

I. EXECUTIVE SUMMARY

In this review, we examined the propriety and accuracy of reported expenses and contributions for the One City Fund. We noted the following findings during this review:

- OPI compared the contributions and expenses recorded on City records with those recorded on the books of the two organizations that administer the fund. We noted differences that occurred for a variety of reasons including clerical errors, timing differences, inadequate exchange of information between City personnel and the administering organizations, and no required reporting or reconciliation procedures.
- OPI noted that there are inadequate cash expenditure guidelines associated with the One City Fund program. Consequently, a determination of questioned costs for improper expenditures made from the fund becomes more complicated. However, if we use City policy as the standard, we noted five expenditures that are not in compliance.
- OPI noted that, since the inception of the program in 2006 to December 21, 2009, a paid consultant received from the One City Fund a total of \$150,672 for the Literacy Movement initiative. This represents 25% of all One City Fund expenditures during this period and 76% of the Literacy Movement initiative expenditures for this period.

II. BACKGROUND, OBJECTIVES AND SCOPE

A. Background

The Mayor's Office established the One City Fund as an innovative way to harness the Mayor's initiatives in a time where state aid to support critical quality of life issues has decreased significantly. The Mayor's Office partnered with the Community Foundation (formally the Rochester Area Community Foundation) and the United Way of Greater Rochester to administer the One City Fund. The mission of the fund is to pursue support from individuals, foundations and corporations to realize the vision of creating "One City: Rochester". Initiatives undertaken through this fund include Rochester Clean Sweep, Interfaith Conference, 175th Anniversary and the Rochester Literacy Movement. The responsibility for this fund was recently transferred from the Mayor's Office to the Department of Finance.

Since the inception of the One City Fund program in 2006 to

December 21, 2009, total contributions to the One City Fund were \$706,468 and total expenditures from the fund were \$601,416. The corresponding fund balance at that time was \$105,052.

B. Objective And Scope

The objectives of this review were to assess the adequacy of internal controls over the fund, determine the propriety of expenses from the fund, and determine the accuracy of reported expenses and contributions. The review included sampling expenses administered by the Community Foundation and all expenses administered by the United Way.

Since the inception of the One City Fund to December 21, 2009, the Community Foundation administered 161 expense transactions totaling \$549,513 and the United Way administered 22 expense transactions totaling \$51,903.

Management is responsible for establishing and maintaining a system of internal accounting and administrative control. Fulfilling this responsibility requires estimates and judgments by management to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of accurate, informative reports that are fairly stated.

Because of inherent limitations in any system of internal accounting and administrative control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any system evaluation to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with procedures may deteriorate.

III. RESULTS OF REVIEW

A. Fund Not Reconciled

Both the Community Foundation and the United Way administer the One City Fund. Each organization maintains records of all contributions into the fund and expenditures disbursed from it. City personnel also maintain records of all contributions into the fund and expenditures disbursed from it.

OPI compared the City records of contributions and expenditures to the records provided by each organization administering the fund and noted numerous discrepancies between the two sets of records. The types of discrepancies observed include expenses and contributions recorded on the City records but not on the administering organization records, and expenses and contributions recorded on the administering organization records but not on the City records. Additionally, we observed numerous contributions and expenses that were recorded, however, recorded incorrectly on City records.

These differences occurred for a variety of reasons including clerical errors, timing differences, inadequate exchange of information between City personnel and administering agencies, and no required reporting or reconciliation procedures. Additionally, the reports run consecutively from the program's inception in 2006 to present. There is no standard accounting period, i.e. fiscal or calendar year, which would, by nature, summarize the period's activity and help reveal these types of errors.

- Recommendation

The Department of Finance should report fund activity to the Mayor for a standard accounting period. The Department should compare and reconcile City and agency records.

B. Questioned Costs Based On City Policy

There are inadequate cash expenditure guidelines associated with the One City Fund program. Additionally, these are not City funds; therefore, City policies do not necessarily apply.

Consequently, a determination of questioned costs for improper expenditures made from the fund becomes more complicated. However, if we use City policy as the standard, we noted five expenditures that are not in compliance.

These five expenditures would violate the City Travel Policy that allows a maximum reimbursement for meals while traveling, the Refreshment and Meal Expense Policy that provides for certain expenses and amount limitations for business guests, and an Administrative Regulation titled Membership in Professional Organizations.

- Recommendation

The Department of Finance should establish specific cash expenditure guidelines for the One City Fund.

C. Significant Fund Amount To One Consultant

Since the inception of the program in 2006 to December 21, 2009, total expenditures from the One City Fund were \$601,416. Included in that amount are expenditures of \$197,474 for the Literacy Movement initiative. OPI noted that one consultant involved in the Literacy Movement initiative, Dr. Daryl Dickson, was paid a total of \$150,672 from the Fund. This represents 25% of all One City Fund expenditures and 76% of the Literacy Movement initiative expenditures for this period.

Although One City Fund guidelines do not prohibit this condition, it does represent a significant amount of the Fund's total expenditures and should be brought to management's attention so they can ensure that this is consistent with the intent of the Fund.

- Recommendation

The Department of Finance should closely monitor expenditures to ensure that they meet the intent of the program.