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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON D.C. 20548

B-202792

APR 10 1981

The Honorable Patricia Schroeder
Chairwoman, Subcommittee on Civil Service
Committee on Post Office and Civil Service
House of Representatives

Dear Madam Chairwoman:

Subject: Need for Improved Fiscal Controls Over ~~the~~ Combined Federal Campaign (AFMD-81-56)

You asked us to study the fiscal controls over the Combined Federal Campaign to see if greater safeguards are needed to ensure that Federal employee gifts are properly accounted for, controlled, and distributed to participating charitable groups. (See encl.I) In discussions with your office, we learned of your specific concern about whether the difference between gifts pledged and gifts actually received--commonly called shrinkage--is being properly allocated to participating groups.

Combined Federal Campaign administrative offices, called central receiving points, receive detailed information by employee on gifts pledged by Federal employees during the annual September through December solicitation period, including the charity or charities and amounts of any designated gifts. During the succeeding calendar year, however, when pledged gifts are actually withheld from employee paychecks, central receiving points do not receive from Federal payroll offices the detailed information on shrinkage needed to ensure the proper distribution of contributions to participating charities. Without knowing which pledges are fully contributed and which are not, central receiving points cannot be assured they are properly allocating shrinkage to participating charitable groups. We found that central receiving points are forced to allocate shrinkage based on distribution methods which may have little, if any, relationship to shrinkage applicable to specific charities. As a result, some charitable groups may absorb too high a share of overall shrinkage while other charitable groups may absorb less than their proper share.

Our work at several central receiving points and Federal payroll offices also disclosed accounting and internal control problems, including failures to accomplish required independent audits. These problems, coupled with the lack of needed

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information on shrinkage, raise questions as to the overall accountability for the program and could preclude the full honoring of the expressed wishes of Federal employees who designate specific charitable organizations to receive their gifts.

We are offering a solution to the problem of allocating shrinkage and are calling on the Office of Personnel Management to provide leadership in improving accountability for the program.

SCOPE AND METHODOLOGY

We evaluated the accounting procedures and internal controls, including audit coverage, for the Combined Federal Campaign. We visited five Combined Federal Campaign central receiving points and eight civilian agency payroll offices to determine whether these procedures and controls are adequate to protect gifts pledged and made by Federal employees. (See encl II.)

The five central receiving points we visited included those with high as well as those with low dollar receipts for the 1979 Combined Federal Campaign. Three of the central receiving points visited--San Francisco, California, and Flint and Saginaw, Michigan--were included in our review at the request of your staff.

Our work at the five central receiving points included a review of (1) internal controls over receipts and disbursements, (2) accounting systems for pledges made through the payroll deduction plan, and (3) administrative expenses to insure compliance with Office of Personnel Management guidelines. At two of these central receiving points, we also selected a judgment sample of 3,941 pledges made by Federal employees in 1979 and 1980 through the payroll deduction plan to determine from these employees how shrinkage was actually distributed between designated and undesignated gifts. These cases selected for review represent about 1 percent of the total gifts pledged at these two central receiving points and included Federal employees serviced by seven of the eight Federal payroll offices we visited. At the payroll offices visited, we compared amounts actually withheld according to the payroll records with the related pledges shown on the central receiving points' records. Our sample was not statistically selected and therefore cannot be projected to the entire program. It represents the impact of shrinkage on the contributions of only those employees reviewed.

A judgment sample was the most practical way to test the actual rate of shrinkage in Combined Federal Campaign pledged contributions because the method used by central receiving points and Federal payroll offices to account for and track contributions makes it necessary to evaluate all employee contributions processed by a particular payroll office. In order to take and evaluate a statistically projectable sample for all 546 Combined Federal Campaigns, we would have had to design a two-stage sampling plan; that is, first randomly select a nationwide sample of

Federal payroll offices and then evaluate all employee contributions processed through the selected payroll offices. This kind of sampling approach would have been much more time consuming.

Your staff asked that we concentrate on the fiscal controls and not be concerned, as part of this review, with the distribution formulas used to allocate contributions to the participating charities. We did determine the basis of the distribution formula for purposes of evaluating fiscal controls but did not evaluate whether the formula was equitable. Further, in making our review, we considered Office of Personnel Management guidelines for the Combined Federal Campaign at Federal offices and installations.

BACKGROUND INFORMATION

From September through December, Federal employees are solicited for contributions to the Combined Federal Campaign--the Government's annual charity drive. There are 546 different Combined Federal Campaigns serving about 550 different geographic areas of the Nation where significant numbers of Federal employees live and work. Over 200 charitable organizations participate in these campaigns and receive contributions through the Federal program. These organizations are divided into four main groups: (1) National Health Agencies such as the American Cancer Society, the American Heart Association, and the National Kidney Foundation, (2) Local United Ways, community chests, or other charities that meet the particular needs of the geographic location they are serving (3) International Service Agencies such as CARE and Project HOPE, and (4) beginning with the 1980 campaign, National Service Agencies such as the American Social Health Association and Medic Alert.

The Office of Personnel Management has overall management responsibility for the Combined Federal Campaign. It has issued guidelines to be followed by all Federal agencies and participating charitable organizations in (1) conducting annual solicitation drives, (2) collecting pledged gifts from Federal employees, (3) accounting for, reporting, and remitting to central receiving points contributions withheld from employees' paychecks through the payroll deduction plan, and (4) conducting annual audits.

In making a contribution an employee can (1) make an immediate cash gift, (2) authorize payroll deductions for the succeeding payroll year, or (3) elect to be billed for the contribution during the succeeding calendar year. A single, multipart form is used to report and account for contributions. If the employee makes a cash gift during the solicitation period, the form and the gift are sent immediately to the campaign central receiving point. If a gift is made through payroll deductions, one copy of the contribution form goes to the payroll office of the employee's agency and one copy goes to the central receiving point. If the employee elects to be billed for the contribution, the form is forwarded to the central receiving point which makes the billing. The pledge card shows the employee's name, the amount pledged, the method of contributing (whether through a cash gift or by payroll deduction), and the charity or charities designated to receive the contribution.

During the payroll year following the solicitation period, the agency payroll office copy of the contribution form is the authority for making payroll deductions. The employee may stop the payroll deduction at any time during the year. When this occurs, a shortfall in contributions--commonly called shrinkage--results. Shrinkage also results when employees who elect to be billed for their contributions simply do not contribute the amounts billed.

Payroll offices generally remit payroll deductions to central receiving points biweekly, normally by issuing a check for the total amount of payroll deductions for the period. The check should be accompanied by a transmittal identifying the agency and the number of payroll deductions made. There is no identification of employees making contributions or gifts going to specific charities. As discussed further on page 7, Office of Personnel Management guidelines expressly prohibit identification of employees making contributions.

Contributions received by central receiving points are distributed to participating charitable groups according to a formula established annually. Distribution formulas date back to the start of the Combined Federal Campaign in 1964. Before that, various charitable organizations such as the health and international service agencies conducted separate fundraising drives at Federal offices and installations. Initial distribution formulas were developed based on (1) the amount of gifts charities collected in their separate Federal fundraising drives and (2) allowances to charities like local community chests and United Ways that joined the Combined Federal Campaign but did not have separate fundraising drives at Federal offices before 1964.

Distribution formulas are updated to consider annual amount of undesignated contributions. Under the distribution formulas as initially developed and updated, certain charities--especially those without a long history of Federal fundraising activities--receive most of the undesignated funds. For the 1979

Combined Federal Campaign, the distribution formulas resulted in the following allocation of designated and undesignated funds actually received.

	United Way	Health Agencies	Service Agencies	Total
	(Percent)			
Designated	16	19	2.5	37.5
Undesignated	55	3	4.5	62.5
	71	22	7.0	100.0

Enclosure III describes in detail the technical procedures used in establishing distribution formulas.

ADDITIONAL INFORMATION IS NEEDED TO ASSURE THAT SHRINKAGE IS PROPERLY ALLOCATED

Current procedures for remitting and reporting employee contributions made through the payroll deduction plan do not provide the information needed to assure the proper distribution of the contributions to participating charities. Since central receiving points do not receive adequate information on shrinkage, they use estimating procedures to allocate these amounts to participating charities. Some charities may be receiving less than their proper share of contributions because of inherent weaknesses in these estimating procedures. We believe, however, that this problem can be remedied if composite checks are used by Federal payroll offices to remit contributions to Combined Federal Campaign central receiving points which would detail charities and the amounts they were to receive.

As discussed further on page 7, Federal payroll offices are prohibited by Office of Personnel Management guidelines from compiling and sending detailed breakdowns idenifying individual employees together with their contributions to Combined Federal Campaign central receiving points. Therefore, the receiving points have no way of knowing where shrinkage has occurred--whether in designated or undesignated gifts or in what charity group. As a result, central receiving points simply use the annual distribution formulas to allocate aggregate shrinkage between charitable groups and between designated and undesignated gifts. Since these formulas do not necessarily relate to the actual rate of shrinkage, some charitable groups may absorb too high a share of aggregate shrinkage while others may absorb less than their share.

GAO review of shrinkage at selected Federal payroll offices

We reviewed 3,941 gifts made through the payroll deduction plan for the 1979 and 1980 Combined Federal Campaign at seven

Federal payroll offices. For the cases reviewed, $313,219 was pledged and there was shrinkage of $29,264: $13,056 (45 percent) in designated gifts and $16,208 (55 percent) in undesignated gifts.

As shown on page 5, the distribution formula for 1979 was based on designated gifts of 37.5 percent and undesignated gifts of 62.5 percent and broken out by charitable groups. We applied the distribution formula to the aggregate shrinkage for the cases we reviewed as was done by the central receiving points. We noted a wide disparity in the actual shrinkage related to particular charities when compared to shrinkage allocated to these charities by the Combined Federal Campaign central receiving points. Although our cases were not statistically selected and, therefore, cannot be projected to the entire program, they showed that, because central receiving points did not have needed information on shrinkage, some charities absorbed more than their proper share of shrinkage to the benefit of other charities.

The following shows that although the United Way was charged with 71 percent of the shrinkage, in fact only 52 percent of the shrinkage for our cases related to the United Way. In the cases we reviewed, the International Service Agencies benefited. These groups represented 28 percent of the shrinkage but, because the central receiving points had no way of knowing this, the groups were charged with only 7 percent of the shrinkage under the distribution formula. In allocating shrinkage observed in our review cases, we added actual shrinkage in designated gifts to estimates of shrinkage in undesignated gifts based on ratio of total pledged gifts to actual receipts.

Analysis of Shrinkage for GAO's Cases

	United Way	National Agencies	International Agencies	Total
Allocation of shrinkage using distribution formula	$20,777 (71%)	$6,438 (22%)	$2,049 (7%)	$29,264
Actual shrinkage in test cases	$15,312 (52%)	$5,703 (19%)	$8,249 (28)	$29,264
Over (under) allocation of shrinkage	$ 5,465	$ 735	($6,200)	-0-

In April 1980, the method of developing distribution formulas was changed slightly. However, the changes will have little, if any, effect on the problems in allocating shrinkage. The new distribution percentages still do not relate to the actual rates of shrinkage for designated and undesignated conributions. Central receiving points still have no way of knowing where shrinkage has occurred and there still is no assurance that charities are allocated their proper share of shrinkage. The lack of information stems from Office of Personnel Management guidelines, which preclude agency payroll offices from sending detailed breakdowns of individual employee names and their Combined Federal Campaign contributions to central receiving points. The guidelines are primarily based on a concern that these lists could be used by agencies to coerce employees into making contributions. These guidelines also recognize that the Combined Federal Campaign payroll office copies of employee pledge cards are a system of records subject to the provisions of the Privacy Act of 1974. The Privacy Act prohibits an agency from disclosing an releasing record pertaining to an individual without his prior written consent, except in certain specified instances.

In our opinion the Privacy Act requires that in order for agency payroll offices to provide central receiving points with listings showing individual employee contributions, either: (1) the head of each agency would have to determine that such lists are a routine use of the information on employee pledge cards and publish this use in the Federal Register within 30 days after the decision was made and annually thereafter, or (2) each agency would have to secure the informed written consent of each contributing employee that the information on his or her pledge card could be used to provide lists of contributions made to the central receiving points. In order to properly allocate shrinkage to participating charitable groups, central receiving points need detailed information on all shrinkage that occurs for all employee contributions.

Reliance on the routine use exception of the Privacy Act, would be impractical, as the head of each agency would have to determine that a routine use of payroll office copies of pledge cards would be to report employee names and contributions to central receiving points. If one or more agency heads did not determine this to be a routine use, then central receiving points would not receive all the information needed to properly allocate shrinkage. The Department of the Army is already precluded from compiling and sending this information to central receiving points as a result of a consent decree in the case of Riddles vs. the Department of the Army No-78-1037 (Wash. D.C., March 19, 1979). As part of this consent decree, the Army agreed not to compile or use any list of Combined Federal Campaign employee contributions, except for those lists required for accounting purposes in its payroll offices.

Securing written consent from all contributing employees to authorize agency payroll offices to compile and submit lists of employees and their actual contributions to central receiving points would, in our opinion, also be impractical. If some employees refused to give their written consent, central receiving points would not have all the information needed to accurately and completely measure and distribute shrinkage to participating charitable groups.

We considered alternatives to solve this dilemma and believe that use of a composite check in making remittances to central receiving points could be the solution. Under a composite check procedure, agency payroll offices would prepare one check and a list without employees' names showing the amounts withheld and designated for individual charities, and one check for all undesignated gifts. This would give the central receiving points the information they need--without raising Privacy Act concerns or raising the possibility of coercion of employees--to properly allocate to charitable groups the shrinkage between designated and undesignated gifts. Composite checks could also help insure that each designated organization absorbs only its proper share of shrinkage. Implementing a composite check procedure would require the Federal Government to incur additional administrative costs in support of the program. Such a procedure would require payroll offices to incur one-time administrative costs to change the computer programs in their payroll systems to provide for producing the composite checks and lists. Agencies would also incur operating costs to enter information on contributions to particular charities into the system and to maintain the system.

Therefore, we believe that the Office of Personnel Management should test the composite check procedure on a pilot basis at several agency payroll offices to determine (1) the cost of instituting such a procedure throughout the Federal Government and (2) whether the cost would be in line with the benefits to be derived from improving the distribution of shrinkage to participating charities and thereby ensuring that the expressed wishes of contributing Federal employees are fully honored.

In making a cost/benefit analysis, the value of increased accountability and fiscal control over charitable contributions is extremely subjective and difficult to measure. In this regard, Office of Personnel Management guidelines governing the Combined Federal Campaign in essence pointed out that, as a responsible employer and good citizen it is the Federal Government policy to support and participate in charitable efforts to help less fortunate members of our society. With the Combined Federal Campaign, as with similar employee or philanthropic programs, the employer must undertake certain administrative and accounting tasks to ensure that the program is properly carried out and that its objectives are met. For the Federal Government, the use of a composite check procedure to make remittances of payroll deductions to central receiving points appears to be a feasible means of achieving this objective.

REQUIRED AUDITS OF COMBINED FEDERAL CAMPAIGNS NEED TO BE PERFORMED

Accountability over contributions to the Combined Federal Campaign is further diminished because required annual audits of individual campaigns--a key internal control--are often not performed. As a result, there is not adequate assurance that (1) central receiving points have properly distributed the funds actually received and (2) administrative costs are proper and within Office of Personnel Management guidelines. Also, copies of the resulting audit reports must be furnished to local Federal officials charged with monitoring each campaign and to all participating charities. Annual audits are essential to safeguard the integrity of the various Combined Federal Campaigns and assure Federal employees that their contributions are being properly accounted for.

Three of the five Combined Federal Campaigns we reviewed were not complying with Office of Personnel Management guidelines for annual audits. For example, with June 30, 1980, one Campaign had not had an opinion audit by a Certified Public Accountant since at least 1977 even though the Campaign received roughly $1 million in contributions annually. Officials at the central receiving point for the Campaign acknowledged that an opinion audit had never been performed although the Campaign's receipts had always been over $100,000, even though opinion audits are required for all campaigns with $100,000 or more in receipts. The Campaign recently had its first opinion audit which covered the year ended June 30, 1980. In its certification, the public accounting firm stated that it could not express an opinion on the financial statement because weaknesses in accounting controls and insufficient records precluded the application of adequate auditing procedures. These weaknesses were discussed in detail by the accounting firm in a letter to Campaign management.

We were told by participating charities that when audits are performed, copies of the reports are not always provided to local Federal officials and participating charities. Also, copies of audit reports are not provided to or reviewed by the Office of Personnel Management, nor has any action been taken by that Office to ensure that its requirements for annual audits are being followed.

As discussed above, independent audits are a useful tool for ensuring the reasonableness of and adherence to stated requirements such as overhead cost ceilings. Our review of overhead costs at five Combined Federal Campaigns disclosed that reported costs were (1) within the limits prescribed by the Office of Personnel Management, and (2) classified and reported according to the Standards of Accounting and Financial Reporting for Voluntary Health and Welfare Organizations--standards prescribed by the American Institute of Public Accountants and applicable to charitable organizations and fundraising drives such as the Combined Federal Campaign. However, when an audit is not performed, Federal officials and participating charities have no assurance that reported costs are actually reasonable, reliable, and within prescribed limits.

Office of Personnel Management needs to establish procedures for ensuring that (1) Campaign audits are performed as required, (2) reports are reviewed by the appropriate Federal officials, (3) reports are provided to participating charities.

ACCOUNTING PROCEDURES AT FEDERAL PAYROLL OFFICES NEED TO BE STRENGTHENED

We also noted several procedural accounting weaknesses in the Federal payroll offices we visited that precluded the accurate and complete withholding of pledged gifts from employee paychecks and the accounting for and reporting of employee contributions.

Our work disclosed:

1. One agency's failure to use a multiple copy contribution pledge form. All Federal agencies we visited, except for one, used multiple-copy contribution pledge forms. As discussed on page 3, if an employee elects to contribute through the payroll deduction plan, one copy of the pledge form is sent to the responsible central receiving point during the solicitation period to report the gift, and another copy of the pledge form is sent to the Federal payroll office to authorize and initiate payroll deductions. One agency, we visited, however, uses a single-copy pledge form. If an employee elects to use the payroll deduction plan, the single copy of the pledge form will be sent to the payroll office to initiate payroll deductions. A copy of the pledge form is not sent to the responsible central receiving point. Instead, only manually prepared summaries of pledges and designations are sent to central receiving points. Since these summaries are often incomplete and inaccurate, central receiving points do not have all the information they need to accurately account for and disburse gifts received.

   For example, at one central receiving point we visited the manual summaries prepared by this agency listed pledges and designations totaling $17,325 through payroll deduction for 298 employees. However, we found that payroll deductions totaling $24,784 were actually made for 505 (or 207 additional) employees at that location. Since the pledge cards (which also serve as the payroll deduction authorization) are maintained by the payroll office for only 1 year, we were unable to ascertain why the 207 additional employees were not on the manual listings or determine the total amount they pledged. Further, officials had no explanation for the discrepancy between the actual number of employees contributing and the number reported to the Combined Federal Campaign central receiving point. This problem could be easily remedied if the payroll office would use multiple-copy contribution forms as do other Federal agencies. Use of a multi-copy pledge would facilitate identifying errors.

2. Failure of some agencies to identify themselves when remitting contributions. At each of the five central receiving points we visited, we found that some payroll offices do not identify themselves when submitting contributions, but merely send a check for the amounts withheld. By not identifying themselves, payroll offices preclude central receiving points from correctly accounting for and properly allocating contributions to participating charities. Central receiving points usually establish accounts receivable for pledged gifts by agency, based on employee pledge cards received during the solicitation period. As contributions are received from agency payroll offices, the central receiving points reduce the accounts receivable balance. This helps them monitor overall shrinkage by agency. However, because many agencies did not identify themselves when remitting employee contributions, central receiving points often applied receipts to the wrong agency receivable accounts. In fact, since agencies use Treasury checks to remit contributions, one central receiving point applied all unidentified checks received from agencies to the Department of Treasury's receivable account. The central receiving point's records, therefore, erroneously showed that the Department of Treasury employees pledged $284,395 and contributed $367,885.

CONCLUSIONS

You expressed concern that shrinkage was not being properly allocated to participating charities. Central receiving points presently have no real basis for estimating and allocating shrinkage and are forced to use distribution formulas which may have little, if any, relationship to the actual shrinkage applicable to specific charities. We offer what we believe to be a viable solution to this problem given the restraints of the Privacy Act on disclosure of employee contributions. However, this solution--adoption of a composite check procedure--will add to the Government's cost in administering the Combined Federal Campaign. In this time of tightened Federal budgets, there may be some concern that the Government cannot afford this improved accounting. On the other hand, as pointed out in our report, the Government has assumed certain responsibilities as an employer supporting and participating in charitable efforts to help less fortunate members of society. Certain administrative and accounting requirements come with this responsibility. It is important that charities participating in the Combined Federal

Campaign receive their proper share of Federal employee contributions and that the wishes of employees designating gifts to specific charities are fully honored.

We also believe that overall accountability for the Combined Federal Campaign needs strengthening. Annual audit requirements must be strictly adhered to and all accounting and internal control requirements should be implemented. Office of Personnel Management must provide needed leadership in this area.

RECOMMENDATIONS

We recommend that the Director, Office of Personnel Management direct that a pilot test of the composite check procedure be conducted at several agency payroll offices to determine the cost of instituting such a procedure Government-wide and to see whether such a procedure is cost beneficial. This test should be closely coordinated with the cognizant Combined Federal Campaign central receiving points. If the composite check procedure proves cost effective, the Office of Personnel Management should prepare a comprehensive plan for implementing the procedure throughout the Government and, in any event, should report its findings to your Subcommittee no later than August 31, 1981, so they can be of value for the next Combined Federal Campaign.

We also recommend that the Director, Office of Personnel Management do the following:

--Direct the Combined Federal Campaigns to comply with the annual audit requirement and monitor their compliance.

--Instruct all Federal agencies to use multiple-copy contribution pledge forms in soliciting employee contributions.

--Require Federal payroll offices to identify themselves when they remit employee contributions made through payroll deductions.

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As requested by your office, we did not obtain written comments from the Office of Personnel Management, the Combined Federal Campaign, or participating charities on the matters discussed in this report.

As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report for 30 days. At that time we will send copies to interested parties and make copies available upon request.

Sincerely yours,

Milton J. Socolar

Acting Comptroller General
of the United States

Enclosures - 3

NINETY-SIXTH CONGRESS

PATRICIA SCHROEDER, COLO., CHAIRWOMAN

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U.S. House of Representatives
COMMITTEE ON POST OFFICE AND CIVIL SERVICE
SUBCOMMITTEE ON CIVIL SERVICE
[illegible] HOUSE OFFICE BUILDING ANNEX 1
Washington, D.C. 20515

December 20, 1979

Hon. Elmer B. Staats,
Comptroller General of the United States
General Accounting Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Mr. Comptroller General:

The Subcommittee on Civil Service of the Committee on Post Office and Civil Service of the House of Representatives has recently completed an investigation into the Combined Federal Campaign (CFC). Four days of hearings during October of 1979 served as the centerpiece of this investigation. The record of this hearing should be available within a week.

One annoying charge that surfaced during these hearings related to the fiscal integrity of the Combined Federal Campaign. The pledging and payroll deduction system, coupled with the distribution formula, results in a two-track accounting system, whereby the payroll office deducts contributions and sends them to a central receipt office which distributes the money to the participating charities. Obviously, this central receipt office serves a key fiduciary role. Nevertheless, the Subcommittee learned that one of the interested charities often serves as the fiscal agent. This dual role presents the appearance of a conflict of interest. For this reason, the Subcommittee has asked the Office of Personnel Management to require that independent, disinterested fiscal agents be used exclusively. (Please see attached letter of December 20, 1979 to OPM.)

On behalf of the Subcommittee, I request that the General Accounting Office study the fiscal controls on the Combined Federal Campaign to see if greater safeguards are needed. The Subcommittee has asked the Office of Personnel Management to implement your recommendations in this area. I think you will agree with me that it is vitally important that Federal workers have confidence that their contributions to the Combined Federal Campaign are protected.

Thank you for your assistance in this matter.

Sincerely,

Patricia Schroeder

PATRICIA SCHROEDER
Chairwoman

COMBINED FEDERAL CAMPAIGN CENTRAL RECEIVING POINTS AND FEDERAL PAYROLL OFFICES VISITED DURING REVIEW

The following Combined Federal Campaign central receiving points and Federal payroll offices were visited during our review.

COMBINED FEDERAL CAMPAIGNS AND CENTRAL RECEIVING POINTS

--Tidewater Area Combined Federal Campaign, Norfolk, Va.

--National Capitol Area Combined Federal Campaign, Washington, D.C.

--Saginaw County Combined Federal Campaign, Saginaw, Mich.

--San Francisco Bay Area Combined Federal Campaign, San Francisco, Calif.

--Metropolitan Flint Combined Federal Campaign, Flint, Mich.

FEDERAL PAYROLL OFFICES

--Department of Agriculture National Finance Center, New Orleans, La.

--Minneapolis Postal Data Center, Minneapolis, Minn.

--Department of Energy, Germantown, Md.

--Government Printing Office, Washington, D.C.

--Internal Revenue Service Data Center, Detroit, Mich.

--Export Import Bank, Washington, D.C.

--Department of Health and Human Services, Washington, D.C.

--Department of Health and Human Services, Rockville, Md.

PROCEDURES USED IN ESTABLISHING

DISTRIBUTION FORMULAS

At the start of the 1979 fundraising drive, each Combined Federal Campaign developed percentages of pledged gifts that the major charitable groups would receive. For the 1979 campaign these groups included (1) the United Way, (2) the National Health Agencies, and (3) the International Service Agencies, and (4) the American Red Cross when it was not part of the United Way. The percentage of overall receipts--designated as well as undesignated--that each group would receive were developed in a two-stage process as follows.

Stage 1. In this stage each Combined Federal Campaign develops percentages for each of the charitable groups based on the total receipts of the prior year's campaign and the average receipts of each group for the past five annual campaigns. For example, for the 1978 Combined Federal Campaign the following percentages were used to distribute undesignated funds:

United Way	71%
National Health Agencies	22%
International Service Agencies	7%

These percentages were then used to estimate the total amount of money each charitable group was to receive during the campaign. These dollar totals were derived by simply multiplying the dollar base of estimated total receipts (which must be at least 90 percent previous year's actual receipts) by the percentages developed in Stage 1. These amounts became each charitable group's dollar base.

Stage 2. In this stage, the dollar totals arrived at in Stage 1 for each charitable group are used to allocate undesignated gifts. The amount of pledged gifts designated for each charitable group is deducted from the group's dollar base developed in Stage 1. The difference between designated pledged gifts and the group's dollar base is made up by a percentage of undesignated gifts.

In April 1980, the method of developing distribution formulas was changed to drop the computation of dollar bases for participating charitable groups. (See Stage 1.) Instead, for each charitable group, the average amount of undesignated gifts the group received over the past 5 years is added to the total amount of designated gifts pledged to the group during the annual solicitation period. This is the amount each charitable group will receive out of total receipts in the upcoming campaign.

ENCLOSURE III

These totals for individual charitable groups, when aggregated for all participating charitable groups, are the bases for developing percentages to use in allocating shrinkage.