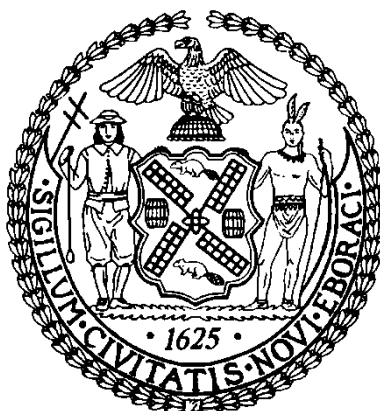


**CITY OF NEW YORK
OFFICE OF THE COMPTROLLER**

**John C. Liu
COMPTROLLER**

FINANCIAL AUDIT

**Tina Kim
Deputy Comptroller for Audit**



**Follow-up Audit Report on the
Compliance of Food Craft, Inc.
(Worlds Fair Marina Restaurant and Banquet)
with Its License Agreement and Payment
of License Fees Due the City**

FM11-133F

October 11, 2011

<http://comptroller.nyc.gov>



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

John C. Liu
COMPTROLLER

October 11, 2011

To the Residents of the City of New York:

My office has audited Food Craft, Inc. (Worlds Fair Marina Restaurant and Banquet) to determine whether the concessionaire implemented the recommendations made in a previous audit entitled *Audit Report on the Compliance of Food Craft, Inc., (World Fair Marina Restaurant and Banquet) With Its License Agreement and Payment of License Fees Due the City (Audit No. FL09-067A, issued September 3, 2009)*. We perform follow-up audits of City concessionaires as a means of ensuring that concessionaires comply with their license agreements and pay the license fees due the City.

The current follow-up audit disclosed that of the 12 recommendations originally made (six made to Food Craft and six made to Parks), 10 were implemented and two were not applicable. As a result, Food Craft has now corrected the internal control weaknesses cited in the previous report. It currently uses a point-of-sale system to collect, record, and report revenue over banquet and restaurant sales. Food Craft has completed all the capital improvements to the licensed premises as stipulated in its license agreement. However, another issue was noted-- that Food Craft failed to charge New York State sales tax on the banquet service portion of the bill for 11 of the 27 events held in May 2011.

The audit recommends that Food Craft submit the \$771 New York State sales tax due on the 11 events where the additional service charges were not taxed and determine whether additional taxes are due on the service charge portion for other banquet contracts.

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

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

Sincerely,

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

John C. Liu

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The City of New York
Office of the Comptroller
Financial Audit

**Follow-up Audit Report on the
Compliance of Food Craft, Inc.
(Worlds Fair Marina Restaurant and Banquet)
with Its License Agreement and Payment
of License Fees Due the City**

FM11-133F

AUDIT REPORT IN BRIEF

This follow-up audit determined whether the 12 recommendations made in the prior audit entitled *Audit Report on the Compliance of Food Craft, Inc., (World Fair Marina Restaurant and Banquet) with Its License Agreement and Payment of License Fees Due the City* (Audit No. FL09-067A, issued September 3, 2009) were implemented. Six of these recommendations were made to Food Craft, Inc. (Food Craft), and six were made to the New York City Department of Parks and Recreation (Parks).

The prior audit evaluated whether Food Craft was in compliance with its license agreement with Parks by determining whether Food Craft accurately reported its total gross receipts to Parks. Also, the audit determined if Food Craft properly calculated the annual license fees due the City and paid license fees when they were due. In addition, the audit determined whether Food Craft complied with certain non-revenue-related requirements of the license agreement (i.e. carried the proper types and amounts of insurance, maintained the proper security deposit, paid for its utilities, and implemented appropriate capital improvement work).

The prior audit found that Food Craft had significant internal control weaknesses over the collecting, recording, and reporting of revenue. As a result of these weaknesses, we could not ascertain whether all of the revenue earned at the Worlds Fair Marina Restaurant and Banquet was, in fact, recorded in Food Craft's books and records, and accurately and completely reported to Parks. We also could not determine whether Food Craft paid all license fees due Parks. Furthermore, the internal control weaknesses and lack of records were so extensive as to raise red flags concerning the potential of fraud.

In addition, the audit found that Food Craft also violated provisions of New York State Labor Law and its license agreement by not distributing all service charges/gratuities collected to its wait staff. Moreover, Food Craft did not complete all the capital improvements to the licensed premises as stipulated in its license agreement.

Audit Findings and Conclusions

This follow-up audit determined that of the 12 recommendations originally made (six made to Food Craft and six made to Parks), 10 were implemented and two were not applicable. As a result, Food Craft has now corrected the internal control weaknesses cited in the previous report. It currently uses a point-of-sale system to collect, record, and report revenue over banquet and restaurant sales. Food Craft has completed all the capital improvements to the licensed premises as stipulated in its license agreement. However, another issue was noted-- that Food Craft failed to charge New York State sales tax on the banquet service portion of the bill for 11 of the 27 events held in May 2011.

Audit Recommendations

To address the new issue, we recommend that Food Craft should:

1. Submit the \$771 New York State sales tax due on the 11 events where the additional service charges were not taxed.
2. Determine whether additional taxes are due on the service charge portion for other banquet contracts.

Agency Response

In its response, Food Craft indicated that sales tax was not collected on the service charge portion of the 11 banquet contracts and that a correction was made to the system to ensure that sales tax is now collected. Food Craft also indicated that sales tax was paid on the entire month's sales even though sales tax was not collected on the service charge portion of the banquet contracts. Parks officials agreed with the audit findings and recommendations.

INTRODUCTION

Background

The Department of Parks and Recreation (Parks) has a license agreement with Food Craft, Inc. (Food Craft) to renovate and operate a restaurant and catering facility, the Worlds Fair Marina Restaurant and Banquet Hall, in Flushing Meadows, Queens. The agreement also requires that Food Craft spend a minimum of \$293,900 on capital improvements, post a \$120,000 security deposit with the Comptroller's Office, maintain certain types and amounts of insurance coverage, submit monthly statements of gross receipts to Parks, and pay all required taxes and utility charges related to the leased premises. According to the license agreement, gross receipts are to include all funds received, excluding collected sales taxes and gratuities paid directly or indirectly to employees in addition to their regular salaries.

The prior audit determined whether Food Craft accurately reported its total gross receipts to Parks, properly calculated the annual license fees due the City, paid license fees when they were due, and complied with certain non-revenue-related requirements of the license agreement.

Objectives

The objective of this follow-up was to determine whether the 12 recommendations made in a previous audit entitled *Audit Report on the Compliance of Food Craft, Inc., (World Fair Marina Restaurant and Banquet) with Its License Agreement and Payment of License Fees Due the City* (Audit No. FL09-067A, issued September 3, 2009) were implemented.

Scope and Methodology Statement

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

The scope period of this follow-up audit was May 2011. Please refer to the Detailed Scope and Methodology at the end of this report for the specific procedures and tests that were conducted.

Discussion of Audit Results

The matters covered in this report were discussed with Food Craft and Parks officials during and at the conclusion of this audit. A preliminary draft report was sent to these officials and discussed at an exit conference on September 1, 2011. On September 2, 2011, we submitted a draft report to Food Craft and Parks officials with a request for comments.

We received a response from Food Craft's attorney on September 20, 2011, and from Parks on September 19, 2011. In its response, Food Craft indicated that it agreed with the finding that sales tax was not collected on the service charge portion of the banquet contracts and that a correction was made to the system to ensure that sales tax is now collected. It also indicated that the sales tax was paid on the entire month's sales even though sales tax was not collected on the service charge portion of the banquet contracts.

Parks officials agreed with the audit findings and recommendations.

RESULTS OF THE FOLLOW-UP AUDIT

This follow-up audit determined that of the 12 recommendations originally made (six made to Food Craft and six made to Parks), 10 were implemented and two were not applicable. As a result, Food Craft has now corrected the internal control weaknesses cited in the previous report. It currently uses a point-of-sale system to collect, record, and report revenue over banquet and restaurant sales. Food Craft has completed all the capital improvements to the licensed premises as stipulated in its license agreement. However, a new issue was noted-- that Food Craft failed to charge New York State sales tax on the banquet service portion of the bill for 11 of the 27 events held in May 2011.

Previous Finding: “Significant Internal Control Weaknesses over Banquet and Restaurant Operations”

Food Craft does not have adequate internal controls over its banquet and restaurant operations to ensure that all gross receipts are properly recorded and reported to the City.

Previous Recommendation #1: “Food Craft officials should pay the City the additional \$1,980 in license fees and late charges assessed in this audit report.”

Previous Food Craft Response #1: “In response to the recommendation that World’s Fair Marina repay the City the additional \$1,980 in license fees and late charges the World’s Fair Marina has previously paid the original \$675 that was the figure provided in the original draft report and will now pay the remaining \$1,305. The checks for payment are attached hereto as Exhibit F.”

Current Status: IMPLEMENTED

Food Craft has complied and paid the additional \$1,980 license fees and late charges. Therefore, we consider this recommendation to be implemented.

Previous Recommendation #2: “Food Craft officials should take immediate action to strengthen its internal controls over the financial operations of the restaurant, the bar, and banquet hall. These actions should include:

- Creating and maintaining a complete and accurate cash receipts journal that records all individual transactions of receipts of cash that includes at least basic information such as the date cash was received, the dollar amount received, and the patron from whom the cash was received,
- Installing and maintaining a cash register, point of sale system, or other device to record its banquet and restaurant sales, and
- Issuing sequentially pre-numbered banquet contracts, invoices, and restaurant guest checks.”

Previous Food Craft Response #2: “In response to the recommendation that the World’s Fair Marina take immediate action to strengthen its internal controls over its financial operations, the World’s Fair Marina has taken the following steps:

- A. As of February 2009, long before the receipt of these recommendations, World’s Fair Marina installed and implemented CATEREASE, a state of the art POS [Point of Sales] system, specifically tailored to catering establishments in place of the sequentially numbered banquet contracts, after the system was reviewed and approved by the Parks Department (See Exhibits A, B). The system together with Quickbooks which has also been installed, fully complies with the criteria requested by the Audit.”

Current Status: IMPLEMENTED

Our assessment of Food Craft’s internal controls has revealed significant improvements. Food Craft has now created a cash receipts journal that identifies the date of payment, the contract number, date of event, method of payment, and amount. We found that all the revenues for May 2011 were reported to Parks. Therefore, we consider this recommendation to be implemented.

Previous Finding: “Food Craft is Not in Compliance with Other Provisions of Its License Agreement”

The previous audit found that Food Craft had violated New York State Labor Laws, did not fully operate a restaurant, and owed water and sewer charges totaling \$18,646.

Previous Recommendation #3: “Food Craft officials should distribute *all* service charges to its wait staff who worked at each function, in accordance with Labor Law Section 196-d, Division of Labor Standards, New York State Department of Labor.”

Previous Food Craft Response #3: “In response to the Audit recommendation that all service charges should be distributed to the waiter staff, we disagree and would like to review the position with counsel for the City. The Worlds Fair Marina service charges are not gratuities within the meaning of Labor Law Section 196-d, the New York State Department of Labor opinion dated March 26, 1999 and the New York State Court of Appeals decision dated February 14, 2008. They are distinguishable from gratuities as the customers were told to give gratuities directly to the staff (see Exhibit F, attesting thereto). In the event counsel for the City resolves that reimbursement is warranted we will not object to reimbursement. In further support of our position, we annex a customer’s statement that he was told to give gratuities directly to the staff, whereas the service fee was paid to the establishment. Going forward, we propose to include in the contracts a clarification that the service charges are not gratuities and that all gratuities should be given directly to the staff.”

Current Status: IMPLEMENTED

We found that a decision regarding the previous service charge distribution incident is still pending; however, we found that Food Craft is now reporting the service charge in its gross receipts submitted to Parks, thus recognizing it as revenue earned and paying the appropriate monthly license fee based on the total revenue. Food Craft has amended its contracts since the prior audit to clarify that service charges are not gratuities. Therefore, we consider this recommendation implemented.

Previous Recommendation #4: “Food Craft officials should operate a restaurant at the facility, as required by its license agreement.”

Previous Food Craft Response #4: “In response to requirement for a restaurant on the premises; World’s Fair Marina, has been operating and continues to operate restaurant services on the premises. There is a restaurant menu, and waiters to serve food. Unfortunately, there are few clients for a restaurant as there is no local population and the exit from the highway has been shut down. We are working with the Parks department on improving accessibility to the premises.”

Current Status: IMPLEMENTED

Food Craft maintains a restaurant menu available to potential patrons, even though access to the restaurant is limited. We found there are restaurant sales; therefore, we consider this recommendation to be implemented.

Previous Recommendation #5: “Food Craft officials should immediately, pay all outstanding water and sewer charges related to the licensed premises.”

Previous Food Craft Response #5: “In response to the requirement to pay all outstanding water and sewer charges, these have been paid and annexed hereto as Exhibit I are copies of said payments, totaling \$20,976.69. The only reason they had not been paid earlier, was that they had not been billed until recently.”

Current Status: IMPLEMENTED

The \$18,646 water and sewer charges from March 2009 have been paid in full. In addition, all water and sewer charges were paid in full through June 30, 2011. We, therefore, consider this recommendation to be implemented.

Previous Finding: “Issues with Capital Improvements”

Food Craft carried out 18 of 29 required capital improvements specified in its license agreement. However, for the remaining 11 required improvements, we noted seven cases for which improvements were not done and we could not substantiate four.

Previous Recommendation #6: “Food Craft officials should complete all required capital improvement work.”

Previous Food Craft Response #6: “In response to the requirements of the capital improvement work, the present ownership of the World’s Fair Marina has been diligent to complete the improvements. Aside from the fountain improvement which was paid for but has not yet been completed, upon information and belief, all of the other required capital improvement work has been performed. Photographs attesting to the improvements as annexed hereto as Exhibit G.”

Current Status: IMPLEMENTED

On July 20, 2011, we conducted an inspection of the facility and determined that Food Craft, Inc. has made the required renovations as noted in the prior audit. Therefore, we consider this recommendation to be implemented.

Recommendations for Parks

Previous Recommendation #7: “Parks should issue a Notice to Cure requiring the payment of the additional \$1,980 license fees and late charges due from Food Craft management assessed in this audit report.”

Previous Parks Response #7: “We have addressed Recommendation 7 by issuing an NTC to Food Craft requesting payment of the additional license fees and late charges due the City.”

Current Status: IMPLEMENTED

Food Craft has complied and paid the additional \$1,980 license fees and late charges. Therefore, we consider this recommendation to be implemented.

Previous Recommendation #8: “Parks should consider terminating the agreement.”

Previous Parks Response #8: “[W]e note that the Comptroller suggests that Parks consider terminating its Agreement with Food Craft. Parks concurs with the Comptroller as to the serious nature of the concerns regarding Food Craft’s fitness. We will advise the Comptroller once a determination is made concerning termination or continuation of this Agreement.”

Current Status: NO LONGER APPLICABLE

Parks did not terminate its license agreement with Food Craft to operate the facility. Instead, Food Craft improved its controls, ensuring that all revenue is reported to Parks and capital improvements have been made. Therefore, we consider this recommendation no longer applicable.

Previous Recommendation #9: “If for reasons presently unknown to us and Parks decides to continue this agreement, Parks should assign a Parks employee to closely monitor Food Craft’s operations through the remainder of the contract period to ensure that the appropriate license fees are paid.”

Current Status: IMPLEMENTED

A Parks official has been and continues to be assigned to monitor Food Craft operations and Food Craft’s compliance throughout the period of the license agreement. Parks conducted and documented visits of the facility. Therefore, we consider this recommendation to be implemented.

Previous Recommendation #10: “Parks should issue a Notice to Cure mandating that Food Craft management:

- Establish and implement an adequate system of internal controls over the financial operations of the restaurant, the bar, and banquet hall,
- Distribute all service charges in accordance with the New York State Labor Law, and
- Complete all required capital improvement work.”

Prior Parks Response #10: “We have also addressed Recommendations 8, 9 and 10, by issuing an NTC to Food Craft and by requiring, in the event that Parks decides not to terminate this concession in the near term, Food Craft to hire a DOI [Department of Investigation]-approved Financial Monitor to ensure that it implements the Recommendations outlined in the Report.”

Current Status: IMPLEMENTED

According to a Parks official and confirmed by our observations, Food Craft has complied with this Notice to Cure. Food Craft has implemented a point-of-sale system for both banquet and restaurant sales to monitor the financial operations. Food Craft now includes service charges into the gross receipts reported to Parks. Food Craft has completed all required capital improvement work. Therefore, we consider this recommendation to be implemented.

Previous Recommendation #11: “Parks should ensure that all modifications to capital improvement requirements are approved and documented with formal agreements with the concessionaire.”

Previous Parks Response #11: “Regarding Recommendation 11, Parks will continue to document any modifications to the capital improvement requirements. Any such changes must be approved by Parks in writing.”

Current Status: NOT APPLICABLE

Parks did not make any new modifications to the capital improvement requirements to the license agreement; therefore, we consider this recommendation no longer applicable.

Previous Recommendation #12: “Parks should ensure that all repair and maintenance work be excluded from license agreement provisions that require concessionaires to expend funds for capital improvements.”

Previous Parks Response: “Regarding Recommendation 12, we note that the subject matter of this Report was Food Craft’s compliance with the existing Agreement, which contains a specific list of improvements to the premises for which Food Craft was responsible. While the Agreement denominates those as ‘capital’ improvements, the critical factor for compliance purposes was whether or not Food Craft made the improvements, rather than what they are called. Parks remains willing to discuss with the Comptroller’s Office any question or differences it may have concerning the types of improvements that are defined as capital improvements in future concession agreements as they arise, but such matters are not relevant to Food Craft’s current compliance status. Parks will continue to ensure that Food Craft complies with all of its capital requirements as they are set forth in detail in the current Agreement.”

Current Status: IMPLEMENTED

According to a Parks official, Food Craft has expended remaining funds from the capital improvements escrow account for capital improvement work. During our visit to the facility, we observed that the required capital improvements have been completed. Therefore, we consider this recommendation to be implemented. We did, however, note that Parks did not make any modifications to the capital improvement requirements to the license agreement since the prior audit.

Other Issue

Of the 27 banquet events held in the month of May 2011, 41 percent of the banquet events (11 banquet events) were charged an additional service charge that was not included in the banquet price. We calculated that Food Craft failed to charge \$771 in New York State sales tax on the additional service charges. Because the service charge is reported as part of Food Craft’s revenue and not classified as tips, it is subject to sales tax.

RECOMMENDATIONS

To address the new issue, we recommend that Food Craft should:

1. Submit the \$771 New York State sales tax due on the 11 events where the additional service charges were not taxed.
2. Determine whether additional taxes are due on the service charge portion for other banquet contracts.

Food Craft Response: “This correspondence is in connection with the outstanding sales tax issue (\$771.00) that was discussed at the follow-up report meeting. At said meeting it appeared that there was an outstanding sales tax obligation of \$771.00, however Mr. Vikrant Patel, the accountant for Food Craft Inc. (World’s Fair Marina) has confirmed that the outstanding sales tax was in fact paid. Sales tax for the Food Craft Inc. is calculated on the entire sums of money collected for the month. The accountant further indicated that sales tax may not have been collected, but a correction was made to the system to ensure that this would not occur again in the future.”

Parks Response: “While Parks is encouraged to find that Food Craft believes all NYS sales tax was paid correctly, we will issue Food Craft a notice directing them to ensure that taxes on additional service charges are charged and collected, and that the appropriate amount of tax is paid. We will also direct Food Craft to ensure that no other additional taxes are due on the service charge portion for other event contracts.”

Auditor comment: Since Food Craft has corrected its point-of-sale system so that sales tax is charged on the banquet service portion of the bill, a proper accounting and reporting of sales tax should occur. This should make it clear to auditors that sales tax is collected on the entire bill and submitted to New York State.

DETAILED SCOPE AND METHODOLOGY

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

The scope of this follow-up audit was May 2011. To achieve audit objectives, we reviewed the current license agreement between Parks and Food Craft and correspondence between Parks and Food Craft, including monthly reports of gross receipts, financial statements, bank statements, and other relevant documents on file with Food Craft. We interviewed the owner of Food Craft.

On June 14, June 28, July 20, and July 28, 2011, we conducted observations of the facility to observe the banquet and restaurant operations and ordered an outside catering event to determine whether Food Craft documented all potential sources of revenue. We observed the computerized point-of-sale system. We conducted and documented a physical inspection of the facility assisted by a member of our staff with engineering/construction expertise to assess any capital improvement work completed since the prior audit.

In addition, we:

- Reviewed the prior audit report issued by the Comptroller's Office, *Audit Report on the Compliance of Food Craft, Inc., (World Fair Marina Restaurant and Banquet) with Its License Agreement and Payment of License Fees Due the City (FL09-067A)*;
- Reviewed Food Craft's payments for past and current water and electricity use;
- Requested documentation that Food Craft paid \$1,980 in license fees and late charges to Parks as required by the prior audit;
- Reviewed Food Craft's bank statements, deposit slips, and invoices for May 2011;
- Reviewed Food Craft's payroll records and tax returns;
- Reviewed Food Craft's cash receipt journals, general ledger, and financial statements for May and June 2011; and
- Reviewed Food Craft's banquet contracts, invoices, and supporting documentation of payments for events held in May 2011.

YORAM NACHIMOVSKY ESQ.

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NYBizlaw@aol.com

September 20, 2011

NYC Comptroller's Office
BY EMAIL: tkim@comptroller.nyc.gov
Cc: mmorgese@comptroller.nyc.gov

Re: NYS Sales Tax Payment

Dear Ms. Kim,

This correspondence is in connection with the outstanding sales tax issue (\$771.00) that was discussed at the follow-up report meeting. At said meeting it appeared that there was an outstanding sales tax obligation of \$771.00, however Mr. Vikrant Patel, the accountant for Food Craft Inc. (World's Fair Marina) has confirmed that the outstanding sales tax was in fact paid. Sales tax for the Food Craft Inc. is calculated on the entire sums of money collected for the month. The accountant further indicated that sales tax may not have been collected, but a correction was made to the system to insure that this would not occur again in the future.

Sincerely,

Yoram Nachimovsky, Esq.



City of New York
Parks & Recreation

Adrian Benepe
Commissioner

The Arsenal
Central Park
New York, New York 10065

Elizabeth W. Smith
Assistant Commissioner
Revenue and Marketing

(212) 360-1366
betsy.smith@parks.nyc.gov

September 19, 2011

Ms. H. Tina Kim
Deputy Comptroller
The City of New York / Office of the Comptroller
1 Centre Street
New York, NY 10007

Re: Comptroller's Draft Follow-up Audit Report on the Compliance of Food Craft, Inc. (Worlds Fair Marina Restaurant and Banquet) with Its License Agreement and Payment of License Fees Due the City / May 2011, Audit No. FM11-133F, Dated September 2, 2011

Deputy Comptroller Kim:

This letter addresses the findings and recommendations contained in the New York City Comptroller's ("Comptroller") Follow-Up Draft Audit Report ("the Follow-up Report") on the Compliance of Food Craft, Inc. ("Food Craft") with its License Agreement ("Agreement"). The Follow-up Report assessed Food Craft's implementation of the recommendations from a prior Comptroller audit report ("Prior Report") on Food Craft, issued on September 3, 2009. Parks is pleased that the Follow-up Report found that Food Craft has implemented all six of the recommendations in the Prior Report, and that the recommendations to Parks were either implemented or no longer applicable. In particular, the Follow-up Report found that Food Craft has made significant improvements to its internal controls and has completed all of its capital requirements. However, the Follow-up Report also found that Food Craft did not charge New York State ("NYS") sales tax on additional service charges for 11 catered events. As a result, Parks has issued a notification to Food Craft directing them take the following actions in response to the Follow-up Report's two recommendations:

Recommendation 1 – Submit the \$771 New York State sales tax due on the 11 events where the additional service charges were not taxed.

Recommendation 2 – Determine whether additional taxes are due on the service charge portion for other banquet contracts.

The Follow-up Report found that, during the test month of May 2011, Food Craft did not collect \$771 in NYS sales tax for additional service charges. Parks has discussed this matter with Food Craft's principal and accountant. It is our understanding that while Food Craft did not charge or collect from customers this sales tax, Food Craft *did* make the appropriate sales tax payments to NYS because its sales tax liability is calculated using all service charges collected, including additional service charges. While Parks is encouraged to find that Food Craft believes all NYS sales tax was paid correctly, we will issue Food Craft a notice directing them to ensure that taxes on additional service charges are charged and collected, and that the appropriate amount of tax is paid. We will also direct Food Craft to ensure that no other additional taxes are due on the service charge portion for other event contracts.



Finally, we wish to thank the Comptroller's Office and its audit staff for its work in preparing this Follow-up Report.

Sincerely,

A handwritten signature in black ink, appearing to read "David Cerron", written over a light gray rectangular background.

David Cerron

cc: Vincent Liquori, Lawrence Welgrin, George Davis, Robert Garafola, Melissa Auerbach, Jun Lee