



***The City of New York  
Office of the Comptroller  
Bureau of Management Audit***

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**WILLIAM C. THOMPSON, JR.**  
*Comptroller*

**Audit Report on the  
Financial and Operating Practices of the  
Snug Harbor Cultural Center**

**MD02-072A**

***June 24, 2002***

*The City of New York*  
*Office of the Comptroller*  
*Bureau of Management Audit*

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**EXECUTIVE SUMMARY**

**INTRODUCTION**

**Background**

The Snug Harbor Cultural Center Inc. (the Center) is one of 34 cultural institutions that receive financial support from the City of New York through the Department of Cultural Affairs (DCA). The Center's mission is to "provide performing and visual arts to a broad audience." The Center opened on September 12, 1976. It is open to the public from 9:00 a.m. to 5:00 p.m. 362 days a year and offers many programs at minimal or no charge. More than 250,000 people visit the Center annually.

DCA provides funds to the Center for security, maintenance, energy costs, and educational programs. DCA is responsible for overseeing the operations of the Center to ensure compliance with the requirements outlined in its *Procedures Manual For New York City's Designated Cultural Institutions*.

The Center received and spent a total of \$1,257,613 in City funds during Fiscal Year 2001—\$1,177,389 for Personal Service expenditures, \$65,224 for Other Than Personal Service (OTPS) expenditures, and \$15,000 for an event held on New Year's Eve called "First Night."

**Objectives**

The objectives of the audit were to determine whether the Center:

- Expended City funds in compliance with DCA requirements, Comptroller's Directives, and its own internal procedures; and

- Had adequate and effective internal controls over its financial and operational processes.

## **Scope and Methodology**

The scope of our audit was Fiscal Year 2001 (July 1, 2000, through June 30, 2001).

To gain an understanding of the Center's financial and operating policies and procedures, we interviewed various Center officials. We also reviewed the Center's policies and procedures for its employees, the *Snug Harbor Cultural Center Employee Handbook*, the *Fiscal Year 2000 Final Report/Fiscal Year 2002 Budget Request* that the Center submitted to DCA, its certified financial statements, and applicable City regulations.

To familiarize ourselves with the work of the Center and to gain insight about the Center's governance practices, we randomly selected 10 members of the Center's 50-member Board of Directors (the Board) to interview. We also reviewed Board minutes for meetings held during Fiscal Years 1999 through 2001 (July 1, 1998, through June 30, 2001).

To determine whether all City funds received by the Center were properly deposited, we reviewed the Fiscal Year 2001 bank statements for the bank accounts relating to City funds, which included the General Fund Account and Payroll Account. We also determined whether all City revenue and expenditures reflected on the bank statements were properly recorded in the Center's Fiscal Year 2001 General Ledger, Cash Receipts Journal, and Cash Disbursements Journal.

To assess the Center's controls over its timekeeping and payroll functions, we randomly selected 23 of the 39 employees who were paid with City funds during the month of April 2001. We reviewed each of the employees' four time records for that month.

To determine whether individuals on the Center's payroll were bona fide Center employees, we observed the distribution of payroll checks and pay stubs on January 17, 2002, and verified employees' identification.

To ascertain whether the Center complied with its own procurement procedures, we reviewed 35 OTPS expenditures totaling \$65,224 that were recorded in the Center's General Ledger for Fiscal Year 2001 and paid with City funds. We determined whether payments were supported by purchase requisitions, purchase orders, and invoices. We reviewed purchase requisitions and purchase orders to determine whether they were appropriately authorized. We reviewed invoices to

determine whether they were mathematically accurate and were canceled to prevent duplicate payment.

We conducted several spot-checks of the area surrounding the Center to observe whether the Center had an adequate number of security officers and maintenance workers and whether they were performing their assigned responsibilities.

This audit was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS) and included tests of the records and other auditing procedures considered necessary. This audit was performed in accordance with the City Comptroller's audit responsibilities as set forth in Chapter 5, § 93, of the New York City Charter.

## **Results in Brief**

The Center generally complied with DCA requirements, its own internal procedures, its bylaws, and Comptroller's Directives. In addition, the Center had adequate internal controls over its financial and operational processes. However, there were certain weaknesses in the Center's operational and financial practices.

### **The Center Commingled \$15,000 of City Funds with Other Center Funds**

The Center commingled \$15,000 of Fiscal Year 2001 City funds with other Center funds. During Fiscal Year 2001, 13 payments totaling \$1,257,613 in City funds were issued by DCA and deposited in the Center's General Fund Account. However, only 12 payments totaling \$1,242,613 were recorded as City revenue in the Center's City General Ledger—a difference of \$15,000. Also, the expenditures associated with the \$15,000 were not recorded in the Center's City Ledger. The receipt and expenditure of the \$15,000 of City funds were recorded with other Center funds in another Center General Ledger.

During the exit conference, we were informed that DCA had provided the Center with \$15,000 in City funds to be used for a New Year's Eve event called "First Night." The Center's Controller stated that the \$15,000 in City funds was recorded in the First Night General Ledger rather than in the Center's City General Ledger. As a result of our audit, the Center's Controller revised the Center's City General Ledger and recorded the receipt and expenditure of the \$15,000 of City funds.

## **Relatives of Employees and Board Members are Hired at the Center**

Four employees and the Chairman of the Board had relatives working at the Center. We found no instances of relatives of employees or Board members receiving preferential treatment. However, the practice of hiring relatives could be construed as a conflict of interest. Furthermore, it gives the appearance that the relatives have an unfair advantage in the hiring process. This practice can also affect the ability of the Center to fairly evaluate employees' performances and to discipline them, if necessary.

The Center should develop detailed written regulations concerning the permissibility of hiring relatives of employees or Board members. These written regulations should be discussed and approved by the Center's Board.

## **Security Concerns**

Current and former Center employees have expressed concerns that the Center does not have enough security personnel to provide a safe environment for its employees and visitors. We conducted several observations of the Center's rangers. We did not see rangers posted at any of the Center's entrances or circulating the grounds that are accessible to the public. We saw rangers only inside the Center's buildings.

The Center's Board needs to address ways to improve security, given the concerns expressed by the Center's current and former employees and the results of our observations.

## **Corporate Governance**

We found no weaknesses in the Board's oversight of the Center. Board members appeared to be satisfied with the Center's management and involved with Center operations. The Center's Board meetings were held regularly. A quorum of Board members was present when decisions were voted on. Minutes were prepared for the Board's regularly scheduled meetings; however, there were no minutes prepared for meetings held by the various committees.

## **Timekeeping**

### **Time Records Lacked Required Approval Signatures**

The time records for 38 (44%) of the 88 time records in our sample lacked a supervisor's signature. Without a supervisor's signature documenting a review of the time records, we could not be certain that the hours paid for were actually the hours worked.

### **Leave Time Not Deducted from Employees' Leave Balances**

In our review of 88 time records, there were 13 instances, involving four employees and totaling 91 hours, in which leave time used by employees was not deducted from their leave balances.

### **Other Timekeeping Issues**

- Leave forms were not used in 33 (95%) of the 35 instances in which leave was taken.
- Department heads did not indicate the hours that they worked on their time records.
- In 65 instances, employees either did not take a lunch break or took a short lunch break so that they could leave work early or earn compensatory time.

## **Missing Purchasing Documents**

Although there were invoices for most purchases, there were no purchase requisitions for 90 (69%) of the 131 invoices we reviewed. In addition, there were no purchase orders for eight (6%) invoices; and purchase orders were not authorized by a Center official for 58 (44%) purchase orders.

The Center does not have a Purchasing Procedures Manual detailing the requirements of its purchasing process. Such written procedures would help ensure that there are standardized internal controls over the Center's purchasing process.

## **Recommendations**

This audit makes 15 recommendations to Center officials, the most significant of which are that they should:

- Ensure that all City revenues and expenditures are properly recorded in the Center's City General Ledger.
- Ensure that enough funds are allocated within its budget to cover adequate security measures, including the monitoring of the Center's grounds, entrances, parking lots, and buildings.
- Ensure that time records are reviewed and signed by a supervisor.
- Develop a Purchasing Procedures Manual that includes standardized purchasing procedures and require its use by all departments that make purchases.

## **Center and DCA Response**

The matters covered in this report were discussed with officials from the Center and DCA during and at the conclusion of this audit. A preliminary draft report was sent to officials from the Center and DCA and discussed at an exit conference on May 17, 2002. On May 28, 2002, we submitted a draft report to officials from the Center and DCA with a request for comments. We received a written response from the Center on June 12, 2002. Center officials agreed with the audit's findings and said they have taken steps to implement the audit's recommendations. The response stated:

“. . . your recommendations . . . were extremely helpful in aiding us to reexamine our current procedures and refine them to be more in line with the standards that you have for organizations that receive city funding.

“ We greatly appreciate your bureau's work in this effort.”

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

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**INTRODUCTION**

**Background**

The Snug Harbor Cultural Center Inc. (the Center) is one of 34 cultural institutions that receive financial support from the City of New York through the Department of Cultural Affairs (DCA). The Center, a National Landmark District, occupies 83 acres of City-owned land in Staten Island. It has Greek-architectural style buildings, a Music Hall (the second oldest in the City), five Victorian-style cottages, a Veterans Memorial Hall, and a King Neptune Statue. Other cultural institutions occupying buildings at the Center's site include the Staten Island Botanical Garden, the Staten Island Children's Museum, the Noble Maritime Collection, the Art Lab School, and the Staten Island Institute of Arts and Sciences.

The Center's site was originally Sailors Snug Harbor, a home for "aged, decrepit, and worn-out sailors" (as described in the "Welcome to Snug Harbor" brochure). The home was established in 1801 by the last will and testament of Robert Richard Randall, one of the City's foremost maritime businessmen. By 1900, nearly 1,000 sailors lived at Sailors Snug Harbor. However, after World War I, the population dwindled. By 1976, the home was closed, and the City purchased the property.

The Center was established as a not-for-profit corporation on January 9, 1976, to operate and manage the premises known as Sailors Snug Harbor as a cultural and educational center and park. The Center's mission is to "provide performing and visual arts to a broad audience." The Center opened on September 12, 1976. It is open to the public from 9:00 a.m. to 5:00 p.m. 362 days a year and offers many programs at minimal or no charge. More than 250,000 people visit the Center annually.

DCA provides funds to the Center for operational expenses, such as security, maintenance, energy costs, and educational programs. DCA is responsible for overseeing the operations of the Center to ensure compliance with the requirements outlined in its *Procedures*

*Manual For New York City's Designated Cultural Institutions.* DCA ensures that the Center has adequate maintenance and security and that services are available to the public at little or no cost.

The Center received and spent a total of \$1,257,613 in City funds during Fiscal Year 2001—\$1,177,389 for Personal Service expenditures, \$65,224 for Other Than Personal Service (OTPS) expenditures, and \$15,000 for an event held on New Year's Eve called "First Night." The Center also received funding from other government, private, and corporate sources. During Fiscal Year 2001, the Center had 80 employees—42 were full-time and 38 were part-time.

## **Objectives**

The objectives of the audit were to determine whether the Center:

- Expended City funds in compliance with DCA requirements, Comptroller's Directives, and its own internal procedures; and
- Had adequate and effective internal controls over its financial and operational processes.

## **Scope and Methodology**

The scope of our audit was Fiscal Year 2001 (July 1, 2000, through June 30, 2001).

To gain an understanding of the Center's financial and operating policies and procedures, we interviewed the Director of Institutional Advancement, the Director of Human Resources, the Director of Visual Arts, the Director of Facilities and Security, the Director of Education, the Director of Performing Arts, and the Center's Controller. We also reviewed the Center's policies and procedures for its employees, the *Snug Harbor Cultural Center Employee Handbook*, the *Fiscal Year 2000 Final Report/Fiscal Year 2002 Budget Request* that the Center submitted to DCA, its certified financial statements, and applicable City regulations.

To familiarize ourselves with the work of the Center and to gain insight about the Center's governance practices, we randomly selected 10 members of the Center's 50-member Board of Directors (the Board) to interview. We were able to contact nine of the members. We also reviewed Board minutes for meetings held during Fiscal Years 1999 through 2001 (July 1, 1998, through June 30, 2001).

In addition, we attempted to interview former Center employees to hear their views of the Center's operations. We randomly selected 10 of the 39 workers who left employment during Fiscal Year 2001. We were able to contact five of these former employees.

To determine whether all City funds received by the Center were properly deposited, we reviewed the Fiscal Year 2001 bank statements for the bank accounts relating to City funds, which included the General Fund Account and Payroll Account. We also determined whether all

City revenue and expenditures reflected on the bank statements were properly recorded in the Center's Fiscal Year 2001 General Ledger, Cash Receipts Journal, and Cash Disbursements Journal.

To assess the Center's controls over its timekeeping and payroll functions, we randomly selected 23 of the 39 employees who were paid with City funds during the month of April 2001. We reviewed each of the employees' four time records for that month, a total of 88 time records. (We lacked four time records for one employee who did not work during April 2001.) We determined whether employees were required to indicate the hours that they worked daily. If so, we recalculated the hours recorded on the time records to determine the accuracy of the hours and whether the time records were appropriately approved.<sup>1</sup> We also compared the hours recorded on the employee time records to the hours reported by the Center to Paychex<sup>2</sup> In addition, we determined whether employee leave use was authorized and properly deducted from employees' leave balances.

To determine whether individuals on the Center's payroll were bona fide Center employees, we observed the distribution of payroll checks and pay stubs on January 17, 2002, and verified employees' identification. We determined whether the Center required employees to sign for their payroll checks or pay stubs. We also reviewed personnel files of those employees who were not present at the Center during our observations.

On January 23, 2002, and January 24, 2002, we observed the Center's employees and noted the times they arrived at work. At a later time, we asked for the time records for these employees and compared the arrival times that were indicated on the time records to the arrival times that we noted. For employees who were not at work during our observations, we determined whether the time records reflected their absence and whether the employees' leave balances were reduced accordingly.

To ascertain whether the Center complied with its own procurement procedures, we reviewed 35 OTPS expenditures totaling \$65,224 that were recorded in the Center's General Ledger for Fiscal Year 2001 and paid with City funds. We determined whether payments were supported by purchase requisitions, purchase orders, and invoices. We reviewed purchase requisitions and purchase orders to determine whether they were appropriately authorized. We reviewed invoices to determine whether they: were mathematically accurate, matched purchase orders (with regard to price and item descriptions), and were canceled to prevent duplicate payment. We determined whether payments were made to vendors in a timely fashion. We also reviewed the canceled checks to determine whether they were signed by the designated Center official and cashed by the intended payee.

We conducted several spot-checks of the area surrounding the Center to observe whether the Center had an adequate number of security officers and maintenance workers and whether they were performing their assigned responsibilities.

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<sup>1</sup> Some departments require each employee to submit either a time card or a time sheet recording the hours worked; other departments require all employees to record the hours worked on a single departmental time sheet.

<sup>2</sup> Paychex is an automated data processing agency used by the Center to automatically generate biweekly payroll checks for its employees based on the number of hours worked and their hourly wages.

This audit was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS) and included tests of the records and other auditing procedures considered necessary. This audit was performed in accordance with the City Comptroller's audit responsibilities as set forth in Chapter 5, § 93, of the New York City Charter.

### **Center and DCA Response**

The matters covered in this report were discussed with officials from the Center and DCA during and at the conclusion of this audit. A preliminary draft report was sent to officials from the Center and DCA and discussed at an exit conference on May 17, 2002. On May 28, 2002, we submitted a draft report to officials from the Center and DCA with a request for comments. We received a written response from the Center on June 12, 2002. Center officials agreed with the audit's findings and said they have taken steps to implement the audit's recommendations. The response stated:

“. . . your recommendations . . . were extremely helpful in aiding us to reexamine our current procedures and refine them to be more in line with the standards that you have for organizations that receive city funding.

“ We greatly appreciate your bureau's work in this effort.”

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

## **OFFICE OF THE COMPTROLLER NEW YORK CITY**

**DATE FILED: June 24, 2002**

## FINDINGS AND RECOMMENDATIONS

The Center generally complied with DCA requirements, its own internal procedures, its bylaws, and Comptroller's Directives. In addition, the Center had adequate internal controls over its financial and operational processes. Specifically:

- The Center's Board appears to be informed about and satisfied with the Center's operations.
- Only bona fide employees received a paycheck.
- Payroll expenses were adequately supported.
- All financial documentation, such as bank statements, canceled checks, and certified financial statements were maintained on file.
- Purchases paid for with City funds appeared to be reasonable.
- Most purchases were supported with invoices.
- Most invoices were correctly calculated and were stamped "paid" with the check number and date of payment noted.

However, our examination disclosed certain weaknesses in the Center's operational and financial practices. The Center did not record all the City funds it received. We also have concerns about the security at the Center. Finally, not all time records were approved and not all leave time was deducted from employees' leave balances. These weaknesses are discussed in detail in the following sections.

### **The Center Commingled \$15,000 of City Funds with Other Center Funds**

The Center commingled \$15,000 of Fiscal Year 2001 City funds with other Center funds. During Fiscal Year 2001, 13 payments totaling \$1,257,613 in City funds were issued by DCA and deposited in the Center's General Fund Account. However, only 12 payments totaling \$1,242,613 were recorded as City revenue in the Center's City General Ledger—a difference of \$15,000. Also, the expenditures associated with the \$15,000 were not recorded in the Center's City Ledger. The receipt and expenditure of the \$15,000 of City funds were recorded with other Center funds in another Center General Ledger.

Article 2 of the *Procedures Manual For New York City's Designated Cultural Institutions* states, "Financial records of City funding, if not kept separately from the corporation's records, must be easily distinguishable among the institution's total assets."

During the exit conference, we were informed that DCA had provided the Center with \$15,000 in City funds to be used for a New Year's Eve event called "First Night." The Center maintained a separate checking account specifically for "First Night." The \$15,000 in City funding, initially deposited in the Center's General Fund Account, was electronically transferred to the First Night Checking Account. All revenues and expenditures related to this event were recorded in the First Night General Ledger, with expenditures totaling approximately \$114,000. The Center's Controller stated that the \$15,000 in City funds and the related expenses were recorded in the First Night General Ledger rather than in the Center's City General Ledger. The Controller allowed us access to the First Night General Ledger and provided documentation to support the City's share of expenses.

As a result of our audit, the Center's Controller revised the Center's City General Ledger and recorded the receipt and expenditure of the \$15,000 of City funds.

### **Recommendation**

1. The Center should ensure that all City revenues and expenditures are properly recorded in the Center's City General Ledger.

**Center Response:** "We . . . have installed new financial software since the period covered in your audit. Our ledger system now better tracks all funding sources including city funds."

### **Relatives of Employees and Board Members are Hired at the Center**

Four employees and the Chairman of the Board had relatives working at the Center. The Center's practice of hiring relatives could be construed as a conflict of interest. Although the *Snug Harbor Cultural Center Employee Handbook* does not specifically discuss the practice of allowing relatives of employees or Board members to work at the Center, it does state the following regarding a conflict of interest:

"Employees and members of their immediate families are expected to avoid any investment or involvement, which could be, or could be construed as a conflict of interest. A conflict of interest is any circumstance that could cast doubt on an employee's ability to act objectively with regard to the Center's interests."

We compared the Center's practice of hiring relatives of employees or Board members to the hiring practices of a similar cultural institution, the Queens Botanical Garden. The *Employee Manual* for the Queens Botanical Garden states that "the Garden will not hire relatives of current employees."

With regard to the Chairman of the Center's Board, the Assistant Commissioner of DCA stated that the Center had informed DCA of the "potential conflict of interest" and that DCA had investigated the background of the Chairman of the Board's relative. According to the Assistant

Commissioner, the relative is “good and came highly regarded from a source.” He further stated that “it may look like a conflict of interest, but we think it is all right and that it was a good appointment.”

We found no instances of relatives of employees or Board members receiving preferential treatment. However, the practice of hiring relatives could be construed as a conflict of interest. Furthermore, it gives the appearance that the relatives have an unfair advantage in the hiring process. This practice can also affect the ability of the Center to fairly evaluate employees’ performances and to discipline them, if necessary. The Center should therefore develop detailed written regulations concerning the permissibility of hiring relatives of employees or Board members. These written regulations should be discussed and approved by the Center’s Board.

### **Recommendation**

2. The Center should develop detailed written regulations concerning the permissibility of hiring relatives of employees or Board members. These regulations should be discussed and approved by the Center’s Board.

**Center Response:** “The Center will not hire relatives of current employees. Should the Center wish to hire a relative of a member of the Board of Directors, the CEO must submit the request to the Commissioner of the Department of Cultural Affairs for a finding of no conflict of interest, and . . . include a detailed explanation of the necessity of the hiring and an assurance that the . . . Board member has recused him/herself from any consideration of the hiring. No relative of a Board member will be hired without the prior approval of the Commissioner of the Department of Cultural Affairs.”

### **Security Concerns**

Current and former Center employees have expressed concerns that the Center does not have enough security personnel to provide a safe environment for its employees and visitors. The *Procedures Manual For New York City’s Designated Cultural Institutions* states:

“The institution is expected . . . to provide security for the premises and their contents. This responsibility is independent of the level of City support received by the institution in any given fiscal year.”

The security services provided by the Center call for unarmed officers (rangers) with two-way radios to patrol the Center seven days a week, 24 hours a day. The rangers work in three shifts—one from 8:00 a.m. to 4:00 p.m., the second from 4:00 p.m. to 12:00 a.m., and the third from 12:00 a.m. to 8:00 a.m. The rangers can arrest individuals and issue summonses. When the Center holds special events, the rangers work with police officers from the 120<sup>th</sup> Precinct.

According to Center officials, there are usually two rangers assigned for each shift. However, one day of the week, usually each Wednesday, three rangers are assigned for each shift—one ranger is in a patrol vehicle, another is on foot in the buildings, and a third is on foot outside the buildings.

Some current and former employees have stated that the security services provided by the Center are not adequate and need to be improved. Most former employees we interviewed agreed that the Center needs more rangers. According to one current senior Center official, “You cannot police the whole Center’s grounds with only three rangers for each shift. It would be nice to have more rangers.” Another senior Center official stated that the number of security staff would be inadequate if an emergency arose. Even the Board’s Chairman felt that security is “very thin” because of financial constraints.

According to the Center’s Maintenance Coordinator, security needs to be enhanced. He informed us that children break windows on weekends, “especially the windows of the Great Hall.” He also said that last summer the Center had problems with a homeless person who used the Center’s fountain as a bathtub. In addition, he informed us that the Veterans Memorial Hall is kept locked at all times because technical equipment was stolen from it.

We conducted several observations of the Center’s rangers. We did not see rangers posted at any of the Center’s entrances or circulating the grounds that are accessible to the public. We saw rangers only inside the Center’s buildings.

The Center’s Board needs to address ways to improve security, given the concerns expressed by the Center’s current and former employees and the results of our observations. The Center should ensure that enough funds are allocated within its budget to cover adequate security measures, including the monitoring of the Center’s grounds, entrances, parking lots, and buildings.

## **Recommendations**

The Center should:

3. Ensure that the Board addresses the security issues raised in this report.
4. Ensure that enough funds are allocated within its budget to cover adequate security measures, including the monitoring of the Center’s grounds, entrances, parking lots, and buildings.

**Center Response to recommendations #3 and #4:** “The Board through its Finance Committee has already started addressing the security issues. We are working on our budget for FY 03 and will allocate funding to provide adequate security.”



## **Corporate Governance**

The bylaws of the Center require that the Board manage the organization. The Board sets policy and provides leadership and resources to the Center. It is responsible for establishing goals, soliciting financial support, and monitoring the Center's operations. The Board also has the power to appoint the Center's President/Chief Executive Officer (CEO), who performs duties prescribed by the Board.

Under law, the Board has the ultimate responsibility for the activities of the Center, regardless of how much authority the Board delegates to staff. Thus, it is in the Board's best interest to be fully informed about the Center and the activities of its management.

To ensure that the Center is operating in compliance with its bylaws, we reviewed the Board's minutes for Fiscal Years 1999 through 2001. We also contacted nine members of the Board to obtain their views of, and the extent of their involvement with, Center operations.

All nine Board members we interviewed stated that they believe the Center is responsive to their needs and views, and that the Center's activities and programs have been successful in attracting visitors. One Board member stated that the Center is "a great place" and added that the "CEO is very involved with the Center." Another Board member stated that the Center is "wonderful, with so much to offer." Finally, another member stated that the Center is "the crown jewel of Staten Island and possibly the City."

We found no weaknesses in the Board's oversight of the Center. Board members appeared to be satisfied with the Center's management and involved with Center operations. The Center's Board meetings were held regularly. A quorum of Board members was present when decisions were voted on. However, the Center's Controller, our audit liaison, told us that although minutes were prepared for the Board's regularly scheduled meetings, there were no minutes prepared for meetings held by the various committees. Article IX of the bylaws, Duties of Officers, states that the Secretary of the Board is to oversee the recording of minutes for all meetings.

## **Recommendation**

5. The Center's Board should prepare and maintain minutes for all meetings, including those of its various committees.

**Center Response:** "We already have complete minutes for our regular Board and Finance Committee meetings. We have notified our other committees of your findings and we will make sure that all our meetings have minutes."

## Timekeeping

### Time Records Lacked Required Approval Signatures

We randomly selected 23 of the 39 employees who were paid with City funds during the month of April 2001 and reviewed a total of 88 time records. The time records for 38 (44%) of the 88 time records in our sample lacked a supervisor's signature. Without a supervisor's signature documenting a review of the time records, we could not be certain that the hours paid for were actually the hours worked. The Center's procedures state:

"In order for the Finance Office to process records in a timely fashion, the designated person in your department is required to submit the time sheet, for the week just worked . . . signed by the department head."

Table I summarizes the number of time records in our sample that were not approved for each department.

**TABLE I**

#### Summary of Sampled April 2001 Time Records Not Approved by Supervisor, by Center Department

<b>Department</b>	<b>Number of Time Records Reviewed</b>	<b>Number of Time Records That Were Not Approved</b>
Performing Arts	12	12 (100%)
Visual Arts	8	8 (100%)
Human Resources	4	4 (100%)
Education	4	4 (100%)
Controller	8	4 (50%)
Institutional Advancement	16	2 (13%)
Facilities and Security	36	4 (12%)
<b>Total</b>	<b>88</b>	<b>38 (44%)</b>

To determine whether the inadequate controls over the approval of time records allowed employees to record inaccurate work hours on their time records without being detected, we observed the Center's employees on January 23, 2002, and January 24, 2002, and noted when they arrived at work. At a later time, we asked for the time records of these employees and compared the arrival times indicated on the time records to the arrival times we observed. One of the Visual Arts employees arrived at work at 2:00 p.m., but her time record indicated that she arrived at 11:00 a.m. There was no approval from the department head on the employee's time record.

## **Recommendation**

6. The Center should ensure that time records are reviewed and signed by a supervisor.

**Center Response:** “This has been added to our personnel manual. All time sheets must be approved and signed by the appropriate department’s Director prior to their submission to the Controller. . . . In the event a Director is absent . . . time sheets must be approved by either the Controller or the Director of Human Resources. Director’s time sheets will be submitted to and signed by the CEO.”

## **Leave Time Not Deducted from Employees’ Leave Balances**

In our review of 88 time records, there were 13 instances, involving four employees and totaling 91 hours, in which leave time used by employees was not deducted from their leave balances. The Center uses a computer system and records and tracks employees’ leave accruals and use in a report, “Employee Year at a Glance.” Table II details the discrepancies.

**TABLE II**

**Leave Time Not Deducted from Employees’ Leave Balances**

<b>Title of Employee</b>	<b>Number of Instances</b>	<b>Number of Hours Not Deducted</b>
Director of Performing Arts	2	14
Facilities Service Coordinator	4	28
Program Associate	1	7
Maintenance Coordinator	6	42
<b>Total</b>	<b>13</b>	<b>91</b>

The failure to deduct employee leave time used from leave balances may be caused in part by the lack of a consistent Center standard for the use of leave forms.

The Center has leave forms for requesting use of leave time, but it has no formal procedures for the use of these forms. We asked each of the department heads whether leave forms were required to be submitted by employees for supervisory approval prior to their use of personal, vacation, or sick days. The Controller stated that “leave forms are not required because the Center is a small organization.” He said that the only requirement for taking leave time is that the employee let a supervisor know about the days off. The Director of Institutional Advancement stated that leave forms are used for pre-scheduled sick leave, vacation, and personal days. The Director of Human Resources stated that leave forms are used by all staff and must be approved by the department heads. However, she stated that department heads are not required to use leave forms—they need only inform the CEO of the days they want to take off.

The Director of Education stated that leave forms are required for vacation, but not for personal and sick days.

A consistent standard for the use of leave forms by all employees, including department heads, would help ensure that employee leave is properly recorded and deducted.

## **Recommendations**

The Center should:

7. Correct the 91 hours of leave that should have been deducted from employees' leave balances.

**Center Response:** "The leave hours (which were actually comp time) were properly recorded in another computer program. We are looking at software that will keep all records in the same program."

8. Conduct a full internal review of all employees' leave time to ensure that leave balances are accurately recorded.

**Center Response:** "The internal review has been initiated. At the end of the fiscal year, all unused leave time is reported to the staff member. Also, our independent auditors review the unused leave."

9. Develop and disseminate formal procedures for the use of leave forms by all employees, including department heads.

**Center Response:** "The Handbook has been amended to reflect new procedures. . . ."

## **Other Timekeeping Issues**

In addition to the weaknesses mentioned above, there were other instances in which timekeeping rules were not followed:

- Leave forms were not used in 33 (95%) of the 35 instances in which leave was taken.
- Department heads did not indicate the hours that they worked on their time records. Instead, the time records for most department heads had just a check mark next to the days that they worked. One department head made no mark for the days worked; rather he signed a blank time sheet and made a note of the days or times he used vacation, personal, or sick leave. It is important that all employees note the hours that they arrive and leave work.

- In 80 instances, employees either did not take a lunch break or took a short lunch break so that they could leave work early or earn compensatory time. The Center’s formal procedures require that office employees (those who work a 35-hour work week) take an unpaid hour for lunch, and that support staff employees (those who work a 40-hour work week) take a 30-minute unpaid lunch break.

The Center’s bookkeeper stated that the Center has started a new policy regarding lunch and has revised the time records to reflect the new policy. She stated that all employees must take either a 30-minute or a one-hour lunch break (depending on their title) after working five hours. She said that employees would not be paid for working through their lunch breaks unless authorized by a department head.

## **Recommendations**

The Center should:

10. Ensure that leave forms are submitted for all employees, including department heads.

**Center Response:** “The leave form . . . has been updated. Staff must submit a request form to their director for their approval. Directors must submit a request form to the CEO for approval.”

11. Ensure that department heads record the hours that they arrive and leave work on their time records.

**Center Response:** “The following has been forwarded to all department heads: Department Directors are required to submit accurate personal time sheets, signed by the individual Director, reflecting all hours worked on and off-site, with full details noted of all off-site work. Director time sheets will be signed by the CEO.”

12. Ensure that all employees take either a one-hour lunch break or a 30-minute lunch break (depending on their title), unless authorized in writing by a superior.

**Center Response:** “This has been . . . communicated to the department heads and their staffs. The break is mandatory and will be enforced.”

## **Missing Purchasing Documents**

Although there were invoices for most purchases, there were no purchase requisitions for 90 (69%) of the 131 invoices we reviewed. In addition, there were no purchase orders for eight (6%) invoices; and purchase orders were not authorized by a Center official for 58 (44%) purchase orders.

The Center does not have a Purchasing Procedures Manual detailing the requirements of its purchasing process. Such written procedures would help ensure that there are standardized internal controls over the Center's purchasing process.

It is important that the Center initiate the purchasing process with authorized purchase requisitions. Purchase requisitions provide a permanent reference source, facilitate the review and approval process, and help to develop specifications for written purchase orders. Purchase orders should be authorized to document approval to purchase an item and to clearly state to the vendor the items ordered and the terms of the sale.

### **Recommendations**

The Center should:

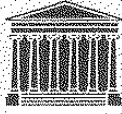
13. Develop a Purchasing Procedures Manual that includes standardized purchasing procedures and require its use by all departments that make purchases.

***Center Response:*** “. . . our Controller . . . has started writing our Purchasing Procedures Manual. Upon completion and review, the manual will be forwarded to all department heads.”

14. Ensure that purchase requisitions are prepared and authorized for all purchases.

15. Ensure that purchase orders are prepared and authorized for all purchases.

***Center Response to recommendations #14 and #15:*** “ This matter has been discussed by our Finance Committee and they have informed our Controller to not approve any purchases without purchase orders. All purchase orders must be signed by either the EO and/or the Controller.”



June 11, 2002

Mr. Roger D. Liwer  
Assistant Controller for Audits  
The City of New York  
Office of the Comptroller  
Bureau of Audits  
1 Centre Street, Room 1100  
New York, NY 10007-2341

**Re: Audit Report on the Financial and Operating Practices of the Snug Harbor  
Cultural Center MD02-72A**

Dear Mr. Liwer:

Please find attached our responses to your bureau's recommendations in the draft report. I wish to thank you for your recommendations as they were extremely helpful in aiding us to reexamine our current procedures and refine them to be more in line with the standards that you have for organizations that receive city funding.

We greatly appreciate your bureau's work in this effort.

Sincerely,

Arlene Regen  
Acting CEO and President

Cc: Catrina LeGoff  
Timothy Thayer  
Gregory Height

1. The Center should ensure that all City revenues and expenditures are properly recorded in the Center's City General Ledger.

**Response for #1-We (the Center) have installed new financial software since the period covered in your audit. Our ledger system now better tracks all funding sources including city funds**

2. The Center should develop detailed written regulations concerning the permissibility of hiring relatives of employees or Board members. These regulations should be discussed and approved by the Center's Board.

**Response for #2-The Center will not hire relatives of current employees. Should the Center wish to hire a relative of a member of the Board of Directors, the CEO must submit the request to the Commissioner of the Department of Cultural Affairs for a finding of no conflict of interest, and said request must include a detailed explanation of the necessity of the hiring and an assurance that the affected Board member has recused him/herself from any consideration of the hiring. No relative of a Board member will be hired without the prior approval of the Commissioner of the Department of Cultural Affairs.**

3. Ensure that the Board addresses the security issues raised in this report.

4. Ensure that enough funds are allocated within its budget to cover adequate security measures, including the monitoring of the Center's grounds, entrances, parking lots, and buildings.

**Response for #3 & #4-The Board through its Finance Committee has already started addressing the security issues. We are working on our budget for FY 03 and will allocate funding to provide adequate security.**

5. The Center's Board should prepare and maintain minutes for all meetings, including those of its various committees.

**Response for #5-We already have complete minutes for our regular Board and Finance Committee meetings. We have notified our other committees of your findings and we will make sure that all our meetings have minutes.**

6. The Center should ensure that time records are reviewed and signed by a supervisor.

**Response for #6-This has been added to our personnel manual. All time sheets must be approved and signed by the appropriate department's Director prior to their submission to the Controller. No employee will receive a paycheck without a corresponding, fully executed time sheet. In the event a Director is absent from the Center**



due to annual leave, illness, personal days or pre-approved work off-site, time sheets must be approved by either the Controller or the Director of Human Resources. Director's time sheets will be submitted to and signed by the CEO.

7. Correct the 91 hours of leave that should have been deducted from employees' leave balances.

**Response for #7-**The leave hours (which were actually comp time) were properly recorded in another computer program. We are looking at software that will keep all records in the same program.

8. Conduct a full internal review of all employees' leave time to ensure that leave balances are accurately recorded.

**Response for #8-**The internal review has been initiated. At the end of the fiscal year, all unused leave time is reported to the staff member. Also, our independent auditors review the unused leave.

9. Develop and disseminate formal procedures for the use of leave forms by all employees, including department heads.

**Response for #9-**The leave form (attached) has been updated. Staff must submit a request form to their director for their approval. Directors must submit a request form to the CEO for approval.

10. Ensure that leave forms are submitted for all employees, including department heads.

**Response for #10-**The following has been forwarded to all staff: The procedures noted in the Center's Employee Handbook will be rigorously enforced regarding vacation, sick leave and personal days. The Handbook has been amended to reflect new procedures specific to Directors requesting vacation time, sick leave and personal days. Henceforth, Directors must submit vacation request forms to the CEO, for pre-approval. A copy of the leave form for all employees will be submitted with the time sheets.

11. Ensure that department heads record the hours that they arrive and leave work on their time records.

**Response for #11-**The following has been forwarded to all department heads:

Department Directors are required to submit accurate personal time sheets, signed by the individual Director, reflecting all hours worked on

and off-site, with full details noted of all off-site work. Director time sheets will be signed by the CEO.

12. Ensure that all employees take either a one-hour lunch break or a 30-minute lunch break (depending on their title), unless authorized in writing by a superior.

**Response for #12-This has been again communicated to the department heads and their staffs. The break is mandatory and will be enforced.**

13. Develop a Purchasing Procedures Manual that includes standardized purchasing procedures and require its use by all departments that make purchases.

**Response for #13-This has turned over to our Controller who has started writing our Purchasing Procedures Manual. Upon completion and review, the manual will be forwarded to all department heads.**

14. Ensure that purchase requisitions are prepared and authorized for all purchases.

15. Ensure that purchase orders are prepared and authorized for all purchases.

**Response for #14 & #15-This matter has been discussed by our Finance Committee and they have informed our Controller to not approve any purchases without purchase orders. All purchase orders must be signed by either the CEO and/or the Controller.**

VACATION OR PERSONAL DAY REQUEST FORM

I, \_\_\_\_\_, request the following days off

to be charged to:

Personal Time \_\_\_\_\_

Vacation Time \_\_\_\_\_

Comp Time \_\_\_\_\_

Sick Time \_\_\_\_\_

Day & Date \_\_\_\_\_

Signed: \_\_\_\_\_

Employee

Date

Approved: \_\_\_\_\_

Supervisor

Date

\_\_\_\_\_  
Director of Human Resources

Date

Administrative Use Only

For approval, days eligible: personal \_\_\_\_\_ vacation \_\_\_\_\_ comp \_\_\_\_\_ sick \_\_\_\_\_