



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

Final Audit Report

**AUDIT OF THE 2011 AND 2012
TENNESSEE VALLEY
COMBINED FEDERAL CAMPAIGNS**

**Report Number 3A-CF-00-14-041
March 23, 2015**

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EXECUTIVE SUMMARY

Audit of the 2011 and 2012 Tennessee Valley Combined Federal Campaigns

Report No. 3A-CF-00-14-041

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Why Did We Conduct the Audit?

The main objective of the audit was to determine if the Tennessee Valley CFC was administered in compliance with 5 CFR 950, including the responsibilities of both the Principal Combined Fund Organization (PCFO) and the Local Federal Coordinating Committee (LFCC).

What Did We Audit?

The Office of the Inspector General has completed a performance audit of the responsibilities of the PCFO and LFCC in regards to Budget and Campaign Expenses, Campaign Receipts and Disbursements, Eligibility, the PCFO's activities as a Federation, and Fraud and Abuse for the 2012 campaign. Additionally, we reviewed the Independent Public Accountant's Agreed-Upon Procedures audit of the 2011 campaign. Our audit was conducted from June 23 through 27, 2014, at the PCFO's offices in Huntsville, Alabama. Additional audit work was completed at our offices in Washington, D.C. and Cranberry Township, Pennsylvania.



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What Did We Find?

We determined that the PCFO and LFCC need to strengthen their procedures and controls related to Budget and Campaign Expenses and Campaign Receipts and Disbursements. Our audit identified six areas requiring improvement.

1. Budget and Campaign Expenses

- We identified \$4,500 in unallowable expenses charged to the 2012 campaign.
- The PCFO incorrectly charged the 2012 campaign for audit expenses related to the 2010 campaign.
- The LFCC did not review or authorize the PCFO's reimbursement of campaign expenses.
- The PCFO did not properly report its use of campaign sponsorship funds to the LFCC, and the LFCC did not document its review and approval of the PCFO's campaign sponsorship agreements in its meeting minutes.

2. Campaign Receipts and Disbursements

- We identified two pledge forms where the PCFO recorded incorrect information.
- The PCFO did not have the required policy and procedures for un-cashed checks.

ABBREVIATIONS

5 CFR 950	Title 5, Code of Federal Regulations, Part 950
AUP	Agreed-Upon Procedures
CFC	Combined Federal Campaign
CFR	Code of Federal Regulations
IPA	Independent Public Accountant
LE	Loaned Executives
LFCC	Local Federal Coordinating Committee
OCFC	Office of the Combined Federal Campaign
OIG	Office of the Inspector General
OPM	U.S. Office of Personnel Management
PCFO	Principal Combined Fund Organization
UWMC	United Way of Madison County

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I. INTRODUCTION AND BACKGROUND

Introduction

This final report details the findings and conclusions resulting from our audit of the 2011 and 2012 Tennessee Valley Combined Federal Campaigns (CFC). The audit was performed by the U.S. Office of Personnel Management's (OPM) Office of the Inspector General (OIG), as authorized by the Inspector General Act of 1978, as amended.

Background

The CFC is the sole authorized fund-raising drive conducted in federal installations throughout the world. In 2012, it consisted of 184 separate local campaign organizations located throughout the United States, including Puerto Rico and the Virgin Islands, as well as overseas locations. OPM's Office of the Combined Federal Campaign (OCFC) has the responsibility for management of the CFC. This responsibility includes publishing regulations, memoranda, and other forms of guidance to federal offices and private organizations to ensure that all campaign objectives are achieved.

Each CFC is conducted by a Local Federal Coordinating Committee (LFCC) and administered by a 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, or LEs (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 LEs, coordinators, employee keyworkers and volunteers; maintaining a detailed schedule of its actual CFC administrative expenses; preparing pledge forms and charity lists; distributing campaign receipts; submitting to an audit of its CFC operations by an Independent Public Accountant (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. 5 Code of Federal

Regulations (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 Tennessee Valley CFC, which covered the 1998 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 our exit conference on June 26, 2014. A draft report was provided to both the PCFO and the LFCC for review and comment on September 30, 2014. Their response to the draft report was considered in the preparation of this final report and is included as an Appendix.

II. OBJECTIVES, SCOPE, AND METHODOLOGY

Objective

The primary purpose of this audit was to determine compliance with 5 CFR 950.

Our audit objective for the 2011 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 2012 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 United Way of Madison County (UWMC) as a federation reconciled to those disbursed by the CFC; if the UWMC properly distributed funds to its federation members; if expenses charged by the UWMC (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 2011 and 2012. The UWMC, located in Huntsville, Alabama, served as the PCFO during both campaigns. The audit fieldwork was conducted at the PCFO’s office from June 23 through 27, 2014. Additional audit work was completed at our Cranberry Township, Pennsylvania, and Washington, D.C. offices.

The Tennessee Valley CFC received campaign pledges, collected campaign receipts, and incurred campaign administrative expenses for the 2011 and 2012 campaigns as shown below.

Campaign Year	Total Pledges	Total Receipts	Administrative Expenses
2011	\$2,978,207	\$2,879,237	\$152,674
2012	\$2,919,057	\$2,734,430	\$144,296

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 2011 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 2012 campaign's budget and campaign expenses, we performed the following procedures:

- 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 and the LFCC's approval of the budget, and matched all expenses to supporting documentation.
- 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 2012 campaign's receipts and disbursements were handled in accordance with CFC regulations, we reviewed the following:

- A sample of 69 pledge forms, with pledges totaling \$214,574, out of a universe of 6,027 pledge forms, with pledges totaling \$2,919,057, from the PCFO's 2012 campaign pledge form detail schedule and compared the pledge information from the schedule to the actual pledge forms. Specifically, we judgmentally selected the sample utilizing the following methodology:
 - We selected all pledge forms (13 totaling \$3,588) with at least one individual pledge in the amount of \$0;

- We selected all pledge forms (54 totaling \$209,556) with at least one individual pledge equal to or greater than \$2,000; and
 - We selected all pledge forms (2 totaling \$1,430) with at least one individual pledge to the international general designation.
- Distribution checks for a sample of 10 federations and organizations, totaling \$470,986, out of a universe of 321 federations and organizations, totaling \$2,590,134, to verify that the appropriate amount was distributed in a timely manner. Using Microsoft Excel's random number generator, we randomly selected nine federations and organizations receiving monthly disbursements and then selected the PCFO as a federation for our 10th sample item.
 - 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 40) 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. Using Microsoft Excel's random number generator, we randomly selected five organizations and/or federations from our pledge form sample that were to receive donor information.
 - CFC receipts and distributions from the PCFO's campaign bank statements, campaign receipts and agency disbursements, and campaign expense support to verify that 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 2012 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 followed for the application evaluation process.
- A sample of 10 local organization applications (from a universe of 128 local organization applications) to determine if the organizations met the requirements for participating in the CFC and if the LFCC sent the eligibility letters by the date required by the federal regulations. Using Microsoft Excel's random number generator, we randomly selected six local organizations for our sample and then selected all four local federations to review.
- The LFCC's processes and procedures for responding to appeals from organizations.
- The LFCC member listings to verify that all members were active federal employees.

To determine if the UWMC was in compliance with the CFC regulations as a federation for the 2012 campaign, we reviewed the following:

- Data reported on the CFC Receipts Schedule, with supporting documentation, to verify that receipts were properly recorded.
- The CFC Receipts Schedule and the Federation Distribution Schedule to determine if the percentage of receipts assigned to each organization agreed to the percentage of pledges for that organization.
- Distribution checks for a sample of 6 federation member agencies (with disbursements totaling \$60,358), out of a universe of 19 (with disbursements totaling \$282,190), to verify that the appropriate amount was distributed in a timely manner. We judgmentally selected the top six federation member agencies which received the most disbursements in the 2012 campaign. Specifically, we reviewed the disbursement checks from the first four monthly disbursements (July 2013, August 2013, September 2013, and October 2013).
- The PCFO'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

Our review of the IPA's examination of the CFC Audit Guide's AUP did not identify any deviations from the required review.

B. BUDGET AND CAMPAIGN EXPENSES

1. Unallowable Expenses \$4,500

We reviewed all expenses charged to the 2012 campaign to determine if they were actual, reasonable, properly allocated, and supported. Our review identified \$4,500 in unallowable expenses that were unrelated to the 2012 campaign, unauthorized, or unsupported. Specifically, we identified the following four issues:

- **\$2,030 for a 2011 CFC event charged to the 2012 campaign.**

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

During our review we identified an expense for \$2,030 related to a 2011 CFC event that was held on February 21, 2012. This expense should have been paid from 2011 campaign funds instead of being charged to the 2012 campaign. The PCFO stated that it made an error in not applying the expense to the correct year.

As a result of this error, the charities participating in the 2012 campaign did not receive \$2,030. We are not recommending an adjustment for this amount since the 2011 campaign is closed.

Recommendation 1

We recommend that the OCFC direct the LFCC to ensure that the PCFO matches expenses to the correct campaign year during its review of actual campaign expenses.

PCFO Response:

The PCFO agrees with the recommendation and states that it will be more diligent in processing invoices by requiring multiple staff to review invoices for payment to ensure that they are matched to the proper campaign.

- **\$1,746 in unallowable expenses for food and beverages provided at campaign events.**

OPM’s Directive Prohibiting the Approval of Costs Incurred for Meals and/or Entertainment, dated March 28, 2012, states that “Effective immediately, LFCCs are instructed not to approve, and PCFOs are directed not to incur any expenses for food, beverages, or entertainment, and no such expenses are to be charged against the proceeds of the campaign.”

Additionally, CFC Memorandum 2006-5(B) states that sponsorship agreements should be consistent with applicable federal law, and rules and guidance issued by the Director of OPM.

During our review we identified \$1,746 in food and beverage expenses being charged to the campaign for a CFC training event held September 19, 2012, and a kickoff event held October 4, 2012. When we explained to the PCFO that food and beverages can’t be charged to the campaign following OPM’s Directive, it insisted that the amount was paid for using campaign sponsorship funds. The PCFO stated that its interpretation of OPM’s Directive permitted it to use campaign sponsorship funds to pay for the cost of providing food and beverages at campaign events.

The PCFO inappropriately used sponsorship funds to pay for unallowable food and beverages provided at campaign events.

Contrary to the PCFO’s interpretation, CFC Memorandum 2006-5(B) states that sponsorships must be consistent with rules and guidance issued by the Director of OPM. Therefore, the PCFO’s use of campaign sponsorship funds should have been aligned with OPM’s Directive prohibiting food and beverage expenses.

As a result of the PCFO charging food and beverage expenses to the CFC, it misused \$1,746 in sponsorship funds and failed to comply with OPM’s Directive. We are not recommending an adjustment for this amount since the PCFO solicited sponsors for the specific purpose of covering food and beverage expenses, and the sponsor did not intend for its funds to be distributed to the charities.

Recommendation 2

We recommend that the OCFC and LFCC direct the PCFO to implement policies and procedures to prohibit food and beverage expenses from being charged to the CFC, including through the use of sponsorship funds.

PCFO Response:

The PCFO agrees with the recommendation and states that food or beverages will not be an allowable expense for any CFC related event or function, and it will no longer solicit sponsorship funds to provide food and beverages to federal employees.

- **\$530 for gift cards raffled to federal employees as prizes without the approval of agency ethics officials.**

5 CFR 950.602(b) states that “Any special CFC fundraising event and prize or gift should be approved in advance by the Agency’s ethics official.”

During our review we identified 10 pre-paid visa cards valued at \$50 each, plus a \$3 transaction fee for each card, that were raffled off as fundraising prizes. To determine if the prizes were considered to be of nominal value, we asked the PCFO if the ethics officials from the federal agencies involved in the CFC approved the raffle prizes. The PCFO couldn’t find any written approvals from agency ethics officials, but it believes the agency officials involved in the event followed protocol.

Because the PCFO couldn’t show that agency ethics officials approved the raffle and the \$50 gift cards, there is a risk that the event was unallowable with the prize amounts being unreasonable.

Recommendation 3

We recommend that the OCFC and LFCC direct the PCFO to implement policies and procedures to obtain and document approval from the appropriate agency ethics officials prior to incurring expenses for raffle prizes.

PCFO Response:

The PCFO stated that it will use LFCC members to identify the appropriate ethics officials and solicit their approval for any special CFC fundraising event prizes or awards.

- **\$194 in unsupported expenses for the LFCC’s travel to attend the 2012 CFC conference.**

5 CFR 950.105(d)(7) states that it is the responsibility of the PCFO to maintain “a detailed schedule of its actual CFC administrative expenses with, to the extent possible, itemized receipts for the expenses.”

During our review we found that the LFCC’s reimbursement for expenses related to the 2012 CFC conference was not fully supported. Specifically, we identified \$194 in expenditures that had no support. We requested documentation for this expense amount, but it was not provided. As a result, we consider this amount unallowable and question the \$194 that was reimbursed to the LFCC instead of going to the charities that participated in the CFC.

Recommendation 4

We recommend that the OCFC direct the LFCC and PCFO to implement policies and procedures to ensure that expenses incurred by LFCC members are supported by adequate documentation prior to reimbursement by the PCFO. Additionally, the PCFO should maintain the documentation as part of its schedule of actual expenses.

LFCC Response:

The LFCC did not provide a response to this recommendation.

PCFO Response:

The PCFO agrees with the recommendation and states that it will verify all lodging, meals, and incidental expenses to the applicable GSA per diem rates. Additionally, the PCFO states that prior to payment, it will require and maintain full documentation for any travel or expense reimbursement made to a federal employee traveling on behalf of the campaign.

OIG Comments:

We accept the PCFO’s response but note that since the recommendation requires input from the LFCC, the OCFC should ensure that the LFCC implements a corrective action plan of its own.

Recommendation 5

We recommend that the OCFC and LFCC direct the PCFO to distribute \$194 in unallowable expenses as undesignated funds to the charities participating in the current (2013) campaign.

PCFO Response:

The PCFO states that it agrees with reimbursing the campaign \$194 for unsupported LFCC travel expenses.

2. Accounting for Audit Expenses

Procedural

The PCFO incorrectly charged the 2012 campaign \$6,000 for audit expenses related to the 2010 campaign.

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

Additionally, CFC Memorandum 2008-09 states that “expenses incurred for the audit of a campaign must be paid using funds from the campaign being audited....Because this cost is paid after the close of the campaign, the amount should be accrued and withheld from the last distribution. [The OCFC] encourages campaigns to negotiate a fixed cost agreement with the [IPA] so that the actual amount can be known prior to the close of the campaign. If campaigns are unable to negotiate a fixed cost agreement, an estimated amount should be withheld based on prior experience and discussions with the auditor.”

During our review of the PCFO’s 2012 campaign expenses, we identified one invoice, totaling \$6,000, for IPA services rendered in connection with an audit of the 2010 campaign. Because the audit was related to the 2010 campaign, it should not have been paid using 2012 campaign funds. The PCFO stated that it made an error in not accruing the funds from the 2010 campaign to pay for the audit incurred in 2012 (CFC audits are conducted at the close of the campaign, approximately 18 months after the solicitation period).

As a result of the PCFO charging the IPA audit expenses to the wrong campaign, the PCFO reduced the funds available to be disbursed in the 2012 campaign by \$6,000. However, we are not recommending an adjustment for this amount since the 2010 campaign is closed.

Recommendation 6

We recommend that the OCFC and LFCC direct the PCFO to implement policies and procedures to properly account for and accrue audit expenses in accordance with CFC Memorandum 2008-09.

PCFO Response:

The PCFO agrees with the recommendation and is taking corrective action to include accruing audit expenses beginning with the current campaign.

OIG Comments:

We accept the PCFO's response and ask that its new policies and procedures for accounting for and accruing audit expenses be documented and provided to the OCFC and LFCC for review.

3. Review and Authorization of Expense Reimbursement

Procedural

The LFCC did not review or authorize the PCFO's reimbursement of campaign expenses.

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, 5 CFR 950.106(a) states that "The PCFO shall recover from the gross receipts of the campaign its expenses, approved by the LFCC, reflecting the actual costs of administering the local campaign."

Finally, 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."

The PCFO reimbursed itself for campaign expenses without authorization from the LFCC.

We reviewed the LFCC's meeting minutes to determine if the LFCC reviewed and authorized the PCFO's reimbursement of legitimate CFC expenses. Our review found that there was no record of the LFCC reviewing or authorizing the reimbursement of the 2012 expenses.

The PCFO's campaign expense policy stated that it provides an actual versus budgeted expense schedule to the LFCC in February each year, and then fully reimburses itself with the first campaign disbursement. However, our review of the February 2012 through March 2014 LFCC meeting minutes found no record of the PCFO presenting this expense schedule, no record of the PCFO presenting supporting documentation for any expenses, and no record showing that the LFCC reviewed and authorized the expenses prior to the PCFO reimbursing itself during the first campaign disbursement in March 2013.

As a result of not reviewing or authorizing the PCFO's reimbursement of actual campaign expenses, the LFCC ran the risk of unrelated expenses being charged to the organizations and federations in the campaign, thereby reducing the designated amounts due to them.

Recommendation 7

We recommend that the OCFC direct the LFCC to implement policies and procedures to document its review of the PCFO's actual campaign expenses, which should be supported by itemized receipts and invoices, to ensure that the expenses are allowable and applicable to the campaign.

Recommendation 8

We recommend that the OCFC direct the LFCC to implement policies and procedures to document its authorization and approval of the PCFO's reimbursement of actual campaign expenses.

LFCC Response:

The LFCC did not provide a response to these recommendations.

PCFO Response:

The PCFO agrees with the recommendations and states that it updated its policies and procedures to include the following corrective actions:

- CFC expenses will require approval of the LFCC Chair or Vice Chair prior to purchasing;
- CFC expenses will require approval of its CFO and review by its CEO prior to purchasing;
- A budget to actual expense report will be presented in full to the LFCC at each LFCC meeting and the presentation will be documented in the LFCC meeting minutes; and

- The PCFO will not be reimbursed for campaign expenses until it receives approval from the full LFCC and a signed reimbursement form by the LFCC Chair.

OIG Comments:

We accept the PCFO's response but note that the first two changes in its policies and procedures are unnecessary and likely time consuming. What is important is that the LFCC be given the opportunity to review the PCFO's request for reimbursement before the reimbursement occurs, which is addressed in the fourth change above. Also, since these recommendations require input from the LFCC, the OCFC should ensure that the LFCC implements a corrective action plan of its own.

4. Campaign Sponsorships

Procedural

The PCFO did not properly report its use of campaign sponsorship funds to the LFCC, and the LFCC did not document its review and approval of the PCFO's campaign sponsorship agreements in its meeting minutes.

CFC Memorandum 2006-5(B) states that the PCFO should submit an actual expense report to the LFCC that shows the full cost of each expense line item and entails the reductions from each sponsor for that line item. For example, if one sponsor assisted in covering the cost of kick-off events, the line item on the report to the LFCC should show the full cost of the kick-off events, the amount provided by the sponsor toward that cost, and the resulting net cost to the campaign.

Additionally, CFC Memorandum 2006-5(B) states that "Sponsorship agreements should be reviewed and approved by the LFCC to ensure that acceptance of such sponsorships is consistent with applicable federal law, including ethical rules governing the conduct of federal employees and rules and guidance issued by the Director of OPM."

Finally, 5 CFR 950.104(b)(1) states that the responsibilities of the LFCC include maintaining minutes of LFCC meetings.

We reviewed the PCFO's 2012 campaign sponsorship agreements with GEICO in the amount of \$2,000 and the Redstone Federal Credit Union in the amount of \$1,000 to determine if (1) the sponsorship funds were excluded from the PCFO's 2012 campaign budget, (2) the LFCC reviewed and approved the sponsorship agreements, (3) the sponsorship agreements clearly stated the dollar amount provided by the sponsor to the campaign, and (4) the PCFO submitted an actual expense report to the LFCC showing the

application of sponsorship funds to off-set expense line items, and to verify the sponsorship check amounts.

We found that the PCFO submitted an actual expense report to the LFCC that did not show how sponsorship funds were used to off-set expense line items, and the LFCC did not document its review or approval of the PCFO's campaign sponsorship agreements in its meeting minutes. The PCFO stated that its failure to properly report the sponsorship funds was due to oversight.

As a result of not showing how sponsorship funds were used to off-set expenses, the PCFO did not provide accurate information to the LFCC to allow its oversight of the PCFO and sponsorship activities. Additionally, because the LFCC did not document its review and approval of the PCFO's sponsorship agreements in its meeting minutes, we could not determine if it approved the PCFO's sponsorships or verify that the acceptance of the sponsorships was in compliance with applicable federal law and OPM guidance.

Recommendation 9

We recommend that the OCFC and LFCC direct the PCFO to implement policies and procedures for reporting the use of sponsorship funds to the LFCC in compliance with CFC Memorandum 2006-5(B).

PCFO Response:

The PCFO agrees with the recommendation and states that it will no longer solicit sponsorship funds or gifts due to the risk of regulatory error.

OIG Comments:

The PCFO's response stating that it will no longer solicit sponsorship funds or gifts due to the risk of regulatory error is misguided. First, we would like to point out that sponsorship funds benefit the CFC by offsetting the PCFO's administrative costs. All that we ask is that the sponsorship agreements are properly reported to and reviewed by the LFCC and that the PCFO follows CFC regulations related to how it uses sponsorship funds. Asking that the PCFO follows the regulations it pledged to adhere to should in no way discourage the PCFO from soliciting sponsorship funds or elicit this kind of a response. Second, if the PCFO decides to no longer solicit sponsorship funds or gifts, there is still a chance that sponsors will offer unsolicited contributions to the CFC. Therefore, the PCFO does need policies and procedures in place to properly report sponsorship funds to the LFCC in compliance with CFC Memorandum 2006-5(B).

Recommendation 10

We recommend that the OCFC direct the LFCC to implement policies and procedures to document its review and approval of all campaign sponsorship agreements in its meeting minutes.

LFCC Response:

The LFCC did not provide a response to this recommendation after the PCFO stated it will no longer solicit sponsorship funds.

OIG Comments:

Since the recommendation requires input from the LFCC, the OCFC should ensure that the LFCC implements a corrective action plan regardless of the PCFO stating it will no longer solicit sponsorship funds.

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 pledge forms to determine if the information on the forms matched the PCFO’s 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. Additionally, we also reviewed the pledge forms to determine if any changes or edits identified were made by the donor only, if the paper pledge forms reviewed did not include more than five designations per form, and if the donor signed the payroll deduction authorization when required. During our review, we identified the following two pledge forms where the information recorded by the PCFO did not match.

The PCFO recorded the wrong information from two pledge forms, resulting in the donor’s wishes not being met.

- We identified one pledge form where the donor wished to release his name, address, email, and the amount of the donation to the designated organizations and federations, but the PCFO failed to record this information in its database; and

- We identified one pledge form where the donor's address on the form did not match the address recorded in the PCFO's database.

The PCFO stated that these were manual input errors.

As a result of these two errors, the donor's wishes were not met and the designated organizations and federations did not receive the correct donor information.

Recommendation 11

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 Response:

The PCFO agrees with the recommendation and states that, during each campaign period, it will run pledge reports and use the pledge reports to cross-reference and cross-check pledge report data against pledge card information.

2. Policies and Procedures for Un-Cashed Checks

Procedural

The PCFO's policies and procedures for un-cashed checks did not comply with the OCFC's guidance.

CFC Memorandum 2006-5(C) states that PCFOs must develop and follow policies and procedures regarding un-cashed checks. The OCFC recommends that the policy be documented, and implemented after a check has gone un-cashed for six months. The procedures should include at least three documented follow-up attempts to reach the payee by phone or e-mail, and if it is determined that the payee is no longer active, the funds must be distributed among the remaining organizations for that campaign as undesignated funds.

We reviewed the PCFO's un-cashed check policy and procedures, and determined that it did not comply with OCFC's guidance. Specifically, the PCFO's policy does not state that it applies to checks that have gone un-cashed for six months and the procedures do not include making at least three documented follow-up attempts to reach the payee by phone and e-mail. The PCFO stated that it followed the OCFC's guidance in practice but failed to update its written policies and procedures.

As a result, the PCFO may not be adequately monitoring the status of un-cashed checks and there is a risk that charities are not receiving the funds allocated to them.

Recommendation 12

We recommend that the OCFC and LFCC require the PCFO to modify its existing policy and procedures for un-cashed checks to comply with CFC Memorandum 2006-5(C).

PCFO Response:

“[The] PCFO has updated its written policy to reflect the current guidelines to reflect Memo 2006-5(C).”

D. ELIGIBILITY

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

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

[REDACTED], Auditor-In-Charge

[REDACTED], Group Chief, [REDACTED]

[REDACTED], Senior Team Leader

TENNESSEE VALLEY COMBINED FEDERAL CAMPAIGN

LFCC and PCFO's Comments received 10/30/2014

I. Audit Findings and Recommendation

A. Audit Guide Review

No comment required.

B. Budget and Campaign Expenses

I. Unallowable Campaign Expenses

Deleted by OIG – Not Relevant to Final Report

\$2,030.00 for the 2011 CFC victory celebration charged to the 2012 campaign.

After a review of our records, we accept that we made an error in applying the expense to the correct year. **Deleted by OIG – Not Relevant to Final Report**

Corrective Action: PCFO, in processing invoices, will be more diligent with multiple staff reviewing invoices to be paid to insure that they are applied to the proper campaign. **Deleted by OIG – Not Relevant to Final Report**

\$1,746 in unallowable expenses for food and beverages provided at campaign events.

Our interpretation at the time of the event was that campaign dollars could not be used for food for CFC events. Therefore, we specifically solicited and used sponsorship dollars, not raised from any federal employee or agency, to pay for food and beverages. The donating organization did not intend for the dollars to be disbursed as an undesignated donation to listed agencies. **(Updated Finding to Include this Information)**

Corrective Action: Food and/or beverage will not be an allowable expense for any CFC event, function or CFC related event or function. Additionally, we will no longer solicit sponsorship dollars to provide food and beverage to federal employees.

\$530 for gift cards (and gift card purchasing fees), raffled to federal employees as prizes without the approval of agency ethics officials.

We were unable to locate any documents noting approval for gift cards. However, many top officials were involved in the process of coordinating CFC events. We

believe but, cannot verify whether those officials followed protocol for government employees concerning gifts. **Deleted by OIG – Not Relevant to Final Report**

Corrective Action: PCFO will use LFCC members to identify among the 60 federal organizations within the Tennessee Valley CFC the appropriate ethics officials to solicit their approval for any special CFC fund raising events prizes and/or awards.

\$194.00 in LFCC Chair travel expenses to attend the 2012 CFC conference was unsupported.

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Corrective Action: PCFO will verify all per diem requests through the appropriate resource and require and maintain full documentation for any travel and other reimbursement for CFC chair, CFC employees, CFC designee (requested by CFC chair to transact business for CFC) prior to reimbursement.

PCFO agrees it should be required to reimburse the TVCFC \$194.00 for the identified error.

II. Accounting for Audit Expenses

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We agree that we made an error in not accruing the audit fee as required by the policies. **Deleted by OIG – Not Relevant to Final Report**

Corrective Action: PCFO will use this audit cycle to correct for the non-accrual of audit expense. **Deleted by OIG – Not Relevant to Final Report**

III. Review and authorization of expense reimbursement

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PCFO agrees that it did not provide LFCC the opportunity for proper review of the final campaign expenses that were reimbursed to PCFO. **Deleted by OIG – Not Relevant to Final Report**

Corrective Action: PCFO has changed its policy and procedures. All expenses related to CFC must be approved by the Chair or Vice Chair prior to purchasing. Additionally, those expenses have to be approved by United Way CFO and are reviewed by PCFO CEO. A budget to actual report is presented to full LFCC at each scheduled meeting. A notation of the presentation is being made in the meeting minutes. PCFO will not be reimbursed for campaign expenses without approval from full LFCC and a signed reimbursement form by LFCC Chair.

IV. Campaign Sponsorships

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PCFO agrees it was in error of properly reporting sponsorship funds according to CFC guidelines. **Deleted by OIG – Not Relevant to Final Report**

Corrective Action: PCFO will no longer solicit or accept sponsorship funds or gifts due to the risk of regulatory error.

C. Campaign Receipts and Disbursements

I. Pledge Form Errors

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Corrective Action: Throughout the pledge card processing period the PCFO will run pledge reports and use the pledge reports to cross-reference and cross check pledge report data vs pledge card information.

II. Accounting for Audit Expenses

Deleted by OIG – Not Relevant to Final Report

PCFO written policies did not reflect the updated OCFC guidelines. However, PCFO was and is operating under those guidelines. **(Updated Finding to Include this Information)**

Deleted by OIG – Not Relevant to Final Report

Corrective Action: PCFO has updated its written policy to reflect the current guidelines to reflect Memo 2006-5(C).

Deleted by OIG – Not Relevant to Final Report

[Redacted Signature]

[Redacted Name]

LFCC Chair

Date

Clay Vandiver

Clay Vandiver, CEO
United Way of Madison County



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