Internal Audit Department	
Trust for Cultural Resources Internal Controls Review	
Review Period:	January 1, 2018 – December 31, 2018
Business Area:	Finance and Accounting
Report Date:	February 25, 2019
Responsible Managers:	Fred D'Ascoli, Controller - Finance Amy Chan, Deputy Controller - Accounting Carol Ann Butler, Financial Reporting Manager – Accounting
Auditors:	David Price, Senior Vice President – Internal Audit Peter Sanderson, AVP – Internal Audit RoseAnn King, Senior Analyst – Internal Audit

Number of Issues	Risk Category	Definition of Risk Category (See Appendix A)
0	High	Material or significant control deficiencies that require management's immediate or timely attention and correction.
0	Medium	Control deficiencies that require management's attention and correction.
0	Low	Control issues that warrant management's consideration.
0	Observation	Process improvement opportunity.

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EXECUTIVE SUMMARY

Internal Audit conducted a review of the Internal Controls Over Financial Reporting ("ICOFR") for the Trust for Cultural Resources of the City of New York ("TCR" or "Trust"). The scope and objective of this review was to assess the overall effectiveness of the current practices and internal controls surrounding the financial reporting for TCR. The period under review was from January 1, 2018 through December 31, 2018.

Conclusion

Internal Audit completed an assessment on the effectiveness of the Trust's ICOFR and concluded based on our assessment of the six ("6") control objectives and activities related to the Trust that the identified controls were operating effectively in 2018. Overall, the Accounting Department utilizes a best practices approach with defined segregation of duties throughout the recording and financial reporting process. Management maintains formal policies and procedures surrounding the activities and transactions as they relate to the Trust to ensure timely and accurate reporting.

Summary of Management Responses

As no issues were identified, Management is not required to take any action.

BACKGROUND

The Trust for Cultural Resources of the City of New York ("TCR" or "Trust") is a public benefit corporation created pursuant to Articles 20 and 21 of the New York Arts and Cultural Affairs Law for the purpose of supporting cultural institutions located in New York City.

The Trust is authorized to issue triple tax-exempt debt for the benefit of not-for-profit cultural institutions that operate or make available a museum, performing arts center, public television or radio station, theater, auditorium, library, exhibition, gallery, dance or recording studio. Neither the State of New York nor the City of New York provides any financial support for any bonds issued by the Trust, and all debt issued by the Trust must be repaid by the specific cultural institution for whose benefit the bonds were issued.

Since its initial issue of bonds in 1980, the Trust has issues bonds to finance facilities for the benefit of twenty-two (22) cultural institutions:

- Alvin Ailey Dance Foundation, Inc.
- American Folk-Art Museum
- American Museum of Natural History
- The Asia Society
- The Carnegie Hall Corporation and The Carnegie Hall Society, Inc.
- The China Institute in America
- Educational Broadcasting Corporation (Thirteen/WNET)
- The Solomon R. Guggenheim Museum
- International Center of Photography
- The Jewish Museum
- The Julliard School
- Lincoln Center for the Performing Arts, Inc.
- Manhattan School of Music
- The Metropolitan Museum of Art
- The Morgan Library and Museum
- The Museum of Modern Art

- The Museum of Broadcasting, now known as the Paley Center for Media
- The New York Botanical Garden
- The School of American Ballet
- Wildlife Conservation Society
- Whitney Museum of American Art
- WNYC Radio

All bonds issued for the benefit of Educational Broadcasting Corporation (now known as WNET), The Jewish Museum, The Museum of Television and Radio (now known as The Paley Center), The American Folk-Art Museum, The Asia Society, The International Center of Photography, The Solomon R. Guggenheim Museum, and WNYC Radio have been repaid in full. The Trust has also issued refunding bonds for the benefit of a number of institutions.

SCOPE AND OBJECTIVES

With the approval of NYCEDC's Audit Committee, Internal Audit conducted an internal control review of the Trust for Cultural Resources of the City of New York. We conducted interviews with key personnel to obtain an understanding of the flow of transactions related to the relevant assertions, including how these transactions are initiated, authorized, processed, and recorded.

Internal Audit procedures included, but were not limited to:

- Reviewing all applicable policies and procedures;
- Examining the Trust's contract with The Juilliard School pertaining to the existence and approval of the new bond issuance, Refunding Revenue Bonds, ("Series 2018A Bonds").
- Testing and evaluating the design and operating effectiveness of the internal controls for the significant accounting processes via a selection of transactions, which included bond payable transactions, Tax Equivalency Payments ("TEP") cash receipts, and Payment in Lieu of Taxes (P.I.L.O.T.) for the Museum of Modern Art ("MOMA).

DISTRIBUTION

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Audit Committee

TCR Audit Committee

Disclaimer: the report is for internal use only.

APPENDIX A: Criteria for Ratings of Audit Findings

Below are the criteria that Internal Audit uses to prioritize audit findings. These criteria are guidelines. Professional judgment is also used such as considering the risk in relation to the area under review and any history of ineffectiveness.

HIGH

Material or significant control deficiencies that require management's immediate or timely attention and correction.

Examples include:

- Critical or significant controls not functioning as designed, or that do not exist.
- Weaknesses that undermine the overall integrity of a critical system or process.
- Violation of a critical or significant regulatory or NYCEDC policy.
- Weaknesses that pose an adverse impact on the reputation of NYCEDC.

MEDIUM

Control deficiencies that require management's attention and correction.

Examples include:

- Controls not functioning as designed, or that do not exist, but certain compensating/ mitigating controls exist.
- Weaknesses that do not undermine the overall integrity of a system or process but leave a component of the system or process compromised.
- Regulatory or corporate policies that are violated.

LOW

Control issues that warrant management's consideration.

These can include issues that do not indicate a serious risk.