

AUDIT REPORT



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

Audit Report on the New York Yankees Rental Credits For the Fourth Quarter of 2003 (October 1–December 31, 2003)

FN05-053A

December 15, 2004



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:

Pursuant to the terms of the lease between the City of New York and the New York Yankees, we have examined the rental credits claimed by the Yankees for the maintenance of City-owned Yankee Stadium for the fourth quarter of 2003 (October 1–December 31, 2003). The Yankees are responsible for the care and upkeep of Yankee Stadium, and the costs incurred by the Yankees for maintaining the stadium are offset against any rental income due the City from the Yankees. Thus, every approved dollar spent and accounted for as a rental credit for the maintenance of the stadium results in a dollar-for-dollar decrease in the rent due the City.

The results of our audit, which are presented in this report, have been discussed with officials from the New York Yankees and the Department of Parks and Recreation, and their comments have been considered in preparing this report.

These audits provide a means of ensuring that the Yankees take credit against rent only for eligible expenses.

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

Very truly yours,

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

William C. Thompson, Jr.

WCT/gr

Report: FN05-053A
Filed: December 15, 2004

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

**Audit Report on the
New York Yankees Rental Credits
For the Fourth Quarter of 2003
(October 1–December 31, 2003)**

FN05-053A

AUDIT REPORT IN BRIEF

The Comptroller's Office is required to audit all rental credits claimed by the New York Yankees for the maintenance of City-owned Yankee Stadium. Under the terms of the lease, the Yankees are responsible for the care and upkeep of Yankee Stadium, and the costs incurred by the Yankees for maintaining the stadium are offset against any rental income due the City from the Yankees. Thus, every approved dollar spent and accounted for as a rental credit for the maintenance of the stadium results in a dollar-for-dollar decrease in the rent due the City.

Audit Findings and Conclusions

The audit found that Yankees rental credits submitted for the fourth quarter of 2003 were overstated by \$74,236.36, as follows:

- \$25,963.75 in excess payroll charges and salary expenses that should have been paid by the Yankees.
- \$23,462.98 in payments to PEM Electric, consisting of labor and material costs that based on the terms of the agreement should not have been charged to the City.
- \$6,165.11 in sales taxes and gross receipts taxes on fuel.
- \$652.80 for purchases of supplies that are not chargeable to the City.
- \$17,991.72 in Yankee Stadium repairs that are not chargeable to the City.

Audit Recommendations

We recommend that the Yankees: deduct \$74,236.36 from the total rental credits taken for maintenance pertaining to the fourth quarter of 2003, and ensure that all maintenance credits claimed are properly supported by sufficient documentation. In addition, we recommend that Parks ensure that the Yankees comply with the report's recommendations.

INTRODUCTION

Background

In accordance with the 1972 lease agreement between the New York Yankees (the Yankees) and the City of New York (the City), the Comptroller's Office is required to conduct audits of the supporting documentation for all maintenance credits claimed by the Yankees for Yankee Stadium. Under the terms of the lease, the Yankees are responsible for the care and upkeep of City-owned Yankee Stadium, and the costs incurred by the Yankees for maintaining the stadium are offset against any rental income due the City from the Yankees. Thus, every approved dollar spent and accounted for as a rental credit for the maintenance of the stadium results in a dollar-for-dollar decrease in the rent due the City.

The general rule is that the City pays to maintain all areas of the stadium except Yankee offices, concession space, the receiving room, the Commissary, and the restaurant space (Yankee Club, Yankee Dining Room, Pinstripe Pub, and Stadium Club). The City also pays for materials used to maintain the stadium; however, it does not pay for uniforms or tools. Since the rental credits are subject to the approval of the Comptroller's Office, the Yankees are required by the lease to submit to the Comptroller all documentation necessary for the audit of credits. After the audit, the Comptroller's Office presents its findings to the Yankees in a preliminary draft report and at an exit conference before issuing a draft report. Within two weeks of the issuance of the draft report, the Yankees may submit to the Comptroller's Office additional documentation that was previously omitted to support rental credits claimed. Once this documentation is received and reviewed, the Comptroller's Office issues a final report.

Objectives

Our audit objectives were to determine whether the Yankees:

- adequately documented and supported the submitted labor and materials charges;
- submitted invoices eligible for reimbursement in the form of rental credits that were in accordance with the lease agreement; and
- accurately calculated all credits and did not deduct non-City charges from the rent due for the fourth-quarter period, October 1–December 31, 2003.

Scope and Methodology

The audit scope covered the period October 1, 2003–December 31, 2003. We examined 100 percent of the \$765,582.45 in labor and materials charges and supporting documentation submitted by the Yankees.

To determine whether the billings for labor and materials were appropriate, reasonable, and allowable under the lease, we reviewed all source documents for adequate documentation for each month of the quarter pertaining to the billings of River Payroll (Cleaning Services), PEM Electric, Miranda Fuel, Brown & Silver, Stadium Repairs, and Other Expenses. The documents included invoices, canceled checks, time sheets, payroll reports, and activity reports to support the costs of labor and materials charged to the City. We also determined whether retroactive salary adjustments were accurate by tracing these adjustments to the respective supporting documentation or relevant settlement agreements. An October 29, 1993 settlement agreement designated the Yankees as agents of the City; therefore, we reviewed whether charges for materials correctly excluded sales tax. Finally, we determined whether the Yankees provided pre-authorization and acceptance reports from Parks for the work or services performed to receive maintenance credit toward rent.

We documented all unwarranted and unreasonable charges for rental credits on a spreadsheet with our comments and have included them as Appendices I through V of this report. We calculated all dollar amounts on the supporting schedules for accuracy, and reconciled these amounts with the total amounts on the lead schedule for all vendors in Appendix I, Schedules A-1 through A-6.

These audits are lease-mandated and thereby require that the Yankees submit all source documents to the Comptroller's Office to receive credits toward rental income due the City. Therefore, without the submission of all necessary supporting documentation, maintenance costs submitted as credits against rental income are disallowed.

We did not evaluate Yankee internal controls over the process and procedures for payment of the invoices submitted to support maintenance credits. However, we examined all documents to ascertain whether they contained valid certification from Parks designees at Yankee Stadium as proof that labor costs were incurred and that material was purchased and received.

This audit was conducted in accordance with generally accepted government auditing standards (GAGAS) and included all tests considered necessary under the circumstances. The 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 Yankee and Parks officials during and at the conclusion of this audit. A preliminary draft report was sent to Yankees and Parks officials on September 29, 2004. On November 1, 2004, in response to the preliminary draft report, Yankee officials waived their right to an exit conference and stated that they accept the \$74,236.36 in audit disallowances as a Yankee cost. The Yankees response is included as an addendum to this final report.

FINDINGS

Overstatement of Rental Credits

Rental credits audited under the schedules submitted for the fourth quarter of 2003 were overstated by \$74,236.36, as summarized on Table I below:

Table I

Disallowance Schedule*

Schedule	Billed	Allowed	Disallowed
A-1 (River Payroll)	\$372,502.30	\$346,538.55	\$25,963.75
A-2 (PEM Electric)	129,342.37	105,879.39	23,462.98
A-3 (Miranda Fuel)	55,176.88	49,011.77	6,165.11
A-4 (Brown & Silver)	3,398.20	2,745.40	652.80
A-5 (Stadium Repairs)	187,834.06	169,842.34	17,991.72
A-6 (Other Expenses)	17,328.64	17,328.64	0.00
Total	\$765,582.45	\$691,346.09	\$74,236.36

* All calculations are rounded to two decimal points.

Summaries of the maintenance credit billings as submitted by the Yankees and of our disallowances for each vendor are presented in Appendix I, Schedules A-1 through A-6.

The River Payroll disallowance totaling \$25,963.75 consists of the following:

- \$8,414.69—for security costs during home games from August 24, 2003, through January 10, 2004, that are chargeable to the Yankees. According to the lease, Article 18.1 “On the day of each home game, Lessee shall, at its expense: (a) properly police the stadium and shall maintain order and protect property therein; and (b) provide such trained personnel as may be necessary for the orderly admission, seating and handling of patrons and for the proper use and occupancy of the stadium for exhibitions of baseball, including, but not limited to, uniformed special policemen, guards [emphasis in original]” The Yankees accepted the \$8,414.69 as a Yankee cost.
- \$5,981.89—for the cost of “lunch-not-taken.” Section 162 of New York State Labor Law states that “every person in any establishment or occupation covered by the Labor Law must be afforded a meal period of at least thirty minutes.” In addition, Article VI of the Agreement between Local 32B—32J S.E.I.U., AFL-CIO, and River Payroll, states, in part: “Hours of work each day shall be exclusive of a daily lunch period of not more than one (1) hour.” Moreover, a Parks letter dated June 9, 1997, informed the Yankees that effective January 1, 1996, Parks would not accept “lunch-not-taken” labor cost credits that were not approved in advance. The Yankees, however, provided no documentation that

such approvals were obtained. The Yankees accepted the \$5,981.89 as a Yankee cost.

- \$2,430.75—for hours worked on Yankee assignments listed on the time records as “Porter-Parking Lot.” Such expenses, under the terms of the lease, are not chargeable to the City. The Yankees accepted the \$2,430.75 as a Yankee cost.
- \$2,339.32—for contributions to various funds related to River Payroll disallowances.¹ The Yankees accepted the \$2,339.32 as a Yankee cost.
- \$1,512.64—for wages paid to four employees for unearned vacation leave or holiday. The employees did not work the required 75 calendar days as stipulated in the Local 32B-J agreement, or did not attend work a day preceding a holiday as required by the Local 30 agreement. The Yankees accepted the \$1,512.64 as a Yankee cost.
- \$1,489.89—for six employees who either did not sign in or sign out on their timesheets, or who did not initial their timesheets at the end of their work shifts. The Yankees accepted the \$1,489.89 as a Yankee cost.
- \$1,030.74—for wages paid to seven employees whose timesheets appeared to be altered. These changes were not initialed or approved. The Yankees accepted the \$1,030.74 as a Yankee cost.
- \$589.39—for unreasonable third shift charges paid to seven employees. The Yankees accepted the \$589.39 as a Yankee cost.
- \$565.13—for incorrect rates paid to three employees who were paid time-and-a-half rates instead of straight-time rates. Based on their work schedules, these employees were paid at a higher rate than is allowable under the Local 30 agreement. The Yankees accepted the \$565.13 as a Yankee cost.
- \$559.75—for labor hours not worked that under the terms of the lease should not have been offset against rental income. The Yankees accepted the \$559.75 as a Yankee cost.
- \$326.95—for incorrect rates paid to two employees who were paid double-time rates instead of time-and-a-half rates. Based on their work schedules, these employees were paid at a higher rate than is allowable under the Local 30 agreement. The Yankees accepted the \$326.95 as a Yankee cost.

¹ Includes Welfare, Pension, and Annuity Funds.

- \$281.97—for incorrect hourly rates paid to “utilitymen” and “laborers.” Based on their work schedule and Yankee payroll codes, these employees were paid at a higher rate than is allowable under the Local 32B—32J S.E.I.U., AFL-CIO, CLC agreement. The Yankees accepted the \$281.97 as a Yankee cost.
- \$227.44—for a duplicate payment to one employee. The Yankees accepted the \$227.44 as a Yankee cost.
- \$213.20—for questionable labor hours paid to one employee that could not be confirmed as a City cost. The Yankees accepted the \$213.20 as a Yankee cost.

Appendix II gives further details of the above disallowances.

The PEM Electric disallowance totaling \$23,462.98 consists of \$20,309.48 in labor costs and \$3,153.50 in materials charges.

The disallowed labor costs totaling \$20,309.48 are as follows:

- \$10,468.44—for an irreconcilable difference between the labor charges reported on the Yankees billings and the amount computed from the labor hours recorded on PEM Electric’s Maintenance Reports. The Yankees accepted the \$10,468.44 as a Yankee cost.
- \$7,684.32—for hours worked on assignments in Yankee areas that included the Press Dining Room and the removal of televisions throughout the stadium. Such costs, based on the terms of the lease, should not have been included in the maintenance credits submitted by the Yankees. The Yankees accepted the \$7,684.32 as a Yankee cost.
- \$1,113.08—for unreasonable third shift charges paid to two employees. The Yankees accepted the \$1,113.08 as a Yankee cost.
- \$776.22—for payment of labor hours not worked and as such should not have been charged to the City. The Yankees accepted the \$776.22 as a Yankee cost.
- \$267.42—for the cost of “lunch-not-taken.” Section 162 of New York State Labor Law states that “every person in any establishment or occupation covered by the Labor Law must be afforded a meal period of at least thirty minutes.” Moreover, a Parks letter dated June 9, 1997, informed the Yankees that effective January 1, 1996, Parks would not accept “lunch-not-taken” labor cost credits that were not approved in advance. The Yankees, however, provided no documentation that such approvals were obtained. The Yankees accepted the \$267.42 as a Yankee cost.

Appendix III gives further details of the above disallowances for PEM Electric labor hours.

The disallowed materials costs totaling \$3,153.50 are as follows:

- \$2,874—for the purchase and installation of a “CCTV” system in Yankees areas, which should not have been charged to the City. The Yankees accepted the \$2,874 as a Yankee cost.
- \$143.70—for purchases such as “hole saw,” “magnet bit holder,” and “Phillip tip.” These expenses, under the term of the lease agreement, are not chargeable to the City. The Yankees accepted the \$143.70 as a Yankee cost.
- \$135.80—for a 4.5 percent overhead charge pertaining to disallowed materials.² The Yankees accepted the \$135.80 as a Yankee cost.

Appendix IV gives further details of the above disallowances for materials charges.

The Miranda Fuel disallowance of \$6,165.11 consists of \$4,381.14 for sales tax and \$1,783.97 for gross receipt taxes. As previously stated, based on the October 29, 1993 settlement agreement that designated the Yankees as agents of the City, sales taxes are not acceptable for deduction as maintenance credits. Moreover, the payment of gross receipts taxes are the responsibility of the fuel deliverer and are not City costs. The Yankees accepted the \$6,165.11 as a Yankee cost.

The Brown & Silver disallowance of \$652.80 was for the purchases of “cleaning solution, nut drivers, batteries, respirator wipes, and Leatherman tools” which are not City costs, and are not chargeable to the City. The Yankees accepted the \$652.80 as a Yankee cost.

Finally, the “Stadium Repairs” disallowances totaling \$17,991.72 are as follows:

- \$14,876.74—for the purchase of materials and services used in Yankee areas such as Clubhouse plumbing repairs, first aid kit, signs, bird control, and air conditioning units in the computer room and in the field office box. These costs, based on the terms of the lease, should not have been included in the maintenance credits submitted by the Yankees. The Yankees accepted the \$14,876.74 as a Yankee cost.
- \$3,114.98—for tools and miscellaneous items, such as “keys, gloves, drain packs, closet, coverall suits, tubing cutters, brushes, first aid kit, and signs.” These expenses, under the terms of the lease agreement, are not chargeable to the City. The Yankees accepted the \$3,114.98 as a Yankee cost.

Appendix V includes the details for the above-stated disallowances pertaining to Miranda Fuel, Brown & Silver, and Stadium Repairs.

² The PEM Electrical and Maintenance Agreement with the Yankees, § 2(e), entitles PEM Electric to include a 4.5 percent overhead charge (contract adder) for materials purchased for the maintenance of the stadium.

RECOMMENDATIONS

We recommend that the Yankees:

1. Deduct \$74,236.36 from the total rental credits for maintenance pertaining to the fourth quarter of 2003.
2. Ensure that all maintenance credits claimed are properly supported by sufficient documentation.

We recommend that Parks:

3. Ensure that the Yankees comply with the report's recommendations.

NEW YORK YANKEES RENTAL CREDITS
SUMMARY SCHEDULE FOR VENDORS A-1 THROUGH A-6
AUDIT PERIOD: 10/1/03 - 12/31/03
AUDIT NO. FN05-053A

NY Y Schedule	Amount Billed	Previous Allowance (Note 1)	Previous Disallowance (Note 1)	Accepted by NY Y (Note 2)	Final Allowance (Note 2)	Final Disallowance (Note 2)
A-1 RIVER PAYROLL (3)						
Total	\$372,502.30	\$346,538.55	\$25,963.75	\$25,963.75	\$346,538.55	\$25,963.75
A-2 PEM ELECTRIC						
Total	\$129,342.37	\$105,879.39	\$23,462.98	\$23,462.98	\$105,879.39	\$23,462.98
A-3 MIRANDA FUEL						
Total	\$55,176.88	\$49,011.77	\$6,165.11	\$6,165.11	\$49,011.77	\$6,165.11
A-4 BROWN & SILVER						
Total	\$3,398.20	\$2,745.40	\$652.80	\$652.80	\$2,745.40	\$652.80
A-5 STADIUM REPAIRS						
Total	\$187,834.06	\$169,842.34	\$17,991.72	\$17,991.72	\$169,842.34	\$17,991.72
A-6 OTHER EXPENSES (3)						
Total	\$17,328.64	\$17,328.64	\$0.00	\$0.00	\$17,328.64	\$0.00
GRAND TOTAL	\$765,582.45	\$691,346.09	\$74,236.36	\$74,236.36	\$691,346.09	\$74,236.36

(1) At Preliminary Draft Stage

(2) At Final Stage

(3) Summit Security Costs reported under A-6 by NY Y were transferred to A-1

NEW YORK YANKEES RENTAL CREDITS
SCHEDULE OF DISALLOWANCES
AUDIT PERIOD: 10/1/03 - 12/31/03
AUDIT NO. FN05-053A

RIVER PAYROLL LABOR HOURS

Description of Disallowance	Amount Disallowed Per Prelim. Report	Amount Accepted by NYY	Amount Resubmitted by NYY	Add'l Amt. Accepted by City	Final Disallowance
1. Excess Security Costs	\$8,414.69	\$8,414.69	\$0.00	\$0.00	\$8,414.69
2. Lunch Not Taken	\$5,981.89	\$5,981.89	\$0.00	\$0.00	\$5,981.89
3. NYY Assignments	\$2,430.75	\$2,430.75	\$0.00	\$0.00	\$2,430.75
4. Welfare Contributions	\$2,339.32	\$2,339.32	\$0.00	\$0.00	\$2,339.32
5. Vacation Pay Not Earned	\$1,512.64	\$1,512.64	\$0.00	\$0.00	\$1,512.64
6. Incomplete Timesheets	\$1,489.89	\$1,489.89	\$0.00	\$0.00	\$1,489.89
7. Altered Timesheets	\$1,030.74	\$1,030.74	\$0.00	\$0.00	\$1,030.74
8. Unreasonable 3rd Shift	\$589.39	\$589.39	\$0.00	\$0.00	\$589.39
9. 1.5 s/b straight time	\$565.13	\$565.13	\$0.00	\$0.00	\$565.13
10. Hours Not Worked	\$559.75	\$559.75	\$0.00	\$0.00	\$559.75
11. Double Time S/B 1.5X	\$326.95	\$326.95	\$0.00	\$0.00	\$326.95
12. Incorrect Hourly Rates	\$281.97	\$281.97	\$0.00	\$0.00	\$281.97
14. Duplicate Payment	\$227.44	\$227.44	\$0.00	\$0.00	\$227.44
15. Questionable Payments	\$213.20	\$213.20	\$0.00	\$0.00	\$213.20
TOTAL	\$25,963.75	\$25,963.75	\$0.00	\$0.00	\$25,963.75

**NEW YORK YANKEES RENTAL CREDITS
SCHEDULE OF DISALLOWANCES
AUDIT PERIOD: 10/1/03 - 12/31/03
AUDIT NO. FN05-053A**

PEM ELECTRIC - LABOR HOURS

Description of Disallowance	Amount Disallowed Per Prelim Report	Amount Accepted by NYY	Amount Resubmitted by NYY	Add'l Amt. Accepted by City	Final Disallowance
1. Irreconcilable Difference	\$10,468.44	\$10,468.44	\$0.00	\$0.00	\$10,468.44
2. NYY Areas	\$7,684.32	\$7,684.32	\$0.00	\$0.00	\$7,684.32
3. Unreasonable 3rd Shift	\$1,113.08	\$1,113.08	\$0.00	\$0.00	\$1,113.08
4. Hours Not Worked	\$776.22	\$776.22	\$0.00	\$0.00	\$776.22
5. Lunch Not Taken	\$267.42	\$267.42	\$0.00	\$0.00	\$267.42
TOTAL	\$20,309.48	\$20,309.48	\$0.00	\$0.00	\$20,309.48

**NEW YORK YANKEES RENTAL CREDITS
SCHEDULE OF DISALLOWANCES
AUDIT PERIOD: 10/1/03 - 12/31/03
AUDIT NO. FN05-053A**

PEM ELECTRIC - MATERIALS

Description of Disallowance	Amount Disallowed Per Prelim. Report	Amount Accepted by NYY	Amount Resubmitted by NYY	Add'l Amt. Accepted by City	Final Disallowance
1. NYY Areas	\$2,874.00	\$2,874.00	\$0.00	\$0.00	\$2,874.00
2. Tools Not a City Cost	\$143.70	\$143.70	\$0.00	\$0.00	\$143.70
3. Contract Adder	\$135.80	\$135.80	\$0.00	\$0.00	\$135.80
TOTAL	\$3,153.50	\$3,153.50	\$0.00	\$0.00	\$3,153.50

SUMMARY OF DISALLOWANCES - LABOR & MATERIALS					
PEM LABOR (App. III)	\$20,309.48	\$20,309.48	\$0.00	\$0.00	\$20,309.48
PEM MATERIALS (App. IV)	\$3,153.50	\$3,153.50	\$0.00	\$0.00	\$3,153.50
TOTAL	\$23,462.98	\$23,462.98	\$0.00	\$0.00	\$23,462.98

NEW YORK YANKEES RENTAL CREDITS
SCHEDULE OF DISALLOWANCES
AUDIT PERIOD: 10/1/03 - 12/31/03
AUDIT NO. FN05-053A

For Vendors A-3 to A-6

Description of Disallowance	Amount Disallowed (Per Prelim. Report)	Amount Accepted by NYY	Amount Resubmitted by NYY	Add'l Amt. Accepted by City	Final Disallowance
A-3 MIRANDA FUEL					
1. Sales Tax	\$4,381.14	\$4,381.14	\$0.00	\$0.00	\$4,381.14
2. Gross Receipts Tax	\$1,783.97	\$1,783.97	\$0.00	\$0.00	\$1,783.97
Total	\$6,165.11	\$6,165.11	\$0.00	\$0.00	\$6,165.11
A-4 BROWN & SILVER					
1. Not A City Cost - cleaning sol., batteries, nut drivers, etc.	\$652.80	\$652.80	\$0.00	\$0.00	\$652.80
Total	\$652.80	\$652.80	\$0.00	\$0.00	\$652.80
A-5 STADIUM REPAIRS					
1. NYY Charges-blrd control, air conditioning in computer room & field office, clubhouse plumbing, first aid kit, signs.	\$14,876.74	\$14,876.74	\$0.00	\$0.00	\$14,876.74
2. Not a City Cost-tools and misc.	\$3,114.98	\$3,114.98	\$0.00	\$0.00	\$3,114.98
Total	\$17,991.72	\$17,991.72	\$0.00	\$0.00	\$17,991.72

New York Yankees

ROBERT BROWN
VICE PRESIDENT OF FINANCE



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November 1, 2004

Mr. Gary Rose
Director of Financial Audit & Support Services
1 Centre Street
Room 1300 North
New York, NY 10007

RE: Audit Report on the New York Yankees Rental Credits- 4th quarter 2003

Dear Mr. Rose:

In response to the draft report, the New York Yankees are accepting \$74,236.36 and rejecting \$00.00.

Should you have any questions, please feel free to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read 'Robert Brown', with a long, sweeping underline.

Robert Brown

RB\jh

Cc: Lawrence Baum
Yasmin Tejani