AUDIT AT A GLANCE

NYC Ferry Operations

What questions did the audit look at?

- Did the New York City Economic Development Corporation (EDC) report all costs associated with the NYC Ferry system?
- Did EDC effectively manage contracting, oversight, vessel acquisition, and subsidy transparency for the ferry system?

Why does it matter for New Yorkers?

The NYC Ferry system is a transportation initiative intended to connect New York City's waterfront communities. Because the system offers low fares while heavily subsidized by taxpayers, it is essential that the full costs of providing the service are transparently reported, properly managed, and aligned with sound fiscal stewardship.

The audit found that EDC drastically underreported costs, meaning that the public subsidy was much higher than publicly disclosed. In Fiscal Year 2021, EDC reported the subsidy per rider as $8.59, but the audit found it was actually $12.88.

In total, EDC's audited financial statements recognized about $534 million in ferry-related expenditures between July 1, 2015 and December 31, 2021; however, the auditors determined the actual costs were at least $758 million, meaning that a whopping $224 million went unreported. The audit also found that EDC's financial decisions resulted in over $66 million in unnecessary expenditures and did not efficiently collect and reimburse landing fees to the ferry operator.

These gaps undermine the transparency of the NYC Ferry system and raise concerns about whether public resources are being used efficiently. When costs are hidden or understated, it diminishes public trust in how the City manages major infrastructure and transit investments, impeding informed decision-making about fare policy, expansion, and subsidy levels.

What changes did the agency commit to make following the audit?

- EDC agreed to issue new competitive Request for Proposals (RFP) for the operation of the ferry system.
- EDC agreed to provide enhanced financial reporting on its website, increasing transparency around ferry operations and costs.

AUDIT FINDINGS

- The New York City Economic Development Corporation (EDC) underreported operating costs of the NYC Ferry system by $224 million.
- EDC understated the per-rider taxpayer subsidy of the ferry system.
- EDC did not enforce contract terms and conditions or adequately oversee its ferry operator.
- EDC spent over $66 million on unnecessary expenditures.
- EDC did not ensure that payments made to the operator were accurate or justified.
- EDC did not ensure that the operator accurately tracked or reported ferry ridership or revenue.

	Audit Recommendations	Agency Response
1	Disclose all ferry related expenditures under the NYC Ferry and NYC Ferry Fleet, LLC in NYCEDC's audited financial statements, regardless of the funding source and the recipient of the funds.	PARTIALLY AGREED[1]
2	Calculate and report the dollar amount subsidized by the City per rider using the true total net operating losses of the ferry program.	PARTIALLY AGREED[2]
3	Expeditiously initiate an open competitive bidding process to procure and select a succeeding operator at the minimum reasonable cost. EDC should use this opportunity to reduce operating losses to the extent possible.	AGREED
4	Perform and document cost/benefit analyses to determine whether proposed changes to the ferry operation and the Agreement are cost effective and in the best interests of the City.	CURRENT PRACTICE
5	Revise Section 3.01(C) of the Agreement and to indicate what is paid for under the Fare Policy Fee. EDC should determine the true cost of implementing a discount program.	DISAGREED
6	Discontinue the process of collecting and reimbursing landing fees.	DISAGREED
7	Enforce the agreement terms to: • require the Operator to submit the documentation regarding general operating expenses and fuel costs for review related to the early activation; • ensure the Operator complies with the insurance requirements; • ensure the Operator complies with the ferry and shuttle bus trip summary reporting requirements; and • ensure the service requests to the Operator are properly authorized, documented, and reviewed prior to granting approval for payment.	PARTIALLY AGREED[3]

[1] EDC stated that, "NYCEDC will not change its audited financial statements but will provide alternative annual reporting to be made publicly available through NYCEDC's website which will include all costs paid to the operator, allocation of NYCEDC personnel, and landing maintenance costs. This enhanced reporting will be released annually following the issuance of NYCEDC's annual audited financial statements."

[2] EDC stated that, "NYCEDC will include non-Operator costs in the subsidy-per-rider calculation in new annual reporting discussed in Response 1, but will not include capital asset depreciation."

[3] EDC stated that, "NYCEDC will ensure the Operator complies with insurance requirements, trip summary reporting requirements, and service request approvals. NYCEDC will not revisit payments or documentation related to the Early Activation."

8	Recoup from the Operator: • the overpayment of $2,812,610 for the BNY Vessel; • the $3,059,528 in excessive VSH payments for 2019 and 2021; • the $4,301,579 in Fare Policy payments and preclude the Operator from charging any Fare Policy payments in the future; • the $1,205,400 in excessive Homeport payments; • the $87,680 in Shuttle Bus Component Fee that exceeded the cost of operating the shuttle bus service for October 2017, 2018, and 2019; • the overpayment of $12,400 for the 10% mark-up on vessel repair costs and for the DTFR pilot program costs that exceeded the itemized expenditure limits; and • a percentage of the $540,000 in Milestone payments where Milestones were not met.	**DISAGREED**
9	Conduct proper review of the Management Incentive Fee calculation and related data.	**CURRENT PRACTICE**
10	Consider replacing the current GPS device for more accurate tracking of arrival/departure times.	**DISAGREED**
11	Ensure the Operator: • establishes a protocol to confirm that the "On" and "Off" counts match and that the ferry and shuttle bus ridership is accurately reported; • properly accounts for gaps and missing ticket order numbers; and • conducts continuous reviews to ensure the accuracy and completeness of reported ticket revenue.	**AGREED**