



NEW YORK CITY COMPTROLLER
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Deputy Comptroller for Audit

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

FM22-078A | December 6, 2022



THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
BRAD LANDER

December 6, 2022

To the Residents of the City of New York,

My office has conducted an audit of the Snug Harbor Cultural Center and Botanical Garden (the Center) to determine whether the Center expended City funds in compliance with Department of Cultural Affairs (DCLA) requirements, Comptroller's Directives, and its own internal procedures, and whether it had adequate and effective internal controls over its financial and operational processes. We conducted this audit to identify areas for improvement and make recommendations to mitigate identified risks.

The audit found that the Center appropriately expended City funds during the audit scope period. However, weaknesses were found in its operating processes and deficiencies in the Center's Board governance, including that the Center did not maintain the required Annual Potential Conflicts Disclosure Statement for 11 of its 18 Board members (61%). Two of the 11 Board members had not disclosed potential conflicts of interest related to their outside business ventures, including one who was improperly elected to a Standing Committee. The auditors also found inadequate inventory records, and safety measures on the Center's premises that could be improved. The Center lacked security alarms at 15 of the 19 buildings on the Center's premises and had six unresolved Department of Buildings violations. Finally, the auditors found errors in the Center's audited financial statements and in certain other required reports.

To address these findings, the audit makes seven recommendations, including that the Center maintain Annual Potential Conflicts Disclosures for all Board members and the Board resolve known conflicts of interest; maintain complete and accurate inventory records; implement all required safety measures; and ensure that all required reports are complete, accurate, and issued in accordance with DCLA Procedures.

The results of the audit have been discussed with Center officials, and their comments have been considered in preparing this report. The Center'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,

A handwritten signature in black ink, appearing to read "Brad Lander".

Comptroller Brad Lander

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AUDIT IMPACT

Summary of Findings

The audit found that the Snug Harbor Cultural Center and Botanical Garden (Center) appropriately expended City funds during the audit scope period. However, weaknesses were found in its operating processes that may increase the risk of fraud or misappropriation of City funds.

The auditors found deficiencies in the Center's Board governance, including Board members who did not disclose potential conflicts of interest to the Center and should not have been elected to a standing committee. The auditors also found poor recordkeeping and security practices, including a lack of security alarms at 15 of the 19 buildings on the Center's premises and six unresolved Department of Buildings (DOB) violations. The auditors found poor inventory records and errors in the Center's audited financial statements and in certain other required reports.

Intended Benefits

This audit identified several areas for improvement and makes related recommendations. If these recommendations are implemented, the identified risks will be mitigated.

INTRODUCTION

Background

The Center is one of 34 cultural facilities that make up the New York City Department of Cultural Affairs' (DCLA) Cultural Institutions Group (CIG). This group represents a broad spectrum of cultural establishments, including art and natural history museums, historical societies, theaters, concert halls, performing arts centers, botanical gardens, and zoos.

Located on Staten Island, the Center is a cultural/educational institution consisting of several museums, performance spaces, a public park and arboretum, and a botanical garden. The Center is owned by the City and funded primarily through DCLA, which provides funds for security, maintenance, administration, and energy costs through a 25-year master license agreement.¹ The Center also has a series of sub-license agreements with three constituents: the Staten Island Museum, the Staten Island Children's Museum, and the Noble Maritime Collection. The Center must report to DCLA its use of City funds and other information pertinent to its operations in the annual CIG Final Report. In Fiscal Year 2021, the Center recorded expenditures of \$2,172,199 per the Annual Comprehensive Financial Report of the Comptroller (ACFR).

During Fiscal Year 2021, the Center had 18 members sit on the Board of Directors, which maintained four standing committees during the audit scope: the Executive Committee, the Finance Committee, the Nominating Committee, and the Audit Committee.

Objectives

The objectives of this audit were to determine whether the Center expended City funds in compliance with DCLA's requirements, Comptroller's Directives, and its own internal procedures; and had adequate and effective internal controls over its financial and operational processes.

Discussion of Audit Results with the Center

The matters covered in this report were discussed with Center officials during and at the conclusion of this audit. An Exit Conference Summary was sent to the Center on October 7, 2022, and discussed with Center officials at an exit conference held on October 20, 2022. On November 7, 2022, we submitted a Draft Report to the Center with a request for written comments. We received a written response from the Center on November 23, 2022.

The written response has been fully considered and, where relevant, changes and comments have been added to this report.

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

¹ The Center is also funded by corporate contributions, facility rentals, admissions, and sales.

DETAILED FINDINGS

The audit identified several potential weaknesses in the Center's governance and operations. These issues are detailed below in the following sections.

Board Governance Deficiencies

Chair and Board Member Conflicts of Interest

The auditors found issues with Board governance, including potential conflicts of interest with two of its Board members and violations of the Center's bylaws. According to the Center's bylaws, all Board members must disclose any conflict of interest on an annual basis. They must also update that information "as circumstances may change from time-to-time." The Center did not maintain the required Annual Potential Conflicts Disclosure Statement for 11 of its 18 Board members (61%) during the audit scope period (Fiscal Year 2021), and the Center's officials could not assure the auditors that these Board members disclosed any potential conflicts. No evidence regarding Board discussions of the potential conflict of interest was provided to approve any changes that may have occurred during the audit scope period.

Two of the 11 Board members who did not file an Annual Potential Conflicts Disclosure Statement during the audit scope period were also found not to have disclosed potential conflicts of interest related to their outside business ventures. This included the Chair of the Board, who was found to be the owner and president of the Center's insurance broker of record, and as Chair, was also responsible for approving payments to vendors exceeding \$2,500.

Another Board member was found to be a high-ranking employee of a prominent investment bank that does business with the Center and where it maintains an active account. This member also served as the Chair of the Audit Committee, in violation of the Center's bylaws. According to the *Bylaws of Snug Harbor Cultural Center and Botanical Garden, Inc.*, Article III-5, "No person who is an employee of the Corporation or who has any material financial interest in any entity doing business with the Corporation may serve on the Audit Committee."² As an employee of a bank doing business with the Center, this Board member should have been prohibited from serving on the Audit Committee. When the auditors brought this to the Center's attention, its officials provided evidence that this Board member stepped down from the Audit Committee on December 7, 2021, more than five months after the audit scope period ended.

When the auditors brought these conflicts of interest to the attention of the Center's officials, they provided minutes of a Board meeting dated June 26, 2018, more than two years before the beginning of the audit scope period, which contained the Board's unanimous approval of the relevant member's insurance company as the Center's insurance broker of record. The Chair was not part of the decision, nor did he vote, and the remaining Board members agreed there was no conflict of interest because the insurance market is highly regulated.

² Article III-5 of the bylaws state that the Audit Committee "shall (i) recommend to the Board of Directors an independent auditor to conduct an annual audit of the financial statements of the Corporation and oversee such independent auditor and (ii) fulfill such other duties and responsibilities as may be assigned to the Audit Committee by the Board from time to time."

While no evidence of impropriety by either Board member was found, the absence of conflicts of interest disclosures by Board members, the existence of actual conflicts of interest, and the fact that the conflict of interest bylaws were not adhered to, suggest inherent risks and the need for improvements in this area.

Board Recordkeeping Not Consistent with the Bylaws

According to Article IV-6 of the Center’s bylaws, minutes must be taken at all meetings of the Board and its standing committees and “shall include a record or summary of all motions, proposals, resolutions, actions taken, and any other matter formally voted upon and the results of the vote and shall be made available, for approval, to the Board at the next regular meeting of the Board or Standing Committee, as the case may be.” Additionally, for the Board to take any actions, Article II-6 of the bylaws requires a quorum to be present—a majority of the “At Large Directors” in office—at the time of voting.

According to the Fiscal Year 2021 *CIG Final Report* submitted to DCLA, the Board held 10 meetings across its four Standing Committees during the audit scope period, but the auditors found evidence that the Board actually held 12 meetings during this period.³ Two of the nine sets of minutes provided stated that the Committee did not achieve a quorum.⁴ Three sets of minutes were missing altogether.

In its response to the draft report, the Center expressed concern that the auditors have unfairly framed their recordkeeping practices, however, the number of meetings held did not match the meetings reported and three sets of meeting minutes were missing, as the Center also acknowledges in its response.

Keeping accurate Board meeting minutes in accordance with the Center’s bylaws is a core governance function. Failure to maintain accurate records may undermine the Board’s decisions and potentially expose the Center to liability.

Incomplete Inventory Records

The auditors found that inventory records were not kept in accordance with City guidance, such as the Comptroller’s Directive #1 and the Department of Investigation’s *Standards for Inventory Control and Management* (DOI Standards). According to Directive #1, *Principles of Internal Control*, Section 5.5, “[a]n agency must establish physical control to secure and safeguard vulnerable assets [...] Periodic counting and comparison to control records for such assets is an important element of control of these assets.” The DOI Standards require an agency to maintain a “single, safeguarded and complete set of accounting records that accurately record all authorized additions to, and depletions from, the inventory,” as well as a database that monitors “current levels, reorder points, reorder amounts, safety stock levels, unit prices, relinquishments, stock-outs, and back-orders.” The current inventory record system in place at the Center does not meet these standards.

³ The minutes of a Board Executive Committee meeting, dated February 24, 2021, state that the Development Committee met three times instead of once, as was stated on the *CIG Final Report*.

⁴ While the lack of quorum for Executive Committee meetings is not a violation of the Center’s bylaws, when Board meetings are not held as scheduled, necessary actions are not taken timely, and is conducive to poor governance.

The auditors initially requested the inventory record of all items acquired using City funds during the audit scope period. The first list provided by the Center was missing costs, quantities, and model numbers, so the auditors requested a more complete version. The new listing was much smaller than the original, containing only seven items. After combining the two lists and conducting an inventory check of a sample of the listed items, the auditors found that the Center could physically account for the items listed.

However, the Center does not maintain a complete central list of all inventory. They instead maintain inventory records for each department within the Center, and additional lists for other entities that provide the Center with inventory, such as the City's Department of Sanitation.

Moreover, 74 (55%) of the 135 items listed across the two inventory lists provided had no listed value. This included shop vacuum cleaners, drills, chainsaws, and snowblowers, all items that are easily portable and therefore present risks of theft. In its response to the draft report, the Center argued that multiple requests for inventory records from the auditors caused confusion and led to the inaccuracies found. We disagree. The need for a centralized list of all inventory held by the Center, with complete information, remains. In this regard, we are pleased to note that the Center has indicated that such a list is now being developed.

Premises Not Secured and Violations not Cured

The auditors found that safety measures on the Center's premises could be improved.

The Center did not have security alarms in 15 of its 19 buildings, which is contrary to the *Procedures Manual for Members of New York City's Cultural Institutions Group* (DCLA Procedures) and increases the risk of unauthorized entry into the Center's buildings. According to the DCLA Procedures, Article III-G:

In order to ensure public safety and protect City assets, each Institution must implement appropriate measures to safeguard its visitors, personnel, contents, and premises [. . .] The institution is expected to implement appropriate measures to prevent the occurrence of security breaches or other potentially dangerous situations. These measures may include physical and operational security and deterrence measures to avert unauthorized entry to the premises.

Center officials recognized the issue and stated that they aim to install alarms as funding becomes available. They also indicated that they provide onsite security personnel 24 hours a day, seven days a week.

The auditors also found that DOB issued six violations to the Center that were open during the audit scope period—five of which were for the Center's failure to maintain its elevator or conveyor systems. Because the Center is located on City-owned property, it was not required to pay a monetary fine for these violations. However, it was required to correct the conditions and submit evidence to DOB on a Certificate of Correction.

Center officials stated that the clearance of violations is typically a process that involves DCLA, and indicated that three of the violations were the responsibility of the Staten Island Museum, a sublicensee.

After the exit conference, the Center provided a DOB website screenshot for one violation not cited in the report and, for two violations, a *Statement in Support of Certificate of Correction* that the Center asserted was provided to DOB pursuant to those violations. DOB's website shows that all six violations remain open as of October 24, 2022, and all violations listed the Center as the respondent. While this may be poor recordkeeping on the part of DOB, without DOB's confirmation that the violations have been cured, there is limited assurance that all conditions were corrected.

Audited Financial Statements do not Conform to DCLA Requirements

The auditors found that the Center's audited financial statements did not meet DCLA's specificity requirements in reporting its capital expenditures.

Article IV-D of the DCLA Procedures, require the Center to state in its audited financial statements:

Capital Support: [. . .] For both standard City design and construction contracts, and pass-through contracts, the footnotes to the Institution's audited financial statements should include a statement based on the following: 'In fiscal [20__] the City of New York allocated \$[___] dollars for capital appropriations relating to [project]. The City's total commitment to [project] is \$[___] over [__] years, out of a total project cost of \$[___]. From [ten years prior] to [present year], the City has contributed \$[___] to the Institution's capital expenses.'

The Center instead listed a single aggregated total of funds it received from the City for capital expenditures. This is both a compliance and transparency issue.

The *CIG Final Report* was also found to contain inaccuracies. While the report indicated that the Development Committee met once during Fiscal Year 2021, the auditors found evidence that the Committee in fact met three times during the audit scope period.

RECOMMENDATIONS

To address the abovementioned findings, the auditors propose that the Center:

1. Maintain Annual Potential Conflicts Disclosures for all Board members and resolve any known conflicts of interest in accordance with its bylaws;

Center Response: The Center agreed with this recommendation, but also stated that implementation is the responsibility of the organization's Board of Directors, and outside the direct control of the Center's staff. The Center agreed to raise the issue for further discussion and action at the upcoming December 2022 meeting of the full board.

Auditor Comment: We appreciate the Center's agreement with the recommendation. Based on the Center's response, this report will also be issued to the Board for further action.

2. Follow its bylaws when electing Board members to its various Standing Committees;

Center Response: The Center agreed with this recommendation.

3. Maintain on record and available for review all minutes of its Standing Committee meetings and ensure that quorums are achieved;

Center Response: The Center agreed with this recommendation.

4. Maintain complete and accurate inventory records in accordance with Comptroller's Directive #1 and DOI's Standards;

Center Response: The Center agreed with this recommendation.

5. Implement all safety measures as required by City regulations;

Center Response: The Center agreed with this recommendation.

6. Correct all violating conditions detailed in its DOB violations and provide evidence to DOB of these corrections; and

Center Response: The Center stated it "complied with this recommendation prior to even receiving the auditor recommendations. [...] We find this particular audit recommendation to be contradictory to the actions of the Center as we provided multiple items of evidence that the noted violation conditions were rectified and DOB certifications were filed."

Auditor Comment: The Center provided evidence that documentation to address two violations were submitted to DOB. All violations referred to in the report, plus one additional violation, remain current on the DOB website.

7. Ensure that all required reports are complete, accurate, and in accordance with DCLA Procedures.

Center Response: The Center agreed with this recommendation.

Recommendations Follow-up

Follow-up will be conducted periodically to determine the implementation status of each recommendation contained in this report. Status updates are reported in the Audit Recommendations Tracker available here: <https://comptroller.nyc.gov/services/for-the-public/audit/audit-recommendations-tracker/>

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 City Charter.

The audit scope covers the period from July 1, 2020, through June 30, 2021.

To obtain an understanding of the policies, procedures, and regulations governing the Center the auditors reviewed and used as criteria:

- License Agreement Between the City of New York (through the New York City Department of Cultural Affairs and the New York City Department of Parks and Recreation) and Snug Harbor Cultural Center and Botanical Garden (the Agreement);
- *Procedures Manual for Members of New York City's Cultural Institutions Group*, New York City Department of Cultural Affairs, January 2005 (DCLA Procedures Manual);
- Certificate of Incorporation of Snug Harbor Cultural Center, Inc. Under §402 of the Not-For-Profit Corporation Law;
- *Bylaws of Snug Harbor Cultural Center and Botanical Garden, Inc*;
- Snug Harbor Cultural Center and Botanical Garden Financial Procedures;
- *Snug Harbor Cultural Center and Botanical Garden Employee Handbook and Addenda*;
- Comptroller's Prequalified List (PQL) of Auditors;
- Comptroller's Directive #1, *Principles of Internal Control*;
- Comptroller's Directive #13, *Payroll Procedures*;
- Cultural Institutions Group and Culture Stat Reports submitted to DCLA for Fiscal Years 2020 and 2021; and
- *Standards for Inventory Control and Management*, New York City Department of Investigation (DOI Standards).

To obtain an understanding of the Center's day-to-day functions, its financial and operating practices, and the controls relevant to the audit's objectives, the auditors conducted walkthrough meetings with the Center's officials.

To determine the adequacy of the Board's governance oversight of financial, personnel, development, and other administrative procedures implemented by senior staff, including the Board's approval of any fund disbursements from the Merrill Lynch investment account and any potential conflicts of interest, the auditors reviewed available Board and Standing Committees meeting minutes as well as Culture Stat and CIG reports to corroborate these minutes and reviewed all provided Annual Potential Conflicts Disclosure Statements for Fiscal Year 2021.

To understand personnel and timekeeping practices for both full- and part-time employees on City-funded payroll, the auditors conducted interviews with the Human Resources and Payroll Coordinator and engaged in on-site observations of daily activities.

The auditors then randomly selected 12 of 47 personnel files for review to determine whether the Center maintained adequate controls over its timekeeping and payroll functions.

To gain an understanding of the financial recordkeeping practices, the auditors interviewed the Accounting Assistant and observed how QuickBooks was used in the processing of:

1. Cash Receipts (for City funds only);
2. Cash disbursements; and
3. Payroll process.

Additionally, the auditors ensured that Paycheck Protection Program funding was used correctly for payroll reimbursement.

The auditors examined the processing of incoming and outgoing mail and determined whether the Center maintained a log for mail, ensured that financial records were adequately secured, and confirmed whether blank checks were kept in a locked space. To determine whether the Center complied with its procurement procedures, the auditors randomly selected 20 of 89 purchase orders and determined whether the sampled payments were adequately supported and whether the purchase requisitions were properly authorized.

To determine whether the Center had adequate controls over its assets to ensure that all City-funded equipment was adequately tracked and reported, the auditors reviewed the Center's inventory records. An initial request was made on October 7, 2021, and following five follow-up requests, a listing was provided on March 30, 2022. A second request was made on June 10, 2022, and the auditors received on June 29, 2022, a listing containing only seven items. In total, there were 135 items noted on the Center's inventory. Because of insufficient inventory information, the auditors judgmentally selected 27 items (20%) that had or appeared to have the highest value and conducted an on-site inventory count.

To determine whether the Center was kept in adequate condition as outlined in the DCLA Procedures Manual (Article III-E), the auditors conducted a property walkthrough with the Chief Executive Officer and the Director of Finance and Administration. The auditors also conducted site observations to assess the conditions of the Center campus.

To determine whether the Center followed the Agreement by preparing adequate maintenance and emergency plans for its campus, the auditors reviewed all available maintenance and emergency planning documents. Additionally, the auditors reviewed any DOB violations open during the audit scope period to determine whether the Center was in violation with the City's Building Code and whether violating conditions, if any, were corrected.

The auditors also determined whether the Center complied with the required insurance stipulations in the Agreement and DCLA Procedures Manual by reviewing the Certificates of Insurance as well as any insurance policy documentation present.

The auditors presented the results of the above tests to the Center's officials to obtain feedback and additional information regarding potential deficiencies.

The results of the above tests, though not projectable to their respective populations, provide a reasonable basis to assess and support the auditors' findings and conclusions about the Center's proper expenditure of City funds and its financial and operating processes.



November 23, 2022

City Of New York Office Of The Comptroller
1 Center Street
New York, NY 10007

RE: Snug Harbor Cultural Center & Botanical Garden Response to Comptroller's Audit
FM22-078A (SHCC)

Snug Harbor Cultural Center & Botanical Gardens is appreciative of the professional work of the audit team and the recommendations offered within the draft audit report. Our organization takes extremely seriously our contractual responsibilities to the City of New York. We value the opportunity to improve the effectiveness of our organization's operations, and we will implement all recommendations contained within the report.

That being said, we are concerned and disappointed that the audit overall has not included two very critical situational issues within the context of the audit report's draft. The first situational issue is that the audit period in question covers July 1, 2020 – June 31, 2021. During this year, an extraordinary global event of a "force majeure" variety was in progress- the global COVID-19 pandemic. This pandemic caused massive disruptions to business as usual, as businesses were mandated to close in-person operations and shift to working in a remote setting. The severe business disruption occurred during the audit period and had an extraordinary effect on Snug Harbor's business as usual processes, and we feel that it is critical that this fact be included within the context of the report. The second issue is that during the audited period, Snug Harbor Cultural Center & Botanical Garden experienced a major leadership transition with the departure of both its CEO and its Director of Operations & Capital Projects. These two overlapping issues created a period of extreme capacity strain and duress for the organization at large. The audit report's omission of this particular time period's larger context and the omission of these issues impact on Snug Harbor Cultural Center & Botanical Garden's business as usual feels unduly harsh, and we feel it is imperative that these two contextual items should be appended and included within the final audit record.

With awareness of the context stated above, Snug Harbor Cultural Center & Botanical Garden offers the following responses to the auditor recommendations included within the report:

Comptroller Recommendation #1:

Maintains Annual Potential Conflicts Disclosures for all Board members and resolves any known conflicts of interest in accordance with its bylaws;

Snug Harbor response #1:

The Management of Snug Harbor Cultural Center & Botanical Garden diligently maintains all submitted Annual Potential Conflicts Disclosures from its Board of Directors and will continue to do so. Additionally the Center does and will continue to actively resolve any known issues in accordance with its bylaws. It



is acknowledged that during the audit period (again, a time period of severe business disruption by the COVID-19 global pandemic), the forms were disbursed to Board Members on the appropriate schedule according to our established process, but several annual disclosure forms were not returned by Board Members during the time period in question.

The recommendation of the auditors is an item that is the responsibility of the organization's Board of Directors to monitor, and out of the direct control of the Center's staff. Accordingly, the Board will be advised of this audit recommendation for further discussion and action at the upcoming December 2022 full board meeting.

To incentivize improvement of timely and accurate return of annual board member disclosure forms, the Snug Harbor Cultural Center & Botanical Garden's Management will recommend to the Board a proposed procedural motion for discussion and vote. The proposed motion will recommend that Board Members should be required to submit annual signed conflict of interest forms no later than December 31 of each calendar year. It will further recommend that at each December Board Meeting, the Secretary of the Board should provide a report to the full Board to ensure visibility of any member's failure to return an annual disclosure form. The proposed procedure motion will further recommend that the Nominating Committee should be charged to review the current Conflict of Interest forms submitted in the first quarter of each calendar year, and make recommendations to the full Board for a vote relating to any required Board staffing adjustments or special procedures which may be required due to either a failure of members of the Board to comply with the annual submission process or due to a newly disclosed Conflict of Interest by a board member.

Snug Harbor Cultural Center & Botanical Garden would like to reiterate that the potential Conflict of Interest related to our Board of Director's Chairman being associated with the Center's insurance brokerage firm was properly disclosed by the Chairman to the Board of Directors at the June 2018 board meeting prior to the insurance brokerage contract being executed. Said issue was discussed, voted on, and unanimously approved by the full board of directors. This decision was appropriately noted in the minutes of the June 2018 meeting. When the Board's decision by unanimous vote was recorded to engage with the firm, the Board Chairman did not participate in the discussion or the vote, as required by the New York Not for Profit Corporation Law, as well as the Snug Harbor bylaws and our written Conflicts of Interest policy. The Board continues to be aware of the relationship of the Board Chair to the Center's insurance brokerage firm, and no changes to the Center's brokerage agreement or Board Chair's status has necessitated that the issue be re-discussed or re-voted upon by the full Board at this time. That being said, the Center's board will discuss this issue again as described above to determine if additional procedures are required to ensure best governance practices are maintained moving forward.

Comptroller Recommendation #2:

Follows its bylaws when electing Board members to its various Standing Committees.

Snug Harbor response #2:



Snug Harbor Cultural Center & Botanical Garden will comply with this recommendation.

Snug Harbor Cultural Center & Botanical Garden would also like to clarify that the individual in question who was elected to be the Chair of the Audit Committee resigned from his position on the committee prior to the initiation of the FY21 Audit. As such, he did not participate in the Audit Committee procedures for the audit period in question, which occurred during FY22 after the individual stepped down from the committee chair position.

Comptroller Recommendation #3:

Maintains on record and available for review all minutes of its Standing Committee meetings and ensure that quorums are achieved;

Snug Harbor response #3:

Snug Harbor Cultural Center & Botanical Garden will comply with this recommendation; however, we are concerned with several of the inferences contained in this section of the report and we feel this section provides an unfair framing of our record keeping practices.

Most critically, it is imperative to clarify that per Article II, Section 6 of the Snug Harbor Cultural Center & Botanical Gardens Bylaws, quorums are required only for meetings that require the taking of action by the Board of Directors. Article III of the Bylaws further establishes that it is only the Executive Committee that may take an action of the Board which requires a quorum, and the remaining committees may only make recommendations to the Board for action. Thus, the Executive Committee is the only committee that requires a quorum when a Board Action is planned and communicated to members on the stated committee agenda. Furthermore, we disagree with the concept that not reaching a quorum for Standing Committee meetings does not comply with our bylaws.

We also dispute the accuracy of the following statement made in the draft audit: "The auditors found that nine of 10 sets of minutes did not conform to requirements—four lacked information regarding the achievement of a quorum, two stated that the Committee did not achieve a quorum, and three sets of minutes were missing altogether."

For the twelve standing committee meetings held during Fiscal Year 2021 and reported upon during Full Board meetings, Snug Harbor provided nine sets of meeting minutes to the auditors in two submissions of documents made to the auditors in April and June of 2022.

Snug Harbor's bylaws direct that when a Board Meeting that requires Board Action does not achieve quorum, it shall be adjourned and no votes or Board Action may be transacted unless a quorum is present. For the September 22, 2020 meeting of the Executive Committee, the minutes reflect that a Board Action was planned for the session scheduled, but it did not proceed due to lack of a quorum. The meeting was adjourned and minuted appropriately. It is the position of Snug Harbor Cultural Center & Botanical Gardens that we followed our bylaws for this meeting.



The second mention of an Executive Committee meeting not being held due to not reaching a quorum was for the June 22, 2021 Executive Committee session. This meeting was not held due to lack of attendance, and this was reported upon during the June 22, 2021 Board Meeting. No minutes were created for the June 22, 2021 Executive Committee meeting, as it was not held and the planned agenda (provided to the auditors) did not reflect that any resolution or Board Action was required for that meeting. The meeting was cancelled due to lack of attendance, and not minuted due to the fact that no meeting was held and no Board Action was planned for that session. It is the position of Snug Harbor Cultural Center & Botanical Gardens that we followed our bylaws for this meeting.

The remaining three sets of Executive Committee meeting minutes provided to auditors and the one set of Development Committee minutes all have attendees listed. It is Snug Harbor Cultural Center & Botanical Garden's position that these additional four sets of minutes do conform to requirements and comply with our bylaws.

The submitted minutes for four Finance Committee meetings only included the finance packet distributed to committee members, and did not include a notation of attendees within the minutes. The financial packet reflects the content of the discussion of the Finance Committee meetings, and the four sets of said financial packets were provided to the auditors as evidence of the four Finance Committee meetings held in Fiscal Year 2021. While the Finance Committee minutes provided did not list attendees present, no Board votes or Actions of the board as defined by the bylaws are taken at Standing Committee meetings with the exception of the Executive Committee which may Act on behalf of the Full Board. Therefore, it is our position the minutes for Finance Committee meetings do not require the notation of a quorum in the meeting minutes and the four sets of meeting minutes do comply with our bylaws, because they represent a record of a Standing Committee meeting discussion where no votes are held or Board Action is taken. Regardless, Snug Harbor Cultural Center & Botanical Garden recognizes that the proper documentation of meeting attendees is a best practice, and we will ensure in future that all Standing Committee meeting minutes include an accounting of attendees present for the meeting.

Lastly, the auditor's statement that three sets of Standing Committee meeting minutes were not provided is acknowledged. One Nominating Committee and two additional Development Committee meetings were held in Fiscal Year 2021, as mentioned in the minutes of Fiscal Year 2021 full Board Meetings. It seems that minutes for these three Standing Committee meetings were either lost or not retained appropriately due to pandemic related home equipment challenges and remote meeting procedures, and were not able to be provided to the auditors. We reiterate that these record keeping issues were due to the extraordinarily unusual challenges experienced conducting business during a period of global pandemic restrictions.

Comptroller Recommendation #4:

Maintains complete and accurate inventory records in accordance with Comptroller's Directive #1 and DOI's Standards;

Snug Harbor response #4:

Snug Harbor agrees to make best efforts to maintain complete and accurate inventory records in accordance with Comptroller's Directive #1 and the DOI's Standards. However, we object to the description contained in the report relating to the audit process for inventory review.

The initial request made by the auditors to the Snug Harbor Cultural Center & Botanical Garden staff was only for city-funded inventory which we complied with promptly upon receipt of the request. We note for clarification purposes that Snug Harbor Cultural Center & Botanical Garden is not a city agency, but rather a private non-profit corporation that does business with the City of New York. As such, not all of our financial activity or inventory purchases are made with city funding. Later, a request to provide all inventory records was made by the auditors, and we responded to the request with a more robust document. A third request was then made for inventory records after there was a change in audit managers on the audit team assigned. Snug Harbor was then specifically asked for City funded or partially-City funded items purchased in fiscal year 2021 which we complied with and provided a third list. This the reason that the shorter list of items was produced on the third request, differing from what was originally submitted, which reflected city funded items purchased over multiple fiscal years. The third request only included items purchased during the specific fiscal year from our contract with Department of Sanitation: Bureau of Recycling and Sustainability- no inventory was purchased with Department of Cultural Affairs funding during that period.

After these requests were all fulfilled promptly and in response to specific auditor requests, the auditors then conducted a field testing visit in which a sample was produced from the full inventory list we provided to auditors that included non-city funded items. Snug Harbor was able to produce and show these items to the auditors quickly and reliably.

It is Snug Harbor Cultural Center & Botanical Garden's position that the differences in inventory records presented was not due to improper or unreliable inventory accounting, but rather the submissions reflected a series of different requests that were made by the auditing team during the audit process, to which Snug Harbor Cultural Affairs & Botanical Gardens staff complied with promptly and attentively.

However, in the interest of best practices, our staff will review the Department of Investigation inventory requirements and make commercially reasonable efforts to achieve compliance with any deficiencies found in our inventory procedures.

Comptroller Recommendation #5:

Implements all safety measures as required by City regulations;

Snug Harbor response #5:

Snug Harbor Cultural Center & Botanical Garden will comply with this recommendation to the best of our ability and will provide the most stringent levels of security protection to the city owned assets that our limited operating budget and the deficient city-owned site conditions will

presently allow.

Currently, the city-owned campus buildings under Snug Harbor Cultural Center & Botanical Garden's management are not able to receive modern, upgraded security systems due to serious and significant deficiencies in the campus's electrical, data, and building management infrastructure. This deficiency has been well documented in a 2019 Capital Projects Scope Development project funded via OMB and with the collaboration of DDC and DCLA. This study notes that a capital investment for security, telecommunications and building management infrastructure of roughly \$7.4 million dollars is required (roughly 28% of the \$25.55 million dollar recommended for the Phase I Critical Improvements identified as "Phase IA" in the CPSD Cost Estimate). The \$7.4 million dollar investment is needed to address the serious physical deficiencies in the city-owned buildings that prevent higher technology security systems from being efficiently installed.

Snug Harbor Cultural Center & Botanical Garden identifies this as an extremely high capital funding priority. We had anticipated that at the conclusion of the CPSD project the City would urgently direct the investment of significant capital dollars towards the noted urgent infrastructure upgrades flagged as high priorities within the city-funded study. We would like to note that three infrastructure upgrade projects are underway currently with past years of appropriations of New York City capital funding. Additionally, Snug Harbor Cultural Center & Botanical Garden staff are actively in discussions with DCLA regarding the next series of capital funding requests and the allocation of backlogged Capital appropriations which have not yet moved into contract towards CPSD identified urgent priorities. In response to the Comptroller Audit report, Snug Harbor Cultural Center & Botanical Garden agrees to pursue further city capital funding appropriations to address CPSD identified priorities and improve the physical security conditions noted in the auditors report in the upcoming FY24 capital funding request cycles.

Snug Harbor also actively pursues fundraising both at the private, state, and federal levels to address urgent investment needs for the City Owned buildings. Until we can achieve the ambitious funding targets, Snug Harbor will continue to provide manned security onsite on the campus 24 hours per day, 7 days per week, maintain locked facilities for all non-public buildings, provide staff at entrances for publicly accessible buildings wherever possible, maintain a centrally monitored fire alarm systems, and maintain a limited security camera system operational across the 26 city-owned buildings on the campus.

Comptroller Recommendation #6:

Corrects all violating conditions detailed in its DOB violations and provide evidence to DOB of these corrections;

Snug Harbor response #6:

Snug Harbor Cultural Center & Botanical Garden complied with this recommendation prior to even receiving the auditor recommendations. The Management of Snug Harbor Cultural Center & Botanical Garden actively addresses work required due to code changes and DOB violations



issued as soon as we become aware of them. We find this particular audit recommendation to be contradictory to the actions of the Center as we provided multiple items of evidence that the noted violation conditions were rectified and DOB certifications were filed.

Snug Harbor Cultural Center & Botanical Garden provided signed purchase orders for contractors hired to address the violation conditions, records from the Staten Island Museum documenting their repairs, and DOB violation cure certificates to the auditors. Snug Harbor Cultural Center & Botanical Garden also filed with DOB certification of violation corrections via DOBNow and provided to the auditors copies of the notarized documentation. Additionally, Snug Harbor's Management also provided the auditors the Staten Island Museum's documentation confirming the work performed for the elevator devices on premises under their responsibility.

It is out of the Center's control that, the DOB/OATH portal does not currently reflect that the violations have been resolved, nor is it within our Control that several devices within the Staten Island Museum responsibilities are improperly identified by the city records as the responsibility of Snug Harbor Cultural Center & Botanical Garden. The Center will follow up with DOB, DCLA and the Staten Island Museum to request their assistance and await the records to be updated in the DOB system.

However, Snug Harbor Cultural Center & Botanical Garden re-asserts that the deficient conditions noted in the notes DOB violations have all been repaired and the violation clearances have been submitted. Accordingly, we do not agree that our current practices are insufficient to address violation conditions in a timely and appropriate manner.

Comptroller Recommendation #7:

Ensures that all required reports are complete, accurate, and in accordance with DCLA Procedures.

Snug Harbor response #7:

We agree to ensure that all required reports are complete and in accordance with DCLA Procedures.

Snug Harbor Cultural Center & Botanical Garden's FY2021 audit followed the instructions in the Department of Cultural Affairs 2021 Capital Expenditure letter to Snug Harbor Cultural Center & Botanical Garden which states:

"For a project where the City owns the building and is paying directly for design, construction or equipment on behalf of your organization the footnote should reference the City contribution as:

1. *The City of New York has paid [xxx] dollars for the renovation or purchase of equipment for [project name] and/or [xxx] dollars for the*



renovation or purchase of equipment in fiscal year 2021.”

Snug Harbor Cultural Center & Botanical Garden believes that it is rigorously following and in compliance with the instructions from the Department of Cultural Affairs. Snug Harbor provides its Audited Financial Statements to DCLA on an annual basis, and the language in our independently prepared third-party Audit has never been flagged by the city agency as not in compliance with our agreements.

Additionally, Snug Harbor Cultural Center & Botanical Garden is provided on annual basis from the DCLA a reporting of capital investments made each fiscal year for each project in progress. We are not provided at the conclusion of each fiscal year an annual updated estimate of each project’s total estimated cost while the project is underway by the managing agency. Due to this lack of information provided, we are unable to provide the information to our third party Auditors to comply with the Audit notation detailed in the 2005 DCLA procedures manual, as the current reporting received from the city agencies overseeing the capital projects do not make that information available to us. That being said, we will continue to make our best efforts to comply with all required city contract obligations, and will follow up on this item further with DCLA staff.

Finally, Snug Harbor Cultural Center & Botanical Garden acknowledges that an error was made in the DCLA Annual Report which reported that ten meetings of Board of Director Standing Committees had occurred in Fiscal Year 2021, instead of the twelve standing committee meetings which were reported on during Full Board Meetings. Snug Harbor Cultural Center & Botanical Garden will ensure to accurately report meetings held as required by DCLA annual reporting requirements in the future. We again reiterate that we believe this was due to record keeping challenges resulting from the strains caused to the organization during a period of global pandemic business disruption.

Thank you for providing this opportunity to document additional context to the audit report, and we reiterate our appreciation for the work of the New York City Comptroller’s office as well as our commitment to implementing the auditor’s recommendations in the immediate future.

Sincerely,

A handwritten signature in black ink, appearing to read "Jessica Baker Vodoor".

Jessica Baker Vodoor
President & CEO
Snug Harbor Cultural Center & Botanical Garden



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