

City of New York

OFFICE OF THE COMPTROLLER

Scott M. Stringer
COMPTROLLER



FINANCIAL AUDIT

Marjorie Landa

Deputy Comptroller for Audit

Audit Report on the Financial and
Operating Practices of the Queens
Borough Public Library

FN14-099A

July 7, 2015

<http://comptroller.nyc.gov>



THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
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NEW YORK, NY 10007

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July 7, 2015

To the Residents of the City of New York:

My office has audited the Queens Borough Public Library (the QBPL or the Library) to determine whether the QBPL appropriately authorized and recorded the Library's expenditures; whether those expenditures were necessary for the operation of the Library; and whether the Library complied with the applicable laws, rules, and regulations governing the use of the QBPL's funds. We audit not-for-profit organizations, such as the QBPL, as a means of ensuring that they effectively manage City assets entrusted to them and do so in accordance with applicable rules and regulations.

This audit found that the QBPL failed to ensure that adequate financial controls were in place to properly allocate and expend its resources. As a result, this audit identified many questionable expenditures and practices engaged in by the Library's senior management. Among the weaknesses found were a lack of oversight over credit card expenditures, a failure to properly account for managerial employees' work hours, and a failure to report all compensation on certain executive employees' federal W-2 compensation disclosure forms. Further, the QBPL failed to substantiate its bases for repeatedly allocating in its financial records the majority of the Library's expenditures to the Library's City Fund, which caused that fund to operate with multi-year deficits, even though other non-City unrestricted funds had surpluses during this time period that could have been used for these expenditures. At the same time, despite the availability of these unrestricted funds, QBPL executives repeatedly requested additional funding from the City to cover basic operating costs, while it used non-City funds that had previously been shielded from the Comptroller's audits to pay for many of expenditures questioned in this audit.

Finally, our auditors could not substantiate the reasonableness of the QBPL management's decision to increase management compensation while it decreased Library hours and reduced staff, during a period that the Library was experiencing financial difficulties.

The audit made nine recommendations, including that the QBPL revise its policies and procedures to ensure the establishment of proper oversight responsibilities for the board and management; ensure the establishment and enforcement of proper financial controls for the effective use of the QBPL's resources; revise the timekeeping policy to ensure managerial employees properly account for their work hours; recoup the value of any improper personal expenditures from credit card users; and establish a reasonable methodology to properly allocate costs among different funds.

The results of our audit have been discussed with QBPL officials and their comments have been considered in preparing this report. Their complete written response is attached to this report.

If you have any questions concerning this report, please e-mail my Audit Bureau at audit@comptroller.nyc.gov.

Sincerely,

A handwritten signature in blue ink that reads 'Scott M. Stringer'.

Scott M. Stringer

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THE CITY OF NEW YORK OFFICE OF THE COMPTROLLER FINANCIAL AUDIT

Audit Report on the Financial and Operating Practices of the Queens Borough Public Library

FN14-099A

EXECUTIVE SUMMARY

The objectives of this audit were to determine whether the Queens Borough Public Library (the QBPL or the Library) appropriately authorized and recorded the Library's expenditures and whether those expenditures were necessary for the operation of the Library; and complied with the applicable laws, rules, and regulations governing the use of the QBPL's funds.

The QBPL was incorporated in 1907 to establish and maintain a free public library system serving the residents of Queens. It is governed by a board of trustees (the Board), the members of which are appointed by the New York City (the City) Mayor and the Queens Borough President. In addition, representatives of the City Comptroller, the Mayor, the Speaker of the City Council, the Public Advocate, and the Queens Borough President sit on the Board as non-voting *ex-officio* members.¹ Currently, the QBPL is one of the largest library systems in the country, providing services to approximately 2.3 million residents in Queens through 62 branches. In Fiscal Year 2014, the QBPL circulated approximately 15.8 million books and other materials and reported nearly 11.2 million attendees.

The QBPL is primarily funded by City tax levy funds. The City also provides most of the Library's buildings and City capital funds for infrastructure work. In addition to City funds, the QBPL receives funding from New York State; federal grants; private donations; and the collection of revenues from book sales, fines, and Library fees. For Fiscal Years 2008 to 2013, the QBPL received between \$121 and \$129 million per year in revenue and support.

Audit Findings and Conclusions

Our audit found that the QBPL failed to ensure that adequate financial controls were in place to properly allocate and expend its resources. The Handbook for Library Trustees of New York State, which was incorporated in its entirety in the QBPL's Manual for Trustees, requires that board members exercise due diligence and care to ensure that financial resources are used

¹ An *ex-officio* member is a government official or corporate representative who is required to represent the government or their employer as part of a major grant provision or coalition effort. According to the QBPL's by-laws, its "ex-officio members may participate in all meetings and deliberations of the Board, both in public and executive session but shall not vote on any matter."

efficiently and effectively in furtherance of an institution's goals. In addition, the Board members are required to exercise fiduciary duty to safeguard over the use of public and private funds and adopt policies and rules for the Library's governance. We found that the Board did not ensure that key financial controls were in place and, as a result, we identified many questionable expenditures and practices engaged in by the Library's senior management.

Among the weaknesses we found were a lack of oversight over credit card expenditures, a failure to properly account for managerial employees' work hours, and a failure to report all compensation on certain executive employees' federal W-2 compensation disclosure forms. Further, we found that the QBPL failed to substantiate its bases for repeatedly allocating in its financial records the majority of the Library's expenditures to the Library's City Fund, which caused that fund to operate with multi-year deficits, even though other non-City unrestricted funds had surpluses during this time period that could have been used for these expenditures. At the same time, we found that despite the availability of these unrestricted funds, QBPL executives repeatedly requested additional funding from the City to cover basic operating costs, while using non-City funds that had previously been shielded from the Comptroller's audits to pay for many of questioned expenditures.

Finally, our audit could not substantiate the reasonableness of the QBPL management's decision to increase management compensation while it decreased Library hours and reduced staff, all during a period when the Library reported it was experiencing severe financial difficulties.

Audit Recommendations

To address these issues, we make nine recommendations to the QBPL. Specifically, we recommend that the QBPL should:

1. Revise its policies and procedures to ensure that proper Board and managerial oversight responsibilities are established and exercised for all aspects of the Library's operations, including but not limited to the activities of the CEO and other executive staff.
2. Ensure the establishment and enforcement of proper financial controls for the effective use of the QBPL's resources.
3. Revise the timekeeping policy to ensure all employees, including managerial employees, properly account for their work hours.
4. Review prior W-2s issued by the QBPL to determine the value of any income not properly stated and take appropriate action, including reissuing any W-2s, if necessary.
5. Recoup the value of any improper personal expenditures from credit card users or revise the W-2 forms to include the personal charges as wages of the staff.
6. Ensure going forward that all compensation is included as taxable income on employees' W-2s.
7. Establish a reasonable methodology to properly allocate costs among different funds.
8. Maintain accurate records to support fund allocations and other financial and operational decisions, including raises, bonuses, staff reductions, and reductions in services.
9. Review the QBPL's policies and procedures to ensure that they adequately promote the mission of the Library and ensure the proper allocation of resources.

Library Response

The QBPL agreed with all of our findings and recommendations. In its response, the QBPL stated that,

Overall, the audit findings were accurate in reflecting Library practices prior to the implementation of reforms and added internal controls, including new and revised policies and procedures; a process that is ongoing. The audit findings included opinions regarding appropriate expenses and operational decisions that will be reviewed carefully by the administration and Board, including the context in which those decisions were made ...

We appreciate the audit work done by the Comptroller and his staff. Strengthening the Library's fiscal accountability is a top priority for the Board of Trustees and management. The recommendations provided in this report are certain to assist us in meeting that goal.

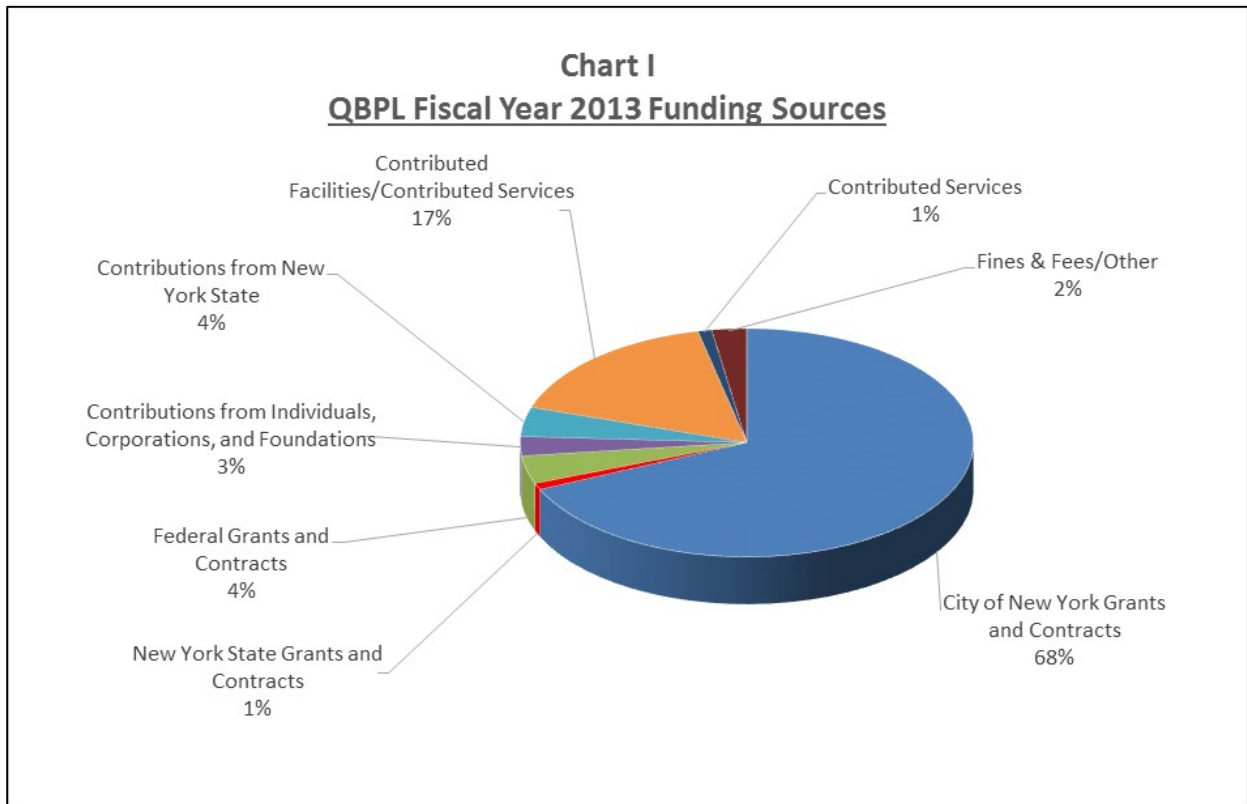
AUDIT REPORT

Background

The QBPL was incorporated in 1907 following a 1901 Act of the New York State Legislature that authorized the City to establish and maintain free public library systems throughout the five boroughs.² The QBPL, like the two other City library systems created pursuant to this Act, is a tax-exempt, independent, not-for-profit corporation. It is governed by the Board, the members of which are appointed by the Mayor and the Queens Borough President. In addition, representatives of the Comptroller, the Mayor, the Speaker of the City Council, the Public Advocate, and the Queens Borough President sit as non-voting *ex-officio* members of the Board. Today, the QBPL is one of the largest library systems in the country. It provides services to the approximately 2.3 million residents of Queens through 62 branches, with its Central Library headquarters located in Jamaica, Queens. It also includes seven Adult Learning Centers and two Family Literacy Centers that offer various education classes, video and writing groups, technology-assisted instruction, and ongoing tutor training. In Fiscal Year 2014, the QBPL circulated approximately 15.8 million books and other materials, and reported nearly 11.2 million attendees.

The QBPL's operations are primarily funded by City tax levy funds, which are designated for the general administration and maintenance of the Library (e.g., employee payroll, fringe benefits, book purchases, supplies, and equipment). The City also provides many of the Library's buildings and provides City capital funds for infrastructure work. In addition, the QBPL receives funding through New York State aid; federal grants; private donations; and the collection of book sales, fines revenue, and Library fees. Chart I below shows the QBPL's funding sources as reported in the QBPL's financial statements for Fiscal Year 2013.

² The three City public libraries systems subsequently created were the Queens Borough Public Library; the Brooklyn Public Library, which serves the residents of Brooklyn; and the New York Public Library, which serves the residents of Manhattan, the Bronx, and Staten Island.



The QBPL follows the principles of Fund Accounting, which require establishing and classifying funds in accordance with their nature and purposes to help ensure that the Library adheres to applicable restrictions and limitations on the use of its available resources. As noted above, the funds received by the QBPL derive from different sources, some of which have restricted purposes while others are unrestricted and may be spent on any proper library expense. Accordingly, the QBPL established individual accounts to record and classify each fund's activity and any applicable restriction.

Past audits of the QBPL conducted by the Office of the City Comptroller have been limited to examining the City Fund and the Fines and Fees Fund due to a 1997 settlement agreement resolving litigation brought by a previous Comptroller challenging the QBPL's failure to remit certain funds to the City and its refusal to disclose certain information to the Comptroller's Office. As part of the settlement, the QBPL transferred \$6.5 million from the Board-Designated Fund to the Fines and Fees Fund. It also prohibited the Comptroller's Office from auditing any funds other than the City Fund and the Fines and Fees Fund. In 2014, the current Comptroller challenged the validity of this stipulation in court.

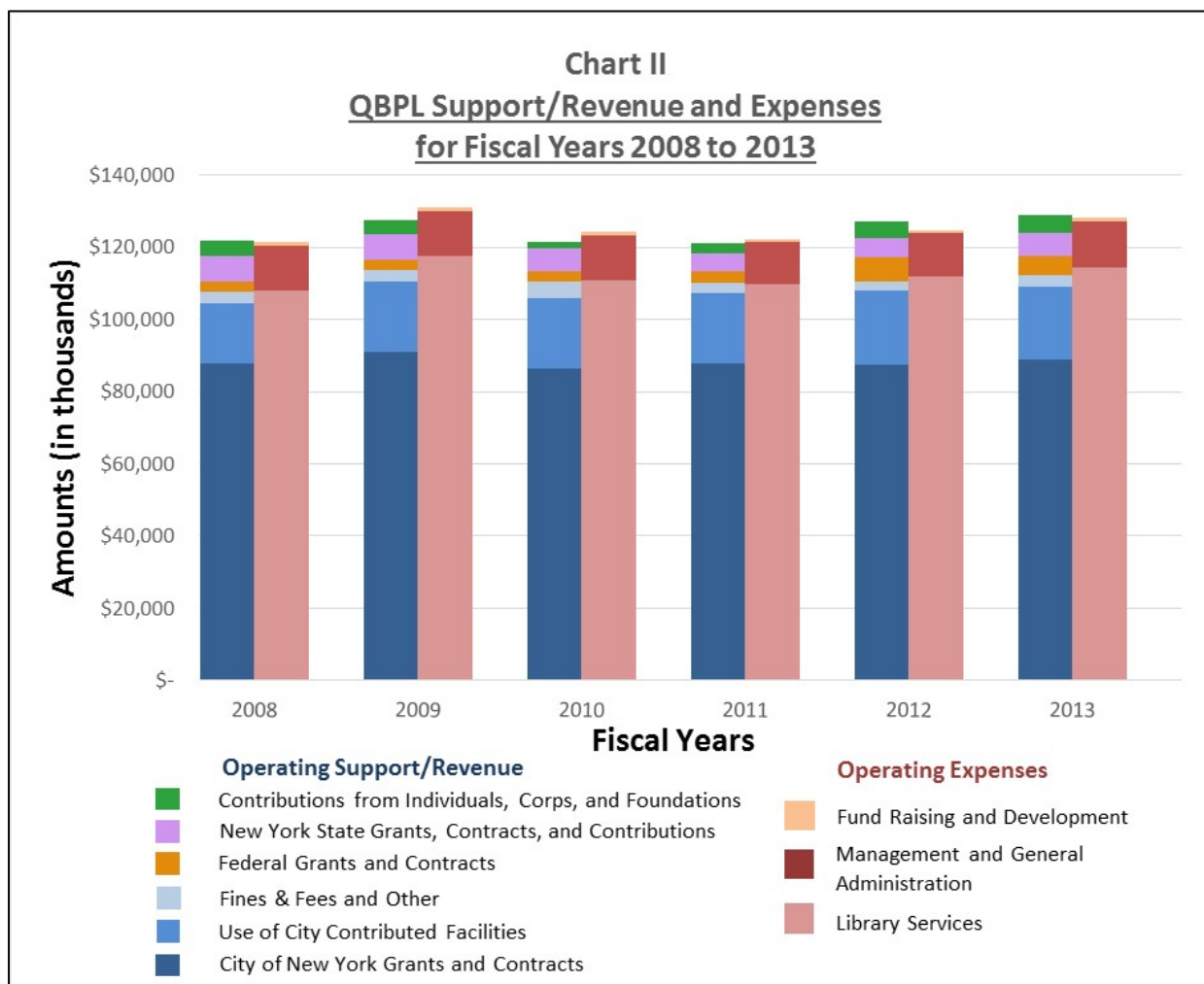
In June 2014, New York State revised the law governing the appointment and term of Board members. Following these revisions, the QBPL experienced significant changes in Board membership and subsequent management restructuring. The Mayor and the Queens Borough President dismissed eight trustees in July 2014, including seven trustees who had served on the Board for more than ten years.³ Subsequently, one additional trustee resigned from the Board. In December 2014, the Board terminated the employment of the longstanding Chief Executive Officer (the CEO) and appointed the former Chief Operating Officer (the COO) to act as interim-

³ One of the dismissed trustees was appointed in 1972.

CEO with responsibility for overseeing the day-to-day operations of the QBPL.⁴ In addition, after the termination of the CEO, five executive staff members resigned from their employment.

These changes in the QBPL’s governance occurred prior to a court determining whether to vacate the 1997 settlement agreement limiting the Comptroller’s audit authority with respect to the QBPL. Following the appointment of new members of the Board, the Board voted to release all of its financial records to the Comptroller in connection with this audit.

As reported on the QBPL’s certified financial statements, for Fiscal Years 2008 to 2013, the QBPL received \$121 to \$129 million in revenue and support, with at least 85 percent directly derived from the City in the form of cash and in-kind contributions, such as buildings and municipal services. Chart II shows the QBPL’s revenue and support and various types of expenditures during Fiscal Years 2008 to 2013.⁵



⁴ The former CEO was hired by the QBPL in 1987 as a Business Manager. Prior to his appointment as Library Director in July 2005, he served as the Acting Director and the Deputy Library Director for Finance and Administration, among other positions.

⁵ The revenue and support did not include any capital contributions provided by the City, State, or federal government for capital improvements on Library facilities.

The QBPL's day-to-day operations are managed by a CEO, a COO, and a Chief Financial Officer (the CFO), who together with other senior managers are responsible for the overall administration of the QBPL's operating units. The Board oversees the work of these senior managers.

Objectives

The objectives of this audit were to determine whether the QBPL:

- Appropriately authorized and recorded the Library's expenditures and whether those expenditures were necessary for the operation of the Library; and
- Complied with the applicable laws, rules, and regulations governing the use of the QBPL's funds.

Scope and Methodology Statement

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS), except for organizational independence as noted in the subsequent paragraph. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. This audit was conducted in accordance with the audit responsibilities of the Comptroller as set forth in Chapter 5, §93, of the New York City Charter.

The Comptroller is one of the five *ex-officio* members of QBPL's Board required under New York State law. The *ex-officio* trustees, in conjunction with the appointed trustees, comprise the Board of the QBPL. The Comptroller sits on the Board through an *ex-officio* representative. Neither the Comptroller nor his representative on the Board were involved in the audit process.

The scope period of this audit was Fiscal Years 2008 through 2013, which spanned from July 1, 2007, through June 30, 2013. Please refer to the Detailed Scope and Methodology section at the end of this report for the specific audit procedures and detailed tests conducted during the course of this audit.

Discussion of Audit Results

The matters covered in this report were discussed with QBPL officials during and at the conclusion of this audit. A preliminary draft report dated May 19, 2015, was sent to the QBPL and was discussed at an exit conference on June 2, 2015. On June 17, 2015 we submitted a draft report to QBPL officials with a request for comments. We received a written response from the QBPL on July 1, 2015.

In its response, the QBPL stated that,

Overall, the audit findings were accurate in reflecting Library practices prior to the implementation of reforms and added internal controls, including new and revised policies and procedures; a process that is ongoing. The audit findings included opinions regarding appropriate expenses and operational decisions that will be reviewed carefully by the administration and Board, including the context in which those decisions were made. The audit scope reflects the practices of a prior administration; the current administration and Board of Trustees has made oversight, transparency and financial controls a priority.

The full text of the QBPL's response is included as an addendum to this report.

FINDINGS

The QBPL failed to ensure that adequate financial controls were in place to properly allocate and expend its resources. As a result of these control deficiencies, QBPL officials failed to provide reasonable assurance that public resources were expended appropriately in accordance with the Library's mission and applicable laws. Further, our audit found that the Board did not ensure that key financial controls were in place, and we identified many questionable expenditures and practices as a result. Among other weaknesses, the QBPL lacked oversight over its executives' credit card expenditures, failed to properly account for managerial employees' work hours, and failed to report all reportable compensation on certain executives' W-2s.

In addition, we found that the QBPL failed to substantiate its bases for repeatedly allocating the majority of the Library's expenditures in its financial records to the City Fund, causing it to operate with multi-year deficits, while other non-City unrestricted funds that could have been used for these expenditures carried surpluses. Notably, QBPL executives repeatedly requested additional funds from the City to cover basic operating costs, while the non-City funds that had previously not been subject to the Comptroller's audits were used to pay for many of the questioned expenditures rather than being applied toward the QBPL's operating deficits.

Finally, our audit could not substantiate the reasonableness of the QBPL management's decision to increase management compensation while decreasing Library hours and reducing staff, all during a period when the Library was experiencing financial difficulties.

The QBPL Failed to Ensure the Proper Expenditure of Library Funds

The QBPL failed to institute proper fiscal controls and ensure that Library funds were properly spent to fulfill the Library's mission of providing library services to the residents of Queens. The audit found that as a result of management failures and a lack of oversight, questionable expenditures were made that appear contrary to the Library's purposes and may have resulted in improper reporting to the United States Internal Revenue Service (the IRS).

Lack of Oversight over Credit Card Expenditures

The QBPL failed to ensure proper use of its executives' credit cards, resulting in approximately \$106,000 in insufficiently documented or otherwise questionable expenses in Fiscal Year 2013: \$75,217 was paid without proper documentation or authorization, \$832 was paid in sales tax that the QBPL was not required to pay, and \$30,938 was paid for purchases that do not appear consistent with the Library's mission. Further, none of the CEO's credit card expenditures, including \$110,822 during Fiscal Year 2013, were reviewed and approved before they were paid by the QBPL. In addition, in Fiscal Year 2013, QBPL executives spent \$14,302 with Library credit cards for meals attended by members of the Board. Finally, through our examination of purchases on the QBPL's credit cards, we determined that the Library failed to enforce its Credit Card, Purchasing, Business Travel, and Educational Assistance policies.

The QBPL authorized thirteen members of its executive and purchasing staff to use its credit cards to pay for "actual and necessary expenses incurred in the performance of work-related duties of the Library." According to the QBPL's Credit Card Policy:

- Credit cards are to be used for QBPL authorized purchases of goods and services that require a credit card and do not accept other payment methods. A QBPL credit card may also be used as a means of expediting the acquisition of goods and services where normal purchasing procedures might result in operational delays. Personal charges are strictly prohibited.
- All purchases must be made in accordance with QBPL’s Purchasing Policy.
- The cardholder must be the person placing an order.
- Authorized QBPL employees must submit detailed documentation, including itemized receipts for all charges which have been incurred in connection with QBPL-related business for which the credit card was used. Business purposes and budget codes must be written on the detailed documentation and submitted to Finance within five business days of charge. Failure to submit original receipts will result in an employee being held personally liable for the undocumented charge.
- Any individual who makes an unauthorized purchase with a QBPL credit card is required to reimburse the QBPL for the purchase.

We reviewed all credit card purchases by all users in Fiscal Year 2013 to determine compliance with the Credit Card Policy and found that the QBPL paid for \$76,049 in credit card expenses (26 percent of the total \$292,806 credit card expenditures for Fiscal Year 2013) in violation of its policies prohibiting disbursements without adequate back-up documentation, purchases by individuals other than authorized card users, and payment of sales tax where purchases should have been exempt from tax. Table I summarizes our findings.

Table I
Credit Card Expenditures That Did
Not Comply with the QBPL’s
Credit Card Policy during Fiscal
Year 2013

Credit Card	Total Credit Card Charges	Without Receipts/ Itemized Receipts	Restaurant Charges Without Purpose or Attendees Stated	Used by Unauthorized Personnel	Sales Tax Paid *
Chase	\$165,304	\$18,661	\$25,033	\$20,320	\$49
American Express	\$104,378	\$2,031	\$4,633	\$1,492	\$783
Citibank	\$23,124	\$1,012	\$2,035	\$ -	\$ -
Total	\$292,806	\$21,704	\$31,701	\$21,812	\$832

* For goods purchased only, not including restaurant charges.

In addition, our review found that QBPL officials used the Library’s credit cards for \$30,938 in questionable purchases that did not appear consistent with the Library’s mission between July 1, 2012, and June 30, 2013. While relatively small in dollar value when compared with the total annual budget for the Library, these questionable expenditures are notable because they appeared to benefit specific senior QBPL officials rather than the Library or its users. They included entertainment purchases, such as the CEO’s purchase of four “Maroon 5” concert tickets for \$1,963, with the stated purpose of being for “employee appreciation.” Though these tickets were apparently intended to be given to other QBPL employees, we were informed that the CEO

was one of three senior QBPL executives who attended the concert, and the QBPL was unable to account for who used the fourth ticket. Other questioned charges included \$422 in groceries purchased on a Friday at a Connecticut supermarket, ostensibly for a “strategic planning meeting” with the QBPL’s senior management team. However, other Library records do not corroborate that a strategic planning meeting took place on this day.

According to the QBPL’s CFO, all credit card charges were supposed to have been approved by the supervisors of the authorized credit card users. However, this approval process is not described in the Credit Card Policy. Moreover, the CEO’s credit card charges were not approved by any QBPL personnel or by the Board during the audit scope period. From July 2007 to December 2013, the CEO made \$670,004 of unreviewed credit card charges. In Fiscal Year 2013 alone, his unreviewed credit card charges were \$110,822. In January 2014, the Board established a new procedure requiring it to review and approve all of the CEO’s credit card expenditures going forward. However, no express approval was given for credit card expenditures prior to January 2014.

In addition to our analysis of whether an expense was properly documented or otherwise questionable, we identified \$39,196 in in-town meal expenses charged to the QBPL during Fiscal Year 2013 by the CEO and the COO. However, the Credit Card Policy did not state whether and under what circumstances such expenses would be permissible.⁶ In addition, members of the Board benefited from some of the in-town restaurant charges. Between July 1, 2012, and June 30, 2013, fourteen restaurant charges, totaling \$14,302, were made for meals and alcoholic beverages held with Board members after Board or Administrative Committee meetings.⁷ However, the QBPL generally provided catered food for the trustees during the Board meetings that preceded these dinners out. The average cost of the Board meeting restaurant dinners ranged from \$47 to \$110 per person. The total paid by the QBPL included at least \$877 in alcoholic beverages consumed during ten trustee meals, held for the stated purpose of discussing Library business.

We also noted that according to the QBPL’s Credit Card Policy, credit cards should only have been used to purchase goods or services when no other payment method was accepted or where operational delays would result from using another payment method. This provision was supposed to establish a control on expenditures ensuring that Library procurement policies designed to minimize cost and maximize value were employed for Library purchases. In addition, the Purchasing Policy generally requires the Director of Procurement to purchase all furniture for the Library through a competitive process. However, in apparent violation of those policies, the CEO used one of his QBPL credit cards on March 24, 2013, to purchase \$8,313 in furniture, which included an English mahogany desk for his office that cost \$3,275. The QBPL could not provide documents to support that it obtained price quotations from at least three vendors when acquiring these furniture items, a requirement applicable to the Library’s furniture purchases.

We further found that QBPL officials failed to consistently obtain written approvals before attending out-of-town conferences. According to the QBPL’s Business Travel Policy, employees are required to fill out an “Employee Conference Request Form” and obtain approval from

⁶ The Credit Card Policy prohibits use of QBPL credit cards for “personal” purchases. Under federal law, regular in-town restaurant meals with coworkers are nondeductible personal expenses, even when the employees are carrying on substantial business during the meals. See Moss v. Comm’r of Internal Revenue, 758 F.2d 211 (7th Cir. 1985) (daily lunch meetings of law firm at restaurant are not tax-deductible). In addition, meals can be deductible only if properly documented. 26 U.S.C. § 274(d). Given the presence of other QBPL employees at the in-town restaurant meals discussed herein, some portion of the value of these meals may be taxable to persons other than the CEO and COO.

⁷ The Administrative Committee is a sub-committee that oversees the general administration of the QBPL, estimates the amounts required for the proper maintenance, and regulates the imposition and collection of fines and contributions.

appropriate personnel 30 days prior to the conference date. However, when we requested all the Employee Conference Request Forms for the employees who were also the authorized corporate credit card users during Fiscal Year 2013, the QBPL was only able to provide five such forms. Upon review of the credit card expenses, we found eleven instances of out-of-town trips that were not accompanied by the appropriate authorizations. The non-compliant employees included, but were not limited to, the CEO and the COO. When questioned about the missing documentation, the CFO asserted that the CEO and COO were exempt from the policy and that the Board would only approve the CEO's international travel during Board meetings. However, the Business Travel Policy does not provide such an exemption and the CFO was not able to furnish any documents to support the existence of this exemption. In fact, the COO later stated that she was not aware that she needed to obtain prior approval to attend out-of-town conferences. In addition, we found the QBPL paid for movie expenses when employees attended out-of-town conferences; such expenditures were also prohibited by the QBPL's Business Travel Policy.

Lastly, the QBPL paid for text books for the COO's graduate study program that were also expressly prohibited by the Education Assistance Policy.

Managerial Employees' Work Hours Not Accounted For

The QBPL did not adequately account for its managerial employees' daily work hours. Based on our review of QBPL timekeeping records, the QBPL did not require managerial employees to fill out timesheets. Rather, managers were only required to manually document the dates of any absences on a "Monthly Report of Absences" (Absences Report). We found that the Absences Reports did not capture whether these employees worked the 35 hours per week required by the QBPL because the reports did not require managerial employees to state the number of hours they worked each day.

This is a particular weakness in the case of the CEO who was, with the Board's permission, allowed to work a second job as a consultant to the Elmont Union Free School District (Elmont). The Board specifically gave the CEO permission to:

provide outside consulting services as [the CEO] has in his positions of Deputy Library Director and Interim Library Director, provided that such services do not, in the sole discretion of the Board of Trustees of the Library, interfere with [the CEO's] duties as Director of the Library or with [the CEO's] obligations under this Employment Agreement. [The CEO] represents he currently is performing consulting services only for the Elmont School District. In the event [the CEO] wishes to perform consulting services for any other entity or person, [the CEO] shall notify the President of the Board of Directors of such proposed other consulting services before they are commenced.

The foregoing portion of the CEO's employment agreement was entered into in 2005 and reaffirmed in 2006, 2008, 2010, and 2012. The agreement also forbids the CEO from conducting any other outside business without consent of the Board.

Elmont records indicate that the CEO billed Elmont for approximately twenty hours per week and earned between approximately \$150,000 and \$200,000 annually, for a total compensation of about \$1.67 million between January 2005 and June 2014. We have determined by comparing QBPL records and Elmont records that the CEO billed Elmont for five or more hours of work on

100 days that he claimed to also be working for the QBPL.⁸ The lack of documentation of the times when the CEO was actually performing Library duties raises questions about whether he in fact performed 35 hours of services for the Library as required in addition to the approximately 20 hours a week he billed to Elmont. In addition to the long hours he claimed on certain days to be working for both the QBPL and Elmont, we found numerous credit card expenses that raised questions about the CEO's business purposes at the time of the charges. For example, a QBPL credit card receipt showed that the CEO purchased gasoline in Wilton, Connecticut (in the vicinity of his residence), on July 16, 2012, at 12:58 p.m., while his Absences Report for July 2012 indicated that he did not take any time off. In another example, on December 3, 2012, a credit card receipt showed that the CEO was in Norwalk, Connecticut, purchasing gasoline at 11:43 a.m. Once again, his Absences Report for December 2012 did not indicate that he took any time off on that date. Due to the absence of proper documentation, we have no way to know if the CEO was engaged in Library business at these times or not.

The QBPL Did Not Report All Executive Compensation on W-2s

The QBPL did not accurately report all "other compensation" on certain executives' W-2s as required by IRS guidelines.⁹ The QBPL provided vehicles for the CEO and COO to enable them to conduct Library business, but which they were also allowed to use for personal purposes. Under IRS guidelines, the personal use of an employer-supplied vehicle is considered part of an employee's compensation package, the value of which is taxed accordingly. The QBPL required the CEO and COO to each maintain a log to document each business trip for which they used their vehicles and the mileage driven on each trip. Based on this mileage log, the QBPL determined the percentage of personal use of the vehicles to be reported as "other compensation" on the executives' W-2s.

However, our review found that while the QBPL followed IRS guidelines in reporting the value of personal use of the vehicles themselves as "other compensation" on the CEO's and COO's W-2s, it failed to similarly report the value of fuel paid for by the Library that was used on these personal trips. Based on the car usage logs and the total credit card charges for fuel made by the CEO and COO, we calculated that for Calendar Years 2012 and 2013, \$12,396 in fuel was charged by the CEO that was not used on work related trips, and \$4,151 in fuel was charged by the COO that was not used on work related trips. This fuel usage for apparently personal purposes was not listed as part of either the CEO's or COO's "other compensation" on their W-2s. Consequently, these employees may have understated their incomes in their tax returns.

Inadequate Oversight by the Board of Trustees

The Board did not adequately perform its oversight responsibilities to ensure that Library resources were used effectively and efficiently. As stated in the Handbook for Library Trustees of New York State, a trustee or board member must exercise due diligence and care to ensure that financial resources are being used efficiently and effectively toward meeting the institution's goals, exercise fiduciary duties for the use of public and private funds, and adopt policies and rules

⁸ In one particularly extreme example, the CEO represented to Elmont that he spent 7.75 hours on work for the school district on a single day where his Library calendar listed him as busy with meetings from 10 a.m. – 8:30 p.m. and attending a scheduled dinner from 8:30 p.m. – 10:30 p.m. Thus, if he worked for 7.75 hours immediately after the dinner without sleeping, he would have finished his work at 6:15 a.m. the next day.

⁹ A W-2 is a wage and tax statement that reports taxable compensation of employee earnings in a calendar year. Employees use the W-2s to report their personal income to the IRS and state and local governments.

regarding library governance and use. However, our audit found that the Board did not ensure that key financial controls were in place. Among other weaknesses, our review revealed that:

- The Board did not take appropriate measures to address the multi-year deficit in the City Fund operations until Fiscal Year 2014. As stated in the Handbook for Library Trustees of New York State, which is incorporated in its entirety in the QBPL's current Manual for Trustees, "Public Library boards are legally responsible for the library's finances and financial management. As custodians of public funds, trustees must be accountable in their management of the library's money." Our analysis of the QBPL's fund balances revealed that the Board continuously reported an operating deficit in the QBPL's City Fund ranging from \$5.7 million in Fiscal Year 2010 to \$6.9 million in Fiscal Year 2013. However, the QBPL's records do not substantiate the necessity of the QBPL's allocation of expenses to the City Fund in excess of the City's Fund's available resources.¹⁰ As a result, we were not able to substantiate the legitimacy of these deficits. We note that, in Fiscal Year 2014, the QBPL took action to eliminate the deficit in the City Fund.
- Only three out of the 22 sampled financial operations policies were approved by the Board.
- Many of the existing Board-approved and unapproved policies and procedures were insufficient to ensure that resources were properly used. For example, the QBPL's policies and procedures do not provide written guidelines on the limit, types of approvals, and documentation that was required for in-town business meal expenses. As a result, from fiscal years 2008 through 2013, QBPL officials used the Library's credit cards to pay for \$183,785 in NYC-area meals that did not appear to be for necessary Library business purpose. According to the QBPL's Credit Card Policy, "The Queens Library permits the use of credit cards and a Library Corporate Purchasing card by authorized Library employees to pay for actual and necessary expenses incurred in the performance of work-related duties for the Library." Based on our documentation review, we were not able to confirm that these credit card charges were associated with the performance of actual and necessary work-related duties of the Library.
- The Board failed to monitor the CEO's credit card expenses and allowed the QBPL's management, which included and was overseen by the CEO, to develop its own procedures for the approval of credit card expenditures.
- The Purchasing Policy did not require the QBPL to publish in any newspapers or websites when it intended to solicit goods or services for the Library. This practice is not in the best interest of the QBPL because it limits the number of vendors who will submit proposals or bids. According to QBPL officials, they revised the solicitation process to include advertisement in the City Record in 2014.
- The Board did not ensure that established control policies were enforced by QBPL officials. For example, we found that QBPL officials did not comply with the Library's Purchasing Policy when acquiring goods or services for the Library's operation. Of the 72 vouchers that we reviewed, we found eight instances where goods or services were delivered to the Library before the QBPL issued the purchase orders. In addition, the QBPL did not obtain Board approvals for two contracts that were over \$35,000—a required procedure stated in the QBPL's Purchasing Policy. By circumventing these

¹⁰ As previously noted and discussed in more detail below, non-City unrestricted funds were available for expenses charged to the City Fund that resulted in these deficits. However, as also noted, some of these unrestricted funds were instead used to pay expenditures we have questioned, such as concert tickets and dinners held after catered meetings.

control procedures, QBPL officials avoided the proper oversight when using Library resources.

- The Board did not exercise due diligence to verify that information provided in Personnel Action Reports submitted to the Board by QBPL management was accurate. There were 41 instances where new hires (including the COO), employee promotions, retirements, and termination information was not included in reports presented to the Board. In addition, the Board approved salaries for new hires, promotions, and merit increases without reviewing information justifying such increases.

Due to these significant control deficiencies, the QBPL incurred expenses that may have been inappropriate, excessive, or unnecessary for the Library's operation.

The QBPL Failed to Appropriately Allocate Expenditures Resulting in Multi-Year City Fund Deficits

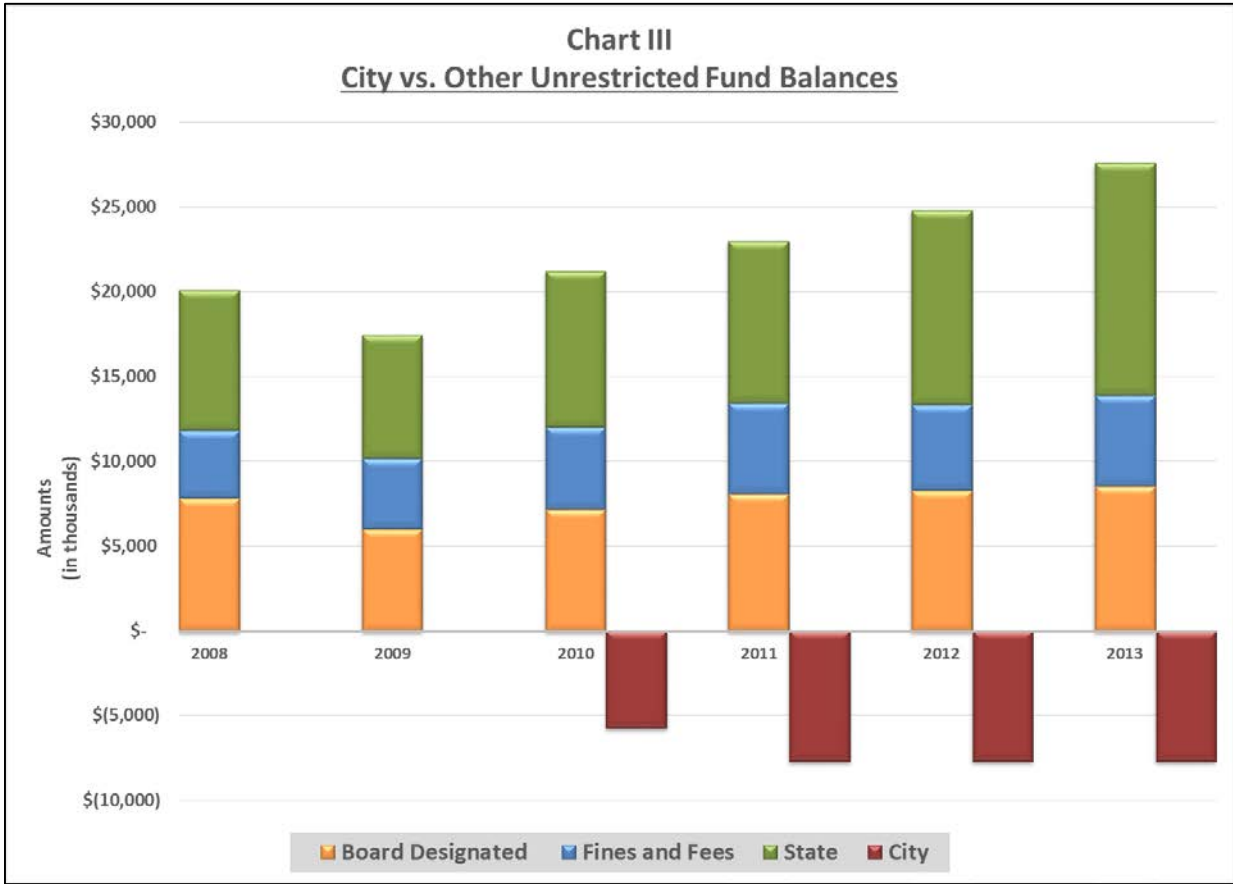
The QBPL disproportionately allocated its expenditures between its various funds, which resulted in multi-year deficits in the City Fund balance while the other Library funds containing unrestricted funds carried surpluses.¹¹ Citing financial difficulties, QBPL executives repeatedly requested additional funds from the City to cover basic operating costs, while the non-City funds that had previously not been subject to the Comptroller's audits were running surpluses. The QBPL records its revenue based on the source of the money received. Thereafter, based on its source, revenue is allocated to a different "fund" in the QBPL's financial records, such as the City Fund, the Fines and Fees Fund, the Worker's Compensation Fund, the State Fund, the Federal Fund and the Board-Designated Fund. The QBPL charges its expenditures to different funds based on the nature of the expenses and any applicable restrictions and limitations on the use of money allocated to each of these funds.¹²

However, we found that the QBPL's decision to disproportionately allocate expenses to the City Fund may have caused the deficit balance in the Library's City Fund from Fiscal Years 2010 to 2013, while the other three unrestricted funds maintained surpluses. For example, almost all (97 percent) of the general management staff salaries and fringe benefits, totaling \$8.6 million, was charged to the City Fund even though a greater portion of these salaries should have been allocated to other funds to reflect the portion of time that the QBPL's general management staff also performed duties directly related to other funds. The QBPL should ensure its management salaries are allocated appropriately.

Chart III illustrates the 2008 to 2013 fiscal year-end balances of the QBPL's City Fund versus other funds that carried unrestricted surpluses.

¹¹ The QBPL uses a fund accounting structure which includes restricted, unrestricted, and Board-Designated fund accounts. As part of its operation, the QBPL may require that inter-fund transfers be made to cover budgetary needs. Under fund accounting rules, as prescribed by the Governmental Accounting Standards Board's Codification of Governmental Accounting and Financial Reporting Standards, however, each fund should be operated as a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

¹² In addition to the City Fund, the QBPL has unrestricted funds in the Fines and Fees Fund, the State Fund, and the Board-Designated Fund. Being unrestricted, these funds were available to be used for all aspects of the Library's operations.



While the QBPL’s financial reports identified continuous deficits in the Library’s City Fund, our review was not able to substantiate a reasonable basis for these deficits.

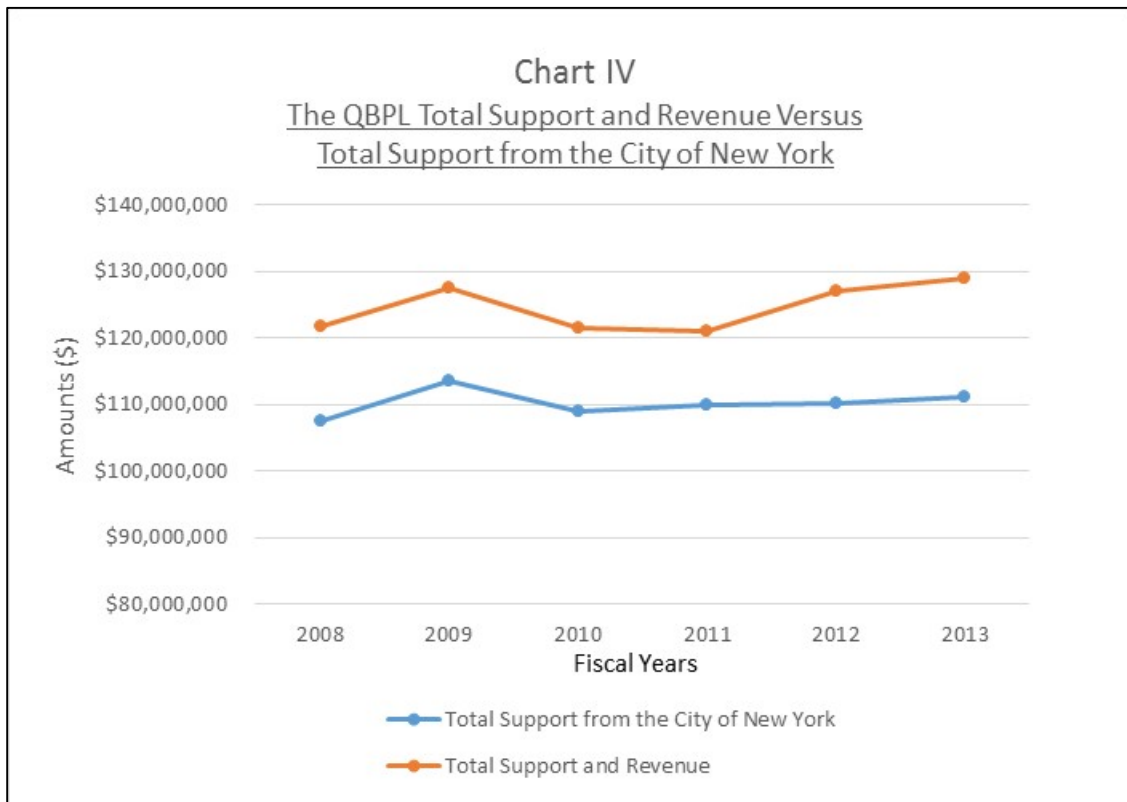
Other Matters

Management Salaries Increased While Branch Services and Support Workforce Decreased

Through trend analyses conducted in connection with this audit, we determined that during the audit period, the QBPL repeatedly increased executive compensation while at the same time reducing the total number of staff members, Library hours, and services. We also noted that the QBPL’s records do not reasonably substantiate the purposes furthered by its multiple decisions to award these increases and bonuses in the face of the other cuts the Library was making. The mission of the QBPL is to provide “quality services, resources and lifelong learning opportunities through books and a variety of other formats to meet the informational, educational, cultural and recreational needs and interests of its diverse and changing population.” Thus, absent adequate documentation, we question whether the QBPL acted prudently to further its mission.

From Fiscal Year 2008 through Fiscal Year 2013, the Library’s support from City appropriations (annual allocations, in-kind services, and the retention of fines and fees) went from \$107.6 million in 2008 to a high of \$113.5 million in 2009 and was \$111.2 million in 2013.

Chart IV below shows the QBPL’s total support and revenue versus the total support provided by the City (including appropriations, facilities, and utilities provided by the City).



During Fiscal Years 2008 to 2013, the Library’s average weekly operating hours decreased from 43.7 hours to 39.6 hours and it reduced the salary expenditures for Library branches, programs, and library support by a total of 2.8 percent.¹³ However, during this same period, the total spent on the QBPL’s management and general administration salaries increased by 6.9 percent, from \$6.6 million in Fiscal Year 2008 to \$7.1 million in Fiscal Year 2013.¹⁴ Table II provides a summary of the total spent on salaries for Library service staff, fundraising, and general management compared over time with the average hours that branch libraries were open each week.

¹³ Data on the QBPL’s average weekly operating hours was obtained from Management Reports published by the Mayor’s Office. The reduction in the staff salaries was the result, at least in part, of the QBPL’s reduction of the number of full-time Library branch support staff by a total of 33 percent since June 30, 2008 (see Table II).

¹⁴ We identified management and general administration staff as those staff members who work at the Central Library’s administrative office, such as the Human Resource Department, Finance Department, General Counsel’s Office, and Purchasing Department.

Table II

Salaries and Average Weekly
Operating Hours from Fiscal
Years 2008 to 2013

	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	Change FY 08-13'
Average Weekly Operating Hours	43.7 hours	43.2 hours	42.7 hours	39.3 hours	39.6 hours	39.6 hours	-4.1 hours
% Change	N/A	-1.1%	-1.2%	-8.0%	0.8%	0%	-9.4%
Salaries for Library Services (Branches, Programs, and Library Support)	\$60,965,435	\$67,280,236	\$64,304,487	\$61,604,004	\$60,666,651	\$59,237,840	-\$1,727,595
% Change	N/A	10.4%	-4.4%	-4.2%	-1.5%	-2.4%	-2.8%
Salaries for Fundraising and Development	\$502,123	\$552,826	\$548,060	\$543,008	\$513,567	\$593,619	\$91,496
% Change	N/A	10.1%	-0.9%	-0.9%	-5.4%	15.6%	18.2%
Salaries for Management and General Administration	\$6,644,793	\$6,855,133	\$6,968,633	\$6,216,069	\$6,615,725	\$7,102,075	\$457,282
% Change	N/A	3.2%	1.7%	-10.8%	6.4%	7.4%	6.9%

Chart V illustrates the reductions in the number of Library service employees from Fiscal Years 2008 to 2013.

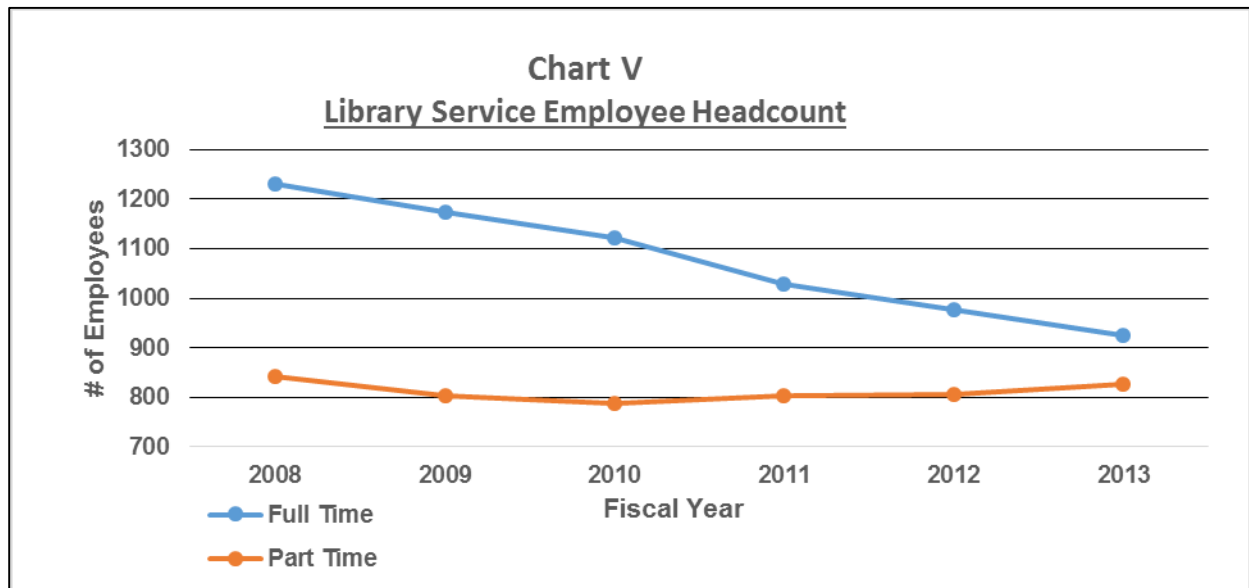
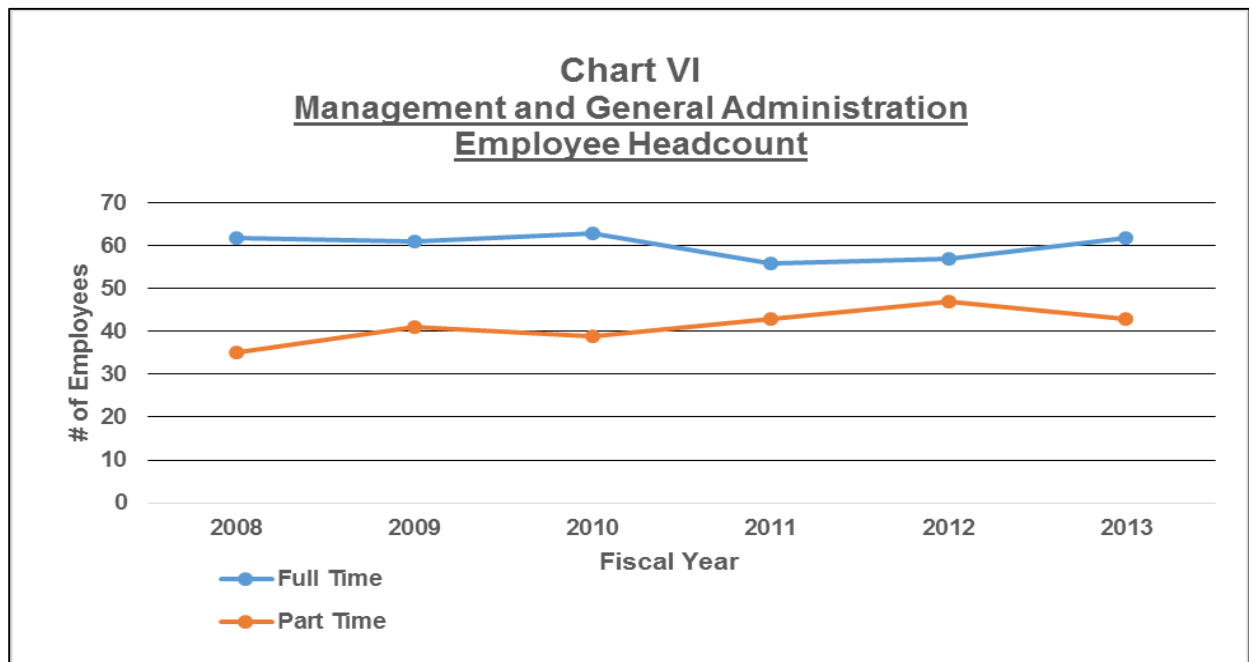


Chart VI illustrates the increase in management and general administration employees from Fiscal Years 2008 to 2013.



As our audit determined, while the QBPL reduced the number of support staff and Library hours, it granted merit raises, salary adjustments, and bonuses or stipends to senior managerial staff based on what the QBPL justified as the managerial employees' good performance or additional assumed responsibilities.

Table III below provides a summary of salary increases and bonuses for 52 managerial employees made in Fiscal Years 2008 through 2013.

Table III

Salary Increase, Bonuses,
and Stipends for Managerial
Employees for Fiscal Years
2008 to 2013

Fiscal Year	Number of Active Employees Reviewed	Number of Employees Who Received Salary Increases	Total Salary Increase (Per Annum)	Number of Employees Who Received Bonuses/ Stipends	Total Bonuses Distributed
2008	37	24	\$191,469	3	\$26,190
2009	40	29	\$204,000	2	\$19,500
2010	40	31	\$264,964	1	\$20,000
2011	37	4	\$85,840	5	\$36,000
2012	33	3	\$72,229	4	\$53,500
2013	37	7	\$64,596	6	\$44,000
Total¹⁵	52	38	\$883,098	13	\$199,190

Of the total salary increases of \$883,098 reflected in Table III, \$433,696 (49 percent), went to eleven executive staff (21 percent).¹⁶ In addition, six of those same executive staff members also received bonuses or stipends during this period totaling \$153,000. Of the \$153,000, \$67,000 was given to the Library's interim CFO from Fiscal Years 2008 to 2013, who himself volunteered to our audit staff that he has no accounting or financial experience.

It should be noted that on numerous instances, the CEO testified before the City Council that budget cuts had forced the Library to cut back on extraneous expenditures. This included testimony in May 2011, during a hearing on the QBPL's budget, the CEO testified that the QBPL had cut spending for administrative expenses "to the bone and . . . past the bone." Therefore, we question the reasonableness of the QBPL management's decision to grant bonuses and salary increases to its executive staff during a time of financial difficulty when Library hours and service staff were being reduced.

¹⁵ Total represents the total number of employees who had salary increase or received bonuses during Fiscal Years 2008 to 2013.

¹⁶ An Executive employee is an individual who has the title of Vice President or President.

RECOMMENDATIONS

The QBPL should:

1. Revise its policies and procedures to ensure that proper Board and managerial oversight responsibilities are established and exercised for all aspects of the Library's operations, including but not limited to the activities of the CEO and other executive staff.

QBPL Response: "The Library accepts this recommendation and has implemented new policies and procedures over the past year that have strengthened fiscal accountability. In accordance with best financial practices, all policies will be reviewed and updated regularly"

2. Ensure the establishment and enforcement of proper financial controls for the effective use of the QBPL's resources.

QBPL Response: "As discussed at the exit conference, the Library accepts this recommendation. In addition to the initiatives, policies and procedures outlined in the Library's response to Recommendation 1 above, the Library has implemented enhanced training, communication and review of all documentation for expenses incurred in compliance with the new policies issued."

3. Revise the timekeeping policy to ensure all employees, including managerial employees, properly account for their work hours.

QBPL Response: "The Library accepts this recommendation; we are in the final phase of selecting a vendor to implement an automated time, leave and scheduling system for all employees in the organization. Policies and procedures will be implemented in coordination with best practices and the new system roll out."

4. Review prior W-2s issued by the QBPL to determine the value of any income not properly stated and take appropriate action, including reissuing any W-2s, if necessary.

QBPL Response: "The Library accepts this recommendation and will continue to review all reportable compensation. In accordance with IRS rules and regulations the Library will reissue W-2s to reflect any income not properly stated as outlined in the audit report."

5. Recoup the value of any improper personal expenditures from credit card users or revise the W-2 forms to include the personal charges as wages of the staff.

QBPL Response: "The Library accepts this recommendation and will continue to review credit card expenditures that are questionable or appear to be inconsistent with the Library's mission. If determined to be personal in nature, the Library consistent with Library policy and IRS rules and regulations, will endeavor to recoup the value or revise the W-2 forms as appropriate."

6. Ensure going forward that all compensation is included as taxable income on employees' W-2s.

QBPL Response: “The Library accepts this recommendation and will ensure that all reportable compensation is included as taxable income on employees' W-2's going forward.”

7. Establish a reasonable methodology to properly allocate costs among different funds.

QBPL Response: “We will take this recommendation under advisement. The Library will review how similar not-for-profit institutions allocate costs among funds, and if necessary, seek input from the Library's auditors, and with input from the Board of Trustees, will establish a methodology for allocating expenses among funds that is appropriate and consistent with the purposes of the funds and statutory and contractual obligations of the Library with the City of New York and other revenue sources in accordance with best practices of not-for-profit entities.”

8. Maintain accurate records to support fund allocations and other financial and operational decisions, including raises, bonuses, staff reductions, and reductions in services.

QBPL Response: “The Library accepts this recommendation and will ensure that fund allocations, and employee related compensation modifications will be documented.”

9. Review the QBPL's policies and procedures to ensure that they adequately promote the mission of the Library and ensure the proper allocation of resources.

QBPL Response: “As described in response to Recommendation I above, new policies and procedures have been reviewed, revised and implemented to ensure compliance with the Library's mission.”

DETAILED SCOPE AND METHODOLOGY

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS) except for organizational independence as noted in the subsequent paragraph. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. This audit was conducted in accordance with the audit responsibilities of the City Comptroller as set forth in Chapter 5, §93, of the New York City Charter.

The Comptroller is one of the five *ex-officio* members of QBPL's Board as required by the New York State laws. The *ex-officio* trustees, in conjunction with the appointed trustees, comprise the Board of the QBPL. The Comptroller sits on the Board through a representative. Neither the Comptroller nor his representative on the Board was involved in the audit process.

The scope of this audit was Fiscal Year 2008 through Fiscal Year 2013 (July 1, 2007 to June 30, 2013).

To gain an understanding of the QBPL's operations, we reviewed the agreements between Andrew Carnegie and the City, QBPL's by-laws, Trustees Manual, Board minutes, the QBPL's policies and procedures, federal tax forms 990, certified financial statements, and all other relevant financial information pertaining to the QBPL's operations. We also conducted a trend analysis of the QBPL's financial information to identify any unusual trends and outliers. In addition, we interviewed the Chairman of the Board, the CFO, the former Vice President of Human Resources, and the Vice President of Purchasing to determine their roles and responsibilities and to gain a better understanding of the Library's operations.

We obtained and analyzed the general ledgers, balance sheets, profit and loss statements and supplementary information to the financial statements. To determine whether the QBPL accurately reported the financial positions of its City Fund in the financial statements, we traced the revenue and expense account balances, as of June 30, 2013, from the general ledger to the Supplementary Statements of Support, Revenue and Expenses. We also reviewed the inter-fund transfers to determine the necessity and appropriateness of the transfers.

To determine whether the QBPL properly recorded the tax levy funds in the general ledgers, we obtained the City funding reports for Fiscal Year 2013 and traced the funds to the general ledger. We also determined whether the QBPL properly recorded the book sale proceeds by reviewing contracts with the vendor that resells the Library's books through the Internet and the revenue statements that the vendor submitted during Fiscal Year 2013.

To determine whether the QBPL accurately recorded the payroll expenditures in its general ledger, we judgmentally selected the payroll register for the period November 25, 2012 through December 8, 2012. We then traced the payroll expenses to individual general ledger accounts for accuracy. We also determined whether the QBPL accurately allocated its payroll expenditures among funds and cost centers. In addition, we reviewed the methodology that the QBPL used to allocate managerial staff salaries to determine the reasonableness of the allocation for the QBPL's indirect cost.

Additionally, we judgmentally sampled 120 employees (based on the pay grades established by QBPL) out of 1,248 full-time employees whose salaries were primarily paid by tax levy funds and reviewed their personnel files to determine whether these employees had relevant qualifications

and/or experiences for the positions, and the QBPL properly justified, authorized, and documented the employees' raises and/or promotions.¹⁷ We also judgmentally selected two of the 120 sampled employees and traced their salaries from the payroll reports to their W-2s to determine whether the QBPL properly reported the employees' income on their W-2s.

To determine whether the compensation to the CEO were reasonable and justified, we reviewed the CEO's employment contract and the subsequent amendments, and analyzed the historical data that the QBPL used to formulate the CEO's annual salary in Fiscal Year 2005. We also reviewed the surveys that the QBPL used to support the CEO's annual cost of living adjustments.

In addition, we analyzed the CEO's timesheets and billing statements for the secondary employment at the Elmont School District from January 2005 through June 2014. We then compared the QBPL records related to the CEO's daily activities to Elmont time and billing records to identify any inconsistencies with his work hours. To determine whether QBPL complied with its purchasing policies and procedures and that the purchases were necessary for the Library's operation, we summarized the Other Than Personal Service (OTPS) expenditures based on the category and judgmentally selected five vouchers that had the highest dollar amounts (If there were less than five vouchers within a category, we selected all the vouchers). Using this method, we selected 56 vouchers from City Fund and 16 vouchers from Fines and Fees Fund. We then reviewed the supporting documentation to determine whether purchases were supported with invoices, properly approved, had required number of bids or price quotations, and complied with other elements of the QBPL's Purchasing Policy.

To determine whether the QBPL complied with its Credit Card Policy, we judgmentally selected all the credit card expenditures incurred in Fiscal Year 2013 to be our sample. We then reviewed the supporting documents to determine whether credit card expenditures are supported, properly authorized, and necessary for Library operations. We also traced the credit card expenses to the general ledger to determine whether all credit card expenses are recorded in the general ledger accurately. Based on our review of the Fiscal Year 2013 credit card expenditures, we expanded our samples to cover all in-town restaurant charges from fiscal years 2008 to 2012 as well. In addition to using the QBPL's Credit Card Policy, we also use IRS guidelines to determine whether the credit card expenditures were necessary business expenditures.

To determine whether proper controls were in place over contract selection process, we judgmentally selected three contracts from the 72 OTPS sample vouchers that we reviewed. We then obtained the procurement files to determine whether the solicitation process was fully documented, separation of duties was evident, and that selection was complied with the QBPL's procurement policies and procedures.

To determine whether Library branches were properly maintained and that the Library's business hours matched the hours posted on the QBPL's website, we judgmentally selected 30 of the 62 Library branches, based on geographic locations, and performed physical observations of the selected library branches. To determine whether the QBPL properly insured its properties, we obtained and reviewed the insurance policies.

¹⁷ We selected 100 percent of the upper management employees (from pay grades 15 to 17), 10 percent of the lower management employees (from pay grades 10 to 14), and 5 percent from non-managerial/union employees.



Bridget Quinn-Carey
Interim President & Chief Executive Officer

July 1, 2015

Marjorie Landa
Deputy Comptroller for Audit
City of New York
Office of the Comptroller
1 Centre Street – Room 1100
New York, N.Y. 10007-2341

Dear Ms. Landa:

We are in receipt of the draft of the Audit Report on the Financial and Operating Practices of Queens Borough Public Library dated June 17, 2015. As requested in your correspondence dated June 17, 2015, I am submitting the Library's overall response and a response that addresses each recommendation made in the draft audit report.

Overall, the audit findings were accurate in reflecting Library practices prior to the implementation of reforms and added internal controls, including new and revised policies and procedures; a process that is ongoing. The audit findings included opinions regarding appropriate expenses and operational decisions that will be reviewed carefully by the administration and Board, including the context in which those decisions were made. The audit scope reflects the practices of a prior administration; the current administration and Board of Trustees has made oversight, transparency and financial controls a priority.

Recommendations 1: *Revise its policies and procedures to ensure that proper Board oversight responsibilities are established and exercised for all aspects of the Library's operations, including but not limited to activities of the CEO and other executive staff.*

The Library accepts this recommendation and has implemented new policies and procedures over the past year that have strengthened fiscal accountability. In accordance with best financial practices, all policies will be reviewed and updated regularly.

Many new initiatives have been implemented over the past year that include the establishment of a new Audit Committee to oversee all audit functions, whistleblower and conflicts of interest issues; financial training for the Board of Trustees; increased transparency through public disclosure of Library financial statements and Form 990s (retroactive for the last five years); the first annual budget hearing with public participation; and the following policies that establish increased accountability and oversight:

July 1, 2015
Marjorie Landa
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- a. A revised Business Expense Policy was adopted that establishes a new review and approval process for business expenses incurred by all employees including the CEO, COO and CFO. The policy provides clear allowable expense guidelines and approval procedures.
- b. The Credit Card Policy will be revised to reflect new procedures, already in place, that require the Chairperson of the Library's Board of Trustees to approve the credit card charges made by the CEO on a monthly basis.
- c. A revised Professional Development/Institutional Advancement Policy was adopted, strengthening policy and procedures for conference attendance and participation.
- d. A new Budget Policy that provides a broad framework for budget decisions and implements a process to ensure efficient and transparent financial planning, including the new requirement to hold a budget hearing.
- e. A revised Conflict of Interest Policy for all employees, including Senior Officers and Trustees in accordance with the Nonprofit Revitalization Act. A new Disclosure of Wrongful Conduct & Prohibition Against Retaliation (Whistleblower) Policy that outlines the policy and procedures for reporting wrongful conduct.
- f. A Public Access to Records of the Queens Borough Public Library Policy was issued to outline the procedures to provide public access to information pursuant to the Freedom of Information Law (FOIL).

In addition, a revised Purchasing Policy is in progress and will be coordinated with the internal audit process further described in response to Recommendation 2 that is scheduled to begin in the first quarter of Fiscal Year 2016. Additional policies will be implemented to ensure oversight in coordination with the Board of Trustees. All financial policies will be reviewed by the Board of Trustees.

Recommendation 2: *Ensure the establishment and enforcement of proper financial controls for the effective use of the QBPL's resources.*

As discussed at the exit conference, the Library accepts this recommendation. In addition to the initiatives, policies and procedures outlined in the Library's response to Recommendation 1 above, the Library has implemented enhanced training, communication and review of all documentation for expenses incurred in compliance with the new policies issued.

The Board of Trustees, at the recommendation of the Audit Committee, has engaged an auditing firm to begin an on-going internal audit of all operational areas of the Library, based upon a risk assessment already performed. We anticipate that recommendations resulting from this audit will lead to the establishment of new and enhanced internal controls.

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Marjorie Landa
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Recommendation 3: *Revise the timekeeping policy to ensure all employees, including managerial employees, properly account for their work hours.*

The Library accepts this recommendation; we are in the final phase of selecting a vendor to implement an automated time, leave and scheduling system for all employees in the organization. Policies and procedures will be implemented in coordination with best practices and the new system roll out.

Recommendation 4: *Review prior W-2s issued by the QBPL to determine the value of any income not properly stated and take appropriate action, including reissuing any W-2s if necessary.*

The Library accepts this recommendation and will continue to review all reportable compensation. In accordance with IRS rules and regulations the Library will reissue W-2s to reflect any income not properly stated as outlined in the audit report.

Recommendation 5: *Recoup the value of any improper personal expenditures from credit card users or revise the W-2 forms to include the personal charges as wages of the staff.*

The Library accepts this recommendation and will continue to review credit card expenditures that are questionable or appear to be inconsistent with the Library's mission. If determined to be personal in nature, the Library, consistent with Library policy and IRS rules and regulations, will endeavor to recoup the value or revise the W-2 forms as appropriate.

Recommendation 6: *Ensure going forward that all reportable compensation is included as taxable income on employees' W-2s.*

The Library accepts this recommendation and will ensure that all reportable compensation is included as taxable income on employees' W-2's going forward.

Recommendation 7: *Establish a reasonable methodology to properly allocate costs among different funds.*

As discussed at the exit conference, this recommendation refers to the allocation of management and general expenses among the various funds maintained by the Library and with the Queens Library Foundation. We will take this recommendation under advisement. The Library will review how similar not-for-profit institutions allocate costs among funds, and if necessary, seek input from the Library's auditors, and with input from the Board of Trustees, will establish a methodology for allocating expenses among funds that is appropriate and consistent with the purposes of the funds and statutory and contractual obligations of the Library with the City of New York and other revenue sources in accordance with best practices of not-for-profit entities.

July 1, 2015
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Recommendation 8: *Maintain accurate records to support fund allocations and other financial and operational decisions, including raises, bonuses, staff reductions and reductions in services.*

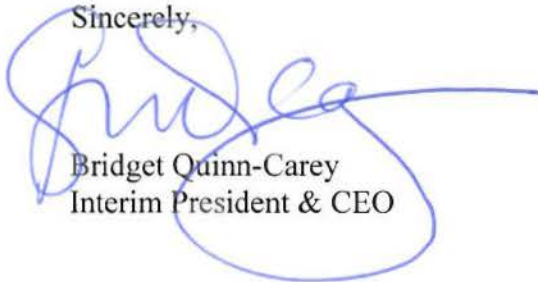
The Library accepts this recommendation and will ensure that fund allocations, and employee related compensation modifications will be documented.

Recommendation 9: *Review the QBPL's policies and procedures to ensure that they adequately promote the mission of the Library and ensure the proper allocation of resources.*

As described in response to Recommendation 1 above, new policies and procedures have been reviewed, revised and implemented to ensure compliance with the Library's mission.

We appreciate the audit work done by the Comptroller and his staff. Strengthening the Library's fiscal accountability is a top priority for the Board of Trustees and management. The recommendations provided in this report are certain to assist us in meeting that goal.

Sincerely,



Bridget Quinn-Carey
Interim President & CEO