

**DEPARTMENT OF
MANAGEMENT SERVICES**

Florida State Employees' Charitable Campaign



Sherrill F. Norman, CPA
Auditor General

Secretary of the Department of Management Services

The Department of Management Services is established by Section 20.22, Florida Statutes. The head of the Department is the Secretary who is appointed by the Governor and subject to confirmation by the Senate. During the period of our audit, the following individuals served as Department Secretary:

| | |
|------------------------|--|
| Chad Poppell | From December 22, 2014 |
| Craig Nichols | July 9, 2012, through December 16, 2014 |
| Scott Stewart, Interim | April 1, 2012, through July 8, 2012 |
| Jack Miles | January 26, 2011, through March 31, 2012 |
| Linda South | Through January 4, 2011 |

The team leader was Joseph Holmes and the audit was supervised by Christi Alexander, CPA.

Please address inquiries regarding this report to Christi Alexander, CPA, Audit Manager, by e-mail at christialexander@aud.state.fl.us or by telephone at (850) 412-2786.

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DEPARTMENT OF MANAGEMENT SERVICES

Florida State Employees' Charitable Campaign

SUMMARY

This operational audit of the Department of Management Services (Department) focused on the Department's administration of the Florida State Employees' Charitable Campaign (FSECC). Our audit disclosed that the Department did not ensure that FSECC fiscal agent fees were supported by adequate documentation or adequately verify that employee contributions were appropriately distributed to participating charitable organizations.

BACKGROUND

State law¹ specifies that the Department of Management Services (Department) is to establish and maintain, in coordination with the payroll system of the Department of Financial Services, an annual Florida State Employees' Charitable Campaign (FSECC). State law also specifies that the FSECC is the only authorized charitable fundraising drive directed toward State employees within work areas during work hours, and for which the State will provide payroll deduction. FSECC contributions are to be entirely voluntary and State officers and employees must designate a charitable organization to receive their contributions, unless the contributions are collected as part of a campaign event.

In administering the FSECC, State law² requires the Department to select, through a competitive procurement process, a fiscal agent to receive, account for, and distribute charitable contributions to participating charitable organizations. The fiscal agent is to withhold a fee from the distributions to participating charitable organizations for the reasonable costs for conducting the FSECC, including costs for accounting and distribution activities. State law specifies that the fiscal agent is to reimburse the Department for any actual costs incurred by the Department in administering the FSECC, less any amounts specifically appropriated by the Legislature to the Department for FSECC administration. As shown in Table 4 in the **RELATED INFORMATION** section of this report, historically, the Department has received limited State appropriations for the administration of the FSECC and has opted to absorb all related Department costs in recent years.

In accordance with Department rules³ which specified the entities eligible to be selected as the FSECC fiscal agent, the Department historically awarded the fiscal agent contract to a nonprofit charitable organization that participated in the FSECC and was deemed by the Department to be a sole source provider (United Way of Florida, Inc.). Effective May 16, 2010, Department rules were amended and the fiscal agent selection process was opened to any entity with the capacity to perform professional-level fiscal administration and other essential FSECC functions. To select the FSECC fiscal agent for the period January 1, 2013, through December 31, 2015, the Department utilized the management

¹ Section 110.181(1), Florida Statutes.

² Section 110.181(2), Florida Statutes.

³ Department Rule 60L-39.0015, Florida Administrative Code.

consulting services State term contract⁴ to procure, through a task order agreement,⁵ fiscal agent services from Solix Grant Management Solutions (Solix).

In the task order agreement (Solix Contract), both the Department and Solix recognized that, while charitable contributions were highly variable from one year to the next, certain fiscal agent administration costs remained fixed regardless of the contribution volume. Consequently, as depicted in Table 1, the Solix Contract provided for a tiered compensation structure based on total anticipated FSECC proceeds each year.⁶

Table 1
Solix Contract Compensation Structure

| Anticipated FSECC Proceeds | Year 1 (2013) | Years 2 and 3 (2014 and 2015) |
|-------------------------------|--|--|
| Greater than \$3 million | 18.21 percent of the first \$3 million, and 15 percent of the portion in excess of \$3 million | 18.21 percent of the first \$3 million, and 15 percent of the portion in excess of \$3 million |
| \$2.7 million to \$3 million | \$546,415 | 18.21 percent of anticipated proceeds |
| Less than \$2.7 million | \$546,415 | Actual documented costs |

Source: Solix Contract.

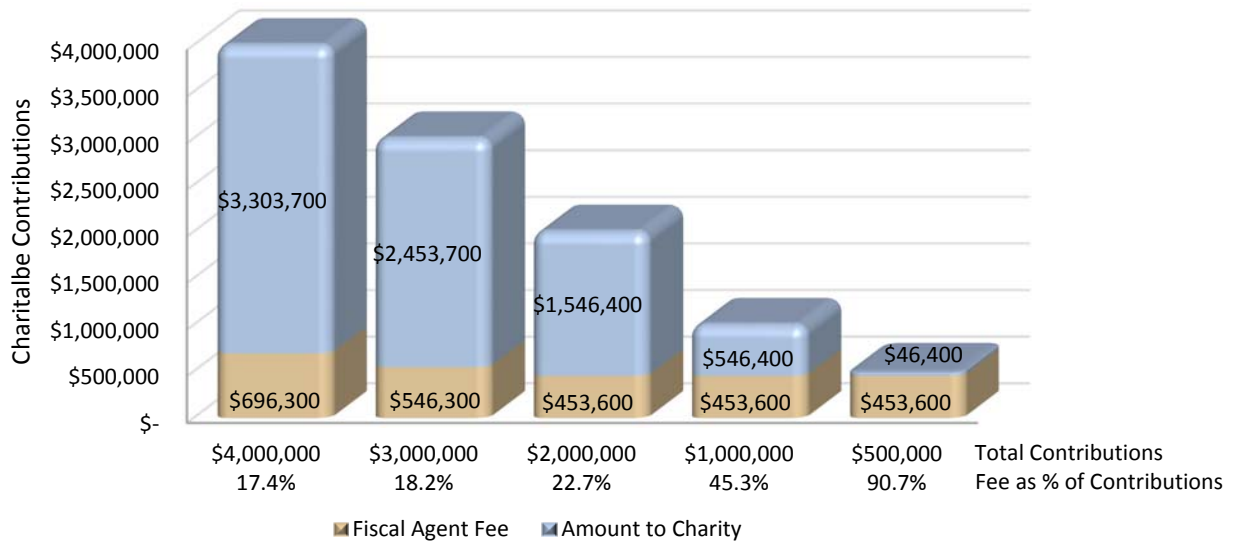
If charitable contributions declined and fiscal agent fees remained relatively fixed, fiscal agent fees as a percentage of total contributions would increase as depicted in Chart 1.

⁴ State Term Contract No. 973-001-06-1.

⁵ Task Order Agreement No. 11/12-018.

⁶ Pursuant to the contract, Solix was to determine the anticipated FSECC proceeds for each year based on all cash, check, and payroll deduction pledges received during the prior calendar year period September 1st through December 31st.

Chart 1
Illustration of Solix Contract Fee
As a Percentage of Total Charitable Contributions



Note: For illustration purposes, Solix’s fiscal agent fee for charitable contribution amounts greater than \$2.7 million was projected based on contract compensation terms. For contribution amounts less than \$2.7 million, Solix’s actual fiscal agent fee for the 2015 calendar year, totaling \$453,600, is presented.

Source: Solix Contract compensation terms and Solix *Documentation of Costs* reports.

EXHIBIT A to this report shows the actual FSECC contributions and fiscal agent fees for the 2010 through 2015 calendar years.

After a competitive solicitation for FSECC fiscal agent services, on June 10, 2015, the Department entered into a new 3-year contract with Solix for the period January 1, 2016, through December 31, 2018. Table 2 outlines, by service, the fixed fees initially agreed to be paid to Solix during the contract period. On April 15, 2016, the Department and Solix agreed to amended contract terms that provided for a fixed \$180,000 fee for each year of the contract.

Table 2
Solix Contract Fees
For the 2016, 2017, and 2018 Calendar Years

| Service | Year 1 (2016) | Year 2 (2017) | Year 3 (2018) |
|--|------------------|------------------|------------------|
| Receiving, accounting for, and remitting donations | \$207,406 | \$212,432 | \$218,678 |
| Processing charitable applications for participation | 43,868 | 45,218 | 46,611 |
| Administrative support functions | 138,023 | 142,119 | 146,342 |
| Total Fees | \$389,297 | \$399,769 | \$411,631 |
| Total Amended Fees | \$180,000 | \$180,000 | \$180,000 |

Source: Solix Contract price sheet and April 15, 2016, contract amendment.

The **RELATED INFORMATION** section of this report contains additional information regarding the administration of the FSECC, historical campaign costs, and historical campaign contribution amounts and trends.

FINDINGS AND RECOMMENDATIONS

Finding 1: Contract Monitoring

State law⁷ specifies that the FSECC fiscal agent is to furnish the Department and participating charitable organizations a report on accounting and distribution activities and provides that records relating to these activities must be open for inspection upon reasonable notice and request. In administering the FSECC, the Department was responsible for ensuring that Solix performed its duties and obligations in accordance with contract terms and that the reasonable costs withheld by Solix for FSECC activities were supported by adequate documentation. As part of our audit, we evaluated Department monitoring processes and controls and examined Department records for monitoring activities conducted during the period January 2013 through December 2015. Our audit procedures disclosed that:

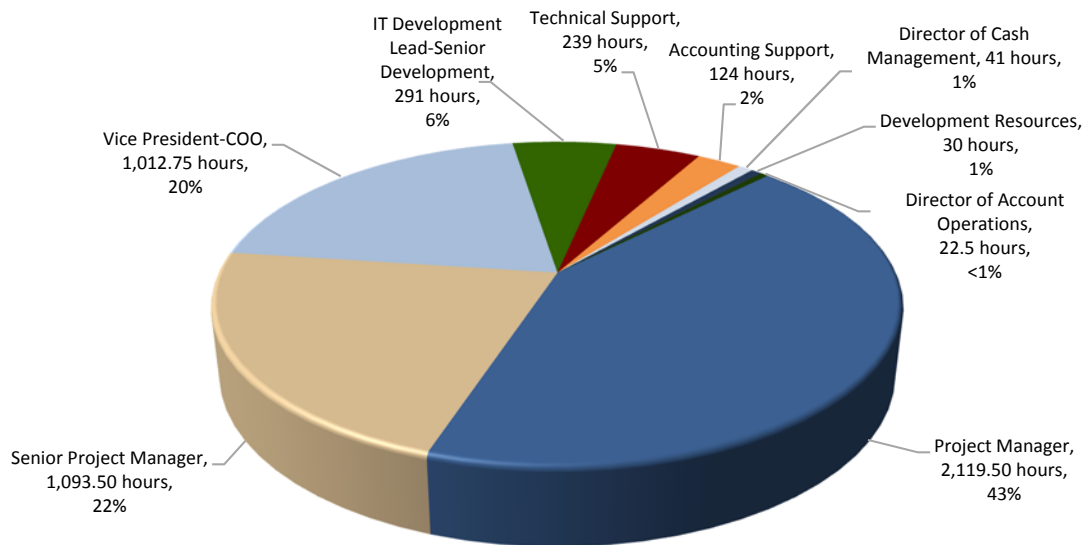
- Prior to April 2014, Solix was not contractually required to submit documentation to support the FSECC administration costs withheld from employee contributions distributed to charitable organizations each month. For the initial year of the Solix Contract (2013), based on the compensation structure outlined in Table 1, Solix received a fixed fee (\$546,415) as FSECC proceeds for the year totaled less than \$2.7 million. In April 2014, the Department and Solix agreed to amended contract terms requiring Solix to document FSECC administration costs when anticipated campaign proceeds totaled less than \$2.7 million. Pursuant to the amended contract, for the 2014 and 2015 calendar years, Solix was to provide the Department with *Documentation of Costs* reports itemizing FSECC administration costs by specific campaign task and providing the hours worked by each Solix employee. The *Documentation of Costs* reports were also to provide the general FSECC administration expenses and the applicable period's portion of annualized startup costs. Solix was to submit to the Department a *Documentation of Costs* report for each of the first three quarters of the 2014 and 2015 calendar years, as well as for October, November, and December of each year. Each report was to include the signature of an authorized Solix representative attesting to the truthfulness and accuracy of the information provided.

While our audit found that Solix provided the required reports to the Department, we noted that the Department never required or requested that Solix provide documentation, such as time sheets, expense receipts, etc., to support the summary amounts reported on the *Documentation of Costs* reports, or documentation to support the \$270,848 in startup costs that were expensed by Solix over the initial 3-year contract period.

- A significant portion of the hours charged by campaign task category were incurred by the fiscal agent's senior management personnel. As shown in Chart 2, the hours attributed to Solix's Vice President-Chief Operating Officer (COO) and Senior Project Manager accounted for 2,106.25 (42 percent) of the total contract hours worked by Solix personnel during the 2014 and 2015 calendar years.

⁷ Section 110.181(2)(c), Florida Statutes.

Chart 2
Solix Hours by Position
For the 2014 and 2015 Calendar Years



Source: *Documentation of Costs* reports.

Table 3 further depicts that the Vice President-COO accounted for 244 (23 percent) of the total contract hours spent by Solix personnel performing accounting and reconciliation tasks. However, the position description provided by Solix to the Department for the Vice President-COO did not include specific functional responsibilities related to accounting and reconciliation tasks.

Table 3
Solix Hours by Position and Task
For the 2014 and 2015 Calendar Years

| Fiscal Agent Position | Charity Application Processing | Accounting and Reconciliation | Campaign Support and Maintenance | Pledge Support and Processing | Overall Administrative Support | Totals |
|--|--------------------------------|-------------------------------|----------------------------------|-------------------------------|--------------------------------|------------------------|
| Project Manager | 429.50 | 154.25 | 787.50 | 638.75 | 109.50 | 2,119.50 |
| Senior Project Manager | 70.25 | 257.25 | 356.25 | 289.25 | 120.50 | 1,093.50 |
| Vice President-COO | 3.50 | 244.00 | 627.00 | 28.50 | 109.75 | 1,012.75 |
| IT Development Lead – Senior Development | 45.00 | 207.00 | 39.00 | - | - | 291.00 |
| Technical Support | 11.00 | 2.50 | 28.00 | 197.50 | - | 239.00 |
| Accounting Support | - | 124.00 | - | - | - | 124.00 |
| Director of Cash Management | - | 41.00 | - | - | - | 41.00 |
| Development Resources | - | 5.00 | 25.00 | - | - | 30.00 |
| Director of Account Operations | - | 22.50 | - | - | - | 22.50 |
| Totals | <u>559.25</u> | <u>1,057.50</u> | <u>1,862.75</u> | <u>1,154.00</u> | <u>339.75</u> | <u>4,973.25</u> |

Source: *Documentation of Costs* reports.

Our analysis of the *Documentation of Costs* reports disclosed that, during the 2014 and 2015 calendar years, Solix’s Director of Cash Management, Director of Accounting Operations, and

Accounting Support staff, combined, accounted for 187.5 (18 percent) of the total contract hours spent by Solix personnel performing accounting and reconciliation tasks. In response to our audit inquiry, Department management indicated that the Vice President-COO managed the daily operations of the FSECC and served as the Department's primary point of contact for FSECC administration. Department management further stated that the staff hours reported by Solix were consistent with the Department's expectations based on the Department's interaction with Solix staff during recurring meetings and in dealing with FSECC operational issues. Notwithstanding Department management's response, it is important that fiscal agent hours charged to each campaign task are adequately supported.

- The Department received monthly Charity Payment distribution reports from Solix that detailed the net employee contribution amounts remitted to each charitable organization. However, during the period January 2013 through March 2015, the Department did not verify the accuracy of the employee contribution amounts distributed by Solix to each charitable organization. In addition, during the duration of the initial Solix Contract (January 2013 through December 2015), the Department did not verify the accuracy of the amounts received by individual charitable organizations. In response to our audit inquiry, Department management indicated that, during the period January 2013 through December 2015, the Department had not received any reports or allegations from charitable organizations concerning inappropriate or inaccurate distributions by Solix.

Effective March 19, 2015, the Department established an Internal Operating Procedure (IOP)⁸ documenting the specific processes to be used by the Department to assess Solix's performance in delivering contracted deliverables and services. As specified by the IOP, in March 2015 the Department initiated reconciliations of employee contribution amounts reported by the Department of Financial Services, Bureau of State Payrolls, to monthly distribution amounts reported by Solix to verify the accuracy of distribution amounts. Additionally, the IOP established a process to independently confirm a sample of distributions to charitable organizations after the final distribution for a campaign year had been made. The final distribution for the 2014-15 campaign year occurred in January 2016 and subsequent confirmations for a sample of charitable organizations occurred in February 2016.

Obtaining adequate documentation to support FSECC fiscal agent administration costs and verifying the accurate distribution of employee contribution amounts to charitable organizations would provide the Department greater assurance that Solix performed its duties and obligations in accordance with contract terms and that only reasonable and appropriate costs were withheld by Solix for FSECC activities.

Recommendation: We recommend that Department management ensure that contract monitoring activities, including the verification of FSECC fiscal agent administration costs and distribution of amounts to charitable organizations, are appropriately performed and documented.

RELATED INFORMATION

Administration of the FSECC

In addition to contracting with Solix for various FSECC administrative and accounting functions, the Department provided oversight of the FSECC in partnership with the FSECC Statewide Steering Committee. The Committee, composed of seven State employees appointed by the Governor and

⁸ Department IOP, *Monitoring Deliverables in the Current Florida State Employees' Charitable Campaign Fiscal Agent Services Contract*.

Cabinet and two members appointed by the Department's Secretary, assisted the Department in an advisory role.

Charitable Organizations

Participation in the FSECC is limited to any nonprofit charitable organization that has as its principal mission:

- Public health and welfare;
- Education;
- Environmental restoration and conservation;
- Civil and human rights; or
- The relief of human suffering and poverty.

Department rules⁹ specify that all nonprofit charitable organizations must submit an application each year to the Department to participate in the FSECC and pursuant to State law,¹⁰ the financial records of participating organizations must be audited annually by an independent public accountant.

Charitable Organization Application Reviews

Solix was responsible for coordinating the charitable organization application process, reviewing applications, and making initial recommendations to the FSECC Statewide Steering Committee to approve or deny an application based on eligibility requirements specified in State law and Department rules.¹¹ The FSECC Statewide Steering Committee was responsible for reviewing Solix's recommendations and making final recommendations for approval or denial to the Department Secretary. Upon final determination by the Department, Solix notified each charitable organization of the Department's decision to approve or deny their application for participation in the FSECC.

Receipt, Accounting for, and Distribution of Contributions

Solix's primary service was to receive and account for FSECC contributions raised through both payroll deductions and one-time donations. Solix was also responsible for distributing the contributions to the appropriate charitable organizations based on designations made by State employees.

FSECC Costs

According to Department records, FSECC annual costs decreased from \$963,160 to \$503,223 during the 6-year period 2010 through 2015. Table 4 presents historical FSECC cost information for that period.

⁹ Department Rule 60L-39.005, Florida Administrative Code.

¹⁰ Section 110.181(1)(d), Florida Statutes.

¹¹ Department Rule 60L-39.004, Florida Administrative Code.

Table 4
FSECC Costs
January 2010 Through December 2015

| | United Way of Florida, Inc. | | | Solix | | |
|---|-----------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| Legislative appropriations | \$ 17,000 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Department costs: | | | | | | |
| Paid via Legislative appropriations | 12,068 | 5,399 | - | - | - | - |
| Invoiced to Fiscal Agent | 41,491 | 37,393 | 26,889 | - | - | - |
| Absorbed by the Department | 100,215 | 34,541 | 50,504 | 67,896 | 45,968 | 49,623 |
| Total Department Costs | \$ 153,774 | \$ 77,333 | \$ 77,393 | \$ 67,896 | \$ 45,968 | \$ 49,623 |
| Fiscal Agent fees withheld from contributions | 809,386 | 763,639 | 769,727 | 546,415 | 470,470 | 453,600 |
| Total FSECC Costs | \$ 963,160 | \$ 840,972 | \$ 847,120 | \$ 614,311 | \$ 516,438 | \$ 503,223 |

Source: Department records.

FSECC Contributions

Prior to the 2013-14 fall FSECC, State employees pledged contributions utilizing a paper-based process established by the prior fiscal agent (United Way of Florida, Inc.). Solix, in an effort to streamline operations and minimize administrative costs, implemented an online pledge system via Giving Nexus. As shown in Table 5, State employees contributed more than \$14 million to participating FSECC charitable organizations during the period January 2010 through December 2015.

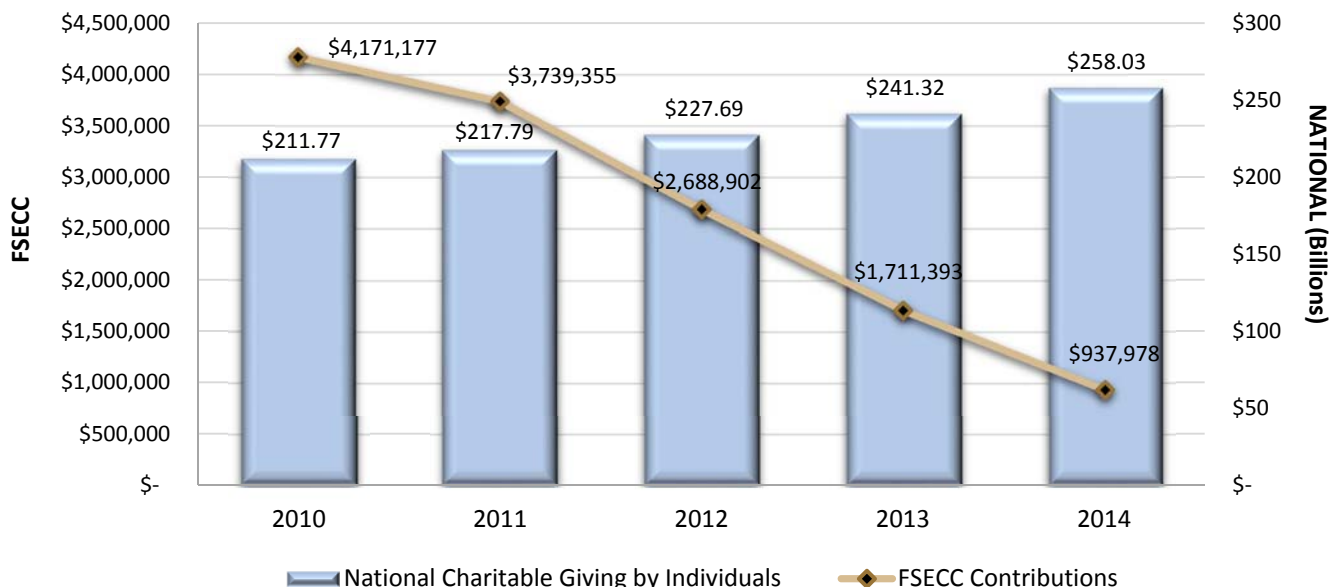
Table 5
Historical FSECC Activity
January 2010 Through December 2015

| | United Way of Florida, Inc. | | | Solix | | | Totals |
|--------------------------------|-----------------------------|---------------------|---------------------|---------------------|-------------------|-------------------|----------------------|
| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | |
| Contributions | \$ 4,171,177 | \$ 3,739,355 | \$ 2,688,902 | \$ 1,711,393 | \$ 937,978 | \$ 847,680 | \$ 14,096,485 |
| Number of pledges | 34,092 | 32,058 | 20,790 | 18,950 | 10,280 | 11,219 | 127,389 |
| Charity applications processed | 1,344 | 1,414 | 1,451 | 1,321 | 1,221 | 1,067 | 7,818 |
| Staff hours utilized: | | | | | | | |
| <i>Department</i> | 3,279.75 | 2,036.50 | 2,055.25 | 1,736.00 | 1,255.25 | 1,315.75 | 11,678.50 |
| <i>Fiscal Agent</i> | Unavailable | Unavailable | 6,681.00 | Unavailable | 2,935.25 | 2,038.00 | 11,654.25 |

Source: Fiscal agent reports provided by the Department.

During the period January 2010 through December 2015, both the number and total dollar amount of FSECC contributions declined significantly. As shown in Chart 3, charitable giving by individuals increased nationally by an estimated 21.8 percent during the period January 2010 through December 2014 while giving through the FSECC declined by 77.5 percent. Information related to selected other state employee charitable campaigns is illustrated in **EXHIBIT B** to this report.

**Chart 3
FSECC Contributions and
Estimated National Charitable Giving by Individuals**



Source: Estimated national charitable giving amounts by individuals obtained from 2010 through 2014 *Giving USA Annual Reports on Philanthropy* and included giving from all sources, not just payroll deductions. FSECC contribution amounts obtained from Department and Giving Nexus reports.

According to Department management, recent giving to charitable organizations has trended at or near an all-time high. While charitable giving is up overall, the Department has found that several public employer charitable campaigns have decreased or remained stagnant in recent years. Additionally, the Federal Combined Campaign decreased from \$282.6 million in 2009 to \$193.2 million in 2014, a 31.6 percent decline. Department management further stated that, “while the FSECC campaign served a much needed purpose decades ago, unfortunately it is no longer practical or sustainable. State employees have access to technology that was not available during many decades of the FSECC campaign, including online e-giving and smart phone applications. Also, the public is aware, now more than ever, of the administrative costs that all charities incur before dollars ever go toward the actual causes.”

OBJECTIVES, SCOPE, AND METHODOLOGY

The Auditor General conducts operational audits of governmental entities to provide the Legislature, Florida’s citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

We conducted this operational audit from November 2015 through February 2016 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and

conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

This operational audit of the Department of Management Services (Department) focused on the administration of the Florida State Employees' Charitable Campaign (FSECC). The overall objectives of the audit were:

- To evaluate management's performance in establishing and maintaining internal controls, including controls designed to prevent and detect fraud, waste, and abuse, and in administering assigned responsibilities in accordance with applicable laws, administrative rules, contracts, grant agreements, and guidelines.
- To examine internal controls designed and placed in operation to promote and encourage the achievement of management's control objectives in the categories of compliance, economic and efficient operations, the reliability of records and reports, and the safeguarding of assets, and identify weaknesses in those internal controls.
- To identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

This audit was designed to identify, for those programs, activities, or functions included within the scope of the audit, deficiencies in management's internal controls, instances of noncompliance with applicable governing laws, rules, or contracts, and instances of inefficient or ineffective operational policies, procedures, or practices. The focus of this audit was to identify problems so that they may be corrected in such a way as to improve government accountability and efficiency and the stewardship of management. Professional judgment has been used in determining significance and audit risk and in selecting the particular transactions, legal compliance matters, records, and controls considered.

As described in more detail below, for those programs, activities, and functions included within the scope of our audit, our audit work included, but was not limited to, communicating to management and those charged with governance the scope, objectives, timing, overall methodology, and reporting of our audit; obtaining an understanding of the program, activity, or function; exercising professional judgment in considering significance and audit risk in the design and execution of the research, interviews, tests, analyses, and other procedures included in the audit methodology; obtaining reasonable assurance of the overall sufficiency and appropriateness of the evidence gathered in support of our audit's findings and conclusions; and reporting on the results of the audit as required by governing laws and auditing standards.

Our audit included the selection and examination of transactions and records. Unless otherwise indicated in this report, these transactions and records were not selected with the intent of statistically projecting the results, although we have presented for perspective, where practicable, information concerning relevant population value or size and quantifications relative to the items selected for examination.

An audit by its nature, does not include a review of all records and actions of agency management, staff, and vendors, and as a consequence, cannot be relied upon to identify all instances of noncompliance, fraud, abuse, or inefficiency.

In conducting our audit we:

- Reviewed governing laws, rules, and other guidelines to gain an understanding of the FSECC and the Department's administrative responsibilities, including for the procurement of the FSECC fiscal agent.
- Performed inquiries of Department personnel and examined Department records relating to the procurement of the FSECC fiscal agent contract between the Department and Solix for the period January 2013 through December 2015 to determine whether the Department procured the contract in accordance with State law.
- Performed inquiries of Department personnel and examined the Department's contract with Solix for FSECC fiscal agent services during the period January 2013 through December 2015 to determine whether the contract was appropriately reviewed and executed and included the provisions specified by State law.
- Performed inquiries of Department personnel and examined Department records to determine whether the Department had designated an employee to function as the contract manager for the FSECC fiscal agent contract for the period January 2013 through December 2015, and whether Department records demonstrated that the contract manager received required training and was independent of the fiscal agent.
- Examined Department records for contract monitoring activities conducted during the period January 2013 through December 2015 to determine whether the Department effectively monitored the FSECC fiscal agent contract.
- Analyzed Department processes and State laws and rules for the administration of the FSECC and compared the processes, laws, and rules to the processes, laws, and rules applicable to the administration of public employee charitable contribution campaigns established in other states and assessed the extent to which the State of Florida's administrative framework for the FSECC was similar to other state frameworks.
- Analyzed fiscal agent administrative expenditures and FSECC contributions collected during the period January 2012 through December 2015 to determine whether administrative expenditures as a percentage of contribution volumes appeared reasonable.
- Communicated on an interim basis with applicable officials to ensure the timely resolution of issues involving controls and noncompliance.
- Performed various other auditing procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.
- Prepared and submitted for management response the findings and recommendations that are included in this report and which describe the matters requiring corrective actions. Management's response is included in this report under the heading **MANAGEMENT'S RESPONSE**.

AUTHORITY

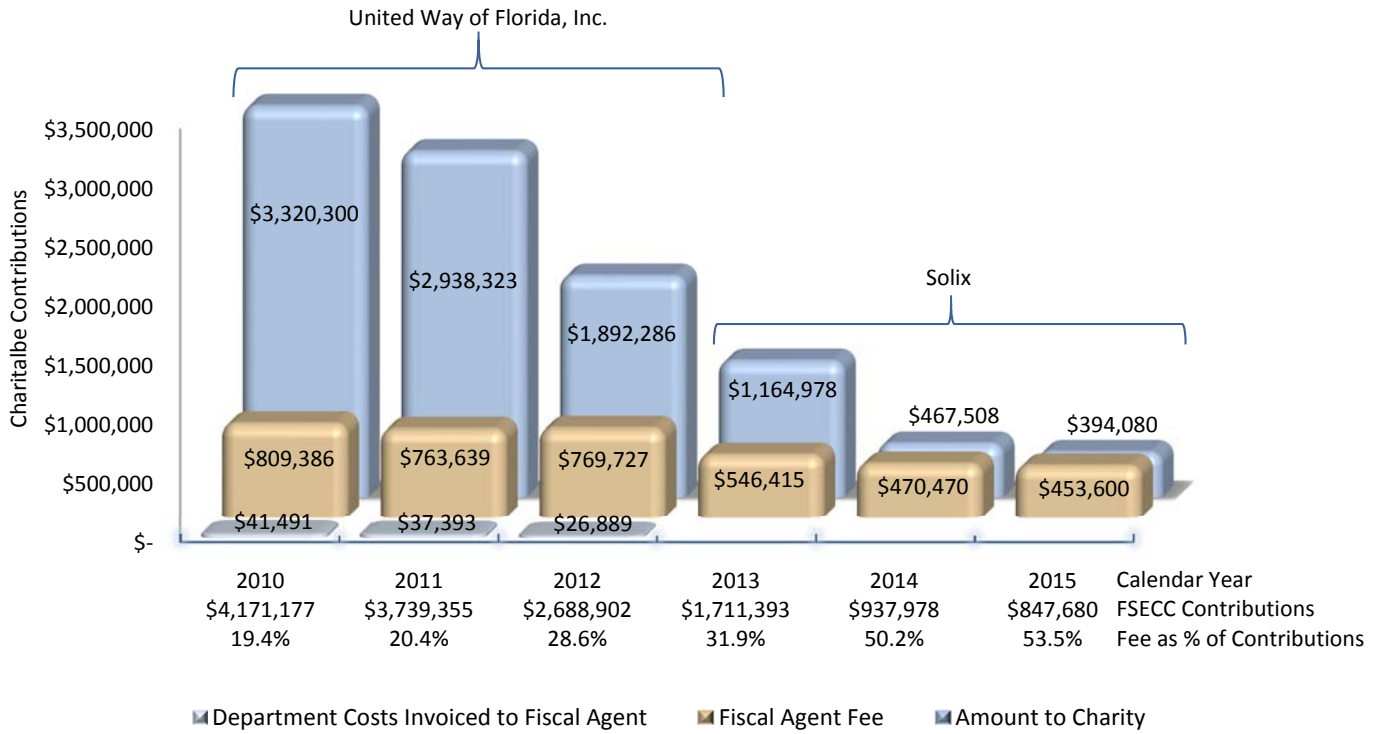
Section 11.45, Florida Statutes, requires that the Auditor General conduct an operational audit of each State agency on a periodic basis. Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.



Sherrill F. Norman, CPA
Auditor General

EXHIBIT A

FSECC CONTRIBUTIONS AND FISCAL AGENT FEES BY CALENDAR YEAR



Source: *Documentation of Costs* reports.

EXHIBIT B

STATE EMPLOYEE CHARITABLE CAMPAIGN INFORMATION FOR FLORIDA AND SELECTED OTHER STATES

| | | FLORIDA | ALABAMA |
|---------------------------|--|--|---|
| CAMPAIGN | Responsible state-level organization | Department of Management Services | Executive Office of the Governor |
| | Number of state workers | 115,302 (Eligible to participate) | 30,611 |
| | Number of state workers as-of-date | June 30, 2015 | December 31, 2014 |
| | Campaign year | 2015 | 2015 |
| | Campaign goal | No goal established | \$780,000 |
| | Amount contributed | \$847,680 | \$407,373 |
| | Voluntary? | Yes | Yes |
| | Prohibits coercion? | Yes | Yes |
| | Allows solicitation by charities? | No | Unknown |
| | Utilizes online pledging? | Yes | No |
| FISCAL AGENT | Campaign utilizes a third-party fiscal agent? | Yes | Yes |
| | Fiscal agent name | Solix | Various (Local Campaign Managers) |
| | Required to be a campaign participant? | No | Yes |
| | Competitively procured? | Yes | Yes |
| | Required to have experience in fundraising? | No | Yes |
| | Required to submit an annual audit? | No | Yes (if funds raised are \$25,000 or more) |
| | Budget limitations | Reasonable costs | 25 percent |
| | Responsible for reviewing charity applications? | Yes | Unknown |
| | Responsible for accounting and distribution to charities? | Yes | Yes |
| | Frequency of distributions | Monthly | Monthly |
| STEERING COMMITTEE | Undesignated funds distribution | Same proportion as total designated funds | Same proportion as total designated funds |
| | Campaign utilizes Statewide Steering Committee? | Yes | Yes |
| | Statewide Steering Committee responsible for: Fiscal agency procurement approval? | No | No |
| | Charity application approval? | Yes | Yes |
| | Approving policies and procedures? | No | Yes |
| | Campaign budget approval? | No | Local Area Review Committee |
| CHARITIES | Approval of campaign documents? | Yes | Yes |
| | Required to be a 501(c)(3) organization? | Yes | Yes |
| | Required to be a member of an approved Federation? | No | No |
| | Required to submit an application? | Yes | Yes |
| | Service areas | Public health and welfare; education; environmental restoration and conservation; civil and human rights, or the relief of human suffering and poverty | Direct health and human services |
| | Administrative expenditure limitations | 25 percent or less | 30 percent or less |
| Total number of charities | 984 | Unknown | |

| | | ARIZONA | CONNECTICUT |
|---------------------------|---|--|---|
| CAMPAIGN | Responsible state-level organization | Department of Administration | Steering Committee |
| | Number of state workers | 38,084 | 56,787 |
| | Number of state workers as-of-date | September 1, 2014 | August 1, 2015 |
| | Campaign year | 2014 | 2015 |
| | Campaign goal | Unknown | Unknown |
| | Amount contributed | \$582,302 | \$554,664 |
| | Voluntary? | Yes | Yes |
| | Prohibits coercion? | Yes | Yes |
| | Allows solicitation by charities? | No | Yes |
| | Utilizes online pledging? | Yes | Yes |
| FISCAL AGENT | Campaign utilizes a third-party fiscal agent? | Yes | Yes |
| | Fiscal agent name | Valley of the Sun United Way | Community Health Charities |
| | Required to be a campaign participant? | No | Yes |
| | Competitively procured? | Yes | Yes |
| | Required to have experience in fundraising? | Yes | Yes |
| | Required to submit an annual audit? | Yes | Yes (if annual budget is \$50,000 or more) |
| | Budget limitations | 10 percent of prior year total contributions | 10 percent |
| | Responsible for reviewing charity applications? | No | No |
| | Responsible for accounting and distribution to charities? | Yes | Yes |
| | Frequency of distributions | Unknown | Monthly |
| STEERING COMMITTEE | Undesignated funds distribution | Same proportion as total designated funds | Same proportion as total designated funds |
| | Campaign utilizes Statewide Steering Committee? | Yes | Yes |
| | Statewide Steering Committee responsible for: Fiscal agent procurement approval? | Yes | Yes |
| | Charity application approval? | Yes | Yes |
| | Approving policies and procedures? | Yes | Yes |
| | Campaign budget approval? | Yes | Yes |
| CHARITIES | Approval of campaign documents? | Yes | Yes |
| | Required to be a 501(c)(3) organization? | Yes | Yes |
| | Required to be a member of an approved Federation? | No | Yes |
| | Required to submit an application? | Yes | Yes |
| | Service areas | Direct health and human services, environmental services, historical preservation services | Charitable and public health, welfare, environmental, conservation, or service purposes |
| | Administrative expenditure limitations | 25 percent or less | 25 percent or less |
| Total number of charities | 486 | Unknown | |

| | | GEORGIA | LOUISIANA |
|---------------------------|---|---|---|
| CAMPAIGN | Responsible state-level organization | Department of Administrative Services | Department of Administration |
| | Number of state workers | 68,012 | 60,434 |
| | Number of state workers as-of-date | June 30, 2014 | June 30, 2014 |
| | Campaign year | 2014 | Unknown |
| | Campaign goal | Unknown | Unknown |
| | Amount contributed | \$1,392,021 | Unknown |
| | Voluntary? | Yes | Yes |
| | Prohibits coercion? | Yes | Unknown |
| | Allows solicitation by charities? | No | Unknown |
| | Utilizes online pledging? | No | No |
| FISCAL AGENT | Campaign utilizes a third-party fiscal agent? | Yes | Yes |
| | Fiscal agent name | EarthShare | Louisiana Association of United Ways |
| | Required to be a campaign participant? | Yes | No |
| | Competitively procured? | Yes | No |
| | Required to have experience in fundraising? | Yes | No |
| | Required to submit an annual audit? | Yes (if revenue is in excess of \$500,000) | Unknown |
| | Budget limitations | 25 percent | 17 percent for 2015; 14 percent for 2014 |
| | Responsible for reviewing charity applications? | No | Yes |
| | Responsible for accounting and distribution to charities? | Yes | Yes |
| | Frequency of distributions | Quarterly | Quarterly |
| STEERING COMMITTEE | Campaign utilizes Statewide Steering Committee? | Yes | No |
| | Statewide Steering Committee responsible for: Fiscal agent procurement approval? | Yes | N/A |
| | Charity application approval? | Yes | N/A |
| | Approving policies and procedures? | Yes | N/A |
| | Campaign budget approval? | Yes | N/A |
| | Approval of campaign documents? | Yes | N/A |
| CHARITIES | Required to be a 501(c)(3) organization? | Yes | Yes |
| | Required to be a member of an approved Federation? | No | No |
| | Required to submit an application? | Yes | Yes |
| | Service areas | Voluntary health, welfare, educational or environmental restoration or conservation | Health and human services |
| | Administrative expenditure limitations | 25 percent or less | 25 percent or less |
| Total number of charities | 103 | 69 | |

| | | NORTH CAROLINA | OHIO |
|---------------------------|---|---|---|
| CAMPAIGN | Responsible state-level organization | Chair Appointed by Governor | Department of Administrative Services |
| | Number of state workers | 85,669 | 51,907 |
| | Number of state workers as-of-date | November 30, 2015 | October 31, 2015 |
| | Campaign year | 2014 | 2015 |
| | Campaign goal | Unknown | \$2,850,000 |
| | Amount contributed | \$3,799,826 | \$3,000,297 |
| | Voluntary? | Yes | Yes |
| | Prohibits coercion? | Yes | Yes |
| | Allows solicitation by charities? | Yes | Yes |
| | Utilizes online pledging? | Yes | Yes |
| FISCAL AGENT | Campaign utilizes a third-party fiscal agent? | Yes | Yes |
| | Fiscal agent name | North Carolina Community Shares | United Way of Central Ohio |
| | Required to be a campaign participant? | Yes | Yes |
| | Competitively procured? | No Selected by Chair | Yes |
| | Required to have experience in fundraising? | Yes | Yes |
| | Required to submit an annual audit? | Yes | Yes |
| | Budget limitations | 20 percent of gross contributions | 10 percent, or less of prior year total contributions |
| | Responsible for reviewing charity applications? | Yes | No |
| | Responsible for accounting and distribution to charities? | Yes | Yes |
| | Frequency of distributions | Quarterly | Bi-Monthly |
| STEERING COMMITTEE | Undesignated funds distribution | Same proportion as total designated funds | Same proportion as total designated funds |
| | Campaign utilizes Statewide Steering Committee? | Yes | Yes |
| | Statewide Steering Committee responsible for: Fiscal agent procurement approval? | N/A | Yes |
| | Charity application approval? | Yes | Yes |
| | Approving policies and procedures? | Yes | Yes |
| | Campaign budget approval? | Yes | Yes |
| CHARITIES | Approval of campaign documents? | Yes | Yes |
| | Required to be a 501(c)(3) organization? | Yes | Yes |
| | Required to be a member of an approved Federation? | No | Yes |
| | Required to submit an application? | Yes | Yes |
| | Service areas | Health and human services | Direct health and human services |
| | Administrative expenditure limitations | 25 percent or less | 25 percent or less |
| Total number of charities | 991 | 1,636 | |

| | | OKLAHOMA | TEXAS |
|---------------------------------|---|---|---|
| CAMPAIGN | Responsible state-level organization | Oversight Committee of State Employees | Comptroller distributes to State Campaign Manager |
| | Number of state workers | 34,641 | 147,581 |
| | Number of state workers as-of-date | June 30, 2014 | June 30, 2014 |
| | Campaign year | Unknown | 2014 |
| | Campaign goal | Unknown | Unknown |
| | Amount contributed | Unknown | \$9,031,593 |
| | Voluntary? | Yes | Yes |
| | Prohibits coercion? | Yes | Yes |
| | Allows solicitation by charities? | Yes | No |
| | Utilizes online pledging? | No | No |
| FISCAL AGENT | Campaign utilizes a third-party fiscal agent? | Yes | Yes |
| | Fiscal agent name | United Way of Oklahoma | United Way of San Antonio |
| | Required to be a campaign participant? | Yes | Yes |
| | Competitively procured? | No Selected by Oversight Committee | No Selected by State Policy Committee |
| | Required to have experience in fundraising? | Yes | Yes |
| | Required to submit an annual audit? | Yes | Yes |
| | Budget limitations | Expenditures limited to the lesser of actual costs or 10 percent of campaign proceeds | 25 percent |
| | Responsible for reviewing charity applications? | Yes | No |
| | Responsible for accounting and distribution to charities? | Yes | Yes |
| | Frequency of distributions | Quarterly if campaign is \$100,000 or more. Otherwise, semi-annually. | Quarterly |
| Undesignated funds distribution | Same proportion as total designated funds | Same proportion as total designated funds | |
| STEERING COMMITTEE | Campaign utilizes Statewide Steering Committee? | Yes, Oversight Committee | Yes, State Policy Committee |
| | Statewide Steering Committee responsible for: Fiscal agent procurement approval? | N/A | N/A |
| | Charity application approval? | Yes | Yes |
| | Approving policies and procedures? | Yes | Yes |
| | Campaign budget approval? | No | Yes |
| | Approval of campaign documents? | No | Yes |
| CHARITIES | Required to be a 501(c)(3) organization? | Yes | Yes |
| | Required to be a member of an approved Federation? | Yes | No |
| | Required to submit an application? | Yes | Yes |
| | Service areas | Direct health and welfare | Health and human services |
| | Administrative expenditure limitations | Lesser of actual costs or 10 percent | 25 percent or less |
| Total number of charities | Unknown | Unknown | |

Source: Audit procedure results.

MANAGEMENT'S RESPONSE



4050 Esplanade Way
Tallahassee, FL 32399-0950
Tel: 850-488-2786 | Fax: 850-922-6149

Rick Scott, Governor

Chad Poppell, Secretary

May 26, 2016

Ms. Sherrill F. Norman, CPA
Auditor General
Suite G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450

Dear Ms. Norman:

Thank you for the opportunity to respond to the **Operational Audit of Department of Management Services – Florida State Employees' Charitable Campaign (FSECC)**. Pursuant to subsection 11.45(4)(d), Florida Statutes, this letter and the enclosed document represent our response to your report. Specifically, the report recommendation that department management ensure the contract monitoring activities are performed, including the verification of FSECC fiscal agent administration costs and distribution of amounts to charitable organizations has been previously addressed through the department's own process improvement initiatives.

Under the new fiscal agent contract, effective January 1, 2016 and amended, April 15, 2016, payments to the fiscal agent are in fixed amounts. The vendor is required to submit documentation to support their performance of contract deliverables. Furthermore, as noted in your report and as part of the department's commitment to continuing process improvements, in March 2015 the department implemented a procedure for verifying the distribution of employee contribution amounts to charitable organizations. Under the new contract the department will continue to adhere to the elements of this procedure and will monitor and document the performance of fiscal agent deliverables as it has done throughout the term of the initial Solix contract. Based on this information, the department, through its own initiative, has addressed the report's sole finding, thereby eliminating the need for any corrective action in response to the report.

In addition, the Department of Management Services is modifying aspects of the campaign to further reduce administrative costs and increase the percentage of funds that go to charities.

If further information is needed concerning our response, please contact Yolanda Lockett, Interim Inspector General and Audit Director, at 488-5285.

Sincerely,


Chad Poppell
Secretary, Department of Management Services

CP/mb

Enclosure

Ms. Sherrill F. Norman
May 26, 2016
Page Two

cc: C. Darren Brooks, Ph.D. Deputy Secretary, Workforce Operations
Sharon Larson, Director of Human Resource Management
Melinda Miguel, Chief Inspector General

Finding Report

| Status Date | Report No. | Report Title | |
|----------------------|---|--|-----------------------------|
| 5/26/2016 | | Operational Audit - Florida State Employees' Charitable Campaign | |
| Contact Person | Program/Process | Phone No. | |
| Sharon Larson | FSECC | | |
| Activity | Accountability | Schedule | |
| Contract Monitoring | Responsible Unit | Repeat Finding | Anticipated Completion Date |
| | HRM | No | N/A |
| Finding | | | |
| No. | 1 | | |
| Date | 5/1/2016 | | |
| Finding | Our audit disclosed that the department did not ensure that FSECC fiscal agent fees were supported by adequate documentation or adequately verify that employee contributions were appropriately distributed to participating charitable organizations. | | |
| Recommendation | We recommend that department management ensure that contract monitoring activities, including the verification of FSECC fiscal agent administration costs and distribution of amounts to charitable organizations, are appropriately performed and documented. | | |
| Response/Action Plan | <p>We concur with the recommendation that department management ensure contract monitoring activities are performed, including the verification of FSECC fiscal agent administration costs and distribution of amounts to charitable organizations. However, the specific recommendations in the report have already been addressed through the department's own process improvement initiatives.</p> <p>Under the new fiscal agent contract effective January 1, 2016 and amended April 15, 2016, payments to the fiscal agent are fixed amounts. Therefore, payments to the fiscal agent are no longer reliant on the vendor's ability to document costs, although the vendor is still required to submit documentation to support its performance of contract deliverables. The cost reimbursement provisions of the previous contract were only triggered because of the continued decline in FSECC proceeds. The contractually negotiated method for verifying fiscal agent fees at the time, which included the department's review and approval of an annual budget and subsequent submission of recurring Documentation of Costs reports from the vendor, balanced the need to adequately document costs with the need to minimize excessive administrative tasks which would have unnecessarily added to the cost of fiscal agent activities, thereby further reducing proceeds for participating charities.</p> <p>Furthermore, as noted in your report and as part of the department's commitment to continuing process improvements, in March 2015 the department implemented a procedure for verifying the accurate distribution of employee contribution amounts to charitable organizations and has complied with the elements of this procedure since its implementation. The department will continue to adhere to this procedure and will continue to monitor and document the performance of fiscal agent deliverables, as it has done throughout the term of the initial Solix contract.</p> <p>Based on this information, the department, through its own initiative, has addressed the report's finding. Therefore, no further corrective action is required.</p> | | |
| Status Update-6mo | <input type="checkbox"/> Open <input type="checkbox"/> Management assumes risk <input type="checkbox"/> Partially Complete <input type="checkbox"/> Complete pending verification by OIG <input checked="" type="checkbox"/> Complete | | |
| Status Update-12mo | <input type="checkbox"/> Open <input type="checkbox"/> Management assumes risk <input type="checkbox"/> Partially Complete <input type="checkbox"/> Complete pending verification by OIG <input type="checkbox"/> Complete | | |

Status Update-18mo

- Open
- Management assumes risk
- Partially Complete
- Complete pending verification by OIG
- Complete

| |
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