

AUDIT REPORT

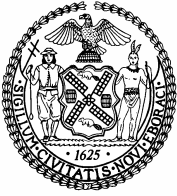


CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
BUREAU OF FINANCIAL AUDIT
WILLIAM C. THOMPSON, JR., COMPTROLLER

Audit Report on the Compliance of Alley Pond Golf Center, Inc., with Its License Agreement and Payment of Fees Due

FM07-099A

June 27, 2007



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 responsibilities of the Comptroller contained in Chapter 5, §93, of the New York City Charter, my office has audited the compliance of Alley Pond Golf Center, Inc., with its license agreement with the New York City Department of Parks and Recreation.

Under the provisions of the agreement, Alley Pond is required to pay the City fees based on reported gross receipts derived from the operation of a driving range, pro shop, and two miniature golf courses. We audit concessions such as this to ensure that private concerns under contract with the City comply with the terms of their agreements, properly report revenue, and pay all fees due the City.

The results of our audit, which are presented in this report, have been discussed with officials from Alley Pond and the Parks Department, and their comments have been considered in preparing this report. Their complete written responses are attached to 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 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/fh

Report: FM07-099A
Filed: June 27, 2007

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

**Audit Report on the Compliance of
Alley Pond Golf Center, Inc., with Its
License Agreement and Payment of Fees Due**

FM07-099A

AUDIT REPORT IN BRIEF

On September 14, 1994, the City of New York's Department of Parks and Recreation (Parks) and Orient Associates International, Inc., signed a 12-year license agreement to operate, maintain, and manage the Alley Pond driving range and miniature golf course at 232-01 Northern Boulevard in Queens. The agreement was subsequently assigned to the Family Golf Center, Inc., on December 4, 1996, and then to Spring Rock Golf Center, Inc., on February 28, 2001, which incorporated Alley Pond as a separate entity to manage and operate the concession.

The agreement requires Alley Pond to pay the City, the greater of either a \$1 million minimum annual fee or 45 percent of its gross receipts up to \$2 million and 50 percent of gross receipts exceeding \$2 million. Gross receipts from pro-shop merchandise sales are to be calculated separately and reported at 11.25 percent of the total received. Alley Pond is also required to pay the City a fixed fee of \$59,560 for 2005 and \$62,538 for 2006 for revenue derived from independent golf lesson instructors. In addition, Alley Pond is required to carry a \$1 million general liability insurance policy that names the City as an additional insured; maintain a \$250,000 security deposit with the City; and pay all required utility charges.

For operating years 2005 and 2006, Alley Pond reported total gross receipts of \$2,491,056 and \$2,408,352 and paid the City \$1,059,560 and \$1,062,538, respectively, for license fees. Since April 1, 2007, Alley Pond no longer manages or operates the facility, as a result of Parks's decision to select another concessionaire to manage and operate the facility.

The audit determined whether Alley Pond Golf Center, Inc., (Alley Pond) properly calculated gross receipts and license fees due the City, and paid these license fees on time; and complied with other major requirements of its license agreement (i.e., security deposit, insurance, utility charges).

Audit Findings and Conclusions

Alley Pond generally adhered to the provisions of its lease agreement with the City and had an adequate system of internal controls over its collection and reporting of gross receipts. In addition, Alley Pond maintained the required property and liability insurance, paid the required utility charges, and contributed \$250,000 as security deposit. Alley Pond also paid the required \$1 million minimum fee on time. Alley Pond properly calculated the amount of license fees due the City for 2006; however, it did not properly calculate the total amount of license fees due the City for operating year 2005.

Specifically, Alley Pond owes the City an additional \$13,016 in fees and penalties. The license agreement requires Alley Pond to pay annually the greater of a \$1 million fee or a percentage of gross receipts derived from concession operations. For operating year 2005, the percentage of gross receipts exceeded the \$1 million minimum fee by \$10,579. Moreover, we calculated that Alley Pond owes the City \$2,437 in penalties for failing to make the required outstanding payment on time. Therefore, the total amount due the City is \$13,016 (i.e., \$10,579 plus \$2,437).

Finally, although Parks is responsible for administering the Alley Pond agreement, it did not register the agreement and subsequent assignments with the Comptroller's Office as required by City regulations. Since the assignments involved a change in ownership, Parks should have submitted the assignments to the Comptroller's Office for registration when each assignment was promulgated to provide for an independent assessment of the golf centers change of management, thereby also providing accountability for the City's responsibilities as they relate to concession agreements.

Audit Recommendations

We recommend that:

1. Alley Pond pay the City \$13,016 in additional fees and penalties.
2. Parks ensure that Alley Pond pays the City \$13,016 in additional license fees and penalties. If Alley Pond fails to make payment, Parks should use a portion of Alley Pond's security deposit to satisfy the amount due.
3. Parks should ensure that all agreements and related assignments are submitted to the Comptroller's Office for registration.

INTRODUCTION

Background

On September 14, 1994, Parks and Orient Associates International, Inc., signed a 12-year license agreement to operate, maintain, and manage the Alley Pond driving range and miniature golf course at 232-01 Northern Boulevard in Queens.¹ The agreement was subsequently assigned to the Family Golf Center, Inc., on December 4, 1996, and then to Spring Rock Golf Center, Inc., on February 28, 2001, which incorporated Alley Pond as a separate entity to manage and operate the concession.²

The concession consists of a driving range, two miniature golf courses, pro shop, snack bar, and vending machines. Parks is responsible for monitoring the terms of the license agreement. Those terms require Alley Pond to pay the City, from 2000 to 2006, the greater of either a \$1 million minimum annual fee or 45 percent of its gross receipts up to \$2 million and 50 percent of gross receipts exceeding \$2 million. Gross receipts from pro-shop merchandise sales are to be calculated separately and reported at 11.25 percent of the total received. According to the agreement, gross receipts include all fees received from the driving range, club rentals, club repairs, miniature golf, merchandise sales, foods and beverages, or services and orders of any kind, placed or made directly or indirectly at the premises.

Regarding gross receipts for golf lessons, the agreement was amended on September 26, 2001, to permit Alley Pond to exclude from gross receipts the sales of golf lessons provided by subcontractors or sublicensees, or by instructors functioning as independent contractors. The amendment further required Alley Pond to pay the City a fixed fee of \$59,560 for 2005 and \$62,538 for 2006 for revenue derived from independent golf lesson instructors.

Minimum annual fees owed the City for each operating year are paid in 12 equal installments that are due by the first of each month.³ Additional fees resulting from the applicable percentage of gross revenues are due 45 days after the end of each operating year. A monthly two percent penalty is charged for amounts 15 days overdue. In addition, Alley Pond is required to:

- provide proper insurance, including a \$1 million general liability insurance policy, naming the City as an additional insured;
- maintain a \$250,000 security deposit (in cash or negotiable instruments) with the City; and

¹ The 12-year license agreement concluded on December 31, 2006, the end of our audit scope. Subsequently, the concession operated on a month-to-month basis as Parks evaluated bid proposals to select a new concessionaire. On February 13, 2007, Alley Pond was notified by Parks that it had selected another vendor's proposal for the concession, whose term commenced on April 1, 2007.

² Alley Pond's certificate of incorporation was filed on August 13, 2001.

³ Alley Pond's operating year is January 1 through December 31.

- pay all required taxes, utilities, including water and sewer, and gas and electric charges.

Alley Pond reported total gross receipts of \$2,491,056 and \$2,408,352 for operating years 2005 and 2006 and paid to the City \$1,059,560 and \$1,062,538 respectively for license fees. Alley Pond will no longer manage and operate the facility after March 31, 2007, as a result of Parks's decision to select another vendor as concessionaire. Table I below, summarizes Alley Pond's fees paid as required by the lease agreement.

Table I

Alley Pond Golf Center, Inc.,
Total Fees Paid to the City
Operating Year 2005 and 2006

	2005	2006
Driving Range and all other receipts ^a	\$2,142,801	\$2,117,647
Pro-shop Receipts	348,255	290,705
Total Gross Receipts	\$2,491,056	\$2,408,352
Percentage of Driving Range and other receipts ^b	971,400	958,823
Percentage of Pro-shop receipts (11.25%)	39,179	32,704
Total gross receipts due	1,010,579	991,527
<i>(plus)</i> Fixed annual lesson fee	59,560	62,538
Total fees owed	\$1,070,139	\$1,054,065
<i>(less)</i> Total fees paid	(1,059,560)	(1,062,538)
Additional fees due the City	\$ 10,579	\$ 0

a Other receipts include club rentals, club repairs, miniature golf, foods and beverages, or other miscellaneous income.

b For 2005: 45% of receipts of up to \$2 million is \$900,000 and 50% of receipts exceeding \$2 million is \$71,400.

For 2006: 45% of receipts of up to \$2 million is \$900,000 and 50% of receipts exceeding \$2 million is \$58,823.

Objectives

Our audit objectives were to determine whether Alley Pond:

- properly calculated gross receipts and license fees due the City, and paid these license fees on time; and
- complied with other major requirements of its license agreement (i.e., security deposit, insurance, utility charges).

Scope and Methodology

The scope period of the audit was January 1, 2005, through December 31, 2006. To conduct a test of inventory, we extended our scope to February 2007.

To achieve our audit objectives, we reviewed the original license agreement between Parks and Orient Associates International, including subsequent assignments, amendments, and sublicense agreements. We also reviewed correspondence, revenue payments, revenue reports, and other relevant documents. As a basis for our audit, we abstracted the pertinent terms and conditions of the license agreement. We also reviewed and analyzed the Parks concessionaire ledger to ascertain the fees paid to the City and the timeliness of those payments.

We obtained an understanding of Alley Pond's internal controls for operational activities and revenue functions by interviewing Alley Pond's director and bookkeeper. We also interviewed Alley Pond's site manager to understand opening and closing procedures, deposit process, and reports generated from Alley Pond's integrated business system's point-of-sale (POS) process. To assess the organization's controls over revenue and obtain an understanding of the services offered, we conducted unannounced observations of the facility on November 5 and 7, 2006. We performed a walk-through of the facility on November 27, 2006, and observed Alley Pond's POS system at the front desk and the pro-shop area. We also toured the driving range and two miniature golf courses and observed how driving range sales were recorded, and how the golf ball dispensers operate. We documented our understanding of Alley Pond's operations through written narratives and a flowchart.

To ascertain the total number of independent golf instructors or contractors and the license fee amounts that Alley Pond charged the contractors, we obtained and reviewed the sublicense agreements for all golf-pros who provide golf lessons at the concession. To be sure that we received a sublicense agreement from each golf-pro, we compared the names of the golf-pros listed on Alley Pond's Web site to the sublicense agreements received, and to the golf pro flyers obtained during our unannounced observations. We contacted by telephone any golf pros listed on the Web site for whom we did not receive a sublicense agreement. We reviewed Alley Pond's bank deposits to determine whether each golf pro submitted the appropriate license fee amount as indicated in their sublicense agreements.

To understand Alley Pond's POS system and to obtain financial data to assess its reliability, our information technology and financial auditors visited the concession and met with Alley Pond's site manager on December 7, 2006. The manager authorized our information technology auditor to print various types of reports generated from Alley Pond's POS system. To ascertain the accuracy and completeness of the system, we judgmentally selected the month with the highest revenue reported for operating year 2005 (July), which totaled \$301,496—12 percent of the \$2.49 million in reported receipts—and traced the daily Z-summary (the daily summary of revenue generated at facility) amounts to those in the general ledger and compared the total of those amounts to the total revenue reported to Parks for that month. The results of our test, while not projectable to the gross receipts reported for both years, provided us reasonable assurance that the gross receipt transactions reported in the system were reliable.

To determine whether we could rely on the automatic counter for the golf ball dispensers, we recorded the machine readings on November 27, 2006, and December 7, 2006. Using the difference between the meter readings for the two days, we were able to estimate the total number of driving range users for this particular period. We then compared our estimate to the sales-by-account report (which indicates the number of driving range users).

To determine whether the pro-shop inventory reports generated from Alley Pond's POS system were reliable, we randomly selected 24 of a total of 342 items from the inventory-on-hand report for January 4, 2007, using an interval random sampling selection. To test the existence of the 24 items, we traced the inventory-on-hand report for January 4, 2007, to the physical inventory; to test for completeness of the inventory report, we randomly selected 26 items from the physical inventory and compared them to the inventory-on-hand report.

To determine whether Alley Pond deposited the total amount of gross receipts collected for operating year 2005, we judgmentally selected the month with the highest gross receipts (July) and traced the deposits for the month from the POS-system-generated deposit summary report, daily sales report, and cash expense report, to the bank statements. Although we found only minor discrepancies (approximately \$100), we decided to expand the test by reviewing the deposits for a more current period to ascertain whether similar discrepancies were occurring.⁴ Therefore, we judgmentally selected the third quarter of operating year 2006 (July, August, September), the quarter with the greatest amount of gross receipts, with a total of \$800,582—33 percent of the \$2.41 million in reported receipts—and compared the documentation used to prepare the deposits (daily Z-summary, deposit spreadsheet, deposit pick-up ticket) to the bank statements and the monthly statement of gross receipts submitted to Parks.⁵ The results of our test, while not projectable to the gross receipts deposited for the year, provided us reasonable assurance that the total receipts collected were deposited.

To identify unreported transactions, we reconciled the monthly statement of gross receipts submitted to Parks to the general ledger for operating years 2005 and 2006; we also compared the monthly statement of gross receipts to Alley Pond's year-end financial statements for operating year 2005.⁶ We also compared the sales revenue indicated on the statement of income and retained earnings reported to Parks to Alley Pond's federal and state tax forms (federal form 1120S and NYS CT-4-S). To check the payment of appropriate sales tax amounts, we reviewed Alley Pond's sales tax returns for calendar years 2005 and 2006.⁷

⁴ Supporting documentation to explain the discrepancy could not be provided as they had been destroyed by a flood in the storage area.

⁵ A deposit pick-up ticket is a receipt completed by the armored service vendor identifying the total amount received for deposit.

⁶ This test could not be performed for operating year 2006 since our fieldwork ended prior to the preparation of the 2006 financial statements.

⁷ Alley Pond files its sales tax form for the period December to February; therefore, our test of sales tax included the period December 1, 2004, to November 30, 2006.

To calculate the ending inventory for 2006, we used the “statistical sampling system” (SSS) to randomly select 25 of 764 items from the 2005 year-end inventory count report (as our beginning inventory), and added the total of the purchases processed in 2006 for each of the 25 selected items. We then deducted the total quantity of each of the sampled items sold during 2006, by using the sales-by-account-code report—which indicates the total items sold. Using this information, we then compared our results to Alley Pond’s ending 2006 inventory report. In addition, we revisited the facility on February 22, 2007, and obtained the inventory-on-hand report for that particular day. For those 25 items in our sample, we determined whether the quantity stated in the report matched the physical inventory in the pro shop.

To determine whether Alley Pond accurately reported the revenue collected from its vending machines, we contacted the vending machine vendor for the most recent time period (i.e., 2006) and inquired about its arrangement with Alley Pond.⁸ We then obtained the vending machine collection reports signed by the vendor and compared this amount to the amount reported on the general ledger.

To assess whether gift certificate receipts are reported accurately, we reviewed the gift certificates issued in 2005 to check whether they were prenumbered and issued sequentially, and to search for any gaps in the number sequence.⁹ In addition, using SSS, we randomly selected 25 of 220 gift certificates issued in 2005 to identify gift certificates that remained outstanding one year from the date purchased. We then prepared an analysis of the purchase date and amount, date and amount redeemed, and balance remaining.

Finally, we determined whether Alley Pond complied with certain major non-revenue requirements of its license agreement, such as whether it had the proper types and amounts of insurance naming the City as an additional insured; maintained the proper security deposit; and paid its utility charges (water and sewer, gas, and electricity).

This audit was conducted in accordance with generally accepted government auditing standards (GAGAS) and included tests of records and other auditing 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 Alley Pond and Parks officials during and at the conclusion of this audit. A preliminary draft report was sent to Alley Pond and Parks officials and discussed at an exit conference held on May 24, 2007. On May 30, 2007, we submitted a draft report to these officials with a request for comments. Written responses were received from Parks on June 5, 2007, and from Alley Pond on June 11, 2007.

⁸ Neither Alley Pond nor the vendor had a contract specifying the terms and provisions of their contractual relationship.

⁹ We reviewed gift certificates issued in 2005 because gift certificates are valid for one year from the date of purchase.

In their response, Alley Pond officials stated that a check in the amount of \$13,016 was sent to Parks on June 11, 2007, as recommended. In its response, Parks stated that it agreed with the audit's recommendations and that procedures have been implemented to comply with the recommendation that all agreements and related assignments be submitted to the Comptroller's Office for registration.

The full texts of the responses are included as addenda to this report.

FINDINGS

Alley Pond generally adhered to the provisions of its lease agreement with the City and had an adequate system of internal controls over its collection and reporting of gross receipts. In addition, Alley Pond maintained the required property and liability insurance, paid the required utility charges, and contributed \$250,000 as security deposit. Furthermore, Alley Pond paid the required \$1 million minimum fee on time.

Alley Pond properly calculated the amount of license fees due the City for 2006; however, it did not properly calculate the total amount of license fees due the City for operating year 2005. As a result, Alley Pond owes the City an additional \$13,016 in fees and penalties.

Finally, although Parks is responsible for administering the Alley Pond agreement, it did not register the agreement and subsequent assignments with the Comptroller's Office as required by City regulations.

\$13,016 in Additional Fees and Charges Due the City

Alley Pond did not properly calculate the amount of license fees due the City for operating year 2005, for which the percentage of gross receipts exceeded the \$1 million minimum fee by \$10,579. The license agreement requires Alley Pond to pay annually the greater of a \$1 million fee or a percentage of gross receipts derived from concession operations. Specifically, Article IV, §4.2, of the agreement states, "Any additional amount resulting from the applicable percentage of Gross Receipts shall become due and payable 45 days after the end of each Operating Year." Accordingly, Alley Pond owes the City an additional fee of \$10,579, as shown in Table II, below.

Table II

Alley Pond Golf Center, Inc.,
Percentage of Gross Receipts Due
January 1, 2005, to December 31, 2005

Total Gross Receipts (exclusive of pro-shop receipts)	\$ 2,142,801
Fees Due:	
45% of Gross Receipts <i>up to</i> \$2 million (45% * \$2 million)	\$ 900,000
50% of Gross Receipts <i>exceeding</i> \$2 million (50% * \$142,801)	71,400
Total Fees as a percentage of gross receipts	\$ 971,400
(<i>plus</i>) Fees due from Pro-Shop Gross Receipts (\$348,255 * 11.25%)	39,179
Total Fees Due Parks	\$ 1,010,579
(<i>less</i>) Total Fees Paid	\$(1,000,000)
Additional Fees Due the City	\$ 10,579

Moreover, we calculated that Alley Pond owes the City \$2,437 in penalties for failing to make the required outstanding payment on time. (See Appendix for details.) Article XXXV of the license agreement states, “In the event that payment of license fees, percentage fees or other charges shall become overdue for fifteen (15) days beyond the date on which it is due and payable as provided in this license, a late charge of two percent (2%) per month (computed on a thirty (30) day month) from the date it was due and payable on the sums so overdue shall become immediately due.” Therefore, the total amount due the City is \$13,016 (i.e., \$10,579 plus \$2,437).

Other Issue

Although the original license agreement was between Orient Associates International, Inc., and Parks, the agreement was not registered with the Comptroller’s Office as required by City regulations. New York City Charter Chapter 13, §328, states, “No contract or agreement executed pursuant to this charter or other law shall be implemented until (1) a copy has been filed with the comptroller and (2) either the comptroller has registered it or thirty days have elapsed from the date of filing, whichever is sooner.”

Moreover, subsequently on December 4, 1996, and February 28, 2001, respectively, the agreement was assigned to the Family Golf Center, Inc., and to Spring Rock Golf Center, Inc.. Likewise, the two assignments were also not registered with the Comptroller’s Office. Since each of these assignments involved a change in ownership, Parks should have submitted these assignments to the Comptroller’s Office for registration when each assignment was promulgated to provide for an independent assessment of the golf centers change of management, thereby also providing accountability for the City’s responsibilities as they relate to concession agreements.

RECOMMENDATIONS

We recommend that:

1. Alley Pond pay the City \$13,016 in additional fees and penalties.

Alley Ponds Response: “Alley Pond Golf Center, Inc. has mailed a check#1879, sum of amount \$13,016.00 on 06/11/07 to NYC Parks & Recreation.”

2. Parks ensure that Alley Pond pays the City \$13,016 in additional license fees and penalties. If Alley Pond fails to make payment, Parks should use a portion of Alley Pond’s security deposit to satisfy the amount due.

Parks Response: “DPR has issued the attached ‘Notice To Cure’ (‘NTC’) to Alley Pond requiring that Alley Pond pay \$13,016 as required under **Recommendation 1** [Emphasis in original]. If the outstanding balance is not paid, Parks will recover the amount due from Alley Pond’s security deposit.”

Auditor Comment: Subsequently, we received notification from Parks indicating that it has received a check for the full audit assessment in the amount of \$13,016.

3. Parks should ensure that all agreements and related assignments are submitted to the Comptroller’s Office for registration.

Parks Response: “Procedures have been implemented to ensure Parks’ compliance with Recommendation 3.”

APPENDIX

Alley Pond Golf Center, Inc.
Schedule of Late Charges

Due Date	License Fees Due	Accumulated Balance Due	Period		Rate	Late Charge
			From	To		
2/14/2006	\$ 10,579.00	\$10,579.00	2/15/2006	2/28/2006	2.00%	\$98.74
		10,677.74	3/1/2006	3/31/2006	2.00%	213.55
		10,891.29	4/1/2006	4/30/2006	2.00%	217.83
		11,109.12	5/1/2006	5/31/2006	2.00%	222.18
		11,331.30	6/1/2006	6/30/2006	2.00%	226.63
		11,557.93	7/1/2006	7/31/2006	2.00%	231.16
		11,789.08	8/1/2006	8/31/2006	2.00%	235.78
		12,024.87	9/1/2006	9/30/2006	2.00%	240.50
		12,265.36	10/1/2006	10/31/2006	2.00%	245.31
		12,510.67	11/1/2006	11/30/2006	2.00%	250.21
		12,760.88	12/1/2006	12/31/2006	2.00%	255.22
Total Late Charges Due						\$2,437.10

ALLEY POND GOLF CENTER

C/O BOGOPA SERVICE CORP
BROOKLYN, NEW YORK, 11208
(718) 346-6500
FAX (718) 257-7809

June 11, 2007

The City of New York
Office of the Comptroller
Executive Offices
1 Centre Street
New York, NY 10007-2341

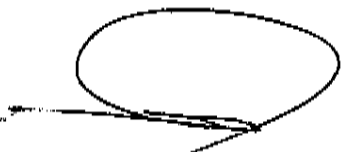
**Re: Responding on Audit Report on the Compliance of Alley Pond Golf Center,
Inc., with Its License Agreement and Payment of Fees Due
FM07-099A**

Dear Mr. John Graham :

Please be advised that as you recommend, Alley Pond Golf Center, Inc. has mailed a check#1879, sum of amount \$13,016.00 on 06/11/07 to NYC Parks & Recreation.

If you have any further questions regarding this matter, please contact me at the number above.

Very truly yours,



Kyo Hwang,
Director of Golf



City of New York
Parks & Recreation

Adrian Benepe
Commissioner

The Arsenal
Central Park
New York, New York 10021

Joanne G. Imohiosen
Assistant Commissioner
Revenue

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joanne.imohiosen@parks.nyc.gov

June 5, 2007

BY FAX AND MAIL

Mr. John Graham
Deputy Comptroller
The City of New York
Office of the Comptroller
Executive Offices
1 Centre Street
New York, NY 10007

Re: **NOTICE TO CURE**

**Comptroller's Draft Audit Report on Alley Pond Golf Center, Inc.
January 1, 2005 through December 31, 2006 No. FM07-099A, Dated May 30,
2007**

Dear Mr. Graham:

This letter represents the Parks Department's ("Parks"), response to the recommendations contained in the subject audit of Alley Pond Golf Center, Inc. ("Alley Pond").

DPR has issued the attached "Notice To Cure" ("NTC") to Alley Pond requiring that Alley Pond pay \$13,016 as required under **Recommendation 1.**

Recommendation 2. states that Parks should, "ensure that Alley Pond pays the City \$13,016 in additional license fees and penalties. If Alley Pond fails to make payment, Parks should use a portion of Alley Pond's security deposit to satisfy the amount due." Recommendation 2 has been addressed by Parks' issuance of the above mentioned NTC to Alley Pond. If the outstanding balance is not paid, Parks will recover the amount due from Alley Pond's security deposit.

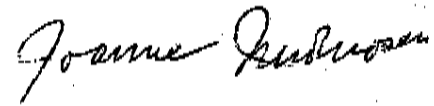
John Graham
June 5, 2007
Page 2

Recommendation 3. states that Parks should, "ensure that all agreements and related assignments are submitted to the Comptroller's Office for registration."

Procedures have been implemented to ensure Parks' compliance with Recommendation 3.

Finally, we wish to thank the Comptroller's audit staff for their work and efforts in performing this review.

Sincerely,



Joanne Imohiosen

cc: Comm. Adrian Benepe
Laura Goebel
Alessandro Olivieri
Walter Roberts
David Stark
Jeffrey Kay, Mayor's Office of Operations



City of New York
Parks & Recreation

Adrian Benepe
Commissioner

The Arsenal
Central Park
New York, New York 10021

Joanne G. Imohiosen
Assistant Commissioner
Revenue

(212) 360-3404
joanne.imohiosen@parks.nyc.gov

June 4, 2007

BY FAX AND MAIL

Mr. Francis An
President, Spring Rock Golf Center, Inc.
377 Denton Avenue
New Hyde Park, NY 11040

Re: **NOTICE TO CURE**

**Comptroller's Draft Audit Report on Alley Pond Golf Center, Inc.
January 1, 2005 through December 31, 2006 No. FM07-099A, Dated May 30,
2007**

Dear Mr. An:

This letter addresses the findings and recommendations contained in the subject draft audit report on Alley Pond Golf Center, Inc. ("Alley Pond"). Alley Pond generally adhered to the provisions of its license agreement and had an adequate system of internal controls over its collection and reporting of gross receipts. In addition, Alley Pond maintained the required property and liability insurance, paid the required utility charges, and submitted a \$250,000 security deposit. However, the auditors found that Alley Pond did not properly calculate the amount of license fees due the City for operating year 2005 and as a result owes an additional \$13,016 in fees and penalties.

The audit report recommends that Alley Pond pay the City \$13,016 in additional fees and penalties (**Recommendation 1**).

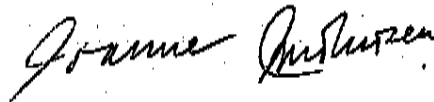
The license agreement requires Alley Pond to pay annually the greater of a \$1 million fee or a percentage of gross receipts derived from concession operations. For operating year 2005, the calculated percentage of gross receipts exceeded the \$1 million minimum fee by \$10,579. Furthermore, in accordance with Article XXXV of Alley Pond's license agreement, late payment penalties totaling \$2,437 are payable. Therefore, the total amount due the City is \$13,016.

Francis An
June 4, 2007
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To resolve this deficiency Alley Pond should remit a check to this office for \$13,016, made payable to the City of New York Parks and Recreation within fifteen days from the date of this notice.

Finally, we wish to thank Alley Pond for its cooperation during the audit review and anticipate your prompt payment regarding the above recommendation.

Sincerely,



Joanne Imohiosen

cc: R. Lieberman
L. Goebel
W. Roberts

cc: V. Slesarenko
P. Pierce