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BY THE COMPTROLLER GENERAL
Report To The Chairman RELEASED
Committee On Government Operations
House Of Representatives
OF THE UNITED STATES

Federal Personnel Should Be Better Informed Of How Undesignated Contributions To The Combined Federal Campaign Will Be Distributed

The Combined Federal Campaign, the government's annual charity drive, has resulted in millions of dollars in contributions. It has also resulted, however, in continuing controversy between the Office of Personnel Management, which oversees the campaign, and the charities involved. This report deals primarily with one aspect of that controversy—how to distribute those contributions that federal personnel do not designate to a particular charity.

Under current Office of Personnel Management regulations, one group of charities in each campaign is selected by local federal officials to administer the fund raising activities and serve as fiscal agent. The Office of Personnel Management has given this group the sole authority to distribute to itself and other competing charities all contributions not designated. A major drawback of this method is that it creates the appearance of, if not an actual, conflict of interest.

Devising a process for distributing undesignated funds that would be satisfactory to all parties involved may not be possible. However, GAO believes federal personnel need sufficient information to make informed decisions on whether to designate or not designate their contributions. Therefore, GAO recommends actions OPM should take to fully disclose to contributors how undesignated contributions will be distributed.



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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON D C 20548

B-202792

27 JUN 1984

The Honorable Jack Brooks
Chairman, Committee on
Government Operations
House of Representatives

Dear Mr. Chairman:

This report responds to your December 5, 1983, request that we review the Office of Personnel Management's (OPM's) administration of the Combined Federal Campaign (CFC)--the federal government's annual charity drive. There are over 500 separate campaigns serving different geographic regions where significant numbers of federal personnel live and work. During subsequent discussions, your office asked us to make a thorough review of two areas that have resulted in controversy between OPM and the charities involved: (1) the manner in which contributions to the CFC are distributed among the participating charities, especially those contributions that are not designated to a specific charity (referred to as undesignated contributions) and (2) the methods used to determine which charities will be eligible to participate in the CFC. So that we could provide you with a report before the start of the fall 1984 CFC, we agreed to first review and report on the distribution of the undesignated CFC contributions among the charities.

We conducted our review at OPM headquarters and at selected local CFCs in the United States. We reviewed OPM regulations, other related records and documents, and campaign literature. We reviewed OPM's records on campaign results from 1973 to 1982, the latest year for which OPM had essentially complete campaign results. We interviewed OPM officials, federal officials responsible for local campaigns, and representatives of various charitable organizations. The results of our review are summarized below and discussed in detail in appendix I, as are further details on our objectives, scope, and methodology.

Federal civilian and military personnel can choose to designate all or part of their contributions to one or more specific charities, or they can contribute to the campaign but not designate to a specific recipient charity (i.e. leave their contribution undesignated). OPM's records show there were 518 domestic campaigns in the fall 1982 CFC, which included those located in the 50 United States, the District of Columbia, Puerto Rico, and the Virgin Islands. In these campaigns, \$65.6 million of the \$101.2 million pledged by contributors was designated to specific charities and \$35.6 million was undesignated.

A major issue of controversy has been the methods used to distribute contributions that federal personnel contributed but did not designate to particular charities. GAO does not believe that any method OPM prescribes for distributing undesignated contributions will be acceptable to all charities. The charities will not support a method that would cause them to receive a smaller share of undesignated contributions than they currently receive.

From 1964 to 1982, OPM decided how the undesignated contributions would be distributed. However, beginning with the 1982 CFC, OPM established a procedure for Federal Coordinating Committees (FCCs)--local federal officials who oversee campaigns--to select one of the participating groups of charities to administer the campaign and serve as fiscal agent. This charity is called the Principal Combined Fund Organization (PCFO), and it has been given the sole authority by OPM to distribute undesignated funds with neither review nor approval by local federal officials or OPM. In applying the criteria set forth by OPM for selecting a PCFO, one group (United Way) was selected in 91 percent of the fall 1982 CFCs.

This approach has a major drawback. Although no federal statute prohibits one charity from deciding how much undesignated money it will give to itself as well as to other competing charities, the PCFO approach creates the appearance of, if not an actual, conflict of interest. In over 96 percent of the 1982 campaigns where a charitable group served as PCFO, the PCFO gave its member organizations the largest portion of undesignated contributions.

OPM attempts to deal with this drawback by requiring that campaign literature provided to potential contributors contain all of the following information:

- a statement encouraging federal personnel to designate their contributions to specific charities;
- a statement telling contributors that if they do not designate, then their contributions shall be distributed by the PCFO; and
- the name of the charity acting as PCFO.

This information is provided so that potential contributors know which charities will control any contributions which they do not specifically designate.

We found, however, that OPM does not review campaign literature to ensure that it contains this information. Our review of the CFC literature used in 30 campaigns in both 1982 and 1983 showed that 25 in each year contained all 3 statements. The 10 campaigns (5 in each year) that did not fully comply with the regulatory requirements included two of the three statements. Encouraging federal personnel to designate their contributions to specific charities was the statement missing in 9 of the 10 campaigns. The other campaign did not identify the name of the charity acting as PCFO. Three of the five campaigns which did not fully comply were the same in both years.

While we do not know the extent of noncompliance in all 518 campaigns, we believe that full disclosure of this information to all potential contributors is essential. Accordingly, we believe OPM should take steps to ensure that all CFCs comply with its campaign literature disclosure requirements.

We also believe it is essential that campaign literature fully disclose how the charity selected as PCFO will distribute undesignated contributions to itself and other competing charities. Of the 30 campaign literature packages we reviewed, 10 in 1982 and 12 in 1983 disclosed this information, either for the previous year's or the current year's campaign, even though it is not required by current OPM regulations. Nine of the campaigns that included this additional information in their literature packages were the same in both years. If campaign literature disclosed to potential contributors how undesignated funds will be distributed, we believe federal personnel would be better able to make a more informed decision whether to designate or leave their contribution undesignated.

We recommend that the Director, OPM

- require that campaign literature, in addition to the current requirements, disclose how the undesignated funds will be distributed among the charities in the current year's campaign or, if this has not been decided before the literature must be printed, how funds were distributed in the previous year's campaign.
- selectively review campaign literature before it is printed and distributed to federal personnel to assure that the literature contains all required information.

We agreed with your office that, after completing this review, we would conduct a review of the methods used to determine which charities are eligible to participate in the CFC. Since OPM has proposed changes to the eligibility process which, if

implemented, will significantly expand the eligibility criteria to allow any health and welfare tax-exempt organization to participate in the CFC (see app. III), we will discuss further with your office the specific nature of a review in this area after the regulations are issued.

Also, as agreed with your office, we plan to follow up on our April 10, 1981, report entitled Need for Improved Fiscal Controls Over the Combined Federal Campaign (AFMD-81-56). Some of the issues we plan to review include whether 1) contributions are properly accounted for, controlled, and distributed to participating charitable groups; 2) increases in administrative costs of individual campaigns are justified; and 3) federal employees are able to contribute to local campaigns where they work or live even if the federal payroll office that remits their contribution is located in another geographic area.

We did not obtain agency comments on this report. As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from the date of the report. At that time, we will send copies to the Director, OPM, and other interested persons, and make copies available to others upon request.

We will be glad to discuss these matters further with you if you desire.

Sincerely yours,



Acting Comptroller General
of the United States

BACKGROUND

In the fall of each year federal civilian and military personnel are solicited for contributions to the CFC. The CFC is international in scope, with over 500 separate charitable fundraising campaigns conducted at federal and military installations around the world. Charities solicit contributions from local federal personnel at each of the CFC locations every year. As many as several hundred charities participate in the larger CFCs; fewer than a hundred participate in the smaller campaigns. The CFC is authorized by executive order. It has no statutory basis.

As shown in appendix II, total cash and pledged contributions to the CFC have generally increased each year from 1973 through 1982. During 1982, in the domestic¹ campaigns, over 2.2 million civilian and military personnel pledged more than \$101 million to charities. Although final 1983 campaign results have not yet been received, OPM data as of June 21, 1984, project another increase in CFC contributions.

OPM has overall management responsibility for the CFC. It issues regulations to be followed by all federal agencies and participating charitable organizations in (1) conducting annual solicitation drives, (2) collecting pledged gifts from federal personnel, (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. OPM also decides on national eligibility of charitable groups, rules on eligibility appeals of charities, that apply to local CFCs, and issues reports on CFC results.²

At the headquarters level, OPM's Assistant to the Deputy Director for Regional Operations is responsible for, among other things, oversight of the CFC. He has assigned one of his staff members, a program analysis officer, to prepare program guidance, resolve operational problems, and to summarize and analyze campaign results for the CFC. The Regional Operations office does not, however, review

¹Domestic campaigns include those located in the 50 United States, the District of Columbia, the Commonwealth of Puerto Rico, Virgin Islands, and Panama. However, Panama did not report any results for the fall 1982 campaign.

²On April 13, 1984, OPM published proposed rules in the Federal Register (vol. 49, No. 73, page 14752) that, if implemented, will significantly alter the CFC eligibility process. Appendix III summarizes the proposals.

- individual campaigns periodically to assure that they are run according to OPM regulations, although problems brought to its attention are investigated.
- proposed campaign literature to assure that the literature contains all required information.

Most of this responsibility has been delegated by OPM to the local Federal Coordinating Committees (FCCs) consisting of personnel from federal agencies or military installations in each campaign. OPM regulations require FCCs to supervise most aspects of the local campaign, subject to review by the Director, OPM.

In addition to the CFC work performed by the Regional Operations Office, OPM's Office of the General Counsel is responsible for advising the Director of OPM and the Regional Operations Office on legal issues affecting the CFC, and processing all the CFC eligibility appeals.³ One attorney provides most of the advice; another attorney also has expertise on CFC issues and is called upon occasionally for advice.

OPM has divided the CFC participating charities into four categories to facilitate campaign administration.

1. United Way - This group consists of local United Ways that are members of, or are recognized by, United Way of America. Local community organizations such as the Salvation Army and Boy Scouts of America are generally United Way members. Each community's United Way determines its own membership. The charities admitted as members automatically participate in the CFC without OPM approval.
2. National Health Agencies (NHAs) - This group includes health service organizations such as the American Heart Association, Inc., and the National Kidney Foundation which are assigned to it by OPM. In some CFCs, however, some NHA organizations are affiliated with local United Ways.

³The Office of General Counsel began processing all eligibility appeals in 1983 as required by the regulations. However, it later decided to process appeals from only the 20 campaigns with the largest amount of contributions because of the large volume of appeals.

3. International Service Agencies (ISAs) - This group includes international organizations such as CARE and Project HOPE which are assigned to it by OPM. These organizations provide most of their services overseas.
4. National Service Agencies (NSAs) - This group includes various organizations such as the National Committee for the Prevention of Child Abuse, the United Negro College Fund, and various legal defense funds and advocacy groups which are assigned to it by OPM. NSAs were admitted to the CFC for the first time in 1980.

United Way is an independent voluntary fund raising organization permitted by OPM to solicit CFC contributions from federal personnel. The NHA, ISA, and NSA groupings, on the other hand, were created by OPM strictly to simplify management of the CFC. This meant, for example, that OPM could deal with committees elected by the charities within each group to represent them on policy and program matters rather than dealing with each charity individually.

In addition to these four groups, charities which are unique to a locality and are not affiliated with any charitable group (referred to as local non-affiliated agencies [LNAs]) participate in the CFC. Like the NSAs, they were admitted to the CFC for the first time in 1980. Also, in some campaigns the American Red Cross participates individually as a charitable group but is affiliated with United Way in most others.

From 1980 through 1982, the overall percentages of contributions to United Way and American Red Cross shrunk while the percentages for the NHAs, NSAs and LNAs grew. ISA's share remained fairly stable. Appendix II shows each charitable group's share of designated and undesignated CFC contributions and contains a description of the changes in each charitable group's share of CFC contributions from 1973 through 1982.

OPM regulations require that each FCC select from among one of the local participating charitable groups a Principal Combined Fund Organization (PCFO) to administer the local campaign and serve as fiscal agent. The PCFOs are required by OPM regulations to operate under the auspices of the local FCC and the Director, OPM. The PCFO is responsible for (1) printing and distributing campaign literature and (2) collecting and forwarding all designated contributions. It has also been given the sole authority by OPM to distribute to itself and other competing charities all undesignated contributions. To protect the privacy of contributors, the PCFO is the only charity that the regulations allow to have access to the names of contributors and the amount they pledged to a given charity.

OBJECTIVES, SCOPE, AND METHODOLOGY

Our objectives were to (1) obtain information on the various methods OPM has prescribed for local CFCs to distribute undesignated contributions among specific charities, (2) obtain the views of participating charities and federal officials regarding the various methods for distributing undesignated contributions, (3) determine the extent to which campaign literature provided to potential contributors disclosed how undesignated contributions were distributed, and (4) analyze the distribution of CFC contributions among various charitable groups for the fall 1982 campaign and the trend of distributions from 1973 through 1982.

To obtain information about the various methods used to distribute undesignated contributions, we reviewed OPM files, the Civil Service Commission's (predecessor to OPM) "Manual on Fund-Raising Within The Federal Service" as well as OPM's CFC regulations for the 1980-1983 campaigns and OPM's proposed regulations for the 1984 campaign.

To obtain the views of interested parties regarding the undesignated contribution issue, we interviewed (1) OPM officials responsible for administering the CFC, (2) headquarters representatives of charitable groups that participated in the CFC, and (3) representatives of the federal agencies and charitable groups participating in 17 local CFCs conducted in 1982 and 1983. These 17 CFCs were located in nine states and the District of Columbia. (See app. IV for a list of the 17 CFCs.) We conducted our field work from January to May 1984.

The 17 CFCs we visited were selected to provide a mixture of campaigns where (1) large and small numbers of federal personnel were solicited, (2) different charitable groups distributed the undesignated contributions, and (3) the charitable group that distributed the undesignated contributions did not share any undesignated contributions with other charitable groups participating in the local campaign. Since we did not randomly select these CFCs, our findings cannot be projected to the universe of CFCs.

To determine the extent to which campaign literature disclosed how undesignated contributions were distributed, we reviewed the fall 1982 and 1983 literature used in the 20 largest campaigns in terms of the number of federal personnel solicited for contributions. In addition, we reviewed the campaign literature used in the 17 CFCs we visited. Since 7 of the CFCs we visited were among the 20 largest, the total number we reviewed was 30. (See app. IV for a list of the 30 CFCs whose literature

we reviewed.) We did not randomly select these campaigns, so our findings cannot be projected to the universe of CFCs.

To analyze the distribution of CFC contributions among various charitable groups for the fall 1982 domestic campaigns, the most recent year for which OPM had essentially complete campaign results, we obtained campaign results contained on OPM's computerized data file. The file identified 518 domestic campaigns. The campaign results shown on this file represent cash contributions plus amounts pledged through payroll deductions, not actual contributions. When we compared the CFCs included on this data file with OPM's written reports on campaign results, we identified 19 domestic campaigns for which OPM had no 1982 information. According to an OPM official, these 19 campaigns may or may not have existed in 1982. If they existed, they did not report their results to OPM. The OPM officials stated that some campaigns may have been abolished in 1982, consolidated with other campaigns, or may not have collected any contributions. We did not verify if any of these 19 campaigns actually did exist for the 1982 campaign. We did a data reliability check by comparing data on OPM's computerized data file with the campaign results reported to OPM by each CFC. We found the OPM reported results to be generally consistent with the computerized data file. However, we did not independently verify the campaign results reported to OPM.

In analyzing 1982 campaign results, we excluded the Overseas Campaign because it is conducted somewhat differently from the other campaigns. For example, two charitable groups, United Way and the National Service Agencies, do not participate in the Overseas Campaign although they do participate in most of the domestic CFCs. During 1982, OPM data shows that 254,972 civilian and military personnel pledged about \$9 million to the Overseas Campaign.

To analyze the trend of distributions of CFC contributions among various charitable groups from 1973 through 1982, we relied on OPM reported results which also exclude the Overseas Campaign.

We performed our review in accordance with generally accepted government auditing standards, except that we did not obtain agency comments on this report.

DISAGREEMENT ON HOW TO DISTRIBUTE UNDESIGNATED CONTRIBUTIONS

Federal civilian and military personnel can choose to designate all or part of their contribution to one or more

specific charities, or they can contribute but not designate their gift to a specific charity (i.e. leave the money undesignated). Under current OPM regulations, if the money is undesignated, it is deemed to be designated to the charity or charitable group that is the PCFO. The PCFO, as mentioned previously, has been given the sole authority by OPM to decide how these contributions will be distributed to itself and other competing charities.

As shown in appendix II, the percent of total contributions designated to specific charities or groups has been growing each year for the last 10 years, from about 34 percent in 1973 to about 65 percent in 1982. The most dramatic increase--from about 49 percent to 65 percent--occurred in 1982 when, for the first time, OPM required that the campaign literature provided to potential contributors include a statement encouraging the contributors to designate their contributions to a specific charity or charities. Potential contributors were also supposed to be informed that, if they did not designate their contributions to a specific charity, their contributions would go to the PCFO for distribution. On the basis of campaign results received as of June 21, 1984, OPM projected that designations in the 1983 CFC will increase from 65 to 68 percent of total campaign pledges.

Over the years there has been a great deal of controversy on how to distribute the contributions which contributors did not designate to specific charities.⁴ This controversy is illustrated by the distribution of undesignated contributions to the two charitable groups that received the largest share of CFC contributions from 1973 to 1982--United Way and NHAs. United Way has received an average of 42.6 percent of all designated contributions from 1973 to 1982, and an average of 87.9 percent of the undesignated contributions. In contrast, the NHAs have averaged 39.2 percent of the designated contributions and 4.3 percent of the undesignated contributions during the same period.

The problems with distributing undesignated contributions were described in a February 1, 1982, memorandum from the

⁴OPM's method of distributing undesignated contributions has been the subject of two court suits, National Health Agencies' Committee for the Combined Federal Campaign v. Campbell, 564 F. Supp. 900 (D.D.C. 1982), and NAACP Legal Defense and Education Fund, Inc. v. Devine, 560 F. Supp. 667 (D.D.C. 1983) (NAACP II). Both of these suits were decided in OPM's favor.

Director, OPM to the Counsel to the Director, Office of Management and Budget, regarding proposed changes to the CFC executive order:

"The most unseemly part of the CFC has been the spectacle over the last few years, of the four fund managing 'groups' (United Way, ISA, NHA, and NSA) fighting over the distribution of undesignated funds."

The OPM Director's memorandum went on to explain the drawbacks associated with methods OPM had used to determine the distribution of undesignated contributions.

". . . OPM arbitrarily decided what percentage each group should get out of the total of designated and undesignated funds. After the designated amounts were known, the undesignated were simply divided among the groups to reach the arbitrary percentage division set before the Campaign."

The memorandum pointed out that using this method resulted in United Way getting about 90 percent, ISA 6 percent, NHA 4 percent, and NSA 0.3 percent of undesignated contributions. Furthermore, this method of distributing contributions, which had been used from 1964 to 1979, ignored any designations made by federal personnel to specific charities during the campaign.

In 1980, OPM changed the fund distribution method to divide the undesignated contributions based on a 5-year moving average of each group's previous share of undesignated contributions. The OPM Director's memorandum pointed out, however, that this method was no less arbitrary and could be subject to judicial challenge. It should be noted that, since this 5-year moving average was based on distributions made under previous methods, it resulted in little change. For example, under this "new" method, United Way continued to get almost 90 percent of the undesignated contributions.

The OPM Director's 1982 memorandum also discussed three alternatives for changing the way undesignated contributions were distributed:

--Divide undesignated contributions equally among the groups or give one vote to each group in deciding the share. This alternative was not supported by OPM because, it said the groups are not equal. According to OPM, the Health, International and National Service groups were created by OPM for purposes of the CFC while United Way was not. This difference, OPM felt, did

not entitle the groups to equal votes in deciding the distribution of undesignated contributions. OPM estimated that United Way would lose over \$30 million while NHAs and NSAs would gain over \$10 million each if this option was adopted. The remainder would be distributed among the other charities.

- Share undesignated contributions in the same ratio as designated contributions. While noting that this alternative had some surface validity, OPM stated that there was no basis for assuming that contributors who do not designate have the same preferences as contributors who do.
- Use a two part approach of 1) encouraging designations and 2) administratively turning undesignated contributions into designated contributions. This alternative was supported by OPM. The OPM memorandum went on to say that this alternative

". . . attempts to compromise between the groups in the Campaign to give some benefits to all of the interests involved.

"The first part of the solution (encouragement of designations) has long been sought by the Health agencies, and to a lesser extent the International agencies. It gives some of the protections . . . to those who receive a high share of designated funds, which they assume will become proportionally higher. This option recognizes that there is no easy solution for the undesignated funds problem, and therefore forces designations. This proposal would place the designations to specific charities right on the pledge card, which is not done at present (in a deliberate attempt to frustrate designations). Designations will increase under this solution, perhaps dramatically. Therefore, it should not be a burden on agencies who can compete for voluntary support, but who now think they might lose undesignated funds.

"The second part (turning remaining funds into designated funds) involves placing a notice (in red ink) on the contribution form stating that a decision not to designate funds

to a particular agency is a decision to designate to the . . . [PCFO] that manages the CFC in the local community. This will get the government out of the management business, and will rationally delegate the distribution problem to a . . . [charitable] group that is equipped to make fair and equitable allocations. This also turns a non-designation decision into a rational choice, more rational than some arbitrary division made by the Director of OPM--past, present, or future."

On May 11, 1982, OPM proposed implementing the PCFO alternative discussed above by publishing in the Federal Register its proposed revisions regarding undesignated contribution distribution. According to OPM, most of the 6500 comments received were supportive of the proposed regulations. However, according to OPM's summary of the comments, many objected to the PCFO concept because they believed it would create a potential conflict of interest and provide the charity selected as PCFO with an unfair advantage over other charitable groups. For example, those who commented said that (1) it would result in the United Way exerting undue control over the management of the CFC because local United Ways would probably be selected as PCFOs in most campaigns, since only United Ways were likely to meet the regulatory⁵ requirements set forth by OPM for being a PCFO, and (2) United Ways that were selected as PCFO would not allocate any of the deemed designated (i.e. undesignated) contributions to the other competing charitable groups. However, OPM was convinced that, to resolve the controversy, employees must earmark all funds, either by designating their contribution to a specific charity or by being "clearly warned that a decision not to do so is a rational choice to have the contributions allocated by the PCFO."

The deemed designated option of distributing undesignated contributions was first used in the 1982 CFC and is the current method used to distribute these contributions.

⁵In selecting the charitable group to be PCFO, OPM regulations generally specify that the FCCs should consider such things as the number of charities affiliated with the group, the amount of contributions previously raised by the group and distributed to its affiliates, and the ability of the group to provide the necessary campaign services and support.

UNITED WAY SELECTED
AS PCFO IN MOST CFCs

As the following chart shows, we found that, as many of those who commented had predicted, the FCCs, in applying the criteria set forth by OPM, selected United Way as the PCFO in about 91 percent of the 518 fall 1982 CFCs for which there was data available at OPM. The chart also shows that the FCCs did not select a charitable group to serve as PCFO in about 7 percent of the CFCs. Contrary to OPM regulations, the FCCs in these campaigns acted as the PCFO.

Number and Percent of 1982 PCFOs
By Charitable Group

<u>PCFO</u>	<u>Number</u>	<u>Percent</u>
United Way	469	90.5
NHA	9	1.7
ISA	3	0.6
FCC	35	6.8
Other ^a	<u>2</u>	<u>0.4</u>
Total	<u>518</u>	<u>100.0</u>

^aFor these two campaigns, representatives from each of the participating charitable groups formed a committee and served as the PCFO.

OPM officials did not have a list showing which charitable group was the PCFO in the 1982 CFCs. Therefore, we reviewed campaign literature and contacted FCCs and charitable groups to identify the PCFOs. In February 1984, OPM sent a letter to all FCCs asking them to notify OPM which charitable group was selected as PCFO for the fall 1983 campaign.

MOST PCFOs GAVE THEIR MEMBER
ORGANIZATIONS THE LARGEST PORTION
OF UNDESIGNATED CONTRIBUTIONS

We also found that most of the charitable groups serving as PCFO gave their member organizations more of the undesignated contributions than they distributed to any one of the other competing groups. As shown in the preceding section, there were 481 campaigns in 1982 where a charitable group served as PCFO (469 United Way PCFOs, 9 NHAs and 3 ISAs). However, 14 of these campaigns did not have any undesignated contributions in 1982 so we did not include them in the following analysis. In 13 of

the campaigns, United Way was PCFO, and in the remaining campaign, NHA was the PCFO. In addition, we excluded the one campaign in which no charitable group other than United Way participated. The chart below shows that in 449 of the 466 cases (96.4 percent) where a charitable group served as PCFO and the campaign had undesignated contributions, it gave its member organizations the largest portion of undesignated contributions.

PCFO	Number of campaigns	Number and percent of campaigns in which PCFO gave its member organizations the largest portion of undesignated contributions
United Way	455	444 (97.6%)
NHA	8	5 (62.5%)
ISA	<u>3</u>	<u>0</u> (0.0%)
Total	<u>466</u>	<u>449</u> (96.4%)

Consequently,

--Of the total amount of undesignated contributions distributed by the 455 campaigns where United Way was PCFO, United Way gave its member organizations 90.2 percent of the undesignated contributions and gave ISAs 6.2 percent, NHAs 2.9 percent, American Red Cross 0.4 percent, NSAs 0.2 percent, and LNAS 0.1 percent.

--Similarly, for the 8 campaigns where an NHA was PCFO, the NHA gave its member organizations 43.7 percent of the undesignated contributions and gave United Way 29.2 percent, ISAs 13.8 percent, American Red Cross 10.4 percent, NSAs 2.6 percent, and LNAS 0.4 percent.

--For the 3 campaigns where an ISA was PCFO, the ISA gave its member organizations 26.7 percent and gave American Red Cross 29.8 percent, United Way 17.0 percent, LNAS 6.3 percent and NSAs 0.5 percent.

Appendix V shows the high, low and median percentages of each PCFO's share of undesignated contributions for those campaigns in which the PCFO gave its member organizations the largest portion and those in which it did not.

Six of the 35 campaigns where the FCC served as PCFO had no undesignated contributions. For the remaining 29 campaigns, United Way received 67.2 percent of the undesignated contributions, NHAs 13.3 percent, ISAs 9.2 percent, American Red Cross 6.6 percent, LNAs 3.2 percent and NSAs 0.6 percent.

For the two campaigns where charitable group committees served as PCFO, United Way received 54.9 percent of the undesignated contributions, NHAs 25.8 percent, ISAs 15.7 percent and NSAs 3.6 percent. However, neither American Red Cross nor LNAs were given any undesignated contributions in these two campaigns.

SOME PCFOs GAVE THEIR MEMBER ORGANIZATIONS ALL THE UNDESIGNATED CONTRIBUTIONS

There were 28 fall 1982 campaigns where the charity selected as PCFO gave its member organizations 100 percent of the undesignated contributions. These 28 campaigns accounted for a total of \$1,994,096 or 5.6 percent of all undesignated contributions in the 518 campaigns that year. United Way was the PCFO in all of these campaigns.

In the fall 1981 CFC (when the OPM 5-year formula was being used to distribute undesignated contributions) the charitable groups participating in these same 28 campaigns received different shares of the undesignated contributions than in 1982. United Way received 88.5 percent, NHAs and ISAs each received 5.3 percent, and NSAs received 0.9 percent.

If the PCFOs in these campaigns had distributed the 1982 undesignated contributions to the various groups in the same ratio as 1981 contributions were distributed, United Way would have received \$229,321 less; NHAs would have received \$105,687 more; ISAs would have received \$105,687 more; NSAs would have received \$17,947 more; and LNAs and American Red Cross would still have received none.

VIEWS OF SELECTED CFCs ON THE UNDESIGNATED CONTRIBUTION ISSUE

To obtain interested parties' views on the undesignated contribution issue, we visited 17 local CFCs in nine States and the District of Columbia. At each CFC we interviewed representatives of the FCC, the charitable group selected as PCFO, and other charitable groups participating in the CFC but not acting as PCFO. Altogether, we interviewed representatives from 58 groups consisting of 17 FCCs, 15 PCFOs, and 26 non-PCFO

charitable groups. It is important to recognize that the PCFO and non-PCFO groups we spoke with could have a parochial view as to how undesignated contributions should be distributed.

Although we visited 17 campaigns, we only interviewed 15 PCFO groups since 2 of the 17 campaigns did not have a PCFO. The FCCs in these 2 campaigns performed the duties of the PCFO. In these 2 campaigns, we only recorded the FCCs' views as representatives of the FCC--not as PCFOs because the FCCs were not charities. As a result, the sections in the following tables that show the views of the PCFO groups are limited to the 15 campaigns where a charity was actually selected as PCFO.

We asked each group whether they felt having the PCFO distribute undesignated contributions creates the appearance of a conflict of interest. As shown below, the overwhelming majority of the groups (including 73 percent of the PCFOs) believed that this did create the appearance of a conflict of interest. Eight groups (half of which were PCFOs) did not. One FCC did not respond to this question.

Is There An Appearance Of A Conflict Of Interest
When The PCFO Distributes Undesignated Contributions?

	<u>Yes</u>	<u>No</u>
FCCs	15	1
PCFOs	11	4
Non-PCFOs	<u>23</u>	<u>3</u>
Total	<u>49</u>	<u>8</u>

We also asked the charitable groups that were not acting as PCFOs whether or not they believed the PCFO had a valid basis to determine the funding needs of the other charitable groups participating in the campaign. Twenty of these 21 charitable groups who responded felt that the PCFO did not have a valid basis for determining their needs; one charity felt that the PCFO had some basis for determining its needs. The remaining five groups did not respond.

We also asked officials at the 17 CFCs we visited what their views were on two alternatives for distributing undesignated contributions. The first alternative would require the charitable groups represented in each local campaign to negotiate a formula for the distribution of undesignated contributions. The local FCC would make a decision only if the charitable groups could not agree. Generally, the FCCs, PCFOs,

and non-PCFOs we contacted did not support the alternative. The table below shows how 55 of the 58 groups felt about this alternative. One PCFO and two non-PCFOs did not respond to this alternative.

Views on the First Alternative

	<u>Supported the alternative</u>	<u>Did not support the alternative</u>
FCCs	4	13
PCFOs	3	11
Non-PCFOs	<u>4</u>	<u>20</u>
	11	44
	<u>11</u>	<u>44</u>

Some of the reasons given for not supporting the alternative were:

- Negotiations among the groups would be time consuming and many battles would occur.
- In large metropolitan areas especially, the individual groups would not be able to agree and the FCC would have no basis to distribute the contributions.
- It would unnecessarily complicate the campaign.
- The FCCs would be sued if they arbitrarily decided how to distribute the contributions.

We also asked OPM's Assistant to the Deputy Director for Regional Operations to comment on the alternative. He replied that, although this alternative may work successfully in some campaigns, he could not support applying the alternative in all campaigns because it could potentially involve the FCCs in endless wrangling about the distribution decision in instances where the charitable groups could not agree.

The second alternative we discussed would require that all federal employees designate their contributions to a specific charity. This alternative is referred to as a 100 percent designation campaign. Support was mixed for this alternative although more opposed it than supported it. The table below shows how the 58 groups felt about the second alternative.

Views on the Second Alternative

	<u>Supported the alternative</u>	<u>Did not support the alternative</u>
FCCs	9	8
PCFOs	2	13
Non-PCFOs	<u>12</u>	<u>14</u>
	<u>23</u>	<u>35</u>

Of those groups supporting such a change, eight said it would eliminate the problem of what to do with the undesignated contributions. In contrast, 15 of those respondents who did not support this alternative said donors should not be forced to designate; they should have the right to not designate. Eleven others feared that participation would decrease if the contributor is forced to designate.

In 1980, OPM approved a 3-year test of a 100 percent designation campaign in 7 local CFCs. However, OPM never completed the test or analyzed the results because, beginning with the 1982 campaign, OPM implemented the deemed designated approach.

We also asked the 26 non-PCFO charities how they would like to see the undesignated contributions distributed. Eleven favored distributing undesignated contributions in the same ratio as designated contributions are contributed. Eight favored the previously used OPM formula--5-year moving average--and one group preferred the current method of having the PCFO distribute the contributions. Six groups favored other methods.

SOME CAMPAIGN LITERATURE REVIEWED
DID NOT CONTAIN REQUIRED INFORMATION

We reviewed campaign literature used in 30 CFCs in both 1982 and 1983 to determine if it contained the following information required by OPM regulations:

1. a statement encouraging federal personnel to designate their contributions to specific charities;
2. a statement telling contributors that if they do not designate, then their contributions shall be deemed designated to the PCFO; and
3. the name of the charity acting as the PCFO.

Our review of the literature showed that 25 of the 30 campaigns in each year contained all three statements. However, in 1982, five campaigns did not contain the statement encouraging federal personnel to designate their contributions to specific charities. Similarly, in 1983, four campaigns did not contain this statement. The other 1983 campaign did not identify the name of the charity acting as the PCFO. Three of the five campaigns which did not fully comply were the same in both years.

We asked campaign officials where there was noncompliance with the disclosure requirements why the campaign literature did not contain the required statements.

--Four either did not know why or admitted an administrative oversight.

--Two intentionally did not encourage designations because the FCC believed federal personnel should have the right to contribute freely to charities of their choice.

--Four believed they had met the requirements in some other form (e.g., using different wording such as "you have the opportunity to designate").

SOME CAMPAIGN LITERATURE DISCLOSED
ADDITIONAL INFORMATION

We also found that ten 1982 brochures and twelve 1983 brochures of the 30 we reviewed gave more information than was required in OPM's 1982 and 1983 regulations. Nine of the campaigns that included the additional information in their literature packages were the same in both years. These brochures actually described how the PCFO distributed undesignated contributions among the charitable groups in the previous year or proposed to distribute them for the current year's campaign.⁶ For example, the campaign literature for one CFC showed the following:

⁶In 1980 and 1981, OPM required disclosure in campaign materials of how the previous year's undesignated contributions were distributed. OPM deleted the requirement in 1982 when the PCFO concept was created.

"How Much Was Raised Last Year?"

The agency groups received the amounts of designated and undesignated gifts shown in the table listed below:

	<u>UW</u>	<u>NHA</u>	<u>ISA</u>	<u>NSA</u>
Designated	\$534,119	202,080	82,310	38,858
Undesignated	971,982	4,173	37,450	4,173
Total	\$1,506,101	\$206,253	\$119,760	\$43,031
Total	80.32%	11.00%	6.39%	2.29%"

The ten 1982 brochures that disclosed how undesignated contributions would be distributed among the groups accounted for 13.2 percent of the federal personnel solicited in the 1982 domestic campaigns. The remaining 20 campaigns that did not disclose how undesignated contributions would be distributed accounted for 29.7 percent of all federal personnel solicited in campaigns. Thus, the campaign literature provided to at least 30 percent of all personnel that were asked to contribute to the 1982 CFC did not disclose (1) what charitable groups would receive a portion of their undesignated contributions or (2) the amount each group would receive. The charity selected as PCFO in 6 of these 20 campaigns gave its member organizations 100 percent of the undesignated contributions. These six campaigns accounted for 4.9 percent of the personnel solicited in all campaigns. Thus, the campaign literature provided to at least 1 of every 20 persons who were asked to contribute to the 1982 CFC did not explain that other charities listed in the brochure might not receive any of the undesignated contributions.

We asked the 58 FCC, PCFO, and non-PCFO groups at the 17 CFCs we visited whether they felt campaign literature should disclose how the undesignated contributions are distributed--either for the previous year's or the current year's campaign. Most of the groups believed this information should be included in the campaign literature. Specifically, 54 favored this disclosure, 3 opposed it, and 1 had no opinion.

Of those who supported the additional disclosure, 24 preferred disclosing how the current year's undesignated contributions would be distributed, 13 preferred disclosing how the previous year's undesignated contributions were distributed, and 17 preferred including either or both types of disclosure. The three groups that opposed this suggestion said generally that additional disclosure would have no effect if included or that

it would be too confusing and complex for the contributor to understand.

OPM's Assistant to the Deputy Director for Regional Operations advised us that the proposal to more fully disclose to the contributor how undesignated contributions would be distributed had merit. However, before implementing the change, he preferred to survey all FCCs to obtain their opinions.

CONCLUSIONS AND RECOMMENDATIONS

Although the CFC has produced millions of dollars for charities, it has also resulted in controversy between OPM and the major charitable groups involved. A major area of controversy has been the methods OPM used to distribute contributions that federal personnel contributed but did not designate to particular charities. We believe it is unlikely that any method OPM prescribes for distributing undesignated contributions will be acceptable to all charitable groups because the groups will not support a method that would cause them to receive a smaller share of undesignated contributions than they currently receive.

Until recently, OPM did not encourage contributors to designate their gifts to specific charities and used a formula to arbitrarily distribute the undesignated gifts among the charitable groups. However, beginning with the 1982 CFC, OPM changed the process to (1) encourage designations and (2) turn undesignated contributions into designated contributions by notifying federal personnel in the campaign literature that if they do not designate their gift to particular charities, it will be deemed designated to the charity selected by local federal officials to serve as the PCFO. The PCFO was given sole authority to distribute undesignated contributions to itself and other competing charities. OPM asserts that this method for distributing undesignated contributions is in essence a 100 percent designated campaign because donors either designate to individual charities or to the charity acting as PCFO.

This approach has a major drawback. Although no federal statute prohibits one charity from deciding how much undesignated money it will give to itself as well as to other competing charities, this approach creates an appearance of, if not an actual, conflict of interest. We believe that as long as OPM continues to use this approach for distributing undesignated contributions, full disclosure is essential for federal personnel to make a more informed decision whether to designate or leave their contribution undesignated.

However, we found that

- OPM regulations do not require that campaign literature disclose how the charity acting as PCFO distributes the undesignated contributions to itself and other competing charities. As a result, the literature provided to a sizable number of federal personnel who were asked to donate to the 1982 CFC did not contain information that we believe is essential.
- OPM does not review proposed campaign literature to ensure that regulatory requirements concerning disclosure statements on fund distribution are met. We found that one-sixth of the 1982 and 1983 campaign literature we reviewed did not contain all the required statements. While we do not know the total extent of non-compliance in all campaigns, we believe that FCCs and PCFOs should follow the regulations. In view of the importance of disclosure, we also believe that OPM should monitor campaign literature preparation for compliance.

We recommend that the Director, OPM

- Require that campaign literature, in addition to the current requirements, disclose how the undesignated contributions will be distributed among the charities in the current year's campaign or, if this has not been decided before the literature must be printed, how contributions were distributed in the previous year's campaign.
- Selectively review campaign literature before it is printed and distributed to federal personnel to assure that the literature contains all required information.

DFC CHARITABLE GROUPS SHARE OF DESIGNATED AND INDESIGNATED CASH AND PLEDGED CONTRIBUTIONS FOR 1973 - 1982 DOMESTIC CAMPAIGNS

(In thousands, rounded to the nearest thousand)

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	Year Average
	Dollars (Percent)	Dollars (Percent)	Dollars (Percent)	Dollars (Percent)	Dollars (Percent)	Dollars (Percent)	Dollars (Percent)	Dollars (Percent)	Dollars (Percent)	Dollars (Percent)	Dollars (Percent)
Method											
Designated	\$ 9,746 (48.6)	\$ 9,629 (45.6)	\$ 7,276 (44.1)	\$ 11,523 (44.0)	\$ 12,398 (41.6)	\$ 3,596 (42.7)	\$ 16,038 (48.1)	\$ 19,677 (49.0)	\$ 22,689 (48.4)	\$ 31,509 (46.5)	\$ 15,535 (42.0)
Indesignated	\$ 30,627 (85.8)	\$ 34,292 (86.5)	\$ 36,375 (87.5)	\$ 38,929 (86.9)	\$ 43,743 (88.6)	\$ 45,479 (88.9)	\$ 44,299 (89.4)	\$ 41,554 (88.6)	\$ 42,609 (88.7)	\$ 31,978 (89.8)	\$ 38,989 (87.9)
Total	\$ 39,673 (73.1)	\$ 43,921 (72.3)	\$ 46,651 (71.9)	\$ 50,452 (71.1)	\$ 56,141 (70.9)	\$ 59,075 (71.2)	\$ 60,307 (72.8)	\$ 61,225 (72.3)	\$ 65,298 (68.8)	\$ 62,487 (61.8)	\$ 54,523 (67.5)
NHA											
Designated	\$ 8,340 (44.9)	\$ 10,051 (47.6)	\$ 11,331 (48.6)	\$ 12,832 (49.0)	\$ 15,288 (51.2)	\$ 15,920 (50.0)	\$ 14,347 (43.2)	\$ 15,857 (39.5)	\$ 17,298 (36.9)	\$ 21,398 (32.6)	\$ 14,266 (39.2)
Indesignated	\$ 2,161 (6.1)	\$ 2,096 (5.3)	\$ 2,060 (5.0)	\$ 2,345 (5.2)	\$ 1,906 (3.9)	\$ 1,740 (3.4)	\$ 1,884 (3.8)	\$ 1,863 (4.0)	\$ 1,886 (3.9)	\$ 1,104 (3.1)	\$ 1,905 (4.3)
Total	\$ 10,501 (19.3)	\$ 12,147 (20.0)	\$ 13,391 (20.7)	\$ 15,177 (21.4)	\$ 17,194 (21.7)	\$ 17,660 (21.3)	\$ 16,231 (19.6)	\$ 17,720 (20.4)	\$ 19,184 (20.2)	\$ 22,502 (22.2)	\$ 16,171 (20.0)
ISA											
Designated	\$ 1,133 (6.1)	\$ 1,330 (6.3)	\$ 1,689 (7.3)	\$ 1,755 (6.7)	\$ 2,027 (6.8)	\$ 2,165 (6.8)	\$ 2,657 (8.0)	\$ 3,212 (8.0)	\$ 4,172 (8.9)	\$ 5,202 (7.9)	\$ 2,534 (7.0)
Indesignated	\$ 2,587 (7.2)	\$ 2,850 (7.2)	\$ 2,747 (6.6)	\$ 3,083 (6.9)	\$ 3,306 (6.7)	\$ 3,407 (6.7)	\$ 2,979 (6.0)	\$ 3,064 (6.5)	\$ 3,135 (6.5)	\$ 2,227 (6.2)	\$ 2,939 (6.6)
Total	\$ 3,720 (6.9)	\$ 4,180 (6.9)	\$ 4,436 (6.8)	\$ 4,838 (6.8)	\$ 5,333 (6.7)	\$ 5,572 (6.7)	\$ 5,636 (6.8)	\$ 6,276 (7.2)	\$ 7,307 (7.7)	\$ 7,429 (7.3)	\$ 5,473 (6.8)
Red Cross											
Designated	\$ 74 (0.4)	\$ 106 (0.5)	\$ 0 (0.0)	\$ 79 (0.3)	\$ 119 (0.4)	\$ 159 (0.5)	\$ 232 (0.7)	\$ 361 (0.9)	\$ 234 (0.5)	\$ 221 (0.4)	\$ 159 (0.4)
Indesignated	\$ 324 (0.9)	\$ 384 (1.0)	\$ 392 (0.9)	\$ 431 (1.0)	\$ 407 (0.8)	\$ 508 (1.0)	\$ 393 (0.8)	\$ 273 (0.6)	\$ 242 (0.5)	\$ 170 (0.5)	\$ 352 (0.8)
Total	\$ 398 (0.7)	\$ 490 (0.8)	\$ 392 (0.6)	\$ 510 (0.7)	\$ 526 (0.7)	\$ 667 (0.8)	\$ 625 (0.8)	\$ 634 (0.7)	\$ 476 (0.5)	\$ 391 (0.4)	\$ 511 (0.6)
NSA											
Designated								\$ 482 (1.2)	\$ 1,547 (3.3)	\$ 6,975 (10.6)	\$ 3,301 (8.2)
Indesignated								\$ 159 (0.3)	\$ 189 (0.4)	\$ 67 (0.2)	\$ 138 (0.3)
Total								\$ 641 (0.7)	\$ 1,736 (1.8)	\$ 7,042 (7.0)	\$ 3,440 (9.9)
LVA											
Designated								\$ 556 (1.4)	\$ 957 (2.0)	\$ 1,287 (2.0)	\$ 933 (2.6)
Indesignated								\$ 0 (0.0)	\$ 0 (0.0)	\$ 68 (0.2)	\$ 23 (0.1)
Total								\$ 556 (0.7)	\$ 957 (1.0)	\$ 1,355 (1.3)	\$ 956 (1.2)
Grand Total											
Designated	\$ 18,594 (34.2)	\$ 21,116 (34.8)	\$ 23,296 (35.9)	\$ 26,188 (36.9)	\$ 29,832 (37.7)	\$ 31,840 (38.4)	\$ 33,244 (40.1)	\$ 40,139 (46.1)	\$ 46,896 (49.4)	\$ 65,592 (64.8)	\$ 36,428 (45.1)
Indesignated	\$ 35,699 (65.8)	\$ 39,623 (65.2)	\$ 41,573 (64.1)	\$ 44,788 (63.1)	\$ 49,362 (62.3)	\$ 51,133 (61.6)	\$ 49,556 (59.9)	\$ 46,913 (53.9)	\$ 48,061 (50.6)	\$ 35,614 (35.2)	\$ 44,345 (54.9)
Total	\$ 54,293	\$ 60,739	\$ 64,869	\$ 71,976	\$ 79,194	\$ 82,973	\$ 82,800	\$ 87,052	\$ 94,957	\$ 101,206	\$ 80,773

CHANGES IN DISTRIBUTION OF CONTRIBUTIONS AMONG
CHARITABLE GROUPS FROM 1973 TO 1982

According to OPM statistics, there have been several changes in each charitable group's share of CFC pledged contributions from 1973 to 1982. These changes are summarized below.

- (1) United Way received the largest share of CFC contributions during this period. However, its share of total CFC contributions ranged from a high of 73.1 percent in 1973 to a low of 61.8 percent in 1982. United Way received the majority of undesignated contributions each year, but its share ranged from a low of 85.8 percent in 1973 to a high of 89.8 percent in 1982. United Way's share of the total designated contributions ranged from a low of 41.6 percent in 1977 to a high of 49 percent in 1980. In 1982, the percent dropped to 46.5.
- (2) NHAs' share of total CFC contributions ranged from a low of 19.3 percent in 1973 to a high of 22.2 percent in 1982. However, NHAs' share of total CFC undesignated contributions ranged from a high of 6.1 percent in 1973 to a low of 3.1 percent in 1982. During this period, NHAs' share of total CFC designated contributions ranged from a high of 51.2 percent in 1977 to a low of 32.6 percent in 1982.
- (3) ISAs' share of total CFC contributions ranged from a low of 6.7 percent in 1977 and 1978 to a high of 7.7 percent in 1981. In 1982 the percent dropped to 7.3. ISAs' share of total CFC undesignated contributions ranged from a high of 7.2 percent in 1973 and 1974 to a low of 6 percent in 1979. In 1982, the percent was 6.2. During the same period ISAs' share of total CFC designated contributions ranged from a low of 6.1 percent in 1973 to a high of 8.9 percent in 1981. In 1982, the percent dropped to 7.9.
- (4) American Red Cross' share of total CFC contributions ranged from a high of 0.8 percent in 1974, 1978, and 1979 to a low of 0.4 percent in 1982. American Red Cross' share of total CFC undesignated contributions ranged from a high of 1 percent in 1974, 1976 and 1978 to a low of 0.5 percent in both 1981 and 1982. American Red Cross' share of total CFC designated contributions ranged from a low of 0.0 percent in 1975 to a high of 0.9 percent in 1980. In 1982, the percent dropped to 0.4 percent.

- (5) NSAs' share of total CFC contributions increased from 0.7 percent in 1980 (the year NSAs were first admitted to the CFC) to 7.0 percent in 1982. In 1981, the percent was 1.8. NSAs' share of total CFC undesignated contributions changed from 0.3 percent in 1980 to 0.4 percent in 1981 and to 0.2 percent in 1982. NSAs' share of total CFC designated contributions increased from 1.2 percent in 1980 to 3.3 percent in 1981 and to 10.6 percent in 1982.
- (6) LNAs' share of total CFC contributions increased from 0.7 percent in 1980 (the first year LNAs were allowed to participate in the CFC) to 1.0 percent in 1981 and to 1.3 percent in 1982. LNAs' share of total CFC undesignated contributions grew from 0.0 percent in both 1980 and 1981 to 0.2 percent in 1982. LNAs' share of total CFC designated contributions grew from 1.4 percent in 1980 to 2.0 percent in both 1981 and 1982.

OPM PROPOSED CHANGES TO THE CFC

On April 13, 1984, OPM published proposed rules in the Federal Register that, if implemented, will significantly alter the CFC. These proposed rules are the latest development in a longstanding controversy concerning which charities should be allowed to participate in the CFC.

In 1980, OPM admitted to the CFC for the first time certain charities such as advocacy groups and legal defense funds. However, since 1982, the executive branch has tried to restrict the campaign to what it considers traditional health and welfare charities. This has resulted in several court suits. According to OPM, its current proposed regulations have been prepared as a result of a decision in one of these suits.

On February 17, 1984, the United States Court of Appeals for the District of Columbia affirmed a lower court order permanently enjoining OPM from excluding legal defense and advocacy groups from the CFC.¹ The National Association for the Advancement of Colored People (NAACP) Legal Defense and Education Fund had sued OPM challenging the constitutionality of the exclusion of these groups. On July 15, 1983, the United States District Court for the District of Columbia upheld the challenge by the NAACP.² OPM admitted several organizations to the 1983 CFC based on this decision while it appealed its case to the United States Court of Appeals, which subsequently upheld the original court order.

The proposed rules have been published for a 30-day public comment period. Although OPM plans to further appeal the Court of Appeals decision, it has published the proposed rules in an effort to comply with the court decision. The proposed rules would

¹NAACP Legal Defense and Educational Fund, Inc. v. Devine, No. 83-1822 (D.C. Cir. Feb. 17, 1984) (NAACP III).

²NAACP Legal Defense and Educational Fund, Inc. v. Devine, 567 F Supp. 401 (D.C.C. 1983) (NAACP III).

- allow any health and welfare charities that qualify under 26 U.S.C. 501(c)(3)³ to participate in the CFC. (Although the Internal Revenue Service has identified over 300,000 501(c)(3) organizations, it does not officially identify which of these organizations are health and welfare charities).
- eliminate the national eligibility process used by OPM to annually determine which national charities could participate in the CFC.
- make the current mandatory listing of charities in campaign literature optional and prohibit the use of 30-word descriptions of each charity on the list that is allowed under current regulations. If such a list is developed, it would be limited to those charities that can demonstrate local presence. Local presence⁴ is supposed to mean that contributors are able to receive the services of the charity within a reasonable distance of their work or home. If a list is prepared, it must prominently state that potential donors need not confine their gifts to the charities on the list.
- modify the CFC pledge card to allow federal personnel to write in the name of any eligible charity they wish.
- encourage charities, for the first time, to publicize themselves and their activities through public media or other outlets outside federal facilities, as long as such publicity is not disruptive to official federal business.
- add language that authorizes the return to employees of their contributions that were made to ineligible organizations or where names are inadequately or indecipherably

³A 26 U.S.C. 501(c)(3) organization is a nonprofit organization exempt from federal taxation and includes nonprofit organizations organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purposes, or to foster national or international amateur sports competition or for the prevention of cruelty to children or animals.

⁴The Native American Rights Fund is suing OPM over the constitutionality of the local presence requirement in the current CFC regulations. Native American Rights Fund v. Reagan, No. 83-1550 (D.C.C. filed June 1, 1983).

described on the pledge card. OPM believes that many employees may not know which organizations are eligible, and this lack of information is likely to result in an increased number of returned gifts and pledges.

As of June 8, 1984, OPM was still analyzing comments and had not implemented the proposed rules.

LIST OF THE 17 CFCS WE VISITEDAND WHOSE CAMPAIGN LITERATURE WE REVIEWED

1. Napa-Solano, California
2. San Diego, California
3. Fort Collins, Colorado
4. Fort Lyon, Colorado
5. Denver, Colorado
6. Washington, D.C.
7. Cocoa Beach, Florida
8. Indian Head, Maryland
9. Fort Leonard Wood, Missouri
10. New York City, New York
11. Rome, New York
12. West Point, New York
13. Denton, Texas
14. Fort Hood, Texas
15. San Antonio, Texas
16. Norfolk, Virginia
17. Bellingham, Washington

ADDITIONAL 13 CFCS WHOSE CAMPAIGNLITERATURE WE REVIEWED

1. Los Angeles, California
2. San Francisco, California
3. El Paso County, Colorado
4. Jacksonville, Florida
5. Honolulu, Hawaii
6. Chicago, Illinois
7. Baltimore, Maryland
8. St. Louis, Missouri
9. Camp LeJeune, North Carolina
10. Fort Bragg, North Carolina
11. Philadelphia, Pennsylvania
12. Charleston, South Carolina
13. Newport News, Virginia

Table 1

Low, High, and Median Percentage Shares of Undesignated Contributions Which United Way PCFOs Gave to Their Member Organizations

	Range		Median ^a	%
	Low	High		
Campaigns where PCFO gave its member organizations the largest share N=444	43.0	100.0		86.0
Campaigns where PCFO did not give its member organizations the largest share N=11	0.0	42.3		28.4
Overall N=445	0.0	100.0		85.7

^aThe median is the value above and below which 50 percent of the observations fall.

Table 2

Low, High, and Median Percentage Shares
of Undesignated Contributions Which NHA
PCFOs Gave to Their Member Organizations

	Range		Median ^a	%
	Low	High		
Campaigns where PCFO gave its member organizations the largest share N=5	53.9	95.0		66.6
Campaign where PCFO did not give its member organizations the largest share N=3	6.0	26.8		20.3
Overall N=8	6.0	95.0		56.9

^aThe median is the value above and below which 50 percent of the observations fall.

Table 3

Low, High, and Median Percentage Shares
of Undesignated Contributions Which ISA
PCFOs Gave to Their Member Organizations

	Range				Median ^a	%
	Low	%	High	%		
Campaigns where PCFO gave its member organizations the largest share N=0		-		-		-
Campaigns where PCFO did not give its member organizations the largest share N=3		22.8		28.8		24.2
Overall N=3		22.8		28.8		24.2

^aThe median is the value above and below which 50 percent of the observations fall.

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 JOHN CONYERS JR MICH
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 TED WEISS NY
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 DOUG BARNARD JR GA
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 BARBARA BOXER CALIF
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NINETY EIGHTH CONGRESS

**Congress of the United States
 House of Representatives**

COMMITTEE ON GOVERNMENT OPERATIONS

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WASHINGTON, D C 20515

December 5, 1983

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MAJORITY—228-6061
 MINORITY—228-6074


The Honorable Charles A. Bowsher
 Comptroller General
 U.S. General Accounting Office
 441 G Street, N.W.
 Washington, D. C. 20548

Dear General:

Over the past several weeks I have received numerous reports of irregularities in the conduct of this year's Combined Federal Campaign (CFC). As you know, the CFC provides the nation's charities with their only opportunity during the year to solicit contributions from Government workers at Federal offices. Last year, Federal workers were among the most generous people in the nation and contributed an estimated \$100 million to charities during the CFC, thereby making it one of the largest fund-raising efforts in the United States.

A preliminary investigation of the complaints concerning the conduct of this year's CFC indicate that the decisions as to which charities would be allowed to participate in the 1983 campaign were made in an extremely arbitrary manner in many locations. As a result, many very worthwhile charities lost their opportunities to canvas in Federal offices. In addition, some of the literature used in the campaigns appears to contain statements that are so misleading as to border on false. Consequently, many Federal workers may not actually know where their contributions are going. Several other problems with the CFC were also reported.

It appears that the CFC program has been so poorly managed by the Office of Personnel Management (OPM) over the years that in 1983 the Federal charity campaign has finally reached a state of serious disarray. To restore the integrity of this most worthwhile program, I am requesting that the General Accounting Office immediately undertake a thorough investigation of the CFC and come up with recommendations as to how to correct the problems that appear to permeate this program. The quality of the administration of the CFC by OPM should be a major focus of this investigation.

Sincerely,

 JACK BROOKS
 Chairman

(966165)

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