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 Economic Development Corporation

FN19-067A

May 22, 2019

http://comptroller.nyc.gov

THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
SCOTT M. STRINGER

May 22, 2019

To the Residents of the City of New York:

My office has audited the Queens Economic Development Corporation (QEDC) to determine whether the QEDC maintained adequate controls over its fiscal operations, complied with internal policies and procedures, by-laws, and applicable City and State rules and regulations, and expended City funds in accordance with its City contracts. We audit not-for-profit entities such as QEDC that receive City funds to perform services for the City to help ensure that they are providing the required services to the City by complying with their City agreements, their internal rules and with applicable laws and regulations.

The audit found that the QEDC provided the required programs and deliverables as set forth in its City agreements. However, the QEDC did not maintain adequate controls or enforce its existing controls over its timekeeping, purchasing, and fiscal activities. In addition, the QEDC did not always adhere to its own by-laws and written policies in multiple areas of its operations. Further, the audit found that the Board failed to maintain documentation to support its assessment of the Executive Director's performance; failed to have its members complete and submit annual written disclosure statements identifying any conflicts and potential conflicts of interest; and failed to hold the minimum number of Board meetings that its by-laws require.

The audit makes 10 recommendations to the QEDC and its Board. The recommendations to the QEDC include that the QEDC should strengthen its internal controls over timekeeping, petty cash, and other areas of operations; ensure that all consulting services are acquired and documented with current contracts; and maintain sufficient documentation in its personnel files. The audit also recommends that the Board of the QEDC should review consultant contracts in accordance with the by-laws; conduct formal, documented reviews of the Executive Director's performance; and ensure that all Board members complete an annual disclosure statement of any conflicts and potential conflicts of interest.

The results of the audit has been discussed with the QEDC, and its comments have been considered in preparing this report. The QEDC's 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,

Scott M. Stringer

TABLE OF CONTENTS

THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
FINANCIAL AUDIT

Audit Report on the Financial and Operating Practices of the Queens Economic Development Corporation

FN19-067A

EXECUTIVE SUMMARY

The Queens Economic Development Corporation (the QEDC) was established as a not-for-profit corporation in 1976 with its stated mission to promote the creation and retention of jobs in the Borough of Queens. The QEDC also helps entrepreneurs create businesses and helps communities establish Business Improvement Districts to revitalize commercial districts in the Borough of Queens.

The QEDC's Board of Trustees (the Board) oversees the organization as its governing body. The QEDC's operations are guided by internal policies and procedures, and the QEDC must also comply with the reporting and other requirements detailed in its funding agreements with New York City (City), New York State (State), and federal government organizations.

For Fiscal Year 2017, the QEDC reported revenue totaling $1,921,408, including $472,551 it received from the City through six agreements with the Department of Small Business Services and the Department of Youth and Community Development. In addition to its City funding, the QEDC receives funding from State and federal agencies and generates additional revenue from program fees, investment income from its rental property, and interest income.

We conducted this audit to determine whether the QEDC: (1) maintained adequate controls over its fiscal operations; (2) complied with internal policies and procedures, by-laws and applicable City and State rules and regulations; and (3) expended City funds in accordance with its City contracts.

Audit Findings and Conclusions

Although the QEDC provided the required programs and deliverables as set forth in its City agreements, it did not maintain adequate controls or enforce existing controls over its timekeeping, purchasing, and fiscal activities, including the use of the corporate credit card and the issuance of checks for disbursements exceeding $1,000. As a result, we were unable to determine whether the QEDC accurately allocated its expenses to City programs and whether the amount of the City's reimbursement was appropriate.

In addition, the QEDC did not always adhere to its own by-laws and written policies in multiple areas of its operations. Specifically, the QEDC did not properly document and authorize the majority of its petty cash reimbursements; did not properly renew and obtain Board's review and approval for its contracts and multi-year engagements with independent consultants; and did not maintain adequate documentation to support its human resources (HR) activities, such as its hiring and payment of salary increases to employees. Moreover, we found that the Board failed to maintain documentation to support its assessment of the Executive Director's performance; failed to have its members complete and submit annual written disclosure statements identifying any conflicts and potential conflicts of interest; and failed to hold the minimum number of Board meetings that its by-laws require.

Audit Recommendations

To address these issues, we make 10 recommendations to the QEDC, including 5 addressed specifically to its Board.

Specifically, the QEDC should:

1. Strengthen the organization's internal controls by:
    - Implementing a timekeeping system that accounts for each employee's time-in/time-out hours allocated to each City program, and total number of hours worked, and that also tracks each employee's accrual and use of vacation, sick leave, and compensatory time, and allows management to review and approve, in a timely manner, the information recorded in the system;
    - Ensuring vacation time requests are properly approved;
    - Implementing written policies and procedures to govern all use of any corporate credit card, including a provision requiring independent, documented, review of all credit card charges, including those of the Executive Director, based on parameters established by the Board;
    - Revising current petty cash processes and implementing written policies and procedures that clearly segregate the custodial, authorizing, and record-keeping functions and require independent review and approval, by one or more designated officials, of all expenses and reimbursements paid with QEDC funds;
    - Revising the Petty Cash Reimbursement form to include the name and dated signature of the approver on the form; and
    - Establishing written procurement procedures to ensure that each acquisition is reviewed and approved prior to the earlier of (1) the QEDC's incurring any obligation to pay for a purchase, or (2) its acquisition of goods and/or services.
2. Maintain proper documentation, including the Petty Cash Reimbursement forms and original receipts, for all petty cash reimbursements.
3. Ensure that all consulting services payable with corporate funds are acquired and documented with current, written contracts and that all consultant contracts are properly and timely renewed with clear deliverables, payment terms, service periods, and other important terms.

4. Ensure that all consultant contracts that require renewal are timely submitted to the Board for review and approval.
5. Ensure that sufficient documentation is maintained in personnel files to appropriately support the QEDC's employment decisions, including but not limited to hiring, salary increase, and termination actions as required by the HR Policy.

We also recommend that the Board take the following measures to strengthen governance of the organization:

6. Review consultant contracts annually, on a fiscal year basis, or prior to renewal whichever comes first, in accordance with the by-laws.
7. Ensure that the minimum number of Executive Committee Meetings and Regular Meetings is conducted each year.
8. Conduct formal, documented reviews of the Executive Director's performance and ensure that any and all associated personnel activity is adequately documented and supported, including without limitation an assessment of all areas of the Executive Director's performance, the QEDC's determination of whether the Executive Director should remain in title, and whether any adjustment to the amount of or method for establishing or adjusting the Executive Director's compensation is warranted.
9. Ensure that all Board members, prior to initial election and annually thereafter, complete, sign, and submit to the Board Secretary or a designated compliance officer the required written statement for the disclosure of any conflicts and potential conflicts of interest.
10. Ensure that its conflict of interest policy meets the requirements of the Not-for-Profit Corporation Law, the QEDC Board should review, with assistance of counsel, the current statute and the most recent public guidance document[s] issued by the New York State Attorney General's Office, noting, in addition to the disclosure requirements for Board members, the requirements concerning "key persons," "related party transactions," and other pertinent topics, determine what if any changes should be made to its own written policies, procedures and by-laws, and designate an official or Board committee to monitor and report to the Board any future changes in the applicable law that require Board action.

The QEDC's Response

The QEDC agreed to implement all of our recommendations.

AUDIT REPORT

Background

In 1976, the QEDC was established as a not-for-profit corporation with the mission to promote the creation and retention of jobs in the Borough of Queens. To accomplish its mission, the QEDC oversees various programs that provide assistance to small businesses, and promote tourism and business development. The QEDC also helps entrepreneurs create businesses and helps communities establish Business Improvement Districts to revitalize commercial districts in the Borough of Queens.

The QEDC is overseen by the Board, the organization's governing body, whose members are required to adhere to its by-laws.[1] The QEDC's operations are also guided by internal policies and procedures related to its HR and accounting functions. Aside from its by-laws and internal policies and procedures, the QEDC must also comply with the reporting and compliance requirements detailed in its funding agreements with the City, the State, and federal government organizations.

In Fiscal Year 2017, the QEDC reported revenue of $1,921,408 and expenses of $1,890,421. Of the QEDC's reported revenue for Fiscal Year 2017, $472,551 (24.6 percent) was provided by the City through six agreements with the Department of Small Business Services and the Department of Youth and Community Development, which funded various program costs.[2] In addition to its agreements with the City, the QEDC also receives funding from State and federal agencies. The QEDC generates additional revenue from program fees, investment income from its rental property, and interest income.

Objectives

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

- maintained adequate controls over its fiscal operations;
- complied with internal policies and procedures, by-laws, and applicable City and State rules and regulations; and
- expended City funds in accordance with its City contracts.

Scope and Methodology Statement

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. 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 the audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objectives. This audit was conducted in

[1] Currently, the Board operates with 20 members for unlimited terms and so may serve indefinitely. New members are selected based on recommendations to the Board's Nominating Committee.
[2] The City agreements require the QEDC to review and submit to the City program expenditures which are in line with the allowable reimbursable expenses as detailed in the agreement. After submission, the City would approve the reimbursement requests if appropriate.

accordance with the audit responsibilities of the City Comptroller as set forth in Chapter 5, §93, of the New York City Charter.

The scope of this audit was Fiscal Year 2017 (July 1, 2016 through June 30, 2017). 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 QEDC officials during and at the conclusion of this audit. A preliminary draft report was sent to the QEDC on April 3, 2019 and was discussed at an exit conference held on April 26, 2019. On May 6, 2019, we submitted a draft report to the QEDC with a request for written comments. We received a written response from the QEDC on May 17, 2019.

In its response, the QEDC agreed to implement all the recommendations. The full text of the QEDC's response is included as an addendum to this report.

FINDINGS

The QEDC provided the required programs and deliverables as set forth in its City agreements. However, we found that the QEDC did not maintain adequate controls or enforce existing controls over its timekeeping, purchasing, and fiscal activities, such as the use of the corporate credit card and the issuance of checks for disbursements exceeding $1,000. As a result, we were unable to determine whether the QEDC accurately allocated its expenses to City programs and whether the amount of the City's reimbursement was appropriate. In addition, the QEDC did not always adhere to its own by-laws and written policies in multiple areas of its operations. Specifically, the QEDC did not properly document and authorize the majority of its petty cash reimbursements; did not properly renew and obtain Board's review and approval for its contracts and multi-year engagements with independent consultants; and did not maintain adequate documentation to support its HR activities, such as its hiring and payment of salary increases to employees. Moreover, we found that the Board failed to maintain documentation to support its assessment of the Executive Director's performance; failed to have its members complete and submit annual written disclosure statements identifying any conflicts and potential conflicts of interest; and failed to hold the minimum number of Board meetings in accordance with the QEDC's by-laws.

Internal Control Deficiencies in the QEDC's Fiscal Operations

According to one of the premier nationally-recognized risk management frameworks, "internal control" is defined as "a process, effected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, and compliance."[3] COSO advises that for purposes of supporting an organization in its achievement of objectives, control activities are an integral part of an internal control system and can be defined as "the actions established through policies and procedures that help ensure that management's directives to mitigate risks to the achievement of objectives are carried out."

We found that the QEDC failed to establish adequate controls to govern several areas of its fiscal operations and that its existing procedures were not always followed. Specifically, we found that the QEDC did not establish adequate written guidelines or detailed written procedures for activities such as timekeeping, review of credit card expenditures, approval of reimbursements from petty cash, and the approval of procurements, and that sampled transactions in two of these areas included a significant number of instances of noncompliance with the QEDC's written policies. As a result of these control deficiencies, we were unable to obtain reasonable assurance that the QEDC properly expended its City resources. These matters are discussed in greater detail below.

Inadequate Timekeeping Control Procedures

Although the QEDC's Human Resources Policies & Procedures (HR Policy) requires the QEDC to "maintain accurate records of the time and attendance of all employees[,]" the organization's timekeeping procedures lacked adequate control measures to ensure that the employees' actual work hours were accurately documented. As a result, we were unable to determine whether the

[3] The Committee of Sponsoring Organizations of the Treadway Commission (COSO) is a joint initiative of five private sector organizations (including the American Society of Certified Public Accountants) that developed the COSO Internal Control-Integrated Framework to provide guidance on enterprise risk management, internal control, and fraud deterrence.

sampled $25,498 in payroll expenses that the QEDC incurred during July 2016 and submitted to the City for reimbursement were accurate and appropriate.

According to QEDC officials, the Office Manager documents each employee's presence on a given work day on an Attendance Log for that date, using a single dash mark and without recording the employee's arrival and departure times. From the Attendance Log, the QEDC prepares a Semi-Monthly Timesheet Report (Timesheet Report) that is submitted to the City for reimbursement of a portion of the QEDC's payroll expenses, allocated among the various programs that the QEDC operates under City contract. The allocation is based on a City-approved amount, by job title, for each employee that the QEDC identifies as working on each such program. That budgeted sum, in turn, reflects the portion of the employee's full-time weekly salary, or for part-time employees that portion of their hourly wages that corresponds to the approximate number of hours that the QEDC states the employee normally devotes each week to each program. Thus, the reimbursement formula is time-based. Further, it assumes that QEDC's salaried employees worked full-time, or 35 hours per week, and that part-time employees worked their designated hours, for the organization and divides their work time among several City-funded and other programs.

However, we found that the QEDC does not keep a record, on its Attendance Log or elsewhere, of its employees' actual daily arrival and departure times, the total number of hours each employee worked in a given week, or the number of hours an employee worked on each City agreement. Instead, the information transcribed onto each Timesheet Report submitted to the City is based entirely on the timekeeper's notation—a dash mark—on the Attendance Log that an employee was present on a specific date, with no additional evidence to support the implicit claim that the employee completed a full workday or, alternatively, to show the number of hours the employee worked. In the absence of a contemporaneous, verifiable record of the number of hours each covered QEDC employee in fact worked on any given date, we were unable to determine whether the $25,498 sum that the QEDC claimed and the City reimbursed for the QEDC's July 2016 payroll expenses was based on an accurate accounting by the QEDC and whether the sum was appropriate.

Moreover, upon further review of the QEDC's Attendance Log, we also found that the QEDC did not have sufficient documentation to establish that it had proper approvals of its employees' requests for and usage of vacation, sick, and compensatory time. According to the QEDC's HR Policy,

> vacation dates for each staff member must be approved by the Executive Director or his/her designee. Applications for vacation should be submitted to the supervisor 4 weeks in advance of the proposed vacation dates.

However, the QEDC did not have adequate documentation to substantiate that its employees' vacation time requests and/or usage had been submitted and approved in accordance with its HR Policy. Specifically, we found that two of the approved vacation time requests for two different employees were altered, either before or after they were approved, and one approved request for another employee did not fully cover the number of vacation days the employee took. As a result, we could not determine whether all the vacation days taken by the three sampled employees during the month of July 2016 had been properly approved as required.[4]

The QEDC's HR Policy further states,

---

[4] The QEDC had a total of 17 employees. Our sample includes all the employees that had their payroll expenses reimbursed by the City.

> an employee is required to submit a doctor's statement/note certifying that he/she has been under medical care and is able to return to work under the following circumstances: 1. After an absence of three or more consecutive days. 2. If the employee has been suffering a communicable disease. 3. If the employee has been hospitalized for any reason.

Contrary to the above-cited provision, however, we found that the QEDC did not require employees to submit doctor's notes in any circumstances. During our review of July 2016 timekeeping documentation, we identified one employee who took five consecutive sick days without submitting any supporting documentation as required by the HR Policy.

In addition, we found that the QEDC engaged in timekeeping practices that were not specified in in the QEDC's HR Policy. For instance, the QEDC allowed all employees to take two Fridays off each month during July and August without charging any vacation time. However, we did not find any provision in the written HR Policy permitting such a practice.

Further, we found that with regard to the accrual and usage of compensatory time, the QEDC permits its employees to informally adjust their work schedules to account for extra hours they may work, e.g., if an employee works late on a given day, the employee may leave early on a subsequent day. We further determined that, as with employees' overall work attendance, their usage of compensatory time is not supported by any documentation, such as logs of the employees' actual work hours on any given day, and are not subject to management review and approval. As a result of its informal and undocumented compensatory time practice, the QEDC cannot reasonably determine the accuracy and appropriateness of the compensatory time its employees use. In addition, the practice of having QEDC's employees manage their own compensatory time with no supervisory review and approval was not documented in the QEDC's HR Policy and is not a common timekeeping practice.

As a result of the inadequate timekeeping procedures, instances of non-compliance with existing policy, and timekeeping practices that operate outside of the existing policy, we determined that the level of management review and approval was insufficient to provide reasonable assurance that full-time salaried employees were required to work or charge time off to a verifiable leave balance for a minimum number of hours per week. Without adequate timekeeping procedures, the QEDC cannot reasonably determine whether its employees worked the minimum 35 hours per week as required by its HR Policy. Consequently, the QEDC could not reasonably ascertain whether the payroll expenditures that it submitted to City agencies, and that were reimbursed through the City agreements, were accurate and appropriate. Given that the payroll reimbursements represent the majority of the QEDC's expenditures that are reimbursed by the City (81.8 percent in Fiscal Year 2017), the QEDC should implement and enforce reliable and verifiable timekeeping procedures that are documented in a written policy and procedure to ensure accurate tracking and reporting of employees' work hours and to justify City reimbursement.

Lack of Adequate Review Procedures for Credit Card Expenditures

The QEDC did not establish any written guidelines or implement sufficient procedures governing the review and approval of its corporate credit card purchases. The QEDC in practice assigns responsibility for the review and approval of all corporate credit card purchases to a single person, specifically, the Executive Director. However, because the Executive Director is also one of the QEDC's two authorized corporate credit card users, there is no independent oversight over the

Executive Director's credit card expenditures. According to COSO's *Internal Control - Integrated Framework*, regarding internal control,

> management should consider whether duties are divided or segregated among different people to reduce the risk of error or inappropriate or fraudulent actions. . . . This segregation of duties generally entails dividing the responsibility for recording, authorizing, and approving transactions, and handling the related asset.

Contrary to the COSO guidance, the QEDC has not segregated duties among its staff in relation to the approval of credit card expenditures, which are paid out of the organization's assets. Based on our review of five monthly corporate credit card statements, we found that the Executive Director incurred $6,502 in credit card expenditures with no evidence of independent review.[5]

QEDC officials stated that the Board approves the credit card monthly payments if the amounts exceeds $1,000. However, that approval relates not to the individual credit card expenditures but rather to the total payment the QEDC makes by check to the credit card company to pay the monthly bill; if the amount of the check exceeds $1,000, it is supposed to be countersigned by a Board member. Although the countersigning requirement, if followed, could in theory lead to the Board's review of the underlying individual credit card expenditures, the QEDC has no written policy and procedure prescribing such a review and we found no evidence that any such reviews were conducted in connection with the five credit card statements that the QEDC paid and that we reviewed. As a result of the absence of a review procedure, the QEDC's Executive Director spent $6,502 of QEDC funds through credit card charges during the five monthly periods with no provision having been made for the independent review and authorization of such charges to mitigate the risk of inappropriate spending.

Lack of Segregation of Duties for Petty Cash Reimbursements

The QEDC failed to segregate duties or develop alternative control activities for its petty cash reimbursements. As noted above, according to COSO's *Internal Control – Integrated Framework*, "segregation of duties generally entails dividing the responsibility for recording, authorizing, and approving transactions, and handling the related asset." In addition, when segregation of duties is not practical, management should develop alternative control activities to reduce the risk of error or inappropriate or fraudulent actions.

However, in contrast with the COSO-prescribed segregation of duties or alternative compensating controls, the QEDC places overall responsibility for petty cash with one individual, the organization's Office Manager. She is responsible for maintaining the petty cash fund, including the review of reimbursement requests, paying cash reimbursements, and recording the expense details. This lack of segregation of duties, without any mitigating controls, in the QEDC's petty cash procedures reflects a significant control deficiency. Further, we found that the Office Manager was permitted to reimburse herself for office expenses. Of the 75 petty cash reimbursements totaling $3,730 the QEDC recorded during Fiscal Year 2017, 9 transactions totaling $990 (26.5 percent) involved the Office Manager's review, approval, and reimbursement of her own out-of-pocket expenses with no evidence that any of those reimbursements were reviewed by anyone else in the organization.

[5] The five credit card statements reviewed per our audit cover the periods of June 18, 2016 to July 17, 2016, August 18, 2016 to September 17, 2016, December 18, 2016 to January 17, 2017, January 18, 2017 to February 17, 2017, and April 18, 2017 to May 17, 2017.

As a related matter, we observed that the QEDC's *Petty Cash Reimbursement* form lacked any section that would require, call for, or allow for the signature of a reviewing supervisor or other official that would indicate that a designated person reviewed and approved the reimbursement. Given that shortcoming of the QEDC's *Petty Cash Reimbursement* form and the lack of segregation of duties in the existing procedures concerning expense-reimbursements from petty cash, we were unable to obtain reasonable assurance that those reimbursements were subject to adequate review and approval to reduce the risk of error or inappropriate or fraudulent actions.

Inadequate Approval Procedures for Purchasing and Checks over $1,000

Although the QEDC maintains an *Accounting Manual and Procedure* (Accounting Manual), it contains no procedures for the review and authorization of procurements before the expenses are incurred. A procedure for pre-approval of procurements should be an integral component of a system to ensure that the QEDC is able "to fully account for funds donated by public or provided by the funding sources," a stated objective of the Accounting Manual. During our discussions, QEDC officials informed us that the Office Manager conducts most of the purchasing and the Executive Director would orally approve purchases in advance. However, since no oral approvals were documented, we were unable to attest whether actual approvals were obtained for 23 of the 146 invoices, totaling $79,627, associated with the 47 sampled Other Than Personal Services (OTPS) expenses that the QEDC paid.

Without the proper authorization procedures, the QEDC is unable to determine whether goods and services procured are appropriate and consistent with the mission of the QEDC until after the expenses are incurred.

Our review of the Accounting Manual also found that the QEDC has established, but has not adequately implemented and enforced, written procedures for the authorization of cash disbursements. Specifically, the Accounting Manual states, "[a]ll checks are to be signed by the Executive Director (ED) and one Board member, except for checks less than $1,000. Checks over $1,000 should have two signatures or one signature provided there is an email request to do so from the Executive Director to the other signatories. . . . The request shall be approved and filed." This requirement, if followed, might allow the Board, through one or more of its members, to review expenses, including those incurred for procurements, by becoming aware of at least those payments over $1,000 before they are made. However, upon review of the QEDC's OTPS documentation, we found that the QEDC did not consistently pursue and obtain the required signature or authorization of a Board member for check payments greater than $1,000. Specifically, we found that of the 36 checks for more than $1,000, all of which required dual authorization, 6 checks totaling $50,435 were signed by the Executive Director only and were issued without the required authorization of a Board member. Consequently, the QEDC disbursed $50,435 without the required Board oversight.

The QEDC Did Not Consistently Comply with By-laws and Written Policies

The QEDC did not always adhere to its own written policies and by-laws in multiple areas of its operations. These guidelines are in place as control measures to mitigate the risk of unauthorized use of QEDC resources, unethical and fraudulent behavior, and liabilities. However, in practice the QEDC did not follow its guidelines in several areas as detailed below.

The QEDC Did Not Adequately Support Its Petty Cash Transactions

The QEDC did not consistently require its staff to complete the standard QEDC *Petty Cash Reimbursement* form and obtain the necessary supporting documentation for its petty cash transactions. The purpose of the reimbursement form is to document essential facts of each expense, including the date it was incurred, the purpose of the expense, and the employee who incurred the expense. As prescribed by the QEDC's Accounting Manual, "[a]ll transactions and expenditure[s] should be fully accounted for and supported by documentation and/or proper authorization." However, of the 75 petty cash reimbursements, totaling $3,730, that we reviewed,

- 62 reimbursements (83 percent), totaling $2,521, were not accompanied by the standard QEDC *Petty Cash Reimbursement* form; and
- 7 reimbursements (9 percent), totaling $455, did not have a receipt attached, and 4 of those were also in the abovementioned group that had no *Petty Cash Reimbursement* form.

The QEDC Did Not Execute Written Extensions for Its Contracts with Independent Consultants

The QEDC was unable to furnish current contracts or renewals for its Fiscal Year 2017 payments to three (43 percent) of the seven independent consultants whose payments we reviewed. We also found no evidence in the board minutes that the Board reviewed or was presented with the opportunity to review the continuation of the consultants' services for any of the seven contracts. Consequently, we were unable to obtain reasonable assurance that the $183,539 that the QEDC paid to those seven independent consultants during Fiscal Year 2017 was pursuant to the terms and conditions of service contracts that had been reviewed by the QEDC's Board as the by-laws require. According to section 7 of the QEDC's by-laws, "[t]he functions of the [Board's] Executive Committee [include]: . . . Existing consultant contracts shall be reviewed annually, on a fiscal year basis, or prior to renewal whichever comes first."

The QEDC's failure to execute written extensions or renewals of its consultant contracts and the lack of oversight by the Board of the seven consultants' contracts reflects a significant internal control weakness and violation of the QEDC's by-laws. Without a current written contract, the QEDC's ability to measure its consultants' performance and enforce previously agreed-upon terms may be impaired. Furthermore, the lack of clearly- and currently-defined rights, responsibilities, and liabilities in the relationship between the QEDC and the consultants, combined with the lack of Board review, poses risks to the organization that it has failed to mitigate.

The QEDC Did Not Maintain Required Personnel Documentation

The QEDC did not maintain documentation to support its HR activities as required by its HR Policy. Through our meetings with QEDC officials and review of the personnel files, we learned that in practice the QEDC failed to maintain documentation to support its employment decisions, specifically, hiring actions and significant changes to its employees' compensation paid out of QEDC funds and subject to reimbursement by the City. The QEDC's own HR Policy calls for the organization to retain specific documentation, stating,

> [r]etention and distribution of employee information will be guided by the following conditions. . . . Only such information as is necessary to support employment decisions regarding an individual will be requested and retained. This information includes the employment application form, social security number, W-4 withholding certificate, proof of employment eligibility, job title and description, resume/work history, starting date and salary, hours to be worked, performance appraisals and references, and termination.

Contrary to its own HR Policy, the QEDC was unable to provide key documentation to support its HR functions. Within our assessment of the QEDC's HR recordkeeping practices, we reviewed all eight personnel files for the QEDC employees whose salaries during the month of July 2016 were reimbursed by the City, and we requested documentation that, based on our review, was unavailable in the personnel files. Our review of the eight sampled personnel files and supplemental documentation revealed that QEDC was unable to provide employment applications, starting dates and starting salaries for seven employees, resumes for five employees, and job titles and descriptions for three employees.

Furthermore, the QEDC did not consistently maintain documentation to substantiate that salary increases paid to its employees were appropriately processed and approved. From our review of the payroll registers and various documents in the personnel files, we found that four of the eight sampled employees received salary increases totaling more than $60,000 with no supporting documentation, such as the date of each salary increase, the reason for the increase (such as meritorious service or a promotion), and no evidence of approval by an identifiable QEDC official, in their personnel files. Consequently, we could not determine whether the salary increases, which were reimbursed in part by the City, were appropriately authorized.

Lack of Sufficient Oversight by the Board of Trustees

The Board did not provide sufficient oversight or adhere to key provisions of the QEDC by-laws. As a result, the Board was unable to properly discharge its fiduciary responsibility to ensure that resources were used effectively and efficiently in specific areas of the QEDC's operations.

Required Minimum Number of Board Meetings Not Held

The Board and its Executive Committee failed to conduct the required number of meetings as established by the QEDC's by-laws. According to Article V – Corporate Meetings, Section 2, "Regular Meetings of the Board of Trustees shall be held, with a minimum of six such meetings per fiscal year." Section 4 of the by-laws further states that "[t]he Executive Committee shall meet prior to the Board of Trustees meeting, with a minimum of 6 meetings per year." However, we found that the Board did not conduct the required number of Regular Meetings and Executive Committee Meetings. Specifically, in Fiscal Year 2017, the Board convened only four times to conduct its Regular Meetings, and the Executive Committee held only three meetings.

The QEDC's by-laws establish minimum requirements for the frequency of the Board's and its Executive Committee's meetings to ensure sufficient oversight and guidance are provided to the organization. Without Regular Meetings and Executive Committee Meetings, the Board may not have been able to adequately oversee the QEDC operations and properly uphold its fiduciary duties. Those duties would encompass, for example, Executive Committee review at least once each fiscal year of the QEDC's contracts with all outside consultants, which as noted earlier in this report, was not accomplished for any of the seven consultants' paid by the QEDC in Fiscal Year 2017.

No Evidence That the Board or Its Executive Committee Conducted an Annual Performance Review of the Executive Director's Performance

The Board's Executive Committee was unable to furnish any documentation to support that an assessment of the Executive Director's performance was conducted. Under the QEDC's by-laws, "[t]he performance of the Executive Director shall be reviewed annually." However, our review of the Executive Director's personnel file, and Board and Executive Committee meeting minutes, found no evidence that the Board had evaluated the Executive Director's performance as required. When asked about the matter, key members of the Executive Committee stated that an informal meeting was held with the Executive Director to discuss performance; however, because that informal meeting was not documented, no evidence existed to substantiate the Executive Committee's representation.

Given the significance of the Executive Director's responsibilities at the QEDC, such assessments should be documented and used to support any recommended changes to the Executive Director's employment package. The annual evaluation serves as an important basis for the Board to determine whether the Executive Director is performing satisfactorily, should remain in title, and whether that employee may be entitled to additional compensation or conversely any diminution in compensation. In the absence of a formal documented review and the Executive Committee's inability to furnish supporting documentation, the QEDC may be unable to support any compensation changes and/or continued employment of the Executive Director.

Failure to Comply with Conflict of Interest Disclosure Requirements

The members of the Board failed to complete, sign and submit required annual written statements disclosing any potential conflicts of interest they may have on an annual basis. QEDC officials stated that they were unaware that an annual disclosure statement was required and in turn, did not complete conflict of interest forms until November 2018.

However, according to QEDC's by-laws,

> Corporation members with any present or anticipated financial interests direct or indirect, in any proposal before he [sic] Corporation must disclose said interests fully and abstain from voting on that issue or be liable for expulsion from The Corporation. Disclosure must be made in a timely fashion. Timely disclosure shall consist of written notice to the President or, alternatively, an oral disclosure to the Trustee Meeting.

Section 715-a (c) of the Not-for-Profit Corporation Law further stipulates

> [t]he conflict of interest policy shall require that prior to the initial election of any director, and annually thereafter, such director shall complete, sign and submit to the secretary of the corporation or a designated compliance officer a written statement identifying, to the best of the director's knowledge, any entity of which such director is an officer, director, trustee, member, owner (either as a sole proprietor or a partner), or employee and with which the corporation has a relationship, and any transaction in which the corporation is a participant and in which the director might have a conflicting interest.

In addition to noting the absence of the required written statements for our audit scope period, upon review of the Board and Executive Committee minutes, we were unable to ascertain whether the topic of disclosures of potential conflicts of interest was discussed orally by the Board. The QEDC's unawareness of the disclosure requirements may have been due in part to a lack of consistency between the cited provisions of the QEDC by-laws and the Not-for-Profit Corporation Law. The latter imposes an affirmative obligation on each Board member to complete, sign, and submit a written disclosure statement, including where no conflict or potential conflict is identified.[6] The conflict of interest disclosure requirements, as stipulated in the by-laws and the Not-for-Profit Corporation Law, are in place to ensure the objectivity of business practices and avoid bias in decisions that may impair the QEDC's ability to operate efficiently. A failure to comply with statutory disclosure requirements exposes the QEDC and the Board to the risks associated with undisclosed conflicts and potential conflicts of interest, including the possibility of self-dealing by individuals with fiduciary responsibility to the QEDC.

[6] See *Conflicts of Interest Policies Under the Not-for-Profit Corporation Law, Guidance Document,* N.Y. Attorney General Charities Bureau (September 2018): "The Policy must require that each officer, director and key employee submit to the Secretary prior to initial election to the board, and annually thereafter, a written statement identifying possible conflicts of interest. . . . A conflict of interest disclosure statement is required from directors, officers, and key persons of nonprofits. All types of nonprofits are covered, including religious corporations." pp.7-8.

RECOMMENDATIONS

The QEDC should ensure the following measures are taken.

1. Strengthen the organization's internal controls by:

   - Implementing a timekeeping system that accounts for each employee's time-in/time-out hours allocated to each City program, and total number of hours worked, and that also tracks each employee's accrual and use of vacation, sick leave, and compensatory time, and allows management to review and approve, in a timely manner, the information recorded in the system;

     The QEDC's Response: "The QEDC will research timekeeping systems that can record hours allocated to each City program. Most employees are paid small portions of their salaries through multiple City contracts . . . and we need to insure that timekeeping does not become so time consuming that it takes away from allowing employees to complete tasks and responsibilities necessary to complete the scope of services required in each of our City contracts."

   - Ensuring vacation time requests are properly approved;

     The QEDC's Response: "The QEDC will ensure all vacation time requests are properly approved."

   - Implementing written policies and procedures to govern all use of any corporate credit card, including a provision requiring independent, documented, review of all credit card charges, including those of the Executive Director, based on parameters established by the Board;

     The QEDC's Response: "The QEDC will be revising its internal financial procedures policies and it will include provisions governing the use of all corporate credit cards, including a provision requiring independent, documented, review of all credit card charges, including those of the Executive Director, based on the parameters establishing by the Board."

   - Revising current petty cash processes and implementing written policies and procedures that clearly segregate the custodial, authorizing, and record-keeping functions and require independent review and approval, by one or more designated officials, of all expenses and reimbursements paid with QEDC funds;

     The QEDC's Response: "The QEDC has already begun to revise and is implement[ing] its petty cash procedures. The recommendations will be part of the revised internal financial policies."

   - Revising the Petty Cash Reimbursement form to include the name and dated signature of the approver on the form; and

     The QEDC's Response: "The QEDC has already revised the Petty Cash Reimbursement form to include the name and dated signature of the approver."

   - Establishing written procurement procedures to ensure that each acquisition is reviewed and approved prior to the earlier of (1) the QEDC's incurring any obligation to pay for a purchase, or (2) its acquisition of goods and/or services.

The QEDC's Response: "The QEDC will develop a written procurement policy that will ensure that each acquisition is reviewed and approved prior to the earlier of (1) the QEDC's incurring any obligation to pay for a purchase, or (2) its acquisition of goods and/or services."

2. Maintain proper documentation, including the Petty Cash Reimbursement forms and original receipts, for all petty cash reimbursements.

   The QEDC's Response: "The QEDC has already begun to revise and is implement[ing] its petty cash procedures. The recommendation to maintain proper documentation, including the Petty Cash Reimbursement forms and original receipts, for all petty cash reimbursements will be part of the revised internal financial policies."

3. Ensure that all consulting services payable with corporate funds are acquired and documented with current, written contracts and that all consultant contracts are properly and timely renewed with clear deliverables, payment terms, service periods, and other important terms.

   The QEDC's Response: "The QEDC is currently in the process of reviewing all consulting service contracts to ensure that they are current and detail the deliverables, payment terms, service periods, and other important terms."

4. Ensure that all consultant contracts that require renewal are timely submitted to the Board for review and approval.

   The QEDC's Response: "The QEDC will submit consultant contracts that require renewal be submitted to the Board for review and approval."

5. Ensure that sufficient documentation is maintained in personnel files to appropriately support the QEDC's employment decisions, including but not limited to hiring, salary increase, and termination actions as required by the HR Policy.

   The QEDC's Response: "The QEDC will be revising the current HR Policy. Sufficient documentation will be maintained in personnel files to support the QEDC's employment decisions, including but not limited to hiring, salary increase, and termination actions."

The Board should take the following measures to strengthen governance of the organization.

6. Review consultant contracts annually, on a fiscal year basis, or prior to renewal whichever comes first, in accordance with the by-laws.

   The QEDC's Response: "The Board will review consultant contracts annually, on a fiscal basis, or prior to renewal whichever comes first."

7. Ensure that the minimum number of Executive Committee Meetings and Regular Meetings is conducted each year.

   The QEDC's Response: "The Board shall ensure that the minimum number of Executive Committee Meetings and Regular Meetings is conducted each year."

8. Conduct formal, documented reviews of the Executive Director's performance and ensure that any and all associated personnel activity is adequately documented and supported, including without limitation an assessment of all areas of the Executive Director's performance, the QEDC's determination of whether the Executive Director should remain in title, and whether any adjustment to the amount of or method for establishing or adjusting the Executive Director's compensation is warranted.

The QEDC's Response: "The Board will conduct an annual formal documented review of the Executive Director's performance ensuring that any and all associated personnel activity is adequately documented and supported . . . ."

9. Ensure that all Board members, prior to initial election and annually thereafter, complete, sign, and submit to the Board Secretary or a designated compliance officer the required written statement for the disclosure of any conflicts and potential conflicts of interest.

   The QEDC's Response: "We are in the process of compiling signed, written statements for the disclosure of any conflicts and potential conflicts of interest from all Board members and will do so annually."

10. Ensure that its conflict of interest policy meets the requirements of the Not-for-Profit Corporation Law, the QEDC Board should review, with assistance of counsel, the current statute and the most recent public guidance document[s] issued by the New York State Attorney General's Office, noting, in addition to the disclosure requirements for Board members, the requirements concerning "key persons," "related party transactions," and other pertinent topics, determine what if any changes should be made to its own written policies, procedures and by-laws, and designate an official or Board committee to monitor and report to the Board any future changes in the applicable law that require Board action.

    The QEDC's Response: "The QEDC Board, with the assistance of counsel, will ensure that its conflict of interest policy meets the requirements of the Not-for-Profit Corporation Law noting any requirements concerning 'key persons,' 'related party transactions,' and other written policies, procedures and by-laws. A QEDC official or Board committee will be assigned to monitor and report to the Board any future changes in the applicable law that require Board action."

DETAILED SCOPE AND METHODOLOGY

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. 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 scope of this audit was Fiscal Year 2017. To assess the QEDC's overall financial operations, we reviewed and analyzed the financial data reported on the QEDC's 990 Tax Forms, "Return of Organization Exempt from Income Tax." We also obtained an understanding of the services and programs that the QEDC provided based on the tax forms and internet research. In addition, we obtained and abstracted the investment property agreement entered into by the QEDC, the Hollis Local Development Corporation, and the Roger Fisher Family to determine whether any restrictions applied to the investment income.

We conducted walkthroughs of the QEDC's overall operations, payroll, timekeeping, and accounting practices to gain a general understanding of the QEDC's operations. We also obtained the QEDC's policies and procedures to assess the QEDC's internal controls. To gain an understanding of the Board's oversight roles and responsibilities and identify significant events, we obtained and reviewed the by-laws and the minutes of the Board and Executive Committee meetings for all of Fiscal Years 2016 and 2017. To further understand the Board's roles and responsibilities, we conducted a walk-through with the Executive Director of the QEDC, and the President and Vice President from the Executive Committee. We documented our understanding of the QEDC's operations and internal controls in place through memoranda and flowcharts. We then compared the existing internal control procedures with the COSO guidelines and identified any weaknesses.

To assess the Board's oversight of the QEDC's operations, we reviewed the Board's minutes and determined whether the Board completed the required number of Regular Meetings and Executive Committee Meetings in accordance with the QEDC by-laws. We also inquired whether formal evaluations of the Executive Director's performance were conducted as required by the QEDC's by-laws. Lastly, we requested the conflict of interest disclosure forms for the Board members and determined whether sufficient disclosure procedures were performed in accordance with the QEDC's by-laws and the New York State (NYS) Not-for-Profit Law. We further determined whether the QEDC's by-laws contained all the conflict of interest provisions as required by the NYS Not-for-Profit Law. The QEDC's aforementioned policies and procedures, by-laws, and provisions of contracts with the City were used as audit criteria along with applicable sections of the NYS Not-for-Profit Law and COSO guidelines.

We obtained and analyzed the QEDC's general ledger and financial statements to gain an understanding of the QEDC's financial operations. We then summarized the general ledger accounts and identified the periods with the largest expenses to facilitate future substantive testing. To assess the accuracy and completeness of the general ledger, we reconciled the general ledger accounts to the certified financial statements.

We obtained an understanding of the petty cash reimbursement procedures and reviewed all petty cash transactions for Fiscal Year 2017 to determine whether those transactions were reasonable, properly supported, and approved in accordance with the Accounting Manual. We also determined whether there were adequate controls in place over petty cash reimbursements.

For the QEDC's Personal Service expenditures, we obtained and reviewed the organization's payroll registers for July 2016. We chose July 2016 since it was the month with the highest grossing Personal Service expenditures. From the payroll registers, we traced the salary information for all eight employees with salaries reimbursed by the City to the general ledger to determine whether the salary expenses were accurately recorded. We then requested and reviewed the personnel files associated with the eight sampled employees. As part of our review of the personnel files, we tested for completeness of documentation to support each employee's title, job description, and salary changes and compliance with the QEDC's HR Policy. We also cross-checked the salary information in QECD's personnel files and payroll registers to assess the accuracy and completeness of both documents. We obtained the Attendance Log and Timesheet Reports for the month of July 2016. We then cross-checked the information on the Attendance Log against to the Timesheet Reports to determine the accuracy, completeness and reliability of the Personal Service expenses information reported to the City. We compared the information provided in the Attendance Log and Timekeeping Report against the requirements set forth in the HR Policy. We further extracted all vacation, personal, sick and other leave information from the Attendance Log and requested all supporting documentation and approvals to assess the compliance with the HR Policy. From the leave analysis, we also identified areas of the QEDC's operations which were not governed by the HR Policy.

For the QEDC's OTPS expenditures, we selected a random sample of 47 out of 373 OTPS expenses totaling $324,017 from a population of $730,616 from 12 general ledger accounts and year-end adjustments based on our review of the general ledger and obtained the supporting documentation. These accounts were selected based on materiality and our risk assessment. Based on our review of the supporting documentation, we determined whether the QEDC's reported expenses were accurate, appropriately approved, supported and compliant with the Accounting Manual. The OTPS expenses sampled included the payments made to independent consultants from which we requested the contracts and determined whether the agreements were up-to-date and consistent with the expenses incurred. We determined whether the independent consultant agreements were reviewed on an annual basis as required by the QEDC's by-laws. We also reviewed five months of corporate credit card statements associated with our sampled OTPS transactions to determine whether the QEDC's expenses were properly reviewed.[7]

Finally, we obtained and reviewed all City funding agreements to which the QEDC was party during Fiscal Year 2017. We then judgmentally sampled all expenses that the QEDC had submitted and for which it had been reimbursed for the month of July 2016 and reviewed the corresponding documentation for those transactions to determine whether the expenses were appropriate, supported, and met the criteria specified in the funding agreements.

The results of our tests, while not projectable to their respective populations, provided a reasonable basis to support our findings and conclusions within the context of our audit objectives.

[7] The five credit card statements reviewed per our audit cover the periods of June 18, 2016 to July 17, 2016, August 18, 2016 to September 17, 2016, December 18, 2016 to January 17, 2017, January 18, 2017 to February 17, 2017, and April 18, 2017 to May 17, 2017.

QEDC

Queens Economic Development Corporation
120-55 Queens Boulevard, Suite 309
Kew Gardens, NY 11424
Tel 718 263 0546
Fax 718 263 0594
www.queensny.org

May 17, 2019

Ms. Marjorie Landa
Deputy Comptroller for Audit
Office of the NYC Comptroller
David N. Dinkins Municipal Building
1 Centre Street, Room 1100
New York, NY 10007

Dear Ms. Landa:

We have received a copy of the audit report FN19-067A from your office and have met with your staff to discuss the findings. We pleased that the report noted that the Queens Economic Development Corporation provided the required programs and deliverables as set forth in our City agreements.

Attached please find detailed responses to the audit.

Sincerely,

Seth Bornstein
Executive Director

Cc: Emily Lin
Tracy Capune

QUEENS ECONOMIC DEVELOPMENT CORPORATION
COMMENTS IN RESPONSE TO AUDIT FN19-067A
May, 2019

The QEDC should ensure the following measures are taken.

1. Strengthen the organizations' internal controls by:

- Implementing a timekeeping system that accounts for each employee's time-in/out hours allocated to each City program, and the total number of hours worked, and that also tracks each employee's accrual and use of vacation, sick leave and compensatory time, and allows management to review and approve and approve, in a timely manner, the information recorded in the system.

The QEDC will research timekeeping systems that can record hours allocated to each City program. Most employees are paid small portions of their salaries through multiple City contracts (that are aggregated into their final salary) and we need to insure that timekeeping does not become so time consuming that it takes away from allowing employees to complete tasks and responsibilities necessary to complete the scope of services required in each of our City contracts. It should be noted that the QEDC has performed all services as required by our City contracts including satisfying the requirements of our contracting agency audits which include acceptable timekeeping records.

- Ensuring vacation time requests are properly approved.

The QEDC will ensure all vacation time requests are properly approved.

- Implementing written policies and procedures to govern the use of all corporate credit card, including a provision requiring independent, documented, review of all credit card charges, including those of the Executive Director, based on the parameters establishing by the Board.

The QEDC will be revising its internal financial procedures policies and it will include provisions governing the use of all corporate credit cards, including a provision requiring independent, documented, review of all credit card charges, including those of the Executive Director, based on the parameters establishing by the Board.

- Revising current petty cash processes and implementing written policies and procedures that clearly segregate the custodial, authorizing, and record-keeping functions and require independent review and approval, by one or more designated officials, of all expenses and reimbursements paid with QEDC funds.

The QEDC has already begun to revise and is implement its petty cash procedures. The recommendations will be part of the revised internal financial policies.

- Revising the Petty Cash Reimbursement form to include the name and dated signature of the approver of the form.

The QEDC has already revised the Petty Cash Reimbursement form to include the name and dated signature of the approver.

- Establishing written procurement procedures to ensure that each acquisition is reviewed and approved prior to the earlier of (1) the QEDC's incurring any obligation to pay for a purchase, or (2) its acquisition of goods and/or services

The QEDC will develop a written procurement policy that will ensure that each acquisition is reviewed and approved prior to the earlier of (1) the QEDC's incurring any obligation to pay for a purchase, or (2) its acquisition of goods and/or services.

1. Maintain proper documentation, including the Petty Cash Reimbursement forms and original receipts, for all petty cash reimbursements

The QEDC has already begun to revise and is implement its petty cash procedures. The recommendation to maintain proper documentation, including the Petty Cash Reimbursement forms and original receipts, for all petty cash reimbursements will be part of the revised internal financial policies.

2. Ensure that all current consulting services payable with corporate funds are acquired and documented with current written contracts and that all consultant contracts are properly and timely renewed with clear deliverables, payment terms, service periods, and other important terms.

The QEDC is currently in the process of reviewing all consulting service contracts to ensure that they are current and detail the deliverables, payment terms, service periods, and other important terms.

3. Ensure that all consultant contracts that require renewal are timely submitted to the Board for review and approval.

The QEDC will submit consultant contracts that require renewal be submitted to the Board for review and approval.

4. Ensure that sufficient documentation is maintained in personnel files to appropriately support the QEDC's employment decisions, including but not limited to hiring, salary increase, and termination actions as required by the HR policy.

The QEDC will be revising the current HR Policy. Sufficient documentation will be maintained in personnel files to support the QEDC's employment decisions, including but not limited to hiring, salary increase, and termination actions.

The Board should take following measures to strengthen governance of the organization.

5. Review consultant contracts annually, on a fiscal basis, or prior to renewal whichever comes first, in accordance with the by-laws.

   The Board will review consultant contracts annually, on a fiscal basis, or prior to renewal whichever comes first.

6. Ensure that the minimum number of Executive Committee Meetings and Regular Meetings is conducted each year

   The Board shall ensure that the minimum number of Executive Committee Meetings and Regular Meetings is conducted each year

7. Conduct formal documented reviews of the Executive Director's performance and ensure that any and all associated personnel activity is adequately documented and supported, including without limitation an assessment of all areas of the Executive Director's performance, the QEDC's determination of whether the Executive Director should remain in title, and whether any adjustment to the amount of or method for establishing or adjusting the Executive Director's compensation is warranted.

   The Board will conduct an annual formal documented review of the Executive Director's performance ensuring that any and all associated personnel activity is adequately documented and supported, including without limitation an assessment of all areas of the Executive Director's performance to determinate whether the Executive Director should remain in title, and whether any adjustment to the amount of or method for establishing or adjusting the Executive Director's compensation is warranted.

8. Ensure that all Board members, prior to initial election and annually thereafter, complete, sign, and submit to the Board Secretary or a designated compliance officer the required written statement for the disclosure of any conflicts and potential conflicts of interest

   We are in the process of compiling signed, written statements for the disclosure of any conflicts and potential conflicts of interest from all Board members and will do so annually.

9. To ensure that its conflict of interest policy meets the requirements of the Not-for-Profit Corporation Law, the QEDC Board should review, with the assistance of counsel, the

current statute and most recent public guidance document[s] issued by the New York State Attorney General's Office, noting, in addition to the disclosure requirements for Board members, the requirements concerning "key persons," "related party transactions," and other written policies, procedures and by-laws, and designate any official or Board committee to monitor and report to the Board any future changes in the applicable law that require Board action.

The QEDC Board, with the assistance of counsel, will ensure that its conflict of interest policy meets the requirements of the Not-for-Profit Corporation Law noting any requirements concerning "key persons," "related party transactions," and other written policies, procedures and by-laws. A QEDC official or Board committee will be assigned to monitor and report to the Board any future changes in the applicable law that require Board action.