

AUDIT REPORT



CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
BUREAU OF MANAGEMENT AUDIT
WILLIAM C. THOMPSON, JR., COMPTROLLER

Audit Report on the Financial And Operating Practices of the American Museum of Natural History

MD03-065A

June 27, 2003



THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
1 CENTRE STREET
NEW YORK, N.Y. 10007-2341

WILLIAM C. THOMPSON, JR.
COMPTROLLER

To the Citizens of the City of New York

Ladies and Gentlemen:

In accordance with the Comptroller's responsibilities contained in Chapter 5, § 93, of the New York City Charter, my office audited the financial and operating practices of the American Museum of Natural History (the Museum). The Department of Cultural Affairs (DCA) provides funds to the Museum for such operating expenses as security, maintenance, and energy, and is responsible for overseeing the operations of the Museum to ensure compliance with the requirements outlined in its *Procedures Manual for New York City's Designated Cultural Institutions*.

The results of our audit, which are presented in this report, have been discussed with officials of the Museum and of the DCA, and their comments have been considered in the preparation of this report.

Audits such as this provide a means of ensuring that cultural institutions such as the Museum are expending City funds in compliance with DCA requirements and their own internal procedures, and have effective and adequate internal controls over their financial and operating processes.

I trust that this report contains information that is of interest to you. If you have any questions concerning this report, please e-mail my audit bureau at audit@comptroller.nyc.gov or telephone my office at 212-669-3747.

Very truly yours,

A handwritten signature in cursive script that reads "William C. Thompson, Jr.".

William C. Thompson, Jr.

Report: MD03-065A
Filed: June 27, 2003

Table of Contents

AUDIT REPORT IN BRIEF	1
Audit Findings and Conclusions	1
Audit Recommendations	1
Museum and DCA Response	2
INTRODUCTION	3
Background	3
Objectives	4
Scope and Methodology	4
Independence Disclosure	6
Discussion of Audit Results	6
FINDINGS AND RECOMMENDATIONS	7
Corporate Governance	7
Timekeeping	8
Leave and Compensatory Time Not Properly Recorded	8
Time Records Did Not Always Contain Required Signatures	9
Other Timekeeping Issues	11
Addendum	

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

**Audit Report on the
Financial and Operating Practices of the
American Museum of Natural History**

MD03-065A

AUDIT REPORT IN BRIEF

This audit determined whether the American Museum of Natural History (the Museum) expended City funds in compliance with the requirements of the Department of Cultural Affairs (DCA) and its own procedures; and had adequate and effective internal controls over its financial and operational processes.

The Museum, created in 1869 as a not-for-profit organization, is one of the largest natural history museums in the world and consists of 23 interconnected buildings on 18 acres of Theodore Roosevelt Park at Central Park West in Manhattan. DCA provides funds to the Museum for operating expenses such as security, maintenance, and energy and is responsible for overseeing the operations of the Museum to ensure compliance with the requirements outlined in its *Procedures Manual for New York City's Designated Cultural Institutions*.

Audit Findings and Conclusions

The Museum generally complied with DCA requirements, its own internal procedures, and its bylaws. In addition, the Museum had adequate internal controls over its financial and operational processes. However, our examination disclosed some instances of timekeeping errors.

Audit Recommendations

To address these issues, we make seven recommendations that include the following:

The Museum should ensure that:

- The leave and compensatory time errors identified in this report are investigated and corrected.
- Supervisors from the Security and Safety and Maintenance Departments review and sign all daily sign-in and sign-out logs, in accordance with procedures.
- Each biweekly time record contains the required signatures for the employee, payroll clerk, and department head.

Museum and DCA Response

The matters covered in this report were discussed with officials from the Museum and DCA during and at the conclusion of this audit. A preliminary draft report was sent to officials from the Museum and DCA and was discussed at an exit conference on June 2, 2003. On June 6, 2003, we submitted a draft report to the Museum and DCA officials with a request for comments. We received a written response from the Museum on June 20, 2003. Museum officials generally agreed with the audit's findings and recommendations and said they have taken steps to investigate and correct the leave and compensatory errors identified in the audit, and plan to implement an automated time and attendance system that will eliminate the manual process from the timekeeping function.

The full text of the Museum response is included as an addendum to this report.

INTRODUCTION

Background

The American Museum of Natural History (the Museum) is one of 34 cultural institutions that receive financial support from the City of New York through the Department of Cultural Affairs (DCA). The Museum is one of the largest natural history museums in the world and consists of 23 interconnected buildings on 18 acres of Theodore Roosevelt Park at Central Park West in Manhattan.

The Museum has approximately 30 million cultural artifacts and scientific specimens on display. In addition, the Museum offers: space shows and exhibits at the Rose Center for Earth and Space, a natural history library with 440,000 volumes and one million photographs, and a four-story movie screen at its Imax Theater. The Museum also has a number of educational and cultural programs, an annual showing of international film documentaries, highlighting social issues, and tours with scientists and educators.

A joint partnership between the City and a group of private citizens led to the creation of the Museum in 1869. State legislation incorporated the Museum as a not-for-profit organization and authorized the City to construct the Museum on City-owned parkland, leasing the parkland to the new organization. The Museum became responsible for operating the facility and acquiring and exhibiting its collections.

The Museum, closed only on Thanksgiving and Christmas, is open daily to the public from 10:00 a.m. to 5:45 p.m. with the Rose Center for Earth and Space being open until 8:45 p.m. on Fridays. The suggested admission at the Museum is \$12 for adults, \$7 for children, \$9 for students, and \$9 for seniors.

DCA provides funds to the Museum for operating expenses such as security, maintenance, and energy and is responsible for overseeing the operations of the Museum to ensure compliance with the requirements outlined in its *Procedures Manual for New York City's Designated Cultural Institutions*. DCA staff members regularly attend Museum board meetings representing the Commissioner of DCA, who is an ex officio member.

The Museum received and spent \$14,409,484 in City funds during Fiscal Year 2002—\$9,969,964 for Personal Services (PS) expenditures, \$22,589 for Other Than Personal Services (OTPS) expenditures, and \$4,416,931 for energy costs. The Museum also received funding from government, private, and corporate sources. During Fiscal Year 2002, 279 employees at the Museum were paid for by City funds—139 in the Security and Safety Department, 118 in the Custodial Services Department and the Facility Operations Department (Maintenance Department), 17 in the Science Department, and five in the Education Department.

Objectives

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

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

Scope and Methodology

The scope of our audit was Fiscal Year 2002 (July 1, 2001, through June 30, 2002).

To gain an understanding of the financial and operational policies and procedures of the Museum, we interviewed the Controller; the Assistant Controller; the Senior Vice President for Finance and Business Development; the Manager of Cash Control; the Manager of Payroll; and various payroll clerks. We also interviewed the Senior Vice President of Operations and Government Relations; the Senior Directors of Security and Safety, Human Resources, Operational Planning and Services; the Associate Dean of Science and Collections; and the Director of Education and Resources.

We reviewed the *American Museum of Natural History Employee Handbook* governing the policies and procedures for employees of the Museum, the *Procedures Manual for New York City's Designated Cultural Institutions* issued by DCA, the timekeeping and payroll procedures for Museum employees, and Museum Collective Bargaining Agreements. In addition, we reviewed all Monthly Expenditure Reports of City Funds submitted to DCA for Fiscal Year 2002 and the Museum's Fiscal Year 2001 certified financial statements. We assessed the Museum's internal controls as they relate to our audit objectives by evaluating the information obtained from our interviews and various documents.

To gain insight about the Museum's governance practices, we reviewed the bylaws of the Museum and randomly selected for interview 20 members of the Museum's 52-member Board of Trustees (the Board). We were able to contact only 10 of the members, including the President of the Museum. We reviewed the minutes of the Board for the eight regularly scheduled meetings held during fiscal years 2001 and 2002. We also reviewed the minutes for all the meetings held by the Board's Audit, Budget and Finance, Buildings and Grounds, Education, and Exhibition Policy Committees during Fiscal Year 2002.

To assess whether all City funds received by the Museum were properly deposited, we reviewed the Fiscal Year 2002 bank statements for the bank accounts relating to City funds, which included the General Fund Account and Payroll Account.¹ We determined whether all City

¹ City funds as well as other Museum funds are deposited in one main bank account, the General Fund Account. All funds used to pay for payroll expenses are then transferred from the General Fund Account to the Payroll Account.

funds reflected on the bank statements were properly recorded in the Museum's Fiscal Year 2002 general ledger.

To assess whether the Museum had adequate internal controls over its timekeeping and payroll functions, we randomly selected 50 (15 from each of the Security and Safety, Maintenance, and Science Departments, and five from the Education Department) of the 279 employees who were paid with City funds during Fiscal Year 2002. We reviewed the information recorded on the daily sign-in and sign-out logs and on the 150 biweekly time records for the month of March 2002.²

We checked whether arrival times, departure times, the required one-hour unpaid meal break, leave use, and total hours worked were indicated on both the daily sign-in and sign-out logs and biweekly time records.³ We compared the information recorded on both documents to determine whether it matched. We checked the time records to determine whether they indicated written justification for any compensatory time hours worked and were signed by the employees as well as the authorized department heads and payroll clerks. We also checked whether the required authorized leave forms were used for vacation (annual or compensatory time) leave and whether annual leave, sick leave, and compensatory time use were properly deducted from employees' leave balances on the Museum Leave Balance Report. We recalculated the hours worked on the time records to determine their accuracy and compared the hours to those reported by the Museum to Ceridian (its automated payroll data processing agency) on the Museum Pay Register Report. Finally, we ascertained whether employees had accumulated annual leave at the proper rates, as defined in their Collective Bargaining Agreements.

We determined whether the Museum had adequate internal controls over the distribution of its payroll checks and pay stubs and whether individuals on the payroll were bona fide Museum employees. On March 28, 2003, we observed the distribution of payroll checks and pay stubs and verified employees' identification. We checked whether the Museum required employees to sign for their payroll checks and pay stubs. We also reconciled the number of payroll checks and pay stubs to be distributed to employees paid by City funds to the number of employees recorded on the Museum Pay Register Report to be paid by City funds.

We determined whether the one City-funded Fiscal Year 2002 OTPS expenditure totaling \$22,589 was reasonable, necessary, and authorized. To do so, we checked whether the payment was supported by a purchase requisition, purchase order, invoice, and canceled check, and that these documents were appropriately authorized. We reviewed the invoice to determine whether it was mathematically accurate, matched the purchase order (with regard to price and description), and was canceled to prevent duplicate payment. We also checked whether the Museum properly solicited bids to ensure that the lowest offer was chosen.

² For the month of March 2002, we reviewed three biweekly time records for each employee—one covering a two-week period ending March 3, 2003, another covering a two-week period ending March 17, 2003, and a third covering a two-week period ending March 31, 2003.

³ The 20 employees in our sample who worked for the Science and Education Departments were not required to use daily sign-in and sign-out logs, but used biweekly time records. Therefore, we reviewed daily sign-in and sign-out logs only for the Security and Safety and the Maintenance Departments.

Independence Disclosure

In accordance with the Museum's bylaws, a Board that includes Seven City ex officio members manages it. A designee represents the Comptroller, who is one of the seven ex officio members. The Comptroller's designee was not involved in planning or conducting this audit, or in writing or reviewing the audit report.

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

Discussion of Audit Results

The matters covered in this report were discussed with officials from the Museum and DCA during and at the conclusion of this audit. A preliminary draft report was sent to officials from the Museum and DCA and was discussed at an exit conference on June 2, 2003. On June 6, 2003, we submitted a draft report to the Museum and DCA officials with a request for comments. We received a written response from the Museum on June 20, 2003. Museum officials generally agreed with the audit's findings and recommendations and said they have taken steps to investigate and correct the leave and compensatory errors identified in the audit, and plan to implement an automated time and attendance system that will eliminate the manual process from the timekeeping function.

The full text of the Museum response is included as an addendum to this report.

FINDINGS AND RECOMMENDATIONS

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

- The Board appears to be informed and satisfied with the Museum's operations.
- The Museum has adequate internal controls over the distribution of its payroll checks and pay stubs, and only bona fide employees received a paycheck.
- The Museum has developed adequate formal timekeeping and payroll procedures.
- Payroll expenses were adequately supported.
- All financial documentation, such as bank statements, certified financial statements, Monthly Expenditure Reports of City Funds, and a general ledger was maintained and on file.
- All City funds received by the Museum during Fiscal Year 2002 were properly deposited and recorded in the Fiscal Year 2002 general ledger.
- The City-funded Fiscal Year 2002 OTPS expenditure totaling \$22,589 appeared to be reasonable and related to the operations of the Museum. In addition, the Museum properly solicited bids for this expenditure to ensure that the lowest offer was chosen.

However, our examination disclosed some instances of timekeeping errors, which are discussed in the following sections of this report.

Corporate Governance

The bylaws of the Museum require that the Board oversee the Museum and be ultimately responsible for its activities. The Board sets policy and goals, provides leadership, solicits financial support, and monitors the finances and operations of the Museum. The Board also has the power to appoint the President, who, as the chief executive officer of the Museum, is responsible for conducting the business and affairs of the Museum and for performing duties prescribed by the Board. It is in the best interest of the Board to be fully informed about the Museum and the activities of its management. Accordingly, the bylaws of the Museum require an annual meeting, regular meetings (four times a year), and meetings of its various Committees (Executive, Audit, Investment, and Budget and Finance Committees.)

We contacted 10 members of the Board to obtain their views of Museum operations and the extent of their involvement in Museum affairs. All 10 members stated that the Museum is well run and an asset to the City.

We found no weaknesses in the Board’s oversight of the Museum. Our review of the minutes of the eight Board meetings held during fiscal years 2001 and 2002 showed meetings were held regularly, a quorum was present when decisions were voted on, and members to be active on the Board. All Board members we interviewed were apparently satisfied with the management of the Board, are kept informed of Museum issues, and felt that the President is outstanding and very involved. Board members stated that written notice of meetings and issues to be discussed (e.g., capital improvements, security, new exhibits, and finances) are sent in advance of each meeting.

Timekeeping

Leave and Compensatory Time Not Properly Recorded

In our sample of 150 time records, there were 16 instances involving 12 employees in which a total of 58 hours of leave and compensatory time was not properly recorded on the Museum Leave Balance Report, resulting in incorrect leave balances. According to Museum payroll processing procedures, regular and additional hours worked and leave or compensatory time used must be recorded on the biweekly time records by the payroll clerks from each of the departments. These biweekly time records are then forwarded to the central Payroll Department for input into the Ceridian payroll software, which includes leave balance and pay information. Not properly recording leave or compensatory time hours can result in unnecessary expenditures for the Museum when an employee retires or terminates employment. Table I, following, details the discrepancies regarding leave balances.

TABLE I

Summary of the 16 Instances in which Leave and Compensatory Time Was Not Properly Recorded on the Museum Leave Balance Report

Department	Number of Employees with Leave or Compensatory Time Hours Not Properly Recorded	Number of Instances Leave or Compensatory Time Hours Not Properly Recorded	Number of Leave Hours Incorrectly Not Deducted	Number of Compensatory Time Hours Incorrectly Earned	Number of Compensatory Time Hours Incorrectly Not Earned
Maintenance	5	9	11 hrs. 30 min.	7 hrs. 30 min.	0 hrs.
Security and Safety	3	3	4 hrs.	0 hrs.	30 min.
Education	3	3	21 hrs.	0 hrs.	0 hrs.
Science	1	1	0 hrs.	13 hrs. 30 min.	0 hrs.
Total	12	16	36 hrs. 30 min.	21 hrs.	30 min.
Grand Total	58 hrs.				

Recommendation

1. The Museum should ensure that the leave and compensatory time errors identified in this report are investigated and corrected.

Museum Response: “The Museum has investigated and corrected the . . . leave and compensatory errors. . . . Within the next Fiscal Year, the Museum will be implementing an automated Time & Attendance system that will eliminate the manual processes from the timekeeping function.”

Time Records Did Not Always Contain Required Signatures

The daily sign-in and sign-out logs and biweekly time records reviewed did not always contain the required signatures. Supervisors from the Security and Safety Department signed the daily sign-in and sign-out logs only for those employees who worked additional hours (overtime), but did not sign for those employees who worked their regular hours. Supervisors from the Maintenance Department signed the daily sign-in and sign-out logs whether employees worked overtime or not, but did not do so consistently: 259 (62%) of the 415 daily sign-in and sign-out logs reviewed from the Maintenance Department lacked a supervisor’s signature. As previously stated, the Science and Education Departments do not require the use of daily sign-in and sign-out logs, but use only biweekly time records.

The procedures for the Security and Safety and the Maintenance Departments state that employees must record their sign-in and sign-out times on the daily sign-in and sign-out logs. The procedures further state that supervisors must review these logs for all employees regardless of whether the employees work overtime or just their regular hours and sign them to attest to their completeness and the accuracy of the hours as reported.

Museum Response: “The Museum . . . daily time sheets are not the actual record of hours worked. Rather, they are a back-up resource . . . and are used to supplement the biweekly time sheets.”

Auditor Comment: The daily time sheets are the primary timekeeping documents for recording sign-in and sign-out times and justification for compensatory time hours worked in the Security and Safety and Maintenance Departments. The biweekly time records are prepared based upon information from the daily time sheets.

In addition, the biweekly time records for 18 (12%) of the 150 reviewed for all the departments lacked a signature either for the employee or for a payroll clerk. An employee’s signature on a time record represents the employee’s assurance that the time record accurately reflects the number of hours worked. Likewise, a payroll clerk’s signature on a time record attests that all information has been recorded, including the sign-in and sign-out times, regular and overtime hours worked, and leave used, and the correctness of calculations. Museum payroll processing procedures state that the biweekly time record for each employee should contain three signatures—one for the employee, one for the payroll clerk, and one for the department head.

During the exit conference, Museum officials agreed that supervisors from the Security and Safety Department are required to sign the daily sign-in and sign-out logs for all employees. However, Museum officials stated that during our audit period, supervisors from Custodial Services (part of the Maintenance Department) were required to verify but not sign the daily sign-in and sign-out logs. Current procedures require the supervisors from Custodial Services to verify and sign the logs. Museum officials further stated that the supervisors from Facility Operations (also part of the Maintenance Department) have only been required to verify but not sign the daily sign-in and sign-out logs.

We maintain that Museum procedures require supervisors from all departments to verify and sign daily sign-in and sign-out logs. According to the *American Museum of Natural History Employee Handbook*, dated June 4, 1997, a supervisor's signature on a time record is a representation that the time record has been reviewed for the validity and accuracy of the hours as reported and allocated.

Recommendations

The Museum should ensure that:

2. Supervisors from the Security and Safety and Maintenance Departments review and sign all daily sign-in and sign-out logs, in accordance with procedures.

Museum Response: "The Supervisors from the Security, Custodial, and Facility Operations departments do currently sign all daily sign-in and sign-out logs according to procedures. Procedures for Security only require a signature when employees work overtime. Procedures for Custodial require a signature on all daily logs. Procedures for Facility Operations do not require a signature for daily logs. Procedures differ by departments due to the normal differences in operational situations."

Auditor Comment: The procedures provided to us during the audit for the Security and Safety Department state that supervisors must review and sign the daily sign-in and sign-out logs for all employees, regardless of whether the employees work overtime or only their regular hours. Furthermore, during the exit conference, Museum officials agreed that supervisors from the Security and Safety Department are required to sign the daily sign-in and sign-out logs for all employees.

3. Each biweekly time record contains the required signatures for the employee, payroll clerk, and department head.

Museum Response: "The Museum will . . . ensure that all proper signatures are recorded on the biweekly time sheets. . . ."

Other Timekeeping Issues

In addition to the timekeeping errors mentioned above, there were other instances of minor timekeeping errors:

- Forms for the use of vacation leave (annual or compensatory time) were not used in 52 (55 %) of the 93 instances in which vacation leave was taken. According to the *American Museum of Natural History Employee Handbook*, requests for vacation leave, whether for an entire day or several hours, should be submitted in on written leave forms to the supervisor for approval as far in advance as possible. Requests for emergency vacation leave should be submitted in writing upon the return of an employee to work.

Museum Response: “Many departments especially in the Science and Education areas have extremely low supervisor to employee ratios and are managed in a more informal atmosphere. . . . These departments are the ones that tend to use the form less as the close working environment . . . makes clear who is present on any given day. . . .”

Auditor Comment: According to the *American Museum of Natural History Employee Handbook*, requests for vacation leave, whether for an entire day or several hours, should be submitted on written leave forms to the supervisor for approval as far in advance as possible. The handbook does not mention that the Science and Education Departments are to be exempt from the use of these leave forms. Nevertheless, leave forms are important supplemental documents necessary to confirm that employees were out on leave.

For example, during the audit, we found that an employee from the Education Department did not indicate on her biweekly time record whether she worked or was out on leave on March 15, 2002. Since employees from the Education Department do not normally use leave forms, we were unable to determine whether this individual was on leave or had worked. When we brought this matter to the attention of Museum officials, they were unable to account for the employee’s whereabouts on that date.

- One employee, an Electrician in the Maintenance Department, was out during the month of March 2002 for 15 days, totaling 105 hours, due to being injured on the job. At the time of the injury, he only had sick and annual leave balances totaling 38 hours that should have been exhausted. According to the *American Museum of Natural History Employee Handbook*, “employees who are injured in the performance of official duties may charge such absences to accrued sick leave and vacation leave, and may also be entitled to benefits as determined by the Worker’s Compensation Board.” An agency head can grant an injured employee an extended sick leave with pay not to exceed three months, but not until the employee’s sick and annual leave balances have been exhausted.
- Three Scientific Assistants who are governed by union rules did not indicate the hours that they worked on the biweekly time records we reviewed in our sample.

Instead, the time records had only a check mark next to the days that they worked. According to the *American Museum of Natural History Employee Handbook*, union employees must record the time of day that they start work and the time of day they finish work. Only management employees are permitted to indicate the days that they work with a check mark, and, as needed, an appropriate notation to indicate off-premises work, such as business travel and attendance at meetings outside the Museum.

- In 16 instances totaling 13 hours and 30 minutes in which written justification was needed for the earning of compensatory time hours, it was not obtained. In addition, there were five instances in which employees either did not indicate the times that they finished work or that the times that they recorded were unclear. Museum procedures require that explanations indicating the type of work performed be entered on the time records for those employees who work beyond their regularly scheduled workday. In addition, Museum procedures require that the times of day that employees start work and the times of day that employees finish work must be indicated on the time records.

Recommendations

The Museum should:

4. Ensure that leave forms for the use of vacation leave are authorized and submitted for all employees.

Museum Response: “The Museum will encourage the use of leave forms for all vacation especially for the Security, Custodial, and Facility Operations departments.”

5. Correct the 38 hours of leave that should have been deducted from the employee’s leave balances—as cited in the report.

Museum Response: “Workers Compensation claims and settlements take an extended amount of time to become finalized and the Museum adjustments to the employee’s compensation balance take place at the end of this process.”

6. Ensure that all union employees record the time they start work and the time they finish work.

Museum Response: “The Museum will be implementing an automated Time & Attendance system that will eliminate the manual processes from the timekeeping function.”

7. Ensure that the justification for compensatory time hours worked be documented. In addition, times of day that employees start work and the times of day that employees finish work must be indicated on the time records.

Museum Response: “The Museum has spoken to all payroll clerks concerning the documentation of compensatory time and will . . . monitor the situation. Regarding the start and finish time of work the Museum is taking steps to ensure that all work starting and finishing times are clearly recorded. The Museum will be implementing an automated Time & Attendance system that will eliminate the manual processes from the timekeeping function.”

BARBARA DWYER GUNN
Senior Vice President
Operations and Government Relations

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AMERICAN MUSEUM OF NATURAL HISTORY 

June 20, 2003

Mr. Greg Brooks
Deputy Controller
Policy, Audits, Accountancy, & Contracts
The City of New York
Office on the Comptroller
1 Centre Street
New York, New York, 10007

Re: DRAFT: Audit Report on the Financial and Operating Practices of the
American Museum of Natural History, June 6, 2003

Dear Mr. Brooks,

Thank you for the opportunity to respond to your draft audit report. We are pleased that the draft audit provides a positive report of the Museum's financial and operational practices. We also appreciate having had the opportunity to meet with the auditors to review their findings and further clarify the Museum's procedures. However, our review of the draft findings indicate that in some areas there still may be some misunderstanding concerning several of the Museum's practices concerning the use of back-up and supplementary time-keeping records. We have clarified the points in the Museum's detailed response which is attached to this letter.

We appreciate your request for comments on the draft audit, as we share your interest in having the audit be as accurate as possible. Thank you for your review and inclusion of the attached response, as I believe it may clarify some of the notations in the audit.

Sincerely,


Barbara D. Gunn

AMNH Response to the Draft Audit Report on the Financial and Operating Practices of the American Museum of Natural History, dated June 6, 2003

The following are the Museum's responses to the Findings and Recommendations section starting on page 7 of the draft audit report.

Corporate Governance

The Museum appreciates your thorough examination of our bylaws, and the auditor's clear understanding of the strength of the Museum's board members.

Timekeeping

Leave and Compensatory Time not Properly Recorded

The auditor's review of the leave and compensatory time as the Museum revealed that of the 4,000 hours audited one percent (1%) or 58 hours was misapplied. The Museum has a manual process for recording time and a manual data entry process into the Ceridian payroll system, and the level of accuracy by the Museum's payroll clerks is remarkable.

However, the Museum recognizes that even a very small error rate can be improved upon by reducing the manual aspect of the timekeeping process. To this end the Museum is currently evaluating vendors of automated Time & Attendance systems. When fully installed this software and hardware system will allow employees to clock in or out using a biometric reader (palm or finger print). The system will then automatically feed that information into the payroll program, eliminating the manual aspects of the timekeeping process. The Museum will select a Time & Attendance vendor this summer and plans to have the system installed and operational by January 2004.

Response to Recommendation 1

The Museum is pleased that the audit revealed only a one percent (1%) error rate. However the Museum wants a zero percent error rate. The Museum has investigated and corrected the small number of leave and compensatory errors identified in the audit report. Within the next Fiscal Year, the Museum will be implementing an automated Time & Attendance system that will eliminate the manual processes from the timekeeping function.

Time Records Did Not Always Contain Required Signatures

Bi-Weekly Time Records

The bi-weekly sign in sheet is the official time record of the hours the employee worked and payroll uses those sheets to pay employees. The most critical signature on the sheet is that of the supervisor attesting to the hours of the employee, all of these signatures were present and the audit found no errors in this area.

The lack of signatures on some sheets were instances where payroll clerks or the employees did not sign the sheet. In some instances the payroll clerk printed or stamped their name on the sheet and in other cases the name was not signed. This issue has been addressed with all payroll clerks. The instances when employees did not sign the sheets usually happened on the day a timesheet was due but the employee was out. Rather than delay the employee's pay, the supervisor will sign off on the sheet and then wait until the next pay period to make adjustments if required.

The Museum is taking steps to eliminate the need for signatures at all as the implementation of the Time & Attendance System as described above will prevent these types of issues in the future.

Daily Time Records

The Museum would like to make clear that the daily time sheets are not the actual record of hours worked. Rather, they are a back-up resource for tracking individual worker's time and are used to supplement the bi-weekly time sheets.

During the time period covered by the audit all Museum procedures were followed, as the departments in question had no formally written procedures documenting the need for supervisor signatures on daily time sheets. The phrase cited by the auditors in the *American Museum of Natural History Employee Handbook*, dated June 4, 1997 "The supervisor's signature on a time sheet is a representation that the time sheet has been reviewed with respect to the validity and accuracy of the hours as reported and allocated" refers to the bi-weekly time sheet as this is the official time record of the hours worked by the employee. As discussed above, the Museum clearly met this requirement, as all supervisors' signatures were present on all bi-weekly time sheets. At no time does the employee handbook discuss the use of daily time sheets or supervisors signatures on those sheets.

The Museum has been keeping daily log sheets for some time in the Security, Custodial, and Facility Operations departments to help with scheduling and tracking of employees. Over the course of several years the process of using daily log sheets has evolved from an informal practice, to one that has become more institutionalized but not fully standardized across the Museum. In many cases the need for the signature was not necessary as the supervisor walked the floor with the sheet and no one had access to the sheet other than the supervisor. In other cases, some supervisors signed just the top of multiple sheets while others signed every sheet for their shift. As discussed with the auditors during the exit interview a variety of practices were in place during the period in question.

In the summer of 2002 certain departments did document formal procedures that require signatures on the daily log sheets. These procedures vary across departments as is necessary in departments with different operational situations. For example, in Security the supervisor only needs to sign if the employee is working overtime, while in Custodial the supervisor needs to sign every sheet, and in Facility Operations no signatures are required. These protocols are the ones that the Museum provided to the auditors and as they did not directly correspond to the practices during the time of the audit there has been some understandable confusion.

For the short term, the Museum will continue with our current practices. The need for daily log sheets will not be required once the Time & Attendance system discussed above has been implemented. With the new system the Museum will be able to track each employees daily working activity electronically and the current manual system can be discontinued.

Response to Recommendation 2

The supervisors from the Security, Custodial, and Facility Operations departments do currently sign all daily sign-in and sign-out logs according to procedures. Procedures for Security only require a signature when employees work overtime. Procedures for Custodial require a signature on all daily logs. Procedures for Facility Operations do not require a signature for daily logs. Procedures differ by departments due to the normal differences in operational situations.

Response to Recommendation 3

The Museum will continue to ensure that all proper signatures are recorded on the bi-weekly time sheets.

Other Timekeeping Issues

Vacation Leave Forms

Again, the bi-weekly time records are the actual records of an employee's time. Vacation leave forms are supplemental documents used for informational purposes only. The Museum will endeavor to achieve a greater degree of compliance with the use of these forms, but as discussed with the auditors during their time at the Museum, many departments especially in the Science and Education areas have extremely low supervisor to employee ratios and are managed in a more informal atmosphere than the regular line staff as the departments are populated by many unique individuals. These departments are the ones that tend to use the form less as the close working environment of labs and classrooms makes clear who is present on any given day.

Workers Compensation

Workers Compensation claims and settlements take an extended amount of time to become finalized and the Museum adjustments to the employee's compensation balance take place at the end of this process.

Check Marks by Scientific Assistants

In the small, working environment of many scientific departments, where arrivals and departures would be very evident in any case, it can be understood that there were apparently a small number of cases where certain scientific assistants used a check mark instead of the actual recorded time on the time sheet. However, the Museum appreciates the raising of this issue and the appropriate steps have been taken to ensure that the situation has been corrected.

Clear Documentation of Time

The Museum has spoken with all payroll clerks regarding the complete written documentation of all compensation time in an effort to improve compliance with that protocol. In addition, the Museum is taking steps to ensure that all work starting and finishing times are clearly recorded, and the manual aspect of this record keeping will be eliminated with the implementation of the Time & Attendance system discussed at length above.

Response to Recommendation 4

Although no instances of inappropriate recordings occurred as a result of the absence of vacation leave forms, the Museum will encourage the use of leave forms for all vacation especially for the Security, Custodial, and Facility Operations departments.

Response to Recommendation 5

Workers Compensation claims and settlements take an extended amount of time to become finalized and the Museum adjustments to the employee's compensation balance take place at the end of this process.

Response to Recommendation 6

The Museum will be implementing an automated Time & Attendance system that will eliminate the manual processes from the timekeeping function.

Response to Recommendation 7

The findings of compensatory time errors were very small. However, the Museum has spoken to all payroll clerks concerning the documentation of compensatory time issue and will continue to monitor the situation. Regarding the start and finish time of work the Museum will be implementing an automated Time & Attendance system that will eliminate the manual processes from the timekeeping function.