

AUDIT REPORT

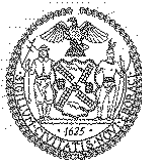


CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
BUREAU OF FINANCIAL AUDIT
WILLIAM C. THOMPSON, JR., COMPTROLLER

Audit Report on the Financial Practices of the Twin Towers Fund

FN03-103A

May 8, 2003



**THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
1 CENTRE STREET
NEW YORK, N.Y. 10007-2341**

**WILLIAM C. THOMPSON, JR.
COMPTROLLER**

To the Citizens of the City of New York

Ladies and Gentlemen:

In accordance with the audit authority granted to the Comptroller's Office by the New York State Attorney General's Office and the New York State Supreme Court, my office has examined the financial practices of the Twin Towers Fund (Fund). The Twin Towers Fund (Fund) was created on September 12, 2001, to provide support for the families of uniformed and other rescue workers who lost their lives or were severely injured in the September 11, 2001, terrorist attack. The audit assessed the adequacy of the Fund's internal controls over its recording and reporting of contributions to the Fund and distributions from the Fund, and determined whether all contributions were distributed pursuant to the Fund's established criteria.

Audits such as this provide a means of ensuring that all moneys received from the public by private organizations are accurately accounted for, and that distributions are made in accordance with approved rules and guidelines.

I trust that this report contains information that is of interest to you. If you have any questions concerning this report, please contact my audit bureau at 212-669-3747 or e-mail us at audit@Comptroller.nyc.gov.

Very truly yours,

A handwritten signature in cursive script that reads "William C. Thompson, Jr.".

William C. Thompson, Jr.

WCT/GR

Report: **FN03-103A**
Filed: **May 8, 2003**

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*The City of New York
Office of the Comptroller
Bureau of Financial Audit*

**Audit Report on the
Financial Practices of the
Twin Towers Fund**

FN03-103A

AUDIT REPORT IN BRIEF

The Twin Towers Fund (Fund) was created on September 12, 2001, to provide support for the families of uniformed and other rescue workers who lost their lives or were severely injured in the September 11, 2001, terrorist attack. From September 12 to December 17, 2001, the Fund's assets were held and managed by the New York City Public/Private Initiatives, Inc. (NYCPPI), a not-for-profit organization whose mission is to work with the City in jointly approved projects. NYCPPI worked closely with the Fund, managing Fund assets, while the Fund obtained New York State and IRS approval to operate as a charity.

The Fund collected donations concurrently with NYCPPI for several months after the approvals were obtained. It began to directly deposit donations in December 2001. In addition, NYCPPI transferred \$107,934,625 to the Fund between December 2001 and August 2002.

The audit assessed the adequacy of the Fund's internal controls over its recording and reporting of contributions to the Fund and distributions from the Fund, and determined whether all contributions were distributed pursuant to the Fund's established criteria.

Audit Findings and Conclusions

With the exception of a few minor errors noted below, the Fund had adequate controls over the revenues it received to ensure that all contributions and other income received was accurately recorded on the Fund's books and records. In addition, distributions from the Fund were made in accordance with Distribution Committee rules and Board-approved eligibility guidelines. Finally, the Fund's administrative expenses were reasonable and necessary for its operation.

We did find, however, the following minor errors.

- The Fund did not deposit six contribution checks totaling \$8,842 in its bank accounts. These checks were found in the Fund's files.
- While cleaning up duplicate entries caused by software problems the Fund incorrectly adjusted its General Ledger by \$8,778.
- \$200 was recorded twice on the Fund's General Ledger.

- The Fund owes one beneficiary a collective communal benefit share of \$6,250 from a \$50,000 “Next of Kin Benefit,” and it did not recoup \$892 in overpayments from each of seven other beneficiaries who received this benefit.

Audit Recommendations

The Fund should ensure that: all contributions received are promptly deposited in Fund bank accounts; the minor errors identified in the report are corrected, and, the beneficiary who did not receive a share of the Next of Kin benefit is paid the \$6,250 due. In addition the Fund should recoup overpayments made to seven beneficiaries.

Fund officials responded that the errors noted in the report have either been corrected or will be corrected with the final distribution of funds.

INTRODUCTION

Background

The Twin Towers Fund (Fund) was created on September 12, 2001, to provide support for the families of uniformed and other rescue workers who lost their lives or were severely injured in the September 11, 2001, terrorist attack. From September 12 to December 17, 2001, the Fund’s assets were held and managed by the New York City Public/Private Initiatives, Inc. (NYCPPI), a not-for-profit organization whose Board of Directors is appointed by the Mayor of New York City and whose mission is to work with the City in jointly approved projects.¹ NYCPPI worked closely with the Fund, managing Fund assets, while the Fund obtained New York State and IRS approval to act as a charity.

The Fund collected donations concurrently with NYCPPI for several months after the approvals were obtained. It began to directly deposit donations it received in December 2001. NYCPPI sought and obtained permission from the New York State Attorney General and Supreme Court to transfer the donations it collected on the Fund’s behalf to the Fund. Between December 2001 and August 2002, NYCPPI transferred \$107,934,625 to the Fund. We are conducting a separate audit of NYCPPI (Audit #FN03-122A) to determine whether all contributions received were properly recorded, deposited, and distributed. The results of that audit will be covered in a separate report.

According to the Fund’s 2002 Annual Report, \$209 million in contributions were received (including those funds transferred from NYCPPI) and \$196 million was distributed to 438 families. The Board of Directors (Board) has directed Fund staff to plan for the termination of the Fund as of August 31, 2003, with all remaining assets disbursed to beneficiaries or transferred to another charity for the benefit of the beneficiaries.

Objectives

The objectives of the audit were to determine whether the Fund:

¹ NYCPPI was formed for charitable and public purposes that included promoting the City as a business venue; fostering, stimulating, and advancing commercial, trade, business and industrial interests in the City; and encouraging economic development in the City. NYCPPI receives City funding and raises additional funding through efforts in the private sector. NYCPPI established a “Doing Business As” Twin Towers Fund to allow it to accept and process donations.

- Had adequate controls over revenues received to ensure that all contributions and other income was accurately recorded on the Fund's books and records and reported to the appropriate authorities;
- Distributed funds to beneficiaries in accordance with Distribution Committee rules and Board-approved eligibility guidelines; and
- Spent funds on administrative expenses that were reasonable and necessary for the operation of the Fund.

Scope and Methodology

This audit covered the period September 12, 2001, to August 31, 2002. To achieve our audit objectives, we evaluated the Fund's controls over contribution and other revenue, as well as its guidelines and procedures for paying beneficiaries. In addition, we evaluated administrative expenditures to ensure that they were reasonable and necessary for Fund operations. We interviewed management personnel, conducted a walk-through of the operations, and familiarized ourselves with the Fund's accounting and record-keeping procedures. We documented our understanding of the Fund's operations through narratives and memoranda.

Revenues

Contributions

To determine whether the Fund accurately recorded its contribution revenues, we traced all contribution revenue for the audit period recorded on the Bank Register Report (Cash Receipts/Cash Disbursements Journal) and General Ledger to the bank statements. We also traced these amounts to the Fund's audited financial statements.

As additional testing, we randomly selected a sample of 121 contributions totaling \$2.1 million from the Fund's Bank Register Report and traced the individual contribution amounts to the supporting documentation in the "Batch Folders," which included copies of contributors' checks and letters, a spreadsheet that listed each contribution, copies of bank deposit slips, and Deposit Authorization forms. We also traced the 121 contributions from the Bank Register Report to the General Ledger.

In addition, we randomly selected six of 41 "Batch Folders" covering \$8.8 million in contributions, and recalculated the contributions listed on the enclosed spreadsheets and traced them to the bank deposit slips and Deposit Authorization forms. Finally, we confirmed whether contributions and deposits were accurately recorded in the General Ledger.

Interest Income

We traced interest income recorded on the Fund's Schedule of Interest Income to the bank statements, and confirmed whether interest was properly recorded in the General Ledger, Bank Register Reports, and Portfolio Earnings Summaries.

Benefits

To determine whether benefit payments were made to eligible beneficiaries, we compared the names of the individuals who received payments from NYCPPI and the Fund to

the Fund's "Family Benefits Folders" and to the proof of eligibility documents provided by the union or agency.

To determine whether all families who were entitled to benefits received them, we obtained a list of all uniformed and other rescue workers who lost their lives or were severely injured in the September 11, 2001 terrorist attack. We ensured that there was a "Family Benefits Folder" for each of those individuals and that individual folders contained copies of the checks issued to the beneficiaries.

To determine whether the amounts paid to beneficiaries were correct, we randomly selected and reviewed 58 Family Benefit Folders, which contained copies of 178 checks for payments to beneficiaries totaling \$14.5 million. We compared the amounts of the individual checks to the established criteria (i.e., spouse \$150,000, "Next of Kin" where there is no spouse \$100,000, child over 24 years of age \$25,000, and children under 23 years of age \$60,000). We traced the 178 checks to the Fund's Bank Register Reports, General Ledger, and Bank Statements.

To determine that all checks were accounted for, we listed all checks in sequential order. We then verified whether all check number gaps were the result of either voided checks or checks not cashed by the beneficiary. We examined the Fund's bank statements and voided checks to ensure that voided checks were not cashed. Finally, we reviewed all adjustments made when the Fund updated its transfer records received from NYC PPI.

Administrative Expenses

To determine whether expenses were reasonable and necessary for Fund operations we reviewed and evaluated the supporting documentation for the following expense items— Telephone, Insurance, Computer Expenses, Travel/Meetings, Consultant Fees, Office Supplies, Postage. We traced the expenses listed in the Bank Register Report to the entries in the General Ledger, to the canceled checks and invoices, and to the Bank Statements. In addition, we checked whether salaries for employees were accurate by matching the entries in the Bank Register Report to the Fund's Payroll Register.

This audit was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS) and included tests of the records and other auditing procedures considered necessary. This audit was performed in accordance with the audit authority granted to the Comptroller's Office by the New York State Attorney General's Office and the New York State Supreme Court.

Discussion of Audit Results

The matters covered in this report were discussed with Fund officials during and at the conclusion of this audit. A preliminary draft report was sent to Fund officials and was discussed at an exit conference on April 15, 2003. On April 16, 2003, we submitted a draft report to Fund officials with a request for comments. We received a response from Fund officials on April 28, 2003.

Fund officials responded that the errors noted in the report have either been corrected or will be corrected with the final distribution of funds.

The full text of comments is incorporated as an addendum to this final report.

FINDINGS AND RECOMMENDATIONS

With the exception of the minor errors noted below, the Fund had adequate controls over the revenues it received to ensure that all contributions and other income received was accurately recorded on the Fund's books and records. In addition, the Fund's disbursements to beneficiaries were in accordance with Distribution Committee rules and Board-approved eligibility guidelines. Finally, the Fund's administrative expenses were reasonable and necessary for the operation of the Fund. We did find, however, the following minor errors:

- The Fund did not deposit six contribution checks into its bank accounts. These checks were found in a Batch Folder. When we informed Fund officials about these checks they promptly deposited the contributions in the Fund's bank accounts.
- While cleaning up duplicate entries caused by software problems, the Fund incorrectly adjusted its General Ledger by \$8,778. In one instance, the Fund improperly deleted valid entries totaling \$6,488 on December 31, 2001. Moreover, the Fund adjusted its records by \$2,290 that it believed was entered twice in its books. However, this was actually an employer's matching contribution, not a duplicate entry, and should not have been adjusted.
- \$200 was entered twice on the Fund's General Ledger, and was not identified by the Fund. Therefore, the Fund did not adjust its records accordingly.
- The Fund owes a beneficiary \$6,250. As part of the distribution that NYCPPI made in November 2001 on behalf of the Fund, NYCPPI distributed a Next of Kin (collective communal) benefit of \$50,000 to seven family members of an eligible deceased individual—\$7,142 to each beneficiary. In March 2002, the Fund received documentation that the deceased had an eighth beneficiary who was entitled to benefits, including an equal share of the \$50,000 collective benefit that had already been paid by NYCPPI. The Fund paid this beneficiary the required individual distribution of \$10,000 on June 11, 2002; however, it did not pay the beneficiary \$6,250—a one-eighth share of the Next of Kin benefit. Moreover, the Fund did not recoup \$892 in overpayments from each of the other seven beneficiaries. Fund officials stated that they would adjust the amount that those seven beneficiaries receive when the Fund makes its next distribution to these beneficiaries.

Recommendations

The Fund should:

1. Ensure that all contributions received are promptly deposited in Fund bank accounts.
2. Correct the minor errors identified in the report.
3. Pay \$6,250 to the beneficiary who did not receive the required share for the Next of Kin benefit. In addition, the Fund should ensure that the amount received by the other seven beneficiaries is adjusted to recoup the amount overpaid when it makes its next distribution.

Fund Response: Fund officials responded that they have “corrected the few minor errors discovered, or will correct them with the final distribution of funds.”

ADDENDUM



April 28, 2003

Mr. Greg Brooks
Deputy Comptroller
City of New York
1 Centre Street
New York, NY 10007-2341

Dear Mr. Brooks,

We have received your draft report and are sending you our comments to include in the final report. Once again, thank you and your staff for their professionalism and their time.

Sincerely,

Laurence A. Levy
President

Executive Committee

Rudolph W. Giuliani
Chairman

Bernard Kerik
Vice-Chairman

Thomas Von Essen
Vice-Chairman

Ann Daly Printon
Treasurer

Roberta Waldman
Secretary

Laurence A. Levy
President

**Twin Towers Fund
Management Response to the Comptroller's Audit Report**

The Twin Towers Fund is grateful for the resources the Comptroller assigned to our audit. Over a 5½ month period we had from 1 to 5 people on site, using their unfettered access to any and all of our records. We are proud this extensive review shows that we met their 3 objectives appropriately – that we had adequate controls over revenue, that we distributed funds according to guidelines, and that our administrative expenses were reasonable and necessary.

The Fund has corrected the few minor errors discovered, or will correct them with the final distribution of funds.