



# City of New York

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## OFFICE OF THE COMPTROLLER

Scott M. Stringer  
COMPTROLLER



## FINANCIAL AUDIT

**Marjorie Landa**

Deputy Comptroller for Audit

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

FM20-079F

June 29, 2021

<http://comptroller.nyc.gov>



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

June 29, 2021

To the Residents of the City of New York:

My office has audited the Queens Borough Public Library (QBPL) to determine whether it fully implemented the nine recommendations made in a prior audit of the QBPL's financial and operating practices (Audit # FN14-099A). We conduct follow-up audits such as this to increase accountability by ensuring that agencies take appropriate actions to address identified weaknesses.

This follow-up audit found that out of the nine prior audit recommendations, the QBPL has fully implemented three, partially implemented five and that one recommendation was no longer applicable. Specifically, the QBPL implemented the recommendations that it review certain W-2s it had issued previously; maintain accurate records to support fund allocations and other financial and operational decisions; and review its policies and procedures to ensure that they adequately promote the mission of the Library and proper allocation of resources. The QBPL partially implemented the recommendations that it revise its policies and procedures to ensure proper Board and managerial oversight for all of the Library's operations; ensure the establishment and enforcement of proper financial controls for the effective use of the QBPL's resources; revise the timekeeping policy to ensure all employees, including managerial employees, properly account for their work hours; ensure going forward that all compensation is included as taxable income on employees' W-2s; and establish a reasonable methodology to properly allocate costs among different funds.

Based on our follow-up audit we additionally recommend that the QBPL: (1) update its Purchasing Policy; (2) establish a standard allowance for in-town meals to be included in its Business Expense Policy; (3) enforce its credit card policies and procedures; (4) properly account for the usage of QBPL vehicles; (5) properly account for the fueling of QBPL vehicles and the location of authorized drivers during work hours to detect and prevent unauthorized use of its resources; (6) ensure that QBPL's Kronos timekeeping system functions properly and will be fully implemented by the scheduled time; and (7) revise its Board-approved allocation methodology and consider allocating management salary costs among unrestricted funds other than the City Fund.

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

If you have any questions concerning this report, please email my Audit Bureau at [audit@comptroller.nyc.gov](mailto:audit@comptroller.nyc.gov).

Sincerely,

A handwritten signature in black ink, appearing to read "Scott M. Stringer".

Scott M. Stringer

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# THE CITY OF NEW YORK OFFICE OF THE COMPTROLLER FINANCIAL AUDIT

## Follow-up Audit Report on the Financial and Operating Practices of the Queens Borough Public Library

FM20-079F

### EXECUTIVE SUMMARY

The objective of this follow-up audit was to determine whether the Queens Borough Public Library (QBPL or the Library) fully implemented the nine recommendations of our prior *Audit Report on the Financial and Operating Practices of the Queens Borough Public Library* (Audit # FN14-099A), issued on July 7, 2015.

The QBPL is one of the largest public library systems in the United States, dedicated to serving one of the country's most ethnically and culturally diverse areas. The QBPL is primarily funded by City tax levy funds. The City also provides the Library with most of its buildings and with City capital funds for infrastructure work on those buildings. In addition to City funds, the QBPL receives funding from New York State; federal grants; and private donations; and it collects revenues from book sales, fines, and fees.

During Fiscal Year 2019, the QBPL reported \$121,548,512 in City funding, \$10,161,318 in State funding, and \$2,821,705 in federal grants. The QBPL uses a fund accounting structure, which includes restricted, unrestricted, and Board-designated fund accounts. The QBPL may use four of those funds—the City Fund and unrestricted funds in its Fines and Fees Fund, its State Fund, and its Board-designated Fund—for all aspects of the Library's operations.

Our previous audit, cited above, was conducted to determine whether the QBPL appropriately authorized and recorded its expenditures; whether those expenditures were necessary for the Library's operation; and whether the QBPL complied with the applicable laws, rules, and regulations governing the use of the Library's funds. That audit found significant deficiencies in the Library's operating and financial practices and recommended nine measures to address the deficiencies found. In this report we discuss the implementation status of each of those nine recommendations.

### Audit Findings and Conclusion

Of the nine recommendations made by the prior audit report, we determined that the QBPL has fully implemented three, partially implemented five, and that one recommendation was no longer applicable.

Specifically, the QBPL implemented: (1) recommendation #4—that it review certain W-2s it had issued previously to determine the value of any income not properly stated and take appropriate action, including reissuing any W-2s, if necessary; (2) recommendation #8—that it maintain accurate records to support fund allocations and other financial and operational decisions, including raises, bonuses, staff reductions, and reductions in services; and (3) recommendation #9—that it review its policies and procedures to ensure that they adequately promote the mission of the Library and ensure the proper allocation of resources.

The QBPL partially implemented: (1) recommendation #1—that it revise its policies and procedures to ensure that proper Board and managerial oversight responsibilities are established and exercised for all aspects of the Library’s operations, including but not limited to the activities of the Chief Executive Officer (CEO) and other executive staff; (2) recommendation #2—that it ensure the establishment and enforcement of proper financial controls for the effective use of its resources; (3) recommendation #3—that it revise the timekeeping policy to ensure all employees, including managerial employees, properly account for their work hours; (4) recommendation #6—that it ensure going forward that all compensation is included as taxable income on employees’ W-2s; and (5) recommendation #7—that it establish a reasonable methodology to properly allocate costs among different funds.

## Audit Recommendations

Based on this follow-up audit, we make seven new recommendations that the QBPL take the following actions:

- Update its Purchasing Policy;
- Establish a standard allowance for in-town meals to be included in its Business Expense Policy;
- Enforce its credit card policies and procedures, including the procedure requiring the CEO and Chief Financial Officer (CFO) to review and approve credit card and purchasing card charges, or, if the QBPL determines that such review is unnecessary, revise the relevant policies and procedures, such as Authorized Uses procedure, Section A9, to eliminate the requirement and specify the reviews it deems sufficient;
- Properly account for the usage of QBPL vehicles by authorized drivers to identify and include all reportable compensation as taxable income on employees’ W-2s;
- Properly account for the fueling of QBPL vehicles and the location of authorized drivers during work hours to detect and prevent unauthorized use of QBPL’s resources;
- Ensure that QBPL’s Kronos timekeeping system functions properly and will be fully implemented by the scheduled time; and
- Revise its Board-approved allocation methodology and consider allocating management salary costs among unrestricted funds other than the City Fund.

## Agency Response

In its response, the QBPL agreed with five of the seven recommendations, disagreed with one recommendation, and stated that it will take the remaining recommendation under advisement. Specifically, the Library disagreed with the recommendation to revise its Business Expense Policy to include a standard allowance for in-town meals and stated that it will take under advisement

the recommendation to revise its Board-approved allocation methodology and consider allocating management salary costs among unrestricted funds other than the City Fund.

# AUDIT REPORT

## Background

The QBPL was incorporated in 1907 to establish and maintain a free public library system serving the residents of Queens. It is governed by a board of trustees (the Board), whose members are appointed by the New York City (the City) Mayor and the Queens Borough President. In addition, representatives of the City Comptroller, the Mayor, the Speaker of the City Council, the Public Advocate, and the Queens Borough President serve on the Board as non-voting ex-officio members.

The QBPL is one of the largest public library systems in the United States, dedicated to serving one of the country's most ethnically and culturally diverse areas. The Library offers free access to a collection of more than 5 million books and other materials in multiple languages, technology and digital resources, and more than 87,500 educational, cultural, and civic programs a year. The Library consists of 66 locations, including a central library and 65 local branch libraries, which contain seven adult learning centers, a technology center, two universal pre-kindergartens, and two teen centers.

The QBPL is primarily funded by City tax levy funds. The City also provides the Library with most of its buildings and with City capital funds for infrastructure work on those buildings. In addition to City funds, the QBPL receives funding from New York State; federal grants; and private donations; and it collects revenues from book sales, fines, and fees.

During Fiscal Year 2019, the QBPL reported \$121,548,512 in City funding, \$10,161,318 in State funding, and \$2,821,705 in federal grants. The QBPL uses a fund accounting structure, which includes restricted, unrestricted, and Board-designated fund accounts. The City Fund, the QBPL's unrestricted funds in its Fines and Fees Fund, its State Fund, and its Board-designated Fund may be used for all aspects of the Library's operations.

The New York City Comptroller's Office previously conducted an audit, *Audit Report on the Financial and Operating Practices of the Queens Borough Public Library* (Audit # FN14-099A), issued on July 7, 2015, to determine whether the QBPL appropriately authorized and recorded its expenditures; whether those expenditures were necessary for the Library's operation; and whether the QBPL complied with the applicable laws, rules, and regulations governing the use of the Library's funds. The prior audit found that the QBPL failed to ensure the proper expenditure of Library funds in that it lacked oversight over credit card expenditures, did not account for managerial employees' work hours, and did not report all executive compensation on W-2s. The prior audit also found that QBPL's Board of Trustees did not adequately oversee the QBPL, that the QBPL failed to appropriately allocate expenditures resulting in multi-year City fund deficits, and that management salaries increased while branch services and the QBPL's support workforce decreased.

To address these findings, the audit report made nine recommendations. In its Audit Implementation Plan submitted to the New York City Comptroller's Office on October 6, 2016, the QBPL detailed the status of the nine recommendations, stating that seven of the nine had been fully implemented and the remaining two were in progress.



## Objective

The objective of this audit was to determine whether the nine recommendations were fully implemented to address the findings in the previous report.

## Scope and Methodology Statement

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS). 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 objective. This audit was conducted in accordance with the audit responsibilities of the City Comptroller as set forth in Chapter 5, §93, of the New York City Charter.

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

The scope of this audit was July 1, 2018 through December 31, 2019. Please refer to the Detailed Scope and Methodology at the end of this report for the specific procedures and tests that were conducted.

## Discussion of Audit Results with the QBPL

The matters covered in this report were discussed with QBPL officials during and at the conclusion of this audit. A preliminary report was sent to the QBPL and was discussed at an exit conference on May 25, 2021. On June 9, 2021, we submitted a draft report to the QBPL with a request for written comments. We received a written response from the QBPL on June 23, 2021. In its response, the QBPL agreed with five of the seven new recommendations, disagreed with one recommendation, and stated that it will take the remaining recommendation under advisement. Specifically, the Library disagreed with the recommendation to revise its Business Expense Policy to include a standard allowance for in-town meals and stated that it will take under advisement the recommendation to revise its Board-approved allocation methodology and consider allocating management salary costs among unrestricted funds other than the City Fund. We address the QBPL's specific disagreements with aspects of the report's findings in the applicable sections of the report below.

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



## RESULTS OF THE FOLLOW-UP AUDIT

We determined that the QBPL implemented three of the nine recommendations of the prior audit, partially implemented five recommendations, and that one recommendation was no longer applicable.

**2015 Audit Finding:** “The QBPL Failed to Ensure the Proper Expenditure of Library Funds - Lack of Oversight over Credit Card Expenditures”

The prior audit found that the QBPL failed to ensure proper use of its executives’ credit cards, resulting in approximately \$106,000 in insufficiently documented or otherwise questionable expenses in Fiscal Year 2013. Further, none of the CEO’s credit card expenditures, including \$110,822 during Fiscal Year 2013, were reviewed and approved before the QBPL paid them. In addition, in Fiscal Year 2013, QBPL executives spent \$14,302 with Library credit cards for meals attended by then-members of the Board. The prior audit also determined that the Library failed to enforce its Credit Card, Purchasing, Business Travel, and Educational Assistance policies. In that regard, the QBPL paid for \$76,049 in credit card expenses (26 percent of the total \$292,806 credit card expenditures for Fiscal Year 2013) in violation of its policies prohibiting disbursements without adequate back-up documentation, purchases by individuals other than authorized card users, and payment of sales tax where purchases should have been exempt from tax.

In addition, and as discussed further below, the prior audit found that the Library’s Purchasing Policy did not require it to publicize—in a newspaper or on a website—its intentions to solicit proposals or bids for the purchase of goods or services.

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

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

**Current Status Recommendation #1:** PARTIALLY IMPLEMENTED

The QBPL has not fully implemented Recommendation #1. The QBPL implemented a new Budget Policy and revised its Business Expense, Credit Card, and Professional Development/Organizational Advancement policies and procedures in an effort to establish proper Board and managerial oversight responsibilities in those areas. However, the QBPL did not revise its Purchasing Policy in accordance with its Audit Implementation Plan dated August 22, 2016 to require its staff to publish or announce in a newspaper or on a public website its planned solicitations of bids and proposals for goods and services to maximize the number of potential vendors.<sup>1</sup>

Specifically, in its 2016 Audit Implementation Plan, the QBPL stated that “the Purchasing Policy [would] be revised based on the internal audit recommendations,” referring to the QBPL Board of Trustees’ engagement of BDO USA, LLP (BDO) to conduct an internal audit of certain operational

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<sup>1</sup> The QBPL submitted its Audit Implementation Plan on October 6, 2016; the plan was dated August 22, 2016.

areas of the Library. The QBPL further stated that it anticipated that the recommendations resulting from the internal audit would lead to the establishment of new and enhanced internal controls. BDO's audit report, issued in January 2016, recommended, among other things, that the QBPL's management "review the Purchasing Policy to ensure it reflects the Library's current purchasing processes." However, the QBPL provided insufficient evidence to show that the Library's management reviewed the Purchasing Policy as the BDO audit recommended and did not revise its Purchasing Policy.

After the commencement of our current, follow-up audit, the QBPL issued a memo dated February 10, 2020—four years after the BDO report—to document its current practices. The memo describes procurement procedures that are not included in the QBPL's Purchasing Policy. Specifically, as relevant here, the February 2020 memo states that for "procurement matters that are subject to competitive bidding as required by the Policy, the Procurement Department has adopted the practice of advertising the solicitation in the NYC Record, Bid Net, and the NYS Contract Reporter." The QBPL did not explain why it did not revise the Purchasing Policy to require public advertising for competitive procurements, which, according to the February 2020 memo, the QBPL had "adopted" in practice.

In addition, we found that the QBPL did not revise its Business Expense Policy to set a limit for in-town meals paid with Library funds to address our prior audit's findings regarding excessive QBPL spending on meals.

By failing to ensure that its Purchasing Policy reflected the Library's current purchasing processes, as the internal/BDO audit recommended, and by failing to revise its Business Expense Policy, the QBPL has failed to fully implement Recommendation #1 of our prior audit.

**QBPL Response:** "At several points, the Report states that the Library only partially implemented a recommendation from the original audit because it did not formally revise its Purchasing Policy 'to ensure that it . . . reflected the Library's current purchasing processes.'" (Report, 6, 9) The Library respectfully notes that, after receiving significant submissions from the Library concerning its purchasing processes—including in response to new requests after the parties' May 25 exit interview—the Comptroller has not identified any substantive problems arising from the Library's current processes."

**Auditor Comment:** This finding pertains solely to QBPL's failure to revise its Purchasing Policy as recommended by the prior audit, regardless of the efficacy of the current processes. The Purchasing Policy should detail the procedures for Library staff to follow at all times.

**QBPL Response:** "The Report states that the Library only partially implemented a recommendation from the original audit because it 'did not revise its Business Expense Policy to set a limit for in-town meals paid with Library funds to address our prior audit's findings regarding excessive [Library] spending on meals.'" (Report, 6) Again, the Library respectfully notes that the Report does not identify a single instance of excessive spending on in-town meals beyond what was originally identified in the original audit back in 2015."

**Auditor Comment:** The QBPL based its decision not to establish a standard allowance for in-town meals on the fact that our current, follow-up audit report did not identify any instances of excessive spending on meals. However, it is undisputed that 2015 audit did find such excessive spending, and in the absence of a reasonable,

standard allowance, the Library incurs the foreseeable and preventable risk that the problem could reoccur, for example, under a future administration. It is QBPL's responsibility to establish effective internal controls. The previous audit's recommendation is one that the Library agreed to implement, and there was more than adequate reason for that implementation to include setting a limit for in-town meals paid with Library funds. In addition, without a standardized in-town meal allowance, the reasonableness of the amounts spent on such meals becomes open to debate, as the Library's experience with its former executives unfortunately revealed. We therefore urge the Library to reconsider and fully implement this recommendation.

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

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

**Current Status Recommendation #2:** PARTIALLY IMPLEMENTED

The QBPL has not fully implemented Recommendation #2. Although the Library's CEO has chosen to not use his assigned credit card, the QBPL did not fully enforce proper controls over the use of its credit cards by authorized users. In addition, the QBPL has not fully implemented some of BDO's internal audit recommendations, specifically, those related to reviewing and deactivating dormant vendor accounts, and revising its Purchasing Policy.

*(a) Credit Card Controls Not Enforced*

The QBPL revised its Credit Card Policy in November 2015 to authorize the use of three types of credit cards (Vendor Specific, General Purpose, and Fuel), as well as the use of Library Corporate Purchasing Cards by authorized Library employees. Section A7 of the Authorized Uses procedure states,

Employees must submit itemized receipts for all charges which have been incurred in connection with Library-related business for which the Credit Card/Purchasing Card was used and all required documentation for expenses incurred pursuant to the Business Expense Policy (F#17), and charged on credit or purchasing cards. The business purpose, budget codes and user signature must be written on the detailed documentation or the statement and submitted to Finance within 5 business days of receipt of the statement.

In addition, Section A9 of the Authorized Uses procedure states that the CFO and the CEO "will review all charges on the Credit Cards and Purchasing Cards, with the exception of Fuel Cards, and document final approval on monthly statements."

However, in reviewing sampled credit card and purchasing card statements, we identified several areas of noncompliance with the above-cited controls, among other control weaknesses detailed below.

(i) *Lack of Required Review, Approval, and Stated Business Purpose for Vendor Specific Credit Card Expenditures*

During our audit scope, the QBPL had two Vendor Specific Credit Cards: a Home Depot Custodial account and a Home Depot Maintenance account. Our review of the April 2019 statements of both Home Depot accounts, with 57 purchases totaling \$10,614, noted that neither the CFO nor the CEO documented their final approval on the monthly statements as required. Library officials confirmed, during a meeting on October 28, 2020, that the CFO and CEO had not been reviewing those Vendor Specific Credit Card statements.

Additionally, our review of the expenditures of the Home Depot Custodial account noted that of the 15 purchases listed, the authorized users did not document the business purpose of 9 purchases totaling \$3,657. Specifically, purchases of items such as vacuums, carpet cleaners, microwaves, trimmers, and blinds lacked both the required stated business-purpose and a record identifying the specific library facility and location where the purchased item was to be used and housed. On October 28, 2020, Library officials confirmed that the Library had no records tracking the inventory of these items.

In written comments sent on May 24, 2021, QBPL officials stated that “[t]he Library has begun the process of recording inventory of various custodial- and maintenance-related items (using, e.g., model or serial numbers), including: pressure and power washers, snow blowers, generators, floor scrubbers, carpet extractors, vacuums, wet vacs, street vacs, air purifiers, and dehumidifiers.” However, QBPL did not provide evidence supporting that statement at that time.

Subsequent to the May 25, 2021 exit conference, the QBPL collected information from its Custodial Department and provided us with emails and two MS Excel spreadsheets on May 28, 2021, to show the current location, reportedly, of each item from the nine purchases that we identified as lacking required documentation. However, our review noted multiple discrepancies among the documents the QBPL provided on May 28, 2021. For example, an email indicated the QBPL was purchasing blinds for the Operations Center’s windows, but one spreadsheet indicated that the blinds were for the Hunters Point Library. The spreadsheet that purportedly showed the Hunters Point Library’s expenses, on the other hand, did not include the blinds.

**QBPL Response:** “The Report states that the Library did not document the business purpose and branch location of nine purchases made on a Home Depot Custodial credit card, totaling \$3,657. (Report, 7) The Library provided such documentation to the Comptroller on May 28, 2021. In response to this submission, the Report states that the documentation contained ‘multiple discrepancies’ and describes one supposed discrepancy concerning the branch location of a purchase. (*Id.*) The Library respectfully submits that the business purpose of these items—including string trimmers, wet/dry vacuums, and power cleaners—are self-evident and used in the ordinary course of custodial activity at Library branches. Regarding the branch location of the purchases, the one purported discrepancy cited in the Report, concerning the location of window blinds, amounts to a difference between (i) actual documentation of branch location (an email), and (ii) a summary Excel document, created by Library staff and meant to summarize documentation provided to the Comptroller and total the costs reflected in the associated purchase receipts. That summary document incorrectly listed the location of the blinds contained in the email provided. The Library apologizes for this mistaken listing in the Excel sheet and refers the Comptroller to the email and underlying documentation in its possession, which address the concerns raised in this factual finding.”

**Auditor Comment:** The Library deemed the business purpose of the referenced items as self-evident. However, without the details of who initiated the request and the item's designated branch, there is no reasonable assurance that the requested items are indeed used for the Library. In addition, while two of the items referenced above (wet/dry vacuums and power cleaners) were intended for centralized custodial use, string trimmers were distributed to Library branches.

(ii) *Unreviewed Irregularities in Employees' Use of Fueling Cards and Vehicles*

The QBPL participates in the NYC Gas Card Program and is supposed to observe corresponding procedures established by the Department of Citywide Administrative Services (DCAS). However, the audit found: (1) numerous irregularities in the QBPL's use of the gas cards, contrary to the program's specifications; and (2) nonexistent oversight of gas card use by QBPL management. The specifics follow.

The QBPL uses individual gas cards issued by DCAS to fuel its vehicles. Each gas card is assigned to a specific Library vehicle and is supposed to be used only to fuel that vehicle; under no circumstances are drivers allowed to use a gas card to fuel other vehicles. Each Library employee who uses a gas card is also assigned a Personal Identification Number (PIN), which the employee is supposed to enter, along with the current odometer reading of the assigned Library vehicle, into an electronic device at the gas station each time the employee fuels the vehicle. DCAS advises all persons using the gas cards that repeated instances of incorrect odometer readings are grounds for the loss of gas card privileges and other disciplinary action.

The DCAS NYC Fleet unit is responsible for tracking and monitoring gas card usage. To carry out that responsibility, DCAS receives monthly reports of all gas card fueling transactions, including the odometer readings that the drivers record. DCAS compiles the information concerning the Library's gas card transactions in a monthly Gas Card Usage Report and communicates any irregular fueling activities to the Library through DCAS' "WEX daily Exception Reports" (Exception Reports).<sup>2</sup> Library management is expected to use those reports to monitor drivers' compliance and to take appropriate action to prevent abuse of Library and City resources.

During our audit scope, the QBPL had individual gas cards associated with 51 Library vehicles. The Gas Card Usage Report for our sampled month, April 2019, listed 161 transactions associated with 48 vehicles totaling \$8,582 in fuel costs the City incurred in that month for the Library. The Exception Report listed 39 of those 161 fueling transactions involving the Library's gas cards as irregular, including instances of Library gas card holders failing to properly report current odometer readings for the vehicles they were fueling.

Our review noted additional irregularities in the Library's fueling transactions not listed in the Exception Report, including 22 instances where Library gas card holders reported negative changes in the odometer readings of the Library's vehicles between fueling transactions—rendering the corresponding records inaccurate *per se*—and one instance where a Library vehicle reportedly was driven over 2,500 miles in the 5-day period between two consecutive fueling transactions.

Our review also noted instances where diesel-powered Library buses purportedly had been fueled with regular unleaded gasoline instead of diesel fuel, contrary to DCAS specifications. These irregularities raised the question of whether the persons using the Library's gas cards were taking

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<sup>2</sup> NYC Fleet uses a New York State requirements contract for fuel card services through WEX Fleet, which allows fueling at gas stations nationwide.



fuel at the Library's and the City's expense for use in vehicles other than the assigned Library vehicles.

During a meeting on October 28, 2020, a QBPL official attributed the above-mentioned irregularities involving missing, inaccurate, and questionable odometer readings to mere data entry errors. Further, the official attributed the discrepancies in the fuel type used—unleaded gasoline purportedly pumped into the tanks of buses that run on diesel fuel—to limitations in fuel type availability at the gas stations. In addition, the QBPL official stated, “The exceptions received from DCAS are for informational purposes only and no follow up by the Library is needed.” In fact, however, the QBPL's failure to monitor its fuel usage and to investigate, address, or take note of the multiple irregularities reflected in both the Exception Reports and our review negates the measure of internal control both were intended to provide. Management's inaction in this regard allows the documented irregularities, inaccurate reporting, and potential misuse of the QBPL's gas cards to persist unchecked, seriously undermining the Library's internal control environment.

Additionally, our review noted irregularities in the QBPL's vehicle usage and fueling locations. Of the 51 QBPL vehicles in use during our audit scope, the QBPL had designated 13 as Take-Home vehicles. According to the City Vehicle Driver Handbook, “Drivers are not allowed to use City Government Vehicles for personal activities, except for required rest periods, meals, and brief stops incidental to the conduct of official City business.” Library drivers who use DCAS gas cards are required to comply with the Handbook. Contrary to the Handbook's instructions, however, our review of the QBPL's gas card records found 17 instances from December 2018 through December 2019 where QBPL employees fueled their assigned Take-Home vehicles in areas of Nassau County where the QBPL provides no services. In those cases, the QBPL car was fueled during or within 15 minutes of the employees' work hours of 8:00 a.m. through 6:00 p.m. The employees' use of Library-issued gas cards during or within 15 minutes of their Library work hours at fueling locations at least 18 miles from their QBPL worksites appears inconsistent with both the Library's business-use policy for its vehicles and the fuel it receives through the City and the premise that Library employees should be working for the Library during their paid work time. These irregularities also warrant management review.

#### *(b) QBPL Did Not Fully Implement Internal Audit Recommendations*

Our audit also found that the QBPL did not fully implement the BDO internal audit's recommendations pertaining to procurement. As discussed above, the QBPL's August 2016 Audit Implementation Plan stated that the Board had engaged BDO to conduct an internal audit, and the QBPL anticipated that the recommendations resulting from that audit would lead to the establishment of new and enhanced internal controls. BDO recommended five measures that the QBPL generally agreed to adopt; however, it has not implemented all the recommendations.<sup>3</sup>

Specifically, the QBPL did not review its vendor master file annually to identify and deactivate its dormant accounts for vendors with which it has no current dealings. The existence of such dormant accounts in the QBPL's payment system could allow individuals to issue unauthorized payments in error or improperly. Based on our comparison of the QBPL's vendor list with its general ledger, we identified 102 vendors with no transactions with the QBPL in a five-year period—from July 2015 through June 2020.<sup>4</sup> At the time of our review those 102 dormant accounts had not been deactivated as BDO had previously recommended. In their written comments

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<sup>3</sup> The QBPL implemented BDO's recommendation related to the segregation of duties between vendor maintenance and invoice processing and related to capital project management policies and procedures but has not fully implemented other BDO recommendations as described in this report.

<sup>4</sup> The listing of vendors the QBPL provided was dated February 5, 2020.

provided on May 24, 2021, QBPL officials stated that “[s]ince the time of the Comptroller’s sample, the Library has deactivated dormant vendor accounts—i.e., those without activity for the last two years—and is continuing this process annually.”

Additionally, as noted earlier in this report, the QBPL has not taken steps to ensure that its Purchasing Policy reflected current processes, as BDO recommended in its 2016 audit. Pursuant to that recommendation, the Purchasing Policy should have been updated to incorporate formal vendor selection and approval processes and further guidance for soliciting and selecting vendors and for contract renewals, and to update the dollar-value thresholds for procurements requiring supervisory approval and competitive bidding processes. On October 28, 2020, during a discussion of our audit findings, QBPL officials agreed that the Purchasing Policy should be updated.

**2015 Audit Finding:** “The QBPL Failed to Ensure the Proper Expenditure of Library Funds - Managerial Employees’ Work Hours Not Accounted For”

The prior audit found that the QBPL did not adequately account for its managerial employees’ daily work hours. The QBPL did not require its executives to fill out timesheets, only to manually document the dates of any absences on a “Monthly Report of Absences” (Absences Report). The prior audit found that the Absences Reports did not capture whether these employees worked the 35 hours per week required by the QBPL because the reports did not require managerial employees to state the number of hours they worked each day. This was a particular weakness in the case of the CEO at the time who, with the Board’s permission, was allowed to work a second job for an unlimited number of hours as a consultant to a school district in Nassau County. The lack of documentation of the times when the CEO was performing Library duties raised questions about whether he in fact performed 35 hours of service for the Library as required, in addition to the approximately 20 hours a week he billed to the school district.

***Previous Recommendation #3:*** “Revise the timekeeping policy to ensure all employees, including managerial employees, properly account for their work hours.”

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

**Current Status Recommendation #3:** PARTIALLY IMPLEMENTED

The QBPL is in the process of implementing Recommendation #3. During our audit scope, which covered an 18-month period that ended four and a half years after our prior audit, the QBPL continued to require managerial employees to submit only the Absence Reports regarding their approved leave time every month rather than requiring executives and managers to fill out timesheets or otherwise account for their work hours.

As of February 6, 2020, the Library anticipated that it would begin a phased-in implementation of the automated Kronos Timekeeping System by the end of May 2020 with full implementation likely occurring by the end of 2020. However, the original implementation date was two months into the Library’s closure at the outset of the pandemic. In their written comments sent on May 24, 2021, QBPL officials confirmed the deployment of staff into the Kronos Timekeeping system. In addition, according to those comments, “[a]ll members of the Library’s senior management team (President and Senior Vice Presidents) have been deployed into the system, and almost all management personnel (Vice Presidents) have been deployed. The Library is currently



scheduled to deploy its last group of staff into the system by mid-July 2021. Regarding written procedures for staff timekeeping, the Library's training on Kronos covers all relevant aspects of using the system, including, e.g.: accessing the system; punching in/out; correcting mistaken punches in/out; finding accrual balances; requesting time off; and approving timecards. These training procedures are also documented in the manual for the timekeeping system." On June 4, 2021, the QBPL provided for our review the Kronos Employee Guide, Kronos Manager Guide and management employee timesheets to evidence the Library's current timekeeping practice.

**2015 Audit Finding:** "The QBPL Failed to Ensure the Proper Expenditure of Library Funds - The QBPL Did Not Report All Executive Compensation on W-2s"

The prior audit found that the QBPL did not accurately report all "other compensation" on certain executives' W-2s as required by IRS guidelines. In that regard, the prior audit found that the former CEO charged the Library \$12,396 and the former Chief Operating Officer (COO) charged the Library \$4,151 for fuel that neither official used for work related trips. The cost of that fuel usage for apparently personal purposes was not included in either former official's W-2 as "other compensation." Consequently, these employees may have understated their incomes on their tax returns.

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

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

**Current Status Recommendation #4:** IMPLEMENTED

The QBPL fully implemented Recommendation #4. The QBPL revised the former CEO's and COO's 2012 and 2013 W-2 forms to reflect taxable fuel usage. However, based on our review of the spreadsheet provided to us by a QBPL official that contained the calculations used to revise the W-2 forms, we found that the QBPL did not properly adjust the former COO's 2013 W-2. Specifically, the taxable gas costs related to the former COO's personal use for 2013 should have been adjusted to \$2,789. However, the QBPL mistakenly adjusted the 2013 W-2 using actual gas costs from 2012, which totaled \$2,044. Therefore, the taxable compensation was understated by \$745 on the former COO's revised 2013 W-2. The QBPL acknowledged the error and stated that, "pursuant to IRS and Social Security Administration guidance, there is a statute of limitations on how long an employer can issue a W-2C, and the Library no longer has the ability to file one for tax year 2013."

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

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

### **Current Status Recommendation #5: NOT APPLICABLE**

With regard to Recommendation #5, in its Audit Implementation Plan, the QBPL reported,

Appropriate demands have been made and the Library is considering available options. It should be noted that the propriety of the credit card charges that the Library is seeking to recoup from [the former CEO] is the subject of certain claims that [the former CEO] has asserted in a federal lawsuit . . . against the Library alleging that he was wrongfully terminated for cause, as well as certain counterclaims that the Library has asserted against [the former CEO] in that lawsuit. The Library has reviewed credit card expenditures that are questionable or appear to be inconsistent with the Library's mission and determined to be personal in nature. The Library has sought reimbursement of these expenditures.

However, in a memorandum dated February 21, 2020, the Library's Legal Department stated that the "QBPL was unable to recoup the improper personal expenditures as cited in the prior audit report. Those expenditures, *inter alia*, were the subject of litigation between the Library and its former President/CEO."

In accordance with a settlement agreement dated November 7, 2016, the Library and the former CEO settled claims and counterclaims and all matters and disputes between them as a result of litigation between the Library and the former CEO. A similar settlement agreement was reached between the Library and the former COO through a settlement dated December 2, 2016. Consequently, the QBPL did not recoup \$330,000 in questionable and possibly improper credit card expenditures from the former CEO and approximately \$20,000 for such expenditures from the former COO or revise the W-2 forms for any personal charges incurred by its former CEO and COO.

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

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

### **Current Status Recommendation #6: PARTIALLY IMPLEMENTED**

The QBPL did not fully implement Recommendation #6. The QBPL reported in its Audit Implementation Plan that it had revised its Library Driver Safety Policy to require employees who use a Library vehicle to purchase gas through the NYC Gas Card Program, thereby ensuring that all fuel charges are properly tracked and that reportable compensation is included as taxable income on employee W-2s. However, we found that the QBPL does not properly monitor vehicle or gas card usage by its authorized drivers. As noted previously, the audit identified numerous irregularities related to the Library's use of DCAS-issued gas cards and Take-Home vehicles. The following irregularities relate to other Library vehicles that are supposed to be used only for Library business but appear to have been used for other purposes, including unauthorized and unreported personal use by Library employees. The Library has not implemented a process to identify unauthorized personal use of these vehicles and has not been reporting such use as taxable compensation for the employees involved.

The QBPL's fleet includes vehicles assigned to authorized employees for business use only during official business hours. The employees are not supposed to take those vehicles home

overnight (Non-Take-Home vehicles). According to a QBPL official, “Queens Library staff are instructed and agree to not use vehicles for personal reasons. All commuting must be authorized and within business units’ hours of operation.” However, our review of fuel transactions for the QBPL’s Non-Take-Home vehicles from December 2018 through December 2019 found irregularities. Specifically, of the 175 fuel transactions reviewed, we noted 59 questionable instances (34 percent) where employees apparently took the vehicles home and used them at times when they were not working for the Library. These questionable instances included employees fueling vehicles on their scheduled days off and from 17 minutes to more than 2 hours prior to the employees’ start times.

Moreover, the QBPL does not use tracking devices to locate its vehicles and does not otherwise monitor the use of its vehicles and gas cards. Consequently, the QBPL’s vehicles and gas cards can potentially be used inappropriately for unauthorized commuting and other personal use, as suggested by the above-mentioned irregularities we identified in this audit. Such inappropriate use can improperly increase the Library’s expenses and result in unreported income for the employees involved.

**2015 Audit Finding:** “The QBPL Failed to Appropriately Allocate Expenditures Resulting in Multi-Year City Fund Deficits”

The prior audit found that the QBPL disproportionately allocated its expenditures between its various funds which resulted in multi-year deficits in the City Fund balance while other Library funds containing unrestricted funds carried surpluses. Citing financial difficulties, QBPL executives repeatedly requested additional funds from the City to cover basic operating costs, while the non-City funds that had previously not been subject to the Comptroller’s audits were running surpluses. The prior audit found that the QBPL’s decision to disproportionately allocate expenses to the City Fund may have caused the deficit balance in the Library’s City Fund from Fiscal Years 2010 to 2013. While the QBPL’s financial reports identified continuous deficits in the Library’s City Fund, the prior audit was not able to substantiate a reasonable basis for these deficits.

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

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

**Current Status Recommendation #7:** PARTIALLY IMPLEMENTED

The QBPL did not fully implement Recommendation #7. Although the QBPL allocated some of its general expenses to other funds to eliminate deficits in the City Fund, the QBPL continued to shift some of those allocations inappropriately back to the City Fund.

According to the QBPL’s allocations of general expenses for Fiscal Year 2019, the QBPL funded 92.2 percent of its general expenses from the City Fund, in line with its budget of 91.6 percent. The QBPL also allocated certain expenses to its budgets for other funds under its control, but some of those allocations were paper exercises that foreseeably failed to materialize in practice.

For example, in January 2016, the QBPL's Audit Committee proposed an allocation of 5 percent of the QBPL's budgeted salaries and benefits for key employees to one of its funds, which it stated would "result in a City funding reduction of approximately \$68,000 for management salary, benefit increases and pension contributions." While technically the QBPL developed an expense-allocation methodology, it appears inadequate in that the Library continued to use City funds to pay expenses that it had allocated, as a matter of form, to another funding source that lacked sufficient funds to pay them.

**2015 Audit Finding:** "Other Matters – Management Salaries Increased While Branch Services and Support Workforce Decreased"

The prior audit determined that, during the audit period, the QBPL had repeatedly increased executive compensation while at the same time reducing the total number of staff members, hours, and services. In addition, the QBPL's records did not reasonably substantiate the purposes furthered by its multiple decisions to award these increases and bonuses. Absent adequate documentation, the prior audit questioned whether the QBPL acted prudently to further its mission to provide quality services, resources, and lifelong learning opportunities to the population.

In conjunction with our prior audit, a State Law enacted on June 26, 2014 required the QBPL to engage an outside consultant to conduct and complete a comprehensive study within 90 days.

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

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

**Current Status Recommendation #8:** IMPLEMENTED

The QBPL implemented Recommendation #8. Based on our review of the approval documentation maintained in the QBPL's Systems, Applications and Products (SAP) system and/or personnel files for 50 randomly sampled pay changes effected during Fiscal Year 2019, we determined that the QBPL maintained proper records to substantiate pay raises.<sup>5</sup> We also determined, based on our interviews and review of the QBPL's 990 forms for 2018 and 2019, that the QBPL did not pay any bonuses and stipends during our audit scope. In addition, we reviewed the supporting documents and determined that the managerial and staff salary allocations were accurately calculated and recorded.

However, we also found that, although the QBPL did engage an outside consultant to conduct and complete a comprehensive executive compensation study, it did not do so within 90 days as required by the previously cited State law. The required Compensation & Benefits Study was issued on March 22, 2018, nearly four years late.

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<sup>5</sup> SAP is an integrated online business system used to manage, record, and report day-to-day transactions in real time and includes the following modules: Finance module – used for Fund Management, Accounting (general ledger), Accounts Receivable and Accounts Payable; Human Resources (HR) module – used for processing hiring, transfers, promotions, retirements and separations; Payroll module – used for processing employees' benefits, W2 forms, paychecks and tax reporting; and Material Management module – used for Material Master Data, Vendor Master Data, Requisitions, Purchase Orders and Goods Receipts.

Based on our assessments for Fiscal Year 2019, we considered the compensation of QBPL's senior management team generally reasonable and well supported. At the time the Compensation & Benefits Study was issued, the compensation of the senior management team, except for the Chief of Staff, were below the 25th market percentile. Even after a subsequent salary adjustment, the compensations of four of the five executives remained below the 25th market percentile. Further, their annual increase of 2 percent in Fiscal Year 2019 was in line with the pay raise percentage generally given to non-union employees.

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

***Previous QBPL Response:*** “As described in response to Recommendation 1 above, new policies and procedures have been reviewed, revised and implemented to ensure compliance with the Library's mission.”

### **Current Status Recommendation #9: IMPLEMENTED**

The QBPL implemented Recommendation #9. With the exception of the above-mentioned Purchasing Policy, the absence of a maximum allowance for in-town meal expenses, and several control weaknesses relating to credit card use, gas card and vehicle use, and employees’ whereabouts during working hours, the QBPL has revised most of its policies and procedures to ensure that they adequately promote the mission of the Library.

For example, the revised Business Expense Policy specifies that the Library will pay for “reasonable costs of business travel, attendance at business related conferences, seminars, community events and professional events, and other reasonable ordinary and necessary business related expenses incurred by Library personnel to advance the mission of the Library.” Additionally, the revised Professional Development/Organizational Advancement Policy states that it is the general policy of the Library to encourage the professional development of its staff and to advance the mission of the Library by highlighting its services and programs. The policy relates to staff attendance at conferences, seminars and training sessions, accepting memberships or an official role or committee memberships in professional organizations and associations, and the acceptance of speaking engagements related to organizational advancement.

The QBPL has also added the new Budget Management Policy and revised its Public Access to Records of the Queens Borough Public Library Policy to provide guidance so that resources are properly allocated. In addition, the revised By-Laws complied with the previously-mentioned State legislation, providing greater transparency to Board practices and reflecting efforts to ensure appropriate accountability.

## **Recommendations**

To address the issues that still exist, we recommend the QBPL:

1. Update its Purchasing Policy to:
  - a. require the publication of a notice in a suitable, Board-approved newspaper and/or website with sufficient detail and lead time to enable interested vendors to respond when the QBPL intends to solicit bids or proposals for its procurements of goods, services, and construction;



- b. incorporate the QBPL's approved procurement practices and establish a Board-approved policy for regular review and updating of the Purchasing Policy to ensure that it reflects all current, Board-approved procurement policies and procedures;
- c. incorporate a formal vendor selection and approval process as recommended by BDO's internal audit; and
- d. incorporate detailed guidance to include steps that staff must take in the preparation and distribution of an RFP, the review of bids and proposals received, cost analysis, and vendor selection, as recommended by BDO's internal audit;

**QBPL Response:** The QBPL agreed with this recommendation and stated, "The Library will formally update its Purchasing Policy in response to the Comptroller's specific concerns, all of which are already addressed by the Library's current practices."

2. Establish a standard allowance for in-town meals to be included in its Business Expense Policy;

**QBPL Response:** The QBPL disagreed with this recommendation and stated, "The Library declines to establish a standard allowance for in-town meals to be included in its Business Expense Policy. As discussed above, the Report did not identify a single instance of excessive spending on meals beyond what was identified in the original audit in 2015. Accordingly, the Library believes its current policy, requiring that such expenses be 'reasonable and supported by the required documentation' is sufficient."

**Auditor Comment:** As noted above, the QBPL based its decision not to establish a standard allowance for in-town meals on the fact that our current, follow-up audit report did not identify any instances of excessive spending on meals. However, given the excessive spending on meals the previous audit identified, the QBPL's failure to implement the recommended control subjects it to a continued and preventable risk of excessive spending in the future and a diminished ability to prevent such spending and require accountability of employees who may engage in it. It is QBPL's responsibility to establish effective internal controls, including by fully implementing the agreed-upon recommendations of the prior audit, which includes revising its Business Expense Policy to set a limit for in-town meals paid with Library funds. In addition, without a standard, reasonable in-town meal allowance, the reasonableness of the amount spent on such meals becomes open to question, diminishing the Library's ability to control such spending and hold employees accountable for future spending that the Library itself may find excessive. We therefore urge the QBPL to reconsider and implement this recommendation.

3. Enforce its credit card policies and procedures, including the procedure requiring the CEO and CFO to review and approve credit card and purchasing card charges, or, if the QBPL determines that such review is unnecessary, revise the relevant policies and procedures, such as Authorized Uses procedure, Section A9, to eliminate the requirement and specify the reviews it deems sufficient;

**QBPL Response:** The QBPL agreed with this recommendation and stated, "The Library will revise Authorized Use Procedure 9 within its Credit Card Policy to

clarify that the relevant department head, and not the CFO and CEO, will review charges on credit cards/purchasing cards and document approval on monthly statements—thus conforming the Library's policy with its current practice.”

**Auditor Comment:** We are pleased that the Library will revise Authorized Use Procedure 9 within its Credit Card Policy. However, we urge the Library to fully implement this recommendation and enforce its credit card policies and procedures that also require the business purpose be reflected on the detailed documentation or the statement submitted to the QBPL’s Finance Department.

4. Properly account for the usage of QBPL vehicles by authorized drivers to identify and include all reportable compensation as taxable income on employees’ W-2s;

**QBPL Response:** The QBPL agreed with this recommendation and stated, “The Library will properly account for the usage of its vehicles by authorized drivers to identify and include all reportable compensation as taxable income on employees’ W-2s, and to do so the Library is currently evaluating organizational changes.”

5. Properly account for the fueling of QBPL vehicles and the location of authorized drivers during work hours to detect and prevent unauthorized use of QBPL’s resources;

**QBPL Response:** The QBPL agreed with this recommendation and stated, “The Library will properly account for the fueling of its vehicles and the location of authorized drivers during work hours to detect and prevent unauthorized use of its resources, and to do so the Library is currently evaluating organizational changes.”

6. Ensure that QBPL’s Kronos timekeeping system functions properly and will be fully implemented by the scheduled time; and

**QBPL Response:** The QBPL agreed with this recommendation and stated, “The Library will work to ensure that its new timekeeping system continues to function properly and will be fully implemented by the scheduled time, which implementation—as the Report acknowledged—was pushed back due to the COVID-19 pandemic and lockdown.”

7. Revise its Board-approved allocation methodology and consider allocating management salary costs among unrestricted funds other than the City Fund.

**QBPL Response:** “The Library will take under advisement the Comptroller’s recommendation that it revise its Board-approved allocation methodology and consider allocating management salary costs among unrestricted funds other than the City Fund. Due to the pandemic, the Library has decided to forgo charging fines and fees to the public in an attempt to provide some relief to its customers and, as a result, may not have fund surpluses in certain funds going forward to which expenses can be allocated.”



## DETAILED SCOPE AND METHODOLOGY

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS). 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 objective. This audit was conducted in accordance with the audit responsibilities of the City Comptroller as set forth in Chapter 5, §93, of the New York City Charter.

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

The scope of this audit was July 1, 2018 through December 31, 2019.

We reviewed the prior audit, entitled *Audit Report on the Financial and Operating Practices of the Queens Borough Public Library* (Audit # FN14-099A), issued on July 7, 2015, to obtain an understanding of the methodology used to conduct the audit testing, the findings, the nine recommendations, and the QBPL's responses to each of the recommendations. In addition, we reviewed QBPL's Audit Implementation Plan submitted on October 6, 2016.

To obtain an understanding of the QBPL's policies, procedures and laws related to the implementation of the recommendations made by the prior audit, we reviewed, but not limited to, the following QBPL policies:

- F #12 – Credit Card Policy;
- F #17 – Business Expense Policy (C #16 Business Travel Policy from the prior audit);
- F #13 – Goods Receipt Policy;
- F #4 – Purchasing Policy;
- F #15 – Invoice Approval Policy;
- F #7 – Business Carfare Policy;
- F #3 – Conflicts of Interest Policy;
- F #16 – Budget Management Policy;
- D #34 – Public Access to Records of the Queens Borough Public Library Policy;
- Professional Development/Organizational Advancement Policy;
- Purchasing Policy and Practices memorandum dated February 10, 2020; and
- QBPL By-Laws.

Additionally, we reviewed the following:

- NYS Assembly – Bill A09217; and
- NonProfit Revitalization Act of 2013.

To obtain an understanding of the functions of the HR department, we conducted walkthrough meetings with HR officials and discussed their responsibilities and how the department uses the SAP system for processing and accessing employee data, salary information and classification for union and non-union employees. We also obtained an understanding of the timekeeping process for both managerial and non-managerial full-time employees, the timesheet audit review process and how the department processes changes in salary, overtime and shift premium.

In addition, we obtained and reviewed samples of Exempt and Non-Exempt employees' timesheets.

To obtain an understanding of the operations of the QBPL's Finance department, we conducted walkthrough meetings with the CFO and Controller. We also discussed changes made from the previous audit, the QBPL's sources of funding, methods of allocation of costs among different funds and how the SAP system is being used by the department.

We met with the Accounts Payable Manager for an overview of the payment process, including credit card payments, travel expense reimbursement and petty cash reimbursements.

To obtain an understanding of the QBPL's E-ZPass program and procurement related processes, we met with the QBPL's Director of Procurement and obtained written clarifications for specific practices.

To obtain an understanding of the IT systems the QBPL uses for its business processes, we conducted a walkthrough meeting with the QBPL's IT department, and we obtained an understanding of the SAP system's modules. We conducted a subsequent follow-up meeting to obtain an understanding of the SRM module, an SAP-add-on module implemented in 2017 and used by all the departments to purchase supplies using assigned, default budget codes.

We conducted a walkthrough meeting with the Grants and Capital Finance Manager to obtain an understanding of the collection and tracking of the City, State and Federal funding processes. We obtained and reviewed reports and reconciliation spreadsheets for the funding received in Fiscal Years 2018 and 2019. We compared them with the state and federal funding information posted on the state's web site as well as the QBPL's general ledger. We then conducted a follow-up meeting to obtain clarification on the reconciliation of the revenue amounts reflected on the spreadsheets to the general ledger for Fiscal Year 2019.

To obtain an understanding of the payroll process, we conducted a walkthrough meeting with the Assistant Director of Payroll and Benefits. We obtained an overview of the payroll process for full-time and part-time employees, the processing of overtime and shift premiums and miscellaneous payment processes and timesheets review for part-time employees. Additionally, we obtained and reviewed the Payroll Audit Checklist and a payroll sample from the July 5, 2019 pay date, which covered the last payroll period for Fiscal Year 2019.

To obtain an understanding of the QBPL's usage of its vehicles, the NYC Gas Card Program and the usage of fuel cards by authorized QBPL employees, we conducted walkthrough meetings with the Coordinator of Materials Management. In addition, we obtained and reviewed the QBPL's Approved Driver List, Mileage Log, samples of emails requesting gas cards and PINS for the gas cards and WEX daily exception report. In addition, we obtained and reviewed *The City of New York*

*Vehicle Handbook (May 2016), NYC Fleet Vehicle Fueling Program, Fleet Rules and Acknowledgement Form, WEX Request Form and NYC Fleet Manual (May 2016).*

To assess the reliability of the computer-processed data received from the QBPL, we obtained and reviewed the trial balance and general ledger, Consolidated Financial Statements for Fiscal Year 2019 and BDO's Bad Debt Expense Adjusting Entry for Fiscal Year 2019. We traced the general ledger entries to the Financial Statements for completeness and accuracy and determined whether the total revenues and total expenses from the general ledger along with the external auditors' adjusting entries match the total revenues and total expenses reported in the Financial Statements for Fiscal Year 2019.

To determine whether proper Board and managerial oversight responsibilities are exercised for all aspects of the Library's operations, we assessed whether the financial related policies and procedures under Sections D and F were authorized by the Board. In addition, we judgmentally selected eight employees, including union and non-union represented, promoted in April 2019 to determine whether staff promotions were submitted for Board review and approval.

We randomly selected the month of April 2019 as our sample month for which we reviewed all 440 purchase orders issued from SAP to determine whether any purchase orders were issued prior to goods being received, whether contracts over \$35,000 were approved by the Board and whether contracts over \$20,000 were posted for solicitation in newspapers or the QBPL's web site as required by the QBPL's Purchasing Policy.

To determine whether the QBPL properly implemented enhanced review of all documentation for expenses incurred in compliance with the new policies issued, we obtained a list of all active credit cards during Fiscal Year 2019 indicating the departments they were issued to and the names of all authorized users and their job titles. Further, in order to determine the appropriateness of the transactions and whether they were in compliance with the Credit Card Policy, we obtained and analyzed the April 2019 statements and supporting documentation for all of the 37 Chase credit card transactions totaling \$9,043, all of the 15 American Express transactions totaling \$1,754, all of the 57 transactions totaling \$10,614 for both the Home Depot Custodial and Maintenance accounts and Fuel Card Usage Report. Based on the issues found in our analysis of the April 2019 Chase bank statement and supporting documents, we expanded our testing to review all of the 43 transactions totaling \$2,777 for the May 2019 Chase bank statement and supporting documents.

We reviewed the Fuel Usage Reports from December 2018 through December 2019, due to the lag in December 2019 reporting to identify any irregular usage of Library vehicles and whether the personal auto use was properly reported as taxable in the W-2s. We further obtained the employees' timesheets and their scheduled shift hours to account for the fueling of vehicles in Nassau County during the QBPL's normal open hours.

To determine whether the QBPL implemented enhanced training and communication, we met with QBPL officials to obtain an understanding of the QBPL's staff web site and reviewed the QBPL's Fiscal Year 2019 Finance Staff Training document.

To obtain an understanding of the findings and recommendations of the internal audit report issued by the QBPL's auditing firm BDO, USA LLP, we obtained and reviewed the report with a focus on the findings and recommendations 5.1 through 5.5 related to procurement practices and we reviewed the QBPL's Action Plan. To determine whether the QBPL implemented those recommendations, we reviewed all the entries in the QBPL's Audit Vendor Change Log from July 2019 through December 2019, and used the Pay Raise report to determine the employees' title, to identify whether the employees who created vendors in SAP were authorized Purchasing

Agents. To identify any inactive vendors, we obtained the QBPL's Vendors list as of February 5, 2020, and judgmentally reviewed the list of Vendors Activity within the last three years and compared them to the vendors in the general ledger for Fiscal Years 2018 and 2019. We also reviewed information on the QBPL's web site related to Capital Project Management's monitoring and reporting to determine whether project budget and completion status can be verified.

To determine whether the QBPL reviewed prior W-2 forms issued to determine the value of any income not reported and whether they took appropriate action, including reissuing any W-2s, we obtained and reviewed the 2012 and 2013 W-2s and the supporting calculations for the QBPL's former CEO and COO.

To determine whether the QBPL recouped the value of any improper personal expenditures from credit cards users and revised the W-2 forms to include any personal charges as wages, we obtained and reviewed the documentation related to the QBPL's recoupment of funds from the former CEO and COO, including the settlement/general release agreements, related payment vouchers and tax forms.

To determine whether the QBPL ensured that all compensation is included as taxable income on employees' W-2 forms, we met with the Assistant Director of Payroll and Benefits to obtain an understanding on how W-2 forms are being prepared and what constitutes as additional taxable income. Further, to identify any potentially reportable personal auto use, we obtained and analyzed the Fuel Usage report from December 2018 through December 2019 along with the authorized drivers' titles, timesheets and work schedules for the period.

To determine whether the QBPL established a reasonable methodology to properly allocate costs among different funds, we reviewed the Library's Audit Committee proposed and approved Fund allocation methodology. We also reviewed the Fund allocation methodology approved at the Board meeting on January 28, 2020. In addition, we summarized the Unrestricted Fund Balances as of June 30, 2019 and compared it to the actual General Fund revenues and appropriations with the budgets for Fiscal Year 2019. Lastly, we met with the QBPL Controller to obtain an understanding of how they reconcile budgets by Fund Number.

To determine whether the QBPL maintained accurate records to support fund allocations and other financial and operational decisions, including raises, bonuses, and staff reductions in services, we reviewed the approval documentation in support of the 50 randomly selected pay changes effected during Fiscal Year 2019. We obtained access to the HR data in SAP and the Pay Raise letters retrieved by HR from the personnel files to verify whether all of the approval documentation related to the sampled pay changes were properly maintained. In addition, we reviewed the supporting documents for the managerial and staff salary allocations to determine whether the approval and calculation of the fund allocations were properly documented. We reviewed SAP data and the executive pay allocations reported in the 990 Forms for calendar years 2018 and 2019. We also reviewed the QBPL Compensation & Benefits Study: Executive Summary dated March 22, 2018 and assessed the reasonableness of QBPL executives' salaries.

The results of the above tests, while not statistically projected to their respective populations, provide a reasonable basis to determine whether the QBPL has implemented the recommendations made by the prior report.





QUEENS PUBLIC LIBRARY

DENNIS M. WALCOTT  
President & CEO

June 23, 2021

Ms. Marjorie Landa  
Deputy Comptroller for Audit  
Office of the Comptroller, Bureau of Audit  
1 Centre Street, Room 1100  
New York, NY 10007

**Re: Response to Draft Follow-up Audit Report on the Financial and Operating Practices of the Queens Borough Public Library (FM20-079F)**

Dear Deputy Comptroller Landa:

This letter confirms receipt of the above-referenced Draft Follow-up Audit Report (“Report”) that the Office of the Comptroller (“Comptroller”) shared with the Queens Borough Public Library (“Library”) on June 9, 2021. The Library appreciates the significant resources and time—over eighteen months—that the Comptroller invested in its follow-up audit of the Library. The Library is pleased that the Report recommends that it formalize, as policy, a number of practices that it already has in place. As a result of the follow-up audit, and implementation of most of its recommendations, the Library will emerge as a stronger institution. Below are the Library’s responses to several of the Report’s topical findings, as well as its new recommendations.

**Report Findings**

*Purchasing Policy.* At several points, the Report states that the Library only partially implemented a recommendation from the original audit because it did not formally revise its Purchasing Policy “to ensure that it . . . reflected the Library’s current purchasing processes.” (Report, 6, 9) The Library respectfully notes that, after receiving significant submissions from the Library concerning its purchasing processes—including in response to new requests after the parties’ May 25 exit interview—the Comptroller has not identified any substantive problems arising from the Library’s current processes.

*Business Expense Policy.* The Report states that the Library only partially implemented a recommendation from the original audit because it “did not revise its Business Expense Policy to set a limit for in-town meals paid with Library funds to address our prior audit’s findings regarding excessive [Library] spending on meals.” (Report, 6) Again, the Library respectfully notes that the

Report does not identify a single instance of excessive spending on in-town meals beyond what was originally identified in the original audit back in 2015.

*Documentation of business purpose/branch location of nine credit card purchases.* The Report states that the Library did not document the business purpose and branch location of nine purchases made on a Home Depot Custodial credit card, totaling \$3,657. (Report, 7) The Library provided such documentation to the Comptroller on May 28, 2021. In response to this submission, the Report states that the documentation contained “multiple discrepancies” and describes one supposed discrepancy concerning the branch location of a purchase. (*Id.*) The Library respectfully submits that the business purpose of these items—including string trimmers, wet/dry vacuums, and power cleaners—are self-evident and used in the ordinary course of custodial activity at Library branches. Regarding the branch location of the purchases, the one purported discrepancy cited in the Report, concerning the location of window blinds, amounts to a difference between (i) actual documentation of branch location (an email), and (ii) a summary Excel document, created by Library staff and meant to summarize documentation provided to the Comptroller and total the costs reflected in the associated purchase receipts. That summary document incorrectly listed the location of the blinds contained in the email provided. The Library apologizes for this mistaken listing in the Excel sheet and refers the Comptroller to the email and underlying documentation in its possession, which address the concerns raised in this factual finding.

### **New Recommendations**

The Report lists seven new recommendations, to which the Library responds as follows:

1. The Library will formally update its Purchasing Policy in response to the Comptroller’s specific concerns, all of which are already addressed by the Library’s current practices.
2. The Library declines to establish a standard allowance for in-town meals to be included in its Business Expense Policy. As discussed above, the Report did not identify a single instance of excessive spending on meals beyond what was identified in the original audit in 2015. Accordingly, the Library believes its current policy, requiring that such expenses be “reasonable and supported by the required documentation” is sufficient.
3. The Library will revise Authorized Use Procedure 9 within its Credit Card Policy to clarify that the relevant department head, and not the CFO and CEO, will review charges on credit cards/purchasing cards and document approval on monthly statements—thus conforming the Library’s policy with its current practice.
4. The Library will properly account for the usage of its vehicles by authorized drivers to identify and include all reportable compensation as taxable income on employees’ W-2s, and to do so the Library is currently evaluating organizational changes.

5. The Library will properly account for the fueling of its vehicles and the location of authorized drivers during work hours to detect and prevent unauthorized use of its resources, and to do so the Library is currently evaluating organizational changes.
6. The Library will work to ensure that its new timekeeping system continues to function properly and will be fully implemented by the scheduled time, which implementation—as the Report acknowledged—was pushed back due to the COVID-19 pandemic and lockdown.
7. The Library will take under advisement the Comptroller’s recommendation that it revise its Board-approved allocation methodology and consider allocating management salary costs among unrestricted funds other than the City Fund. Due to the pandemic, the Library has decided to forgo charging fines and fees to the public in an attempt to provide some relief to its customers and, as a result, may not have fund surpluses in certain funds going forward to which expenses can be allocated.

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The Library has appreciated the collegial working relationship with the Comptroller’s staff throughout the follow-up audit and looks forward to implementing the new recommendations in keeping with the points made above.

Sincerely,



Dennis M. Walcott  
President & CEO