



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

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

**Audit Report on the  
Financial and Operating Practices of the  
Columbus/Amsterdam Business Improvement District**

**MD02-058A**

*April 15, 2002*

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

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and Operating Practices of the Columbus/Amsterdam  
Business Improvement District**

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**EXECUTIVE SUMMARY**

**Background**

The Columbus/Amsterdam Business Improvement District (BID) was incorporated in the State of New York on August 3, 1983, by property owners, business owners, and not-for-profit groups with an interest in the area. As required by BID legislation, the majority of the BID Board of Directors are representatives of property owners and business owners within the BID's defined district. The Board also includes commercial tenants and residential representatives, as well as ex-officio members representing various elected officials, including the Mayor, the Comptroller, the City Council, and the Manhattan Borough President.

Under City legislation, BID assessments are collected by the City and then returned in their entirety to the BID. These monies are used to purchase services and improvements supplemental to the services already provided to the area by the City, and to enhance and promote the business district. By law, those services and improvements can include capital improvements, enhanced sanitation services, enhanced security services, promotional services to advertise activities within the district, and seasonal and holiday decorations and lighting.

Measured by revenue from assessments, the Columbus/Amsterdam BID ranked 31<sup>st</sup> out of 44 BIDs in New York City in fiscal year 2002. According to its certified financial statements for fiscal year 2000, the BID had revenues of \$190,847 and expenditures of \$182,829.

## **Objectives**

The objectives of this audit were to:

- 1) Determine whether the BID has provided the services called for in its District Plan;
- 2) Assess the BID's compliance with certain provisions of its contract with DBS; and
- 3) Evaluate the adequacy of the BID's internal controls over its funds and operations.

## **Scope and Methodology**

The scope of our audit was fiscal year 2000. To meet the audit objectives, we reviewed the BID's District Plan, bylaws, and certified financial statements for fiscal years 1999 and 2000. We reviewed the minutes of Board meetings and annual meetings for the same period. We also interviewed the BID's manager, accountant and CPA, as well as members of the Board of Directors.

To determine business owners' level of satisfaction with BID's services, we conducted a door-to-door survey of 104 businesses in the BID area. We also contacted 46 BID property owners or managing agents to determine their satisfaction with BID operations.

To determine whether the BID is in compliance with DBS requirements, we reviewed BID annual reports submitted to DBS for fiscal years 1999 and 2000, documentation pertaining to the bidding for purchases that required bidding, and insurance documents maintained by the BID.

To assess the BID's internal controls, we compared its procedures to internal control standards set forth in the New York City Comptroller's Directives and its contract with DBS. In addition, we interviewed BID officials to determine whether responsibilities were adequately segregated, assets were safeguarded and authorization and approval requirements were met. We also reviewed the timekeeping procedures of the BID to determine the extent of controls the BID maintained over its personnel.

To determine whether transactions were valid and properly recorded, we tested a sample of receipts and disbursements made from December 1999 through February 2000. We examined contracts, invoices, supporting documentation for expenditures, bank statements, and canceled checks. We also reviewed the BID's annual reports, financial statements, general ledger, cash receipts and cash disbursement journals.

## **Results in Brief**

### **The Columbus/Amsterdam BID is Providing Services According to its District Plan**

The Columbus/Amsterdam BID has provided supplemental sanitation services and has introduced a variety of programs and projects, in accordance with its District Plan. These programs have enhanced the community environment of the BID area.

To determine business owners' level of satisfaction with the BID's services, we conducted a door-to-door survey of 104 businesses in the BID area. A total of 40 participants (38%) responded to our survey and the overall response was positive. (See Appendix I for a listing of questions and a summary of responses obtained from our questionnaires.) Of the 40 respondents (excluding those who answered "no opinion") 89 percent felt that the BID area is cleaner; 88 percent felt satisfied with the services provided by the BID.

Although the responses regarding overall BID services were positive, some participants stated that they were not made aware of the BID's services. In our survey of 40 businesses, 13 respondents (33%) said they did not know of the BID or did not know the BID manager. Nineteen respondents (48%) said that the BID did not provide them with a sufficient amount of information on its services.

We attempted to contact 46 property owners and managers but were able to speak to only 18. Of those, six were no longer involved with the property, three were not aware of the BID, and five felt that the BID did not provide enough information on its services.

At the exit conference, the BID manager told us that he is creating a "Welcome Wagon" package that will provide information to all BID businesses on BID activities, as well as information on various City agencies. He anticipates having this package ready by April 2002.

### **Sanitation Services**

The BID's sanitation service consists of a crew of three part-time individuals who sweep the BID sidewalk area from 8 a.m. to 12:30 p.m., Monday through Saturday.

According to the Sanitation Department area supervisor, the BID is doing a good job keeping the area relatively clean with a limited number of employees.

### **Promotional Services and Advertising Activities within the District**

The BID's promotional and advertising activities are designed to highlight the assets and activities in its area and to make it attractive to shoppers as well as area businesses. As part of

these activities, the BID has published monthly calendars that listed all the activities within the BID area; installed 56 iron tree guards around tree-pits along Columbus and Amsterdam Avenues and on some of the side streets; published a *Holiday Wish List* describing the activities and needs of social services organizations in the district; erected banners on lampposts throughout the BID area; and conducted a “Plantathon” to plant flowers in the tree-pits.

### **Security Services**

The BID’s District Plan does not require it to provide security services to the area. However, the BID has participated in a Con Ed-sponsored program, “Brighten the Night,” in which Sylvania, a Con Ed contractor, installed security lighting in the BID area. Since 1998, 46 lights have been installed—the majority of them (36) during 1999.

To communicate local concerns and issues, the BID also participated in a series of meetings with the Westside Crime Prevention Program, the 24<sup>th</sup> Precinct, the District Attorney’s Office, and Manhattan North Narcotics.

### **Problems with BID’s Mailing List**

The BID’s mailing list of property owners and managers lacked some telephone information and was out of date. Telephone numbers were missing for 20 individuals. Telephone numbers for 15 of the 46 persons (33%) on the list whom we attempted to contact had been changed or disconnected; and 6 persons on the list were no longer involved with property in the BID.

### **BID is in Partial Compliance with DBS Contract**

The BID is in compliance with its DBS contract regarding insurance coverage and submission of reports. However, the BID does not fully comply with DBS contract requirements regarding the bidding process in selecting outside vendors. It does not maintain documentation pertaining to the bidding process for its contracts.

The BID manager stated that he follows the DBS guidelines on the bidding process. However, due to lack of documentation, we were unable to verify this.

At the exit conference, the BID manager stated that he had started maintaining files that document the bidding process.

## **BID's Internal Controls are Adequate**

There were no material weaknesses in the BID's internal control system that would affect the BID's control over its operations. Specifically, the BID had adequate segregation of duties; revenues and disbursements were properly recorded; bank reconciliations were performed regularly, and the BID maintained control over its personnel through its timekeeping function.

However, four out of seven Requests for Reimbursement forms had no authorization signatures; the BID did not place a bank stop on two lost checks; four checks, totaling \$2,990 had only one signature; and the BID does not keep its checkbooks in a secure location.

At the exit conference, the manager told us that the BID now keeps its checkbooks in a locked cabinet.

## **Corporate Governance**

To ensure that the BID is operating in compliance with its bylaws, we reviewed the minutes of (1) the Board of Directors meetings, (2) the BID annual meeting, and (3) the BID's standing Committee meetings. In addition, we contacted those members of the Board of Directors who served on a number of other committees to determine their views of, and the extent of their involvement in, the BID's operations. We found no weaknesses in any of the areas that we reviewed, all of which were related to the Board's oversight and management of the BID.

## **Recommendations:**

This audit makes seven recommendations, the most significant of which are listed below, that BID officials should:

- Contact all business owners and property owners and management in an effort to include them in BID activities.
- Ensure that the BID maintains a complete and accurate mailing list of business and property owners in the BID area.
- Retain all documents pertaining to the bidding process for its contracts.

## **Agency Response**

The matters covered in this report were discussed with officials from the Columbus/Amsterdam BID during and at the conclusion of this audit. A preliminary draft report was sent to the Columbus/Amsterdam BID officials on January 23, 2002, and was discussed at an exit conference on February 19, 2002. On February 28, 2002, we submitted a draft report to

Columbus/Amsterdam BID officials with a request for comments. We received a written response from the Columbus/Amsterdam BID on March 27, 2002. The BID generally agreed with the audit's overall assessment and recommendations. However, it only responded specifically to the two audit recommendations it considered the "most important".

In his response, the Columbus/Amsterdam BID's District Manager stated:

" We appreciate your view of our operations. Your audit confirms our view that we are an efficient small BID producing high quality, innovative programs. It has also made us aware of some areas needing improvement, which we have either addressed or made plans to address."

The full text of the BID's comments is included as an addendum to this report.

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**INTRODUCTION**

**Background**

In 1981, the New York State Legislature passed legislation permitting municipalities throughout New York State to establish business improvement districts (BIDs). BIDs are geographic areas in which property owners and tenants band together to use a municipality's tax collection powers to assess themselves and to create a fund to be used for improvements within the geographic area (the district). According to the State legislation (Article 19-A of the New York State General Municipal Law), BIDs may be formed to:

- “(a) provide for district improvements . . . which will restore or promote business activity in the district . . . ;
- (b) provide for the operation and maintenance of any district improvement; [and]
- (c) provide for additional maintenance or other additional services required for the enjoyment and protection of the public and the promotion and enhancement of the district . . . .”

Pursuant to that legislation, the New York City Council passed Local Law 2 in January 1982, authorizing the creation of BIDs in New York City. This Local Law was incorporated into the City's Administrative Code as Chapter 4 of Title 25. These State and City laws permit the creation, and define the specifications of BIDs.

Under City legislation, BID assessments are collected by the City and then returned in their entirety to the BID. These monies are used to purchase services and improvements supplemental to the services already provided to the area by the City, and to enhance and promote the business district. By law, those services and improvements can include the following:

- Capital improvements, such as lighting, sidewalk paving, pedestrian malls and walkways, tree plantings, signs, bus-stop shelters, and landscaping;
- Enhanced sanitation services;
- Enhanced security services for people and property within the district;
- Promotional services to advertise activities within the district; and
- Seasonal and holiday decorations and lighting.

BIDs must undergo a formal approval process through the Office of the Mayor and the New York City Council. All BIDs must sign a contract with the New York City Department of Business Services (DBS), the City agency that supervises and oversees all BIDs. DBS is responsible for determining whether the BIDs are in compliance with the District Plan and with the contract between the BID and DBS. The contract is subject to renewal every five years. BIDs are required to submit annual budgets and audited financial reports to DBS.

BIDs are also required to submit audited financial statements annually to the New York City Audit Committee for review based on a schedule determined by the Comptroller. BIDs with budgets of more than \$1 million a year are reviewed by the Audit Committee every year; BIDs with budgets between \$500,000 and \$1 million are reviewed every two years; and BIDs with budgets under \$500,000 are reviewed every three years.

BIDs have become an increasingly important vehicle in New York City, as well as in other localities, for raising funds for capital improvements and for complementing the delivery of municipal services. According to DBS, there was only one BID operating in New York City in 1984. However, according to DBS's *NYC Business Improvement Districts Report* of 2002, the number of BIDs has now increased to 44. Those BIDs had assessments totaling approximately \$53.5 million. The majority of existing BIDs are modest in scope: the annual operating budgets of 29 BIDs are each less than \$500,000; 16 are less than \$200,000. Another six BIDs have annual budgets ranging from \$500,000 to \$1,000,000. The annual budgets for the remaining nine active BIDs exceed \$1,000,000.

Measured by revenue from assessments, the Columbus/Amsterdam BID (the BID) ranked 31st out of the 44 BIDs in New York City in fiscal year 2002. The Columbus/Amsterdam BID (the BID) was incorporated in the State of New York on August 3, 1983, by property owners, business owners, and not-for-profit groups with an interest in the area. As required by the BID legislation, the majority of the BID Board of Directors are representatives of property and business owners, commercial tenants, and residents of the defined district, as well as ex-officio members representing various elected officials, including the Mayor, the Comptroller, the City Council, and the Manhattan Borough President.

The BID's area covers Columbus Avenue on the west side from 96<sup>th</sup> to 100<sup>th</sup> Streets and 104<sup>th</sup> to 110<sup>th</sup> Streets; on the east side from 104<sup>th</sup> to 110<sup>th</sup> Streets; and on the east and west sides of Amsterdam Avenue from 96<sup>th</sup> to 110<sup>th</sup> Streets. The district contains residential and commercial buildings. The BID area includes such businesses as bodegas, ethnic restaurants, and professional

offices. The area also includes such landmark buildings as the New York International American Youth Hostel. Three major parks bound the area: Riverside Park to the west, Central Park to the east and Morningside Park to the north.

As required of all BIDs, the BID presented to the City Council and the Office of the Mayor a District Plan detailing the proposed improvements for the district, how the improvements would be implemented, and the total annual expenditures anticipated. To implement the District Plan, the BID renewed its contract with DBS on July 1, 1997. The contract represents an agreement between the BID and the City regarding requirements for its supplemental services and capital improvements.

Prior to 1998, Valley Restoration, a local development corporation (LDC) administered programs for the BID. In May 1998, due to problems with the way the LDC administered the BID, the Board of Directors restructured BID management. The present BID manager was given the responsibility of running BID operations and restructuring its activities.

As shown in the table below, the Columbus/Amsterdam BID had revenues of \$190,847 and expenditures of \$182,829 in fiscal year 2000.

**TABLE I**

Columbus/Amsterdam BID Revenue and Expenditures

	FY 2000
<b>Revenue</b>	
Assessment Revenue	\$167,542
Interest on assessments	11,199
Interest Income	5,151
Program Fee	6,455
Sundry Income	500
<b>Total Support and Revenues</b>	\$190,847
<b>Expenses</b>	
Program Expenses:	
Security	\$36,415
Neighborhood appearance	74,506
Sanitation	53,098
<b>Total Program Expenses</b>	\$164,019
Management and General	18,810
<b>Total Expenses</b>	\$182,829

**Objectives**

The objectives of this audit were to:

- 1) Determine whether the BID has provided the services called for in its District Plan;
- 2) Assess the BID's compliance with certain provisions of its contract with DBS; and
- 3) Evaluate the adequacy of the BID's internal controls over its funds and operations.

## **Scope and Methodology**

The scope of our audit was fiscal year 2000. To meet the audit objectives, we reviewed the BID's District Plan, by-laws, and certified financial statements for fiscal years 1999 and 2000. We reviewed the minutes of Board meetings and annual meetings for the same period. We also interviewed the BID Manager, the BID accountant, the CPA who did the BID's financial statement audit, and members of the Board of Directors.

We assessed whether the supplemental services reported in the fiscal years 1999 and 2000 annual reports were in compliance with the requirements of the District Plan and of its contract with DBS. We also conducted area walk-throughs to verify the existence and effectiveness of BID programs.

To determine business owners' level of satisfaction with the BID's services, we reviewed the surveys conducted by the BID during fiscal years 1999 and 2000. In addition, we conducted a door-to-door survey of 104 businesses in the BID area. The survey consisted of questions regarding sanitation services and other BID programs. We also contacted 46 BID property owners or managing agents to determine their satisfaction with BID operations.

To determine whether the BID is in compliance with DBS requirements, we reviewed BID annual reports submitted to DBS for fiscal years 1999 and 2000, documentation pertaining to the bidding for purchases that required bidding, and insurance documents maintained by the BID.

To assess the BID's internal controls, we compared its procedures to internal control standards set forth in the New York City Comptroller's Directives and its contract with DBS. In addition, we interviewed BID officials to determine whether responsibilities were adequately segregated, assets were safeguarded, and authorization and approval requirements were met. We also reviewed the timekeeping procedures of the BID to determine the extent of controls the BID maintained over its personnel.

To determine whether transactions were valid and properly recorded, we tested all receipts and disbursements made from December 1999 through February 2000. We examined contracts, invoices, supporting documentation for expenditures, bank statements, and canceled checks. We also reviewed the BID's annual reports, financial statements, general ledger, cash receipts and cash disbursement journals.

To determine the extent of the Board members' involvement with the operations of the BID, we interviewed seven Board members about those operations. We also determined whether the Board members were awarded any contracts.

Our 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.

## **Agency Response**

The matters covered in this report were discussed with officials from the Columbus/Amsterdam BID during and at the conclusion of this audit. A preliminary draft report was sent to the Columbus/Amsterdam BID officials on January 23, 2002, and was discussed at an exit conference on February 19, 2002. On February 28, 2002, we submitted a draft report to Columbus/Amsterdam BID officials with a request for comments. We received a written response from the Columbus/Amsterdam BID on March 27, 2002. The BID generally agreed with the audit's overall assessment and recommendations. However, it only responded specifically to the two audit recommendations it considered the "most important".

In his response, the Columbus/Amsterdam BID's District Manager stated:

" We appreciate your view of our operations. Your audit confirms our view that we are an efficient small BID producing high quality, innovative programs. It has also made us aware of some areas needing improvement, which we have either addressed or made plans to address."

The full text of the BID's comments is included as an addendum to this report.

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

**DATE FILED: April 15, 2002**

## **FINDINGS AND RECOMMENDATIONS**

The BID has provided supplemental services and has introduced a variety of programs and projects, as required in its District Plan. The BID also is in compliance with its DBS contract provisions on insurance coverage and submission of reports. However, it is not fully complying with the DBS contract requirements regarding the bidding process in the selection of outside vendors. The BID has adequate internal controls over its funds and operations. The transactions we reviewed appeared to be routine and reasonable.

### **The Columbus/Amsterdam BID is Providing Services According to its District Plan**

The Columbus/Amsterdam BID has provided supplemental sanitation services and has introduced a variety of programs and projects, in accordance with its District Plan. These programs have enhanced the community environment of the BID area.

According to Section III of the BID's District Plan:

“The services to be funded by the special assessment (the “Services”) will include, but not be limited to, sanitation, promotion and day-to-day administration. The Services will supplement municipal services which are provided by The City of New York (the “City”) to the district.

“In subsequent years, the district may provide additional sanitation services, security services, capital improvements and provide any other additional services permitted under the Law.”

In accordance with its District Plan, the BID provides:

- A sanitation program to sweep sidewalks and curbs. The sanitation crew also keeps the tree pits clean along Columbus and Amsterdam Avenues.
- Promotional services to promote local retail opportunities and attract shoppers to the district. These services include printing a monthly Events Calendar and providing banners that are displayed on the Avenues.
- A capital improvement program to install iron tree guards around tree pits on Columbus and Amsterdam Avenues.
- A security program in which the BID subsidizes installation of security lights under the Con Edison program, “Brighten the Night.”

In addition to the above, the BID hired an outside contractor to paint store gates to reduce graffiti; undertook a “Plantathon” in cooperation with area block associations and community

gardens to plant flowers in tree pits during the spring of 2000; and created a “Holiday Wish List” that included items needed by 20 social service organizations in the district. The Wish List was distributed to property owners, merchants, and residents, and was printed in local newspapers.

Our walk-throughs of the BID area confirmed the existence and effectiveness of its programs. We observed: the sanitation crew collecting and placing the garbage on street corners to be picked up by the Department of Sanitation; security lights installed in the BID area; and such BID area improvements as banners on lampposts, installation of tree guards, and the planting of flowers around tree pits.

The BID distributed two surveys during fiscal year 1999 and one during fiscal year 2000. The first survey was geared toward area businesses. It asked whether they were interested in various BID programs. The second survey was geared toward property owners and managers. It asked whether they were interested in receiving additional information about BID services. The third survey was directed to businesses and property owners and managers. It asked for opinions about various programs. According to a BID official, the responses for all three surveys were poor. For that reason, we conducted our own door-to-door survey of area businesses and contacted a sample of property owners and managers.

Of the 104 businesses that we contacted, 40 (38%) responded to our survey. The overall responses were positive. (See Appendix I for a listing of questions and a summary of responses obtained from our questionnaires.) Of the 40 respondents (including those who answered “no opinion”):

- 24 (60%) felt that the BID area was cleaner;
- 23 (57.5%) felt satisfied with the services provided by the BID.

However, if the “no opinion” responses were removed from the total, the favorable percentages become higher, as follows:

- 24 (89%) felt that the BID area was cleaner.
- 23 (88%) felt satisfied with the services provided by the BID.

Although the responses regarding overall BID services were positive, some participants stated that they were not made aware of the BID’s services. In our survey of 40 businesses, 13 respondents (33%) said they did not know of the BID or did not know the BID manager. Nineteen respondents (48%) said that the BID did not provide them with a sufficient amount of information on its services.

We attempted to contact 46 property owners and managers but were able to speak to only 18. Of those, six were no longer involved with the property, three were not aware of the BID, and five felt that the BID did not provide enough information on its services. One property owner, who had been in the area for 16 years, complained that he had never been contacted by, nor had he ever heard of, the BID. He added that he would like to become actively involved in the BID.

At the exit conference, the BID manager told us that he is creating a “Welcome Wagon” package that will provide information to all BID businesses on BID activities, as well as information on various City agencies. He anticipates having this package ready by April 2002.

### **Recommendation**

The Columbus/Amsterdam BID should:

1. Contact all business owners, and property owners and managers in an effort to include them in BID activities.

**Agency Response:** The Columbus/Amsterdam BID did not address this recommendation in its response.

### **Sanitation Services**

During fiscal year 2000, the BID spent \$53,098 on sanitation services. This represents 29 percent of its total 2000 expenditures.

The BID’s sanitation service consists of a crew of three part-time individuals who sweep the BID sidewalk area from 8 a.m. to 12:30 p.m., Monday through Saturday. Garbage is collected from the sidewalk and is placed into barrels lined with plastic bags to be picked up by the Department of Sanitation. On Mondays, Tuesdays, and Fridays, an individual is responsible for removing graffiti, posters, stickers, and placards from trees and light-poles. Tree pits are cleaned on Fridays. During snowfalls, the sanitation crew cleans the crosswalks, clears a path on the sidewalks, and cleans street catch basins. In addition, the BID contracted with Graffiti Answer to paint store gates to obscure graffiti. The project began in April 2000 and by June 2001, 28 gates had been painted.

The Mayor's Office of Operations *Sanitation Scorecard* rates the level of cleanliness of the streets in districts throughout the City each month. The BID falls under the Sanitation Department’s Manhattan West District 7, section 4 and 5. According to the *Scorecard*, the ratings for section 4 (96<sup>th</sup> through 100<sup>th</sup> Streets) on ‘Acceptably Clean Streets’ ranged from 63.3 to 100 in fiscal year 2000. The ratings for section 5 (101<sup>st</sup> through 110<sup>th</sup> Streets) ranged from 58.0 to 100 for the same period. According to the Sanitation Department area supervisor, the BID is doing a good job keeping the area relatively clean with a limited number of employees.

The BID participants who responded to our survey questionnaire also felt that the BID sanitation program had contributed to a cleaner district, as shown below:

- 32 participants (80%) responded that they were satisfied with the sanitation provided by the BID.

- 24 participants (60%) responded that the area within the BID was cleaner since the formation of the BID.

If the “no opinion” responses were removed from the total, the favorable percentages were higher, as follows:

- 32 participants (82%) responded that they were satisfied with the sanitation provided by the BID.
- 24 participants (89%) responded that the area within the BID was cleaner since the formation of the BID.

### **Promotional Services and Advertising Activities within the District**

During fiscal year 2000, the BID spent \$74,506 on neighborhood promotional services and advertising activities. This represents 41 percent of its total 2000 expenditures.

The BID’s promotional and advertising activities are designed to highlight the assets and activities in its area and to make it attractive to shoppers as well as area businesses. As part of these activities, the BID:

- Published monthly calendars that listed all the activities within the BID area. In our survey, 26 participants (65%) said that the calendars were useful. If the “no opinion” responses were removed from the total, it would be 81 percent.
- Installed 56 iron tree guards around tree pits along Columbus and Amsterdam Avenues and on some of the side streets. The BID contracted out tree pit cleaning to the Goddard Riverside Community Center, a program for homeless individuals. People from the community center clear dead annuals, pull back mulch, and add compost. The BID also contracted with the Doe Fund, Inc. to water plantings in the tree pits from June through October. During our survey, 35 participants (88%) said that they supported the BID’s placing tree guards in the area. If the “no opinion” responses were removed from the total, it would be 97 percent.
- Published a *Holiday Wish List* describing the activities and needs of social services organizations in the district. However, 34 participants (85%) that responded to our survey questionnaire said that they did not see the *Wish List*.
- Erected banners on lampposts throughout the BID area. However, only 16 participants (40%) who responded to our survey questionnaire said that they were satisfied with the lamppost banners. If the “no opinion” responses were removed from the total, it would be 64 percent.

- In cooperation with the area block association and community gardens, the BID conducted a “Plantathon” to plant flowers in the tree-pits. The BID also published pamphlets, in English and in Spanish, on planting flowers. Eighteen participants (45%) that responded to our survey questionnaire were aware of the event or thought it was a success. If the “no opinion” responses were removed from the total, it would be 82 percent.

## **Security Services**

During fiscal year 2000, the BID spent \$36,415 on security services, which represents 20 percent of its total 2000 expenditures.

The BID’s District Plan does not require it to provide security services to the area. However, the BID has participated in a Con Ed sponsored program, “Brighten the Night”, in which Sylvania, a Con Ed contractor, installed security lighting in the BID area. Since 1998, 46 lights have been installed—the majority of them (36) during 1999.

The BID experienced delays in installation of the security lights. Moreover, the BID manager was not happy with the wiring and installation work of the contractor. The BID is currently looking for a new contractor and is in the process of soliciting bids. According to the BID manager, the Board will need to re-evaluate whether they want to continue with this program in the future.

To communicate local concerns and issues, the BID also participated in a series of meetings with the Westside Crime Prevention Program, the 24<sup>th</sup> Precinct, the District Attorney’s Office, and Manhattan North Narcotics.

## **Problems with BID’s Mailing List**

The BID’s mailing list of property owners and managers lacked some telephone information and was out of date. Telephone numbers were missing for 20 individuals. Telephone numbers for 15 of the 46 persons (33%) on the list whom we attempted to contact had been changed or disconnected, and 6 persons on the list were no longer involved with property in the BID.

An outdated mailing list is of concern because it shows a lack of communication between the BID and the people it serves. *The New York City BID Managers Association Code of Professional Standards and Practices* states that:

“To ensure good communication, BID managers should make every effort to update their mailing lists, making them accurate and complete as possible. Property owners at the very least, should receive all communications.”

The property owners are responsible for paying assessments and should be made aware of the way their money is spent. The BID cannot keep the owners informed if it does not maintain an updated list of property owners.

### **Recommendation**

The Columbus/Amsterdam BID should:

2. Ensure that it maintains a complete and accurate mailing list of business and property owners in the BID area.

**Agency Response:** “Our mailing list, which I provided to you, is our main means of communication with property owners and managers. We also have an incomplete list of their phone numbers, which we will be updating.”

### **BID is in Partial Compliance with DBS Contract**

The BID is in compliance with its DBS contract regarding insurance coverage and submission of reports. However, the BID does not fully comply with DBS contract requirements regarding the bidding process in selecting outside vendors.

### **BID Contracts with Outside Vendors**

The BID does not maintain documentation pertaining to the bidding process for its contracts. As of July 2001, the BID retained nine contractors to provide services such as accounting, tree pit maintenance, and security light installation. We received information documenting the bidding process for only one of the contracts.

The BID has no procurement policy. However, according to Article 2, § 2.04 of the Department of Business Services (DBS) contract with the BID,

“No such subcontract shall be awarded unless the DMA has (i) selected the lowest, responsible bidder from at least three (3) responsible and competitive bidders.. . .”

Furthermore, the DBS guidelines state that:

“All solicitation should be issued to at least three responsible bidders. All correspondence should be documented and filed for future reference. All bids must be submitted in writing on company letterhead. Cost must be itemized sufficiently so the DMA can properly evaluate the bid.”

The BID manager stated that he follows the DBS guidelines on the bidding process. However, due to lack of documentation, we were unable to verify this.

At the exit conference, the BID manager stated that he had started maintaining files that document the bidding process.

### **Recommendation**

The Columbus/Amsterdam BID should:

3. Retain all documents pertaining to the bidding process for its contracts.

**Agency Response:** The Columbus/Amsterdam BID did not address this recommendation in its response.

### **BID's Internal Controls are Adequate**

Our audit evaluated the adequacy and effectiveness of the BID's internal controls and accountability over the expenditures of its funds. The transactions that we reviewed appeared to be routine and reasonable.

The objectives of an internal control system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization, and are properly recorded.

The BID does not have a policy and procedure manual. However, there were no material weaknesses in the BID's internal control system that would affect the BID's control over its operations. Specifically:

- The BID had adequate segregation of duties over the authorizing, processing, and recording of receipts and disbursements.
- Revenue was properly accounted for and recorded.
- Disbursements were properly documented, authorized, and recorded.
- Invoices and supporting documents were furnished to and reviewed by the signer prior to signing a check.
- Bank reconciliations were performed regularly.
- The BID maintained control over its personnel through its timekeeping function.

However, we found the following problems:

- The BID manager paid for small purchases and then periodically filled out Request for Reimbursement forms. Four out of seven Requests for Reimbursement forms (57%) had no authorization signature. Without the required authorization, Board members may be unaware of how funds were spent.
- The BID did not place a bank stop on two lost checks. The BID Manager said that this was to avoid the \$25 fee involved. However, the two lost checks were for rent payments, in the amount of \$876 each. The failure to stop those two checks could have resulted in a cost far greater than \$25.
- Four checks, totaling \$2,990, had only one signature. Good business practice requires two signatures to reduce the chance that inappropriate payments are made.
- The BID does not keep its checkbooks in a secure location. The failure to do so may result in unauthorized expenditure of BID funds.

At the exit conference, the manager told us that the BID now keeps its checkbooks in a locked cabinet.

### **Recommendations**

The Columbus/Amsterdam BID should:

4. Ensure that all reimbursement request forms have authorized signatures affixed.

**Agency Response:** The Columbus/Amsterdam BID did not address this recommendation in its response.

5. Place a bank stop on all lost checks for more than \$25.

**Agency Response:** The Columbus/Amsterdam BID did not address this recommendation in its response.

6. Ensure that two authorized individuals sign all checks.

**Agency Response:** “The four checks without double signatures were prematurely sent out by an employee who was being trained in our fiscal operations and during a period when we were temporarily between board treasurers. The unsigned expense reports were reviewed and approved by both signatories of the expense checks.”

7. Properly secure its checkbooks.

**Agency Response:** The Columbus/Amsterdam BID did not address this recommendation in its response.

## **Corporate Governance**

The bylaws of the BID require that it be managed by a Board of Directors. The Board's key responsibilities are to set policies for the BID's operations and to oversee the advancement of the BID's District Plan. At its discretion, the Board may create standing committees, and delegate to them the authority to take action to address certain matters. The chief executive officer for the BID is the BID manager, who supervises the BID's business and is subject to Board control.

Under law, the Board is responsible for the activities of the BID, regardless of how much authority the Board delegates to the staff or to any committee. Thus, it is in the Board's best interests to be fully informed about the activities of the BID, as well as the activities of BID management.

To ensure that the BID operates in compliance with its bylaws, we reviewed the minutes of (1) the Board of Directors' meetings, (2) the BID's annual meeting, and (3) the BID's standing Committees' meetings. In addition, we contacted those members of the Board of Directors who served on a number of the other committees, to determine their views of, and the extent of their involvement in, the BID's operations.

The BID's Board and annual meetings were held regularly. A quorum of Board members was present when decisions were voted on, and detailed minutes of the discussions were kept. BID officials told us that the BID's certified financial statements, which include any management letters, are distributed to Board members and to the Finance Committee. In addition, the various Board and committee members we interviewed told us they believe that the BID is a very well governed organization, administered with due regard for governance, accountability, and oversight, and that it is responsive to the needs and views of its members. The committee members whom we interviewed expressed no concern about any of these issues.

According to the annual reports, the BID had 17 and 19 board members, in fiscal years 1999 and 2000, respectively. When we compared the Board members listed in the annual reports with BID contracts, we found that no Board members owned or were employed by any business that had contracts with the BID.

We found no weaknesses in any of the areas that we reviewed, all of which were related to the Board's oversight and management of the BID.

**Columbus/Amsterdam Business Improvement District**  
(Responses to our Survey to Determine Participant Satisfaction – Business Owners)

	<b>YES</b>	<b>NO</b>	<b>NO OPINION</b>
1. Are you satisfied with the sanitation provided by the BID?	<u>32 (80%)</u>	<u>7 (17.5%)</u>	<u>1 (2.5%)</u>
2. In your opinion, is the area within the Columbus/ Amsterdam BID cleaner since the formation of the BID?	<u>24 (60%)</u>	<u>3 (7.5%)</u>	<u>13 (32.5%)</u>
3. Did the BID paint your storefront over graffiti?	<u>14 (35%)</u>	<u>25 (62.5%)</u>	<u>1 (2.5%)</u>
4. Did it help reduce graffiti in the area?	<u>11 (27.5%)</u>	<u>5 (12.5%)</u>	<u>24 (60%)</u>
5. Have you participated in the program where BID subsidizes purchase and installation of Security lighting fixtures?	<u>3 (7.5%)</u>	<u>37 (92.5%)</u>	<u>N/A</u>
6. Does the security lighting program act as a deterrent to crime and give a greater sense of safety to shoppers?	<u>2 (5%)</u>	<u>3 (7.5%)</u>	<u>35 (87.5%)</u>
7. Are you satisfied with the above mentioned program?	<u>4 (10%)</u>	<u>0 (0%)</u>	<u>36 (90%)</u>
8. Are you satisfied with the lamp post banners that the BID provides?	<u>16 (40%)</u>	<u>9 (22.5%)</u>	<u>15 (37.5%)</u>
9. Do you think the ‘Events Calendar’ is useful ?	<u>26 (65%)</u>	<u>6 (15%)</u>	<u>8 (20%)</u>
10. Do you think the ‘Plantathon’ was successful?	<u>18 (45%)</u>	<u>4 (10%)</u>	<u>18 (45%)</u>
11. Do you support BID putting-up ‘Tree-guards’ in the area?	<u>35 (87.5%)</u>	<u>1 (2.5%)</u>	<u>4 (10%)</u>
12. Did you see the ‘Holiday Wish List’?	<u>6 (15%)</u>	<u>34 (85%)</u>	<u>N/A</u>
13. Was it helpful?	<u>6 (15%)</u>	<u>0 (0%)</u>	<u>34 (85%)</u>

	<b>YES</b>	<b>NO</b>	<b>NO OPINION</b>
14. In your opinion, has the BID been successful in attracting new businesses to the area?	<u>11 (27.5%)</u>	<u>9 (22.5%)</u>	<u>20(50%)</u>
15. In your opinion, has the BID been successful in retaining business in the district?	<u>11 (27.5%)</u>	<u>5 (12.5%)</u>	<u>24(60%)</u>
16. In your opinion has the BID been successful at promoting the district?	<u>13 (32.5%)</u>	<u>7 (17.5%)</u>	<u>20(50%)</u>
17. Are you satisfied with the BID's management?	<u>19 (47.5%)</u>	<u>2 (5%)</u>	<u>19(47.5%)</u>
18. In your opinion, does the BID provide you with sufficient information regarding the BID services?	<u>21 (52.5%)</u>	<u>19 (47.5%)</u>	<u>0(0%)</u>
19. Are you satisfied with the services provided by the BID?	<u>23 (57.5%)</u>	<u>3 (7.5%)</u>	<u>14(35%)</u>
20. Have you ever made a complaint to the BID?	<u>2 (5%)</u>	<u>37 (92.5%)</u>	<u>1(2.5%)</u>
Was the matter resolved?	<u>1 (2.5%)</u>	<u>1 (2.5%)</u>	<u>38(95%)</u>
Did the BID seem to be concerned about the complaint?	<u>1 (2.5%)</u>	<u>1 (2.5%)</u>	<u>38(95%)</u>
21. Did you receive a survey form from the BID in the past?	<u>1 (2.5%)</u>	<u>37 (92.5%)</u>	<u>2(5%)</u>
22. Did you respond?	<u>1 (2.5%)</u>	<u>37 (92.5%)</u>	<u>2(5%)</u>
23. Do you receive notices of BID meetings?	<u>18 (45%)</u>	<u>21 (52.5%)</u>	<u>1(2.5%)</u>

**Columbus/Amsterdam Business Improvement District**  
**(Responses to our Survey to Determine Participant Satisfaction - Property Owners)**

	<b>YES</b>	<b>NO</b>	<b>NO OPINION</b>
1. Are you satisfied with the sanitation provided by the BID?	<u>5 (56%)</u>	<u>3 (33%)</u>	<u>1 (11%)</u>
2. In your opinion, is the area within the Columbus/Amsterdam BID cleaner since the formation of the BID?	<u>6 (67%)</u>	<u>2 (22%)</u>	<u>1 (11%)</u>
3. Did the BID paint your storefront over graffiti?	<u>0 (0%)</u>	<u>8 (89%)</u>	<u>1 (11%)</u>
4. Did it help reduce graffiti in the area?	<u>2 (22%)</u>	<u>1 (11%)</u>	<u>6 (67%)</u>
5. Have you participated in the program where BID subsidizes purchase and installation of Security lighting fixtures?	<u>3 (33%)</u>	<u>6 (67%)</u>	<u>N/A</u>
6. Does the security lighting program act as a deterrent to crime and give a greater sense of safety to shoppers?	<u>3 (33%)</u>	<u>2 (22%)</u>	<u>4 (45%)</u>
7. Are you satisfied with the above mentioned program?	<u>3 (33%)</u>	<u>2 (22%)</u>	<u>4 (45%)</u>
8. Are you satisfied with the lamp post banners that the BID provides?	<u>7 (78%)</u>	<u>0 (0%)</u>	<u>2 (22%)</u>
9. Do you think the 'Events Calendar' is useful ?	<u>6 (67%)</u>	<u>1 (11%)</u>	<u>2 (22%)</u>
10. Do you think the 'Plantathon' was successful?	<u>5 (56%)</u>	<u>1 (11%)</u>	<u>3 (33%)</u>
11. Do you support BID putting-up 'Tree-guards' in the area?	<u>8 (89%)</u>	<u>1 (11%)</u>	<u>0 (0%)</u>
12. Did you see the 'Holiday Wish List'?	<u>0 (0%)</u>	<u>9 (100%)</u>	<u>N/A</u>
13. Was it helpful?	<u>0 (0%)</u>	<u>1 (11%)</u>	<u>8 (89%)</u>

	<b>YES</b>	<b>NO</b>	<b>NO OPINION</b>
14. In your opinion, has the BID been successful in attracting new businesses to the area?	<u>3 (33%)</u>	<u>4 (45%)</u>	<u>2 (22%)</u>
15. In your opinion, has the BID been successful in retaining business in the district?	<u>4 (45%)</u>	<u>3 (33%)</u>	<u>2 (22%)</u>
16. In your opinion has the BID been successful at promoting the district?	<u>4 (45%)</u>	<u>3 (33%)</u>	<u>2 (22%)</u>
17. Are you satisfied with the BID's management?	<u>4 (45%)</u>	<u>2 (22%)</u>	<u>3 (33%)</u>
18. In your opinion, does the BID provide you with sufficient information regarding the BID services?	<u>4 (44%)</u>	<u>5 (56%)</u>	<u>0 (0%)</u>
19. Are you satisfied with the services provided by the BID?	<u>3 (34%)</u>	<u>3 (33%)</u>	<u>3 (33%)</u>
20. Have you ever made a complaint to the BID?	<u>3 (33%)</u>	<u>6 (67%)</u>	<u>0 (0%)</u>
Was the matter resolved?	<u>2 (22%)</u>	<u>1 (11%)</u>	<u>6 (67%)</u>
Did the BID seem to be concerned about the complaint?	<u>3 (33%)</u>	<u>0 (0%)</u>	<u>6 (67%)</u>
21. Did you receive a survey form from the BID in the past?	<u>2 (22%)</u>	<u>7 (78%)</u>	<u>0 (0%)</u>
22. Did you respond?	<u>2 (22%)</u>	<u>3 (33%)</u>	<u>4 (45%)</u>
23. Do you receive notices of BID meetings?	<u>6 (67%)</u>	<u>2 (22%)</u>	<u>1 (11%)</u>
24. Do you think that the assessment paid on the property is reasonable with regards to the services provided by the BID?	<u>3 (33%)</u>	<u>4 (45%)</u>	<u>2 (22%)</u>



March 26, 2002

Roger D. Liwer  
Assistant Comptroller for Audit Bureau  
Room 1100 North  
1 Centre Street  
Municipal Building  
New York, NY 10007

Dear Mr. Liwer,

We appreciate your review of our operations. Your audit confirms our view that we are an efficient small BID producing high quality, innovative programs. It has also made us aware of some areas needing improvement, which we have either addressed or made plans to address.

Your two most important recommendations dealt with signatures on checks and expense reports, and with contact information for property owners and managers. I wanted to reiterate that:

- The four checks without double signatures were prematurely sent out by an employee who was being trained in our fiscal operations and during a period when we were temporarily between board treasurers. The unsigned expense reports were reviewed and approved by both signatories of the expense checks.
- Our mailing list, which I provided to you, is our main means of communication with property owners and managers. We also have an incomplete list of their phone numbers, which we will be updating.

Your review has highlighted some of the programs we feel have made the BID successful. The involvement of our board executive committee has led to efficiencies and savings. The monthly EVENTS calendar is mailed to our list of property owners and managers, which allows us to regularly include communications on issues and opportunities. Our highly-visible programs—storefront lighting, tree guards, and graffiti-gate repainting—seek owner involvement and in some cases demand it.

Thank you very much.

Sincerely,

A handwritten signature in cursive script that reads "Peter C. Arndtsen".

Peter Arndtsen  
District Manager