, the PCFO incorrectly released donor information to the agencies.

5 CFR 950.105 (d)(6) states that it is the responsibility of the PCFO to honor the request of employees who indicate on the pledge form that their names, contact information and contribution amounts not be released to the organization(s) that they designate. Conversely, it is the responsibility of the PCFO to release the information employees wish to have released.

Discussion with the PCFO determined that for the 2007 campaign it only provided donor lists to those agencies and federations requesting them and that they were not sent by any particular date, but at the time of the request. A review of the 9 donor lists sent to the agencies and federations of the 2007 campaign determined that donor name and amount designated for 59 donors was released to agencies. Of those 59 donors, 39 chose to not release any information and 15 chose to release more information (i.e., home address or E-mail address) than what was released (a 92 percent error rate).

As a result of releasing donor information to agencies and federations against the wishes of the donor, the PCFO is not honoring the confidentiality guaranteed by the

CFC and risks that donors will not participate in future campaigns. As a result of not releasing information requested to be released by donors, the PCFO is not allowing those agencies and federations to make further contact with those donors who wish to be contacted.

7. CFC Receipts Applied to the Wrong Campaign Year

The PCFO does not account for incoming CFC receipts in the proper manner. As a result, we identified \$2,088 in CFC funds that were not properly disbursed to member agencies of the 2007 campaign.

CFC Memorandum 2006-5 indicates that most payroll offices are providing reports to PCFO's in such a manner that the campaign to which a deposit pertains is determinable. The memorandum goes on to direct the PCFO to bring discrepancies up with the payroll office to determine a resolution to any questions as to which campaign a deposit belongs to.

The PCFO's response to the OIG's Policies and Procedures questionnaire stated that, if provided, it uses the pay period ending date to determine which campaign a deposit belongs to. In the case where detail was not provided, the PCFO applied the funds to the next campaign.

To determine if the PCFO accounted for CFC receipts correctly, we reviewed the bank statements from October 2007 through January 2009 and manually tracked each deposit. We then accounted for all receipts that appeared to belong to the 2007 campaign and reconciled those receipts with the PCFO's reported 2007 campaign receipts. Our review identified a variance of \$2,088 that had not been recorded as a receipt. We provided the PCFO with our review and it confirmed the accuracy of our review.

As a result of not tracking CFC receipts correctly for the 2007 campaign, the amount available for distribution to the member agencies and federations of that campaign was \$2,088 less than it should have been.

8. Accounting for CFC Funds

The PCFO could not provide detailed documentation to support withdrawals made from the CFC account to cover campaign disbursements (both agency and federation distributions and campaign expenses) for the 2007 campaign. As a result, we could not determine if the CFC funds were properly disbursed.

5 CFR 950.901 (i)(2) states that the PCFO is responsible for the accuracy of the disbursements it transmits. Additionally, 5 CFC 950.105 (d)(12) states that it is the responsibility of the PCFO to produce any documents or information requested by the LFCC and/or the Director within 10 calendar days of the receipt of that request.

During our review, we determined that the PCFO did not disburse CFC funds out of the CFC dedicated account as required by the Federal regulations. Instead, the PCFO distributed CFC funds to member agencies and federations from its corporate account and then transferred funds from the CFC account to the corporate account to cover those costs and campaign expenses. During the campaign, the PCFO withdrew \$38,000 from the CFC account, however, expenses and disbursements related to the campaign only amounted to \$31,690.

We requested that the PCFO provide a detailed accounting of each of the withdrawals from the CFC account during the 2007 campaign period. The PCFO did not provide this documentation. Discussions with the PCFO indicated that it could not provide this documentation because it did not view the withdrawals as something that needed to be tracked in detail.

As a result of the PCFO not providing a reconciliation of the withdrawals from the CFC account, we could not determine if the variance of \$6,310 related to disbursements to other campaigns or if the PCFO inappropriately withdrew and used CFC funds.

C. ELIGIBILITY

1. Local Eligibility Review Process

The local agency and federation application screening procedures applied by the PCFO and LFCC did not account for all requirements for applying agencies and federations that are outlined in the Federal regulations.

Local agencies and federations must be reviewed and approved by the LFCC only if they meet the requirements of 5 CFR 950.204 (b). Additionally, federations must meet additional requirements outlined in 5 CFR 950.303.

We reviewed the screening materials used by the PCFO and LFCC to make eligibility decisions for agencies and federations applying for inclusion in the 2007 CFC and compared them to the requirements in the Federal regulations. We determined if the screening checklist used by the PCFO and LFCC encompassed all of the requirements in the regulations. Discussions with the OCFCO determined that the checklist used by the PCFO and LFCC were merely “completeness” checklists that determined if the required documentation that should be included with the application was provided. The OCFCO stated that it has made a more complete “application review sheet” that encompasses important areas that should be included in the application review process and has made them available to PCFO’s during each campaign.

Our review of the screening materials used for the eligibility review found that the materials did not account for nine areas for local agencies and eight areas for local federations specifically required by the Federal regulations. When asked why the “completeness checklist” was used and not the “application review sheet”, the CFC

Coordinator stated that they felt it was a money savings to the CFC and that they did not realize the importance. As a result, the PCFO and LFCC are running the risk of including agencies and federations in the CFC that do not meet the requirements of the Federal regulations.

2. Local Application Acceptance Period

The PCFO and LFCC did not maintain documentation to support that the LFCC accepted applications for 30 calendar days from organizations seeking eligibility in the 2007 campaign. Additionally, the PCFO limited the giving potential of the campaign by only extending invitations to past participants of the campaign.

5 CFR 950.801 (a)(5) states that the LFCC “must accept applications from organizations seeking local eligibility for 30 calendar days as determined by the LFCC, and must issue notice of its eligibility decisions within 15 business days of the closing date for receipt of applications.”

Additionally, 5 CFR 950.105 (b) states that “the primary goal of the PCFO is to conduct an effective and efficient campaign in a fair and even-handed manner aimed at collecting the greatest amount of charitable contributions possible.”

Per the CFC Coordinator, the PCFO, on behalf of the LFCC, notified local agencies and federations that participated in prior campaigns to apply for the 2007 campaign via e-mail and the applications were accepted for 30 days. However, the PCFO did not maintain hard copies of these notifications and it was unable to retrieve the electronic versions of them as well. As a result, we can not determine if the notification was actually made or if applications were accepted for at least 30 days as required by the regulations. Additionally, by limiting the exposure of the invitations to participate in the 2007 campaign, the PCFO limited the Federal employee's giving options and therefore may have discouraged possible contributions to the campaign.

3. Local Application Denials Not Sent via the Proper Method

The PCFO and LFCC did not communicate local eligibility denials via the correct method to those agencies or federations denied participation in the 2007 CFC.

5 CFR 950.204 (e) states that local organization application eligibility denials must be sent by the LFCC “via U.S. Postal Service certified or registered mail with a return receipt requested. Approvals may be sent via U.S. Postal Service regular first class mail. Applicants denied eligibility may appeal in accordance with [5 CFR] 950.205.”

Discussions with the PCFO determined that the notifications sent to agencies or federations denied participation in the 2007 CFC were sent via e-mail and U.S. Postal Service, which did not comply with the regulations. The CFC Coordinator stated that they did not understand that the denials had to be sent differently than acceptance letters.

By not sending the denial letters via the proper method, the PCFO and LFCC would not know if the agency or federation received the denial. Additionally, they would not know when the denial was received to determine if an appeal was sent within the proper timeframe.

4. Local Eligibility Appeals Process

For the 2007 CFC, it was the PCFO and not the LFCC that made appeals decisions. Additionally, those decisions were not communicated to the appealing organizations via the proper method.

5 CFR 950.205 (b) states that “The LFCC must consider all timely appeals and notify the appealing organization within a reasonable time period. Denial of the appeal by the LFCC must be sent via U.S. Postal Service certified or registered mail with a return receipt. Approval of local appeals may be sent via U.S. Postal Service regular first class mail or facsimile.”

We reviewed the PCFO's responses to appeals-related questions in our policies and procedures questionnaire. Initial PCFO responses to the questionnaire indicated that the LFCC made decisions regarding agency and federation appeals to eligibility denials. However, further review could not identify where these decisions were discussed during the regular meetings of the LFCC. Discussion with the CFC Coordinator determined that there was no additional involvement by the LFCC past the initial eligibility review phase.

We identified two appeals during the 2007 CFC which were overturned, thereby admitting the agency or federation into the CFC. In both of these situations, the denials were due to the lack of appropriate documentation in the initial application. The CFC Coordinator stated that in both of these situations the missing documentation was provided and they didn't think LFCC involvement was necessary. Additionally, the PCFO stated that they didn't involve the LFCC because of time constraints and the difficulty it has getting the LFCC to meet regularly. The PCFO then incorrectly communicated the appeal resolution via e-mail.

As a result of the PCFO making appeals decisions in the place of the LFCC, the PCFO is making decisions that the LFCC is not aware of and may not be in agreement with. Additionally, by not notifying the appealing agency or federation via the proper method, there is no guarantee that they received the notification.

IV. MAJOR CONTRIBUTORS TO THIS REPORT

Special Audits Group

██████████, Senior Team Leader

██████████ Auditor

██████████ Group Chief ██████████



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09 SEP 2009 10:00 AM

September 11, 2009

United States Office of Personnel Management
Office of the Inspector General
Office of Audits
Washington, DC 20415

RE: Audit of Volusia-Flagler-Putnam
Combined Federal Campaigns
Report No. 3A-CF-00-09-039

Dear [Redacted]

We have no comments regarding the above referenced Report. We agree with, and support the merger of this campaign with a neighboring CFC campaign.

We will await the final report. At that time we have 21 days to object to parts of this report that should not be posted on the OIG webpage.

Sincerely,

[Redacted Signature]

Director of Administration
United Way of Volusia-Flagler Counties Inc.
Email: [Redacted]

OFFICERS

Chairman of the Board

Paul [Redacted]

Immediate Past Chair

Bob [Redacted]

Chair-Elect

Susan [Redacted]

Campaign

Alan [Redacted]

Assistant Campaign

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Rayn Chandler Ford

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Treasurer

Dan [Redacted]

Assistant Treasurer

John [Redacted]

United Way of Florida

John [Redacted]

President/Secretary

Kay [Redacted]

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[Redacted]

Our Mission

To increase the realized capacity of our community care for its people