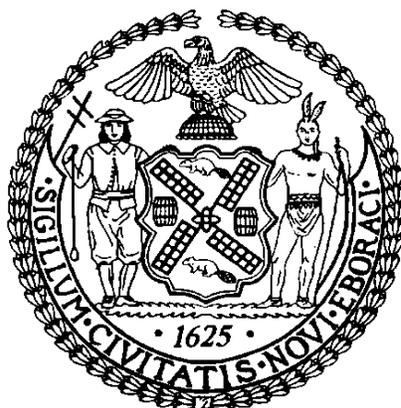


**CITY OF NEW YORK
OFFICE OF THE COMPTROLLER**

**John C. Liu
COMPTROLLER**

**FINANCIAL AUDIT
Tina Kim
Deputy Comptroller for Audit**



**Audit Report on the
Downtown Brooklyn Partnership, Inc.
Financial and Operating Practices and
Compliance with Its City Consulting Contract
July 1, 2008 to June 30, 2009**

FN11-068A

May 9, 2011

<http://comptroller.nyc.gov>



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

John C. Liu
COMPTROLLER

May 9, 2011

To the Residents of the City of New York:

My office has audited the Downtown Brooklyn Partnership, Inc.'s (DBP) financial and operating practices and compliance with its City consulting contract. We audit entities such as these to ensure that they comply with the terms of their contract, properly report their revenue and expenses, and adhere to established policies and procedures.

The audit found that DBP lacks adequate controls to substantiate its payments to salaried employees. Specifically, our audit noted that DBP did not properly administer its employees' work hours and leave records. Additionally, DBP does not have proper procedures and records to support the private contributions it receives. Without adequate procedures for the solicitation and collection of these funds, DBP is not able to accurately determine its total amount of contributions. This ultimately affects the City's ability to determine the appropriate amount of contract funds it awards to DBP. DBP also did not always comply with the procurement and reporting requirements of its City contract. However, we found that DBP coordinated its programs and economic activities in accordance with its contract.

The audit recommends that DBP: ensure the timekeeping system reflects employees' work hours and time and attendance records to ensure effective tracking of employees' absences; develop and maintain a list of private contributors and establish procedures to properly support and account for revenue from private contributions; adhere to the procurement requirements outlined in Section 6.02 of the contract; and submit timely programmatic and financial reports to the Deputy Mayor's Office in accordance with its contract with the City.

The results of the audit have been discussed with DBP officials, and their comments have been considered in preparing this report. Their complete written response is attached to this report.

If you have any questions concerning this report, please e-mail my audit bureau at audit@comptroller.nyc.gov.

Sincerely,

A handwritten signature in black ink, appearing to read "John C. Liu".

John C. Liu

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The City of New York
Office of the Comptroller
Financial Audit

**Audit Report on the
Downtown Brooklyn Partnership, Inc.
Financial and Operating Practices and
Compliance with Its City Consulting Contract
July 1, 2008 to June 30, 2009**

FN11-068A

AUDIT REPORT IN BRIEF

The Downtown Brooklyn Partnership, Inc. (DBP) is a not-for-profit local development corporation established in 2006 to coordinate the economic development activities in downtown Brooklyn. DBP performs its services under a consulting contract with the City of New York through the Department of Small Business Services (DSBS). Under the contract, DBP is required to undertake a number of economic development activities designed to promote and stimulate economic growth in the area, including the retention and attraction of industries that would allow the City to create and maintain job opportunities in downtown Brooklyn. In addition, the contract provides for DBP to advance the development of cultural venues and public space within the Brooklyn Academy of Music Cultural District and to oversee the programs and services of three Business Improvement Districts.

Audit Findings and Conclusions

Our review found that DBP lacks adequate controls to substantiate its payments to salaried employees. Specifically, our audit noted that DBP did not properly administer its employees' work hours and leave records. Additionally, DBP does not have proper procedures and records to support the private contributions it receives. Without adequate procedures for the solicitation and collection of these funds, DBP cannot accurately determine its total amount of contributions. This ultimately affects the City's ability to determine the appropriate amount of contract funds it awards to DBP. DBP also did not always comply with the procurement and reporting requirements of its City contract.

Audit Recommendations

Based on our findings, we recommend that DBP:

- Ensure the timekeeping system reflects employees' work hours and time and attendance records to ensure effective tracking of employees' absences.
- Develop and maintain a list of private contributors and establish procedures to properly support and account for revenue from private contributions.
- Adhere to the procurement requirements outlined in Section 6.02 of the contract.
- Submit timely programmatic and financial reports to the Deputy Mayor's Office in accordance with its contract with the City.

We recommend that DSBS:

- Ensure that DBP complies with all the report's recommendations.

Agency Responses

In DBP's response received on May 4, 2011, DBP officials generally agreed with the audit report's findings and recommendations and stated that "we take these matters very seriously and look forward to working with the Comptroller's office to ensure that these recommendations are implemented properly." DSBS officials also stated that "SBS will make every effort to ensure that DBP complies with the recommendations outlined by the Comptroller in the report."

INTRODUCTION

Background

The Downtown Brooklyn Partnership, Inc. (DBP) is a not-for-profit local development corporation established in 2006 to coordinate the economic development activities in downtown Brooklyn and to ensure implementation of public and private development projects in the area.¹

DBP operates under a consulting services contract with the City of New York. The scope of services outlined in the contract requires DBP to undertake a number of economic development activities designed to promote and stimulate economic growth in the area, including the retention and attraction of industries that would allow the City to create and maintain job opportunities in downtown Brooklyn. In addition, the contract provides for DBP to advance the development of cultural venues and public space within the Brooklyn Academy of Music Cultural District and to oversee the programs and services of three Business Improvement Districts (BIDs)²: MetroTech Area District Management Association, Inc., Fulton Mall Improvement Association, Inc., and Court-Livingston-Schermerhorn District Management Association, Inc.

In consideration of and in full payment for the services provided under the contract, the City agreed to pay DBP an amount not to exceed \$6,000,000 in a three-year period.³ The contract also requires DBP to (1) provide private matching funds up to an amount not to exceed \$1,000,000 a year to use in furtherance of performing the services set forth in its Plan of Expenditures, (2) submit quarterly reports no later than October 31, January 31, April 30, and July 31 for each contract year, (3) submit to the Deputy Mayor and the Office of Management and Budget (OMB) the Fiscal Year 2009 audited financial statements on or before October 26, 2009, (4) comply with the City contract procurement requirements for contracts, and (5) submit a written notice to the Deputy Mayor and obtain written approval of the consultant or contractor by the Deputy Mayor prior to the award of any contract of above \$100,000 or of small purchase below \$100,000 pursuant to a non-competitive process.

For fiscal year ended June 30, 2009, DBP reported a total of \$2,375,359 in support and revenue, \$2,695,315 in expenses, and a net deficit of \$319,956.

¹ Downtown Brooklyn is considered the City's third-largest business hub with an area-wide rezoning approved in 2004, plans to build an additional 4.5 million square feet of new office space, thousands of mixed-income apartments, and over 1.5 million square feet of retail.

² These BIDs, under separate agreements with the City, provide supplemental services such as public safety, sanitation, promotions, business support, and event planning, and are funded primarily through special assessments.

³ For our scope, we reviewed the agreement covering Fiscal Years 2007 to 2009.

Objectives

To determine whether DBP:

- accurately accounted for its program funds, and
- coordinated its economic activity services in accordance with the consulting contract.

Scope and Methodology

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. This audit was conducted in accordance with the audit responsibilities of the City Comptroller as set forth in Chapter 5, §93, of the New York City Charter.

The scope of this audit covered the period July 1, 2008, through June 30, 2009. To obtain an understanding of DBP's operations and internal control procedures, we reviewed the consulting services contract between DBP and the City and various documents and agreements in connection with DBP's relationship with the BIDs and other affiliated organizations. We conducted walk-through meetings with DBP officials, and reviewed organizational charts, board of directors' minutes, revenue and expense ledgers, quarterly programmatic reports, and financial reports submitted to the City. We documented our understanding of DBP's operations and its internal control processes through written narratives.

To determine whether City revenues received were properly recorded and reported, we identified the revenue established in the City contract, traced the amount to the detail general ledger and the trial balance, and compared it to the amount reported in DBP's financial statements.

To determine the accuracy and completeness of the revenue reported from private contributions, we reviewed the contribution request letters and DBP invoices issued to potential contributors and analyzed the billing and collection records for all private contributions.

To determine the accuracy and completeness of reported expenses, we reviewed and summarized all the expense categories reported in the detail general ledger and traced the total to the financial statements for completeness.

To determine whether DBP properly monitored and documented its reported personnel expenditures, we judgmentally selected payroll records for the month of December 2008. We then traced the reported salary information to personnel files to verify whether employees' annual salaries were properly approved and documented. We also compared the payroll

records with the amounts reported in the employees' calendar years 2008 and 2009 W-2 forms. We were not, however, able to substantiate the number of work hours of the employees for the pay periods under review and also could not substantiate the individual employees' leave records to determine the accuracy of DBP's leave pay accrual schedule as of June 30, 2009. These issues are further discussed in the Findings section of this report.

To determine whether DBP properly documented its reported other than personnel expenses such as program and administrative costs, we reviewed invoices and other payment related documentation for all the transactions recorded in the month of December 2008.

We reviewed and compared the scope of the services section of the City contract with DBP's quarterly programmatic reports submitted to the City for FY 2009 to determine whether DBP performed the services outlined in its City consulting contract. We also reviewed certain supporting documentation, such as job postings and employees' files, to ascertain whether employees' designated job descriptions were consistent with the services required under the contract and whether the proper hiring process was in place.

Finally, we reviewed the request for proposals, proposals received, submissions for Deputy Mayor's approval, and the contracts to evaluate whether the contractors were selected in accordance with the procurement requirements prescribed in the City contract. Furthermore, we reviewed the grant disbursement agreement between DBP and the Empire State Development Corporation related to its marketing campaign and authenticated the services provided with the vendor's invoices and related contract.

The result of the above tests, in conjunction with our other audit procedures, while not projected to the respective population from which the samples were drawn, provided a reasonable basis to satisfy our audit objectives.

Discussion of Audit Results

The matters covered in this report were discussed with DBP and DSBS officials during and at the conclusion of this audit. A preliminary draft report was sent to DBP and DSBS officials and discussed at an exit conference held on April 12, 2011. On April 20, 2011, we submitted a draft report to DBP and DSBS officials with a request for comments.

We received written responses from DBP and DSBS on May 4, 2011. In their response, DBP officials generally agreed with the audit report's findings and recommendations and stated that "we take these matters very seriously and look forward to working with the Comptroller's office to ensure that these recommendations are implemented properly." DSBS officials also stated that "SBS will make every effort to ensure that DBP complies with the recommendations outlined by the Comptroller in the report."

The full texts of the written comments from DBP and DSBS are included as addenda to this report.

FINDINGS AND RECOMMENDATIONS

Our review found that DBP lacks adequate controls to substantiate its payments to salaried employees. Specifically, our audit noted that DBP did not properly administer its employees' work hours and leave records. Additionally, DBP does not have proper procedures and records to support the private contributions it receives. Without adequate procedures for the solicitation and collection of these funds, DBP is not able to accurately determine its total amount of contributions. This ultimately affects the City's ability to determine the appropriate amount of contract funds it awards to DBP. DBP also did not always comply with the procurement and reporting requirements of its City contract.

However, we found that DBP coordinated its programs and economic activities in accordance with its contract.

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

Lack of Proper Timekeeping and Leave Records

DBP did not maintain proper timekeeping and leave records to substantiate its payments to salaried employees. Because of the lack of records to support employees' work hours and leave time, we were unable to verify whether DBP had appropriately expended a total of \$1,214,268 (45 percent of \$2,695,315 in total expenses) in compensation to its administrative and program staff for FY 2009, including \$52,280 in leave accrual. Specifically, our review found that DBP did not have a written payroll and personnel policy requiring that employee time be appropriately documented, did not indicate the work hours of its employees in the employment records, did not have time-in and time-out sheets to document the employees' attendance and work hours, and did not maintain records to track the leave time taken by its employees. Therefore, DBP could not document that their employees worked the hours that they were paid for and could not document leave entitlement. Considering that salary represents such a significant portion of DBP's total budget, employees' records should adequately support the amount of compensation.

DBP Response: In their response, DBP officials stated that "During Fiscal Year 2011, the DBP implemented formal mechanisms for tracking staff time and leave balances for the current 9 salaried employees. We introduced timesheets for all employees, and automatically calculated time-off use and leave balances through our payroll vendor ADP. These policies, along with all other company policies and benefits, are now documented in a written HR manual distributed to all employees."

Auditor Comment: We are pleased that DBP agreed to take this corrective action.

Inadequate Controls over the Recording and Reporting of Private Contributions

DBP does not have proper procedures in place to ensure solicited private contributions were properly recorded and reported. Therefore, we could not ascertain whether DBP's reported contribution amount of \$660,000 was accurate and reflected the actual amounts DBP received or should have received for the period. According to DBP officials, DBP reaches out to private entities and property owners for voluntary contributions on a yearly basis. When a potential contributor explicitly agrees to contribute, DBP will issue an invoice for payment. However, our review noted that DBP did not maintain a list of the entities it solicited contributions from or a daily log of the successful solicitations. In addition, DBP did not maintain a register for the contribution invoices issued and did not ensure that invoices were sequentially numbered and orderly dated. Furthermore, our analysis of the 35 invoices issued for FY 2009 found six invoices with three sets of duplicate numbers and 13 invoices that were not sequentially dated. For example, invoice #1156 was issued on February 6, 2009, for the contribution period February 1, 2009, to January 31, 2010, while invoice # 1157 was dated as of September 16, 2008, for the contribution period January 1, 2008, to December 31, 2008. In addition, we were not able to determine whether 10 invoices were collected.

As noted, DBP's contract requires it to provide private matching funds up to an amount not to exceed \$1,000,000 a year to use in furtherance of performing the services. However, without adequate procedures for the solicitation and collection of these funds, DBP is not able to accurately determine its total amount of contributions. This ultimately affects the City's ability to determine the appropriate amount of contract funds it awards to DBP.

DBP Response: In their response, DBP officials stated that "Understanding that a clearer accounting of private voluntary contributions is beneficial, our accounting office instead of the President's office is now issuing the invoices via our general ledger. All invoices are now sequentially numbered and any invoice that remains unpaid will be recorded in the general ledger as a write-off."

Auditor Comment: We are pleased that DBP implemented the necessary procedures to improve its recording of revenue from private contributions.

Non-Compliance Issues

Procurement Requirements

DBP did not adhere to the proper procurement procedures required in Section 6.02 of the Contract. Our review noted non-compliance in DBP's procurement practices in five of the eight contracts that were in effect during our audit scope period. For example, DBP did not follow the procurement process in the following instances:

- Section 6.02(A)(5) of the City contract states that ". . . renewals of small purchases shall not bring the total value of a contract to exceed \$100,000." However, in two

instances, DBP renewed two contracts and increased the amount from \$90,000 to \$180,000 each without following the proper procurement procedures.

- Did not submit a proposal for video production and editing for prior approval by the Deputy Mayor when only two proposals were received. Section 6.02(A)(1) of the City contract requires DBP to obtain prior approval from the Deputy Mayor when less than three proposals are submitted.
- In general, DBP did not include a description of the services to be provided by the contractor, the need for the services, and the dollar amount of the contract in its requests for contract approval to the Deputy Mayor as required by Section 6.02(A)(4) of the contract.

Section 6.02(A)(1) of the City contract requires DBP to solicit offers from at least three bidders or proposers and award the contract for a small purchase from \$5,000 to \$100,000 to the lowest responsive and responsible bidder or the most advantageous proposer pursuant to a Request for Proposals. However, our review noted that DBP extended two contracts that were inherited from its predecessor, Brooklyn Alliance, Inc.⁴, instead of initiating the required procurement process to create new contracts with the contractors. Specifically, DBP improperly:

- In December 2008, extended a contract that was originally issued by the Brooklyn Alliance, Inc. to create a marketing companion site for its “Downtown Brooklyn: It’s the Moment!” marketing campaign in the amount of \$30,000. The original contract began on July 20, 2005, and expired on November 15, 2005--three years before the extension was granted.
- Extended a contract that was originally issued by the Brooklyn Alliance, Inc., which began on January 1, 2005, past its original December 31, 2006, termination date and increased the hourly rate by 28.6 percent from \$175 to \$225.

DBP Response: In their response, DBP officials stated that “Since the DBP only intended these initial contracts to be for 1-year terms, and any continuation of the contracts was dependent on quality service, there was no way for management to anticipate or expect that either contract would be extended. Moving forward, however, DBP management will secure the proper approvals before procuring or extending a contract. Regarding the video production contract . . . We believed that reaching out to 4 possible vendors was sufficient to comply with the contract requirements for competitive bidding. Moving forward, DBP management will adhere to the procurement requirements of our contract.”

Auditor Comment: We are pleased that DBP will adhere to the procurement requirements of its contract.

⁴DBP merged with the Downtown Brooklyn Council, a subsidiary of the Brooklyn Alliance, Inc.

Reporting Requirements

DBP did not submit its programmatic and financial reports in a timely manner to the Deputy Mayor's Office in accordance with its contract with the City. Specifically, Article 4 of the contract requires DBP to submit a quarterly programmatic report, a narrative summary of progress and problems regarding services performed, and a quarterly financial report, including a statement of all revenues and expenses recorded during the quarter, no later than every October 31, January 31, April 30, and July 31. Article 4 also requires DBP to submit to the Deputy Mayor and OMB on or before October 26, 2009, certified financial statements for the period of July 1, 2008, to June 30, 2009.

Based on our review of the reports submitted to the Deputy Mayor for FY 2009, we noted that DBP submitted its quarterly reports on February 3, 2009, July 7, 2009, October 16, 2009, and January 7, 2010. The time lag for these four submissions ranged from 95 days to 169 days in arrears. Additionally, DBP's certified financial statements for FY 2009 were issued on December 18, 2009, 53 days after the required submission date.

DBP Response: In their response, DBP officials stated that "Regarding the submission of quarterly reports to the Deputy Mayor, the Comptroller's auditors brought the issue to our attention and as a result DBP management has submitted the last two quarterly reports on time, and will continue to meet the stated deadlines. Regarding the requirement to submit the DBP's certified financial statements by October 26 of each year . . . we changed the submission date to December 31, which is the same date that the Business Improvements Districts must submit their audits to the Department of Small Business Services."

Auditor Comment: We are pleased that DBP officials are addressing the reporting requirements of the contract.

RECOMMENDATIONS

We recommend that DBP:

1. Ensure the timekeeping system reflects employees' work hours and time and attendance records to ensure effective tracking of employees' absences.
2. Develop and maintain a list of private contributors and establish procedures to properly support and account for revenue from private contributions.
3. Adhere to the procurement requirements outlined in Section 6.02 of the contract.
4. Submit timely programmatic and financial reports to the Deputy Mayor's Office in accordance with its contract with the City.

DBP Response: DBP did not separately address the audit report recommendations. However, it generally agreed with the audit findings and discussed a plan of corrective actions to remediate the findings discussed in this report.

We recommend that DSBS:

5. Ensure that DBP complies with all the report's recommendations.

DSBS Response: "SBS will make every effort to ensure that DBP complies with the recommendations outlined by the Comptroller in the report."

Auditor Comment: We are pleased to know that DSBS agrees and will ensure that DBP complies with all the report's recommendations.

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DOWNTOWN
BROOKLYN
PARTNERSHIP

May 4, 2011

Ms. Tina Kim
Deputy Comptroller
Office of the NYC Comptroller
One Centre Street, Room 1100
New York, NY 10007-2341

Dear Deputy Comptroller Kim:

In response to your office's draft audit report of the Downtown Brooklyn Partnership dated April 20, 2011, attached you will find the Partnership's written response and comments.

Oh behalf of the Partnership's board and staff, I'd like to thank your office for your helpful comments and recommendations, and for the opportunity to provide input on your audit report.

Sincerely,


Joe Chan
President

Enc.

Cc: Robert Walsh, Commissioner
Department of Small Business Services
Ismail Mohamed, Director of Fiscal & Audits
Department of Small Business Services
Robert Catell & Alan Fishman, Co-Chairs
Downtown Brooklyn Partnership

Downtown Brooklyn Partnership Response and Comments**Audit by the NYC Office of the Comptroller
Of the Downtown Brooklyn Partnership - Fiscal Year 2009****May 4, 2011**

We appreciate the findings of this audit and while we do not believe that these findings suggest that the integrity of the Downtown Brooklyn Partnership has been compromised, we have already begun to proactively incorporate these best practices into our administrative procedures. As a not-for-profit organization, we take these matters very seriously and look forward to working with the Comptroller's office to ensure that these recommendations are implemented properly.

Time Sheets and Leave Balances

Regarding tracking employees' time and leave balances, the Downtown Brooklyn Partnership (DBP) had a policy of requiring hourly employees to fill out timesheets, while salaried employees were exempt. During Fiscal Year 2009, there were 12 salaried employees, all housed in a small, centralized bull-pen style office. In such a small space, management was able to keep track of all staff activity

For salaries, the DBP kept accurate payroll records through our payroll vendor ADP.

During Fiscal Year 2011, the DBP implemented formal mechanisms for tracking staff time and leave balances for the current 9 salaried employees. We introduced timesheets for all employees, and automatically calculated time-off use and leave balances through our payroll vendor ADP. These policies, along with all other company policies and benefits, are now documented in a written HR manual distributed to all employees.

Private Sector Fundraising

Under the consulting contract, the DBP was required to have matching contributions without any minimum amount. For the audit period, the DBP maintained a complete list of all businesses invoiced for voluntary contributions and a record of all payments. When payments were received, they were recorded in our general ledger. Since these were voluntary contributions, if invoices were not paid, we did not record non-payment into our general ledger.

Regarding the 10 invoices the report references, these were sent to potential contributors who all declined to contribute, therefore no revenue from these sources was recorded in our general ledger.

The invoices for private contributors were issued by the DBP President's office once an organization verbally agreed to contribute or 12 months after the last invoice was issued. At times, when invoiced payments were not made in a timely manner, or if the contributor requested a follow-up invoice, the original invoice was updated and resent, which may have resulted in non-sequential invoice numbers. Understanding that a clearer accounting of private voluntary contributions is beneficial, our accounting office instead of the President's office is now issuing the invoices via our general ledger. All invoices are now sequentially numbered and any invoice that remains unpaid will be recorded in the general ledger as a write-off.

Downtown Brooklyn Partnership Response and Comments
Page 2

The DBP records and reports all voluntary contribution income earned, when received. By comparing the details in our general ledger with the actual invoices, and as documented in our year-end audit, all income is clearly presented and documented.

Procurement Requirements

Regarding the two \$90,000 contracts, both were negotiated for a one-year term for specific services. Both contracts could be cancelled upon 30 days notice. Only at the end of each contract term did DBP management evaluate the quality of services rendered and make the decision to renew each contract for an additional year (always with a 30-day cancellation clause). Since the DBP only intended these initial contracts to be for 1-year terms, and any continuation of the contracts was dependent on quality service, there was no way for management to anticipate or expect that either contract would be extended. Moving forward, however, DBP management will secure the proper approvals before procuring or extending a contract.

Regarding the video production contract, we solicited bids from 4 videographers, 2 of whom informed us verbally that they were not interested in bidding on the project, and 2 who submitted written proposals. We believed that reaching out to 4 possible vendors was sufficient to comply with the contract requirements for competitive bidding. Moving forward, DBP management will adhere to the procurement requirements of our contract.

When considering the creation of the It's The Moment web site, the DBP decided to work with our existing web design firm because of their strong product and demonstrated ability to deliver. Because of the existing contractual relationship with this vendor, expanding the relationship to include the development of a related site did not seem unwarranted.

Reporting Requirements

Regarding the submission of quarterly reports to the Deputy Mayor, the Comptroller's auditors brought the issue to our attention and as a result DBP management has submitted the last two quarterly reports on time, and will continue to meet the stated deadlines.

Regarding the requirement to submit the DBP's certified financial statements by October 26 of each year, we realized during the term of this contract that given the complexity of the DBP budget and review process by the DBP board, submission by this date was not possible. Therefore in our current contract with the City that began July 1, 2010, we changed the submission date to December 31, which is the same date that the Business Improvements Districts must submit their audits to the Department of Small Business Services.



**Small Business
Services**

Robert W. Walsh
Commissioner

May 3, 2011

Ms. Tina Kim
Deputy Comptroller for Audit
Office of the Comptroller
1 Centre Street – Room 1100, 11th Floor
New York, NY 10007

RE: Office of the Comptroller's Audit of the Downtown Brooklyn Partnership, Inc.
July 1, 2008 to June 30, 2009 – FN11-068A

Dear Ms. Kim,

The Department of Small Business Services (SBS) met with Downtown Brooklyn Partnership, Inc. (DBP) regarding the recommendations made by the Comptroller in their draft audit report covering the period July 1, 2008 to June 30, 2009. SBS will make every effort to ensure that DBP complies with the recommendations outlined by the Comptroller in the report.

NYC Comptroller's Recommendation

1. Lack of Proper Timekeeping and Leave Records

SBS' response to Comptroller's Recommendation

SBS had noted this in its own review of DBP and recommended that they must maintain timesheets to adequately document time spent by employees on their respective programs. This issue has been addressed and is being implemented by DBP at the time of this response.

NYC Comptroller's Recommendation

2. Inadequate Controls over the Recording and Reporting of Private Contributions

SBS' response to Comptroller's Recommendation

DBP has updated their existing policy to address this issue. They have centralized the recording of invoices within the Accounting Unit to ensure that all transactions are captured and recorded sequentially in the general ledger. This change will enable DBP to document all income going forward. SBS will follow up with DBP to ensure that this new policy and controls are working.

NYC Comptroller's Recommendation

3. Adhere to procurement requirements as outlined in Section 6.02 of the DBP contract with the City of New York.

SBS' response to Comptroller's Recommendation

DBP essentially concurred with the recommendations made by the Comptroller and going forward they will adhere to the procurement requirements of the contract. SBS will follow up with DBP at their next review to ensure that DBP complies with Section 6.02 of the contract.

NYC Comptroller's Recommendation

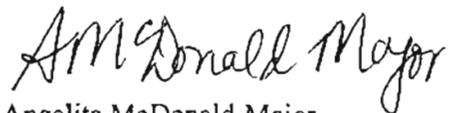
4. Timely submission of reports to the Deputy Mayor

SBS' response to Comptroller's Recommendation

The issue of improving quarterly reporting has been addressed by DBP. Regarding the submission of certified financial statements, in its current contract with the City, the submission date of the reports has been changed from October to December. This additional time will enable DBP to submit their reports to the Deputy Mayor in a timely manner. SBS will follow up with the Deputy Mayor's Office to ensure that the submissions are in compliance with the agreed upon time.

As noted, SBS will also follow up with DBP during its next review to ensure the implementation of the recommendations by the Comptroller. We wish to thank the staff of the Comptroller's Office for their cooperation during this review. Should you have questions, please contact me at 212-618-8782 or Mr. Ismail Mohamed at 212-618-8733, imohamed@sbs.nyc.gov.

Sincerely,



Angelita McDonald-Major
Audit Coordinator

C: Joe Chan
Michael Burke
Andrew Schwartz
Shaazad Ali
Ismail Mohamed