

AUDIT REPORT



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

Audit Report on the Compliance of Brooklyn Baseball Company, L.L.C., With Its Lease Agreement November 1, 2004–October 31, 2006

FM07-095A

June 27, 2008



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

WILLIAM C. THOMPSON, JR.
COMPTROLLER

To the Citizens of the City of New York

Ladies and Gentlemen:

In accordance with the responsibilities of the Comptroller contained in Chapter 5, §93, of the New York City Charter, my office has audited the compliance of Brooklyn Baseball Company, L.L.C., with its lease agreement with the Department of Parks and Recreation.

Under the provisions of the agreement, Brooklyn Baseball is required to pay the City rent based on actual game attendance, team store rent, special event net income, advertising, and Surf Avenue retail area. We audit concessions such as this as a means of ensuring that private concerns under contract with the City comply with the terms of their agreements, properly report revenue, and pay all fees due the City.

The results of our audit, which are presented in this report, have been discussed with officials from Brooklyn Baseball and the Department of Parks and Recreation, and their comments have been considered in preparing this report. Their complete written responses are attached to this report.

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

Very truly yours,

A handwritten signature in cursive script that reads "William C. Thompson, Jr.".

William C. Thompson, Jr.

WCT/fh

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

**Audit Report on the Compliance of
Brooklyn Baseball Company, L.L.C.,
With Its Lease Agreement
November 1, 2004–October 31, 2006**

FM07-095A

AUDIT REPORT IN BRIEF

On June 1, 2001, Brooklyn Baseball Company, L.L.C. (BBC), owner of the Brooklyn Cyclones, and the New York City Department of Parks and Recreation (Parks) entered into a 20-year lease agreement. The lease, which is monitored by Parks, grants BBC the exclusive right to use KeySpan Park on Surf Avenue in Brooklyn. The lease requires that BBC pay rent to the City based on the following: actual game attendance, a per ticket fee for recreation area tickets issued, paid “no-shows,” team store rent, special event net income, advertising, and the Surf Avenue retail area. The lease agreement also requires that BBC deposit \$27,670 each year into a sinking fund that permits Parks to perform capital projects at the stadium.

This audit determined whether BBC paid the City the rent due in accordance with the lease agreement and complied with other provisions of the agreement. It also determined whether BBC implemented the recommendations made in our prior audit (*Audit Report on the Compliance of Brooklyn Baseball Company, L.L.C., (Brooklyn Cyclones) with Their Lease Agreement*, FM05-080A, issued January 27, 2006).

Audit Findings and Conclusions

For the audit period, November 1, 2004, through October 31, 2006, BBC maintained the required property and liability insurance that named the City as an additional insured party, contributed the required \$55,340 (\$27,670 each year) into a sinking fund, and it submitted the required reports on time. In addition, BBC paid the amount required for water and sewer charges, and reimbursed the City for electricity use.

However, during lease year 2006, BBC underreported actual attendance to Parks by 28,031, resulting in additional rent due of \$83,009. Since BBC did not properly calculate actual attendance, its calculation of rent related to no-shows and use of the recreation area were likewise incorrect. As a result, BBC owes the City an additional \$6,874 for underreported no-shows and \$7,849 for its underreported use of the recreation area. Consequently, BBC underpaid the City \$97,732.

In addition, BBC did not report \$67,786 of special event net income to Parks, as required by its lease agreement. For 2005, BBC reported special event net income of \$211,523. However, BBC's books and records indicated that actual special event net income totaled \$279,309 for 2005. As a result, BBC owes the City an additional \$20,336 in shared special event net income, which is attributed to several carry-over transactions from the prior year and additional expenses.

Through our communications with Parks and BBC, we confirmed that only one of the prior report's three recommendations was implemented: BBC implemented an electronic ticketing system whereby the use of the malfunctioning ballpark turnstiles as a means of counting ticket-holders was rendered obsolete.

Regarding the two remaining recommendations, BBC has yet to pay the remaining \$9,064 in additional fees for special events occurring in 2003 lease year and to comply with the recommendation to ensure that income and expenses are appropriately reported on the Statement Special Event Net Income submitted to Parks. At the conclusion of the prior audit, BBC attempted to provide documentation as a means of justifying the exclusion of the stated amount from the actual expenses for the event. However, the documentation provided was inadequate since expenses were based upon estimates of planned repairs and not upon verifiable receipts showing that the expenses were actually paid. Since the balance due of \$9,064 from additional fees is still outstanding, BBC owes the City an additional \$2,560 in late charges, for a total of \$11,624.

Audit Recommendations

To address these issues, we recommend that BBC:

- Pay the City \$129,692 in additional license fees and late charges.
- Include bleacher seat attendees in its calculation of actual attendance and accurately calculate, in accordance with the terms of the lease agreement, base rent, no-shows, and the amount due for the use of recreation area in determining the rent due the City.
- Provide Parks with a Season Summary Game Attendance Report so that Parks can verify the payment of base rent, no-shows, and use of recreation area.
- Ensure that income and expenses are appropriately reported on the Statement of Special Event Net Income submitted to Parks.

We recommend that Parks:

- Ensure that BBC pays the City \$129,692 in additional license fees and late charges.
- Request that BBC provides the Season Summary Game Attendance Report.
- Review the Season Summary Game Attendance Report to ensure that BBC continues to accurately calculate actual attendance, in accordance with the terms of the lease agreement, and pay the appropriate amount for base rent, no-shows, and use of recreation area.

INTRODUCTION

Background

On June 1, 2001, Brooklyn Baseball Company, L.L.C. (BBC), owner of the Brooklyn Cyclones, and the New York City Department of Parks and Recreation (Parks) entered into a 20-year lease agreement commencing on June 15, 2001. The lease, which is monitored by Parks, grants BBC the exclusive right to use KeySpan Park on Surf Avenue in Brooklyn. The lease agreement allows BBC to sell game tickets, operate a team store, sell advertising, provide food and souvenir concessions, operate or sublease retail space on Surf Avenue, and lease the stadium for special events (i.e., art, cultural, community, charity, civic, and amateur sporting events).¹ During the period covered by this audit, BBC subleased retail space on Surf Avenue to Peggy O’Neil and Coney Island Pizza (formerly Slices and Ices, Inc.).

BBC is required to annually pay the City, subject to certain attendance criteria, a base rent for actual game attendance, a per ticket fee for recreation area tickets issued and for paid “no-shows.”² In addition, BBC is required to pay a monthly rent for the team store (based on square footage of store) and certain percentages of revenues generated from special event net income, retail net profit, and advertising revenues.³ The lease agreement also requires that BBC deposit \$27,670 each year into a sinking fund that permits Parks to perform capital projects at the stadium; pay for stadium electricity; carry comprehensive property and liability insurance that names the City as an additional insured party; and pay for the stadium’s water and sewer use. Finally, the lease agreement requires that each lease year, BBC submit to Parks an Attendance Report, Statement of Special Event Net Income, Statement of Signage Revenue, and the Statement of Retail Net Profit.

Table I below summarizes the payment provisions of the lease agreement:

¹ The lease allows BBC to either operate stadium concessions itself or subcontract their operation. For the 2005 and 2006 lease years, Aramark, Inc., operated the concessions for BBC.

² A “no-show” is defined as a person who purchased a ticket but did not attend the game.

³ The amount due from the team store is payable for all calendar months of the agreement year other than June, July, August, and September.

Table I
Base Rent, Percentages of Revenues and Net Profit, and
Other Payment Requirements Required by the Lease Agreement

Game Attendance	Ranging from \$0 to \$510,000, based on actual annual paid attendance.*
No-Shows	\$0.42 for each patron who purchased a ticket but did not attend the game.
Recreation Area Tickets**	\$0.28 for each patron based on actual attendance.
Team Store Rent	1/12 of \$5 per square foot of the gross floor area for eight months, except June, July, August, and September, for which no rent is due.
Shared Special Event Net Income	30% of Special Event Net Income in excess of \$158,270.
Stadium Advertising (Signage)	50% of revenue from stadium advertising capped at \$276,695.
Surf Avenue Retail Rent	50% of the retail net profit (gross retail income less the amount of retail operating expenses), due within 30 days of the close of each quarter ending October 31, January 31, April 30, and July 31.
Capital Contribution	\$27,670 annually, paid into a sinking fund, due March 1 and October 31.
Electricity	100% of actual costs incurred for the stadium, as billed by Parks.

* § 3.01(a)(ii) of the first amendment of lease defines “actual attendance” for a particular year as the total number of ticket purchasers who actually attended the team home games (based on turnstile counts of ticket holders or from the electronic scanning of tickets), less complimentary tickets and recreation area tickets. Base rent of \$110,678 is payable when actual attendance exceeds 125,000 persons. Base rent increases in steps to a maximum of \$564,458 if actual attendance reaches more than 245,001 persons.

** Article I of the lease defines “recreation area tickets” as tickets for a particular team home game that did not authorize or entitle the holder to use a seat in the stadium during such team home game.

For the audit period—November 1, 2004, through October 1, 2006—BBC paid the City \$1,157,422 in rental fees, as shown in Table II on the next page.

Table II

Schedule of Reported Payments
November 1, 2004, through October 31, 2006

Type of Payment	Revenue November 1, 2004, through October 31, 2005	Revenue November 1, 2005, through October 31, 2006	Total Revenue November 1, 2004, through October 31, 2006
Base Rent	\$202,134	\$196,595	\$ 398,729
Shared Special Event Net Income	15,976	0	15,976
Signage Revenue	276,695	276,695	553,390
Sinking Fund	27,670	27,670	55,340
Surf Avenue Retail Area	<u>73,292</u>	<u>60,695</u>	<u>133,987</u>
Total Revenue	<u>\$595,767</u>	<u>\$561,655</u>	<u>\$1,157,422</u>

Objectives

Our audit objectives were to determine whether BBC:

- Paid the City the rent due in accordance with the lease agreement provisions and whether the payments were made on time,
- Submitted the reports required under the lease agreement, maintained the required insurance, reimbursed the City for electricity use, paid the City for water and sewer use, and made the required capital sinking fund contributions; and
- Implemented the recommendations made in our prior audit (*Audit Report on the Compliance of Brooklyn Baseball Company, L.L.C., (Brooklyn Cyclones) with Their Lease Agreement*, FM05-080A, issued January 27, 2006).

Scope and Methodology

This audit covered the period November 1, 2004, through October 31, 2006. To achieve our audit objectives, we reviewed and abstracted the relevant terms and conditions of the lease agreement. To ascertain whether BBC paid all rents due the City and paid them on time, we reviewed records on file at Parks, including the Parks Concessionaire Ledger and the BBC rent

statements submitted to Parks. We reviewed payments submitted to Parks and the date those payments were received, and compared them to the terms in the lease agreement, to determine the timeliness of those payments.

We evaluated BBC's internal controls over ticket and revenue collection and record-keeping and reporting functions. In that regard, we conducted interviews with BBC officials to obtain a general understanding of the controls in place that affected our audit objectives. In addition, we gained an understanding of the reporting of special events revenue and distribution of complimentary and "SRO" (Standing Room Only) tickets for games and documented our understanding through written memoranda.⁴

To determine whether BBC accurately calculated and reported the base rent component to the City, we reviewed the attendance report submitted to Parks as well as the final ticket and turnstile count reports as prepared by BBC's ticket office manager. To be reasonably assured that we could rely on the manual bleachers, complimentary and SRO ticket counts as presented on the daily ticket and turnstile count sheets, we judgmentally selected the games with the three highest bleacher, complimentary, and SRO attendees recorded for lease year 2005 and counted the ticket stubs for those particular seats.⁵ The games selected during the 2005 season were: June 21, June 25, July 23, August 29, and September 1.⁶ We counted the bleacher, complimentary and SRO ticket stubs for each game and compared our count to the total reported on BBC's daily ticket and turnstile count sheets. The results of our test, while not projectable to all bleacher, complimentary, and SRO tickets for the year, provided us with assurance that the daily ticket and turnstile count sheets were reliable.

For the 2005 agreement year, we also analyzed the turnstile opening and closing numbers for each gate and game and compared the turnstile count to the ticket stub count. To determine whether the totals submitted to Parks as actual attendance, no-show, and recreation area ticket totals were reported in accordance with the terms of the lease agreement, we recalculated the attendance using the turnstile counts for each game, after deducting the complimentary and SRO tickets.

In 2006, BBC implemented a new electronic ticketing system called PACIOLAN. To ascertain the system's reliability, we obtained and reviewed the scanner reports and Season Summary Attendance Report and compared the actual attendance reported to the attendance submitted to Parks. (Ticket stubs are no longer retained.) To determine whether BBC adequately reported the no-show count to Parks, we reviewed the final ticket and turnstile count sheets and recalculated the total no-shows for each game.

For the 2006 agreement year, to test the reliability of the output records that are used to calculate actual attendance for the 2006 season using the PACIOLAN ticketing system, we

⁴ "SRO," Standing Room Only tickets, are sold whenever a game is expected to be so well attended that all the seats are expected to be occupied, leaving only the flat surface of pavement for other attendees to stand on.

⁵ Bleachers are long rows of benches consisting of alternating steps and seats.

⁶ June 21, June 25, and July 23 had the highest number of bleacher seats. June 21, August 29, and September 1 had the highest number of complimentary seats.

judgmentally selected three games with the highest scanner counts for that period. The three games selected from the 2006 season were: June 20, July 6, and August 4. We traced the total net sales of each seating category from the Event Audit and Recap summary report, to the Barcode Report to check whether the total sales matched.⁷ From the Barcode Report, we then traced the report total (which represents total sales), the Used total (tickets scanned), and Unused total (no-show total) to the final daily scanner and turnstile count sheets as prepared by BBC staff to determine whether the totals matched. The results of our test, while not projectable to all tickets scanned during the year, provided us assurance that the records of the ticket scanner system could be relied upon.

To further test the reliability of the PACIOLAN ticketing system, we obtained PACIOLAN's "Report on Controls Placed in Operation and Tests of Operating Effectiveness For the Period January 1, 2006 to June 30, 2006" prepared by BDO Seidman, LLP, Accountants and Consultants. Since, this report provides an opinion on PACIOLAN's control environment but not on an individual client's (BBC) control environment (i.e., the effectiveness of controls), we conducted additional tests for 2006 to attest to the reliability of BBC's use of the PACIOLAN ticketing system. Specifically, we judgmentally selected June 20, 2006—the game with the highest scanner count for the 2006 season—and obtained a detailed Barcode Report. We calculated for each page of the report the total number of persons attending per seat category and total no-shows. We then summarized our results in an attempt to match our calculated totals to BBC's final daily scanner and turnstile count sheets of tickets scanned and not scanned.

We also recalculated the rent due from the team store to determine whether BBC accurately reported and paid the rent due the City.⁸

To determine whether BBC properly reported special event net income, we reviewed BBC's Statement of Special Event Net Income submitted to Parks, its general ledger, special events calendars, and contracts. We reviewed the documentation pertaining to 100 percent of special events held during the audit period. To determine whether BBC accurately reported its special events net income to Parks, we analyzed the revenues and expenses for each event to calculate the net income using each event contract and summary of revenues and expenses. We then compared the results to the net income as reported to Parks. To determine whether special event expenses were properly reported, we sampled all special events for the audit period that had total expenses exceeding \$7,500, which represented \$151,224 (approximately 79 percent) of the \$190,412 in total reported special event expenses. We traced the recorded expenditures to the invoices and to the corresponding expenditure account in the general ledger. To determine whether the special event expenses deducted from revenue were appropriate and were actually paid, we reviewed the supporting documentation for each expenditure (invoices, canceled checks, etc.). To ascertain whether revenue was received from special events labeled by BBC as "non-charged events" and canceled events, we conducted telephone confirmations with the particular organizers of those events.

⁷ A Barcode Report is a detailed printout, generated from the PACIOLAN ticketing system, listing all the unique ticket identification numbers for each used and unused ticket available for a specific event.

⁸ The team store is located in the stadium and sells merchandise, such as Cyclone apparel, souvenirs, and other team paraphernalia.

To determine whether BBC paid the required stadium-advertising fees to the City, we reviewed §7.05(b) of the lease agreement pertaining to signage revenue and compared the advertising revenue reported on BBC's Statements of Signage Revenue to the amounts recorded in the general ledger.

To determine whether BBC accurately reported its revenue and paid the appropriate amount due the City from its retail rental areas, we reviewed BBC's sublease agreements with its tenants and the statement of retail rent net income submitted to Parks. We also reviewed BBC tenant ledgers, recalculated the retail rent for each quarter using the amounts as stated in the sublease agreements, and compared our calculations to the amounts reported to Parks. To determine the appropriateness of the retail area expenses deducted within our scope period, we traced the recorded expenditures to the invoice and canceled check to verify that the expenses were actually paid.

To determine whether BBC maintained the proper insurance coverage and that the City was named as an additional insured party, we examined BBC's certificate of insurance. In addition, we contacted the insurance company to verify that BBC's policy is up-to-date. To determine whether water and sewer charges were paid, we reviewed billing records maintained by the Department of Environmental Protection. To determine whether BBC made the required sinking fund contributions, we reviewed the Parks table of payments for BBC's sinking fund. Finally, to determine whether BBC reimbursed Parks for electricity at the stadium, we reviewed billing statements and copies of canceled checks.

Lastly, we reviewed the implementation status of the recommendations made in our previous audit (FM05-080A) issued January 27, 2006.

This audit was conducted in accordance with generally accepted government auditing standards (GAGAS) and included tests of records and other auditing procedures considered necessary. This audit was performed in accordance with the audit responsibilities of the City Comptroller as set forth in Chapter 5, §93, of the New York City Charter.

Discussion of Audit Results

The matters covered in this report were discussed with BBC and Parks officials during and at the conclusion of this audit. A preliminary draft report was sent to BBC and Parks officials and discussed at an exit conference held on April 4, 2008. On April 18, 2008, we submitted a draft report to those officials with a request for comments. Written responses were received from BBC on May 8, 2008, and from Parks on May 2, 2008.

In their response, BBC officials stated that "the only remaining issue that is newly raised in this Audit Report arises from a last minute re-interpretation of a rent provision by the Comptroller that is inconsistent with the Lease, the City's acceptance of rent for years with the knowledge of BBC's interpretation of the Lease, and the Comptroller's own lack of objection in prior audits."

With respect to the reporting of Special Event Net Income, BBC officials stated, “BBC inadvertently underreported certain Special Event Net Income from the 2005 lease year. BBC will remit an additional \$20,336 to the City.”

Concerning the prior audit recommendations, BBC officials stated, “BBC still contends that no amounts raised by the prior audit report recommendations remain to be paid to the City, and moreover that no ‘late charge’ payment is due. In any event, BBC and the Parks Department are communicating regarding the above-referenced items in an effort to ascertain whether there is a dispute regarding any of these items and, if so, resolve that dispute to the mutual satisfaction of the parties of the Lease.”

In their response, Park officials stated that they will issue a Notice To Cure to BBC upon receipt of the BBC response to the report. Parks also advised us that it will require BBC to pay the City \$20,336 for underreported special event net income; direct its General Counsel to negotiate with BBC officials to resolve outstanding matters from the previous audit report; and refer to the City’s Law Department the question of how bleacher seat attendees should be treated when calculating actual attendance.

The specific issues raised by BBC and our rebuttals are included in the body of this report. The full texts of the responses from BBC and Parks are included as addenda to this report.

FINDINGS

For the audit period, November 1, 2004, through October 31, 2006, BBC maintained the required property and liability insurance that named the City as an additional insured party, contributed the required \$55,340 (\$27,670 each year) into a sinking fund, and it submitted the required reports on time. In addition, BBC paid the amount required for water and sewer charges, and reimbursed the City for electricity use.

However, during lease year 2006 BBC underreported actual attendance, the number of no-shows, the amount it paid for use of the recreation area, and special event net income, consequently, underpaying the City \$118,068. Also, BBC did not submit the balance owed for payment due the City as recommended in the prior audit report. As a result, BBC owes the City an additional \$11,624 (\$9,064 from the prior report, plus \$2,560 in late fees). Table III below, provides a breakdown of the \$129,692 in additional fees and late charges owed the City. These issues are discussed in the following sections of this report.

Table III

Schedule of Additional Fees Due

Underreported Attendance	\$83,009
Underpayment for No-Shows	6,874
Underpayment for Use of Recreation Area	7,849
Total Base Rent Due	\$97,732
Underreported Special Event Income	20,336
Amount of Fees Due Based on Lease Year 2006	\$118,068
Prior Report Exception	\$9,064
Late Charge Due for Non-Payment of Prior Report Exception	2,560
Total Additional Fees Due	\$129,692

**Underreporting of Actual Attendance Results in
Incorrect Calculations of Rent Due the City**

BBC underreported actual attendance to Parks for lease year 2006 by 28,031; thus BBC did not correctly calculate base rent, no-shows, and the amount due for use of the recreation area in accordance with its lease.⁹ Consequently, BBC underpaid the City \$97,732.

During lease year 2006, BBC reported to the City that its actual attendance was 133,530; however, our review of BBC's season attendance summary attendance report found that actual attendance was 161,561, a difference of 28,031. Our review of the report found that BBC inappropriately deducted bleacher seats from its calculation of actual attendance, thereby reducing the reported actual attendance for lease year 2006.

⁹ BBC's 2006 Attendance Report includes bleacher tickets and SRO tickets in its calculation of the number of recreation area tickets.

Article 3, §3.01(a)(ii) of the first amendment of lease defines “actual attendance” for a particular year as the total number of ticket purchasers who actually attended the team home games less complimentary tickets and recreation area tickets. The lease, under Article I, further defines recreation area tickets as tickets for a particular team home game that did not authorize or entitle the holder thereof to use a seat in the stadium during such team home game. To correctly calculate base rent to the City, BBC should not have excluded ticket holders of bleacher seats from its calculation of actual attendance. Instead, BBC should have included bleacher seats when calculating base rent in accordance with the methodology stated in the agreement.

Since BBC did not properly calculate rent due the City, we recalculated actual attendance for lease year 2006 by following the methodology in the agreement and using the figures reported in BBC’s season summary attendance report, as shown in Table IV following.

Table IV

Schedule of Actual Attendance and Additional Fees Due
November 1, 2005 through October 31, 2006

	Auditor Calculation	BBC Calculation
Total No. of Ticket Holders	292,220	292,220
Less Holders of Complimentary (Comp) Tickets	(25,221)	(25,221)
Total Tickets Purchased	266,999	266,999
Total Attendees Based on Scanner Counts	177,491	177,491
Less Complimentary Attendees	(11,710)	(11,710)
Less SRO Attendees	(4,220)	(4,220)
Less Bleacher Attendees	0	27,820
Actual Attendance	161,561	133,741*
Based upon actual attendance reported the amount of base rent due as per agreement	\$193,687	\$110,678
Less amount paid by BBC	<u>\$110,678</u>	
Additional rent due	\$83,009	

*Although BBC’s 2006 Attendance Report indicated that actual attendance was 133,530, the difference of 211 attendees between the reported amount and the auditor’s calculation was due to some minor posting errors. This difference is immaterial in relation to number of attendees.

Since BBC did not properly calculate actual attendance, its calculation of rent related to no-shows and use of the recreation area were likewise incorrect.

Underpayment for No-Shows

Our review of the 2006 Attendance Report found that BBC underreported the number of no-shows by 16,367, resulting in additional rent due the City of \$6,874 (16,367 * \$0.42 for each ticket purchased but not used because the patron did not attend—see Table I). BBC reported 89,071 in no-shows to the City; however, our calculation found that there were actually 105,438 no-shows. Article 3, §3.01(a)(ii), of the agreement states, “‘Actual Attendance’ shall not include (X) persons who purchased tickets for but did not attend Team Games (the number of such persons being hereinafter referred to as the ‘No-Show Count’).” As a result, BBC owes the City \$6,874 in no-shows for the 2006 season, as shown in Table V below.

Table V

Schedule of No-Show Calculations and Additional Fees Due
November 1, 2005, through October 31, 2006

Total Tickets Sold (excluding Complimentary)	266,999
Actual Attendance (audit calculation)	<u>161,561</u>
Total Number of No-Shows	105,438
BBC Reported Number of No-Shows	<u>89,071</u>
Difference in No-Shows	16,367
Total Additional Amount Due for No-Shows (16,367 x \$0.42)	\$6,874

Underpayment for Use of Recreation Area

Our review of the 2006 Attendance Report found that BBC underpaid the City \$7,849 for its use of the recreation area. Article 3, §3.01(d), of the agreement states that for each lease year, base rent payable in respect of the recreation area shall be the product of (X) \$0.28 and (Y) the actual attendance during the applicable lease year. During 2006, BBC paid the City \$37,388 (actual attendance of 133,530 x \$0.28) for its use of the recreation area; however, our review of the 2006 Attendance Report found that BBC should have paid \$45,237 (actual attendance of 161,561 x \$0.28) a difference of \$7,849, as shown in Table VI below

Table VI

Schedule of Additional Fees Due for Use of Recreation Area
November 1, 2005, through October 31, 2006

Actual Attendance by Audit Calculation	161,561
Actual Attendance on BBC's 2006 Attendance Report	<u>133,530</u>
Number Underreported	28,031
Cost Per Attendee	<u>\$0.28</u>
Additional Rent Due	\$7,849

BBC Response: “The Comptroller now contends that tickets for the bleachers in the ‘Recreation Area’ should have been included in the calculation of ‘Actual Attendance’ in 2006. This is a plainly incorrect reading of the Lease, and the Audit Report should be revised so as to not include this error or the related draft findings and recommendations.

“Section 3.01(a)(ii) of the lease *excludes* ‘Recreation Area Tickets’ from the calculation of ‘Actual Attendance’ in computing Base rent. [Emphasis in original.] The tickets at issue are for the bleachers in the Recreation Public Area at KeySpan Park (see Lease Exhibit C, entitled ‘Recreation Area and Surf Area Retail Area’), and thus are properly excluded from Actual Attendance. Instead, Section 3.01(d) of the lease provides what ‘the Base Rent payable in respect of the Recreation Public Area shall be’ – 25 cents (adjusted from time to time per the Lease) multiplied by the Actual Attendance (which excludes Recreation Area Tickets, among other things). Section 3.01(d) was intended by the parties to set forth the only payment due with respect to the Recreation Public Area. At the time the provision was negotiated, the decision as to what might be built in the Recreation Public Area was not yet finalized, but the parties anticipated that, whatever would be built there, a ticket to that area would be less valuable than a ticket to a seat in the ballpark seating bowl. Accordingly, rather than treat a Recreation Area ticket as equal in value to a ticket for a seat in the bowl and likewise include it in Actual Attendance, the parties negotiated a compromise that excludes Recreation Area Tickets from Actual Attendance in Section 3.01(a), and instead uses Section 3.01(d), which is based solely upon attendance by patrons who paid for tickets to seats in the bowl, to determine the rent for the Recreation Public Area. If bleacher tickets were (erroneously) included in Actual Attendance, then ‘the Base Rent payable in respect of the Recreation Public Area’ would – contrary to Section 3.01(d) – also include amounts under Sections 3.01(a) and (b) (each of which is inflated if Actual Attendance is inflated), as well as increase the payment under Section 3.01(d), thereby effectively triple-counting tickets in the Recreation Area, contrary to the expressed intent of the parties.

“The City/Parks Department has known for years that BBC excludes tickets from Actual Attendance, and when BBC’s records were examined during prior audits, those records reflected that exclusion. Appropriately, prior reports never suggested that bleacher tickets should have been included in Actual Attendance, and nothing material has changed. . . . Tickets to the bleachers in the Recreation Public Area should not be included in the calculation of Actual Attendance.”

Auditor Comment: The inclusion of tickets for the bleachers in the recreation area in the calculation of actual attendance is based upon a correct reading of the lease. BBC’s response conveniently ignores the fact that it significantly altered stadium and recreation area seating that resulted in financial benefits to itself and no corresponding benefits to the City. A review of some history is in order.

At the time the stadium was constructed, the stadium area included the seating bowl area up to the outfield fences, and included bucket seats (seats with arms) and bleacher seats (bench seats). The stadium also had a grassy area (berm) just behind the right field wall

in the recreation area. In addition, the recreation area included an amateur ball field, a playground, and space for future expansion of a retail area.

According to the lease, recreation area tickets are low-priced tickets for team home games that do not authorize or entitle the attendees to use any seat in the stadium. Recreation area attendees would be allowed to sit or lie on the grassy berm and watch the ball game from the recreation area. In addition, all stadium attendees were to have access to the recreation area, be allowed to use the amateur ball field, playground, and retail area. In return, BBC would pay the City 25 cents for each person who attended a home game, regardless of whether they used the recreation area or not.

Prior to the start of the 2001 inaugural season, pre-season ticket sales exceeded attendance expectations. To accommodate the increase in ticket sales, BBC extended bleacher seating into the berm area for the first time, thus eliminating the opportunity for recreation area ticket holders to use the berm area as intended. By adding bleacher seats to the recreation area, BBC modified the intended use of the recreation area, and from this point on, BBC should have adjusted its calculation of actual attendance accordingly by including all recreation area ticket holders entitled to use a bleacher seat in that area.

Section 3.01(a)(ii) of the lease states that in calculating payment to the City, actual attendance is based on the total number of ticket holders who actually attended team home games, other than complimentary tickets holders and recreation area tickets holders. At the time the provision was negotiated, recreation area ticket holders were not entitled to a seat of any kind and would not be included in the count of actual attendance. However, once BBC added bleacher seating to the recreation area, the calculation of actual attendance should have altered since bleacher seats were provided to recreation area attendees. (Likewise, recreation ticket holders forever lost the low-cost opportunity to sit on the grass in the berm area and view the game.)

BBC implicitly recognized this position. In operating year 2001, BBC paid the City base rent based on actual attendance that *included* bleacher seat attendance in the recreation area. Subsequently, to determine base rent for 2001, BBC reversed itself and took an unapproved credit against future rental payments for the value of bleacher seat attendance that it had included in its calculation of actual attendance. In a letter to BBC, Parks officials protested BBC's new interpretation of the lease agreement and its decision to take a credit against future rental payments.

Moreover, since attendance continued to remain high, BBC decided in January 2004, without a modification to the lease but with Parks's approval, to remove from the stadium area all seven sections of bleacher seating totaling 2,272 seats from the stadium and replaced them with 2,160 higher-priced bucket seats. It is clear that BBC had full intentions of increasing ticket revenue for its own financial gain and no intentions of fairly compensating the City, since actual attendance (the determining factor in calculating payment to the City) is based on the number of attendees.

Clearly, BBC circumvented the lease's original intent concerning how actual attendance should be calculated and the methodology to be used in calculating base rent payment to the City. We maintain that it is reasonable, fair, and in accordance with the lease, that BBC fairly compensate the City for bleacher seats, wherever they may be situated, and include tickets for those seats in its calculation of actual attendance and base rent.

Further, prior audit reports did not include attendance from bleacher tickets in actual attendance because auditors concluded that there were problems with the accuracy of the turnstile counts used to report all actual attendance to Parks. For this reason, the auditors for both prior audits (issued June 27, 2003, and January 27, 2006, respectively), could not determine whether BBC paid the correct base rent to the City.

After those audits were completed, BBC installed electronic ticket scanners to account for actual attendance. The electronic ticket scanners enabled us to finally verify the reliability of the data BBC used in calculation of actual attendance and to determine whether BBC paid the correct base rent to the City.

Underreported Special Event Net Income

BBC did not report \$67,786 of special event net income to Parks, as required by Article 4, §4.05, of the lease agreement. For 2005, BBC reported special event net income of \$211,523. However, BBC's books and records indicated that actual special event net income totaled \$279,309 for 2005. After reviewing and analyzing total special event revenues and expenses for 2005, we met with BBC officials to reconcile the differences between the total net income as submitted to Parks and the total net income as calculated by us. According to BBC officials, the differences noted were attributed to several carry-over transactions and additional expenses.¹⁰ Nonetheless, BBC owes the City an additional \$20,336 in shared special event net income, as shown in Table VII, on the next page.

¹⁰ Carry-over transactions may occur when either: a) BBC receives income subsequent to the lease year in which the event occurred, or b) BBC paid certain event expenses subsequent to the lease year in which the event occurred.

Table VII

Calculation of Additional Shared Special Events Net Income
November 1, 2004, to October 31, 2005

Description	Submitted to Parks By BBC	Auditor's Calculation
Special Event Revenue	\$401,935	\$528,362
Plus Revenue Carried-over from 2004 Event		7,000
(Less) Revenue Carried- over to 2006 from Event in 2005		(68,339)
Total Special Event Revenue for 2005	\$401,935	\$467,023
Special Event Expenses	190,412	150,050
Plus 2005 Additional Expenses		16,864
Plus Expenses Carried-over from 2004 Event		20,800
Total Special Event Expenses for 2005	\$190,412	\$187,714
Special Event Net Income	211,523	279,309
*Less Deductible Threshold	(158,270)	(158,270)
Shared Special Event Net Income (underreported Shared Special Event Net Income — \$67,786)	53,253	121,039
City Share (30% of Net Income)	\$15,976	\$36,312
Additional Fees Due City from Shared Special Event Net Income		\$20,336

* Deductible threshold amount effective November 1, 2004, is allowed, as stated in §4.05(c)(i) of BBC lease agreement with the City.

Prior Audit Recommendations

Through our communications with Parks and BBC, we confirmed that only one of the prior report's three recommendations was implemented: BBC implemented an electronic ticketing system whereby the use of the malfunctioning ballpark turnstiles as a means of counting ticket-holders was rendered obsolete.¹¹

Regarding the two remaining recommendations, BBC has yet to pay the remaining \$9,064 in additional fees for special events occurring in 2003 lease year and to comply with the recommendation to ensure that income and expenses are appropriately reported on the Statement Special Event Net Income submitted to Parks. At the conclusion of the prior audit, BBC continued to dispute the outstanding \$9,064 due from special events. BBC officials provided documentation as a means of justifying the exclusion of the stated amount from the actual expenses for the event. However, Article 4, §4.05 (c)(iv), of the lease agreements defines special

¹¹ On June 1, 2006, Parks amended BBC's agreement to require BBC to report actual attendance based on the newly implemented electronic ticket scanning system.

event expenses as “all costs and expenses actually paid by Licensee demonstrably in respect of (1) the operation, maintenance and/or repair of the Event Area for the Special Event, and (2) the advertising, promotion, production and development of the Special Event.” Therefore, the documentation provided was inadequate since expenses were based upon estimates of planned repairs and not upon verifiable receipts showing that the expenses were actually paid.

Moreover, §32.03 of the agreement states,

“Should any audit performed by or on behalf of Licensor pursuant to Section 32.02(a) disclose that any payment of Base Charges, Proceeds Payments or the revenue from any Licensor Event was understated, . . . any underpayments made by Licensee shall be paid to Licensor, . . . within forty-five (45) days after Licensee has received notice of such underpayment . . . together with interest thereon from the date due at the Late Charge Rate.” (Emphasis in original.)

In addition, Article 13 of the agreement states,

“If (a) any payment of Charges, or any other payment due hereunder, is not received by the party entitled to such payment on the day on which it first becomes due after notice to the party making the payment, or (b) a party has made a payment required to be made by the other party hereunder, then a late charge on the sums so overdue or paid by the paying party, calculated at the rate of one percent (1%) per month.”

Since the balance due of \$9,064 from additional fees is still outstanding, BBC owes the City an additional \$2,560 in late charges, for a total of \$11,624. (See Appendix for details.)

RECOMMENDATIONS

We recommend that BBC:

1. Pay the City \$129,692 in additional license fees and late charges.
2. Include bleacher seat attendees in its calculation of actual attendance and accurately calculate, in accordance with the terms of the lease agreement, base rent, no-shows, and the amount due for the use of recreation area in determining the rent due the City.

BBC Response: BBC officials stated that BBC has accurately reported and paid its base rent; disputes the audit report's contention that BBC underreported or underpaid any element of base rent in 2006; will remit an additional \$20,336 to the City as shared special event net income for 2005; still contends that no amounts assessed by prior audit report recommendations remain to be paid to the City; and maintains that no late charge payment is due.

Auditor Comment: We are pleased that BBC acknowledges that it underreported certain special event net income and agreed to remit a check to the City for \$20,336. However, we do not agree that BBC accurately reported and paid its base rent for 2006. As previously mentioned, the lease clearly states that a recreation area ticket is a ticket "for a particular team home game that *did not authorize or entitle the holder to the use a seat in the stadium* during such team home game." (Emphasis added.) Since BBC decided in January 2004 to remove all the bleacher seats from the stadium area and to put them in the recreation area, that area now contains the only bleacher seating in the stadium. The obvious conclusion is that a bleacher ticket allows the ticket holder use of a *seat* in the bleacher section of the stadium, which is now in the recreation area. Hence, BBC should not have excluded ticket holders of bleacher seats from its calculation of actual attendance. Instead, BBC should have included bleacher seats when calculating base rent in accordance with the methodology stated in the lease agreement.

Therefore, we recommend that BBC reconsider its position and act in good faith. It should fairly compensate the City for bleacher seats, wherever they may be situated, and include tickets for those seats in its calculation of actual attendance and base rent.

In their response, BBC officials also attempt to nullify their obligation to pay the City \$9,064 in additional fees for special events occurring in 2003 lease year. Contrary to BBC's contention, adequate documentation has not yet been provided that would indicate that BBC fully disbursed the security deposit to make repairs necessitated by the promoter of a 2003 concert. We also question the validity of some of the documents, as our review revealed that many of the recorded expenditures occurred several months after the event took place. We, therefore, recommend that Parks require BBC to pay the full audit assessment of \$129,692 in additional license fees late charges

3. Provide Parks with a Season Summary Game Attendance Report so that Parks can verify the payment of base rent, no-shows, and use of recreation area.

BBC Response: “BBC provided the Comptroller’s auditors its 2006 Season Summary Game Attendance Report and will gladly provide it to the Parks Department upon request.”

4. Ensure that income and expenses are appropriately reported on the Statement of Special Event Net Income submitted to Parks.

BBC Response: “BBC will appropriately report Special Event income and expenses.”

We recommend that Parks:

5. Ensure that BBC pays the City \$129,692 in additional license fees and late charges.
6. Request that BBC provides the Season Summary Game Attendance Report.
7. Review the Season Summary Game Attendance Report to ensure that BBC continues to accurately calculate actual attendance, in accordance with the terms of the lease agreement, and pay the appropriate amount for base rent, no-shows, and use of recreation area.

Parks Response: “[We will] require BBC to pay the City \$20,336 for underreported special event net income. We will address Recommendations 5, 6 and 7 by issuing a Notice To Cure to BBC.”

Brooklyn Baseball Company, LLC
Schedule of Late Charges

Date Due	Amount Due	1% Percent Late Charge	Accumulated Balance Due
3/13/2006	\$ 9,064.00	90.64	\$ 9,154.64
4/13/2006	9,154.64	91.55	9,246.19
5/13/2006	9,246.19	92.46	9,338.65
6/13/2006	9,338.65	93.39	9,432.03
7/13/2006	9,432.03	94.32	9,526.36
8/13/2006	9,526.36	95.26	9,621.62
9/13/2006	9,621.62	96.22	9,717.83
10/13/2006	9,717.83	97.18	9,815.01
11/13/2006	9,815.01	98.15	9,913.16
12/13/2006	9,913.16	99.13	10,012.29
1/13/2007	10,012.29	100.12	10,112.42
2/13/2007	10,112.42	101.12	10,213.54
3/13/2007	10,213.54	102.14	10,315.68
4/13/2007	10,315.68	103.16	10,418.83
5/13/2007	10,418.83	104.19	10,523.02
6/13/2007	10,523.02	105.23	10,628.25
7/13/2007	10,628.25	106.28	10,734.54
8/13/2007	10,734.54	107.35	10,841.88
9/13/2007	10,841.88	108.42	10,950.30
10/13/2007	10,950.30	109.50	11,059.80
11/13/2007	11,059.80	110.60	11,170.40
12/13/2007	11,170.40	111.70	11,282.10
1/13/2008	11,282.10	112.82	11,394.93
2/13/2008	11,394.93	113.95	11,508.87
3/13/2008	11,508.87	115.09	11,623.96
Late Charges Due the City:	\$	2,559.96	



Brooklyn Cyclones Baseball Club

Class A Affiliate of the New York Mets

May 8, 2008

VIA OVERNIGHT MAIL

John Graham
Deputy Comptroller – Audits, Accountancy & Contracts
The City of New York
Office of the Comptroller
1 Centre Street
New York, NY 10007-2341

Re: Audit Report for Brooklyn Baseball Company, L.L.C. ("BBC")

Dear Mr. Graham:

I am writing in response to your letter of April 18, 2008, soliciting our comments to the draft report of the Comptroller's Office ("Comptroller") in connection with the draft Audit Report on the Compliance of Brooklyn Baseball Company, L.L.C. ("BBC") with Its Lease Agreement¹ November 1, 2004-October 31, 2006, FM07-095A (the "Audit Report").

We note that the only remaining issue that is newly raised in this Audit Report arises from a last minute re-interpretation of a rent provision by the Comptroller that is inconsistent with the Lease, the City's acceptance of rent for years with knowledge of BBC's interpretation of the Lease, and the Comptroller's own lack of objection in prior audits. The following summarizes our position with respect to the outstanding issues.

Reporting of Actual Attendance

The Comptroller's second "preliminary draft" of its Audit Report, dated March 3, 2008, raises a re-interpretation of the Lease that was not raised in the first preliminary draft or in any prior audit report. The Comptroller now contends that tickets for the bleachers in the "Recreation Area" should have been included in the calculation of "Actual Attendance" in 2006. This is a plainly incorrect reading of the Lease, and the Audit Report should be revised so as to not include this error or the related draft findings and recommendations.

Section 3.01(a)(ii) of the Lease *excludes* "Recreation Area Tickets" from the calculation of "Actual Attendance" in computing Base Rent. The tickets at issue are for the bleachers in the Recreation Public Area at KeySpan Park (see Lease Exhibit C, entitled "Recreation Area and Surf Avenue Retail Area"), and thus are properly excluded from Actual Attendance. Instead, Section 3.01(d) of the Lease provides what "the Base Rent payable in respect of the Recreation Public

¹ "Lease" as used herein refers to the Stadium Lease between the City of New York, acting by and through its Department of Parks and Recreation, and BBC, dated as of June 1, 2001. The Lease is for KeySpan Park in Coney Island.



Area shall be” – 25 cents (adjusted from time to time per the Lease) multiplied by the Actual Attendance (which excludes Recreation Area Tickets, among other things). Section 3.01(d) was intended by the parties to set forth the *only* payment due with respect to the Recreation Public Area. At the time the provision was negotiated, the decision as to what might be built in the Recreation Public Area was not yet finalized, but the parties anticipated that, whatever would be built there, a ticket to that area would be less valuable than a ticket to a seat in the ballpark seating bowl.² Accordingly, rather than treat a Recreation Area ticket as equal in value to a ticket for a seat in the bowl and likewise include it in Actual Attendance, the parties negotiated a compromise that excludes Recreation Area Tickets from Actual Attendance in Section 3.01(a), and instead uses Section 3.01(d), which is based solely upon attendance by patrons who paid for tickets to seats in the bowl, to determine the rent for the Recreation Public Area. If bleacher tickets were (erroneously) included in Actual Attendance, then “the Base Rent payable in respect of the Recreation Public Area” would – contrary to Section 3.01(d) – also include amounts under Sections 3.01(a) and (b) (each of which is inflated if Actual Attendance is inflated), as well as increase the payment under Section 3.01(d), thereby effectively triple-counting tickets in the Recreation Area, contrary to the expressed intent of the parties.

The City/Parks Department has known for years that BBC excludes bleacher tickets from Actual Attendance, and when BBC’s records were examined during prior audits, those records reflected that exclusion. Appropriately, prior audit reports never suggested that bleacher tickets should have been included in Actual Attendance, and nothing material has changed. (Although the mechanics of how tickets are counted have changed in an effort to ensure accuracy, no change was made in terms of which tickets were included.) Tickets to the bleachers in the Recreation Public Area should not be included in the calculation of Actual Attendance. BBC has accurately reported and paid its Base Rent, and disputes the Audit Report’s contention that BBC underreported Actual Attendance or underreported or underpaid any element of Base Rent in 2006. BBC provided the Comptroller’s auditors its 2006 Season Summary Game Attendance Report and will gladly provide it to the Parks Department upon request, but disputes that “use of recreation area” is relevant to any payment of Base Rent under the Lease.

Reporting of Special Event Net Income

Due to a recordkeeping error discovered during the Comptroller’s Audit, BBC inadvertently underreported certain Special Event Net Income from the 2005 lease year. BBC will remit an additional \$20,336 to the City as Shared Special Event Net Income for 2005. BBC will appropriately report Special Event income and expenses.

Prior Audit Recommendations

The Audit Report refers to \$9,064 addressed in prior audit reports, nearly all of which (\$9,000) relates to a \$30,000 security deposit retained by BBC from a promoter of a 2003 concert for expenses and damages not reimbursed or paid. (BBC’s position regarding the \$9,064 was set forth in BBC’s response to the 2003-04 draft audit report.) Contrary to what is implied by the Audit Report, BBC provided the Parks Department and the Comptroller’s auditors with evidence of payment of certain expenses and other documentation supporting its retention of the security deposit. BBC still contends that no amounts raised by prior audit report recommendations remain to be paid to the City, and moreover that no “late charge” payment is due. In any event, BBC and the Parks Department are communicating regarding the above-referenced items in an effort to

² In 2006, tickets to the bleachers (\$6 on weekdays, \$7 on weekends) sold for roughly half of the price of tickets to seats in the seating bowl (\$11-\$13 on weekdays, \$12-\$14 on weekends).

ascertain whether there is a dispute regarding any of these items and, if so, resolve that dispute to the mutual satisfaction of the parties to the Lease.

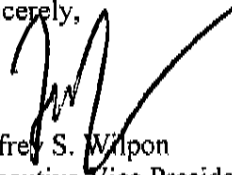
Conclusion

This letter should not be construed as taking any position with respect to the matters addressed in the Audit Report except as expressly stated herein, although in the interest of brevity BBC has not included every argument in support of its positions. BBC respectfully reserves all of its rights and remedies with respect to the matters addressed in the Audit Report and otherwise.

In light of the foregoing, BBC recommends that the Comptroller revisit the conclusions embodied and recommendations made in the draft Audit Report with respect to the issues raised herein, and make changes to accommodate BBC's objections, comments and corrections as stated above prior to issuing the final report.

Please feel free to contact me if you have any questions regarding the foregoing.

Sincerely,



Jeffrey S. Wilpon
Executive Vice President and
Chief Operating Officer

cc: Elizabeth Smith
Assistant Commissioner
Department of Parks & Recreation
of the City of New York
The Arsenal
830 Fifth Avenue
New York, NY 10021



City of New York
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May 2, 2008

BY FAX AND MAIL

Mr. John Graham
Deputy Comptroller
The City of New York
Office of the Comptroller
Executive Offices
1 Centre Street
New York, NY 10007

**Re: Draft Audit Report on Brooklyn Baseball Company, LLC
November 1, 2004 through October 31, 2006 No. FM07-095A,
Dated April 18, 2008**

Dear Mr. Graham:

This letter represents the Parks Department's ("Parks") response to the recommendations contained in the subject draft audit report ("the report") on Brooklyn Baseball, LLC ("BBC").

Parks will issue a "Notice To Cure" ("NTC") to BBC upon receipt of their response to the report.

Recommendation 1 states that BBC pay the City \$129,692 in additional license fees and late charges, as shown in the table below.

Table: Schedule of Additional Fees Due (Per Comptroller's Draft Audit #FM07-095A)

Fee Category	Amount
a. Underreported Attendance	\$83,009
b. Underpayment for No-Shows	6,874
c. Underpayment for Use of Recreation Area	7,849
d. Subtotal: Total Base Rent Due	97,732
e. Underreported Special Event Income	20,336
f. Subtotal: Amount of Fees Due Based on Lease Year 2006	118,068
g. Prior Report Exception	9,064
h. Late Charge Due for Non-Payment of Prior Report Exception	2,560
i. Grand Total: Additional Fees Due	\$129,692



Parks intends to address this Recommendation with the following actions:

1. Require BBC to pay the City \$20,336 (line e in table) for underreported special event net income; and
2. Direct our General Counsel to negotiate with BBC officials to resolve the outstanding matter from the previous audit report (lines g and h in table);
3. Refer the question of how bleacher seat attendees should be treated when calculating actual attendance to the City's Law Department for a determination of our legal options. The total payment due to the City in regards to the bleacher seats is \$97,732 (line d in table).

Recommendation 2, which states that BBC include bleacher seat attendees in its calculation of actual attendance and accurately calculate, in accordance with the terms of the lease agreement, base rent, no-shows and the amount due for the use of recreation area in determining the rent due to the City, will also be referred to the Law Department for their advice in connection with our referral of **Recommendation 1**.

Parks agrees with **Recommendations 3 and 4**.

We will address **Recommendations 5** (see above response to **Recommendation 1**), **6 and 7** by issuing a NTC to BBC.

Finally, we wish to thank the Comptroller's audit staff for their work and efforts in performing this review.

Sincerely,



Elizabeth W. Smith

cc: Comm. Adrian Benepe
Alessandro Olivieri
Luke Gebhard
Walter Roberts
Jeffrey Kay, Mayor's Office of Operations