

# AUDIT REPORT

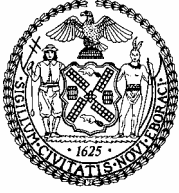


CITY OF NEW YORK  
OFFICE OF THE COMPTROLLER  
BUREAU OF FINANCIAL AUDIT  
**WILLIAM C. THOMPSON, JR., COMPTROLLER**

## **Audit Report on the New York Yankees Rental Credits For the First Quarter of 2004 (January 1–March 31, 2004)**

*FN05-057A*

**December 15, 2004**



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

WILLIAM C. THOMPSON, JR.  
COMPTROLLER

**To the Citizens of the City of New York**

Ladies and Gentlemen:

Pursuant to the terms of the lease between the City of New York and the New York Yankees, we have examined the rental credits claimed by the Yankees for the maintenance of City-owned Yankee Stadium for the first quarter of 2004 (January 1–March 31, 2004). The Yankees are responsible for the care and upkeep of Yankee Stadium, and the costs incurred by the Yankees for maintaining the stadium are offset against any rental income due the City from the Yankees. Thus, every approved dollar spent and accounted for as a rental credit for the maintenance of the stadium results in a dollar-for-dollar decrease in the rent due the City.

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

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

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

Very truly yours,

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

William C. Thompson, Jr.

WCT/gr

**Report: FN05-057A**  
**Filed: December 15, 2004**

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

**Audit Report on the  
New York Yankees Rental Credits  
For the First Quarter of 2004  
(January 1–March 31, 2004)**

**FN05-057A**

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**AUDIT REPORT IN BRIEF**

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

**Audit Findings and Conclusions**

The audit found that Yankees rental credits submitted for the first quarter of 2004 were overstated by \$27,866.53, as follows:

- \$15,732.86 in excess payroll charges and salary expenses that should have been paid by the Yankees.
- \$4,689.44 in payments to ADCO Electric, consisting of labor and material costs that based on the terms of the agreement should not have been charged to the City.
- \$1,530.38 in sales taxes and gross receipts taxes on fuel.
- \$112 for purchases of supplies that are not chargeable to the City.
- \$3,876.67 in Yankee Stadium repairs that are not chargeable to the City.
- \$1,925.18 for expenses that are not City costs under the terms of the lease and cannot be offset against rental income.

**Audit Recommendations**

We recommend that the Yankees deduct \$27,866.53 from the total rental credits taken for maintenance pertaining to the first quarter of 2004, and ensure that all maintenance credits

claimed are properly supported by sufficient documentation. In addition, we recommend that the City's Department of Parks and Recreation (Parks) ensure that the Yankees comply with the report's recommendations.

## **INTRODUCTION**

### **Background**

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

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

### **Objectives**

Our audit objectives were to determine whether the Yankees:

- adequately documented and supported the submitted labor and materials charges;
- submitted invoices eligible for reimbursement in the form of rental credits that were in accordance with the lease agreement; and
- accurately calculated all credits and did not deduct non-City charges from the rent due for the first-quarter period, January 1–March 31, 2004.

### **Scope and Methodology**

The audit scope covered the period January 1, 2004–March 31, 2004. We examined 100 percent of the \$992,161.46 in labor and materials charges and supporting documentation submitted by the Yankees.

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

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

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

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

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

### **Discussion of Audit Results**

The matters covered in this report were discussed with Yankee and Parks officials during and at the conclusion of this audit. A preliminary draft report was sent to Yankees and Parks officials on October 15, 2004. On November 18, 2004, in response to the preliminary draft report, Yankee officials waived their right to an exit conference and stated that they accept the \$27,866.53 in audit disallowances as a Yankee cost. The Yankees response is included as an addendum to this final report.

## FINDINGS

### Overstatement of Rental Credits

Rental credits audited under the schedules submitted for the first quarter of 2004 were overstated by \$27,866.53, as summarized on Table I below:

**Table I**  
Disallowance Schedule\*

Schedule	Billed	Allowed	Disallowed
A-1 (River Payroll)	\$224,642.03	\$208,909.17	\$15,732.86
A-2 (ADCO Electric)	79,196.53	74,507.09	4,689.44
A-3 (Miranda Fuel)	55,508.98	53,978.60	1,530.38
A-4 (Brown & Silver)	1,003.00	891.00	112.00
A-5 (Stadium Repairs)	95,609.02	91,732.35	3,876.67
A-6 (Other Expenses)	536,201.90	534,276.72	1,925.18
<b>Total</b>	<b>\$992,161.46</b>	<b>\$964,294.93</b>	<b>\$27,866.53</b>

\* All calculations are rounded to two decimal points.

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

The River Payroll disallowance totaling \$15,732.86 consists of the following:

- \$6,405.93—for the cost of “lunch-not-taken.” Section 162 of New York State Labor Law states that “every person in any establishment or occupation covered by the Labor Law must be afforded a meal period of at least thirty minutes.” In addition, Article VI of the Agreement between Local 32B—32J S.E.I.U., AFL-CIO, and River Payroll, states, in part: “Hours of work each day shall be exclusive of a daily lunch period of not more than one (1) hour.” Moreover, a Parks letter dated June 9, 1997, informed the Yankees that effective January 1, 1996, Parks would not accept “lunch-not-taken” labor cost credits that were not approved in advance. The Yankees, however, provided no documentation that such approvals were obtained. The Yankees accepted the \$6,405.93 as a Yankee cost.
- \$2,546.34—for contributions to various funds related to River Payroll disallowances.<sup>1</sup> The Yankees accepted the \$2,546.34 as a Yankee cost.
- \$2,018.86—for unreasonable third shift charges paid to three employees. The Yankees accepted the \$2,018.86 as a Yankee cost.

<sup>1</sup> Includes Welfare, Pension, and Annuity Funds.

- \$1,639.80—for one employee who either did not sign in or sign out on his timesheets, or who did not initial his timesheets at the end of his work shifts. The Yankees accepted the \$1,639.80 as a Yankee cost.
- \$1,172.74—for incorrect rates paid to two employees who were paid double-time instead of time-and-a-half rates. Based on their work schedules, these employees were paid at a higher rate than is allowable under the Local 30 agreement. The Yankees accepted the \$1,172.74 as a Yankee cost.
- \$771.60—for a duplicate payment to one employee. The Yankees accepted the \$771.60 as a Yankee cost.
- \$262.40—for an irreconcilable difference between the amount charged to the City and the amount reported on the payroll register for seasonal employees. The Yankees accepted the \$262.40 as a Yankee cost.
- \$259.56—for incorrect hourly rates paid to “utilitymen” and “laborers.” Based on their work schedule and Yankee payroll codes, these employees were paid at a higher rate than is allowable under the Local 32B—32J S.E.I.U., AFL-CIO, CLC agreement. The Yankees accepted the \$259.56 as a Yankee cost.
- \$246.42—for wages paid to three employees whose timesheets appeared to be altered. These changes were not initialed or approved. The Yankees accepted the \$246.42 as a Yankee cost.
- \$196.80—for one employee’s labor hours whose work code was not identified. The Yankees accepted the \$196.80 as a Yankee cost.
- \$192.41—for labor hours not worked that under the terms of the lease should not have been offset against rental income. The Yankees accepted the \$192.41 as a Yankee cost.
- \$20—for an ineligible bonus paid to one employee. The Yankees accepted the \$20 as a Yankee cost.

Appendix II gives further details of the above disallowances.

The ADCO Electric disallowance totaling \$4,689.44 consists of hours worked in Yankee areas that included the ticket office. Such costs, based on the terms of the lease, should not have been included in the maintenance credits submitted by the Yankees. The Yankees accepted the \$4,689.44 as a Yankee cost.

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



The Miranda Fuel disallowance of \$1,530.38 consists of \$1,100.38 for sales tax and \$430 for gross receipt taxes. Based on the October 29, 1993 settlement agreement that designated the Yankees as agents of the City, sales taxes are not acceptable for deduction as maintenance credits. Moreover, the payment of gross receipts taxes are the responsibility of the fuel deliverer and are not City costs. The Yankees accepted the \$1,530.38 as a Yankee cost.

The Brown & Silver disallowance of \$112 was for the purchases of “holsters and bulbs,” which are not chargeable to the City. The Yankees accepted the \$112 as a Yankee cost.

The “Stadium Repairs” disallowances totaling \$3,876.67 are as follows:

- \$1,775.28—for tools and miscellaneous items, such as “keys, gloves, drain packs, closet, coverall suits, tubing cutters, brushes, first aid kit, and signs.” These expenses, under the terms of the lease agreement, are not chargeable to the City. The Yankees accepted the \$1,775.28 as a Yankee cost.
- \$1,702—for repair charges pertaining to vandalized elevators and for “ACE Elevator Game Standby” charges that should not have been included in the maintenance credits submitted by the Yankees. The Yankees accepted the \$1,702 as a Yankee cost.
- \$399.39—for sales tax. As previously stated, based on the October 29, 1993 settlement agreement that designated the Yankees as agents of the City, sales taxes are not acceptable for deduction as maintenance credits. The Yankees accepted the \$399.39 as a Yankee cost.

Finally, a disallowance of \$1,925.18 in “Other Expenses” included the purchases of “ceiling tiles, plywood, and for Material Disposal/Recycling,” which are not City costs under the terms of the lease and cannot be offset against rental income. The Yankees accepted the \$1,925.18 as a Yankee cost.

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

## **RECOMMENDATIONS**

We recommend that the Yankees:

1. Deduct \$27,866.53 from the total rental credits for maintenance pertaining to the first quarter of 2004.
2. Ensure that all maintenance credits claimed are properly supported by sufficient documentation.

We recommend that Parks:

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

**NEW YORK YANKEES RENTAL CREDITS  
SUMMARY SCHEDULE FOR VENDORS A-1 THROUGH A-6  
AUDIT PERIOD: 1/1/04 - 3/31/04  
AUDIT # FN05-057A**

<b>Adjustments</b>						
<b>NY Schedule</b>	<b>Amount Billed</b>	<b>Previous Allowance (Note 1)</b>	<b>Previous Disallowance (Note 1)</b>	<b>Amount Accepted by NY (Note 2)</b>	<b>Final Allowance (Note 3)</b>	<b>Final Disallowance (Note 3)</b>
<b>A-1 River Payroll</b>						
<b>Total</b>	<b>\$224,642.03</b>	<b>\$208,909.17</b>	<b>\$15,732.86</b>	<b>\$15,732.86</b>	<b>\$208,909.17</b>	<b>\$15,732.86</b>
<b>A-2 ADCO Electric</b>						
<b>Total</b>	<b>\$79,196.53</b>	<b>\$74,507.09</b>	<b>\$4,689.44</b>	<b>\$4,689.44</b>	<b>\$74,507.09</b>	<b>\$4,689.44</b>
<b>A-3 Miranda Fuel</b>						
<b>Total</b>	<b>\$55,508.98</b>	<b>\$53,978.60</b>	<b>\$1,530.38</b>	<b>\$1,530.38</b>	<b>\$53,978.60</b>	<b>\$1,530.38</b>
<b>A-4 Brown &amp; Silver</b>						
<b>Total</b>	<b>\$1,003.00</b>	<b>\$891.00</b>	<b>\$112.00</b>	<b>\$112.00</b>	<b>\$891.00</b>	<b>\$112.00</b>
<b>A-5 Stadium Repairs</b>						
<b>Total</b>	<b>\$95,609.02</b>	<b>\$91,732.35</b>	<b>\$3,876.67</b>	<b>\$3,876.67</b>	<b>\$91,732.35</b>	<b>\$3,876.67</b>
<b>A-6 Other Expenses</b>						
<b>Total</b>	<b>\$536,201.90</b>	<b>\$534,276.72</b>	<b>\$1,925.18</b>	<b>\$1,925.18</b>	<b>\$534,276.72</b>	<b>\$1,925.18</b>
<b>GRAND TOTAL</b>	<b>\$992,161.46</b>	<b>\$964,294.93</b>	<b>\$27,866.53</b>	<b>\$27,866.53</b>	<b>\$964,294.93</b>	<b>\$27,866.53</b>

Note 1: Per Preliminary Draft Report Issued October 15, 2004  
 Note 2: Per New York Yankee Response received on November 18, 2004  
 Note 3: At Final Stage

**NEW YORK YANKEES RENTAL CREDITS  
SUMMARY SCHEDULE FOR VENDORS A-1 THROUGH A-6  
AUDIT PERIOD: 1/1/04 - 3/31/04  
AUDIT # FN05-057A**

<b>RIVER PAYROLL LABOR HOURS</b>
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Description of Disallowance	Amount Disallowed Per Draft Report	Amount Accepted by NY Y	Amount Resubmitted by NY Y	Add'l Amt Accepted by City	Final Disallowance
1. Lunch Not Taken	\$6,405.93	\$6,405.93	\$0.00	\$0.00	\$6,405.93
2. Welfare Contributions	\$2,546.34	\$2,546.34	\$0.00	\$0.00	\$2,546.34
3. Unreasonable 3rd Shift	\$2,018.86	\$2,018.86	\$0.00	\$0.00	\$2,018.86
4. Incomplete Timesheets	\$1,639.80	\$1,639.80	\$0.00	\$0.00	\$1,639.80
5. Double-Time s/b 1.5X	\$1,172.74	\$1,172.74	\$0.00	\$0.00	\$1,172.74
6. Duplicate Payment	\$771.60	\$771.60	\$0.00	\$0.00	\$771.60
7. Irreconcilable Difference	\$262.40	\$262.40	\$0.00	\$0.00	\$262.40
8. Incorrect Hourly Rates	\$259.56	\$259.56	\$0.00	\$0.00	\$259.56
9. Altered Timesheets	\$246.42	\$246.42	\$0.00	\$0.00	\$246.42
10. Unidentified Labor Code	\$196.80	\$196.80	\$0.00	\$0.00	\$196.80
11. Hours Not Worked	\$192.41	\$192.41	\$0.00	\$0.00	\$192.41
12. Ineligible Bonus	\$20.00	\$20.00	\$0.00	\$0.00	\$20.00
<b>TOTAL</b>	<b>\$15,732.86</b>	<b>\$15,732.86</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$15,732.86</b>

**NEW YORK YANKEES RENTAL CREDITS  
SCHEDULE OF DISALLOWANCES  
AUDIT PERIOD: 1/1/04 -3/31/04  
AUDIT # FN05-057A**

**ADCO ELECTRIC - LABOR HOURS**

Description of Disallowance	Amount Disallowed Per Draft Report	Amount Accepted by NYE	Amount Resubmitted by NYE	Add'l Amt. Accepted by City	Final Disallowance
1. Yankee Areas - Ticket Office	\$4,689.44	\$4,689.44	\$0.00	\$0.00	\$4,689.44
TOTAL	\$4,689.44	\$4,689.44	\$0.00	\$0.00	\$4,689.44

**NEW YORK YANKEES RENTAL CREDITS  
FOR VENDORS A-3 THROUGH A-6  
SCHEDULE OF DISALLOWANCES  
AUDIT PERIOD: 1/1/04 - 3/31/04  
AUDIT # FN05-057A**

Description of Disallowance	Amount Disallowed Per Draft Report	Amount Accepted by NYY	Amount Resubmitted by NYY	Add'l Amt. Accepted by City	Final Disallowance
<b>A-3 MIRANDA FUEL</b>					
1. Sales Tax	\$1,100.38	\$1,100.38	\$0.00	\$0.00	\$1,100.38
2. Gross Receipts Tax	\$430.00	\$430.00	\$0.00	\$0.00	\$430.00
<b>Total</b>	<b>\$1,530.38</b>	<b>\$1,530.38</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$1,530.38</b>
<b>A-4 BROWN &amp; SILVER</b>					
1. Not A City Cost (hoisters & bulbs)	\$112.00	\$112.00	\$0.00	\$0.00	\$112.00
<b>Total</b>	<b>\$112.00</b>	<b>\$112.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$112.00</b>
<b>A-5 STADIUM REPAIRS</b>					
1. Tools & Miscellaneous Items (keys, gloves, drain packs, closet, coverall suits, tubing cutters, brushes, first aid kit and signs)	\$1,775.28	\$1,775.28	\$0.00	\$0.00	\$1,775.28
2. Ace Elevator Game Standby (vandalism costs)	\$1,702.00	\$1,702.00	\$0.00	\$0.00	\$1,702.00
3. Sales Tax	\$399.39	\$399.39	\$0.00	\$0.00	\$399.39
<b>Total</b>	<b>\$3,876.67</b>	<b>\$3,876.67</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$3,876.67</b>
<b>A-6 OTHER EXPENSES</b>					
1. Not A City Cost (ceiling tiles, plywood, material disposal/recycling)	\$1,925.18	\$1,925.18	\$0.00	\$0.00	\$1,925.18
<b>Total</b>	<b>\$1,925.18</b>	<b>\$1,925.18</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$1,925.18</b>

# New York Yankees

ROBERT BROWN  
VICE PRESIDENT OF FINANCE



EXECUTIVE OFFICE  
YANKEE STADIUM  
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November 18, 2004

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

RE: Audit Report on the New York Yankees Rental Credits- 1st quarter 2004

Dear Mr. Rose:

In response to the draft report, the New York Yankees are accepting \$27,866.53 and rejecting \$00.00.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Robert Brown", written over a horizontal line.

Robert Brown

RB/jh

Cc: Lawrence Baum  
Yasmin Tejani