

AUDIT REPORT



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

Audit Report on the New York Yankees Rental Credits For the Fourth Quarter of 2002 (October 1–December 31, 2002)

FN04-096A

January 23, 2004



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

WILLIAM C. THOMPSON, JR.
COMPTROLLER

To the Citizens of the City of New York

Ladies and Gentlemen:

Pursuant to the terms of the lease between the City of New York and the New York Yankees, we have examined the rental credits claimed by the Yankees for the maintenance of City-owned Yankee Stadium for the fourth quarter of 2002 (October 1–December 31, 2002). The Yankees are responsible for the care and upkeep of Yankee Stadium, and the costs incurred by the Yankees for maintaining the stadium are offset against any rental income due the City from the Yankees. Thus, every approved dollar spent and accounted for as a rental credit for the maintenance of the stadium results in a dollar-for-dollar decrease in the rent due the City.

The results of our audit, which are presented in this report, have been discussed with officials from the New York Yankees and the Department of Parks and Recreation, and their comments have been considered in preparing this report.

These audits provide a means of ensuring that the Yankees take credit against rent only for eligible expenses.

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

Very truly yours,

William C. Thompson, Jr.

William C. Thompson, Jr.

Report: FN04-096A
Filed: January 23, 2004

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

**Audit on the
New York Yankees Rental Credits
For the Fourth Quarter of 2002
(October 1–December 31, 2002)**

FN04-096A

AUDIT REPORT IN BRIEF

The Comptroller's Office is required to audit all rental credits claimed by the New York Yankees for the maintenance of City-owned Yankee Stadium. Under the terms of the lease, the Yankees are responsible for the care and upkeep of Yankee Stadium, and the costs incurred by the Yankees for maintaining the stadium are offset against any rental income due the City from the Yankees. Thus, every approved dollar spent and accounted for as a rental credit for the maintenance of the stadium results in a dollar-for-dollar decrease in the rent due the City.

Audit Findings and Conclusions

The audit found that Yankees rental credits submitted for the fourth quarter of 2002 were overstated by \$482,998.52, as follows:

- \$44,341.12 in excess payroll charges and salary expenses that should have been paid by the Yankees.
- \$11,139.80 in payments to PEM Electric, consisting of labor and material costs that, based on the terms of the agreement, should not have been charged to the City.
- \$5,781.26 in sales tax on fuel. According to an October 29, 1993, settlement agreement that designated the Yankees as agents of the City, sales taxes are not acceptable for deduction as maintenance credits.
- \$3,552.25 in purchases of supplies that are not chargeable to the City.
- \$2,760.38 in Yankee Stadium repairs that are not chargeable to the City.
- \$415,423.71 in "Other Expenses" that are not chargeable to the City.

Audit Recommendations

We recommend that the Yankees: deduct \$482,998.52 from the total rental credits taken for maintenance pertaining to the fourth quarter of 2002; ensure that all maintenance credits claimed are properly supported by sufficient documentation; and obtain appropriate approvals before submitting rental credits to the Comptroller's Office. In addition, we recommend that the Department of Parks and Recreation (Parks) ensure that the Yankees comply with the report's recommendations. The Yankees accepted \$477,217.26 of the \$482,998.52 as a Yankee cost. The remaining \$5,781.26 pertained to sales tax credits for fuel that are not chargeable to the City. Parks should ensure that the Yankees deduct \$482,998.52 from their rental credits.

INTRODUCTION

Background

In accordance with the 1972 lease agreement between the New York Yankees (the Yankees) and the City of New York (the City), the Comptroller's Office is required to conduct quarterly audits of the supporting documentation for all maintenance credits claimed by the Yankees for Yankee Stadium. Under the terms of the lease, the Yankees are responsible for the care and upkeep of City-owned Yankee Stadium, and the costs incurred by the Yankees for maintaining the stadium are offset against any rental income due the City from the Yankees. Thus, every approved dollar spent and accounted for as a rental credit for the maintenance of the stadium results in a dollar-for-dollar decrease in the rent due the City.

The general rule is that the City pays to maintain all areas of the stadium except Yankee offices, concession space, the receiving room, the Commissary, and the restaurant space (Yankee Club, Yankee Dining Room, Pinstripe Pub, and Stadium Club). The City also pays for materials used to maintain the stadium; however, it does not pay for uniforms or tools. Since the rental credits are subject to the approval of the Comptroller's Office, the Yankees are required by the lease to submit to the Comptroller all documentation necessary for the audit of credits. After the audit, the Comptroller's Office presents its findings to the Yankees in a preliminary draft report and at an exit conference before issuing a draft report. Within two weeks of the issuance of the draft report, the Yankees may submit to the Comptroller's Office additional documentation that was previously omitted to support rental credits claimed. Once this documentation is received and reviewed, the Comptroller's Office issues a final report.

Objectives

Our audit objectives were to determine whether the Yankees:

- adequately documented and supported the submitted labor and materials charges;
- submitted invoices eligible for reimbursement in the form of rental credits that were in accordance with the lease agreement; and

- accurately calculated all credits and did not deduct non-City charges from the rent due for the fourth-quarter period, October 1–December 31, 2002.

Scope and Methodology

The audit scope covered the period October 1, 2002–December 31, 2002. We examined 100 percent of the \$1,422,495 in labor and materials charges and related documentation submitted by the Yankees.

To determine whether the billings for labor and materials were appropriate, reasonable, and allowable under the lease, we reviewed all source documents for adequate documentation for each month of the quarter pertaining to the billings of River Payroll (Cleaning Services), PEM Electric, Miranda Fuel, Brown & Silver, Stadium Repairs, and Other Expenses. The documents included invoices, time sheets, payroll reports, and activity reports to support the costs of labor and materials charged to the City. We also determined whether retroactive salary adjustments were accurate by tracing these adjustments to the respective supporting documentation or relevant settlement agreements. An October 29, 1993 settlement agreement designated the Yankees as agents of the City; therefore, we reviewed whether charges for materials correctly excluded sales tax. Finally, we determined whether the Yankees provided pre-authorization and acceptance reports from Parks for the work or services performed to receive maintenance credit toward rent.

We documented all unwarranted and unreasonable charges for rental credits on a spreadsheet with our comments and included them as Appendices I through V. We calculated all dollar amounts on the supporting schedules for accuracy, and reconciled these amounts with the total amounts on the lead schedule for all vendors in Appendix I, Schedules A-1 through A-6.

These audits are lease-mandated and thereby require that the Yankees submit all source documents to the Comptroller's Office to receive credits toward rental income due the City. Therefore, without the submission of all necessary supporting documentation, maintenance costs submitted as credits against rental income are disallowed.

We did not conduct an entrance conference or evaluate Yankee internal controls over the process and procedures for payment of the invoices submitted to support maintenance credits. However, we examined all documents to ascertain whether they contained valid certification from Parks designees at Yankee Stadium as proof that labor costs were incurred and that material was purchased and received.

This audit was conducted in accordance with generally accepted government auditing standards (GAGAS) and included all tests considered necessary under the circumstances. The 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 Yankee and Parks officials during and at the conclusion of this audit. A preliminary draft report was sent to Yankee and Parks officials on October 1, 2003. On October 27, 2003, Yankee officials waived their right to an exit conference. On November 7, 2003, we submitted a draft report to Yankee and Parks officials with a request for comments. We received a response from the Yankees on December 29, 2003.

In the draft of this report, we disallowed rental credits totaling \$800,802.27. However, after our review of documentation provided by the Yankees subsequent to the issuance of the draft report, we allowed additional rental credits totaling \$317,803.75; \$301,390 for sales tax paid by the Yankees for calendar years 1990–1992—prior to the Yankees being designated as agents of the City, and \$16,413.75 that pertained to additional documentation provided by the Yankees relating to other expense areas. This resulted in our final disallowance of \$482,998.52, of which the Yankees accepted \$477,217.26 as a Yankee cost. The remaining disallowance of \$5,781.26 pertained to sales taxes incurred after the Yankees had been designated as agents of the City. Thus, these costs are not chargeable to the City. Parks, therefore, should ensure that the Yankees deduct \$482,998.52 from their rental credits.

This final report reflects our changes based on additional documentation submitted by the Yankees and by Parks. The Yankees response is included as an addendum to this final report.

FINDINGS

Overstatement of Rental Credits

Rental credits audited under the schedules submitted for the fourth quarter of 2002 were overstated by \$482,998.52, as summarized on Table I below:

Table I
Disallowance Schedule*

Schedule	Billed	Allowed	Disallowed
A-1 (River Payroll)	\$ 356,088.79	\$311,747.67	\$ 44,341.12
A-2 (PEM Electric)	177,014.33	165,874.53	11,139.80
A-3 (Miranda Fuel)	46,876.46	41,095.20	5,781.26
A-4 (Brown & Silver)	10,389.60	6,837.35	3,552.25
A-5 (Stadium Repairs)	89,301.53	86,541.15	2,760.38
A-6 (Other Expenses)	742,824.57	327,400.86	415,423.71
Total	\$1,422,495.28	\$939,496.76	\$482,998.52

* All calculations are rounded to two decimal points.

Summaries of the maintenance credit billings as submitted by the Yankees and of our disallowances for each vendor are presented in Appendix I, Schedules A-1 through A-6.

The River Payroll disallowance totaling \$44,341.12 consists of the following:

- \$11,685.48—for contributions to various funds and payroll taxes related to River Payroll disallowances.¹ The Yankees accepted the \$11,685.48 disallowance as a Yankee cost.
- \$15,354.91—for undocumented paid leave, bereavement leave, and retro-adjustment pay for five employees. The Yankees did not provide documentation to support these charges. The Yankees accepted the \$15,354.91 disallowance as a Yankee cost.
- \$6,144.93—for the cost of “lunch-not-taken.” Section 162 of New York State Labor Law states that “every person in any establishment or occupation covered by the Labor Law must be afforded a meal period of at least thirty minutes.” In addition, Article VI of the Agreement between Local 32B—32J S.E.I.U., AFL-CIO, and River Payroll, states, in part: “Hours of work each day shall be exclusive of a daily lunch period of not more than one (1) hour.” Moreover, a Parks letter dated June 9, 1997, informed the Yankees that effective January 1, 1996, Parks would not accept “lunch-not-taken” labor cost credits that were not approved in advance. The Yankees,

¹ Includes Welfare, Pension, and Annuity Funds.

however, provided no documentation that such approvals were obtained. The Yankees accepted the \$6,144.93 disallowance as a Yankee cost.

- \$202.92—for undocumented labor charges paid to four employees. The Yankees did not provide the necessary time sheets or time records to support the validity of these charges. The Yankees accepted the \$202.92 disallowance as a Yankee cost.
- \$3,553.22—for sales tax charged to the City on Summit Security Services invoices. As previously stated in the Scope and Methodology section of this report, based on the October 29, 1993, settlement agreement that designated the Yankees as agents of the City, sales taxes are not acceptable for deduction as maintenance credits. The Yankees accepted the \$3,553.22 disallowance as a Yankee cost.
- \$2,617.51—for hours worked on Yankee assignments listed on the time records as “In-house Maintenance,” “Parking Lot Assignment,” and “General Cleaning.” Under the terms of the lease, such expenses are not chargeable to the City. The Yankees accepted the \$2,617.51 disallowance as a Yankee cost.
- \$1,865.96—for incorrect rates paid to employees who were paid double-time rates instead of time-and-a-half rates. Based on their work-week schedule, these employees were paid at a higher rate than is allowable under the Local 30 agreement. The Yankees accepted the \$1,865.96 disallowance as a Yankee cost.
- \$38.80—for incorrect hourly rate paid to a “utilityman.” Based on Yankees payroll codes, the employee was paid at a higher rate than those allowed under the Local 32B—32J S.E.I.U., AFL-CIO, and CLC agreement. The Yankees accepted the \$38.80 disallowance as a Yankee cost.
- \$1,094.50—for excess security costs from July 7, 2002, through July 13, 2002. Based on the hourly rates stated in the agreements between the Yankees and Summit Security Services, and on the staffing levels approved by Parks, the Yankees should have billed the City for security costs totaling \$4,217.50, instead of the \$5,312 actually billed. The Yankees accepted the \$1,094.50 disallowance as a Yankee cost.
- \$1,084.53—for four employees who either did not sign in or sign out on their time sheets, or who did not initial their time sheets at the end of their work shifts. The Yankees accepted the \$1,084.53 disallowance as a Yankee cost.
- \$485.36—for incorrect holiday rates paid to two employees who did not meet the required Local 30 Agreement criteria to receive holiday pay. The Yankees accepted the \$485.36 disallowance as a Yankee cost.
- \$45.51—for labor hours not worked that under the terms of the lease should not have been offset against rental income. The Yankees accepted the \$45.51 disallowance as a Yankee cost.

- \$167.49—for an illegible time sheet of one employee. Based on the documentation provided by the Yankees, we were unable to confirm the labor charges submitted for credit. The Yankees accepted the \$167.49 disallowance as a Yankee cost.

Appendix II gives further details of the above disallowances.

The PEM Electric disallowance totaling \$11,139.80 consists of \$11,081.34 in labor costs and \$58.46 in materials charges.

The disallowed labor costs totaling \$11,081.34 include:

- \$6,003.76—for hours worked on assignments in Yankees areas and maintenance during game time. These amounts were improperly charged to the City. The Yankees accepted the \$6,003.76 disallowance as a Yankee cost.
- \$3,056.89—for an irreconcilable difference between the labor charges reported on the Yankees billings and the amount computed from the labor hours recorded on PEM Electric’s Maintenance Report. The Yankees accepted the \$3,056.89 disallowance as a Yankee cost.
- \$1,827.42—for labor hours not worked that, under the terms of the lease, cannot be offset against rental income due the City. The Yankees accepted the \$1,827.42 disallowance as a Yankee cost.
- \$193.27—for the cost of “lunch-not-taken.” Section 162 of New York State Labor Law states that “every person in any establishment or occupation covered by the Labor Law must be afforded a meal period of at least thirty minutes.” Moreover, a Parks letter dated June 9, 1997, informed the Yankees that effective January 1, 1996, Parks would not accept “lunch-not-taken” labor cost credits that were not approved in advance. The Yankees accepted the \$193.27 disallowance as a Yankee cost.

Appendix III gives the details of the above disallowances for PEM Electric labor hours.

The disallowed materials costs totaling \$58.46 include:

- \$38.24—for 100 dust masks, which are not City costs and should not have been charged to the City. The Yankees accepted the \$38.24 disallowance as a Yankee cost.
- \$17.70—for a light fixture that based on the documentation provided by the Yankees cannot be confirmed as a City cost from the description on the invoice. The Yankees accepted the \$17.70 disallowance as a Yankee cost.
- \$2.52—for a 4.5 percent overhead charge pertaining to disallowed materials.² The Yankees accepted the \$2.52 disallowance as a Yankee cost.

² The PEM Electrical and Maintenance Agreement with the Yankees, § 2(e), entitles PEM Electric to include a 4.5 percent overhead charge (contract adder) for materials purchased for the maintenance of the stadium.

Appendix IV gives further details of the above disallowances for materials charges.

The Miranda Fuel disallowance totaling \$5,781.26 is for sales tax charged to the City. As previously stated, based on an October 29, 1993 settlement agreement that designated the Yankees as agents of the City, sales taxes are not acceptable for deduction as maintenance credits.

The Brown & Silver disallowances totaling \$3,552.25 include charges for such expenses as iron grates, “Speakman” shower heads, a fiberglass shower stall, a shower body bulb auger, a blade cutter, Orange Cleaner, and other items that, under the terms of the lease, are not chargeable to the City. The Yankees accepted the \$3,552.25 disallowance as a Yankee cost.

The “Stadium Repairs” disallowances totaling \$2,760.38 include:

- \$1,720—for such expenses as fly control and bird control for which the Yankees exceeded the contract amount approved by Parks. The Yankees accepted the \$1,720 disallowance as a Yankee cost.
- \$590—for expenses related to services in Yankees area. These expenses are not City costs and should not be applied as maintenance credits against rental income. The Yankees accepted the \$590 disallowance as a Yankee cost.
- \$450.38—for purchase of a “Honeywell” controller. Based on the documentation provided by the Yankees, we were unable to confirm that it was a City charge. The Yankees accepted the \$450.38 disallowance as a Yankee cost.

Finally, “Other Expenses” disallowances totaling \$415,423.71 include:

\$414,020.52—for a sales tax payment for the period March 1, 1990, through August 31, 1992, on purchases made for Yankee assignments, made to the New York State Department of Taxation and Finance. The Yankees accepted the \$414,020.52 disallowance as a Yankee cost.

It should be noted that in the draft of this report we disallowed rental credits totaling \$715,410.52 for undocumented sales tax and accrued interest. However, based on additional documentation provided by the Yankees, we allowed additional rental credits totaling \$301,390, since it represented sales taxes paid for calendar years 1990–1992—prior to the Yankees being designated as agents of the City.

- \$766.35—for purchases such as ceiling tiles and other items that based on the documentation provided by the Yankees, we were not able to determine whether these expenses were City charges. The Yankees accepted the \$766.35 disallowance as a Yankee cost.
- \$362—for door repairs that, under the terms of the lease, are not chargeable to the City. The Yankees accepted the \$362 disallowance as a Yankee cost.

- \$274.84—for the purchase of paint brushes, which are not City costs and should not have been offset against rental income. The Yankees accepted the \$274.84 disallowance as a Yankee cost.

Appendix V includes the details for the above-stated disallowances pertaining to Miranda Fuel, Brown & Silver, Stadium Repairs, and Other Expenses.

RECOMMENDATIONS

We recommend that the Yankees:

1. Deduct \$482,998.52 from the total rental credits for maintenance pertaining to the fourth quarter of 2002.
2. Ensure that all maintenance credits claimed are properly supported by sufficient documentation and that appropriate approvals from Parks are obtained prior to submitting rental credits to the Comptroller's Office.

We recommend that Parks:

3. Ensure that the Yankees comply with the report's recommendations.

NEW YORK YANKEES RENTAL CREDITS
SUMMARY SCHEDULE FOR VENDORS A-1 THROUGH A-6
AUDIT PERIOD: 10/1/02 - 12/31/02
AUDIT NO. FN04-096A

NYY SCHEDULE	AMOUNT BILLED	PREVIOUS ALLOWANCE Note(1)	PREVIOUS DIS- ALLOWANCE Note(1)	ADJUSTMENTS			FINAL ALLOWANCE Note(4)	FINAL DIS- ALLOWANCE Note(4)
				AMOUNT ACCEPTED BY NYY Note(2)	AMT. RE- SUBMITTED BY NYY	ADD'L AMT. ACCEPTED BY CITY Note(3)		
<u>-1 RIVER PAYROLL</u>								
TOTAL	\$356,088.79	\$295,392.38	\$60,696.41	\$ 44,341.12	\$16,355.29	\$16,355.29	\$311,747.67	\$44,341.12
<u>-2 PEM ELECTRIC</u>								
TOTAL	\$177,014.33	\$165,816.07	\$11,198.26	\$11,139.80	\$58.46	\$58.46	\$165,874.53	\$11,139.80
<u>-3 MIRANDA FUEL</u>								
TOTAL	\$46,876.46	\$41,095.20	\$5,781.26	\$0.00	\$5,781.26	\$0.00	\$41,095.20	\$5,781.26
<u>-4 BROWN & SILVER</u>								
TOTAL	\$10,389.60	\$6,837.35	\$3,552.25	\$3,552.25	\$0.00	\$0.00	\$6,837.35	\$3,552.25
<u>-5 STADIUM REPAIRS</u>								
TOTAL	\$89,301.53	\$86,541.15	\$2,760.38	\$2,760.38	\$0.00	\$0.00	\$86,541.15	\$2,760.38
<u>-6 OTHER EXPENSES</u>								
TOTAL	\$742,824.57	\$26,010.86	\$716,813.71	\$415,423.71	\$301,390.00	\$301,390.00	\$327,400.86	\$415,423.71
GRAND TOTAL	\$1,422,495.28	\$621,693.01	\$800,802.27	\$477,217.26	\$323,585.01	\$317,803.75	\$939,496.76	\$482,998.52

Notes:

- 1) Per Draft Report dated November 7, 2003.
- 2) Per NYY's response to Draft Report.
- 3) Per discussion with NYY officials and additional documentation obtained subsequent to the issuance of Draft Report.
- 4) At Final Stage.

NEW YORK YANKEES RENTAL CREDITS
SCHEDULE OF DISALLOWANCES FOR RIVER PAYROLL
FOR THE 4TH QUARTER OF 2002
AUDIT PERIOD: 10/1/02 - 12/31/02
AUDIT NO.: FN04 - 096A

RIVER PAYROLL LABOR HOURS

Description of Disallowance	Amount Disallowed (Per Draft Report)	Amount Accepted By NYY	Amount Resubmitted By NYY	Add'l Amt. Accepted By City	Final Dis- allowance	Amount Out- standing
1. Welfare Contributions & P/R Taxes	\$21,603.50	\$11,685.48	\$9,918.02	\$9,918.02	\$11,685.48	\$0.00
2. Lack of Sufficient Documentation	\$15,354.91	\$15,354.91	\$0.00	\$0.00	\$15,354.91	\$0.00
3. Lunch-Not-Taken	\$6,144.93	\$6,144.93	\$0.00	\$0.00	\$6,144.93	\$0.00
4. Missing Timesheet	\$3,995.68	\$202.92	\$3,792.76	\$3,792.76	\$202.92	\$0.00
5. Sales Tax	\$3,553.22	\$3,553.22	\$0.00	\$0.00	\$3,553.22	\$0.00
6. NYY Charges	\$2,617.51	\$2,617.51	\$0.00	\$0.00	\$2,617.51	\$0.00
7. Double Time s/b 1.5X	\$1,865.96	\$1,865.96	\$0.00	\$0.00	\$1,865.96	\$0.00
8. Incorrect Hourly Rates	\$1,451.79	\$38.80	\$1,412.99	\$1,412.99	\$38.80	\$0.00
9. Excess Security Costs	\$1,094.50	\$1,094.50	\$0.00	\$0.00	\$1,094.50	\$0.00
10. Unreasonable Third Shift	\$1,092.75	\$0.00	\$1,092.75	\$1,092.75	\$0.00	\$0.00
11. Incomplete Timesheet	\$1,084.53	\$1,084.53	\$0.00	\$0.00	\$1,084.53	\$0.00
12. Incorrect Holiday Rate	\$485.36	\$485.36	\$0.00	\$0.00	\$485.36	\$0.00
13. Hours Not Worked	\$184.28	\$45.51	\$138.77	\$138.77	\$45.51	\$0.00
14. Questionable Charges	\$167.49	\$167.49	\$0.00	\$0.00	\$167.49	\$0.00
Total	\$ 60,696.40	\$ 44,341.12	\$16,355.29	\$16,355.29	\$ 44,341.12	\$ 0.00

NEW YORK YANKEES RENTAL CREDITS
SCHEDULE OF DISALLOWANCES FOR PEM ELECTRIC
FOR THE 4TH QUARTER OF 2002
AUDIT PERIOD: 10/1/02 - 12/31/02
AUDIT NO.: FN04 - 096A

PEM ELECTRIC-LABOR HOURS

Description of Disallowance	Amount Disallowed (Per Draft Report)	Amount Accepted By NYY	Amount Resubmitted By NYY	Add'l Amt. Accepted By City	Final Disallowance	Amount Out- standing
1. NYY Assignments	\$6,003.76	\$6,003.76	\$0.00	\$0.00	\$6,003.76	\$0.00
2. Irreconcilable Differences	\$3,056.89	\$3,056.89	\$0.00	\$0.00	\$3,056.89	\$0.00
3. Hours Not Worked	\$1,827.42	\$1,827.42	\$0.00	\$0.00	\$1,827.42	\$0.00
4. Lunch Not Taken	\$193.27	\$193.27	\$0.00	\$0.00	\$193.27	\$0.00
TOTAL	\$11,081.34	\$11,081.34	\$0.00	\$0.00	\$11,081.34	\$0.00

NEW YORK YANKEES RENTAL CREDITS
SCHEDULE OF PEM ELECTRIC INELIGIBLE MATERIALS CHARGES
FOR THE 4TH QUARTER OF 2002
AUDIT PERIOD: 10/1/02 - 12/31/02
AUDIT NO.: FN04 - 096A

PEM ELECTRIC-MATERIALS

Description of Disallowance	Amount Disallowed (Per Draft Report)	Amount Accepted By NYY	Amount Resubmitted By NYY	Add'l Amt. Accepted By City	Final Disallowance	Amount Out-standing
1. Dust Masks	\$76.48	\$38.24	\$38.24	\$38.24	\$38.24	\$0.00
2. Fixtures	\$35.41	\$17.70	\$17.71	\$17.71	\$17.71	\$0.00
3. Contract Adder (4.5%)	\$5.03	\$2.52	\$2.51	\$2.51	\$2.51	\$0.00
TOTAL:	\$116.92	\$58.46	\$58.46	\$58.46	\$58.46	\$0.00

SUMMARY OF DISALLOWANCES - LABLOR & MATERIALS

PEM - LABOR (APPENDIX III)	\$11,081.34	\$11,081.34	\$0.00	\$0.00	\$11,081.34	\$0.00
PEM - MATERIALS (APPENDIX IV)	\$116.92	\$58.46	\$58.46	\$58.46	\$58.46	\$0.00
TOTAL:	\$11,198.26	\$11,139.80	\$58.46	\$58.46	\$11,139.80	\$0.00

NEW YORK YANKEES RENTAL CREDITS
SUMMARY SCHEDULE OF DISALLOWANCES FOR
SCHEDULES A-3 THROUGH A-6
AUDIT PERIOD: 10/1/02 - 12/31/02
AUDIT NO.: FN04 - 096A

Description of Disallowance	Amount Disallowed (Per Draft Report)	Amount Accepted By NY Y	Amount Resubmitted By NY Y	Add'l Amt. Accepted By City	Final Dis-Allowance	Amount Out-standing
A-3 MIRANDA FUEL						
1. Sales Tax	\$5,781.26	\$0.00	\$5,781.26	\$0.00	\$5,781.26	\$5,781.26
Quarterly Total	\$5,781.26	\$0.00	\$5,781.26	\$0.00	\$5,781.26	\$5,781.26
A-4 BROWN & SILVER						
1. Not a City Cost (Orange Cleaner, Dies, Shower Heads, & etc.)	\$3,552.25	\$3,552.25	\$0.00	\$0.00	\$3,552.25	\$0.00
Quarterly Total	\$3,552.25	\$3,552.25	\$0.00	\$0.00	\$3,552.25	\$0.00
A-5 STADIUM REPAIRS						
1. Not a City Cost (Fly Control)	\$1,720.00	\$1,720.00	\$0.00	\$0.00	\$1,720.00	\$0.00
2. Services to NY Y Area	\$590.00	\$590.00	\$0.00	\$0.00	\$590.00	\$0.00
3. Questionable Charge	\$450.38	\$450.38	\$0.00	\$0.00	\$450.38	\$0.00
Quarterly Total	\$2,760.38	\$2,760.38	\$0.00	\$0.00	\$2,760.38	\$0.00
A-6 OTHER EXPENSES						
1. Questionable Charges (Taxes)	\$715,410.52	\$414,020.52	\$301,390.00	\$301,390.00	\$414,020.52	\$0.00
2. Ceiling Tiles & Other Items	\$766.35	\$766.35	\$0.00	\$0.00	\$766.35	\$0.00
3. Door Repairs	\$362.00	\$362.00	\$0.00	\$0.00	\$362.00	\$0.00
4. Not a City Cost (Paint Brushes)	\$274.84	\$274.84	\$0.00	\$0.00	\$274.84	\$0.00
Quarterly Total	\$716,813.71	\$415,423.71	\$301,390.00	\$301,390.00	\$415,423.71	\$0.00

New York Yankees

ROBERT BROWN
CONTROLLER



EXECUTIVE OFFICE
YANKEE STADIUM
BRONX, NEW YORK 10451
TEL: (718) 579-4526
FAX: (718) 681-5942

December 29, 2003

Mr. Gary Rose
Director of Financial Audit
1 Centre Street
Room 1300 North
New York, NY 10007

RE: Audit Report on the New York Yankees Rental Credits- 4th quarter 2002

Dear Mr. Rose:

In response to the draft report, the New York Yankees are accepting \$477,217.26 and rejecting \$323,585.01.

Should you have any questions, please feel free to contact me at 718-579-4526.

Sincerely,

A handwritten signature in black ink, appearing to be "Robert Brown", with a long horizontal line extending to the right.

Robert Brown

RB\rb

Cc: Frank Seggio
Yasmin Tejani

New York Yankees Rental Credits
Summary of disallowances for Schedules A-1 to A-6
For the 4th Quarter of 2002
Audit No. FN04-096A

	<u>Amount Accepted</u>	<u>Amount Rejected</u>	<u>Total Amount</u>
A-1 River Payroll	\$44,341.12	\$16,355.29	\$60,696.41
A-2 PEM Electric	\$11,139.80	\$58.46	\$11,198.26
A-3 Miranda Fuel	\$0.00	\$5,781.26	\$5,781.26
A-4 Brown & Silver	\$3,552.25	\$0.00	\$3,552.25
A-5 Stadium Repairs	\$2,760.38	\$0.00	\$2,760.38
A-6 Other Expenses	<u>\$415,423.71</u>	<u>\$301,390.00</u>	<u>\$716,813.71</u>
TOTAL	\$477,217.26	\$323,585.01	\$800,802.27

A-1 RIVER PAYROLL

<u>Description of Disallowance</u>	<u>Amount Accepted</u>	<u>Amount Rejected</u>	<u>Total Amount</u>
1. Welfare Contributions & P/R Taxes	\$11,685.48	\$9,918.02	\$21,603.50
2. Lack of Sufficient Documentation	\$15,354.91	\$0.00	\$15,354.91
3. Lunch-Not-Taken	\$6,144.93	\$0.00	\$6,144.93
4. Missing Timesheet	\$202.92	\$3,792.76	\$3,995.68
5. Sales Tax	\$3,553.22	\$0.00	\$3,553.22
6. NYY Charges	\$2,617.51	\$0.00	\$2,617.51
7. Double Time s/b 1.5X	\$1,865.96	\$0.00	\$1,865.96
8. Incorrect Hourly Rates	\$38.80	\$1,412.99	\$1,451.79
9. Excess Security Costs	\$1,094.50	\$0.00	\$1,094.50
10. Unreasonable Third Shift	\$0.00	\$1,092.75	\$1,092.75
11. Incomplete Timesheet	\$1,084.53	\$0.00	\$1,084.53
12. Incorrect Holiday Rate	\$485.36	\$0.00	\$485.36
13. Hours Not Worked	\$45.51	\$138.77	\$184.28
14. Questionable Charges	<u>\$167.49</u>	<u>\$0.00</u>	<u>\$167.49</u>
TOTAL	\$44,341.12	\$16,355.29	\$60,696.41

A-2 PEM ELECTRIC

<u>Description of Disallowance</u>	<u>Amount Accepted</u>	<u>Amount Rejected</u>	<u>Total Amount</u>
<u>Labor Costs</u>			
1. NYY Assignments	\$6,003.76	\$0.00	\$6,003.76
2. Irreconcilable Differences	\$3,056.89	\$0.00	\$3,056.89
3. Hours Not Worked	\$1,827.42	\$0.00	\$1,827.42
4. Lunch Not Taken	<u>\$193.27</u>	<u>\$0.00</u>	<u>\$193.27</u>
	\$11,081.34	\$0.00	\$11,081.34
<u>Material Costs</u>			
1. Dust Masks	\$38.24	\$38.24	\$76.48
2. Fixtures	\$17.70	\$17.71	\$35.41
3. Contract Adder (4.5%)	<u>\$2.52</u>	<u>\$2.51</u>	<u>\$5.03</u>
	\$58.46	\$58.46	\$116.92
TOTAL OF LABOR & MATERIAL COSTS	\$11,139.80	\$58.46	\$11,198.26

A-3 MIRANDA FUEL

<u>Description of Disallowance</u>	<u>Amount Accepted</u>	<u>Amount Rejected</u>	<u>Total Amount</u>
1. Sales Tax	<u>\$0.00</u>	<u>\$5,781.26</u>	<u>\$5,781.26</u>
TOTAL	\$0.00	\$5,781.26	\$5,781.26

A-4 BROWN & SILVER

<u>Description of Disallowance</u>	<u>Amount Accepted</u>	<u>Amount Rejected</u>	<u>Total Amount</u>
1. Not a City Cost (Orange Cleaner, Dies, Shower Heads, & etc.)	\$3,552.25	\$0.00	\$3,552.25
TOTAL	\$3,552.25	\$0.00	\$3,552.25

A-5 STADIUM REPAIRS

Description of <u>Disallowance</u>	<u>Amount Accepted</u>	<u>Amount Rejected</u>	<u>Total Amount</u>
1. Expenses in Excess of Preexistent Contract	\$1,720.00	\$0.00	\$1,720.00
2. Services to NYY Area	\$590.00	\$0.00	\$590.00
3. Questionable Charge	\$450.38	\$0.00	\$450.38
TOTAL	\$2,760.38	\$0.00	\$2,760.38

A-6 OTHER EXPENSES

Description of <u>Disallowance</u>	<u>Amount Accepted</u>	<u>Amount Rejected</u>	<u>Total Amount</u>
1. Questionable Charges (Tax Payments)	\$414,020.52	\$301,390.00	\$715,410.52
2. Ceiling Tiles & Other Items	\$766.35	\$0.00	\$766.35
3. Door Repairs	362		362
4. Not a City Cost (Paint Brushes)	\$274.84	\$0.00	\$274.84
TOTAL	\$415,423.71	\$301,390.00	\$716,813.71