

CITY COUNCIL
CITY OF NEW YORK

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TRANSCRIPT OF THE MINUTES

Of the

COMMITTEE ON CONTRACTS

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September 25, 2015

Start: 1:59 p.m.

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HELD AT: Committee Room - City Hall

B E F O R E:

HELEN K. ROSENTHAL
Chairperson

COUNCIL MEMBERS:

Peter A. Koo
Ruben Wills
Costa G. Constantinides
Chaim M. Deutsch
Corey D. Johnson
I. Daneek Miller
Elizabeth S. Crowley

A P P E A R A N C E S (CONTINUED)

Lisette Camilo
Director
Mayor's Office of Contract Services
City Chief Procurement Officer

Tracey Knuckles
Deputy Commissioner & General Counsel
Department of Cultural Affairs

Christabel Gough
The Society for the Architecture of the
City

Maggie Cankar
Representing Self

Talia Werber
Policy and Research Manager
Citizens Union

Prudence Katze
Policy and Research Manager
Common Cause New York

Paula Glatzer
Representing Self

John O'Reilly
Resident of Queens County
Representing Self

A P P E A R A N C E S (CONTINUED)

Laura Abel
Lawyer
Lawyers Alliance for New York

Michelle Jackson
Associate Director
Human Services Council of New York

Ginny Louloudes
Executive Director
Alliance of Resident Theatres

1
2 CHAIRPERSON ROSENTHAL: Thank you very
3 much. Good afternoon. I'm Helen Rosenthal, chair of
4 the Committee on Contracts and I'm calling this
5 hearing to order. [gavel] That was really fun.

6 So today we're here to discuss concerns
7 regarding the City's management and oversight of
8 executive positions at nonprofit organizations that
9 receive City funds. Both the Department of
10 Investigation and the Comptroller's Office have
11 investigated executives at City-funded nonprofits who
12 engaged in fraud and mismanagement of taxpayer
13 dollars. It is imperative that we do everything we
14 can to ensure that City dollars are going to the
15 intended essential services provided by nonprofits;
16 not directly and illegally into the pockets of those
17 in leadership positions.

18 Intro No. 288-A, as proposed by my
19 colleague, Council Member Liz Crowley, would require
20 financial disclosures from all persons at nonprofits
21 who are in leadership positions. The purpose of this
22 bill is to provide transparency, giving the Mayor's
23 Office of Contracts, as well as the agency accos
24 [sic] an opportunity to identify potential conflicts
25 of interest of the nonprofits' executives. Currently

1 the City Charter requires that such disclosures from
2 nonprofits' board of directors but not from their
3 presidents, CEOs or executive directors. However, as
4 we know, those in leadership positions have the
5 responsibility to make decisions regarding
6 operational allocations and vendor selection. We
7 must ensure that these individuals are not utilizing
8 City funds for personal gain and that the City is
9 aware of any potential conflicts. Intro 288-A
10 provides the City with transparency to see a possible
11 red flag upon reviewing a nonprofit contract.

12 I look forward to a productive hearing
13 where we will delve into examples of past conflicts
14 of interest that occurred at City-funded nonprofits;
15 we'll also discuss this bill in detail and learn
16 about the administration's current practices and
17 safeguards when granting funds to nonprofits. I'd
18 like to open the door to any and all recommendations
19 on how the City can avoid such issues in the future.

20 Thank you all in advance for providing
21 testimony that is informative and moves us forward in
22 finding an effective solution. And as soon as my
23 colleague Liz Crowley joins us she'll give her
24 statement as well, but for now I'd like to turn it
25

1
2 over to Lisette Camilo, who's the Director of the
3 Mayor's Office of Contract Services and Tracey
4 Knuckles from the New York City Department of
5 Cultural Affairs and my attorney will swear you in.

6 COMMITTEE COUNSEL: Hi. Will you raise
7 your right hand? Do you swear to tell the truth, the
8 whole truth and nothing but the truth in response to
9 the council members' questions today?

10 FEMALE VOICE: I do.

11 COMMITTEE COUNSEL: Thank you.

12 LISETTE CAMILO: Good afternoon Chair
13 Rosenthal; members of the City Council Committee on
14 Contracts -- whenever they get here -- [background
15 comments]. My name is Lisette Camilo and I am the
16 Director of the Mayor's Office of Contract Services
17 and the City Chief Procurement Officer. Thank you
18 for the opportunity to testify today regarding
19 proposed Introduction 288-A of 2014 regarding
20 conflict of interest disclosures from executives of
21 City-funded nonprofit organizations.

22 Intro 288-A would amend Section 111 of
23 the New York City Charter to require those in
24 leadership positions at certain nonprofit
25 organizations to submit financial disclosures to the

1
2 City. While the administration supports the goals of
3 the present legislation to guard against conflicts of
4 interest in City-funded nonprofits, there are a
5 number of recently enacted provisions of state law
6 and protections at the city level that attend to the
7 concerns this bill seeks to address.

8 Section 111 of the City Charter was
9 enacted in 1978 and predates -- excuse me -- predates
10 much modern regulation of nonprofits, particularly
11 recently enacted requirements relating to conflicts
12 of interest. In fact, Section 111 has its origins
13 going back much further than 1978, as it reflects
14 policies of the Board of Estimate that apparently
15 date back to the City's 1913 budget. The age of this
16 provision is reflected by its reference to the
17 charitable institutions budget, a section of the
18 budget that has not existed for decades. Given the
19 substantial changes to the legal scheme regulating
20 nonprofits since Section 111 of the Charter was
21 enacted, any effort to address or alter the City's
22 current approach to conflicts of interest at City-
23 funded nonprofits must take into account recent
24 developments and enactments.

1
2 Currently, issues related to conflicts of
3 interest for directors, officers and key employees
4 are covered by an extensive scheme in the Not-For-
5 Profit Corporation Law, as amended and strengthened
6 by the Nonprofit Revitalization Act. The important
7 policies reflected in Section 111 are also now
8 addressed in provisions of the Public Authorities
9 Law, as amended by the Public Authorities
10 Accountability Act and the City's Standard Contracts.

11 The recent NPRA, which was enacted in
12 2013, made significant changes to state law
13 requirements regarding nonprofit governance, with the
14 State Legislature focusing in particular on integrity
15 and accountability, which were of particular concern.
16 The NPRA notably strengthened provisions related to
17 interested directors by adding important new
18 requirements and procedures relating to what it
19 termed related party transactions; meaning, any
20 transaction, agreement or other arrangement involving
21 the nonprofit in which a person or entity closely
22 related to the nonprofit, including directors,
23 officers, key employees and their relatives, has a
24 financial interest. The NPRA also empowered the
25 Attorney General to enjoin, void or rescind any such

1 transaction that violates the requirements of the law
2 or is otherwise not reasonable or in the best
3 interest of the nonprofit.
4

5 The NPRA further added a requirement that
6 nonprofits must adopt conflict of interest and
7 whistleblower policies and set forth a list of the
8 minimum elements of those conflicts of interest
9 policies which seek to ensure proper disclosure of
10 conflicts and recusal of conflicted persons, as well
11 as requiring written annual disclosures of key
12 information by directors. The NPR further enhanced
13 corporate governance by requiring that only
14 independent directors could serve on the audit
15 committee or oversee the adoption, implementation of
16 or compliance with the conflict of interest or
17 whistleblower policies.

18 For nonprofits that are affiliated with,
19 sponsored by or created by the City, the Public
20 Authorities Law, as amended by the Public Authorities
21 Accountability Act sets forth its own rigorous
22 requirements related to transparency and
23 accountability. The boards of such nonprofits, which
24 are defined as local authorities by the PAAA, must
25 adopt a whistleblower policy and an ethics policy

1 applicable to each director, officer and employee
2 that meets standard set forth in the Public Officers
3 Law. Local authorities must also have a governance
4 committee and an audit committee, both of which must
5 include a majority of directors who do not have a
6 financial interest in a local authority.

7 Furthermore, directors, officers and employees of
8 local authorities must receive training on their
9 fiduciary duties and file annual financial
10 disclosures with the Conflicts of Interest Board.

11
12 The City has taken additional steps to
13 address the concerns about corporate conflicts and
14 integrity with respect to nonprofits that receive
15 City funds. Following the enactment of the NPRA, the
16 City revised its form, human services and
17 discretionary fund contracts to strengthen existing
18 conflicts provisions. Among the revisions was a
19 mandate that contractors maintain a conflict of
20 interest policy as required by the NPRA that would
21 include, among other things, procedures addressing
22 related party transactions. While related party
23 transactions can be beneficial to nonprofits, our
24 goal is to use the contracting process to hold
25 organizations accountable to state law governing

1 these transactions and ensure that all such
2 transactions are conducted in a transparent and
3 appropriate manner. If a nonprofit expends any city
4 contract funds via a related party transaction that
5 does not adhere to the legal requirements, the City
6 may recoup those funds.
7

8 I'd like to turn the testimony over to
9 Tracey Knuckles, Deputy Commissioner and General
10 Counsel of the Department of Cultural Affairs, to
11 talk about the DCLA oversight of nonprofit cultural
12 organizations and then I will finish giving my
13 testimony.

14 TRACEY KNUCKLES: Good afternoon Chair
15 Rosenthal and Council Member Crowley.

16 The Department of Cultural Affairs has
17 procedures for oversight of the cultural institutions
18 receiving City funds. For the 33 institutions on
19 City-owned property, known as the Cultural
20 Institutions Group (CIG), the DCLA commissioner
21 serves as an ex officio member of the CIG Boards of
22 Directors and attends or sends delegates to those
23 board meetings, public programs and community
24 activities. DCLA may also conduct in-depth reviews
25 of specific concerns identified during the course of

1 monitoring of the institution's operations. CIGs are
2 required to submit detailed reports to the agency on
3 an annual basis, known as Obligation Plans and Final
4 Reports, which detail, among other things, the uses
5 slated for City funding, public programming,
6 fundraising goals and activities and attendance
7 numbers.

8
9 In addition, in 2007, the Department of
10 Cultural Affairs instituted the Culture Stat
11 Evaluation Tool to members of the CIG to promote good
12 governance and financial management. Among the
13 requirements of Culture Stat are the existence of a
14 written code of ethics, conflicts of interest policy,
15 whistleblower procedures and document retention
16 schedule. Documentation of responsible budgeting,
17 including timely planning of expense and income
18 projections for upcoming capital projects is also a
19 requirement.

20 For organizations receiving funding
21 through Cultural Affairs Program Services Unit, the
22 agency requires a grant application with a detailed
23 scope of cultural services to be supported by the
24 City funding and a corresponding budget, along with
25 details about organizational governance and capacity,

1 including term limits for members of the board of
2 directors, the existence of an active committee
3 structure, including the existence of an audit or
4 finance committee and the level of board
5 participation and giving as a percentage of overall
6 operating income.
7

8 In addition, as part of its report to the
9 agency on City-funded public services, cultural
10 organizations must certify that no director, officer,
11 employee, subcontractor or outside service provider
12 has any personal interest, direct or indirect, that
13 conflicts with the performance of the City-funded
14 public service.

15 Finally, Cultural Affairs requires
16 organizations to be in good standing with respect to
17 annual filings required by the State Attorney General
18 and the Internal Revenue Service, thus ensuring that
19 City-funded organizations are up-to-date with both
20 state and federal regulatory oversight requirements.

21 LISETTE CAMILO: There are more than 1400
22 nonprofit vendors with open human services contracts;
23 the overwhelming majority are organizations that have
24 truly dedicated leadership and staff and perform
25 excellent work on behalf of the City. While there

1
2 may be a few bad apples, we should not let those bad
3 apples taint the human services sector. The State,
4 through its various laws and the City have done much
5 work to further the aim of ensuring that our
6 nonprofit partners are exercising best practices and
7 governance. MOCS has made significant investments in
8 its oversight of the nonprofit organizations that the
9 City does business with. Since 2007, the Capacity
10 Building and Oversight Unit at MOCS has worked with
11 city and community partners to address concerns about
12 the capacity and integrity of nonprofit
13 organizations. CBO has conducted approximately 500
14 proactive CBO reviews of nonprofits that have
15 significant business with the City. As part of these
16 reviews, CBO examines the organization's bylaws,
17 board structure, audited financial statements, IRS
18 990s and key policies, including the conflict of
19 interest policy and annual disclosure statements.
20 The conflict of interest policies must adhere to
21 State Law, which requires that the policy state the
22 definition of a conflict, procedures for disclosing
23 conflicts, a requirement that conflicted parties
24 recuse themselves from deliberations, documentation
25 of the deliberations and procedures for disclosing,

1
2 addressing and documented related party transactions.
3 The organizations must also require directors,
4 officers and key employees to annually disclose
5 conflicts of interest. Where deficiencies are found,
6 CBO makes recommendations to the organization to
7 remedy those deficiencies and follows up to ensure
8 compliance. For example, if the organization
9 indicates in the CBO review questionnaire that the
10 board does not review the CEO's credit card
11 statements, CBO will recommend that the board adopt
12 such a policy that requires the board to review their
13 CEO's credit card statements.

14 During a recent CBO review, the team
15 discovered, through its review of an organization's
16 IRS 990, that there were improper related party
17 transactions. A 990 is a nonprofit's annual tax
18 return. The IRS requires exempt organizations to
19 disclose related party transactions in their 990,
20 including the names of the related parties and the
21 amounts of the transactions. Through this
22 disclosure, which is legally mandated, CBO discovered
23 an improper transaction and held the organization
24 accountable for their wrongdoing.

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2 During another recent CBO review, the
3 team discovered that an organization that required
4 annual conflict of interest disclosures was not
5 adequately documenting the audit committee's
6 consideration of those disclosures. Through the CBO
7 review process CBO discussed this deficiency with the
8 organization and will ensure the board properly
9 documents its related party transactions going
10 forward.

11 Some of these reviews have resulted in
12 Department of Investigation referrals; when MOCS has
13 found an instance of self-dealing that affects the
14 integrity of an otherwise high-quality provider, CBO
15 had worked with the agencies, DOI and the
16 organization's leadership to institute corrective
17 measures. One enforcement mechanism is to develop a
18 citywide corrective action plan with a number of
19 conditions and requirements that the nonprofit must
20 abide by in order to continue working with the City.
21 MOCS monitors and oversees compliance throughout the
22 term of the CAP.

23 In instances where the City has
24 determined that the integrity of a nonprofit vendor
25 requires more drastic actions, the CAP may include

1 terms that require dismissal of key employees or
2 working with DOI and assigned integrity monitor. The
3 most drastic measure can include contract termination
4 and an assignment of the contract to another
5 provider.
6

7 CBO also looks at organizations beyond
8 the competitive procurement portfolio, since the
9 clearance of City Council line item awards goes
10 through the unit as well. CBO staff regularly vet
11 more than 2000 community-based organizations for
12 legal compliance and integrity.

13 CBO regularly offers free trainings for
14 nonprofit board and staff members on the New York
15 State Not-For-Profit Corporations Law, as well as
16 contract requirements and management and governance
17 best practices.

18 The City Council funds full-day trainings
19 in each borough every year, which are designed and
20 conducted by our office's CBO staff to ensure that
21 community-based organizations understand their legal
22 obligations.

23 CBO maintains that NYC nonprofits website
24 (www.nyc.gov/nonprofits) with standards and
25 information about compliance and best practices in

1
2 nonprofit management and governance and refers
3 nonprofits to capacity-building resources.

4 CBO also operates the New York City
5 Nonprofits Help Desk, phone and email, and answers
6 approximately 10,000 requests per year.

7 When the NPRA was passed and new
8 conflicts of interest requirements for nonprofits
9 became law, CBO ensured a notice went to all profit
10 vendors, notifying them of the change to the law and
11 the City's expectations that they adhere to it.

12 The de Blasio Administration is committed
13 to strengthening the governance and management
14 capacity of the City's nonprofit partners, supporting
15 the provisions of essential community services and
16 the responsible stewardship of public funds. We look
17 forward to continuing to work with the City Council
18 to find new ways to achieve these goals. At this
19 time I would be happy to answer any questions the
20 Committee may have.

21 CHAIRPERSON ROSENTHAL: Thank you so
22 much, Director Camilo and I just want to welcome
23 Council Member Koo, Council Member Johnson; thank you
24 so much. And now I'd like to turn it over to Council
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1
2 Member Liz Crowley, who is the lead sponsor on this
3 bill.

4 COUNCIL MEMBER CROWLEY: Good afternoon.
5 I'd like to thank Chair Rosenthal for having the
6 hearing today on this important bill and first I'd
7 like to express my gratitude to the hundreds and
8 thousands of nonprofit organizations that do an
9 overwhelmingly large amount of good work in our city
10 and unfortunately there have been examples in recent
11 years where executives of these City-funded
12 nonprofits have mismanaged taxpayer dollars and used
13 funds for personal use, and these are just ones that
14 we found out about. So the budget, the City
15 allocates hundreds of millions of dollars every
16 single year to these nonprofits and there needs to be
17 a greater transparency on how this money is spent.

18 A most recent example involved the
19 spending of the former president and CEO of the
20 Queens Public Library, Thomas Galante, who in
21 addition to receiving nearly \$500,000 in salary, he
22 used City funds to pay for hundreds of thousands in
23 personal expenses, including voyages on lavish trips,
24 constructing a personal deck for his office for
25 outdoor smoking -- it was a smoking lounge --

1 [laughter] [background comment] on top of this, he
2 claimed to devote an unreasonably large amount of his
3 work week to earning an outside income as a
4 consultant. Galante was not the first CEO to
5 mismanage tax dollars; in 2013 a former executive
6 director of the Bronx Community Pride Center was
7 found guilty of pocketing more than \$140,000 in
8 charitable assets; the same person used taxpayer
9 money for personal trips and personal services. The
10 list is long; year after year more and more of these
11 types of mismanagement and stealing occurs and we
12 need to be more on top of City tax dollars and how
13 they're spent. So it's important going forward that
14 we could stop this corruption before it begins and
15 this bill would require all persons in leadership
16 positions at nonprofit organizations that receive
17 City dollars to submit financial disclosures; to
18 report certain outside income to the City agency from
19 which they're receiving funds. The bill expands the
20 disclosure requirement which is already in place for
21 board members who do not receive a salary. So for
22 the president and the chief executive officers of an
23 organization it should not be such a burden to
24

1
2 disclose this for transparency; there's no excuse for
3 City funds to be immune to this type of disclosure.

4 So I'd like to thank all the staff that
5 worked hard on putting this bill together; I look
6 forward to hearing more from the public about how to
7 strengthen the bill. I'd like to ask a few
8 questions; I'm not sure... [background comments] Yeah.
9 Yeah? [background comment] Okay.

10 So is there any process in place right
11 now to ensure that the law as it currently is, is
12 followed; that board members are disclosing this type
13 of information to the City agencies that are awarding
14 the funds?

15 LISETTE CAMILO: Currently there are
16 required disclosures for nonprofits to be made to
17 other government entities. So there is New York
18 State Nonprofit Revitalization Act, which was passed
19 in 2013 that added a number of... [interpose]

20 COUNCIL MEMBER CROWLEY: But just
21 specific to this law that we're looking at amending
22 and expanding, which currently asks for any member on
23 a board of directors to a City-funded nonprofit
24 report to the City agency for which is giving them
25 funds, and we have a representative here from the

1
2 Department of Cultural Affairs; what measures are in
3 place that we, as a city or in that particular City
4 agency is receiving that information?

5 LISETTE CAMILO: So that particular
6 section of the City Charter was drafted, as I
7 mentioned in my testimony, in the 70s and since then
8 we don't believe it has been complied with in the
9 manner which it was drafted. Since it's been drafted
10 there have been a number of developments through the
11 State Legislation that essentially mirrors all of the
12 disclosures that is required in the section of the
13 Charter to be made by nonprofit organizations and
14 filed with relevant oversight agencies, which both
15 the City agencies and MOCS in many instances have
16 access to and can review.

17 COUNCIL MEMBER CROWLEY: Right now there
18 is no law in place that would have required somebody
19 like Tom Galante to report outside income to any City
20 agency?

21 LISETTE CAMILO: For a City agency? No;
22 not to a City agency.

23 COUNCIL MEMBER CROWLEY: So for us, where
24 New York Library, Queens Library is receiving nearly
25 95% of its funds from the City and various other

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2 government agencies, the CEO, who was paid an
3 exorbitant amount of money every year to do his job,
4 was claiming to be working nearly 20 or more hours on
5 some weeks for another organization; there was no
6 measure in place for us to find out that; if we were
7 to pass this bill today, we would know that, and from
8 what I understand from your testimony, you or the
9 Mayor's Office, somebody, doesn't believe that that
10 information or that level of transparency is needed.

11 LISETTE CAMILO: So I think that what
12 we're saying is that those disclosures are already
13 required through other State laws, through other
14 requirements. Agencies have access to that
15 information and we believe that requiring it of the
16 City agencies would be -- because it's already
17 required through a state agency and the Attorney
18 General has oversight over the regulation of such
19 actions, we believe that it is already addressed in
20 the current regulatory structure.

21 COUNCIL MEMBER CROWLEY: So you think
22 that the State's doing a good enough job that the
23 City doesn't have to do a job like that.. [crosstalk]

24 LISETTE CAMILO: That's not...
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2 COUNCIL MEMBER CROWLEY: then why do we
3 have the Department of Investigation in the City if
4 we don't believe that there's fraud and corruption
5 happening under our watch...? [crosstalk]

6 LISETTE CAMILO: That's not the... That's
7 not... That's not what I'm saying... [interpose]

8 COUNCIL MEMBER CROWLEY: And you also
9 said that the City has the law, but we're just not
10 following it because it was written in the 70s; so
11 then it's not important...? [crosstalk]

12 LISETTE CAMILO: I can't speak to... I... I
13 can't speak to what happens, you know has happened
14 since 1978, when it was first drafted... [interpose]

15 COUNCIL MEMBER CROWLEY: But right now...
16 [crosstalk]

17 LISETTE CAMILO: Yes.

18 COUNCIL MEMBER CROWLEY: there is a law
19 in place that says if you have a nonprofit board and
20 you're receiving funds from the City of New York that
21 anybody that sits on the board must disclose to the
22 City, to that very agency that is giving them money,
23 what the financial disclosure of that particular
24 person is to avoid any conflict of interest?

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2 LISETTE CAMILO: That particular section
3 of the Charter references a section of the City
4 Government of the City budget that no longer exists,
5 so it's unclear where the requirement would be
6 triggered; that's one of the issues with this
7 particular bill. What we are trying to communicate
8 is that most of the things that are required in the
9 Charter in that section are already required in the
10 State regulatory requirements over nonprofit
11 organizations. So conflict of interest policies are
12 already required, etc.

13 CHAIRPERSON ROSENTHAL: I just want to
14 acknowledge the presence of Council Members Deutsch
15 and Constantinides; thanks so much for joining us.
16 [background comments] I know people have places to
17 go today, so just wanna... So as Council Member
18 Crowley... until she's ready, can I just ask a very
19 fundamental question. Had this law been in place;
20 tweaked for the correction about referring to the
21 wrong section in the Charter, so tweaked for that;
22 had that been in place, would there have been an
23 opportunity for a red flag to have avoided the... could
24 we have caught the Tom Galante problem earlier?

1
2 LISETTE CAMILO: I want to preface my
3 answer with; I'm not the expert on what happened in
4 the Queens Public Library; those were not
5 procurements; I know from what I've read in the
6 newspaper what happened; it is unclear whether or not
7 it would have been a red flag. Not all related party
8 transactions are bad; that's one of the things that
9 is required to be disclosed; there can actually be
10 very many -- there could be beneficial related party
11 transactions and had they disclosed that, it would
12 not necessarily mean that it was a bad thing. We
13 routinely throughout a con... and I'm speaking from the
14 procurement perspective; after a contract is awarded
15 and we are reviewing expenditures made related to the
16 funds dispersed; if an inappropriate related party
17 transaction is uncovered during the regular
18 monitoring of the contract and the fiscal management,
19 under our standard human services contract we have
20 the ability to be reimbursed for that or to flat out
21 deny that expenditure, but there protections..
22 [crosstalk]

23 CHAIRPERSON ROSENTHAL: So... but those are
24 City contracts?

25

1
2 LISETTE CAMILO: Those are City
3 contracts.

4 CHAIRPERSON ROSENTHAL: So who is it that
5 oversees... so you have coverage on the City
6 procurement side..

7 LISETTE CAMILO: Right.

8 CHAIRPERSON ROSENTHAL: who is it that's
9 overseeing procurement -- sorry if you're not an
10 expert and you're not the right person -- so who's
11 overseeing procurement on the Queens Library side;
12 that would be the board?

13 LISETTE CAMILO: Certainly the board;
14 then I think that one of the bigger failures in the
15 Queens Public Library issue is that the board has
16 primary fiduciary duty to govern and oversee the
17 manner in which funds are expended for the
18 organization. So things like these extravagant
19 expenditures should have been caught and I think once
20 that came to light, certainly the Department of
21 Investigation started an investigation; this
22 administration worked very closely with the Queens
23 Borough President to change State law to include much
24 stronger protections to prevent the same things from
25 the public library's perspective and installed new

1
2 board members, to make sure that there's an alert and
3 focused governing board.

4 CHAIRPERSON ROSENTHAL: Right. I just
5 wanna welcome Council Member Wills.

6 Would it make any sense to shift the
7 public library system procurement oversight over to
8 your office?

9 LISETTE CAMILO: I can't speak to that; I
10 would have to think about that a little more. I
11 believe that the Queens Public Library is governed by
12 its own state authorizing statute or at least it's
13 created through a state... [background comments] I'm
14 sorry; I'm getting distracted -- through a state law
15 [background comment] and I'd have to learn a little
16 bit more about that; I'm not sure if the structure --
17 if it's an appropriate thing for MOCS to provide
18 oversight for.

19 CHAIRPERSON ROSENTHAL: Great. I wanna
20 kick it back to Council Member Crowley.

21 COUNCIL MEMBER CROWLEY: When a
22 charitable organization, nonprofit does work for the
23 City and we give them hundreds of millions of dollars
24 to do that type of work, how do we ensure that
25

1
2 there's no conflict of interest in third-party
3 organizations or companies receiving funding?

4 LISETTE CAMILO: So I mentioned that not
5 all related party transactions are bad. When the
6 organization files for reimbursement of expenditures,
7 all of those expenditures are reviewed in order to
8 determine their appropriateness; if an inappropriate
9 transaction is found, then the agency will either, if
10 it has already paid for it, will be reimbursed or if
11 it has not approved that expenditure, will disallow
12 it; will not pay for it.

13 COUNCIL MEMBER CROWLEY: Who is reviewing
14 the expenditure?

15 LISETTE CAMILO: The contracting
16 agencies.

17 COUNCIL MEMBER CROWLEY: So which was the
18 agency that was contracting Queens Library?

19 LISETTE CAMILO: So the Queens Public
20 Library isn't an agency that -- it's not a nonprofit
21 that does business with the City in the manner that
22 another nonprofit will be providing senior services,
23 etc.; the relationship is different and I can't speak
24 to what the process is there... [crosstalk]

1
2 COUNCIL MEMBER CROWLEY: Okay. Sometime
3 in the late 1970s, when the City Council amended the
4 City Charter for charitable organizations that
5 receive money from the budget, they knew back then
6 that it was important to get this type of information
7 from boards, but today we're not doing... we're not
8 following that law; the only difference from the
9 1970s and today is just; we don't put a charitable
10 budget, we just give them part of the expense budget,
11 which is pretty much the same; is part of the City
12 dollars that they're receiving; they should still
13 follow the intent of the law and there's no reason
14 why a City agency such as MOCS, who has oversight
15 over contracts, shouldn't ensure that the law is
16 being followed. Just because the funding comes
17 through the general budget as opposed to a charitable
18 budget, it's still City dollars and we need to as a
19 city ensure that these dollars are not misspent or
20 mismanaged and that there's no conflict of interest
21 between board members. And if we knew that 30 years
22 ago for board members, then what we're doing today is
23 trying to extend that just to CEOs and top management
24 of these types of charitable organizations. So what

1
2 is the harm in getting further disclosure and getting
3 the disclosure that we put into law 30 years ago?

4 LISETTE CAMILO: So I think that we all
5 share the goal of increased oversight for nonprofits;
6 that's not being debated. I think what I will say
7 is; since 1978 the regulatory structure for
8 nonprofits has changed dramatically and where in 1978
9 there might not have been any other requirements for
10 such disclosures related to nonprofits and conflict
11 of interest and requirements for policies, we have a
12 very, very extensive state requirement and oversight
13 process which requires all of these... [crosstalk]

14 COUNCIL MEMBER CROWLEY: Right, but as
15 the Council, we vote on the City budget and what
16 we're interested today in is having greater oversight
17 on the City contracts by the City itself. So can you
18 tell me how you feel assured that we're getting a
19 great level of transparency here in the city when
20 we're tracing the City dollars that we're responsible
21 for awarding?

22 LISETTE CAMILO: So I mentioned in my
23 testimony that it's not only the state regulatory
24 structure that has changed drastically since 1978,
25 but the City contract language itself has changed, so

1
2 all of our human services contracts have baked into
3 that language all of the requirements of the state,
4 so we also require the policies outlined in the
5 Nonprofit Revitalization Act. We, in our reviews of
6 organizations, actually sit through -- for our CBO
7 reviews -- we'll review the actual policies
8 themselves to make sure that they're in compliance;
9 we review all of their filings that actually require
10 disclosure of conflicts of interest in the 990s and
11 that's how we've been able to find inappropriate
12 transactions as well, so... [interpose]

13 COUNCIL MEMBER CROWLEY: And is there
14 anywhere in those disclosures where it asks the party
15 receiving the funds, the CEOs and the top management
16 at this nonprofits, to show outside income other than
17 what they are receiving from a particular
18 organization?

19 LISETTE CAMILO: Give me one second. So
20 as I mentioned, the documents do require disclosure
21 of all related party transactions; there's no
22 disclosure requirement regarding outside income...
23 [background comment]

24 COUNCIL MEMBER CROWLEY: Thank you;
25 that's what we're really getting at today; there is

1
2 nothing; there's no way for us to know if somebody
3 has an outside income and is billing another
4 organization for 20 or plus hours a week when they're
5 working full-time for a nonprofit in the City of New
6 York that we're funding through out tax dollars.

7 LISETTE CAMILO: There is no requirement
8 regarding that in the initial filing... [crosstalk]

9 COUNCIL MEMBER CROWLEY: Right. Right.
10 So it's just a level of transparency we're trying to
11 get through this bill.

12 CHAIRPERSON ROSENTHAL: I wanted to ask
13 just real quickly about the CBO staff that you were
14 mentioning that reports to you. How big is the
15 staff?

16 LISETTE CAMILO: Currently we are at
17 [background comment] four.

18 CHAIRPERSON ROSENTHAL: And last year
19 they went through 500?

20 LISETTE CAMILO: No, no. No, since 2008...
21 [interpose]

22 CHAIRPERSON ROSENTHAL: Eight. So about
23 how many nonprofits do they get to a year?

24 LISETTE CAMILO: I would say about
25 between 25-35, depending on the year.

1
2 CHAIRPERSON ROSENTHAL: Okay. And how
3 many more do you have to go?

4 LISETTE CAMILO: It depends on the year,
5 because we require those for community-based
6 organizations or nonprofit organizations that receive
7 over a million dollars worth of City funding.

8 CHAIRPERSON ROSENTHAL: Okay. You noted
9 in your testimony that CBO discovered an improper
10 transaction and held the organization accountable for
11 the wrongdoing; can you tell me a little bit more
12 about that situation and what does hold accountable
13 mean?

14 LISETTE CAMILO: So I don't wanna get
15 into any specifics to betray the organization, but in
16 an instance like that, we would work with the board
17 member to -- I'm sorry; we would work with the board,
18 if the inappropriate action was performed by the
19 executive director and we'd present the facts and the
20 documentation and our findings and we have had
21 instances where we've worked with the board to remove
22 executive directors and/or instill completely new
23 processes for reviews of particular transactions and
24 we follow up. Once they're under a correction action
25 plan, we work very closely throughout the term of the

1
2 corrective action plan, which will include between
3 three or five years. We have six... I think, believe
4 16 open corrective action plans.

5 CHAIRPERSON ROSENTHAL: Sixteen open
6 corrective action plans. And have you, at the end of
7 talking about the CBO, you mentioned the most drastic
8 measure can include a contract termination and I'm
9 wondering; has that ever happened?

10 LISETTE CAMILO: I'm sorry; repeat that.

11 CHAIRPERSON ROSENTHAL: Sure. At the end
12 of that part of the testimony, talking about CBO, you
13 mentioned that the most drastic measure can include
14 contract termination; I'm wondering if that ever
15 happened... [crosstalk]

16 LISETTE CAMILO: Yes. Yes. Yes.

17 CHAIRPERSON ROSENTHAL: How frequently,
18 how many times...? [crosstalk]

19 LISETTE CAMILO: Infrequently, but it has
20 happened a handful of times.

21 CHAIRPERSON ROSENTHAL: Okay. Council
22 Member Crowley; any additional questions?

23 COUNCIL MEMBER CROWLEY: Does the City
24 know if a nonprofit is complying with the state laws
25 that you mentioned, the disclosure laws?

1
2 LISETTE CAMILO: In many instances we
3 have found instances of noncompliance, and I actually
4 wanted to make mention; I have... someone from my team
5 just reminded me that there was a recent amendment to
6 the Nonprofit Corporations Law, particularly with
7 regard to the Queens Public Library, I believe any
8 public library I'd have to get back to you on that;
9 that does require disclosure of outside income.

10 COUNCIL MEMBER CROWLEY: And you do
11 audits to make sure; do you, as a City agency..

12 [crosstalk]

13 LISETTE CAMILO: What... audits a...

14 COUNCIL MEMBER CROWLEY: that all of
15 these organizations who are filling out the forms?

16 LISETTE CAMILO: For... certainly for the
17 CBO reviews, yes; we actually sit down and read
18 through every single policy that they're required to
19 have under the Nonprofit Corporations Law and where
20 we find instances where they're not in compliance, we
21 make sure that they become in compliance and have
22 their bylaws amended.

23 COUNCIL MEMBER CROWLEY: But you just
24 referenced a law that somebody made you more aware
25 of, but wouldn't... [crosstalk]

1
2 LISETTE CAMILO: For the Queens Public
3 Library.

4 COUNCIL MEMBER CROWLEY: shouldn't MOCS
5 know about this law that's in existence...? [crosstalk]

6 LISETTE CAMILO: That is specific to the
7 public libraries and that's not something that... MOCS
8 does not work with public libraries; we... [interpose]

9 COUNCIL MEMBER CROWLEY: How do you work
10 with the Department of Investigation to -- like if
11 you suspect... [interpose]

12 LISETTE CAMILO: Absolutely. We actually
13 work very closely with the Department of
14 Investigation on -- not just limited to nonprofits;
15 any vendor. We deal with agencies and vendors every
16 day; we review documentation and if things come up
17 where we determine that something's not right; we
18 actually find actions that are either not in
19 compliance or in violation of something bigger; we
20 absolutely make referrals; we work with them very
21 closely.

22 COUNCIL MEMBER CROWLEY: And... Yeah. So
23 you're referencing all these state laws, but there's
24 no City agency that is collecting this information;

1
2 we have to go through a state agency; what state
3 agency is it?

4 LISETTE CAMILO: So the vendors have to
5 file all of these disclosures, both to the federal
6 government; usually the IRS, so the 990s and the
7 A-133 audits are required filings for the IRS and the
8 vendors are also required to file with the State
9 Attorney General's Office -- audited financials, the
10 Char 500, which is one form... [interpose]

11 COUNCIL MEMBER CROWLEY: Right.

12 LISETTE CAMILO: and a 998 [sic]...
13 [crosstalk]

14 COUNCIL MEMBER CROWLEY: But what about
15 the City agency?

16 LISETTE CAMILO: And so those are all...
17 Many of those are available -- there's real-time
18 information that agencies have access to from the
19 State Attorney General's Office to ensure that
20 they're complied with those filings.

21 COUNCIL MEMBER CROWLEY: But there's no
22 City agency... [crosstalk]

23 LISETTE CAMILO: That collects them?
24 [sic]

1
2 COUNCIL MEMBER CROWLEY: that is watching
3 the City dollars?

4 LISETTE CAMILO: That... I'm sorry?

5 COUNCIL MEMBER CROWLEY: There is no City
6 agency tasked with collecting this information and
7 reviewing this information?

8 LISETTE CAMILO: There is no City agency
9 that is tasked with collecting all of those required
10 filings and reviewing them, no.

11 COUNCIL MEMBER CROWLEY: Right. Thank
12 you.

13 CHAIRPERSON ROSENTHAL: 'Kay. Is there
14 anything you'd like to add to your testimony? Okay,
15 I'm gonna start -- thank you very much.

16 LISETTE CAMILO: Thank you.

17 CHAIRPERSON ROSENTHAL: I'm gonna call
18 the first panel; forgive me if I don't say names
19 right. Christabel Gough from the Society for the
20 Archdiocese of the City of New York, I think.
21 [background comment] Okay; you'll introduce
22 yourself. Miss Conser [sic, sp?] on behalf of Miss
23 Delgado; I'm not sure what organization that is, but
24 you'll introduce yourself. Talia Werber from
25

1
2 Citizens Union; Prudence Katze from Common Cause New
3 York and Paula Glatzer.

4 If everyone -- we don't swear them in; do
5 we? [background comment] Oh good. There we go. If
6 you could just introduce yourselves -- Talia, come on
7 up. If everyone whose name I called [background
8 comment] could please come and if you could begin,
9 just announce your name and what...

10 CHRISTABEL GOUGH: I'm Christabel Gough...

11 [interpose]

12 CHAIRPERSON ROSENTHAL: Hang on one
13 second. Oh and make sure that your speaker is on;
14 there will be a red dot... [crosstalk]

15 CHRISTABEL GOUGH: Red light?

16 CHAIRPERSON ROSENTHAL: and we're gonna
17 set the clock; everyone has two minutes.

18 CHRISTABEL GOUGH: Okay.

19 CHAIRPERSON ROSENTHAL: Thank you.

20 CHRISTABEL GOUGH: I'm Christabel Gough
21 from the Society for the Architecture of the City;
22 we're a small, all volunteer historic preservation
23 advocacy group and we've seen some unfortunate
24 experiences with libraries in our work.

1
2 We would support increased disclosure
3 from City financed not-for-profit institutions. From
4 the Gotham Gazette, we understand that the proposed
5 legislation is not entirely finalized, but was
6 inspired by recent problems at the Queens Public
7 Library. The blame for irregularities there reported
8 by Comptroller Stringer falls not only on CEO
9 Galante, but equally on the trustees who failed to
10 supervise expenditures and indeed the Comptroller's
11 report notes that some library trustees must have
12 winked at and benefited personally from the improper
13 credit card charges for lavish meals.

14 Libraries have not ordinarily been
15 regarded as a locale for corruption and indeed the
16 public relations image they cultivate -- and we
17 should remember that they hire public relations
18 consultants -- often invokes childhood memories of
19 severe spinster librarians demanding silence;
20 however, the circumstances of the sale of the Donnell
21 Branch Library by the trustees of the New York Public
22 Library might have been easier to unravel if there
23 had been disclosure requirements for the officers and
24 trustees. Indeed, the loss of that branch; smaller
25 replacement has not yet opened seven years after

1
2 demolition and the profits made by investors who
3 bought the site appear to be out of line with the \$59
4 million sale price. Just the penthouse of the
5 Baccarat Tower which replaced the library is on the
6 market for \$60 million and the hotel section of the
7 tower was recently sold to Chinese investors for \$230
8 million; these numbers potentially so much larger
9 than the losses occasioned by the actions of the
10 Queens Library, were never scrutinized by the City
11 because [bell] the land that Donnell stood on was not
12 City-owned. [background comment] Thank you.

13 [background comments]

14 MAGGIE CANKAR: Hi; Maggie Cankar [sp?].
15 I am giving part testimony of the August 18 for a
16 Brooklyn Borough President hearing. Here is some of
17 the testimony as delivered by Miss Jane Lee Delgado,
18 a research scientist and organizational psychologist.

19 "How did we get here, to the proposed
20 library sale and shrinkage that shouldn't be? Out of
21 23 trustees who were appointed or elected by their
22 peers, 7 directly involved in banking and real estate
23 and 2 more were connected to real estate interests
24 through a spouse. Five of the current former
25 Bloomberg employees, three have worked and are

1
2 working now for information tech companies and at
3 least one of them is officially registered as a
4 lobbyist in New York City. A small group of fully
5 compromised library trustees have been planning for
6 more than five years to offer developers the
7 opportunity to utilize public assets in order make
8 some money."

9 Now -- that's the end of Jane's testimony
10 -- let me point out that the new article at DNA
11 Information about the Brooklyn Bridge Park board
12 members, David Offensend, who is the Board of
13 Trustees in the New York Public Library and Hank
14 Gutman, who is also Board of Trustees of the Brooklyn
15 Bridge Park; they are being the first to buy
16 apartments in development on the Board and were
17 supposed to oversee and resulting in a conflict of
18 interest reviewing and associates dirations [sic].

19 Why should we be concerned? Just as both
20 of these gentlemen are board of trustees of the
21 Brooklyn Bridge Park Corporation pushing for
22 overdevelopment in Brooklyn Heights, they are
23 involved in turning the Brooklyn Heights Library into
24 real estate deals, which includes the Brooklyn
25 Heights Library and the business library. The

1 libraries in downtown... [bell] Thank you.

2 [background comment] No, that's pretty good; it's

3 just -- you know -- congratulations, Miss Crowley on

4 bringing this proposal in; I've just been aware of it

5 right now, in reading somebody else's testimony, but

6 I applaud you; what is happening in Brooklyn Heights

7 is a direct result of conflict of interest and of not

8 being able to reveal what their true intentions are.

9 Thank you.

10
11 TALIA WERBER: Good afternoon. My name

12 is Talia Werber and I am the Policy and Research

13 Manager for Citizens Union [background comment] of

14 the City of New York, a nonpartisan good government

15 group dedicated to making democracy work for all New

16 Yorkers.

17 Thank you for holding this hearing today;

18 we commend the Council for working to ensure

19 meaningful oversight of nonprofit organizations

20 accepting payments from New York City by expanding

21 conflict of interest disclosures for leadership of

22 such organizations.

23 Contractual relationships between New

24 York City and nonprofit organizations have increased

25 tremendously in recent years and even though they

1
2 provide agility to extend services to the public, we
3 believe that it's important that there's oversight of
4 these organizations.

5 Intro 288-A would extend safeguards that
6 are against a defined portion of nonprofit board
7 members engaging in self-dealing and expand who it
8 applies to, to include presidents and chief executive
9 officers of nonprofit organizations accepting
10 payments from the City.

11 Broadening the definition of
12 organizational leadership to whom these safeguards
13 apply is critical to ensuring that individuals
14 responsible for the management decisions of
15 nonprofits use taxpayer money to benefit their
16 institutions and through them the City, rather than
17 benefiting themselves. For these reasons, Citizens
18 Union supports Intro 288-A and urges its passage to
19 compel leaders of New York City's nonprofit
20 organizations to serve as stewards of their
21 institutional missions and of the public trust.

22 CHRISTABEL GOUGH: Oh sorry.

23 PRUDENCE KATZE: Thank you. Good
24 afternoon. Thank you for giving me this opportunity
25 to testify. My name is Prudence Katze and I am the

1 Research and Policy Manager at Common Cause New York.

2 We provide a voice for citizens in support of open,
3 honest and accountable government at all levels. I
4 am here today to voice Common Cause New York's
5 support of passing Intro 288-A.

6
7 The simple disclosure requirements called
8 for in this bill would only apply to organizations
9 that receive at least half of their funding from New
10 York City public dollars and it is a useful and
11 objective way to determine that our tax dollars are
12 being dispersed in a responsible manner while also
13 diminishing the possibility of undo favoritism or a
14 conflict of interest on the part of the nonprofit.
15 This bill would serve to clarify and strengthen our
16 laws on how our public dollars go to support not-for-
17 profit institutions.

18 In 2006, this City Council implemented
19 necessary reforms on the discretionary funds
20 allocated to nonprofit and community-based social
21 services. There is no question that council member
22 discretionary spending, along with other New York
23 City contracts and grants to not-for-profit
24 organizations helps to fulfill necessary services in
25 communities throughout our five boroughs.

1
2 Intro 288 would complement existing
3 conflict of interest reporting protocol to ensure
4 that our not-for-profits are spending their publicly
5 allocated dollars in the best and most responsible
6 way possible and would head off potential self-
7 dealing and conflicts of interest where someone in a
8 leadership position is putting their own financial
9 interests or those of friends, business associates or
10 family over the communities that they are charged to
11 serve.

12 The necessary form can be filled out
13 online and is only due on an annual basis. We do not
14 see compliance of this request as burdensome,
15 particularly in light of unfortunate past problems of
16 self-dealing and fraudulent conduct involving
17 charities in New York City. Thank you.

18 CHAIRPERSON ROSENTHAL: Thank you very
19 much. [sic] Council Member.

20 COUNCIL MEMBER CROWLEY: I would like to
21 thank all who came today for your time and your
22 testimony; you know, we are looking for greater
23 transparency in putting this bill together and you
24 know it's clear that there are plenty of conflicts of
25 interest that exist with nonprofit boards and

1
2 nonprofit heads and we just don't know about it and
3 we can't sit back and watch the state and hope that
4 the state will find out that there are conflicts; we
5 are a city with a nearly \$80 billion budget and we
6 have to watch every single tax dollar in that budget
7 as carefully as possible; it's our responsibility.

8 CHAIRPERSON ROSENTHAL: Thank you. One
9 last call for Paula Glatzer, Glaser. Oh; do you
10 wanna come up real quick? You can go... thank you.

11 PRUDENCE KATZE: Thanks.

12 COUNCIL MEMBER CROWLEY: Thank you.

13 [background comments]

14 PAULA GLATZER: Hi; my name is Paula
15 Glatzer and I'm really here to speak about the New
16 York Public Library. I'm a member of the Committee
17 to Save the Library, but I am not speaking for them;
18 this is all my own, except the... I'm a constituent of
19 the chair, but she's not responsible either.

20 On September 19th, the New York Public
21 Library announced the architects for its \$300 million
22 renovation of Mid-Manhattan and the 42nd Street
23 Library. Unfortunately, the news came with complete
24 lack of transparency in either the selection process
25 or the renovation plans. Now fully half of the \$300

1 million is from New York City, so the public should
2 be involved and our elected officials should exercise
3 oversight. This is the same public-private
4 partnership that fostered the secret Central Library
5 plan, which was finally rejected by the current
6 administration. But NYPL wasted almost \$20 million
7 on the plans, though some reliable estimates say it
8 was much higher.
9

10 Very quickly, watching the Pope before I
11 came here, which is why I was so late, I recalled the
12 plans for the 9/11 Memorial and how they were all
13 displayed in our newspapers and then they were... the
14 models were on view at the World Financial Center and
15 it was open and transparent and made a community and
16 it helped with the healing and the library is our
17 most [bell] important building. Can I... I cut off
18 half my speech because this is like the emperor's new
19 clothes, but I was ending by commending Council
20 Member Crowley for the amendment, but when I talked
21 to your wonderful staff before, like to try to
22 understand it and I said, well would this apply to
23 board members, because a lot of us see all those
24 shenanigans as real estate deals, and they said, well
25 it already applies to board members and I said, oh;

1
2 it does? Where would I see that? And as you know,
3 the answer is not forthcoming, so this is really
4 naïve, but will an amendment work on a law that
5 isn't... [interpose]

6 COUNCIL MEMBER CROWLEY: Paula, you have
7 a very good question. Technically it is law; it's
8 just that we don't put funds for nonprofits in a
9 division of the budget that's under charitable, but
10 it's still ultimately the budget and so while that
11 practice has changed somewhere along the line, maybe
12 going back to even when this law became law and was
13 instituted, that nobody was following it, so there
14 was no city agency that was tasked..

15 PAULA GLATZER: Right. Right.

16 COUNCIL MEMBER CROWLEY: I think in
17 amending the law with this bill we will amend the
18 charitable part of the budget, because that's no
19 longer called that; it's just executive budget. So
20 I... [crosstalk]

21 PAULA GLATZER: Thank... [sic]

22 COUNCIL MEMBER CROWLEY: and then it
23 would also extend, of course, to board members.

24 PAULA GLATZER: Thank you very much, and
25 of course it has to apply -- I mean goes without

1
2 saying -- to not only the corruption, but to the
3 larger, you know, whether it's misuse of funds or
4 cutting out the public, or cutting out legislator; I
5 don't think my legislators know what's happening at
6 NYPL. I'm sorry; this member left. Thank you very
7 much for everything.. [crosstalk]

8 CHAIRPERSON ROSENTHAL: Thank you for
9 coming today; get back safely.

10 I'm gonna call up the next panel --
11 Michelle Jackson from the Human Services Council;
12 Ginny Loulourdes from ART/New York; Laura Abel from
13 the Lawyers Alliance for New York and John D'Reilly
14 [sic]; I'm sorry if I said that wrong, who's
15 representing himself, I believe. [background
16 comment] O'Reilly. Sorry. John O'Reilly?
17 [background comments] Thank you. John; do you wanna
18 get us started? Yeah. Just press the red button on
19 your microphone and introduce yourself.

20 JOHN O'REILLY: Good afternoon. My name
21 is John O'Reilly; I'm here as a resident of Queens
22 County and an interested person.

23 The proposal you have before you now is
24 actually a denuded [sic] version of what Council
25 Member Crowley proposed last year, with introduced

1
2 Intro 288, that entities receiving more than 50% of
3 their monies from the City would be covered by the
4 New York City Conflict of Interest Law. That no
5 longer exists and the kinds of deficiencies that
6 Council Member Crowley pointed out in her
7 questioning; that is, there's no single body
8 overseeing enforcement of these provisions; there is
9 nobody doing anything about failure to comply and in
10 fact, the Queens Public Library, the existing law,
11 Section 211, requires that the organization have
12 bylaw provisions requiring disclosure. The Queens
13 Public Library never had bylaw provisions requiring
14 disclosure; that went on for years. As a matter of
15 fact, it still doesn't have bylaw provisions
16 requiring disclosure, notwithstanding the 2014 State
17 reform legislation.

18 The library -- and I would like to point
19 out that the committee report referenced to the
20 Queens Public Library, is inaccurate insofar as it
21 leaves out certain key information. For example, the
22 library board of trustees does not consider
23 Comptroller Stringer's report to be findings; they
24 consider it, in a public statement, to be a political
25 document consisting of mere allegations; there's

1
2 nobody doing anything about that, and that's the
3 problem, that's why an entity like the library needs
4 to be put under the same body that you folks are
5 under and I can't think of a single reason why
6 they're not under that law; they get approximately
7 this year \$100 million [bell], 85% of their budget
8 from the City and they're completely ignoring, in my
9 opinion, their transgressions and reform of those
10 transgressions that occurred last year.

11 LAURA ABEL: Hi, I'm Laura Abel; I'm a
12 lawyer with the Lawyers Alliance for New York. We're
13 a nonprofit ourselves and we provide business and
14 transactional legal representation to thousands of
15 nonprofits every year. The nonprofits that we serve
16 are the nonprofits that serve the most vulnerable New
17 Yorkers.

18 The nonprofits that we serve provide a
19 lot of the City's essential services -- homeless
20 shelters, pre-K, afterschool, charter schools. As
21 with all City contractors, you need to make sure that
22 nonprofits use their City funds efficiently and
23 effectively, but I wanna ask why you're looking only
24 at nonprofit contractors when you have an equal
25 interest in ensuring that for-profit contractors also

1
2 carry out their City contracts efficiently and
3 effectively. Subjecting nonprofits to regulations
4 that are redundant and duplicative raises their
5 administrative costs and as a result, either they
6 have to charge the City more for their services,
7 which is obviously not desirable, or they have to cut
8 the amount of services that they can provide; that
9 means fewer shelter beds, fewer soup kitchen meals;
10 things like that. I also should add that laws that
11 add more regulations to nonprofits are a real boon
12 for people in my profession; not for me, I work for a
13 nonprofit, but I don't think you want City dollars
14 going to the lawyers either.

15 Intro 288-A builds on a provision of the
16 City Charter that was adopted in 1978, as people have
17 been discussing. The legislative history of that law
18 has to do with hospitals and money diverted from
19 hospitals; it is not apparent to me that it was
20 applied to all nonprofits receiving City funds; it
21 was a particular budget item in the City because of a
22 particular [bell] scandal. [background comment]

23 As people have mentioned, the nonprofit
24 law has evolved a lot since 1978 and we've talked
25 about the Nonprofit Revitalization Act, which now is

1
2 one of the strictest nonprofit regulation laws in the
3 country, but we also have the IRS; since 1978 has
4 gained the ability to tax insider transactions and
5 also has started asking about insider transactions on
6 the annual 990, which we've heard that MOCS finds
7 very helpful. Those disclosures were not available
8 in 1978; certainly not to the public and not to the
9 City.

10 I just wanna note that Intro 288 is not
11 only about disclosure; it also would require that
12 every single insider transaction involving a
13 nonprofit has to be approved by someone at the City.
14 I don't know is gonna have time to do that; right,
15 there are thousands of nonprofits getting City funds
16 and many many insider transactions; some are bad, I
17 agree, and I counsel my clients against them all the
18 time, but many of them are helpful, right; you have a
19 board member who gives a very below market rent to
20 the nonprofit or a board member who runs a catering
21 company who caters the gala and charges only for the
22 cost of the food; right, not for service. So you
23 know you would have City officials who would have to
24 sit and review every single one of these
25

1 transactions; it's a waste of their time and things
2 would grind to a halt for nonprofits.

3
4 MICHELLE JACKSON: Good afternoon, my
5 name's Michelle Jackson; I'm the Associate Director
6 for the Human Services Council of New York; we're a
7 membership organization of about 180 human services
8 nonprofits in New York City. I wanna thank the
9 Committee on Contracts and Council Member Rosenthal
10 for allowing me the opportunity to testify and also
11 to thank Council Member Rosenthal on her partnership
12 with the nonprofit sector on issues that impact us.

13 When I began at HSC there was a saying,
14 an anecdote, that Laura's also heard, that every
15 piece of paper that nonprofits fill out can be traced
16 to a scandal and Intro 288 fits well into that bill.
17 Nonprofits are significantly overburdened with
18 paperwork; for every city and state and federal
19 contract we receive a program and a fiscal audit -- I
20 have an organization that has 180 contracts; they
21 have over 350 audits each year that look at their
22 financials and would catch something like an insider
23 trading or inappropriate use of funds; we fill out
24 [sic] Vindex, we have an independent audit or an
25 A133, we have prequalification and accelerator, we

1
2 have approved budgets and budget modifications and
3 then we have state requirements, as people have
4 explained, especially around, as Laura mentioned,
5 that strengthen Nonprofit Revitalization Act. If we
6 worry about... want to watch tax dollars, then we need
7 to watch the tax dollars that go to administrative
8 overhead and duplicative reporting requirements. I
9 worry when I look at 288 about who's processing this
10 information on the City agency side, requiring board
11 members to list their financial interests, their home
12 addresses; creates a huge burden on nonprofits who
13 need board members to be active participants and I do
14 think would reduce the amount of people who would be
15 interested in being on boards, which is already an
16 issue that nonprofits have. Additionally, as Laura
17 said, who at the City agency is processing this, and
18 requiring every party transaction to be approved
19 would grind already delayed payments, contracts;
20 registration amendments to a halt, and will require a
21 lot of money and resources on both the nonprofit and
22 the City agency side in order for this to be
23 implemented and it's a great concern to the Human
24 Services Council. We'd rather work with the Council
25 [bell] on looking at the number of duplicative

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2 burdens that nonprofits have in the regulatory scheme
3 and reducing red tape and streamlining so that you
4 can get the information you want in the forms that we
5 already fill out a lot. Thank you.

6 CHAIRPERSON ROSENTHAL: I mean if I could
7 just ask you a question, Miss Jackson, 'cause I know
8 you work with us all the time. It strikes me, having
9 heard the panel for the bill and now hearing the
10 panel opposed, the people for it were focused on the
11 library system and the people who are against it --
12 well I understand what you're saying, so I'm gonna
13 set you aside for one second -- it's more about the
14 human services contracts [background comment] and
15 sort of a different... an oversight mechanism where you
16 have an oversight mechanism that already exists
17 [background comment] and that already captures this
18 information, where in the library side, which none of
19 us are necessarily expert at, there is not that
20 oversight so that you could have those discretions,
21 you know, fall through the cracks. So...

22 MICHELLE JACKSON: Exactly.

23 CHAIRPERSON ROSENTHAL: just wanted to...
24 [interpose]

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2 MICHELLE JACKSON: Yeah and so I think
3 that's... we... you know, I'm not an expert on the
4 library system and the Queens Public Library is a
5 quasi-governmental agency, so it's set apart and
6 subject to different kind of requirements than human
7 services nonprofits and so from our perspective, when
8 we look at this bill, which would encapsulate us,
9 especially with the change to the charitable budget
10 piece, we are subject to -- and especially and
11 particularly at the state with the Nonprofit
12 Revitalization Act and while that's not something
13 that the City oversees, your CHAR500 and your audits
14 are required by the state and shared with the City in
15 order... if you don't have an approved CHAR500, you
16 cannot contract with the City. So there is a direct
17 connection there and the Charities Bureau has added
18 staff and is going a lot of enforcement, on not just
19 the Nonprofit Revitalization Act, but by disclosure.

20 CHAIRPERSON ROSENTHAL: Do you feel that
21 the information asked for in this bill is already
22 being captured somewhere in the city process; not
23 state or attorney general, but city?
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COMMITTEE ON CONTRACTS

MICHELLE JACKSON: We don't require... there's not a requirement for, you know the full information about boards' financial interests..

CHAIRPERSON ROSENTHAL: The executive directors; not the boards.

MICHELLE JACKSON: The executive directors..

CHAIRPERSON ROSENTHAL: Okay.

MICHELLE JACKSON: it's not; Laura can correct me if I'm wrong, but it's... it's asked for in other... go ahead.

LAURA ABEL: Yeah, I mean the... There are two different things, right; we're talking about insider transactions is one thing and we're talking about outside work is another. [background comment] The insider transactions that is captured on the 990; again on the CHAR500 and then both of those are provided to the City as part of the contract approval process. So the City has that information; what it... the other piece is the outside income piece, [background comment] and that's the piece that I think is not covered at the moment. [background comments]

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2 CHAIRPERSON ROSENTHAL: Right. I mean
3 there were a number of transgressions here; there's
4 outside income, there was mismanagement of the funds,
5 there was a contract where his salary was established
6 with a formula that's inscrutable to me, but I would
7 like to have one, [laughter] the Evergreen contract
8 that, you know, all of which were not being and were
9 in fact being accepted by the Board of Trustees at
10 that time for the Queens Library. So [background
11 comment] it's interesting to hear what is covered
12 now.

13 MICHELLE JACKSON: And I think that's...
14 the misuse of funds is really what this is about;
15 that... and when it comes to human services contracts,
16 all that money... your money is reported, your
17 executive compensation, all the money that's under
18 the contract with receipts and a budget and the
19 budget modifications and [background comments]
20 amendments on the contract are all asked for...
21 [crosstalk]

22 COUNCIL MEMBER CROWLEY: I don't want to
23 interrupt, but let's take the example of a human
24 services contract for providing shelter to homeless
25 families; the vast majority of the budget for those

1 types of companies that are nonprofit comes from a
2 city entity; may it be city money, state money;
3 federal money, and there are a lot of nonprofit
4 organizations that provide those types of human
5 services that exist basically off contracts from the
6 City, [background comment] so they are not unlike the
7 library in that they are 95% government funded or a
8 quasi-government agency. And interestingly enough,
9 in your testimony you mentioned the lawyers needed
10 may provide more **[inaudible]**, even Tom Galante's
11 attorney fees were being paid for by the library,
12 through his lavish contract. But there is no way of
13 finding out whether your executive director has
14 another job somewhere else and is billing those
15 hours, which Galante was doing for years and nobody
16 seemed to care or know about and that's part of
17 putting this bill through; preventing that from
18 happening again. And in many situations we ask the
19 state to do the job of oversight that we would like.
20 I mean every single day workers' rights are being
21 violated and we're waiting for the State Department
22 of Labor to investigate and work with the Attorney
23 General. We need to have more oversight on issues
24 like that in the City and this would be a basic
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2 transparency bill that became law and it was a law
3 already established for the vast majority of board
4 members, it's just not being followed.

5 LAURA ABEL: I think if you were to be
6 talking just about disclosure of outside income it
7 would be a different conversation than talking about
8 disclosure and approval of related party
9 transactions, insider transactions, which there's
10 already this whole apparatus, including in City
11 contracts to monitor. [background comment]

12 JOHN O'REILLY: I would just like to add
13 that there is a value in reporting to outside
14 agencies. Galante's outside employment was known by
15 the then library board; they thought it was perfectly
16 fine that he was in effect working full-time for the
17 Elmont School District; it's this insular environment
18 that these boards and the high-level executives have
19 where this sense of fiduciary responsibility goes
20 away and everybody goes along to get along; there's
21 nobody really overseeing and presenting another set
22 of eyes to what goes on within the organization and
23 that's why there needs to be, instead of this self-
24 reporting, there needs to be an outside agency like
25 the New York City Conflict of Interest Board that

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2 300,000 City employees are under; members of the City
3 Council are under, to have an outsider's view of all
4 this.

5 [background comments]

6 CHAIRPERSON ROSENTHAL: I don't have my
7 thing on. Thank you. [background comments] Yeah,
8 it's fine. Get yourself settled. And then Ginny, if
9 you could just make sure the red light is on on the
10 microphone so that we can hear you, introduce
11 yourself and give us your testimony. Thank you.

12 GINNY LOULOUEDES: Good afternoon. My
13 name is Ginny Loulouedes; I am the Executive Director
14 of the Alliance of Resident Theatres, the leadership
15 and advocacy organization for 350 nonprofit theatres
16 in all five boroughs.

17 Given the fact that I only have three
18 minutes and you've been sitting here hearing a lot of
19 probably redundant remarks, I'm gonna try to keep my
20 remarks short and go to the high points, and I've
21 attached a lot of information that you can use
22 afterwards.

23 Point number one is that I find that --
24 well as executive director of ART/New York, I'm
25 respectfully opposing this proposed legislature for

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2 the following reasons. My concerns are twofold;
3 first, I've attached with my testimony something that
4 you should all become aware of if you're not; the New
5 York State Nonprofit Revitalization Act of 2013.
6 This requires almost everything that you've already
7 put in this law and it even has greater definitions
8 and stronger definitions in some areas. So we are
9 already following this and we have to follow this or
10 we can't get funding from the New York State Council
11 in the Arts; you can't get funding from any agency of
12 the State of New York without this, so I guarantee
13 you that most of the people getting funding from the
14 City are following the Nonprofit Revitalization Act.

15 Number two, I have concerns about Section
16 111.2, which states that -- one of the questions is;
17 do you see a contract as a donation that would be
18 made; if I get a grant from the Doris Duke Charitable
19 Trust; would that be something that would have to be
20 registered with the agency that oversees ART/New
21 York, which is probably in our case, the Department
22 of Cultural Affairs?

23 COUNCIL MEMBER CROWLEY: The City doesn't
24 give out grants blindly, they ask for a service to be
25 provided for the money that they give and it's up to

1
2 that particular agency to then dispense the funds,
3 so... [crosstalk]

4 GINNY LOULOUDES: No, no, no, I'm not
5 talking about who... I know DCA gives this money..
6 [bell]

7 COUNCIL MEMBER CROWLEY: Yeah.

8 GINNY LOULOUDES: but there is a
9 requirement in 111.2 that says that every other grant
10 we get, every other contract we get has to be
11 reviewed by the City. If you view a grant as a
12 contract, then I have approximately 80 that would
13 have to be reviewed by the City on an annual basis; I
14 represent 350 theatres; some of them have hundreds of
15 donors; the largest theatre in the country is the
16 Roundabout Theatre Company based in New York City; do
17 you really have the ability, the capacity to manage
18 tens of thousands of donor contracts?

19 [background comments]

20 CHAIRPERSON ROSENTHAL: Keep going with
21 your testimony, but you're... [interpose]

22 GINNY LOULOUDES: Okay.

23 CHAIRPERSON ROSENTHAL: but basically
24 you're articulating a situation where you have
25 subcontracts who would be... [interpose]

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2 GINNY LOULOUDES: No. I'm funded by the
3 City of New York; my organization, which is a \$3.2
4 million organization, gets \$200,000 from DCLA; we
5 also get funding from the Doris Duke Charitable
6 Trust, from the New York Community Trust, from dozens
7 of other foundations, corporations, New York State
8 Council in the Arts, the National Endowment for the
9 Arts and numerous individuals, including our board
10 members; are those considered contracts, those
11 grants?

12 CHAIRPERSON ROSENTHAL: To you?

13 GINNY LOULOUDES: To you. Because it's
14 very... [interpose]

15 CHAIRPERSON ROSENTHAL: No.

16 GINNY LOULOUDES: vaguely written in your
17 law.

18 CHAIRPERSON ROSENTHAL: Okay, it's
19 helpful to point out and we'll happily look at it,
20 but... [crosstalk]

21 GINNY LOULOUDES: Thank you so much.

22 CHAIRPERSON ROSENTHAL: the intention is
23 no.

24 GINNY LOULOUDES: Thank you. Finally,
25 and I will be brief, in Section 111.3 you require

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2 anyone who makes more money in a second job than a
3 primary job from scrutiny.

4 CHAIRPERSON ROSENTHAL: So you know
5 perhaps we should take this offline, if... [crosstalk]

6 GINNY LOULOUDES: Sure.

7 CHAIRPERSON ROSENTHAL: if we're gonna be
8 talking about the particular details of the bill and
9 making sure that we have a good understanding...

10 [crosstalk]

11 GINNY LOULOUDES: Absolutely; I would... my
12 ending statement was gonna be; I am at your service;
13 I would like to help you make this as transparent as
14 possible; let you know where you already have
15 protection covered by 990s and the New York Nonprofit
16 Revitalization Act and also to let you know where
17 there are some circumstances you may not be aware of,
18 because we represent theatres, most of whom have
19 budgets of under \$500,000.

20 CHAIRPERSON ROSENTHAL: Here's a main
21 question that as we've been going through this
22 hearing; identifying the information that is possibly
23 not captured by the City is; as an executive
24 director... [interpose]

25 GINNY LOULOUDES: Uhm-hm.

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COMMITTEE ON CONTRACTS

CHAIRPERSON ROSENTHAL: your job is to do X and you're making X amount of money; if in addition to that you had another job, would that information be collected by any of the forms that you're filling in [sic]... [interpose]

GINNY LOULOUDES: No. And let me tell you why I don't think you should worry about that with respect to the nonprofit theatre movement. I don't have a second job; I'm paid well, but I have a board member who makes probably \$10,000 from her theatre company; she has what's called a survival job at the Tenement Museum where she works in the business office; many of my members' survivor jobs involve teaching at universities, being nannies, being tutors, waiters, waitresses... [crosstalk]

CHAIRPERSON ROSENTHAL: This is just for executive directors; it will not be... [crosstalk]

GINNY LOULOUDES: they're the executive or artistic directors, but they have so little money for their companies, they get \$5,000 from DCA, \$10,000 from NYSCA, they get money from their families and friends, they do a kick-starter campaign to do a show... [interpose]

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2 CHAIRPERSON ROSENTHAL: I think we're... I
3 think we're missing the gist of what this... who this
4 law is directed toward..

5 GINNY LOULOUEDES: Right.

6 CHAIRPERSON ROSENTHAL: so maybe we
7 should take this conversation... [interpose]

8 GINNY LOULOUEDES: Yes.

9 CHAIRPERSON ROSENTHAL: offline. But I
10 appreciate you coming here.. [crosstalk]

11 GINNY LOULOUEDES: Because I would say
12 that half of the DCA grant recipients have survival
13 jobs and their programs are nonprofits, their
14 programs are doing good work, but they don't pay
15 themselves, so they do other jobs so that they can
16 pay the artists.

17 CHAIRPERSON ROSENTHAL: Got it. Alright,
18 thank... thank you very much and... [crosstalk]

19 GINNY LOULOUEDES: Thank you very much...
20 [crosstalk]

21 COUNCIL MEMBER CROWLEY: Here's a
22 question...

23 CHAIRPERSON ROSENTHAL: Sure.

24 COUNCIL MEMBER CROWLEY: whether they're
25 making a little money or a lot of money, whether it's

1
2 a survival job or a job that would help contribute
3 towards a very lucrative income; whatever it is,
4 couldn't there be a conflict of interest somewhere,
5 even if there is only \$10,000 or \$20,000... [crosstalk]

6 GINNY LOULOUDES: We all sign conflict of
7 interest... possib... [crosstalk]

8 COUNCIL MEMBER CROWLEY: could there be?

9 GINNY LOULOUDES: I mean I don't know
10 that there could be a conflict of interest if I'm a
11 waitress, unless my restaurant caters an event as a
12 donation to my organization, which happens a lot, but
13 **[inaudible]** according to the... [crosstalk]

14 COUNCIL MEMBER CROWLEY: But this would
15 be a donation, most of the catered events get paid
16 for... [crosstalk]

17 CHAIRPERSON ROSENTHAL: Actually, it
18 would be that you're the executive director of your
19 organization and in addition to that you're getting a
20 consulting fee from one of the artist companies...
21 [crosstalk]

22 GINNY LOULOUDES: I would not be allowed
23 to accept that..

24 CHAIRPERSON ROSENTHAL: that would be the
25 situation.

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2 GINNY LOULOUDES: and let me explain why.
3 According to the Nonprofit Revitalization Act we have
4 to have a conflict of interest policy; it would state
5 in the conflict of interest policy that I'm not
6 allowed to accept money for helping my members; if
7 I'm ever paid a fee to serve on a panel, I donate
8 that fee to ART/New York.

9 CHAIRPERSON ROSENTHAL: Okay. I'm gonna
10 call this hearing to a close and I wanna thank
11 everyone for their testimony today; we're definitely
12 going to be doing a lot of follow-up. I wanna thank
13 Council Member Crowley for [background comment]
14 bringing this bill to our committee and call this
15 meeting adjourned.

16 [gavel]

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C E R T I F I C A T E

World Wide Dictation certifies that the foregoing transcript is a true and accurate record of the proceedings. We further certify that there is no relation to any of the parties to this action by blood or marriage, and that there is interest in the outcome of this matter.



Date October 4, 2015