



*The City of New York  
Office of the Comptroller  
Bureau of Financial Audit*

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**WILLIAM C. THOMPSON, JR.**  
*Comptroller*

**Audit Report on the Compliance of the  
New York Yankees with Their Lease Agreement  
And Lease Fees They Owe the City  
January 1, 1997, to December 31, 2000**

**FN02-126A**

*May 30, 2002*

*The City of New York  
Office of the Comptroller  
Bureau of Financial Audit*

**Audit Report on the Compliance of the  
New York Yankees with Their Lease Agreement  
And Lease Fees They Owe the City  
January 1, 1997, to December 31, 2000**

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**EXECUTIVE SUMMARY**

In 1972, the New York Yankees, Inc., and the City's Department of Parks and Recreation (Parks) entered into a 30-year lease agreement for the rental and use of Yankee Stadium. In March 1973, New York Yankees, Inc., assigned its interest to the New York Yankees Partnership (Yankees). The lease agreement, which is monitored by Parks, expires on December 31, 2002, and includes two five-year renewal options. The lease allows the Yankees exclusive use of Yankee Stadium during the baseball season and permits the Yankees to sell tickets, provide food and souvenir concessions, provide parking for season ticket holders, and provide cable television broadcasts.

According to the agreement, the Yankees are required to pay the City the greater of either an annual minimum rent of \$200,000 or a percentage of revenues from gross admission, concessions, wait service, pre-paid parking, and a portion of cable television receipts. The agreement allows the Yankees to deduct payments made to Major League Baseball and all sales taxes before calculating rent payments to the City. For the audit period, January 1, 1997, to December 31, 2000, the Yankees reported gross revenues totaling \$416.7 million and paid the City \$18.8 million.

The audit's objectives were to determine whether the Yankees: accurately reported the gross receipts in accordance with the lease agreement; paid the appropriate fees due the City, and whether they paid these fees on time; maintained adequate internal controls over the recording and reporting of their gross receipts; and complied with certain other requirements of their agreement (i.e., maintained the required insurance, and reimbursed the City for its utility use).

The Yankees generally adhered to the provisions of their lease agreement with the City and had an adequate system of internal controls over their revenue collection and reporting functions. In addition, the Yankees satisfied the prior audit assessment of \$189,879. For the audit period, January 1, 1997, to December 31, 2000, the Yankees reported gross revenues totaling \$416.7 million and paid the City \$18.8 million in rental fees. The Yankees, however, underreported their revenue by \$1,394,110, and overstated the credits that they were entitled to take against revenue by \$2,502,968. Consequently, the Yankees owe the City \$367,321 in additional fees. Specifically, the Yankees:

- **Did not report “Rain-Check” revenue totaling \$1,519,149.** When a Yankee game is rained-out or canceled, patrons may exchange the tickets for another game to take place within 12 months of the original game date. However, if these tickets are not redeemed, the Yankees do not report the revenue from these sales to Parks. It should be noted that prior to 1990, and for the 1994 baseball season, the Yankees properly included rain-check revenue on their gross rent statements to Parks and paid their fees accordingly. As a result, the Yankees owe the City \$123,904.
- **Over-reported concession revenue by \$125,039.** The Yankees report concession revenues based on the books and records of their subcontractor, Volume Services. However, our review of Volume Services’s records indicated that the Yankees over-reported concession receipts by \$125,039 for the audit period. Therefore, the Yankees are due a credit of \$10,639.
- **Overstated Payments to Major League Baseball by \$2,285,727.** The Yankees are required to make payments called “Revenue-Sharing” to Major League Baseball, and their lease agreement allows the Yankees to deduct these payments from its reported revenues. On their reports to Parks for the audit period, the Yankees deducted \$73,225,809 in Revenue Sharing payments, but according to Major League Baseball reports, paid only \$70,940,082. Thus, the Yankees over-reported their payments to Parks by \$2,285,727, resulting in \$206,613 in additional fees due.
- **Overstated Insurance Credits of \$176,390.** The lease allows the Yankees to deduct 25 percent of insurance premiums paid from their rent payments to the City. However, the Yankees did not provide canceled checks or other supporting documentation to substantiate \$60,753 in insurance premiums. In addition, the Yankees deducted the total cost of all their property insurance premiums instead of the allocated portion that pertained only to Yankee Stadium, which resulted in an overstated deduction of \$115,637. Accordingly, the Yankees owe the City an additional \$44,097.
- **Deducted Unsupported Concession Credits Totaling \$40,851.** The lease allows the Yankees to deduct the revenue from “Scorecards” and “Yearbooks” from their concession revenue. For the 1998 and 1999 baseball seasons, the Yankees deducted \$40,851—\$20,736 in 1998, and \$20,115 in 1999—from gross revenues reported to Parks for concession credits without providing supporting documentation to substantiate the deducted amount claimed. As a result, the Yankees owe the City an additional \$3,346.

In addition, this audit concluded that the Yankees adhered to certain non-revenue-related requirements of its lease. The Yankees had the required liability insurance that named the City as an additional insured party, the Yankees reimbursed Parks for electricity and for water and sewer use during the baseball season, and the Yankees are complying with the requirements of the American with Disabilities Act.

This audit recommends that the Yankees: pay the City \$367,321 for fees due; include all rain-check revenue on their future gross rent revenue statements to Parks; deduct only the actual payments made to Major League Baseball for revenue-sharing; and maintain documentation to

substantiate all credits taken from reportable gross receipts. The audit also recommends that Parks ensure that the Yankees comply with the audit's recommendations.

The Yankees responded that they are in full agreement with the audit's findings and stated that they will submit a check to Parks for \$367,321. Parks responded that it agreed with the audit's recommendations and has issued a Notice To Cure to the Yankees requesting payment of \$367,321 and instructing them to implement the report's recommendations regarding the proper recording and reporting of revenue.

## **INTRODUCTION**

### **Background**

In 1972, the New York Yankees, Inc., and the City's Department of Parks and Recreation (Parks) entered into a 30-year lease agreement for the rental and use of Yankee Stadium. In March 1973, New York Yankees, Inc., assigned its interest to the New York Yankees Partnership (Yankees). The lease agreement, which is monitored by Parks, expires on December 31, 2002, and includes two five-year renewal options. The lease allows the Yankees exclusive use of Yankee Stadium during the baseball season. In that regard, the lease permits the Yankees to sell tickets; provide food and souvenir concessions, restaurant and catering services for 5 restaurants, 19 luxury suites, and 15 "Hall of Fame" suites; provide parking for season ticket holders; provide cable television broadcasts, and conduct post season baseball games, if applicable. The agreement also allows the Yankees to either operate or subcontract their concessions. The Yankees subcontract their concessions, which include the Stadium's restaurants, catering, and souvenir operations, to Volume Services, Inc. (Volume Services).

The agreement, which has been amended seven times from its inception through December 31, 2000, granted the Yankees additional privileges. In 1972, the first and second amendments allowed the Yankees to exclude the following from reported revenues: sales tax; gratuities; and revenue from advertisements on scorecards, schedules, or other printed material. Those amendments also reserved Yankee Stadium for the exclusive use of the Yankees during the baseball season. In 1975, the third amendment granted the Yankees certain parking privileges within the public parking lots adjacent to the Stadium for a nominal charge. In 1993, the fourth amendment permitted the Yankees to "purchase" their own security services and maintenance services for Yankee Stadium, allowing these costs to be taken as a credit from any rent due the City.

In 1996, the fifth amendment allowed the Yankees, when calculating payments to the City, to include only the revenue received from the number of cable television subscribers within a 50-mile radius from home-plate, and to include only the ticket price of the luxury suite rentals. In 1999, the sixth amendment allowed the Yankees to purchase 7,462 seats at \$1.1 million, and to share the purchase cost equally with City. In 2000, the seventh amendment required that the Yankees and the City comply with a court order pertaining to the Americans with Disabilities Act (ADA) with regard to making certain modifications to the Stadium for the handicapped.

According to their agreement with the City, the Yankees are required to pay the City the greater of either an annual minimum rent of \$200,000 or a percentage of revenues from gross admission, concessions, wait service, pre-paid parking, and a portion of cable television receipts. The agreement allows the Yankees to deduct payments made to Major League Baseball and all sales

taxes before calculating rent payments to the City. The rent payments and credits against rent payments under the lease agreement, are shown on Table I, which follows:

**TABLE I**

Yankee Rent Payments and Credits Under Lease Agreement

**Rent Payments:**

Gross Admission Receipts (Ticket Sales)	5% of ticket sales for an annual attendance of 750,000 or less; 7.5% from 750,001 to 1.5 million; and 10% for more than 1.5 million.
Gross Concession Receipts	5% of ticket sales for an annual attendance of 750,000 or less; 7.5% from 750,001 to 1.5 million; and 10% for more than 1.5 million.
Post-Season Concessions	7.5% of the total gross receipts from post season, all-star, and charity games.
Gross Wait Service Receipts	5% of Gross Wait Services Receipts.
Pre-paid Parking Fees	50% of season ticket holders' parking fees.
Cable Television Receipts	10% of home game receipts after allowable adjustments.

**Credits against Rent Payments:**

Property Insurance	25% of insurance premiums paid.
Maintenance Costs	100% of allowable costs for the maintenance of Yankee Stadium. <sup>1</sup>

In addition, the Yankees are required to carry comprehensive property and liability insurance that names the City as an additional insured party. Also, the Yankees are required to reimburse the City for their consumption of electricity, and for their water and sewer use. They are to submit to Parks on or before March 10 the preceding year's annual "Statement of Rent" along with the applicable rent payment due. For the audit period, January 1, 1997, to December 31, 2000, the Yankees reported gross revenues totaling \$416.7 million and paid the City \$18.8 million.

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<sup>1</sup> The Comptroller's Office audits the Yankees' maintenance credits quarterly. For the purpose of this audit, we applied those audited amounts as credits taken against the Yankees' reported gross receipts.

## **Objectives**

Our audit objectives were to determine whether the Yankees:

- accurately reported the gross receipts in accordance with the lease agreement;
- paid the appropriate fees due the City, and whether they paid these fees on time;
- maintained adequate internal controls over the recording and reporting of their gross receipts; and
- complied with certain other requirements of their agreement (i.e., maintained the required insurance, and reimbursed the City for its utility use).

## **Scope and Methodology**

This audit covered the period January 1, 1997, to December 31, 2000. To achieve our audit objectives, we reviewed and abstracted the relevant terms and conditions of the lease agreement and amendments. We reviewed records on file at Parks, including Park's Account Receivable Ledger, Rent Statements, Insurance Certificates, and correspondence between the Yankees and Parks to ascertain whether the Yankees submitted the required "Statement of Rent" and paid all fees on time.

We evaluated the internal controls over the Yankees' revenue collection and reporting functions. In that regard, on January 29, 2002, we conducted a walkthrough of Yankee operations pertaining to ticket sales, concession sales, restaurant revenue, and game-day catering operations in the Stadium's restaurants and luxury suites. We documented our understanding of the Yankees' procedures and controls through memoranda and conducted an analytical review of the Yankees' reported revenue amounts to identify large fluctuations or inconsistencies.

To determine whether the Yankees reported ticket sales and attendance accurately, we traced the reported ticket sales to the Trial Balance, general ledger detail, and their daily "Division of Home Gate Receipts" reports for the audit period. For calendar year 1999, we matched ticket sales recorded on Ticket Master, Inc. (Ticket Master) records to the Yankees' daily "Division of Home Gate Receipts" reports. We traced and reconciled Ticket Master records to Yankee "Home Game Reports" for 20 sampled games. We also determined whether the required flat fees for post-season games played at Yankee Stadium were accurately reported and paid.

We confirmed whether revenue generated from concession sales and catering services was reported accurately by reviewing records maintained by Volume Services. In addition, we verified whether the Yankees accurately reported to Parks the amounts for pre-paid parking by reviewing the Yankees' books and records, including their general ledger and cash receipt reports.

We reviewed the contract between Madison Square Garden Network (MSG) and the Yankees as it related to cable television receipts. We traced reported cable television receipts to the amounts posted on the Yankee's general ledger and on the bank statements.

We verified that deductions for payments to Major League Baseball were correct and reported accurately, and that the Yankees accurately calculated sales tax deducted from reported revenue. We also verified whether the Yankees satisfied the amount owed as reported in a prior audit conducted by the Comptroller's Office (Report FN98-081A, issued May 18, 1998).

To determine whether the Yankees had the proper insurance coverage that named the City as an additional insured party, we examined the Yankees' certificates of insurance. To verify whether the Yankees received the appropriate insurance credit deduction, we reviewed their insurance policies and payments they made to their insurance carriers.

Furthermore, to verify whether Parks was reimbursed for utility charges incurred by the Yankees, we reviewed all canceled checks for electricity and water and sewer use. Finally, we determined whether the Yankees complied with the ADA court-ordered stadium specifications by touring the stadium, interviewing key ADA personnel, and reviewing the New York Yankees' *Guide For Guests With Disabilities*.

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 Yankees and Parks officials during and at the conclusion of this audit. A preliminary draft report was sent to Yankees and Parks officials and was discussed at an exit conference on April 25, 2002. On May 2, 2002, we submitted a draft report to Yankee and Parks officials with a request for comments. We received a response from Parks on May 15, 2002, and a response from the Yankees on May 23, 2002.

The Yankees responded that they are in full agreement with the audit's findings and stated that they will submit a check to Parks for \$367,321. Parks responded that it agreed with the audit's recommendations and has issued a Notice To Cure to the Yankees requesting payment of \$367,321 and instructing them to implement the report's recommendations regarding the proper recording and reporting of revenue.

The full texts of the New York Yankees and Parks' comments are included as addenda to this final report.

**OFFICE OF THE COMPTROLLER  
NEW YORK CITY**

**Date Filed: May 30, 2002**

## FINDINGS AND RECOMMENDATIONS

The Yankees generally adhered to the provisions of their lease agreement with the City and had an adequate system of internal controls over their revenue collection and reporting functions. In addition, the Yankees satisfied the prior audit assessment of \$189,879. The Yankees reported gross revenues totaling \$416.7 million and paid the City \$18.8 million in rental fees for the audit period. The Yankees, however, underreported their revenue by \$1,394,110, and overstated the credits that they were entitled to take against revenue by \$2,502,968. Consequently, the Yankees owe the City \$367,321 in additional fees, as shown in Table II, which follows.

**TABLE II**  
Schedule of Additional Rental Fees  
January 1, 1997, to December 31, 2000

	<b>Under/(Over) Reported Revenue, Payments, and Credits</b>	<b>Total Due the City</b>
<b>Under/(Over)-Reported Revenue</b>		
Gross Admission Receipts (Rain-check Revenue)	\$1,519,149	\$123,904
Gross Concessions Receipts	(125,039)	(10,639)
Total Under-Reported Revenue	\$1,394,110	\$113,265
<b>Overstated and Unsubstantiated Credits</b>		
Overstated Revenue-Sharing Payments	\$2,285,727	\$206,613
Overstated Insurance Premium Payments	176,390	44,097
Unsubstantiated Concession Credits	40,851	3,346
Total Overstated Payments and Credits	\$2,502,968	\$254,056
<b>Total</b>	<b>\$3,897,078</b>	
<b>Additional Fees Due the City</b>		<b>\$367,321</b>

These matters are discussed in greater detail in the following sections of this report.

### **The Yankees did not Report Revenue from Unredeemed Rain-Checks Totaling \$1,519,149**

When a Yankee game is rained-out or canceled, patrons are afforded the opportunity to exchange the tickets for another game to take place within 12 months of the original game date. The Yankees do not report the ticket sales from the canceled games to Parks until the patron attends a replacement game. However, if these tickets are not redeemed, the Yankees do not report these sales to Parks.

It should be noted that prior to 1990, and for the 1994 baseball season, the Yankees properly included rain-check revenue on their gross rent statements to Parks and paid their fees accordingly. In fact, when our prior audit (# FN02-081A, covering the period January 1, 1990, to December 31, 1996) found that the Yankees under-reported rain-check revenue, the Yankees

agreed that rain-check revenue had been under-reported and paid the assessed fees due. Furthermore, unredeemed rain-check revenues are added to ticket sales when the Yankees report their operating revenues to Major League Baseball. As a result of not including these revenues, totaling \$1,519,149, on their gross rent statement to Parks, the Yankees owe the City an additional \$123,904.

### **The Yankees Over-Reported Concession Revenue by \$125,039**

The Yankees report concession revenues based on the books and records of their subcontractor, Volume Services. However, our review of Volume Services's records indicated that the Yankees over-reported concession receipts by \$125,039 for the audit period. As a result, the Yankees are due a credit of \$10,639.

### **The Yankees Overstated Payments to Major League Baseball by \$2,285,727**

The Yankees overstated the payments they made to Major League Baseball by \$2,285,727. The Yankees are required to make payments called "Revenue-Sharing" because of a 1997 agreement between Major League Baseball and the respective baseball teams. Article III, § 3.4(b)(i)(2) of the lease permits the Yankees to deduct payments made to Major League Baseball from its reported revenues. The Yankees reported to Parks that they paid Major League Baseball \$73,225,809 for the audit period. However, based on Major League Baseball reports, the Yankees paid only \$70,940,082. Thus, the Yankees over-reported their payments to Parks by \$2,285,727, resulting in \$206,613 in additional fees due.

### **The Yankees Overstated Insurance Credits by \$176,390**

The Yankees overstated insurance premium payments by \$176,390. The lease allows the Yankees to deduct from their rent payments 25 percent of insurance premiums paid. The Yankees did not provide canceled checks or other supporting documentation to substantiate \$60,753 in insurance premiums. In addition, the Yankees deducted the total cost of their property insurance premiums totaling \$510,537, which included property insurance premiums for various minor league facilities, from their reported revenues, instead of reporting the allocated portion that pertained only to Yankee Stadium. The Yankees allocate 77.35 percent of their property insurance to Yankee Stadium and 22.65 percent to their various minor league facilities. The Yankees should have reduced the amount deducted for insurance premiums by \$115,637 (22.65 percent of \$510,537)—the amount applicable to the other facilities. As a result of these overstated insurance credits of \$176,390, the Yankees owe the City an additional \$44,097.

## **Unsupported Concession Credits** **Totaling \$40,851**

For the 1998 and 1999 baseball seasons, the Yankees deducted \$40,851—\$20,736 in 1998, and \$20,115 in 1999—from the gross revenues reported to Parks for concession credits. The lease allows the Yankees to deduct the revenue from “Scorecards” and “Yearbooks” from their concession revenue. However, the Yankees did not provide supporting documentation to substantiate the deducted amount claimed. As a result, the Yankees owe the City an additional \$3,346.

## **Compliance Issues**

The Yankees adhered to certain non-revenue-related requirements of its lease, as follows:

- The Yankees had the required liability insurance that named the City as an additional insured party and included the required 30-day cancellation notice in accordance with Article XXV § 25.3 and § 25.7 of the lease agreement.
- The Yankees reimbursed Parks for electricity and for water and sewer use during the baseball season, in accordance with Article XXI § 21.1 and § 21.3.
- The Yankees are complying with the requirements of the American with Disabilities Act.

## **Recommendations**

We recommend that the Yankees:

1. Pay the City \$367,321 for fees due.
2. Include all rain-check revenue on their future gross rent revenue statements to Parks.
3. Deduct only the actual payments made to Major League Baseball for revenue-sharing.
4. Maintain documentation to substantiate all credits taken from reportable gross receipts.

**Yankees Response:** The Yankees responded that they are in full agreement with the audit’s findings and stated that a check for \$367,321 will be submitted to Parks. The Yankees did not specifically address Recommendations 2, 3, and 4 in their response.

We recommend that Parks:

5. Ensure that the Yankees comply with the audit’s recommendations.

**Parks Response:** Parks officials responded that the department: “agrees with all recommendations contained in the audit report and has issued the attached Notice To Cure requesting that the Yankees pay \$367,321 (recommendation 1), and implement 2, 3 and 4 dealing with proper recording and reporting of revenue.”

# New York Yankees

ROBERT BROWN  
CONTROLLER



EXECUTIVE OFFICE  
YANKEE STADIUM  
BRONX, NEW YORK 10461  
TEL: (718) 578-4526  
FAX: (718) 681-5942

May 23, 2002

Mr. Roger D. Liwer  
The City Of New York  
Office of The Comptroller  
Bureau of Audits  
1 Centre Street, Room 1100  
New York, NY 10007-2341

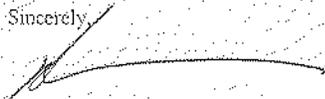
Re: FN02-126A  
January 1, 1997 - December 31, 2000

Dear Mr. Liwer:

The Yankees are in full agreement with your audit results. All disagreements have been resolved after our April 25<sup>th</sup> exit conference.

We will submit a check in the amount of \$367,321.00 to The Department of Parks and Recreation as full payment for the audit referenced.

Sincerely,

  
Robert B. Brown

CC: Michael Leonetti  
Helen Haber



City of New York  
Parks & Recreation

ADDENDUM II

(Page 1 of 4)

The Arsenal  
Central Park  
New York, New York 10021

Adrian Benepe  
Commissioner

Joanne G. Imohiosen  
Assistant Commissioner  
Revenue

(212) 360-3404  
joanne.imohiosen@parks.nyc.gov

May 15, 2002

BY FAX AND MAIL

Roger D. Liwer  
Assistant Comptroller for Audits  
The City of New York  
Office of The Comptroller  
1 Centre Street - Room 1100  
New York, NY 10007-2341

Re: **Draft Audit Report on Lease Fees Due from the New York Yankees Partnership and  
Compliance with Their Lease Agreement January 1, 1997 to December 31, 2000  
Audit No. FN 02-126A**

Dear Mr. Liwer:

This letter represents the Parks Department's (DPR), response to the recommendations contained in the subject audit of the New York Yankees Partnership (Yankees).

DPR agrees with all recommendations contained in the audit report and has issued the attached Notice To Cure requesting that the Yankees pay \$367,321 (recommendation 1), and implement recommendations 2,3 and 4 dealing with proper recording and reporting of revenue.

**Recommendation 5** states that DPR should "Ensure that the Yankees comply with the audit's recommendations." DPR has acted on this suggestion by issuing the above mentioned Notice To Cure.

We thank the Comptroller's audit staff for their work and efforts in doing this review.

Sincerely,

Joanne Imohiosen

cc: David Stark  
Francisco Carlos  
Susan Kupferman, Mayor's Office of Operations



City of New York  
Parks & Recreation

**ADDENDUM II**

(Page 2 of 4)

The Arsenal  
Central Park  
New York, New York 10021

Adrian Benepe  
Commissioner

Joanne C. Imohiosen  
Assistant Commissioner  
Revenue

(212) 360-3404  
joanne.imohiosen@parks.nyc.gov

May 15, 2002

**BY FAX AND MAIL**

Lonn A. Trost  
Vice President/General Counsel  
New York Yankees  
Executive Office  
Yankee Stadium  
Bronx, NY 10451

**NOTICE TO CURE**

Re: Draft Audit Report on Lease Fees Due from the New York Yankees Partnership and  
Compliance with Their Lease Agreement January 1, 1997 to December 31, 2000  
Audit No. FN 02-126A

Dear Mr. Trost:

This letter addresses the findings and recommendations contained in the subject audit of the New York Yankees Partnership (Yankees). The report states that for the period examined the Yankees generally adhered to the provisions of their lease agreement with the City and had an adequate system of internal controls over their revenue collection and reporting functions. Also, the audit recognized that the Yankees had satisfied the prior audit assessment of \$189,879. The report disclosed, however, that the Yankees owe the City \$367,321 based on underreported revenue of \$1,394,110 and overstated rent credit deductions totaling \$2,502,968.

As summarized below, Parks agrees with the recommendations contained in the audit report.

The Yankees should:

Recommendation 1. Pay the City \$367,321 for fees due.

**ADDENDUM II**

(Page 3 of 4)

Lon Trost  
May 15, 2002  
Page 2

The components comprising this amount are summarized as follows:

	<b><u>AMOUNT DUE CITY</u></b>
• Additional fees owed on underreported "Rain-Check" revenue totaling \$1,519,149.	\$123,904
• Credit due Yankees for over-reported concession revenue of \$125,039.	(10,639)
• Additional fees owed on overstated Revenue-Sharing payments credited against rent totaling \$2,285,727.	206,613
• Overstated Insurance Premium rent credits of \$176,390.	44,097
• Unsubstantiated Concession credits in the amount of \$40,851.	<u>3,346</u>
<b>TOTAL ADDITIONAL FEES DUE CITY</b>	<b><u>\$367,321</u></b>

To resolve the outstanding balance owed, Parks requests that the Yankees remit a check to this office, in the amount of **\$367,321**, made payable to the **CITY OF NEW YORK PARKS AND RECREATION**.

**Recommendation 2.** Include all rain-check revenue on their future gross rent revenue statements to Parks.

**Recommendation 3.** Deduct only the actual payments made to Major League Baseball for revenue-sharing.

**Recommendation 4.** Maintain documentation to substantiate all credits taken from reportable gross receipts.

The Yankees should comply with recommendations 2,3 and 4 by implementing record keeping and internal control procedures to ensure that:

- all rain-check revenue is properly reported to Parks;
- deductions for revenue-sharing and all other credits from gross receipts are accurately recorded and reported to Parks;
- documentation is maintained to verify all rent credit deductions taken.

ADDENDUM II

(Page 4 of 4)

Lon Frost  
May 15, 2002  
Page 3

We want to take the opportunity to thank the Yankees' staff for their cooperation during the audit review. We anticipate the Yankees prompt payment to settle the balance owed under recommendation 1, and their implementation of the necessary measures to ensure compliance with audit recommendations 2,3 and 4.

Sincerely,



Joanne Imohtosen

cc: A. Benepe  
D. Stark  
F. Carlos  
R. Brown (NY)