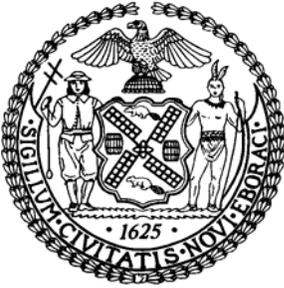


# AUDIT REPORT



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

## **Audit Report on the Operating Practices and Procedures of the Grand Central Partnership Business Improvement District**

*MG06-076A*

**May 12, 2006**



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 Comptroller's responsibilities contained in Chapter 5, § 93, of the New York City Charter, my office has audited The Grand Central Partnership's Business Improvement District (GCP) to determine whether GCP complied with its City contract, was providing the services called for in its District Plan, and evaluated GCP's internal controls over its funds and operations.

Audits such as this provide a means of ensuring that the GCP and other entities which have contracts with the City comply with policies and procedures established for the provision of services.

The results of our audit, which are presented in this report, have been discussed with the GCP officials, and their comments were considered in the preparation of 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](mailto: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/ec

**Report: MG06-076A**  
**Filed: May 12, 2006**

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

**Audit Report on the  
Operating Practices and Procedures of the  
Grand Central Partnership  
Business Improvement District**

**MG06-076A**

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**AUDIT REPORT IN BRIEF**

This audit of the Grand Central Partnership Business Improvement District (GCP) covered the organization's provisions of services, compliance with its City Contract, and adequacy of internal controls over funds and operations. The GCP is funded by special assessments levied against district property owners and uses these moneys to enhance and promote the district. The City Department of Small Business Services (DSBS) supervises and oversees the GCP. In Fiscal Year 2005, the GCP had revenue of \$11,791,106 and expenditures of \$12,479,165, the difference of \$688,059 coming from surplus funds from prior years.

**Audit Findings and Conclusions**

The GCP has provided the services called for in its District Plan, has generally complied with the key terms in its DSBS contract, and has adequate internal controls over its funds and operations. Minor issues for improvement include keeping BID members informed of the GCP's activities, documenting non-field employees' time, and ensuring that all deposits are insured.

**Audit Recommendations**

To address these issues, we make three recommendations, namely, that the GCP should:

- Enhance its efforts to promote the GCP among its members, increase awareness of its programs, and notify members about coming events and meetings;
- Require non-field personnel to record on a time sheet hours worked each day and ensure that the time sheet is approved by a supervisor; and
- Place its uninsured deposits in collateralized accounts.

## INTRODUCTION

### **Background**

A Business Improvement District (BID) is a geographic area in which property owners and tenants band together to use a municipality's tax collection powers to assess themselves in order to create a fund to be used for improvements within a district. The moneys collected are used to purchase services and improvements, which are supplemental to the services already provided by the City.

The GCP was founded in 1985 and consists of 76 million square feet of commercial space in a 68-block area in midtown Manhattan. It is the second-largest BID in New York City in terms of its operating budget.

The Mayor's Office and the City Council approve the formation of all BIDs and the DSBS supervises and oversees the BIDs. The BIDs must sign a renewable contract with DSBS and submit their budgets and audited financial reports to DSBS each year.

BIDs must also submit audited financial statements to the New York City Audit Committee for review, based on a schedule determined by the City Comptroller. BIDs with budgets over \$1 million a year are reviewed by the Committee every year; BIDs with budgets between \$500,000 and \$1 million are reviewed every two years; and BIDs with budgets under \$500,000 are reviewed every three years.

BIDs have become increasingly important for raising funds for capital improvements and service enhancements. The majority of these districts have modest budgets: the annual assessment revenue of 34 districts is less than \$500,000 each (16 of those less than \$200,000). Five districts have annual assessment revenue ranging between \$500,000 and \$1,000,000, and 12 districts have annual assessment revenue exceeding \$1,000,000. In Fiscal Year 2005, the GCP had assessment revenue of \$11,014,800.

The GCP is governed by a Board of Directors consisting mainly of property and business owners within the district. The Board also has tenant representatives and ex officio members representing various elected officials, including the Mayor, the Comptroller, The City Council, and the Manhattan Borough President.

As with all BIDs, the GCP's contract with DSBS formalizes the BID's commitment to its District Plan (a plan developed by the BID that outlines the proposed improvements for the district, how the improvements will be implemented, and the total annual expenditures anticipated) and specifies the procedures the City requires the BID to follow in its operations.

As shown in Table I, below, in Fiscal Year 2005, the GCP had revenues of \$11,791,106 and expenditures of \$12,479,165, the difference of \$688,059 coming from surplus funds from prior years.

**TABLE I**  
The GCP's Revenues and Expenses for Fiscal Year 2005

<b><u>Support and Revenues</u></b>	
Assessment Revenue	\$11,014,800
Program service revenue	278,626
Special Events	
Special event revenue	140,163
Less: special event expenses	<u>(116,031)</u>
Net special event income	24,132
Contributions	13,520
Pershing Square rental income, net	70,996
Interest Income	389,032
Release of restricted assets	10,000
Temporarily restricted:	
Release of restricted assets	<u>(10,000)</u>
Total Support and Revenues	11,791,106
<b><u>Expenses</u></b>	
Program Expenses:	
Security	2,367,804
Sanitation	3,054,730
Corporate affairs	922,167
Capital improvements	2,658,833
District-wide maintenance	910,212
Horticulture	1,043,720
Social services	443,860
Total program expenses	11,401,326
Management and general	1,077,839
Total expenses	12,479,165
<b><u>Net Revenue less Expenses</u></b>	
	(688,059)

**Objectives**

The objectives of this audit were to:

- Determine whether the GCP has provided the services called for in its District Plan;
- Assess the GCP's compliance with key terms in its contract with DSBS; and
- Evaluate the adequacy of the GCP's internal controls over its funds and operations.

## **Scope and Methodology**

The scope of this audit was Fiscal Year 2005. To assess compliance, we reviewed the GCP's contract with DSBS, which was renewed on March 1, 2005. We interviewed members of the Board of Directors, including the Chairpersons of the five standing committees. In addition, we interviewed various GCP Management Association<sup>1</sup> employees, including the president and vice president. We reviewed the District Plan to determine the declared objectives of the GCP and the services and programs it proposed to accomplish those objectives.

To familiarize ourselves with work done by the GCP and with various issues in the district, we reviewed the minutes of meetings of the Board of Directors from Fiscal Year 2005 and the Bylaws of the Grand Central District Management Association<sup>2</sup> (DMA). We also reviewed the GCP's relationship with the Pershing Square Restaurant. Specifically, we reviewed leases dated September 15, 1995, and April 9, 1997, and the court settlement of the GCP's legal action against the Pershing Square Restaurant dated December 30, 2004. We reviewed the official statements (prospectus) relating to the 1992 bond issue and its subsequent 1994 and 2004 refinancings. In addition, we reviewed the GCP's 2003, 2004, and 2005 annual financial statements. We toured the district and conducted several unannounced observations of the district to verify that security, sanitation, and horticulture services were being provided.

We examined all purchases and contracts over \$50,000.00 to ensure that the GCP adhered to proper purchasing procedures as set forth in its "Policies and Procedures for Budget, Procurement and Finance" and its contract with DSBS. We examined all payments made to the city by the GCP in relation to its lease agreement regarding the Pershing Square Viaduct. We reviewed all expenditures the GCP made using proceeds from the bond to ensure that the funds were properly expended. To ensure that the GCP maintained proper control over its assets we obtained a list of assets obtained with funds from the bond issue and conducted a physical inventory of selected assets. To determine whether the GCP was in compliance with Comptroller's Directive 13, "Payroll Procedures," and properly paid its employees, we verified the accuracy of its electronic palm identification equipment, randomly selected 35 of 142 employees to ensure that they were valid employees of the GCP, and reviewed the timekeeping records for non-field employees. We ensured that all assessments collected by the Department of Finance were forwarded to the GCP and deposited into the proper bank account.

Finally, to assess the level of satisfaction with the services provided by the GCP, in December 2005 and January 2006 we conducted a three-part satisfaction-survey of GCP members. One segment consisted of a door-to-door survey of 50 GCP retail businesses, the second was a telephone survey of 50 members of the DMA, and the third was a mail survey of 100 GCP commercial tenants. In addition to our 50 door-to-door responses, we were able to elicit responses from only 19 DMA members and received only 11 mail responses for a total of 80 responses—40 percent of our 200 solicitations.

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<sup>1</sup> a not-for-profit organization employed by the Board of Directors to perform the BID's daily operating duties.

<sup>2</sup> a voluntary not-for-profit organization made up of property owners and commercial and residential tenants in the district, as well as representatives of elected officials. The DMA is responsible for electing the officers of the board of directors who oversees and manages GCP's management association.

## **Independence Disclosure**

The Comptroller is an ex officio member of the Board of Directors of the Grand Central Partnership Business Improvement District. The Comptroller maintains this position pursuant to Chapter 665 of the Laws of New York (1978), which requires that the Comptroller, as the City's chief fiscal officer, be a member of the board of directors of all city BIDs. In addition, the GCP bylaws specify that the Comptroller be a member of the Board. The Comptroller is represented on the Board of the Grand Central Partnership BID by a designee. The Comptroller's designee was not involved in the planning or conducting of this audit, or in writing or reviewing the audit report.

This audit was conducted in accordance with generally accepted government auditing standards (GAGAS) and included tests of the records and other audit 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 GCP officials during and at the conclusion of this audit. A preliminary draft report was sent to GCP officials on March 16, 2006, and discussed at an exit conference held on March 27, 2006. On March 31, 2006, we submitted a draft report to GCP officials with a request for comments. We received a written response from GCP officials on April 13, 2006. GCP officials agreed with the audit's finding and recommendation regarding uninsured deposits. GCP officials agreed with our finding but disagreed with our recommendation regarding non-field employees signing in and out. Finally, GCP officials disagreed with our finding that communication with its members need improvement. The full text of the GCP's response is included as an addendum to this report.

## **FINDINGS AND RECOMMENDATIONS**

The GCP has provided the services called for in its District Plan, has generally complied with the key terms in its DSBS contract, and has adequate internal controls over its funds and operations. Minor issues for improvement include keeping BID members informed of the GCP's activities, documenting non-field employees' time, and ensuring that all deposits are insured.

### **Survey Indicates General Satisfaction with the Services the GCP has Provided**

The GCP has been successfully providing supplemental services. Its District Plan and its contract with DSBS set forth a series of proposed services aimed to promote and enhance the district. Under the District Plan and the contract, the BID would provide:

- A public safety force to supplement the services provided by the Police Department in the BID area.
- A sanitation force to enhance the cleanliness of the BID area by cleaning the sidewalks, curbs and streets; sweeping and removing snow from the sidewalks; bagging contents of trash receptacles; and removing posters in the district.
- A visitor-assistance program to provide services to tourists or visitors to the district by providing literature and information in several languages.
- Ongoing maintenance of capital improvements made in the district (i.e., granite street corners, streetlight poles, regulatory sign poles, planters, newsboxes, etc.)
- Public events and promotion of the district to encourage the retention of businesses and increase the attractiveness of the district. For example, preparing and distributing special publications such as newsletters, calendars, or special promotional inserts; staging shopping promotion in the district; and hosting special public events.

The response to our survey question concerning the overall effectiveness of the GCP was positive. It revealed that 90 percent of the respondents felt that the GCP was doing an excellent, very good, or good job. (See Appendix I for a listing of questions we asked and a summary of the responses received.)

### **Security Services**

During Fiscal Year 2005, the GCP supplemented the work of the Police Department in the district by providing a team of uniformed security guards, who were in direct communication

with the Police Department and MTA<sup>3</sup> Metro-North Police. The GCP's security guards patrol the district seven days a week, from 8:00 a.m. to 11:00 p.m., except for the summer season (between Memorial Day and Labor Day), when they patrol the streets until 1:00 a.m. on Thursdays, Fridays, and Saturdays. In Fiscal Year 2005, the GCP spent \$2,367,804 to provide security services. Based on the Police Department crime statistics for seven major categories, crime has decreased in the GCP district over the past decade. In our survey of GCP members, 82 percent felt that the GCP was doing an excellent, very good, or good job supplying security services within the district. In addition, the security force also staffs a taxi dispatch stand outside Grand Central Terminal at 42nd Street and Vanderbilt Avenue. During our observations we observed the GCP's security forces patrolling the district and also observed the taxi dispatcher helping numerous people hail taxis.

### **Sanitation Services**

The GCP also supplies supplemental sanitation services enhancing the services provided by the Department of Sanitation. The GCP's sanitation workers clean the district seven days per week—Monday through Friday, 6:30 a.m. to 8:00 p.m. and Saturday and Sunday, 8:00 a.m. to 6:00 p.m. During Fiscal Year 2005, the GCP spent \$3,054,730 to provide sanitation services to the district. The GCP's sanitation services appear to have a positive impact. The Mayor's Office of Operations Project Scorecard program, which rates the level of cleanliness of most streets in districts throughout the City, gave the GCP scores of 99 percent and higher ratings for the cleanliness of its sidewalks and streets in five consecutive quarters. Our survey of GCP members found that 94 percent felt that the sanitation services being provided were excellent, very good, or good. We witnessed several GCP sanitation workers sweeping the sidewalks and streets and cleaning out garbage cans in our unannounced spot-checks of the district. We found the district's streets and sidewalks to be satisfactorily clean.

### **Visitor Assistance Program**

According to the GCP's contract with DSBS, the GCP is required to supply a visitor-assistance or tourism program to the district by providing literature and information in several languages. The GCP operates the "I♥NY" information window inside the main concourse of Grand Central Terminal. It also staffs a team of bilingual greeters who operate several mobile information carts that are located around the district. The "I♥NY" window is open from 9 a.m. to 9 p.m. In addition, greeters with information carts are deployed around the district at prime tourist times. According to our satisfaction survey, 44 percent of the respondents were not aware of the visitor assistance program. Of those who were aware of the visitor-assistance program, 84 percent felt that it was excellent, very good, or good.

### **Capital Improvements**

Throughout the years, the GCP has made many capital improvements throughout the

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<sup>3</sup> The Metropolitan Transit Authority is responsible for New York City Subway, Buses, Long Island Railroad and Metro North Commuter Railroads. It owns the Grand Central Terminal which is the major commuter hub, commercial center and tourist attraction in the district.

district. For example, it has installed granite street corners and tree pits, new streetlights, sign poles, planters, and newsboxes. To finance these capital improvements, in 1992 the GCP issued bonds for \$32,320,000. The bonds were refinanced in 1994 for \$29,855,000 and in 2004 for \$26,545,000. To ensure that the money was used only for capital improvements, we reviewed the supporting documents for all expenditures from the bond funds. Our analysis of the supporting documentation assured us that the proceeds of the bond issue were properly disbursed. According to the district plan, the GCP must maintain these capital assets. During Fiscal Year 2005, the GCP spent \$910,212 to maintain the district's capital assets. Further, to assure ourselves that the GCP has adequate controls over and properly safeguards these assets we obtained an inventory list of all physical assets and a map of their location in the district. We judgmentally selected a sample of 181 assets, which included 21 newsboxes, 94 planters, and 66 streetlight poles scattered throughout the district, and conducted a physical inventory observation. We found all the assets in our sample in their proper locations.

In their response to our satisfaction survey, 92 percent of GCP members felt that the GCP was doing an excellent, very good, or good job with regard to streetscape improvements and maintenance. In addition, our observations of the district revealed that the district was well maintained.

### **Retail Marketing, Promotion, and Special Events**

The GCP is contracted to promote the district by conducting special public events to retain businesses and increase the attractiveness of the district. It does this by preparing and distributing special publications, such as newsletters, calendars, and promotional inserts; staging shopping promotions; and hosting special public events in the district. In Fiscal Year 2005, the GCP spent \$116,031 on special events within the district. Our satisfaction survey determined that 53 percent of GCP members felt that the GCP's efforts to promote the district were excellent, very good, or good. However, 42 percent were unaware of any special events or promotion of the district.

### **The GCP is Fulfilling its Obligations Regarding the Pershing Square Restaurant**

In 1995, the GCP entered into an agreement with the Department of Citywide Administrative Services to lease retail space under the Pershing Square viaduct for purposes of developing a first-class restaurant. In 1997, the GCP entered into a sublease with a subtenant to operate the restaurant. The lease and sublease both have provisions for base rent and additional rents based on a percentage of operating income. In addition, the leases call for payments in lieu of taxes (PILOTs). The GCP is responsible for remitting these payments to the City. From January 1, 2002, until December 31, 2004, the restaurant operator defaulted on its payments to the GCP. The GCP commenced legal action in 2004 to compel the operator to make payment of past-due rent. A settlement was reached on December 30, 2004, whereby the restaurant operator agreed to pay all arrears. We reviewed the GCP's records and found that the restaurant operator had paid its obligations in accordance with the settlement. Further, we reviewed the PILOTs and rent due to the City by the GCP and found that the GCP was making the appropriate payments.

### **The GCP Adhered to Procurement Procedures For Purchases and Contracts over \$50,000**

The GCP entered into contracts or made purchases valued at \$50,000 or more 23 times during Fiscal Year 2005. The total value of these items was \$2,344,602. We found that the GCP adhered to its “Policies and Procedures for Budget, Procurement and Finance.” Specifically, we found that the GCP obtained the required competitive bids, obtained the proper approvals and sign-offs, and obtained the approval of the Board of Directors for these purchases.

### **The GCP’s Communication with Its Members Needs Improvement**

We found that the GCP is generally providing the required supplemental services and has improved the image of the district. However, the GCP is not keeping its members adequately informed of its activities. This prevents the GCP from engaging its members’ interests and encouraging them to be more active regarding the GCP’s activities. Such interest is needed to meet the goal of further promoting the district.

Our interviews with the GCP Board’s committee chairpersons revealed that communication between the GCP Management Association and themselves is excellent. However, we found that communication between the GCP and its members is lacking. Our satisfaction survey showed that only 39 percent of respondents felt that the GCP’s efforts to communicate were excellent, very good, or good, and that 57 percent felt that the GCP’s efforts were only fair or poor. Seventy-one percent of respondents were not even aware of the GCP’s annual meetings. It is important for the GCP to communicate with its members because the GCP is providing services that directly affect each and every member of the district. Many members we spoke to during our survey did not even know the GCP existed. They saw its services (i.e., sanitation, security) being provided but never connected them to the GCP. Members should be aware of the GCP, of its mission and programs, and how to contact the GCP for any reason.

***GCP Response:*** In its response, the GCP disagreed with our finding that it needs to improve communication with its members and stated that it “recognizes the importance of informing and educating those in our district about the programs and services that we provide, and that is why we have so aggressively pursued reaching out to those we serve . . . Unfortunately, however, the Audit failed to acknowledge any of these efforts which are quite extensive . . . We also believe it is misleading to have characterized our communication efforts as ‘needs improvement’ because a mere 80 people interviewed by the Auditors in some manner indicated they were unaware of our communications.”

***Auditor Comment:*** Notwithstanding any of the GCP’s current outreach efforts, the fact remains that a significant percentage of members we surveyed felt that the GCP’s communication efforts were fair or poor. In fact, the GCP had similar results in its own survey of members but chose to include only responses from its board and the DMA, excluding responses to communication questions from the general membership. In response to its own survey, 46 percent of the general membership felt that the GCP’s

communication efforts were only fair or poor. Clearly, communication needs improvement and the GCP should consider modifying its efforts (increasing those shown to be successful and reducing those shown to be not as successful) to ensure that its members are adequately informed of the GCP's activities.

### **Recommendation**

The GCP should:

1. Enhance its efforts to promote the GCP among its members, increase awareness of its programs, and notify members about coming events and meetings. This could include door-to-door visits to merchants, distributing fliers or handbills, and greater use of mailings and e-mail.

**GCP's Response:** "We support this recommendation which implies that there is never too much outreach or communication and will continue to be creative in our methods of reaching out to the GCP community in the broadest possible sense."

**Auditor Comment:** The GCP misunderstands our recommendation. We are not implying that there cannot be too much outreach. Rather, we are addressing the concern expressed by the GCP's members that they are not sufficiently informed of activities and as such, are recommending that the GCP enhance or modify its efforts.

### **The GCP's Non-Field Employees Do Not Sign In and Out**

For timekeeping purposes the GCP classifies its employees as either field or non-field employees. Field employees consist of security and sanitation workers who record their start time and end time by use of ADP's E-time system, which reads the handprint of the employee and automatically records the time. Our observation of the GCP's handprint system revealed that it properly recorded the time of these employees. However, non-field employees do not sign in and out. Included among the non-field employees are part time employees known as "greeters."<sup>4</sup> The greeters' supervisor submits a summary of hours for the greeters each week. Our review noted that there were several discrepancies between the hours submitted and the hours worked, based on the supervisor's records. We brought this to the GCP's attention and officials immediately took steps to require the greeters to sign in and out. While we did not find any problems with the other non-field employees, we must point out that good internal controls over timekeeping are an important aspect of a good payroll system. In fact, Comptroller's Directive 13 suggests that a sign-in and sign-out sheet that is monitored by the supervisor is an effective way to ensure accurate timekeeping records.

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<sup>4</sup> GCP part-time employees who are responsible for greeting tourists and New Yorkers in and around Grand Central Terminal, offering directions, free brochures and information on major tourist attractions, transportation, special events, and restaurants.

## **Recommendation**

The GCP should:

2. Require non-field personnel to record on a time sheet hours worked each day and ensure that the time sheet is approved by a supervisor.

**GCP's Response:** "We clearly understand the purpose of Comptroller's Directive #13 and the importance of strict internal timekeeping controls. . . . While our non-field employees who consist mainly of salaried professional staff, are not asked to sign the 'traditional' time sheet each day, we do have two separate internal procedures and controls in place which records daily attendance. . . . We believe that these existing protocols, which have been in place since 1999 adhere both in spirit and practice to Directive #13 and provide us with the necessary safeguards outlined in this recommendation."

**Auditor Comment:** Instead of having its non-field employees sign a daily attendance record, GCP office managers record the non-field employees' time on a "daily attendance log." However, this log is not signed by the employees attesting to their hours worked nor is it approved by the employees' supervisor. To strengthen controls over timekeeping, we believe that, at a minimum, employees should sign off on their hours worked and a supervisor should approve the time record.

## **The GCP Has Uninsured Deposits**

The financial statements reported that the GCP had funds on deposit with major financial institutions that exceed the maximums of the Federal Deposit Insurance Corporation and the Securities Investor Protection Corporation insurance. The GCP had uninsured funds amounting to \$1,131,132 in 2003, \$1,062,580 in 2004 and \$711,122 in 2005. Since the funds are not covered by FDIC or SIPC deposit insurance, the GCP left its funds unprotected and at avoidable risk in the event of a bank failure.

When deposits of public money exceed the deposit insurance limit, a request can be made that the depository pledge eligible collateral to secure the uninsured amount.

## **Recommendation**

The GCP should:

3. Place its uninsured deposits in collateralized accounts.

**GCP's Response:** ". . . GCP has begun a strategic review of the financial options and products that might fully offset or minimize our coverage risks."

**GRAND CENTRAL PARTNERSHIP BUSINESS IMPROVEMENT DISTRICT**  
**Questionnaire to Determine Member Satisfaction**

1. How do you feel GCP is performing in the following areas?

	<u>VERY GOOD/GOOD</u>	<u>EXCELLENT/ FAIR</u>	<u>POOR</u>	<u>NOT AWARE</u>
Public Safety	<u>65(82%)</u>	<u>3(4%)</u>	<u>1(1%)</u>	<u>10(13%)</u>
Sanitation	<u>74(94%)</u>	<u>4(5%)</u>	<u>1(1%)</u>	<u>0(0%)</u>
Horticulture	<u>70(89%)</u>	<u>4(5%)</u>	<u>2(3%)</u>	<u>3(4%)</u>
Retail Marketing	<u>41(52%)</u>	<u>2(3%)</u>	<u>7(9%)</u>	<u>29(37%)</u>
Newsracks	<u>54(69%)</u>	<u>7(9%)</u>	<u>1(1%)</u>	<u>16(21%)</u>
Special Events	<u>42(53%)</u>	<u>0(0%)</u>	<u>1(1%)</u>	<u>36(46%)</u>
Streetscape Maintenance	<u>73(92%)</u>	<u>2(3%)</u>	<u>3(4%)</u>	<u>1(1%)</u>
Taxi Dispatching	<u>37(47%)</u>	<u>5(6%)</u>	<u>1(1%)</u>	<u>36(46%)</u>
Tourist Information Carts	<u>37(47%)</u>	<u>3(4%)</u>	<u>4(5%)</u>	<u>35(44%)</u>

2. Have you ever tried to contact GCP's Management Office?

<u>YES</u>	<u>NO</u>
<u>21(26%)</u>	<u>59(74%)</u>

If yes, were you satisfied with the adequacy of GCP's response?

<u>YES</u>	<u>NO</u>
<u>19(90%)</u>	<u>2(10%)</u>

3. How do you rate GCP's efforts to communicate with you (i.e., inform you of board meetings, special events, etc.?)

<u>VERY GOOD/GOOD</u>	<u>EXCELLENT/ FAIR</u>	<u>POOR</u>	<u>NOT AWARE</u>
<u>30(39%)</u>	<u>5(7%)</u>	<u>38(50%)</u>	<u>3(4%)</u>

4. Do you think annual meetings are well advertised?

<u>YES</u>	<u>NO</u>
<u>21(28%)</u>	<u>54(72%)</u>

5. Are you aware of GCP's annual meetings?

<u>YES</u>	<u>NO</u>
<u>23(29%)</u>	<u>56(71%)</u>

If yes, how did you learn of them?

<u>MAIL</u>	<u>E-MAIL</u>
<u>21(91%)</u>	<u>2(9%)</u>

6. Does GCP inform you of decisions made at their meetings?

<u>YES</u>	<u>NO</u>
<u>19(26%)</u>	<u>55(74%)</u>

7. Please rate GCP's over all effectiveness in making the district a better place.

	<u>EXCELLENT/ VERY GOOD/GOOD</u>	<u>FAIR</u>	<u>POOR</u>	<u>NOT</u>
	<u>AWARE</u>			
	<u>69(90%)</u>	<u>7(9%)</u>	<u>1(1%)</u>	<u>0(0%)</u>

8. What do you feel GCP could do better to make your district a better place to live, work or visit?

	<u>Improve Good Job</u>	<u>Improve Communication</u>	<u>Improve Advertising</u>	<u>Improve Sanitation</u>	<u>Improve Security</u>	<u>Miscellaneous</u>	<u>No Response</u>
	<u>18(22%)</u>	<u>13(16%)</u>	<u>13(16%)</u>	<u>3(4%)</u>	<u>1(1%)</u>	<u>10(13%)</u>	<u>22(28%)</u>



Peter S. Katikow  
Chairman

**Grand Central**  
**PARTNERSHIP**

Alfred C. Cerullo, III  
President/CEO

April 13, 2006

John Graham  
Deputy Comptroller  
Audits, Accountancy & Contracts  
NYC Office of the Comptroller  
1 Centre Street  
New York, New York 10007

Re: Draft Report  
Audit Report on the Operating Practices and Procedures  
of the Grand Central Partnership Business Improvement District  
MG06-076A

Dear Mr. Graham:

Thank you for sending a copy of the draft report prepared by your office and inviting our comments.

As instructed, I have enclosed a written response to each of the three recommendations made by your team of auditors and have addressed each fully and specifically.

If you have any questions please let me know.

Sincerely,

*See the best*

Alfred C. Cerullo, III  
President/CEO

Attachment

c: Robert W. Walsh, Commissioner, NYC Dept. of Small Business Services  
George Glatter, Assistant Commissioner, NYC Dept. of Small Business Services

## Response of the Grand Central Partnership to Comptroller's Recommendations

### Recommendation Number 1:

The GCP should: *enhance its efforts to promote the GCP among its members, increase awareness of its programs, and notify members about coming events and meetings. This could include door-to-door visits to merchants, distributing fliers or handbills, and greater use of mailings and e-mail.*

We are pleased that the survey performed by the auditors revealed that 90 percent of those questioned about our overall effectiveness felt that we were doing an excellent, very good or good job. Clearly, this statistic highlights that our existence and role in the community is acknowledged, understood and supported.

GCP also recognizes the importance of informing and educating those in our district about the programs and services that we provide, and that is why we have so aggressively pursued reaching out to those we serve in the following ways:

#### GCP Communications and Outreach Initiatives:

- **Weekly E-mail Newsletter** – “news@gcp” is sent to nearly 2,000 subscribers, features updates on GCP programs and operations as well as local events, promotions and retail/restaurant specials.
- **Door-to-Door Notice Distribution** - GCP Public Safety Officers and Supervisors as well as GCP Sanitation Supervisors regularly hand-deliver notices from New York City government agencies as well as delivering other important materials to local retailers. In the recent past, these have included reminders about sales tax-free weeks, tourism programs organized by NYC & Co., waste disposal and recycling guidelines, Building Code regulations and materials produced by GCP itself, among others.
- **Quarterly Newsletter** – 3500 copies of “BIDBEAT” are printed and mailed to our Board of Directors (“Board”) and our District Management Association (DMA), with hand deliveries to all of our neighborhood retailers and mailings to major office tenants.
- **Satisfaction Survey** - surveys hand delivered to every retailer and District Management Association (DMA) member; and 3,500 survey notices mailed to major office tenants.
- **Website** - Receives an average of 700 hits per day. Content includes static pages detailing our general programs and operations as well as updated pages featuring special programs, events or promotions in and around the neighborhood. The site

also provides “links” to critical information from city agencies and other organizations and service providers.

- **Annual Pedestrian Counts Survey and Annual Retail Survey** - full statistical reports made available to retail and commercial real estate professionals, as well as to anyone who requests such information.
- **Media Outreach** - seasonal press releases distributed to local media to highlight special events like Grand Gourmet and summer concert series.
- **Miscellaneous Board and DMA Outreach** - in addition to notices about upcoming meetings of the GCP Board and DMA, regular mailings are sent to this group to spotlight important seasonal events, operational procedures and programmatic plans.

Unfortunately however, the Audit failed to acknowledge any of these efforts which are quite extensive, expensive and have been implemented in order to accomplish exactly what this Audit recommendation suggests. Further, this analysis did not take into account the daunting task of communicating with every person or business in a business improvement district that represents 70 square blocks, nearly 70 million square feet of property, and tens of thousands of businesses most of which exist “vertically” in high rise buildings and world famous skyscrapers; not as walk-in store front venues (according to the New York City Department of Finance our general district boundaries include over 23,000 General Corporation and Unincorporated Business Tax filers alone not to mention any other business or individual income tax return filing type).

We also believe it is misleading to have characterized our communication efforts as “needs improvement” because a mere 80 people interviewed by the Auditors in some manner indicated they were unaware of our communications. There is no doubt that we could never reach every single person or business in the district. How could a BID the size of ours made up of tens of thousands of businesses and hundreds of thousands of employees ever accomplish such a task? However, despite that reality, it does not mean that we are not doing adequate outreach and communication with our members or monitoring our success in reaching them. For example, throughout the years, we learned that mailing to our area retailers is not an effective means of communicating since many retailers do not accept mail in the traditional way. Additionally, managers change often and mail addressed to a particular addressee is often returned if the person leaves the business. To ensure that our communications reached each of our retailers, we commenced a hand-delivery program to every one of our 800 retail businesses. This is a regular part of our Field Staff’s responsibilities. Therefore, if any of the 50 retailers questioned by the Audit Staff said they were unaware of our communications indicates only that our materials are reaching someone other than the person interviewed in that business or firm. Not that we are *failing* to communicate.

The enormity of the challenge of communicating with everyone in what is the 2<sup>nd</sup> largest business improvement district not just in New York City, or the United States, but in the

World, is one of the reasons that our By-laws and Contract and authorizing legislation requires the existence of a DMA. This "membership organization" which represents the variety of relationships we work with (property owners, business owners, tenant representatives, district residents) is open to all. Since it is voluntary, our materials and outreach invite everyone to sign up whether they are in or outside of our district boundaries. These individuals, once "registered" become our core base of members that we communicate with nearly daily, in addition to the local retailers- and who have certain voting rights as to GCP business during the course of any year. At present, there are nearly 200 of these members who represent the district. We believe that the Audit fails to acknowledge this legal entity and its role in GCP's day to day operations.

With that stated, we support this recommendation which implies that there is never too much outreach or communication and will continue to be creative in our methods of reaching out to the GCP community in the broadest possible sense. However, we will remain confident, based on the responses that your survey gathered, that our daily work and positive impact upon the Grand Central Neighborhood is realized, embraced and appreciated. That is our primary mission and contractual obligation.

**Recommendation Number 2:**

*The GCP should: require non-field personnel to record on a time sheet hours worked each day and ensure that the time sheet is approved by a supervisor.*

We clearly understand the purpose of Comptroller's Directive #13 and the importance of strict internal timekeeping controls. That is why we are pleased that the Comptroller has acknowledged the intricate ADP E-Time hand screening payroll program being used by all of our public safety officers, sanitation cleaners and supervisory field staff, together making up approximately 90% of our employee population. In use for almost two years, this highly sophisticated system has led to a dramatic reduction in lateness, and has improved the overall integrity of the timekeeping and payroll records. While our non-field employees who consist mainly of salaried professional staff, are not asked to sign the "traditional" time sheet each day, we do have two separate internal procedures and controls in place which records daily attendance, as well as all leave allowances including vacation, sick, personal and any other days an employee may be entitled to by company policy or law. These records are monitored, and approved if required, by supervisors and/or GCP senior executives. We are pleased that the Auditors reviewed some of these record-keeping protocols, but are disappointed that this finding failed to recognize these systems.

We believe that these existing protocols, which have been in place since 1999 adhere both in spirit and practice to Directive #13 and provide us with the necessary safeguards outlined in this recommendation.

**Recommendation Number 3:**

The GCP should: *place its uninsured deposits in collateralized accounts.*

GCP understands this recommendation as it has seen it provided in various audits of other business improvement districts in the past. In order to have a sense of how to accomplish **this recommendation**, GCP has begun a strategic review of the financial options and products that might fully offset or minimize our coverage risks. To assist in this due diligence we have already sought the assistance and advice of our Finance Committee and independent auditor. Further, since it appears that other BIDS face the identical predicament, we **urge the Comptroller to intervene to help GCP and the BID community** identify potential collateralization options. We take the matter of securing our assets very seriously and look forward to hopefully working together to address this recommendation.