

Conference on Jewish Material Claims Against Germany, Inc.

General Controller

Annual Summary Report

Submitted:  
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June 22, 2011

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The following is a summary of the most significant findings/recommendations together with updates of completed reports which have been reviewed by the Control Committee following the July 2010 Board meeting or where there were related issues during this period.

Amidar Sheltered Housing, Jerusalem

Sheltered Housing & Welfare For Elderly Ltd. (Corporation for Public Benefit) (hereinafter: the Corporation), an Israeli non-profit company, was formed on November 16, 2008. The Corporation's shares are all owned by Amidar -The National Company of Public Dwelling in Israel (hereinafter: Amidar). It was established for the purpose of advancing public goals of managing, constructing, renovating, upgrading sheltered housing (that are managed by Amidar) for the elderly.

The main objective of the audit was to examine whether funds allocated to the Corporation by the Claims Conference were indeed used for the purposes they were allocated and in line with the pertaining conditions.

The audit examined the use of funds allocated by the Claims Conference in 2007 for the upgrading of sheltered housing facilities and met with the general director, the comptroller, and the head of the engagement and work-plans department of Amidar. The audit visited the sheltered housing facilities in Netanya & Kfar Yona and toured the premises accompanied by the chief engineer of Amidar, giving special attention to the housing units that were upgraded with the support of the Claims Conference. Also, the audit reviewed a long list of documents including grant letters, tenders, contracts with contractors, invoices, periodic reports and various other documents submitted by the Corporation to the Claims Conference.

The General Controller noted that elderly Holocaust survivors receive the highest priority for admission to this sheltered housing program in Israel.

The report noted that since 1998, each allocation letter states the lien requirements of the Claims Conference. The Lien Committee of the Claims Conference formulates exceptions should they be warranted

## Central Zionist Archives, Jerusalem

The Central Zionist Archives (“CZA”) were established in Berlin in 1919. In 1933, the Archives were transferred to the National Institutions Building in Jerusalem. In 1987, they were moved to their present site at 4 Zalman Shazar Ave. in Jerusalem.

The purpose of the Archives is to methodically collect sources of the Zionist movement and the history of the Jewish People so as to create a continuous chain of historical documentation, in one place.

The Archives hold more than 80 million documents (a third of which cover the period of the Holocaust) and half a million photographs and negatives.

The Claims Conference approved several allocations to CZA during the last number of years towards computerization of Holocaust related archival material.

The main objective of the audit was to examine whether funds allocated to CZA by the Claims were indeed used for the purposes they were allocated and in line with the pertaining conditions.

The audit examined the use of funds allocated by the Claims Conference in 2007 and 2009 for the computerization of Holocaust related archival material, and met with the chairman of the board and the administrative director of CZA. The audit visited the archives and toured the premises giving special attention to the projects that were assisted by the support of the Claims Conference and covered by the audit. The audit reviewed significant documentation including grant letters, tenders, contracts with service providers, invoices, periodic reports and various other documents submitted by CZA to the Claims Conference.

During the visit the audit was shown copies of monthly newsletters put out by CZA called “Miet Laet” meaning “from time to pen”, which included acknowledgments of the contribution of the Claims Conference, and stating that the generosity of the Claims Conference is of a big assistance to the preservation of the historical documentation of the Jewish People in the Diaspora and in Israel, and ensures that the memory of the Holocaust will not be forgotten.

## Budapest, Hungary

The audit took place in March 2010, and followed up on the implementation of the recommendations of the previous audit report.

The audit acknowledged the detailed computerized management information system, which provided all requested information rapidly and efficiently, and noted with thanks the full cooperation of everyone involved.

The pointed out to the Control Committee during its review of the Budapest audit report that the staff of the Budapest office of the Claims Conference, which administers the CEEF, had increased to eight individuals in order to administer the Budapest Fund. As that program has wound down, two part-time people are presently staffing the office and one individual is

expected to administer the office in the near future. The audit report together with the responses and the aforementioned comment was accepted by the Control Committee.

### Frankfurt Office - German Government-financed Programs

The audit took place in Frankfurt in May 2010, and consisted mainly of a review of the management and control of the four funds financed directly and indirectly by the German government: A2, CEEF, HF and Budapest. As background, the audit was aware of the discovery of payments made in the U.S. in respect of documentation that was revealed – thanks to the alertness of an employee in the New York office – as a forgery.

It should be noted that during 2009, the Claims Conference discovered irregularities with respect to certain individual compensation programs funded by the German Ministry of Finance. At that time, the Claims Conference notified law enforcement authorities as well as the Ministry. The audited financial statements of the Claims Conference include disclosure of the irregularity. In 2010, the Claims Conference adjusted procedures for determining eligibility for individual payment programs, terminated individuals in the New York office and relocated the claims processing to its other offices.

The audit notes the complete cooperation of all the office staff.

The German Ministry of Finance continuously audits the financial and administrative processes of the Claims Conference related to its administration of programs on behalf of the German government. The Claims Conference responds to each government audit report on a timely basis and continuously looks for ways to enhance the effective and efficient management of those programs.

The report, together with the responses and the above comment, was accepted.

### Rambam Medical Center, Haifa

Rambam Medical Center is Northern Israel's largest hospital and a tertiary referral center for 11 district hospitals, composed of 7 buildings, includes a wide range of medical departments, holds approximately 900 beds and has close to 4,500 employees, including approximately 1,000 physicians.

The Claims Conference approved several allocations to Rambam during the last decade.

The allocations were given on the conditions, amongst others, that Rambam Hospital accord priority in admission/service to Nazi victims, provide the balance of the funds necessary to complete the projects, place an appropriate lien or comparable legal mechanism upon the projects securing the enforcement of the requirements of the Claims, be responsible for the maintenance of the facilities, conduct in the framework of their audited financial statements a separate audit of the funds received from the Claims & place a plaque in the facilities stating that the improvements to the various medical departments were made possible with the help of a grant from the Conference on Jewish Material Claims Against Germany, Inc.

The main objective of the audit was to examine whether funds allocated to Rambam by the Claims Conference were indeed used for the purposes they were allocated and in line with the pertaining conditions.

The audit examined the use of funds allocated by the Claims Conference during 2007- 2010 for the upgrading of medical departments, visited Rambam and met with the chief operating officer, director of the finance division, the director of division of construction and engineering, who was the official chosen to oversee the projects on behalf of Rambam. The audit toured the premises giving special attention to the departments that were upgraded with the support of the Claims Conference and covered by the audit, and reviewed a long list of documents including grant letters, tenders, contracts with contractors, invoices, periodic reports and various other documents submitted by the executive of Rambam to the Claims Conference.

The audit visited the Registrar of Non Profit Organizations in Israel and photocopied the Financial Statements of The Fund for Medical Research for the year 2009

The audit noted that in the audited financial statements of the Fund for Medical Research there is no separate recording of income from funds received from the Claims, despite a requirement as such being noted in the grant letters sent by the Claims Conference to Rambam Hospital.

The audit recommended that starting from the financial statements for the year 2010, Rambam Hospital should separately listed Claims Conference funding and a copy of the statements with an accompanying letter drawing their attention to this should be sent to the Claims Conference representative in Israel.

Additionally, the audit recommended that Rambam should point out in which item of the financial statements the funds received from the Claims Conference were included.

In reference to the above, on December 5, 2011, the chief operating officer of Rambam responded to the audit's recommendation, stating that funds received from the Claims Conference are included within the framework of the Report of Changes in Assets included in Rambam Hospital's Financial Statements (within the item of Donations received, net) in accordance with accepted accounting principles in practice in Israel and the requirements of the Comptroller of the Ministry of Health, and included a statement from Rambam Hospital's accountants as such and also a detailed breakdown of the various components of the item of Donations received for the years 2008-2010 that refer to funds received from the Claims Conference for projects during those years.

The audit is of the opinion that the presentation of the grants from the Claims Conference that are included within the Report of Changes in Assets is in line with accepted accounting principles in practice in Israel; however, whomever reviews the Financial Statements will not be aware of the Claims Conference contribution.

The audit recommended that Rambam Hospital should add a note or reference to the specific item in the Report of Changes in Assets stating the amount of the annual contribution received from the Claims Conference. A note as such would not change the status of the financial

statements as being in line with accepted accounting principles and would fulfill the Claims Conference's grant requirements.

The audit noted that apart from the above comment, Rambam Hospital complied with all the requirements stipulated in the Grant Letters.

The Audit notes that the Ministry of Health sent a Letter to the Claims on 3.5.2009 stating that Rambam Hospital to whom the Claims gave grants for the Upgrading of Surgery Departments A&B, is owned by the State of Israel & that the Government of Israel is hereby obligated not to change the public designation of the Surgery Departments for 18 years beginning from the day of the letter. Similar letters were sent to the Claims Conference after the approval of the allocations for the other Medical Departments included in this Audit. The audit noted that the aforementioned is a letter of obligation not a lien; however, this is accepted practice, according to the Claims Conference policy.

The Audit noted that the above refers to the State of Israel and therefore recommends that a clear similar policy should be formed referring to assets in other countries, stating whether a lien is required or a letter of obligation is sufficient.

The Claims Conference noted that it has a defined policy on this issue. Any request for deviation from this policy is brought to the attention of the Lien Committee which evaluates each request on a case-by-case basis. Copies of documentation relating to this policy were presented to the audit.

The audit reviewed the 18 interim reports submitted by Rambam Hospital to the Claims Conference and found that the interim reports and the attached invoices were in order and that the Claims transferred funds within reasonable time from receiving interim reports - in most cases within 30 days. Additionally, it is noted that in total the funds transferred amount to the allocation defined in the grant letters.

The audit noted that as regarding the Claims Conference support of the expansion and reinforcement of the emergency department, in total the Claims Conference allocated three grants in the years 2007, 2008 and 2010. The first two grants amounted to approximately 17% of the cost of the work performed; however, the third grant amounted to 24%.

In reference to the above, the Claims Conference representative in Israel pointed out that when the Claims Conference decided to allocate a grant for the above project, it received from Rambam Hospital a budget including a total expected cost of the reinforcement of the Emergency Department of \$14,290,000 and accordingly decided to allocate 17% of the cost-amounting to \$2,430,000. Therefore, the audit when calculating the percentage of the Claims Conference funding of the project should consider the three separate allocations as a whole and calculate according.

The audit followed the above assumption and points out that the total cost of the project was 43,840,425 N.I.S and the total amount of the three grants (which were received in N.I.S) amounted to 8,701,163 N.I.S and were equivalent to 19.8% of the cost of the work performed.

On 12/05/11 the chief operating officer of Rambam Hospital sent a response to the audit's findings stating that the actual cost of the above project was 48,307,734 N.I.S due to additional costs of purchasing medical equipment that was not reported to the Claims Conference and that there were additional costs relating to the project recorded in the books of the Friends of Rambam Medical Center (R.A.) - a Non-Profit Organization - amounting to 11,156,794 N.I.S. Therefore, taking into account the extra above costs, the total amount of the three grants was equivalent to 14.6% of the cost of the work performed.

The audit reported that the costs of purchasing medical equipment should have been reported to the Claims Conference in the interim reports submitted during the performance of the above project, so as to transmit transparency as expected.

As to costs incurred by the Friends of Rambam Medical Center (R.A.), the audit pointed out that no mention had been made during the audit as to the existence and participation of such a body. Furthermore, if such body exists and takes active role in the execution of the supported project, the audit believes that the Claims Conference should have been notified in the interim reports.

Additionally, the audit noted that "Friends of" organizations generally do not pay costs incurred by organizations that they support (i.e. payments to suppliers as in this case); rather, they enlist donations for organizations and transfer the funds raised to the organizations to be put to use at the organizations discretion.

The audit recommended that in the future, when deciding on the size of the allocation per project, the Claims Conference should also determine the exact percentage of the cost of the project that will be supported by the Claims Conference, and adherence to the percentage should be checked following the submission of each interim report.

The Claims Conference agreed with this recommendation within general parameters; however, as a grant amount is requested, often budgets shift and are re-evaluated and reconfigured after the grant letter. The Claims Conference and grantees must have flexibility in order to bring projects to fruition.

### AREC

The purpose of the audit was to examine the relationships among all the relevant parties to the building in which the Kiev Hessed is located, and in particular – the Claims Conference, the Kiev Hessed, Joint Distribution Committee (JDC) and its wholly-owned real estate subsidiary, AREC.

The building was originally one in which JDC was a tenant with a long-term lease. The Claims Conference allocated funds to Hessed Avot for the building's reconstruction and other expenses during 1995. JDC provide funds for renovation as well. The building was purchased by JDC in 2006 using non-Claims Conference funds.

The Committee noted (i) that Hesed Avot was in full compliance with the grant terms; (ii) there was no Claims Conference requirement for a lien in 1995 when the grant was made; (iii) that current lien requirements are for a period of 18 years and 16 years have transpired since the capital grant allocation to Hesed Avot; (iv) the JDC willingness to enter into discussions concerning appropriate arrangements.

After discussing the findings of the audit, the Control Committee decided to instruct the General Controller to audit facilities throughout the FSU that are owned by AREC and which were purchased and/or renovated with funds provided by the Claims Conference Successor Organization to ensure compliance with grant terms. Subsequent to the completion of the aforementioned audits and their presentation to the Control Committee, consideration will be given to the appropriate agreements that should be made between the JDC and the Claims Conference.

### Moscow

The audit took place in November 2010 and consisted of a visit to the Chama and Yad Ezra heseds, the JDC offices, and a meeting with a Claims Conference representative of the Moscow office, the principal role of which is to assist CEEF applicants in filling out applications, and the day-to-day handling of life certificate confirmations for the that program.

The purpose of the audit was to review the process of approvals for eligibility to receive hessed services, from the initial stage of filling in the basic questionnaire to the questionnaire for each type of service separately. Special attention was paid to the social service program, because of the aging population and its increasing dependence on such support. The report covers the activities of the JDC office, two heseds, three home visits, random interviews with clients, and meetings with the head of the Moscow Welfare Committee.

The audit met with the volunteer lay leader, Chairman of the Committee, Mr. Ilya Pestrokov and other lay members such as Rabbi David Karpov, Board member, Chama. The Moscow Welfare Committee coordinates the activities of 10 Jewish welfare organizations, manages tenders for the purchase of products and services for the heseds and is involved in the emergency assistance cash grant program, SOS.

### CHAMA HESED

The hesed opened its doors in 1991 and has 18,000 clients, of whom about 10,000 receive various services at the hesed. It has 70 employees, about 130 home care workers and 250 volunteers. The number of Nazi victims who receive services from the hessed is 5,512 out of which 228 are former camp/Ghetto prisoners, some of whom receive meals on wheels. The dining room operator provides meals for 1,050 persons per day. The hesed is run with great dedication and success by Greta Elinson. A sign lists the services financed with CC aid. The hesed has initiated the construction of a building which will house a rehabilitation clinic.

The audit examined several aspects of the services provided including interviewing survivors, reviewing all cases of clients aged 90 or over (if which there were 4 who are still alive),

reviewing basic documentation, homecare files and paperwork, regarding distribution of homecare hours, and home visits.

General comments were given to the local hessed but no material deficiencies were discovered.

### YAD EZRA

The hessed started operation in 1991 and has been managed since that time by Dr. Alexander Kirnos, formerly a surgeon. The hessed's main activity is home care services, and it also has a food program and a medical advice service, as well as children's programs and a day center. The number of service recipients is 5,164 (end of October 2010), of whom 2,628 are Nazi victims. There is no medicines program, no kitchen and no dining room. Claims Conference funds are only used for services to Nazi victims.

The floor in the building where the hessed operates was purchased by the hessed, with aid from JDC, in 2004 out of the proceeds from the sale of 9 apartments bequeathed to it by clients. The Audit was told that there are today 15 apartments of clients who left them to the hessed in their wills. In addition, the hessed owns 6 apartments which it uses to accommodate home care workers recruited from the suburbs due to a shortage of available personnel in Moscow. All of which demonstrates the hessed management's success in persuading clients to bequeath their apartments to the hessed.

Finding homecare workers is a problem – since there are no candidates in Moscow, workers were recruited from the suburbs and the hessed provides them with rent-free accommodation in apartments it owns, as a way of compensating them for their low salaries.

The number of patronage recipients (at the date of the audit) is 1,084. According to the internal audit report dated 16.11.09, more than 200 persons work in homecare, 75% of whom were trained for this work. Their work is overseen by 10 regional inspectors – curators.

### MEDICINES

According to the hessed manager, the distress of clients is increasing due to their dependence on receiving medication. Many of them receive a pension of about \$350, which is close to the poverty line (\$290). Since the hessed does not have a medicines program, the clients must pay for them themselves. This has led the hessed manager to conclude that the food card – 3,000 rubles – should be permitted to be exchanged for money and that an appropriate arrangement for this should be made with the bank.

The audit recommended exploring the possibility to increase the medicines budget, even if at the expense of other budgets.

The audit examined several aspects of the services via interviewing survivors, reviewing basic documentation, homecare files and paperwork, distribution of homecare hours, and home visits.

General comments were given to the local Hessed but no material deficiencies were discovered.

### DISTRESS BUTTONS

During one of the home visits, a need arose to supply a distress button for an elderly man living alone. It is recommended to consider introducing a program for supplying distress button in defined cases.

#### PUBLIC ACKNOWLEDGEMENT OF CC'S CONTRIBUTION TO THE HESSED'S WELFARE BUDGET

The visit to the hessed's proved that CC's part in the hessed's budget is made public on a sign. It is recommended that the sign at Yad Ezra be made larger and more noticeable, as is fitting for an organization that finances 72% of its budget.

#### VISIT TO CLAIMS CONFERENCE REPRESENTATIVE IN MOSCOW

##### SCOPE OF WORK

The office is open to the public 3 days per week for four hours, except in the summer, when it is open only one day per week.

To date, 2244 applications have been received from Russian Federation, out of this number 1806 were approved, 130 rejected, 70 withdrawn (usually because of the death of the recipient during the processing, or his move to another country) and 238 are still pending. The pending claims also include those cases which are 'Currently not eligible' under the criteria of CEEF but can't be rejected. Out of the 238 pending cases, the number of the claims currently in process in Russia is 19 cases.

The audit was pleased to learn of extensive efforts by the CEEF office in Russia and overseen by the Tel Aviv office to outreach to potential claimants, making known the existence of the fund and the criteria for eligibility.

## Frankfurt Office – Successor Organization Administration of Property Sales

The audit was conducted from 1-5 May, 2011. The purpose was to check that the recommendations of previous audit reports have been implemented, and to examine a number of cases dealing with amounts that had been received as compensation (*Etschadigung*); payments to heirs; and to review the process of the sales of real estate.

It should be noted that the audit team received full cooperation from the office staff, as in the past.

Several previous recommendations were reviewed and in each case, the recommendation had either already been adopted and implemented or was in the process with the exception of one case.

In the reports for the years 2007 and 2009, it was recommended that percentages of entitlement be calculated up to 3 decimal points. The staff undertook to make this change going forward.

The audit reviewed 10 cases of restitution and compensation, some of which also have Goodwill Fund claimants, in detail. There were no significant lapses of protocol found in any of these cases. The rules established by the Claims Conference Board and relevant committees were implemented without exception. Detailed calculations of percentages owed to heirs and or the Claims Conference were scrupulously followed.

The audit was please to learn that virtually all of the late applicants to the Goodwill Fund that fall under the mandate of the special committee were resolved.