

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE INSPECTOR GENERAL**

**AUDIT OF THE
DISTRICT OF COLUMBIA
ONE FUND**



**AUSTIN A. ANDERSEN
INTERIM INSPECTOR GENERAL**

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General



Inspector General

July 8, 2005

William O. Howland
50th Annual One Fund Chairperson
Department of Public Works
2000 14th Street, N.W., 6th Floor
Washington, D.C. 20009

Natwar M. Gandhi, Ph.D.
Chief Financial Officer
Office of the Chief Financial Officer
John A. Wilson Building
1350 Pennsylvania Avenue, N.W., Suite 203
Washington, D.C. 20004

Dear Mr. Howland and Dr. Gandhi:

Enclosed is the final audit report summarizing the results of the Office of the Inspector General's Audit of the District of Columbia's One Fund (OIG No. 05-2-02MA).

As a result of our audit, we directed three recommendations to the Annual One Fund Chairperson for necessary actions to correct the described deficiencies.

We received responses to the draft report from the Annual One Fund Chairperson and the Office of the Chief Financial Officer (OCFO) on June 8, 2005, and June 16, 2005, respectively. Additionally, a response was received from the United Way of the National Capital Area, on May 27, 2005. The Annual One Fund Chairperson's response fully addressed the recommendations, and we consider the planned actions to be responsive. The full text of the One Fund Chairperson, OCFO, and United Way of the Capital Area's responses is included at Exhibits D, E, and F, respectively.

We appreciate the cooperation extended to our staff during the audit. If you have questions, please contact William J. DiVello, Assistant Inspector General for Audits, at (202) 727-2540.

Sincerely,

A handwritten signature in blue ink that reads "Austin A. Andersen". The signature is fluid and cursive.

Austin A. Andersen
Interim Inspector General

AAA/lw

cc: See Distribution List

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Mr. Howland and Dr. Gandhi
July 8, 2005
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AUDIT OF THE DISTRICT OF COLUMBIA ONE FUND

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EXECUTIVE DIGEST

OVERVIEW

This report summarizes the Office of the Inspector General's (OIG) audit of the District of Columbia's One Fund. The annual District of Columbia (D.C.) One Fund Drive is the District government's only official charitable fundraiser. The District of Columbia is responsible for managing the One Fund.

The audit objectives were to determine whether the Fund has: (1) administered contributions in an effective, efficient, and economical manner; (2) complied with requirements of applicable laws, regulations, policies, and procedures in administering the Fund; and (3) internal controls in place to safeguard against fraud, and/or detect misuse and abuse.

CONCLUSIONS

Overall, we concluded that the District adhered to established policies and procedures governing the accounting, documentation, and reporting of One Fund contributions. However, our audit also disclosed that process improvements can be made to: (1) more timely transmit donations to identified charities; and (2) clarify language contained on pledge cards to better identify the responsible party for providing contributors' donation acknowledgement confirmations.

Additionally, we noted instances where policies and procedures needed strengthening, minor errors in transaction amounts needed correction, and improvements over accounting processes were needed.

SUMMARY OF RECOMMENDATIONS

We directed three recommendations to the One Fund Chairperson that we believe are necessary to correct the deficiencies noted in this report. The recommendations center on establishing a mechanism to more timely transmit donations to identified charitable organizations, clarifying language contained on pledge cards relative to acknowledgement of donations, and strengthening internal operating procedures.

A summary of the potential benefits resulting from the audit is shown at Exhibit A.

CORRECTIVE ACTIONS

On June 8, 2005, the Annual One Fund Chairperson provided a written response to our draft report. The Annual One Fund Chairperson's response fully addressed the recommendations. The full text of the One Fund Chairperson, OCFO, and United Way of the Capital Area's responses is included at Exhibits D, E, and F, respectively.

INTRODUCTION

BACKGROUND

The Office of the Inspector General, District of Columbia, has completed an audit of the District of Columbia One Fund (Fund). The annual District of Columbia (D.C.) One Fund Drive is the District government's only official charitable fundraiser. D.C. government employees pledge their support annually to not-for-profit, charitable organizations in the D.C. metropolitan area. The District of Columbia is responsible for managing the annual fund.

Contributions to the Fund can be made by payroll deduction, cash, or check. Many employees find it easier and more affordable to support the Fund by spreading their donations over the year through payroll deduction. Employees may choose to designate a contribution to one or more agencies by writing a four-digit code in the appropriate box(es) on the pledge card. Campaign-related expenses, including the annual audit, are funded firstly by undesignated contributions and secondly by designated contributions to the extent that undesignated contributions are insufficient. Undesignated contributions remaining after campaign-related expenses, if any, are applied to the Mayor's Emergency Assistance Fund (up to \$50,000). Any remaining undesignated contributions are distributed to participating agencies based on the percentage of their designated pledges to total designated pledges in the campaign.

Administrative and Other Costs

Donations made by contributors are charged a 10 percent processing fee and an additional 6.5 percent fee for uncollected contributions. The D.C. Government draws down contributed funds on a quarterly basis and distributes them by check to the United Way National Capital Area (UWNCA). UWNCA then distributes contributions to designated charities in 12 installments based on a calculated percentage. Weekly progress reports are sent to the One Fund Chairperson.

Governing Criteria

The memorandum of agreement among the District, the United Black Fund of Greater Washington, D.C., and the United Way of the National Capital Area discloses the governing regulations and responsibilities of the campaign administrators.

Mayor's Order 75-195, dated August 22, 1975, reaffirms the concept of the One Fund Drive, and reestablishes the authority to conduct a single drive.

INTRODUCTION

Role of each agency/organization involved in the One Fund Drive

D.C. Treasury (Cashier's Office)

- Receives contributions (cash and checks) from District agencies
- Prepares daily deposits to be delivered to the designated bank

Office of the Chief Financial Officer (OCFO)

- Collects deposit slips from Treasury
- Reconciles bank statements
- Receives payroll deduction report from Office of Pay and Retirement
- Draws down funds from Accounting Operations on quarterly basis
- Distributes funds to charities on quarterly basis based on United Way payout report and Pay and Retirement report

One Fund Office

- Receives and verifies accuracy of One Fund envelopes and contents (pledge cards, department representative's report envelopes, key person's report envelopes, and fair share give reports)
- Delivers (via Department of Public Works employee) Department representative's report envelopes (blue pledge cards enclosed) to United Way
- Maintains a receiving report of contributions

United Way of the National Capital Area

- Enters contributions into account receivables system
- Sends weekly reports of contributions received to One Fund Office.
- Sends quarterly payout reports to OCFO
- Distributes 12 monthly installments to designated charities
- Sends designation listing of individual contributors' names to charities at end of campaign

INTRODUCTION

OBJECTIVES, SCOPE, AND METHODOLOGY

The audit objectives were to determine whether the Fund has: (1) administered contributions in an effective, efficient, and economical manner; (2) complied with requirements of applicable laws, regulations, policies, and procedures in administering the Fund; and (3) internal controls in place to safeguard against fraud, and/or detect misuse and abuse. The audit primarily covered the 49th District of Columbia Annual One Fund campaign (fiscal year 2004).

To accomplish our objectives, we obtained manuals, written policies, and procedures on operations, as well as applicable laws, regulations, and other relevant and pertinent supporting documentation. We also interviewed officials from selected agencies and benefactors as we deemed necessary in relation to the audit. Records, files, reports, and all relevant documentation were reviewed to support information related to the Fund. We did not rely on computer-processed data during this audit.

We conducted audit work at the following locations:

- D.C. Treasury (Cashier's Office)
- Office of the Chief Financial Officer
- One Fund Office
- United Way of the National Capital Area

Specifically, our audit tests included, but were not limited to, the following:

- Reviewing the UWNCA Pledge Processing Manual and Policies and Procedures over the One Fund Process for Payroll and Retirement Services to determine whether adequate policies and procedures are documented regarding processing pledges for the D.C. One Fund.
- Reconciling amounts on original source documents to the following UWNCA reports to ensure accuracy: (1) audited progress report; (2) account executive report; and (3) cash/checks/payroll report.
- Verifying that agencies listed on the UWNCA Cash/Checks/Payroll report agreed with those on the UWNCA Designations report.

INTRODUCTION

- Ensuring the accuracy of the data entry for pledges by comparing the number of designations per person, total dollar amount, and acknowledgement requests to the Designations report.
- Reviewing controls over the One Fund log book at the D.C. Treasurer's Office.
- Evaluating training provided to D.C. Treasury employees.

The audit was conducted in accordance with generally accepted government auditing standards and included such tests as we considered necessary under the circumstances.

FINDINGS AND RECOMMENDATIONS

FINDING: IMPROVING ONE FUND PROCESSES
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SYNOPSIS

Overall, we concluded that the District adhered to established policies and procedures governing the accounting, documentation, and reporting of One Fund contributions. However, our audit also disclosed that process improvements can be made to: (1) more timely transmit donations to identified charities; and (2) clarify language contained on pledge cards to better identify the responsible party for providing contributors' donation acknowledgements.

Additionally, we noted instances where policies or procedures needed strengthening, minor errors in transaction amounts needed correcting, and improvements over accounting processes were needed. For example, our review found that written policies and procedures for handling and processing One Fund contributions by payroll deduction do not exist. We also identified that D.C. Treasury employees had not attended training sessions that are offered by the One Fund training committee for District employees selected to work with the One Fund Drive. Attendance at these training sessions would provide D.C. Treasury employees with a greater understanding of the One Fund, its processes, etc. Finally, we identified a lack of segregation of duties for receiving cash/checks and preparing deposits, and that processes in the cashier's office need to be automated to the greatest extent possible in order to produce more efficient operations (currently, all processes are performed manually). See Exhibit B for further details of these and other issues.

DISCUSSION

In discussions with contributors, concerns were expressed as to whether contributions were received by designated charities because, in a specific case, the contributor had not received an acknowledgement of donation for tax purposes. Further, it a contributor's understanding that acknowledgements of contributions would be sent to contributors by the UWNCA.

In order to address these concerns, we met with representatives from the District's Office of the Treasury and Office of the Chief Financial Officer (OCFO), as well as representatives of the UWNCA, to obtain an understanding of how pledges were collected, processed and remitted to designated charities. See Exhibit C for a flowchart of the One Fund process.

FINDINGS AND RECOMMENDATIONS

The 49th Annual One Fund Campaign began in November of 2003. Donations could be made by District employees through March of 2004. Beginning in April 2004¹, the UWNCA receives quarterly payments from the OCFO representing contributions collected through cash/checks, and payroll deductions. The UWNCA then, in turn, submits in 12 equal installments, amounts designated to individual charities. As a result, installment payments to individual charities do not begin until the One Fund Campaign has ended. This payment process does not allow for one-time donations to be immediately sent to designated charities. UWNCA officials informed us that one-time contributions could be distributed immediately to the identified charities, but that this process would need to be collaborated with the OCFO.

In discussion with a designee from the Executive Office of the Mayor, it was brought to our attention that a statement on the pledge cards is misleading. The statement reads as follows: "If you would like to receive an acknowledgement from the organization(s) you have designated to receive your donations or if you are a Fair Share Giver, please provide your address and signature below." This statement was believed to be misleading by a contributor who interpreted it as meaning that the acknowledgement would be sent by the UWNCA office. UWNCA officials informed us that they send a report which identifies the donee and corresponding gift amounts to individual charities; however, it is the responsibility of the individual charity to provide an acknowledgement (for tax receipt purposes) to the donee.

Although we did not perform audit work at individual charities, it is our understanding that the charities have individual policies as to when acknowledgements are to be sent to contributors. We did, however, conclude that charities would not send out an acknowledgement until they, at minimum, received confirmation from the UWNCA as to the total gift received by a contributor. Based on the process described above, this would not be until the campaign ended in April of the following year. It is also possible that a charitable organization may not acknowledge receipt until all the money from a person is received, which would not occur until March 2005, when the 12th installment payment was received from the UWNCA.

UWNCA officials agreed that the statement needed clarification, and that it would work in conjunction with District officials to modify the statement.

¹ Response received from the OCFO to the draft report, dated June 16, 2005, provided that the dates in this paragraph were incorrect, we have made the necessary adjustments, OCFO's full response is at Exhibit E.

FINDINGS AND RECOMMENDATIONS

RECOMMENDATIONS, MANAGEMENT RESPONSES, OIG COMMENTS

1. We recommend that the Annual One Fund Chairperson, in conjunction with the Director of United Way National Capital Area and the Office of the Chief Financial Officer, submit the total amount of any donations made by cash or check to designated organizations at the time they are received from the contributor.

MANAGEMENT RESPONSE

The Annual One Fund Chairperson agreed with this recommendation, and provided that the United Way will provide the OCFO with any donations received by cash or check on a monthly basis. The OCFO has agreed to disburse these donations to designated organizations 60 days after receipt.

OIG COMMENTS

We consider management's planned actions to be responsive to our recommendation.

2. We recommend that the Annual One Fund Chairperson, in conjunction with the Director of the United Way National Capital Area, revise pledge cards to clarify language relative to acknowledgement of donations.

MANAGEMENT RESPONSE

The Annual One Fund Chairperson agreed with the recommendation, and provided that the One Fund pledge card is currently being revised.

OIG COMMENTS

We consider management's actions to be responsive to our recommendation.

3. We recommend that the Annual One Fund Chairperson, in conjunction with the Chief Financial Officer, strengthen internal procedures regarding operational controls over the One Fund. (See Exhibit B.)

FINDINGS AND RECOMMENDATIONS

MANAGEMENT RESPONSE

The Annual One Fund Chairperson agreed with the recommendation, and stated that internal procedures are being reviewed and revised with members of the Executive Committee and OCFO as it related to payroll deduction, training, and policies and procedures for the Cashier's Office.

OIG COMMENTS

We consider management's current and planned actions to be responsive to the recommendation.

**EXHIBIT A. SUMMARY OF POTENTIAL BENEFITS
 RESULTING FROM AUDIT**

Recommendation	Description of Benefit	Amount and Type of Benefit	Status²
1	Efficiency. Ensures timely receipt of funds by designee organization.	Non monetary	Open
2	Efficiency. Includes language to promote a better understanding of the One Fund process.	Non monetary	Open
3	Internal Control. Strengthens internal procedures regarding operational controls over the One Fund.	Non monetary	Open

² This column provides the status of a recommendation as of the report date. For final reports, “**Open**” means management and the OIG are in agreement on the action to be taken, but action is not complete. “**Closed**” means management has advised that the action necessary to correct the condition is complete. “**Unresolved**” means that management has neither agreed to take the recommended action nor proposed satisfactory alternative actions to correct the condition.

EXHIBIT B. DETAILS OF AUDIT TEST WORK

Review of United Way of the National Capital Area (UWNCA) Pledge Processing Manual

The UWNCA Pledge Processing Manual describes the procedures by which UWNCA processes pledges upon receipt. It describes the handling of pledge cards, cash and checks received data entry, verifications, recordkeeping, disbursements, etc. It also explains the control procedures that are followed. The manual does not specifically outline procedures for the D.C. One Fund. It focuses on the Combined Federal Campaign and other agencies and/or companies that donate to the United Way.

Review of Policies and Procedures over the One Fund Process for Payroll and Retirement Services (PRS)

Our audit found that written policies and procedures for handling and processing One Fund contributions by payroll deduction do not exist. However, new employees or employees who assume the One Fund responsibilities do receive on-the-job training on One Fund processing.

We noted another area in which controls over contributions could be strengthened. Specifically, at the time the payroll deduction envelopes are received, PRS does not verify that the pledge card total listed on the envelope matches the actual pledge cards.

Review of United Way reports: (1) audited progress report; (2) account executive report; and (3) cash/checks/payroll report.

These reports are sent to the One Fund Office on a weekly basis. Amounts identified on the receiving report are reconciled to the audited progress report to ensure accuracy. We found that the OCFO failed to verify direct contributions (cash/checks) in comparison to the United Way report. Notwithstanding the lack of this control, we did not note any discrepancies.

Verification of UWNCA Designations

We verified that all agencies listed on the UWNCA Cash/Checks/Payroll report were listed in the UWNCA Designations report. One discrepancy was initially identified but was found to be the result of a coding error. The discrepancy was caused by incorrectly keying pledges for the Office of Campaign Finance under the DP number³ of 0293431 (designating the Office of the City Administrator), rather than the appropriate DP number of 0293423.

Pledge Card Review

We verified the accuracy of the data entry for each pledge by comparing the number of designations per person, total dollar amount, and acknowledgement requests to the Designations report. Specifically, two District agencies were judgmentally chosen to review

³ Data processing number used by UWNCA to identify each District agency

EXHIBIT B. DETAILS OF AUDIT TEST WORK

the pledge cards for District employees who participated in the 49th One Fund Drive - the Executive Office of the Mayor (EOM) and the D.C. Lottery and Charitable Games Control Board (D.C. Lottery). A total of 80 pledge cards were reviewed, 30 and 50 for EOM and D.C. Lottery, respectively. Based on our analysis, all pledge cards had been keyed into UWNCA's fund-raising/distribution software system accurately.

Review of One Fund log book at the D.C. Treasurer's Office

After our review of the log book, the following areas of improvement were noted:

1. The cashier responsible for recording the deposit total in the log book should be identified by the cashier's initials, signature, or cashier ID number.
2. All changes in the log book should be initialed.
3. A segregation of duties should exist between the cashier receiving the One Fund envelopes and recording them into the log book and the cashier preparing deposits.

Adoption of these procedures would ensure that proper internal controls are in place.

Review of One Fund Process for the Cashier's Office of the Office of Finance and Treasury

Our audit found that written policies and procedures at the Cashier's Office were inadequate. The written policies and procedures should be revised to provide greater detail of the processes for which the Cashier's Office handles One Fund cash/check submission envelopes and deposits.

We also identified a lack of segregation of duties for receiving cash/checks and preparing deposits. Further, we noted that all processes are performed manually. To improve processes and achieve greater efficiency, we recommend automating the system to the maximum extent possible.

Although no reports are generated, the monies enclosed in the cash/checks submission envelopes are accounted for, and several verifications are conducted before deposits are made. Envelope contents and deposits are recorded and documented to provide an audit trail. However, an internal control should be in place to detect the envelopes that may have a shortage. Currently, on deposit day, the cashier reconciles the log book envelope totals to the totals on the cover of each envelope. If the totals reconcile (without counting the cash yet), the cash from all envelopes is removed from each envelope and commingled. There is currently no procedure in place requiring the cashier to ensure that the cash in each envelope reconciles with the total on the envelope's cover. Accordingly, if the total cash counted does not reconcile to the log book and envelope totals, there is no way to determine which envelope had a shortage/overage.

EXHIBIT B. DETAILS OF AUDIT TEST WORK

Finally, the audit revealed that the D.C. treasury employees had not attended training sessions offered by the One Fund training committee. Attendance at these training sessions would provide D.C. Treasury employees with a greater understanding of the One Fund, its processes, etc.

EXHIBIT C. ONE FUND PROCESS FLOWCHART

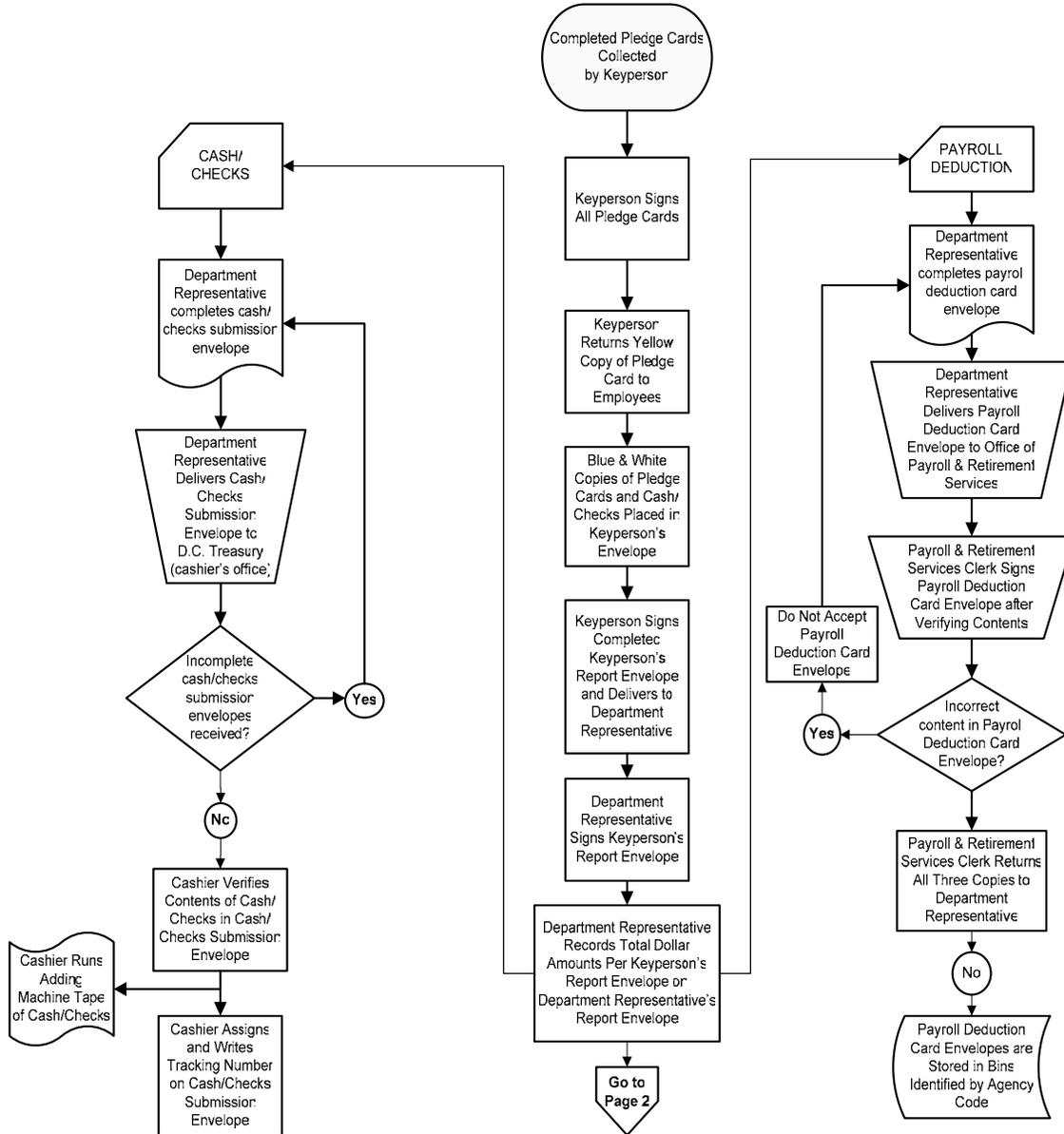


EXHIBIT C. ONE FUND PROCESS FLOWCHART

Collecting and Disbursing D.C. One Fund Contributions

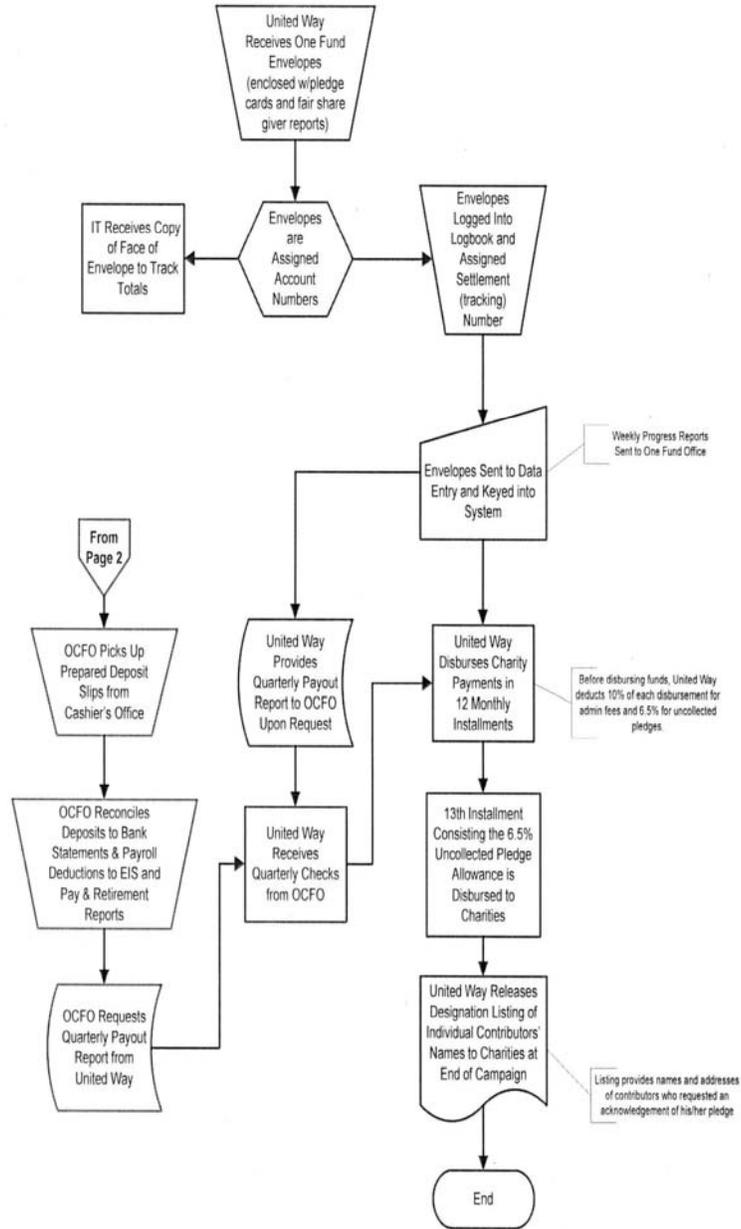


EXHIBIT D. ANNUAL ONE FUND CHAIRPERSON RESPONSE TO DRAFT REPORT

GOVERNMENT OF THE DISTRICT OF COLUMBIA
DEPARTMENT OF PUBLIC WORKS



Office of the Director
June 8, 2005

Mr. Austin A. Anderson
Interim Inspector General
Office of the Inspector General
717 14th St., NW
Washington, DC 20005

Re: OIG 05-2-02MA

Dear Mr. Anderson:

This is in response to your investigation of the 49th Annual D.C. One Fund Drive.

I have reviewed your findings and recommendations, and have met with staff from the United Way of the National Capital Area and the Office of the Chief Financial Officer. Based on your recommendations, the following procedures will be revised and submitted to your office.

1. United Way will provide the OCFO with any donations received by cash or check on a monthly basis. The OCFO has agreed to disburse these donations to designated organizations 60 days after receipt. This will provide turnaround time for checks to clear before disbursement is made.
2. We are currently in the process of revising the One Fund pledge card. The pledge card clearly states: "If you would like to receive an acknowledgement from the organizations(s) you have designated to received your donations...." The United Way of the National Capital Area is not the recipient of the funds. The pledge card is the receipt for the contribution. Therefore, the D.C. One Fund will add the following statement to the pledge card: **"RETAIN CONTRIBUTOR'S RECEIPT FOR TAX PURPOSES."**
3. Internal procedures are being reviewed and revised with members of the Executive Committee and OCFO as it relates to payroll deductions, training, and policies and procedures for the Cashier's Office.

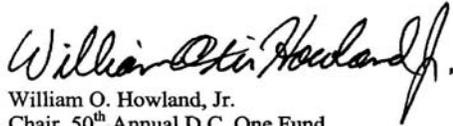
**EXHIBIT D. ANNUAL ONE FUND CHAIRPERSON
RESPONSE TO DRAFT REPORT**

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The OCFO, United Way of the National Capital Area and my office will work together to ensure that the above recommendations are finalized and submitted to your office prior to the beginning of the next campaign period.

If you have any additional questions or need further clarification, please do not hesitate to contact me.

Sincerely,



William O. Howland, Jr.
Chair, 50th Annual D.C. One Fund

cc: Charles Anderson – UWNCA
Natwar Gandhi - OCFO

EXHIBIT E. OCFO RESPONSE TO DRAFT REPORT

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Chief Financial Officer



Office of Integrity and Oversight

JUN 16 2005

Austin A. Andersen
Interim Inspector General
Office of the Inspector General
717 14th Street, NW
Washington, DC 20005

**Subject: CFO's Response to OIG's Draft Audit Report on DC One Fund
(OIG No. 05-2-02MA)**

Dear Mr. Andersen:

Thank you for the opportunity to respond to the draft audit report issued by the Office of the Inspector General (OIG) on the District of Columbia One Fund.

We are in agreement with your overall findings and recommendations. Below is the response of the District's Chief Financial Officer on issues raised in your draft report regarding One Fund activities.

OIG Recommendation 1: "We recommend that the Annual One Fund Chairperson, in conjunction with the Director of United Way National Capital Area and the Office of the Chief Financial Officer, submit the total amount of any donations made by cash or check to designated organizations at the time they are received from the contributor."

Response: The OCFO will consult with the Director of United Way National Capital Area and the Annual One Fund Chairperson, to determine if this recommendation is feasible and how it can be smoothly accomplished in a practical manner. As pointed out in the report, all pledge cards (cash, check, and payroll deduction) are submitted as contributors fill in the pledge cards and return them to the key persons with a report of all contributions (not just cash and check) compiled weekly, by UWNCA and forwarded to the One Fund Office. Additionally, the reports point out that the UWNCA distributes 12 monthly installments to the designated charities for all pledges. Therefore, this recommendation will have to be considered in the context of workload, resources, reporting, drawdown of funds, and disbursements thereof to support the feasibility of a more frequent distribution schedule, not only by the UWNCA, but also the other charities, which in turn, pass on contributions to smaller charities.

1275 K Street, N.W. Suite 500, Washington, D.C. 20005 (202) 442-6433

EXHIBIT E. OCFO RESPONSE TO DRAFT REPORT

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Page 2*

OIG Recommendation 2: “We recommend that the Annual One Fund Chairperson, in conjunction with the Director of the United Way National Capital Area, revise pledge cards to clarify language relative to acknowledgement of donations.”

Response: While the request for acknowledgement from the organizations receiving the contribution is printed on the pledge cards, the statement may need clarification as to what is being requested by the contributors and which organization will acknowledge the donations. The OCFO will work with the UWNCA and the Annual One Fund Chairperson, including the One Fund Committee to review the statement as presented and recommend any changes that may be required for clarification.

OIG Recommendation 3: “We recommend that the Annual One Fund Chairperson, in conjunction with the Chief Financial Officer, strengthen internal procedures regarding operational controls over the One Fund. (See Exhibit B.)”

I. Issues on One Fund Log Book at the D.C. Treasurer’s Office (Exhibit B):

- **Finding:** *The cashier responsible for recording the deposit total in the log book should be identified by the cashier's initials, signature, or cashier ID number.*

Response: We concur. OFT will institute a policy that requires the cashier responsible for recording the deposit total in the log book to be identified by cashier number.

- **Finding:** *All changes in the log book should be initialed.*

Response: We concur. OFT assures that all future changes in the log book will be properly initialed by cashiers.

- **Finding:** *A segregation of duties should exist between the cashier receiving the One Fund envelopes and recording them into the log book and the cashier preparing deposits.*

Response: We are in agreement with this finding. However, due to staffing constraints, the Cashiering Manager and Senior Cashiers collect, verify, and log envelopes into the log book. There are occasions when there is only one person working in the office. With respect to preparing the deposit, the Cashiering Manager or any of the Senior Cashiers will prepare the deposit.

While we do not have the required staff to completely segregate these duties, or have another cashier independent of this function to prepare the deposit, we recognize the importance of “segregation of duties.” As such, special care is taken by our cashiers to assure the integrity of these transactions.

EXHIBIT E. OCFO RESPONSE TO DRAFT REPORT

OIG's Draft Audit Report on DC One Fund
Page 3

II. Issues on One Fund Process for the Cashier's Office of the Office of Finance and Treasury (Exhibit B):

- **Finding:** *The written policies and procedures should be revised to provide greater detail of the process for which the Cashier's office handles One Fund cash/check submission envelopes and deposits.*

Response: The Office of Finance and Treasury has not received written procedures from the One Fund office in several years. Moreover, we are ready to implement improved procedures (when issued) without delay.

- **Finding:** *Further, we noted that all processes are performed manually. To improve processes and achieve greater efficiency, we recommend automating the system to the maximum extent possible.*

Response: We agree that "automating the system" can have certain practical benefits. However, due to the nature of the One Fund process, this idea requires further exploration with all parties involved in the One Fund operation, to determine the feasibility (costs and benefits) of implementing this objective.

- **Finding:** *Currently, on deposit day, the cashier reconciles the log book envelope totals to the totals on the cover of each envelope. If the totals reconcile (without counting the cash yet), the cash from all envelopes is removed from each envelope and commingled. There is currently no procedure in place requiring the cashier to ensure that the cash in each envelope reconciles with the total on the envelope cover.*

Response: The individual envelopes are verified by the accepting cashier at the time the agency submits them. The envelopes are then numbered, logged, dated and signed by the receiving cashier. The envelopes are placed in a secure vault until the deposit is prepared.

- **Finding:** *Finally, the audit revealed that the DC Treasury employees had not attended training sessions offered by the One Fund training committee. Attendance at these training sessions would provide DC Treasury employees with a greater understanding of the One Fund, its processes, etc.*

Response: The DC Treasury Cashiers fully understand how to process and receive One Fund contributions. We find that when the agencies submit their deposits, the envelopes have not been prepared properly. For example, adding machine tapes are not placed on the cash or checks submitted and contributions are still attached to the individual pledge cards.

If OFT were included in the training sessions, we could explain and provide samples to the agencies on how to properly prepare the contribution envelopes and avoid many errors and rejections. The agency representatives get upset when we cannot accept the envelopes because of their errors.

EXHIBIT E. OCFO RESPONSE TO DRAFT REPORT

OIG's Draft Audit Report on DC One Fund
Page 4

The Treasury's staff is ready to work with the One Fund Office to assist in training agencies' One Fund representatives in the correct preparation of deposit envelopes.

Additional Comment:
Correction to "Dates" on "49th Annual One Fund" (Page 5: "Discussion," last paragraph)

The last paragraph on page 5 of the draft report reads:

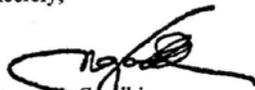
"The 49th Annual One Fund Campaign began in November of 2004. Donations could be made by District employees through March of 2005. Beginning in April 2005, the UWNCA receives quarterly payments..."

Correction: This paragraph is correct except for the "dates," which should read as follows:

"The 49th Annual One Fund Campaign began in November of 2003. Donations could be made by District employees through March of 2004. Beginning in April 2004, the UWNCA receives quarterly payments..."

Should you have any questions regarding this matter, please contact [REDACTED] Office of Finance and Treasury (OFT) at [REDACTED] or [REDACTED] Office of Financial Operations and Systems (OFOS) at [REDACTED].

Sincerely,



Natwar M. Gandhi
Chief Financial Officer

cc: Robert C. Bobb, Deputy Mayor and City Administrator
William O. Howland, Department of Public Works
Charles Anderson, Chief Executive Officer, UWNCA
Anthony Calhoun, Deputy Chief Financial Officer, OFT/OCFO
Anthony F. Pompa, Deputy Chief Financial Officer, OFOS/OCFO
Sebastian Lorigo, Executive Director, Office of Integrity and Oversight, OCFO

EXHIBIT F. UNITED WAY OF THE NATIONAL CAPITAL AREA RESPONSE TO DRAFT REPORT



Serving People and Communities in the Greater Washington Area:
Alexandria * Arlington * District of Columbia * Fairfax-Falls Church * Loudoun
Montgomery * Prince George's * Prince William

May 27, 2005

Mr. William O. Howland
Department of Public Works
Government of the District of Columbia
2000 14th Street, NW, 6th floor
Washington, DC 20009

Dr. Natwar M. Gandhi
Chief Financial Officer
Government of the District of Columbia
1350 Pennsylvania Avenue, NW, Suite 203
Washington, DC 20004

Mr. Austin A. Andersen
Interim Inspector General
Government of the District of Columbia
717 14th Street, NW
Washington, DC 20005

Dear Mr. Howland, Dr. Gandhi and Mr. Andersen:

Thank you for the opportunity to review the draft audit report on the DC One Fund operations. After carefully reviewing the draft response with UWNCA staff and Audit Committee Chair, following are our comments:

Page 2

As stated: UWNCA sends weekly reports of contributions to One Fund Office.
Recommended correction: "UWNCA sends weekly reports of pledges (and contributions as reported) received and entered into its fundraising system to One Fund Office."

Purpose: This helps clarify that UWNCA only processes pledges and does not process nor receive donor contributions.

Page 2:

As stated: UWNCA sends quarterly payout reports to OCFO
Recommended correction: Add: "based on proposed payout schedule forwarded by OCFO".

Purpose: This helps clarify that UWNCA does not initiate payouts to agencies.



EXHIBIT F. UNITED WAY OF THE NATIONAL CAPITAL AREA RESPONSE TO DRAFT REPORT

Page 5: Discussion, last paragraph:

As stated: Beginning in April, 2005, UWNCA receives quarterly payments from OCFO [...] in turn submits in 12 equal installments [...] until the DC One Fund Campaign has ended.

Recommended correction: "It has been the practice in prior years, for UWNCA to pay out DC One Fund designations in the April-May time frame, along with other campaigns' designations in 12 equal installments, regardless of whether funds from OCFO have been received by that time. Starting in April 2005, UWNCA is paying all cash and checks received by February 15, and then starting in May, all payroll deduction contributions (and new cash & checks received) received by April 15. Four additional quarterly distributions are planned for the campaign based on the same principles. To the extent that funds are received from the OCFO, all cash and checks designations from the DC One Fund can be paid as a lump sum distribution in April."

Purpose: clarify past and current disbursement practices.

Page 6: Discussion, 2nd paragraph:

As stated: However, it is the responsibility of the individual charity to provide an acknowledgement (for tax receipt purposes) to the donee.

Recommended correction: remove the "tax receipt purposes" language.

Purpose: UWNCA always recommends the issuance of an acknowledgement/thank you note from the charity. This is different from a tax receipt letter, which can only be issued by the first-to-receive organization, in this case, the DC One Fund itself, and not UWNCA or the recipient charity.

Page 6: concerning Recommendation 1 on donor name release to agencies:

UWNCA respectfully recommends no change in procedure as the reason for a single, cost efficient, fundraising operation such as the DC One Fund is because of our ability to mass process pledges. If we need to perform donor name releases to agencies upon receipt of the data, this would 1) add to an already very high workload at that particular time, 2) increase expenses for about \$7,000 against the campaign. Any changes to existing operational arrangements between UWNCA and DC One Fund will have to be funded by the DC One Fund.

Should it be helpful, I and my staff will be happy to meet with Mr. Andersen and his staff to present our comments in person.

Sincerely,


Charles W. Anderson
Chief Executive Officer

Copy: Lynnwood Campbell
Kim K. Tran