

# **COMBINED FEDERAL CAMPAIGN**

## **AUDIT GUIDE**

### **FOR LARGE CAMPAIGNS**

(Campaigns with Total Receipts above \$250,000)

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# **BACKGROUND, OBJECTIVE, SCOPE, AND METHODOLOGY**

## **I. Background**

The Combined Federal Campaign (CFC) is the sole authorized fund-raising drive conducted in Federal installations throughout the world. It consists of approximately 415 separate local campaign organizations located throughout the United States. The U.S. Office of Personnel Management (OPM) has the overall responsibility for management of the CFC. This includes publishing regulations and providing guidance to federal officials and private organizations to ensure that all campaign objectives are achieved.

CFC's are conducted by a Local Federal Coordinating Committee (LFCC) and administered by a Principal Combined Fund Organization (PCFO). The LFCC is responsible for organizing the local CFC, deciding on the eligibility of local voluntary organizations, 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 keyworkers and volunteers; preparing pledge cards and brochures; distributing campaign receipts; submitting to an extensive and thorough audit of its CFC operations, conducted by an independent certified public accountant in accordance with generally accepted auditing standards; 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.

## **II. Objectives**

The primary objective of this audit of the local Campaign is to determine compliance with 5 CFR Part 950. OPM established these regulations pursuant to Executive Orders 12353 and 12404 and Public Law 100-202 to provide a system for administering the annual charitable solicitation drive among federal civilian and military employees. The regulations set forth ground rules under which charitable organizations receive federal employee donations.

Specifically, the audit objectives for the most current campaign are:

- Campaign Material - to determine whether all campaign and publicity materials were developed and disseminated in conformance with applicable regulations.
- PCFO Budget and Expenses - to determine whether a budget of estimated costs for administration of the Campaign was prepared and approved and actual costs were properly deducted from gross campaign receipts and whether campaign expenses were properly supported.

- Distribution of Funds - to determine whether contributions on pledge cards were properly recorded by the PCFO and used as the basis for the distribution of funds.
- Allocation of General Designation Options and Undesignated Funds - to determine whether funds that were designated to the general designation options were allocated according to the methods contained in the regulations and whether funds that were not designated (undesignated funds) to a specific organization or federation were allocated according to the method contained in the regulations.

The audit objective for the most recently completed campaign cycle is:

- Distribution of Funds - to determine whether the total amount of funds received for the campaign, less actual campaign expenses due the PCFO, was disbursed to the recipients.

### III. Scope

This will be a compliance audit that will cover two campaign periods, the most current campaign and the most recently completed campaign. The audit of the most current campaign will include those objectives identified above. The audit of the most recently completed campaign will be limited to a close out audit and a final accounting of the campaign.

The audit should include an evaluation of the PCFO's management controls that are significant to the Campaign's compliance with laws and regulations.

## **IV. Methodology**

The audit should be conducted in accordance with generally accepted government auditing standards as prescribed by the United States General Accounting Office. The audit should include such tests of the accounting records and such other auditing procedures necessary to meet the audit objectives.

### **Definition of Terms**

"Agency" or "Voluntary Agency" - means a private, non-profit, philanthropic, human health and welfare organization.

"International General Designation Option" - means that the donor wishes that his or her gift be distributed to all of the international agencies listed in the international section of the campaign brochure in the same proportion as all of the international agencies received designation in the local CFC. This option will have the code "III."

"Business Days" - means calendar days exclusive of Saturdays, Sundays, and Federal holidays.

"Campaign Cycle" - means a two year period which marks the beginning of a campaign and the end of a campaign. March 15 begins the first year of the campaign and March 14 two years later ends the campaign. For example March 15, 1994 begins the fall 1994 campaign and March 14, 1996 ends the fall 1994 campaign.

"Combined Federal Campaign" or "Campaign" or "CFC" - means the charitable fund-raising program established and Order No. 12353, as amended by Executive Order No. 12404, and all subsidiary units of such program.

"Designated Funds" - means those contributions which the contributor has designated to a specific voluntary agency(ies), federation(s), or general option(s).

"Employee" - means any person employed by the Government of the United States or any branch, unit, or instrumentality thereof, including persons in the civil service, uniformed service, foreign service, and the postal service.

"Federation" or Federated Group" - means a group of voluntary charitable human health and welfare agencies organized for purposes of supplying common fund-raising, administrative, and management services to its constituent members.

"Local Federal Coordinating Committee" or "LFCC" - means the group of Federal officials designated by the Director to conduct the CFC in a particular community.

"Principal Combined Fund Organization" or "PCFO" - means the federated group or combination of groups, or a voluntary agency selected by the LFCC to administer the local campaign under the direction and control of the LFCC and the Director.

"Undesignated Funds" - means those contributions which the contributor has not designated to a specific voluntary agency(ies), federation(s), or general option(s).

## **Campaign Material**

The specific campaign and publicity materials (i.e., the contributor information leaflet and list of organizations) will be developed locally, except as specified in the regulations, under the direction of the LFCC and will be printed and supplied by the PCFO. Any disputes over local materials will be resolved by the LFCC. All publicity materials must have the approval of the LFCC before being used. All publicity materials must be developed in consultation with all federations which are able to respond in a timely fashion. Refer to 5 CFR 950.401 and OPM's annual National List.

The campaign brochure shall consist of a Preface, an Introduction, a List of Eligible Voluntary Organizations, and a joint Pledge Card, Payroll Authorization, and Name Release form. The brochure shall be distributed and/or made available by each keyworker as the official CFC information package to each potential contributor. Campaign materials must constitute a simple and attractive package that has fund-raising appeal and essential working information. The package should focus on the CFC without undue use of voluntary agency symbols or other distractions that compete for the donor's attention.

### **Audit Objective**

To determine whether all campaign and publicity materials were developed and disseminated in conformance with applicable regulations.

### **Audit Steps**

- A. Determine if the campaign brochure, and publicity materials used during the campaign were in compliance with 5 CFR 950.401, OPM's National List and Instructions .
- B. Determine if the pledge card used in the campaign was a faithful reproduction of OPM's model. If any changes were made, not provided for in the regulations, determine whether the campaign received advance approval from OPM. [5 CFR 950.402]
- C. Complete the Campaign Material Review Checklist (see Appendix A).

## **PCFO Budget and PCFO Expenses**

When applying to be the PCFO of a local CFC, a charitable organization, combination of charitable organizations or federations(s), must submit a written campaign plan to the LFCC on or before March 1 of each year in sufficient detail to allow the LFCC to determine if the applicant could administer an efficient and effective CFC. The plan should also include a CFC budget that details all costs estimated to be required to operate the CFC. The costs in the budget should be based on estimated actual expenses, not on the percentage of the funds raised in the local campaign. [5 CFR 950.105(a) through (c)]

The PCFO may recover from the gross receipts of the campaign its actual costs of administering the local campaign. In no event should the amount recovered for expenses exceed by more than 10 percent the estimated budget submitted. The campaign expenses must be shared proportionately by all the recipients according to their percentage share of gross campaign contributions. [5 CFR 950.106]

### **Audit Objective:**

To determine for the most recent campaign, whether a budget of estimated costs for administration of the Campaign was prepared and actual costs were properly deducted from gross campaign receipts and whether campaign expenses were properly supported.

### **Audit Steps**

- A. Review a copy of the PCFO budget for the most recent campaign.
- B. Reconcile actual costs incurred for administering the campaign to the trial balance or accounting records (e.g., general ledger).
- C. Review a copy of the PCFO's policy for campaign expense reimbursement. Determine whether the PCFO is properly matching campaign receipts and expenses.

**Note: 5 CFR 950.106 implies that the PCFO should cover all campaign expenses at the start of the campaign and then recover their costs from the gross receipts of the same campaign.**

- D. Determine whether the PCFO submitted their application and campaign plan (includes budget and details of operation) in accordance with the local campaign deadline established by the LFCC. [5 CFR 950.106(c)]
- E. Determine whether all costs in the budget were based on estimated actual costs, not on a percentage of funds raised in the local campaign.
- F. Determine whether the campaign plan contained a pledge signed by an appropriate official of the PCFO to administer the CFC fairly and equitably, to conduct the applicant's non-CFC operations separately from the campaign operations, and to be subject to the decisions and supervision of the LFCC and a signed acknowledgment that it is subject to the provision of 5 CFR 950.403 and 5 CFR 950.603. [5 CFR 950.105(c)(1) through (3)]
- G. Determine whether the LFCC selected the PCFO and approved the PCFO's budgeted expenses, on or before March 15. [5 CFR 950.801(a)(3)]
- H. Compare actual expenses to the budget and determine whether actual expenses exceeded budgeted expenses by more than 10 percent. If the actual expenses exceeded budgeted expenses by more than 10 percent, review accounting records to determine whether the PCFO absorbed (did not reimburse itself) the excess amount over 10 percent. [5 CFR 950.106] Amounts recovered by the PCFO in excess of the 10 percent should be set out as not chargeable to the campaign.
- I. Determine whether the PCFO allocated campaign expenses proportionately among the recipient organizations according to their percentage share of gross (cash, payroll deductions, designated, and undesignated) campaign receipts.
- J. Review a sample of campaign expenses incurred. Determine if the expenses are actual, traceable to supporting documentation, and necessary for the campaign. Also, determine if the PCFO is charging for expenses not reflected in the budget. Expenses which are unsupported, unnecessary, and not reflected in the budget should be set out as not chargeable to the campaign.

### **Distribution of Funds**

Contributors may choose to direct their gifts to a specific voluntary agency(ies), or federation(s) of his or her choice by designating up to five organizations/options on their pledge cards.

Contributors may also select the international general designation option or if they do not wish to designate their contributions to a specific organization(s), federation(s), or international general

designation option. If no organization, federation or international general designation option is identified on the pledge card, contributions are deemed Aundesignedated.@

Contributions designated on pledge cards must be properly recorded by the PCFO and used as the basis for the distribution of funds. [5 CFR 950.105(d)(1)]

### **Audit Objective**

To determine for the most recent campaign, whether contributions on pledge cards were properly recorded by the PCFO and used as the basis for the distribution of funds.

Also, to determine for the most current completed campaign cycle, whether the total amount of funds received for the campaign, less actual campaign expenses due the PCFO, was disbursed to the recipients.

### **Audit Steps**

- A. Complete Pledge Cards Questionnaire. (See Appendix B.)
- B. Review the PCFO's federal payroll offices tracking procedures to determine if the PCFO tracks receipts from federal payroll offices properly.

THE FOLLOWING STEPS ARE FOR THE MOST RECENT CAMPAIGN:

- C. Select a sample of pledge cards and determine whether the designations were properly recorded. [5 CFR 950.105(d)(1)]
- D. Determine whether initial disbursements to the federations and agencies were made in a timely manner. Verify by reviewing canceled checks. [5 CFR 950.901(I)(2)]
- E. Determine whether the PCFO notified the federated groups, national agencies, and local agencies by February 15 of the amounts of designated and undesignedated funds allocated to them. [5 CFR 950.901(I)(1)]
- F. Determine the dates and length of the solicitation period. The period should be only six-weeks occurring between September 1 and December 15. The LFCC can extend the period due to local conditions, but no later than December 15. [5 CFR 950.103(f)]

THE FOLLOWING STEPS PERTAIN TO MOST RECENTLY COMPLETED CAMPAIGN CYCLE:

- G. Determine if the PCFO accounts for Campaign funds for one full year beginning with the first full pay period in January of the year following the campaign solicitation period and ending with the last pay period that begins in December of the year following the campaign solicitation period. (Note: Any checks received on or before January 31 without supporting documentation should be put toward the prior years campaign; and received after January 31 put toward the current campaign.)
- H. Determine total funds disbursable for the campaign. Total funds disbursable should be: Total pledges received (cash and payroll deductions) plus interest earned, [see CFC Memorandum 93-6], from CFC accounts minus campaign expenses.
- I. Determine whether the PCFO accurately computed allocation rates and completely disbursed funds proportionately to campaign recipient organizations according to their percentage share of gross campaign receipts. The audit coverage period should include the final disbursement for the campaign year.
- J. Determine whether the PCFO made monthly or quarterly payments, in a timely manner. The disbursement and allocation schedule should be included in the CPA report.
- K. Determine if final disbursements to the federations and agencies were made and were made in a timely manner.

### **Allocation of General Designation Options and Undesignated Funds**

All undesignated funds received in the campaigns will be distributed to all organizations in the CFC brochure in the same proportion that was contributed in designations. [5 CFR 950.501]

The LFCC is responsible for insuring that the contributions are distributed in accordance with the method described in the regulations. [5 CFR 950.104(c)(10)]

#### **Audit Objective**

To determine whether funds that were designated to the international general designation option were allocated according to the method contained in the regulations and whether funds that were not designated (undesignated funds) to a specific organization or federation were allocated according to the method contained in the regulations.

## **Audit Steps**

- A. Obtain and review the methods used to allocate the international general designation option for the campaigns being audited. Verify that:
  - o III - funds were distributed among all the international agencies listed in the international section of the campaign brochure in the same proportion as all of the international agencies received designations in the local CFC.
  
- B. Determine whether undesignated funds were allocated in accordance with 5 CFR 950.501.

## **REPORTING REQUIREMENTS**

Upon completion of the audit work, the auditor should prepare an audit report in accordance with the government auditing standards. The audit report should:

- o Provide an overall opinion on the Campaign's compliance with the CFC program's laws and regulations,
- o Report all significant instances of non-compliance, and
- o Report significant weaknesses found in the Campaign's management control system which are significant to audit objectives.
- o Provide a comparison chart of Budgeted Expenses versus Actual Expenses for the most recently completed campaign cycle.

The audit report must be submitted to the LFCC and OPM by the date specified in the regulations.

## CAMPAIGN MATERIAL REVIEW CHECKLIST

1. Determine whether the campaign brochure contained:
  - required OPM information, [OPM National List with instructions]
  - a list of eligible voluntary organizations (divided into national and local sections), [5 CFR 950.401(g)(2)];
  - a statement informing employees of their right to make a choice to contribute or not to contribute, [5 CFR 950.401(e)];
  - a statement informing employees of their right to designate or not to designate, [5 CFR 950.401(e)];
  - a statement informing employees of their right to give a confidential gift in a sealed envelope, [5 CFR 950.401(e)]; and
  - organization symbols or other distractions that compete for the donor's attention, [5 CFR 950.401(f)].
  
2. Determine whether the campaign brochure:
  - described the CFC program, [5 CFR 950.401(g)(1)(I)];
  - explained the payroll deduction privilege, [5 CFR 950.401(g)(1)(I)];
  - explained the distribution procedures undesignated [Introduction from OPM National List instructions];
  - clearly stated and urged federal donors to direct their gifts to specific agencies, groups, or options of their choice by designating in the boxes provided up to five organizations, [Preface from OPM National List instructions];
  - stated that designations may only be made to listed organizations and that write-in designations are prohibited, [5 CFR 950.401(g)(1)(ii)];
  - provided instructions on how to obtain information about the programs and finances of the participating organizations, [5 CFR 950.401(g)(1)(iii)]; and

- informed employees of their rights to pursue complaints of undue pressure or coercion in federal fund-raising activities, [5 CFR 950.401(g)(1)(iv)].
3. Determine whether the agency listing contained an "Introduction" and whether the introductory division contained a(n):
    - A "Definition of a Federation" section with the following definition, "A federation is a group of voluntary charitable human health and welfare agencies established for the purpose of providing common fundraising, administrative, and management services to its members. Federations may be national or international agencies, or local, representing local or regional agencies. If you wish to designate all or some portion of your contribution to a federation, record that federation's code number in one of the boxes on your pledge card. Contributions designated to a federation will be shared in accordance with the federation's policy." [OPM instructions].
    - "Unaffiliated Organizations" section which informs the donor how to contribute to an organization not affiliated with a federation. [OPM instructions].
    - "International General Designation Option" "I request that my gift be shared among all the international organizations listed in the "International Section" of the Agency Listing in the same proportion that they received designations."
    - "Undesignated Funds" section that consists of the following explanation: "Even if you choose not to designate to a specific agency or federation, your contribution will still be accepted. Funds contributed to the CFC, but not designated to a specific organization or federation will be distributed to all organizations in the CFC brochure in the same proportion that was contributed in designations."
  4. Determine whether the agency listing contained a "National Organizations" division which:
    - was a faithful reproduction of the OPM Director's list (unless there were waivers) [5 CFR 950.401(g)(2)];
    - the title "National Unaffiliated Organizations" preceded the listing of unaffiliated agencies [5 CFR 950.401(g)(2)]; and
    - national federations were listed with their member organizations and identified as federations.
  5. Determine whether the agency listing contained a "Local Organizations" division and whether the federations and unaffiliated agencies:

- each contained a 25-word description, administrative and fundraising percentage, and a telephone number 5 CFR 950.401(g)(2);
- each contained a code number [5 CFR 950.401(g)(3)];
- did the local organization division contain a title "Local Unaffiliated Organizations" preceding the listing of local unaffiliated agencies [5 CFR 950.401(g)(2) and (3)]; and
- local federations were listed with their member organizations and identified as federations.

## **PLEDGE CARD QUESTIONNAIRE**

1. How are pledge cards collected, organized, and processed?
  - a. What procedures are in place to ensure that pledge cards are processed properly ( e.g., not misplaced or lost, etc.)?
  - b. What procedures are in place to ensure that designated and undesignated contributions are recorded properly?
  - c. What procedures are in place to verify the totals?
2. What procedures are used when an employee makes a designation to an agency not listed in the brochure?
3. What procedures are used when a pledge card has mathematical errors, [see 5 CFR 950.402], or is illegible?