

City of New York

OFFICE OF THE COMPTROLLER

Scott M. Stringer
COMPTROLLER



FINANCIAL AUDIT

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Deputy Comptroller for Audit

Audit Report on the Compliance of
Queens Ballpark Company, L.L.C. with
Its City Parking Facilities Agreements

FN17-080A

June 26, 2017

<http://comptroller.nyc.gov>



THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
SCOTT M. STRINGER

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To the Residents of the City of New York:

My office has audited the Queens Ballpark Company, L.L.C. (QBC) to determine whether QBC accurately reported revenue and expenses, paid required fees to the City in a timely fashion, and complied with other major requirements of its City agreements. The audit also examined whether the Department of Parks and Recreation (Parks) maintained adequate oversight to ensure QBC's compliance with the City agreements.

The audit found that QBC understated its net revenue by at least \$294,127 and, as a result, owes the City at least \$147,064 in additional base rent. The audit also found inconsistencies in QBC's books and records and that QBC's point-of-sale system lacked the controls needed to ensure a complete and accurate record of all parking-related transactions. Further, QBC did not adequately verify the accounting of the special-events revenue and expenses reported by a related company, CF Hospitality, L.L.C. (CFH), and did not notify Parks of special events as required by the City agreements. Apart from those issues, the audit found that QBC complied with other major terms of the City agreements, including that it maintained required insurance coverage, submitted required revenue reports to the City, used the correct formula (although with an incorrect net revenue figure) to calculate its base rent, and remitted the base rent that it did pay on time.

Based on the audit findings, the audit made eight recommendations to QBC, including that QBC remit \$147,064 in additional base rent to Parks; ensure that base rent is accurately calculated; properly review CFH's operation to ensure that it correctly reports special events revenue and expenses in accordance with QBC's agreements with the City; accurately record all revenue and expense transactions in its general ledger; and ensure its point-of-sale system generates sequential transaction numbers without gaps and records all parking transactions. The audit also made five recommendations to Parks, including that Parks should determine whether the revenue allocation methodology used by QBC to report special events revenue is reasonable; review the special events files and determine whether QBC accurately reported its revenue and expenses; and review QBC's Calendar Year 2016 records to determine whether it owes additional base rent for the period.

The results of our audit have been discussed with QBC and Parks officials and their comments have been considered in preparing this report. Their complete written responses are 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 blue ink, appearing to read "Scott M. Stringer".

Scott M. Stringer

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THE CITY OF NEW YORK OFFICE OF THE COMPTROLLER FINANCIAL AUDIT

Audit Report on the Compliance of Queens Ballpark Company, L.L.C. with Its City Parking Facilities Agreements

FN17-080A

EXECUTIVE SUMMARY

The City of New York (the City), acting through its Department of Parks and Recreation (Parks), entered into four agreements with Queens Ballpark Company, L.L.C. (QBC), a subsidiary of Sterling Mets, L.P. (the City agreements). The City agreements provide for the management, operation and maintenance of several parking facilities near Citi Field Stadium in Flushing, Queens that are predominantly used for events held at the stadium and for commuter parking. The parking operations also include 15 smaller parking sites used mainly as auxiliary parking for Citi Field Stadium, the US Open Tennis Championships, and for special events such as flea markets, concerts and commercial promotions. Parks is responsible for administering the agreements to ensure compliance and to collect the proper rent from QBC in accordance with the agreements.

The rent that QBC pays the City, called “base rent” in the City agreements, is determined by a formula based on net revenue. In this audit, we examined whether QBC accurately reported revenue and expenses, paid required fees to the City in a timely fashion, and complied with other major requirements of its City agreements. The audit also examined whether Parks maintained adequate oversight to ensure QBC’s compliance with the agreements.

Audit Findings and Conclusions

Our audit found that QBC understated its net revenue by at least \$294,127 and, as a result, owes the City at least \$147,064 in additional base rent. We also found inconsistencies in QBC’s books and records and that QBC’s point-of-sale system lacked the controls needed to ensure a complete and accurate record of all parking-related transactions. Further, we found that QBC did not adequately verify the accounting of the special-events revenue and expenses reported by a related company, CF Hospitality, L.L.C. (CFH), and did not notify Parks of special events as required by the City agreements. Apart from those issues, we found that QBC complied with the other major terms of the City agreements, including that it maintained required insurance coverage, submitted required revenue reports to the City, used the correct formula (although with an incorrect net revenue figure) to calculate its base rent, and remitted the base rent that it did pay on time.

Audit Recommendations

This report makes eight recommendations to QBC and five recommendations to Parks, including that QBC should:

- Remit \$147,064 in additional base rent to Parks.
- Ensure that base rent is accurately calculated by, among other things:
 - Including all prepaid parking space sales as gross parking revenue;
 - Correctly reporting any overuse of the free team parking spaces as gross parking revenue; and
 - Adding back all discounted value as gross parking sales.
- Properly review CFH's operation to ensure that it correctly reports special events revenue and expenses in accordance with QBC's agreements with the City.
- Establish a written agreement with CFH that clearly details the responsibilities of each party for all special events managed or booked by CFH.
- Provide all requested documents that are necessary for the City, including the Comptroller's Office, to determine whether QBC is complying with the City agreements, including but not limited to all catering concession agreements that generate revenue or expenses related to special events held in whole or part in any of the parking facilities.
- Accurately record all revenue and expense transactions in its general ledger, to ensure that it includes all business transactions.
- Strengthen its internal controls by modifying its point-of-sale system, by at a minimum:
 - Ensuring that the system records each transaction number in sequential order without gaps, using a numbering system that correlates to the date and time each transaction occurred, and that control procedures to account for voids, cancellations, or other discrepancies in sequential numbering are implemented and tested; and
 - Recording all parking transactions, including free parking and prepaid parking, in the point-of-sale system.
- Ensure that Parks is notified of all special events to be held in the Citi Field parking lots.

Parks should:

- Ensure that QBC remits the additional base rent due assessed in this report.
- Determine whether the revenue allocation methodology used by QBC to report special events revenue is reasonable.
- Review the special events files and determine whether QBC accurately reported its revenue and expenses.
- Review QBC's Calendar Year 2016 records to determine whether it owes additional base rent for the period.
- Ensure QBC implements the recommendations of this report.

QBC Response

In its written response, QBC was critical of our report findings; however, it did not directly address each of our recommendations. QBC generally objected to the report stating that it contained “incorrect conclusions due to the auditors’ or the Comptroller’s misinterpretation of the City agreements and misunderstanding of QBC’s accounting and operations.” However, after a careful review, it is evident that QBC’s objections are unfounded. Both during our audit and in its response to this report, QBC raised a number of arguments, but failed to provide information to substantiate its positions. By contrast, the audit findings were based on the plain language of the City agreements together with a detailed analysis of QBC’s books and records.

Notwithstanding QBC’s criticisms of the audit report, we note that to a significant degree, it acknowledged the validity of the report’s findings by agreeing to take appropriate steps to strengthen its controls. In particular, QBC stated that “QBC will . . . review internal policies to determine if procedures can be strengthened, and will take appropriate steps to do so if warranted, [and that] it will ensure that CFH maintains more robust event folders. . . . [In addition,] despite the compensating controls that are currently used to ensure accuracy, QBC is working with representatives of BYPASS to find a manageable solution to providing unique sequencing.”

Parks Response

In Parks’ response, it generally agreed with our recommendations as they applied to Parks. With respect to QBC’s use of excessive team parking spaces, Parks responded that “Parks is reviewing this matter with our General Counsel and the City’s Law Department.”

AUDIT REPORT

Background

The City of New York, acting through Parks, entered into four agreements between 2006 and 2009 with QBC, a subsidiary of Sterling Mets, L.P.¹ Under those City agreements, QBC is responsible for the management, operation and maintenance of several parking facilities near Citi Field Stadium in Flushing, Queens which are predominantly used for events held at the stadium and for commuter parking. The parking operations also include 15 smaller parking sites used mainly as auxiliary parking for Citi Field Stadium, the US Open Tennis Championships, and special events such as flea markets, concerts and commercial promotions. Parks is responsible for administering the City agreements to ensure compliance and to collect the proper rent from QBC in accordance with the terms of those agreements.

The rent that QBC pays the City, called “base rent” in the City agreements, is determined by a formula based on net revenue, defined as follows:

net revenue = net parking revenue + net non-parking revenue

net parking revenue = gross parking revenue - permitted deductions for parking operations

net non-parking revenue = gross non-parking revenue - permitted deductions for non-parking operations

permitted deductions = QBC’s direct operating costs for parking and non-parking operations, repair and maintenance expenses, and capital improvements.

The City agreements established a formula for the calculation of QBC’s base rent based on whether net revenue from parking and non-parking operations exceed prescribed sums, or thresholds, which are subject to annual adjustment based on the Consumer Price Index (CPI). Under the applicable formula and the original net-revenue thresholds:

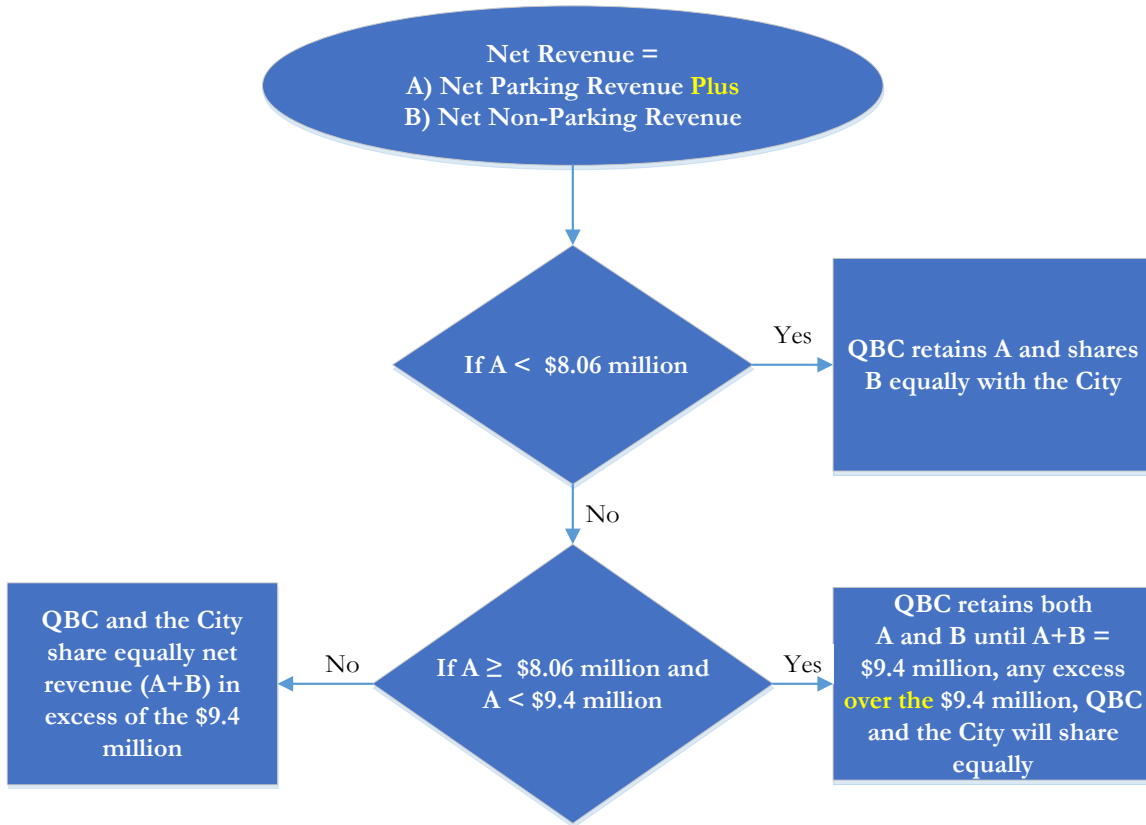
- If QBC’s net parking revenue was less than \$7 million, QBC would retain the net parking revenue and the City and QBC would share equally in the net revenue from non-parking operations.
- If QBC’s net parking revenue was equal to or greater than \$7 million but less than \$8.16 million, QBC would retain all net revenue (that is, both net parking and net non-parking revenue) until the total reached \$8.16 million. When net revenue was equal to or greater than \$8.16 million, QBC and the City would equally share the excess net revenue above \$8.16 million.

For Calendar Year 2015, the audit scope period, after annual CPI adjustments, the applicable threshold amounts had increased from \$7 million to \$8.06 million and from \$8.16 million to \$9.4

¹ The four agreements are: North Parking Site Lease Agreement; South Parking Site Lease Agreement; Pork Chop Hill Lease Agreement; and a 20-year license agreement for the auxiliary parking sites. The North Parking Site Lease Agreement and South Parking Site Lease Agreement were signed on August 1, 2006 and were amended and restated on February 1, 2009. The Pork Chop Hill Lease Agreement was signed on February 1, 2009. All leases expire in 2046. The 20-year license agreement was signed on February 19, 2009. These agreements were executed in connection with a ground lease to construct a first class Major League Baseball stadium (known as Citi Field Stadium in Flushing, Queens), for the New York Mets Major League Baseball Team. Sterling Mets, L.P., a Delaware limited partnership, the owner of the franchise for the New York Mets Major League Baseball Team, subleases the stadium from QBC.

million, respectively. The base rent calculation methodology as applied to Calendar Year 2015, the audit scope period, is illustrated below.

Base Rent Calculation



For Calendar Year 2015, the time period examined by the audit, QBC reported net revenue totaling \$10,034,319 and paid base rent to the City in the amount of \$318,514. The detailed sources of revenue reported are shown in Table I as follows.

Table I
Net Revenue Reported by QBC in
Calendar Year 2015

Gross Parking Revenue	Amount
Parking Revenue Collected from Game Days, US Open, and Commuter Parking	\$10,560,624
Parking Revenue Collected from Non-Baseball Events	835,308
Add Adjustments:	
VIP Parking	268,170
\$5 and Half Price Discounts	60,803
Employee Usage over 375 Team Spaces	188,584
Season Ticketholders Complimentary Passes Issued	215,485
Less: Parking Expenses	(2,827,570)
Total Net Revenue from Parking Operations	\$ 9,301,405*
Add Non-Parking Revenue	
Gross Revenue from Special Events	\$643,822
Less: Special Events Deductions	(215,328)*
Net Revenue from Special Events	428,494
Gross Advertising Revenue	488,565
Less: Advertising Deductions	(184,145)
Net Advertising Revenue	304,420
Total Net Non-Parking Revenue	\$732,914
Total Net Revenue Reported to the City	\$10,034,319
Total Base Rent Paid to the City	\$318,514[†]

* Includes \$1 rounding error.
[†] (\$10,034,319 - \$9,397,291) ÷ 2 = \$318,514

Under the City agreements, QBC is also responsible for maintaining the parking lots and collecting fees from parking and non-parking operations. In addition, QBC is required to maintain proper insurance, such as property damage and general commercial liability. The City agreements also require QBC to submit quarterly and annual reports to the City. Further, the agreements allow QBC to subcontract with Imperial Parking (U.S.), Inc. (d/b/a Impark) to manage the parking operations.

Objectives

The objectives of this audit were to determine whether QBC accurately reported revenue and expenses, paid required fees to the City in a timely fashion, and complied with other major requirements of its City agreements, as well as whether Parks engaged in adequate oversight to ensure QBC's compliance with the City agreements.

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 of this audit was Calendar Year 2015. Please refer to the Detailed Scope and Methodology section at the end of this report for the specific audit procedures and detailed tests conducted during the course of this audit.

Discussion of Audit Results

The matters covered in this report were discussed with QBC and Parks officials during and at the conclusion of this audit. A preliminary draft report was sent to QBC and Parks and thereafter discussed at an exit conference held on May 16, 2017. After the preliminary draft report was issued, QBC officials provided additional information which was considered in connection with the preparation of this final report. On May 30, 2017, we submitted a draft report to QBC and Parks with a request for written comments. We received written responses from QBC and Parks on June 13, 2017.

In its written response, while QBC was critical of our report findings, it did not directly address each of our recommendations. QBC objected to the report's conclusions overall, stating,

The Report contains errors and reaches incorrect conclusions due to the auditors' or the Comptroller's misinterpretation of the City agreements and misunderstanding of QBC's accounting and operations. . . . In light of the foregoing, QBC recommends that the Comptroller revisit the statements and conclusions embodied and recommendations made in the draft Report and make changes to accommodate QBC's objections, comments and corrections as stated above prior to issuing the final report.

However, QBC's objections are unfounded. Both during our audit and in its response to this report, QBC failed to provide information to substantiate its multiple claims. By contrast, the audit findings were based on the plain language of the City agreements as well as on a careful analysis of QBC's books and records. Further, our assessment of QBC's accounting operations was based on the information that was provided to us by QBC, including documentation it provided to support its internal controls, general ledger reporting, revenue allocation methodology and the data extracted from its point-of-sale system, among other things.

Notwithstanding QBC's overall criticism of the audit report, we are pleased that QBC nevertheless acknowledged the report's findings by agreeing to take appropriate steps to strengthen its controls. In particular, QBC stated that it will

review internal policies to determine if procedures can be strengthened, and will take appropriate steps to do so if warranted, and that it will ensure that CFH maintains more robust event folders. . . . [In addition,] despite the compensating controls that are currently used to ensure accuracy, QBC is working with representatives of BYPASS to find a manageable solution to providing unique sequencing. QBC will also work with its third party parking vendors to ensure that all prepaid parking passes are scanned.

In Parks' response, it generally agreed with our recommendations addressed specifically to Parks. With respect to QBC's use of excessive team parking spaces, Parks responded that "Parks is reviewing this matter with our General Counsel and the City's Law Department."

The full text of QBC's and Parks' responses are included as addenda to this report.

FINDINGS

Our audit found that QBC understated its net revenue by at least \$294,127 and as a result owes the City at least \$147,064 in additional base rent. We also found inconsistencies in QBC's books and records and that QBC's point-of-sale system lacked the controls needed to ensure a complete and accurate record of all parking-related transactions. Further, we found that QBC did not adequately verify the accounting of the special-events revenue and expenses reported by a related company, CFH, and did not notify Parks of special events as required by the City agreements. Apart from those issues, we found that QBC complied with the other major terms of the City agreements, in that it maintained required insurance coverage, submitted required revenue reports to the City, used the correct formula (although with an incorrect net revenue figure) to calculate its base rent, and remitted the base rent that it did pay on time.

QBC Understated Its Revenue by \$294,127 and Owes the City \$147,064 in Base Rent

QBC failed to fully report its gross parking and non-parking revenue and did not accurately calculate the 2015 base rent it owed the City. Specifically, as described in more detail below, QBC failed to report a portion of its prepaid parking sales, as well as the fair market value of the free parking spaces that exceeded the number it was permitted to offer. In addition, QBC did not ensure that the value of all parking discounts was included in total parking revenue as required by its agreements with the City. Finally, QBC did not verify the accuracy of the special event revenue and expenses reported by CFH, which is responsible for managing special events. As a result, QBC understated its net revenue by at least \$294,127 and thus owes the City at least 50 percent of that amount—\$147,064—in additional base rent, as detailed in Table II.

Table II

Summary of Understated
Net Revenue

Description	Amount Understated
Prepaid Parking Revenue	\$58,304
Underreported Team Parking Space Usage	75,350
Parking Discounts	144,699
Incorrect Sales Tax Deduction	15,774
Total Understated Net Revenue	\$294,127
50 Percent Owed to City as Rent	\$147,064

QBC Understated Prepaid Parking Revenue by \$58,304

QBC incorrectly used the cash basis rather than the accrual basis of accounting to report its prepaid parking sales to the City.² According to Section 3.01 of the North Side Parking Lease, “any amounts received as advance payments shall be included in Gross Parking Revenue to the extent earned, in accordance with generally accepted accounting principles.” Generally accepted accounting principles require use of the accrual basis of accounting in this instance.

However, QBC failed to comply with this revenue reporting requirement, and as a result underreported prepaid parking revenue by \$58,304 in the report submitted to the City for Calendar Year 2015. Specifically, our analysis of QBC’s prepaid parking sales records, along with the report it submitted to the City, found that while QBC earned a total of \$1,602,301 in prepaid revenue—all of which should have been included in its report to the City—it reported only \$1,543,997 to the City, a difference of \$58,304.

QBC Exceeded Its Allotment of Free Parking Spaces and Consequently Underreported Gross Parking Revenue by \$75,350

After reviewing QBC’s actual usage of free parking compared with the estimated usage in its revenue report, we found that QBC had omitted \$75,350 of reportable gross parking revenue—3,425 spaces x \$22 per space—from its report to the City for Calendar Year 2015.

According to its City agreements, QBC may use up to 375 parking spaces per day for free team parking and exclude the revenue that would otherwise be reportable from those occupied spaces from the gross parking revenue QBC reports to the City. However, if more than 375 free spaces are used on any given day, QBC is required to include the full value of those additional parking spaces—\$22 per space during our audit period—when reporting parking revenue to the City. We found that QBC exceeded the 375 free-spaces-per-day limit by a total of 3,425 spaces. It did this by excluding from the reported parking spaces those it allocated to its employees and by reporting only estimated rather than actual usage of free parking spaces. Based on the applicable minimum rate of \$22 per space, QBC underreported its gross parking revenue by \$75,350.

QBC Underreported Parking Discounts by \$144,699

QBC accounted for only part of the value of the discounted parking spaces it gave to its employees, vendors, prepaid customers and others when it calculated the 2015 gross parking revenue reported to the City. This resulted in its underreporting its gross parking revenue by \$144,699.

According to Section 3.02(d) of the North Side Parking Lease, “in no event shall the parking rates for Stadium Events . . . be less than \$18 per vehicle for the start of the Team Season in 2009, such \$18 per vehicle minimum to be subject to CPI Adjustment . . . each year thereafter.”³ As noted above, the applicable minimum for 2015 was \$22 per vehicle. However, QBC frequently issued discount coupons to its employees and vendors to park during stadium events, which resulted in its collecting less than the minimum parking rate for certain spaces. After reviewing QBC’s documentation of those discounts, we found that although QBC reported to the City a total of \$60,803 in discounted parking value, it failed to report the full value of the discounts given,

² Cash basis accounting is an accounting method of recognizing revenue and expenses when cash is received or distributed. Accrual basis accounting recognizes revenue when earned and expenses when incurred.

³ Stadium Events means Team Events and all other major events (such as performances, rallies, exhibitions and conventions) held in the Stadium.

which totaled \$205,502. As a result, QBC underreported the value of the parking discounts it provided by \$144,699.

QBC Response: “The largest component of the amount of Base Rent that the Report claims is owed derives from a single issue – whether the City agreements require QBC to charge people working an event at the Stadium full price in order for them to be allowed to park in the Citi Field parking lots when they come to work. The City agreements require no such thing, and therefore the two portions of the Report . . . that conclude that QBC underreported parking revenue by \$75,350 and by \$144,699, respectively, are wrong.

Section 3.02(d) of the Amended and Restated North Parking Site Lease Agreement (‘North Parking Lease’) addresses ‘Stadium Event parking rates,’ and prescribes minimum ‘parking rates for Stadium Events’^[1] except ‘with respect to any Stadium Event for which there is no admission fee or for which the admission fee is substantially less than the amount charged for comparable seats at Team Home Games,’ in which case parking for Stadium Events may be sold at a lower rate or even no charge at all. The minimum parking rate requirement applies to people coming to Citi Field to attend the Stadium Event, not those who are simply coming to work at the Stadium. Indeed, the language of Section 3.02(d) that permits the minimum parking rate to be lowered when the ‘admission fee’ is less than for Team Home Games helps confirm that the parking rate provisions are intended to be applied to people who are admitted to a Stadium Event as patrons, not those who work at the event.

It was never the intention of the parties to the North Parking Lease that QBC would be forced to charge the full parking price mandated in the lease to people coming to work. Whenever people who work at Citi Field do pay to park in a ballpark parking lot during a Stadium Event, that payment is included in Gross Parking Revenue, but there is no requirement in the City agreements that a Citi Field worker be charged the full parking price (or any amount at all) when he or she parks in the Stadium parking lots for work.”

Parks Response: “Based on our conversations with QBC, we understand that they agree that additional base rent is due on the understated net revenue pertaining to prepaid parking revenue, an incorrect sales tax deduction, and about half of the amount for parking discounts. The remainder of the amount cited in the Report - concerning alleged use of excessive team parking spaces -- seems to involve a difference in interpretation between the Comptroller's Office and QBC. Parks is reviewing this matter with our General Counsel and the City's Law Department.”

Auditor Comment: QBC failed to demonstrate that the agreement intended to exclude the value of full parking to its employees. Contrary to QBC’s audit response, the City agreements do not contain a provision that allows QBC’s employees free or discounted parking during Stadium Events. Notably, while QBC quoted extensively from the section 3.02(d) of the North Parking Site Lease, it failed to include the relevant statement that

in no event shall the parking rates for Stadium Events . . . be less than \$18 per vehicle for the start of the Team Season in 2009, such \$18 per vehicle minimum to be subject to CPI Adjustment . . . each year thereafter.

In addition, with regard to the \$22 parking rate cited in the report, QBC stated that the \$22 would be the rate it would charge in its proposed rate notice submitted to Parks that was approved by Parks. It was in fact the rate that QBC charged patrons who attended baseball games at Citi Field throughout Calendar Year 2015.

Finally, we note that QBC did not object to the presentation of the base rent calculation during the exit conference. Further, it did not explain how our report “incorrectly and incompletely summarizes the Base Rent calculation” in its written response.

QBC Did Not Adequately Verify CFH’s Accounting for Special Events and Failed to Detect a Duplicate Sales Tax Deduction of \$15,774

QBC did not adequately verify the accounting of revenue and expenses by CFH, which managed special events held in the Citi Field parking facilities, such as concerts, promotions, and flea markets. Further, QBC allowed CFH to use the parking facilities for such events without a written contract detailing each party’s responsibilities. QBC’s inadequate oversight resulted in one clear, calculable instance of underreported revenue—caused by CFH’s double-counting of a \$15,774 sales tax liability—and may have allowed for the diversion of additional revenue from QBC and consequently from the City.

According to CFH and QBC representatives, CFH allocates special events revenue and expenses based on the revenue and costs associated with the use of, respectively, the parking facilities and the stadium for each event. QBC receives revenue derived from the special events held in the parking lots and from special events held in the stadium. Under the City agreements, only the revenue received by QBC for special events held in the parking lots is shared with the City. The audit revealed that the allocations of special events revenue and expenses between stadium and parking lots are determined by CFH, with no evidence that QBC performs any independent review of the accuracy or reasonableness of those allocations. Moreover, we found that some of CFH’s accounting was inaccurate or questionable, as shown in the following examples:

- For one event, CFH deducted its sales tax liability twice from its gross revenue, resulting in a \$15,774 understatement of net revenue by QBC.

Parks Response: “Based on our conversations with QBC, we understand that they agree that additional base rent is due on the understated net revenue pertaining to . . . an incorrect sales tax deduction.”

- Many of the reported costs, revenue, and allocations contained in CFH’s event folders lacked supporting worksheets to substantiate their validity and basis.

QBC Response: “CFH maintains unique files for each event which contains adequate support for those events. While QBC believes that in general CFH’s files and other documentation are sufficient, QBC will ensure that CFH maintains more robust event folders, including parking lot/stadium allocations which are currently kept in separate files.”

Auditor Comment: During the course of the audit, we requested documentation to support the accuracy and reasonableness of revenue allocations between stadium and parking lot numerous times. Although CFH eventually submitted a statement of the allocations, it did not provide sufficient data or documents to support those allocations. Despite QBC’s stated disagreement, we are pleased that it has agreed to “ensure that CFH maintains more robust event folders, including parking lot/stadium allocations which are currently kept in separate files.”

- For an event held in the Citi Field parking lots in 2015, CFH reported that it had collected \$125,264 from the event sponsor and allocated only 68.3 percent of that gross revenue—

\$85,556—to the parking lots and the remainder to the stadium. However, our comparison of CFH’s backup documentation with the invoice that CFH issued to the event sponsor revealed that although CFH charged the event sponsor a “base fee” of \$100,000—presumably for its use of the parking lots—*plus an additional \$2,200 for the sponsor’s use of a club inside the stadium* as a “command post,” it allocated \$20,000 of the \$100,000 “base fee” revenue to the stadium rather than the parking lots. The effect of that allocation was the exclusion of \$20,000 in special-events revenue from the calculation of QBC’s base rent reported to the City. Based on the inconsistency between CFH’s invoice and its allocation, and the absence of any additional documentation to support CFH’s allocation, we question its validity and reasonableness.

QBC Response: “The auditors’ comment that the \$100,000 base fee is ‘*presumably for its use of the parking lots*’ is not correct, nor is it clear why they would make such a presumption since some events . . . utilize both the Stadium and parking lots, and in cases where events take place partially on the Stadium premises and partially in the parking lots, an allocation of the total event revenue is made between the two areas. During the course of the audit and again at the Exit Conference, representatives of QBC explained to the audit team that they were misreading the invoice in question because \$80,000 of the \$100,000 base fee was appropriately included in Gross Parking Revenue. The remaining \$20,000 that was allocated for use of the Stadium was a reasonable allocation for use of the particular Stadium areas in question. Of the remaining \$25,264, \$5,556 was related to the use of the parking lot and was appropriately allocated to QBC. It should be noted that the majority of events held in the parking lots included a 100% allocation of revenue to use of the parking areas.”

Auditor Comment: QBC could not support its basis for this allocation. Since the event folder does not have any other information breaking down the space usage between the stadium and the parking lots, it could not support its contention that the \$20,000 exclusion was a “reasonable” allocation for the usage of the stadium.

- CFH did not provide us with a copy of its executed concession agreement with the company that catered most of the special events held in the Citi Field parking facilities. In the absence of the executed agreement, we were unable to determine what, if any, criteria CFH used in allocating the special-event-catering-concession revenue and whether they were reasonable.

Inconsistent Accounting in QBC’s and CFH’s Records of Special-Events Revenue

QBC did not completely and accurately record the revenue generated from special events in its general ledger. QBC informed us that it uses CFH’s spreadsheet to support the special-events revenue it reports to the City and does not separately record the same revenue in its general ledger when that revenue is already reported by CFH. Consistent with that explanation, we found:

- Four instances where facility rental income shown on CFH’s special events spreadsheet was not recorded in QBC’s general ledger; and
- One instance where special-events-parking revenue was recorded in the facility-rental account of CFH’s general ledger rather than in the account designated for special-events-parking revenue in QBC’s general ledger.

However, QBC's stated practice is inconsistent with QBC's obligation under the City agreements to maintain complete and accurate books and records of accounts of QBC's operation of the parking facilities. Reliance on information contained only in the records of a separate entity, even if related, is not the same as QBC's maintaining its own complete and accurate financial records.

Moreover, we also found other types of discrepancies when we attempted to trace the revenue reported in CFH's spreadsheet to revenue reported in QBC's general ledger. Specifically, we found two instances where QBC appears to have recorded special-events-parking revenue in the facility-rental account of its general ledger rather than in the account designated for special-events parking revenue. Thus, we found that QBC's practice was inconsistent; specifically, in some instances it did not record its special-events revenue from CFH in its financial records, and in other instances it recorded that type of revenue in its financial records, but in an account other than the one specifically designated for it. Accordingly, QBC's inconsistent accounting practices for special-events revenue inappropriately impeded the City's ability to determine whether QBC correctly calculated the base rent due.

QBC Response: "The auditors' blanket comment that 'QBC did not completely and accurately record the revenue generated from special events in the general ledger' . . . cannot be founded on the relatively few alleged inconsistencies raised in the Report. In 2015, the Citi Field parking lot-related revenue exceeded \$12 million, and the Report, which is plagued by its own errors and misunderstandings, raises issues concerning less than 2.5% of this total. QBC maintains appropriate books and records and complies with its obligations under the City agreements. QBC will, however, review internal policies to determine if procedures can be strengthened, and will take appropriate steps to do so if warranted."

Auditor Comment: Although special events may represent a small portion of its revenue, QBC is required to comply with reporting this revenue accurately as required by the City agreements regardless of the degree of materiality. We are glad that QBC has agreed to review its "internal policies to determine if procedures can be strengthened, and will take appropriate steps to do so if warranted."

QBC's Point-of-Sale System Did Not Capture All Transactions

Although the parking revenue reported by Impark, the company that QBC retained to manage its parking operations, was captured in QBC's general ledger, not all of the underlying parking transactions were properly recorded in the point-of-sale system, called Bypass. The omissions may have been due to deficiencies in either the use of Bypass or in the system itself, or both. In reviewing records from Bypass, we found that not all free passes and prepaid parking passes were recorded. In addition, our review of the daily sales data for four sampled dates—three days in 2015 and one in 2016—revealed that the system did not consistently generate consecutive transaction numbers, a standard control mechanism for companies that use point-of-sale systems.⁴

⁴ See, e.g., New York State Department of Taxation and Finance, *Recordkeeping Requirements for Sales Tax Vendors*: "Users of POS systems must maintain auditable internal controls to ensure the accuracy and completeness of the transactions recorded in the POS system. . . . Audit trail details include, but are not limited to: **internal sequential transaction numbers**; . . . and **procedures to account for voids, cancellations, or other discrepancies in sequential numbering**." [Emphasis added.] https://www.tax.ny.gov/pubs_and_bulls/tg_bulletins/st/record-keeping_requirements_for_sales_tax_vendors.htm.

We found that although the point-of-sale system is capable of automatically generating sequential transaction numbers, that feature appears to have been bypassed or to have malfunctioned. We found, for example, 216 gaps in the transaction numbers listed for September 21, 2016, which ranged from a single skipped number to batches of more than 3,000 skipped numbers within that single day. In addition, we found a gap of 10,699 numbers between the last transaction number generated on a particular date and the first transaction number of the next day. QBC and Impark officials were unable to explain why those gaps existed. They contended that a second set of control numbers called “Daily ID” numbers, which reset each day at number 1, was embedded in the system. However, those Daily IDs were not available for us to review because, according to Impark, the company does not download them, as doing so would involve “a very slow and lengthy process.” Moreover, from the limited information provided by QBC and Impark, we could not determine how the Daily ID numbers were generated and assigned to each transaction.⁵

In addition, we found that Impark’s daily revenue reports included manually recorded numbers of free passes used by the employees, vendors, or other guests. Those parking transactions were not recorded in QBC’s point-of-sale system.

Lastly, although the point-of-sale system has the capability to scan all prepaid parking passes presented for parking, we found that QBC and Impark did not consistently use that feature. QBC’s record showed 5,545 prepaid parking passes were sold for seven post-season games in 2015, but only *one* was scanned in the system as redeemed. Accordingly, either more than 5,400 prepaid parking passes were never used or Impark and QBC failed to record their use.

The North Side Parking Lease requires QBC to “establish and maintain internal financial control policies and practices which are in accordance with the usual and customary practices in the parking industry.”⁶ We question whether the financial control policies and practices in use at the Citi Field parking facilities meet that standard. In the absence of procedures and controls sufficient to produce complete, reliable business records of all financial transactions, there is no assurance that QBC has accurately reported parking revenue to the City, or paid the correct amount in accordance with QBC’s agreements with the City.

QBC Response: “Among the incorrect statements in the Report is the claim . . . that ‘QBC and Impark officials were unable to explain why those gaps [in transaction numbers] existed.’ Although BYPASS, the underlying software system utilized by our third party parking operator, has gaps in its sequential numbering system, representatives of QBC and the third party parking vendor explained on multiple occasions during the audit process that there are multiple compensating controls in place to ensure that all revenue is accurately recorded in the general ledger of QBC. In addition, representatives of QBC and the third party parking operator produced examples of an additional set of sequencing numbers called ‘Daily IDs’ which the auditors reviewed on a select basis (contrary to the Report’s comment that the ‘Daily IDs were not available for us to review’). Despite the compensating controls that are currently used to ensure accuracy, QBC is working with representatives of BYPASS to find a manageable solution to providing unique sequencing. QBC will also work with its third party parking vendor to ensure that all prepaid parking passes are scanned.”

Auditor Comment: While QBC claims that the audit report incorrectly states that QBC and Impark could not explain the gaps in its transaction numbers, QBC acknowledged the

⁵ For the Daily ID numbers to serve as a separate set of control numbers embedded in the point-of-sale system, they should follow a continuous sequence rather than being reset each day, be generated automatically for all transactions, and be downloaded with the daily sales data for review.

⁶ Section 32.02(ii) of the North Side Parking Lease; incorporated by reference in all relevant City agreements covered by this audit.

gaps in point-of-sale system transaction numbers but had no explanation for those gaps during the audit and in its written response.

QBC stated only that it had compensating controls, i.e., Daily IDs and car counters, which it claimed mitigated the effect of the deficiencies in its point-of-sale system. However, we found weaknesses in these mitigating controls. As noted in the audit report, we were unable to determine the efficacy of Daily IDs. Rather than giving us Daily ID information directly from its system, we were provided only with manually-created Excel spreadsheets whose accuracy we could not verify. Further, we found that the car counters QBC used as a compensating control were not installed at all gates. In addition, QBC and Impark officials acknowledged that the car counters did not always function properly.

QBC Did Not Submit the Required Notices to Parks for Special Events

QBC did not provide written notifications to Parks for four of the special events held at the parking lots in 2015. According to Section 4.03(a) of the North Parking Site Lease, QBC is required to notify Parks in writing of the intent to hold special events on the parking lots. The lack of such notifications hinders Parks' oversight and awareness of anticipated special events, and can result in special events revenue not being reported.

QBC Response: "The Report states that QBC did not appropriately notify Parks of four special events held in the parking lots during the 2015 calendar year. Although written notices of four events could not be located during the audit process, the Report fails to state that Parks was notified of other events in the parking lots during 2015, demonstrating that at worst, there may have been an occasional inadvertent oversight in delivering a written notice. It is also important to note that CFH regularly informs the NYC Department of Parks & Recreation of upcoming events via phone conversations, meetings and e-mails."

RECOMMENDATIONS

QBC should take the following actions:

1. Remit \$147,064 in additional base rent to Parks.

QBC Response: QBC did not address this recommendation.

2. Ensure that base rent is accurately calculated by, among other things:

- Including all prepaid parking space sales as gross parking revenue;
- Correctly reporting any overuse of the free team parking spaces as gross parking revenue; and
- Adding back all discounted value as gross parking sales.

QBC Response: QBC did not address this recommendation.

3. Properly review CFH's operation to ensure that it correctly reports special events revenue and expenses in accordance with QBC's agreements with the City.

QBC Response: QBC did not address this recommendation.

4. Establish a written agreement with CFH that clearly details the responsibilities of each party for all special events managed or booked by CFH.

QBC Response: QBC did not address this recommendation.

5. Provide all requested documents that are necessary for the City, including the Comptroller's Office, to determine whether QBC is complying with the City agreements, including but not limited to all catering concession agreements that generate revenue or expenses related to special events held in whole or part in any of the parking facilities.

QBC Response: While QBC did not directly address this recommendation, it stated that it would ensure "CFH maintains more robust event folders, including parking lot/stadium allocations which are currently kept in separate files."

6. Accurately record all revenue and expense transactions in its general ledger, to ensure that it includes all business transactions.

QBC Response: While QBC did not directly address this recommendation, it stated that it "will review internal policies to determine if procedures can be strengthened, and will take appropriate steps to do so if warranted."

7. Strengthen its internal controls by modifying its point-of-sale system, including but not limited to:

- Ensuring that the system records each transaction number in sequential order without gaps, using a numbering system that correlates to the date and time each transaction occurred, and that control procedures to account for voids, cancellations, or other discrepancies in sequential numbering are implemented and tested; and
- Recording all parking transactions, including free parking and prepaid parking, in the point-of-sale system.

QBC Response: While QBC did not directly address this recommendation, it stated that it "is working with representative of BYPASS to find a manageable solution to

providing unique sequencing. QBC will also work with its third party parking vendors to ensure that all prepaid parking passes are scanned.”

8. Ensure that Parks is notified of all special events to be held in the Citi Field parking lots.

QBC Response: While QBC did not directly address this recommendation, it stated that “there may have been an occasional inadvertent oversight in delivering a written notice.”

Parks should take the following actions:

9. Ensure that QBC remits the additional base rent due assessed in this report.

Parks Response: “Based on our conversations with QBC, we understand that they agree that additional base rent is due on the understated net revenue pertaining to prepaid parking revenue, an incorrect sales tax deduction, and about half of the amount for parking discounts. The remainder of the amount cited in the Report – concerning alleged use of excessive team parking spaces – seems to involve a difference in interpretation between the Comptroller’s Office and QBC. Parks is reviewing this matter with our General Counsel and the City’s Law Department.”

10. Determine whether the revenue allocation methodology used by QBC to report special events revenue is reasonable.

Parks Response: “Parks will follow up with QBC to review their revenue allocation methodology used to report special event revenue and assess its reasonability.”

11. Review the special events files and determine whether QBC accurately reported its revenue and expenses.

Parks Response: “Parks will follow up with QBC to review these records.”

12. Review QBC’s Calendar Year 2016 records to determine whether it owes additional base rent for the period.

Parks Response: “Parks will follow up with QBC to review these records.”

13. Ensure QBC implements the recommendations of this report.

Parks Response: “Parks will discuss the recommendations in this Report with QBC and, where appropriate, work with QBC to implement recommended improvements, or otherwise address the concerns raised by the Report.”

Auditor Comment: As Parks states in its response, “[t]hese lease agreements were negotiated by New York City Economic Development Corporation and subsequently turned over to NYC Parks (‘Parks’) to administer in order to ensure compliance and to collect the proper rent from QBC in accordance with the leases.” As the oversight agency, Parks should ensure that QBC implements each of the report’s eight recommendations to ensure compliance and to collect the proper rent.

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 audit was Calendar Year 2015. To assess the overall condition of the parking lots and identify other non-parking revenue streams QBC generated, we conducted observations of the lots on September 21 and 22, 2016. To gain a general understanding of QBC's responsibilities, we reviewed the three leases and the license agreement between the City and QBC, which govern the three parking lots surrounding Citi Field Stadium and the 15 smaller auxiliary parking sites next to a nearby marina and within Flushing Meadows Corona Park. We also reviewed the operating agreement between QBC and Imperial Parking (U.S.), Inc. (d/b/a Impark), the operator of the parking operation, to understand Impark's responsibilities. To obtain a better understanding of QBC's parking operation, we interviewed QBC's Controller, Assistant Controller, and other managerial officials, as well as Impark's Audit Regional Manager and Parking Operation Managers. In addition, we obtained and reviewed Impark's policies and procedures.

To obtain an understanding of QBC's non-parking revenue operation, which includes marquee sign advertising and special events held in the parking lots, we reviewed the Advertising Sales Agent Agreement between QBC and Clear Channel Outdoor, Inc. (Clear Channel) and interviewed CFH officials. To obtain an understanding of QBC's accounting process, we interviewed QBC's accounting department's personnel. We documented our understanding of QBC's parking and non-parking operation through written narratives.

To determine whether QBC accurately reported its parking revenue in its general ledger, we judgmentally selected four days of the parking revenue data extracted from QBC's point-of-sale system, as well as from Impark's corresponding revenue reports, which were prepared manually. The four days selected were September 2 to September 4, 2015 when the US Open and baseball season were in session, and September 21, 2016, one of the dates on which we conducted our observations. We analyzed raw data extracted from the point-of-sale system, then traced these parking sales back to Impark's manual revenue reports, and finally to the general ledger. We also traced credit card sales to various credit card merchant statements. In addition, we analyzed prepaid parking sales, discounted parking, complimentary parking, VIP parking and employee parking records to determine whether QBC properly reported the gross parking revenue to the City.

To determine whether QBC properly recorded parking expenses, we stratified the parking expenditures and selected the top five expenditure accounts. We then selected the three largest transactions from these accounts. Next, we reviewed the supporting invoices to determine whether the expenses pertained appropriately to parking operations and had been accurately recorded.

To determine whether QBC accurately reported its non-parking revenue and expenses on its general ledger, we judgmentally selected 3 of the 27 special events held during 2015 at the site

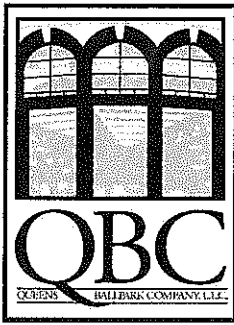
and reviewed the correspondence event folders. We traced the revenue and expenses from the invoices to the worksheets that QBC used to report special events activities to the City.

To determine whether QBC accurately reported its advertisement revenue, we reviewed its contract with Clear Channel , a subcontractor that handles the Marquee advertisement sales. We then obtained all the monthly gross revenue reports submitted by Clear Channel and traced its payments to QBC's bank statements and general ledger. We also reviewed the sections of the loan agreement that QBC provided, and the invoices for the construction of the electronic advertising sign to determine whether the interest expenses charged were appropriate.

To determine whether QBC properly calculated the base rent due the City, we reviewed the Statements of Base Rent Payment Calculation that it submitted to the City and the supporting documents to amounts reported.

In addition, we reviewed the insurance certificates to determine whether QBC or Impark carried sufficient insurance coverage as required by the agreements with the City and named the City as the additional insured.

The results of our test, while not projectable, should provide reasonable assurance that we have obtained sufficient, appropriate evidence of QBC's compliance with its City parking facilities agreements.



A *Mets* SUBSIDIARY

June 13, 2017

City of New York
Office of the Comptroller
1 Centre Street
New York, New York 10007
Attn: Marjorie Landa, Deputy Comptroller for Audit

Re: Draft Audit Report on the Compliance of Queens Ballpark Company, L.L.C.
with its City Parking Facility Agreements

Dear Ms. Landa:

The following are Queens Ballpark Company, L.L.C.'s ("QBC") comments to the Office of the City of New York Comptroller Draft Audit Report on the Compliance of Queens Ballpark Company, L.L.C. with its City Parking Facilities Agreements dated May 30, 2017 (the "Report"). Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Report or in the City agreements (as that term is used in the Report to describe three parking lot leases and one license).

The Report contains errors and reaches incorrect conclusions due to the auditors' or the Comptroller's misinterpretation of the City agreements and misunderstanding of QBC's accounting and operations. As a result, we believe the Report should be revised in light of the following response.

I. The Report Misinterprets the Parking Lease Provisions Regarding Stadium Event Parking Rates, and The Report's Conclusion That QBC Owes \$147,064 in Base Rent Is Wrong

The largest component of the amount of Base Rent that the Report claims is owed derives from a single issue – whether the City agreements require QBC to charge people working an event at the Stadium full price in order for them to be allowed to park in the Citi Field parking lots when they come to work. The City agreements require no such thing, and therefore the two portions of the Report (on pages 9-10) that conclude that QBC underreported parking revenue by \$75,350 and by \$144,699, respectively, are wrong.

Section 3.02(d) of the Amended and Restated North Parking Site Lease Agreement (“North Parking Lease”) addresses “Stadium Event parking rates,” and prescribes minimum “parking rates for Stadium Events”¹ except “with respect to any Stadium Event for which there is no admission fee or for which the admission fee is substantially less than the amount charged for comparable seats at Team Home Games,” in which case parking for Stadium Events may be sold at a lower rate or even no charge at all. The minimum parking rate requirement applies to people coming to Citi Field to attend the Stadium Event, not those who are simply coming to work at the Stadium. Indeed, the language of Section 3.02(d) that permits the minimum parking rate to be lowered when the “admission fee” is less than for Team Home Games helps confirm that the parking rate provisions are intended to be applied to people who are admitted to a Stadium Event as patrons, not those who work at the event.

It was never the intention of the parties to the North Parking Lease that QBC would be forced to charge the full parking price mandated in the lease to people coming to work. Whenever people who work at Citi Field do pay to park in a ballpark parking lot during a Stadium Event, that payment is included in Gross Parking Revenue, but there is no requirement in the City agreements that a Citi Field worker be charged the full parking price (or any amount at all) when he or she parks in the Stadium parking lots for work.

II. QBC Maintains Appropriate Oversight Over Accounting for Events That Take Place in the Parking Lots

QBC maintains adequate oversight over accounting for events that take place in the Citi Field parking lots, including those arranged by QBC’s affiliate CF Hospitality, L.L.C. (“CFH”), and to the extent the Report suggests otherwise, it is in error. QBC reviews all amounts reported by CFH as parking lot-related revenue to confirm that QBC is properly allocated and receives all such revenues, and QBC meets with CFH representatives to address questions related to the allocations to the extent necessary. In addition, all major CFH events are reconciled by non-CFH personnel who have authority to act on behalf of QBC.

QBC would like to particularly address the following audit findings stated on page 10 of the Report (without limiting the general position that QBC’s oversight over accounting for parking lot events is appropriate):

- *“Many of the reported costs, revenues, and allocations contained in CFH’s event folders lacked supporting worksheets to substantiate their validity and basis.”*

CFH maintains unique files for each event which contains adequate support for those events. While QBC believes that in general CFH’s files and other documentation are sufficient, QBC will ensure that CFH maintains more robust event folders, including parking lot/stadium allocations which are currently kept in separate files.

¹ The Report (at p.9) erroneously states that the minimum parking rate in 2015 was \$22 per vehicle; pursuant to the North Parking Lease, it was \$21. The Report also incorrectly and incompletely summarizes the Base Rent calculation, by misstating how the calculation works when Net Parking Revenue attributable to Parking Operations is greater than or equal to the Threshold Sharing Amount but less than the Base Parking Amount (as it was in 2015), and by failing to address the calculation when Net Parking Revenue attributable to Parking Operations is greater than or equal to the Base Parking Amount. (Compare Report pp.4-5 with North Parking Lease § 3.02(a).)

- *“For an event held in the Citi Field parking lots in 2015 CFH reported that it had collected \$125,264 from the event...”*

The auditors’ comment that the \$100,000 base fee is “*presumably for its use of the parking lots*” is not correct, nor is it clear why they would make such a presumption since some events (such as the event used in this example in the third bullet point on page 10 of the Report) utilize both the Stadium and parking lots, and in cases where events take place partially on the Stadium premises and partially in the parking lots, an allocation of the total event revenue is made between the two areas. During the course of the audit and again at the Exit Conference, representatives of QBC explained to the audit team that they were misreading the invoice in question because \$80,000 of the \$100,000 base fee was appropriately included in Gross Parking Revenue. The remaining \$20,000 that was allocated for use of the Stadium was a reasonable allocation for use of the particular Stadium areas in question. Of the remaining \$25,264, \$5,556 was related to the use of the parking lot and was appropriately allocated to QBC. It should be noted that the majority of events held in the parking lots included a 100% allocation of revenue to use of the parking areas.

III. QBC Maintains Appropriate Accounting Practices and Accurate Books and Records

The auditors’ blanket comment that “QBC did not completely and accurately record the revenue generated from special events in the general ledger” (Report p.11) cannot be founded on the relatively few alleged inconsistencies raised in the Report. In 2015, the Citi Field parking lot-related revenue exceeded \$12 million, and the Report, which is plagued by its own errors and misunderstandings, raises issues concerning less than 2.5% of this total. QBC maintains appropriate books and records and complies with its obligations under the City agreements. QBC will, however, review internal policies to determine if procedures can be strengthened, and will take appropriate steps to do so if warranted.

IV. The Report Ignores Information Provided to the Comptroller’s Auditors Concerning the Parking Lot Point-of-Sale System, Including Controls that Ensure and Confirmed that Parking Revenue Is Accurately Recorded

Among the incorrect statements in the Report is the claim, at p.12, that “QBC and Impark officials were unable to explain why those gaps [in transaction numbers] existed.” Although BYPASS, the underlying software system utilized by our third party parking operator, has gaps in its sequential numbering system, representatives of QBC and the third party parking vendor explained on multiple occasions during the audit process that there are multiple compensating controls in place to ensure that all revenue is accurately recorded in the general ledger of QBC. In addition, representatives of QBC and the third party parking operator produced examples of an additional set of sequencing numbers called “Daily IDs” which the auditors reviewed on a select basis (contrary to the Report’s comment that the “Daily IDs were not available for us to review”). Despite the compensating controls that are currently used to ensure accuracy, QBC is working with representatives of BYPASS to find a manageable solution to providing unique sequencing. QBC will also work with its third party parking vendor to ensure that all prepaid parking passes are scanned.

V. QBC Submitted the Required Notices to Parks for Special Events

The Report states that QBC did not appropriately notify Parks of four special events held in the parking lots during the 2015 calendar year. Although written notices of four events could not be located during the audit process, the Report fails to state that Parks was notified of other events in the parking lots during 2015, demonstrating that at worst, there may have been an occasional inadvertent oversight in delivering a written notice. It is also important to note that CFH regularly informs the NYC Department of Parks & Recreation of upcoming events via phone conversations, meetings and e-mails.

Conclusion

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

In light of the foregoing, QBC recommends that the Comptroller revisit the statements and conclusions embodied and recommendations made in the draft Report and make changes to accommodate QBC's objections, comments and corrections as stated above prior to issuing the final report.

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

Sincerely,

QUEENS BALLPARK COMPANY, L.L.C.

By:

A handwritten signature in black ink, appearing to be a stylized name, is written over a horizontal line.



NYC Parks

Mitchell J. Silver, FAICP
Commissioner

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Parks & Recreation

The Arsenal
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June 13, 2017

Marjorie Landa
Deputy Comptroller for Audit
City of New York Office of the Comptroller
1 Centre Street, Room 1100
New York, NY 10007

Re: Audit Report on the Compliance of Queens Ballpark Company, LLC with Its City Parking Facilities Agreements; FN17-080A

Dear Deputy Comptroller Landa:

This letter addresses the findings and recommendations contained in the New York City Comptroller's ("Comptroller") Draft Audit Report ("Report"), dated May 30, 2017, on the above subject matter.

The City of New York entered into three lease agreements and one concession agreement in 2009 with Queens Ballpark Company, LLC ("QBC") for the management, operation, and maintenance of several parking facilities near Citi Field in Flushing, Queens. These lease agreements were negotiated by New York City Economic Development Corporation and subsequently turned over to NYC Parks ("Parks") to administer in order to ensure compliance and to collect the proper rent from QBC in accordance with the leases. We are pleased that this Report found that QBC maintained required insurance coverage, submitted revenue reports to the City, used the correct formula to calculate its base rent, and remitted that base rent on time.

This Report includes eight recommendations to QBC and five recommendations to Parks. In reference to the Report's recommendations directed to Parks:

Recommendation 9 – Ensure that QBC remits the additional base rent due assessed in this report.

Based on our conversations with QBC, we understand that they agree that additional base rent is due on the understated net revenue pertaining to prepaid parking revenue, an incorrect sales tax deduction, and about half of the amount for parking discounts. The remainder of the amount cited in the Report – concerning alleged use of excessive team parking spaces -- seems to involve a difference in interpretation between the Comptroller's Office and QBC. Parks is reviewing this matter with our General Counsel and the City's Law Department.

Recommendation 10 – Determine whether the revenue allocation methodology used by QBC to report special events revenue is reasonable.

Parks will follow up with QBC to review their revenue allocation methodology used to report special event revenue and assess its reasonability.

Recommendation 11 – Review the special events files and determine whether QBC accurately reported its revenue and expenses.

Parks will follow up with QBC to review these records.

Recommendation 12 – Review QBC’s Calendar Year 2016 records to determine whether it owes additional base rent for the period.

Parks will follow up with QBC to review these records.

Recommendation 13 – Ensure QBC implements the recommendations of this report.

Parks will discuss the recommendations in this Report with QBC and, where appropriate, work with QBC to implement recommended improvements, or otherwise address the concerns raised by the Report.

Finally, Parks wishes to thank you and your audit staff for the time and effort devoted to completing this report.

Sincerely,

A handwritten signature in black ink, appearing to read 'D. Cerron', with a large, stylized flourish extending to the right.

David Cerron

Chief of Revenue, Concessions & Controls Oversight