



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

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COMPTROLLER**

**Follow-up Audit Report on the
Financial and Operating Practices of the
East Brooklyn Industrial Park
Business Improvement District**

MD02-149F

June 13, 2002

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SUMMARY OF FINDINGS AND CONCLUSION

This is a follow-up audit to determine whether the East Brooklyn Industrial Park Business Improvement District (East Brooklyn BID) implemented the recommendations made in an earlier audit, *Audit Report on the Financial and Operating Practices of the East Brooklyn Industrial Park Business Improvement District* (Audit No. MD00-201A, issued June 21, 2001). The earlier audit covered the BID's activities for Fiscal Year 1999 and the first five months of Fiscal Year 2000, and assessed the East Brooklyn BID's compliance with its District Plan and Department of Business Services (DBS) contract. The audit also evaluated the adequacy of the BID's internal controls over its funds and operations. This follow-up report discusses the details of the recommendations of the previous audit report as well as the status of each recommendation as of December 31, 2001.

The previous audit made two recommendations to DBS and 25 recommendations to the East Brooklyn BID. Of the 27 recommendations, 21 were implemented, three were partially implemented, two were not implemented, and one was no longer applicable. These recommendations and their current implementation status are as follows:

- 1) DBS should perform a complete evaluation of the East Brooklyn BID in the context of this report's findings. **PARTIALLY IMPLEMENTED.**
- 2) DBS should either put the BID on probation during this evaluation, or take more immediate action terminating all contracts and the collection of member assessments. **NO LONGER APPLICABLE.**

The East Brooklyn BID should:

- 3) Ensure that assessment funds are spent only on East Brooklyn BID-specific programs. **IMPLEMENTED.**
- 4) Show evidence that East Brooklyn BID-specific programs actually benefited BID businesses. **IMPLEMENTED.**

- 5) Ensure that the East Brooklyn BID's annual reports reflect only services that impact BID businesses. **IMPLEMENTED.**
- 6) Ensure that East Brooklyn BID program funds are spent as intended by requiring LDCENY [Local Development Corporation of East New York] to submit periodic program and financial activity reports. **IMPLEMENTED.**
- 7) Re-evaluate its programs to ensure they address the needs and concerns of the East Brooklyn BID's businesses. **PARTIALLY IMPLEMENTED.**
- 8) Discuss any proposed changes in programs with its Board of Directors and ensure that these discussions are documented. **IMPLEMENTED.**
- 9) Ensure that it recruits Board members who are willing to become actively involved with the management of the BID. **PARTIALLY IMPLEMENTED.**
- 10) Either follow the *Code of Professional Standards and Practices* [of the New York City Bid Managers Association] and establish the appropriate committees, or establish its own policies and procedures for monitoring the BID's fiscal and program activities. **IMPLEMENTED.**
- 11) Ensure that important decisions are discussed in Board meetings and documented in minutes. If a quorum is not present in the meeting or if decisions are taken without a meeting, written consent authorizing the action should be obtained from each and every Director. **IMPLEMENTED.**
- 12) Have its Board of Directors discuss the decisions cited in this report. These discussions and any determinations made should be documented in the minutes to the meeting. **IMPLEMENTED.**
- 13) Ensure that it does not pay any separate accounting fees to LDCENY, since these charges are covered under its administrative contract. **IMPLEMENTED.**
- 14) Ensure that its payments to LDCENY are in accordance with their administrative agreement. **NOT IMPLEMENTED.**
- 15) Ensure that the Board approves all Budget Modifications. **IMPLEMENTED.**
- 16) Ensure that its annual reports accurately reflect its financial records. **NOT IMPLEMENTED.**
- 17) Revise the financial information on its 2000 Federal and State tax forms. **IMPLEMENTED.**
- 18) Ensure that the financial information it reports on its Federal and State tax forms are correct and consistent with its financial records. **IMPLEMENTED.**
- 19) Ensure that it files the Schedule A (Organization Exempt Under § 501(c)(3)- Supplementary Information). **IMPLEMENTED.**

- 20) Ensure that the responsibilities over the authorizing and processing of receipts and disbursements are adequately segregated. **IMPLEMENTED.**
- 21) Ensure that financial records are maintained on an ongoing basis. **IMPLEMENTED.**
- 22) Ensure that former employees do not have access to or be allowed to sign East Brooklyn BID checks. **IMPLEMENTED.**
- 23) Ensure that transactions are recorded accurately and on a timely basis. **IMPLEMENTED.**
- 24) Ensure that bank reconciliations are done on a consistent and accurate basis. **IMPLEMENTED.**
- 25) Investigate payments made to the former CPA for prior work. **IMPLEMENTED.**
- 26) Correctly classify its functional expenses in the financial statements. **IMPLEMENTED.**
- 27) Properly record its physical assets in its financial records. **IMPLEMENTED.**

This follow-up audit found that the East Brooklyn BID has improved its internal controls over its funds and operations. However, the BID needs to make a more concentrated effort to ensure that its programs meet BID members' needs, and it should continue to recruit new Board members. The BID's 2001 annual report, like the previous annual reports, included programs that were not BID-specific and contained inconsistencies in its reported expense figures. Also, there is still no control over the timing of payments made to LDCENY for its administrative services.

To address the problems noted in this report, DBS and the East Brooklyn BID should implement the five recommendations of the previous audit that were not fully addressed. We believe that upon implementation of these recommendations, DBS and the East Brooklyn BID will have corrected the conditions cited in both the previous report and this follow-up report. The recommendations are repeated below, four of them somewhat revised in accordance with the findings of this report.

1. DBS should continuously monitor the East Brooklyn BID to ensure that it complies with all the recommendations of the previous audit report and this follow-up audit report.

The East Brooklyn BID should:

2. Re-evaluate its programs to ensure that they address the needs and concerns of the East Brooklyn BID's businesses.
3. Recruit Board members who are willing to become actively involved with the management of the BID and ensure that all required classes of members are represented on the Board.
4. Amend its administrative agreement with LDCENY to include payment terms.

5. Ensure that its annual reports accurately reflect its financial records.

DBS and BID Responses

The matters covered in this report were discussed with DBS and East Brooklyn BID officials during and at the conclusion of this audit. A preliminary draft report was sent to DBS and East Brooklyn BID officials and discussed at an exit conference held on May 7, 2002. On May 13, 2002, we submitted a draft report to DBS and East Brooklyn BID officials with a request for comments. DBS officials declined to comment on the report. We received a written response from the East Brooklyn BID on May 28, 2002. In their response, BID officials stated:

“Please note that we are requesting that the current status of recommendations #7, 9 and 14 be revisited and that our attached response be incorporated into the final report.

“Thank you for this opportunity and as you can see the East Brooklyn District Management Association (EBDMA) has undertaken many, if not all, of the Comptroller’s previous recommendations. By incorporating these important recommendations the EBDMA has become programmatically stronger and more accountable in our day-to-day dealings.”

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

Auditor Comment: As requested by BID officials, we re-examined the current status of recommendations #7, #9, and #14. However, for reasons discussed in the body of the report, we stand by our recommendations as presented

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 in order to create a fund 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;
- “(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 moneys are used to purchase services and improvements that are supplemental to the services already provided to the area by the City and that also enhance and promote the business district. By law, these 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 or 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 their District Plans and with the contract between the BIDs and DBS. The contract is subject to renewal every five years. The BIDs are required to submit annual budgets and audited financial reports to DBS.

BIDs are also required to submit audited financial statements to the New York City Audit Committee for the Committee's review, based on a schedule determined by the City 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 less than \$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 supplementing the delivery of municipal services. There was only one BID operating in New York City in 1984. According to DBS's *NYC Business Improvement Districts Report* of 2002, the number of BIDs has now increased to 44. The East Brooklyn BID was incorporated in the State of New York on February 16, 1983, to expand and encourage the full industrial and commercial development of the East Brooklyn In-Place Industrial Park area.

The DBS report for Fiscal Year 2002 stated that the 44 BIDs had assessments totaling approximately \$53.5 million. The majority of existing BIDs are modest: 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. The East Brooklyn BID had an annual operating budget of \$60,000 and ranked 43rd of the 44 BIDs in New York City.

The East Brooklyn BID covers areas in the East New York and Brownsville section of Brooklyn. It encompasses 40 square blocks of the East Brooklyn In-Place Industrial Park, and is bounded by Atlantic Avenue and East New York Avenue to the North, Sheffield Avenue on the East, Sutter Avenue on the South, and Powell Street on the Western edge. With the exception of a commercial district along Sutter Avenue, the entire area of the East Brooklyn BID is zoned for manufacturing.

According to the East Brooklyn BID's District Plan, the New York City Public Development Corporation (PDC) designated this Industrial Park for redevelopment.¹ PDC planned a "comprehensive development program of capital improvements for the Industrial Park." The East Brooklyn BID was to "provide services as opposed to capital improvements and is designed to complement the PDC program of which it will be a part." To provide these services, the East Brooklyn BID contracted with the Local Development Corporation of East New York (LDCENY). Several LDCENY employees, including the BID's Executive Director, Manager, and Fiscal Manager, are responsible for the day-to-day operation of the BID, including program management, fiscal management, and administrative services.

As required by the BID legislation, the majority of the East Brooklyn BID Board of Directors is representatives of property owners and business owners within the BID's defined district. The Board includes tenant representatives and also ex-officio members who represent elected officials—the Mayor, the Comptroller, the City Council, and the Brooklyn Borough President.

¹ In 1991 the PDC merged with the Financial Services Corporation to form the New York City Economic Development Corporation.

In Fiscal Year 2001, the East Brooklyn BID had revenues of \$76,329, and expenditures of \$63,766. During our audit scope period, July 1, 2001, through December 31, 2001, the BID had revenue of \$41,547 and expenditures of \$30,379. Table I below details the BID's activities during this period.

TABLE I

East Brooklyn BID Revenue and Expenditures
July 1, 2001–December 31, 2001

	July 1, 2001- December 31, 2001
Support and Revenue	
Assessment	\$ 41,547
Expenses	
Program	
Sanitation services	5,205
Promotion/Advertising	1,414
BID Database	2,400
General and Administrative	
Staff and Fringe Benefits	15,410
Utilities	100
Telephone	500
Printing & Postage	163
Office Supplies	226
Insurance	454
Audit	4,770
Other	79
Total Expenses	\$ 30,721

Source: BID Quarterly Reports and General ledger for the period.
All numbers are on a cash basis.

Objectives, Scope, and Methodology

This follow-up audit was initiated to determine whether the 27 recommendations contained in a previous audit, *Audit Report on the Financial and Operating Practices of the East Brooklyn Industrial Park Business Improvement District* (Audit No. MD00-201A), issued June 21, 2001, were implemented.

The scope of our audit was from July 2001 through December 2001. To meet the audit objective, we reviewed the East Brooklyn BID's policies and procedures, its District Plan, and its by-laws. We also reviewed the minutes of the Board of Directors' meetings held during that period as well as the certified financial statements for Fiscal Year 2001. In addition, we interviewed the BID's Executive Director, Manger, Fiscal Manager, CPA, and the DBS official responsible for monitoring the BID's operations.

To determine whether new programs were instituted by the BID and whether assessment funds were spent only on BID-specific programs, we reviewed the annual budget, the periodic program and financial activity reports that were submitted to the BID's Board of Directors, and the list of companies that have participated in its sponsored activities. In addition, we confirmed with BID businesses whether services reported by the BID were actually performed.

We reviewed the BID's Fiscal Year 2001 annual report to determine whether it reflected only services that impacted BID businesses. We also assessed whether the supplemental services reported in the annual report were in compliance with the requirements of the BID's District Plan and its contract with DBS.

In addition, we reviewed the East Brooklyn BID's administrative agreement with LDCENY to determine whether LDCENY is complying with the terms of its agreement.

To determine whether the BID re-evaluated its programs to ensure that they addressed the needs and concerns of the BID's businesses, we reviewed the results of the BID's previous survey and compared it to current BID programs. We also attempted to survey a sample of 40 of the 72 businesses in the BID to determine whether the present BID programs address their needs.

We interviewed members of the BID's Board of Directors to assess their satisfaction with BID operations. We reviewed Board minutes to determine whether all matters requiring Board consideration were discussed and decisions documented; whether Board members attended the meetings regularly; whether there was a quorum for meetings at which important decisions were made; and whether appropriate committees were established or policies and procedures enacted to monitor BID fiscal and program activities.

To determine whether the BID filed amended Federal and State tax returns and included Schedule A with its Federal tax returns, we reviewed the revised financial information on the BID's 2000 Federal and State tax returns. We also reviewed the BID's financial records and compared them with the financial information reported on the Federal and State tax returns for Fiscal Year 2001 to determine the accuracy of the information reported.

To evaluate the adequacy of the East Brooklyn BID's internal controls over its financial and operating activities, we compared its procedures to internal control standards set forth in the New York

City Comptroller's Directives, its contract with DBS, and the BID's own policies and procedures. In addition, we interviewed BID officials to determine whether responsibilities were adequately segregated, assets were safeguarded, and authorization and approval requirements were met.

To determine whether transactions were valid and properly recorded, we examined all receipts and disbursements made from July 1, 2001, through December 31, 2001. We examined the East Brooklyn BID's general ledger, invoices, supporting documentation for expenditures, bank statements, and canceled checks for the period under review. In addition, we reviewed the financial information presented in the BID's 2001 annual report and compared it with the BID's Fiscal Year 2001 audited financial statements to determine its consistency in the reporting of the financial information.

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.

DBS and BID Responses

The matters covered in this report were discussed with DBS and East Brooklyn BID officials during and at the conclusion of this audit. A preliminary draft report was sent to DBS and East Brooklyn BID officials and discussed at an exit conference held on May 7, 2002. On May 13, 2002, we submitted a draft report to DBS and East Brooklyn BID officials with a request for comments. DBS officials declined to comment on the report. We received a written response from the East Brooklyn BID on May 28, 2002. In their response, BID officials stated:

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

Auditor Comment: As requested by BID officials, we re-examined the current status of recommendations #7, #9, and #14. However, for reasons discussed in the body of the report, we stand by our recommendations as presented.

**OFFICE OF THE COMPTROLLER
NEW YORK CITY**

DATE FILED: June 13, 2002

RESULTS OF THIS FOLLOW-UP AUDIT

PREVIOUS FINDING: “Our review of the financial and operating practices of the East Brooklyn BID disclosed problems with the services provided by the BID to its members, the Board of Directors’ management of BID operations, and certain financial practices.”

Previous Recommendations #1: “DBS should perform a complete evaluation of the East Brooklyn BID in the context of this report’s findings.”

Previous Recommendations #2: “DBS should either put the BID on probation during this evaluation, or take more immediate action terminating all contracts and the collection of member assessments.”

Previous DBS Response: “Attached please find our letter dated May 15 to the BID requiring that the BID must prepare a corrective action plan. We will be monitoring closely the progress of the BID in taking corrective steps. Before the BID contract expires on June 30, 2002, DBS will be preparing an evaluation of the BID’s performance, consistent with the City’s Procurement Policy Rules.”

Current Status of Recommendation #1: PARTIALLY IMPLEMENTED

According to the DBS representative responsible for overseeing the East Brooklyn BID, DBS did not perform a complete evaluation of the BID in the context of the previous report’s findings. However, the representative stated that DBS and BID officials did meet to review each recommendation of the previous audit and to discuss the courses of action BID officials will take to address each recommendation. DBS had no documentation of this meeting.

Current Status of Recommendation #2: NO LONGER APPLICABLE

DBS did not put the BID on probation or terminate all contracts and the collection of member assessments. According to the DBS representative, DBS decided not to put the BID on probation because BID officials agreed to implement our audit recommendations and because DBS is monitoring the BID through the submission of weekly activity reports. We confirmed that the BID is sending DBS weekly activity reports which list all the BID-related activities carried out during the week.

* * * * *

PREVIOUS FINDING:

“BID Lacks BID-Specific Program Services for the District”

The East Brooklyn BID was not in compliance with the requirements of its District Plan and its DBS contract regarding the provision of services to the properties within its district. Its assessments were not used to provide services specifically to its businesses. The BID turned over all its assessments to LDCENY to carry out LDCENY’s programs. These programs serviced the 300 businesses under LDCENY’s jurisdiction, including the 75 industries in the East Brooklyn BID area. BID assessments should be earmarked for benefits to its participants for sanitation, security, marketing, or district beautification.

Furthermore, the programs listed in the 1999 and 2000 East Brooklyn BID annual reports were not BID-specific programs. They were programs administered by LDCENY that were intended to serve the 300 businesses under its jurisdiction, including the 75 industries in the East Brooklyn BID area. By listing all LDCENY programs, some of which provided no services to East Brooklyn BID businesses, the report gave a misleading impression of the BID’s activities.

Previous Recommendations #3: “The East Brooklyn BID should ensure that assessment funds are spent only on East Brooklyn BID-specific programs.”

Previous BID Response: “The EBBID assessment will only be spent on East Brooklyn BID-specific programs.”

Current Status: IMPLEMENTED

According to the 2002 amended budget, the BID allocated \$50,447 and has spent \$9,947 for five BID-specific programs during our audit period (July 2001 through December 2001). Table II below shows the allocation and expenses for the five programs.

TABLE II

Budgeted and Actual Amounts for BID Programs
Fiscal Year 2002 Amended Budget

Program	Annual Budgeted Amount	Actual Amount Spent During Audit Period (July 2001 through December 2001)
Sanitation	\$35,321	\$5,205
Promotion and Advertisement	8,626	1,414
Landbank Database	2,500	2,400
Beautification	3,500	0
Community Development	500	0
Total	\$50,447	\$9,947

As of October 2001, the BID hired an outside contractor for its sanitation program who removes rubbish from the BID area on an as needed basis. The BID manager informs the contractor of rubbish to be removed and its location. After each pick-up, the contractor submits an invoice to the BID noting the area from which the rubbish was collected as well as its tonnage. From October through December 2001, the contractor removed rubbish from the BID area five times and was paid a total of \$3,000 for these services. Prior to hiring the outside sanitation contractor, the BID used its own sanitation crew (consisting of individuals under the supervision of the New York City Department of Probation) to clean the area. The BID purchased \$2,205 worth of sanitation supplies for this sanitation program. However, due to a lack of available supervisors from the Department of Probation, those plans were discontinued. The BID is storing these supplies for possible future use.

The BID also instituted a new promotion and advertisement program. From July 2001 through December 2001 it purchased promotional items such as caps, stickers, and brochures. In addition, the BID has created a database called the LandBank Database that enables it to keep track of information regarding BID businesses and property vacancies. Though the BID has also allocated funds for Beautification and for Community Development, it has not yet incurred any expenses for these two programs.

Previous Recommendation # 4: “The East Brooklyn BID should show evidence that East Brooklyn BID-specific programs actually benefited BID businesses.”

Previous BID Response: “The EBBID does recognize the need for documentation and our BID manager is providing reports on a weekly basis to DBS.”

Current Status: IMPLEMENTED

The BID provided us evidence of the BID-specific programs. We received invoices for the sanitation and database services as well as receipts for the purchase of promotional items. We also received copies of the weekly BID activity reports submitted to DBS. In addition, we contacted the businesses for which the BID reported providing services. We confirmed that the services were actually performed and that each business was in fact part of the East Brooklyn BID.

Previous Recommendation #5: “The East Brooklyn should ensure that the East Brooklyn BID’s annual reports reflect only services that impact BID businesses.

Previous BID Response: “Presently, the 2000-2001 annual report reflects only services that impact BID businesses.”

Current Status: IMPLEMENTED

The East Brooklyn BID’s 2001 annual report was issued shortly before or after our earlier audit was released (no issuance date was indicated), and we did not see it at that time. However, we did review it during this follow-up audit and found that contrary to what the BID stated in its earlier response, it did not reflect only BID-specific programs. However, at the exit conference, the BID officials provided us with a copy of a recently drafted annual report for Fiscal Year 2002. This report details three programs, all of which are BID-specific: Sanitation, Ombudsman and Promotion/Beautification.

* * * * *

PREVIOUS FINDING: “Program Service Expenditures not Documented”

There was no detailed information on what the Fiscal Year 1999 and Fiscal Year 2000 program funds were actually spent on, such as salaries for office personnel, or promotional or advertising supplies.

The Executive Director of the East Brooklyn BID, who is also the Executive Director of LDCENY, informed us that she did not track how LDCENY spends BID funds. When she received funds from the East Brooklyn BID, she transferred them into LDCENY’s general account and used the funds to pay for whatever was needed.

Due to the lack of expenditure documentation, we could not determine whether the funds the East Brooklyn BID paid to LDCENY were spent as intended, were only spent to support East Brooklyn BID businesses, or at a minimum, were spent to fund only programs that affected the East Brooklyn BID area.

Previous Recommendation #6: “The East Brooklyn BID should ensure that East Brooklyn BID program funds are spent as intended by requiring the LDCENY to submit periodic program and financial activity reports.”

Previous BID Response: “The LDCENY will continue to provide program and financial activity reports at Board meetings. Board meetings will be held more frequently, quarterly rather than bi-annually.” BID officials also stated: “The current BID manager submits weekly program reports and quarterly financial reports to DBS.”

Current Status IMPLEMENTED

From July 2001 through December 2001, LDCENY submitted two quarterly financial reports to the Board and 22 weekly activity reports to DBS. Furthermore, our interviews with six of the 13 BID Board members and our review of Board meeting minutes confirmed that financial activity and program status reports are presented at Board meetings.

* * * *

PREVIOUS FINDING: “Results of 1999 Survey of BID Participants not Used”

Except for the purchase of a street sweeper, the East Brooklyn BID did not take steps to modify its programs to meet the needs of BID participants based on the results of its 1999 BID participant survey.

East Brooklyn BID officials did not provide evidence of the work done to address issues raised by the survey. For instance, we saw no evidence of the research done regarding the lack of food and shopping amenities in the area or the block-by-block assessment of sanitation problems.

A summary of the East Brooklyn BID survey was presented at the June 21, 2000, annual Board meeting. However, the minutes of that meeting offered no details regarding the specifics of the discussion on the survey.

Nor did East Brooklyn BID officials appear to take the survey results into account when they planned funding for future programs. Since East Brooklyn BID businesses provide the funding through their assessments, these funds should be used for services that businesses feel are important to the enhancement of their district.

Previous Recommendations #7: “East Brooklyn BID should re-evaluate its programs to ensure they address the needs and concerns of the East Brooklyn BID’s businesses.”

Previous BID Response: “Since the new management took over in 1999, it has been our philosophy to link BID services directly to the needs and concerns of BID businesses.”

Current Status

PARTIALLY IMPLEMENTED

The East Brooklyn BID has re-evaluated its programs to address the needs and concerns expressed by BID businesses in response to the BID’s 1999 Survey. According to the survey, sanitation and illegal dumping were important to BID businesses. At the time of our previous audit, the BID did not have a sanitation program. Based on the survey response, the BID had purchased a street sweeper as part of a program to clean the BID area. However, since October 2001, the BID has instituted a new sanitation program and allocated \$35,321 for it. In addition, the BID is planning to place banners along the Sutter Avenue merchant strip as part of its beautification program. Although the BID has allocated \$3,500 for this program, it has not yet used any of those funds.

The BID Manager informed us that since June 2001, through the BID’s outreach program he has met with 36 BID businesses in an effort to understand their needs. The BID also has a customer service unit that contacts BID businesses in an effort to identify business concerns. However, when we contacted BID businesses, we found some were still dissatisfied with the services provided by the BID.

We attempted to survey 40 out of the 72 East Brooklyn BID business owners to determine their satisfaction with the BID programs and to obtain their overall views on BID operations. We were able to contact 17 individuals, of whom 11 said they were not aware of any BID programs. Eight of these 11 businesses have been in the area for more than a decade. Even the six respondents who said that they were aware of the BID programs did not know about the specifics of the ombudsman, sanitation, Landbank Database, or special events program. However, one of these six respondents, who has been in the area since 1995, stated that “LDC has helped me very much from the time I came to the area. I’ll never say a bad word about them.” In addition, another one of these six respondents said that he was satisfied with the current BID administration and felt that BID activities have improved.

Nine of the 17 respondents complained that the assessment amounts are not reasonable in comparison to the services provided by the BID. For example, one business owner wrote to us stating:

“The fact is that after the initial good work clearing the abandoned and crumbling buildings, fencing the lots off and putting up signs advertising the EAST BROOKLYN INDUSTRIAL PARK, the LDC has done almost NOTHING but take our money for NOTHING in return.” [Emphasis in original.]

Another business owner complained that although he has been in the BID area since 1985 and for the last 17 years has been trying to buy vacant land adjacent to his property, the BID has been of no help to him in securing the land. Yet another business owner complained that he does not understand why he pays the assessment when he receives nothing in return. When he took his complaint to the

the by-laws, vital BID decisions were made when a majority of the Board members were not present at meetings.

Although the Directors are not mandated to attend each Board meeting, they cannot fulfill their responsibilities if they do not attend meetings regularly. An active Board of Directors is needed to ensure that the East Brooklyn BID is functioning in accordance with its District Plan.

In addition, the East Brooklyn BID's Board of Directors did not institute the necessary policies and procedures to ensure that it is kept informed of the BID's activities on an ongoing basis. It had not established committees or implemented alternative procedures to monitor the day-to-day BID functions. The lack of monitoring policies and procedures resulted in the following actions, executed without Board approval: two loans (\$45,000 and \$16,000) made to LDCENY; a loan (\$32,000) to LDCENY converted to a grant, and \$20,808 worth of office equipment purchased and leased to LDCENY. Moreover, there was a lack of adherence to budget procedures and as a result, the BID overspent its Fiscal Year 2000 budget by approximately \$27,421.

Previous Recommendation # 9: “The East Brooklyn BID should ensure that it recruits Board members who are willing to become actively involved with the management of the BID.”

Previous BID Response: “We are actively recruiting a new Board of Directors and we are asking those Board members who are interested to become active by attending every meeting and joining committees or risk being removed.”

Current Status

PARTIALLY IMPLEMENTED

The BID has terminated the membership of three Board members who did not attend Board meetings regularly and has recruited two new members. However, although BID officials told us that they sent a letter to all BID businesses owners requesting that they consider becoming a member of the Board of Directors, 15 of the 17 BID businesses we spoke with did not recall receiving the letter.

Also, the BID is not adhering to its by-laws by failing to have a Class C member (BID building tenant) on its Board. According to § 4.1 of the by-laws, “In no event shall the number of directors elected from Class C be less than one.”

Previous Recommendation #10: “East Brooklyn BID should either follow the *Code of Professional Standards and Practices* and establish the appropriate committees, or establish its own policies and procedures for monitoring the BID's fiscal and program activities.”

Previous BID Response: The BID did not respond to this recommendation.

Current Status

IMPLEMENTED

The BID has established a membership and a finance committee to monitor its fiscal and operational activities. The first meeting of the membership committee was held on November 29, 2001, and the first meeting of the finance committee was held on December 14, 2001.

Previous Recommendation #11: “East Brooklyn BID should ensure that important decisions are discussed at Board meetings and documented in minutes. If a quorum is not present in the meeting or if decisions are taken without a meeting, written consent authorizing the action should be obtained from each and every director.”

Previous BID Response: “Important decisions are discussed, but we will do a better job in documenting decisions. If a quorum is not present in the meeting, we will seek written consent authorizing any actions and it will be obtained from each and every director.”

Current Status IMPLEMENTED

The BID now ensures that important decisions are discussed at Board meetings and documented in minutes. As previously mentioned, when the BID instituted four new programs for Fiscal Year 2002, they discussed the programs during the Board meetings held on April 5, 2001, and October 18, 2001. Furthermore, a quorum of Board members was present at the meetings held after our previous audit report was issued.

In September 2001, the BID gave LDCENY a loan of \$25,000. There were no meetings held to approve the loan. However, LDCENY obtained written consent for the loan from eight of the 13 BID Board members.

Previous Recommendation #12: “The East Brooklyn BID should have its Board of Directors discuss the decisions cited in this report. These discussions and any determinations made should be documented in the minutes to the meeting.”

Previous BID Response: The BID did not respond to this recommendation.

Current Status IMPLEMENTED

The BID discussed the recommendations of the previous audit report during their October 18, 2001 Board meeting. The discussions, as well as the steps required to address our recommendations, were documented in the minutes of the meeting.

* * * * *

PREVIOUS FINDING: “Inappropriate Accounting Fee Charges”

LDCENY is paid under its administrative agreement with the BID to perform record keeping and bookkeeping functions. Yet in Fiscal Year

2000, the East Brooklyn BID paid two LDCENY accountants \$8,778 for services that should have been covered under the administrative agreement.

Previous Recommendation #13: “The East Brooklyn BID should ensure that it does not pay any separate accounting fees to LDCENY, since these charges are covered under its administrative contract.”

Previous Agency Response: “The BID will not pay separate accounting fees to the LDCENY.”

Current Status

IMPLEMENTED

We reviewed the BID’s general ledger for our audit period and found that the BID paid no separate accounting fees to LDCENY.

* * * * *

PREVIOUS FINDING:

“Payments not in Compliance with Contract Terms”

According to the terms of its agreement, LDCENY should be paid \$8,750 quarterly for a total of \$35,000 for the year. However, there was no control over the timing of payments to LDCENY and, contrary to what the agreement required, LDCENY did not submit quarterly invoices to the East Brooklyn BID. For instance, by the end of the first quarter of Fiscal Year 1999, the East Brooklyn BID had paid \$22,700 to LDCENY, and by November 24, 1998, a total of \$34,700. The East Brooklyn BID paid a total of \$71,200 to LDCENY in Fiscal Year 1999.

According to East Brooklyn BID officials, the \$71,200 included two loans from the BID to LDCENY—\$3,500 and \$32,700. LDCENY repaid the \$3,500 loan, and the \$32,700 loan was subsequently converted to a grant.

LDCENY did not submit quarterly invoices to the East Brooklyn BID in Fiscal Year 2000. Yet, by the end of the second quarter of Fiscal Year 2000, the East Brooklyn BID had paid \$52,000 to LDCENY, excluding a \$16,000 loan.

This lack of control over when LDCENY’s administrative fees were paid and what the payments were for, caused concern about the accountability of the East Brooklyn BID’s funds.

Previous Recommendation #14: “The East Brooklyn BID should ensure that its Payments to the LDCENY are in accordance with their administrative agreement.”

Previous BID Response: “EBDMA will amend its By-laws to permit the LDCENY to do draw downs on a cash needed basis.”

Current Status NOT IMPLEMENTED

On July 1, 2001, the BID entered into a new administrative agreement with LDCENY. However, the new agreement does not address the required payment procedure to LDCENY. Accordingly, funds can be paid out to LDCENY at any time, rather than when an actual expense occurs.

At the exit conference, BID officials stated that not including payment terms in their new administrative agreement was an oversight. However, they stated that they paid LDCENY’s annual fee of \$100,000 on a quarterly basis.

For Fiscal Year 2002, LDCENY’s actual administrative and program expenses through December 2001 were \$30,721. By that time, the BID had paid LDCENY a total of \$53,550—\$50,000 in quarterly fees and \$3,550 for CPA audit fees. These fees represent \$22,829 more than LDCENY had expended on the BID’s behalf. The BID’s lack of control over payments to LDCENY therefore continues to cause concern about the BID’s accountability for its funds.

* * * * *

PREVIOUS FINDING “Incorrect Financial Information Reported in Annual Report.”

The financial information reported in the fiscal report section of the East Brooklyn BID’s *1999-2000 Annual Report* was incorrect. The report contained Board-approved budget modifications and expense and revenue data that were not supported by the BID’s financial and operating records.

The East Brooklyn BID’s annual report was a composite of the BID’s financial and operating activities during a given Fiscal Year. Interested parties, including the East Brooklyn BID’s Board of Directors, DBS, and BID members, use it to assess the BID’s activities. Therefore, it is important that the information included in the annual report is accurate.

Previous Recommendation #15: “East Brooklyn BID should ensure that the Board approves all Budget Modifications.”

Previous BID Response: The BID did not respond to this recommendation.

Current Status IMPLEMENTED

The Board discussed and approved a Budget Modification to decrease the estimated BID assessment revenue from \$72,000 to \$60,000 at the October 18, 2001, Board meeting. This discussion was documented in the Board meeting minutes. This was the only Budget Modification made during our audit scope period.

Previous Recommendation # 16: “East Brooklyn BID should ensure that its annual reports accurately reflect its financial records.”

Previous BID Response: The BID did not respond to this recommendation.

Current Status: NOT IMPLEMENTED

The BID’s 2001 annual report’s expense information was inconsistent with that of the BID’s audited financial statements. For example, the annual report reflects utility expenses of \$1,500 and audit expenses of \$1,500 for the period July 1, 2000, through April 30, 2001. However, the Fiscal Year 2001 financial statements do not contain these costs. Table III below shows the inconsistencies between the annual report and the financial statements.

Table III

Inconsistencies between
2001 Annual Report and 2001 Audited Financial Statements

Line Items	Amount Reflected as Actual in Annual Report (7/1/00–4/30/01)	Amount Reflected in Financial Statements (7/1/00–6/30/01)
Sanitation	\$3,000	
Consultants	4,000	
New Initiative		\$6,344
Business & Workforce Development		11,631
Economic Development		7,566
Salaries & Fringe Benefits	36,792	10,575
Telephone	2,500	2,421
Utilities	1,500	
Insurance	750	263
Audit/Legal	1,500	
Conference	750	
Depreciation		3,766
Accounting Fees		17,602
Occupancy		1,424

Although the annual report and the financial statements cover slightly different time periods, for some items, either higher costs are reported for the shorter time period (i.e., July 1, 2000, through April 30, 2001) or certain costs are reported on one report but not the other.

We brought these discrepancies to the attention of BID officials. They agreed with our finding and stated, “The numbers changed due to the audit of fiscal 2001 and an amended Annual Report needs to be issued.”

* * * * *

PREVIOUS FINDING

“Problems with Tax Returns”

The East Brooklyn BID did not report the correct financial information to the Internal Revenue Service in its Fiscal Year 2000 Organization Exempt Form Income Tax Return (Form 990) or to New York State in its Fiscal Year 2000 Annual Financial Report (Charitable Organization).

Also, the East Brooklyn BID did not file the required Supplementary Information (Schedule A) with the Form 990 in Fiscal Years 1999 and

2000. The discrepancies we noted between the Federal and State returns and the BID's financial records resulted in overstatements of the BID's Fund Balance for those Fiscal Years of \$67,145 and \$121,279 respectively.

Previous Recommendations #17: "East Brooklyn BID should revise the financial information on its 2000 Federal and State tax forms."

Previous BID Response: BID officials did not respond to this recommendation.

Current Status IMPLEMENTED

The BID revised the financial information on its 2000 Federal and State tax forms and filed amended tax returns.

* * * * *

Previous Recommendation #18: "East Brooklyn BID should ensure that the financial information it reports on its Federal and State tax forms are correct and consistent with its financial records."

Previous BID Response: "Tax forms will be prepared by the fiscal manager and reviewed by a CPA and or auditor."

Current Status: IMPLEMENTED

The information reported on the BID's Fiscal Year 2001 Federal and State tax forms was consistent with its financial records. The BID reported \$76,329 as total revenue and \$63,766 as total expense on its Fiscal Year 2001 Federal and State tax forms and in its financial records.

Previous Recommendation # 19: "East Brooklyn BID should ensure that it files the Schedule A (Organization Exempt Under § 501(c)(3) Supplementary Information)."

Previous BID Response: BID officials did not respond to this recommendation.

Current Status IMPLEMENTED

The BID filed the Schedule A (Organization Exempt Under § 501(c)(3) Supplementary Information) for its Fiscal Year 2000 amended tax returns as well as its Fiscal Year 2001 return.

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PREVIOUS FINDING

“Some Weaknesses in Internal Controls”

Our review of the East Brooklyn BID’s Fiscal Years 1999 and 2000 expenditures revealed that—except for payments made to LDCENY—in general, expenditures were adequately supported. However, there were the following weaknesses in the East Brooklyn BID’s control over its financial activities:

Lack of Segregation of Duties: The BID did not segregate the responsibilities over its cash receipt and cash disbursement functions. The Executive Director deposited checks received from DBS, approved disbursements, wrote, and signed checks. She also had custody of the checks. This lack of segregation of duties increased the potential for inefficiency, errors, and irregularities.

Financial Records not Maintained: The BID did not adhere to DBS’s or its own procedures for maintaining accurate and complete financial records. Although we eventually received most of the documentation we requested from the BID to support its Fiscal Years 1999 and 2000 financial transactions, we experienced substantial delay in receiving it. In some instances, the BID had to request copies of invoices from the vendors.

Lack of Controls Over Check-Writing Function: The BID’s former Executive Director signed two checks totaling \$2,750 after the current Executive Director had replaced him. One check was issued on February 15, 1999, for \$2,500 and the other on March 1, 1999, for \$250. The current Executive Director was appointed in January 1999. The President’s signature was the second signature on the checks. Although the \$2,500 check was issued for a legitimate BID auditing expense, the \$250 check was issued to pay LDCENY’s Brooklyn Chamber of Commerce membership dues. LDCENY membership dues should not be considered a BID expense.

Lack of Controls over the Recording of Transactions: For three of the 11 checks issued by the East Brooklyn BID in Fiscal Year 1999, the issue dates on checks did not agree with the posting dates in the BID’s check register and general ledger.

Moreover, the East Brooklyn BID did not update its general ledger to reflect a bank deposit. A \$778 deposit was made in the East Brooklyn BID’s bank account on August 3, 1999, but the transaction was not posted to the general ledger. As of June 30, 2000, the end of the Fiscal Year, this error had not been corrected.

Problems with Bank Account Reconciliations: BID officials did not always perform monthly bank account reconciliations as required by

DBS's guidelines. Also, the reconciliations were not always complete and accurate. As a result, financial errors can go unnoticed and uncorrected for extended periods.

Inconsistencies in Payment: There were inconsistencies in the dates in the engagement letter for a \$1,500 payment in Fiscal Year 1999 made to the East Brooklyn BID's prior CPA for a previous year's work. BID officials claimed that two checks for \$750 each were issued to the CPA on January 7, 1999, and January 27, 1999, for the audit of fiscal 1996 financial statements. Due to the inconsistencies in the letter, we could not be certain that the two payments made by the BID in January 1999 were actually for audit work performed in 1996.

Previous Recommendation # 20: "East Brooklyn BID should ensure that the responsibilities over the authorizing and processing of receipts and disbursements are adequately segregated."

Previous BID Response: "The Executive Director will first sign off on check requisitions prior to writing a check. The check requisition will serve as the source documentation for the recording of a disbursement."

Current Status

IMPLEMENTED

The BID now has adequate segregation of duties over the authorizing, processing, and recording of receipts and disbursements. Responsibilities for the cash receipt functions are now segregated among the BID employees. The BID's Executive Director receives the checks from DBS; the BID's bookkeeper endorses and deposits them. Responsibilities for the cash disbursement functions are also segregated among the BID employees. The BID's Executive Director approves invoices for disbursements, and the bookkeeper prepares the checks. The bookkeeper records all transactions, and the fiscal manager periodically reviews the bookkeeper's work.

Previous Recommendation # 21: "East Brooklyn BID should ensure that financial records are maintained on an ongoing basis."

Previous BID Response: "A filing system was already in place but will be more closely adhered to going forward."

Current Status

IMPLEMENTED

The BID's financial records are maintained on an ongoing basis. Whenever requested, the BID was able to provide us financial records, such as general ledger, canceled checks, audited financial statements, bank reconciliations, and bank statements within a reasonable period of time. In addition, the BID was able to provide us a complete set of back-up documentation for all receipts and disbursements.

Previous Recommendation # 22: "East Brooklyn BID should ensure that former employees do not have access to or be allowed to sign East Brooklyn BID checks."

Previous BID Response: “Former employees will not have access to East Brooklyn BID checks. In addition, the Executive Director of the BID will sign off authorizing the processing of transactions.”

Current Status IMPLEMENTED

The BID checks are in the custody of only the Fiscal Manager and the Bookkeeper. The bank signatory card authorizes the present BID President, Vice President, and Executive Director to sign checks. During the audit period, the BID issued five checks, and only the above mentioned authorized signatories signed these checks.

Previous Recommendation # 23: “East Brooklyn BID should ensure that transactions are recorded accurately and on a timely basis.

Previous BID Response: “Yes, we will insure that all checks are posted to the general ledger at the point of transaction.”

Current Status IMPLEMENTED

During our audit period, the BID issued five checks totaling \$78,550. Each of these five checks were posted accurately in the general ledger on the same day that they were issued.

Previous Recommendation # 24: “East Brooklyn BID should ensure that bank reconciliations are done on a consistent and accurate basis.

Previous BID Response: “All bank reconciliations will be completed by the 15th of the subsequent month and be included with the bank statements in the above mentioned filing procedures insuring review by the fiscal director.”

Current Status IMPLEMENTED

During our audit period, the BID performed five bank reconciliations by the 15th of the subsequent month and one by the 30th of the subsequent month. All of the reconciliations were included with the bank statements and were reviewed and initialed by the Executive Director.

Previous Recommendation # 25: “East Brooklyn BID should investigate payments made to former CPA for prior work.

Previous BID Response: BID officials did not respond to this recommendation.

Current Status IMPLEMENTED

According to BID officials, the former CPA had been engaged to perform two audits for Fiscal Years 1995 and 1996 for a fee of \$1,500 per audit. She was paid \$1,500 in May 1996 for the Fiscal

Year 1995 audit. The CPA also received two additional payments of \$750 each, in January 1999. According to the BID's Fiscal Manager, the two January 1999 payments were for the 1996 audit.

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PREVIOUS FINDING

“Non-Compliance with Not-for-Profit Accounting Procedures”

The East Brooklyn BID did not correctly classify its functional expenses in its financial statements. It also did not properly record its physical assets in its financial records.

The BID's 1999 financial statements reported a grant as its only program service expense. However, this grant was actually a loan given to LDCENY—not for BID purposes—that was forgiven. It should have been reported as a general cost.

In addition, the BID recorded the entire \$35,000 administrative fee it paid to LDCENY as an administrative expense. It did not record the \$20,000 of the fee earmarked for program services as program expenses. The functional classification of expenses provides information about the costs of services provided and how the organization used its support and revenues. Therefore, it is essential that expenses be appropriately categorized in the BID's accounting records and financial statements.

In addition, the BID did not record the five office equipment purchases totaling \$20,808 it made in calendar year 2000. Three of these purchases, totaling \$15,124, were made during Fiscal Year 2000 and should have been accounted for in the BID's Fiscal Year 2000 financial records and its federal Form 990. The BID accounted for only two of these three purchases in its Federal Form 990, and it did not account for the depreciation of these assets.

Previous Recommendations # 26: “The East Brooklyn BID should correctly classify its functional expenses in the financial statements.”

Previous BID Response: “The EBBID will correctly classify its functional expenses in the financial statements.”

Current Status

IMPLEMENTED

The East Brooklyn BID correctly classified its functional expenses in its Fiscal Year 2001 audited financial statements. These statements reported \$25,451 as program expenses and \$38,225 as management and general expenses.

Previous Recommendation # 27: “The East Brooklyn BID should properly record its physical assets in its financial records.

Previous BID Response: BID officials did not respond to this recommendation.

Current Status IMPLEMENTED

The BID properly records its physical assets in its financial records. During Fiscal Years 2000 and 2001, the BID purchased office equipment totaling \$21,153. According to BID officials, a five-year straight-line depreciation method is used to calculate depreciation. The BID reported accumulated depreciation of \$1,582 and \$5,348 respectively for the above-mentioned Fiscal Years in its audited financial statements.

Recommendations:

DBS has partially implemented one of the two recommendations the previous report made to it; the second recommendation to DBS is no longer applicable. Of the 25 recommendations the previous report made to the East Brooklyn BID, two have not been implemented and two have been partially implemented. To address the problems noted in this report, DBS and the East Brooklyn BID should implement the five recommendations that were not fully addressed. We believe that upon implementation of these recommendations, DBS and the East Brooklyn BID will have corrected the conditions cited in both the previous report and this follow-up report. The recommendations are repeated below, four of them somewhat revised in accordance with the findings of this report.

1. DBS should continuously monitor the East Brooklyn BID to ensure that it complies with all the recommendations of the previous audit report and this follow-up audit report.

DBS Response: DBS officials did not respond to this recommendation.

The East Brooklyn BID should:

2. Re-evaluate its programs to ensure that they address the needs and concerns of the East Brooklyn BID’s businesses.

East Brooklyn BID Response: “The BID. . . completed its most recent survey to determine the BID’s effectiveness, perceptions, and program needs as reported by its members. Most notably was the OVERALL RATING OF THE BID’S PERFORMANCE in which the BID received a **4.5 rating** (5 representing excellent). [Emphasis in original.] Our ‘Customer Service Desk’ makes daily contacts with its members. . . . The BID manager makes site visits within the BID on a weekly basis. . . . We also have sent out mass mailings to all BID businesses as well as conduct one to one meetings with owners to explain programs etc. The Comptroller’s Office should recognize our outreach and that it is a continuous endeavor.”

Auditor Comment: We acknowledged the BID’s outreach program and mentioned the “Customer Service Desk” and the BID manager’s outreach efforts in the body of the report. However, we did not receive a copy of the BID’s most recent survey and have been unable to

verify its results. Moreover, when we contacted BID businesses, some owners who have been in the area for more than a decade were nonetheless unaware of BID programs. Unlike other BIDs that cover hundreds of stores and businesses, the East Brooklyn BID has only 75 businesses in its area. With some effort, the BID could reach all its members and inform them of the services provided by the BID to the area.

3. Recruit Board members who are willing to become actively involved with the management of the BID and ensure that all required classes of members are represented on the Board.

East Brooklyn BID Response: “Considering that the BID is unique in that it is situated entirely in a Manufacturing Zoned area, a mere handful of Class C members (residential tenant) are available. We have however, been fortunate enough to attract a perspective Class C member and are proceeding with membership proceedings.”

Auditor Comment: At the time of our audit, the BID did not have the required Class C member on its Board, nor were we provided with documentation of Board membership proceedings for a class C member.

4. Amend its administrative agreement with LDCENY to include payment terms.

East Brooklyn BID Response: “We believe that the status is PARTIALLY IMPLEMENTED because the payments were made (and continue to be made) on a quarterly basis.”

Auditor Comment: Although BID officials told us at the exit conference that they are in the process of drafting an amended management agreement that includes quarterly terms for payments to LDCENY, they did not provide a copy of that agreement. Therefore, we were unable to verify the payment terms. In addition, by the end of December 2001, the BID paid a total of \$53,550—\$50,000 in quarterly fees and \$3,550 for CPA audit fees. These fees represent \$22,829 more than LDCENY had expended on the BID’s behalf. The BID’s lack of control over payments to LDCENY therefore continues to cause concern about the BID’s lack of accountability for its funds.

5. Ensure that its annual reports accurately reflect its financial records.

East Brooklyn BID Response: BID officials did not respond to this recommendation.

**EAST BROOKLYN DISTRICT MANAGEMENT
ASSOCIATION, INC.**

80 JAMAICA AVENUE

BROOKLYN, NEW YORK 11207

(718) 385-6700

May 29, 2002

Mr. Rodger Liwer
Assistant Comptroller for Audits
Office of the Comptroller
1 Centre Street, Rm 1100 north
New York, NY 10007

Dear Mr. Liwer

Attached is a final response to the Draft report that was submitted for our review. Please note that we are requesting that the current status of recommendations # 7, 9 and 14 be revisited and that our attached responses be incorporated into the final report.

Thank you for this opportunity and as you can see the East Brooklyn District Management Association (EBDMA) has undertaken many, if not all, of the Comptrollers previous recommendations. By incorporating these important recommendations the EDMA has become programmatically stronger and more accountable in our day-to-day dealings.

If you have any questions regarding the responses, please contact Eugene Moore EDMA manager at (718) 385-6700 ext 110.

Sincerely,



Sherry Roberts
Executive Director.

PREVIOUS RECOMMENDATION # 7

PARTIALLY IMPLEMENTED

At the exit interview, the Comptrollers Office was made aware that the BID had completed its most recent survey to determine the BID's effectiveness, perceptions, and program needs as reported by its members. The surveys 30% response rate contradicted the findings of the Comptrollers Office. Most notably was the **OVERALL RATING OF THE BID'S PERFORMANCE** in which the BID received a **4.5 rating** (5 representing excellent). Our "Customer Service Desk" makes daily contacts with its members in an effort to seek out member issues and problem resolution. The BID Manager makes site visits within the BID on a weekly basis to determine first hand problems and issues of concern. We also have sent out several mass mailings to all BID businesses as well as conduct one to one meetings with owners to explain programs etc. Reality is, some owners throw away mail, or maintain a perception that hold bias and will never change. The Comptrollers Office should recognize our outreach and that it is a continuous endeavor.

We also believe that the format concerning Current Status should be edited to balance the positive and negative responses from BID members. The draft report presented to us grouped positive responses with other information, where as the negative responses were highlighted and left to stand-alone. We believe this format will leave the reader with an unbalanced view of the BID's activities. Therefore, we request that this text be revised to accommodate a more balanced perception.

PREVIOUS RECOMMENDATION # 9

PARTIALLY IMPLEMENTED

Considering that the BID is unique in that it is situated entirely in a Manufacturing Zoned area, a mere handful of Class C members (residential tenant) are available. We have however, been fortunate enough to attract a perspective Class C member and are proceeding with membership proceedings.

PREVIOUS RECOMMENDATION # 14

NOT IMPLEMENTED

We believe that the status is **PARTIALLY IMPLEMENTED** because the payments were made (and continue to be made) on a quarterly basis.