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Final Audit Report

Subject:

AUDIT OF THE 2007 AND 2008 CHAMBERSBURG AREA COMBINED FEDERAL CAMPAIGNS CHAMBERSBURG, PENNSYLVANIA

Report No. 3A-CF-00-10-033

Date: January 25, 2011

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Office of the
Inspector General

UNITED STATES OFFICE OF PERSONNEL MANAGEMENT
Washington, DC 20415

AUDIT REPORT

**AUDIT OF THE 2007 AND 2008
CHAMBERSBURG AREA
COMBINED FEDERAL CAMPAIGNS
CHAMBERSBURG, PENNSYLVANIA**

Report No. 3A-CF-00-10-033

Date: January 25, 2011


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Office of the
Inspector General

UNITED STATES OFFICE OF PERSONNEL MANAGEMENT
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EXECUTIVE SUMMARY

**AUDIT OF THE 2007 AND 2008
CHAMBERSBURG AREA
COMBINED FEDERAL CAMPAIGNS
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Date: January 25, 2011

The Office of the Inspector General has completed an audit of the 2007 and 2008 Chambersburg Area Combined Federal Campaigns (CFC). The United Way of Franklin County, located in Chambersburg, Pennsylvania, served as the Principal Combined Fund Organization (PCFO) during both campaigns. Our main objective was to determine if the Chambersburg Area 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 13 instances of non-compliance with the regulations (5 CFR 950) governing the CFC.

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

AUDIT GUIDE REVIEW

Our review of the agreed-upon procedures, as performed by the PCFO's Independent Public Accountant, did not identify any instances of non-compliance with the CFC Audit Guide.

BUDGET AND CAMPAIGN EXPENSES

- **LFCC Meeting Minutes Not Maintained**

The LFCC did not maintain meeting minutes or any other record of its discussions and decisions dealing with the 2008 CFC.

- **PCFO's Application Contains Incomplete Language**

The PCFO's application, accepted by the LFCC, did not include specific language required by the Federal regulations.

- **Approval of Campaign Expenses and Reimbursement**

The PCFO did not request approval from the LFCC before reimbursing itself for 2008 campaign expenses. Consequently, the LFCC did not review or approve the PCFO's reimbursement of these expenses.

- **Estimated Expenses**

The PCFO charged estimated expenses to the 2008 CFC campaign.

- **Duplicate Expense Charge**

\$150

The PCFO charged the 2008 campaign twice for \$150 in award certificates.

- **2006 Expense Charged to the 2008 Campaign**

The PCFO incorrectly charged the 2008 campaign for audit fees related to the 2006 campaign.

CAMPAIGN RECEIPTS AND DISBURSEMENTS

- **Notification of Designated and Undesignated Amounts**

The PCFO did not notify agencies and federations of the 2008 CFC amounts due to them by the date set in OPM's 2008/2009 Calendar of Events.

- **Deadline for Campaign Disbursements**

The PCFO did not begin disbursement of the 2008 campaign funds by the April 1, 2009 deadline, as specified in the Federal regulations.

- **Maintaining Interest-Bearing Bank Accounts**

The PCFO did not obtain approval from the Combined Federal Campaign Operations to maintain CFC funds in a non-interest bearing bank account for the 2008 campaign.

- **Policies and Procedures for Uncashed Checks**

The PCFO did not have written policies and procedures for uncashed checks. Consequently, the PCFO did not document its follow-up attempts to reach payees for uncashed checks that are over six months old.

- **Cut-Off Procedures for CFC Receipts**

The PCFO did not maintain proper cut-off procedures when recording CFC receipts between campaign years. As a result, the PCFO disbursed \$302 to the member agencies of the 2008 campaign in excess of the monies received.

ELIGIBILITY

- **Eligibility Review of Local Organizations**

The LFCC did not provide documentation to support that it reviewed all of the eligibility requirements, as specified by the Federal regulations, for organizations that applied to participate in the local campaign.

- **Deadline to Issue Notice of Eligibility Decisions**

The LFCC did not issue notice of its eligibility decisions within 15 business days of the closing date for receipt of applications. The closing date for the 2008 campaign was March 3, 2008.

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.

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I. INTRODUCTION AND BACKGROUND

INTRODUCTION

This report details the findings and conclusions resulting from our audit of the Chambersburg Area Combined Federal Campaigns (CFC) for 2007 and 2008. 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 242 separate local campaign organizations located throughout the United States, including Puerto Rico, the Virgin Islands, and foreign assignments. The Combined Federal Campaign Operations (CFCO) at OPM has the responsibility for management of the CFC. This includes publishing regulations, memorandums, and other forms of guidance to Federal offices 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.

All findings from our previous audit of the Chambersburg Area CFC (Report Number 2A-CF-04-91-E3, dated November 25, 1991), covering the 1990 campaign year, have been satisfactorily resolved.

The initial results of our audit were discussed with PCFO and LFCC officials during an exit conference held on May 21, 2010. A draft report was provided to the PCFO and the LFCC on September 7, 2010, for review and comment. The PCFO and LFCC's response to the draft report was considered in preparation of this final report and is included as an Appendix.

II. OBJECTIVES, SCOPE, AND METHODOLOGY

OBJECTIVES

The primary purpose of our audit was to determine if the Chambersburg Area CFC was in compliance with 5 CFR 950, including the activities of both the PCFO and LFCC. Our audit objective for the 2007 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).

Additionally, our specific audit objectives for the 2008 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 expenses charged to the campaign were actual, reasonable, allocated properly, approved by the LFCC, and did not exceed 110 percent of the approved budget.

Campaign Receipts and Disbursements

- To determine if the pledge card format was correct and if the pledge card report agrees with the actual pledge cards.
- To determine if incoming pledge monies were allocated to the proper campaign year and that the net funds (less expenses) were properly distributed to member agencies and federations.
- To determine if the member agencies and federations were properly notified of the amounts pledged to them and that donor personal information was only released for those who requested the release of information.

Eligibility

- To determine if the charity list (CFC brochure) was properly formatted and contained the required information; if the charitable organization application process was open for the required 30 day period; if the applications were appropriately reviewed, evaluated, and approved; if the applicants were notified of the eligibility decisions timely; and if the appeals process for denied applications was followed.

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.

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 2007 and 2008. The United Way of Franklin County, located in Chambersburg, Pennsylvania, served as the PCFO during both campaigns. The audit fieldwork was conducted at the offices of the PCFO from May 17 through May 21, 2010. Additional audit work was completed at our Washington, D.C. and Cranberry, Pennsylvania offices.

The Chambersburg Area CFC received campaign pledges, collected campaign receipts, and incurred campaign administrative expenses for the 2007 and 2008 campaigns as shown below:

Campaign Year	Total Pledges	Total Receipts	Administrative Expenses
2007	\$67,146	\$56,413	\$11,853
2008	\$71,215	\$64,307	\$10,421

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 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 Memorandums.

To accomplish our objective for the Audit Guide Review, we reviewed the CFC Audit Guide (for campaigns with pledges less than \$150,000) and completed the AUP checklist to verify that the IPA completed and documented the AUP steps.

In regard to our objectives concerning the 2008 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 the PCFO's budgeted expenses, the LFCC's approval of the budget, and matched a sample of actual expenses to supporting documentation. We judgmentally selected all expenses, except for two low dollar expenses, amounting to a sample total of \$10,370 out of a universe of \$10,421.
- 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 2008 campaign's receipts and disbursements were handled in accordance with CFC regulations, we reviewed the following:

- A judgmental sample of pledge cards from the 2008 PCFO's Donor Pledge Campaign Report and compared the pledge information from the report to the actual pledge cards. We judgmentally selected the top 25 pledge cards with the highest amounts pledged, totaling \$24,124 from a universe of 365 pledge cards totaling of \$71,215.
- Cancelled distribution checks to verify that the appropriate amount was distributed in a timely manner.
- One-time disbursements 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.
- 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 2008 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 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 LFCC and PCFO were in compliance with CFC regulations in regards to eligibility for the 2008 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.

Finally, to determine if the PCFO was in compliance with the CFC regulations as a federation (United Way of Franklin County) for the 2008 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 United Way of Franklin County did not disburse any funds to member agencies not participating in the CFC.
- The United Way of Franklin County's 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.

III. AUDIT FINDINGS AND RECOMMENDATIONS

A. AUDIT GUIDE REVIEW

Our review of the agreed-upon procedures, as performed by the PCFO's Independent Public Accountant, did not identify any instances of non-compliance with the CFC Audit Guide.

B. BUDGET AND CAMPAIGN EXPENSES

1. LFCC Meeting Minutes Not Maintained

The LFCC did not maintain meeting minutes or any other record of its discussions and decisions dealing with the 2008 CFC, including a performance review prior to a multi-year agreement, eligibility decisions, PCFO budget approval, and approval of the PCFO's reimbursement of campaign expenses.

In accordance with 5 CFR 950.104 (b) (1), the LFCC responsibilities include maintaining minutes of LFCC meetings and responding promptly to any request for information from the Director.

We requested the PCFO and LFCC to submit all minutes from CFC meetings dealing with the 2008 campaign including any attachments, emails, and/or handouts. According to the PCFO, the LFCC did not maintain meeting minutes or any other records of its discussions with the PCFO pertaining to the 2008 CFC. The PCFO acknowledged this was an oversight as most discussions between the PCFO and LFCC were conducted on the phone and campaign business was "self-managed", meaning that campaign tasks and duties were autonomously carried out by the PCFO and LFCC.

By not maintaining meeting minutes of its discussions and decisions related to CFC business, the LFCC lacks accountability and documentation of the reasoning for its final decisions.

PCFO and LFCC's Comments:

The PCFO and LFCC agree with this finding. The LFCC has begun maintaining minutes of each committee meeting and now records the attendance, actions, and decisions from those meetings.

The LFCC also appointed a new Campaign Chair to the committee that will work on the 2010 and 2011 campaigns and build a plan for the continued commitment of committee members and the succession of campaign leadership.

In addition, the LFCC has set up bi-monthly meetings with designated times and locations to ensure that the committee follows a plan to keep campaign activities on track.

Recommendation 1

We recommend that the PCFO ensure that the LFCC understands its responsibilities under regulation 5 CFR 950.104 (b) (1) and maintains minutes of its meetings for future campaigns.

2. PCFO's Application Contains Incomplete Language

The PCFO's application, accepted by the LFCC, did not include specific language required by the Federal regulations.

5 CFR 950.105 (c) (2) (iii) requires that the applicant sign a pledge to "abide by the directions, decisions, and supervision of the LFCC and/or Director." According to 5 CFR 950.101, "*Director* means the Director of the Office of Personnel Management or his/her designee." Additionally, 5 CFR 950.105 (c) (2) (i) requires "A statement signed by the applicant's local director or equivalent pledging to...administer the CFC fairly and equitably."

We reviewed the PCFO's application to determine if it was in compliance with CFC regulations. From our review, we determined that the PCFO's statement was missing a pledge to administer the CFC equitably and to abide by the directions, decisions, and supervision of the LFCC and/or Director. Instead, the statement read, "The United Way pledges to fairly administer the CFC, abiding by all regulations to the extent that we are aware of such regulations as posted on a timely manner and further promises to conduct all affairs of the CFC separately from the United Way's own campaign operations. Additionally, I fully understand that we are subject to decisions and supervision of the Local Federal Coordinating Committee."

By neither acknowledging nor accepting all responsibilities required by the Federal regulations in administering an efficient and effective campaign, the PCFO jeopardizes the ability of the CFC to operate properly from the start.

PCFO and LFCC's Comments:

The PCFO and LFCC agree with this finding. Beginning with the 2011 campaign year, all future applications will contain correct language as directed by the CFC regulations. As an effort of good faith, the PCFO resubmitted its request and budget for the 2010 campaign with the corrected language.

Recommendation 2

We recommend that the CFCO ensure that the PCFO's amended application reflects the proper language required by 5 CFR 950.105 (c) (2) and that the LFCC verifies the correct language is being used prior to approving PCFO applications in the future.

3. Approval of Campaign Expenses and Reimbursement

Based on a discussion with the PCFO, we determined that the PCFO did not request approval from the LFCC before reimbursing itself for 2008 campaign expenses. Consequently, the LFCC did not approve the actual campaign expenses and did not authorize the PCFO's reimbursement of these campaign expenses.

In accordance with 5 CFR 950.106 (a), "The PCFO shall recover from the gross receipts of the campaign its expenses, approved by the LFCC, reflecting the actual costs of administrating the local campaign." Furthermore, 5 CFR 950.104 (b) (17) holds the LFCC responsible for "Authorizing to the PCFO reimbursement of only those campaign expenses that are legitimate CFC costs and are adequately documented." This regulation is a control designed to help ensure that the PCFO reimburses itself for only appropriate and supportable expenses.

According to the PCFO, the actual campaign expenses were not submitted to the LFCC for approval because the PCFO believed that the approved budget was sufficient approval for reimbursement of expenses. The PCFO commented that unless there is a big change in the budget and/or expenses, the PCFO will not request the LFCC's approval for campaign expense reimbursement.

As a result of the LFCC not reviewing and approving the actual 2008 campaign expenses, the PCFO may have been reimbursed for expenses that were not related to the CFC.

PCFO and LFCC's Comments:

The PCFO and LFCC agree with this finding. The LFCC Chair has met with the PCFO, and together, they have developed plans for the LFCC committee to meet prior to the reimbursement of expenses for the campaign and formally review all expenses at the January 2011 board meeting to ensure that the expenses are approved before reimbursement.

As part of this process, the LFCC Chair will ensure that meeting minutes reflect the review and approval of campaign expenses from the just completed campaign in January 2011 and all subsequent campaigns.

Additionally, the PCFO and the LFCC Chair reviewed the CFC regulations to ensure that both parties understand the responsibilities that relate to campaign expenses and reimbursement of those expenses. The LFCC will receive training related to all

LFCC responsibilities, prior to the review of PCFO expenses at the January LFCC meeting.

Recommendation 3

We recommend that the CFCO ensure that the PCFO understands that it must submit actual expenses to the LFCC for approval prior to reimbursement.

Recommendation 4

We recommend that the CFCO ensure that the LFCC reviews, approves, and documents its authorization of the PCFO's reimbursement for campaign expenses.

4. Estimated Expenses

The PCFO charged estimated expenses to the 2008 CFC campaign.

According to 5 CFR 950.105 (3) (d) (7), the PCFO is responsible for "Maintaining a detailed schedule of its actual CFC administrative expenses with, to the extent possible, itemized receipts for the expenses. The expense schedule must be in a format that can be reconciled to the PCFO's budget" Furthermore, 5 CFR 950.106 (a) states "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."

As part of its proposed budget, the PCFO included an amount totaling \$4,500 for campaign administration. This same amount was also included as an actual expense charged to the 2008 campaign. Consequently, we requested supporting documentation to determine if the \$4,500 amount was CFC related, allocated in a fair or reasonable method, and allocated based on actual expenses. According to the PCFO, the administration expense of \$4,500 is based on a time study that estimated the hours spent by the PCFO staff working on the CFC four to five years ago. The PCFO could not provide documentation to support this time study.

Without a detailed schedule of actual time spent working on the CFC, the PCFO could overestimate the administrative expenses being charged to the campaign, thereby reducing the funds due to agencies and federations.

PCFO and LFCC's Comments:

The PCFO and LFCC agree with this finding. In 2010, the PCFO began maintaining records of administrative time spent toward the CFC campaign. This will ensure that future campaign years' proposed budgets will reflect a more accurate picture of the time dedicated to administration of the campaign as well as the compensation of the CFC dedicated staff.

Recommendation 5

We recommend that the CFCO and LFCC require the PCFO to revise its current methodology for allocating CFC administrative expenses to match the requirements in 5 CFR 950.105 (3) (d) (7) and 5 CFR 950.106 (a), and ensure that this methodology is correctly implemented for the currently active and future campaigns.

5. Duplicate Expense Charge

\$150

The PCFO charged the 2008 campaign twice for \$150 in award certificates.

5 CFR 950.106 (a) states, "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." Furthermore, 5 CFR 950.104 (b) (17) states that it is the LFCC's responsibility for "Authorizing to the PCFO reimbursement of only those campaign expenses that are legitimate CFC costs and are adequately documented." This provision is a control designed to help ensure that the PCFO reimburses itself for only appropriate and supportable expenses.

We traced each expense from the 2008 Campaign Expense Schedule to supporting documentation to determine if the expenses agreed to the schedule and were justifiable. Our review of the invoices showed that a \$150 expense for award certificates was entered twice in the CFC accounting records. When the PCFO purchased award certificates, it accidentally mistook the order receipt and the actual invoice as two separate expenses and entered them into the accounting system as two entries. The PCFO didn't realize that the two receipts were for the same order since the amounts were slightly different and there was a large time lag from making the purchase and entering the expenses into the accounting system.

As a result of entering a duplicate expense into the CFC's accounting records, an inappropriate amount of \$150 was charged to the 2008 campaign.

PCFO and LFCC's Comments:

The PCFO and LFCC agree with this finding. The LFCC will have the opportunity to double check all expenses in future years and there will be an additional check and balance in place to assure a correct record of billing. The PCFO will also reimburse the CFC Campaign for \$150 that was billed twice in 2008.

In addition, the corrective action plan includes training for committee members to ensure that they understand and are reminded of their responsibilities listed in 5 CFR 950.106 and 950.104.

Recommendation 6

We recommend that the CFCO require the PCFO to reimburse the current campaign \$150 as undesignated funds.

Recommendation 7

We recommend that the CFCO ensure that the LFCC reviews, approves, and documents its authorization of the PCFO's reimbursement for campaign expenses.

6. 2006 Expense Charged to the 2008 Campaign

The PCFO incorrectly charged the 2008 campaign for audit fees related to the 2006 campaign.

According to 5 CFR 950.106 (b) "The PCFO may only recover campaign expenses from receipts collected for that campaign year." Additionally, CFC Memorandum 2008-09 clarifies regulation 5 CFR 950.106 (b) by explaining "the expenses incurred for the audit of a campaign must be paid from funds from the campaign being audited."

Based on our review of 2008 campaign expenses, we determined that the PCFO incorrectly charged the 2008 campaign for expenses that should have been charged to the 2006 campaign. Specifically, we identified that the PCFO received an invoice in the amount of \$1,200 from its Independent Public Accountant in August 2008 for an audit performed on the 2006 campaign. The PCFO paid this invoice using 2008 campaign funds instead of accruing and withholding the estimated audit fee from the last distribution in the 2006 campaign. Applying the 2006 audit fee to the 2008 campaign is inappropriate because the PCFO should only incur expenses related to that year's campaign.

As a result of charging prior year campaign expenses to the 2008 campaign, the net designations due to charities were adversely effected.

PCFO and LFCC's Comments:

The PCFO and LFCC agree with this finding. The PCFO and LFCC now understand that the CFC regulations require that the campaign expenses be reimbursed in the year the campaign closes. The LFCC Chair will ensure that the PCFO and LFCC committee work together to create a plan to assign campaign expenses to the proper campaign year.

Recommendation 8

We recommend that the CFCO and LFCC work with the PCFO to put procedures in place to ensure that it properly matches expenses with the related campaign year.

Recommendation 9

We recommend that the CFCO ensure that the PCFO correctly implements these new procedures for the currently active campaigns and provides guidance to the PCFO in regards to audit fees received related to closed campaigns.

C. CAMPAIGN RECEIPTS AND DISBURSEMENTS

1. Notification of Designated and Undesignated Amounts

The PCFO did not notify agencies and federations of the 2008 CFC amounts due to them by the date set in OPM's 2008/2009 Calendar of Events.

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. According to the CFC Calendar of Events, the deadline for the PCFOs to notify 2008 CFC participating charities and federations was March 16, 2009.

We reviewed the notifications sent by the PCFO to determine if the PCFO notified federations and organizations of the amounts designated to them and their members and of the undesignated amounts due to them by no later than the March 16th deadline. Per the PCFO, its notifications of designated and undesignated amounts were sent on April 23, 2009, along with the initial disbursement checks in order to save postage.

As a result of not sending designated and undesignated funds notification letters to all agencies and federations of the 2008 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 amount of these funds could severely restrict the planning and budgeting abilities of the CFC agencies and federations depending upon the monies donated by Federal employees.

PCFO and LFCC's Comments:

The PCFO and LFCC agree with this finding. Each January, the LFCC will be apprised of the OPM Calendar of Events and review that calendar at the scheduled January board meeting. In the board meetings that follow that year, the PCFO will provide an update of disbursements and receipts to the LFCC for review so that the LFCC can ensure that the PCFO follows all calendar deadlines, including notification of the CFC's participating charities and federations of their designations. As a show

of good faith, the PCFO/LFCC supplemented its response to the draft report with upcoming meeting agendas that outline the activities for the meetings, such as a review of campaign time-frames.

Recommendation 10

We recommend that the LFCC ensure that the PCFO notifies CFC participating charities and federations of the amounts due to them by the deadline listed in the CFC Calendar of Events for each year.

2. Deadline for Campaign Disbursements

The PCFO did not begin disbursement of 2008 campaign funds by the April 1, 2009 deadline, as specified in the Federal regulations.

According to 5 CFR 950.901 (i) (2), "The PCFO will distribute all CFC receipts beginning April 1, and quarterly thereafter."

We reviewed the PCFO's April 2009 disbursement checks to determine if initial disbursements were made by the April 1st deadline. We found that the initial disbursement was not made until April 23, 2009, 22 calendar days (16 business days) past the April 1, 2009 deadline.

By not adhering to the Federal regulations, the PCFO runs the risk of delaying the recipients' use of entitled funds.

PCFO and LFCC's Comments:

The PCFO and LFCC agree with this finding. As part of their corrective action plan, the LFCC will review OPM's Calendar of Events at each board meeting and ensure that the PCFO sends all reports and payments by the imposed deadlines.

Recommendation 11

We recommend that the LFCC ensure that the PCFO disburses campaign funds by the deadlines listed in Federal regulations.

3. Maintaining Interest-Bearing Bank Accounts

The PCFO did not obtain approval from the CFCO to maintain CFC funds in a non-interest-bearing bank account for the 2008 campaign.

5 CFR 950.105 (d) (8) requires the PCFO to keep and maintain CFC financial records and interest-bearing bank accounts separate from the PCFO's internal organizational financial records and bank accounts.

Based on our review of the bank statements and discussions with the PCFO, the established M&T Bank checking account, into which the 2008 campaign receipts are deposited, is not interest-bearing. The PCFO reasoned that an interest-bearing bank account will cost more in fees than the amount of interest that can be earned on the money deposited. Although the PCFO reasonably saw no benefit in opening an interest-bearing bank account, the PCFO did not seek approval from the CFCO in forgoing the Federal regulations. The PCFO has begun to research new banking services that provide interest-bearing bank accounts.

As a result of not adhering to the Federal regulations, potential interest earned from idle campaign funds was lost.

PCFO and LFCC's Comments:

The PCFO and LFCC agree with this finding. The PCFO requested permission from the LFCC to move campaign funds into a savings account that will bear interest for all future campaigns. The LFCC Committee approved this course of action at the September 28, 2010 meeting, as recorded in the minutes.

Recommendation 12

We recommend that the CFCO ensure that the PCFO is maintaining CFC funds in an interest-bearing bank account that is cost effective to the campaign.

4. Policies and Procedures for Uncashed Checks

The PCFO did not have written policies and procedures for uncashed checks. Consequently, the PCFO did not document its follow-up attempts to reach payees for uncashed checks that are over six months old.

Section C of CFC Memorandum 2006-5 states, "PCFOs must develop and follow policies and procedures regarding uncashed checks. We recommend that this policy be documented and implemented after a check has gone uncashed for six months. We recommend the procedures include at least three documented follow-up attempts to reach the payee by phone and email. 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 requested from the PCFO its policies and procedures related to uncashed checks. The PCFO responded that there were no written policies and procedures for uncashed checks and were unaware of the memorandum's guidance in establishing uncashed checks policies and procedures.

Since policies and procedures are not in place for uncashed checks, and follow-up attempts to the payees were not documented, we can not confirm the PCFO's attempts to honor pledge dollars donated to charities by Federal employees. Because the

checks remain in an uncashed status, the pledged amounts from these checks were not properly distributed.

PCFO and LFCC's Comments:

The PCFO and LFCC agree with this finding. The PCFO has drafted a new policy that documents its practices for handling uncashed checks. All PCFO staff have been instructed to follow the policy and to document all attempts to follow-up. The PCFO provided us with a copy of its new policy for handling uncashed checks, which was approved by the LFCC on September 28, 2010.

Recommendation 13

We recommend that the LFCC ensures that the PCFO has implemented its policies and procedures for uncashed checks so that it fully encompasses the recommendations of CFC Memorandum 2006-5.

5. Cut-Off Procedures for CFC Receipts

The PCFO did not maintain proper cut-off procedures when recording CFC receipts between campaign years. As a result, the PCFO disbursed \$302 to the member agencies of the 2008 campaign in excess of the monies received.

According to 5 CFR 950.901 (i) (2), the PCFO is responsible for the accuracy of the disbursements it transmits to recipients. CFC Memorandum 2003-4 provides guidance for the PCFO to correctly track and record CFC receipts in order to ensure an accurate cut-off of transmitted CFC receipts between campaigns. Specifically, the Memorandum directs the PCFO to ensure that checks and EFTs from payroll offices are accompanied by a statement identifying the agency, the dates of the pay period, and the total number of employee deductions. If this information is not included with the checks and EFTs, then the PCFO should contact the payroll offices to request that it be provided. Furthermore, the Memorandum provides additional guidance to assist in the tracking and analysis of CFC receipts prior to the first payroll deductions received to ensure an accurate collection of CFC receipts. Collections in excess of the amounts pledged should be reported to the payroll office and/or LFCC and CFCO for resolution.

We reviewed the PCFO's 2008 Campaign Receipts and Disbursements Schedule to determine if all receipts were allocated to the correct campaign year and properly disbursed, less administrative expenses, by the end of the campaign. The total variance between bank deposits and the PCFO's reported campaign receipts and disbursements was \$302. The variance shows that more funds were disbursed for the 2008 campaign than what was received in the form of EFTs and checks. The difference is due to improper cut-off procedures between campaign years.

Because the PCFO did not follow proper cut-off procedures to identify campaign receipts, recipients from other campaign years did not receive \$302 in charitable contributions.

PCFO and LFCC's Comments:

The PCFO and LFCC agree with this finding. To address the problem, the LFCC will review all payments, receipts, and disbursements of the Chambersburg CFC during regular meetings with the PCFO. The PCFO and LFCC provided us with the most recent meeting minutes and agendas for future meetings all showing that time will be spent reviewing campaign payments, receipts, and disbursements.

Recommendation 14

We recommend that the CFCO and LFCC ensure that the PCFO's cut-off procedures are in accordance with the guidance outlined in CFC Memorandum 2003-4 and the applicable Federal regulations so that campaign receipts are properly tracked, recorded, and disbursed within the appropriate campaign year.

D. ELIGIBILITY

1. Eligibility Review of Local Organizations

The LFCC did not provide documentation to support that it reviewed all of the eligibility requirements, as specified by the Federal regulations, for organizations that applied to participate in the local campaign.

5 CFR 950.104 (b) (3) states that determining the eligibility of local organizations that apply to participate in the local campaign is an exclusive responsibility of the LFCC and may not be delegated to the PCFO.

We evaluated the criteria used by the LFCC to determine the eligibility of local organizations applying to participate in the 2008 campaign. As part of our audit, we had to determine if the criteria included the required regulations prescribed in 5 CFR 950 and if the LFCC made the final eligibility determination. During our review, we identified three organizations that were missing evidence of an eligibility determination by the LFCC.

Without proper review by the LFCC, the CFC could include organizations that do not meet the requirements of Federal regulations.

PCFO and LFCC's Comments:

The PCFO and LFCC agree with this finding. The LFCC Chair ensures that all future applications for the Chambersburg CFC Campaign will be reviewed for regulation compliance after the LFCC Committee performs an initial review of the applications.

Recommendation 15

We recommend that the CFCO ensure that the LFCC complies with 5 CFR 950.104 (b) (3) and properly documents its review of organization applications.

2. Deadline to Issue Notice of Eligibility Decisions

The LFCC did not issue notice of its eligibility decisions within 15 business days of the closing date for receipt of applications. The closing date for the 2008 campaign was March 3, 2008.

5 CFR 950.801 (a) (5) states that the LFCC "must issue notice of its eligibility decisions within 15 business days of the closing date for receipt of applications." The closing date for the 2008 campaign was March 3, 2008.

We reviewed a sample of eligibility letters that were sent by the LFCC to determine if the LFCC's eligibility decisions were issued within 15 business days of the closing date of the applications. From our review, we determined that the eligibility notification letters were dated and sent June 17, 2008, instead of the March 24, 2008 deadline (15 business days after March 3rd).

As a result of issuing late notifications, agencies and federations were not notified of the CFC's eligibility decisions in a timely manner.

PCFO and LFCC's Comments:

The PCFO and LFCC agree with this finding. The LFCC Chair and the LFCC committee have worked together to create a plan for ensuring that notices of eligibility are issued in accordance with the Federal regulations. The LFCC expanded the review committee to provide a one-day review of applications and immediate turnaround for communication to applicants by the required deadlines.

Recommendation 16

We recommend that the CFCO ensure that the LFCC issues notice of eligibility decisions within 15 days of the closing date for receipt of applications in compliance with 5 CFR 950.801 (a) (5).

E. PCFO AS A FEDERATION

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

IV. MAJOR CONTRIBUTORS TO THIS REPORT

Special Audits Group

██████████, Auditor-In-Charge

██████████, Auditor

██████████ Senior Team Leader

██████████, Group Chief, ██████████



APPENDIX

2016 OCT -8 AM 7:20

Chambersburg CFC Campaign #0740
United Way Franklin County, PCFO
182 S. Second Street
Chambersburg PA 17201
Phone: 717-262-0015
Fax: 717-262-0018

October 5, 2010

Office of Personnel Management
Office of the Inspector General
Attention: [REDACTED]
[REDACTED]
Washington DC 20415-1100

cc: Keith Willingham
Director, Combined Federal Campaign Operations

Dear [REDACTED],

United Way of Franklin County as PCFO of the Chambersburg CFC Campaign #0740, and Letterkenny Army Depot, as LFCC of the campaign, have read and are taking the findings of the Office of the Inspector General very seriously. This audit was truly an educational experience for everyone involved with our campaign, and we are using this as an opportunity to improve campaign structure, record keeping and administrative procedures to meet or exceed your requirements for the future.

Our corrective plan for each recommendation from your report will be addressed in order as referenced from your original draft report. Our LFCC Committee and PCFO Staff have already begun work toward correcting most of the findings, and plans are in place to address all findings by completion of the 2011 Campaign, which we will begin the application cycle of in two months. Any additional work to improve campaign, not detailed within your audit, will be addressed at the end of our reported response.

1. The Chambersburg LFCC has not maintained minutes of meetings and discussions in past years, however, since February 2010, when the LFCC became aware that meeting minutes were required and would need to be maintained, the LFCC has been taking minutes of each committee meeting and the attendance, actions and decisions of those meetings. **(2010 meeting minutes attached)**
 - a. All meetings are now held at the office of the PCFO, United Way of Franklin County, with the exception of campaign kickoff events, which are held in the federal workplace. United Way Franklin County office was selected as the best site for meetings to ensure that federal employees that

are located in different areas of community will feel that the location site is a neutral travel point for all federal agencies.

- b. A new Campaign Chair has been appointed to the committee, Lt. Jamie Brackett, and has agreed to work with the campaign for 2010 and through 2011, to help build a plan for assuring commitment of committee members, as well as to create a succession plan for campaign leadership so that future campaign chairs will be brought into campaign prior to application season and carry through the commitment until campaign is closed. Three new committee members have already been recruited in the 2010 campaign season to bring new energy and a higher level of commitment to the all volunteer LFCC.
 - c. A meeting schedule has been circulated, directing that meetings will be held the 4th Tuesday of all odd months, to ensure that the committee follows a plan to keep campaign activities on track.
2. The next application period for PCFO of the Chambersburg CFC Campaign is for January 2011. This application and all future applications will contain correct language, as directed by OPM regulation. As an effort of good faith, the PCFO is resubmitting their request for the 2010 campaign with the corrected language, and will submit a sample copy of the 2011 request letter and budget to demonstrate that corrections are already in place to move forward, once next year's PCFO Application is requested. **(Corrected 2010 PCFO Application Attached)**
3. The PCFO did not formally ask for approval of campaign expenses in 2008. The CFCO has met with the PCFO and together, they have developed plans for the LFCC to meet prior to reimbursement of expenses for the campaign and formally review all expenses at the January board meeting to ensure that the expenses are approved before reimbursement. **(An agenda for the 2011 January meeting is attached to demonstrate that campaign practices are being adapted to meet requirements of OPM.)**
4. **The CFCO ensures that minutes will reflect the review and approval of campaign expenses from the just completed campaign in January 2011 and all subsequent campaigns.**
5. **The PCFO and CFCO reviewed the regulations of OPM together to ensure that both parties understand the responsibilities that relate to campaign expenses and reimbursement of those expenses. The LFCC will receive a training, related to all LFCC responsibilities, prior to review of PCFO expenses at the January LFCC meeting (meeting agenda for January attached)**
6. The PCFO has requested the same administrative fee for administration of campaign for at least the past 5 years, with no increase for changes and increases in staffing. This was done in an effort to keep campaign expenses as low as possible. In 2010, records of administrative time spent toward the CFC campaign were kept and for 2011's proposal, the administrative costs will be directly reflective of amount of time dedicated to administration of campaign and the compensation of staff members who do the work of administering campaign. **(Billed time record for 2009 and payrates for PCFO staff are attached to**

demonstrate that campaign was billed for agreed upon administrative fee, although hours in 2009 exceeded budget.)

7. In 2008 there was an incident of double billing for one invoice because an invoice appeared twice in the PCFO files for accounts payable. Because the LFCC will have the opportunity to double check all expenses (**see item 3**) in future years, there will be an additional check and balance in place to assure that items aren't accidentally billed twice. (**PCFO will also reimburse the CFC Campaign for \$150 that was billed twice in 2008-action to be reviewed in minutes from the September 2010 meeting-attached**)
8. Documentation from Recommendations 3,4,5 and 6 demonstrate changes in the process for authorization of campaign expense reimbursement. The CFCO of the Chambersburg CFC Campaign ensures that the LFCC will follow through on proper documentation, review and approval of future expenses for CFC Campaigns.
9. At the January meeting of the LFCC, all volunteer committee members will receive a training to ensure that they understand and are reminded of their responsibilities as related to 5 CFR 950.106 and 950.104. (**See January meeting agenda**)
10. Audit fees have historically been charged for the campaign that has been closed to the campaign that is beginning when expenses are reimbursed. This has been the practice of this campaign since it's beginning because the expense does not occur to the campaign until 2 years after the campaign is run. We now understand that OPM regulations require that the campaign expense be reimbursed in the year the campaign closes. (In February 2009, we should have been reimbursed for 2007 campaign audit, which would not occur and be billed until August 2009). This creates an unusual challenge for our campaign, as we must bill for the estimated cost of the campaign before the cost occurs, and also created a situation where normally the PCFO would have to absorb the cost of the audit for one year to correct the situation. We have a unique opportunity to correct this because OPM performed the 2008 Audit. For 2010 campaign, the PCFO will continue to be reimbursed on schedule so that payment of the 2007 audit will occur in 2010. In 2011, the PCFO will bill for the 2009 audit instead of the 2008, because the 2008 will have been completed at no cost to the campaign. This will correct our audit reimbursement schedule for all future years of campaign. Audits will have to be reimbursed based on an estimate of the cost of services, and if necessary, a correction will be made later in campaign schedule to be sure that the actual cost of audit is reflected. The CFCO ensures that the PCFO and LFCC have been working together to create a plan for the campaign expenses related to audits be moved into the proper campaign year.
11. The LFCC will be apprised of the OPM Calendar of Events each January and review that calendar at the January board meeting. At all other board meetings, an update of disbursements and receipts will be provided by the PCFO to the LFCC for review so that the LFCC can ensure that the PCFO follows all deadlines of the calendar, including notification of CFC participating charities and federations of their designations. (**See January agenda and other agendas**)

12. The LFCC will review the OPM Calendar of events at each board meeting to ensure that the PCFO has provided all reports and payments to meet all imposed deadlines.
13. The PCFO has maintained the same account for the Chambersburg Combined Federal Campaign since the campaign was established. That account was established to avoid fees associated with typical checking accounts, however that account was not interest bearing. As corrective action, the PCFO requested permission from the CFCO in spring of 2010, immediately after the audit was conducted, to make a change to the account and move funds into a savings account, attached to the checking account that originally held the funds, so that campaign funding bears interest for all future campaigns. The LFCC Committee approved this course of action at their September 28, 2010 Committee Meeting, as reflected in the minutes. **(September Committee Meeting Minutes Attached)**
14. A policy has been drafted and is included that documents the practices and policy of Chambersburg. All staff of the PCFO have been instructed to follow the policy and to document all attempts at follow-up. **(Policy for handling un-cashed checks attached-approved by LFCC on Sept 28, 2010)**
15. As part of each regular meeting agenda, the LFCC will review all payments, receipts and disbursements of the Chambersburg CFC Campaign. **(see attached meeting minutes from September 2010, and agendas for Jan. 2011, Mar. 2011 as examples)**
16. The CFCO ensures that all future applications of the Chambersburg CFC Campaign will be reviewed after the LFCC Committee completes its review of applicants to ensure that all documentation of review is completed.
17. The CFCO and Campaign Chair of the Chambersburg CFC Campaign, have worked together to create a plan for ensuring that notices of eligibility are issued within 15 days of closing date for receipt of applicants of future campaigns. For the 2011 campaign, the LFCC is already planning to meet on March 29, 2011. Applications for the campaign will be due on March 20th, which will allow 8 days of preparation before the committee meets to review applications. The review committee is being expanded to 20 members so that adequate LFCC membership is ensured to provide a one-day review of applications by committee, and immediate turnaround for communication of applicants by April 5, 2011.

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NOT RELEVANT TO THE REPORT**

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

The Chambersburg Combined Federal Campaign has run a low cost, effective campaign to employees in our region for many years. Both the LFCC and the PCFO that have historically managed this campaign take the campaign seriously and care deeply for this community. A number of the findings reported during the 2008 were based in requirements that both the LFCC and the PCFO did not understand prior to the audit. The Chambersburg Campaign has demonstrated growth in recent years of our campaign, and we believe that the required changes can be made in order to meet or exceed the requirements of OPM, as well as to grow the campaign for future years. We're excited about the opportunities presented to improve our campaign and are looking forward to increased communication and teamwork that our recently initiated plans create.

Please don't hesitate to contact either Angie Coons, as CFCO of the Campaign, or Amy Hicks, as PCFO Director if you have any questions or concerns regarding our plans for the upcoming campaign and future campaigns.

Sincerely,



PCFO, Chambersburg CFC Campaign
Executive Director, United Way Franklin County



CFCO, Chambersburg Combined Federal Campaign
CFC Program Manager, Letterkenny Army Depot